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)

September 30, 2017

Period Ended Date

Not Applicable

(Secondary License Type and File Number)

PLDT

November 9, 2017

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

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

Gentlemen:

In accordance with Section 17.1(b) of the Securities Regulation Code and SRC Rule 17.3, we submit herewith a copy of SEC Form 17-Q with Management's Discussion and Analysis and accompanying unaudited consolidated financial statements for the nine (9) months ended September 30, 2017.

Very truly yours,

MA. LOURDES C. RAUSA-CHAN
Corporate Secretary

November 9, 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 nine (9) months ended September 30, 2017.

Very truly yours,

MA. LOURDES C. RAUSA-CHAN
Corporate Secretary

COVER SHEET

SEC Registration Number

P	W	-	5	5						

Company Name

PLDT INC.

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

RAMON COJUANGCO BUILDING
MAKATI AVENUE MAKATI CITY

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

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
11,721 as at September 30, 2017	**Every 2nd Tuesday in June**	**December 31**

CONTACT PERSON INFORMATION

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

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

Contact Person's Address

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

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

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

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

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

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

6. Industry Classification Code: (SEC Use Only)

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

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

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

10. Securities registered pursuant to Sections 8 of the SRC

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

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

Yes [**X**] No [ ]

12. Check whether the registrant

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

Yes [**X**] No [ ]

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

Yes [**X**] No [ ]

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PART I – FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

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

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

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

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

The financial information appearing in this report and in the accompanying unaudited consolidated financial statements is stated in Philippine pesos. All references to "Philippine pesos," "Php" or "pesos" are to the lawful currency of the Philippines; all references to "U.S. dollars," "US$" or "dollars" are to the lawful currency of the United States; all references to "Japanese yen," "JP¥" or "yen" are to the lawful currency of Japan and all references to "Euro" or "€" are to the lawful currency of the European Union. Unless otherwise indicated, translations of Philippine peso amounts into U.S. dollars in this report and in the accompanying unaudited consolidated financial statements were made based on the exchange rate of Php50.83 to US$1.00, the exchange rate as at September 30, 2017 quoted through the Philippine Dealing System.

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

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

Financial Highlights and Key Performance Indicators

	Nine months ended September 30,		Increase (Decrease)	
	2017	**2016**	**Amount**	**%**
(in millions, except for EBITDA margin, earnings per common share, net debt to equity ratio and operational data)				
Consolidated Income Statement				
Revenues	Php119,066	Php125,386	(Php6,320)	(5)
Expenses	96,495	103,093	(6,598)	(6)
Other income (expenses)	5,307	(133)	5,440	4,090
Income before income tax	27,878	22,160	5,718	26
Net income	21,942	15,900	6,042	38
Core income	23,189	21,736	1,453	7
EBITDA	49,129	45,717	3,412	7
EBITDA margin(1)	43%	38%	–	–
Reported earnings per common share:				
Basic	101.06	73.22	27.84	38
Diluted	101.06	73.22	27.84	38
Core earnings per common share(2):				
Basic	107.12	100.42	6.70	7
Diluted	107.12	100.42	6.70	7

	September 30,	December 31,	Increase (Decrease)	
	2017	**2016**	**Amount**	**%**
Consolidated Statements of Financial Position				
Total assets	Php452,392	Php475,119	(Php22,727)	(5)
Property and equipment	187,521	203,188	(15,667)	(8)
Cash and cash equivalents and short-term investments	34,037	41,460	(7,423)	(18)
Total equity attributable to equity holders of PLDT	118,585	108,175	10,410	10
Long-term debt, including current portion	174,882	185,032	(10,150)	(5)
Net debt(3) to equity ratio	1.19x	1.33x	–	–

	Nine months ended September 30,		Increase (Decrease)	
	2017	**2016**	**Amount**	**%**
Consolidated Statements of Cash Flows				
Net cash provided by operating activities	Php27,355	Php33,277	(Php5,922)	(18)
Net cash used in investing activities	(4,843)	(17,673)	12,830	73
Capital expenditures	*10,993*	*26,131*	*(15,138)*	*(58)*
Net cash used in financing activities	(36,247)	(35,947)	(300)	(1)
Operational Data				
Number of mobile subscribers	58,218,034	65,376,102	(7,158,068)	(11)
Prepaid(4)	*55,651,398*	*62,259,067*	*(6,607,669)*	*(11)*
Postpaid	*2,566,636*	*3,117,035*	*(550,399)*	*(18)*
Number of broadband subscribers	1,903,412	1,678,694	224,718	13
Fixed Line broadband	*1,651,515*	*1,407,122*	*244,393*	*17*
Wireless home broadband	*251,897*	*271,572*	*(19,675)*	*(7)*
Number of fixed line subscribers	2,614,248	2,404,893	*209,355*	*9*
Number of employees:	17,567	17,808	(241)	(1)
Fixed Line	*10,629*	*10,462*	*167*	*2*
LEC	*6,803*	*7,152*	*(349)*	*(5)*
Others	*3,826*	*3,310*	*516*	*16*
Wireless	*6,938*	*7,346*	*(408)*	*(6)*

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

(2) *Core earnings per common share, or EPS, for the period is measured as core income divided by the weighted average number of outstanding common shares for the period.*

(3) *Net debt is derived by deducting cash and cash equivalents and short-term investments from total debt (long-term debt, including current portion).*

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

Exchange Rates – per US$	**Month end rates**	**Weighted average rates during the year**
September 30, 2017	Php50.83	Php50.24
December 31, 2016	49.77	47.48
September 30, 2016	48.48	46.95
December 31, 2015	47.12	45.51

Performance Indicators

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

EBITDA

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

Core Income

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

Overview

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

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

- *Fixed Line* — fixed line telecommunications services primarily provided by PLDT. We also provide fixed line services through PLDT's subsidiaries, namely, PLDT Clark Telecom, Inc., PLDT Subic Telecom, Inc., PLDT-Philcom, Inc. or Philcom, and its subsidiaries, or Philcom Group, PLDT-Maratel, Inc., Bonifacio Communications Corporation, PLDT Global and certain subsidiaries and Digitel, all of which together account for approximately 4% of our consolidated fixed line subscribers; data center, cloud, big data, managed security services, managed IT services and resellership provided by ePLDT, Inc., or ePLDT, IP Converge Data Services, Inc., or IPCDSI, and subsidiary, or IPCDSI Group, ABM Global Solutions, Inc., or AGS, and its subsidiaries, or AGS Group, Curo Teknika, Inc. and ePDS, Inc., or ePDS; business infrastructure and solutions, intelligent data processing and implementation services and data analytics insight generation provided by Talas Data Intelligence, Inc., or Talas; distribution of Filipino channels and content by Pilipinas Global Network Limited and its subsidiaries; and

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

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

Management's Financial Review

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

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

	2017	2016
	(in millions)	
Consolidated EBITDA	Php49,129	Php45,717
Add (deduct) adjustments:		
Depreciation and amortization	(25,547)	(22,603)
Provision for income tax	(5,936)	(6,260)
Financing costs – net	(5,628)	(5,430)
Foreign exchange losses – net	(787)	(1,434)
Amortization of intangible assets	(622)	(821)
Asset impairment	(389)	–
Gains on derivative financial instruments – net	650	511
Interest income	1,023	743
Equity share in net earnings of associates and joint ventures	2,734	1,477
Other income – net	7,315	4,000
Total adjustments	(27,187)	(29,817)
Consolidated net income	Php21,942	Php15,900

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

	2017	2016
	(in millions)	
Consolidated core income	Php23,189	Php21,736
Add (deduct) adjustments:		
Foreign exchange losses – net	(787)	(1,434)
Impairment of investment	(778)	(5,381)
Asset impairment	(389)	–
Core income adjustment on equity share in net earnings (losses) of associates and joint ventures	(66)	25
Net income attributable to noncontrolling interests	64	35
Gains on derivative financial instruments – net, excluding hedge costs	818	916
Net tax effect of aforementioned adjustments	(109)	3
Total adjustments	(1,247)	(5,836)
Consolidated net income	Php21,942	Php15,900

Results of Operations

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

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

	Wireless	Fixed Line	Others	Inter-segment Transactions	Consolidated
			(in millions)		
For the nine months ended September 30, 2017					
Revenues	Php70,271	Php58,075	Php8	(Php9,288)	Php119,066
Expenses	61,372	45,550	43	(10,470)	96,495
Other income (expenses)	(1,250)	(1,180)	9,158	(1,421)	5,307
Income before income tax	7,649	11,345	9,123	(239)	27,878
Provision for income tax	2,751	3,099	86	–	5,936
Net income/Segment profit	4,898	8,246	9,037	(239)	21,942
EBITDA	25,623	22,359	(35)	1,182	49,129
EBITDA margin[(1)]	38%	40%	(438%)	–	43%
Core income	5,757	7,810	9,861	(239)	23,189
For the nine months ended September 30, 2016					
Revenues	80,557	54,071	–	(9,242)	125,386
Expenses	69,521	43,912	23	(10,363)	103,093
Other income (expenses)	(1,618)	(861)	3,467	(1,121)	(133)
Income before income tax	9,418	9,298	3,444	–	22,160
Provision for income tax	3,486	2,681	93	–	6,260
Net income/Segment profit	5,932	6,617	3,351	–	15,900
EBITDA	24,307	20,312	(23)	1,121	45,717
EBITDA margin[(1)]	32%	40%	–	–	38%
Core income	6,300	6,353	9,083	–	21,736
Increase (Decrease)					
Revenues	(10,286)	4,004	8	(46)	(6,320)
Expenses	(8,149)	1,638	20	(107)	(6,598)
Other income (expenses)	368	(319)	5,691	(300)	5,440
Income before income tax	(1,769)	2,047	5,679	(239)	5,718
Provision for income tax	(735)	418	(7)	–	(324)
Net income/Segment profit	(1,034)	1,629	5,686	(239)	6,042
EBITDA	1,316	2,047	(12)	61	3,412
Core income	(543)	1,457	778	(239)	1,453

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

On a Consolidated Basis

Revenues

We reported consolidated revenues of Php119,066 million in the first nine months of 2017, a decrease of Php6,320 million, or 5%, as compared with Php125,386 million in the same period in 2016, primarily due to the combined effects of the following: (i) lower revenues from mobile services, home broadband, and MVNO and other services, partially offset by higher digital platforms and mobile financial services from our wireless business; (ii) higher revenues from data services, partially offset by lower revenues from voice services, from our fixed line business; and (iii) lower non-service revenues from our wireless and fixed line businesses.

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

	Wireless	Fixed Line	Others	Inter-segment Transactions	Consolidated
			(in millions)		
For the period ended September 30, 2017					
Service Revenues					
Wireless	*Php66,837*			*(Php966)*	*Php65,871*
Mobile	63,595			(947)	62,648
Home Broadband	1,930			(7)	1,923
Digital platforms and mobile financial services	968			(10)	958
MVNO and others	344			(2)	342
Fixed Line		*Php55,466*		*(8,311)*	*47,155*
Voice		21,468		(2,622)	18,846
Data		32,570		(5,019)	27,551
Home broadband		13,158		(181)	12,977
Corporate data and leased lines		16,906		(4,142)	12,764
Data Center and IT		2,506		(696)	1,810
Miscellaneous		1,428		(670)	758
Others			*Php8*	*(5)*	*3*
Total Service Revenues	66,837	55,466	8	(9,282)	113,029
Non-Service Revenues					
Sale of computers, cellular handsets and subscriber identification module, or SIM-packs	3,434	1,985	–	(11)	5,408
Point-product sales	–	624	–	5	629
Total Non-Service Revenues	3,434	2,609	–	(6)	6,037
Total Revenues	70,271	58,075	8	(9,288)	119,066
For the period ended September 30, 2016					
Service Revenues					
Wireless	*76,986*			*(1,107)*	*75,879*
Mobile	74,015			(1,078)	72,937
Home Broadband	2,057			(11)	2,046
Digital platforms and mobile financial services	424			(15)	409
MVNO and others	490			(3)	487
Fixed Line		*51,187*		*(8,134)*	*43,053*
Voice		22,183		(3,088)	19,095
Data		27,783		(4,450)	23,333
Home broadband		10,924		(115)	10,809
Corporate data and leased lines		14,701		(3,724)	10,977
Data Center and IT		2,158		(611)	1,547
Miscellaneous		1,221		(596)	625
Total Service Revenues	76,986	51,187	–	(9,241)	118,932
Non-Service Revenues					
Sale of computers, cellular handsets and SIM-packs	3,571	2,306	–	(1)	5,876
Point-product sales	–	578	–	–	578
Total Non-Service Revenues	3,571	2,884	–	(1)	6,454
Total Revenues	Php80,557	Php54,071	Php–	(Php9,242)	Php125,386

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

					Change	
	2017	%	2016	%	Amount	%
			(in millions)			
Wireless	Php70,271	59	Php80,557	64	(Php10,286)	(13)
Fixed line	58,075	49	54,071	43	4,004	7
Others	8	–	–	–	8	100
Inter-segment transactions	(9,288)	(8)	(9,242)	(7)	(46)	–
Consolidated	Php119,066	100	Php125,386	100	(Php6,320)	(5)

Expenses

Consolidated expenses decreased by Php6,598 million, or 6%, to Php96,495 million in the first nine months of 2017 from Php103,093 million in the same period in 2016, as a result of lower expenses related to cost of sales, asset impairment, and cash operating expenses related to selling and promotions, interconnection costs, repairs and maintenance, taxes and licenses, communication, training and travel, insurance and security services, and other operating expenses, partially offset by higher expenses related to compensation and employee benefits, professional and other contracted services, cost of services, and rent, as well as higher depreciation and amortization expense.

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

	2017	%	2016	%	Change Amount	Change %
			(in millions)			
Wireless	Php61,372	64	Php69,521	67	(Php8,149)	(12)
Fixed line	45,550	47	43,912	43	1,638	4
Others	43	–	23	–	20	87
Inter-segment transactions	(10,470)	(11)	(10,363)	(10)	(107)	(1)
Consolidated	Php96,495	100	Php103,093	100	(Php6,598)	(6)

Other Income (Expenses)

Consolidated other income amounted to Php5,307 million in the first nine months of 2017, an increase of Php5,440 million as against other expenses of Php133 million in the same period in 2016, primarily due to the combined effects of the following: (i) higher other income by Php3,315 million, primarily due to lower impairment on the Rocket Internet investment, partly offset by lower gain on sale of Beacon shares in 2017, lower gain on sale of properties in 2017 and impairment of the investment in AF Payments, Inc., or AFPI; (ii) an increase in equity share in net earnings of associates and joint ventures by Php1,257 million due to higher share in net earnings of Asia Outsourcing Beta Limited, or Beta, resulting mainly from the gain on sale of SPi Technologies, Inc., lower share in net losses of Vega Telecom, Inc. or VTI, equity share in net earnings in 2017 as against equity share in net losses in 2016 of Cignal TV, Inc., or Cignal TV, and Philippines Internet Holding S.à.r.l., or PHIH, and share in net losses of eCommerce Holdings S.à.r.l. in 2016, partly offset by lower share in net earnings of Beacon Electric Asset Holdings, Inc., or Beacon, and Hastings Holdings, Inc., or Hastings, and higher share in net losses of AFPI; (iii) lower net foreign exchange losses by Php647 million on account of revaluation of foreign currency-denominated assets and liabilities due to the lower level of depreciation of the Philippine peso relative to the U.S. dollar to Php50.83 as at September 30, 2017 from Php49.77 as at December 31, 2016 as against the depreciation of the Philippine peso relative to the U.S. dollar to Php48.48 as at September 30, 2016 from Php47.12 as at December 31, 2015; (iv) higher interest income by Php280 million due to higher principal amount of temporary cash investments, higher weighted average rate of the Philippine peso relative to the U.S. dollar and higher weighted average interest rate; (v) higher net gains on derivative financial instruments by Php139 million on account of mark-to-market gains on foreign exchange derivatives due to the depreciation of the Philippine peso relative to the U.S. dollar for the nine months ended September 30, 2017; and (vi) higher financing costs by Php198 million due to higher weighted average loan principal amount, higher weighted average rate of the Philippine peso relative to the U.S. dollar and higher financing charges, partly offset by higher capitalized interest and lower weighted average interest rate.

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

	2017	2016	Change Amount	Change %
		(in millions)		
Wireless	(Php1,250)	(Php1,618)	Php368	23
Fixed line	(1,180)	(861)	(319)	(37)
Others	9,158	3,467	5,691	164
Inter-segment transactions	(1,421)	(1,121)	(300)	(27)
Consolidated	Php5,307	(Php133)	Php5,440	4,090

Net Income

Consolidated net income increased by Php6,042 million, or 38%, to Php21,942 million in the first nine months of 2017, from Php15,900 million in the same period in 2016. The increase was mainly due to the combined effects of the following: (i) lower consolidated expenses by Php6,598 million; (ii) higher consolidated other income by Php5,440 million; (iii) lower consolidated provision for income tax by Php324 million; and (iv) lower consolidated revenues by Php6,320 million. Our consolidated basic and diluted EPS increased to Php101.06 for the nine months ended September 30, 2017 from Php73.22 in the same period in 2016. Our weighted average number of outstanding common shares was approximately 216.06 million in each of the first nine months of 2017 and 2016.

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

					Change	
	2017	%	2016	%	Amount	%
			(in millions)			
Wireless	Php4,898	22	Php5,932	37	(Php1,034)	(17)
Fixed line	8,246	38	6,617	42	1,629	25
Others	9,037	41	3,351	21	5,686	170
Inter-segment transactions	(239)	(1)	–	–	(239)	(100)
Consolidated	Php21,942	100	Php15,900	100	Php6,042	38

EBITDA

Our consolidated EBITDA amounted to Php49,129 million in the first nine months of 2017, an increase of Php3,412 million, or 7%, as compared with Php45,717 million in the same period in 2016, primarily due to lower cost of sales, lower consolidated cash operating expenses mainly driven by selling and promotions, interconnection costs, repairs and maintenance, as well as lower provision for doubtful accounts, partially offset by lower consolidated revenues, and higher cost of services.

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

					Change	
	2017	%	2016	%	Amount	%
			(in millions)			
Wireless	Php25,623	52	Php24,307	53	Php1,316	5
Fixed line	22,359	46	20,312	45	2,047	10
Others	(35)	–	(23)	–	(12)	(52)
Inter-segment transactions	1,182	2	1,121	2	61	5
Consolidated	Php49,129	100	Php45,717	100	Php3,412	7

Core Income

Our consolidated core income amounted to Php23,189 million in the first nine months of 2017, an increase of Php1,453 million, or 7%, as compared with Php21,736 million in the same period in 2016, primarily due to higher EBITDA, higher equity share in net earnings of associates and joint ventures, and lower provision for income tax, partially offset by lower gain on sale of Beacon shares and higher depreciation expense. Our consolidated basic and diluted core EPS decreased to Php107.12 in the first nine months of 2017 from Php100.42 in the same period in 2016.

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

					Change	
	2017	%	2016	%	Amount	%
			(in millions)			
Wireless	Php5,757	25	Php6,300	29	(Php543)	(9)
Fixed line	7,810	34	6,353	29	1,457	23
Others	9,861	42	9,083	42	778	9
Inter-segment transactions	(239)	(1)	–	–	(239)	(100)
Consolidated	Php23,189	100	Php21,736	100	Php1,453	7

On a Business Segment Basis

Wireless

Revenues

We generated revenues of Php70,271 million from our wireless business in the first nine months of 2017, a decrease of Php10,286 million, or 13%, from Php80,557 million in the same period in 2016.

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

					Increase (Decrease)	
	2017	**%**	**2016**	**%**	**Amount**	**%**
			(in millions)			
Service Revenues:						
Mobile	Php63,595	91	Php74,015	92	(Php10,420)	(14)
Home Broadband	1,930	3	2,057	3	(127)	(6)
Digital platforms and mobile financial services	968	1	424	–	544	128
MVNO and others[(1)]	344	–	490	1	(146)	(30)
Total Wireless Service Revenues	66,837	95	76,986	96	(10,149)	(13)
Non-Service Revenues:						
Sale of cellular handsets, cellular SIM-packs and broadband data modems	3,434	5	3,571	4	(137)	(4)
Total Wireless Revenues	Php70,271	100	Php80,557	100	(Php10,286)	(13)

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

Service Revenues

Our wireless service revenues in the first nine months of 2017 decreased by Php10,149 million, or 13%, to Php66,837 million as compared with Php76,986 million in the same period in 2016, mainly as a result of lower revenues from mobile services, home broadband, and MVNO and other services, partially offset by higher revenues from our digital platforms and mobile financial services. As a percentage of our total wireless revenues, service revenues accounted for 95% and 96% for the nine months ended September 30, 2017 and 2016, respectively.

Mobile Services

Our mobile service revenues amounted to Php63,595 million in the first nine months of 2017, a decrease of Php10,420 million, or 14%, from Php74,015 million in the same period in 2016. Mobile service revenues accounted for 95% and 96% of our wireless service revenues for the nine months ended September 30, 2017 and 2016, respectively.

					Increase (Decrease)	
	2017	**%**	**2016**	**%**	**Amount**	**%**
			(in millions)			
Mobile Services:						
Voice	Php23,248	36	Php28,811	39	(Php5,563)	(19)
SMS	19,702	31	25,211	34	(5,509)	(22)
Data	19,565	31	19,108	26	457	2
Inbound roaming and others[(1)]	1,080	2	885	1	195	22
Total	Php63,595	100	Php74,015	100	(Php10,420)	(14)

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

We market nationwide mobile communications services under the brand names Smart, TNT and Sun. Smart, together with TNT and Sun, have focused on segmenting the market by offering sector-specific, value-driven packages to 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 data allowance, text messages and calls of a preset duration, with a prescribed validity period. Smart, TNT and Sun also provide buckets which offer voice, text and hybrid bundles available to all networks, as well as packages with unlimited on-net voice, text, volume-based data, and combinations thereof, denominations of which depend on the duration and nature of the packages.

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

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

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

In August 2017, Smart has successfully activated 4-component carrier aggregation in the country's premiere tourist destination, Boracay Island, boosting data service quality and speeds of up to 280Mbps.

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

The network upgrade was already completed in Davao, Cebu, Rizal and in large parts of Metro Manila. LTE speeds and coverage have improved significantly in these areas as also confirmed by independent reports, such as OpenSignal. The upgrade of Smart's network in Metro Manila is ongoing, with significant progressive improvements in network quality expected within the year. Projects to achieve 95% LTE coverage by the end of 2018 are in progress and on-track.

Smart also expanded its 4G service and launched new LTE data offers for Sun subscribers across the country. On October 12, 2017, Sun has offered to upgrade its subscribers' SIM cards to LTE SIMs to allow access to the Smart/Sun LTE network.

Voice Services

Mobile revenues from our voice services, which include all voice traffic, decreased by Php5,563 million, or 19%, to Php23,248 million in the first nine months of 2017 from Php28,811 million in the same period in 2016, mainly on account of 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 36% and 39% of our mobile service revenues for the nine months ended September 30, 2017 and 2016, respectively.

Domestic voice service revenues decreased by Php4,272 million, or 19%, to Php18,094 million in the first nine months of 2017 from Php22,366 million in the same period in 2016, due to lower domestic outbound and inbound voice service revenues.

International voice service revenues decreased by Php1,291 million, or 20%, to Php5,154 million in the first nine months of 2017 from Php6,445 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 rate of the Philippine peso relative to the U.S. dollar.

SMS Services

Mobile revenues from our SMS services, which include all SMS-related services and value-added services, or VAS, decreased by Php5,509 million, or 22%, to Php19,702 million in the first nine months of 2017 from Php25,211 million in the same period in 2016 mainly from lower bucket-priced and unlimited SMS offerings due to a decline in both subscribers and SMS volumes. Mobile SMS services accounted for 31% and 34% of our mobile service revenues for the nine months ended September 30, 2017 and 2016, respectively.

Data Services

Mobile revenues from our data services, which include mobile internet, mobile broadband and other data services, increased by Php457 million, or 2%, to Php19,565 million in the first nine months of 2017 from Php19,108 million in the same period in 2016.

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

					Increase (Decrease)	
	2017	%	2016	%	Amount	%
			(in millions)			
Data Services:						
Mobile internet[(1)]	Php14,762	75	Php12,539	66	Php2,223	18
Mobile broadband	4,678	24	6,411	33	(1,733)	(27)
Other data	125	1	158	1	(33)	(21)
Total	Php19,565	100	Php19,108	100	Php457	2

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

Mobile internet

Mobile internet service revenues increased by Php2,223 million, or 18%, to Php14,762 million in the first nine months of 2017 from Php12,539 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 the 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, Big Bytes, GigaSurf* and *SurfMax* continue to provide users volume data bundles with all-net texts and tri-net calls are available for as low as Php15 per day. Smart also offers *Video Prime Packs* which combine both mobile data and content subscription in one package, allowing subscribers to watch their favorite shows and movies on their mobile phones. Sun subscribers can now register to consumable LTE internet promo offers starting from Php20. Mobile internet services accounted for 23% and 17% of our mobile service revenues for the nine months ended September 30, 2017 and 2016, respectively.

Mobile broadband

Mobile broadband revenues amounted to Php4,678 million in the first nine months of 2017, a decrease of Php1,733 million, or 27%, from Php6,411 million in the same period in 2016, primarily due to a decrease in the number of subscribers, mainly *Sun Broadband*. Mobile broadband services accounted for 7% and 9% of our mobile service revenues for the nine months ended September 30, 2017 and 2016, respectively.

Smart Bro is further driving LTE adoption for subscribers to experience Smart's LTE network with its new devices and data packages. *Smart Bro Postpaid* introduced its new Shared Plan Bundles where subscribers can enjoy data using multiple SIMs and LTE WiFi devices via a pooled monthly data allocation under one postpaid plan. *Smart Bro Prepaid* continues to make LTE more affordable through its promotional offer for the *Smart Bro Prepaid LTE Pocket WiFi* at Php1,295 and the introduction of the *Smart Bro Prepaid LTE Home WiFi* priced at Php1,995. The *Smart Bro Prepaid LTE Home WiFi* offers new potential for growth since it taps a new market for providing home broadband connectivity to households that are not yet served plus the flexibility of availing a prepaid payment option.

Sun Bro is an affordable wireless broadband service utilizing advanced 3.5G HSPA and LTE technologies offering various plans and packages to internet users. *Sun Bro* continues to grow the value-for-money broadband segment with its Non-Stop Surf Plans and Loads.

Other data

Revenues from our other data services, which include domestic leased lines and share in revenue from PLDT *WeRoam*, decreased by Php33 million, or 21%, to Php125 million in the first nine months of 2017 from Php158 million in the same period in 2016.

Inbound Roaming and Others

Mobile revenues from inbound roaming and other services increased by Php195 million, or 22%, to Php1,080 million in the first nine months of 2017 from Php885 million in the same period in 2016.

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

			Increase (Decrease)	
	2017	**2016**	**Amount**	**%**
		(in millions)		
Mobile service revenues	Php63,595	Php74,015	(Php10,420)	(14)
By service type				
Prepaid	45,007	51,374	(6,367)	(12)
Postpaid	17,508	21,756	(4,248)	(20)
Inbound roaming and others	1,080	885	195	22

Prepaid Revenues

Revenues generated from our mobile prepaid services amounted to Php45,007 million in the first nine months of 2017, a decrease of Php6,367 million, or 12%, as compared with Php51,374 million in the same period in 2016. Mobile prepaid service revenues accounted for 71% and 70% of mobile service revenues for the nine months ended September 30, 2017 and 2016, respectively. The decrease in revenues from our mobile prepaid services was primarily driven by a lower mobile prepaid subscriber base resulting in lower voice and SMS revenues, partially offset by the increase in mobile internet revenues.

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

Smart Prepaid continues to offer data, call and text packages to its subscribers. On July 20, 2017, *Smart Prepaid* launched an exclusive offer to Smart vendors and distributor partners, where subscribers were given SIM cards with 500MB and 1GB of data upon availment of non-LTE and LTE-capable devices, respectively, and a month's access to *iflix* or *iWantTV*.

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

In August 2017, a digital campaign featuring the new *Smart Bro Prepaid LTE Home WiFi* was launched to provide an affordable and convenient way to enjoy home connectivity. For only Php1,995, subscribers can get the device plus 10GB of pre-loaded data valid for seven days, allowing them to enjoy Smart's LTE network. With the improved network coverage, subscribers may connect up to 10 devices and still receive WiFi signal with speeds of up to 42Mbps.

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

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

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

Sun Prepaid continues to offer best value packages. In October 2017, *Sun Prepaid* customers may upgrade their SIMs to LTE for free. To take full advantage of the LTE service, Sun subscribers can avail newly-launched LTE prepaid offers, such as *Big Time Data 70*, which offers 1GB data, unlimited text to all networks, and 30 minutes of calls to Sun, for as low as Php70, valid for seven days.

Postpaid Revenues

Revenues generated from mobile postpaid service amounted to Php17,508 million in the first nine months of 2017, a decrease of Php4,248 million, or 20%, as compared with Php21,756 million in the same period in 2016, and accounted for 27% and 29% of mobile service revenues for the nine months ended September 30, 2017 and 2016, respectively. The decrease in our mobile postpaid service revenues was primarily due to a lower postpaid subscriber base.

We continue to offer a wide array of choices and more flexible postpaid subscription plans to our subscribers.

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

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

Postpaid subscribers may also enjoy data access even while travelling abroad with Surf Abroad 550. Subscribers can avail *Surf Abroad* with no need for registration, no manual network selection and usage charged as part of the plan's consumables.

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

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

On August 31, 2017, *Smart Bro Postpaid* launched its newest gadget bundle under *Smart Bro Gadget Plan 799*, which comes with an iPad 9.7-inch tablet and an *LTE Pocket WiFi* with 3.5GB monthly data allocation.

On September 26, 2017, *Smart Bro Postpaid* started to offer its new *Shared Plan Bundles*, which features pooled data-sharing between different SIMs and devices all under one postpaid plan. The bundles are available at *Shared Plan 799*, which comes with *LTE Home WiFi* and *LTE 2-in-1 Pocket WiFi* with 6GB of monthly shareable data, and *Shared Plan 499*, which comes with two 3G Pocket WiFi devices.

Sun postpaid plans continue to offer a variety of no frills 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.

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. *Smart Travel WiFi* now offers both 3G and 4G devices for as low as Php290 per day for select 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 September 30, 2017 and 2016:

			Increase (Decrease)	
	2017	**2016**	**Amount**	**%**
Mobile subscriber base	58,218,034	65,376,102	(7,158,068)	(11)
Smart(1)	21,909,729	25,043,214	(3,133,485)	(13)
Postpaid	*1,372,661*	*1,482,672*	*(110,011)*	*(7)*
Prepaid(2)	*20,537,068*	*23,560,542*	*(3,023,474)*	*(13)*
TNT	28,364,436	29,851,572	(1,487,136)	(5)
Sun(1)	7,943,869	10,481,316	(2,537,447)	(24)
Postpaid	*1,193,975*	*1,634,363*	*(440,388)*	*(27)*
Prepaid(2)	*6,749,894*	*8,846,953*	*(2,097,059)*	*(24)*
Home broadband subscriber base	251,897	271,572	(19,675)	(7)
Total wireless subscribers	58,469,931	65,647,674	(7,177,743)	(11)

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

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

The average monthly churn rate for *Smart Prepaid* subscribers in the first nine months of 2017 and 2016 were 6.8% and 7.0%, respectively, while the average monthly churn rate for *TNT* subscribers were 7.1% and 6.2% in the first nine months of 2017 and 2016, respectively. The average monthly churn rate for *Sun Prepaid* subscribers were 8.1% and 9.3% in the first nine months of 2017 and 2016, respectively.

The average monthly churn rate for *Smart Postpaid* subscribers were 2.4% and 4.9% in the first nine months of 2017 and 2016, respectively, and 3.6% and 6.4% in the first nine months of 2017 and 2016, respectively, for *Sun Postpaid* subscribers.

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

	Gross(1)		Increase (Decrease)		Net(2)		Increase (Decrease)	
	2017	2016	Amount	%	2017	2016	Amount	%
Prepaid								
Smart	Php118	Php118	Php–	–	Php107	Php108	(Php1)	(1)
TNT	80	83	(3)	(4)	74	76	(2)	(3)
Sun	87	89	(2)	(2)	81	82	(1)	(1)
Postpaid								
Smart	1,008	958	50	5	975	945	30	3
Sun	419	449	(30)	(7)	415	443	(28)	(6)

(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

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

Revenues from our *Home Ultera* services decreased by Php127 million, or 6%, to Php1,930 million in the first nine months of 2017 from Php2,057 million in the same period in 2016, due mainly to the continued migration of our high-value fixed wireless subscribers from legacy technologies (Canopy & Wimax) to wired broadband (digital subscriber line, or DSL/FTTH). In addition, ARPU has decreased as a result of lower-priced plan offerings as part of PLDT's efforts to expand its customer base to include lower income home segments.

Subscribers of our *Home Ultera* services decreased by 19,675, or 7%, to 251,897 subscribers as of September 30, 2017 from 271,572 subscribers as of September 30, 2016.

Digital Platforms and Mobile Financial Services

Revenues from digital platforms and mobile financial services, as reported by Voyager, increased by Php544 million, or 128%, to Php968 million in the first nine months of 2017 from Php424 million in the same period in 2016, primarily due to the increase in PayMaya mobile payment transactions.

MVNO and Others

Revenues from our MVNO and other services decreased by Php146 million, or 30%, to Php344 million in the first nine months of 2017 from Php490 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 rate of the Philippine peso relative to the U.S. dollar to Php50.24 for the nine months ended September 30, 2017 from Php46.95 for the nine months ended September 30, 2016 on our U.S. dollar and U.S. dollar-linked service revenues.

Non-Service Revenues

Our wireless non-service revenues consist of sales of mobile handsets, SIM-packs and broadband data modems, tablets and accessories. Our wireless non-service revenues decreased by Php137 million, or 4%, to Php3,434 million in the first nine months of 2017 from Php3,571 million in the same period in 2016, primarily due to lower revenues from the sale of mobile broadband data modems and mobile handsets.

Expenses

Expenses associated with our wireless business amounted to Php61,372 million in the first nine months of 2017, a decrease of Php8,149 million, or 12%, from Php69,521 million in the same period in 2016. A significant portion of the decrease was mainly attributable to lower cost of sales, asset impairment, selling and promotions, interconnection costs, repairs and maintenance, taxes and licenses, amortization of intangible assets, insurance and security services, and communication, training and travel expenses, partially offset by higher expenses related to depreciation and amortization, rent, professional and other contracted services, compensation and employee benefits, and cost of services. As a percentage of our total wireless revenues, expenses associated with our wireless business accounted for 87% and 86% for the nine months ended September 30, 2017 and 2016, respectively.

The following table summarizes the breakdown of our total wireless-related expenses for the nine months ended September 30, 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	Php15,713	26	Php12,450	18	Php3,263	26
Rent	8,121	13	7,280	11	841	12
Repairs and maintenance	6,045	10	6,295	9	(250)	(4)
Cost of sales	5,768	9	11,917	17	(6,149)	(52)
Compensation and employee benefits	5,679	9	5,185	8	494	10
Interconnection costs	4,835	8	6,022	9	(1,187)	(20)
Professional and other contracted services	4,734	8	4,185	6	549	13
Selling and promotions	3,364	6	4,839	7	(1,475)	(30)
Asset impairment	2,594	4	6,519	9	(3,925)	(60)
Taxes and licenses	1,940	3	2,152	3	(212)	(10)
Insurance and security services	743	1	850	1	(107)	(13)
Amortization of intangible assets	622	1	821	1	(199)	(24)
Communication, training and travel	583	1	677	1	(94)	(14)
Cost of services	380	1	81	–	299	369
Other expenses	251	–	248	–	3	1
Total	Php61,372	100	Php69,521	100	(Php8,149)	(12)

Depreciation and amortization charges increased by Php3,263 million, or 26%, to Php15,713 million, primarily due to higher depreciable asset base and accelerated depreciation on service delivery platform, as well as access and transport equipment.

Rent expenses increased by Php841 million, or 12%, to Php8,121 million, primarily due to higher leased lines rental with the increase in data usage and higher site rental charges with the increase of our LTE/3G sites to improve our service coverage.

Repairs and maintenance expenses decreased by Php250 million, or 4%, to Php6,045 million, mainly due to lower site and office electricity costs and lower technical support fees.

Cost of sales decreased by Php6,149 million, or 52%, to Php5,768 million, primarily due to lower issuances of mobile handsets and mobile broadband data modems.

Compensation and employee benefits increased by Php494 million, or 10%, to Php5,679 million, primarily due to higher salaries and employee benefits, and provision for pension benefits, partly offset by lower manpower rightsizing program, or MRP, costs. Employee headcount decreased to 6,938 as at September 30, 2017 as compared with 7,346 as at September 30, 2016.

Interconnection costs decreased by Php1,187 million, or 20%, to Php4,835 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 data roaming.

Professional and other contracted service fees increased by Php549 million, or 13%, to Php4,734 million, primarily due to increase in facility usage costs, management, legal and call center fees, partly offset by lower market research, payment facility and consultancy fees.

Selling and promotion expenses decreased by Php1,475 million, or 30%, to Php3,364 million, primarily due to lower advertising and promotions, and commissions.

Asset impairment decreased by Php3,925 million, or 60%, to Php2,594 million, primarily due to lower provisions for doubtful accounts and inventory obsolescence.

Taxes and licenses decreased by Php212 million, or 10%, to Php1,940 million due to lower real property tax and other business-related taxes, partly offset by higher spectrum user fees.

Insurance and security services decreased by Php107 million, or 13%, to Php743 million, primarily due to lower site security and property insurance expenses, partly offset by higher office security expenses.

Amortization of intangible assets decreased by Php199 million, or 24%, to Php622 million, primarily due to the decrease in the remaining carrying value of intangible assets.

Communication, training and travel expenses decreased by Php94 million, or 14%, to Php583 million, primarily due to lower freight and hauling, travel, and training expenses, partially offset by higher communication charges and fuel costs for vehicles as a result of higher average fuel cost per liter.

Cost of services increased by Php299 million to Php380 million, primarily due to higher cost on music licenses and various partnership with content providers.

Other expenses increased by Php3 million, or 1%, to Php251 million, primarily due to various business-related expenses.

Other Income (Expenses)

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

			Change	
	2017	**2016**	**Amount**	**%**
		(in millions)		
Other Income (Expenses):				
Financing costs – net	(Php1,819)	(Php1,838)	Php19	1
Foreign exchange losses – net	(468)	(892)	424	48
Equity share in net losses of associates	(102)	(206)	104	50
Interest income	237	196	41	21
Gain on derivative financial instruments – net	326	275	51	19
Other income – net	576	847	(271)	(32)
Total	(Php1,250)	(Php1,618)	Php368	23

Our wireless business' other expenses amounted to Php1,250 million in the first nine months of 2017, a decrease of Php368 million, or 23%, from Php1,618 million in the same period in 2016, primarily due to the combined effects of the following: (i) lower net foreign exchange losses by Php424 million on account of revaluation of foreign currency-denominated assets and liabilities due to the lower level of depreciation of the Philippine peso relative to the U.S. dollar to Php50.83 as at September 30, 2017 from Php49.77 as at December 31, 2016 as against the depreciation of the Philippine peso relative to the U.S. dollar to Php48.48 as at September 30, 2016 from Php47.12 as at December 31, 2015; (ii) lower equity share in net losses of associates by Php104 million, mainly due to equity share in net losses of eCommerce Pay Holding S.à.r.l. in 2016, equity share in net earnings in 2017 as against equity share in net losses in 2016 of PHIH, and lower equity share in net losses of AFPI; (iii) higher net gains on derivative financial instruments by Php51 million on account of mark-to-market gains on foreign exchange derivatives due to the depreciation of the Philippine peso relative to the U.S. dollar in the first nine months of 2017; (iv) higher interest income by Php41 million due to higher principal amount of temporary cash investments, higher weighted average interest rate and higher weighted average rate of the Philippine peso relative to the U.S. dollar ; (v) lower net financing costs by Php19 million due to higher capitalized interest, partly offset by higher weighted average loan principal amount, higher weighted average interest rate, higher weighted average rate of the Philippine peso relative to the U.S. dollar, and higher financing charges; and (vi) a decrease in other income – net by Php271 million mainly due to the impairment on Smart's investment in AFPI, and lower income from consultancy.

Provision for Income Tax

Provision for income tax amounted to Php2,751 million in the first nine months of 2017, a decrease of Php735 million, or 21%, from Php3,486 million in the same period in 2016, primarily due to lower taxable income. The effective tax rates for our wireless business were 36% and 37% in the first nine months of 2017 and 2016, respectively.

Net Income

As a result of the foregoing, our wireless business' net income decreased by Php1,034 million, or 17%, to Php4,898 million in the first nine months of 2017 from Php5,932 million in the same period in 2016.

EBITDA

Our wireless business' EBITDA increased by Php1,316 million, or 5%, to Php25,623 million in the first nine months of 2017 from Php24,307 million in the same period in 2016. EBITDA margin increased to 38% in the first nine months of 2017 from 32% in the same period in 2016.

Core Income

Our wireless business' core income decreased by Php543 million, or 9%, to Php5,757 million in the first nine months of 2017 from Php6,300 million in the same period in 2016 on account of higher depreciation, partially offset by higher EBITDA, lower provision for income tax and lower equity share in net losses of associates.

Fixed Line

Revenues

Revenues generated from our fixed line business amounted to Php58,075 million in the first nine months of 2017, an increase of Php4,004 million, or 7%, from Php54,071 million in the same period in 2016.

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

	2017	%	2016	%	Increase (Decrease) Amount	%
			(in millions)			
Service Revenues:						
Voice	Php21,468	37	Php22,183	42	(Php715)	(3)
Data	32,570	56	27,783	51	4,787	17
Miscellaneous	1,428	2	1,221	2	207	17
	55,466	95	51,187	95	4,279	8
Non-Service Revenues:						
Sale of computers, phone units and SIM packs, and point-product sales	2,609	5	2,884	5	(275)	(10)
Total Fixed Line Revenues	Php58,075	100	Php54,071	100	Php4,004	7

Service Revenues

Our fixed line service revenues increased by Php4,279 million, or 8%, to Php55,466 million in the first nine months of 2017 from Php51,187 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 Php715 million, or 3%, to Php21,468 million in the first nine months of 2017 from Php22,183 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 nine months ended September 30, 2017 and 2016:

	2017	%	2016	%	Increase (Decrease) Amount	%
			(in millions)			
Voice						
Local exchange	Php13,945	65	Php13,268	60	Php677	5
International	4,812	22	6,043	27	(1,231)	(20)
Domestic	2,711	13	2,872	13	(161)	(6)
Total	Php21,468	100	Php22,183	100	(Php715)	(3)

Local Exchange

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

	2017	2016	Increase (Decrease) Amount	%
Total local exchange service revenues (in millions)	Php13,945	Php13,268	Php677	5
Number of fixed line subscribers	2,614,248	2,404,893	209,355	9
Number of fixed line LEC employees	6,803	7,152	(349)	(5)
Number of fixed line subscribers per employee	384	336	48	14

Revenues from our local exchange service increased by Php677 million, or 5%, to Php13,945 million in the first nine months of 2017 from Php13,268 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 accounted for 25% and 26% in the first nine months of 2017 and 2016, respectively.

International

Our international voice service revenues decreased by Php1,231 million, or 20%, to Php4,812 million in the first nine months of 2017 from Php6,043 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 rate of the Philippine peso relative to the U.S. dollar to Php50.24 for the nine months ended September 30, 2017 from Php46.95 for the nine months ended September 30, 2016, and the net increase in average billing rates in dollar terms. The percentage contribution of international voice service revenues to our total fixed line service revenues accounted for 9% and 12% in the first nine months of 2017 and 2016, respectively.

Domestic

Our domestic voice service revenues decreased by Php161 million, or 6%, to Php2,711 million in the first nine months of 2017 from Php2,872 million in the same period in 2016, primarily due to a decrease in call volumes. The percentage contribution of domestic voice service revenues to our fixed line service revenues was 5% and 6% in the first nine months of 2017 and 2016, respectively.

Data Services

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

			Increase	
	2017	**2016**	**Amount**	**%**
Data service revenues (in millions)	Php32,570	Php27,783	Php4,787	17
Home broadband	13,158	10,924	2,234	20
Corporate data and leased lines	16,906	14,701	2,205	15
Data Center and IT	2,506	2,158	348	16

Our data services posted revenues of Php32,570 million in the first nine months of 2017, an increase of Php4,787 million, or 17%, from Php27,783 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, Internet Protocol-Virtual Private Network, or IP-VPN, 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 accounted for 59% and 54% for the nine months ended September 30, 2017 and 2016, respectively.

Home Broadband

PLDT HOME remains to be the nation's leading home broadband service provider, now serving 1,543,175 subscribers nationwide as at September 30, 2017 from 1,307,920 subscribers as at September 30, 2016. 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 Php13,158 million in the first nine months of 2017, an increase of Php2,234 million, or 20%, from Php10,924 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 40% and 39% of total data service revenues in the nine months ended September 30, 2017 and 2016, respectively. PLDT's FTTH nationwide network rollout targets to reach approximately four million homes passed by end of 2017.

In 2017, PLDT HOME launched its initial set of fiber-powered "PLDT SmartCities," in Toledo City, Cebu in February, General Santos City in April, Naga City and South Metro Manila in May, East Metro Manila in July, Cavite as the first "PLDT Fibr-powered SmartProvince" in August, and Rockwell Center in September. 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 and the roll-out of FTTH. In 2017, PLDT also started the deployment of *V-fiber* using hybrid fiber technologies, such as very-high-bit-rate DSL, or *VDSL*, and *G.Fast*, that can deliver fiber speeds through copper lines in residences and offices. PLDT has the country's most extensive transmission and distribution network infrastructure which now has about 165,000 kilometers of fiber optic cables that transport the growing data traffic of its fixed line and mobile networks.

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, with almost half a million existing subscriptions 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, which allows for high-speed browsing of multiple websites and the country's first symmetrical speed service that provides equal upload and download speeds; and the *Whole Home WiFi Solution*, the Philippines' first intelligent Home WiFi technology designed to blanket the entire home with wireless connectivity. This latest product comes with a dedicated and expert service from the *Home Geek Squad*, a group of "technical architects" pioneered by PLDT Home.

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

PLDT HOME has always been at the forefront of providing subscribers with diverse and compelling bundled content through its partnerships with globally renowned content providers. PLDT introduced Roku-Powered™ *TVolution*, an all-in-one, plug-and-play device that brings HD TV channels and Subscription Video-on-Demand services in one powerful box. With this device, subscribers get to conveniently access content from global entertainment partners including 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; ABS-CBN's *iWant TV*, an OTT content platform in the Philippines; and over 100 free streaming channels.

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

Corporate Data and Leased Lines

Corporate data and leased line services contributed Php16,906 million in the first nine months of 2017, an increase of Php2,205 million, or 15%, as compared with Php14,701 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 IP-VPN, Metro Ethernet and *Shops.Work*. Corporate data and leased line revenues accounted for 52% and 53% of total data services in the nine months ended September 30, 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 in Mindanao. VITRO Davao has a total capacity of 45 racks that can serve both primary and back-up requirements of enterprises based in Mindanao. Four days after the launch of VITRO Davao, ePLDT also launched the biggest data center outside of Metro Manila. VITRO Clark is the first purpose-built data center North of Manila. This is the second TIA-942 Rated 3 certified data center of ePLDT, and another Nexcenter certified facility. It has a total capacity of 1,500 racks and fully redundant infrastructure. By the end of 2017, ePLDT Group will have about 9,000 rack capacity in ten locations covering Metro Manila, Subic, Clark, Cebu and Davao. Data center and IT revenues increased by Php348 million, or 16%, to Php2,506 million in the first nine months of 2017 from Php2,158 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 nine 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 Php207 million, or 17%, to Php1,428 million in the first nine months of 2017 from Php1,221 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 nine months of 2017 and 2016.

Non-service Revenues

Non-service revenues decreased by Php275 million, or 10%, to Php2,609 million in the first nine months of 2017 from Php2,884 million in the same period in 2016, primarily due to lower sale of PLDT Landline Plus, or *PLP,* and *Telpad* units, and *FabTab* for *myDSL* retention, partly offset by higher computer-bundled, hardware and software sales.

Expenses

Expenses related to our fixed line business totaled Php45,550 million in the first nine months of 2017, an increase of Php1,638 million, or 4%, as compared with Php43,912 million in the same period in 2016. The increase was primarily due to higher expenses related to compensation and employee benefits, professional and other contracted services, cost of services, asset impairment, and insurance and security services, partly offset by lower expenses related to repairs and maintenance, interconnection costs, depreciation and amortization, selling and promotions, rent, communication, training and travel, and other operating expenses. As a percentage of our total fixed line revenues, expenses associated with our fixed line business accounted for 78% and 81% for the nine months ended September 30, 2017 and 2016, respectively.

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

					Increase (Decrease)	
	2017	%	2016	%	Amount	%
			(in millions)			
Compensation and employee benefits	Php12,202	27	Php9,905	23	Php2,297	23
Depreciation and amortization	9,834	22	10,153	23	(319)	(3)
Professional and other contracted services	5,666	12	4,084	9	1,582	39
Repairs and maintenance	4,027	9	5,075	11	(1,048)	(21)
Interconnection costs	3,596	8	4,381	10	(785)	(18)
Rent	2,079	4	2,168	5	(89)	(4)
Cost of sales	2,064	4	2,066	5	(2)	–
Cost of services[1]	1,491	3	1,157	3	334	29
Selling and promotions	1,327	3	1,615	4	(288)	(18)
Asset impairment	1,211	3	1,014	2	197	19
Taxes and licenses	869	2	880	2	(11)	(1)
Insurance and security services	549	1	519	1	30	6
Communication, training and travel	372	1	428	1	(56)	(13)
Other expenses	263	1	467	1	(204)	(44)
Total	Php45,550	100	Php43,912	100	Php1,638	4

[1] *Certain expenses in 2016 were reclassified to conform with the current presentation.*

Compensation and employee benefits expenses increased by Php2,297 million, or 23%, to Php12,202 million, primarily due to higher MRP costs by Php1,593 million, and salaries and employee benefits, partly offset by lower provision for pension benefits. Employee headcount increased to 10,629 as at September 30, 2017 as compared with 10,462 as at September 30, 2016, primarily due to an increase in employee headcount of ePLDT Group.

Depreciation and amortization charges decreased by Php319 million, or 3%, to Php9,834 million due to a lower depreciable asset base.

Professional and other contracted service expenses increased by Php1,582 million, or 39%, to Php5,666 million, primarily due to higher contracted and technical services and legal fees, partially offset by lower consultancy fees.

Repairs and maintenance expenses decreased by Php1,048 million, or 21%, to Php4,027 million, primarily due to lower repairs and maintenance costs on cable and wire facilities, DFON and central office/telecoms equipment, partially offset by higher electricity charges.

Interconnection costs decreased by Php785 million, or 18%, to Php3,596 million, primarily due to lower international interconnection costs, as a result of a decrease in international inbound calls that terminated to other domestic carriers, and lower domestic interconnection costs.

Rent expenses decreased by Php89 million, or 4%, to Php2,079 million, primarily due to lower domestic and international leased circuit rental charges, land and building rentals, partly offset by higher domestic leased circuit charges.

Cost of sales decreased by Php2 million to Php2,064 million, primarily due to lower sale of *PLP* and *Telpad* units, and *FabTab for myDSL* retention, partly offset by higher hardware and software costs.

Cost of services increased by Php334 million, or 29%, to Php1,491 million, primarily due to various partnerships with content providers.

Selling and promotion expenses decreased by Php288 million, or 18%, to Php1,327 million, primarily due to lower advertising and promotions expenses, marketing, public relations and commissions expenses.

Asset impairment increased by Php197 million, or 19%, to Php1,211 million, mainly due to higher provisions for doubtful accounts and inventory obsolescence.

Taxes and licenses decreased by Php11 million, or 1%, to Php869 million, primarily due to lower real property tax, partly offset by higher business-related taxes.

Insurance and security services increased by Php30 million, or 6%, to Php549 million, mainly due to higher office security expenses and insurance and bond premiums.

Communication, training and travel expenses decreased by Php56 million, or 13%, to Php372 million, mainly due to lower training and travel expenses, partly offset by higher communication charges and fuel consumption costs.

Other expenses decreased by Php204 million, or 44%, to Php263 million, primarily due to various business-related expenses.

Other Income (Expenses)

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

			Change	
	2017	**2016**	**Amount**	**%**
		(in millions)		
Other Income (Expenses):				
Financing costs – net	(Php3,846)	(Php3,629)	(Php217)	(6)
Foreign exchange losses	(76)	(236)	160	68
Equity share in net earnings (losses) of associates	145	(48)	193	402
Gains on derivative financial instruments – net	324	236	88	37
Interest income	535	534	1	–
Other income – net	1,738	2,282	(544)	(24)
Total	(Php1,180)	(Php861)	(Php319)	(37)

Our fixed line business' other expenses increased to Php1,180 million in the first nine months of 2017 from Php861 million for the same period in 2016, mainly due to the combined effects of the following: (i) lower other income – net by Php544 million mainly due to the gain on sale of property in 2016, partly offset by the reversal of impairment of investment in Digitel Crossing, Inc., or DCI, in 2017; (ii) higher net financing costs by Php217 million due to higher weighted average loan principal amount, higher weighted average rate of the Philippine peso relative to the U.S. dollar and higher financing charges, partially offset by higher capitalized interest and lower weighted average interest rate; (iii) an increase in interest income by Php1 million due to higher principal amount of temporary cash investments and higher weighted average rate of the Philippine peso relative to the U.S. dollar, partly offset by lower weighted average interest rate; (iv) higher net gains on derivative financial instruments by Php88 million on account of mark-to-market gains on foreign exchange derivatives due to the depreciation of the Philippine peso relative to the U.S. dollar for the nine months ended September 30, 2017; (v) lower net foreign exchange losses by Php160 million on account of revaluation of foreign currency-denominated assets and liabilities due to the lower level of depreciation of the Philippine peso relative to the U.S. dollar to Php50.83 as at September 30, 2017 from Php49.77 as at December 31, 2016 as against the depreciation of the Philippine peso relative to the U.S. dollar to Php48.48 as at September 30, 2016 from Php47.12 as at December 31, 2015; and (vi) equity share in net earnings of associates of Php145 million in the first nine months of 2017 as against equity share in net losses of associates of Php48 million in the same period in 2016 mainly due to equity share in net earnings in 2017 as against equity share in net losses in 2016 of Cignal TV and higher equity share in net earnings of DCI, partly offset by lower equity share in net earnings of Hastings.

Provision for Income Tax

Provision for income tax amounted to Php3,099 million in the first nine months of 2017, an increase of Php418 million, or 16%, from Php2,681 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 nine months of 2017 and 2016, respectively.

Net Income

As a result of the foregoing, our fixed line business registered a net income of Php8,246 million in the first nine months of 2017, an increase of Php1,629 million, or 25%, as compared with Php6,617 million in the same period in 2016.

EBITDA

Our fixed line business' EBITDA increased by Php2,047 million, or 10%, to Php22,359 million in the first nine months of 2017 from Php20,312 million in the same period in 2016. EBITDA margin remained stable at 40% in each of the first nine months in 2017 and 2016.

Core Income

Our fixed line business' core income increased by Php1,457 million, or 23%, to Php7,810 million in the first nine months of 2017 from Php6,353 million in the same period in 2016, primarily as a result of higher EBITDA and equity share in net earnings of associates, as well as lower depreciation expenses, partially offset by lower miscellaneous income and higher provision for income tax.

Others

Revenues

We generated revenues of Php8 million from our other business in the first nine months of 2017.

Expenses

Expenses related to our other business totaled Php43 million in the first nine months of 2017, an increase of Php20 million, or 87%, as compared with Php23 million in the same period in 2016, primarily due to higher cash operating expenses.

Other Income (Expenses)

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

			Change	
	2017	2016	Amount	%
		(in millions)		
Other Income (Expenses):				
Equity share in net earnings of associates and joint ventures	Php2,691	Php1,731	Php960	55
Interest income	436	189	247	131
Financing costs – net	(148)	(139)	(9)	(6)
Foreign exchange losses	(243)	(306)	63	21
Other income – net	6,422	1,992	4,430	222
Total	Php9,158	Php3,467	Php5,691	164

Other income increased by Php5,691 million to Php9,158 million in the first nine months of 2017 from Php3,467 million in the same period in 2016, primarily due to the combined effects of the following: (i) higher other income by Php4,430 million due to lower impairment loss on our Rocket Internet investment, partly offset by lower gain on sale of Beacon shares; (ii) higher equity share in net earnings of associates and joint ventures by Php960 million due to higher equity share in net earnings of Beta resulting mainly from the gain on sale of SPi, and lower equity share in net losses of VTI, partly offset by lower equity share in net earnings of Beacon; (iii) an increase in interest income by Php247 million; (iv) lower net foreign exchange losses by Php63 million; and (v) higher financing costs by Php9 million.

Net Income

As a result of the foregoing, our other business segment registered a net income of Php9,037 million in the first nine months of 2017, an increase of Php5,686 million from Php3,351 million in the same period in 2016.

Core Income

Our other business segment's core income amounted to Php9,861 million in the first nine months of 2017, an increase of Php778 million, or 9%, as compared with Php9,083 million in the same period in 2016, mainly as a result of the higher equity share in net earnings of associates and joint ventures and higher interest income, partly offset by lower gain on sale of Beacon shares.

Liquidity and Capital Resources

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

	Nine months ended September 30,	
	2017	2016
	(in millions)	
Cash Flows		
Net cash flows provided by operating activities	Php27,355	Php33,277
Net cash flows used in investing activities	(4,843)	(17,673)
Capital expenditures	*10,993*	*26,131*
Net cash flows used in financing activities	(36,247)	(35,947)
Net decrease in cash and cash equivalents	(13,354)	(20,060)

	September 30,	December 31,
	2017	2016
	(in millions)	
Capitalization		
Long-term portion of interest-bearing financial liabilities – net of current portion:		
Long-term debt	Php159,257	Php151,759
Current portion of interest-bearing financial liabilities:		
Long-term debt maturing within one year	15,625	33,273
Total interest-bearing financial liabilities	174,882	185,032
Total equity attributable to equity holders of PLDT	118,585	108,175
	Php293,467	Php293,207
Other Selected Financial Data		
Total assets	Php452,392	Php475,119
Property and equipment	187,521	203,188
Cash and cash equivalents	25,368	38,722
Short-term investments	8,669	2,738

Our consolidated cash and cash equivalents and short-term investments totaled Php34,037 million as at September 30, 2017. Principal sources of consolidated cash and cash equivalents in the first nine months of 2017 were cash flows from operating activities amounting to Php27,355 million, proceeds from availment of long-term debt of Php25,255 million, proceeds from disposal of remaining Beacon shares of Php12,000 million, proceeds from issuance of perpetual notes of Php4,200 million, collection of receivable from Metro Pacific Investments Corporation, or MPIC, of Php2,001 million, proceeds from disposal of investments available-for-sale of Php1,000 million, interest received of Php953 million, dividends received of Php833 million, proceeds from disposal of property and equipment of Php445 million, and proceeds from disposal of investment properties of Php319 million. These funds were used principally for: (1) debt principal and interest payments of Php36,500 million and Php5,402 million, respectively; (2) cash dividend payments of Php16,464 million; (3) capital expenditures, including capitalized interest, of Php10,993 million; (4) net reduction in capital expenditures under long-term financing of Php7,246 million; (5) net payment for purchase of short-term investments of Php5,762 million; and (6) payment for purchase of investment in associates and joint ventures, mainly payment to VTI and Bow Arken of Php5,494 million and Php100 million additional funding to AFPI.

Our consolidated cash and cash equivalents and short-term investments totaled Php28,065 million as at September 30, 2016. Principal sources of consolidated cash and cash equivalents in the first nine months of 2016 were cash flows from operating activities amounting to Php33,277 million, proceeds from disposal of Beacon shares of Php17,000 million, proceeds from availment of long-term debt of Php14,869 million, dividends received of Php4,409 million, proceeds from disposal of property and equipment of Php1,357 million and interest received of Php748 million. These funds were used principally for: (1) capital expenditures, including capitalized interest, of Php26,131 million; (2) cash dividend payments of Php22,899 million; (3) debt principal and interest payments of Php16,549 million and Php5,184 million, respectively; (4) payment for purchase of investment in associates and joint ventures of Php13,451 million; (5) net reductions in capital expenditures under long-term financing of Php5,397 million; (6) payment for purchase of available-for-sale investments of Php1,000 million; and (7) settlement of derivative financial instruments of Php676 million.

Operating Activities

Our consolidated net cash flows provided by operating activities decreased by Php5,922 million, or 18%, to Php27,355 million in the first nine months of 2017 from Php33,277 million in the same period in 2016, primarily due to higher level of settlement of accounts payable and other liabilities, lower operating income and higher pension contribution, partially offset by higher collection efficiency, lower prepayments, advances and other noncurrent assets, and inventories, and lower corporate taxes paid.

Cash flows provided by operating activities of our wireless business decreased by Php121 million, or 1%, to Php13,639 million in the first nine months of 2017 from Php13,760 million in the same period in 2016, primarily due to higher level of settlement of accounts payable and other liabilities and lower operating income, partially offset by higher level of collection of receivables, lower prepayments and inventories, and lower corporate taxes paid. Cash flows provided by operating activities of our fixed line business decreased by Php7,002 million, or 34%, to Php13,743 million in the first nine months of 2017 from Php20,745 million in the same period in 2016, primarily due to higher level of settlement of accounts payable and other liabilities, higher pension contribution, higher inventories and higher corporate taxes paid, partly offset by higher collection efficiency and higher operating income. Cash flows used in operating activities of our other business decreased by Php37 million, or 4%, to Php821 million in the first nine months in 2017 from Php858 million in the same period in 2016 mainly due to lower settlement of accounts payable and other liabilities, partly offset by lower collection of receivables and higher operating loss.

Investing Activities

Consolidated net cash flows used in investing activities amounted to Php4,843 million in the first nine months in 2017, a decrease of Php12,830 million, or 73%, from Php17,673 million in the same period in 2016, primarily due to the combined effects of the following: (1) lower capital expenditures by Php15,138 million; (2) lower net payment for purchase of investments in associates and joint ventures by Php7,857 million; (3) collection of receivables from MPIC of Php2,001 million in 2017; (4) proceeds from disposal of investments available-for-sale of Php1,000 million in 2017 as against purchases of Php1,000 million in 2016; (5) proceeds from disposal of investment properties of Php319 million in 2017; (6) higher interest received by Php205 million; (7) lower proceeds from disposal of property and equipment by Php912 million; (8) lower dividends received by Php3,576 million; (9) lower proceeds from disposal of remaining Beacon shares by Php5,000 million; and (10) higher net payment for purchase of short-term investments by Php5,615 million.

Our consolidated capital expenditures, including capitalized interest, in the first nine months of 2017 totaled Php10,993 million, a decrease of Php15,138 million, or 58%, as compared with Php26,131 million in the same period in 2016. Smart Group's capital spending decreased by Php13,011 million, or 68%, to Php6,015 million in the first nine months in 2017 from Php19,026 million in the same period in 2016. Smart Group's capex spending was primarily focused on expanding 3G capacity and improving LTE (4G) coverage and reach across the nation. PLDT's capital spending decreased by Php1,251 million, or 22%, to Php4,368 million in the first nine months of 2017 from Php5,619 million in the same period in 2016. The capex spending was used to finance the continuous facility roll-out and expansion of our domestic fiber optic network, as well as expansion of our data center business. The balance represents other subsidiaries' capital spending.

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

Financing Activities

On a consolidated basis, cash flows used in financing activities amounted to Php36,247 million in the first nine months of 2017, an increase of Php300 million, or 1%, from Php35,947 million in the same period in 2016, resulting largely from the combined effects of the following: (1) higher payments of long-term debt and interest by Php19,951 million and Php218 million, respectively; (2) higher net settlement of capital expenditures under long-term financing by Php1,849 million; (3) higher collections from derivatives by Php861 million; (4) proceeds from issuance of perpetual notes of Php4,200 million in 2017; (5) lower cash dividend payments by Php6,435 million; and (6) higher proceeds from availment of long-term debt by Php10,386 million.

Debt Financing

Proceeds from availment of long-term debt for the nine months ended September 30, 2017 amounted to Php25,255 million, mainly from PLDT's drawings related to the financing of our capital expenditure requirements and refinancing of maturing loan obligations. Payments of principal and interest on our total debt amounted to Php36,500 million and Php5,402 million, respectively, for the nine months ended September 30, 2017.

Our consolidated long-term debt decreased by Php10,150 million, or 5%, to Php174,882 million as at September 30, 2017 from Php185,032 million as at December 31, 2016, primarily due to debt amortizations and prepayments, partly offset by drawings from our long-term facilities and the depreciation of the Philippine peso relative to the U.S. dollar. As at September 30, 2017, the long-term debt level of of Smart decreased by 14% to Php64,094 million from Php74,851 as at December 31, 2016, while PLDT's increased by 1% to Php110,788 million from Php109,867 million as at December 31, 2016. DMPI loans, with a balance of Php314 million as at December 31, 2016, have been fully paid as at September 30, 2017.

On January 31, 2017, PLDT signed a US$25 million term loan facility with NTT Finance Corporation to finance its capital expenditure requirements for network expansion and improvement and/or refinance existing indebtedness, the proceeds of which were utilized for service improvements and network expansion. The loan was fully drawn on March 30, 2017.

On April 18, 2017, Smart signed a Php1,500 million term loan facility with Philippine National Bank to refinance its existing term loans and/or partially finance capital expenditure requirements for service improvement and network expansion. The loan remains undrawn as at September 30, 2017.

On May 24, 2017, PLDT signed a Php2,000 million term loan facility with Security Bank Corporation to finance its capital expenditure requirements for network expansion and improvement and/or refinance existing indebtedness, the proceeds of which were utilized for service improvements and network expansion. The loan was fully drawn on May 29, 2017.

On July 5, 2017, PLDT signed a Php3,500 million term loan facility with Land Bank of the Philippines, or LBP, to finance its capital expenditure requirements for network expansion and improvement and/or refinance existing indebtedness, the proceeds of which were utilized for service improvements and network expansion. The loan was fully drawn on July 10, 2017.

On August 29, 2017, PLDT signed a Php1,500 million term loan facility with LBP to finance its capital expenditure requirements for network expansion and improvement and/or refinance existing indebtedness, the proceeds of which were utilized for service improvements and network expansion. The loan remains undrawn as at September 30, 2017.

On September 28, 2017, Smart signed a Php1,000 million term loan facility with Union Bank of the Philippines to finance its capital expenditure requirements for service improvement and network expansion. The loan remains undrawn as at September 30, 2017.

Approximately Php79,907 million principal amount of our consolidated outstanding long-term debt as at September 30, 2017 is scheduled to mature over the period from 2017 to 2021. Of this amount, Php46,264 million is attributable to PLDT and Php33,643 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 September 30, 2017 and 2016, we are in compliance with all of our debt covenants.

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

Financing Requirements

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

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

	Date			Amount	
Earnings	Approved	Record	Payable	Per share	Total
				(in millions, except per share amount)	
2017					
Common Stock					
Regular Dividend	March 7, 2017	March 21, 2017	April 6, 2017	28.00	Php6,050
	August 10, 2017	August 25, 2017	September 8, 2017	48.00	10,371
Preferred					
Series IV Cumulative Non-convertible Redeemable Preferred Stock[(1)]	February 7, 2017	February 24, 2017	March 15, 2017	–	12
	May 12, 2017	May 26, 2017	June 15, 2017	–	12
	August 10, 2017	August 25, 2017	September 15, 2017	–	13
Voting Preferred Stock	March 7, 2017	March 30, 2017	April 15, 2017	–	3
	June 13, 2017	June 27, 2017	July 15, 2017	–	2
	September 26, 2017	October 10, 2017	October 15, 2017	–	2
Charged to Retained Earnings					Php16,465
2016					
Common Stock					
Regular Dividend	February 29, 2016	March 14, 2016	April 1, 2016	57.00	Php12,315
	August 2, 2016	August 16, 2016	September 1, 2016	49.00	10,587
Preferred					
Series IV Cumulative Non-convertible Redeemable Preferred Stock[(1)]	January 26, 2016	February 24, 2016	March 15, 2016	–	12
	May 3, 2016	May 24, 2016	June 15, 2016	–	12
	August 2, 2016	August 18, 2016	September 15, 2016	–	12
Voting Preferred Stock	February 29, 2016	March 30, 2016	April 15, 2016	–	3
	June 14, 2016	June 30, 2016	July 15, 2016	–	3
	August 30, 2016	September 20, 2016	October 15, 2016	–	2
Charged to Retained Earnings					Php22,946

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

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

	Date			Amount	
Class	Approved	Record	Payable	Per Share	Total
				(in million pesos, except per share amounts)	
Preferred Stock					
Series IV Cumulative Non-convertible Redeemable Preferred Stock[(1)]	November 9, 2017	November 23, 2017	December 15, 2017	–	Php12
Charge to retained earnings					Php12

[(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 Php452,392 million as at September 30, 2017, a decrease of Php22,727 million, or 5%, from Php475,119 million as at December 31, 2016, primarily due to lower property and equipment, cash and cash equivalents, and investments in associates and joint ventures, resulting from the sale of the remaining Beacon shares to MPIC, partially offset by higher advances and refundable deposits, trade and other receivables, and short term investments.

Our total liabilities amounted to Php333,508 million as at September 30, 2017, a decrease of Php33,074 million, or 9%, from Php366,582 million as at December 31, 2016 mainly due to lower interest-bearing financial liabilities of Php174,882 million as at September 30, 2017 from Php185,032 million as at December 31, 2016, combined with lower accounts payable and accrued capital expenditures under long-term financing.

Off-Balance Sheet Arrangements

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

Equity Financing

On August 2, 2016, the PLDT Board of Directors approved the amendment of our dividend policy, reducing our dividend payout rate to 60% of our core earnings per share as regular dividends. This was in view of the elevated capital expenditures to support the build-out of a resilient and reliable data network, lower EBITDA primarily due to higher subsidies to grow the data business and defend market share, and the resources required to support the acquisition of SMC's telecommunications business. In declaring dividends, we take into consideration the interest of our shareholders, as well as our working capital, capital expenditures and debt servicing requirements. The retention of earnings may be necessary to meet the funding requirements of our business expansion and development programs. However, in the event that no investment opportunities arise, we may consider the option of returning additional cash to our shareholders in the form of special dividends of up to the balance of our core earnings or to undertake share buybacks. We were able to pay out approximately 100% of our core earnings for seven consecutive years from 2007 to 2013, approximately 90% of our core earnings for 2014, 75% of our core earnings for 2015 and 60% of our core earnings in 2016. The accumulated equity in the net earnings of our subsidiaries, which form part of our retained earnings, are not available for distribution unless realized in the form of dividends from such subsidiaries. Dividends are generally paid in Philippine pesos. In the case of shareholders residing outside the Philippines, PLDT's transfer agent in Manila, Philippines, as the dividend-disbursing agent, converts the Philippine peso dividends into U.S. dollars at the prevailing exchange rate 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 nine months in 2017 amounted to Php16,464 million as compared with Php22,899 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 September 30, 2017 and 2016, see *Note 27 – Financial Assets and Liabilities* to the accompanying unaudited consolidated financial statements.

Commercial Commitments

Our outstanding consolidated commercial commitments, in the form of letters of credit, amounted to Php78 million and Php6,788 million as at September 30, 2017 and December 31, 2016, respectively. These commitments will expire within one year. The commercial commitment in 2016 includes standby letters of credit issued in relation with PLDT's acquisition of VTI, Bow Arken and Brightshare.

Quantitative and Qualitative Disclosures about Market Risks

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

For further discussions of these risks, see *Note 27 – Financial Assets and Liabilities* to the accompanying unaudited consolidated financial statements.

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

	Fair Values	
	September 30, 2017	**June 30, 2017**
	(in millions)	
Noncurrent Financial Assets		
Investments in debt securities and other long-term investments – net of current portion	Php151	Php151
Advances and other noncurrent assets – net of current portion	13,767	13,602
Total noncurrent financial assets	13,918	13,753
Noncurrent Financial Liabilities		
Interest-bearing financial liabilities	144,831	144,098
Customers' deposits	1,807	1,736
Deferred credits and other noncurrent liabilities	6,353	7,336
Total noncurrent financial liabilities	Php152,991	Php153,170

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

	September 30, 2017	**June 30, 2017**
	(in millions)	
Profit and Loss		
Interest income	Php1,023	Php611
Gains on derivative financial instruments – net	650	358
Accretion on financial liabilities	(169)	(122)
Interest on loans and other related items	(5,911)	(3,981)
Other Comprehensive Income		
Net fair value losses on cash flow hedges – net of tax	(384)	(208)
Net gains available-for-sale financial investments – net of tax	3,669	1,435

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 nine months ended September 30, 2017 and 2016 were 3.1% and 1.6%, respectively. Moving forward, we currently expect inflation to rise following the impact of the Philippine peso depreciation on oil prices but to stay within the 2% to 4% target range of the Bangko Sentral ng Pilipinas.

PART II – OTHER INFORMATION

PLDT's investment in Trans-Pacific cable system

On October 30, 2017, PLDT announced that it is investing approximately Php7 billion in the new Trans-Pacific cable system to be called "Jupiter", which will further increase PLDT's international cabling capacity and reinforce the resiliency of its undersea fiber links to the U.S. and Japan. This investment will include purchases by PLDT of complementary terminal equipment and other related facilities in the Philippines, Japan and the U.S.

A consortium of global companies, comprising of Amazon, Facebook, SoftBank, PCCW Global, NTT Communications, and PLDT, has signed commercial agreements to build and operate Jupiter which will directly connect Maruyama and Shima in Japan, and Los Angeles in U.S., to PLDT's cable landing station located in Daet, Camarines Norte, to meet the rising data traffic and complement cable systems through increased capacity and diversity in these areas of the Pacific Rim.

Jupiter is a fiber optic submarine cable system designed to have a total length of approximately 14,000 kilometers that will employ wavelength selectable switch technology and will be built based on the "open cable" method. It is expected to deliver a capacity of more than 60 Tbps from the Philippines to Japan and the U.S. directly. Jupiter is expected to be ready for service in early 2020.

Transformation Incentive Plan

On September 26, 2017, the Board of Directors of PLDT approved the Transformation Incentive Plan, or the Plan, which intends to provide incentive compensation to key officers, executives and other eligible participants who are consistent performers and contributors to the achievement of the long-term transformation strategy and financial goals of the Company. The incentive compensation will be in the form of PLDT common shares of stock, or the Performance Shares, which will be released in three annual grants on the condition, among others, that pre-determined consolidated core net income targets are successfully achieved over three annual performance periods from January 1, 2017 to December 31, 2019. A total of up to 860,000 Performance Shares will be awarded under the Plan, of which approximately 214,000 shares are allotted for the 2017 annual grant and will be released to selected participants subject to the achievement of the consolidated core net income target for the year 2017. Metropolitan Bank and Trust Company, through its Trust Banking Group, is the appointed Trustee of the trust established for purposes of the Plan. The Trustee is designated to acquire the PLDT common shares in the open market through the facilities of the Philippine Stock Exchange, and administer their distribution to the eligible participants, subject to the terms and conditions of the Plan. As at November 9, 2017, a total of 520,295 PLDT common shares have been acquired by the Trustee. The Plan will be administered by the Executive Compensation Committee of the Board.

Subscription of PLDT Online in iflix Convertible Note

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

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

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

On July 17, 2017, PLDT filed an Appeal with the DOLE Secretary contesting the conclusions set out in the Compliance Order. In accordance with the rules of procedure for these types of cases, the filing of the Appeal stays the execution of any aspect of the Order, for the duration of the Appeal. As at November 9, 2017, the Appeal has yet to be acted on by the DOLE Secretary.

Sale of PCEV's Remaining Beacon Shares to MPIC

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

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

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

On May 30, 2017, the Board of Directors of MIC approved the (a) reduction of MIC's authorized capital stock from Php2,028 million divided into 20.280 million shares to Php1,602 million by decreasing the par value per share from Php100.00 to Php79.00, or the Decrease in Capital, and (b) the corresponding amendment to the Seventh Article of the Articles of Incorporation of MIC, or the Amendment of Articles. On the same date, the Decrease in Capital and Amendment of Articles were approved by the stockholders representing at least two thirds of the outstanding shares of MIC. The application for approval of the Decrease in Capital and Amendment of Articles was filed with the Philippine SEC on July 11, 2017 and remains pending as at November 9, 2017.

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

On May 19, 2017, AOGL entered into a Sale and Purchase Agreement, or SPA, with Partners Group, a global private markets investment manager, relating to the acquisition of SPi Global, a wholly-owned subsidiary of AOGL, for an enterprise value of US$330 million. The transaction was completed on August 25, 2017. As a result of the sale, PGIC received a total cash distribution of US$56 million in October and November 2017 from Beta through redemption of a portion of its ordinary shares. AOGL is a wholly-owned subsidiary of Beta which is, in turn, owned 73.35% by CVC Capital Partners, one of the world's leading private equity and investment advisory firms, and 18.32% by PLDT through its indirect subsidiary, PGIC.

Extension of Smart's Congressional Franchise

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

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

Issuance of Smart Perpetual Notes

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

Smart issued additional Php1,100 million perpetual notes under a new Notes Facility Agreement dated July 18, 2017 to Rizal Commercial Banking Corporation, Trustee of PLDT's Redemption Trust Fund.

Proceeds from the issuance of these notes are intended to finance capital expenditures. The notes have no fixed redemption dates and Smart may, at its sole option, redeem the notes in whole but not in part. In accordance with *PAS 32*, the notes are classified as part of equity in the financial statements of Smart. The notes are subordinated to and rank junior to all senior loans of Smart.

Smart paid distributions amounting to Php118 million for the nine months ended September 30, 2017.

In the Matter of the Petition against the Philippine Competition Commission, or PCC

On July 12, 2016, PLDT filed before the Court of Appeals, or CA, a Petition for Certiorari and Prohibition (With Urgent Application for the Issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction), or the Petition, against the PCC. The Petition seeks to enjoin the PCC from proceeding with the review of the acquisition by PLDT and Globe of equity interest, including outstanding advances and assumed liabilities, in the telecommunications business of San Miguel Corporation, or 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 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 SMC Transactions based on its Letters dated June 7, 2016 and June 17, 2016 during the effectivity hereof and until further orders are issued by the CA. 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: (i) accepted the consolidation of Globe's petition versus the PCC (CA G.R. SP No. 146538) into PLDT's petition versus the PCC (CA G.R. SP No. 146528) with the right of replacement; (ii) admitted the Comment dated October 4, 2016 filed by the PCC; (iii) referred to the PCC for Comment (within 10 days from notice) PLDT's Urgent Motion for the Issuance of a Gag Order dated September 30, 2016; and (iv) ordered all parties to submit simultaneous memoranda within a non-extendible period of 15 days from notice. On November 11, 2016, PLDT filed its Memorandum in compliance with the CA's 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 CA 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 CA 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.

On April 18, 2017, the PCC filed before the Supreme Court a Petition to Annul the Writ of Preliminary Injunction issued by the CA's 12th Division on August 26, 2016 restraining PCC's review of the SMC Transactions. In compliance with the Supreme Court's Resolution issued on April 25, 2017, PLDT on July 3, 2017 filed its Comment dated July 1, 2017 to PCC's Petition. The Supreme Court issued a Resolution dated July 18, 2017 noting PLDT's Comment and requiring PCC to file its Consolidated Reply. PCC filed a Motion for Extension of Time and prayed that it be granted until October 23, 2017 to file its Consolidated Reply. The petition remains pending with the Supreme Court for resolution.

In a Decision dated October 18, 2017, the CA granted the Petitions filed by PLDT and Globe. In its Decision, the CA (i) permanently enjoined the PCC from conducting further proceedings for the pre-acquisition review and/or investigation of the SMC Transactions based on its Letters dated June 7, 2016 and June 17, 2016; (ii) annulled and set aside the Letters dated June 7, 2016 and June 17, 2016; (iii) precluded the PCC from conducting a full review and/or investigation of the SMC Transactions; (iv) compelled the PCC to recognize the SMC Transactions as deemed approved by operation of law; and (v) denied the PCC's Motion for Partial Reconsideration dated March 6, 2017, and directed the PCC to permanently comply with the CA's Resolution dated February 17, 2017 requiring PCC to remove its preliminary statement of concern from its website. The CA clarified that the deemed approved status of the SMC Transactions do not, however, remove the power of PCC to conduct post-acquisition review to ensure that no anti-competitive conduct is committed by the parties.

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 Petition-In-Intervention and upheld the validity of SEC Memorandum Circular No. 8, Series of 2013, dated May 20, 2013, or MC No. 8. In the course of discussing the Petition, the Supreme Court expressly rejected petitioners' argument that the 60% Filipino ownership requirement for public utilities must be applied to each class of shares. According to the Court, the position is "simply beyond the literal text and contemplation of Section 11, Article XII of the 1987 Constitution" and that the petitioners' suggestion would "effectively and unwarrantedly amend or change" the Court's ruling in Gamboa. In categorically rejecting the petitioners' claim, the Court declared and stressed that its Gamboa ruling "did NOT make any definitive ruling that the 60% Filipino ownership requirement was intended to apply to each class of shares." On the contrary, according to the Court, "nowhere in the discussion of the term "capital" in Section 11, Article XII of the 1987 Constitution in the Gamboa Decision did the Court mention the 60% Filipino equity requirement to be applied to each class of shares."

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

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

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

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

Investment in PHIH

On January 20, 2015, PLDT and Rocket Internet further strengthened their existing partnership through a joint venture designed to foster the development of internet-based businesses in the Philippines. PLDT, through its subsidiary, Voyager Innovations, and Asia Internet Holding S.à r.l., which is 50%-owned by Rocket Internet, were the initial shareholders of the joint venture company PHIH. iCommerce, a subsidiary of Voyager Innovations, replaced the latter as shareholder of PHIH on October 14, 2015 and now holds a 33.33% equity interest in PHIH.

The objective of PHIH is the creation and development of online businesses in the Philippines, the leveraging of local market and business model insights, the facilitation of commercial, strategic and investment partnerships, and the acceleration of the rollout of online startups in the Philippines. In accordance with the underlying agreements, iCommerce has so far paid approximately €7.4 million to PHIH as contribution to capital. Payment of another contribution by iCommerce to the PHIH capital of approximately €2.6 million plus interest was requested in 2016 and remains outstanding. The shareholders are currently resolving this matter with the help of independent arbiters.

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 September 30, 2017:

Type of Accounts Receivable	Total	Current	31–60 Days	61–90 Days	Over 91 Days
			(in millions)		
Retail subscribers	Php19,824	Php9,516	Php907	Php232	Php9,169
Corporate subscribers	8,859	2,266	1,809	492	4,292
Foreign administrations	6,376	776	468	523	4,609
Domestic carriers	360	189	8	30	133
Dealers, agents and others	10,502	6,419	770	94	3,219
Total	45,921	Php19,166	Php3,962	Php1,371	Php21,422
Less: Allowance for doubtful accounts	16,380				
Total Receivables - net	Php29,541				

ANNEX II – FINANCIAL SOUNDNESS INDICATORS

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

	2017	2016
Current Ratio(1)	0.55:1.0	0.40:1.0
Net Debt to Equity Ratio(2)	1.19:1.0	1.27:1.0
Net Debt to EBITDA Ratio(3)	2:18:1.0	2.15:1.0
Total Debt to EBITDA Ratio(4)	2.71:1.0	2.60:1.0
Asset to Equity Ratio(5)	3.81:1.0	4.33:1.0
Interest Coverage Ratio(6)	4.63:1.0	3.20:1.0
Profit Margin(7)	18%	13%
Return on Assets(8)	6%	3%
Return on Equity(9)	23%	12%
EBITDA Margin(10)	43%	38%

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

SIGNATURES

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

Registrant: **PLDT Inc.**

Signature and Title: ______________________

MANUEL V. PANGILINAN
Chairman of the Board
President and Chief Executive Officer

Signature and Title: ______________________

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

Signature and Title: ______________________

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

Date: November 9, 2017