PLDT

March 12, 2018

Philippine Stock Exchange
6/F Philippine Stock Exchange Tower
28th Street corner 5th Avenue
Bonifacio Global City, Taguig City

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

Gentlemen:

We provide you a copy of our disclosure letter to the Securities and Exchange Commission regarding the amendment on the Company's unaudited consolidated financial statements as at and for the year ended December 31, 2017.

Thank you.

Very truly yours,

MA. LOURDES C. RAUSA-CHAN
Corporate Secretary

PLDT

March 12, 2018

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:

We refer to our disclosure on the Company's unaudited consolidated financial statements as at and for the year ended December 31, 2017, as filed on March 8, 2018, with Document I.D. Number 103082018001825.

We enclose Pages F-15, F64 and F-98, as amended, due to minor revisions.

Very truly yours,

MA. LOURDES C. RAUSA-CHAN
Corporate Secretary

COVER SHEET

SEC Registration Number

PW-55

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-C	MSRD	

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
	8168534	

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
11,704 As of January 31, 2018	**Every 2nd Tuesday of 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 C. Revilla	**jacabal@pldt.com.ph**	**8168534**	

Contact Person's Address

MGO Building, Legaspi St. corner Dela Rosa St., 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.

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)

December 31st

(Fiscal Year Ending)
(month & day)

SEC Form 17-C (Amended)

Form Type

Not Applicable

Amendment Designation (if applicable)

December 31, 2017

Period Ended Date

Not Applicable

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

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

1. **March 12, 2018**
Date of Report (Date of earliest event reported)

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

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

4. **PLDT INC.**
Exact name of issuer as specified in its charter

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

6.____________ (SEC Use Only)
Industry Classification Code

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

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

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

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

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Stock	216,055,775 [(1)]
Amount of Debt Outstanding	Php172,611 million as at December 31, 2017

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

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PART I – FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

Our consolidated financial statements as at and for the years ended December 31, 2017 and 2016 and related notes (pages F-1 to F-156) are filed as part of this report on Form 17-C.

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

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

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

The financial information appearing in this report and in the accompanying unaudited consolidated financial statements is stated in Philippine pesos. Unless otherwise indicated, translations of Philippine peso amounts into U.S. dollars in this report and in the accompanying unaudited consolidated financial statements were made based on the exchange rate of Php49.96 to US$1.00, the exchange rate as at December 31, 2017 quoted through the Philippine Dealing System.

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

A forward-looking statement may include a statement of the assumptions or bases underlying the forward-looking statement. We have chosen these assumptions or bases in good faith. These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond our control. In addition, these forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of factors, including, without limitation, the risk factors. When considering forward-looking statements, you should keep in mind the description of risks and other 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 statements in this report after the date hereof. In light of these risks and uncertainties, you should keep in mind that actual results may differ materially from any forward-looking statement made in this report or elsewhere.

Financial Highlights and Key Performance Indicators

	Years ended December 31,		Increase (Decrease)	
	2017	2016	Amount	%
(in millions, except for EBITDA margin, earnings per common share, net debt to equity ratio and operational data)	(Unaudited)	(Audited)		
Consolidated Income Statement				
Revenues	Php159,926	Php165,262	(Php5,336)	(3)
Expenses	150,415	140,559	9,856	7
Other income (expenses)	5,058	(2,632)	7,690	292
Income before income tax	14,569	22,071	(7,502)	(34)
Net income	13,466	20,162	(6,696)	(33)
Core income	27,668	27,857	(189)	(1)
EBITDA	66,174	61,161	5,013	8
EBITDA margin[(1)]	44%	39%	–	–
Reported earnings per common share:				
Basic	61.61	92.33	(30.72)	(33)
Diluted	61.61	92.33	(30.72)	(33)
Core earnings per common share[(2)]:				
Basic	127.79	128.66	(0.87)	(1)
Diluted	127.79	128.66	(0.87)	(1)

	December 31,		Increase (Decrease)	
	2017	2016	Amount	%
	(Unaudited)	(Audited)		
Consolidated Statements of Financial Position				
Total assets	Php459,262	Php475,119	(Php15,857)	(3)
Property and equipment	186,907	203,188	(16,281)	(8)
Cash and cash equivalents and short-term investments	33,979	41,460	(7,481)	(18)
Total equity attributable to equity holders of PLDT	110,825	108,175	2,650	2
Long-term debt, including current portion	172,611	185,032	(12,421)	(7)
Net debt[(3)] to equity ratio	1.25x	1.33x	–	–

	Years ended December 31,		Increase (Decrease)	
	2017	2016	Amount	%
	(Unaudited)	(Audited)		
Consolidated Statements of Cash Flows				
Net cash provided by operating activities	Php58,637	Php48,976	Php9,661	20
Net cash used in investing activities	(23,583)	(41,982)	18,399	44
Capital expenditures	39,950	42,825	*(2,875)*	*(7)*
Net cash used in financing activities	(40,319)	(15,341)	(24,978)	(163)
Operational Data				
Number of mobile subscribers	58,293,908	62,763,209	(4,469,301)	(7)
Prepaid[(4)]	55,776,646	59,952,941	*(4,176,295)*	*(7)*
Postpaid	2,517,262	2,810,268	*(293,006)*	*(10)*
Number of broadband subscribers	1,950,881	1,720,753	230,128	13
Fixed Line broadband	1,713,527	1,450,550	*262,977*	*18*
Wireless home broadband	237,354	270,203	*(32,849)*	*(12)*
Number of fixed line subscribers	2,663,210	2,438,473	*224,737*	*9*
Number of employees:	17,779	18,038	(259)	(1)
Fixed Line	10,737	10,695	*42*	–
LEC	6,832	7,205	*(373)*	*(5)*
Others	3,905	3,490	*415*	*12*
Wireless	7,042	7,343	*(301)*	*(4)*

(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
December 31, 2017	Php49.96	Php50.41
December 31, 2016	49.77	47.48
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, 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 subsidiaries, our investment companies.

As at December 31, 2017, our chief operating decision maker, or our Management Committee, views our business activities in three business units: Wireless, Fixed Line and Others.

Management's Financial Review

In addition to consolidated net income, we use EBITDA and core income to assess our operating performance. The reconciliation of our consolidated EBITDA and our consolidated core income to our consolidated net income for the years ended December 31, 2017 and 2016 are set forth below.

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

	2017	2016
	(Unaudited)	(Audited)
	(in millions)	
Consolidated EBITDA	Php66,174	Php61,161
Add (deduct) adjustments:		
Depreciation and amortization	(51,501)	(34,455)
Noncurrent asset impairment	(4,327)	(1,074)
Financing costs – net	(7,370)	(7,354)
Impairment of investments	(2,562)	(5,515)
Provision for income tax	(1,103)	(1,909)
Amortization of intangible assets	(835)	(929)
Foreign exchange losses – net	(411)	(2,785)
Gains on derivative financial instruments – net	533	996
Interest income	1,412	1,046
Equity share in net earnings of associates and joint ventures	2,906	1,181
Other income – net	10,550	9,799
Total adjustments	(52,708)	(40,999)
Consolidated net income	Php13,466	Php20,162

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

	2017	2016
	(Unaudited)	(Audited)
	(in millions)	
Consolidated core income	Php27,668	Php27,857
Add (deduct) adjustments:		
Accelerated depreciation	(12,402)	–
Noncurrent asset impairment	(4,327)	(1,074)
Impairment of investment	(2,562)	(5,515)
Foreign exchange losses – net	(411)	(2,785)
Core income adjustment on equity share in net losses of associates and joint ventures	(60)	(95)
Net income attributable to noncontrolling interests	95	156
Gains on derivative financial instruments – net, excluding hedge costs	724	1,539
Net tax effect of aforementioned adjustments	4,741	79
Total adjustments	(14,202)	(7,695)
Consolidated net income	Php13,466	Php20,162

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 (benefit from) income tax, net income (loss)/segment profit (loss), EBITDA, EBITDA margin and core income for the years ended December 31, 2017 and 2016. In each of the years ended December 31, 2017 and 2016, majority of our revenues are derived from our operations within the Philippines. Our revenues derived from outside the Philippines consist primarily of revenues from incoming international calls to the Philippines.

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

	Wireless	Fixed Line	Others	Inter-segment Transactions	Consolidated
			(in millions)		
For the year ended December 31, 2017 (Unaudited)					
Revenues	Php93,835	Php78,341	Php16	(Php12,266)	Php159,926
Expenses	100,346	63,864	79	(13,874)	150,415
Other income (expenses)	217	(3,323)	10,390	(2,226)	5,058
Income (loss) before income tax	(6,294)	11,154	10,327	(618)	14,569
Provision for (benefit from) income tax	(2,784)	3,680	207	–	1,103
Net income (loss)/Segment profit (loss)	(3,510)	7,474	10,120	(618)	13,466
EBITDA	35,151	29,478	(63)	1,608	66,174
EBITDA margin[1]	40%	39%	(394%)	–	44%
Core income	8,514	8,846	10,926	(618)	27,668
For the year ended December 31, 2016 (Audited)					
Revenues	104,914	72,728	20	(12,400)	165,262
Expenses	93,204	61,285	42	(13,972)	140,559
Other income (expenses)	(3,517)	(291)	2,748	(1,572)	(2,632)
Income before income tax	8,193	11,152	2,726	–	22,071
Provision for (benefit from) income tax	(1,270)	3,018	161	–	1,909
Net income/Segment profit	9,463	8,134	2,565	–	20,162
EBITDA	32,661	26,950	(22)	1,572	61,161
EBITDA margin[1]	32%	39%	(110%)	–	39%
Core income	11,402	7,746	8,709	–	27,857
Increase (Decrease)					
Revenues	(11,079)	5,613	(4)	134	(5,336)
Expenses	7,142	2,579	37	98	9,856
Other income (expenses)	3,734	(3,032)	7,642	(654)	7,690
Income before income tax	(14,487)	2	7,601	(618)	(7,502)
Provision for income tax	(1,514)	662	46	–	(806)
Net income/Segment profit	(12,973)	(660)	7,555	(618)	(6,696)
EBITDA	2,490	2,528	(41)	36	5,013
Core income	(2,888)	1,100	2,217	(618)	(189)

[1] *EBITDA margin for the period is measured as EBITDA divided by service revenues.*

On a Consolidated Basis

Revenues

We reported consolidated revenues of Php159,926 million in 2017, a decrease of Php5,336 million, or 3%, as compared with Php165,262 million in 2016, primarily due to lower revenues from mobile and home broadband services in our wireless business, partially offset by higher revenues from data services in our fixed line business.

The following table shows the breakdown of our consolidated revenues by services for the years ended December 31, 2017 and 2016:

	Wireless	Fixed Line	Others	Inter-segment Transactions	Consolidated
			(in millions)		
For the year ended December 31, 2017					
Service Revenues					
Wireless	*Php88,652*			*(Php1,301)*	*Php87,351*
Mobile	84,439			(1,273)	83,166
Home broadband	2,556			(9)	2,547
Digital platforms and mobile financial services	1,240			(17)	1,223
MVNO and others	417			(2)	415
Fixed Line		*Php74,757*		*(10,946)*	*63,811*
Voice		28,500		(3,204)	25,296
Data		44,294		(6,849)	37,445
Home broadband		18,054		(245)	17,809
Corporate data and ICT		26,240		(6,604)	19,636
Miscellaneous		1,963		(893)	1,070
Others			*Php16*	*(13)*	*3*
Total Service Revenues	88,652	74,757	16	(12,260)	151,165
Non-Service Revenues					
Sale of computers, phone units, mobile handsets and subscriber identification module, or SIM-packs	5,183	2,724	–	(18)	7,889
Point-product sales	–	860	–	12	872
Total Non-Service Revenues	5,183	3,584	–	(6)	8,761
Total Revenues	93,835	78,341	16	(12,266)	159,926
For the year ended December 31, 2016					
Service Revenues					
Wireless	*100,582*			*(1,467)*	*99,115*
Mobile	96,497			(1,431)	95,066
Home broadband	2,772			(14)	2,758
Digital platforms and mobile financial services	728			(19)	709
MVNO and others	585			(3)	582
Fixed Line		*69,006*		*(10,920)*	*58,086*
Voice		29,630		(4,128)	25,502
Data		37,711		(5,984)	31,727
Home broadband		14,896		(167)	14,729
Corporate data and ICT		22,815		(5,817)	16,998
Miscellaneous		1,665		(808)	857
Others			*20*	*(11)*	*9*
Total Service Revenues	100,582	69,006	20	(12,398)	157,210
Non-Service Revenues					
Sale of computers, phone units, mobile handsets and SIM-packs	4,332	2,909	–	(2)	7,239
Point-product sales	–	813	–	–	813
Total Non-Service Revenues	4,332	3,722	–	(2)	8,052
Total Revenues	Php104,914	Php72,728	Php20	(Php12,400)	Php165,262

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

	2017	%	2016	%	Change Amount	Change %
			(in millions)			
Wireless	Php93,835	59	Php104,914	64	(Php11,079)	(11)
Fixed line	78,341	49	72,728	44	5,613	8
Others	16	–	20	–	(4)	(20)
Inter-segment transactions	(12,266)	(8)	(12,400)	(8)	134	1
Consolidated	Php159,926	100	Php165,262	100	(Php5,336)	(3)

Expenses

Consolidated expenses increased by Php9,856 million, or 7%, to Php150,415 million in 2017 from Php140,559 million in 2016, primarily due to higher expenses in our wireless business resulting from higher depreciation and amortization, and noncurrent asset impairment.

The following table shows the breakdown of our consolidated expenses by business segment for the years ended December 31, 2017 and 2016:

	2017	%	2016	%	Change Amount	Change %
			(in millions)			
Wireless	Php100,346	67	Php93,204	66	Php7,142	8
Fixed line	63,864	42	61,285	44	2,579	4
Others	79	–	42	–	37	88
Inter-segment transactions	(13,874)	(9)	(13,972)	(10)	98	1
Consolidated	Php150,415	100	Php140,559	100	Php9,856	7

Other Income (Expenses)

Consolidated other income amounted to Php5,058 million in 2017, a change of Php7,690 million as against other expenses of Php2,632 million in 2016, primarily due to lower impairment on the Rocket Internet investment in our others segment and lower net foreign exchange losses in our wireless segment, partially offset by impairment of investment in Hastings and lower gain on sale of properties in our fixed line business.

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

	2017	2016	Change Amount	Change %
		(in millions)		
Wireless	Php217	(Php3,517)	Php3,734	106
Fixed line	(3,323)	(291)	(3,032)	(1,042)
Others	10,390	2,748	7,642	278
Inter-segment transactions	(2,226)	(1,572)	(654)	(42)
Consolidated	Php5,058	(Php2,632)	Php7,690	292

Net Income (Loss)

Consolidated net income decreased by Php6,696 million, or 33%, to Php13,466 million in 2017, from Php20,162 million in 2016, primarily due to the Php12,973 million decrease in net income in our wireless segment, partially offset by Php7,555 million increase in net income from our other business. Our consolidated basic and diluted EPS decreased to Php61.61 for the year ended December 31, 2017 from Php92.33 in 2016. Our weighted average number of outstanding common shares was approximately 216.06 million in each of 2017 and 2016.

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

	2017	%	2016	%	Change Amount	Change %
			(in millions)			
Wireless	(Php3,510)	(26)	Php9,463	47	(Php12,973)	(137)
Fixed line	7,474	56	8,134	40	(660)	(8)
Others	10,120	75	2,565	13	7,555	295
Inter-segment transactions	(618)	(5)	–	–	(618)	(100)
Consolidated	Php13,466	100	Php20,162	100	(Php6,696)	(33)

EBITDA

Our consolidated EBITDA amounted to Php66,174 million in 2017, an increase of Php5,013 million, or 8%, as compared with Php61,161 million in 2016, primarily due to improved EBITDA in our fixed line and wireless operating segments.

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

	2017	%	2016	%	Change Amount	Change %
			(in millions)			
Wireless	Php35,151	53	Php32,661	53	Php2,490	8
Fixed line	29,478	45	26,950	44	2,528	9
Others	(63)	–	(22)	–	(41)	(186)
Inter-segment transactions	1,608	2	1,572	3	36	2
Consolidated	Php66,174	100	Php61,161	100	Php5,013	8

Core Income

Our consolidated core income amounted to Php27,668 million in 2017, a decrease of Php189 million, or 1%, as compared with Php27,857 million in 2016, primarily due to a decrease in core income from our wireless business as a result of higher depreciation expense, partly offset by higher core income in each of the others and fixed line segments. Our consolidated basic and diluted core EPS decreased to Php127.79 in 2017 from Php128.66 in 2016.

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

	2017	%	2016	%	Change Amount	Change %
			(in millions)			
Wireless	Php8,514	31	Php11,402	41	(Php2,888)	(25)
Fixed line	8,846	32	7,746	28	1,100	14
Others	10,926	39	8,709	31	2,217	25
Inter-segment transactions	(618)	(2)	–	–	(618)	(100)
Consolidated	Php27,668	100	Php27,857	100	(Php189)	(1)

On a Business Segment Basis

Wireless

Revenues

We generated revenues of Php93,835 million from our wireless business in 2017, a decrease of Php11,079 million, or 11%, from Php104,914 million in 2016.

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

	2017	%	2016	%	Increase (Decrease) Amount	Increase (Decrease) %
			(in millions)			
Service Revenues:						
Mobile	Php84,439	90	Php96,497	92	(Php12,058)	(12)
Home broadband	2,556	3	2,772	3	(216)	(8)
Digital platforms and mobile financial services	1,240	1	728	1	512	70
MVNO and others[(1)]	417	–	585	–	(168)	(29)
Total Wireless Service Revenues	88,652	94	100,582	96	(11,930)	(12)
Non-Service Revenues:						
Sale of mobile handsets, SIM-packs and broadband data modems	5,183	6	4,332	4	851	20
Total Wireless Revenues	Php93,835	100	Php104,914	100	(Php11,079)	(11)

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

Service Revenues

Our wireless service revenues in 2017 decreased by Php11,930 million, or 12%, to Php88,652 million as compared with Php100,582 million in 2016, mainly as a result of lower revenues from mobile services, home broadband services, partially offset by higher revenues from digital platforms mobile financial services and others. As a percentage of our total wireless revenues, service revenues accounted for 94% and 96% for the years ended December 31, 2017 and 2016, respectively.

Mobile Services

Our mobile service revenues amounted to Php84,439 million in 2017, a decrease of Php12,058 million, or 12%, from Php96,497 million in 2016. Mobile service revenues accounted for 95% and 96% of our wireless service revenues for the years ended December 31, 2017 and 2016, respectively.

					Increase (Decrease)	
	2017	**%**	**2016**	**%**	**Amount**	**%**
			(in millions)			
Mobile Services:						
Voice	Php30,724	36	Php37,094	38	(Php6,370)	(17)
SMS	26,045	31	32,745	34	(6,700)	(20)
Data	26,281	31	25,517	27	764	3
Inbound roaming and others[(1)]	1,389	2	1,141	1	248	22
Total	Php84,439	100	Php96,497	100	(Php12,058)	(12)

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

Voice Services

Mobile revenues from our voice services, which include all voice traffic, decreased by Php6,370 million, or 17%, to Php30,724 million in 2017 from Php37,094 million 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 38% of our mobile service revenues for the years ended December 31, 2017 and 2016, respectively.

Domestic voice service revenues decreased by Php4,530 million, or 16%, to Php24,136 million in 2017 from Php28,666 million in 2016, due to lower domestic outbound and inbound voice service revenues.

International voice service revenues decreased by Php1,840 million, or 22%, to Php6,588 million in 2017 from Php8,428 million 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 Php6,700 million, or 20%, to Php26,045 million in 2017 from Php32,745 million in 2016 mainly due to declining SMS volumes. Mobile SMS services accounted for 31% and 34% of our mobile service revenues for the years ended December 31, 2017 and 2016, respectively.

Data Services

Mobile revenues from our data services, which include mobile internet, mobile broadband and other data services, increased by Php764 million, or 3%, to Php26,281 million in 2017 from Php25,517 million in 2016.

The following table shows the breakdown of our mobile data service revenues for the years ended December 31, 2017 and 2016:

					Increase (Decrease)	
	2017	**%**	**2016**	**%**	**Amount**	**%**
			(in millions)			
Data Services:						
Mobile internet[(1)]	Php20,086	76	Php17,167	67	Php2,919	17
Mobile broadband	6,030	23	8,147	32	(2,117)	(26)
Other data	165	1	203	1	(38)	(19)
Total	Php26,281	100	Php25,517	100	Php764	3

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

Mobile internet

Mobile internet service revenues increased by Php2,919 million, or 17%, to Php20,086 million in 2017 from Php17,167 million 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. Mobile internet services accounted for 24% and 18% of our mobile service revenues for the years ended December 31, 2017 and 2016, respectively.

Mobile broadband

Mobile broadband revenues amounted to Php6,030 million in 2017, a decrease of Php2,117 million, or 26%, from Php8,147 million 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 years ended December 31, 2017 and 2016, respectively.

Other data

Revenues from our other data services, which include domestic leased lines and share in revenue from PLDT *WeRoam*, decreased by Php38 million, or 19%, to Php165 million in 2017 from Php203 million in 2016.

Inbound Roaming and Others

Mobile revenues from inbound roaming and other services increased by Php248 million, or 22%, to Php1,389 million in 2017 from Php1,141 million in 2016.

The following table shows the breakdown of our mobile service revenues by service type for the years ended December 31, 2017 and 2016:

			Increase (Decrease)	
	2017	2016	Amount	%
		(in millions)		
Mobile service revenues	Php84,439	Php96,497	(Php12,058)	(12)
By service type				
Prepaid	59,862	67,304	(7,442)	(11)
Postpaid	23,188	28,052	(4,864)	(17)
Inbound roaming and others	1,389	1,141	248	22

Prepaid Revenues

Revenues generated from our mobile prepaid services amounted to Php59,862 million in 2017, a decrease of Php7,442 million, or 11%, as compared with Php67,304 million in 2016. Mobile prepaid service revenues accounted for 71% and 70% of mobile service revenues for the years ended December 31, 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.

Postpaid Revenues

Revenues generated from mobile postpaid service amounted to Php23,188 million in 2017, a decrease of Php4,864 million, or 17%, as compared with Php28,052 million in 2016, and accounted for 27% and 29% of mobile service revenues for the years ended December 31, 2017 and 2016, respectively. The decrease in our mobile postpaid service revenues was primarily due to a lower postpaid subscriber base.

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

The following table shows our wireless subscriber base as at December 31, 2017 and 2016:

			Increase (Decrease)	
	2017	2016	Amount	%
Mobile subscriber base	58,293,908	62,763,209	(4,469,301)	(7)
Smart[1]	21,821,441	23,027,793	(1,206,352)	(5)
Postpaid	*1,388,090*	*1,383,830*	*4,260*	–
Prepaid[2]	*20,433,351*	*21,643,963*	*(1,210,612)*	*(6)*
TNT	28,807,964	29,845,509	(1,037,545)	(3)
Sun[1]	7,664,503	9,889,907	(2,225,404)	(23)
Postpaid	*1,129,172*	*1,426,438*	*(297,266)*	*(21)*
Prepaid[2]	*6,535,331*	*8,463,469*	*(1,928,138)*	*(23)*
Home broadband subscriber base	237,354	270,203	(32,849)	(12)
Total wireless subscribers	58,531,262	63,033,412	(4,502,150)	(7)

(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 2017 and 2016 were 6.7% and 7.6%, respectively, while the average monthly churn rate for *TNT* subscribers were 6.8% and 6.3% in 2017 and 2016, respectively. The average monthly churn rate for *Sun Prepaid* subscribers were 7.7% and 8.8% in 2017 and 2016, respectively.

The average monthly churn rate for *Smart Postpaid* subscribers were 2.3% and 4.8% in 2017 and 2016, respectively, and 3.5% and 6.4% in 2017 and 2016, respectively, for *Sun Postpaid* subscribers.

The following table summarizes our average monthly ARPUs for the years ended December 31, 2017 and 2016:

	Gross[(1)]		Increase (Decrease)		Net[(2)]		Increase (Decrease)	
	2017	2016	Amount	%	2017	2016	Amount	%
Prepaid								
Smart	Php118	Php117	Php1	1	Php108	Php107	1	1
TNT	81	82	(1)	(1)	74	76	(2)	(3)
Sun	88	90	(2)	(2)	82	83	(1)	(1)
Postpaid								
Smart	1,004	966	38	4	972	951	21	2
Sun	422	443	(21)	(5)	418	437	(19)	(4)

(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

Revenues from our *Home Ultera* services decreased by Php216 million, or 8%, to Php2,556 million in 2017 from Php2,772 million 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, we offered lower-priced plan offerings as part of our efforts to expand our customer base to include lower income home segments.

Subscribers of our *Home Ultera* services decreased by 32,849, or 12%, to 237,354 subscribers as at December 31, 2017 from 270,203 subscribers as at December 31, 2016.

Digital Platforms and Mobile Financial Services

Revenues from digital platforms and mobile financial services, as reported by Voyager, increased by Php512 million, or 70%, to Php1,240 million in 2017 from Php728 million in 2016, primarily due to the increase in PayMaya mobile payment transactions.

MVNO and Others

Revenues from our MVNO and other services decreased by Php168 million, or 29%, to Php417 million in 2017 from Php585 million 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.

Non-Service Revenues

Our wireless non-service revenues consist of sales of mobile handsets, SIM-packs, mobile broadband data modems, tablets and accessories. Our wireless non-service revenues increased by Php851 million, or 20%, to Php5,183 million in 2017 from Php4,332 million 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 Php100,346 million in 2017, an increase of Php7,142 million, or 8%, from Php93,204 million in 2016. A significant portion of the increase was mainly attributable to higher depreciation and amortization, and noncurrent asset impairment, partially offset by lower provisions, cost of sales and services, interconnection costs, and selling, general and administrative expenses. As a percentage of our total wireless revenues, expenses associated with our wireless business accounted for 107% and 89% for the years ended December 31, 2017 and 2016, respectively.

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

					Increase (Decrease)	
	2017	%	2016	%	Amount	%
			(in millions)			
Selling, general and administrative expenses	Php42,046	42	Php42,472	46	(Php426)	(1)
Depreciation and amortization	36,500	37	18,984	20	17,516	92
Noncurrent asset impairment	4,327	4	1,038	1	3,289	317
Cost of sales and services	8,858	9	14,429	15	(5,571)	(39)
Interconnection costs	6,373	6	8,035	9	(1,662)	(21)
Provisions	2,242	2	8,246	9	(6,004)	(73)
Total	Php100,346	100	Php93,204	100	Php7,142	8

Selling, general and administrative expenses decreased by Php426 million, or 1%, to Php42,046 million, primarily due to lower expenses related to selling and promotions, repairs and maintenance, and insurance and security services, partly offset by higher rent expenses and compensation and employee benefits.

Depreciation and amortization charges increased by Php17,516 million, or 92%, to Php36,500 million, primarily due to higher depreciable asset base and accelerated depreciation on service delivery platforms and packet core assets in line with our ongoing transformation initiatives, as well as access and transport equipment as a result of our converged and simplified network.

Noncurrent asset impairment increased by Php3,289 million to Php4,327 million, primarily due to impairment of radio access network, decommissioning of base transceiver stations and other network equipment, which were rendered obsolete, due to technological advancements.

Cost of sales and services decreased by Php5,571 million, or 39%, to Php8,858 million, primarily due to lower issuances of mobile handsets and mobile broadband data modems, partly offset by higher cost of licenses from various partnership with content providers.

Interconnection costs decreased by Php1,662 million, or 21%, to Php6,373 million, primarily due to lower interconnection cost on domestic voice and SMS services, mainly as a result of lower interconnection rates, and lower interconnection costs on international voice and SMS services, partially offset by an increase in interconnection charges on international data roaming.

Provisions decreased by Php6,004 million, or 73%, to Php2,242 million, primarily due to lower provisions for doubtful accounts and inventory obsolescence.

Other Income (Expenses)

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

			Change	
	2017	2016	Amount	%
		(in millions)		
Other Income (Expenses):				
Financing costs – net	(Php2,260)	(Php2,487)	Php227	9
Equity share in net losses of associates	(129)	(237)	108	46
Foreign exchange losses – net	(46)	(1,702)	1,656	97
Gain on derivative financial instruments – net	282	485	(203)	(42)
Interest income	307	270	37	14
Other income – net	2,063	154	1,909	1,240
Total	Php217	(Php3,517)	Php3,734	106

Our wireless business' other income amounted to Php217 million in 2017, an increase of Php3,734 million, or 106%, as against other expenses of Php3,517 million in 2016, primarily due to the combined effects of the following: (i) higher other income – net by Php1,909 million mainly due to higher miscellaneous income, partly offset by the impairment on Smart's investment in AFPI, and lower income from consultancy; (ii) lower net foreign exchange losses by Php1,656 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; (iii) lower net financing costs by Php227 million; (iv) lower equity share in net losses of associates by Php108 million; (v) higher interest income by Php37 million; and (vi) lower net gains on derivative financial instruments by Php203 million.

Benefit from Income Tax

Benefit from income tax amounted to Php2,784 million in 2017, an increase of Php1,514 million from Php1,270 million in 2016, primarily due to the tax impact of accelerated depreciation and asset impairment recognized for the year.

Net Income (Loss)

As a result of the foregoing, our wireless business' net loss amounted to Php3,510 million in 2017, lower by Php12,973 million as against net income of Php9,463 million in 2016.

EBITDA

Our wireless business' EBITDA increased by Php2,490 million, or 8%, to Php35,151 million in 2017 from Php32,661 million in 2016. EBITDA margin increased to 40% in 2017 from 32% in 2016.

Core Income

Our wireless business' core income decreased by Php2,888 million, or 25%, to Php8,514 million in 2017 from Php11,402 million in 2016 on account of higher depreciation expense, partially offset by higher EBITDA.

Fixed Line

Revenues

Revenues generated from our fixed line business amounted to Php78,341 million in 2017, an increase of Php5,613 million, or 8%, from Php72,728 million in 2016.

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

					Increase (Decrease)	
	2017	%	2016	%	Amount	%
			(in millions)			
Service Revenues:						
Voice	Php28,500	36	Php29,630	41	(Php1,130)	(4)
Data	44,294	57	37,711	52	6,583	17
Miscellaneous	1,963	2	1,665	2	298	18
	74,757	95	69,006	95	5,751	8
Non-Service Revenues:						
Sale of computers, phone units and SIM packs, and point-product sales	3,584	5	3,722	5	(138)	(4)
Total Fixed Line Revenues	Php78,341	100	Php72,728	100	Php5,613	8

Service Revenues

Our fixed line service revenues increased by Php5,751 million, or 8%, to Php74,757 million in 2017 from Php69,006 million 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 Php1,130 million, or 4%, to Php28,500 million in 2017 from Php29,630 million in 2016, primarily due to lower international, (partly due to the continued popularity of services such as *Skype*, *Uber*, *Line*, *FB Messenger, Googletalk* and *Whats App,* offering free on-net calling services, and other similar services), and domestic services, partially offset by higher revenues from local exchange.

Data Services

The following table shows information of our data service revenues for the years ended December 31, 2017 and 2016:

			Increase	
	2017	2016	Amount	%
Data service revenues (in millions)	Php44,294	Php37,711	Php6,583	17
Home broadband	18,054	14,896	3,158	21
Corporate data and ICT	26,240	22,815	3,425	15

Our data services posted revenues of Php44,294 million in 2017, an increase of Php6,583 million, or 17%, from Php37,711 million 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 55% for the years ended December 31, 2017 and 2016, respectively.

Home Broadband

PLDT HOME remains to be the nation's leading home broadband service provider, now serving 1.6 million subscribers nationwide as at December 31, 2017 from 1.3 million subscribers as at December 31, 2016. PLDT HOME's broadband data services include *Home DSL* and *Home Fibr*. Home broadband data revenues amounted to Php18,054 million in 2017, an increase of Php3,158 million, or 21%, from Php14,896 million in 2016. This growth is driven by increasing demand for broadband services which the company is providing through its existing copper network and a nationwide roll-out of its FTTH network. Home broadband revenues accounted for 41% and 39% of total data service revenues in the years ended December 31, 2017 and 2016, respectively. PLDT's FTTH nationwide network rollout reached over four million homes passed in 2017.

Corporate Data and ICT

Corporate data services amounted to Php22,889 million in 2017, an increase of Php2,909 million, or 15%, as compared with Php19,980 million 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 years ended December 31, 2017 and 2016, respectively.

ICT services include data centers which 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. The ePLDT Group has a total of 8,341 rack capacity in nine locations covering Metro Manila, Subic, Clark, Cebu and Davao. ICT revenues increased by Php516 million, or 18%, to Php3,351 million in 2017 from Php2,835 million 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 2017 and 2016.

Miscellaneous Services

Miscellaneous service revenues are derived mostly from rental, outsourcing and facilities management fees. These service revenues increased by Php298 million, or 18%, to Php1,963 million in 2017 from Php1,665 million in 2016 mainly due to higher outsourcing and management fees. The percentage contribution of miscellaneous service revenues to our total fixed line service revenues accounted for 3% and 2% in 2017 and 2016, respectively.

Non-service Revenues

Non-service revenues decreased by Php138 million, or 4%, to Php3,584 million in 2017 from Php3,722 million 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 Php63,864 million in 2017, an increase of Php2,579 million, or 4%, as compared with Php61,285 million in 2016. The increase was primarily due to higher selling, general and administrative expenses, cost of sales and services, and provisions, partly offset by lower interconnection costs, and depreciation and amortization expenses. As a percentage of our total fixed line revenues, expenses associated with our fixed line business accounted for 82% and 84% for the years ended December 31, 2017 and 2016, respectively.

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

					Increase (Decrease)	
	2017	**%**	**2016**[1]	**%**	**Amount**	**%**
			(in millions)			
Selling, general and administrative expenses	Php37,390	59	Php34,248	56	Php3,142	9
Depreciation and amortization	15,001	24	15,471	25	(470)	(3)
Cost of sales and services	4,788	7	3,868	6	920	24
Interconnection costs	4,587	7	5,940	10	(1,353)	(23)
Provisions	2,098	3	1,722	3	376	22
Noncurrent asset impairment	–	–	36	–	(36)	(100)
Total	Php63,864	100	Php61,285	100	Php2,579	4

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

Selling, general and administrative expenses increased by Php3,142 million, or 9%, to Php37,390 million primarily due to higher professional and other contracted services, and compensation and employee benefits, partly offset by lower repairs and maintenance costs, and selling and promotions.

Depreciation and amortization charges decreased by Php470 million, or 3%, to Php15,001 million mainly due to a lower depreciable asset base.

Cost of sales and services increased by Php920 million, or 24%, to Php4,788 million, primarily due to various partnerships with content providers.

Interconnection costs decreased by Php1,353 million, or 23%, to Php4,587 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.

Provisions increased by Php376 million, or 22%, to Php2,098 million, mainly due to higher provision for doubtful accounts, partly offset by lower provision for inventory obsolescence.

Noncurrent asset impairment amounted to Php36 million in 2016.

Other Income (Expenses)

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

	2017	2016	Change Amount	Change %
		(in millions)		
Other Income (Expenses):				
Financing costs – net	(Php5,106)	(Php4,917)	(Php189)	(4)
Foreign exchange losses	(98)	(486)	388	80
Equity share in net earnings (losses) of associates	44	(40)	84	210
Gains on derivative financial instruments – net	251	511	(260)	(51)
Interest income	695	707	(12)	(2)
Other income – net	891	3,934	(3,043)	(77)
Total	(Php3,323)	(Php291)	(Php3,032)	(1,042)

Our fixed line business' other expenses increased to Php3,323 million in 2017 from Php291 million in 2016, mainly due to the combined effects of the following: (i) lower other income – net by Php3,043 million mainly due to impairment of investment in Hastings and lower gain on sale of properties; (ii) lower net gains on derivative financial instruments by Php260 million; (iii) higher net financing costs by Php189 million; (iv) a decrease in interest income by Php12 million; (v) equity share in net earnings of associates of Php44 million in 2017 as against equity share in net losses of associates of Php40 million in 2016; and (vi) lower net foreign exchange losses by Php388 million.

Provision for Income Tax

Provision for income tax amounted to Php3,680 million in 2017, an increase of Php662 million, or 22%, from Php3,018 million in 2016. The effective tax rates for our fixed line business were 33% and 27% in 2017 and 2016, respectively.

Net Income

As a result of the foregoing, our fixed line business registered a net income of Php7,474 million in 2017, a decrease of Php660 million, or 8%, as compared with Php8,134 million in 2016.

EBITDA

Our fixed line business' EBITDA increased by Php2,528 million, or 9%, to Php29,478 million in 2017 from Php26,950 million in 2016. EBITDA margin remained stable at 39% in each of 2017 and 2016.

Core Income

Our fixed line business' core income increased by Php1,100 million, or 14%, to Php8,846 million in 2017 from Php7,746 million in 2016, primarily as a result of higher EBITDA and lower depreciation expense, partially offset by lower other income – net.

Others

Revenues

We generated revenues of Php16 million from our other business in 2017, a decrease of Php4 million, or 20%, from Php20 million in 2016.

Expenses

Expenses related to our other business totaled Php79 million in 2017, an increase of Php37 million, or 88%, as compared with Php42 million in 2016, due to higher selling, general and administrative expenses.

Other Income (Expenses)

The following table summarizes the breakdown of other income (expenses) for other business segment for the years ended December 31, 2017 and 2016:

	2017	2016	Change Amount	Change %
		(in millions)		
Other Income (Expenses):				
Equity share in net earnings of associates and joint ventures	Php2,991	Php1,458	Php1,533	105
Interest income	653	306	347	113
Financing costs – net	(201)	(187)	(14)	(7)
Foreign exchange losses	(267)	(597)	330	55
Other income – net	7,214	1,768	5,446	308
Total	Php10,390	Php2,748	Php7,642	278

Other income increased by Php7,642 million to Php10,390 million in 2017 from Php2,748 million in 2016, primarily due to the combined effects of the following: (i) higher other income – net by Php5,446 million due to lower impairment on the Rocket Internet investment and gain on conversion of iflix convertible notes, partly offset by lower gain on sale of Beacon Electric Holdings, Inc., or Beacon, shares in 2017; (ii) higher equity share in net earnings of associates and joint ventures by Php1,533 million due to higher equity share in net earnings of Beta, resulting mainly from the gain on sale of SPi; (iii) an increase in interest income by Php347 million; (iv) lower net foreign exchange losses by Php330 million; and (v) higher financing costs by Php14 million.

Net Income

As a result of the foregoing, our other business segment registered a net income of Php10,120 million in 2017, an increase of Php7,555 million from Php2,565 million in 2016.

Core Income

Our other business segment's core income amounted to Php10,926 million in 2017, an increase of Php2,217 million, or 25%, as compared with Php8,709 million in 2016, mainly as a result of the higher equity share in net earnings of associates and joint ventures, higher other income and higher interest income.

Liquidity and Capital Resources

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

	Years ended December 31,	
	2017	2016
	(Unaudited)	(Audited)
	(in millions)	
Cash Flows		
Net cash flows provided by operating activities	Php58,637	Php48,976
Net cash flows used in investing activities	(23,583)	(41,982)
Capital expenditures	*39,950*	*42,825*
Net cash flows used in financing activities	(40,319)	(15,341)
Net decrease in cash and cash equivalents	(5,817)	(7,733)

	December 31,	
	2017	2016
	(Unaudited)	(Audited)
	(in millions)	
Capitalization		
Long-term portion of interest-bearing financial liabilities – net of current portion:		
Long-term debt	Php157,654	Php151,759
Current portion of interest-bearing financial liabilities:		
Long-term debt maturing within one year	14,957	33,273
Total interest-bearing financial liabilities	172,611	185,032
Total equity attributable to equity holders of PLDT	110,825	108,175
	Php283,436	Php293,207
Other Selected Financial Data		
Total assets	Php459,262	Php475,119
Property and equipment	186,907	203,188
Cash and cash equivalents	32,905	38,722
Short-term investments	1,074	2,738

Our consolidated cash and cash equivalents and short-term investments totaled Php33,979 million as at December 31, 2017. Principal sources of consolidated cash and cash equivalents in 2017 were cash flows from operating activities amounting to Php58,637 million, proceeds from availment of long-term debt of Php26,255 million, proceeds from disposal of investment in associates and joint ventures of Php14,884 million, proceeds from issuance of perpetual notes of Php4,165 million, collection of receivables of Php2,001 million in 2017, mainly from Metro Pacific Investments Corporation, or MPIC, net proceeds from maturity of short-term investments of Php1,830 million, interest received of Php1,217 million, net proceeds from disposal of investments available-for-sale of Php924 million, dividends received of Php833 million, proceeds from disposal of property and equipment of Php484 million, net proceeds from redemption of investment in debt securities of Php456 million and proceeds from disposal of investment properties of Php290 million. These funds were used principally for: (1) debt principal and interest payments of Php39,199 million and Php7,076 million, respectively; (2) capital expenditures, including capitalized interest, of Php39,950 million; (3) cash dividend payments of Php16,617 million; (4) net reduction in capital expenditures under long-term financing of Php7,735 million; (5) payment for purchase of investment in associates and joint ventures, mainly payment to VTI and Bow Arken of Php5,533 million and Php100 million additional funding to AFPI.

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

Operating Activities

Our consolidated net cash flows provided by operating activities increased by Php9,661 million, or 20%, to Php58,637 million in 2017 from Php48,976 million in 2016, primarily due to lower level of settlement of accounts payable and other liabilities, lower prepayments, inventories and advances, and other noncurrent assets, higher operating income and lower corporate taxes paid, partially offset by lower collection of receivables.

Cash flows provided by operating activities of our wireless business increased by Php9,881 million, or 40%, to Php34,869 million in 2017 from Php24,988 million in 2016, primarily due to lower level of settlement of accounts payable and other liabilities, lower prepayments, and lower corporate taxes paid, partially offset by lower collection of receivables, lower operating income and higher advances and other noncurrent assets. Cash flows provided by operating activities of our fixed line business increased by Php551 million, or 2%, to Php25,436 million in 2017 from Php24,885 million in 2016, primarily due to higher operating income, lower pension contribution, lower settlement of accounts payable and other liabilities, and lower inventories, partly offset by lower collection of receivables, higher prepayments and higher corporate taxes paid. Cash flows used in operating activities of our other business increased by Php469 million, or 57%, to Php1,298 million in 2017 from Php829 million in 2016 mainly due to higher settlement of accounts payable and other liabilities, partly offset by higher collection of receivables and lower operating loss.

Investing Activities

Consolidated net cash flows used in investing activities amounted to Php23,583 million in 2017, a decrease of Php18,399 million, or 44%, from Php41,982 million in 2016, primarily due to the combined effects of the following: (1) lower net payment for purchase of investments in associates and joint ventures by Php15,891 million, primarily due to the purchase of investment in VTI, Bow Arken and Brightshare in 2016; (2) higher net proceeds from maturity of short-term investments by Php3,007 million; (3) lower capital expenditures by Php2,875 million; (4) collection of receivables of Php2,001 million in 2017, mainly from MPIC; (5) net proceeds from disposal of investments available-for-sale of Php924 million in 2017 as against net payment for the purchase of available-for-sale investments of Php998 million in 2016; (6) proceeds from disposal of investment properties of Php290 million; (7) lower proceeds from disposal of property and equipment by Php1,405 million; (8) lower proceeds from disposal of investment in associates and joint ventures by Php2,116 million primarily due to lower proceeds from disposal of remaining Beacon shares by Php5,000 million, offset by proceeds from repurchase of a portion of Beta's ordinary shares of Php2,884 million in 2017; and (9) lower dividends received by Php3,576 million.

Our consolidated capital expenditures, including capitalized interest, in 2017 totaled Php39,950 million, a decrease of Php2,875 million, or 7%, as compared with Php42,825 million in 2016. Smart Group's capital spending decreased by Php5,146 million, or 16%, to Php26,943 million in 2017 from Php32,089 million 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 increased by Php2,841 million, or 35%, to Php10,899 million in 2017 from Php8,058 million 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 Php40,319 million in 2017, an increase of Php24,978 million, or 163%, from Php15,341 million in 2016, resulting largely from the combined effects of the following: (1) higher payments of long-term debt and interest by Php19,549 million and Php564 million, respectively; (2) lower proceeds from availment of long-term debt by Php14,314 million (3) higher net settlement of capital expenditures under long-term financing by Php1,695 million; (4) higher collections from derivatives by Php759 million; (5) proceeds from issuance of perpetual notes of Php4,165 million in 2017; and (6) lower cash dividend payments by Php6,370 million.

Debt Financing

Proceeds from availment of long-term debt for the year ended December 31, 2017 amounted to Php26,255 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 Php39,199 million and Php7,076 million, respectively, for the year ended December 31, 2017.

Our consolidated long-term debt decreased by Php12,421 million, or 7%, to Php172,611 million as at December 31, 2017 from Php185,032 million as at December 31, 2016, primarily due to debt amortizations and prepayments, partly offset by drawings from our long-term facilities and the depreciation of the Philippine peso relative to the U.S. dollar. As at December 31, 2017, the long-term debt level of of Smart decreased by 17% to Php62,388 million from Php74,851 as at December 31, 2016, while PLDT's increased to Php110,223 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 December 31, 2017.

See *Note 21 – 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 December 31, 2017 and 2016, we are in compliance with all of our debt covenants.

See *Note 21 – 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 years ended December 31, 2017 and 2016:

Earnings	Date			Amount	
	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
	November 9, 2017	November 28, 2017	December 15, 2017	–	12
Voting Preferred Stock	March 7, 2017	March 30, 2017	April 15, 2017	–	3
	June 13, 2017	June 27, 2017	July 15, 2017	–	2
	September 26, 2017	October 10, 2017	October 15, 2017	–	2
	December 5, 2017	December 20, 2017	January 15, 2018	–	2
Charged to Retained Earnings					Php16,479
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
	November 14, 2016	November 28, 2016	December 15, 2016	–	12
Voting Preferred Stock	February 29, 2016	March 30, 2016	April 15, 2016	–	3
	June 14, 2016	June 30, 2016	July 15, 2016	–	3
	August 30, 2016	September 20, 2016	October 15, 2016	–	2
	December 6, 2016	December 20, 2016	January 15, 2017	–	3
Charged to Retained Earnings					Php22,961

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

Our dividends declared after December 31, 2017 are detailed as follows:

Class	Date			Amount	
	Approved	Record	Payable	Per Share	Total
				(in million pesos, except per share amounts)	
Cumulative Non-Convertible Redeemable Preferred Stock					
Series IV*	January 22, 2018	February 21, 2018	March 15, 2018	–	12
Voting Preferred Stock	March 8, 2018	March 28, 2018	April 15, 2018	–	2
Charge to retained earnings					Php14

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

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

Changes in Financial Conditions

Our total assets amounted to Php459,262 million as at December 31, 2017, a decrease of Php15,857 million, or 3%, from Php475,119 million as at December 31, 2016, primarily due to lower property and equipment, investments in associates and joint ventures, mainly resulting from the sale of the remaining Beacon shares to MPIC, and cash and cash equivalents, partially offset by higher trade and other receivables, and advances and other noncurrent asstes.

Our total liabilities amounted to Php348,261 million as at December 31, 2017, a decrease of Php18,321 million, or 5%, from Php366,582 million as at December 31, 2016 significantly due to lower interest-bearing financial liabilities of Php172,611 million as at December 31, 2017 from Php185,032 million as at December 31, 2016.

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 for 2016 and 2017. 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 2017 amounted to Php16,617 million as compared with Php22,987 million paid to shareholders in 2016.

Contractual Obligations and Commercial Commitments

Contractual Obligations

For a detailed discussion of our consolidated contractual undiscounted obligations as at December 31, 2017 and 2016, see *Note 28 – 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 Php88 million and Php6,788 million as at December 31, 2017 and 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 28 – Financial Assets and Liabilities* to the accompanying unaudited consolidated financial statements.

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

	Fair Values	
	December 31, 2017	September 30, 2017
	(Unaudited) (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	13,695	13,767
Total noncurrent financial assets	13,846	13,918
Noncurrent Financial Liabilities		
Interest-bearing financial liabilities	150,918	144,831
Customers' deposits	1,700	1,807
Deferred credits and other noncurrent liabilities	5,093	6,353
Total noncurrent financial liabilities	Php157,711	Php152,991

The following table sets forth the amount of gains (losses) recognized for the financial assets and liabilities for the year ended December 31, 2017 and the nine months ended September 30, 2017:

	December 31, 2017	September 30, 2017
	(Unaudited) (in millions)	
Profit and Loss		
Interest income	Php1,412	Php1,023
Gains on derivative financial instruments – net	533	650
Accretion on financial liabilities	(219)	(169)
Interest on loans and other related items	(7,830)	(5,911)
Other Comprehensive Income		
Net fair value losses on cash flow hedges – net of tax	(376)	(384)
Net gains available-for-sale financial investments – net of tax	3,364	3,669

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 years ended December 31, 2017 and 2016 were 3.2% and 1.8%, respectively. Moving forward, we currently expect inflation to rise following the impact of the implementation of the Tax Reform Acceleration and Inclusion Law which may push inflation higher in the upper end of the 2% to 4% target range of the Bangko Sentral ng Pilipinas.

PART II – OTHER INFORMATION

PCEV's Sale of Receivables

On March 2, 2018, PCEV entered into a Receivables Purchase Agreement, or RPA, with various Financial Institutions, or Purchasers, to sell a portion of its receivables from MPIC due in 2019 to 2021 amounting to Php 5,550 million for a total consideration of Php 4,852 million. The receivables consist of the partial proceeds from the sale of PCEV's shares in Beacon to MPIC done in 2016 and 2017.

Under the terms of the RPA, the Purchasers will have exclusive ownership of the purchased receivables and all of its rights, title, and interest.

Agreement between PLDT and Smart and Amdocs

On January 24, 2018, PLDT and Smart entered into a seven-year, US$300 million Managed Transformation Agreement with Amdocs, a leading provider of software and services to communications and media companies. The agreement will: (i) modernize business IT systems serving PLDT and Smart's customers through the introduction and adoption of advanced digital technologies and solutions; (ii) improve business processes and service levels aimed at enhancing customer experience; (iii) accelerate revenue growth by introducing new digital tools that will enable the business units to innovate their digital products and services in a timely manner; and (iv) introduce intelligent operations to bring efficiencies in delivering IT services which will result in operating expense savings.

Transfer of Hastings Philippine Depositary Receipts, or PDRs, to PLDT Beneficial Trust Fund

On January 22, 2018, ePLDT's Board of Directors approved the assignment of the Hastings PDRs, representing 70% economic interest in Hastings Holdings, Inc., to the PLDT Beneficial Trust Fund for a total consideration of Php1,664 million. The assignment was completed and paid on February 15, 2018. As a result of the transfer, ePLDT ceased to have any economic interest in Hastings.

PLDT's subscription to VTI's new preferred shares

On December 15, 2017, PLDT and Globe each subscribed to 600,000 new preferred shares to be issued out of the unissued portion of the existing authorized capital stock of VTI, at a subscription price of Php5,000 per subscribed share (inclusive of a premium over par of Php4,000 per subscribed share), or a total subscription price of Php3,000 million (inclusive of a premium over par of Php2,400 million). PLDT and Globe each paid Php10 million in cash for the subscribed shares upon execution of the agreement. The remaining balance of the subscription price was paid via conversion of advances amounting to Php2,990 million as at December 31, 2017.

Transfer of iCommerce to PLDT Online

On December 14, 2017, Voyager Innovations Holdings, Pte. Ltd., or VIH, and PLDT Online entered into a sale and purchase agreement wherein VIH sold all its 10 thousand ordinary shares in iCommerce to PLDT Online for a total purchase price of SGD1.00. On the same date, VIH assigned its loans receivables from iCommerce to PLDT Online amounting to US$8.6 million. In consideration, PLDT Online paid VIH US$8.9 million inclusive of interest as at November 30, 2017.

Divestment of CURE

On October 26, 2011, PLDT received the Order issued by the NTC approving the application jointly filed by PLDT and Digitel for the sale and transfer of approximately 51.6% of the outstanding common stock of Digitel to PLDT. The approval of the application was subject to conditions which included the divestment by PLDT of CURE, in accordance with the Divestment Plan, as follows:

- CURE is obligated to sell its *Red Mobile* business to Smart consisting primarily of its subscriber base, brand and fixed assets; and

- Smart is obligated to sell all of its rights and interests in CURE whose remaining assets will consist of its congressional franchise, 10 Megahertz, or MHz, of 3G frequency in the 2100 band and related permits.

In compliance with the commitments in the divestment plan, CURE completed the sale and transfer of its *Red Mobile* business to Smart on June 30, 2012 for a total consideration of Php18 million through a series of transactions, which included: (a) the sale of CURE's *Red Mobile* trademark to Smart; (b) the transfer of CURE's existing *Red Mobile* subscriber base to Smart; and (c) the sale of CURE's fixed assets to Smart at net book value.

In a letter dated July 26, 2012, Smart informed the NTC that it has complied with the terms and conditions of the divestment plan as CURE had rearranged its assets, such that, except for assets necessary to pay off obligations due after June 30, 2012 and certain tax assets, CURE's only remaining assets as at June 30, 2012 were its congressional franchise, the 10 MHz of 3G frequency in the 2100 band and related permits.

In a letter dated September 10, 2012, Smart informed the NTC that the minimum Cost Recovery Amount, or CRA, to enable PLDT to recover its investment in CURE includes, among others, the total cost of equity investments in CURE, advances from Smart for operating requirements, advances from stockholders and associated funding costs. In a letter dated January 21, 2013, the NTC referred the computation of the CRA to the Commissioners of the NTC.

Notwithstanding an agreement between PLDT and the NTC in 2011, PLDT has agreed not to get any monetary compensation for its CURE investment.

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.

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. See *Note 26 – Employee Benefits* to the accompanying unaudited consolidated financial statements for further details.

Transfer of SBI's Home Broadband Subscription Assets to PLDT

On September 26, 2017, the Board of Directors of PLDT and SBI approved the sale/transfer of SBI's trademark, subscribers (both individual and corporate) including all of SBI's assets, rights and obligations directly or indirectly connected to its HOME Ultera and HOMEBRO Wimax businesses to PLDT. The transfer is expected to provide seamless upgrades and cross-selling of PLDT products in order to achieve better customer experience. The effective date of the transfer is January 1, 2018.

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.

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.

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$57 million, on various dates in 2017 and 2018, 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.

For updates on matters relating to the (1) Department of Labor and Employment, or DOLE, Compliance Order to PLDT, see *Note 27 – Provisions and Contingencies*; (2) Petition against the Philippine Competition Commission, see *Note 10 – Investment in Associates and Joint Ventures*; and (3) Wilson Gamboa and Jose M. Roy III Petition, see *Note 27 – Provisions and Contingencies*, to the accompanying unaudited consolidated financial statements.

Related Party Transactions

For a detailed discussion of the related party transactions, see *Note 25 – Related Party Transactions* to the accompanying unaudited consolidated financial statements.

ANNEX I – AGING OF ACCOUNTS RECEIVABLE

The following table shows the aging of our consolidated receivables as at December 31, 2017:

Type of Accounts Receivable	Total	Current	31–60 Days	61–90 Days	Over 91 Days
			(in millions)		
Retail subscribers	Php17,961	Php9,150	Php789	Php206	Php7,816
Corporate subscribers	9,641	3,367	1,595	560	4,119
Foreign administrations	6,517	800	472	226	5,019
Domestic carriers	457	(37)	35	217	242
Dealers, agents and others	13,686	8,710	858	166	3,952
Total	48,262	Php21,990	Php3,749	Php1,375	Php21,148
Less: Allowance for doubtful accounts	14,501				
Total Receivables - net	Php33,761				

ANNEX II – FINANCIAL SOUNDNESS INDICATORS

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

	2017	2016
Current Ratio[1]	0.54:1.0	0.47:1.0
Net Debt to Equity Ratio[2]	1.25:1.0	1.33:1.0
Net Debt to EBITDA Ratio[3]	2:09:1.0	2.35:1.0
Total Debt to EBITDA Ratio[4]	2.61:1.0	3.03:1.0
Asset to Equity Ratio[5]	4.14:1.0	4.39:1.0
Interest Coverage Ratio[6]	2.93:1.0	3.95:1.0
Profit Margin[7]	8%	12%
Return on Assets[8]	3%	4%
Return on Equity[9]	12%	18%
EBITDA Margin[10]	44%	39%

[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) 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) 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) 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 fourth quarter 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: March 12, 2018