PLDT

May 12, 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 three (3) months ended March 31, 2017.

Very truly yours,

MA. LOURDES C. RAUSA-CHAN
Corporate Secretary

PLDT General Office P.O. Box 2148 Makati City, Philippines

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)

March 31, 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
1 7 - Q	**M S R D**	

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
11,767 as at March 31, 2017	**Every 2nd Tuesday in June**	**December 31**

CONTACT PERSON INFORMATION

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

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

Contact Person's Address

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

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **March 31, 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 March 31, 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 SRC during the preceding ten months (or for such shorter period that the registrant was required to file such reports):

Yes [**X**] No [ ]

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

Yes [**X**] No [ ]

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PART I – FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

Our consolidated financial statements as at March 31, 2017 (unaudited) and December 31, 2016 (audited) and for the three months ended March 31, 2017 and 2016 (unaudited) and related notes (pages F-1 to F-145) 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 Php50.22 to US$1.00, the exchange rate as at March 31, 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, actual results may differ materially from any forward-looking statement made in this report or elsewhere might not occur.

Financial Highlights and Key Performance Indicators

	Three months ended March 31,		Increase (Decrease)	
	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	Php39,188	Php42,779	(Php3,591)	(8)
Expenses	30,476	33,603	(3,127)	(9)
Other expenses	(1,456)	(214)	(1,242)	580
Income before income tax	7,256	8,962	(1,706)	(19)
Net income	4,969	6,233	(1,264)	(20)
Core income	5,329	7,211	(1,882)	(26)
EBITDA	16,467	16,606	(139)	(1)
EBITDA margin[(1)]	44%	41%	–	–
Reported earnings per common share:				
Basic	22.84	28.71	(5.87)	(20)
Diluted	22.84	28.71	(5.87)	(20)
Core earnings per common share[(2)]:				
Basic	24.60	33.31	(8.71)	(26)
Diluted	24.60	33.31	(8.71)	(26)

	March 31,	December 31,	Increase (Decrease)	
	2017	2016	Amount	%
Consolidated Statements of Financial Position				
Total assets	Php467,456	Php475,119	(Php7,663)	(2)
Property and equipment	197,306	203,188	(5,882)	(3)
Cash and cash equivalents and short-term investments	39,953	41,460	(1,507)	(4)
Total equity attributable to equity holders of PLDT	109,954	108,175	1,779	2
Long-term debt, including current portion	175,147	185,032	(9,885)	(5)
Net debt[(3)] to equity ratio	1.23x	1.33x	–	–

	Three months ended March 31,		Increase (Decrease)	
	2017	2016	Amount	%
Consolidated Statements of Cash Flows				
Net cash provided by operating activities	Php15,131	Php17,780	(Php2,649)	(15)
Net cash used in investing activities	(9,681)	(15,180)	5,499	*(36)*
Capital expenditures	*1,770*	*14,570*	*(12,800)*	*(88)*
Net cash used in financing activities	(12,756)	(3,163)	(9,593)	303
Operational Data				
Number of mobile subscribers	63,142,478	68,190,230	(5,047,752)	(7)
Prepaid	60,421,068	64,651,175	(4,230,107)	(7)
Postpaid	2,721,410	3,539,055	(817,645)	(23)
Number of broadband subscribers	1,770,805	1,545,077	225,728	15
Fixed Line broadband	1,506,578	1,296,402	210,176	16
Wireless home broadband	264,227	248,675	15,552	6
Number of fixed line subscribers	2,487,601	2,339,001	148,600	6
Number of employees:	17,885	17,042	843	5
Fixed Line	*10,667*	*9,835*	*832*	*8*
LEC	*7,263*	*7,060*	*203*	*3*
Others	*3,404*	*2,775*	*629*	*23*
Wireless	*7,218*	*7,207*	*11*	–

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

Exchange Rates – per US$	Month end rates	Weighted average rates during the year
March 31, 2017	Php50.22	Php50.01
December 31, 2016	49.77	47.48
March 31, 2016	45.99	47.26
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 Digital 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., SBI, 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, PLDT Digital Investments Pte. Ltd., or PLDT Digital, and its subsidiary, our investment companies.

As at March 31, 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 three months ended March 31, 2017 and 2016 are set forth below.

The following table shows the reconciliation of our consolidated EBITDA to our consolidated net income for the three months ended March 31, 2017 and 2016:

	2017	2016
	(in millions)	
Consolidated EBITDA	Php16,467	Php16,606
Add (deduct) adjustments:		
Depreciation and amortization	(7,550)	(7,158)
Provision for income tax	(2,287)	(2,729)
Financing costs – net	(1,900)	(1,804)
Foreign exchange gains (losses) – net	(397)	970
Amortization of intangible assets	(205)	(272)
Interest income	309	255
Gains (losses) on derivative financial instruments – net	282	(497)
Equity share in net earnings of associates and joint ventures	193	637
Other income – net	57	225
Total adjustments	(11,498)	(10,373)
Consolidated net income	Php4,969	Php6,233

The following table shows the reconciliation of our consolidated core income to our consolidated net income for the three months ended March 31, 2017 and 2016:

	2017	2016
	(in millions)	
Consolidated core income	Php5,329	Php7,211
Add (deduct) adjustments:		
Foreign exchange gains (losses) – net	(397)	970
Asset impairment	(339)	(1,583)
Core income adjustment on equity share in net losses of associates and joint ventures	19	42
Net income attributable to noncontrolling interests	18	16
Gains (losses) on derivative financial instruments – net, excluding hedge costs	386	(369)
Net tax effect of aforementioned adjustments	(47)	(54)
Total adjustments	(360)	(978)
Consolidated net income	Php4,969	Php6,233

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, net income (loss), EBITDA, EBITDA margin and core income for the three months ended March 31, 2017 and 2016. In each of the three months ended March 31, 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), 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 three months ended March 31, 2017					
Revenues	Php23,162	Php19,049	Php–	(Php3,023)	Php39,188
Expenses	19,488	14,372	18	(3,402)	30,476
Other expenses	(363)	(293)	(421)	(379)	(1,456)
Income (loss) before income tax	3,311	4,384	(439)	–	7,256
Provision for income tax	1,081	1,175	31	–	2,287
Net income (loss)/Segment profit (loss)	2,230	3,209	(470)	–	4,969
EBITDA	8,309	7,797	(18)	379	16,467
EBITDA margin[(1)]	37%	43%	–	–	44%
Core income	2,298	2,856	175	–	5,329
For the three months ended March 31, 2016					
Revenues	27,931	17,935	–	(3,087)	42,779
Expenses	22,576	14,460	15	(3,448)	33,603
Other income (expenses)	622	139	(614)	(361)	(214)
Income (loss) before income tax	5,977	3,614	(629)	–	8,962
Provision for (Beneift from) income tax	1,702	1,065	(38)	–	2,729
Net income (loss)/Segment profit (loss)	4,275	2,549	(591)	–	6,233
EBITDA	9,629	6,631	(15)	361	16,606
EBITDA margin[(1)]	36%	39%	–	–	41%
Core income	3,895	2,648	668	–	7,211
Increase (Decrease)					
Revenues	(4,769)	1,114	–	64	(3,591)
Expenses	(3,088)	(88)	3	46	(3,127)
Other income (expenses)	(985)	(432)	193	(18)	(1,242)
Income (loss) before income tax	(2,666)	770	190	–	(1,706)
Provision for (Benefit from) income tax	(621)	110	69	–	(442)
Net income (loss)/Segment profit (loss)	(2,045)	660	121	–	(1,264)
EBITDA	(1,320)	1,166	(3)	18	(139)
Core income	(1,597)	208	(493)	–	(1,882)

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

On a Consolidated Basis

Revenues

We reported consolidated revenues of Php39,188 million in the first three months of 2017, a decrease of Php3,591 million, or 8%, as compared with Php42,779 million in the same period in 2016, primarily due to the combined effects of the following: (i) lower revenues from mobile, home broadband and MVNO and other services, partially offset by higher digital platforms and mobile financial services from our wireless business; (ii) lower revenues from voice services, partially offset by higher corporate data and leased lines, and miscellaneous revenues 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 three months ended March 31, 2017 and 2016:

	Wireless	Fixed Line	Inter-segment Transactions	Consolidated
		(in millions)		
For the three months ended March 31, 2017				
Service Revenues				
Wireless	*Php22,475*		*(Php330)*	*Php22,145*
Mobile	21,387		(318)	21,069
Home Broadband	655		(3)	652
Digital platforms and mobile financial services	318		(9)	309
MVNO and others	115		–	115
Fixed Line		*Php18,249*	*(2,693)*	*15,556*
Voice		7,220	(908)	6,312
Data		10,574	(1,549)	9,025
Home broadband		4,134	(60)	4,074
Corporate data and leased lines		5,622	(1,289)	4,333
Data Center and IT		818	(200)	618
Miscellaneous		455	(236)	219
Total Service Revenues	22,475	18,249	(3,023)	37,701
Non-Service Revenues				
Sale of computers, cellular handsets and SIM-packs	687	589	–	1,276
Point-product sales	–	211	–	211
Total Non-Service Revenues	687	800	–	1,487
Total Revenues	23,162	19,049	(3,023)	39,188
For the three months ended March 31, 2016				
Service Revenues				
Wireless	*26,670*		*(359)*	*26,311*
Mobile	25,657		(352)	25,305
Home Broadband	683		(4)	679
Digital platforms and mobile financial services	134		(1)	133
MVNO and others	196		(2)	194
Fixed Line		*17,015*	*(2,728)*	*14,287*
Voice		7,501	(1,084)	6,417
Data		9,110	(1,460)	7,650
Home broadband		3,434	(21)	3,413
Corporate data and leased lines		4,938	(1,260)	3,678
Data Center and IT		738	(179)	559
Miscellaneous		404	(184)	220
Total Service Revenues	26,670	17,015	(3,087)	40,598
Non-Service Revenues				
Sale of computers, cellular handsets and SIM-packs	1,261	760	–	2,021
Point-product sales	–	160	–	160
Total Non-Service Revenues	1,261	920	–	2,181
Total Revenues	Php27,931	Php17,935	(Php3,087)	Php42,779

The following table shows the breakdown of our consolidated revenues by business segment for the three months ended March 31, 2017 and 2016:

	2017	%	2016	%	Change Amount	Change %
			(in millions)			
Wireless	Php23,162	59	Php27,931	65	(Php4,769)	(17)
Fixed line	19,049	49	17,935	42	1,114	6
Inter-segment transactions	(3,023)	(8)	(3,087)	(7)	64	(2)
Consolidated	Php39,188	100	Php42,779	100	(3,591)	(8)

Expenses

Consolidated expenses decreased by Php3,127 million, or 9%, to Php30,476 million in the first three months of 2017 from Php33,603 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 repairs and maintenance, taxes and licenses, interconnection costs, selling and promotions, and other operating expenses, partially offset by higher expenses related to professional and other contracted services, compensation and employee benefits, cost of content 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 three months ended March 31, 2017 and 2016:

					Change	
	2017	%	2016	%	Amount	%
			(in millions)			
Wireless	Php19,488	64	Php22,576	67	(Php3,088)	(14)
Fixed line	14,372	47	14,460	43	(88)	(1)
Others	18	–	15	–	3	20
Inter-segment transactions	(3,402)	(11)	(3,448)	(10)	46	(1)
Consolidated	Php30,476	100	Php33,603	100	(Php3,127)	(9)

Other Expenses

Consolidated other expenses amounted to Php1,456 million in the first three months of 2017, an increase of Php1,242 million from Php214 million in the same period in 2016, primarily due to the combined effects of the following: (i) foreign exchange losses of Php397 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 Php50.22 as at March 31, 2017 from Php49.77 as at December 31, 2016 as against foreign exchange gains of Php970 million due to an appreciation of the Philippine peso relative to the U.S. dollar to Php45.99 as at March 31, 2016 from Php47.12 as at December 31, 2015; (ii) a decrease in equity share in net earnings of associates by Php444 million due to lower share in net earnings of Beacon Electric Asset Holdings, Inc., or Beacon, and Asia Outsourcing Beta Limited, or Beta, higher share in net losses of AF Payments, Inc., or AFPI, and share in net losses of Vega Telecom, Inc. or VTI, for the three months ended March 31, 2017, partly offset by lower share in net losses of Cignal TV, Inc., or Cignal TV, and higher share in net earnings of Hastings Holdings, Inc., or Hastings; (iii) lower other income by Php168 million, primarily due to lower gains on sale of properties, partly offset by lower impairment on the Rocket investment; (iv) higher net financing costs by Php96 million due to higher loan principal amount, higher weighted average interest rate, higher weighted average exchange rate of the Philippine peso relative to the U.S. dollar and higher financing charges, partly offset by higher capitalized interest; (v) higher interest income by Php54 million due to higher principal amount of temporary cash investments and the higher weighted average exchange rate of the Philippine peso relative to the U.S. dollar, partly offset by lower weighted average interest rates; and (vi) gain on derivative financial instruments of Php282 million for the three months ended March 31, 2017 as against losses on derivative financial instruments of Php497 million in the same period in 2016 on account of mark-to-market gain on foreign exchange derivatives as a result of the peso depreciation for the three months ended March 31, 2017, and wider dollar and peso interest rate differentials.

The following table shows the breakdown of our consolidated other income (expenses) by business segment for the three months ended March 31, 2017 and 2016:

			Change	
	2017	2016	Amount	%
		(in millions)		
Wireless	(Php363)	Php622	(Php985)	(158)
Fixed line	(293)	139	(432)	(311)
Others	(421)	(614)	193	(31)
Inter-segment transactions	(379)	(361)	(18)	5
Consolidated	(Php1,456)	(Php214)	(Php1,242)	580

Net Income

Consolidated net income decreased by Php1,264 million, or 20%, to Php4,969 million in the first three months of 2017, from Php6,233 million in the same period in 2016. The decrease was mainly due to the combined effects of the following: (i) lower consolidated revenues by Php3,591 million; (ii) higher consolidated other expenses – net by Php1,242 million; (iii) lower consolidated provision for income tax by Php442 million; and (iv) lower consolidated expenses by Php3,127 million. Our consolidated basic and diluted EPS decreased to Php22.84 for the three months ended March 31, 2017 from consolidated basic and diluted EPS of Php28.71 in the same period in 2016. Our weighted average number of outstanding common shares was approximately 216.06 million in each of the first three months of 2017 and 2016.

The following table shows the breakdown of our consolidated net income by business segment for the three months ended March 31, 2017 and 2016:

					Change	
	2017	**%**	**2016**	**%**	**Amount**	**%**
			(in millions)			
Wireless	Php2,230	45	Php4,275	69	(Php2,045)	(48)
Fixed line	3,209	65	2,549	41	660	26
Others	(470)	(10)	(591)	(10)	121	(20)
Consolidated	Php4,969	100	Php6,233	100	(Php1,264)	(20)

EBITDA

Our consolidated EBITDA amounted to Php16,467 million in the first three months of 2017, a decrease of Php139 million, or 1%, as compared with Php16,606 million in the same period in 2016, primarily due to lower consolidated revenues, partially offset by lower cost of sales, lower asset impairment, and lower consolidated cash operating expenses mainly driven by repairs and maintenance, taxes and licenses, interconnection costs, selling and promotions, and other operating expenses.

The following table shows the breakdown of our consolidated EBITDA by business segment for the three months ended March 31, 2017 and 2016:

					Change	
	2017	**%**	**2016**	**%**	**Amount**	**%**
			(in millions)			
Wireless	Php8,309	51	Php9,629	58	(Php1,320)	(14)
Fixed line	7,797	47	6,631	40	1,166	18
Others	(18)	–	(15)	–	(3)	20
Inter-segment transactions	379	2	361	2	18	5
Consolidated	Php16,467	100	Php16,606	100	(Php139)	(1)

Core Income

Our consolidated core income amounted to Php5,329 million in the first three months of 2017, a decrease of Php1,882 million, or 26%, as compared with Php7,211 million in the same period in 2016, primarily due to lower other income and higher depreciation, as well as lower equity share in net earnings and EBITDA, partially offset by lower provision for income tax. Our consolidated basic and diluted core EPS decreased to Php24.60 in the first three months of 2017 from Php33.31 in the same period in 2016.

The following table shows the breakdown of our consolidated core income by business segment for the three months ended March 31, 2017 and 2016:

					Change	
	2017	**%**	**2016**	**%**	**Amount**	**%**
			(in millions)			
Wireless	Php2,298	43	Php3,895	54	(Php1,597)	(41)
Fixed line	2,856	54	2,648	37	208	8
Others	175	3	668	9	(493)	(74)
Consolidated	Php5,329	100	Php7,211	100	(Php1,882)	(26)

On a Business Segment Basis

Wireless

Revenues

We generated revenues of Php23,162 million from our wireless business in the first three months of 2017, a decrease of Php4,769 million, or 17%, from Php27,931 million in the same period in 2016.

The following table summarizes our total revenues from our wireless business for the three months ended March 31, 2017 and 2016 by service:

					Increase (Decrease)	
	2017	**%**	**2016**	**%**	**Amount**	**%**
			(in millions)			
Service Revenues:						
Mobile	Php21,387	92	Php25,657	92	(Php4,270)	(17)
Home Broadband	655	3	683	2	(28)	(4)
Digital platforms and mobile financial services	318	1	134	–	184	137
MVNO and others[1]	115	1	196	1	(81)	(41)
Total Wireless Service Revenues	22,475	97	26,670	95	(4,195)	(16)
Non-Service Revenues:						
Sale of cellular handsets, cellular subscriber identification module, or SIM,-packs and broadband data modems	687	3	1,261	5	(574)	(46)
Total Wireless Revenues	Php23,162	100	Php27,931	100	(Php4,769)	(17)

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

Service Revenues

Our wireless service revenues in the first three months of 2017 decreased by Php4,195 million, or 16%, to Php22,475 million as compared with Php26,670 million in the same period in 2016, mainly as a result of lower revenues from mobile, 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 97% and 95% for the three months ended March 31, 2017 and 2016, respectively.

Mobile Services

Our mobile service revenues amounted to Php21,387 million in the first three months of 2017, a decrease of Php4,270 million, or 17%, from Php25,657 million in the same period in 2016. Mobile service revenues accounted for 95% and 96% of our wireless service revenues for the three months ended March 31, 2017 and 2016, respectively.

					Increase (Decrease)	
	2017	**%**	**2016**	**%**	**Amount**	**%**
			(in millions)			
Mobile Services:						
Voice	Php7,835	37	Php10,525	41	(Php2,690)	(26)
SMS	6,912	32	8,690	34	(1,778)	(20)
Data	6,308	29	6,127	24	181	3
Inbound roaming and others[1]	332	2	315	1	17	5
Total	Php21,387	100	Php25,657	100	(Php4,270)	(17)

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

Smart and DMPI 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.

Smart and Sun are committed to provide their 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 3G and LTE technologies, the integration of Smart and Sun networks 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.

In 2016, Smart was the first to introduce LTE-Advanced, or LTE-A, in Boracay, which achieved breakthrough LTE speeds of up to 250 Mbps. The program also boosted 3G data service in Boracay behind an enhanced 3G/high speed packet access, or HSPA/HSPA+ coverage and capacity. Smart accelerated the deployment of new base stations to boost quality and coverage, and accommodate technology bands under the co-use agreement with Bell Telecommunications.

PLDT and Smart have rolled-out carrier-grade Smart WiFi in key transport hubs, including regional airports and sea ports all over the country, and similar network improvements are also underway for rail-based MRT and LRT lines 1 and 2 in Metro Manila. Smart also completed spectrum refarming process in Davao, which involved re-allocating the use of spectrum of 2G, 3G and 4G/LTE services to optimize the spectrum for data traffic.

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.

Smart also teamed up with PayMaya Philippines to launch Smart Mastercard. Under the partnership, mobile users who download the PayMaya app on their Android or iOS phones and register with their Smart, TNT or Sun number, may instantly get a virtual Smart Mastercard account number which they can load up at PayMaya load-up centers and can use at any of the more than 36 million merchants worldwide that accept Mastercard.

On February 14, 2017, Smart and technology partner, Huawei Philippines, agreed to conduct research and development on 5G wireless broadband technology. The collaboration aims to develop the areas of technological innovation to deliver 5G. Last year, Smart and Huawei combined five frequencies through Carrier Aggregation, a capability of LTE-A to combine two or more frequency bands to deliver bigger bandwidth and much faster data speeds to mobile users.

In April 2017, Smart, together with Ericsson Philippines recently made the Philippines' 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 with almost no background noise.

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 high-frequency bands like 1800 MHz and 2100 MHz to increase network capacity and additional base station equipment to improve coverage and enhance indoor signals. A major leg of this network upgrade was recently completed in Metro Davao. Improvements in LTE speeds were likewise experienced in Metro Cebu and southern Metro Manila.

Voice Services

Mobile revenues from our voice services, which include all voice traffic, decreased by Php2,690 million, or 26%, to Php7,835 million in the first three months of 2017 from Php10,525 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 41% of our mobile service revenues for the three months ended March 31, 2017 and 2016, respectively.

The following table shows the breakdown of our mobile voice revenues for the three months ended March 31, 2017 and 2016:

	2017	%	2016	%	Decrease Amount	%
			(in millions)			
Voice Services:						
Domestic	Php6,029	77	Php8,221	78	(Php2,192)	(27)
International	1,806	23	2,304	22	(498)	(22)
Total	Php7,835	100	Php10,525	100	(Php2,690)	(26)

Domestic voice service revenues decreased by Php2,192 million, or 27%, to Php6,029 million in the first three months of 2017 from Php8,221 million in the same period in 2016, due to lower domestic outbound and inbound voice service revenues.

International voice service revenues decreased by Php498 million, or 22%, to Php1,806 million in the first three months of 2017 from Php2,304 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 Php1,778 million, or 20%, to Php6,912 million in the first three months of 2017 from Php8,690 million in the same period in 2016 mainly from lower bucket-priced and unlimited SMS revenues. Mobile SMS services accounted for 32% and 34% of our mobile service revenues for the three months ended March 31, 2017 and 2016, respectively.

The following table shows the breakdown of our mobile SMS service revenues for the three months ended March 31, 2017 and 2016:

	2017	%	2016	%	Decrease Amount	%
			(in millions)			
SMS Services:						
Domestic[(1)]	Php6,457	93	Php8,187	94	(Php1,730)	(21)
International	455	7	503	6	(48)	(10)
Total	Php6,912	100	Php8,690	100	(Php1,778)	(20)

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

Data Services

Mobile revenues from our data services, which include mobile internet, mobile broadband and other data services, increased by Php181 million, or 3%, to Php6,308 million in the first three months of 2017 from Php6,127 million in the same period in 2016.

The following table shows the breakdown of our mobile data revenues for the three months ended March 31, 2017 and 2016:

	2017	%	2016	%	Increase (Decrease) Amount	%
			(in millions)			
Data Services:						
Mobile internet[(1)]	Php4,612	73	Php3,811	62	Php801	21
Mobile broadband	1,655	26	2,276	37	(621)	(27)
Other data	41	1	40	1	1	3
Total	Php6,308	100	Php6,127	100	Php181	3

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

Mobile internet

Mobile internet service revenues increased by Php801 million, or 21%, to Php4,612 million in the first three months of 2017 from Php3,811 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 unlimited *Facebook* access, all-net texts and tri-net calls and is available for as low as Php15 per day. Mobile internet services accounted for 22% and 15% of our mobile service revenues for the three months ended March 31, 2017 and 2016, respectively.

Mobile broadband

Mobile broadband revenues amounted to Php1,655 million in the first three months of 2017, a decrease of Php621 million, or 27%, from Php2,276 million in the same period in 2016, primarily due to a decrease in the number of subscribers. Mobile broadband services accounted for 8% and 9% of our mobile service revenues for the three months ended March 31, 2017 and 2016, respectively.

Smart Bro continues to grow mobile broadband revenues through various prepaid and postpaid offers, with 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-technology.

With its goal to provide faster mobile data service at reasonable prices, *Smart Bro* recently launched its new postpaid plans which include free *Smart Bro LTE Pocket Wifi* devices, more data and faster speeds. The plans range 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 from Php1,995 during the first quarter of 2017.

In March 2017, *Smart Bro* launched the *Smart Bro LTE 2-in-1 Pocket Wifi* device, which comes with a built-in 5200mAh power bank for better LTE experience for subscribers. The device is offered at Php2,995 for prepaid and for as low as Php1,000 one-time fee for Plan 999.

Sun Bro is an affordable wireless broadband service utilizing advanced 3.5G HSPA and LTE technology 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*, increased by Php1 million, or 3%, to Php41 million in the first three months of 2017 from Php40 million in the same period in 2016.

Inbound Roaming and Others

Mobile revenues from inbound roaming and other services increased by Php17 million, or 5%, to Php332 million in the first three months of 2017 from Php315 million in the same period in 2016.

The following table shows the breakdown of our mobile service revenues for the three months ended March 31, 2017 and 2016:

			Increase (Decrease)	
	2017	**2016**	**Amount**	**%**
		(in millions)		
Mobile service revenues	Php21,387	Php25,657	(Php4,270)	(17)
By service type				
Prepaid	15,135	17,885	(2,750)	(15)
Postpaid	5,920	7,457	(1,537)	(21)
Inbound roaming and others	332	315	17	5

Prepaid Revenues

Revenues generated from our mobile prepaid services amounted to Php15,135 million in the first three months of 2017, a decrease of Php2,750 million, or 15%, as compared with Php17,885 million in the same period in 2016. Mobile prepaid service revenues accounted for 71% and 70% of mobile service revenues for the three months ended March 31, 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.

Smart Prepaid continues to offer data, call and text packages to its subscribers. In March 2017, *Smart Prepaid* offered *AllOut Combo 25* providing subscribers with 200MB data access and free Facebook, with unlimited texts to all networks and 80 minutes tri-net calls. Booster bundle, such as *Express Call 50*, can also be added to existing base offers, providing subscribers with 50 minutes of calls to all network valid for three days.

Smart Bro Prepaid offers load packages including *SurfMax* with all-day surfing valid for 30 days and *GigaSurf*, a volume-based data package with free entertainment bundle and has a *Pasa-Data* feature, enabling users to share open-access volume to other subscribers.

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

TNT recently launched *ItsATropaTreat*, which enables subscribers to enjoy digital treats such as free data or texts for every registration to top TNT promos.

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 Php5,920 million in the first three months of 2017, a decrease of Php1,537 million, or 21%, as compared with Php7,457 million in the same period in 2016, and accounted for 28% and 29% of mobile service revenues for the three months ended March 31, 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.

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*, *Fox* and more. 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 reliable wireless internet on postpaid plans, offering free *Pocket/LTE WiFi*, with fixed data allocation and bundled gadgets of choice.

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, and comes with free access to *Facebook* and *Viber*. *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 March 31, 2017 and 2016:

	2017	2016	Increase (Decrease) Amount	%
Mobile subscriber base	63,142,478	68,190,230	(5,047,752)	(7)
Smart[1]	23,299,171	26,447,103	(3,147,932)	(12)
Postpaid	*1,365,709*	*1,610,670*	*(244,961)*	*(15)*
Prepaid	*21,933,462*	*24,836,433*	*(2,902,971)*	*(12)*
TNT	30,401,174	29,319,400	1,081,774	4
Sun[1]	9,442,133	12,423,727	(2,981,594)	(24)
Postpaid	*1,355,701*	*1,928,385*	*(572,684)*	*(30)*
Prepaid	*8,086,432*	*10,495,342*	*(2,408,910)*	*(23)*
Home broadband subscriber base	264,227	248,675	*15,552*	*6*
Total wireless subscribers	63,406,705	68,438,905	*(5,032,200)*	*(7)*

(1) Includes mobile broadband subscribers.

The following table summarizes our average monthly churn rates for the three months ended March 31, 2017 and 2016:

	2017	2016
	(in %)	
Smart	5.1	7.1
Postpaid	2.4	3.9
Prepaid	5.3	7.3
TNT	5.7	5.4
Sun	7.1	9.5
Postpaid	3.3	7.2
Prepaid	7.7	10.0

The following table summarizes our average monthly ARPUs for the three months ended March 31, 2017 and 2016:

	Gross[1]		Increase (Decrease)		Net[2]		Increase (Decrease)	
	2017	2016	Amount	%	2017	2016	Amount	%
Prepaid								
Smart	Php114	Php122	(Php8)	(7)	Php104	Php112	(Php8)	(7)
TNT	77	87	(10)	(11)	71	80	(9)	(11)
Sun	84	87	(3)	(3)	78	80	(2)	(3)
Postpaid								
Smart	1,001	955	46	5	965	938	27	3
Sun	416	479	(63)	(13)	413	475	(62)	(13)

(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.

Home Broadband

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

Revenues from our *HOMEBro* services decreased by Php28 million, or 4%, to Php655 million in the first three months of 2017 from Php683 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 either TD-LTE or wired broadband (digital subscriber line, or DSL/fiber-to-the-home, or 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 *HOMEBro* services increased by 15,552 or 6% from 248,675 subscribers as of March 31, 2016 to 264,227 subscribers as of March 31, 2017. This increase in subscriber base was directly attributed to the launch of a more affordable postpaid broadband offering designed for the home – *Home Ultera Plan 699*.

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

Digital Platforms and Mobile Financial Services

Revenues from digital platforms and mobile financial services, as reported by Voyager, increased by Php184 million, or 137%, to Php318 million in the first three months of 2017 from Php134 million in the same period in 2016, primarily due to registered growth in PayMaya revenues driven by the increase in PayMaya transactions.

MVNO and Others

Revenues from our other services decreased by Php81 million, or 41%, to Php115 million in the first three months of 2017 from Php196 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 Php50.01 for the three months ended March 31, 2017 from Php47.26 for the three months ended March 31, 2016 on our U.S. dollar and U.S. dollar-linked other service revenues.

Non-Service Revenues

Our wireless non-service revenues consist of sales of mobile handsets, SIM-packs and broadband data modems, tablets and accessories. Our wireless non-service revenues decreased by Php574 million, or 46%, to Php687 million in the first three months of 2017 from Php1,261 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 Php19,488 million in the first three months of 2017, a decrease of Php3,088 million, or 14%, from Php22,576 million in the same period in 2016. A significant portion of the decrease was mainly attributable to lower cost of sales, asset impairment, taxes and licenses, interconnection costs, repairs and maintenance, selling and promotions, and amortization of intangible assets, partially offset by higher expenses related to depreciation and amortization, rent, professional and other contracted services, cost of content, and compensation and employee benefits. As a percentage of our total wireless revenues, expenses associated with our wireless business accounted for 84% and 81% in the first three months ended March 31, 2017 and 2016, respectively.

The following table summarizes the breakdown of our total wireless-related expenses for the three months ended March 31, 2017 and 2016 and the percentage of each expense item in relation to the total:

	2017	%	2016	%	Increase (Decrease) Amount	%
			(in millions)			
Depreciation and amortization	Php4,430	23	Php4,002	18	Php428	11
Rent	2,709	14	2,384	11	325	14
Compensation and employee benefits	1,943	10	1,886	8	57	3
Cost of sales	1,905	10	4,421	20	(2,516)	(57)
Repairs and maintenance	1,852	9	2,049	9	(197)	(10)
Interconnection costs	1,709	9	2,019	9	(310)	(15)
Professional and other contracted services	1,597	8	1,336	6	261	20
Selling and promotions	1,089	5	1,250	6	(161)	(13)
Asset impairment	728	4	1,335	6	(607)	(45)
Taxes and licenses	620	3	965	4	(345)	(36)
Insurance and security services	310	2	312	1	(2)	(1)
Amortization of intangible assets	205	1	272	1	(67)	(25)
Communication, training and travel	199	1	210	1	(11)	(5)
Cost of content	119	1	31	–	88	284
Other expenses	73	–	104	–	(31)	(30)
Total	Php19,488	100	Php22,576	100	(Php3,088)	(14)

Depreciation and amortization charges increased by Php428 million, or 11%, to Php4,430 million, primarily due to higher depreciable asset base.

Rent expenses increased by Php325 million, or 14%, to Php2,709 million, primarily due to higher leased lines rental with the increase in data usage and site rental charges.

Compensation and employee benefits increased by Php57 million, or 3%, to Php1,943 million, primarily due to higher salaries and employee benefits, and provision for pension benefits, partly offset by lower MRP costs. Employee headcount increased to 7,218 as at March 31, 2017 as compared with 7,207 as at March 31, 2016.

Cost of sales decreased by Php2,516 million, or 57%, to Php1,905 million, primarily due to lower issuances of mobile handsets and broadband data modems.

Repairs and maintenance expenses decreased by Php197 million, or 10%, to Php1,852 million, mainly due to lower site and office electricity costs and lower technical support fees.

Interconnection costs decreased by Php310 million, or 15%, to Php1,709 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 Php261 million, or 20%, to Php1,597 million, primarily due to increase in facility usage costs, and legal and call center fees, partly offset by lower consultancy fees.

Selling and promotion expenses decreased by Php161 million, or 13%, to Php1,089 million, primarily due to lower advertising and promotions, and commissions expenses.

Asset impairment decreased by Php607 million, or 45%, to Php728 million, primarily due to lower provisions for doubtful accounts and inventory obsolescence.

Taxes and licenses decreased by Php345 million, or 36%, to Php620 million due to lower tax settlements and other business taxes, partly offset by higher spectrum user fees.

Insurance and security services decreased by Php2 million, or 1%, to Php310 million, primarily due to lower insurance expenses, partly offset by higher site and office security expenses.

Amortization of intangible assets decreased by Php67 million, or 25%, to Php205 million, primarily due to the decrease in the remaining carrying value of intangible assets.

Communication, training and travel expenses decreased by Php11 million, or 5%, to Php199 million, primarily due to lower 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 content increased by Php88 million to Php119 million, primarily due to higher cost on music licenses and various partnership with content providers.

Other expenses decreased by Php31 million, or 30%, to Php73 million, primarily due to lower various business and operational-related expenses.

Other Income (Expenses)

The following table summarizes the breakdown of our total wireless-related other income (expenses) for the three months ended March 31, 2017 and 2016:

			Change	
	2017	**2016**	**Amount**	**%**
		(in millions)		
Other Income (Expenses):				
Financing costs – net	(Php604)	(Php615)	Php11	(2)
Foreign exchange gains (losses) – net	(254)	604	(858)	(142)
Equity share in net losses of associates	(33)	(30)	(3)	10
Interest income	60	113	(53)	(47)
Gain (loss) on derivative financial instruments – net	134	(90)	224	(249)
Other income – net	334	640	(306)	(48)
Total	(Php363)	Php622	(Php985)	(158)

Our wireless business' other expenses amounted to Php363 million in the first three months of 2017, a change of Php985 million, or 158%, as against other income of Php622 million in the same period in 2016, primarily due to the combined effects of the following: (i) foreign exchange losses of Php254 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 Php50.22 as at March 31, 2017 from Php49.77 as at December 31, 2016 as against foreign exchange gains of Php604 million due to an appreciation of the Philippine peso relative to the U.S. dollar to Php45.99 as at March 31, 2016 from Php47.12 as at December 31, 2015; (ii) a decrease in other income – net by Php306 million mainly due to lower income from consultancy and other miscellaneous income; (iii) lower interest income by Php53 million mainly due to lower weighted average interest rate, and lower principal amount of temporary cash investments, partly offset by higher weighted average rate of the Philippine peso relative to the U.S. dollar; (iv) higher equity share in net losses of associates by Php3 million due to higher share in net losses of AFPI; (v) lower net financing costs by Php11 million primarily due to higher capitalized interest, partly offset by higher loan principal amount, higher weighted average interest rates and higher weighted average of the Philippine peso relative to the U.S. dollar in the first three months of 2017; and (vi) gains on derivative financial instruments of Php134 million in the first three months of 2017 as against losses on derivative financial instruments of Php90 million in the same period in 2016 on account of mark-to-market gain on foreign exchange derivatives as a result of the peso depreciation for the three months ended March 31, 2017 and wider dollar and peso interest rate differentials.

Provision for Income Tax

Provision for income tax amounted to Php1,081 million in the first three months of 2017, a decrease of Php621 million, or 36%, from Php1,702 million in the same period in 2016, primarily due to lower taxable income. The effective tax rates for our wireless business were 33% and 28% in the first three months of 2017 and 2016, respectively.

Net Income

As a result of the foregoing, our wireless business' net income decreased by Php2,045 million, or 48%, to Php2,230 million in the first three months of 2017 from Php4,275 million in the same period in 2016.

EBITDA

Our wireless business' EBITDA decreased by Php1,320 million, or 14%, to Php8,309 million in the first three months of 2017 from Php9,629 million in the same period in 2016. EBITDA margin increased, however, to 37% in the first three months of 2017 from 36% in the same period in 2016.

Core Income

Our wireless business' core income decreased by Php1,597 million, or 41%, to Php2,298 million in the first three months of 2017 from Php3,895 million in the same period in 2016 on account of lower EBITDA and other income, and higher depreciation, partially offset by lower provision for income tax.

Fixed Line

Revenues

Revenues generated from our fixed line business amounted to Php19,049 million in the first three months of 2017, an increase of Php1,114 million, or 6%, from Php17,935 million in the same period in 2016.

The following table summarizes our total revenues from our fixed line business for the three months ended March 31, 2017 and 2016 by service segment:

					Increase (Decrease)	
	2017	**%**	**2016**	**%**	**Amount**	**%**
			(in millions)			
Service Revenues:						
Voice	Php7,220	38	Php7,501	42	(Php281)	(4)
Data	10,574	56	9,110	51	1,464	16
Miscellaneous	455	2	404	2	51	13
	18,249	96	17,015	95	1,234	7
Non-Service Revenues:						
Sale of computers, phone units and SIM packs, and point-product sales	800	4	920	5	(120)	(13)
Total Fixed Line Revenues	Php19,049	100	Php17,935	100	Php1,114	6

Service Revenues

Our fixed line service revenues increased by Php1,234 million, or 7%, to Php18,249 million in the first three months of 2017 from Php17,015 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 Php281 million, or 4%, to Php7,220 million in the first three months of 2017 from Php7,501 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 three months ended March 31, 2017 and 2016:

					Increase (Decrease)	
	2017	**%**	**2016**	**%**	**Amount**	**%**
			(in millions)			
Voice						
Local exchange	Php4,580	64	Php4,357	58	Php223	5
International	1,744	24	2,203	29	(459)	(21)
Domestic	896	12	941	13	(45)	(5)
Total	Php7,220	100	Php7,501	100	(Php281)	(4)

Local Exchange

The following table summarizes the key measures of our local exchange service business as at and for the three months ended March 31, 2017 and 2016:

	2017	2016	Increase Amount	%
Total local exchange service revenues (in millions)	Php4,580	Php4,357	Php223	5
Number of fixed line subscribers	2,487,601	2,339,001	148,600	6
Number of fixed line LEC employees	7,263	7,060	203	3
Number of fixed line subscribers per employee	343	331	12	4

Revenues from our local exchange service increased by Php223 million, or 5%, to Php4,580 million in the first three months of 2017 from Php4,357 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 three months of 2017 and 2016, respectively.

International

Our international service revenues decreased by Php459 million, or 21%, to Php1,744 million in the first three months of 2017 from Php2,203 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 Php50.01 for the three months ended March 31, 2017 from Php47.26 for the three months ended March 31, 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 10% and 13% in the first three months of 2017 and 2016, respectively.

Domestic

Our domestic service revenues decreased by Php45 million, or 5%, to Php896 million in the first three months of 2017 from Php941 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% in each of the first three months of 2017 and 2016.

Data Services

The following table shows information of our data service revenues for the three months ended March 31, 2017 and 2016:

	2017	2016	Increase Amount	%
Data service revenues (in millions)	Php10,574	Php9,110	Php1,464	16
Home broadband	4,134	3,434	700	20
Corporate data and leased lines	5,622	4,938	684	14
Data Center and IT	818	738	80	11

Our data services posted revenues of Php10,574 million in the first three months of 2017, an increase of Php1,464 million, or 16%, from Php9,110 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 three months ended March 31, 2017 and 2016, respectively.

Home Broadband

PLDT HOME remains to be the nation's leading home broadband service provider, now serving 1,402,861 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 Php4,134 million in the first three months of 2017, an increase of Php700 million, or 20%, from Php3,434 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% and 38% of total data service revenues for the three months ended March 31, 2017 and 2016, respectively. In the first quarter of 2017, PLDT's FTTH nationwide network rollout has passed over three million homes and targets to reach up to 4.4 million homes passed by end of 2017.

In the first quarter of 2017, PLDT HOME launched its initial set of fiber-powered "PLDT SmartCities," in Toledo City, Cebu in February, General Santos City in April, and Naga City in May. 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 new technologies like Very-high-bit-rate, or VDSL, which delivers speeds of up to 100 Mbps. PLDT has the country's most extensive transmission and distribution network infrastructure which now has 150,000 kilometers of fiber optic cables that transport the growing data traffic of its fixed line and mobile networks. PLDT is also set to start deploying in the second quarter of 2017 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. By end-2018, PLDT envisions its subscribers to have fully adapted to the *Smart Home* concept.

PLDT HOME also pioneered the 'peace of mind' suite which features security-enhancing products like the home monitoring system Fam Cam launched in partnership with network solutions giant D-Link; the online safety solution Fam Zone which is Australia's leading online parental control platform; and the multi-functional kiddie gadget Smart Watch manufactured by global telecommunications company Alcatel.

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

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

Corporate Data and Leased Lines

Corporate data and leased line services contributed Php5,622 million in the first three months of 2017, an increase of Php684 million, or 14%, as compared with Php4,938 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% and 54% of total data services for the three months ended March 31, 2017 and 2016, respectively.

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, south of the Philippines. VITRO Davao has a total capacity of 45 racks that can serve both primary and back-up requirements of enterprises based in Mindanao. Designed to fully address redundancy on power and cooling, the carrier-neutral facility is able to provide 99.95% availability. 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, fully redundant infrastructure that can deliver 99.99% availability. 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 Php80 million, or 11%, to Php818 million in the first three months of 2017 from Php738 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 three months of 2017 and 2016.

Miscellaneous Services

Miscellaneous service revenues are derived mostly from rental, outsourcing and facilities management fees. These service revenues increased by Php51 million, or 13%, to Php455 million in the first three months of 2017 from Php404 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 was 2% in each of the first three months of 2017 and 2016.

Non-service Revenues

Non-service revenues decreased by Php120 million, or 13%, to Php800 million in the first three months of 2017 from Php920 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 and point-product sales.

Expenses

Expenses related to our fixed line business totaled Php14,372 million in the first three months of 2017, a decrease of Php88 million, or 1%, as compared with Php14,460 million in the same period in 2016. The decrease was primarily due to lower expenses related to repairs and maintenance, interconnection costs, rent, selling and promotions, depreciation and amortization and other operating expenses, partly offset by higher expenses related to professional and other contracted services, compensation and employee benefits, cost of content, cost of sales, communication, training and travel and asset impairment. As a percentage of our total fixed line revenues, expenses associated with our fixed line business accounted for 75% and 81% for the three months ended March 31, 2017 and 2016, respectively.

The following table shows the breakdown of our total fixed line-related expenses for the three months ended March 31, 2017 and 2016 and the percentage of each expense item to the total:

					Increase (Decrease)	
	2017	%	2016	%	Amount	%
			(in millions)			
Compensation and employee benefits	Php3,548	25	Php3,349	23	Php199	6
Depreciation and amortization	3,120	22	3,156	22	(36)	(1)
Professional and other contracted services	1,713	12	1,356	9	357	26
Repairs and maintenance	1,456	10	1,745	12	(289)	(17)
Interconnection costs	1,322	9	1,580	11	(258)	(16)
Cost of sales	741	5	705	5	36	5
Rent	729	5	848	6	(119)	(14)
Selling and promotions	427	3	468	3	(41)	(9)
Taxes and licenses	349	3	353	3	(4)	(1)
Asset impairment	323	2	310	2	13	4
Cost of content	190	1	76	1	114	150
Insurance and security services	178	1	178	1	–	–
Communication, training and travel	144	1	130	1	14	11
Other expenses	132	1	206	1	(74)	(36)
Total	Php14,372	100	Php14,460	100	(Php88)	(1)

Compensation and employee benefits expenses increased by Php199 million, or 6%, to Php3,548 million, primarily due to higher salaries and employee benefits and provision for pension benefits, partially offset by lower MRP costs. Employee headcount increased to 10,667 as at March 31, 2017 as compared with 9,835 as at March 31, 2016.

Depreciation and amortization charges decreased by Php36 million, or 1% to Php3,120 million due to a lower depreciable asset base.

Professional and other contracted service expenses increased by Php357 million, or 26%, to Php1,713 million, primarily due to higher contracted and technical services and legal fees, partially offset by lower consultancy fees.

Repairs and maintenance expenses decreased by Php289 million, or 17%, to Php1,456 million primarily due to lower repairs and maintenance costs on cable and wire facilities, partially offset by higher maintenance costs on IT hardware and software and electricity charges.

Interconnection costs decreased by Php258 million, or 16%, to Php1,322 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 international outbound calls, and domestic interconnection costs.

Cost of sales increased by Php36 million, or 5%, to Php741 million primarily due to higher cost of point-product sales, partially offset by lower sale of *PLP* and *Telpad* units, and *FabTab* for *myDSL* retention.

Rent expenses decreased by Php119 million, or 14%, to Php729 million, primarily due to lower domestic and international leased circuit rental charges.

Selling and promotion expenses decreased by Php41 million, or 9%, to Php427 million, primarily due to lower advertising and promotions expenses, public relations and marketing expenses.

Taxes and licenses decreased by Php4 million, or 1%, to Php349 million, primarily due to lower business-related taxes.

Asset impairment increased by Php13 million, or 4%, to Php323 million, mainly due to higher provision for doubtful accounts.

Cost of content increased by Php114 million, or 150%, to Php190 million, primarily due to various partnership with content providers.

Insurance and security services remained stable at Php178 million.

Communication, training and travel expenses increased by Php14 million, or 11%, to Php144 million, mainly due to higher local training and travel expenses and fuel consumption costs.

Other expenses decreased by Php74 million, or 36%, to Php132 million, primarily due to lower various business and operational-related expenses.

Other Income (Expenses)

The following table summarizes the breakdown of our total fixed line-related other income (expenses) for the three months ended March 31, 2017 and 2016:

			Change	
	2017	2016	Amount	%
		(in millions)		
Other Income (Expenses):				
Financing costs – net	(Php1,308)	(Php1,202)	(Php106)	9
Foreign exchange gains (losses)	(41)	105	(146)	(139)
Equity share in net earnings (losses) of associates	67	(68)	135	(199)
Gains (losses) on derivative financial instruments – net	148	(407)	555	(136)
Interest income	199	182	17	9
Other income – net	642	1,529	(887)	(58)
Total	(Php293)	Php139	(Php432)	(311)

Our fixed line business' other expenses amounted to Php293 million in the first three months of 2017 as against other income of Php139 million for the same period in 2016, mainly due to the combined effects of the following: (i) lower other income – net by Php887 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) foreign exchange losses of Php41 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 Php50.22 as at March 31, 2017 from Php49.77 as at December 31, 2016 as against foreign exchange gains of Php105 million due to an appreciation of the Philippine peso relative to the U.S. dollar to Php45.99 as at March 31, 2016 from Php47.12 as at December 31, 2015; (iii) higher net financing costs by Php106 million mainly due to higher loan principal amount, higher weighted average interest rate and higher weighted average exchange rate of the Philippine peso relative to the U.S. dollar in 2017, partially offset by higher capitalized interest; (iv) an increase in interest income by Php17 million due to higher principal amount of temporary cash investments and higher weighted average exchange rate of the Philippine peso relative to the U.S. dollar in 2017, partly offset by lower weighted average interest rates; (v) equity share in net earnings of associates of Php67 million in the first three months of 2017 as against equity share in net losses of associates of Php68 million in the same period in 2016 mainly due to lower share in net losses of Cignal TVand higher share in net earnings of Hastings and DCI; (vi) gains on derivative financial instruments of Php148 million as against losses on derivative financial instruments of Php407 million mainly 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 three months of 2017 and wider dollar and peso interest rate differentials in 2017.

Provision for Income Tax

Provision for income tax amounted to Php1,175 million in the first three months of 2017, an increase of Php110 million, or 10%, from Php1,065 million in the same period in 2016, primarily due to higher taxable income. The effective tax rates for our fixed line business were 27% and 29% in the first three months of 2017 and 2016, respectively.

Net Income

As a result of the foregoing, our fixed line business registered a net income of Php3,209 million in the first three months of 2017, an increase of Php660 million, or 26%, as compared with Php2,549 million in the same period in 2016.

EBITDA

Our fixed line business' EBITDA increased by Php1,166 million, or 18%, to Php7,797 million in the first three months of 2017 from Php6,631 million in the same period in 2016. EBITDA margin increased to 43% in the first three months in 2017 from 39% in the same period in 2016.

Core Income

Our fixed line business' core income increased by Php208 million, or 8%, to Php2,856 million in the first three months of 2017 from Php2,648 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 financing costs.

Others

Expenses

Expenses related to our other business totaled Php18 million in the first three months of 2017, an increase of Php3 million, or 20%, as compared with Php15 million in the same period in 2016, primarily due to higher cash operating expenses.

Other Expenses – net

The following table summarizes the breakdown of other expenses – net for other business segment for the three months ended March 31, 2017 and 2016:

			Change	
	2017	**2016**	**Amount**	**%**
		(in millions)		
Other Income (Expenses):				
Equity share in net earnings of associates and joint ventures	Php159	Php735	(Php576)	(78)
Interest income	111	19	92	484
Financing costs – net	(49)	(46)	(3)	7
Foreign exchange gains (losses)	(102)	261	(363)	(139)
Other expenses – net	(540)	(1,583)	1,043	(66)
Total	(Php421)	(Php614)	Php193	(31)

Other expenses – net decreased by Php193 million, or 31%, to Php421 million in the first three months of 2017 from Php614 million in the same period in 2016, primarily due to the combined effects of the following: (i) lower other expenses by Php1,043 million due to lower impairment loss on our Rocket investment resulting from the decline in fair value; (ii) an increase in interest income by Php92 million; (iii) higher financing costs by Php3 million; (iv) foreign exchange losses of Php102 million in the first three months of 2017 as against foreign exchange gains of Php261 million in the same period in 2016; and (v) lower equity share in net earnings of associates by Php576 million mainly from lower equity share in Beacon and Beta, and equity share in net losses of VTI in 2017.

Net Loss

As a result of the foregoing, our other business segment registered a net loss of Php470 million in the first three months of 2017, a decrease of Php121 million from Php591 million in the same period in 2016.

Core Income

Our other business segment's core income amounted to Php175 million in the first three months of 2017, a decrease of Php493 million, or 74%, as compared with Php668 million in the same period in 2016, mainly as a result of lower equity share in net earnings of associates, partially offset by higher interest income.

Liquidity and Capital Resources

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

	Three months ended March 31,	
	2017	2016
	(in millions)	
Cash Flows		
Net cash flows provided by operating activities	Php15,131	Php17,780
Net cash flows used in investing activities	(9,681)	(15,180)
Capital expenditures	*(1,770)*	*(14,570)*
Net cash flows used in financing activities	(12,756)	(3,163)
Net decrease in cash and cash equivalents	(7,094)	(1,193)

	March 31,	December 31,
	2017	2016
	(in millions)	
Capitalization		
Long-term portion of interest-bearing financial liabilities – net of current portion:		
Long-term debt	Php157,975	Php151,759
Obligations under finance lease	1	–
	157,976	151,759
Current portion of interest-bearing financial liabilities:		
Long-term debt maturing within one year	17,172	33,273
Total interest-bearing financial liabilities	175,148	185,032
Total equity attributable to equity holders of PLDT	109,954	108,175
	Php285,102	Php293,207
Other Selected Financial Data		
Total assets	Php467,456	Php475,119
Property and equipment	197,306	203,188
Cash and cash equivalents	31,628	38,722
Short-term investments	8,325	2,738

Our consolidated cash and cash equivalents and short-term investments totaled Php39,953 million as at March 31, 2017. Principal sources of consolidated cash and cash equivalents in the first three months of 2017 were cash flows from operating activities amounting to Php15,131 million, proceeds from availment of long-term debt of Php12,256 million, proceeds from issuance of perpetual notes of Php4,200 million, dividends received of Php286 million and interest received of Php242 million. These funds were used principally for: (1) debt principal and interest payments of Php22,637 million and Php2,072 million, respectively; (2) net payment for purchase of short-term investments of Php5,572 million; (3) net reduction in capital expenditures under long-term financing of Php4,387 million; (4) advances to VTI and Bow Arken of Php2,892 million to cover for the assumed liabilities and working capital requirements; and (5) capital expenditures, including capitalized interest, of Php1,770 million.

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

Operating Activities

Our consolidated net cash flows provided by operating activities decreased by Php2,649 million, or 15%, to Php15,131 million in the first three months of 2017 from Php17,780 million in the same period in 2016, primarily due to higher level of settlement of accounts payable and lower operating income, partially offset by higher collection efficiency, lower pension contribution, lower inventories and prepayments, and lower corporate taxes paid.

Cash flows provided by operating activities of our wireless business decreased by Php6,649 million, or 55%, to Php5,484 million in the first three months of 2017 from Php12,133 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 inventories and prepayments, and lower corporate taxes paid. Cash flows provided by operating activities of our fixed line business increased by Php3,720 million, or 64%, to Php9,519 million in the first three months of 2017 from Php5,799 million in the same period in 2016, primarily due to lower pension contribution, higher operating income, higher collection efficiency and lower level of settlement of accounts payable and other liabilities, partly offset by higher inventories. Cash flows provided by operating activities of our other business amounted to Php238 million in the first three months in 2017 as against cash flows used in operating activities of Php19 million in the same period in 2016 mainly due to higher accounts payable.

Investing Activities

Consolidated net cash flows used in investing activities amounted to Php9,681 million in the first three months in 2017, a decrease of Php5,499 million, or 36%, from Php15,180 million in the same period in 2016, primarily due to the combined effects of the following: (1) lower capital expenditures by Php12,800 million; (2) dividends received of Php286 million in 2017; (3) higher net payment for purchase of short-term investments by Php3,713 million; (4)advances to VTI and Bow Arken of Php2,892 million; and (5) lower proceeds from disposal of property and equipment by Php1,142 million.

Our consolidated capital expenditures, including capitalized interest, in the first three months of 2017 totaled Php1,770 million, a decrease of Php12,800 million, or 88%, as compared with Php14,570 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 Php12,210 million, or 90%, to Php1,403 million in the first three months in 2017 from Php13,613 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 Php355 million, or 70%, to Php152 million in the first three months of 2017 from Php507 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 represented 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 Php12,756 million in the first three months of 2017, an increase of Php9,593 million from Php3,163 million in the same period in 2016, resulting largely from the combined effects of the following: (1) higher payments of long-term debt by Php17,286 million; (2) higher net settlement of capital expenditures under long-term financing by Php1,699 million; (3) higher proceeds from availment of long-term debt by Php5,098 million; and (4) proceeds from issuance of perpetual notes of Php4,200 million.

Debt Financing

Proceeds from availment of long-term debt for the three months ended March 31, 2017 amounted to Php12,256 million, mainly from PLDT's drawings related to the financing of our capital expenditure requirements and refinancing maturing loan obligations. Payments of principal and interest on our total debt amounted to Php22,637 million and Php2,072 million, respectively, for the three months ended March 31, 2017.

Our consolidated long-term debt decreased by Php9,885 million, or 5%, to Php175,147 million as at March 31, 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 March 31, 2017, the long-term debt levels of PLDT and Smart decreased by 4% and 7% to Php105,461 million and Php69,686 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 March 31, 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.

Approximately Php87,604 million principal amount of our consolidated outstanding long-term debt as at March 31, 2017 is scheduled to mature over the period from 2017 to 2021. Of this amount, Php49,616 million is attributable to PLDT and Php37,988 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 March 31, 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 three months ended March 31, 2017 and 2016:

Earnings	Date Approved	Date Record	Date Payable	Amount Per share	Amount Total Declared
				(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
Voting Preferred Stock	March 7, 2017	March 30, 2017	April 15, 2017	–	2
Charged to Retained Earnings					Php6,064
2016					
Common Stock					
Regular Dividend	February 29, 2016	March 30, 2016	April 15, 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
Voting Preferred Stock	February 29, 2016	March 30, 2016	April 15, 2016	–	3
Charged to Retained Earnings					Php12,330

[(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 Php467,456 million as at March 31, 2017, a decrease of Php7,663 million from Php475,119 million as at December 31, 2016, primarily due to lower cash and cash equivalents and lower property equipment, partially offset by higher-short term investments and advances to VTI and Bow Arken.

Our total liabilities amounted to Php357,120 million as at March 31, 2017, a decrease of Php9,462 million from Php366,582 million as at December 31, 2016 mainly due to lower interest-bearing financial liabilities of Php175,148 million as at March 31, 2017 from Php185,032 million as at December 31, 2016, combined with lower accrued capital expenditures under long-term financing and accounts payable, partially offset by higher dividends payable to common and preferred shareholders.

Off-Balance Sheet Arrangements

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

Equity Financing

On August 5, 2014, the PLDT Board of Directors approved the amendment of our dividend policy, increasing the dividend payout rate to 75% from 70% of our core earnings per share as regular dividends. In 2016, in view of our elevated capital expenditures to support the build-out of a resilient and reliable data network, lower EBITDA primarily due to higher subsidies to grow the data business and defend market share and the resources required to support the acquisition of SMC's telecommunications business, we have lowered our regular dividend payout to 60% of our core income. In declaring dividends, we take into consideration the interest of our shareholders, as well as our working capital, capital expenditures and debt servicing requirements. The retention of earnings may be necessary to meet the funding requirements of our business expansion and development programs. However, in the event that no investment opportunities arise, we may consider the option of returning additional cash to our shareholders in the form of special dividends of up to the balance of our core earnings or to undertake share buybacks. We were able to pay out approximately 100% of our core earnings for seven consecutive years from 2007 to 2013, approximately 90% of our core earnings for 2014, 75% of our core earnings for 2015 and 60% of our core earnings in 2016. The accumulated equity in the net earnings of our subsidiaries, which form part of our retained earnings, are not available for distribution unless realized in the form of dividends from such subsidiaries. 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 three months in 2017 amounted to Php17 million as compared with Php16 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 March 31, 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 Php6,619 million and Php6,788 million as at March 31, 2017 and December 31, 2016, respectively, which include standby letters of credit issued in relation with PLDT's acquisition of VTI, Bow Arken and Brightshare. These commitments will expire within one year.

Quantitative and Qualitative Disclosures about Market Risks

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

For further discussions of these risks, see *Note 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 March 31, 2017 and December 31, 2016 other than those whose carrying amounts are reasonable approximations of fair values:

	Fair Values	
	March 31, 2017	December 31, 2016
	(in millions)	
Noncurrent Financial Assets		
Investments in debt securities and other long-term investments – net of current portion	Php252	Php377
Advances and other noncurrent assets – net of current portion	8,966	7,743
Total noncurrent financial assets	9,218	8,120
Noncurrent Financial Liabilities		
Interest-bearing financial liabilities	151,142	146,654
Customers' deposits	1,722	1,879
Deferred credits and other noncurrent liabilities	8,627	12,457
Total noncurrent financial liabilities	Php161,491	Php160,990

The following table sets forth the amount of gains (losses) recognized for the financial assets and liabilities for the three months ended March 31, 2017 and the year ended December 31, 2016:

	March 31, 2017	December 31, 2016
	(in millions)	
Profit and Loss		
Interest income	Php309	Php1,046
Gains on derivative financial instruments – net	282	996
Accretion on financial liabilities	(60)	(230)
Interest on loans and other related items	(2,031)	(7,522)
Other Comprehensive Income		
Net fair value gains (losses) on cash flow hedges – net of tax	(145)	10
Net gains (losses) available-for-sale financial investments – net of tax	(847)	860

Impact of Inflation and Changing Prices

Inflation can be a significant factor in the Philippine economy, and we are continually seeking ways to minimize its impact. The average inflation rate in the Philippines for the three months ended March 31, 2017 and 2016 were 3.1% and 1.1%, respectively. Moving forward, we currently expect inflation to rise following the impact of peso depreciation on oil prices.

PART II – OTHER INFORMATION

Extension of Smart's Congressional Franchise

On March 27, 1992, 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 date of 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 will take effect on May 19, 2017, or 15 days after the said publication.

Php2,610 Million and Php1,590 Million Perpetual Notes

Smart issued Php2,610 million and Php1,590 million perpetual notes under two Notes Facility Agreements dated March 3, 2017 and March 6, 2017, respectively. Proceeds from the issuance of these notes are intended to finance capital expenditures. The notes have no fixed redemption 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.

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 issued a Resolution directing the Office of the Solicitor General, or the OSG, to file its Comment within a non-extensible period of 10 days from notice and show cause why the Petition should not be granted. On August 11, 2016, the PCC through the OSG, filed its Comment to the Petition (With Opposition to Petitioner's Application for a Writ of Preliminary Injunction). On August 19, 2016, PLDT filed its Reply to Respondent PCC's Comment.

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

On February 17, 2017, the CA issued a Resolution denying PCC's Motion for Reconsideration dated September 14, 2016 for lack of merit. 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 resolution with the CA.

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

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 the Guidelines. 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 Memorandum Circular, or 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 March 31, 2017:

Type of Accounts Receivable	Total	Current	31–60 Days	61–90 Days	Over 91 Days
			(in millions)		
Retail subscribers	Php16,754	Php6,431	Php1,061	Php258	Php9,004
Corporate subscribers	9,455	1,925	1,702	726	5,102
Foreign administrations	6,081	881	822	554	3,824
Domestic carriers	490	49	66	152	223
Dealers, agents and others	7,259	2,937	802	443	3,077
Total	40,039	Php12,223	Php4,453	Php2,133	Php21,230
Less: Allowance for doubtful accounts	15,993				
Total Receivables - net	Php24,046				

ANNEX II – FINANCIAL SOUNDNESS INDICATORS

The following table shows our financial soundness indicators as at March 31, 2017 and 2016:

	2017	2016
Current Ratio(1)	0.49:1.0	0.50:1.0
Net Debt to Equity Ratio(2)	1.23:1.0	1.07:1.0
Net Debt to EBITDA Ratio(3)	2:22:1.0	1.67:1.0
Total Debt to EBITDA Ratio(4)	2.87:1.0	2.39:1.0
Asset to Equity Ratio(5)	4.25:1.0	4.43:1.0
Interest Coverage Ratio(6)	3.68:1.0	4.54:1.0
Profit Margin(7)	13%	15%
Return on Assets(8)	4%	4%
Return on Equity(9)	17%	17%
EBITDA Margin(10)	44%	41%

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

SIGNATURES

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

Registrant: PLDT Inc.

Signature and Title: ____________________
MANUEL V. PANGILINAN
President and Chief Executive Officer

Signature and Title: ____________________
ANABELLE LIM-CHUA
Senior Vice President
(Principal Financial Officer)

Signature and Title: ____________________
JUNE CHERYL A. CABAL-REVILLA
First Vice President
(Principal Accounting Officer)

Date: May 12, 2017