PLDT

March 30, 2016

Philippine Stock Exchange, Inc.
Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

Attention: Ms. Janet A. Encarnacion
Head - Disclosure Department

Gentlemen:

In accordance with the Revised Disclosure Rules of the Philippine Stock Exchange, Inc. (the "PSE"), we are submitting herewith copies of the Preliminary Information Statement together with the Notice and Agenda and Proxy Form and Management Report/Annual Report to security holders for the Annual Meeting of the Stockholders of Philippine Long Distance Telephone Company, which will be held on June 14, 2016.

The abovementioned documents will be submitted to the Markets and Securities Regulation Department ("MSRD") of the Securities and Exchange Commission (the "Commission"), for their review and comments. Once we have received the comments of the MSRD, we will prepare and submit to the Commission and PSE the Definitive Information Statement together with the Notice and Agenda, Proxy Form and Management Report/Annual Report to security holders prior to the delivery thereof to our stockholders, in accordance with the applicable rules.

Thank you.

Very truly yours,

MA. LOURDES C. RAUSA-CHAN
Corporate Secretary

PHILIPPINE LONG DISTANCE TELEPHONE COMPANY

2016
NOTICE AND AGENDA OF ANNUAL MEETING OF STOCKHOLDERS AND INFORMATION STATEMENT

PHILIPPINE LONG DISTANCE TELEPHONE COMPANY

NOTICE AND AGENDA OF ANNUAL MEETING OF STOCKHOLDERS

NOTICE IS HEREBY GIVEN that the PHILIPPINE LONG DISTANCE TELEPHONE COMPANY (the "**Company**") will hold its Annual Meeting of Stockholders (the "**Annual Meeting**") on Tuesday, June 14, 2016, at 3:00 p.m., at Rizal Ballroom AB, Makati Shangri-la, Ayala Avenue corner Makati Avenue, Makati City, Philippines.

The Agenda for the Annual Meeting is as follows:

1. Call to order
2. Certification of service of notice and quorum
3. President's Report
4. Approval of the audited financial statements for the fiscal year ended December 31, 2015 contained in the Company's 2015 Annual Report accompanying this Notice and Agenda
5. Election of 13 directors including 3 independent directors for the ensuing year, whose background information are contained in the Information Statement accompanying this Notice and Agenda
6. Approval of the amendment of the Second Article of the Articles of Incorporation, as explained in the Information Statement accompanying this Notice and Agenda.
7. Approval of the proposed investment of corporate funds in another corporation or for a purpose other than the primary purpose of the Company (the "**Investment**") and grant of authority to the Board of Directors to determine the timing, final structure, amount, terms and conditions of the Investment, as explained in the Information Statement accompanying this Notice and Agenda.
8. Other business as may properly come before the meeting and at any adjournments thereof

The Board of Directors has fixed April 15, 2016 as the record date for the determination of stockholders entitled to notice of, and to vote at, the Annual Meeting. The holders of record of shares of Common Stock and Voting Preferred Stock as of the record date will be entitled to vote on the proposed corporate actions set out in Items 4, 5, 6 and 7 above and holders of record of shares of Series IV Cumulative Non-Convertible Non-Voting Serial Preferred Stock and 10% Cumulative Convertible Non-Voting Serial Preferred Stock as of the record date will be entitled to vote on the proposed corporate actions set out in Items 6 and 7 above.

The stock and transfer books of the Company will not be closed.

IF YOU DO NOT EXPECT TO ATTEND THE ANNUAL MEETING, PLEASE EXECUTE AND RETURN THE PROXY FORM IN THE ENVELOPE PROVIDED FOR THAT PURPOSE. THE LAST DAY FOR SUBMISSION OF PROXIES IS ON JUNE 7, 2016.

By order of the Board of Directors.

MA. LOURDES C. RAUSA-CHAN
Corporate Secretary

May 5, 2016

EXPLANATION OF AGENDA ITEMS

1. Call to order

The Chairman, Mr. Manuel V. Pangilinan will call to order the Annual Meeting of Stockholders of the Company (the "**Annual Meeting**").

2. Certification of service of notice and quorum

The Corporate Secretary, Ms. Ma. Lourdes C. Rausa-Chan will certify that copies of the Notice and Agenda of the Annual Meeting together with the Information Statement, 2015 Annual Report and Proxy Form were delivered personally or by mail to Philippine residents and overseas holders of the Company's shares of stock as of Record Date April 15, 2016. The Corporate Secretary will also certify, based on the number of shares owned by stockholders present or represented by proxy at the meeting, whether a quorum exists for the valid transaction of business at the Annual Meeting. The Corporate Secretary will also explain the rules for the orderly conduct of the Annual Meeting.

3. President's Report

The President and Chief Executive Officer, Mr. Manuel V. Pangilinan will render a report on the financial and operating results of the Company for the year 2015 as well as the outlook for 2016, and respond to questions that may be raised by any stockholder.

4. Approval of the audited financial statements for the fiscal year ended December 31, 2015 contained in the Company's 2015 Annual Report accompanying this Notice and Agenda

The Chairman, President and Chief Executive Officer, any member of the Audit Committee, or any representative of the Company's external auditors, Sycip Gorres Velayo & Co. will respond to questions that may be raised by any stockholder regarding the Company's audited financial statements for the fiscal year ended December 31, 2015 contained in the Company's 2015 Annual Report. Thereafter, the Chairman will seek approval of said financial statements by holders of Common Stock and Voting Preferred Stock, and the Corporate Secretary will report on the votes cast for the approval of said financial statements.

5. Election of 13 directors including 3 independent directors for the ensuing year, whose background information are contained in the Information Statement accompanying this Notice and Agenda

The Corporate Secretary will announce the names of the persons nominated for election as directors/independent directors of the Company for the ensuing year. The Chairman will explain the screening criteria and process observed by the Governance and Nomination Committee ("**GNC**") based on which the GNC recommended, and the Board of Directors approved, the final list of nominees qualified for election as directors/independent directors. The Corporate Secretary will report on the votes received by each nominee from holders of Common Stock and Voting Preferred Stock, and the Chairman will declare the thirteen (13) nominees who received the highest number of votes as the duly elected directors, including three (3) qualified independent directors.

6. **Approval of the amendment of the Second Article of the Articles of Incorporation, as explained in the Information Statement accompanying this Notice and Agenda**

   The Corporate Secretary will discuss the amendments to the Second Article of the Articles of Incorporation (the "**Amendment**"), as explained in the Information Statement. The Chairman, President and Chief Executive Officer, the Chief Financial Officer and Corporate Secretary will respond to questions that may be raised by any stockholder regarding the Amendment. Thereafter, the Chairman will seek approval of the Amendment by holders of Common Stock, Voting Preferred Stock, Series IV Cumulative Non-Convertible Non-Voting Serial Preferred Stock and 10% Cumulative Convertible Non-Voting Serial Preferred Stock, and the Corporate Secretary will report on the votes cast for the approval thereof.

7. **Approval of the investment of corporate funds in another corporation or for a purpose other than the primary purpose of the Company (the "Investment") and grant of authority to the Board of Directors to determine the timing, final structure, amount, terms and conditions of Investment, as explained in the Information Statement accompanying this Notice and Agenda**

   The President and Chief Executive Officer will discuss the Investment in relation to the redevelopment of certain properties of the Company, as explained in the Information Statement, and respond to questions that may be raised by any stockholder regarding the Investment. Thereafter, the Chairman will seek the approval of the Investment and the grant of authority to the Board of Directors to determine the timing, final structure, amount, terms and conditions of the Investment by the holders of Common Stock, Voting Preferred Stock, Series IV Cumulative Non-Convertible Non-Voting Serial Preferred Stock and 10% Cumulative Convertible Non-Voting Serial Preferred Stock, and the Corporate Secretary will report on the votes cast for the approval thereof.

8. **Other business as may properly come before the meeting and at any adjournments thereof**

   Other business not specifically referred to above may be raised by the stockholders. The Chairman will decide whether such business may be properly taken up in the meeting or in another stockholders' meeting or other proper forum.

TABLE OF CONTENTS

PHILIPPINE LONG DISTANCE TELEPHONE COMPANY
SEC Identification Number PW55
BIR Tax Identification Number 000-488-793
Telephone Number (632) 816-8405

INFORMATION STATEMENT

GENERAL INFORMATION

Philippine Long Distance Telephone Company (the "**Company**" or "**PLDT**") is a corporation incorporated under the laws of the Philippines, with principal office and mailing address at Ramon Cojuangco Building, Makati Avenue, Makati City 1200.

The Company has issued a total of **[218,779,886]** shares of Common Stock (inclusive of 2,724,111 treasury shares), **[150,000,000]** shares of Voting Preferred Stock and [**1,240**] shares of Non-Voting Serial Preferred Stock, of which **[216,055,775]** shares of Common Stock (net of 2,724,111 treasury shares), **[150,000,000**] shares of Voting Preferred Stock and **[1,240**] shares of Non-Voting Serial Preferred Stock were outstanding as of the Record Date. In addition, there were **[300,000,000**] shares of Non-Voting Serial Preferred Stock subscribed, partially paid and outstanding as of the Record Date. Of the issued shares of Common Stock, **[179,242,132**] shares were registered and **[39,537,754**] shares were issued in transactions exempt from the registration requirement under Section 6 of The Revised Securities Act/Section 10 of The Securities Regulation Code (the **"SRC"**). All of the [**150,000,000**] shares of Voting Preferred Stock and **[1,240]** shares of Non-Voting Serial Preferred Stock were issued in transactions exempt from the registration requirement under Section 6 of The Revised Securities Act/Section 10 of the SRC.

As of the Record Date, all of the **[216,055,775**] outstanding shares of Common Stock (net of 2,724,111 treasury shares) and 370 outstanding shares of Non-Voting Serial Preferred Stock are listed on the Philippine Stock Exchange (the **"PSE"**). **[39,590,850]** American Depositary Shares (**"ADSs**"), each representing one share of Common Stock and evidenced by American Depositary Receipts (**ADRs**), are listed on the New York Stock Exchange. The **[150,000,000**] shares of Voting Preferred Stock and [**300,000,000**] shares of Non-Voting Serial Preferred Stock are not listed on any exchange.

Date, Time and Place of Meeting

The Annual Meeting of Stockholders of the Company for the year 2016 (the "**Annual Meeting**") will be held on Tuesday, June 14, 2016 at 3:00 p.m., at Rizal Ballroom AB, Makati Shangri-la, Ayala Avenue corner Makati Avenue, Makati City, Philippines.

Record Date

The record date for the purpose of determining the stockholders entitled to notice of, and to vote at, the Annual Meeting is April 15, 2016 (the "**Record Date**").

Approximate Date of First Release of the Information Statement, Proxy Form and Annual Report

The approximate date on which this Information Statement and the Proxy Form (in printed form) and the Annual Report (in compact disc (CD) format), will be first sent or given to the Company's stockholders and posted on the

Company's website (www.pldt.com) is on May 5, 2016. The Company will provide, without charge, a printed copy of the Annual Report, upon the written request of a stockholder addressed to the Corporate Secretary of the Company at the 9th Floor, PLDT MGO Building, Legaspi Street corner Dela Rosa Street, Makati City, Philippines.

Dissenter's Appraisal Right

Except for the corporate action set out in item 7 of the Notice and Agenda, the proposed corporate actions to be voted upon at the Annual Meeting are not among the matters provided under Sections 81 and 42 of the Corporation Code of the Philippines (the "**Corporation Code**"), with respect to which a dissenting stockholder may exercise his appraisal right. A stockholder who votes against the corporate action set out in Item 7 of the Notice and Agenda shall have an appraisal right or the right to demand payment of the fair value of his/her/its shares pursuant to Section 42 of the Corporation Code. The procedure required to be followed by a dissenting stockholder in order to perfect his appraisal right is set forth on pages [**33**] and **[34]** of this Information Statement.

Interest of Certain Persons in or Opposition to Matters to be Acted Upon

No director/independent director or officer or nominee for election as director/independent director and, to the best knowledge of the Board of Directors and Management of the Company, no associate of any of the foregoing persons has any substantial interest, direct or indirect, by security holdings or otherwise in any matter to be acted upon at the Annual Meeting, other than election to office.

No director/independent director has informed the Company in writing that he/she intends to oppose any action to be taken at the Annual Meeting.

INFORMATION ON SECURITIES AND SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS

Voting Securities

As of the Record Date, the number of outstanding shares of Common Stock, Voting Preferred Stock and Non-Voting Serial Preferred Stock were **[216,055,775], [150,000,000**], and **[300,001,240],** respectively. Of the **[666,057,015]** shares of Common Stock, Voting Preferred Stock and Non-Voting Serial Preferred Stock outstanding as of the Record Date, **[110,316,719]** or **[16.56%]** were owned by foreigners.

Except with respect to Items 6 and 7 of the Notice and Agenda where holders of shares of Non-Voting Serial Preferred Stock are also entitled to vote pursuant to Section 6 of the Corporation Code, only holders of shares of Common Stock and Voting Preferred Stock are entitled to vote at the Annual Meeting, either in person or by proxy. Each share is entitled to one vote where such share has a voting right as described in the preceding sentence.

A holder of shares of Common Stock and Voting Preferred Stock present or represented by proxy at the Annual Meeting may vote such number of shares recorded in his/her/its name on the stock and transfer books of the Company as of the Record Date, for as many persons as there are directors to be elected or he/she/it may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his/her/its shares shall equal, or he/she/it may distribute them on the same principle among as many candidates as he/she/it shall see fit.

Security Ownership of Certain Record and Beneficial Owners

The following table sets forth the record owners and, to the best knowledge of the Board of Directors and Management of the Company, the beneficial owners of more than five percent of the Company's outstanding shares of Common Stock, Voting Preferred Stock and Non-Voting Serial Preferred Stock, the number of shares owned by, and percentage of shareholdings of, each of them, as of the Record Date.

Title of Class	Name and Address of Record Owner and Relationship With Issuer	Citizenship	Name of Beneficial Owner and Relationship with Record Owner	Number of Shares Held	Percentage of Common Stock	Percentage of Voting Stock
Common	Philippine Telecommunications Investment Corporation[1] 7th Floor Ramon Cojuangco Bldg. Makati Avenue, Makati City Major Stockholder	Philippine Corporation	Same as Record Owner	**[26,034,263[2]]**	**[12.05]**	**[7.11]**
Common	Metro Pacific Resources, Inc.[3] c/o Corporate Secretary 18th Floor, Liberty Center 104 H. V. dela Costa St. Salcedo Village, Makati City Major Stockholder	Philippine Corporation	Same as Record Owner	**[21,556,676[2]]**	**[9.98]**	**[5.89]**
Common	NTT Communications Corporation[4] Level 41-1-6 Uchisaiwai-Cho Chiyoda-Ku Tokyo 100-8019, Japan Major Stockholder	Japanese Corporation	See Footnote 7	**[12,633,487]**	**[5.85]**	**[3.45]**
Common	NTT DoCoMo, Inc.[5] 2-11-1 Nagata-Cho, Chiyoda-Ku Tokyo 100-6150, Japan	Japanese Corporation	See Footnote 7	**[22,796,902[6]]**	**[10.55]**	**[6.23]**

[1] Based on a resolution adopted by the Board of Directors of Philippine Telecommunications Investment Corporation **("PTIC")**, the Chairman of the Board of PTIC, Mr. Manuel V. Pangilinan, has the continuing authority to represent PTIC at any and all meetings of the stockholders of a corporation in which PTIC owns of record or beneficially any shares of stock or other voting security, and to sign and deliver, in favor of any person he may deem fit, a proxy or other power of attorney, with full power of delegation and substitution, authorizing his designated proxy or attorney-in-fact to vote any and all shares of stock and other voting securities owned of record or beneficially by PTIC at any and all meetings of the stockholders of the corporation issuing such shares of stock or voting securities.

[2] In addition to the [**26,034,263**] and [**21,556,676**] common shares owned of record respectively by PTIC and Metro Pacific Resources, Inc. **("MPRI")**, both of which are Philippine affiliates of First Pacific Company Limited **("First Pacific")**, **[7,653,703]** ADS, whose underlying common shares represent approximately **[3.54%]** of the outstanding common stock of PLDT, are owned by a non-Philippine wholly-owned subsidiary of First Pacific. The common shares and the underlying common shares of the ADS owned by PTIC, MPRI and the non-Philippine wholly-owned subsidiaries of First Pacific (referred to herein as "First Pacific Group") collectively represents **[25.57%]** of the outstanding common stock of PLDT as of the Record Date.

[3] Based on a resolution adopted by the Board of Directors of MPRI**,** Mr. Manuel V. Pangilinan has been appointed as proxy or duly authorized representative of MPRI to represent and vote the PLDT shares of common stock of MPRI in the Annual Meeting.

[4] Based on publicly available information, NTT Communications Corporation **("NTT Communications")**, is a wholly-owned subsidiary of Nippon Telegraph and Telephone Corporation **("NTT")**. Based on a certification signed by a duly authorized officer of NTT Communications, Mr. Shuichi Sasakura or Ms. Mayuko Ogura is authorized to execute for and on behalf of NTT Communications, endorsements, transfers and other matters relating to the PLDT shares of common stock held by NTT Communications.

[5] Based on publicly available information, NTT DoCoMo, Inc., ("**NTT DoCoMo**"), is a majority-owned and publicly traded subsidiary of NTT. Based on a certification signed by a duly authorized officer of NTT DoCoMo, [**Mr. Koichi Takahara**] or [**Mr. Seiichi Ikeda**] is authorized to execute for and on behalf of NTT DoCoMo, endorsements, transfers and other matters relating to the PLDT shares of common stock held by NTT DoCoMo.

[6] In addition to the **[22,796,902]** common shares owned on record by NTT DoCoMo, NTT DoCoMo also owns **[8,533,253]** ADSs whose underlying common shares represent approximately **[3.95%]** of the outstanding common stock of PLDT. The common shares and the underlying common shares of the ADS owned by NTT DoCoMo collectively represents **[14.50%]** of the outstanding common stock of PLDT as of the Record Date.

[7] In publicly available reports filed by NTT Communications and NTT DoCoMo, it is stated that because of NTT's ownership of all the outstanding capital stock of NTT Communications and a majority of the common stock of NTT DoCoMo, NTT, NTT Communications and NTT DoCoMo may be considered to constitute a "group" within the meaning of Rule 18.1(5)(C) of the Amended Implementing Rules and Regulations of The Securities Regulation Code. Therefore, each of them may be deemed to have beneficial ownership of the [**43,963,642**] shares in aggregate held by NTT Communications and NTT DoCoMo, which collectively represents **[20.35%]** of the outstanding common stock of PLDT as of the Record Date.

	Major Stockholder					
Common	JG Summit Group[8] 42/F Robinsons Equitable Tower ADB Avenue corner Poveda RoadOrtigas Center, Pasig City Major Stockholder	Philippine Corporation	See Footnote 8	**[17,305,624]**	**[8.01]**	**[4.73]**
Common	PCD Nominee Corporation[9] 37/F Enterprise Building, Tower I Ayala Ave. cor. Paseo de Roxas St., Makati City Major Stockholder	Philippine Corporation	See Footnote 9	**[66,069,302]**	**[30.58]**	**[18.05]**
Common	J.P. Morgan Hongkong Nominees Limited[10] (various accounts) c/o HSBC Securities Services 7th Floor HSBC Centre 3058 5th Avenue West BGC Taguig City Major Stockholder	HongKong Corporation	See Footnote 10	**[37,007,218]**	**[17.13]**	**[10.11]**
Voting Preferred	BTF Holdings, Inc.[11] Ramon Cojuangco Building, Makati Avenue, Makati City	Philippine Corporation	Same as Record Owner	**[150,000,000]**	-	**[40.98]**

Title of Class	**Name and Address of Record Owner and Relationship With Issuer**	**Citizenship**	**Name of Beneficial Owner and Relationship with Record Owner**	**Number of Shares Held**	**Percentage of Class**
Non-Voting Serial Preferred					
Series IV Cumulative Non-Convertible)	RCBC Trust Account No. 75044-2 RCBC Plaza, Ayala Avenue cor.	Philippine Corporation	PLDT Beneficial Trust Fund	300,000,000	100

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8 The shareholders comprising the JG Summit Group are JG Summit Holdings, Inc. (**"JGS**") which owns 17,208,753 shares, Express Holdings, Inc. which owns **[86,723]** shares and Ms. Elizabeth Yu Gokongwei who owns 10,148 shares or a total of 17,305,624, representing 8.1% of the outstanding common stock of PLDT as of the Record Date. Based on a certification signed by a duly authorized officer of JGS, under the By-Laws of JGS, each of the Chairman and Chief Executive Officer of JGS (Mr. James L. Go) and President and Chief Operating Officer of JGS (Mr. Lance Y Gokongwei) is authorized to vote the **[17,208,753**] common shares of PLDT owned by JGS and to appoint and/or sign proxies in behalf of JGS in connection with the Annual Meeting. Based on Section 3(h) of Article IV of the By-Laws of Express Holdings, Inc., the President (Mr. Lance Gokongwei) shall exercise, among others, the function of representing the corporation at all functions and proceedings. .

9 PCD Nominee Corporation **("PCD"),** is the registered owner of shares held by participants in the Philippine Depository and Trust Co. **("PDTC")**, a private company organized to implement an automated book entry system of handling securities transactions in the Philippines. Under the PDTC procedures, when an issuer of a PDTC-eligible issue will hold a stockholders' meeting, the PDTC will execute a pro-forma proxy in favor of its participants for the total number of shares in their respective principal securities account as well as for the total number of shares in their client securities account. For the shares held in the principal securities account, the participant concerned is appointed as proxy with full voting rights and powers as registered owner of such shares. For the shares held in the client securities account, the participant concerned is appointed as proxy, with the obligation to constitute a sub-proxy in favor of its clients with full voting and other rights for the number of shares beneficially owned by such clients.

Based on available information, none of the owners of the PLDT common shares registered under the name of PCD, owned more than 5% of PLDT's outstanding common stock as of the Record Date, except**, [The Hongkong and Shanghai Banking Corporation Ltd Clients Account**] and **[Deutsche Bank Manila Clients Account**], which owned approximately **[9.67%]** and **[8.99%],** respectively, of PLDT's outstanding common stock as of such date. PLDT has no knowledge if any beneficial owner of the shares under **[The Hongkong and Shanghai Banking Corporation Ltd Clients Account**] and **[Deutsche Bank Manila Clients Account**], owned more than 5% of PLDT's outstanding common stock as of the Record Date.

10 JP Morgan Hongkong Nominees Limited (formerly JP Morgan Asset Holdings (HK) Limited) holds shares as nominee of JPMorgan Chase Bank, successor depositary under the Common Stock Deposit Agreement, dated October 14, 1994, as amended on February 10, 2003, between JPMorgan Chase Bank and the holders of ADRs, evidencing ADSs, representing shares of common stock of PLDT (the "Deposit Agreement"). Under the Deposit Agreement, if the depositary does not receive voting instructions from a holder of ADRs, such holder will be deemed to have instructed the depositary to provide a discretionary proxy to a person designated by PLDT for the purpose of exercising the voting rights pertaining to the shares of common stock underlying the ADS of such holder of ADRs, except that no discretionary proxy will be given with respect to any matter as to which substantial opposition exists or which materially and adversely affects the rights of the holders of such ADRs. This account also includes **[8,533,253]** PLDT common shares underlying ADS beneficially owned by NTT DoCoMo and **[7,653,703**] PLDT common shares underlying ADS beneficially owned by a non-Philippine wholly-owned subsidiary of First Pacific.

11 A wholly-owned company of the Board of Trustees for the Account of the Beneficial Trust Fund Created Pursuant to the Benefit Plan of PLDT Co. Based on a resolution adopted by the Board of Directors of BTF Holdings, Inc., the Chairman of the Board of PLDT has been appointed as proxy or duly authorized representative of BTF Holdings, Inc. to represent and vote the PLDT shares of voting preferred stock of BTF Holdings, Inc in the Annual Meeting.

10% Cumulative Convertible Preferred Stock	Buendia Avenue, Makati City				
Series II	Marianita A. Papin Blk 7 Lot 11 Phase 1, Molave Street, Awhag Village Subdivision, Bacaca, Davao City	Filipino	Same as Record Owner	370	0%
Series JJ	Carlo Papin Mt. Mayon Street., Maligaya Village, Catalunan, Pequeno, Davao City	Filipino	Same as Record Owner	500	0%
Series JJ	Marianita A. Papin Blk 7 Lot 11 Phase 1, Molave Street, Awhag Village Subdivision, Bacaca, Davao City	Filipino	Same as Record Owner	370	0%

Except as stated above and in the related footnotes, the Board of Directors and Management of the Company have no knowledge of any other person who, as of the Record Date, was directly or indirectly the beneficial owner of, or who has voting power with respect to, shares comprising more than five percent of the Company's outstanding Common Stock, Voting Preferred Stock and Non-Voting Serial Preferred Stock as of the Record Date.

Changes in Control

There has been no change in control of the Company since the beginning of 2015 and the Company is not aware of any existing, pending, or potential transaction which may result in such change in control.

Security Ownership of Directors and Executive Officers

The following table sets forth the number of shares of PLDT Common Stock owned of record and/or beneficially by the directors/independent directors, Chief Executive Officer and executive officers[12] of the Company, and the percentage of shareholdings of each, as of the Record Date. None of them owns any shares of Voting Preferred Stock and Non-Voting Serial Preferred Stock.

Title of Class	Name & Address of Beneficial Owner	Citizenship	Amount and Nature of Beneficial Ownership		Percentage Of Class
Common	Manuel V. Pangilinan Chairman of the Board 7/F Ramon Cojuangco Bldg. Makati Avenue, Makati City	Filipino	**[246,450]**	Direct	**[0.114068]**
Common	Helen Y. Dee Director 3/F Grepalife Bldg., Mkti Ave., Mkti City	Filipino	**[98]** **[23,037[13]]**	Direct Indirect	**[0.000045]** **0.010663]**
Common	Ray C. Espinosa Director Regulatory Affairs and Policies	Filipino	**[13,043]** **[2,700]**	Direct Indirect	**[0.006037]** **[0.001250]**

[12] As used in this Information Statement, "executive officers" refers to officers with the rank of Senior Vice President and up, the Head of Financial Reporting and Controllership and the Treasurer.

[13] Includes 835 shares thru PCD Nominee Corporation for the account of Michelle Y. Dee-Santos and 21,957 shares owned by Hydee Management Corporation. As chairperson and president of Hydee Management Corporation, Ms. Dee may exercise the voting right in respect of the 21,957 shares of Hydee Management Corporation.

	10/F MGO Bldg., Legaspi Street cor. De La Rosa Street, Makati City			
Common	James L. Go Director 43/F Robinsons Equitable Tower ADB Avenue corner Poveda Road Ortigas Center, Pasig City	Filipino	**[57,914]** Direct **[18,000]** Indirect	**[0.026805]** **[0.008331]**
Common	Bernido H. Liu Independent Director GABC 1155, 1155 North EDSA Balintawak, Quezon City	Filipino	**[1]** Direct	**[0.000000]**
Common	Tadashi Miyashita Director 6/F Ramon Cojuangco Building Makati Avenue, Makati City	Japanese	**[1]** Direct	**[0.000000]**
Common	Hideaki Ozaki Director 4-12-22-301 Fukasawa Setagaya-ku Tokyo 158-0081, Japan	Japanese	**[1]** Direct	**[0.000000]**
Common	Napoleon L. Nazareno Director 11 Narra Avenue South Forbes Park Makati City.	Filipino	**6,427** Direct **13,872** Indirect	**0.002975** **0.006421**
Common	Artemio V. Panganiban Independent Director 1203 Acacia Street Dasmariñas Village, Makati City	Filipino	**[1]** Direct **[1,770]** Indirect	**[0.000000]** **[0.000819]**
Common	Pedro E. Roxas Independent Director 7/F Cacho-Gonzales Bldg. 101 Aguirre St., Legaspi Village Makati City	Filipino	**[21]** Direct **[2101[14]]** Indirect	**[0.000001]** **[.0000097]**
Common	Juan B. Santos Director 12/F SSS Building Ayala Avenue cor. Herrera St. Makati City	Filipino	**[2]** Direct	**[0.000001]**
Common	Tony Tan Caktiong Director 10/F Jollibee Plaza, Emerald Avenue Ortigas Center, Pasig City	Filipino	**[1]** Direct	**[0.000000]**
Common	Ma. Lourdes C. Rausa-Chan Director Corporate Secretary, Chief Governance Officer and Senior Vice President Corporate Affairs & Legal Services 9/F MGO Building, Legaspi St. cor. Dela Rosa St., Makati City	Filipino	**[39]** Direct **[160]** Indirect	**[0.000018]** **[0.000074]**
Common	Ernesto R. Alberto Executive Vice President Enterprise and International and Carrier Businesses 7/F Ramon Cojuangco Bldg. Makati Avenue, Makati City	Filipino	**-**	**-**
Common	Isaias P. Fermin Executive Vice President	Filipino	**-**	**-**

[14] Trust controlled by Mr. Pedro E. Roxas for his children thru PCD Nominee Corporation

	Consumer (Home and Wireless) Business 7/F Ramon Cojuangco Bldg. Makati Avenue, Makati City			
Common	Anabelle L. Chua Chief Financial Officer Senior Vice President Corporate Finance and Treasury 12/F Ramon Cojuangco Bldg. Makati Avenue, Makati City	Filipino	**[11,258]** Direct **[770]** Indirect	**[0.005211]** **[0.000356]**
Common	Alejandro O. Caeg Senior Vice President International and Carrier Business 7/F Ramon Cojuangco Bldg. Makati Avenue, Makati City	Filipino	**[200]** Indirect	**[0.000093]**
Common	Jun R. Florencio Senior Vice President Internal Audit and Fraud Risk Management 6/F MGO Building Legaspi St. cor. Dela Rosa St. Makati City	Filipino	**[15]** Direct **[500]** Indirect	**[0.000007]** **[0.000231]**
Common	Menardo G. Jimenez, Jr. Senior Vice President Human Resources Fixed Line Business Transformation Office 6/F Ramon Cojuangco Bldg. Makati Avenue, Makati City	Filipino	**[22]** Direct	**[0.000010]**
Common	Leo I. Posadas Treasurer First Vice President Treasury 12/F Ramon Cojuangco Bldg Makati Avenue, Makati City	Filipino	**[10]** Direct	**[0.000005]**
Common	June Cheryl A. Cabal-Revilla First Vice President Financial Reporting and Controllership 11/F Ramon Cojuangco Bldg. Makati Avenue, Makati City	Filipino	**-** -	**-**
Common	Directors and Executive Officers (as a group)		**[335,304]** Direct **[61,219]** Indirect	**[.155193]** **[.028334]**

Except for the shareholdings reported above, the Company has not received from any of the abovenamed directors/independent directors, Chief Executive Officer and executive officers of the Company, any statement of ownership, whether of record or beneficially, of more than five percent of the Company's outstanding shares of Common Stock as of the Record Date.

Voting Trust Holders

To the best knowledge of the Board of Directors and Management of the Company, there are no persons who hold more than 5% of the Company's outstanding shares of Common Stock and Voting Preferred Stock under a voting trust or similar agreement.

DIRECTORS AND OFFICERS

Term of Office

Each director of the Company holds office until the annual meeting of stockholders held next after his election and his successor shall have been elected and qualified, except in case of death, resignation, disqualification or removal from office. The term of office of the officers is coterminous with that of the Board of Directors that elected or appointed them.

Nominees for Election as Directors

In accordance with the Company's By-Laws, written nominations for election of directors including independent directors were submitted by certain stockholders to the Board of Directors through the President and Corporate Secretary at the Company's principal place of business at least sixty working days before the date of the Annual Meeting.[15]

The following individuals have been nominated for election as directors/independent directors at the Annual Meeting:

Directors		Independent Directors
Manuel V. Pangilinan Helen Y. Dee Ray C. Espinosa James L. Go Tadashi Miyashita Napoleon L. Nazareno Hideaki Ozaki Ma. Lourdes C. Rausa-Chan Juan B. Santos Tony Tan Caktiong		Bernido H. Liu Artemio V. Panganiban Pedro E. Roxas

The Governance and Nomination Committee of the Board of Directors of the Company composed of Mr. Manuel V. Pangilinan as Chairman, Mr. Tadashi Miyashita as member, Mr. Pedro E. Roxas, Mr. Bernido H. Liu and Former Chief Justice Artemio V. Panganiban as independent members, and Ms. Ma. Lourdes C. Rausa-Chan and Mr. Menardo G. Jimenez, Jr. as non-voting members, has determined that each of the nominees for election as directors/independent directors at the Annual Meeting, possesses all of the qualifications and has none of the disqualifications for directorship set out in the Company's Amended By-Laws and Manual on Corporate Governance. In addition, the Governance and Nomination Committee has determined that each of the independent director-nominees meets the independence criteria set out in SRC Rule 38, the Company's Amended By-Laws and Manual on Corporate Governance, and other standards set by the Governance and Nomination Committee. In general, they are not officers or employees of the Company or any of its subsidiaries, and they are free from any business or other relationships with the Company or any of its subsidiaries which could, or could reasonably be perceived to, materially interfere with the exercise of their independent judgment in carrying out their responsibilities as independent directors. Each of them has submitted a Certificate of Qualification as required by the Securities and Exchange Commission pursuant to its Notice dated October 20, 2006.

[15] Nominations for election of independent directors were made by various individuals and corporate stockholders including, but not limited to, Ms. Ma. Criselda B. Guhit**,** Mr. Leo I. Posadas, Ms. Adelaida C. Manue, Mr. Abner Tito L. Alberto**,** Ms. Kathyrn A. Zarate, Ms. Erlinda L. Alvero, and Mr. Albert F. Velasco, Philippine Telecommunications Investment Corporation ("**PTIC**"), Metro Pacific Resources, Inc. **("MPRI")**, NTT DoCoMo, Inc. **("NTT DoCoMo**"), NTT Communications Corporation ("**NTT Communications**") and BTF Holdings, Inc.("**BTFH**I"). The nomination letters submitted by the corporate stockholders were signed by Mr. Manuel V. Pangilinan for PTIC, Mr. Koichi Takahara for NTT DoCoMo, Mr. Shuichi Sasakura for NTT Communications, and Atty. Ray C. Espinosa and Ms. Anabelle L. Chua for BTFHI. The above mentioned individual and corporate stockholders have no material business or other relationship or affiliation with any of the nominees for election as independent directors.

The Amended By-Laws of the Company contain substantially all of the requirements on nomination and election of independent directors set forth in SRC Rule 38.

The following sets forth the background information, including business experiences for at least the past five (5) years, of the nominees for election as directors/independent directors. Except for Messrs. Tadashi Miyashita and Hideaki Ozaki who are Japanese citizens, all of the other nominees for election as directors/independent directors are Filipino citizens.

1. Mr. Manuel V. Pangilinan, 69 years old, has been a director of PLDT since November 24, 1998. He was appointed as Chairman of the Board of Directors of PLDT after serving as its President and Chief Executive Officer from November 1998 to February 2004. Effective January 1, 2016, he concurrently holds the position of President and Chief Executive Officer of PLDT and Smart Communications, Inc. ("Smart"). He is the Chairman of the Governance and Nomination, Executive Compensation and Technology Strategy Committees of the Board of Directors of PLDT. He also serves as Chairman of Metro Pacific Investments Corporation ("MPIC"), Manila Electric Company ("Meralco") and Philex Mining Corporation, all of which are PSE-listed companies, and of several subsidiaries or affiliates of PLDT or MPIC, including, among others, Smart, Beacon Electric Assets Holdings Inc. ("Beacon"), Manila North Tollways Corporation, Maynilad Water Services Corporation ("Maynilad"), Landco Pacific Corporation, Medical Doctors Incorporated (Makati Medical Center), Colinas Verdes Corporation (Cardinal Santos Medical Center), Davao Doctors Incorporated, Riverside Medical Center Incorporated, Our Lady of Lourdes Hospital and Asian Hospital Incorporated. He is also the Chairman of PLDT-Smart Foundation, Inc.

   Mr. Pangilinan founded First Pacific Company Limited ("First Pacific"), a Hongkong Stock Exchange-listed company, in 1981 and served as Managing Director until 1999. He was appointed as Executive Chairman until June 2003, when he was named as Chief Executive Officer and Managing Director. Within the First Pacific Group, he also holds the position of President Commissioner of P.T. Indofood Sukses Makmur Tbk, the largest food company in Indonesia.

   Outside the First Pacific Group, Mr. Pangilinan is the Chairman of the Board of Trustees of San Beda College and the Hong Kong Bayanihan Trust, a non-stock, non-profit foundation which provides vocational, social and cultural activities for Hongkong's foreign domestic helpers. He is a Co-Chairman of the Philippine Disaster Resilience Foundation, Inc., a non-stock, non-profit foundation established to formulate and implement a reconstruction strategy to rehabilitate and rebuild areas devastated by floods and other calamities, and of the US-Philippine Business Society, a non-profit society which seeks to broaden the relationship between the United States and the Philippines in the areas of trade, investment, education, foreign and security policies and culture.

   Mr. Pangilinan has received numerous prestigious awards including the Business Icon Gold Award for having greatly contributed to the Philippine economy through achievements in business and society by Biz News Asia magazine (2008), Global Filipino Executive of the Year for 2010 by Asia CEO Awards, and Philippines Best CEO for 2012 by Finance Asia.

   Mr. Pangilinan graduated cum laude from the Ateneo de Manila University, with a Bachelor of Arts Degree in Economics. He received his Master's Degree in Business Administration from Wharton School of Finance & Commerce at the University of Pennsylvania, where he was a Procter & Gamble Fellow. He was conferred a Doctor of Humanities Degree (Honoris Causa) by the San Beda College (2002), Xavier University (2007), Holy Angel University (2009) and Far Eastern University (2010).

2. Ms. Helen Y. Dee, 72 years old, has been a director of PLDT since June 18, 1986. She is the Chairperson or a director of EEI Corporation, House of Investments, National Reinsurance Corporation of the Philippines, Petro Energy Resources Corporation, Rizal Commercial Banking Corporation and Seafront Resources Corporation, all of which are PSE-listed companies. She is the Chairperson, Vice Chairperson or a director of several companies engaged in banking, insurance and real property businesses, which are listed on page 19 hereof. She is also the President and/or Chief Executive Officer of Hydee Management and Resource Corp., Moira Management, Inc., Tameena Resources, Inc., YGC Corporate Services, Inc., Financial Brokers Insurance Agency, Inc., GPL Holdings, Inc. and Mijo Holdings, Inc., the Vice President of A. T. Yuchengco, Inc., and the Treasurer of Business Harmony Realty, Inc. Ms. Dee received her Master's

Degree in Business Administration from De La Salle University.

3. Atty. Ray C. Espinosa, 60 years old, has been a director of PLDT since November 24, 1998, and is member of the Technology Strategy Committee of the Board of Directors of PLDT. He is the Head of Regulatory Affairs and Policies of PLDT since March 2008, and General Counsel of Meralco since 2009. In June 2013, he joined First Pacific and was appointed as First Pacific Group's Head of Government and Regulatory Affairs and Head of Communications Bureau for the Philippines. Atty. Espinosa is also a director of Meralco, Metro Pacific Investments Corporation and Roxas Holdings, Inc., and an independent director and Chairman of the Audit Committee of Lepanto Consolidated Mining Company, which are PSE-listed companies. He is the Chairman of PhilStar Group of Companies, Business World Publication Corporation, a director and Corporate Secretary of Philippine Telecommunications Investment Corporation, a director of Metro Pacific Resources, Inc. and BTF Holdings, Inc. and a trustee of the Beneficial Trust Fund of PLDT and PLDT-Smart Foundation, Inc.

   Atty. Espinosa served as President & CEO of MediaQuest,TV5 and Cignal TV until May 2013 and, prior thereto, was the President & CEO of ePLDT and its subsidiaries until April 2010.

   Atty. Espinosa has a Master of Laws degree from the University of Michigan Law School and is a member of the Integrated Bar of the Philippines. He was a partner at Sycip Salazar Hernandez & Gatmaitan from 1982 to 2000, and a foreign associate at Covington and Burling (Washington, D. C., USA) from 1987 to 1988.

4. **[Mr. James L. Go, 77 years old, has been a director of PLDT since November 3, 2011, and is a member of the Technology Strategy and Risk Committees and Advisor of the Audit Committee of the Board of Directors of PLDT. He is the Chairman and Chief Executive Officer of JG Summit Holdings, Inc. and Oriental Petroleum and Minerals Corporation, the Chairman of Universal Robina Corporation and Robinsons Land Corporation, the Vice Chairman and Deputy Chief Executive Officer of Robinsons Retail Holdings, Inc., which are PSE-listed companies. He is also the Chairman of JG Summit Petrochemical Corporation and JG Summit Olefins Corporation, and a director of Cebu Air, Inc., CFC Corporation, United Industrial Corporation, Marina Center Holdings Private Limited and Hotel Marina City Private Limited. He is also the President and a Trustee of the Gokongwei Brothers Foundation. He was the Vice Chairman and President and Chief Executive Officer of Digital Telecommunications, Inc. ("Digitel") until October 26, 2011. Mr. Go received his Bachelor of Science Degree and Master of Science Degree in Chemical Engineering from Massachusetts Institute of Technology, USA.]**

5. Mr. Bernido H. Liu, 53 years old, has been an independent director of the Company and an independent member of the Audit, Governance and Nomination, Executive Compensation and Risk Committees of the Board of Directors of PLDT since September 28, 2015. He is the Chairman, President and the Chief Executive Officer of Golden ABC, Inc. ("GABC"), a fashion retail company which creates and sells its own clothing, personal care and accessory lines marketed and retailed under a fast-growing dynamic portfolio of well-differentiated proprietary brands. He is the Group Chairman and President of LH Paragon Incorporated, a business holdings company which has under its management GABC and other companies from different industries, namely, Matimco Incorporated, Oakridge Realty Development Corporation, Basic Graphics Incorporated, Essentia Medical Group Incorporated, where he is a director, and Red Logo Lifestyle Inc. He is also a director of Greentree Food Solutions, Inc., GABC International Pte Limited, Children's Hour Philippines and Mga Likha ni Inay, Inc., a trustee of Philippine Retailers Association, and a member of the Visayas Advisory Council of Habitat for Humanity Philippines.

   Mr. Liu graduated with a Bachelor of Science Degree in Architecture from the University of San Carlos, Cebu, and completed the Executive Education Owner/President Program of the Harvard Business School. Over the years, Mr. Liu has been recognized by different award-giving bodies. His awards include, among others, the Agora Award for Outstanding Achievement in Entrepreneurship from the Philippine Marketing Association, Ten Outstanding Young Men for Entrepreneurship, and Grand Bossing from PLDT SME Nation.

6. Mr. Tadashi Miyashita, 55 years old, has been a director of PLDT since July 7, 2015. He is a member of the Governance and Nomination, Executive Compensation, Risk and Technology Strategy Committees, and Advisor of the Audit Committee of the Board of Directors of PLDT. From 2012 to 2014, he served as Director of Technology Group, Voice and Video Services Division, and from 2010 to 2012, as Director of Service Network Department, Network Business Division of NTT Communications Corporation. Prior to that, he was the President & CEO of NTT Taiwan Co. Ltd from 2008 to 2010 and Director of Product Management Group, Global Business Division of NTT Communications Corporation from 2005 to 2008. Mr. Miyashita obtained his Bachelor of Engineering Degree and Master of Engineering Degree from Tokyo Institute of Technology.

7. Mr. Napoleon L. Nazareno, 66 years old, has been a director of PLDT since November 24, 1998 and is a member of the Technology Strategy Committee of the Board of Directors of PLDT. He served as President and Chief Executive Officer of PLDT since February 19, 2004 and concurrently as President and Chief Executive Officer of Smart since January 2000 until his retirement on December 31, 2015. He also served as Chairman of several subsidiaries of PLDT and Smart. His current directorships include Meralco, a PSE-listed company, Meralco Powergen Corporation, Cignal TV, Inc. (Cignal) and Rufino Pacific Tower Condominium Corporation. He is a non-executive director of First Pacific and a Supervisory Board Member of Rocket Internet AG.

   Mr. Nazareno's business experience spans several countries in over 30 years and his exposure cuts across a broad range of industries, namely, packaging, bottling, petrochemicals, real estate and, in the last 14 years, telecommunications and information technology. In 1981, he started a successful career in the international firm Akerlund & Rausing, occupying senior management to top level positions and, in 1989, became the President and Chief Executive Officer of Akerlund & Rausing (Phils.), Inc. In August 1995, he moved to Metro Pacific Corporation where he served as President and Chief Executive Officer until December 1999.

   Mr. Nazareno was voted Corporate Executive Officer of the Year (Philippines) for three consecutive years at the 2004, 2005 and 2006 Best-Managed Companies and Corporate Governance Polls conducted by Asiamoney, was awarded the Telecom CEO of the Year at the 15th Telecoms Asia Awards, an influential Asian telecommunications industry magazine in Bangkok, and was cited as "Best Telecom CEO in Asia 2013" by the All-Asia Executive Team Survey conducted by the New York-based Institutional Investor.

   Mr. Nazareno received his Master's Degree in Business Management from the Asian Institute of Management, completed the INSEAD Executive Program of the European Institute of Business Administration in Fountainbleu, France, and was conferred a Doctor of Technology Degree (Honoris Causa) by the University of San Carlos.

8. Mr. Hideaki Ozaki, 51 years old, has been a director of PLDT since December 6, 2011. He is the Vice President of Corporate Planning and Carrier Relations, Global Business of NTT Communications Corporation ("NTT Com"), a company which provides telecommunication and ICT services such as Global Network, Data Centre, Cloud Services inside and outside of Japan. He served as part-time Director of NTT Communications Philippines from July 2009 to February 2012. Prior to that, he served as Vice President of Global Strategy, Global Business Division of NTT Com since 2006 and as Director of Legal and Internal Audit Department of NTT Com from 2003 to 2006. He also served as Vice President of Sales and Corporate Planning of NTT Communications (Thailand) Co., Ltd. from 1999 to 2003 and as Manager of Overseas Business Planning, Global Service Division of Nippon Telegraph and Telephone Corporation from 1995 to 1999. Mr. Ozaki obtained his Bachelor's Degree in Law from University of Tokyo and Master's Degree in Law from University of Pennsylvania.

9. Hon. Artemio V. Panganiban, 79 years old, has been an independent director of PLDT since April 23, 2013 and is an independent member of the Audit, Governance and Nomination, Executive Compensation and Risk Committees of the Board of Directors of PLDT. He served as an independent member of the

Advisory Board and an independent non-voting member of the Governance and Nomination Committee of the Board of Directors of PLDT from June 9, 2009 to May 6, 2013. Currently, he is also an independent director of Meralco, Petron Corporation, Bank of the Philippine Islands, First Philippine Holdings Corporation, Metro Pacific Investments Corporation, Robinsons Land Corporation, GMA Network, GMA Holdings, and Asian Terminals, Inc., and a regular director of Jollibee Foods Corporation, all of which are PSE-listed companies. He also holds directorships in Metro Pacific Tollways Corporation, Tollways Management Corporation and Team Energy Corporation. He is the Chairman of the Board of Trustees of the Foundation for Liberty and Prosperity, a trustee of Claudio Teehankee Foundation, Tan Yan Kee Foundation, Chairman-Emeritus of the Philippine Dispute Resolution Center, Inc., President of the Manila Metropolitan Cathedral-Basilica Foundation, Chairman of the Board of Advisers of Metrobank Foundation, Inc., and University of Asia and the Pacific College of Law, member of the Board of Advisers of De La Salle University College of Law_and Johann Strauss Society, member of the Advisory Board of World Bank (Philippines), senior adviser of the Metropolitan Bank and Trust Company and V. Mapa Falcon Honor Society, adviser of Double Dragon Properties Corp., member of the Philippine National Committee of the Asean Law Association, and a column writer of the Philippine Daily Inquirer.

Hon. Panganiban served the Supreme Court of the Philippines for more than 11 years, first as Justice (October 10, 1995 to December 20, 2005) and later, as Chief Justice (December 21, 2005 to December 6, 2006) during which he sat concurrently as Chairperson of the Presidential Electoral Tribunal, Judicial and Bar Council and Philippine Judicial Academy.

He has received numerous awards in recognition of his role as jurist, practising lawyer, professor, civic leader, Catholic lay worker and business entrepreneur, including as "The Renaissance Jurist of the 21st Century" given by the Supreme Court on the occasion of his retirement from the Court. [Hon. Panganiban obtained his Bachelor of Laws Degree (Cum Laude) from the Far Eastern University in 1960, and was conferred a Doctor of Laws Degree (Honoris Causa) by the University of Iloilo (1997), Far Eastern University (2002), University of Cebu (2006), Angeles University (2006) and Bulacan State University (2006). He was co-founder and past president of the National Union of Students of the Philippines.

10. Mr. Pedro E. Roxas, 60 years old, has been a director of PLDT since March 1, 2001 and qualified as an independent director since 2002. He is the Chairman of the Audit and Risk Committees and serves as an independent member of the Governance and Nomination and Executive Compensation Committees of the Board of Directors of PLDT. He is the Chairman of Roxas Holdings, Inc., Chairman and President/CEO of Roxas and Company, Inc., and an independent director of Meralco and BDO Private Bank, which are reporting or PSE-listed companies. He is also the Chairman, President or a director of companies or associations in the fields of agri-business, sugar manufacturing and real estate development including Brightnote Assets Corporation, Club Punta Fuego, Inc. and Hawaiian-Philippine Co., and a member of the Board of Trustees of Philippine Business for Social Progress and Fundacion Santiago (where he is also the President). Mr. Roxas received his Bachelor of Science Degree in Business Administration from the University of Notre Dame, Indiana, U.S.A.

11. Mr. Juan B. Santos, 77 years old, has been a director of PLDT since January 25, 2011. He is the Chairman of Social Security Commission/Social Security System, and a member of the Board of Directors of Alaska Milk Corporation, First Philippine Holdings Corporation and Philex Mining Corporation, which are PSE-listed companies. He is also a member of the Board of Directors of Philippine Investment Management (PHINMA), Inc., Sun Life Grepa Financial, Inc., a member of the Board of Advisors of Coca-Cola FEMSA Philippines, East-West Seeds Company, Inc., Mitsubishi Motors Corporation, Chairman of the Board of Trustees of Dualtech Training Center Foundation, Inc., a trustee of St. Luke's Medical Center, and a consultant of the Marsman-Drysdale Group of Companies.

    Mr. Santos retired as Chief Executive Officer of Nestle Philippines, Inc. ("NPI") in 2003 and continued to serve as Chairman of NPI until 2005. Prior to his appointment as President and CEO of NPI, he was the CEO of the Nestle Group of Companies in Thailand and Singapore. He served as Secretary of Trade and Industry from February to July 2005 and was designated as a member of the Governance Advisory

Council, and Private Sector Representative for the Public-Private Sector Task Force for the Development of Globally Competitive Philippine Service Industries.

Mr. Santos was bestowed the prestigious Management Man of the Year Award for 1994 by the Management Association of the Philippines and was the Agora Awardee for Marketing Management given by the Philippine Marketing Association in 1992. He obtained his Bachelor of Science Degree in Business Administration from Ateneo de Manila University, pursued post graduate studies at the Thunderbird Graduate School of Management in Arizona, USA and completed the Advanced Management Course at IMD in Lausanne, Switzerland.

12. Mr. Tony Tan Caktiong, 63 years old, has been a director of PLDT since July 8, 2008. He is the Chairman of Jollibee Foods Corporation, a PSE-listed company and a leader in the fastfood business, which owns and operates a chain of restaurants nationwide and abroad. He is Co-Chairman of Double Dragon Properties Corporation and an independent director of First Gen Corporation, both PSE-listed companies. He is also a member of the Board of Trustees of Jollibee Group Foundation, Temasek Foundation and St. Luke's Medical Center. Mr. Tan Caktiong obtained his Bachelor of Science Degree in Chemical Engineering from the University of Santo Tomas and honed his business skills by attending various courses and seminars in several educational institutions including, among others, the Asian Institute of Management, Stanford University (Singapore) and Harvard University.

13. Ms. Ma. Lourdes C. Rausa-Chan, 62 years old, has been a director of PLDT since March 29, 2011 and is a non-voting member of the Governance and Nomination Committee of the Board of Directors of PLDT. She has been serving as Corporate Secretary, Corporate Affairs and Legal Services Head and Chief Governance Officer of PLDT since November 1998, January 1999 and March 2008, respectively. She is a director of ePLDT, PLDT Global Investments Holdings, Inc. and PLDT Communications and Energy Ventures, Inc. and also serves as Corporate Secretary of several subsidiaries of PLDT, PLDT-Smart Foundation Inc. and Philippine Disaster Resilience Foundation, Inc. Prior to joining PLDT, she was the Group Vice President for Legal Affairs of Metro Pacific Corporation and the Corporate Secretary of some of its subsidiaries. Ms. Rausa-Chan obtained her Bachelor of Arts Degree in Political Science and Bachelor of Laws Degree from the University of the Philippines.

The following is a list of the directorships in private and public companies of the nominee for election as director named below. All directorships of the other directors are included in their respective biographies in the preceding pages.

Name of Director	Names of Companies	
	Public	Private
Helen Y. Dee	EEI Corporation (Regular Director) House of Investments (Regular Director/Chairman) National Reinsurance Corporation of the Philippines (Regular Director/Chairman) Petro Energy Resources Corporation (Regular Director/Chairman) Rizal Commercial Banking Corporation (Regular Director/Chairman) Seafront Resources Corporation (Regular Director/Chairman)	AY Holdings, Inc. (Regular Director) ET Yuchengco, Inc. (Regular Director) GPL Holdings, Inc. (Regular Director) Financial Brokers Insurance Agency, Inc. (Regular Director/Chairman) Hi-Eisai Pharmaceuticals, Inc. (Regular Director/Chairman) Honda Cars, Kaloocan (Regular Director) Honda Cars Philippines, Inc. (Regular Director) Hydee Management & Resource Corp. (Regular Director/Chairman) iPeople, Inc (Regular Director) Isuzu Philippines, Inc. (Regular Director) La Funeraria Paz Sucat (Regular Director/ Chairman) Landev Corp. (Regular Director/Chairman) Luis Miguel Foods (Regular Director) Luisita Industrial Park Corporation (Regular Director) Malayan Insurance Company (Regular Director/Chairman) Malayan High School of Science, Inc (Regular Director/Chairman) Manila Memorial Park Cemetery, Inc. (Regular Director/Chairman) Mapua Information Technology Center, Inc. (Regular Director/Chairman) MICO Equities, Inc. (Regular Director) Mijo Holdings, Inc. (Regular Director/Chairman) Moira Management, Inc. (Regular Director) Pan Malayan Express (Regular Director) Pan Malayan Management and Investment Corporation (Regular Director/Vice Chairman) Pan Malayan Realty Corp. (Regular Director/ Chairman) Petrowind Energy, Inc. (Regular Director/Chairman) Philippine Integrated Advertising Agency, Inc. (Regular Director) RCBC Forex Brokers Corp (Regular Director) RCBC Leasing & Finance Corp (Regular Director/Chairman) RCBC Realty Corporation (Regular Director) RCBC Savings Bank (Regular Director/Chairman) Sunlife Grepa Financial, Inc. (Regular Director) Tameena Resources, Inc. (Regular Director/ Chairman) West Spring Development Corp. (Regular Director/Vice Chairman) Xamdu Motors, Inc. (Regular Director/ Chairman) YGC Corporate Services, Inc. (Regular Director) Y Realty, Inc. (Regular Director)

Nominees for Appointment as Officers

The table below sets forth the names, ages, positions and periods of service of the incumbent officers of the Company, all of whom will be nominated for re-election at the Organizational Meeting of the Board of Directors following the Annual Meeting. All of the officers of the Company are Filipino citizens.

Executive Officers

Name	Age	Position	Period during which individual has served as such
Manuel V. Pangilinan	69	President and Chief Executive Officer	January 1, 2016 to present
Ernesto R. Alberto	55	Executive Vice President Enterprise and International and Carrier Business Head Customer Sales & Marketing Group Head Corporate Business Head	January 1, 2012 to present September 16, 2011 to present February 1, 2008 to September 15, 2011 May 15, 2003 to January 31, 2008
Isaias P. Fermin	48	Executive Vice President Home Business Head	January 1, 2012 to present January 1, 2012 to present
Ray C. Espinosa	60	Regulatory Affairs and Policies Head	March 4, 2008 to present
Ma. Lourdes C. Rausa-Chan	62	Corporate Secretary Senior Vice President Corporate Affairs and Legal Services Head Chief Governance Officer	November 24, 1998 to present January 5, 1999 to present March 4, 2008 to present
Anabelle L. Chua	55	Chief Financial Officer Senior Vice President Corporate Finance and Treasury Head Treasurer	May 18, 2015 to present February 26, 2002 to present March 1, 1998 to present February 1, 1999 to May 17, 2015
Alejandro O. Caeg	56	Senior Vice President International and Carrier Business	January 1, 2012 to present March 1, 2009 to present
Jun R. Florencio	60	Senior Vice President Internal Audit and Fraud Risk Management Head Audit and Assurance Head	June 14, 2005 to present February 16, 2006 to present Sept. 1, 2000 to February 15, 2006
Menardo G. Jimenez, Jr.	53	Senior Vice President Human Resources Head and Fixed Line Business Transformation Office Head Business Transformation Office Revenue Team Head Retail Business Head Corporate Communications and Public Affairs Head	December 9, 2004 to present August 1, 2010 to present January 1, 2008 to July 2010 June 16, 2004 to December 31, 2007 December 1, 2001 to June 15, 2004
Leo I. Posadas	49	Treasurer First Vice President and Treasury Head	May 18, 2015 to present March 6, 2007 to present
June Cheryl A. Cabal-Revilla	42	First Vice President Financial Reporting and Controllership Head	May 6, 2008 to present November 15, 2006 to present

Other Officers

Name	Age	Position	Period during which individual has served as such
Florentino D. Mabasa, Jr.	57	First Vice President Assistant Corporate Secretary	February 19, 2004 to present August 2, 1999 to present
Katrina L. Abelarde	40	First Vice President	March 5, 2013 to present
Alfredo B. Carrera	61	First Vice President	February 27, 2006 to present
Cesar M. Enriquez	63	First Vice President	February 19, 2004 to present
Juan Victor I. Hernandez	42	First Vice President	March 5, 2013 to present
Oscar Enrico A. Reyes, Jr.	40	First Vice President	February 1, 2015 to present
Martin T. Rio	56	First Vice President	October 22, 2012 to present
Ricardo M. Sison	55	First Vice President	February 26, 2002 to present
Emiliano R. Tanchico, Jr.	60	First Vice President	May 8, 2001 to present
Melissa V. Vergel De Dios	53	First Vice President	March 5, 2013 to present
Rafael M. Bejar	58	Vice President	March 3, 2009 to present
Marco Alejandro T. Borlongan	48	Vice President	September 14, 2007 to present
Gerardo Jose V. Castro	54	Vice President	September 30, 2014 to present
Marisa V. Conde	45	Vice President	May 16, 2015 to present
Gene S. De Guzman	54	Vice President	September 30, 2014 to present

Margarito G. Dujali, Jr.	42	Vice President	August 31, 2010 to present
Gil Samson D. Garcia	44	Vice President	March 26, 2010 to present
Joseph Ian G. Gendrano	39	Vice President	May 1, 2013 to present
Elisa B. Gesalta	57	Vice President	February 27, 2006 to present
John John R. Gonzales	47	Vice President	June 1, 2013 to present
Ma. Josefina T. Gorres	53	Vice President	June 14, 2005 to present
Ma. Criselda B. Guhit	53	Vice President	February 27, 2006 to present
Emeraldo L. Hernandez	58	Vice President	February 19, 2004 to present
Marven S. Jardiel	48	Vice President	March 26, 2010 to present
Princesita P. Katigbak	50	Vice President	May 6, 2014 to present
Alexander S. Kibanoff	52	Vice President	March 3, 2009 to present
Joseph Nelson M. Ladaban	51	Vice President	February 19, 2004 to present
Javier C. Lagdameo	50	Vice President	March 3, 2009 to present
Joselito S. Limjap	54	Vice President	March 5, 2013 to present
Albert Mitchell L. Locsin	45	Vice President	June 1, 2011 to present
Luis Ignacio A. Lopa	56	Vice President	March 26, 2010 to present
Paolo Jose C. Lopez	45	Vice President	January 27, 2015 to present
Ma. Carmela F. Luque	48	Vice President	March 5, 2013 to present
Oliver Carlos G. Odulio	45	Vice President	March 6, 2007 to present
Aileen D. Regio	45	Vice President	May 6, 2014 to present
Ricardo C. Rodriguez	57	Vice President	February 26, 2002 to present
Genaro C. Sanchez	54	Vice President	January 25, 2005 to present
Ana Maria A. Sotto	57	Vice President	March 6, 2007 to present
Julieta S. Tañeca	56	Vice President	March 6, 2007 to present
Patrick S. Tang	43	Vice President	August 31, 2010 to present
Victor Y. Tria	46	Vice President	March 26, 2010 to present

Mr. Ernesto R. Alberto, 55 years old, is the Executive Vice President and Head for PLDT Group Enterprise, International and Carrier Business since September 2011 and is responsible for overall revenues from the SME, Corporate, and International market segments. Prior to that, he was the Head of Customer Sales and Marketing Group since February 2008. Concurrently, he is also the President and CEO of ePLDT and sits as Member of the PLDT Group's Senior Management Committee. He holds chairmanships and directorships in a number of subsidiaries and affiliates of PLDT, ePLDT and Smart. He brings with him thirty (30) years of extensive experience in telecommunications, corporate banking, relationship management and business development, having held key positions in PLDT and leading local and foreign banks. Prior to joining PLDT in 2003, he was Vice President and Senior Banker of Citibank N.A., Manila from November 1996 to April 2003 and previously served as Vice President and Division Head of the Relationship Management Group of Citytrust Banking Corporation. Mr. Alberto pursued Masteral studies in Economic Research from the University of Asia and the Pacific in 1985, and is a graduate of San Beda College with a major degree in Economics minor in Mathematics and Political Science in 1982.

Mr. Isaias P. Fermin, 48 years old, was appointed as Head of Consumer (Home and Wireless) Business of the PLDT Group in December 1, 2015. Prior to that, he was the Head of Home Business of PLDT from January 2012, responsible for delivering revenue and profit growth for the Home Business through a much defined brand positioning that consistently engages the consumer in all touch points, a balanced product portfolio that propels both subscriber and ARPU growth and introduction of a new line of products and services that significantly improves the consumer use experience. Concurrently, he is the Chairman or a member of the Board of Directors of several subsidiaries of PLDT and Smart. Mr. Fermin has over 20 years of experience covering general management, consumer marketing, wholesale and retail sales, and retail store management gained from leading fast moving consumer group companies locally and globally. Prior to joining the PLDT Group, he was the President of Greenwich Food Corporation and Chowking Food Corporation of the Jollibee Foods Corporation from 2008 to 2011. He also served as Country Director of Nike Philippines from 2006 – 2008 and handled various posts in Unilever- Bestfoods from 1998 to 2005 as senior executive for sales, marketing, media and innovation process management. Mr. Fermin obtained his Bachelor of Science Degree in Chemical Engineering from the University of the Philippines.

Ms. Anabelle L. Chua, 55 years old, was appointed as Chief Financial Officer of the PLDT Group effective May 18, 2015, concurrent with her position as Corporate Finance and Treasury Head of PLDT since February 2012. She was the Chief Financial Officer of Smart from 2006 and Chief Financial Officer of Digitel Mobile from 2013 until May 2015. She holds directorships in several subsidiaries of PLDT, Smart and Digitel. She is also a member of the Board of Directors of Philippine Stock Exchange and Securities Clearing Corporation of the Philippines and the Board of Trustees of the PLDT-Smart Foundation and PLDT Beneficial Trust Fund, and a member of the Finance and Audit Committees of the Board of Directors of Meralco. Ms. Chua has over 20 years of experience in the areas of corporate finance, treasury, financial control and credit risk management and was a Vice President at Citibank, N.A. where she worked for 10 years prior to joining PLDT in 1998. Ms. Chua graduated magna cum laude from the University of the Philippines with a Bachelor of Science Degree in Business Administration and Accountancy.

Mr. Alejandro O. Caeg, 56 years old, is the President and CEO of PLDT Global Corporation and concurrently the Head of PLDT, Smart, Digitel and Sun International & Carrier Business. He is Smart's representative to the Conexus Mobile Alliance (one of Asia's largest cellular roaming alliances), where he was also designated as its Deputy Chairman until 2012 and Conexus Chairman until 2014. Prior to joining PLDT in 2009, he worked in PT Smart Telecom (Indonesia) as its Chief Commercial Strategy Officer from July 2008 to December 2008 and as Chief Commercial Officer from January 2006 to June 2008. He also held various sales, marketing and customer service-related positions in Smart including that of Group Head of Sales and Distribution (2003-2005), Group Head of Customer Care and National Wireless Centers (1998-2001) and Marketing Head of International Gateway Facilities and Local Exchange Carrier (1997-1998). He also served as President and Chief Executive Officer of Telecommunications Distributors Specialist, Inc. in 2002 and as Chief Operations Adviser of I-Contacts Corporation (Smart's Call Center subsidiary) from 2001 to 2002. Mr. Caeg graduated with a Bachelor's Degree in AB Applied Economics and obtained MBA credits from De La Salle University Manila.

Mr. Jun R. Florencio, 60 years old, Internal Audit and Fraud Risk Management Head, handles the overall coordination of the internal audit function of the PLDT group of companies and is in-charge of the fraud risk management function of the PLDT Fixed Line business. He has over 25 years of work experience in the areas of external and internal audit, revenue assurance, credit management, information technology, financial management, and controllership. He was the Financial Controller of Smart for four years before he joined PLDT in April 1999 as Head of Financial Management Sector. He held various positions in the finance organization of another telecommunications company prior to joining Smart. Mr. Florencio obtained his Bachelor of Science Degree in Commerce, Major in Accounting from the University of Santo Tomas and attended the Management Development Program of the Asian Institute of Management.

Mr. Menardo G. Jimenez, Jr., 53 years old, Human Resources Group Head and concurrently Fixed Line Business Transformation Office Head, was Revenue Team Head of the Business Transformation Office from January 2008 to July 2010, the Retail Business Head of PLDT from June 2004 to December 31, 2007 and, prior to that, the Corporate Communications and Public Affairs Head. He holds directorships in several subsidiaries of PLDT. Prior to joining PLDT, he had a stint at GMA Network, Inc., where he served as head of a creative services and network promotions. Mr. Jimenez obtained his AB Economics Degree from the University of the Philippines.

Mr. Leo I. Posadas, 49 years old, was appointed as Treasurer of PLDT effective May 18, 2015 and concurrently holds the position of Treasury Head. He has been in PLDT's service since September 2000. He handles the treasury management and treasury operations of the Company. He is a director and Vice President for Treasury of Mabuhay Investments, Treasurer and Head of Treasury of Smart, Treasurer of ePLDT and some other subsidiaries of PLDT. Prior to joining PLDT, he served as Treasury Manager of Total Petroleum Philippines. He also served as Manager for Foreign Exchange Management of San Miguel Corporation. Mr. Posadas obtained his Bachelor of Arts Degree in Economics and Bachelor of Science Degree in Commerce Major in Management of Financial Institutions from the De La Salle University.

Ms. June Cheryl A. Cabal-Revilla, 42 years old, Controller and Financial Reporting and Controllership Head, is concurrently the Chief Financial Officer of Smart effective May 18, 2015. She is also a director and/or the Chief Financial Officer/Treasurer of several subsidiaries of PLDT, the Treasurer of PLDT-Smart Foundation and the Philippine Disaster Resilience Foundation, Comptroller of First Pacific Leadership Academy Foundation and the President of Tahanan Mutual Building and Loan Association. Prior to joining PLDT in June 2000 as an executive trainee in the Finance Group, she was a senior associate in the business audit and advisory group of Sycip Gorres Velayo & Co. Ms. Cabal-Revilla obtained her Bachelor of Science Degree in Accountancy from De La Salle University and Master's Degree in Business Management Major in Finance from Asian Institute of Management.

Atty. Florentino D. Mabasa, Jr., 57 years old, Legal Services Center Head and Assistant Corporate Secretary, has been in PLDT's service since August 1999 and served as Acting Corporate Governance Compliance Officer of PLDT from January 2003 to October 2004. Prior to joining PLDT, he was Head of Asset Recovery Management and Legal Services of Export and Industry Bank. Atty. Mabasa obtained his Bachelor of Laws Degree from the Ateneo de Manila University.

[Ms. Katrina L. Abelarde, 40 years old, assumed the position of Wireless Consumer Operations Head effective January 1, 2016, overseeing marketing, sales and operations including product development, analytics, customer care and credit and collection. Prior to that, she was the Small and Medium Enterprise Business Head since February 2008. She has been in PLDT's service since December 2000 and held various positions in the areas of corporate sales and relationship management. Prior to joining PLDT, she served as Client Services Assistant of Standard Chartered Bank from September 1996 to September 1997 and Senior Sales Manager of Makati Shangri-la Manila from September 1997 to November 2004. She obtained her AB- Interdisciplinary Studies Degree from the Ateneo de Manila University.]

Mr. Alfredo B. Carrera, 61 years old, Regulatory Strategy and Support Head, has been in PLDT's service for over 35 years and held various positions in the areas of economic planning, network traffic planning, market research and development and carrier relations. He is a director of Bonifacio Communications. Mr. Carrera obtained his Master of Science in Industrial Economics Degree from the University of Asia & the Pacific.

Mr. Cesar M. Enriquez, 63 years old, Staff Officer of Enterprise, International and Carrier Business, has been in PLDT's service since August 2001. He was Vice President of National Retail Sales until February 2003, Vice President for Corporate Sales and Administration until October 2003 and Corporate Business Operations Officer until December 2007. He has extensive banking experience and was the Head of Branches of Citytrust Banking Corporation for 16 years and Head of Consumer Banking of Standard Chartered Bank for 10 years. He is a director of PLDT Clark, PLDT Subic, PLDT Maratel, PLDT-Philcom, Telesat, Inc., Bayad Center, Datelco Global Com and Metrokidapawan Tel. Co. Mr. Enriquez obtained his Bachelor of Science Degree in Business Administration from the De La Salle University and Special Studies from the Asian Institute of Management.

Mr. Juan Victor I. Hernandez, 42 years old, Corporate Business Head, handles the largest corporate customers of PLDT, Smart, ePLDT and PLDT Global encompassing the fixed, wireless and ICT businesses. He joined the Company in October 2000 as Executive Trainee under the Corporate Business Group and served as Head of Corporate Credit Management from August 2001 to February 2003, Head of PLDT Corporate Business Group – Visayas from 2003 to 2005 and, thereafter, as Convergence Business B Head until July 2009. He obtained his BS Agricultural Economics Degree from the University of the Philippines and Masters in Business Management Degree from the Asian Institute of Management.

Mr. Oscar Enrico A. Reyes, Jr., 40 years old, assumed the position of PLDT Home Operations Head, effective January 1, 2016, overseeing marketing, sales and operations including product development, analytics, customer care and credit and collection, and the Wireless Broadband business of Smart to consolidate and drive the growth of the PLDT Group's position in the total broadband category (fixed and wireless). He joined PLDT in February 2015 and was seconded to CignalTV as Chief Operating Officer until December 31, 2015. He has extensive experience in consumer marketing and sales both locally and globally and prior to joining PLDT, he served as General Manager-Consumer Products Division of L'Oreal Philippines Inc. from June 2012 until January 2015 and Deputy General Manager-Consumer Products Division from February 2012 until June 2012. He was the Marketing Director of Nutri-Asia Philippines, Inc. from April 2009 to January 2012. He worked for 11 years in Unilever companies, including Unilever Philippines, Inc. and Unilever Thai Trading Limited, handling marketing and brand management functions from 1998 to April 2009. Mr. Reyes obtained his Bachelor of Science Degree in Management Engineering from Ateneo De Manila University and attended an executive course on Culture Building in CEDEP, INSEAD and General Management in France, sponsored by L'Oreal.

Mr. Martin Rio, 56 years old, was appointed as Property and Facilities Management Head in October 2012. Prior to joining PLDT, he served as General Manager of Pacific Plaza Towers in Global City and Pacific Plaza Condominium in Ayala Avenue. He was in-charge of maintaining the lead in the high-end condominium market of Pacific Plaza Towers Condominium Corporation from 2000 to 2012. Mr. Rio obtained his Bachelor of Science Degree in Civil Engineering from Far Eastern University.

Mr. Ricardo M. Sison, 55 years old, Consumer Credit and Business System Management Head, has been in PLDT's service for over 15 years and held various positions in the areas of business systems management, billing, credit and collection. In his present position, he ensures that adequate support services, including payment channels, dispute management, churn and recovery management, credit facility policy management and billing support are provided to PLDT Home Business and PLDT subsidiaries and affiliates. He obtained his Bachelor of Science Degree in Business Management from the Ateneo de Manila University.

Mr. Emiliano R. Tanchico, Jr., 60 years old, Human Resources Management and Development Head, has been in PLDT's service for over 30 years. He is in-charge of recruitment and placement, payroll and benefits administration, human resources information system, technical training, industrial and employee relations, and medical services. He graduated with a Master of Science Degree in Guidance Counseling from the De La Salle University and took up Master in Business Administration – Senior Executive Program at the Ateneo de Manila University.]

Ms. Melissa V. Vergel de Dios, 53 years old, Investor Relations Head, has been in PLDT's service since May 2001 and served as Property Management Center Head until May 2003 and as Property and Facilities Management Center Head until September 2007. Prior to joining PLDT, she was the Chief Operating Officer of Wharton Credit Corp. and from June 2000 to May 2001 was the Group Chief Finance Officer of Global 3 Internet Holdings, Inc. She held various positions in San Miguel Group of Companies from 1984 to 2000. Ms. Vergel de Dios obtained her Bachelor of Science Degree in Marketing and Management and Bachelor of Arts Degree in Economics from Assumption College.

Dr. Rafael M. Bejar, 58 years old, Medical Services Head, has been in PLDT's service for over 20 years. His past positions were Company Physician under Medical and Dental Services, Liaison Doctor, Manager of Metro Manila Medical Services and Manager of Provincial Medical Services. He obtained his Doctor of Medicine Degree from the Far Eastern University.

[Mr. Marco Alejandro T. Borlongan, 48 years old, Customer Service Operations Management Head, joined the Company in March 2007 as an Assistant Vice President in the Consumer Affairs Group and was the Consumer Service Delivery Head until June 2008. He holds directorship in some subsidiaries of PLDT including PLDT-Philcom, PLDT Maratel and Bonifacio Communications. Prior to joining PLDT, he served as a Group Manager of Metro Pacific Corporation and as Executive Vice President and Chief Operating Officer of Nation Broadcasting Corporation. He is the President of Green Apple Business Ventures, Inc. He obtained his Bachelor of Science Degree in Industrial Management Engineering from the De La Salle University.]

[Mr. Gerardo Jose V. Castro, 54 years old, Luzon Customer Service Operations District Head, has been in PLDT's service for over 30 years and held various managerial positions in the Company. He served as BTO Executive from January 2009 to August 2010 and as Cavite Customer Service Operations Zones Head from September 2010 to December 2010. He obtained his Master of Business Administration Degree from Ateneo de Manila University.]

Ms. Marisa V. Conde, 45 years old, Financial Planning Head, joined the Company in May 2015. She was the Vice President for Finance of Cignal TV from 2013 until May 2015. She was a Manager at Deloitte & Touche LLP (New Jersey, U.S.A) from November 2010 to 2012, A.F. Paredes & Co., CPAs from July 2009 to November 2010, Ernst & Young LLP (Atlanta, Georgia, USA) from April 2006 to April 2009 and a Senior Manager of Sycip Gorres Velayo & Co. from 1992 to 2006. She is a licensed Certified Public Accountant in the Philippines, New Jersey and Pennsylvania, U.S.A. Ms. Conde obtained her Bachelor of Science Degree in Business Administration, Major in Accounting from the Pamantasan ng Lungsod ng Maynila and Master of Business Management Degree from Asian Institute of Management.

Mr. Gene S. De Guzman, 54 years old, Enterprise Service Assurance Management Head, has been in PLDT's service for over 30 years and held various managerial positions in the Company. He manages the after sales support team for PLDT enterprise market. He obtained his Bachelor's Degree in Electrical Engineering from University of Santo Tomas.

[Mr. Margarito G. Dujali, Jr., 42 years old, HOME Marketing Head, manages the Company's broadband business such as PLDT myDSL, PLDTFibr, Wifi Zone and ARPU building programs. He joined the Company in December 2000 and served as Senior Product Manager until May 2003 and Assistant Vice President until June 2003, for Long Distance Services. He was Assistant Vice President for Retail Voice Usage (PLDT NDD, IDD, Cards) until January 2008 and Assistant Vice President-Category Head for Retail Data Acquisition (PLDT myDSL) until July 2010. Prior to joining PLDT, he served as Junior Consultant of Asian Investments Limited from 1994 to 1997 and as Senior Product Manager, Brand Management Group for MobileBusiness (Globe Handyphone) of Globe Telecom from 1997 to 2000. Mr. Dujali obtained his Bachelor of Arts Degree in Social Sciences and Master of Arts Degree in Communication Research from the University of the Philippines.]

Mr. Gil Samson D. Garcia, 44 years old, Revenue Management and Cash Assurance Head, joined the Company in February 2007 and served as Assistant Vice President for Financial Reporting and Controllership, heading the Revenue and Cash Accounting until March 25, 2010, and as Vice President of Revenue and Cash Accounting until July 2010. He is the Chief Financial Officer of ePLDT since May 2015. Prior to joining PLDT, he was a Senior Director until January 2007 of the Business Risk Services Group of SyCip Gorres Velayo and Co., where he started his career in November 1992, gaining a wide-range of experiences in various industries, here and abroad, both for public and private sectors, in external audit, internal audit, finance/accounting, business process review and advisory, Sarbanes-Oxley (SOX) evaluation & consultancy, risk management, corporate governance, and business fraud investigation and detection, among others. Mr. Garcia graduated cum laude from the University of Santo Tomas with a Bachelor of Science Degree in Commerce, Major in Accounting. He is a Certified Public Accountant and a globally – Certified Internal Auditor and Certified Fraud Examiner.

Mr. Joseph Ian G. Gendrano, 39 years old, Corporate Relationship Management A Head, joined the Company in May 2013. Prior to joining PLDT, he worked with Verizon Business, Cisco Systems and Goldman Sachs in the United States. He has held technical, sales, consulting and leadership roles in these organizations as well as gained industry experience in the global financial services vertical. He served as Vice President of Goldman Sachs' Network, Voice and Multimedia Division and Chief Architect for Unified Communications platforms. Mr. Gendrano obtained his Bachelor of Science Degree in Electronics and Communications Engineering from De La Salle University and Master of Science Degree in Electrical Engineering, Major in Telecommunications and Networking from the University of Pennsylvania.

Ms. Elisa B. Gesalta, 57 years old, Buildings and Enterprise Access Network Project Management Head, has been in PLDT's service for over 30 years and held various positions in engineering operations and provisioning and project management. She obtained her Bachelor of Science Degree in Electronics and Communications Engineering from the University of Santo Tomas.

[Mr. John John R. Gonzales, 47 years old, Enterprise Strategic Solutions Head, joined the Company in June 2013. He has 23 years of experience in the IT industry. Prior to joining PLDT, he served as the Chief Executive Officer and General Manager of Business Cloud Live, Inc./Rollbase Philippines, Inc. He worked with Jebsen & Jessen Communications Philippines, Inc and served as Sales Director in 2009 and General Manager in 2010. He also worked with Teledata Philippines, Inc. and served as Sales Director in 2006 and General Manager in 2007. Mr. Gonzales obtained his Bachelor of Science Degree in Computer Science from AMA Computer College.]

Ms. Ma. Josefina T. Gorres, 53 years old, EICB Revenue and Operations Support Head and concurrent Enterprise Billing, Credit and Revenue Management Head, has been in PLDT's service since June 2001. She is also the Smart Enterprise Business Group's Customer Operations and Support Head in a concurrent capacity since November 2009. Prior to joining PLDT, she was Head of Quality Management-Sales & Marketing Division of PCEV (formerly Piltel) from November 1997 to June 2001. Ms. Gorres obtained her Bachelor of Science Degree in Business and Economics from the De La Salle University.

Atty. Ma. Criselda B. Guhit, 53 years old, Tax Management Head, joined the Company in January 2000 and served as Tax Compliance Center Head until February 2001 and Coordinator of the Tax Management Sector until February 2006. Prior to joining PLDT, she was the Senior Manager for Tax Affairs of Metro Pacific Corporation. Atty. Guhit is both a Certified Public Accountant and a lawyer. She obtained her Juris Doctor Degree from the Ateneo de Manila University.

[Mr. Emeraldo L. Hernandez, 58 years old, Technical Operations Centre Center Head, has been in PLDT's service for over 30 years and manages the operations and maintenance of core, transport and access network of PLDT. From April 1, 2009 to March 31, 2011, he was in-charge of the PLDT Migration Office and responsible in the actual network migration of paystation network to NGN. He graduated with a Bachelor of Science Degree in Electronics and Communications Engineering from Pamantasan ng Lungsod ng Maynila.]

Ms. Marven S. Jardiel, 48 years old, Enterprise Operations Support Readiness Head, has been in PLDT's service for over 25 years and held various positions in the areas of performance report and statistics, strategy and business development support and corporate process review and information management. She is the Officer-In-Charge and General Manager of Telesat, Inc. Ms. Jardiel graduated cum laude from the University of Santo Tomas with a Bachelor of Science Degree in Mathematics and is a candidate for a Master's Degree in Business Administration from the Ateneo de Manila Graduate School of Business.

[Ms. Princesita P. Katigbak, 50 years old, Corporate Relationship Management E Head, has been in PLDT's service since April 2000 and served as Corporate Customer Services Staff until September 2000. She held various positions in CLA Sales-Transportation and Carrier Services from 2000 to 2003, Access Business until 2005, Broadband Business until October 2007, and Corporate Relationship Management. Prior to joining PLDT, she served as SNMI Division Sales Manager-National Sales of Smart and Smart-NTT Multimedia. She obtained her Bachelor of Science Degree in Psychology and Bachelor of Arts Degree in Guidance and Counseling from St. Scholastica's College.]

Mr. Alexander S. Kibanoff, 52 years old, Organization Development Head, has been in PLDT's service for over 20 years and held various positions in the areas of corporate planning and training and development. He obtained his Master's Degree in Commerce (Economics) from the University of Wollongong, New South Wales, Australia.

[Mr. Joseph Nelson M. Ladaban, 51 years old, Consumer Credit and Collection Management Head, has been in PLDT's service since March 2000 and held various positions in the areas of billing, credit and collection. Prior to joining PLDT, he spent 12 years in Citibank with the Retail Bank and Credit Card operations group. He then moved to Asia Capital as Vice President and Head for Credit Cards and Marketing Service. He obtained his Bachelor of Science Degree in Business Management from the Ateneo de Manila University.]

Mr. Javier C. Lagdameo, 51 years old, Corporate Relationship Management B Head, joined PLDT in November 2003 as a Senior Manager under the Corporate Business Group. From February 2005 to December 2006, he was seconded to Smart and served as Corporate Business Group Advisor. Prior to joining PLDT, he served as Director at Leechiu & Associates, FPD Savills Philippines, Inc., FPD Savills Property Management, Inc. and Senior Vice President, Pacific Plaza Towers – Metro Pacific Corporation. Mr. Lagdameo obtained his Bachelor of Arts Degree in Business Administration from Dominican University of California, San Rafael, CA. USA.

Mr. Joselito S. Limjap, 54 years old, Mainstream Business Development and Research Head, has been in PLDT's service for over 25 years and held various positions in the areas of product research and development, demand planning, product rates and tariffs. He obtained his Bachelor of Science Degree in Electrical Engineering from the Technological University of the Philippines and Diploma in Retail Management from De La Salle College of Saint Benilde.

Mr. Albert Mitchell L. Locsin, 45 years old, assumed the position of Small and Medium Enterprises Business Head, effective January 1, 2016. Prior to that, he was the Corporate Relationship Management C Head since May 2013. He joined the Company in June 2011. He has over 23 years of management experience and over 8 years of Business Process Outsourcing (BPO)/Information Technology (IT) management practice. He was the Global Business Development Executive of Logica Philippines from March 2008 to May 2011, Managing Consultant of People2Outsource, Incorporated from August 2006 to March 2011 and Executive Director of Business Processing Association of the Philippines from June 2005 to March 2008. Mr. Locsin obtained his Bachelor of Science Degree in Business Administration Management from Notre Dame College, Belmont, California, U.S.A and completed the Mentor Management Program of Harvard University, Massachusetts, U. S. A.

Mr. Luis Ignacio A. Lopa, 56 years old, Enterprise Subsidiaries and VIP Account Management Head, has been in PLDT's service for over 20 years and held various positions in the areas of relationship management, sales and marketing. He is the General Manager of ABM Global Solutions, Inc. Mr. Lopa obtained his Bachelor of Science and Bachelor of Arts Degrees Major in Business Management and Applied Humanities from De La Salle University.

[Mr. Paolo Jose C. Lopez, 45 years old, HOME Customer Care and Sales Support Head, joined the Company in May 2007 and served as Assistant Vice President for HOME Data and Voice Usage until July 2012. He also served as Assistant Vice President for HOME Retention and Churn Management until September 2012 and Assistant Vice President for HOME Customer Care and Retention Management until March 2014. Prior to joining PLDT, he served as Business Development Manager at Globe Telecom and Intel Philippines and Product Manager at Microsoft Philippines and Hewlett Packard. He obtained his Bachelor of Science Degree in Computer Science from Ateneo de Manila University.]

Ms. Ma. Carmela F. Luque, 48 years old, Financial and Revenue Audit Head, leads the PLDT Group's compliance activities for Section 404 of the U.S. Sarbanes-Oxley-Act (SOX 404). She has almost 26 years of combined experience in Internal Audit, External Audit, Finance and Business Advisory. Prior to joining PLDT in 1999, she served as Audit Manager of Sycip, Gorres, Velayo & Co., a member firm of Earnst & Young Global Limited. She obtained her Bachelor of Science Degree in Business Administration and Accountancy from the University of the Philippines and is a Certified Public Accountant.

Atty. Oliver Carlos G. Odulio, 45 years old, Business Continuity & Resilience Head and concurrent Asset Protection & Risk Management Head of PLDT and Smart, previously served as Supply Chain and Support Services Head which covered Procurement, Logistics, Fleet and Aviation Management. Prior to joining PLDT in July 2000, he was an Associate Attorney in Tan, Acut & Lopez Law Offices from 1998 to June 2000. He holds a Business Continuity Expert certificate from Business Continuity Management Institute of Singapore, a Purchasing Manager certificate from the Institute of Supply Management, USA, and completed the Executive Course on National Security of the National Defense College of the Philippines. Atty. Odulio obtained his Bachelor of Science Degree in Management from Ateneo de Manila University and his Juris Doctor Degree from the Ateneo de Manila University School of Law.

Atty. Aileen D. Regio, 45 years old, Supply Chain Planning and Procurement Head, has been in PLDT's service since June 2001 and served as Associate Attorney under Legal Services until November 2001, Head of General Legal Division until February 2004, Head of Business Contracts until December 2010 and Head of Regulatory Strategy and Support from January 2011 until February 2014. She also concurrently served as Corporate Secretary and Head of Legal and Regulatory of Digitel and Corporate Secretary of Digitel Mobile from August 2012 to January 2014. Prior to joining PLDT, she was a Senior Associate at SGV & Co and Legal Officer at Urban Bank. She obtained her Bachelor of Science Degree in Business Administration Major in Accounting from Pamantasan ng Lungsod ng Maynila and Bachelor of Laws Degree from Lyceum of the Philippines.

Mr. Ricardo C. Rodriguez, 57 years old, Compensation, Rewards and Performance Management Head, handles compensation and rewards/incentive planning and management for officers, executives, supervisory and rank-in-file employees and performance management. He has been in PLDT's service for over 30 years and held various positions in the areas of systems, management audit, executive development and organization development. Mr. Rodriquez obtained his Bachelor of Science Degree in Industrial Engineering and Master in Business Administration Degree from the University of the Philippines.

Mr. Genaro C. Sanchez, 54 years old, International Network Head and concurrent Carrier Relations & Sales Management Head , has been in PLDT's service for over 30 years and held various positions in the areas of submarine cable projects, carrier relations, business support systems management, carrier product development and marketing, network planning and engineering and international cable system and gateway operations. He has a Master in Business Administration Degree from the De La Salle University and a Bachelor of Science in Electronics and Communications Engineering Degree from Mapua Institute of Technology.

Ms. Ana Maria Sotto, 57 years old, Staff Officer of Technology Project Management Office, has been in PLDT's service for over 30 years and held various positions in the areas of customer service delivery management, corporate operations support and computer and network operations. She obtained her Bachelor of Science Degree in Industrial Engineering from the University of the Philippines.

[Ms. Julieta S. Tañeca, 56 years old, Consumer Business System Support Management Head, has been in PLDT's service for over 30 years and held various positions in information system planning and billing system. Ms. Tañeca graduated with a Bachelor of Science Degree in Management and Industrial Engineering from the Mapua Institute of Technology.]

[Mr. Patrick S. Tang, 43 years old, Home Voice Solutions Head, handles residential retail and retail micro-small to medium enterprise customer acquisition, post and prepaid landline customer acquisition and develops convergent products in cooperation with Smart. He joined the Company in September 2000 and served as Product Manager for Consumer Market Products until January 2001, Senior Product Manager for Local Services until 2003, Senior Product Manager for Retail Voice Acquisition until February 2004, Assistant Vice President for Retail Voice Acquisition until February 2006 and Assistant Vice President for Retail Voice Acquisition-Postpaid until July 2010. Prior to joining PLDT, he served as Assistant Product Manager for International Long Distance Marketing of Bayan Telecommunications Holdings Corporation from March 2000 to August 2000. Mr. Tang obtained his Bachelor of Arts Degree in Social Sciences from the Ateneo de Manila University.]

Mr. Victor Y. Tria, 46 years old, Corporate Relationship Management D Head, joined the Company in March 2003 and served as Senior Manager for IP Solutions Category until December 2005, Senior Manager for Domestic Data Business Management Category until March 2006, Assistant Vice President for Domestic Data Business Management Category from April 2006 to January 2008 and for Corporate Business Solutions until April 2013. Prior to joining PLDT, he held various managerial positions in Eastern Telecommunications Phils., Inc. until February 2003, with a brief engagement as Manager of Enhanced and Web Hosting Services in Cable and Wireless, U.S.A. Vienna, VA. U.S.A. from July 1999 to January 2000. Mr. Tria Obtained his Bachelor of Science Degree in Electronics and Communications Engineering from the University of Santo Tomas.

Family Relationships

None of the directors/independent directors and officers of the Company or persons nominated to such positions has any family relationships up to the fourth civil degree either by consanguinity or affinity, except Mr. James L. Go (a director) and Ms. Anabelle L. Chua (Chief Financial Officer and Senior Vice President, Corporate Finance and Treasury) who are relatives to the fourth civil degree by consanguinity.

Involvement in Certain Legal Proceedings

The Company is not aware, and none of the directors/independent directors and officers or persons nominated for election to such positions has informed the Company, of any of the following events that occurred during the past five (5) years and up to the date of this Information Statement: (a) any bankruptcy petition filed by or against any business of which a director/independent director or officer or person nominated for election to any of such positions, was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time; (b) any conviction by final judgment in a criminal proceeding, domestic or foreign, or any criminal proceeding, domestic or foreign, pending against any director/independent director or officer or person nominated for election to any of such positions, except as noted below; (c) any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any director/independent director or officer or person nominated for election to any of such positions in any type of business, securities, commodities or banking activities; and (d) any finding by a domestic or foreign court of competent jurisdiction (in a civil action), the Securities and Exchange Commission or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, that any director/independent director or officer or person nominated for election to any of such positions, has violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

The following is a description of the complaint in which our director, Mr. Napoleon L. Nazareno and our director and Corporate Secretary, Ms. Ma. Lourdes C. Rausa-Chan are respondents:

Mr. Napoleon L. Nazareno and Ms. Ma. Lourdes C. Rausa-Chan, in their respective capacities as director and corporate secretary of Steniel Cavite Packaging Corporation, were impleaded as private respondents in a Supplemental Complaint docketed as OMB C-C-05-0473-1, filed by the Field Investigation Office of the Office of the Ombudsman ("**OMB**"). The Supplemental Complaint dated April 16, 2012 is for the alleged commission of: (a) violation of Section 3(e) of Republic Act No. 3019 (otherwise known as the Anti-Graft and Corrupt Practices Act); and (b) estafa through falsification of public documents in relation to Article 171 and Article 172 of the Revised Penal Code. The case relates to the alleged illegal and fraudulent acquisition by Mannequin International Corporation of several tax credit certificates ("**TCCs**") from the One Stop Shop Inter Agency Tax Credit and Duty Drawback Center purportedly through the use of fake and spurious documents and the subsequent transfer of said TCC's to several transferee corporations, including Steniel Cavite Packaging Corporation.

Mr. Nazareno and Ms. Rausa-Chan had no participation or involvement in the alleged anomalous acquisition and transfer of the subject TCCs and had accordingly filed their respective Counter-Affidavits on March 5, 2013 and March 1, 2013, respectively, seeking the dismissal of the Supplemental Complaint. In a resolution dated October 22, 2014, a copy of which was only received on June 23, 2105, the OMB dismissed the complaint against certain respondents including Mr. Nazareno and Ms. Rausa-Chan**.**

Compensation

The table below sets forth the aggregate amount of compensation paid in 2014 and 2015 and estimated amount of compensation expected to be paid in 2016: (1) to the Chief Executive Officer and four most highly compensated executive officers of the Company, as a group; and (2) to all other executive officers, other officers and directors, as a group.

Name and Principal Position	Year	Salary[16] (In Million)	Bonus[17] (In Million)	Other Compensation[18] (In Million)
1. Napoleon L. Nazareno President & CEO[19]				
2. Ernesto R. Alberto Executive Vice President				
3. Anabelle L. Chua Senior Vice President				
4. Isaias P. Fermin Executive Vice President				
5. Ma. Lourdes C. Rausa-Chan Senior Vice President				
CEO & four most highly compensated executive officers	Actual 2014	114	51	66
	Actual 2015	82	32	256

16 Basic Monthly Salary

17 Includes Longevity Pay, Mid-year Bonus, 13th Month Pay and Christmas Bonus

18 Includes Variable Pay and other payments. Variable Pay is based on an annual incentive system that encourages and rewards both individual and group/team performance and is tied to the achievement of Corporate/Unit/Customer Satisfaction Objectives. It covers regular officers and executives of the Company and is based on a percentage of their Guaranteed Annual Cash Compensation. Included in the figure is the amount of cash award under the 2012-2014 Long Term Incentiive Plan.

19 The President & CEO receives compensation from Smart but not from PLDT; thus, the above compensation table does not include the salaries, bonuses and other compensation of Mr. Nazareno. Mr. Nazareno retired effective on December 31, 2015.

	Projected 2016	122	29	44
All other executive officers, other officers and directors as a group (excluding the CEO and four most highly compensated executive officers)	Actual 2014	257	65	237
	Actual 2015	275	69	657
	Projected 2016	251	65	146

Each of the directors of the Company is entitled to a director's fee of P250,000 for each meeting of the Board of Directors attended. In addition, the directors who serve in the committees of the Board of Directors, namely, the Audit, Governance and Nomination, Executive Compensation, Risk and Technology Strategy Committees, are each entitled to a fee of P125,000 for each committee meeting attended.

Except for the fees mentioned above, the directors are not compensated, directly or indirectly, for their services as such directors[20].

Incentives and Benefit Plans

A. Long Term Incentive Plan

The Long Term Incentive Plan ("**LTIP**") is a cash plan that is intended to provide meaningful, contingent, financial incentive compensation for eligible executives, officers and advisors of the PLDT Group, who are consistent performers and contributors to the achievement of the long-term strategic plans and objectives, as well as the functional strategy and goals of the PLDT Group. The LTIP is administered by the Executive Compensation Committee ("**ECC**"), which has the authority to determine the following: (a) eligibility and identity of participants; (b) the award attributable to each participant based on the participant's annual base compensation and taking into account such participant's seniority, responsibility level, performance potential, tenure with the PLDT Group, job difficulty and such other measures as the Committee deems appropriate; (c) the level of achievement of the performance objectives; and (d) the actual award payable to each participant based on the level of achievement of the performance objectives.

To ensure the proper execution of our strategic and operational business plans while taking into account the acquisition of Digitel in 2011 and other recent market developments, the 2012 to 2014 LTIP, covering the period from January 1, 2012 to December 31, 2014, was approved by the Board of Directors with the endorsement of the ECC on March 22, 2012. The awards in the 2012 to 2014 LTIP were contingent upon the successful achievement of certain profit targets, intended to align the execution of the business strategies of the expanded Group, including Digitel, over the three-year period 2012 to 2014. In addition, the 2012 to 2014 LTIP allowed for the participation of a number of senior executives and certain newly hired executives and ensured the continuity of management in line with the succession planning of the PLDT Group. LTIP costs recognized for the years ended December 31, 2014 and 2013 amounted to Php168 million and Php1,638 million, respectively. Total outstanding liability and fair value of the 2012 to 2014 LTIP amounted to Php33 million and Php3,297 million as at December 31, 2015 and 2014, respectively. The LTIP liability amounting to Php3,264 million as at December 31, 2014 was paid in 2015.

B. Benefit Plan

The Company has a trusteed, non-contributory defined benefit plan (the "**Benefit Plan**") covering all permanent and regular employees. The Benefit Plan provides benefits upon normal retirement beginning at age 65, early retirement beginning at age 50 or completion of at least 30 years of credited service, voluntary separation

[20] The aggregate amount of per diems paid to the directors for their attendance in Board and Board Committee meetings is included in Other Compensation. The total amount of per diems paid in 2014 and 2015 were P45,040,000 and P55,500,000, respectively. The total amount of per diems estimated to be paid in 2016 is P56,875,000.

beginning at age 40 or completion of at least 15 years of credited service, total and physical disability, death and involuntary separation. Benefits are based on the employee's final monthly basic salary and length of service.

Except as provided in the plans described above, there are no other agreements or arrangements pursuant to which officers and directors of the Company may be entitled to receive any cash or non-cash compensation, or any benefits or payments in case of termination of employment or a change in control of the Company.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Except for the Related Party Transactions described in Note 25 to the audited financial statements contained in the Company's Annual Report for the years 2014 and 2015, there has been no material transaction during the last two fiscal years, nor is there any material transaction currently proposed, to which the Company or any of its subsidiaries was or is to be a party in which any incumbent director/independent director or officer of the Company, or any person nominated for election to such positions, or any owner of more than ten percent of the Company's outstanding voting stock, or any member of the immediate family of any of the foregoing, had or is to have a direct or indirect material interest. In the ordinary course of business, the Company has transactions with other companies in which some of such persons or former officers of the Company or its subsidiaries may have an interest, but these transactions have been negotiated on an arm's length basis and are not material.

No director/independent director or officer of PLDT or associate of any director/independent director or officer of PLDT was indebted to PLDT at any time during the past two years.

AMENDMENT OF THE SECOND ARTICLE OF THE ARTICLES OF INCORPORATION

Proposed Amendment

On April 12, 2016, the Board of Directors (the **"Board**") of the Company approved the amendment of the Second Article of the Amended Articles of Incorporation (the "**Articles**") of the Company to expressly provide for such other purposes and powers incidental to or in furtherance of its primary purpose including the power to do or engage in such activities required, necessary or expedient in the pursuit of lawful businesses or for the protection or benefit of the Company (the "**Amendment**").

Quoted below is the amended Second Article of the Articles of the Company, with the amendments underscored:

> "Second. <u>That the purposes for which said corporation is formed are:</u>
>
> To install, maintain, and operate plants, lines, instruments, cables, stations, exchanges, apparatus and any all kinds of equipment, or contrivances, for communications, and the transmission of messages, pictures, impressions, and signals, or any other means which may hereafter be used for communications in their stead; to install, maintain, operate, or lease, in whole, or in part, telephone lines and systems and all other systems and lines of communication, and to purchase, sell and deal in all kinds of apparatus and objects and products which may be advantageously combined with the building, installing and operation of those systems and lines and in general, to engage in any and all acts and business which may be necessary, or convenient, in the furtherance of such lines of communication and business.
>
> <u>Without limiting or restricting in any manner the general powers and all other rights and privileges now or hereafter granted by the laws of the Philippines or any country or territory where said corporation does business or owns property, to corporations of the character of said corporation</u>:

1. To invest and deal with the money and properties of said corporation and to sell, dispose of or transfer the business, properties and goodwill of said corporation or any part thereof for such consideration and under such terms and conditions as the Board of Directors may determine to be wise or expedient for the benefit or advancement of the interest of said corporation, subject to the requirements of applicable law.

2. To purchase, acquire, own lease, sell and convey real properties such as lands, buildings, warehouses and machineries, equipment and other personal properties as may be necessary or incidental to the conduct of its business or as the Board of Directors may determine to be wise or expedient for the benefit or advancement of the interest of said corporation, and to pay for any property purchased or acquired by or leased to said corporation, or receive payments for any property sold, conveyed or leased by said corporation, in cash, shares of capital stock, debentures and other evidences of indebtedness, or other securities;

3. To redevelop any and all properties owned or acquired by said corporation for purposes of preserving, enhancing or maximizing their value or as may be wise or expedient for the advancement of its interest, and in such manner and under such terms and conditions, as the Board of Directors may determine;

4. To borrow or raise money necessary to meet the financial requirements of the business of said corporation by the issuance of shares of its capital stock, bonds, promissory notes and other evidences of indebtedness, and to secure the repayment of any such bonds, promissory notes and other evidences of indebtedness by mortgage, pledge, deed of trust or lien upon the properties of said corporation.

5. To guarantee the obligations of, and aid in any manner, any corporation, association, or trust estate, domestic or foreign, or any firm or individual, any shares of stock in which, or any bonds, debentures, notes securities, evidences of indebtedness, contracts or obligations of which, are held by or for said corporation, directly or indirectly or through other corporations or otherwise;

6. To enter into any lawful arrangement for sharing profits, reciprocal concession, cooperation or joint venture with any corporation, association, partnership, entity, person or governmental, municipal or public authority, domestic or foreign, in carrying out any business or transaction deemed necessary, convenient or incidental to accomplish the purposes of said corporation;

7. To acquire or obtain from any government or authority, national, provincial, municipal or otherwise, or any corporation, company or partnership or person, such charter, contracts, franchise, privileges, exemption, licenses and concessions as may be conducive to any of the purposes of said corporation;

8. To establish and operate one or more branch offices or agencies within or outside the Philippines and to carry out any or all its operations and businesses in or through such branch offices or agencies without any restrictions, except those provided in applicable laws;

9. To conduct and transact any and all lawful business, and to do or cause to be done any one or more of the acts and things herein set forth as its purposes, within or outside the Philippines, and everything necessary, desirable or incidental to the accomplishment of the purposes or the exercise of any one or more of the powers herein enumerated, or which shall at any time appear conducive to or expedient for the protection or benefit of said corporation."

Approvals

Under Section 16 of the Corporation Code, the Amendment is subject to approval by the stockholders representing at least two thirds of the outstanding capital stock of the Company (Common, Voting Preferred and Non-Voting Serial Preferred) and by the SEC.

The favorable endorsement of the Amendment by the National Telecommunications Commission to the SEC is also required.

The Board recommends that the stockholders approve the Amendment as discussed above.

INVESTMENT OF CORPORATE FUNDS IN ANOTHER CORPORATION OR FOR A PURPOSE OTHER THAN THE PRIMARY PURPOSE

Pursuant to the purpose or power stated in subparagraph 3 of the second paragraph of the Second Article of the amended Articles, the Company plans to redevelop certain buildings owned by it (the "**Properties**") to maximize or enhance their value (the "**Redevelopment**") prior to the sale or disposal of portions or all of such redeveloped Properties (the "**Sale of Properties**"). The Properties initially identified for redevelopment are the Ramon Cojuangco Building situated in Makati Avenue and adjacent MGO Building situated in Legaspi corner dela Rosa Streets, Makati City. The proceeds from the Sale of Properties are intended to be used in furtherance of the business of the Company, including the purchase and development of new headquarters for the Company.

For purposes of the Redevelopment, the Company is exploring several options, including investing in shares of stock in an asset holding company that will enter into a joint venture with a real estate developer (the "**Developer**") for the Redevelopment (the "**Investment in Shares**"), or directly entering into a joint venture with the Developer for the Redevelopment (the "**Investment in Joint Venture**"). It is contemplated that, in each case, the contribution of PLDT would be the Properties identified for Redevelopment while the contribution of the Developer would be cash and services for the Redevelopment.

In their meeting held on April 12, 2016, the Board approved the Redevelopment taking into consideration the rationale therefor and the best interest of the Company and its stockholders as a whole. Noting that either or both of the Investment in Shares or Investment in Joint Venture (collectively, the "**Investment**") in relation to the Redevelopment may be construed as investment of the Company's funds in another corporation or for a purpose other than the primary purpose for which the Company was organized, or may be deemed as not related, incidental or necessary to the accomplishment of the Company's primary purpose, the Company is seeking approval by the stockholders of the Investment pursuant to Section 42 of the Corporation Code. The Company is also seeking that the stockholders grant authority to the Board to determine, based on its best judgment and the best interest of the Company and its stockholders as a whole, the timing, final structure, amount, terms and conditions of the Investment in relation to the Redevelopment.

Approvals

Under Section 42 of the Corporation Code, the Investment is subject to approval by stockholders representing at least two-thirds of the outstanding capital stock of Company (Common, Voting Preferred and Non-Voting Serial Preferred).

The Board recommends that the stockholders approve the Investment and grant the Board the authority to determine the timing, final structure, amount, terms and conditions of the Investment in relation to the Redevelopment, as discussed above.

Procedure for Exercise of Dissenter's Appraisal Right

Pursuant to the Corporation Code, the appraisal right may be exercised by any stockholder who shall have voted against the corporate action set out in item 7 of the Notice and Agenda ("**Item 7**"). The dissenting stockholder must make a written demand on the Company, within 30 days after the date on which the vote was taken, for payment of the fair value of his shares; provided, that failure to make the demand within such period shall be deemed a waiver of the appraisal right. Within ten days after demanding payment of his shares, the dissenting stockholder shall submit the stock certificates representing his shares to the Company, for notation thereon that such shares are dissenting shares.

The price of the shares of the dissenting stockholder shall be the fair value thereof as at the day immediately prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of Item 7. If within 60 days from the date Item 7 was approved by the stockholders, the dissenting stockholder and the Company cannot agree on the fair value of the shares, it shall be determined and appraised by three disinterested persons, one of whom shall be named by the stockholder, another by the Company and the third by the two thus chosen. The findings of a majority of the appraisers shall be final, and the award shall be paid by the Company within 30 days after such award is made. The cost and expenses of appraisal shall be borne by the Company, unless the fair value ascertained by the appraisers is approximately the same as the price which the Company has offered to pay the dissenting stockholder, in which case they shall be borne by the latter.

No payment shall be made to any dissenting stockholder unless the Company has unrestricted retained earnings in its books to cover such payment. Upon such payment, the stockholder shall forthwith transfer his shares to the Company.

OTHER MATTERS

Information on PLDT's Independent Auditors and Other Related Matters

Article XII of our By-Laws provides that the Audit Committee constituted by the Board of Directors shall be directly responsible for the appointment, compensation, retention, removal or termination of engagement and oversight of the Company's independent auditors. Pursuant to this By-Laws provision, our Audit Committee approved the engagement or appointment of Sycip Gorres Velayo & Co. (**"SGV"**), a member practice of Ernst & Young Global, as the Company's independent auditors. The Audit Committee is composed of Mr. Pedro E. Roxas, as Chairman and Messrs. Artemio V. Panganiban and Bernido H. Liu, as members, all of whom are independent directors. Ms. Corazon S. de la Paz-Bernardo and Messrs. James L. Go, Tadashi Miyashita and Roberto R. Romulo are Advisors to the Audit Committee.

SGV has served as our independent auditors for the past thirteen calendar years. In compliance with the five-year rotation requirement with respect to independent auditors and as provided under the Company's By-Laws and applicable laws and rules, Mr. Ramon D. Dizon from SGV took over as the new lead engagement/audit partner with the primary responsibility for the audit of the Company's financial statements beginning in calendar year 2013. Mr. Dizon replaced Ms. Marydith C. Miguel from SGV, who was the lead engagement/audit partner for the audit of the Company's financial statements in the preceding five years (2008-2012).

The audit fees paid to SGV or accrued by the Company for the audit of the Company's financial statements, review of interim financial statements and services that are normally provided by the independent auditors in connection with statutory and regulatory filings amounted to approximately P 41 million in 2015 and P 42 million in 2014. The Company also paid other fees of approximately P18 million in 2015 and P21 million in 2014, respectively, to SGV with respect to the audit of the Company's Sarbanes-Oxley Act Section 404 assessment, educational training regarding transition to 2013 Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, certain projects and out-of-pocket and incidental expenses. Out-of-pocket and incidental expenses do not exceed five percent of the agreed-upon engagement fees. In year 2016, the Company expects to pay or accrue the same level of audit and audit-related fees accrued in 2015.

The Audit Committee pre-approves all audit and non-audit services as these are proposed or endorsed before these services are performed by the independent auditors.

The Company has no disagreement with SGV on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

The representatives of SGV are expected to be present at the Annual Meeting and will have an opportunity to make a statement if they desire to do so and to respond to appropriate questions.

Voting Procedures

1. Voting Rights

   Owners of shares of Common Stock and Voting Preferred Stock as of the Record Date present or represented by proxy at the Annual Meeting shall be entitled to vote on Items 4, 5, 6 and 7 of the Agenda.

   Owners of shares of Non-Voting Serial Preferred Stock as of the Record Date present or represented by proxy at the Annual Meeting shall not be entitled to vote on Item 4 and Item 5 of the Agenda. However, such owners of shares of Non-Voting Serial Preferred Stock shall be entitled to vote on Items 6 and 7 of the Agenda in accordance with Section 6 of the Corporation Code.

2. Votes Required

Matters For Stockholders Approval	Class of Shares Entitled to Vote	Votes Required
Approval of audited financial statements for the fiscal year ended December 31, 2015 contained in the Company's 2015 Annual Report	Common Shares and Voting Preferred Shares	Majority of total outstanding Common Shares and Voting Preferred Shares
Election of 13 directors including 3 independent directors for the ensuing year	Common Shares and Voting Preferred Shares	13 nominees receiving the highest number of votes shall be declared elected and 3 of them who have been pre-qualified as independent directors will be declared elected as such
Approval of the amendment of the Second Article of the Articles of Incorporation	Common Shares, Voting Preferred Shares and Non-Voting Serial Preferred Shares	2/3 of total outstanding Common Shares, Voting Preferred Shares and Non-Voting Serial Preferred Shares voting as a whole
Approval of the investment of corporate funds in another corporation or for a purpose other than the primary purpose and grant of authority to the Board of Directors to determine the timing, final structure, amount, terms and conditions of the Investment	Common Shares, Voting Preferred Shares and Non-Voting Serial Preferred Shares	2/3 of total outstanding Common Shares, Voting Preferred Shares and Non-Voting Serial Preferred Shares voting as a whole

3. Manner of Voting

   Voting will be by means of written voting instructions submitted by, and taking into account the number of shares which, the stockholders present or represented by proxy at the Annual Meeting and entitled to vote thereat own directly or for which they hold proxies.

4. Method of Counting Votes

Counting of votes will be done by the Corporate Secretary or her authorized representative(s) with the assistance of the representative(s) of the Company's independent auditors, Sycip, Gorres, Velayo & Co., and stock transfer agent, BDO Unibank, Inc. All votes attaching to the shares of stock owned by stockholders whose proxies were received by the Company will be cast in accordance with the voting instructions given or authority granted under the proxies.

The Company's tabulation, registration and reporting system has been reviewed and tested by an independent third party in accordance with the Philippine Standard on Related Services 4400 Agreed Upon Procedure issued by the Auditing Standard and Practices Council. Representatives from SGV are expected to be present in the Annual Meeting to check the completeness and accuracy of the encoded proxies and voting instructions as well as the completeness and accuracy of the voting and attendance results generated by the system.

Special Note Regarding Forward Looking Statements

This Information Statement may contain some statements which constitute "forward-looking statements". 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" or other similar words.

A forward-looking statement may include a statement of the assumptions or bases underlying the forward-looking statement. We have chosen these assumptions or bases in good faith and we believe they are reasonable in all material respects. However, we caution that assumed facts or bases almost always vary from actual results and the differences between assumed facts and actual results can be material depending on the circumstances. These forward–looking statements are subject to risks and uncertainties, some of which are beyond our control. In addition, any forward-looking statement made by us in this Information Statement 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 Information Statement after the date hereof. In light of these risks or uncertainties, any forward-looking statement made in this Information Statement or elsewhere might not occur.

The Company will provide without charge to each person solicited, upon the written request of any such person, a copy of the Company's Annual Report in SEC Form 17-A. Such written request should be directed to the Corporate Secretary, Philippine Long Distance Telephone Company, 9th Floor, PLDT MGO Building, Legaspi St. cor. Dela Rosa St., Makati City, Philippines.

The Company will also furnish to the stockholders present in the Annual Meeting the Company's unaudited financial results for the three months ended March 31, 2016 (First Quarter 2016 Results) in CD format.

The Notice and Agenda for the Annual Meeting, this Information Statement, the Company's Annual Report in SEC Form 17-A are posted on the Company's website and can be accessed at www.pldt.com. The Company's First Quarter 2016 Results will also be posted on the Company's website.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this Information Statement is true, complete and correct in all material respects.

Signed in the City of Makati, Philippines on the 5th day of May, 2016.

PHILIPPINE LONG DISTANCE TELEPHONE COMPANY

MA. LOURDES C. RAUSA-CHAN
Corporate Secretary

PHILIPPINE LONG DISTANCE TELEPHONE COMPANY
STOCKHOLDER PROXY

(Proxy solicitation is being made by and on behalf of the Company)

The undersigned hereby appoints the Chairman of the Board of PHILIPPINE LONG DISTANCE TELEPHONE COMPANY (the "Company"), with full power of substitution and delegation, as the proxy of the undersigned, to represent and vote all of the shares of the undersigned at the Annual Meeting of Stockholders of the Company to be held on June 14, 2016 (the "Annual Meeting of Stockholders") and at any and all adjournments or postponements thereof, for the purpose of acting on the proposals enumerated below.

In case of absence of the Chairman of the Board and any substitute proxy designated by him at the Annual Meeting of Stockholders, the undersigned hereby grants the President of the Company or, in case of his absence, the Chairman of the Annual Meeting of Stockholders chosen in accordance with the Company's By-Laws, full power and authority to act as alternate proxy of the undersigned, for the same purposes specified in the preceding paragraph.

The proxy/substitute proxy/alternate proxy, as the case may be, shall vote subject to the instructions indicated below and the proxy/substitute proxy/alternate proxy, as the case may be, is authorized to vote in his discretion upon other business as may properly come before the Annual Meeting of Stockholders and any adjournments or postponements thereof. Where no specific instruction is clearly indicated below, the proxy/substitute proxy/alternate proxy, as the case may be, shall vote and shall be deemed authorized to vote "FOR" with respect to Proposals 1, 3 and 4 "FOR ALL" with respect to Proposal 2.

PROPOSALS AND VOTING INSTRUCTIONS

Management recommends a "**FOR**" vote for Proposals 1, 3 and 4 and "**FOR ALL**" vote for Proposal 2

1. Approval of the audited financial statements for the fiscal year ending December 31, 2015 contained in the Company's 2015 Annual Report

   FOR ☐ AGAINST ☐ ABSTAIN ☐

2. Election of 13 directors including 3 independent directors

   The nominees for election as directors/independent directors are:

   1. Bernido H. Liu (Independent Director)
   2. Former Chief Justice Artemio V. Panganiban (Independent Director)
   3. Mr. Pedro E. Roxas (Independent Director)
   4. Ms. Helen Y. Dee
   5. Atty. Ray C. Espinosa
   6. Mr. James L. Go
   7. Mr. Tadashi Miyashita
   8. Mr. Napoleon L. Nazareno
   9. Mr. Hideaki Ozaki
   10. Mr. Manuel V. Pangilinan
   11. Ms. Ma. Lourdes C. Rausa-Chan
   12. Mr. Juan B. Santos
   13. Mr. Tony Tan Caktiong

   FOR ALL ☐ WITHHOLD FOR ALL ☐ EXCEPTIONS ☐

   Exceptions____

   1. ______________________ 5. ______________________ 9. ______________________
   2. ______________________ 6. ______________________ 10. ______________________
   3. ______________________ 7. ______________________ 11. ______________________
   4. ______________________ 8. ______________________ 12. ______________________
   13. ______________________

Instructions:

1. The stockholder may withhold authority to vote for any or some nominee(s), by marking the exception box and writing the name(s) of such nominee(s) on the space provided above. If the stockholder designates exception(s), the number of shares to be distributed to each of the remaining nominees must be indicated on the spaces provided above.
2. The stockholder can either (a) vote for all of the nominees, in which case the stockholder's total votes will be split and cast equally among the nominee(s); (b) withhold his vote for all of the nominees; or (c) vote only for some and not all of the nominees, in which case the stockholder's total votes will be distributed and cast as indicated by the stockholder in the spaces provided above. If the stockholder does not indicate the number of shares to be distributed among the remaining nominees who are not named on the spaces for exceptions above, then the stockholder's total votes will be split and cast equally among the remaining nominees. The total number of votes which a stockholder may cast is equal to thirteen (13) times the number of shares of common stock and voting preferred stock held as of the Record Date.

3. Approval of the amendment of the Second Article of the Articles of Incorporation as explained in the Information Statement.

   FOR ☐ AGAINST ☐ ABSTAIN ☐

4. Approval of the investment of corporate funds in another corporation or for a purpose other than the primary purpose of the Company (the "**Investment**") and grant of authority to the Board of Directors to determine the timing, final structure, amount, terms and conditions of the Investment, as explained in the Information Statement

   FOR ☐ AGAINST ☐ ABSTAIN ☐

____
(Signature Over Printed Name)

☐ Stockholder
☐ Authorized Representative of Stockholder

Date: ___________________, 2016

PLEASE SEE REVERSE SIDE FOR ADDITIONAL INFORMATION AND INSTRUCTIONS

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RECEIPT

Received from PLDT one (1) envelope containing the following:

- ✓ Notice of Annual Meeting of Stockholders on June 14, 2016 and Information Statement with accompanying
- ✓ 2015 Annual Report of PLDT (in CD)
- ✓ Proxy Form Reply Envelope

Received by:

____
(Signature Over Printed Name)
Date: ____________________, 2016

(Reverse Side of Stockholder Proxy)

GENERAL INFORMATION AND INSTRUCTIONS

1. Solicitation Information

Solicitation of proxies for the Annual Meeting of Stockholders is being made by and on behalf of the Company.

Solicitation of proxies in the Philippines will be undertaken mainly by mail and, in person or by telephone, by certain employees of the Company. Solicitation will be done also through the proxy solicitation firm, Morrow & Co., LLC with respect to stockholders residing in the United States.

Officers and employees who will make the proxy solicitation on behalf of the Company will not be paid any additional compensation for proxy solicitation, except for reimbursement of reasonable transportation and representation expenses incurred in connection therewith which is estimated to be in the aggregate amount of P30,000. Morrow & Co., LLC will be paid approximately US$ 30,000 inclusive of out-of-pocket expenses incurred by them in the course of solicitation.

The cost and expenditures incidental to the proxy solicitation will be borne by the Company.

2. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

No director/independent director or officer of the Company or nominee for election as director/independent director or officer of the Company and, to the best knowledge of the Company, no associate of a director/independent director or officer or nominee for election as a director/independent director or officer of the Company has any substantial interest, direct and indirect, by security holdings or otherwise, in any matter to be acted upon at the Annual Meeting of Stockholders, other than election to office.

No director/independent director has informed the Company in writing that he intends to oppose any action to be taken at the Annual Meeting of Stockholders.

3. Submission of Proxy

(a) The proxy form must be completed, signed and dated by the stockholder or his duly authorized representative, and received at the principal office and mailing address of the Company not later than 5:00 p.m. on June 7, 2016. The proxy form need not be notarized.

(b) If the shares of stock are owned by two or more joint owners, the proxy form must be signed by all of the joint owners.

(c) If the shares of stock are owned in an "and/or" capacity, the proxy form must be signed by either one of the owners.

(d) If the shares of stock are owned by a corporation, association, partnership or unincorporated entity, the proxy form must be accompanied by a certification, signed by a duly authorized officer, partner or representative of such corporation, association, partnership or unincorporated entity, to the effect that the person signing the proxy form has been authorized by the governing body or has the power pursuant to the By-Laws, constitutive documents or duly approved policies of such corporation, association, partnership or unincorporated entity, for such purpose.

(e) A proxy form given by a broker or dealer in respect of shares of stock carried by such broker or dealer for the account of a customer must be supported by a sworn certification that the same is given with the express prior authorization of such customer.

(f) If any customer of a broker or dealer who is the beneficial owner of shares of stock executes a sub-proxy, the broker or dealer shall certify that the signature on the sub-proxy is the true and genuine signature of its customer.

(g) If the proxy is undated, the postmark or, if not mailed, its actual date of presentation shall be considered. If the Company receives more than one (1) proxy form from the same stockholder and they are all undated, the postmark dates shall be considered. If the proxy forms are mailed on the same date, the one bearing the latest time of day of postmark shall be recognized. If the proxy forms are not mailed, then the time of their actual presentation shall be considered and that which is presented last shall be recognized.

(h) If the same stockholder gives two (2) or more proxy forms for the same number of shares owned by him, the latest one given shall be deemed to revoke all proxy forms priorly given by said stockholder.

4. Period of Validity of Proxy

A proxy given by a stockholder shall be valid and effective only for the Annual Meeting of Stockholders on June 14, 2016 and any adjournments or postponements thereof, except if the stockholder shall have indicated in the proxy form that it is valid and effective for use in other meetings of stockholders of the Company. However, in no case shall any proxy given by a stockholder be valid and effective for a period longer than five (5) years.

5. Revocation of Proxy

A stockholder who has given a proxy has the power to revoke it by a written instrument duly signed and dated, which must be received at the Company's principal office and mailing address or at the office of the Company's transfer agent for common and voting preferred shares at BDO Unibank, Inc., Stock Transfer Department, 15th Floor South Tower BDO Corporate Center, 7899 Makati Avenue, Makati City, not later than 5:00 p.m. on June 11, 2016. A proxy is also considered revoked if an individual stockholder attends the meeting in person and expresses his intention to vote in person.

6. Validation of Proxies

The last day for validation of proxies will be on June 9, 2016. Validation of proxies will be done by the Corporate Secretary and persons designated by the Corporate Secretary who shall be under her supervision and control, in accordance with the procedure and guidelines set out in the Company's By-Laws and Section 11(b) of SRC Rule 20. Pursuant to the Company's By-Laws, all issues relative to proxies, including the validity and effectivity of proxies, shall be decided by the Corporate Secretary and any decision of the Corporate Secretary thereon shall be final and binding unless set aside by a court of competent jurisdiction

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our audited consolidated financial statements and the related notes as at and for the three years in the period ended December 31, 2015 included elsewhere in this Annual Report. This discussion contains forward-looking statements that reflect our current views with respect to future events and our future financial performance. These statements involve risks and uncertainties, and our actual results may differ materially from those anticipated in these forward-looking statements.

Overview

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

- *Wireless* — wireless telecommunications services provided by Smart and DMPI, which owns the Sun Cellular business and is a wholly-owned subsidiary of Digitel, our cellular service providers; Voyager and certain subsidiaries, our mobile applications and digital platforms developer and mobile financial services provider; SBI and PDSI, our wireless broadband service providers; Chikka Group, our wireless content operators; ACeS Philippines, our satellite operator; WiFun, our WiFi-enabler and certain subsidiaries of PLDT Global, our mobile virtual network operations provider;

- *Fixed Line* — fixed line telecommunications services primarily provided by PLDT. We also provide fixed line services through PLDT's subsidiaries, namely, ClarkTel, SubicTel, Philcom Group, Maratel, SBI, BCC, PLDT Global and certain subsidiaries and Digitel, all of which together account for approximately 5% of our consolidated fixed line subscribers; information and communications technology, infrastructure and services for internet applications, internet protocol-based solutions and multimedia content delivery provided by ePLDT, IPCDSI Group, Rack IT, AGS Group and Curo; business infrastructure and solutions, intelligent data processing and implementation services and data analytics insight generation provided by Talas; distribution of Filipino channels and content services provided by PGNL and its subsidiaries; and bills printing and other VAS-related services provided by ePDS; and

- *Others* – PCEV, PGIH, PLDT Digital and its subsidiaries, MIC and PGIC, our investment companies.

Adoption of New Standards and Interpretations

Our accounting policies are consistent with those of the previous financial year except for the adoption of certain amendments which are effective for annual periods beginning on or after January 1, 2015. The adoption of these amendments to the standards as at January 1, 2015 did not have any significant impact on our consolidated financial position or performance. Please see *Note 2 – Summary of Significant Accounting Policies* to the accompanying audited consolidated financial statements for further discussion.

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 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 (expenses) – net. EBITDA is monitored by the management for each business unit separately for purposes of making decisions about resource allocation and performance assessment. EBITDA is presented because our management believes that it is widely used by investors in their analysis of the performance of PLDT and can assist them in their comparison of PLDT's performance with those 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, nor should EBITDA be considered as an alternative to cash flows from operations, 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 or 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. A reconciliation of our consolidated EBITDA to our consolidated net income for the years ended December 31, 2015, 2014 and 2013 is presented in *Note 4 – Operating Segment Information* to the accompanying audited consolidated financial statements.

Core Income

Core income is measured as net income attributable to equity holders of PLDT (net income less net income attributable to non-controlling interests), excluding foreign exchange gains (losses) – net, gains (losses) on derivative financial instruments – net (excluding hedge costs), asset impairment on noncurrent assets, nonrecurring 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. Core income results are monitored by the management for each business unit separately for purposes of making decisions about resource allocation and performance assessment. Also, core income is used by the management as a basis for determining the level of dividend payouts to shareholders and a basis for 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 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. A reconciliation of our consolidated core income to our consolidated net income for the years ended December 31, 2015, 2014 and 2013 is presented in *Note 4 – Operating Segment Information* to the accompanying audited consolidated financial statements.

Management's Financial Review

We use our EBITDA and our core income to assess our operating performance; a reconciliation of our consolidated EBITDA and our consolidated core income to our consolidated net income for the years ended December 31, 2015, 2014 and 2013 is set forth below.

The following table shows the reconciliation of our consolidated EBITDA to our consolidated net income for the years ended December 31, 2015, 2014 and 2013:

	2015	2014[(1)]	2013[(1)]
		(in millions)	
EBITDA from continuing operations	Php70,218	Php76,750	Php77,432
Add (deduct) adjustments to continuing operations:			
Other income	4,804	4,980	4,233
Equity share in net earnings of associates and joint ventures	3,241	3,841	2,742
Interest income	799	752	932
Retroactive effect of adoption of Revised PAS 19	–	–	(1,269)
Gains (losses) on derivative financial instruments – net	420	(101)	511
Amortization of intangible assets	(1,076)	(1,149)	(1,020)
Foreign exchange losses – net	(3,036)	(382)	(2,893)
Provision for income tax	(4,563)	(10,058)	(8,248)
Financing costs – net	(6,259)	(5,320)	(6,589)
Fixed assets and other noncurrent asset impairment	(10,954)	(3,844)	(2,143)
Depreciation and amortization	(31,519)	(31,379)	(30,304)
Total adjustments	(48,143)	(42,660)	(44,048)
Net income from continuing operations	22,075	34,090	33,384
Net income from discontinued operations	–	–	2,069
Consolidated net income	Php22,075	Php34,090	Php35,453

(1) *Certain comparative information for 2014 and 2013 were reclassified to conform with the current presentation.*

The following table shows the reconciliation of our consolidated core income to our consolidated net income for the years ended December 31, 2015, 2014 and 2013:

	2015	2014	2013
		(in millions)	
Core income from continuing operations	Php35,212	Php37,410	Php38,816
Core income from discontinued operations	–	–	(99)
Consolidated core income	35,212	37,410	38,717
Add (deduct) adjustments to continuing operations:			
Net tax effect of aforementioned adjustments	260	778	843
Gains on derivative financial instruments – net, excluding hedge cost	762	208	816
Casualty losses due to Typhoon Yolanda	–	–	(878)
Retroactive effect of adoption of Revised PAS 19	–	–	(1,269)
Net income (loss) attributable to noncontrolling interests	10	(1)	33
Core income adjustment on equity share in net earnings (losses) of associates and joint ventures	(179)	(79)	59
Foreign exchange losses – net	(3,036)	(382)	(2,893)
Fixed assets and other noncurrent asset impairment	(10,954)	(3,844)	(2,143)
Total adjustments	(13,137)	(3,320)	(5,432)
Adjustment to discontinued operations	–	–	2,168
Net income from continuing operations	22,075	34,090	33,384
Net income from discontinued operations	–	–	2,069
Consolidated net income	Php22,075	Php34,090	Php35,453

Summary Results of Operations

The table below shows the contribution by each of our business segments to our consolidated revenues, expenses, other income (expense), income (loss) before income tax, net income (loss), EBITDA, EBITDA margin and core income for the years ended December 31, 2015, 2014 and 2013. In each of the years ended December 31, 2015 and 2014, we generated majority of our revenues from our operations within the Philippines.

	Wireless	Fixed Line	Others	Inter-segment Transactions	Consolidated
			(in millions)		
For the year ended December 31, 2015					
Revenues	Php115,513	Php68,865	Php–	(Php13,275)	Php171,103
Expenses	95,358	58,459	5,183	(14,566)	144,434
Other income (expenses)	(1,958)	(2,557)	5,775	(1,291)	(31)
Income before income tax	18,197	7,849	592	–	26,638
Provision for income tax	2,763	1,656	144	–	4,563
Net income/Segment profit	15,434	6,193	448	–	22,075
EBITDA	44,237	24,749	(59)	1,291	70,218
EBITDA margin[1]	40%	38%	–	–	43%
Core income	22,512	6,539	6,161	–	35,212
For the year ended December 31, 2014[2]					
Revenues	118,879	66,178	–	(14,222)	170,835
Expenses	89,102	56,855	56	(15,556)	130,457
Other income (expenses)	(724)	217	5,611	(1,334)	3,770
Income before income tax	29,053	9,540	5,555	–	44,148
Provision for income tax	7,158	2,818	82	–	10,058
Net income/Segment profit	21,895	6,722	5,473	–	34,090
EBITDA	50,917	24,555	(56)	1,334	76,750
EBITDA margin(1)	44%	38%	–	–	47%
Core income	25,176	6,691	5,543	–	37,410
For the year ended December 31, 2013[2]					
Revenues	119,323	62,531	–	(13,643)	168,211
Expenses	84,674	55,975	5	(15,139)	125,515
Other income (expenses)	(3,866)	555	3,597	(1,350)	(1,064)
Income before income tax	30,783	7,111	3,592	146	41,632
Provision for income tax	8,862	(698)	84	–	8,248
Net income/Segment profit	21,921	7,809	3,508	146	35,453
Continuing operations	21,921	7,809	3,508	146	33,384
Discontinued operations	–	–	–	–	2,069
EBITDA from continuing operations	54,703	21,238	(5)	1,496	77,432
EBITDA margin[1]	47%	35%	–	–	47%
Core income	26,499	9,061	3,110	146	38,717
Continuing operations	26,499	9,061	3,110	146	38,816
Discontinued operations	–	–	–	–	(99)

[1] *EBITDA margin for the year is measured as EBITDA divided by service revenues.*
[2] *Certain comparative information for 2014 and 2013 were reclassified to conform with the current presentation.*

2015 Compared to 2014

Wireless

Revenues

We generated revenues from our wireless business of Php115,513 million in 2015, a decrease of Php3,366 million, or 3%, from Php118,879 million in 2014.

The following table summarizes our total revenues from our wireless business for the years ended December 31, 2015 and 2014 by service segment:

	2015	%	2014[1]	%	Increase (Decrease) Amount	%
			(in millions)			
Service Revenues:						
Cellular	Php97,738	85	Php102,780	87	(Php5,042)	(5)
Wireless broadband and others						
Wireless broadband	10,991	9	10,019	8	972	10
Others	936	1	1,182	1	(246)	(21)
Digital platforms and mobile financial services	1,051	1	1,056	1	(5)	–
	110,716	96	115,037	97	(4,321)	(4)
Non-Service Revenues:						
Sale of cellular handsets, cellular subscriber identification module, or SIM,-packs and broadband data modems	4,797	4	3,842	3	955	25
Total Wireless Revenues	Php115,513	100	Php118,879	100	(Php3,366)	(3)

[1] *Certain comparative information for 2014 and 2013 were reclassified to conform with the current presentation.*

Service Revenues

Our wireless service revenues in 2015 decreased by Php4,321 million, or 4%, to Php110,716 million as compared with Php115,037 million in 2014, mainly as a result of lower revenues from voice and text messaging services, as well as other services, partially offset by higher revenues from mobile internet and broadband revenues. As a percentage of our total wireless revenues, service revenues accounted for 96% and 97% in 2015 and 2014, respectively.

Cellular Service

Our cellular service revenues in 2015 amounted to Php97,738 million, a decrease of Php5,042 million, or 5%, from Php102,780 million in 2014. Cellular service revenues accounted for 88% and 89% of our wireless service revenues in 2015 and 2014, respectively.

The following table shows the breakdown of our cellular service revenues for the years ended December 31, 2015 and 2014:

	2015	2014[1]	Increase (Decrease) Amount	%
		(in millions)		
Cellular service revenues	Php97,738	Php102,780	(Php5,042)	(5)
By service type	95,454	100,777	(5,323)	(5)
Prepaid	*71,781*	*79,124*	*(7,343)*	*(9)*
Postpaid	*23,673*	*21,653*	*2,020*	*9*
By component	95,454	100,777	(5,323)	(5)
Voice	*45,481*	*51,065*	*(5,584)*	*(11)*
Data	*49,973*	*49,712*	*261*	*1*
Others[2]	2,284	2,003	281	14

[1] *Certain comparative information for 2014 and 2013 were reclassified to conform with the current presentation.*
[2] *Refers to other non-subscriber-related revenues consisting primarily of inbound international roaming fees, share in revenues from Smart Money, PLDT's WeRoam and PLDT Landline Plus, or PLP, services, a small number of leased line contracts, and revenues from and other Smart subsidiaries.*

The following table shows other key measures of our cellular business as at and for the years ended December 31, 2015 and 2014:

	2015	2014	Increase (Decrease) Amount	%
Cellular subscriber base	64,938,074	69,857,060	(4,918,986)	(7)
Prepaid	61,980,425	67,091,612	(5,111,187)	(8)
Smart	*22,892,303*	*24,877,144*	*(1,984,841)*	*(8)*
TNT	*28,054,160*	*28,149,360*	*(95,200)*	*–*
Sun Cellular	*11,033,962*	*14,065,108*	*(3,031,146)*	*(22)*
Postpaid	2,957,649	2,765,448	192,201	7
Sun Cellular	*1,727,923*	*1,725,227*	*2,696*	*–*
Smart	*1,229,726*	*1,040,221*	*189,505*	*18*
Systemwide traffic volumes (in million minutes)				
Calls	56,987	52,766	4,221	8
Domestic	54,505	49,525	4,980	10
Inbound	*983*	*1,120*	*(137)*	*(12)*
Outbound	*53,522*	*48,405*	*5,117*	*11*
International	2,482	3,241	(759)	(23)
Inbound	*2,136*	*2,770*	*(634)*	*(23)*
Outbound	*346*	*471*	*(125)*	*(27)*
SMS/Data count (in million hits)	380,436	424,344	(43,908)	(10)
Text messages	378,475	422,358	(43,883)	(10)
Domestic	377,663	421,476	(43,813)	(10)
Bucket-Priced/Unlimited	*342,653*	*389,321*	*(46,668)*	*(12)*
Standard	*35,010*	*32,155*	*2,855*	*9*
International	812	882	(70)	(8)
Value-Added Services	1,961	1,986	(25)	(1)

Revenues generated from our prepaid cellular services amounted to Php71,781 million in 2015, a decrease of Php7,343 million, or 9%, as compared with Php79,124 million in 2014. Prepaid cellular service revenues accounted for 75% and 79% of cellular voice and data revenues in 2015 and 2014, respectively. The decrease in revenues from our prepaid cellular services was primarily due to lower voice and text messaging revenues, as well as lower prepaid cellular subscriber base, partially offset by an increase in mobile internet revenues. Revenues generated from postpaid cellular service amounted to Php23,673 million in 2015, an increase of Php2,020 million, or 9%, as compared with Php21,653 million earned in 2014, and accounted for 25% and 21% of cellular voice and data revenues in 2015 and 2014, respectively. The increase in our postpaid cellular service revenues was primarily due to our growing postpaid subscriber base.

Voice Services

Cellular revenues from our voice services, which include all voice traffic and voice VAS, such as voicemail and outbound international roaming, decreased by Php5,584 million, or 11%, to Php45,481 million in 2015 from Php51,065 million in 2014 primarily due to lower international and domestic voice revenues, and preference for alternative calling options and other OTT, services such as *Skype*, *Viber*, *Line*, *Facebook Messenger*, *GoogleTalk* and *WhatsApp*. Cellular voice services accounted for 47% and 50% of our cellular service revenues in 2015 and 2014, respectively.

The following table shows the breakdown of our cellular voice revenues for the years ended December 31, 2015 and 2014:

	2015	2014[1]	Decrease Amount	%
		(in millions)		
Voice services:				
Domestic				
Inbound	Php3,819	Php4,324	(Php505)	(12)
Outbound	30,685	32,556	(1,871)	(6)
	34,504	36,880	(2,376)	(6)
International				
Inbound	9,608	12,302	(2,694)	(22)
Outbound	1,369	1,883	(514)	(27)
	10,977	14,185	(3,208)	(23)
Total	Php45,481	Php51,065	(Php5,584)	(11)

[1] *Certain comparative information for 2014 and 2013 were reclassified to conform with the current presentation.*

Domestic voice service revenues decreased by Php2,376 million, or 6%, to Php34,504 million in 2015 from Php36,880 million in 2014, due to lower domestic outbound and inbound voice service revenues decreasing by Php1,871 million and Php505 million, respectively.

Revenues from our domestic inbound voice service decreased by Php505 million, or 12%, to Php3,819 million in 2015 from Php4,324 million in 2014 due to lower traffic originating from other mobile carriers. Domestic inbound call volumes decreased by 137 million minutes, or 12%, to 983 million minutes in 2015 from 1,120 million minutes in 2014.

Revenues from domestic outbound voice service decreased by Php1,871 million, or 6%, to Php30,685 million in 2015 from Php32,556 million in 2014 mainly due to lower standard and bucket voice revenues. Domestic outbound call volumes, however, increased by 5,117 million minutes, or 11%, to 53,522 million minutes in 2015 from 48,405 million minutes in 2014 resulting in lower yield. The increase was primarily attributable to higher unlimited and bucket voice traffic, partially offset by lower standard voice traffic.

International voice service revenues decreased by Php3,208 million, or 23%, to Php10,977 million in 2015 from Php14,185 million in 2014 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 a higher weighted average exchange rate of the Philippine peso to the U.S. dollar. International inbound and outbound calls totaled 2,482 million minutes in 2015, a decrease of 759 million minutes, or 23%, from 3,241 million minutes in 2014.

Data Services

Cellular revenues from our data services, which include all text messaging-related services, as well as VAS, mobile internet and other data revenues, increased by Php261 million, or 1%, to Php49,973 million in 2015 from Php49,712 million in 2014 primarily due to higher mobile internet revenues, partially offset by lower text messaging revenues. Cellular data services accounted for 51% and 48% of our cellular service revenues in 2015 and 2014, respectively.

The following table shows the breakdown of our cellular data service revenues for the years ended December 31, 2015 and 2014:

			Increase (Decrease)	
	2015	2014[1]	Amount	%
		(in millions)		
Text messaging				
Domestic	Php35,422	Php36,605	(Php1,183)	(3)
Bucket-Priced/Unlimited	*24,680*	*25,111*	*(431)*	*(2)*
Standard	*10,742*	*11,494*	*(752)*	*(7)*
International	2,536	3,189	(653)	(20)
	37,958	39,794	(1,836)	(5)
Mobile internet[2]	10,421	8,253	2,168	26
Value-added services[3]	1,594	1,665	(71)	(4)
Total	Php49,973	Php49,712	Php261	1

[1] *Certain comparative information for 2014 and 2013 were reclassified to conform with the current presentation.*
[2] *Includes revenues from web-based services, net of allocated discounts and content provider costs.*
[3] *Includes revenues from Smart Pasa Load , Sun Cellular Give-a-load and Dial*SOS, net of allocated discounts; Music (Spinnr and Deezer, music subscription mainly ring back tunes and music downloads, net of allocated discounts and content provider costs); Gaming (games subscriptions, downloads, and purchases, net of allocated discounts and content provider costs); Videos (video subscriptions, downloads and video and movie streaming via iFlix and Fox, net of allocated discounts and content provider costs); Infotainment (subscriptions and downloads of broadcast materials that are intended both to entertain and to inform, as well as info-on-demand, net of allocated discounts and content provider costs); financial services (revenues from Smart Money Clicks via Smart Menu and mobile banking); Communicate, (revenues from group chat, text and voice messaging services net of allocated discounts and content provider costs); and Other VAS (includes revenues from API downloads, info-on-demand and voice text services, net of allocated discounts and content provider costs).*

Text messaging-related services contributed revenues of Php37,958 million in 2015, a decrease of Php1,836 million, or 5%, as compared with Php39,794 million in 2014, and accounted for 76% and 80% of our total cellular data service revenues in 2015 and 2014, respectively. The decrease in revenues from text messaging-related services resulted mainly from lower outbound standard and bucket-priced/unlimited SMS, as well as lower international text messaging revenues. Text messaging revenues from various bucket-priced/unlimited SMS offers totaled Php24,680 million in 2015, a decrease of Php431 million, or 2%, as compared with Php25,111 million in 2014. Bucket-priced/unlimited text messages decreased by 46,668 million, or 12%, to 342,653 million in 2015 from 389,321 million in 2014.

Standard text messaging revenues, which include inbound and outbound standard SMS revenues, decreased by Php752 million, or 7%, to Php10,742 million in 2015 from Php11,494 million in 2014, mainly due to a decrease in outbound standard SMS revenues primarily as a result of increased preference for messaging through various mobile apps, social networking sites and other OTT services, partly offset by an increase in domestic inbound SMS revenues. Inbound standard text messages increased by 4,953 million, or 24%, to 25,197 million in 2015 from 20,244 million in 2014, partially offset by the decline in outbound standard text messages by 2,098 million, or 18%, to 9,813 million in 2015 from 11,911 million in 2014.

International text messaging revenues amounted to Php2,536 million in 2015, a decrease of Php653 million, or 20%, from Php3,189 million in 2014. The decline in revenues was mainly due to lower international SMS rates driven by enhanced bucket offers combined with the impact of lower international text messages which declined by 70 million, or 8%, to 812 million in 2015 from 882 million in 2014, partly offset by the favorable effect of a higher weighted average exchange rate of the Philippine peso to the U.S. dollar.

Mobile internet service revenues increased by Php2,168 million, or 26%, to Php10,421 million in 2015 from Php8,253 million in 2014 as a result of higher traffic for mobile internet browsing mainly due to prevalent use of mobile apps, social networking sites and other OTT services. Mobile internet usage includes traffic generated from various promotions, such as Free Mobile Internet, Internet for All and Free Instagram. Other data offerings, such as Smart Big Bytes, Smart Life Entertainment bundles and Internet.org, were also introduced during the year to boost data usage.

Cellular – Others

Revenues from our other cellular services, which include non-subscriber-related revenues consisting of inbound international roaming fees and share in revenues from PLDT WeRoam and PLP, increased by Php281 million, or 14%, to Php2,284 million in 2015 from Php2,003 million in 2014 primarily due to higher share of Smart in PayMaya's peer-to-peer (P2P) transaction fees and other subscriber-related income, partially offset by lower revenues from inbound roaming. Other cellular services accounted for 2% of our cellular service revenues in each of 2015 and 2014.

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

As at December 31, 2015, our cellular subscribers totaled 64,938,074 a decrease of 4,918,986, or 7%, from the cellular subscriber base of 69,857,060 as at December 31, 2014. Our cellular prepaid subscriber base decreased by 5,111,187, or 8%, to 61,980,425 as at December 31, 2015 from 67,091,612 as at December 31, 2014, while our cellular postpaid subscriber base increased by 192,201, or 7%, to 2,957,649 as at December 31, 2015 from 2,765,448 as at December 31, 2014. The decrease in cellular subscriber base was primarily due to net decreases in Smart and Sun Cellular subscribers by 1,795,336 and 3,028,450, respectively, and lower TNT subscribers by 95,200. Prepaid subscribers accounted for 95% and 96% of our total subscriber base as at December 31, 2015 and 2014, respectively.

Our net subscriber activations (reductions) for the years ended December 31, 2015 and 2014 were as follows:

			Increase (Decrease)	
	2015	2014	Amount	%
Prepaid	(5,111,187)	(576,138)	(4,535,049)	787
Smart	*(1,984,841)*	*268,457*	*(2,253,298)*	*(839)*
TNT	*(95,200)*	*(1,335,657)*	*1,240,457*	*(93)*
Sun Cellular[(1)]	*(3,031,146)*	*491,062*	*(3,522,208)*	*(717)*
Postpaid	192,201	387,571	(195,370)	(50)
Smart	*189,505*	*150,525*	*38,980*	*26*
Sun Cellular[(2)]	*2,696*	*237,046*	*(234,350)*	*(99)*
Total	(4,918,986)	(188,567)	(4,730,419)	2,509

[(1)] *Net of 1,400,331 adjustment in the number of subscribers resulting from our periodic clean-up. Excluding the clean-up adjustment, net reductions in 2015 should have been 1,630,815, which registered a decrease of 2,121,877, or 432%, from 491,062 activations in 2014.*
[(2)] *Net of 218,497 adjustment in the number of subscribers resulting from our periodic clean-up. Excluding the clean-up adjustment, activations in 2015 should have been 221,193, which registered a decrease of 15,853, or 7%, from 237,046 in 2014.*

The following table summarizes our average monthly churn rates for the years ended December 31, 2015 and 2014:

	2015	2014
	(in %)	
Prepaid		
Smart	*6.5*	*5.8*
TNT	*5.7*	*5.8*
Sun Cellular	*11.4*	*9.7*
Postpaid		
Smart	*2.8*	*2.7*
Sun Cellular	*3.7*	*1.8*

The following table summarizes our average monthly cellular ARPUs for the years ended December 31, 2015 and 2014:

	Gross[(1)]		Decrease		Net[(2)]		Decrease	
	2015	2014	Amount	%	2015	2014	Amount	%
Prepaid								
Smart	*Php126*	*Php143*	*(17)*	*(12)*	*Php115*	*Php129*	*(14)*	*(11)*
TNT	*91*	*97*	*(6)*	*(6)*	*84*	*88*	*(4)*	*(5)*
Sun Cellular	*71*	*72*	*(1)*	*(1)*	*66*	*66*	*–*	*–*
Postpaid								
Smart	*1,048*	*1,088*	*(40)*	*(4)*	*1,035*	*1,078*	*(43)*	*(4)*
Sun Cellular	*448*	*481*	*(33)*	*(7)*	*445*	*477*	*(32)*	*(7)*

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

Our average monthly prepaid and postpaid ARPUs per quarter of 2015 and 2014 were as follows:

	Prepaid						Postpaid			
	Smart		TNT		Sun Cellular		Smart		Sun Cellular	
	Gross[1]	Net[2]	Gross[1]	Net[2]	Gross[1]	Net[2]	Gross[1]	Net[2]	Gross[1]	Net[2]
2015										
First Quarter	Php130	Php118	Php93	Php85	Php68	Php63	Php1,049	Php1,039	Php452	Php449
Second Quarter	127	114	91	83	70	64	1,080	1,065	422	419
Third Quarter	127	115	90	82	71	65	1,034	1,021	439	436
Fourth Quarter	122	113	91	83	77	71	1,029	1,014	479	475
2014										
First Quarter	147	132	97	87	75	67	1,098	1,086	478	476
Second Quarter	149	134	99	89	73	66	1,081	1,074	471	467
Third Quarter	139	124	96	87	70	64	1,080	1,068	473	469
Fourth Quarter	138	125	98	89	71	65	1,095	1,084	501	497

(1) *Gross monthly ARPU is calculated based on the average of the gross monthly ARPUs for the quarter.*
(2) *Net monthly ARPU is calculated based on the average of the net monthly ARPUs for the quarter.*

Wireless Broadband and Other Services

Our revenues from wireless broadband and other services consist mainly of wireless broadband service revenues from SBI and DMPI and service revenues generated by MVNOs of PLDT Global's subsidiaries.

Wireless Broadband

Revenues from our wireless broadband services increased by Php972 million, or 10%, to Php10,991 million in 2015 from Php10,019 million in 2014, primarily due to an increase in prepaid revenues by Php1,189 million, or 37%, to Php4,362 million in 2015 from Php3,173 million in 2014, partially offset by lower postpaid revenues by Php217 million, or 3%, to Php6,629 million in 2015 from Php6,846 million in 2014 mainly due to the migration of Canopy and WiMax subscribers to TD-LTE and other PLDT fixed broadband plans.

The following table shows information of our wireless broadband revenues for the years ended December 31, 2015 and 2014 and subscriber base as at December 31, 2015 and 2014:

			Increase (Decrease)	
	2015	2014[1]	Amount	%
Wireless Broadband Revenues (in millions)	Php10,991	Php10,019	Php972	10
Prepaid	4,362	3,173	1,189	37
Postpaid	6,629	6,846	(217)	(3)
Wireless Broadband Subscribers	3,932,820	2,986,146	946,674	32
Prepaid	3,083,435	2,142,566	940,869	44
Smart	2,526,230	1,795,039	731,191	41
Sun	557,205	347,527	209,678	60
Postpaid	849,385	843,580	5,805	1
Smart	531,728	514,327	17,401	3
Sun	317,657	329,253	(11,596)	(4)

(1) *Certain comparative information for 2014 were reclassified to conform with the current presentation.*

Smart Broadband and Sun Broadband Wireless, which offer a number of wireless broadband services, had a total of 3,932,820 subscribers as at December 31, 2015, a net increase of 946,674 subscribers, or 32%, as compared with 2,986,146 subscribers as at December 31, 2014, primarily due to a net increase in Smart Broadband subscribers by 748,592, or 32%, complemented by an increase in Sun Broadband subscribers by 198,082, or 29%, as at December 31, 2015. Our prepaid wireless broadband subscriber base increased by 940,869 subscribers, or 44%, to 3,083,435 subscribers as at December 31, 2015 from 2,142,566 subscribers as at December 31, 2014, and our postpaid wireless broadband subscriber base also increased by 5,805 subscribers, or 1%, to 849,385 subscribers as at December 31, 2015 from 843,580 subscribers as at December 31, 2014.

Others

Revenues from our other services decreased by Php246 million, or 21%, to Php936 million in 2015 from Php1,182 million in 2014, primarily due to a decrease in the number of ACeS Philippines' subscribers, lower revenue contribution from MVNOs of PLDT Global, partially offset by the impact of higher weighted average exchange rate of Php45.51 for the year ended December 31, 2015 from Php44.40 for the year ended December 31, 2014 on our U.S. dollar and U.S. dollar-linked other service revenues.

Digital Platforms and Mobile Financial Services

Revenues from digital platforms and mobile financial services, as reported by Voyager, decreased by Php5 million to Php1,051 million in 2015 from Php1,056 million in 2014 mainly attributable to the decrease in Chikka's value-added services.

Non-Service Revenues

Our wireless non-service revenues consist of proceeds from sales of cellular handsets, cellular SIM-packs and broadband data modems, tablets and accessories. Our wireless non-service revenues increased by Php955 million, or 25%, to Php4,797 million in 2015 from Php3,842 million in 2014, primarily due to increased availments for broadband Pocket WiFi, HOMEBro LTE, broadband tablets accessories and computer packages, as well as higher postpaid cellular activation and retention packages, partly offset by lower quantity of broadband Plug-It modems issued.

Expenses

Expenses associated with our wireless business amounted to Php95,358 million in 2015, an increase of Php6,256 million, or 7%, from Php89,102 million in 2014. A significant portion of the increase was attributable to higher expenses related to asset impairment, cost of sales, depreciation and amortization, compensation and employee benefits, professional and other contracted services, interconnection costs, taxes and licenses, and other operating expenses, partially offset by lower selling and promotions, rent, communications, training and travel, repairs and maintenance, insurance and security services, and amortization of intangible assets. As a percentage of our total wireless revenues, expenses associated with our wireless business accounted for 83% and 75% in 2015 and 2014, respectively.

The following table summarizes the breakdown of our total wireless-related expenses for the years ended December 31, 2015 and 2014 and the percentage of each expense item in relation to the total:

					Increase (Decrease)	
	2015	%	2014(1)	%	Amount	%
			(in millions)			
Depreciation and amortization	Php17,218	18	Php16,375	18	Php843	5
Cost of sales	13,873	15	11,632	13	2,241	19
Rent	10,657	11	11,008	12	(351)	(3)
Repairs and maintenance	8,577	9	8,666	10	(89)	(1)
Interconnection costs	8,513	9	8,229	9	284	3
Asset impairment	8,446	9	5,620	6	2,826	50
Compensation and employee benefits	7,725	8	6,944	8	781	11
Selling and promotions	7,712	8	8,512	10	(800)	(9)
Professional and other contracted services	5,613	6	5,299	6	314	6
Taxes and licenses	3,124	3	2,944	3	180	6
Insurance and security services	1,190	1	1,274	2	(84)	(7)
Amortization of intangible assets	1,076	1	1,149	1	(73)	(6)
Communication, training and travel	958	1	1,072	1	(114)	(11)
Other expenses	676	1	378	1	298	79
Total	Php95,358	100	Php89,102	100	Php6,256	7

(1) *Certain comparative information for 2014 were reclassified to conform with the current presentation.*

Depreciation and amortization charges increased by Php843 million, or 5%, to Php17,218 million primarily due to a higher depreciable asset base and accelerated depreciation on service delivery platforms equipment.

Cost of sales increased by Php2,241 million, or 19%, to Php13,873 million primarily due to increased modems and devices issued for Pocket WiFi, HOMEBro LTE, broadband accessories mainly tablets, as well as an increase in handset costs attributable to higher cellular postpaid activation and retention, partially offset by lower quantity of broadband Plug-It modems issued.

Rent expenses decreased by Php351 million, or 3%, to Php10,657 million primarily due to lower leased circuit and dark fiber rental charges, as well as lower site, office building and pole rentals.

Repairs and maintenance expenses decreased by Php89 million, or 1%, to Php8,577 million mainly due to lower site fuel consumption costs and maintenance costs on IT hardware, partially offset by higher maintenance and technical support costs on expanded network and site facilities, an increase in site electricity and higher maintenance costs on IT software.

Interconnection costs increased by Php284 million, or 3%, to Php8,513 million primarily due to an increase in interconnection charges on domestic voice and SMS services, partially offset by lower interconnection cost on international voice and SMS services.

Asset impairment increased by Php2,826 million, or 50%, to Php8,446 million primarily due to higher fixed asset impairment provision, provision for inventory obsolescence and provision for doubtful accounts.

Compensation and employee benefits increased by Php781 million, or 11%, to Php7,725 million primarily due to higher salaries, manpower rightsizing program, or MRP, costs, and provision for pension, partly offset by lower incentives and employee benefits. Employee headcount decreased to 7,505 as at December 31, 2015 as compared with 7,786 as at December 31, 2014.

Selling and promotion expenses decreased by Php800 million, or 9%, to Php7,712 million primarily due to lower costs of events, advertising, commissions and public relations expenses.

Professional and other contracted service fees increased by Php314 million, or 6%, to Php5,613 million primarily due to an increase in facility usage costs, legal and other service fees, partly offset by lower consultancy, audit and contracted service fees.

Taxes and licenses increased by Php180 million, or 6%, to Php3,124 million due to higher business-related taxes and tax settlements in 2015.

Insurance and security services decreased by Php84 million, or 7%, to Php1,190 million primarily due to lower site and office security expenses, as well as lower group health insurance premiums.

Amortization of intangible assets decreased by Php73 million, or 6%, to Php1,076 million primarily due to lower license fees.

Communication, training and travel expenses decreased by Php114 million, or 11%, to Php958 million primarily due to lower fuel costs for vehicles as a result of lower average fuel cost per liter, partially offset by higher travel expenses.

Other expenses increased by Php298 million, or 79%, to Php676 million primarily due to higher various business and operational-related expenses.

Other Expenses

The following table summarizes the breakdown of our total wireless-related other income (expenses) for the years ended December 31, 2015 and 2014:

			Change	
	2015	2014[1]	Amount	%
		(in millions)		
Other Income (Expenses):				
Financing costs – net	(Php1,799)	(Php1,646)	(Php153)	9
Foreign exchange losses – net	(1,622)	(464)	(1,158)	250
Equity share in net losses of associates	(81)	(11)	(70)	636
Loss on derivative financial instruments – net	–	(34)	34	(100)
Interest income	308	217	91	42
Other income – net	1,236	1,214	22	2
Total	(Php1,958)	(Php724)	(Php1,234)	170

[1] *Certain comparative information for 2014 were reclassified to conform with the current presentation.*

Our wireless business' other expenses amounted to Php1,958 million in 2015, an increase of Php1,234 million, or 170%, from Php724 million in 2014, primarily due to the combined effects of the following: (i) higher net foreign exchange losses by Php1,158 million on account of the revaluation of net foreign currency-denominated liabilities due to higher depreciation of the Philippine peso relative to the U.S. dollar; (ii) higher net financing costs by Php153 million primarily due to higher outstanding loan balances, higher weighted average interest rates on loans, an increase in accretion on financial liabilities, partly offset by lower financing charges and higher capitalized interest; (iii) higher equity share in net losses of Automated Fare Collection Services, Inc. by Php70 million; (iv) an increase in other income – net by Php22 million mainly due to higher income from consultancy and higher gain on sale of fixed assets, partly offset by lower gain on insurance claims; and (v) higher interest income by Php91 million mainly due to higher weighted average peso and dollar interest rates, increase in principal amount of temporary cash investments and the depreciation of the Philippine peso to the U.S. dollar.

Provision for Income Tax

Provision for income tax decreased by Php4,395 million, or 61%, to Php2,763 million in 2015 from Php7,158 million in 2014 primarily due to lower taxable income and recognition of deferred tax assets. The effective tax rates for our wireless business were 15% and 25% in 2015 and 2014, respectively.

Net Income

As a result of the foregoing, our wireless business' net income decreased by Php6,461 million, or 30%, to Php15,434 million in 2015 from Php21,895 million in 2014.

EBITDA

Our wireless business' EBITDA decreased by Php6,680 million, or 13%, to Php44,237 million in 2015 from Php50,917 million in 2014.

Core Income

Our wireless business' core income decreased by Php2,664 million, or 11%, to Php22,512 million in 2015 from Php25,176 million in 2014 on account of higher wireless-related operating and other expenses and lower wireless revenues, partially offset by lower provision for income tax.

Fixed Line

Revenues

Revenues generated from our fixed line business amounted to Php68,865 million in 2015, an increase of Php2,687 million, or 4%, from Php66,178 million in 2014.

The following table summarizes our total revenues from our fixed line business for the years ended December 31, 2015 and 2014 by service segment:

					Increase (Decrease)	
	2015	%	2014[1]	%	Amount	%
			(in millions)			
Service Revenues:						
Local exchange	Php17,076	25	Php16,587	25	Php489	3
International long distance	9,219	13	11,404	17	(2,185)	(19)
National long distance	3,958	6	4,365	7	(407)	(9)
Data and other network	33,748	49	30,332	46	3,416	11
Miscellaneous	1,474	2	1,419	2	55	4
	65,475	95	64,107	97	1,368	2
Non-Service Revenues:						
Sale of computers, phone units and SIM cards, and point-product sales	3,390	5	2,071	3	1,319	64
Total Fixed Line Revenues	Php68,865	100	Php66,178	100	Php2,687	4

[1] *Certain comparative information for 2014 were reclassified to conform with the current presentation.*

Service Revenues

Our fixed line business provides local exchange service, national and international long distance services, data and other network services, and miscellaneous services. Our fixed line service revenues increased by Php1,368 million, or 2%, to Php65,475 million in 2015 from Php64,107 million in 2014 due to increases in revenues from our data and other network, local exchange and miscellaneous services, partially offset by lower international and national long distance service revenues.

Local Exchange Service

The following table summarizes the key measures of our local exchange service business as at and for the years ended December 31, 2015 and 2014:

			Increase (Decrease)	
	2015	2014[1]	Amount	%
Total local exchange service revenues (in millions)	Php17,076	Php16,587	Php489	3
Number of fixed line subscribers	2,303,454	2,207,889	95,565	4
Postpaid	2,269,883	2,149,846	120,037	6
Prepaid	33,571	58,043	(24,472)	(42)
Number of fixed line employees	7,039	7,405	(366)	(5)
Number of fixed line subscribers per employee	327	298	29	10

[1] *Certain comparative information for 2014 were reclassified to conform with the current presentation.*

Revenues from our local exchange service increased by Php489 million, or 3%, to Php17,076 million in 2015 from Php16,587 million in 2014, primarily due to higher weighted average postpaid billed lines. The percentage contribution of local exchange revenues to our total fixed line service revenues was 26% in each of 2015 and 2014.

International Long Distance Service

The following table shows our international long distance service revenues and call volumes for the years ended December 31, 2015 and 2014:

	2015	2014[1]	Decrease Amount	%
Total international long distance service revenues (in millions)	Php9,219	Php11,404	(Php2,185)	(19)
Inbound	8,138	10,237	(2,099)	(21)
Outbound	1,081	1,167	(86)	(7)
International call volumes (in million minutes, except call ratio)	1,590	2,028	(438)	(22)
Inbound	1,359	1,739	(380)	(22)
Outbound	231	289	(58)	(20)
Inbound-outbound call ratio	5.9:1	6.0:1	–	–

[1] *Certain comparative information for 2014 were reclassified to conform with the current presentation.*

Our total international long distance service revenues decreased by Php2,185 million, or 19%, to Php9,219 million in 2015 from Php11,404 million in 2014, primarily due to lower call volumes for both inbound and outbound traffic as a result of popularity of OTT service providers (e.g. Facebook, Skype, Viber, WhatsApp, etc.) over traditional long distance services, as well as lower average settlement rate in dollar terms, partially offset by the increase in average billing rate in dollar terms and the effect of a higher weighted average exchange rate of the Philippine peso to the U.S. dollar to Php45.51 for the year ended December 31, 2015 from Php44.40 for the year ended December 31, 2014. The percentage contribution of international long distance service revenues to our total fixed line service revenues accounted for 14% and 18% in 2015 and 2014, respectively. Correspondingly, our total international long distance service revenues, net of interconnection costs, decreased by Php916 million, or 21%, to Php3,487 million in 2015 from Php4,403 million in 2014.

National Long Distance Service

The following table shows our national long distance service revenues and call volumes for the years ended December 31, 2015 and 2014:

	2015	2014[1]	Decrease Amount	%
Total national long distance service revenues (in millions)	Php3,958	Php4,365	(Php407)	(9)
National long distance call volumes (in million minutes)	769	819	(50)	(6)

[1] *Certain comparative information for 2014 were reclassified to conform with the current presentation.*

Our national long distance service revenues decreased by Php407 million, or 9%, to Php3,958 million in 2015 from Php4,365 million in 2014, primarily due to a decrease in call volumes. The percentage contribution of national long distance revenues to our fixed line service revenues were 6% and 7% in 2015 and 2014, respectively. Our national long distance service revenues, net of interconnection costs, decreased by Php333 million, or 10%, to Php3,091 million in 2015 from Php3,424 million in 2014.

Data and Other Network Services

The following table shows information of our data and other network service revenues for the years ended December 31, 2015 and 2014:

	2015	2014[1]	Increase (Decrease) Amount	%
Data and other network service revenues (in millions)	Php33,748	Php30,332	Php3,416	11
Domestic	23,816	21,848	1,968	9
Broadband	16,141	14,076	2,065	15
Leased Lines and Others	7,675	7,772	(97)	(1)
International				
Leased Lines and Others	7,328	6,412	916	14
Data Center and ICT	2,604	2,072	532	26
Subscriber base				
Broadband	1,255,864	1,105,368	150,496	14

[1] *Certain comparative information for 2014 were reclassified to conform with the current presentation.*

Our data and other network services posted revenues of Php33,748 million in 2015, an increase of Php3,416 million, or 11%, from Php30,332 million in 2014, primarily due to higher domestic data revenues from DSL, Fibr and Shops.Work, international data revenues primarily from i-Gate, and data center and ICT revenues. The percentage contribution of this service segment to our fixed line service revenues was 52% and 47% in 2015 and 2014, respectively.

Domestic

Domestic data services contributed Php23,816 million in 2015, an increase of Php1,968 million, or 9%, as compared with Php21,848 million in 2014 mainly due to sustained market traction on Broadband such as DSL and Fibr, as a result of higher internet connectivity requirements, and key Private Networking Solutions such as IP-VPN, Metro Ethernet and Shops.Work. The percentage contribution of domestic data service revenues to total data and other network services were 70% and 72% in 2015 and 2014, respectively.

Broadband

Broadband data services include DSL broadband internet service, which is intended for individual internet users, small and medium enterprises, and large corporations with multiple branches, and Fibr, our most advanced broadband internet connection. Broadband data revenues amounted to Php16,141 million in 2015, an increase of Php2,065 million, or 15%, from Php14,076 million in 2014 as a result of the increase in the number of subscribers by 150,496, or 14%, to 1,255,864 subscribers as at December 31, 2015 from 1,105,368 subscribers as at December 31, 2014. Broadband revenues accounted for 48% and 46% of total data and other network service revenues in 2015 and 2014, respectively.

Leased Lines and Others

Leased lines and other data services include: (1) Diginet, our domestic private leased line service providing Smart's fiber optic and leased line data requirements; (2) Internet Protocol-Virtual Private Network, or IP-VPN, a managed corporate IP network that offers a secure means to access corporate network resources; (3) Metro Ethernet, our high-speed wide area networking services that enable mission-critical data transfers; and (4) Shops.Work, our connectivity solution for retailers and franchisers that links company branches to their head office. Leased lines and other data service revenues contributed Php7,675 million in 2015, a decrease of Php97 million, or 1%, from Php7,772 million in 2014. The percentage contribution of leased lines and other data service revenues to the total data and other network services were 22% and 26% in 2015 and 2014, respectively.

International

Leased Lines and Others

International leased lines and other data services consist mainly of: (1) i-Gate, our premium dedicated internet access service that provides high speed, reliable and managed connectivity to the global internet, and is intended for enterprises and VAS providers; (2) Fibernet, which provides cost-effective and reliable bilateral point-to-point private networking connectivity, through the use of our extensive international alliances to offshore and outsourcing, banking and finance, and semiconductor industries; and (3) other international managed data services in partnership with other global service providers, which provide data networking services to multinational companies. International data service revenues increased by Php916 million, or 14%, to Php7,328 million in 2015 from Php6,412 million in 2014, primarily due to higher i-Gate revenues and IP-VPN local access services, an increase in revenues from various global service providers and the favorable effect of a higher weighted average exchange rate of the Philippine peso relative to the U.S. dollar. The percentage contribution of international data service revenues to total data and other network service revenues were 22% and 21% in 2015 and 2014, respectively.

Data Center and ICT

Data centers provide colocation, server hosting, disaster recovery and business continuity services, intrusion detection, and security services, such as managed firewalls. As at December 31, 2015, ePLDT Group had a total of 3,150 rack capacity in six locations covering Metro Manila, Subic and Cebu. Data center revenues increased by Php532 million, or 26%, to Php2,604 million in 2015 from Php2,072 million in 2014 mainly due to higher revenues from colocation, cloud and big data services. Cloud services include cloud contact center, cloud IaaS, cloud SaaS, managed security services and cloud professional services and accounted for 22% and 20% of data center revenues in 2015 and 2014, respectively. The percentage contribution of this service segment to our total data and other network service revenues were 8% and 7% in 2015 and 2014, respectively.

Miscellaneous Services

Miscellaneous service revenues are derived mostly from rental, outsourcing and facilities management fees, and directory advertising. These service revenues increased by Php55 million, or 4%, to Php1,474 million in 2015 from Php1,419 million in 2014 mainly due to higher outsourcing and management fees, and royalties from directory services. The percentage contribution of miscellaneous service revenues to our total fixed line service revenues was 2% in each of 2015 and 2014.

Non-service Revenues

Non-service revenues increased by Php1,319 million, or 64%, to Php3,390 million in 2015 from Php2,071 million in 2014, primarily due to higher sale of Telpad units, equipment for PLDT UNO, a managed unified communications offering, FabTAB for myDSL retention and computer-bundled sales, partially offset by lower sale of TVolution units and several managed PABX and OnCall solutions.

Expenses

Expenses related to our fixed line business totaled Php58,459 million in 2015, an increase of Php1,604 million, or 3%, as compared with Php56,855 million in 2014. The increase was primarily due to higher expenses related to compensation and employee benefits, asset impairment, cost of sales, professional and other contracted services, repairs and maintenance, and rent, partly offset by lower expenses related to interconnection costs, depreciation and amortization, taxes and licenses, communication, training and travel, and other operating expenses. As a percentage of our total fixed line revenues, expenses associated with our fixed line business accounted for 85% and 86% in 2015 and 2014, respectively.

The following table shows the breakdown of our total fixed line-related expenses for the years ended December 31, 2015 and 2014 and the percentage of each expense item to the total:

					Increase (Decrease)	
	2015	%	2014[1]	%	Amount	%
			(in millions)			
Depreciation and amortization	Php14,301	24	Php15,004	27	(Php703)	(5)
Compensation and employee benefits	13,899	24	11,825	21	2,074	18
Repairs and maintenance	7,028	12	6,956	12	72	1
Interconnection costs	6,666	11	8,030	14	(1,364)	(17)
Professional and other contracted services	4,382	8	4,171	7	211	5
Rent	2,768	5	2,706	5	62	2
Cost of sales	2,759	5	1,903	3	856	45
Selling and promotions	2,036	4	2,126	4	(90)	(4)
Taxes and licenses	1,425	2	1,568	3	(143)	(9)
Asset impairment	1,286	2	426	1	860	202
Insurance and security services	715	1	717	1	(2)	–
Communication, training and travel	549	1	643	1	(94)	(15)
Other expenses	645	1	780	1	(135)	(17)
Total	Php58,459	100	Php56,855	100	Php1,604	3

[1] *Certain comparative information for 2014 were reclassified to conform with the current presentation.*

Depreciation and amortization charges decreased by Php703 million, or 5%, to Php14,301 million due to lower depreciable asset base as a result of higher accelerated depreciation in 2014.

Compensation and employee benefits expenses increased by Php2,074 million, or 18%, to Php13,899 million primarily due to higher MRP costs, salaries and employee benefits and provision for pension. Employee headcount decreased to 9,671 as at December 31, 2015 as compared with 9,710 as at December 31, 2014 mainly due to lower PLDT headcount as a result of the MRP in 2015.

Repairs and maintenance expenses increased by Php72 million, or 1%, to Php7,028 million primarily due to higher repairs and maintenance costs on cable and wire facilities, and an increase in site electricity expenses, partially offset by lower office electricity charges and lower maintenance costs on buildings.

Interconnection costs decreased by Php1,364 million, or 17%, to Php6,666 million primarily due to lower international interconnection/settlement costs as a result of a decrease in international inbound calls that terminated to other domestic carriers, and lower international and national outbound calls, and data and other network interconnection/settlement costs, particularly Fibernet and Infonet.

Professional and other contracted service expenses increased by Php211 million, or 5%, to Php4,382 million primarily due to higher contracted service fees, mailing and courier charges, and legal fees, partially offset by lower consultancy fees.

Rent expenses increased by Php62 million, or 2%, to Php2,768 million primarily due to higher leased circuit, partially offset by lower customer premises equipment and pole rental charges.

Cost of sales increased by Php856 million, or 45%, to Php2,759 million primarily due to higher sale of Telpad units and equipment for PLDT UNO, FabTAB for myDSL retention and higher computer-bundled sales, partially offset by lower sale of several managed PABX, OnCall solution and TVolution units.

Selling and promotion expenses decreased by Php90 million, or 4%, to Php2,036 million primarily due to lower cost of events and public relations, partially offset by higher commissions expenses.

Taxes and licenses decreased by Php143 million, or 9%, to Php1,425 million as a result of lower business-related taxes, partly offset by a higher tax settlement in 2015.

Asset impairment increased by Php860 million to Php1,286 million mainly due to higher provision for uncollectible receivables in 2015, partly offset by fixed asset impairment provision in 2014.

Insurance and security services decreased by Php2 million to Php715 million primarily due to lower expenses on office security services, partially offset by higher insurance and bond premiums, and group health insurance premiums.

Communication, training and travel expenses decreased by Php94 million, or 15%, to Php549 million mainly due to lower fuel consumption costs, partly offset by higher training and travel, and communication, and mailing and courier charges.

Other expenses decreased by Php135 million, or 17%, to Php645 million primarily due to lower various business and operational-related expenses.

Other Income (Expenses)

The following table summarizes the breakdown of our total fixed line-related other income (expenses) for the years ended December 31, 2015 and 2014:

			Change	
	2015	2014(1)	Amount	%
		(in millions)		
Other Income (Expenses):				
Financing costs – net	(Php4,509)	(Php3,724)	(Php785)	21
Foreign exchange losses – net	(892)	(39)	(853)	2,187
Equity share in net earnings of associates	38	63	(25)	(40)
Gains on derivative financial instruments – net	420	11	409	3,718
Interest income	620	350	270	77
Other income – net	1,766	3,556	(1,790)	(50)
Total	(Php2,557)	Php217	(Php2,774)	(1,278)

(1) *Certain comparative information for 2014 were reclassified to conform with the current presentation.*

Our fixed line business' other expenses amounted to Php2,557 million in 2015, a change of Php2,774 million as against other income of Php217 million in 2014 mainly due to the combined effects of the following: (i) a decrease in other income – net by Php1,790 million due to gain on purchase price adjustment in 2014 in relation to the acquisition of Digitel, gain on fair value adjustment of investment property in 2014 and higher loss on sale of fixed assets in 2015; (ii) higher foreign exchange losses by Php853 million on account of revaluation of net foreign currency-denominated liabilities due to higher depreciation of the Philippine peso relative to the U.S. dollar; (iii) higher financing costs by Php785 million mainly due to higher outstanding loan balances, higher weighted average interest rates on loans, effect of a higher weighted average exchange rate of the Philippine peso to the U.S. dollar and lower capitalized interest; (iv) lower equity share in net earnings of associates by Php25 million mainly due to the share in net losses of Cignal TV; (v) an increase in interest income by Php270 million due to higher weighted average peso and dollar interest rates, increase in principal amount of dollar temporary cash investments and the depreciation of the Philippine peso to the U.S. dollar; and (vi) higher gain on derivative financial instruments by Php409 million on account of mark-to-market gain on long-term currency swaps and forward purchase contracts due to higher level of depreciation of the Philippine peso relative to the U.S. dollar and wider dollar and peso interest rate differentials.

Provision for Income Tax

Provision for income tax amounted to Php1,656 million in 2015, a decrease of Php1,162 million, or 41%, from Php2,818 million in 2014 primarily due to lower taxable income and reversal of deferred tax liability. The effective tax rates for our fixed line business were 21% and 30% in 2015 and 2014, respectively.

Net Income

As a result of the foregoing, our fixed line business contributed a net income of Php6,193 million in 2015, a decrease of Php529 million, or 8%, as compared with Php6,722 million in 2014.

EBITDA

Our fixed line business' EBITDA increased by Php194 million, or 1%, to Php24,749 million in 2015 from Php24,555 million in 2014.

Core Income

Our fixed line business' core income decreased by Php152 million, or 2%, to Php6,539 million in 2015 from Php6,691 million in 2014, primarily as a result of higher fixed line operating expenses and higher other expenses, partially offset by higher fixed line revenues and lower provision for income tax.

Others

Expenses

Expenses related to our other business totaled Php5,183 million in 2015, an increase of Php5,127 million as compared with Php56 million in 2014 primarily due to recognition of impairment loss on our investment in Rocket Internet SE (formerly Rocket Internet AG), or Rocket, resulting from the decline in Rocket share price to €28.24 with a fair value of Php14,587 million as at December 31, 2015 as compared with our original acquisition cost of Php19,711 million in August 2014.

Other Income

The following table summarizes the breakdown of other income – net for other business segment for the years ended December 31, 2015 and 2014:

			Change	
	2015	2014	Amount	%
		(in millions)		
Other Income (Expenses):				
Equity share in net earnings of associates and joint ventures	Php3,284	Php3,789	(Php505)	(13)
Interest income	99	295	(196)	(66)
Losses on derivative financial instruments – net	–	(78)	78	(100)
Financing costs – net	(179)	(60)	(119)	198
Foreign exchange gains (losses) – net	(522)	121	(643)	(531)
Other income – net	3,093	1,544	1,549	100
Total	Php5,775	Php5,611	Php164	3

Other income increased by Php164 million, or 3%, to Php5,775 million in 2015 from Php5,611 million in 2014 primarily due to the combined effects of the following: (i) higher other income – net by Php1,549 million due to higher realized portion of deferred gain on the sale of Meralco shares; (ii) an increase in financing costs by Php119 million for the year ended December 31, 2015; (iii) a decrease in interest income by Php196 million; (iv) lower equity share in net earnings of associates by Php505 million mainly due to equity share in net losses of Cignal TV in 2015 and a decrease in the equity share in net earnings of Beta; and (v) foreign exchange losses of Php522 million in 2015 as against foreign exchange gains of Php121 million in 2014.

Net Income

As a result of the foregoing, our other business segment registered a net income of Php448 million, a decrease of Php5,025 million, or 92%, in 2015 from Php5,473 million in 2014.

Core Income

Our other business segment's core income amounted to Php6,161 million in 2015, an increase of Php618 million, or 11%, as compared with Php5,543 million in 2014 mainly as a result of higher other income.

2014 Compared to 2013

Wireless

Revenues

We generated revenues from our wireless business of Php118,879 million in 2014, a decrease of Php444 million from Php119,323 million in 2013.

The following table summarizes our total revenues from our wireless business for the years ended December 31, 2014 and 2013 by service segment:

	2014(1)	%	2013(1)	%	Increase (Decrease) Amount	%
			(in millions)			
Service Revenues:						
Cellular	Php102,780	87	Php105,583	89	(Php2,803)	(3)
Wireless broadband, satellite and others						
Wireless broadband	10,019	8	9,432	8	587	6
Others	1,182	1	1,372	1	(190)	(14)
Digital platforms and mobile financial	1,056	1	292	–	764	262
	115,037	97	116,679	98	(1,642)	(1)
Non-Service Revenues:						
Sale of cellular handsets, cellular SIM-packs and broadband data modems	3,842	3	2,644	2	1,198	45
Total Wireless Revenues	Php118,879	100	Php119,323	100	(Php444)	–

(1) *Certain comparative information for 2014 and 2013 were reclassified to conform with the current presentation.*

Service Revenues

Our wireless service revenues in 2014 decreased by Php1,642 million, or 1%, to Php115,037 million as compared with Php116,679 million in 2013, mainly as a result of lower revenues from our cellular services due to lower domestic and international text messaging and voice revenues, and other service revenues, partially offset by higher mobile internet, domestic voice and VAS revenues, as well as the increase in broadband service revenues. Our dollar-linked revenues were affected by the depreciation of the Philippine peso relative to the U.S. dollar, which increased to a weighted average exchange rate of Php44.40 for the year ended December 31, 2014 from Php42.44 for the year ended December 31, 2013. As a percentage of our total wireless revenues, service revenues accounted for 97% and 98% in 2014 and 2013, respectively.

Cellular Service

Our cellular service revenues in 2014 amounted to Php102,780 million, a decrease of Php2,803 million, or 3%, from Php105,583 million in 2013. Cellular service revenues accounted for 89% and 91% of our wireless service revenues in 2014 and 2013, respectively.

We have focused on segmenting the market by offering sector-specific, value-driven packages for our subscribers. These include load buckets which provide a fixed number of messages with prescribed validity months and call packages which allow a fixed number of calls of preset duration. Starting out as purely on-net packages, buckets now also offer voice, text and hybrid bundles available to all networks. Smart and Sun Cellular also provide packages with unlimited voice, text, data, and combinations thereof, whose denominations depend on the duration and nature of the unlimited packages.

The following table shows the breakdown of our cellular service revenues for the years ended December 31, 2014 and 2013:

	2014(1)	2013(1)	Increase (Decrease) Amount	%
		(in millions)		
Cellular service revenues	Php102,780	Php105,583	(Php2,803)	(3)
By service type	100,777	103,642	(2,865)	(3)
Prepaid	*79,124*	*84,600*	*(5,476)*	*(6)*
Postpaid	*21,653*	*19,042*	*2,611*	*14*
By component	100,777	103,642	(2,865)	(3)
Voice	*51,065*	*51,384*	*(319)*	*(1)*
Data	*49,712*	*52,258*	*(2,546)*	*(5)*
Others(2)	2,003	1,941	62	3

(1) *Certain comparative information for 2014 and 2013 were reclassified to conform with the current presentation.*
(2) *Refers to other non-subscriber-related revenues consisting primarily of inbound international roaming fees, share in revenues from PLDT's WeRoam and PLP services, a small number of leased line contracts, and revenues from Chikka, SMI and other Smart subsidiaries.*

The following table shows other key measures of our cellular business as at and for the years ended December 31, 2014 and 2013:

	2014	2013	Increase (Decrease) Amount	%
Cellular subscriber base	69,857,060	70,045,627	(188,567)	–
Prepaid	67,091,612	67,667,750	(576,138)	(1)
Smart	*24,877,144*	*24,608,687*	*268,457*	*1*
TNT	*28,149,360*	*29,485,017*	*(1,335,657)*	*(5)*
Sun Cellular	*14,065,108*	*13,574,046*	*491,062*	*4*
Postpaid	2,765,448	2,377,877	387,571	16
Sun Cellular	*1,725,227*	*1,488,181*	*237,046*	*16*
Smart	*1,040,221*	*889,696*	*150,525*	*17*
Systemwide traffic volumes (in million minutes)				
Calls	52,766	55,344	(2,578)	(5)
Domestic	49,525	51,504	(1,979)	(4)
Inbound	*1,120*	*1,228*	*(108)*	*(9)*
Outbound	*48,405*	*50,276*	*(1,871)*	*(4)*
International	3,241	3,840	(599)	(16)
Inbound	*2,770*	*3,216*	*(446)*	*(14)*
Outbound	*471*	*624*	*(153)*	*(25)*
SMS/Data count (in million hits)	424,344	506,702	(82,358)	(16)
Text messages	422,358	504,050	(81,692)	(16)
Domestic	421,476	503,176	(81,700)	(16)
Bucket-Priced/Unlimited	*389,321*	*471,298*	*(81,977)*	*(17)*
Standard	*32,155*	*31,878*	*277*	*1*
International	882	874	8	1
Value-Added Services	1,986	2,652	(666)	(25)

Revenues generated from our prepaid cellular services amounted to Php79,124 million in 2014, a decrease of Php5,476 million, or 6%, as compared with Php84,600 million in 2013. Prepaid cellular service revenues accounted for 79% and 82% of cellular voice and data revenues in 2014 and 2013, respectively. Revenues generated from postpaid cellular service amounted to Php21,653 million in 2014, an increase of Php2,611 million, or 14%, as compared with Php19,042 million earned in 2013, and which accounted for 21% and 18% of cellular voice and data revenues in 2014 and 2013, respectively. The decrease in revenues from our prepaid cellular services was primarily due to lower text messaging and international voice revenues, partially offset by an increase in mobile internet and domestic outbound voice revenues. The increase in our postpaid cellular service revenues was primarily due to a higher subscriber base.

Voice Services

Cellular revenues from our voice services, which include all voice traffic and voice VAS, such as voice mail and outbound international roaming, decreased by Php319 million, or 1%, to Php51,065 million in 2014 from Php51,384 million in 2013 primarily due to the decline in international voice revenues, partially offset by higher domestic voice revenues. Cellular voice services accounted for 50% and 49% in our cellular service revenues in 2014 and 2013, respectively.

The following table shows the breakdown of our cellular voice revenues for the years ended December 31, 2014 and 2013:

	2014[1]	2013[1]	Increase (Decrease) Amount	%
		(in millions)		
Voice services:				
Domestic				
Inbound	Php4,324	Php4,655	(Php331)	(7)
Outbound	32,556	30,619	1,937	6
	36,880	35,274	1,606	5
International				
Inbound	12,302	13,922	(1,620)	(12)
Outbound	1,883	2,188	(305)	(14)
	14,185	16,110	(1,925)	(12)
Total	Php51,065	Php51,384	(Php319)	(1)

[1] *Certain comparative information for 2014 and 2013 were reclassified to conform with the current presentation.*

Domestic voice service revenues increased by Php1,606 million, or 5%, to Php36,880 million in 2014 from Php35,274 million in 2013, primarily due to an increase in domestic outbound voice service revenues by Php1,937 million, partially offset by lower domestic inbound voice service revenues by Php331 million.

Revenues from domestic outbound voice service increased by Php1,937 million, or 6%, to Php32,556 million in 2014 from Php30,619 million in 2013 mainly due to higher bucket and unlimited revenues, partially offset by the decline in standard voice revenues. Domestic outbound call volumes of 48,405 million minutes decreased by 1,871 million minutes, or 4%, from 50,276 million minutes in 2013 primarily due to lower unlimited and standard voice traffic, partially offset by higher bucket voice traffic.

Revenues from our domestic inbound voice service decreased by Php331 million, or 7%, to Php4,324 million in 2014 from Php4,655 million in 2013 due to lower traffic originating from other mobile carriers. Domestic inbound call volumes of 1,120 million minutes in 2014, decreased by 108 million minutes, or 9%, from 1,228 million minutes in 2013.

International voice service revenues decreased by Php1,925 million, or 12%, to Php14,185 million in 2014 from Php16,110 million in 2013 primarily due to lower international inbound voice service revenues by Php1,620 million, or 12%, to Php12,302 million in 2014 from Php13,922 million in 2013, as well as the decline in international outbound voice service revenues by Php305 million, or 14%, to Php1,883 million in 2014 from Php2,188 million in 2013. The decrease in international voice service revenues was due to lower international voice traffic and average international inbound termination rate in U.S. dollar, partially offset by the favorable effect of higher weighted average exchange rate of the Philippine peso to the U.S. dollar. International inbound and outbound calls totaled 3,241 million minutes, a decrease of 599 million minutes, or 16%, from 3,840 million minutes in 2013. We believe that our international voice services will continue to be negatively affected by OTT services such as Skype and Viber.

Data Services

Cellular revenues from our data services, which include all text messaging-related services, as well as VAS and mobile internet, decreased by Php2,546 million, or 5%, to Php49,712 million in 2014 from Php52,258 million in 2013 primarily due to lower text messaging and VAS revenues, partially offset by higher mobile internet revenues. Cellular data services accounted for 48% and 49% of our cellular service revenues in 2014 and 2013, respectively.

The following table shows the breakdown of our cellular data service revenues for the years ended December 31, 2014 and 2013:

	2014[1]	2013[1]	Increase (Decrease) Amount	%
		(in millions)		
Text messaging				
Domestic	Php36,605	Php41,822	(Php5,217)	(12)
Bucket-Priced/Unlimited	*25,111*	*29,411*	*(4,300)*	*(15)*
Standard	*11,494*	*12,411*	*(917)*	*(7)*
International	3,189	3,519	(330)	(9)
	39,794	45,341	(5,547)	(12)
Mobile internet[2]	8,253	4,968	3,285	66
Value-added services[3]	1,665	1,949	(284)	(15)
Total	Php49,712	Php52,258	(Php2,546)	(5)

[1] *Certain comparative information for 2014 and 2013 were reclassified to conform with the current presentation.*
[2] *Includes revenues from web-based services, net of allocated discounts and content provider costs.*
[3] *Includes revenues from SMS-based VAS (info-on-demand and voice text services, net of allocated discounts and content provider costs); multi-media messaging system, or MMS-based VAS (point-to-point MMS and content download services, such as ringtone, logo or music downloads, net of allocated discounts and content provider costs); Pasa Load/Give-a-load (which allows prepaid and postpaid subscribers to transfer small denominations of air time credits to other prepaid subscribers and Dial *SOS which allows Smart and TNT prepaid subscribers to borrow Php4 of load (Php3 on-net SMS plus Php1 air time) from Smart which will be deducted upon their next top-up); and revenues for financial services which include revenues from Smart Money Clicks via Smart Menu and mobile banking. Smart Money Clicks includes the following services: balance inquiry, re-load prepaid accts, bills payment, card management and internet purchases.*

Text messaging-related services contributed revenues of Php39,794 million in 2014, a decrease of Php5,547 million, or 12%, as compared with Php45,341 million in 2013, and accounted for 80% and 87% of our total cellular data service revenues in 2014 and 2013, respectively. The decrease in revenues from text messaging-related services resulted mainly from lower bucket-priced/unlimited and standard SMS, as well as lower international text messaging revenues. Text messaging revenues from various bucket-priced/unlimited SMS offers totaled Php25,111 million in 2014, a decrease of Php4,300 million, or 15%, as compared with Php29,411 million in 2013. Bucket-priced/unlimited text messages decreased by 81,977 million, or 17%, to 389,321 million in 2014 from 471,298 million in 2013.

Standard text messaging revenues, which includes inbound and outbound standard SMS revenues, decreased by Php917 million, or 7%, to Php11,494 million in 2014 from Php12,411 million in 2013, mainly due to a decrease in outbound standard SMS revenues primarily as a result of increased preference for messaging through various mobile applications, social networking sites and other OTT services, partly offset by the increase in domestic inbound SMS revenues. Outbound standard text messages decreased by 1,744 million, or 13%, to 11,910 million in 2014 from 13,654 million in 2013, while inbound standard text messages more than offset the decrease, increasing by 2,021 million, or 11%, to 20,245 million in 2014 from 18,224 million in 2013.

International text messaging revenues amounted to Php3,189 million in 2014, a decrease of Php330 million, or 9%, from Php3,519 million in 2013. Despite higher SMS traffic, revenues declined due mainly to lower international SMS rates driven by various promotions launched and enhanced bucket offers, partially offset by the favorable effect of higher weighted average exchange rate of the Philippine peso to the U.S. dollar.

Mobile internet service revenues increased by Php3,285 million, or 66%, to Php8,253 million in 2014 from Php4,968 million in 2013 as a result of higher traffic for mobile internet browsing mainly due to widened utilization of mobile applications, social networking sites and other OTT services.

Subscriber Base, ARPU and Churn Rates

As at December 31, 2014, our cellular subscribers totaled 69,857,060 a decrease of 188,567, over the cellular subscriber base of 70,045,627 as at December 31, 2013. Our cellular prepaid subscriber base decreased by 576,138, or 1%, to 67,091,612 as at December 31, 2014 from 67,667,750 as at December 31, 2013, while our cellular postpaid subscriber base increased by 387,571, or 16%, to 2,765,448 as at December 31, 2014 from 2,377,877 as at December 31, 2013. The decrease in subscriber base was primarily due to lower TNT subscribers by 1,335,657, or 5%, partially offset by an increase in Sun Cellular subscribers by 728,108, or 5%, and an increase in Smart subscribers by 418,982, or 2%. Prepaid subscribers exclude those subscribers whose minimum balance is derived via accumulation from its rewards program. Prepaid subscribers accounted for 96% and 97% of our total subscriber base as at December 31, 2014 and 2013, respectively.

Our net subscriber activations (reductions) for the years ended December 31, 2014 and 2013 were as follows:

			Increase (Decrease)	
	2014	2013	Amount	%
Prepaid	(576,138)	56,213	(632,351)	(1,125)
Smart	268,457	(452,766)	721,223	(159)
TNT	(1,335,657)	1,039,964	(2,375,621)	(228)
Sun Cellular	491,062	(530,985)	1,022,047	(192)
Postpaid	387,571	122,956	264,615	215
Smart	150,525	206,216	(55,691)	(27)
Sun Cellular	237,046	(83,260)	320,306	(385)
Total	(188,567)	179,169	(367,736)	(205)

The following table summarizes our average monthly churn rates for the years ended December 31, 2014 and 2013:

	2014	2013
	(in %)	
Prepaid		
Smart	5.8	5.3
TNT	5.8	5.2
Sun Cellular	9.7	10.6
Postpaid		
Smart	2.7	2.7
Sun Cellular	1.8	3.2

For Smart Prepaid subscribers, the average monthly churn rate in 2014 and 2013 were 5.8% and 5.3%, respectively, while the average monthly churn rate for TNT subscribers were 5.8% and 5.2% in 2014 and 2013, respectively. The average monthly churn rate for Sun Cellular prepaid subscribers were 9.7% and 10.6% in 2014 and 2013, respectively.

The average monthly churn rate for Smart Postpaid subscribers in each of 2014 and 2013 was 2.7%, while for Sun Cellular postpaid subscribers were 1.8% and 3.2% in 2014 and 2013, respectively.

The following table summarizes our average monthly cellular ARPUs for the years ended December 31, 2014 and 2013:

	Gross[1]		Increase (Decrease)		Net[2]		Increase (Decrease)	
	2014	2013	Amount	%	2014	2013	Amount	%
Prepaid								
Smart	Php143	Php164	(Php21)	(13)	Php129	Php144	(Php15)	(10)
TNT	97	96	1	1	88	85	3	4
Sun Cellular	72	68	4	6	66	61	5	8
Postpaid								
Smart	1,088	1,140	(52)	(5)	1,078	1,127	(49)	(4)
Sun Cellular	481	483	(2)	–	477	480	(3)	(1)

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

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

Our average monthly prepaid and postpaid ARPUs per quarter of 2014 and 2013 were as follows:

	Prepaid						Postpaid			
	Smart		TNT		Sun Cellular		Smart		Sun Cellular	
	Gross[1]	Net[2]	Gross[1]	Net[2]	Gross[1]	Net[2]	Gross[1]	Net[2]	Gross[1]	Net[2]
2014										
First Quarter	147	132	97	87	75	67	1,098	1,086	478	476
Second Quarter	149	134	99	89	73	66	1,081	1,074	471	467
Third Quarter	139	124	96	87	70	64	1,080	1,068	473	469
Fourth Quarter	138	125	98	89	71	65	1,095	1,084	501	497
2013										
First Quarter	160	141	98	87	66	57	1,168	1,154	458	455
Second Quarter	160	141	98	87	66	58	1,167	1,153	499	495
Third Quarter	161	142	92	82	66	60	1,111	1,099	479	476
Fourth Quarter	174	153	96	85	72	68	1,113	1,102	495	493

[1] *Gross monthly ARPU is calculated based on the average of the gross monthly ARPUs for the quarter.*
[2] *Net monthly ARPU is calculated based on the average of the net monthly ARPUs for the quarter.*

Wireless Broadband, Satellite and Other Services

Our revenues from wireless broadband, satellite and other services consist mainly of wireless broadband service revenues from SBI and DMPI and service revenues generated by the MVNO of PLDT Global's subsidiary.

Wireless Broadband

Revenues from our wireless broadband services increased by Php587 million, or 6%, to Php10,019 million in 2014 from Php9,432 million in 2013, primarily due to an increase in prepaid revenues by Php350 million, or 12%, to Php3,173 million in 2014 from Php2,823 million in 2013, and higher postpaid revenues by Php237 million, or 4%, to Php6,846 million in 2014 from Php6,609 million in 2013.

The following table shows information of our wireless broadband revenues and subscriber base as at and for the years ended December 31, 2014 and 2013:

			Increase (Decrease)	
	2014	2013	Amount	%
Wireless Broadband Revenues (in millions)	Php10,019	Php9,432	Php587	6
Prepaid	3,173	2,823	350	12
Postpaid	6,846	6,609	237	4
Wireless Broadband Subscribers	2,986,146	2,453,826	532,320	22
Prepaid	2,142,566	1,669,618	472,948	28
Smart	1,795,039	1,359,862	435,177	32
Sun	347,527	309,756	37,771	12
Postpaid	843,580	784,208	59,372	8
Smart	514,327	549,347	(35,020)	(6)
Sun	329,253	234,861	94,392	40

Smart Broadband and Sun Broadband Wireless, SBI's and DMPI's broadband services, respectively, offer a number of wireless broadband services and had a total of 2,986,146 subscribers as at December 31, 2014, a net increase of 532,320 subscribers, or 22%, as compared with 2,453,826 subscribers as at December 31, 2013, primarily due to a net increase in Smart Broadband subscribers by 400,157, or 21%, complemented by an increase in Sun Broadband subscribers by 132,163, or 24%, as at December 31, 2014. Our prepaid wireless broadband subscriber base increased by 472,948 subscribers, or 28%, to 2,142,566 subscribers as at December 31, 2014 from 1,669,618 subscribers as at December 31, 2013, while our postpaid wireless broadband subscriber base increased by 59,372 subscribers, or 8%, to 843,580 subscribers as at December 31, 2014 from 784,208 subscribers as at December 31, 2013.

Others

Revenues from our other services decreased by Php190 million, or 14%, to Php1,182 million in 2014 from Php1,372 million in 2013, primarily due to a decrease in the number of ACeS Philippines' subscribers and lower revenue contribution from MVNO's of PLDT Global, partially offset by the effect of higher weighted average exchange rate of Php44.40 in the year ended December 31, 2014 from Php42.44 for the year ended December 31, 2013 on our U.S. dollar and U.S. dollar-linked satellite and other service revenues.

Digital platforms and mobile financial

Revenues from digital platforms and mobile financial services, as reported by Voyager, increased by Php764 million to Php1,056 million in 2014 from Php292 million in 2013 mainly attributable to PayMaya Philippines, Inc., or PayMaya's, share in Smart Money's peer-to-peer (P2P) transaction fees and revenues.

Non-Service Revenues

Our wireless non-service revenues consist of proceeds from sales of cellular handsets, cellular SIM-packs and broadband data modems and accessories. Our wireless non-service revenues increased by Php1,198 million, or 45%, to Php3,842 million in 2014 from Php2,644 million in 2013, primarily due to increased availments for broadband Pocket WiFi, broadband accessories and computer packages, as well as higher cellular activation and retention packages, partly offset by lower quantity of broadband Plug-It modems issued.

Expenses

Expenses associated with our wireless business amounted to Php89,102 million in 2014, an increase of Php4,428 million, or 5%, from Php84,674 million in 2013. A significant portion of this increase was attributable to higher expenses related to asset impairment, cost of sales, rent, repairs and maintenance, selling and promotions, taxes and licenses, professional and other contracted services, and amortization of intangible assets, partially offset by lower compensation and employee benefits, and other operating expenses. As a percentage of our total wireless revenues, expenses associated with our wireless business accounted for 75% and 71% in 2014 and 2013, respectively.

The following table summarizes the breakdown of our total wireless-related expenses for the years ended December 31, 2014 and 2013 and the percentage of each expense item in relation to the total:

					Increase (Decrease)	
	2014[1]	%	2013[1]	%	Amount	%
			(in millions)			
Depreciation and amortization	Php16,375	18	Php16,358	19	Php17	–
Cost of sales	11,632	13	10,182	12	1,450	14
Rent	11,008	12	10,148	12	860	8
Repairs and maintenance	8,666	10	7,861	9	805	10
Selling and promotions	8,512	10	7,944	10	568	7
Interconnection costs	8,229	9	8,141	10	88	1
Compensation and employee benefits	6,944	8	8,730	10	(1,786)	(20)
Asset impairment	5,620	6	3,918	5	1,702	43
Professional and other contracted services	5,299	6	4,841	6	458	9
Taxes and licenses	2,944	3	2,410	3	534	22
Insurance and security services	1,274	2	1,156	1	118	10
Amortization of intangible assets	1,149	1	1,018	1	131	13
Communication, training and travel	1,072	1	1,029	1	43	4
Other expenses	378	1	938	1	(560)	(60)
Total	Php89,102	100	Php84,674	100	Php4,428	5

[1] *Certain comparative information for 2014 and 2013 were reclassified to conform with the current presentation.*

Depreciation and amortization charges increased by Php17 million to Php16,375 million primarily due to a higher depreciable asset base.

Cost of sales increased by Php1,450 million, or 14%, to Php11,632 million primarily due to increased handset and modem issuances for cellular and broadband activation and retention, and higher average cost of cellular handsets/SIM-packs and broadband modems.

Rent expenses increased by Php860 million, or 8%, to Php11,008 million primarily due to an increase in site and leased circuit rental charges as a result of our expanded network, and an increase in office building rental.

Repairs and maintenance expenses increased by Php805 million, or 10%, to Php8,666 million mainly due to higher site maintenance and technical support on cellular and broadband network facilities as a result of our expanded network, higher electricity and fuel consumption, and higher IT hardware, partially offset by lower building maintenance costs.

Selling and promotion expenses increased by Php568 million, or 7%, to Php8,512 million primarily due to higher advertising costs, premium items and prizes, as well as higher commissions expense, partially offset by lower public relations expense.

Interconnection costs increased by Php88 million, or 1%, to Php8,229 million primarily due to an increase in interconnection charges on international roaming and domestic SMS services, partially offset by lower interconnection cost on domestic voice and international SMS services.

Compensation and employee benefits expenses decreased by Php1,786 million, or 20%, to Php6,944 million primarily due to lower manpower rightsizing program, or MRP, and LTIP costs, and salaries and employee benefits, partly offset by higher provision for pension benefits. Employee headcount increased to 7,786 as at December 31, 2014 as compared with 7,745 as at December 31, 2013.

Asset impairment increased by Php1,702 million, or 43%, to Php5,620 million primarily due to higher impairment on certain network equipment and higher provision for uncollectible receivables.

Professional and other contracted service fees increased by Php458 million, or 9%, to Php5,299 million primarily due to an increase in audit, outsourced and contracted service fees, market research and collection agency fees, partly offset by lower consultancy service fees.

Taxes and licenses increased by Php534 million, or 22%, to Php2,944 million due to higher business-related taxes.

Insurance and security services increased by Php118 million, or 10%, to Php1,274 million primarily due to higher group health insurance, bond premiums, and site security expenses, partly offset by lower office security expenses.

Amortization of intangible assets increased by Php131 million, or 13%, to Php1,149 million primarily due to license fees paid for exclusive partnership and use of music catalogues.

Communication, training and travel expenses increased by Php43 million, or 4%, to Php1,072 million primarily due to higher fuel consumption costs for vehicles, and freight and hauling, partially offset by lower communication charges and local training expenses.

Other expenses decreased by Php560 million, or 60%, to Php378 million primarily due to lower various business and operational-related expenses.

Other Expenses

The following table summarizes the breakdown of our total wireless-related other income (expenses) for the years ended December 31, 2014 and 2013:

			Change	
	2014	2013	Amount	%
		(in millions)		
Other Income (Expenses):				
Interest income	Php217	Php324	(Php107)	(33)
Equity share in net losses of associates	(11)	(54)	43	(80)
Losses on derivative financial instruments – net	(34)	(18)	(16)	89
Foreign exchange losses – net	(464)	(1,814)	1,350	(74)
Financing costs – net	(1,646)	(3,232)	1,586	(49)
Other income – net	1,214	928	286	31
Total	(Php724)	(Php3,866)	Php3,142	(81)

Our wireless business' other expenses amounted to Php724 million in 2014, a decrease of Php3,142 million, or 81%, from Php3,866 million in 2013, primarily due to the combined effects of the following: (i) lower net financing costs by Php1,586 million primarily due to a decrease on accretion on financial liabilities as a result of lower amortization of debt discount, and lower average interest rates on loans, partly offset by lower capitalized interest; (ii) lower net foreign exchange losses by Php1,350 million on account of the revaluation of net foreign currency-denominated liabilities due to lower level of depreciation of the Philippine peso relative to the U.S. dollar; (iii) an increase in other income by Php286 million mainly due to net gain on insurance claims; (iv) lower equity share in net losses of associates by Php43 million; (v) higher net losses on derivative financial instruments by Php16 million mainly due to the forward contracts that matured in the second quarter of 2014 where the Philippine peso appreciated relative to the U.S. dollar as against a depreciation of the Philippine peso relative to the U.S. dollar in 2013; and (vi) a decrease in interest income by Php107 million mainly due to lower weighted average peso and dollar interest rates on account of low interest rate environment.

Provision for Income Tax

Provision for income tax decreased by Php1,704 million, or 19%, to Php7,158 million in 2014 from Php8,862 million in 2013 primarily due to lower taxable income and recognition of deferred income tax. The effective tax rates for our wireless business were 25% and 29% in 2014 and 2013, respectively.

Net Income

As a result of the foregoing, our wireless business' net income decreased by Php26 million to Php21,895 million in 2014 from Php21,921 million recorded in 2013.

EBITDA

Our wireless business' EBITDA decreased by Php3,786 million, or 7%, to Php50,917 million in 2014 from Php54,703 million in 2013.

Core Income

Our wireless business' core income decreased by Php1,323 million, or 5%, to Php25,176 million in 2014 from Php26,499 million in 2013 on account of higher wireless-related operating expenses and a decrease in wireless revenues, partially offset by a decrease in other expenses and lower provision for income tax.

Fixed Line

Revenues

Revenues generated from our fixed line business amounted to Php66,178 million in 2014, an increase of Php3,647 million, or 6%, from Php62,531 million in 2013.

The following table summarizes our total revenues from our fixed line business for the years ended December 31, 2014 and 2013 by service segment:

					Increase (Decrease)	
	2014[1]	%	2013[1]	%	Amount	%
			(in millions)			
Service Revenues:						
Local exchange	Php16,587	25	Php16,274	26	Php313	2
International long distance	11,404	17	11,422	18	(18)	–
National long distance	4,365	7	4,583	7	(218)	(5)
Data and other network	30,332	46	27,472	44	2,860	10
Miscellaneous	1,419	2	1,083	2	336	31
	64,107	97	60,834	97	3,273	5
Non-Service Revenues:						
Sale of computers, phone units and SIM cards	2,071	3	1,697	3	374	22
Total Fixed Line Revenues	Php66,178	100	Php62,531	100	Php3,647	6

[1] *Certain comparative information for 2014 and 2013 were reclassified to conform with the current presentation.*

Service Revenues

Our fixed line business provides local exchange service, national and international long distance services, data and other network services, and miscellaneous services. Our fixed line service revenues increased by Php3,273 million, or 5%, to Php64,107 million in 2014 from Php60,834 million in 2013 due to an increase in revenues from our data and other network, miscellaneous, and local exchange services, partially offset by a decrease in national and international long distance service revenues.

Local Exchange Service

The following table summarizes the key measures of our local exchange service business as at and for the years ended December 31, 2014 and 2013:

			Increase (Decrease)	
	2014[1]	2013[1]	Amount	%
Total local exchange service revenues (in millions)	Php16,587	Php16,274	Php313	2
Number of fixed line subscribers	2,207,889	2,069,419	138,470	7
Postpaid	2,149,846	2,009,593	140,253	7
Prepaid	58,043	59,826	(1,783)	(3)
Number of fixed line employees	7,405	7,350	55	1
Number of fixed line subscribers per employee	298	279	19	7

[1] *Certain comparative information for 2014 and 2013 were reclassified to conform with the current presentation.*

Revenues from our local exchange service increased by Php313 million, or 2%, to Php16,587 million in 2014 from Php16,274 million in 2013, primarily due to higher weighted average postpaid billed lines, an increase in ARPU and higher installation and activation charges, partially offset by lower other local services. The percentage contribution of local exchange revenues to our total fixed line service revenues were 26% and 27% in 2014 and 2013, respectively.

International Long Distance Service

The following table shows our international long distance service revenues and call volumes for the years ended December 31, 2014 and 2013:

	2014	2013	Increase (Decrease) Amount	%
Total international long distance service revenues (in millions)	Php11,404	Php11,422	(Php18)	–
Inbound	10,237	10,105	132	1
Outbound	1,167	1,317	(150)	(11)
International call volumes (in million minutes, except call ratio)	2,028	2,185	(157)	(7)
Inbound	1,739	1,806	(67)	(4)
Outbound	289	379	(90)	(24)
Inbound-outbound call ratio	6.0:1	4.8:1	–	–

Our total international long distance service revenues decreased by Php18 million to Php11,404 million in 2014 from Php11,422 million in 2013, primarily due to lower call volumes, partially offset by the favorable effect of higher weighted average exchange rate of the Philippine peso to the U.S. dollar to Php44.40 for the year ended December 31, 2014 from Php42.44 for the year ended December 31, 2013 and the increase in average billing and settlement rates in dollar terms. The percentage contribution of international long distance service revenues to our total fixed line service revenues accounted for 18% and 19% in 2014 and 2013, respectively. Correspondingly, our total international long distance service revenues, net of interconnection costs, decreased by Php151 million, or 3%, to Php4,403 million in 2014 from Php4,554 million in 2013.

National Long Distance Service

The following table shows our national long distance service revenues and call volumes for the years ended December 31, 2014 and 2013:

	2014[1]	2013[1]	Decrease Amount	%
Total national long distance service revenues (in millions)	Php4,365	Php4,583	(Php218)	(5)
National long distance call volumes (in million minutes)	819	852	(33)	(4)

Our national long distance service revenues decreased by Php218 million, or 5%, to Php4,365 million in 2014 from Php4,583 million in 2013, primarily due to a decrease in call volumes, partially offset by higher average revenue per minute of our national long distance services as a result of higher calls terminating to cellular mobile subscribers. The percentage contribution of national long distance revenues to our fixed line service revenues was 7% in each of 2014 and 2013. Our national long distance service revenues, net of interconnection costs, decreased by Php123 million, or 3%, to Php3,424 million in 2014 from Php3,547 million in 2013, primarily due to a decrease in call volumes.

Data and Other Network Services

The following table shows information of our data and other network service revenues for the years ended December 31, 2014 and 2013:

	2014[1]	2013[1]	Increase Amount	%
Data and other network service revenues (in millions)	Php30,332	Php27,472	Php2,860	10
Domestic	21,848	19,917	1,931	10
Broadband	*14,076*	*12,481*	*1,595*	*13*
Leased Lines and Others	*7,772*	*7,436*	*336*	*5*
International				
Leased Lines and Others	*6,412*	*5,787*	*625*	*11*
Data Center and ICT	2,072	1,768	304	17
Subscriber base				
Broadband	1,105,368	979,384	125,984	13

[1] *Certain comparative information for 2014 and 2013 were reclassified to conform with the current presentation.*

Our data and other network services posted revenues of Php30,332 million in 2014, an increase of Php2,860 million, or 10%, from Php27,472 million in 2013, primarily due to higher domestic data revenues from DSL, Fibr, Shops.Work and Diginet, international data revenues primarily from i-Gate, and data centers revenues. The percentage contribution of this service segment to our fixed line service revenues was 47% and 45% in 2014 and 2013, respectively.

Domestic

Domestic data services contributed Php21,848 million in 2014, an increase of Php1,931 million, or 10%, as compared with Php19,917 million in 2013 mainly due to higher DSL and Fibr revenues, Shops.Work subscribers as customer locations and bandwidth requirements continued to expand and higher demand for offshoring and outsourcing services and higher Diginet revenues. The percentage contribution of domestic data service revenues to total data and other network services were 72% and 73% in 2014 and 2013, respectively.

Broadband

Broadband data revenues amounted to Php14,076 million in 2014, an increase of Php1,595 million, or 13%, from Php12,481 million in 2013 as a result of the increase in the number of subscribers by 125,984, or 13%, to 1,105,368 subscribers as at December 31, 2014 from 979,384 subscribers as at December 31, 2013. Broadband revenues accounted for 46% of total data and other network service revenues in each of 2014 and 2013.

Leased Lines and Others

Leased lines and other data revenues amounted to Php7,772 million in 2014, an increase of Php336 million, or 5%, from Php7,436 million in 2013, primarily due to higher revenues from Shops.Work, Diginet and IP-VPN. The percentage contribution of leased lines and other data service revenues to the total data and other network services were 26% and 27% in 2014 and 2013, respectively.

International

Leased Lines and Others

International data service revenues increased by Php625 million, or 11%, to Php6,412 million in 2014 from Php5,787 million in 2013, primarily due to higher i-Gate revenues and IP-VPN local access services, and an increase in revenues from various global service providers, as well as the favorable effect of higher weighted average exchange rate of the Philippine peso relative to the U.S. dollar. The percentage contribution of international data service revenues to total data and other network service revenues was 21% in each of 2014 and 2013.

Data Center and ICT

As at December 31, 2014, ePLDT Group has a total of 2,340 rack capacity in three locations covering Metro Manila, Subic and Cebu. Data center revenues increased by Php304 million, or 17%, to Php2,072 million in 2014 from Php1,768 million in 2013 mainly due to higher revenues from colocation and managed services. The percentage contribution of this service segment to our total data and other network service revenues were 7% and 6% in 2014 and 2013, respectively.

Miscellaneous Services

Miscellaneous service revenues are derived mostly from rental, outsourcing and facilities management fees, and directory advertising. These service revenues increased by Php336 million, or 31%, to Php1,419 million in 2014 from Php1,083 million in 2013 mainly due to higher outsourcing and management fees. The percentage contribution of miscellaneous service revenues to our total fixed line service revenues was 2% in each of 2014 and 2013.

Non-service Revenues

Non-service revenues increased by Php374 million, or 22%, to Php2,071 million in 2014 from Php1,697 million in 2013, primarily due to higher revenues as a result of the launching of 2-in-1 wireless HOME bundles, FabTAB for myDSL retention and TVolution units and from the sale of several managed PABX and OnCall solution, Telpad units and equipment for PLDT UNO, a managed unified communications offering, partially offset by lower PLP units and computer-bundled sales.

Expenses

Expenses related to our fixed line business totaled Php56,855 million in 2014, an increase of Php880 million, or 2%, as compared with Php55,975 million in 2013. The increase was primarily due to higher expenses related to depreciation and amortization, repairs and maintenance, professional and other contracted services, selling and promotions, cost of sales, communication, training and travel, and taxes and licenses, partly offset by lower expenses related to asset impairment, compensation and employee benefits, rent and interconnection costs. As a percentage of our total fixed line revenues, expenses associated with our fixed line business accounted for 86% and 90% in 2014 and 2013, respectively.

The following table shows the breakdown of our total fixed line-related expenses for the years ended December 31, 2014 and 2013 and the percentage of each expense item to the total:

	2014[1]	%	2013[1]	%	Increase (Decrease) Amount	%
			(in millions)			
Depreciation and amortization	Php15,004	27	Php13,946	25	Php1,058	8
Compensation and employee benefits	11,825	21	12,668	23	(843)	(7)
Interconnection costs	8,030	14	8,196	15	(166)	(2)
Repairs and maintenance	6,956	12	5,930	10	1,026	17
Professional and other contracted services	4,171	7	3,794	7	377	10
Rent	2,706	5	2,794	5	(88)	(3)
Selling and promotions	2,126	4	1,860	3	266	14
Cost of sales	1,903	3	1,665	3	238	14
Taxes and licenses	1,568	3	1,515	3	53	3
Insurance and security services	717	1	762	1	(45)	(6)
Communication, training and travel	643	1	546	1	97	18
Asset impairment	426	1	1,625	3	(1,199)	(74)
Amortization of intangible assets	–	–	2	–	(2)	(100)
Other expenses	780	1	672	1	108	16
Total	Php56,855	100	Php55,975	100	Php880	2

[1] *Certain comparative information for 2014 and 2013 were reclassified to conform with the current presentation.*

Depreciation and amortization charges increased by Php1,058 million, or 8%, to Php15,004 million due to a higher depreciable asset base.

Compensation and employee benefits expenses decreased by Php843 million, or 7%, to Php11,825 million primarily due to lower MRP, LTIP costs, and salaries and employee benefits, partially offset by higher provision for pension benefits. Employee headcount decreased to 9,710 in 2014 as compared with 10,154 in 2013 mainly due to a decrease in ePLDT Group's headcount.

Interconnection costs decreased by Php166 million, or 2%, to Php8,030 million primarily due to lower national interconnection/settlement costs due to lower national sent paid calls that terminated to other domestic carriers and data and other network interconnection/settlement costs particularly Fibernet and Infonet, partially offset by higher international interconnection/settlement costs as a result of higher average settlement rate to other domestic carriers.

Repairs and maintenance expenses increased by Php1,026 million, or 17%, to Php6,956 million primarily due to higher repairs and maintenance costs on cable and wire facilities, as well as central office/telecoms equipment, an increase in office electricity expenses, higher IT software and hardware maintenance costs, and higher site gas and fuel, partially offset by lower repairs and maintenance costs for buildings.

Professional and other contracted service expenses increased by Php377 million, or 10%, to Php4,171 million primarily due to higher contracted, payment facility and technical service fees, partially offset by lower consultancy, legal fees, outsource costs and bill printing fees.

Rent expenses decreased by Php88 million, or 3%, to Php2,706 million primarily due to decrease in leased circuit rental charges.

Selling and promotion expenses increased by Php266 million, or 14%, to Php2,126 million primarily due to higher advertising, commissions, and events costs partially offset by lower public relations expenses.

Cost of sales increased by Php238 million, or 14%, to Php1,903 million primarily due to the launching of 2-in-1 wireless HOME bundles, FabTab for myDSL retention and TVolution units, and higher sales of Telpad units, partially offset by lower PLP units sold.

Taxes and licenses increased by Php53 million, or 3%, to Php1,568 million as a result of higher business-related taxes.

Insurance and security services decreased by Php45 million, or 6%, to Php717 million primarily due to lower insurance and bond premiums, partially offset by higher expenses on office security services and group health insurance premiums.

Communication, training and travel expenses increased by Php97 million, or 18%, to Php643 million mainly due to higher training and travel, and communication charges, and mailing and courier charges, partly offset by lower fuel consumption costs.

Asset impairment decreased by Php1,199 million, or 74%, to Php426 million mainly due to lower provision for uncollectible receivables, partly offset by fixed asset impairment on certain transmission facilities in 2014.

Amortization of intangible assets amounted to Php2 million in 2013.

Other expenses increased by Php108 million, or 16%, to Php780 million primarily due to higher various business and operational-related expenses.

Other Income

The following table summarizes the breakdown of our total fixed line-related other income (expenses) for the years ended December 31, 2014 and 2013:

	2014[1]	2013[1]	Change	
			Amount	%
		(in millions)		
Other Income (Expenses):				
Interest income	Php350	Php392	(Php42)	(11)
Equity share in net earnings (losses) of associates	63	(86)	149	(173)
Gains on derivative financial instruments – net	11	523	(512)	(98)
Foreign exchange losses – net	(39)	(1,503)	1,464	(97)
Financing costs – net	(3,724)	(3,390)	(334)	10
Other income – net	3,556	4,619	(1,063)	(23)
Total	Php217	Php555	(Php338)	(61)

[1] *Certain comparative information for 2014 and 2013 were reclassified to conform with the current presentation.*

Our fixed line business' other income amounted to Php217 million in 2014, a decrease of Php338 million, or 61%, from Php555 million in 2013 due to the combined effects of the following: (i) a decrease in other income by Php1,063 million due to gain on sale of Philweb shares in 2013 and lower gain on insurance claims, partially offset by higher gain on fair value adjustment on investment properties and gain on purchase price adjustment in relation with the acquisition of Digitel recognized in 2014; (ii) lower gain on derivative financial instruments by Php512 million due to narrower dollar and peso interest rate differentials in 2014 as compared with 2013, and losses on matured Euro/U.S. dollar forward purchase contracts due to the appreciation of the U.S. dollar relative to the Euro; (iii) higher financing costs by Php334 million mainly due to higher outstanding debt balance and the effect of the depreciation of the weighted average exchange rate of the Philippine peso to the U.S. dollar, partly offset by lower financing charges, lower average interest rate, and higher capitalized interest; (iv) a decrease in interest income by Php42 million due to lower weighted average peso and dollar interest rates, partly offset by higher amount of placements and the depreciation of the Philippine peso to the U.S. dollar; (v) lower foreign exchange losses by Php1,464 million on account of revaluation of net foreign currency-denominated liabilities due to lower level of depreciation of the Philippine peso relative to the U.S. dollar; and (vi) equity share in net earnings of associates of Php63 million in 2014 as against equity share in net losses of associates of Php86 million in 2013 mainly due the increase in the share of net earnings of Cignal TV.

Provision for (Benefit from) Income Tax

Provision for income tax amounted to Php2,818 million in 2014, an increase of Php3,516 million, from a tax benefit of Php698 million in 2013 primarily due to higher taxable income and the recognition of deferred tax assets in 2013. The effective tax rates for our fixed line business were 30% and negative 10% in 2014 and 2013, respectively.

Net Income

As a result of the foregoing, our fixed line business contributed a net income of Php6,722 million in 2014, a decrease of Php1,087 million, or 14%, as compared with Php7,809 million in 2013.

EBITDA

Our fixed line business' EBITDA increased by Php3,317 million, or 16%, to Php24,555 million in 2014 from Php21,238 million in 2013.

Core Income

Our fixed line business' core income decreased by Php2,370 million, or 26%, to Php6,691 million in 2014 from Php9,061 million in 2013, primarily as a result of higher provision for income tax, higher fixed line expenses and a decrease in other income, partially offset by higher fixed line revenues.

Others

Other Income

The following table summarizes the breakdown of other income for other business segment for the years ended December 31, 2014 and 2013:

	2014	2013	Change Amount	Change %
		(in millions)		
Other Income (Expenses):				
Equity share in net earnings of associates and joint ventures	Php3,789	Php2,882	Php907	31
Interest income	295	249	46	18
Foreign exchange gains – net	121	424	(303)	(71)
Financing costs-net	(60)	–	(60)	(100)
Gains (losses) on derivative financial instruments – net	(78)	6	(84)	(1,400)
Other income – net	1,544	36	1,508	4,189
Total	Php5,611	Php3,597	Php2,014	56

Other income increased by Php2,014 million, or 56%, to Php5,611 million in 2014 from Php3,597 million in 2013 primarily due to the combined effects of the following: (i) higher other income by Php1,508 million due to the realized portion of deferred gain on the transfer of Meralco shares; (ii) higher equity share in net earnings of associates by Php907 million mainly due to the increase in equity share in the net earnings of Beacon and Beta; (iii) an increase in interest income by Php46 million; (iv) increase in financing costs of Php60 million; (v) losses on derivative financial instruments of Php78 million in 2014 as against gains on derivative financial instruments of Php6 million in 2013; and (vi) decrease in net foreign exchange gains of Php303 million.

Net Income

As a result of the foregoing, our other business segment registered a net income of Php5,473 million, an increase of Php1,965 million, or 56%, in 2014 from Php3,508 million in 2013.

Core Income

Our other business segment's core income amounted to Php5,543 million in 2014, an increase of Php2,433 million, or 78%, as compared with Php3,110 million in 2013 mainly as a result of higher other income.

Plans and Prospects

We are the largest telecommunications company in the Philippines in terms of revenues and subscribers. We offer the broadest range of telecommunications services among all operators in the Philippines. We intend to reinforce our leading position in network quality and reach while offering a broader range and higher quality of products and services.

Our 2016 estimated consolidated capital expenditures is approximately Php43 billion, of which approximately Php29 billion is estimated to be spent by our wireless segment and approximately Php14 billion is estimated to be spent by our fixed line segment. Our wireless segment's capital spending is currently anticipated to focus on network quality improvement and capacity expansion, as well as building transmission capacity and resiliency. We also contemplate enhancing network and platforms infrastructure and systems to support solutions deployment, campaign analytics and service delivery to enable customized and targeted services, as well as to further expand mainstream services and integration with the PLDT Group core and transmission network to increase penetration to achieve greater business benefits from a closely synergized environment. Our fixed line segment's capital spending is currently intended principally to finance the facility roll-out and expansion of our domestic fiber optic network, cable fortification and resiliency in various locations and acquisition of new platforms to complement introduction of new products and services, as well as the expansion of our data center.

Our capital expenditure budget includes projects addressing the following objectives:

(1) Technical Objectives – these include the transformation of service delivery platform of the group in order to realize operating and cost efficiencies, the provision of greater resilience and redundancy for the network, as well as investments in additional cable systems;

(2) Commercial Objectives – these include the expansion of capacity and footprint of wired and wireless, as well as new platforms to expand service offerings; and

(3) IT/Support Systems – these include the upgrade of our IT and support systems.

Given the favorable state of our financial position, we expect to fund incremental capital expenditures from both debt and free cash flow.

Liquidity and Capital Resources

The following table shows our consolidated cash flows for the years ended December 31, 2015, 2014 and 2013 as well as our consolidated capitalization and other consolidated selected financial data as at December 31, 2015 and 2014:

	2015	2014	2013
		(in millions)	
Cash Flows			
Net cash flows from operations	Php69,744	Php66,015	Php73,763
Net cash used in investing activities	(39,238)	(51,686)	(21,045)
Capital expenditures	*43,175*	*34,759*	*28,838*
Net cash used in financing activities	(11,385)	(19,897)	(59,813)
Net increase (decrease) in cash and cash equivalents	19,796	(5,246)	(6,391)

	2015	2014
	(in millions)	
Capitalization		
Interest-bearing financial liabilities:		
Long-term financial liabilities:		
Long-term debt	Php143,982	Php115,399
Obligations under finance lease	–	1
	143,982	115,400
Current portion of interest-bearing financial liabilities:		
Long-term debt maturing within one year	16,910	14,724
Obligations under finance lease maturing within one year	1	5
	16,911	14,729
Total interest-bearing financial liabilities	160,893	130,129
Total equity attributable to equity holders of PLDT	113,608	134,364
	Php274,501	Php264,493
Other Selected Financial Data		
Total assets	Php455,095	Php436,295
Property and equipment	195,782	191,984
Cash and cash equivalents	46,455	26,659
Short-term investments	1,429	643

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

Our consolidated cash and cash equivalents and short-term investments totaled Php27,302 million as at December 31, 2014. Principal sources of consolidated cash and cash equivalents in 2014 were cash flows from operations amounting to Php66,015 million, proceeds from availment of long-term debt of Php41,329 million, dividends received of Php1,855 million, net proceeds from maturity and redemption of investment in debt securities of Php1,602 million, interest received of Php582 million and proceeds from disposal of property and equipment of Php253 million. These funds were used principally for: (1) dividend payments of Php39,900 million; (2) capital outlays, including capitalized interest, of Php34,759 million; (3) purchase of available-for-sale financial investments of Php19,711 million; (4) debt principal and interest payments of Php15,726 million and Php4,736 million, respectively; (5) settlement of derivative financial instruments of Php596 million; (6) deposit for future PDRs subscription of Php300 million; (7) investment in joint ventures and associates of Php300 million; and (8) payment for acquisition of shares of minority shareholders and purchase of investment in subsidiaries – net of cash acquired of Php202 million.

Operating Activities

Our consolidated net cash flows from operations increased by Php3,729 million, or 6%, to Php69,744 million in 2015 from Php66,015 million in 2014, primarily due to higher level of collection of outstanding receivables, lower level of settlement of accounts payable and lower corporate taxes paid, partially offset by lower operating income, settlement of LTIP in 2015, higher pension contribution and higher prepayments.

Our consolidated net cash flows from operations decreased by Php7,748 million, or 11%, to Php66,015 million in 2014 from Php73,763 million in 2013, primarily due to a lower level of collection of receivables, higher pension contribution and higher corporate taxes paid, partially offset by lower settlement of accounts payable and other liabilities, and higher prepayments.

Cash flows from operations of our wireless business decreased by Php2,965 million, or 6%, to Php46,919 million in 2015 from Php49,884 million in 2014 primarily due to lower operating income, settlement of LTIP in 2015, higher pension contribution and higher prepayments, partially offset by lower corporate taxes paid, lower level of settlement of accounts payable and higher level of collection of outstanding receivables. Cash flows from operations of our fixed line business increased by Php4,411 million, or 24%, to Php22,556 million in 2015 from Php18,145 million in 2014, primarily due to higher level of collection of accounts receivable, lower level of settlement of accounts payable and higher operating income, partially offset by the settlement of LTIP in 2015, higher pension contribution and higher level of settlement of other liabilities. Cash flows from operations of our other business amounted to Php740 million in 2015 as against cash flows used in operations of Php1,818 million in 2014 primarily due to higher level of collection of accounts receivables, lower settlement of accounts payable and higher operating income, partly offset by higher level of settlement of accrued expenses and other liabilities.

Cash flows provided by operations of our fixed line business decreased by Php11,724 million, or 39%, to Php18,145 million in 2014 from Php29,869 million in 2013, primarily due to a lower level of collection of accounts receivable and other receivables, higher pension contribution, higher prepayments and lower operating income, partially offset by lower level of settlement of accounts payable. Cash flows from operations of our wireless business decreased by Php717 million, or 1%, to Php49,884 million in 2014 from Php50,601 million in 2013, primarily due to lower operating income and lower level of collection of outstanding receivables, partially offset by lower level of settlement of accounts payable and other liabilities, and lower pension contribution. Cash flows used in operations of our other business amounted to Php1,818 million in 2014 as against cash flows from operations of Php3,155 million in 2013, primarily due to collection of receivables and lower level of settlement of accounts payable in 2013.

Investing Activities

Consolidated net cash flows used in investing activities amounted to Php39,238 million in 2015, a decrease of Php12,448 million, or 24%, from Php51,686 million in 2014, primarily due to the combined effects of the following: (1) lower purchase of available-for-sale financial investments by Php18,786 million; (2) higher dividends received by Php3,689 million; (3) higher interest received by Php357 million; (4) higher capital expenditures by Php8,416 million; (5) net proceeds from redemption of investment in debt securities by Php1,310 million; (6) higher payment for purchase of investment in joint ventures and associates by Php974 million; and (7) higher payment for purchase of short-term investments by Php806 million.

Consolidated net cash flows used in investing activities increased by Php30,641 million, or 146%, to Php51,686 million in 2014 from Php21,045 million in 2013, primarily due to the combined effects of the following: (1) higher purchase of available-for-sale financial investments of Php19,695 million mainly due to our investment in Rocket in 2014 (see related discussion in Other Information); (2) net proceeds from disposal of investments, including sale of Philweb shares, of Php14,370 million in 2013; (3) the increase in capital expenditures by Php5,921 million; (4) higher net proceeds from maturity and redemption of investment in debt securities of Php3,648 million; (5) higher payment for acquisition of shares of minority shareholders and purchase of investment in subsidiaries – net of cash acquired of Php196 million; (6) lower interest received by Php263 million; (7) higher dividends received by Php1,417 million; and (8) a decrease in payment for deposit for future PDRs subscription of Php5,250 million.

Our consolidated capital expenditures, including capitalized interest, in 2015 totaled Php43,175 million, an increase of Php8,416 million, or 24%, as compared with Php34,759 million in 2014, primarily due to Smart Group's and PLDT's higher capital spending. Smart Group's capital spending, which increased by Php7,919 million, or 36%, to Php30,043 million in 2015 from Php22,124 million in 2014, primarily focuses on expanding coverage and reach, as well as service enhancement. PLDT's capital spending, which increased by Php562 million, or 5%, to Php11,259 million in 2015 from Php10,697 million in 2014, was principally used to finance the facility roll-out and expansion of our domestic fiber optic network, cable fortification and resiliency in various locations and acquisition of new platforms to complement introduction of new products and services. The balance represented other subsidiaries' capital spending.

Our consolidated capital expenditures, including capitalized interest, in 2014 totaled Php34,759 million, an increase of Php5,921 million, or 21%, as compared with Php28,838 million in 2013, primarily due to Smart Group's higher capital spending, partially offset by PLDT's and DMPI's lower capital spending. PLDT's capital spending of Php10,697 million in 2014 was principally used to finance the full public switched telephone network migration, aggressive FTTH and NGN roll-out and expansion, outside plant rehabilitation, build and upgrade of various submarine cable facilities, fortification of transport backbone, expansion of access fiber and acquisition of various equipment for installation at customer premises to complement introduction of new products and services. Smart Group's capital spending of Php22,124 million in 2014 was used primarily to modernize and expand its 3G and 4G cellular and mobile broadband networks, including the roll-out of its LTE network, as well as to purchase additional equipment for installation at customer premises for the fixed wireless broadband business. DMPI's capital spending of Php917 million in 2014 was intended principally to finance the continued upgrade of its core and transmission network to increase penetration, particularly in provincial areas. As at December 31, 2014, we had a total of 26,242 cellular/broadband base stations, including 11,083 active 4G/HSPA+/LTE-base stations. The balance represented other subsidiaries' capital spending.

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

Financing Activities

On a consolidated basis, net cash flows used in financing activities amounted to Php11,385 million in 2015, a decrease of Php8,512 million, or 43%, from Php19,897 million in 2014, resulting largely from the combined effects of the following: (1) lower cash dividend payments by Php7,368 million; (2) higher proceeds from availment of long-term debt by Php3,038 million; (3) net additions to capital expenditures under long-term financing by Php395 million; (4) higher net payments of long-term debt by Php1,358 million; (5) higher interest payments by Php671 million; and (6) proceeds from issuance of capital stock of Php166 million in 2014.

On a consolidated basis, cash flows used in financing activities amounted to Php19,897 million in 2014, a decrease of Php39,916 million, or 67%, from Php59,813 million in 2013, resulting largely from the combined effects of the following: (1) lower net payments of long-term debt by Php41,307 million; (2) higher proceeds from availment of long-term debt by Php1,531 million; (3) lower interest payment by Php223 million; (4) higher cash dividend payments of Php2,096 million; (5) net reductions to capital expenditures under long-term financing by Php952 million; and (6) settlement of derivative financial instruments of Php143 million.

Debt Financing

Proceeds from availment of long-term debt for the year ended December 31, 2015 amounted to Php44,367 million, mainly from PLDT's and Smart's drawings related to the financing of our capital expenditure requirements and refinancing maturing loan obligations. Payments of principal and interest on our total debt amounted to Php17,084 million and Php5,407 million, respectively, for the year ended December 31, 2015.

Proceeds from availment of long-term debt for the year ended December 31, 2014 amounted to Php41,329 million, mainly from PLDT's and Smart's drawings related to the financing of our capital expenditure requirements and maturing loan obligations. Payments of principal and interest on our total debt amounted to Php15,726 million and Php4,736 million, respectively, for the year ended December 31, 2014.

Our consolidated long-term debt increased by Php30,769 million, or 24%, to Php160,892 million as at December 31, 2015 from Php130,123 million as at December 31, 2014 primarily due to drawings from our term loan facilities and the effect of the depreciation of the Philippine peso relative to the U.S. dollar to Php47.12 as at December 31, 2015 from Php44.74 as at December 31, 2014, partially offset by debt amortizations and prepayments. As at December 31, 2015, the long-term debt levels of PLDT and Smart increased by 19% and 45% to Php94,124 million and Php61,864 million, respectively, while DMPI's long-term debt level decreased by 43% to Php4,904 million, as compared with December 31, 2014.

Our consolidated long-term debt increased by Php26,033 million, or 25%, to Php130,123 million as at December 31, 2014 from Php104,090 million as at December 31, 2013, primarily due to our issuance of Php15 billion fixed rate retail bonds in 2014, drawings from our term loan facilities and the effect of the depreciation of the Philippine peso relative to the U.S. dollar to Php44.74 as at December 31, 2014 from Php44.40 as at December 31, 2013, partially offset by debt amortizations and prepayments. As at December 31, 2014, the long-term debt levels of PLDT and Smart increased by 38% and 20%, to Php78,812 million and Php42,730 million, respectively, while DMPI's long-term debt level decreased by 25%, to Php8,581 million, as compared with December 31, 2013.

For details on our long-term debt, see *Note 21 – Interest-bearing Financial Liabilities – Long-term Debt* to the accompanying audited consolidated financial statements.

Debt Covenants

Our debt instruments contain restrictive covenants, including covenants that require us to comply with specified financial ratios and other financial tests, calculated in conformity with PFRS, at relevant measurement dates, principally at the end of each quarterly period. We have complied with all of our maintenance financial ratios as required under our loan covenants and other debt instruments. Furthermore, certain of DMPI's debt instruments contain provisions wherein DMPI may be declared in default in case of a change in control in DMPI.

As at December 31, 2015 and 2014, we are in compliance with all of our debt covenants.

See *Note 21 – Interest-bearing Financial Liabilities – Debt Covenants* to the accompanying audited 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 common and preferred shareholders from the earnings for the years ended December 31, 2015 and 2014:

	Date			Amount	
Earnings	Approved	Record	Payable	Per share	Total Declared
				(in millions, except per share amount)	
2015					
Common					
Regular Dividend	August 4, 2015	August 27, 2015	September 25, 2015[1]	65.00	Php14,044
	February 29, 2016	March 14, 2016	April 1, 2016	57.00	12,315
Preferred					
10% Cumulative Convertible Preferred Stock	May 5, 2015	May 19, 2015	May 30, 2015	1.00	–
Series IV Cumulative Non-convertible Redeemable Preferred Stock[2]	Various	Various	Various	–	49
Voting Preferred Stock	Various	Various	Various	–	10
Charged to Retained Earnings					26,418
2014					
Common					
Regular Dividend	August 5, 2014	August 28, 2014	September 26, 2014	69.00	14,908
	March 3, 2015	March 17, 2015	April 16, 2015	61.00	13,179
Special Dividend	March 3, 2015	March 17, 2015	April 16, 2015	26.00	5,618
Preferred					
Series IV Cumulative Non-convertible Redeemable Preferred Stock[1]	Various	Various	Various	–	49
10% Cumulative Convertible Preferred Stock	Various	Various	Various	1.00	–
Voting Preferred Stock	Various	Various	Various	–	10
Charged to Retained Earnings					Php33,764

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

See Item 5. "Market for Registrant's Common Equity and Related Stockholder Matters – Dividends" and *Note 20 – Equity* to the accompanying audited consolidated financial statements for a detailed discussion of our dividend payments.

Credit Ratings

None of our existing indebtedness contains provisions under which credit rating downgrades would trigger a default, changes in applicable interest rates or other similar terms and conditions.

PLDT's current credit ratings are as follows:

Rating Agency	Credit Rating		Outlook
Standard & Poor's Ratings Services, or S&P	Long-term Foreign Issuer Credit	BBB+	Stable
	ASEAN regional scale	axA+	
Moody's Investor Service, or Moody's	Foreign Currency Senior Unsecured Debt Rating	Baa2	Stable
	Local Currency Issuer Rating	Baa2	Stable
Fitch Ratings, or Fitch	Long-term Foreign Currency Issuer Default Rating	BBB	Stable
	Long-term Local Currency Issuer Default Rating	BBB+	Stable
	National Long-term Rating	AAA(ph1)	Stable
CRISP	Issuer rating	AAA	Stable

On May 25, 2015, S&P affirmed our long-term foreign issuer credit rating at “BBB+”, with a stable outlook. This rating is considered as “investment grade.” On the S&P Asean regional scale, PLDT’s rating affirmed at “axA+”.

On August 18, 2015, Moody’s affirmed PLDT’s foreign currency bond rating and local currency issuer rating at “Baa2”. Both ratings are considered “investment grade.” The outlook in both ratings is stable.

On October 1, 2015, Fitch affirmed PLDT’s long-term foreign currency issuer default rating and senior notes at “BBB” but downgraded PLDT’s long-term local currency issuer default rating to”BBB+” from “A-”. These ratings are considered “investment grade”. Also, our national long-term rating has been affirmed at “AAA(phl)”. The outlook is stable. The ratings reflect PLDT’s market leadership position in the Philippine telecommunications industry across the wireless, fixed line and broadband segments.

On January 6, 2014, CRISP rated PLDT’s inaugural peso retail bonds as “AAA” issuer rating with a “stable” outlook, the highest on the scale. CRISP cited PLDT’s dominant market leadership, strong historical financial performance and excellent management and governance as key considerations for providing their rating.

Off-Balance Sheet Arrangements

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

Equity Financing

On August 5, 2014, the PLDT Board of Directors approved an amendment to our dividend policy, increasing the dividend payout rate to 75% from 70% of our core earnings per share as regular dividends. 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. Further, 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 or share buybacks. We were able to pay out approximately 100% of our core earnings for seven consecutive years from 2007 to 2013 and approximately 90% of our core earnings for 2014. In 2015, we were able to pay out dividends of approximately 75% of our core earnings. The accumulated equity in the net earnings of our subsidiaries, which form part of our retained earnings, is 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, which acts as the dividend-disbursing agent, converts the Philippine peso dividends into U.S. dollars at the prevailing exchange rates and remits the dollar dividends abroad, net of any applicable withholding tax.

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

Consolidated cash dividend payments in 2015 amounted to Php32,532 million as compared with Php39,900 million paid to shareholders in 2014.

Market Information

As at January 31, 2016, 10,327 stockholders were Philippine persons and held approximately 48.94% of PLDT’s common capital stock. In addition, as at January 31, 2016, there were a total of approximately 40 million ADSs outstanding, substantially all of which PLDT believes were held in the United States by 285 holders.

For the period from January 1 to 31, 2016, a total of 2.7 million shares of PLDT's common capital stock were traded on the PSE. During the same period, the volume of trading was 1.6 million ADSs on the NYSE.

High and low sales prices for PLDT's common shares on the PSE and ADSs on the NYSE for each of the full quarterly period during 2015 and 2014 and for the first two months of 2016 were as follows:

	Philippine Stock Exchange		New York Stock Exchange	
	High	Low	High	Low
2016				
First Quarter	Php2,360.00	Php1,675.00	Php50.48	Php35.52
January	2,220.00	1,886.00	47.07	38.72
February	2,360.00	1,830.00	50.48	38.23
March (March 1 to 16, 2016)	1,985.00	1,675.00	40.70	35.52
2015				
First Quarter	3,214.00	2,780.00	72.93	60.95
Second Quarter	2,984.00	2,748.00	66.48	61.21
Third Quarter	2,950.00	2,168.00	68.00	45.46
Fourth Quarter	2,430.00	1,959.00	50.86	39.70
2014				
First Quarter	2,826.00	2,604.00	63.63	56.88
Second Quarter	3,000.00	2,716.00	68.08	60.54
Third Quarter	3,486.00	2,950.00	79.04	66.85
Fourth Quarter	3,292.00	2,748.00	72.40	61.18

Holders

As at January 31, 2016, there were 11,829 holders of record of PLDT's common shares. Listed below were the top 20 common shareholders, including their nationalities, the number of shares held, the amount of their holdings, and the approximate percentages of their respective shareholdings to PLDT's total outstanding common stocks:

	Name of Holder of Record	Nationality	Number of Shares Held	Amount of Holding	Approximate % to Total Outstanding Common Stock
1.	PCD Nominee Corporation	Various – Foreign	37,190,953	185,954,765	
		Various – Filipino	28,875,738	144,378,690	30.58
2.	J. P. Morgan Hong Kong Nominees Limited	Chinese	37,007,218	185,036,090	17.13
3.	Philippine Telecommunications Investment Corporation	Filipino	26,034,263	130,171,315	12.05
4.	NTT DOCOMO, Inc.	Japanese	22,796,902	113,984,510	10.55
5.	Metro Pacific Resources, Inc.	Filipino	21,556,676	107,783,380	9.98
6.	JG Summit Holdings, Inc.	Filipino	17,208,753	86,043,765	7.96
7.	NTT Communications Corporation	Japanese	12,633,487	63,167,435	5.85
8.	Social Security System, or SSS	Filipino	8,338,379	41,691,895	3.86
9.	Pan-Malayan Management & Inv Corp.	Filipino	640,000	3,200,000	0.30
10.	Malayan Insurance Co., Inc.	Filipino	253,000	1,265,000	0.12
11.	Manuel V. Pangilinan	Filipino	246,450	1,232,250	0.11
12.	Albert F. &/or Margaret Gretchen V. del Rosario	Filipino	206,789	1,033,945	0.10
13.	Alfonso T. Yuchengco	Filipino	118,458	592,290	0.05
14.	Edward A. Tortorici &/or Anita R. Tortorici	American	96,874	484,370	0.04
15.	Express Holdings, Inc.	Filipino	86,723	433,615	0.04
16.	Enrique T. Yuchengco, Inc.	Filipino	59,868	299,340	0.03
17.	James L. Go	Filipino	57,914	289,570	0.03
18.	JDC Investment Realty Enterprises, Inc.	Filipino	47,708	238,540	0.02
19.	Hare & Company	American	34,511	172,555	0.02
20.	Sze Ye Se	Filipino	30,000	150,000	0.01
			213,520,664	Php1,067,603,320	

Dividends

The following table shows the dividends declared to common shareholders from the earnings for the years ended December 31, 2013, 2014 and 2015:

	Date			Amount	
Earnings	Approved	Record	Payable	Per share	Total Declared
2013	August 7, 2013	August 30, 2013	September 27, 2013	Php63	Php13,611
2013	March 4, 2014	March 18, 2014	April 16, 2014	62	13,395
2013	March 4, 2014	March 18, 2014	April 16, 2014	54	11,667
				179	38,673
2014	August 5, 2014	August 28, 2014	September 26, 2014	69	14,908
2014	March 3, 2015	March 17, 2015	April 16, 2015	61	13,179
2014	March 3, 2015	March 17, 2015	April 16, 2015	26	5,618
				156	33,705
2015	August 4, 2015	August 27, 2015	September 25, 2015[1]	65	14,044
2015	February 29, 2016	March 14, 2016	April 1, 2016	57	12,315
				Php122	Php26,359

[1] *Payment was moved to September 28, 2015 in view of Proclamation No. 1128, Series of 2015, dated September 15, 2015 declaring September 25, 2015 as a regular holiday.*

Contractual Obligations and Commercial Commitments

Contractual Obligations

For a detailed discussion of our consolidated contractual undiscounted obligations as at December 31, 2015 and 2014, see *Note 28 – Financial Assets and Liabilities* to the accompanying audited consolidated financial statements.

Commercial Commitments

Our outstanding consolidated commercial commitments, in the form of letters of credit, amounted to Php46 million and Php32 million as at December 31, 2015 and 2014, respectively. These commitments will expire within one year.

Quantitative and Qualitative Disclosures about Market Risks

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

For further discussions of these risks, see *Note 28 – Financial Assets and Liabilities* to the accompanying audited consolidated financial statements.

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 in 2015 and 2014 was 1.4% and 4.1%, respectively. Moving forward, we currently expect inflation to remain low, which may have an impact on our operations.

Information on Independent Auditors and Other Related Matters

Independent Auditors' Fees and Services

The following table summarizes the fees paid or accrued for services rendered by SGV & Co., our independent auditors for the years ended December 31, 2015 and 2014:

	2015	2014
	(in millions)	
Audit Fees	Php42	Php42
All Other Fees	18	21
Total	Php60	Php63

Audit Fees. This category includes the audit of our annual financial statements and services that are normally provided by the independent auditors in connection with statutory and regulatory filings or engagements for those fiscal years. This category also includes advice on audit and accounting matters that arose during, or as a result of the audit of interim financial statements.

Audit-Related Fees. Other than the audit fees, we did not have any other audit-related fees for the years ended December 31, 2015 and 2014.

Tax Fees. We did not have any tax fees for the years ended December 31, 2015 and 2014.

All Other Fees. This category consists primarily of fees with respect to our Sarbanes-Oxley Act 404 assessment in 2015 and 2014, and educational training regarding transition to the 2013 Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2014, and other non-audit engagements.

The fees presented above includes out-of-pocket expenses incidental to our independent auditors' work, amount of which do not exceed 5% of the agreed-upon engagement fees.

Our Audit Committee pre-approved all audit and non-audit services as these are proposed or endorsed before these services are performed by our independent auditors.

Changes in and Disagreements with Independent Auditors on Accounting and Financial Disclosure

We have no disagreements with our independent auditors on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

PHILIPPINE LONG DISTANCE TELEPHONE COMPANY AND SUBSIDIARIES
Schedule A. Financial Assets
December 31, 2015

Name of Issuing Entity and Association of Each Issue	Number of Shares	Amount Shown in the Balance Sheet	Valued Based on Market Quotation at Balance Sheet Date	Income Received and Accrued
		(In millions)		
Available-for-sale financial investments				
Listed equity securities	various	Php14,695	Php–	Php–
Others	various	1,016	N/A	–
	–	**Php15,711**	**N/A**	**Php–**

PHILIPPINE LONG DISTANCE TELEPHONE COMPANY AND SUBSIDIARIES
Schedule C. Amounts Receivable from Related Parties which are eliminated during the consolidation of Financial Statements
December 31, 2015

	December 31, 2014	Additions	Collections	December 31, 2015
		(In Millions)		
BayanTrade	Php3	Php8	(Php10)	Php1
Bonifacio Communications Corporation	10	70	(75)	5
Chikka Holdings Limited	1	15	(14)	2
Curo Teknika, Inc.	1	8	(9)	–
Datelco Global Communications, Inc.	–	–	–	–
Digital Telecommunications Phils., Inc.	32,335	1,036	(1,104)	32,267
Digitel Mobile Philippines, Inc.	355	3,963	(3,963)	355
eInnovations Holdings	–	6	(2)	4
ePay Investments Pte. Ltd.	–	2	–	2
ePDS, Inc.	6	2	(1)	7
ePLDT, Inc.	1,164	1,416	(1,242)	1,338
iCommerce Pte. Ltd.	–	3	(1)	2
I-Contacts Corporation	3	33	(33)	3
IP Converge Data Services, Inc.	6	65	(61)	10
PLDT-Maratel, Inc.	135	168	(202)	101
Metro Kidapawan Telephone Corporation	1	–	(1)	–
Pacific Global One Aviation Co., Inc.	491	53	(17)	527
PGNL Canada	5	–	(5)	–
PGNL (ROHQ) Phils.	5	23	(22)	6
PGNL US	5	–	(5)	–
Philcom Corporation	1,653	186	(48)	1,791
Philippine Long Distance Telephone Company	1,336	10,319	(10,948)	707
Pilipinas Global Network Limited	66	2	(68)	–
PLDT (HK) Limited	13	6	(1)	18
PLDT (SG) Retail Service Pte. Ltd.	–	5	(2)	3
PLDT (SG) Pte Ltd	8	3	(6)	5
PLDT (US) Limited	–	17	(13)	4
PLDT-ClarkTel	28	232	(37)	223
PLDT Digital Investments Pte. Ltd.	125	1,157	(10)	1,272
PLDT Global Corporation	755	80	(77)	758
PLDT Malaysia Sdn. Bhd	1	–	–	1
PLDT Online Investments Pte. Ltd	2	(2)	(2)	(2)
SmartBroadband, Inc.	260	728	(583)	405
Smart Communications, Inc.	15,307	25,355	(26,977)	13,685
SmartHub Incorporated	23	61	(59)	25
PLDT Subic Telecom, Inc.	14	152	(44)	122
Voyager Innovations, Inc.	–	3	(3)	–
	Php54,117	Php45,175	(Php45,645)	Php53,647

All receivables eliminated during the consolidation of financial statements are classified as current. There were no receivables written off during the year.

PHILIPPINE LONG DISTANCE TELEPHONE COMPANY AND SUBSIDIARIES
Schedule D. Goodwill and Intangible Assets
December 31, 2015

Description	Beginning Balances(1)	Additions At Cost	Charged to Cost and Expenses(2)	Charged to Other Accounts	Other Changes Additions (Deductions)	Ending Balance
			(In Millions)			
Intangible Assets with definite life						
Customer list	Php2,978	Php–	(Php510)	Php–	–	Php2,468
Franchise	2,427	–	(186)	–	–	2,241
Spectrum	375	–	(81)	–	–	294
Licenses	327	107	(279)	–	–	155
Others	66	15	(20)	–	–	61
Intangible Assets with indefinite life						
Trademark	4,505	–	–	–	–	4,505
	10,678	122	(1,076)	–	–	9,724
Goodwill	62,164	229	–	–	–	62,393
	Php72,842	Php351	(Php1,076)	Php–	Php–	Php72,117

(1) Net of accumulated amortization.
(2) Represents amortization of intangible assets.

PHILIPPINE LONG DISTANCE TELEPHONE COMPANY AND SUBSIDIARIES
Schedule E. Interest-bearing Financial Liabilities
December 31, 2015

Name of Issuer and Type of Obligation	Total Outstanding Balance	Amount shown as Current		Amount shown as Non-Current	
		Gross Amount	Debt Discount/ Debt Issuance Cost	Gross Amount	Debt Discount/ Debt Issuance Cost
		(In Millions)			
U.S. Dollar Debts:					
Export Credit Agencies-Supported Loans:					
China Export and Credit Insurance Corporation, or Sinosure					
ING Bank US$23.778M	Php160	Php160	–	Php–	Php–
ING Bank US$5.499M	37	37	–	–	–
ING Bank US$4.928M	33	33	–	–	–
China CITIC Bank US$49.908M	639	319	–	320	–
HSBC and China Development Bank US$117.306M	1,615	731	–	884	–
	2,484	1,280	–	1,204	–
Exportkreditnamnden, or EKN					
ING Bank Societe Generale and Calyon US$59.177M	477	318	–	159	–
ING Bank Societe Generale and Calyon US$51.155M	415	276	–	139	–
SEK Nordea US$45.5M	1,345	428	(16)	949	(16)
SEK Nordea US$49M	674	461	(7)	222	(2)
	2,911	1,483	(23)	1,469	(18)
EKN and AB Svensk Exportkredit, or SEK					
Nordea Bank and ING Bank N.V. – US$96.6M	1,528	550	–	978	–
	1,528	550	–	978	–

Name of Issuer and Type of Obligation	Total Outstanding Balance	Amount shown as Current		Amount shown as Non-Current	
		Gross Amount	Debt Discount/ Debt Issuance Cost	Gross Amount	Debt Discount/ Debt Issuance Cost
	(In Millions)				
Fixed Rate Notes:					
Deutsche Bank – US$300M Notes Due 2017 (8.35%)	10,733	–	(24)	10,761	(4)
	10,733	–	(24)	10,761	(4)
Term Loans:					
GSM Network Expansion Facility					
The Bank of Tokyo-Mitsubishi UFJ, Ltd. US$60M	353	353	–	–	–
Finnish Export Credit Plc US$50M	588	589	(1)	–	–
The Bank of Tokyo-Mitsubishi UFJ, Ltd. US$50M	781	524	(4)	262	(1)
	1,722	1,466	(5)	262	(1)
Others:					
The Bank of Tokyo-Mitsubishi UFJ, Ltd. US$200M	9,320	–	(32)	9,423	(71)
Mizuho Bank Ltd. SG, Branch US $200M	9,300	2,094	(49)	7,330	(75)
The Bank of Tokyo-Mitsubishi UFJ, Ltd. US$50M	833	338	(7)	506	(4)
Sumitomo Mitsui Banking Corporation Facility US$120M	3,501	1,414	(20)	2,120	(13)
Chinabank US$80M	1,885	754	–	1,131	–
Chinabank US$35M	825	330	–	495	–
The Bank of Tokyo-Mitsubishi UFJ, Ltd. US$100M	3,625	1,047	(20)	2,618	(20)
Mizuho Bank Ltd. SG, Branch US $50M	1,813	523	(9)	1,309	(10)
Philippine National Bank US$100M	4,665	47	–	4,618	–
Metrobank US$50M	2,344	23	–	2,321	–
The Bank of Tokyo-Mitsubishi UFJ, Ltd. US$300M	7,853	3,141	–	4,712	–
The Bank of Tokyo-Mitsubishi UFJ, Ltd. US$150M	2,356	1,571	–	785	–
Mizuho Bank Ltd. SG, Branch Unamortized debt discount	(78)	–	(78)	–	–
	48,242	11,282	(215)	37,368	(193)
Philippine Peso Debts:					
Corporate Notes:					
Smart Fixed Rate Corporate Notes (2012) Php5.5B	3,966	41	(5)	3,946	(16)
PLDT Fixed Rate Corporate Notes (2012) Php1.5B	291	3	–	288	–
PLDT Fixed Rate Corporate Notes (2012) Php8.8B	6,543	68	–	6,475	–
PLDT Fixed Rate Corporate Notes (2012) Php6.2B	6,014	62	–	5,952	–
Smart Fixed Rate Corporate Notes (2013) Php1.376B	1,349	14	–	1,335	–
PLDT Fixed Rate Corporate Notes (2013) Php2.055B	1,993	20	–	1,973	–
PLDT Fixed Rate Corporate Notes (2013) Php1.188B	1,164	12	–	1,152	–
	21,320	220	(5)	21,121	(16)

Name of Issuer and Type of Obligation	Total Outstanding Balance	Amount shown as Current		Amount shown as Non-Current	
		Gross Amount	Debt Discount/ Debt Issuance Cost	Gross Amount	Debt Discount/ Debt Issuance Cost
			(In Millions)		
Fixed Rate Retail Bonds:					
Php15B Fixed Rate Retail Bonds	14,883	(19)		15,000	(98)
	14,883	(19)		15,000	(98)
Term Loans:					
Unsecured Term Loans					
BDO Unibank, Inc. 500M	495	5	–	490	–
Land Bank of the Philippines 500M	495	5	–	490	–
China Banking Corporation P7B	1,000	143	–	857	–
Metropolitan Bank and Trust Corporation Php5B	5,000	50	–	4,950	–
Bank of the Philippine Islands Php5B	5,000	50	–	4,950	–
Metropolitan Bank and Trust Corporation Php5B	5,000	50	–	4,950	–
Metropolitan Bank and Trust Corporation Php5B	4,975	50	(2)	4,950	(23)
Bank of the Philippine Islands Php3B	3,000	30	–	2,970	–
Land Bank of the Philippines Php3B	2,910	30	–	2,880	–
Land Bank of the Philippines Php2B	1,940	20	–	1,920	–
Bank of the Philippine Islands Php2B	1,960	20	–	1,940	–
Philippine American Life and General Insurance Php1B	1,000	–	–	1,000	–
Metropolitan Bank and Trust Corporation Php3B	2,391	300	(2)	2,100	(7)
Union Bank of the Philippines Php1B	980	10	–	970	–
Bank of the Philippine Islands Php3B	2,929	30	(2)	2,910	(9)
Bank of the Philippine Islands Php2B	2,000	20	–	1,980	–
Rizal Commercial Banking Corporation Php2B	2,000	–	–	2,000	–
Land Bank of the Philippines Php3B	2,959	30	(2)	2,940	(9)
Land Bank of the Philippines Php3B	2,910	30	–	2,880	–
Land Bank of the Philippines Php1B	970	10	–	960	–
Manufacturers Life Insurance Co. (Phils.), Inc. Php200M	200	–	–	200	–
Philippine American Life and General Insurance Company Php1B	1,000	–	–	1,000	–
Land Bank of the Philippines P1B	990	10	–	980	–
Union Bank of the Philippines P2B	1,980	20	–	1,960	–
Philippine American Life and General Insurance Company Php1.5B	1,500	–	–	1,500	–
Union Bank of the Philippines Php1.5B	1,485	15	–	1,470	–
	57,069	928	(8)	56,197	(48)
Total Long-Term Debt	160,892	17,209	(299)	144,360	(378)
Obligations under Finance Lease	1	1	–	–	–
Total Debt	160,893	17,210	(299)	144,360	(378)

PHILIPPINE LONG DISTANCE TELEPHONE COMPANY
Schedule H. Capital Stock
December 31, 2015

Title of Issue	Number of Shares Authorized	Number of Shares Issued And Outstanding	Number of Shares Reserved For Options, Warrants, Conversion and Other Rights	Number of Shares Held By Related Parties	Directors and Executive Officers(1)	Others
			(In Millions)			
Preferred Stock	538	186	–	186	–	–
Non-Voting Preferred Stock (Php10 par value)	388	36	–	36	–	–
Cumulative Convertible Series HH to II	88	–		–	–	–
Cumulative Nonconvertible Series IV	300	300[(3)]		300(3)	–	–
Voting Preferred Stock(Php1 par value)	150	150		150	–	–
Common Stock (Php5 par value)	234	216	–	99(2)	–	117

[(1)] *Consists of 396,524 common shares directly and indirectly owned by directors and executive officers as at January 31, 2016.*
[(2)] *Represents 25.57% beneficial ownership of First Pacific Group and its Philippine affiliates, and 20% beneficial ownership of NTT Group in PLDT's outstanding shares.*
[(3)] *Includes 300,000,000 shares subscribed for Php3,000,000,000, of which Php360,000,000 has been paid.*

PHILIPPINE LONG DISTANCE TELEPHONE COMPANY
Schedule I. Schedule of all the Effective Standards and Interpretations
December 31, 2015

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS (Effective as of December 31, 2015)		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		X		
	PFRSs Practice Statement Management Commentary		X	
	Philippine Financial Reporting Standards			
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards	X		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	X		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	X		X
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	X		X
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	X		X
	Amendments to PFRS 1: Government Loans	X		X
PFRS 2	Share-based Payment	X		X
	Amendments to PFRS 2: Vesting Conditions and Cancellations	X		X
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	X		X
PFRS 3	Business Combinations	X		
PFRS 4	Insurance Contracts	X		X
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	X		X
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	X		
PFRS 6	Exploration for and Evaluation of Mineral Resources	X		X
PFRS 7	Financial Instruments: Disclosures	X		
	Amendments to PFRS 7: Transition	X		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	X		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	X		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	X		
	Amendments to PFRS 7: Disclosures – Transfers of Financial Assets	X		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	X		
PFRS 8	Operating Segments	X		
PFRS 9	Financial Instruments (2014 version)*		X	
PFRS 10	Consolidated Financial Statements	X		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS (Effective as of December 31, 2015)		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 10: Consolidated Financial Statements – Investment Entities	X		
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception*		X	
PFRS 11	Joint Arrangements	X		
	Amendments to PFRS 11: Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*		X	
PFRS 12	Disclosure of Interests in Other Entities	X		
	Amendments to PFRS 12: Disclosure of Interest in Other Entities – Investment Entities	X		
	Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception*		X	
PFRS 13	Fair Value Measurement	X		
PFRS 14	Regulatory Deferral Accounts*		X	X
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	X		
	Amendment to PAS 1: Capital Disclosures	X		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	X		X
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	X		
PAS 2	Inventories	X		
PAS 7	Statement of Cash Flows	X		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	X		
PAS 10	Events after the Reporting Period	X		
PAS 11	Construction Contracts	X		X
PAS 12	Income Taxes	X		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	X		
PAS 16	Property, Plant and Equipment	X		
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation*		X	
	Amendments to PAS 16: Bearer Plants*		X	X
PAS 17	Leases	X		
PAS 18	Revenue	X		
PAS 19	Employee Benefits	X		
	Amendments to PAS 19: Employee Benefits – Defined Benefit Plans: Employee Contributions	X		X
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance	X		X
PAS 21	The Effects of Changes in Foreign Exchange Rates	X		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS (Effective as of December 31, 2015)		Adopted	Not Adopted	Not Applicable
	Amendment: Net Investment in a Foreign Operation	X		
PAS 23	Borrowing Costs	X		
PAS 24	Related Party Disclosures	X		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	X		X
PAS 27	Separate Financial Statements	X		
	Amendments to PAS 27: Separate Financial Statements – Investment Entities	X		
	Amendments to PAS 27: Equity Method in Separate Financial Statements*		X	
PAS 28	Investments in Associates and Joint Ventures	X		
	Amendments to PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*		X	
	Amendments to PAS 28: Investment Entities: Applying the Consolidation Exception*		X	
PAS 29	Financial Reporting in Hyperinflationary Economies	X		X
PAS 32	Financial Instruments: Disclosure and Presentation	X		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	X		X
	Amendment to PAS 32: Classification of Rights Issues	X		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	X		
PAS 33	Earnings per Share	X		
PAS 34	Interim Financial Reporting	X		X
PAS 36	Impairment of Assets	X		
	Amendments to PAS 36: Recoverable Amount of Disclosures for Non-Financial Assets	X		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	X		
PAS 38	Intangible Assets	X		
	Amendments to PAS 38: Clarification of Acceptable Methods of Amortization*		X	
PAS 39	Financial Instruments: Recognition and Measurement	X		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	X		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	X		
	Amendments to PAS 39: The Fair Value Option	X		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	X		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	X		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS (Effective as of December 31, 2015)		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	X		
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives	X		
	Amendment to PAS 39: Eligible Hedged Items	X		
	Amendments to PAS 39: Financial Instruments – Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting	X		
PAS 40	Investment Property	X		
PAS 41	Agriculture	X		X
	Amendments to PAS 41: Bearer Plants*		X	X
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	X		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments	X		X
IFRIC 4	Determining Whether an Arrangement Contains a Lease	X		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	X		X
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	X		X
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies	X		X
IFRIC 9	Reassessment of Embedded Derivatives	X		
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives	X		
IFRIC 10	Interim Financial Reporting and Impairment	X		X
IFRIC 12	Service Concession Arrangements	X		X
IFRIC 13	Customer Loyalty Programmes	X		
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	X		X
	Amendments to Philippine Interpretations IFRIC 14, Prepayments of a Minimum Funding Requirement	X		X
IFRIC 15	Agreement for the Construction of Real Estate*		X	X
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	X		X
IFRIC 17	Distributions of Non-cash Assets to Owners	X		X
IFRIC 18	Transfers of Assets from Customers	X		X
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	X		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	X		X
IFRIC 21	Levies	X		
SIC-7	Introduction of the Euro	X		X

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS (Effective as of December 31, 2015)		Adopted	Not Adopted	Not Applicable
SIC-10	Government Assistance - No Specific Relation to Operating Activities	X		X
SIC-15	Operating Leases - Incentives	X		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	X		X
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	X		
SIC-29	Service Concession Arrangements: Disclosures	X		X
SIC-31	Revenue - Barter Transactions Involving Advertising Services	X		X
SIC-32	Intangible Assets - Web Site Costs	X		

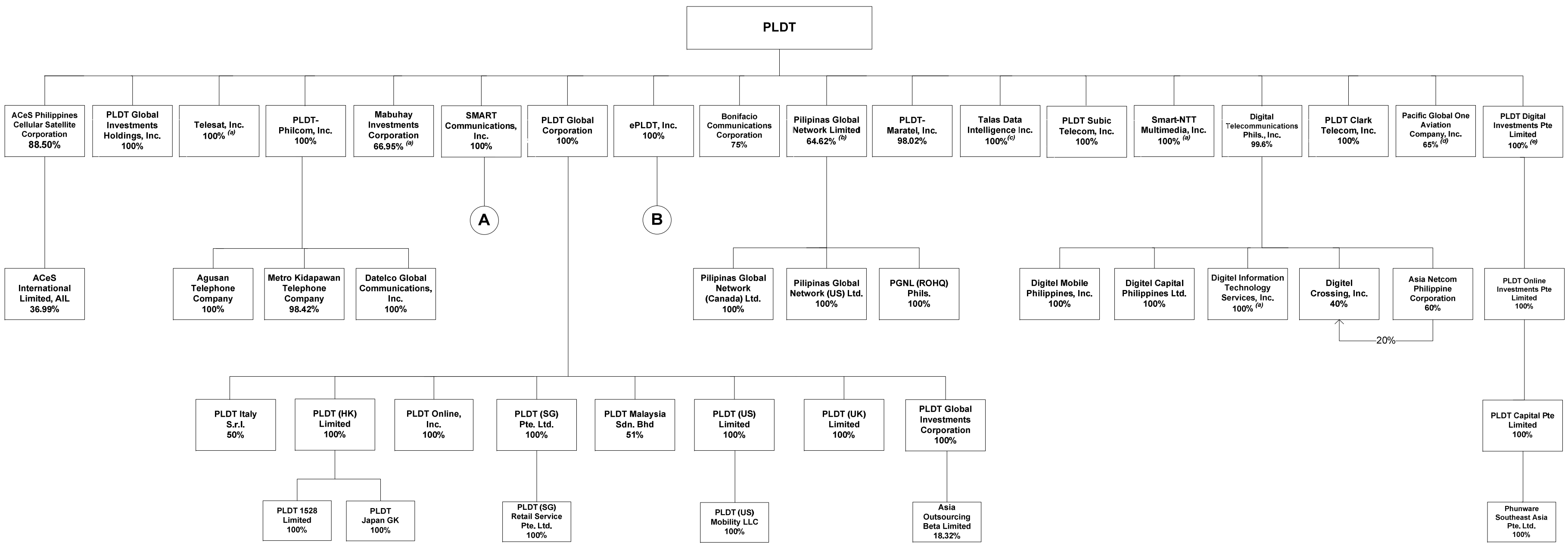
** Standards or amendments which will become effective subsequent to December 31, 2015.*

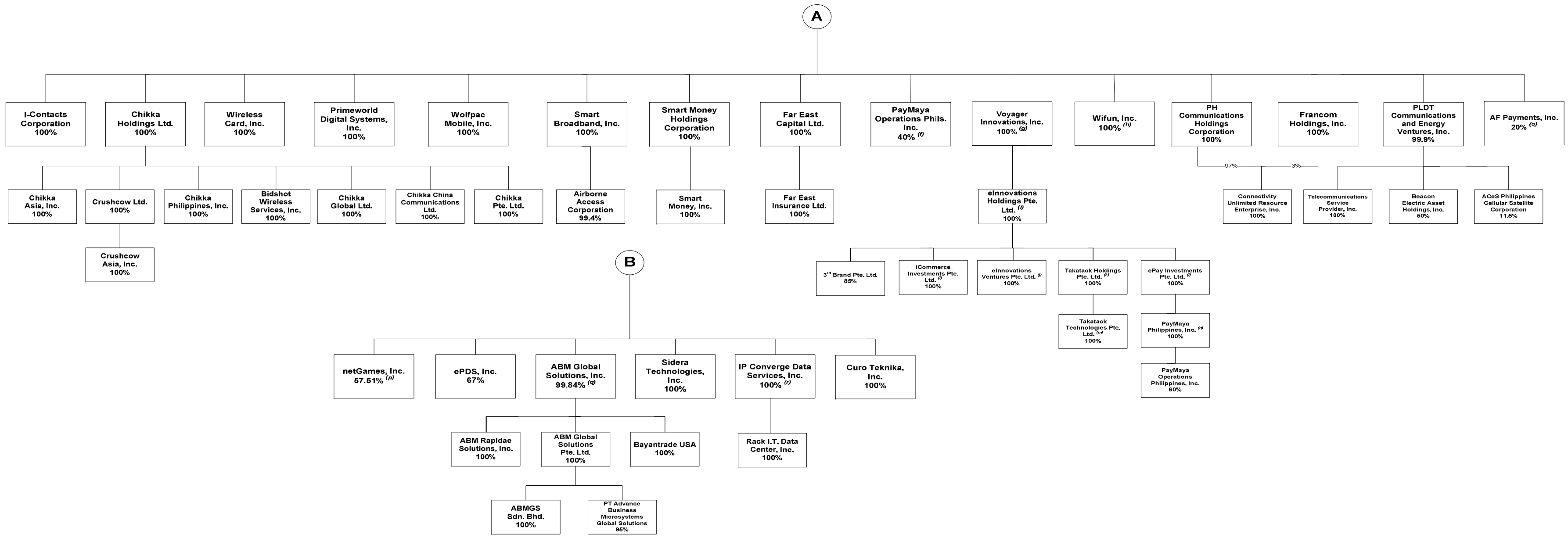
PHILIPPINE LONG DISTANCE TELEPHONE COMPANY
Schedule J. Reconciliation of Retained Earnings Available for Dividend Declaration
December 31, 2015

		Amount (in millions)
Parent Company's unappropriated retained earnings available for dividends as at January 1, 2014		Php22,578
Unrealized foreign exchange gains – net (except those attributable to cash and cash equivalents)	(563)	
Fair value adjustments of investment property resulting to gain	(862)	
Fair value adjustments (mark-to-market gain)	(1,727)	(3,152)
Unappropriated retained earnings as adjusted at beginning of the year		19,426
Parent Company's net income attributable to equity holders of PLDT for the year	27,703	
Less: Unrealized income – net of tax during the year		
Fair value adjustments of investment property resulting to gain	2	
Fair value adjustments (mark-to-market gains)	(533)	27,172
Realized income during the year		
Realized foreign exchange gains		40
Cash dividends declared during the year		
Common stocks	(32,841)	
Preferred stocks	(59)	(32,900)
Parent Company's unappropriated Retained Earnings Available for Dividend at end of the year		13,738

As at December 31, 2015, the consolidated unappropriated retained earnings amounted to Php11,319 million while the Parent Company's unappropriated retained earnings amounted to Php17,381 million. The difference of Php6,062 million pertains to the effect of PAS 27 in our investments in subsidiaries, associates and joint ventures accounted for under the equity method.

PHILIPPINE LONG DISTANCE TELEPHONE COMPANY
Schedule K. Map of the Relationships of the Companies within the Group
December 31, 2015





(a) *Ceased commercial operations.*
(b) *In September 2014, PLDT converted a receivable from PGNL amounting to US$5.5 million as additional investment and infused additional cash into PGNL amounting to US$1.3 million thereby increasing its interest in PGNL from 60.0% to 64.6%.*
(c) *On June 16, 2015, Talas was incorporated in the Philippines to implement the Intelligent Data Fabric and immediate delivery of Big Data capability platform of the PLDT Group.*
(d) *On March 10, 2014, PLDT acquired an additional 37.5 million shares of PG1, thereby increasing its ownership from 50% to 65%.*
(e) *On August 1, 2014, PLDT Digital was incorporated to be the holding company of PLDT Online Investments Pte. Ltd., or PLDT Online, an entity that holds 6.6% investment in Rocket Internet SE (formerly Rocket Internet AG), or Rocket.*
(f) *On February 10, 2015, mePay Operations Philippines, Inc. was incorporated in the Philippines to market, sell and distribute payment solutions and other related services. Effective June 22, 2015, the Philippine SEC approved the amendment of mePay Operations Philippines, Inc. name to PayMaya Operations Philippines, Inc., or PayMaya Ops. PayMaya Ops is 60% and 40% owned by PayMaya and Smart, respectively, with initial capitalization of Php1 million.*
(g) *On December 18, 2014, the Board of Directors of Smart approved the consolidation of various digital businesses under Voyager, wherein Voyager owns 100% of eInnovations, which in turn, directly owns the Takatack Holdings, 3rd Brand, ePay, iCommerce and eVentures.*
(h) *On November 18, 2014, Smart acquired an 87% equity interest in WiFun. On November 25, 2015, Smart acquired the remaining 13% noncontrolling shares.*
(i) *On February 24, 2015, the Accounting and Corporate Regulatory Authority, or ACRA, of Singapore, the national regulator of business entities in Singapore, approved the change in the business name of Smart Hub Pte. Ltd. to eInnovations.*
(j) *On August 21, 2015, eVentures was incorporated in Singapore to serve as a holding company of other digital investments providing digital, internet, information, communication and IT-related activities. On January 12, 2016, the ACRA of Singapore approved the change in business name of eVentures to Voyager Fintech Ventures, Ltd.*
(k) *On October 1, 2015, the ACRA of Singapore approved the change in the business name of Takatack Pte. Ltd. to Takatack Holdings Pte. Ltd.*
(l) *On February 27, 2015, ePay and iCommerce were incorporated in Singapore to provide digital, internet, information, communication and IT-related activities. Both subsidiaries will serve as the holding companies of other digital investments. ePay and iCommerce are 100% owned by eInnovations, each having an initial capitalization of SGD10 thousand.*
(m) *On August 6, 2015, Takatack Holdings acquired 100% equity interest in Paywhere Pte. Ltd. On October 1, 2015, the ACRA of Singapore approved the change in the business name of Paywhere Pte. Ltd. to Takatack Technologies Pte. Ltd.*
(n) *Effective September 15, 2015, the Philippine Securities and Exchange Commission, or Philippine SEC, approved the amendment of Smart e-Money, Inc.'s name to PayMaya Philippines, Inc.*
(o) *On February 26, 2015, Automated Fare Collection Services Inc. through its Board of Directors and Stockholders amended its corporate name to AF Payments, Inc.*
(p) *Ceased commercial operations and under liquidation due to shortened corporate life to August 31, 2015.*
(q) *In 2014, ePLDT acquired an additional 0.6% equity interest in AGS from its minority shareholders for a total consideration of Php0.6 million, thereby increasing ePLDT's ownership in AGS from 99.2% to 99.8%.*
(r) *On January 28, 2014, IPCDSI acquired a 100% equity interest in Rack I.T. Data Center, Inc., or Rack IT.*

PHILIPPINE LONG DISTANCE TELEPHONE COMPANY
Schedule L. Financial Soundness Indicators
December 31, 2015 and 2014

	December 31,	
Current Ratio[1]	0.58:1.0	0.53:1.0
Net Debt to Equity Ratio[2]	0.99:1.0	0.77:1.0
Net Debt to EBITDA Ratio[3]	1.61:1.0	1.34:1.0
Total Debt to EBITDA Ratio[4]	2.29:1.0	1.69:1.0
Asset to Equity Ratio[5]	4.01:1.0	3.25:1.0
Interest Coverage Ratio[6]	5.20:1.0	9.24:1.0
Profit Margin[7]	13%	20%
Return on Assets[8]	5%	8%
Return on Equity[9]	18%	25%
EBITDA Margin[10]	43%	47%

(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 for the year.*
(4) *Total Debt to EBITDA ratio is measured as total debt (long-term debt, including current portion) divided by EBITDA for the year.*
(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 year, divided by total financing cost for the year.*
(7) *Profit margin is derived by dividing net income for the year with total revenues for the year.*
(8) *Return on assets is measured as net income for the year divided by average total assets.*
(9) *Return on Equity is measured as net income for the year divided by average total equity attributable to equity holders of PLDT.*
(10) *EBITDA margin for the year is measured as EBITDA divided by service revenues for the year.*
EBITDA for the year is measured as net income for the year excluding depreciation and amortization, amortization of intangible assets, asset impairment on noncurrent assets, financing cost, interest income, equity share in net earnings (losses) of associated 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 year.

COMPARATIVE HIGHLIGHTS

	2011[1][2]	2012[1][2]	2013[2]	2014[2]	2015
FINANCIAL INFORMATION (in millions, except cash dividends declared per common share)					
Revenues					
Service Revenues	Php 145,834	Php 159,619	Php 163,932	Php 164,943	Php 162,930
Non-Service Revenues	2,645	3,295	4,279	5,892	8,173
	148,479	162,914	168,211	170,835	171,103
Expenses					
Depreciation and Amortization	27,539	32,354	30,304	31,379	31,519
Compensation and Employee Benefits	15,411	21,999	21,369	18,749	21,606
Cost of Sales	5,443	8,747	11,806	13,512	16,614
Repairs and Maintenance	10,053	12,604	13,107	14,988	15,035
Asset Impairment	10,200	5,286	5,543	6,046	14,856
Interconnection Cost	12,586	11,105	10,610	10,420	10,317
Selling and Promotions	7,807	9,708	9,776	10,619	9,747
Professional and Other Contracted Services	5,679	6,050	7,173	7,748	8,234
Rent	3,938	5,860	6,041	6,692	6,376
Taxes and licenses	3,554	3,506	3,925	4,563	4,592
Others	4,214	5,310	5,861	5,741	5,538
	Php 106,424	Php 122,529	Php 125,515	Php 130,457	Php 144,434
Net Income for the year	Php 31,218	Php 36,099	Php 35,453	Php 34,090	Php 22,075
Continuing operations	30,351	35,556	33,384	34,090	22,075
Discontinued operations	867	543	2,069	-	-
Core Income	Php 38,616	Php 36,907	Php 38,717	Php 37,410	Php 35,212
Continuing operations	37,827	36,356	38,816	37,410	35,212
Discontinued operations	789	551	(99)	-	-
EBITDA	Php 78,225	Php 75,269	Php 77,432	Php 76,750	Php 70,218
Property and Equipment	481,647	481,033	581,286	605,598	632,918
Accumulated Depreciation, Amortization and Impairment	281,505	280,955	388,621	413,614	437,136
Carrying Value	Php 200,142	Php 200,078	Php 192,665	Php 191,984	Php 195,782
Capital Expenditures	Php 31,207	Php 36,396	Php 28,838	Php 34,759	Php 43,175
Short and Long-Term Debts	Php 117,275	Php 115,792	Php 104,090	Php 130,123	Php 160,892
Net Debt	Php 70,660	Php 78,057	Php 71,467	Php 102,821	Php 113,008
Equity Attributable to Equity Holders of PLDT	Php 153,860	Php 145,550	Php 137,147	Php 134,364	Php 113,608
Cash Dividends Declared Per Common Share Out of the Earnings for the Year	Php 189	Php 172	Php 179	Php 156	Php 122
OPERATING INFORMATION					
Number of Cellular Subscribers	63,696,629	69,866,458	70,045,627	69,857,060	64,938,074
Number of Fixed Line Subscribers	2,166,295	2,063,794	2,069,419	2,207,889	2,303,454
Number of Broadband Subscribers	2,928,369	3,262,884	3,433,210	4,091,514	5,188,684
Wireless	2,068,409	2,359,024	2,453,826	2,986,146	3,932,820
Fixed Line	859,960	903,860	979,384	1,105,368	1,255,864
Total Number of Subscribers	68,791,293	75,193,136	75,548,256	76,156,463	72,430,212
Number of Stockholders	2,181,823	12,169	12,005	11,880	11,837
Number of Employees	19,452	19,125	17,899	17,496	17,176
Wireless	8,043	8,663	7,745	7,786	7,505
Fixed Line	11,409	10,462	10,154	9,710	9,671

(1) *The 2011 and 2012 results have been adjusted to reflect the adjustments on the application of the Revised PAS 19 - Employee Benefits.*

(2) *Certain comparative information for 2013 and 2014 were reclassified to conform with the current presentation.*

PHILIPPINE LONG DISTANCE TELEPHONE COMPANY AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2015 AND 2014
AND FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013

AND

INDEPENDENT AUDITORS' REPORT

PHILIPPINE LONG DISTANCE TELEPHONE COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31, 2015 and 2014
(in million pesos)

	2015	2014
ASSETS		
Noncurrent Assets		
Property and equipment (Notes 3, 5, 9, 13 and 21)	**195,782**	191,984
Investments in associates, joint ventures and deposits (Notes 3, 4, 10 and 25)	**48,703**	42,046
Available-for-sale financial investments (Notes 6, 11 and 28)	**15,711**	28,086
Investment in debt securities and other long-term investments – net of current portion (Notes 12 and 28)	**952**	960
Investment properties (Notes 3, 6, 9 and 13)	**1,825**	1,816
Goodwill and intangible assets (Notes 3, 14 and 15)	**72,117**	72,842
Deferred income tax assets – net (Notes 3, 4 and 7)	**21,941**	17,131
Derivative financial assets – net of current portion (Note 28)	**145**	94
Prepayments – net of current portion (Notes 3, 7, 19, 25 and 26)	**3,475**	2,924
Advances and other noncurrent assets – net of current portion (Note 28)	**3,003**	3,218
Total Noncurrent Assets	**363,654**	361,101
Current Assets		
Cash and cash equivalents (Notes 16 and 28)	**46,455**	26,659
Short-term investments (Note 28)	**1,429**	643
Trade and other receivables (Notes 3, 5, 17, 25 and 28)	**24,898**	29,151
Inventories and supplies (Notes 5 and 18)	**4,614**	3,706
Current portion of derivative financial assets (Note 28)	**26**	2
Current portion of investment in debt securities and other long-term investments (Notes 12 and 28)	**51**	295
Current portion of prepayments (Note 19)	**5,798**	6,406
Current portion of advances and other noncurrent assets (Notes 20 and 28)	**8,170**	8,332
Total Current Assets	**91,441**	75,194
TOTAL ASSETS	**455,095**	436,295
EQUITY AND LIABILITIES		
Equity (Note 28)		
Non-voting serial preferred stock (Notes 8 and 20)	**360**	360
Voting preferred stock (Note 20)	**150**	150
Common stock (Notes 8 and 20)	**1,093**	1,093
Treasury stock (Notes 8 and 20)	**(6,505)**	(6,505)
Capital in excess of par value (Note 20)	**130,517**	130,521
Retained earnings (Note 20)	**6,195**	17,030
Other comprehensive loss (Note 6)	**(18,202)**	(8,285)
Total Equity Attributable to Equity Holders of PLDT (Note 28)	**113,608**	134,364
Noncontrolling interests (Note 6)	**290**	304
TOTAL EQUITY	**113,898**	134,668

See accompanying Notes to Consolidated Financial Statements.

PHILIPPINE LONG DISTANCE TELEPHONE COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (*continued*)
As at December 31, 2015 and 2014
(in million pesos)

	2015	2014
Noncurrent Liabilities		
Interest-bearing financial liabilities – net of current portion (Notes 3, 9, 21 and 28)	**143,982**	115,400
Deferred income tax liabilities – net (Notes 4 and 7)	**3,704**	4,427
Derivative financial liabilities – net of current portion (Note 28)	**736**	1,460
Customers' deposits (Note 28)	**2,430**	2,438
Pension and other employee benefits (Notes 3, 5 and 26)	**10,197**	13,131
Deferred credits and other noncurrent liabilities (Notes 3, 5, 9, 22 and 28)	**21,482**	21,924
Total Noncurrent Liabilities	**182,531**	158,780
Current Liabilities		
Accounts payable (Notes 23, 25, 27 and 28)	**52,679**	40,923
Accrued expenses and other current liabilities (Notes 3, 20, 21, 24, 25, 26 and 28)	**84,286**	82,678
Current portion of interest-bearing financial liabilities (Notes 3, 9, 21 and 28)	**16,911**	14,729
Provision for claims and assessments (Notes 3 and 27)	**897**	897
Dividends payable (Notes 20 and 28)	**1,461**	1,070
Current portion of derivative financial liabilities (Note 28)	**306**	254
Income tax payable (Note 7)	**2,126**	2,296
Total Current Liabilities	**158,666**	142,847
TOTAL LIABILITIES	**341,197**	301,627
TOTAL EQUITY AND LIABILITIES	**455,095**	436,295

See accompanying Notes to Consolidated Financial Statements.

PHILIPPINE LONG DISTANCE TELEPHONE COMPANY AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS
For the Years Ended December 31, 2015, 2014 and 2013
(in million pesos, except earnings per common share amounts which are in pesos)

	2015	2014	2013
REVENUES			
Service revenues (Notes 3 and 4)	**162,930**	164,943	163,932
Non-service revenues (Notes 3, 4 and 5)	**8,173**	5,892	4,279
	171,103	170,835	168,211
EXPENSES			
Depreciation and amortization (Notes 3, 4 and 9)	**31,519**	31,379	30,304
Compensation and employee benefits (Notes 3, 5 and 26)	**21,606**	18,749	21,369
Cost of sales (Notes 5, 18 and 25)	**16,614**	13,512	11,806
Repairs and maintenance (Notes 13, 18 and 25)	**15,035**	14,988	13,107
Asset impairment (Notes 3, 4, 5, 9, 10, 11, 17, 18 and 28)	**14,856**	6,046	5,543
Interconnection costs	**10,317**	10,420	10,610
Selling and promotions (Note 25)	**9,747**	10,619	9,776
Professional and other contracted services (Note 25)	**8,234**	7,748	7,173
Rent (Notes 3 and 25)	**6,376**	6,692	6,041
Taxes and licenses (Note 27)	**4,592**	4,563	3,925
Insurance and security services (Note 25)	**1,797**	1,884	1,815
Communication, training and travel (Note 25)	**1,349**	1,552	1,417
Amortization of intangible assets (Notes 3, 4 and 15)	**1,076**	1,149	1,020
Other expenses	**1,316**	1,156	1,609
	144,434	130,457	125,515
	26,669	40,378	42,696
OTHER INCOME (EXPENSES)			
Equity share in net earnings of associates and joint ventures (Notes 4 and 10)	**3,241**	3,841	2,742
Interest income (Notes 4, 5, 12 and 16)	**799**	752	932
Gains (losses) on derivative financial instruments – net (Notes 4 and 28)	**420**	(101)	511
Foreign exchange losses – net (Notes 4, 9 and 28)	**(3,036)**	(382)	(2,893)
Financing costs – net (Notes 4, 5, 9, 21 and 28)	**(6,259)**	(5,320)	(6,589)
Other income – net (Notes 3, 4 and 13)	**4,804**	4,980	4,233
	(31)	3,770	(1,064)
INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS (Note 4)	**26,638**	44,148	41,632
PROVISION FOR INCOME TAX (Notes 3, 4 and 7)	**4,563**	10,058	8,248
NET INCOME FROM CONTINUING OPERATIONS (Note 4)	**22,075**	34,090	33,384
NET INCOME FROM DISCONTINUED OPERATIONS (Notes 2, 4 and 8)	**–**	–	2,069
NET INCOME (Note 4)	**22,075**	34,090	35,453
ATTRIBUTABLE TO:			
Equity holders of PLDT (Notes 4 and 8)	**22,065**	34,091	35,420
Noncontrolling interests (Notes 4 and 8)	**10**	(1)	33
	22,075	34,090	35,453
Earnings Per Share Attributable to Common Equity Holders of PLDT (Notes 4 and 8)			
Basic	**101.85**	157.51	163.67
Diluted	**101.85**	157.51	163.67

See accompanying Notes to Consolidated Financial Statements.

PHILIPPINE LONG DISTANCE TELEPHONE COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2015, 2014 and 2013
(in million pesos)

	2015	2014	2013
NET INCOME (Note 4)	**22,075**	34,090	35,453
OTHER COMPREHENSIVE INCOME (LOSS) – NET OF TAX (Note 6)			
Foreign currency translation differences of subsidiaries	**45**	(3)	794
Net transactions on cash flow hedges:	**31**	(74)	(16)
Net fair value gains (losses) on cash flow hedges (Note 28)	**5**	(94)	–
Income tax related to fair value adjustments charged directly to equity (Note 7)	**26**	20	(16)
Share in the other comprehensive income (loss) of associates and joint ventures accounted for using the equity method (Note 10)	**(14)**	34	(92)
Net gains (losses) on available-for-sale financial investments:	**(8,135)**	8,144	(8)
Gains (losses) from changes in fair value recognized during the year (Note 11)	**(13,258)**	8,144	(7)
Income tax related to fair value adjustments charged directly to equity (Note 7)	**(1)**	–	(1)
Impairment loss recognized in profit or loss (Notes 3, 4, 5 and 11)	**5,124**	–	–
Net other comprehensive income (loss) to be reclassified to profit or loss in subsequent years	**(8,073)**	8,101	678
Revaluation increment on investment properties:	**(1)**	364	(1)
Depreciation of revaluation increment in investment properties transferred to property and equipment (Note 9)	**(2)**	(2)	(2)
Fair value adjustment to property and equipment transferred to investment properties during the year (Note 13)	**–**	476	–
Income tax related to revaluation increment charged directly to equity (Note 7)	**1**	(110)	1
Share in the other comprehensive income (loss) of associates and joint ventures (Note 10)	**(235)**	(391)	1,112
Actuarial losses on defined benefit obligations:	**(1,598)**	(4,874)	(9,156)
Remeasurement in actuarial losses on defined benefit obligations	**(2,356)**	(6,952)	(13,005)
Income tax related to remeasurement adjustments (Note 7)	**758**	2,078	3,849
Net other comprehensive loss not to be reclassified to profit or loss in subsequent years	**(1,834)**	(4,901)	(8,045)
Total Other Comprehensive Income (Loss) – Net of Tax	**(9,907)**	3,200	(7,367)
TOTAL COMPREHENSIVE INCOME	**12,168**	37,290	28,086
ATTRIBUTABLE TO:			
Equity holders of PLDT	**12,148**	37,287	28,061
Noncontrolling interests	**20**	3	25
	12,168	37,290	28,086

See accompanying Notes to Consolidated Financial Statements.

PHILIPPINE LONG DISTANCE TELEPHONE COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2015, 2014 and 2013
(in million pesos)

	Preferred Stock	Common Stock	Treasury Stock	Capital in Excess of Par Value	Retained Earnings	Other Comprehensive Loss	Reserves of a Disposal Group Classified as Held-for-Sale	Total Equity Attributable to Equity Holders of PLDT	Noncontrolling Interests	Total Equity
Balances as at January 1, 2015	**510**	**1,093**	**(6,505)**	**130,521**	**17,030**	**(8,285)**	**–**	**134,364**	**304**	**134,668**
Total comprehensive income:	**–**	**–**	**–**	**–**	**22,065**	**(9,917)**	**–**	**12,148**	**20**	**12,168**
Net income (Notes 4 and 8)	**–**	**–**	**–**	**–**	**22,065**	**–**	**–**	**22,065**	**10**	**22,075**
Other comprehensive income (loss) (Note 6)	**–**	**–**	**–**	**–**	**–**	**(9,917)**	**–**	**(9,917)**	**10**	**(9,907)**
Cash dividends (Note 20)	**–**	**–**	**–**	**–**	**(32,900)**	**–**	**–**	**(32,900)**	**(21)**	**(32,921)**
Acquisition and dilution of noncontrolling interests	**–**	**–**	**–**	**(4)**	**–**	**–**	**–**	**(4)**	**(13)**	**(17)**
Balances as at December 31, 2015	**510**	**1,093**	**(6,505)**	**130,517**	**6,195**	**(18,202)**	**–**	**113,608**	**290**	**113,898**
Balances as at January 1, 2014	510	1,093	(6,505)	130,562	22,968	(11,481)	–	137,147	179	137,326
Total comprehensive income:	–	–	–	–	34,091	3,196	–	37,287	3	37,290
Net income (Notes 4 and 8)	–	–	–	–	34,091	–	–	34,091	(1)	34,090
Other comprehensive income (Note 6)	–	–	–	–	–	3,196	–	3,196	4	3,200
Cash dividends (Note 20)	–	–	–	–	(40,029)	–	–	(40,029)	(29)	(40,058)
Issuance of capital stock (Note 20)	–	–	–	–	–	–	–	–	163	163
Acquisition and dilution of noncontrolling interests	–	–	–	(41)	-	–	–	(41)	(12)	(53)
Balances as at December 31, 2014	510	1,093	(6,505)	130,521	17,030	(8,285)	–	134,364	304	134,668
Balances as at January 1, 2013	510	1,093	(6,505)	130,566	25,416	(3,387)	(2,143)	145,550	184	145,734
Total comprehensive income:	–	–	–	–	35,420	(7,359)	–	28,061	25	28,086
Net income (Notes 4 and 8)	–	–	–	–	35,420	–	–	35,420	33	35,453
Other comprehensive loss (Note 6)	–	–	–	–	–	(7,359)	–	(7,359)	(8)	(7,367)
Cash dividends (Note 20)	–	–	–	–	(37,868)	–	–	(37,868)	(46)	(37,914)
Discontinued operations	–	–	–	–	–	(735)	2,143	1,408	–	1,408
Acquisition and dilution of noncontrolling interests	–	–	–	(4)	–	–	–	(4)	16	12
Balances as at December 31, 2013	510	1,093	(6,505)	130,562	22,968	(11,481)	–	137,147	179	137,326

See accompanying Notes to Consolidated Financial Statements.

PHILIPPINE LONG DISTANCE TELEPHONE COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2015, 2014 and 2013
(in million pesos)

	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax and noncontrolling interest from continuing operations (Note 4)	**26,638**	44,148	41,632
Income before income tax and noncontrolling interest from discontinued operations (Note 2)	**–**	–	2,124
Income before income tax (Note 4)	**26,638**	44,148	43,756
Adjustments for:			
Depreciation and amortization (Notes 3, 4 and 9)	**31,519**	31,379	30,457
Asset impairment (Notes 3, 4, 5, 9, 10, 11, 17 and 18)	**14,856**	6,046	5,545
Interest on loans and other related items – net (Notes 4, 5, 9, 21 and 28)	**5,919**	4,987	4,669
Foreign exchange losses – net (Notes 4, 9 and 28)	**3,036**	382	2,889
Pension benefit costs (Notes 3, 5 and 26)	**1,875**	1,702	434
Amortization of intangible assets (Notes 3, 4 and 15)	**1,076**	1,149	1,075
Losses on disposal of property and equipment (Note 9)	**298**	42	86
Accretion on financial liabilities – net (Notes 5, 21 and 28)	**231**	165	1,541
Losses (gains) on derivative financial instruments – net (Notes 4 and 28)	**(420)**	101	(512)
Interest income (Notes 4, 5, 12 and 16)	**(799)**	(752)	(935)
Gain on disposal of associates	**(2,838)**	(1,448)	(2,056)
Equity share in net earnings of associates and joint ventures (Notes 4 and 10)	**(3,241)**	(3,841)	(2,604)
Incentive plans (Notes 3, 5 and 26)	**–**	168	1,749
Gain on disposal of investments in subsidiaries (Note 10)	**–**	–	(2,404)
Others	**(1,968)**	(950)	(401)
Operating income before changes in assets and liabilities	**76,182**	83,278	83,289
Decrease (increase) in:			
Trade and other receivables	**(1,863)**	(10,547)	(1,790)
Inventories and supplies	**(1,122)**	(507)	254
Prepayments	**(617)**	(150)	(663)
Advances and other noncurrent assets	**147**	(117)	(59)
Increase (decrease) in:			
Accounts payable	**11,242**	5,383	4,299
Accrued expenses and other current liabilities	**4,969**	6,146	2,615
Pension and other employee benefits	**(10,629)**	(5,586)	(2,611)
Customers' deposits	**(8)**	(108)	17
Other noncurrent liabilities	**(13)**	4	(29)
Net cash flows generated from operations	**78,288**	77,796	85,322
Income taxes paid	**(8,544)**	(11,781)	(11,559)
Net cash flows from operating activities	**69,744**	66,015	73,763
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received (Note 10)	**5,544**	1,855	438
Interest received	**939**	582	845
Proceeds from:			
Maturity of short-term investments	**1,469**	110	–
Disposal of property and equipment (Note 9)	**334**	253	1,546
Maturity of investment in debt securities	**292**	3,022	241
Disposal of investment properties (Note 13)	**8**	5	–
Collection of notes receivable	**–**	25	–
Disposal of investment (Note 2)	**–**	3	12,075
Sale of net assets held-for-sale	**–**	–	2,298

See accompanying Notes to Consolidated Financial Statements.

PHILIPPINE LONG DISTANCE TELEPHONE COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (*continued)*
For the Years Ended December 31, 2015, 2014 and 2013
(in million pesos)

	2015	2014	2013
Payments for:			
Purchase of shares of noncontrolling interests – net of cash acquired	**(2)**	(63)	(6)
Purchase of subsidiaries – net of cash acquired (Note 14)	**(151)**	(139)	–
Acquisition of intangible assets (Note 15)	**(318)**	(330)	(290)
Interest paid – capitalized to property and equipment (Notes 4, 5, 9 and 21)	**(370)**	(442)	(421)
Purchase of available-for-sale financial investments	**(925)**	(19,711)	(16)
Purchase of investments in associates and joint ventures	**(1,274)**	(300)	(7)
Purchase of short-term investments	**(2,194)**	(29)	(114)
Deposit for future PDRs subscription (Note 10)	**–**	(300)	(5,550)
Purchase of investment in debt securities	**–**	(1,420)	(2,287)
Additions to property and equipment (Notes 4 and 9)	**(42,805)**	(34,317)	(28,417)
Increase in notes receivable	**–**	–	(1,224)
Decrease (increase) in advances and other noncurrent assets	**215**	(490)	(156)
Net cash flows used in investing activities	**(39,238)**	(51,686)	(21,045)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Availments of long-term debt (Note 21)	**44,367**	41,329	39,798
Availments of long-term financing for capital expenditures	**311**	–	868
Issuance of capital stock (Note 20)	**–**	166	–
Payments for:			
Redemption of shares	**(1)**	(51)	(5)
Obligations under finance leases	**(5)**	(6)	(12)
Debt issuance costs (Note 21)	**(396)**	(293)	(213)
Derivative financial instruments (Note 28)	**(638)**	(596)	(453)
Interest – net of capitalized portion (Notes 5 and 21)	**(5,407)**	(4,736)	(4,959)
Long-term debt (Note 21)	**(17,084)**	(15,726)	(57,033)
Cash dividends (Note 20)	**(32,532)**	(39,900)	(37,804)
Long-term financing for capital expenditures	**–**	(84)	–
Net cash flows used in financing activities	**(11,385)**	(19,897)	(59,813)
NET EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**675**	322	704
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**19,796**	(5,246)	(6,391)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR (Note 16)	**26,659**	31,905	38,296
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (Note 16)	**46,455**	26,659	31,905

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

The Philippine Long Distance Telephone Company, or PLDT, or the Parent Company, was incorporated under the old Corporation Law of the Philippines (Act 1459, as amended) on November 28, 1928, following the merger of four telephone companies under common U.S. ownership. Under its amended Articles of Incorporation, PLDT's corporate term is currently limited through 2028. In 1967, effective control of PLDT was sold by the General Telephone and Electronics Corporation, then a major shareholder since PLDT's incorporation, to a group of Filipino businessmen. In 1981, in furtherance of the then existing policy of the Philippine government to integrate the Philippine telecommunications industry, PLDT purchased substantially all of the assets and liabilities of the Republic Telephone Company, which at that time was the second largest telephone company in the Philippines. In 1998, certain subsidiaries of First Pacific Company Limited, or First Pacific, and its Philippine affiliates (collectively the First Pacific Group and its Philippine affiliates), acquired a significant interest in PLDT. On March 24, 2000, NTT Communications Corporation, or NTT Communications, through its wholly-owned subsidiary NTT Communications Capital (UK) Ltd., became PLDT's strategic partner with approximately 15% economic and voting interest in the issued and outstanding common stock of PLDT at that time. Simultaneous with NTT Communications' investment in PLDT, the latter acquired 100% of Smart Communications, Inc., or Smart. On March 14, 2006, NTT DOCOMO, Inc., or NTT DOCOMO, acquired from NTT Communications approximately 7% of PLDT's then outstanding common shares held by NTT Communications with NTT Communications retaining ownership of approximately 7% of PLDT's common shares. Since March 14, 2006, NTT DOCOMO has made additional purchases of shares of PLDT, and together with NTT Communications beneficially owned approximately 20% of PLDT's outstanding common stock as at December 31, 2015. NTT Communications and NTT DOCOMO are subsidiaries of NTT Holding Company. On February 28, 2007, Metro Pacific Asset Holdings, Inc., a Philippine affiliate of First Pacific, completed the acquisition of an approximately 46% interest in Philippine Telecommunications Investment Corporation, or PTIC, a shareholder of PLDT. This investment in PTIC represented an attributable interest of approximately 6% of the then outstanding common shares of PLDT and thereby raised First Pacific Group's and its Philippine affiliates' beneficial ownership to approximately 28% of PLDT's outstanding common stock as at that date. Since then, First Pacific Group's beneficial ownership interest in PLDT decreased by approximately 2%, mainly due to the holders of Exchangeable Notes, which were issued in 2005 by a subsidiary of First Pacific and exchangeable into PLDT shares owned by First Pacific Group, who fully exchanged their notes. First Pacific Group and its Philippine affiliates had beneficial ownership of approximately 26% in PLDT's outstanding common stock as at December 31, 2015. On October 26, 2011, PLDT completed the acquisition of a controlling interest in Digital Telecommunications Phils., Inc., or Digitel, from JG Summit Holdings, Inc., or JGSHI, and its affiliates, or JG Summit Group. As payment for the assets acquired from JGSHI, PLDT issued approximately 27.7 million common shares. In November 2011, JGSHI sold 5.81 million and 4.56 million PLDT shares to a Philippine affiliate of First Pacific and NTT DOCOMO, respectively, pursuant to separate option agreements that JGSHI had entered into with a Philippine affiliate of First Pacific and NTT DOCOMO, respectively. As at December 31, 2015, the JG Summit Group beneficially owned approximately 8% of PLDT's outstanding common shares.

On October 16, 2012, BTF Holdings, Inc., or BTFHI, a wholly-owned company of the Board of Trustees for the Account of the Beneficial Trust Fund, or PLDT Beneficial Trust Fund, created pursuant to PLDT's Benefit Plan, subscribed to 150 million newly issued shares of Voting Preferred Stock of PLDT, or Voting Preferred Shares, at a subscription price of Php1.00 per share for a total subscription price of Php150 million pursuant to a subscription agreement between BTFHI and PLDT dated October 15, 2012. As a result of the issuance of Voting Preferred Shares, the voting power of the NTT Group (NTT DOCOMO and NTT Communications), First Pacific Group and its Philippine affiliates, and JG Summit Group was reduced to 12%, 15% and 5%, respectively, as at December 31, 2015. See *Note 20 – Equity – Voting Preferred Stock* and *Note 27 – Provisions and Contingencies – In the Matter of the Wilson Gamboa Case and Jose M. Roy III Petition*.

The common shares of PLDT are listed and traded on the Philippine Stock Exchange, Inc., or PSE. On October 19, 1994, an American Depositary Receipt, or ADR, facility was established, pursuant to which Citibank N.A., as the depositary, issued American Depositary Shares, or ADSs, with each ADS representing one PLDT common share with a par value of Php5.00 per share. Effective February 10, 2003, PLDT appointed JP Morgan Chase Bank as successor depositary for PLDT's ADR facility. The ADSs are listed on the New York Stock Exchange, or NYSE, in the United States and are traded on the NYSE under the symbol "PHI". There were approximately 40 million ADSs outstanding as at December 31, 2015.

PLDT and our Philippine-based fixed line and wireless subsidiaries operate under the jurisdiction of the Philippine National Telecommunications Commission, or NTC, which jurisdiction extends, among other things, to approving major services offered and certain rates charged to customers.

We are the leading telecommunications service provider in the Philippines. Through our three business segments (Wireless, Fixed Line and Others), we offer the largest and most diversified range of telecommunications services which offers data and multi-media services across the Philippines' most extensive fiber optic backbone, wireless and fixed line networks. Our principal activities are discussed in *Note 4 – Operating Segment Information*.

Our registered office address is Ramon Cojuangco Building, Makati Avenue, Makati City, Philippines.

Our consolidated financial statements as at December 31, 2015 and 2014 and for the years ended December 31, 2015, 2014 and 2013 were approved and authorized for issuance by the Board of Directors as reviewed and recommended for approval by the Audit Committee on February 29, 2016.

2. Summary of Significant Accounting Policies

Basis of Preparation

Our consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards, or PFRSs, as issued by the Philippine Financial Reporting Standards Council, or FRSC.

Our consolidated financial statements have been prepared under the historical cost basis, except for derivative financial instruments, available-for-sale financial investments, certain short-term investments and investment properties that have been measured at fair values.

Our consolidated financial statements are presented in Philippine peso, PLDT's functional and presentation currency, and all values are rounded to the nearest million, except when otherwise indicated.

Basis of Consolidation

Our consolidated financial statements include the financial statements of PLDT and the following subsidiaries (collectively, the "PLDT Group") as at December 31, 2015 and 2014:

			2015		2014	
			Percentage of Ownership			
Name of Subsidiary	**Place of Incorporation**	**Principal Business Activity**	**Direct**	**Indirect**	**Direct**	**Indirect**
Wireless						
Smart:	Philippines	Cellular mobile services	**100.0**	**–**	100.0	–
Smart Broadband, Inc., or SBI, and Subsidiary	Philippines	Internet broadband distribution services	**–**	**100.0**	–	100.0
Primeworld Digital Systems, Inc., or PDSI	Philippines	Internet broadband distribution services	**–**	**100.0**	–	100.0
I-Contacts Corporation	Philippines	Operations support servicing business	**–**	**100.0**	–	100.0
Smart Money Holdings Corporation, or SMHC	Cayman Islands	Investment company	**–**	**100.0**	–	100.0
Far East Capital Limited, or FECL, and Subsidiary, or FECL Group	Cayman Islands	Cost effective offshore financing and risk management activities for Smart	**–**	**100.0**	–	100.0

Name of Subsidiary	Place of Incorporation	Principal Business Activity	2015		2014	
			Percentage of Ownership			
			Direct	Indirect	Direct	Indirect
PH Communications Holdings Corporation	Philippines	Investment company	**–**	**100.0**	–	100.0
Connectivity Unlimited Resource Enterprise, or CURE	Philippines	Cellular mobile services	**–**	**100.0**	–	100.0
Francom Holdings, Inc.:	Philippines	Investment company	**–**	**100.0**	–	100.0
Chikka Holdings Limited, or Chikka, and Subsidiaries, or Chikka Group	British Virgin Islands	Content provider, mobile applications development and services	**–**	**100.0**	–	100.0
Voyager Innovations, Inc., or Voyager[(a)]	Philippines	Mobile applications and digital platforms developer	**–**	**100.0**	–	100.0
eInnovations Holdings Pte. Ltd., or eInnovations (formerly Smarthub Pte. Ltd.)[(a)(b)(c)]:	Singapore	Investment company	**–**	**100.0**	–	100.0
Takatack Holdings Pte. Ltd., or Takatack Holdings (formerly Takatack Pte. Ltd.)[(d)]	Singapore	Investment company	**–**	**100.0**	–	100.0
Takatack Technologies Pte. Ltd., or Takatack Technologies (formerly Paywhere Pte. Ltd.)[(e)]	Singapore	Development and maintenance of IT-based solutions for communications and e-Commerce platforms	**–**	**100.0**	–	–
iCommerce Investments Pte. Ltd., or iCommerce[(c)]	Singapore	Investment company	**–**	**100.0**	–	–
eInnovations Ventures Pte. Ltd., or eVentures[(f)]	Singapore	Investment company	**–**	**100.0**	–	–
ePay Investments Pte. Ltd., or ePay[(c)]	Singapore	Investment company	**–**	**100.0**	–	–
PayMaya Philippines, Inc. or PayMaya (formerly Smart e-Money, Inc.)[(g)]	Philippines	Provide and market certain mobile payment services	**–**	**100.0**	–	100.0
PayMaya Operations Philippines, Inc., or PayMaya Ops (formerly mePay Operations Philippines, Inc.)[(h)]	Philippines	Market, sell and distribute payment solutions and other related services	**–**	**100.0**	–	–
3rd Brand Pte. Ltd., or 3rd Brand	Singapore	Solutions and systems integration services	**–**	**85.0**	–	85.0
WiFun, Inc., or WiFun[(i)]	Philippines	Software developer and selling of WiFi access equipment	**–**	**100.0**	–	87.0
Telesat, Inc.[(j)]	Philippines	Satellite communications services	**100.0**	**–**	100.0	–
ACeS Philippines Cellular Satellite Corporation, or ACeS Philippines	Philippines	Satellite information and messaging services	**88.5**	**11.5**	88.5	11.5
Digitel Mobile Philippines, Inc., or DMPI, (a wholly-owned subsidiary of Digitel)	Philippines	Cellular mobile services	**–**	**99.6**	–	99.6
Fixed Line						
PLDT Clark Telecom, Inc., or ClarkTel	Philippines	Telecommunications services	**100.0**	**–**	100.0	–
PLDT Subic Telecom, Inc., or SubicTel	Philippines	Telecommunications services	**100.0**	**–**	100.0	–
PLDT Global Corporation, or PLDT Global, and Subsidiaries	British Virgin Islands	Telecommunications services	**100.0**	**–**	100.0	–
Smart-NTT Multimedia, Inc.[(j)]	Philippines	Data and network services	**100.0**	**–**	100.0	–
PLDT-Philcom, Inc., or Philcom, and Subsidiaries, or Philcom Group	Philippines	Telecommunications services	**100.0**	**–**	100.0	–
Talas Data Intelligence, Inc., or Talas[(k)]	Philippines	Business infrastructure and solutions; intelligent data processing and implementation services and data analytics insight generation	**100.0**	**–**	–	–
ePLDT, Inc., or ePLDT:	Philippines	Information and communications infrastructure for internet-based services, e-commerce, customer relationship management and IT related services	**100.0**	**–**	100.0	–
IP Converge Data Services, Inc., or IPCDSI, and Subsidiary, or IPCDSI Group[(l)]	Philippines	Information and communications infrastructure for internet-based services, e-commerce, customer relationship management and IT related services	**–**	**100.0**	–	100.0
Curo Teknika, Inc., or Curo	Philippines	Managed IT outsourcing	**–**	**100.0**	–	100.0
ABM Global Solutions, Inc., or AGS, and Subsidiaries, or AGS Group[(m)]	Philippines	Internet-based purchasing, IT consulting and professional services	**–**	**99.8**	–	99.8
ePDS, Inc., or ePDS	Philippines	Bills printing and other related value-added services, or VAS	**–**	**67.0**	–	67.0
netGames, Inc.[(n)]	Philippines	Gaming support services	**–**	**57.5**	–	57.5

Name of Subsidiary	Place of Incorporation	Principal Business Activity	2015 Percentage of Ownership Direct	2015 Indirect	2014 Direct	2014 Indirect
iPlus Intelligent Network, Inc., or iPlus[o]	Philippines	Managed IT outsourcing	**–**	**–**	–	–
Digitel:	Philippines	Telecommunications services	**99.6**	**–**	99.6	–
Digitel Information Technology Services, Inc.[j]	Philippines	Internet services	**–**	**99.6**	–	99.6
PLDT-Maratel, Inc., or Maratel	Philippines	Telecommunications services	**98.0**	**–**	98.0	–
Bonifacio Communications Corporation, or BCC	Philippines	Telecommunications, infrastructure and related VAS	**75.0**	**–**	75.0	–
Pacific Global One Aviation Co., Inc., or PG1[p]	Philippines	Air transportation business	**65.0**	**–**	65.0	–
Pilipinas Global Network Limited, or PGNL, and Subsidiaries[q]	British Virgin Islands	Internal distributor of Filipino channels and content	**64.6**	**–**	64.6	–
Others						
PLDT Global Investments Holdings, Inc., or PGIH	Philippines	Investment company	**100.0**	**–**	100.0	–
PLDT Digital Investments Pte. Ltd., or PLDT Digital, and Subsidiaries[r]	Singapore	Investment company	**100.0**	**–**	100.0	–
Mabuhay Investments Corporation, or MIC[j]	Philippines	Investment company	**67.0**	**–**	67.0	–
PLDT Global Investments Corporation, or PGIC	British Virgin Islands	Investment company	**–**	**100.0**	–	100.0
PLDT Communications and Energy Ventures, Inc., or PCEV	Philippines	Investment company	**–**	**99.9**	–	99.9

(a) On December 18, 2014, the Board of Directors of Smart approved the consolidation of various digital businesses under Voyager, wherein Voyager owns 100% of eInnovations, which in turn, directly owns the Takatack Holdings, 3rd Brand, ePay, iCommerce and eVentures. See Consolidation of Various Digital Businesses of Smart under Voyager below for further discussion.

(b) On February 24, 2015, the Accounting and Corporate Regulatory Authority, or ACRA, of Singapore, the national regulator of business entities in Singapore, approved the change in the business name of Smart Hub Pte. Ltd. to eInnovations.

(c) On February 27, 2015, ePay and iCommerce were incorporated in Singapore to provide digital, internet, information, communication and IT-related activities. Both subsidiaries will serve as the holding companies of other digital investments. ePay and iCommerce are 100% owned by eInnovations, each having an initial capitalization of SGD10 thousand.

(d) On October 1, 2015, the ACRA of Singapore approved the change in the business name of Takatack Pte. Ltd. to Takatack Holdings Pte. Ltd.

(e) On August 6, 2015, Takatack Holdings acquired 100% equity interest in Paywhere Pte. Ltd. On October 1, 2015, the ACRA of Singapore approved the change in the business name of Paywhere Pte. Ltd. to Takatack Technologies Pte. Ltd. See Consolidation of Various Digital Businesses of Smart under Voyager below for further discussion.

(f) On August 21, 2015, eVentures was incorporated in Singapore to serve as a holding company of other digital investments providing digital, internet, information, communication and IT-related activities. On January 12, 2016, the ACRA of Singapore approved the change in business name of eVentures to Voyager Fintech Ventures, Ltd.

(g) Effective September 15, 2015, the Philippine Securities and Exchange Commission, or Philippine SEC, approved the amendment of Smart e-Money, Inc.'s name to PayMaya Philippines, Inc.

(h) On February 10, 2015, mePay Operations Philippines, Inc. was incorporated in the Philippines to market, sell and distribute payment solutions and other related services. Effective June 22, 2015, the Philippine SEC approved the amendment of mePay Operations Philippines, Inc. name to PayMaya Operations Philippines, Inc., or PayMaya Ops. PayMaya Ops is 60% and 40% owned by PayMaya and Smart, respectively, with initial capitalization of Php1 million.

(i) On November 18, 2014, Smart acquired an 87% equity interest in WiFun. On November 25, 2015, Smart acquired the remaining 13% noncontrolling shares. See Note 14 – Business Combinations – Smart's Acquisition of WiFun.

(j) Ceased commercial operations.

(k) On June 16, 2015, Talas was incorporated in the Philippines to implement the Intelligent Data Fabric and immediate delivery of Big Data capability platform of the PLDT Group.

(l) On January 28, 2014, IPCDSI acquired a 100% equity interest in Rack I.T. Data Center, Inc., or Rack IT. See Note 14 – Business Combinations – IPCDSI's Acquisition of Rack IT.

(m) In 2014, ePLDT acquired an additional 0.6% equity interest in AGS from its minority shareholders for a total consideration of Php0.6 million, thereby increasing ePLDT's ownership in AGS from 99.2% to 99.8%.

(n) Ceased commercial operations and under liquidation due to shortened corporate life to August 31, 2015.

(o) On April 8, 2014, ePLDT sold its 100% stake in iPlus through a management buyout for a consideration of Php42 million.

(p) On March 10, 2014, PLDT acquired an additional 37.5 million shares of PG1, thereby increasing its ownership from 50% to 65%. See Note 10 – Investments in Associates, Joint Ventures and Deposits – Investment in PG1 and Note 14 – Business Combinations – PLDT's Additional Investment in PG1.

(q) In September 2014, PLDT converted a receivable from PGNL amounting to US$5.5 million as additional investment and infused additional cash into PGNL amounting to US$1.3 million thereby increasing its interest in PGNL from 60.0% to 64.6%.

(r) On August 1, 2014, PLDT Digital was incorporated to be the holding company of PLDT Online Investments Pte. Ltd., or PLDT Online, an entity that holds an investment in Rocket Internet SE (formerly Rocket Internet AG), or Rocket. See Note 3 – Management's Use of Accounting Judgments, Estimates and Assumptions – Accounting for investments in Phunware and Appcard, Note 10 – Investments in Associates, Joint Ventures and Deposits and Note 11 – Available-for-Sale Financial Investments – PLDT Online's Investment in Rocket.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the PLDT Group obtains control, and continue to be consolidated until the date that such control ceases. We control an investee when we are exposed, or have rights, to variable returns from our involvement with the investee and when we have the ability to affect those returns through our power over the investee.

The financial statements of our subsidiaries are prepared for the same reporting period as PLDT. We prepare our consolidated financial statements using uniform accounting policies for like transactions and other events with similar circumstances. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

Noncontrolling interests share in losses even if the losses exceed the noncontrolling equity interest in the subsidiary.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction.

If the PLDT Group loses control over a subsidiary, it: (a) derecognizes the assets (including goodwill) and liabilities of the subsidiary; (b) derecognizes the carrying amount of any noncontrolling interest; (c) derecognizes the cumulative translation differences recorded in equity; (d) recognizes the fair value of the consideration received; (e) recognizes the fair value of any investment retained; (f) recognizes any surplus or deficit in profit or loss; and (g) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

See *Note 14 – Business Combinations* for further related disclosures.

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 the PLDT Group 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. Smart also informed the NTC that the divestment will be undertaken through an auction sale of CURE's shares of stock to the winning bidder and submitted CURE's audited financial statements as at June 30, 2012 to the NTC. In a letter dated January 21, 2013, the NTC referred the computation of the CRA to the Commissioners of the NTC. Smart sent a reply agreeing to the proposal and is awaiting advice from the NTC on the bidding and auction of the 3G license of CURE.

As at February 29, 2016, CURE is still waiting for advice from the NTC on how to proceed with the planned divestment.

Due to the planned divestment, franchise and licenses related to CURE qualify as noncurrent assets held-for-sale as at December 31, 2015. However, these were not presented separately in our consolidated statements of financial position as the carrying amounts are not material.

Discontinued Operations

On December 4, 2012, our Board of Directors authorized the sale of our BPO segment, which sale was completed in April 2013. The results of operations of our BPO business for the four months ended April 30, 2013 (closing period of the sale) was presented as discontinued operations. See *Note 3 – Management's Use of Accounting Judgments, Estimates and Assumptions – Assets classified as held-for-sale and discontinued operations*.

On February 5, 2013, PLDT entered into an agreement to sell the BPO business owned by its wholly-owned subsidiary, PGIH, to Asia Outsourcing Gamma Limited, or AOGL, a company controlled by CVC Capital Partners, or CVC. The sale of the BPO business was completed on April 30, 2013. PLDT reinvested approximately US$40 million of the proceeds from the sale in our acquisition of shares of Asia Outsourcing Beta Limited, or Beta, resulting in an approximately 18.24% economic interest, and will continue to participate in the growth of the business as a partner of CVC. Pursuant to the completion of the sale, PLDT is subject to certain obligations, including: (1) an obligation, for a period of five years, not to carry on or be engaged or concerned or interested in or assist any business which competes with the business process outsourcing business as carried on at the relevant time or at any time in the 12 months prior to such time in any territory in which business is carried on (excluding activities in the ordinary course of PLDT's business); and (2) an obligation, for a period of five years, to provide certain transitional services on a most-favored-nation basis (i.e., no less favorable material terms (including pricing) than those offered by PLDT or any of its controlled affiliates to any other customer in relation to services substantially similar to those provided or to be provided to AOGL and/or its designated companies). In addition, PLDT may be liable for certain damages actually suffered by AOGL until the time of sale arising out of, among others, breach of representation, tax matters and non-compliance with Indian employment laws by SPi Technologies India Pvt. Ltd., a joint subsidiary of SPi Technologies, Inc., or SPi, and SPi India Holdings (Mauritius), Inc., for the transactions that transpired up to the time of sale.

The results of the BPO segment, net of intercompany transactions, classified as discontinued operations for the four months ended April 30, 2013 (closing period of the sale) are as follows:

	(in million pesos)
Revenues (Note 3)	3,132
Expenses:	
Compensation and employee benefits (Note 3)	2,047
Professional and other contracted services	267
Depreciation and amortization (Note 3)	153
Repairs and maintenance	129
Communication, training and travel	118
Rent (Note 3)	86
Amortization of intangible assets (Note 3)	55
Selling and promotions	27
Insurance and security services	21
Taxes and licenses	14
Other expenses	57
	2,974
	158
Other income (expenses):	
Foreign exchange gains – net	4
Interest income	3
Gains on derivative financial instruments – net	1
Financing costs	(4)
Other income – net	1,962
	1,966
Income before income tax from discontinued operations	2,124
Provision for income tax (Note 3)	55
	2,069
Earnings per share:	
Basic – income from discontinued operations	9.58
Diluted – income from discontinued operations	9.58

As indicated above, the sale of BPO segment was completed on April 30, 2013. Thus, our consolidated statements of financial position as at December 31, 2013 do not include any assets and liabilities of the BPO segment.

The net cash flows used by the BPO segment for the four months ended April 30, 2013 (closing period of the sale) are as follows:

	(in million pesos)
Operating activities	144
Investing activities	(1,202)
Financing activities	(10)
Net effect of foreign exchange rate changes on cash and cash equivalents	(67)
	(1,135)

PCEV's Common Stock

On June 24, 2014, PCEV's Board of Directors approved a program involving the repurchase or buyback program of its common shares, which are owned by its remaining minority stockholders and offered for sale at a price of not more than Php100,000 per share. After the buyback program which ended on June 30, 2015, the number of holders of PCEV common stock decreased to 96.

In 2014, the number of holders of PCEV common stock decreased to 97 and because the number of shareholders decreased below 100, PCEV filed a petition to the Philippine SEC for the suspension of duty to file reports under Section 17 of the Philippine SEC Regulation Code on December 22, 2014.

On December 22, 2015, a year after submission of the petition, PCEV re-filed the notification of suspension of duty to file reports, advising the commission that PCEV will cease filing any reports required under Section 17 of the Philippine SEC Regulation Code beginning January 1, 2016.

Consolidation of Various Digital Businesses of Smart under Voyager

On December 18, 2014, the Board of Directors of Smart approved the consolidation of various digital businesses under Voyager. To facilitate the consolidation of these entities, the following were executed: (a) On February 25, 2015, Smart made an additional capital cash infusion to Voyager amounting to Php250 million and converted Php400 million Smart advances to Voyager into additional paid-in capital; (b) On March 4, 2015, Smart sold all of its shares in eInnovations to Voyager for SGD7.6 million; (c) On March 17, 2015, Smart granted an interest-bearing loan to eInnovations amounting to US$13.5 million; and (d) On March 26, 2015, Smart sold all of its shares in PayMaya to ePay for Php603 million.

On August 3, 2015, the Board of Directors of Smart approved the additional equity infusion by Smart to Voyager of Php1,716 million via subscription to additional shares. Of this amount, Smart has invested additional capital of Php1,332 million as at December 31, 2015. The additional equity infusion is intended for Voyager's various investments, as well as capital expenditures and working capital requirements. The total investment of Smart in Voyager amounted to Php1,988 million as at December 31, 2015.

On August 21, 2015, eVentures was incorporated in Singapore to serve as a holding company of other digital investments providing digital, internet, information, communication and IT-related activities.

As at December 31, 2015, Voyager owns 100% of eInnovations, which in turn directly owns the following offshore digital businesses: Takatack Holdings, 3rd Brand, ePay, iCommerce, and eVentures.

The transactions above have no impact on our consolidated financial statements.

PayMaya's Investment in PayMaya Ops

PayMaya Ops was incorporated in the Philippines on February 10, 2015 to market, sell and distribute payment solutions and other related services. PayMaya Ops is 60% and 40% owned by PayMaya and Smart, respectively, with an initial capitalization of Php1 million.

On the mobile financial solutions side, Voyager launched *PayMaya Visa* card with *Beep*, a three-in-one product – a *Beep* card with stored Near Field Communication/value for use in Metro Manila's light rail system, a virtual *Visa* card which can be used to pay for online/e-commerce transactions and a physical *Visa* debit card.

Incorporation of Talas

On June 9, 2015, the PLDT Board of Directors approved the incorporation of Talas, a wholly-owned subsidiary of PLDT. Total subscription in Talas amounted to Php250 million, of which Php62.5 million was paid on May 28, 2015, for purposes of incorporation.

Talas is tasked with unifying the digital data assets of the PLDT Group which involves the implementation of the Intelligent Data Fabric, exploration of revenue opportunities and the delivery of the big data capability platform to PLDT and Smart.

Incorporation of PLDT Capital Pte. Ltd., or PLDT Capital

PLDT Capital was incorporated as a wholly-owned subsidiary of PLDT Online on August 12, 2015. As an investment arm, PLDT Capital is envisioned to be an important pillar in supporting the PLDT Group's digital pivot through collaboration with world-class pioneering companies in Silicon Valley, USA and around the world.

In 2015, PLDT Capital made the following investments:

- Investment in Phunware, Inc., or Phunware;
- Investment in AppCard, Inc., or AppCard; and
- Investment in Matrixx Software, Inc., or Matrixx

See *Note 10 – Investments in Associates, Joint Ventures and Deposits* and *Note 11 – Available-for-Sale Financial Investments*.

New and Amended Standards and Interpretations

The Group applied for the first time certain amendments, which are effective for annual periods beginning on or after January 1, 2015. The adoption of these amendments to the standards as at January 1, 2015 did not have any significant impact on our consolidated financial statements.

- *Amendments to Philippine Accounting Standards, or PAS, 19, Employee Benefits: Employee Contributions*
- Annual improvements to PFRS (2010-2012 Cycle)
    - *PFRS 2, Share-based Payment – Definition of Vesting Condition*
    - *PFRS 3, Business Combinations – Accounting for Contingent Consideration in a Business Combination*
    - *PFRS 8, Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
    - *PAS 16, Property, Plant and Equipment – Revaluation Method – Proportionate Restatement of Accumulated Depreciation,* and *PAS 38, Intangible Assets – Revaluation Method - Proportionate Restatement of Accumulated Amortization*
    - *PAS 24, Related Party Disclosures – Key Management Personnel*

- Annual improvements to PFRS (2011-2013 Cycle)
  - *PFRS 3, Business Combinations – Scope of Exceptions for Joint Arrangements*
  - *PFRS 13, Fair Value Measurement – Portfolio Exception*
  - *PAS 40, Investment Property*

Summary of Significant Accounting Policies

The following is the summary of significant accounting policies we applied in preparing our consolidated financial statements:

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any noncontrolling interest in the acquiree. For each business combination, we elect whether to measure the components of the noncontrolling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When we acquire a business, we assess the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss. The fair value of previously held equity interest is then included in the amount of total consideration transferred.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for noncontrolling interests and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, we reassess whether we correctly identified all of the assets acquired and all of the liabilities assumed and review the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain on a bargain purchase is recognized in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, we report in our consolidated financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which is no longer than one year from the acquisition date, the provisional amounts recognized at acquisition date are retrospectively adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, we also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of our cash-generating units, or CGUs, that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill acquired in a business combination has yet to be allocated to identifiable CGUs because the initial accounting is incomplete, such provisional goodwill is not tested for impairment unless indicators of impairment exist and we can reliably allocate the carrying amount of goodwill to a CGU or group of CGUs that are expected to benefit from the synergies of the business combination.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the disposed operation and the portion of the CGU retained.

Investments in Associates

An associate is an entity in which we have significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but has no control nor joint control over those policies. The existence of significant influence is presumed to exist when we hold 20% or more, but less than 50% of the voting power of another entity. Significant influence is also exemplified when we have one or more of the following: (a) a representation on the board of directors or the equivalent governing body of the investee; (b) participation in policy-making processes, including participation in decisions about dividends or other distributions; (c) material transactions with the investee; (d) interchange of managerial personnel with the investee; or (e) provision of essential technical information.

Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The cost of the investments includes transaction costs. The details of our investments in associates are disclosed in *Note 10 – Investments in Associates, Joint Ventures and Deposits – Investments in Associates*.

Under the equity method, an investment in an associate is carried at cost plus post acquisition changes in our share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized nor individually tested for impairment. Our consolidated income statement reflects our share in the financial performance of our associates. Where there has been a change recognized directly in the equity of the associate, we recognize our share in such change and disclose this, when applicable, in our consolidated statement of comprehensive income and consolidated statement of changes in equity. Unrealized gains and losses resulting from our transactions with and among our associates are eliminated to the extent of our interests in those associates.

Our share in the profits or losses of our associates is shown on the face of our consolidated income statement. This is the profit or loss attributable to equity holders of the associate and therefore is profit or loss after tax and net of noncontrolling interest in the subsidiaries of the associate.

When our share of losses exceeds our interest in an associate, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that we have an obligation or have made payments on behalf of the investee.

Our reporting dates and that of our associates are identical and our associates' accounting policies conform to those used by us for like transactions and events in similar circumstances. When necessary, adjustments are made to bring such accounting policies in line with our policies.

After application of the equity method, we determine whether it is necessary to recognize an additional impairment loss on our investments in associates. We determine at the end of each reporting period whether there is any objective evidence that our investment in associate is impaired. If this is the case, we calculate the amount of impairment as the difference between the recoverable amount of our investment in the associate and its carrying value and recognize the amount in our consolidated income statement.

Upon loss of significant influence over the associate, we measure and recognize any retained investment at its fair value. Any difference between the carrying amounts of our investment in the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal is recognized in profit or loss.

Joint Arrangements

Joint arrangements are arrangements with respect to which we have joint control, established by contracts requiring unanimous consent from the parties sharing control for decisions about the activities that significantly affect the arrangements' returns. They are classified and accounted for as follows:

- Joint operation – when we have rights to the assets, and obligations for the liabilities, relating to an arrangement, we account for each of our assets, liabilities and transactions, including our share of those held or incurred jointly, in relation to the joint operation.

- Joint venture – when we have rights only to the net assets of the arrangements, we account for our interest using the equity method, the same as our accounting for investments in associates.

The financial statements of the joint venture are prepared for the same reporting period as our consolidated financial statements. Where necessary, adjustments are made to bring the accounting policies of the joint venture in line with our policies. The details of our investments in joint ventures are disclosed in *Note 10 – Investments in Associates, Joint Ventures and Deposits – Investments in Joint Ventures*.

Adjustments are made in our consolidated financial statements to eliminate our share of unrealized gains and losses on transactions between us and our joint venture. Our investment in joint venture is carried at equity method until the date on which we cease to have joint control over the joint venture.

Upon loss of joint control over the joint venture, we measure and recognize our retained investment at fair value. Any difference between the carrying amount of the former joint venture upon loss of joint control and the fair value of the remaining investment and proceeds from disposal is recognized in profit or loss. When the remaining investment constitutes significant influence, it is accounted for as an investment in an associate.

Current Versus Noncurrent Classifications

We present assets and liabilities in the statement of financial position based on current or noncurrent classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the period.

We classify all other liabilities as noncurrent.

Deferred income tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Foreign Currency Transactions and Translations

Our consolidated financial statements are presented in Philippine peso, which is also the Parent Company's functional currency. The Philippine peso is the currency of the primary economic environment in which we operate. This is also the currency that mainly influences the revenue from and cost of rendering products and services. Each entity in our Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The functional and presentation currency of the entities under PLDT Group (except for SMHC, FECL Group, PLDT Global and certain of its subsidiaries, DCPL, PGNL and certain of its subsidiaries, Chikka and certain of its subsidiaries, PGIC, eInnovations, Takatack Holdings, Takatack Technologies, iCommerce, eVentures, ePay, 3rd Brand, Chikka Pte. Ltd., or CPL, ABM Global Solutions Pte. Ltd., or AGSPL, Chikka Communications Consulting (Beijing) Co. Ltd., or CCCBL, ABMGS Sdn. Bhd., or AGS Malaysia, and PT Advance Business Microsystems Global Solutions, or AGS Indonesia) is the Philippine peso.

Transactions in foreign currencies are initially recorded by entities under our Group at the respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange prevailing at the end of the reporting period. All differences arising on settlement or translation of monetary items are recognized in our consolidated income statement except for foreign exchange differences that qualify as capitalizable borrowing costs for qualifying assets. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on transaction of non-monetary items measured at fair value is treated in line with the recognition of this gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss are also recognized in other comprehensive income or profit or loss, respectively).

The functional currency of SMHC, FECL Group, PLDT Global and certain of its subsidiaries, DCPL, PGNL and certain of its subsidiaries, Chikka and certain of its subsidiaries and PGIC is the U.S. dollar; the functional currency of eInnovations, Takatack Holdings, Takatack Technologies, iCommerce, eVentures, ePay, 3rd Brand, CPL and AGSPL, is the Singapore dollar; the functional currency of CCCBL is the Chinese renminbi; the functional currency of AGS Malaysia is the Malaysian ringgit; and the functional currency of AGS Indonesia is the Indonesian rupiah. As at the reporting date, the assets and liabilities of these subsidiaries are translated into Philippine peso at the rate of exchange prevailing at the end of the reporting period, and income and expenses of these subsidiaries are translated monthly using the weighted average exchange rate for the month. The exchange differences arising on translation are recognized as a separate component of other comprehensive income as cumulative translation adjustments. On disposal of these subsidiaries, the amount of deferred cumulative translation adjustments recognized in other comprehensive income relating to subsidiaries is recognized in our consolidated income statement.

When there is a change in an entity's functional currency, the entity applies the translation procedures applicable to the new functional currency prospectively from the date of the change. The entity translates all assets and liabilities into the new functional currency using the exchange rate at the date of the change. The resulting translated amounts for non-monetary items are treated as the new historical cost. Exchange differences arising from the translation of a foreign operation previously recognized in other comprehensive income are not reclassified from equity to profit or loss until the disposal of the operation.

Foreign exchange gains or losses of the Parent Company and our Philippine-based subsidiaries are treated as taxable income or deductible expenses in the period such exchange gains or losses are realized.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Noncurrent Assets Held-for-Sale

Noncurrent assets and disposal groups classified as held-for-sale are measured at the lower of their carrying amount and fair value less costs to sell. Noncurrent assets and disposal groups are classified as held-for-sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the consolidated income statements, income and expenses are reported separately down to the level of profit after taxes, even when we retain a noncontrolling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the consolidated income statements.

Property and equipment and intangible assets once classified as held-for-sale are neither depreciated nor amortized.

Financial Instruments – Initial recognition and subsequent measurement

Financial Assets

Initial recognition and measurement

Financial assets within the scope of *PAS 39* are classified as financial assets at fair value through profit or loss, or FVPL, loans and receivables, held-to-maturity, or HTM, investments, available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. We determine the classification of financial assets at initial recognition and, where allowed and appropriate, re-evaluate the designation of such assets at each financial year-end.

Financial assets are recognized initially at fair value plus transaction costs that are attributable to the acquisition of the financial asset, except in the case of financial assets recorded at FVPL.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way purchases or sales) are recognized on the trade date, i.e., the date that we commit to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on the classification as described below:

Financial assets at FVPL

Financial assets at FVPL include financial assets held-for-trading and financial assets designated upon initial recognition at FVPL. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivative assets, including separated embedded derivatives, are also classified as held-for-trading unless they are designated as effective hedging instruments as defined by *PAS 39*. Financial assets at FVPL are carried in our consolidated statement of financial position at fair value with net changes in fair value recognized in our consolidated income statement under “Gains (losses) on derivative financial instruments – net” for derivative instruments (negative net changes in fair value) and “Other income – net” for non-derivative financial assets (positive net changes in fair value). Interest earned and dividends received from financial assets at FVPL are recognized in our consolidated income statement under “Interest income” and “Other income – net”, respectively.

Financial assets may be designated at initial recognition as at FVPL if any of the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on different bases; (ii) the assets are part of a group of financial assets which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management strategy and information about the company is provided internally on that basis to the entity's key management personnel; or (iii) the financial assets contain an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: (a) the economic characteristics and risks of the embedded derivatives are not closely related to the economic characteristics and risks of the host contract; (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (c) the hybrid or combined instrument is not recognized at FVPL. These embedded derivatives are measured at fair value with gains or losses arising from changes in fair value recognized in our consolidated income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Our financial assets at FVPL include certain short-term investments as at December 31, 2015 and 2014. See *Note 28 – Financial Assets and Liabilities.*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. After initial measurement, such financial assets are carried at amortized cost using the effective interest rate, or EIR, method less impairment. This method uses an EIR that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Gains and losses are recognized in our consolidated income statement when the loans and receivables are derecognized or impaired, as well as through the amortization process. Interest earned is recorded in "Interest income" in our consolidated income statement. Assets in this category are included in the current assets except for those with maturities greater than 12 months after the end of the reporting period, which are classified as noncurrent assets.

Our loans and receivables include portions of investment in debt securities and other long-term investments, cash and cash equivalents, certain short-term investments, trade and other receivables and portions of advances and other noncurrent assets as at December 31, 2015 and 2014. See *Note 12 – Investment in Debt Securities and Other Long-term Investments, Note 16 – Cash and Cash Equivalents, Note 17 – Trade and Other Receivables* and *Note 28 – Financial Assets and Liabilities.*

HTM investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as HTM when we have the positive intention and ability to hold it to maturity. After initial measurement, HTM investments are measured at amortized cost using the EIR method. Gains or losses are recognized in our consolidated income statement when the investments are derecognized or impaired, as well as through the amortization process. Interest earned is recorded in "Interest income" in our consolidated income statement. Assets in this category are included in current assets except for those with maturities greater than 12 months after the end of the reporting period, which are classified as noncurrent assets.

Our HTM investments include portions of investment in debt securities and other long-term investments as at December 31, 2015 and 2014. See *Note 12 – Investment in Debt Securities and Other Long-term Investments* and *Note 28 – Financial Assets and Liabilities.*

Available-for-sale financial investments

Available-for-sale financial investments include equity investments and debt securities. Equity investments classified as available-for-sale are those that are neither classified as held-for-trading nor designated at FVPL. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to liquidity requirements or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income in the “Net gains on available-for-sale financial investments – net of tax” account until the investment is derecognized, at which time the cumulative gain or loss recorded in other comprehensive income is recognized in our consolidated income statement; or the investment is determined to be impaired, at which time the cumulative loss recorded in other comprehensive income is recognized in our consolidated income statement. Available-for-sale investments in equity instruments that do not have a quoted price in an active market and whose fair value cannot be reliably measured shall be measured at cost.

Interest earned on holding available-for-sale financial investments are included under “Interest income” using the EIR method in our consolidated income statement. Dividends earned on holding available-for-sale equity investments are recognized in our consolidated income statement under “Other income – net” when the right to receive payment has been established. These financial assets are included under noncurrent assets unless we intend to dispose of the investment within 12 months from the end of the reporting period.

We evaluate whether the ability and intention to sell our available-for-sale financial investments in the near term is still appropriate. When, in rare circumstances, we are unable to trade these financial investments due to inactive markets and management’s intention to do so significantly changes in the foreseeable future, we may elect to reclassify these financial investments. Reclassification to loans and receivables is permitted when the financial investments meet the definition of loans and receivables and we have the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial investment to maturity accordingly.

For a financial investment reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in other comprehensive income is amortized to profit or loss over the remaining life of the investment using the EIR method. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR method. If the asset is subsequently determined to be impaired, then the amount recorded in other comprehensive income is reclassified to the consolidated income statement.

Our available-for-sale financial investments include listed and unlisted equity securities as at December 31, 2015 and 2014. See *Note 28 – Financial Assets and Liabilities.*

Financial Liabilities

Initial recognition and measurement

Financial liabilities within the scope of *PAS 39* are classified as financial liabilities at FVPL, other financial liabilities or as derivatives designated as hedging instruments in an effective hedge, as appropriate. We determine the classification of our financial liabilities at initial recognition.

Financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as described below:

Financial liabilities at FVPL

Financial liabilities at FVPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as at FVPL. Financial liabilities are classified as held-for-trading if they are acquired for the purpose of selling in the near term. Derivative liabilities, including separated embedded derivatives are also classified as at FVPL unless they are designated as effective hedging instruments as defined by *PAS 39*. Financial liabilities at FVPL are carried in our consolidated statement of financial position at fair value with gains or losses on liabilities held-for-trading recognized in our consolidated income statement under “Gains (losses) on derivative financial instruments – net” for derivative instruments and “Other income – net” for non-derivative financial liabilities.

Financial liabilities may be designated at initial recognition as at FVPL if any of the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognizing gains or losses on them on different bases; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management strategy and information about the company is provided internally on that basis to the entity’s key management personnel; or (iii) the financial liabilities contain an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Our financial liabilities at FVPL include long-term principal only-currency swaps and interest rate swaps as at December 31, 2015 and 2014. See *Note 28 – Financial Assets and Liabilities.*

Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method.

Gains and losses are recognized in our consolidated income statement when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included under “Financing costs – net” in our consolidated income statement.

Our other financial liabilities include accounts payable, accrued expenses and other current liabilities (except for statutory payables), interest-bearing financial liabilities, customers’ deposits, dividends payable, and accrual for long-term capital expenditures included under “Deferred credits and other noncurrent liabilities” account as at December 31, 2015 and 2014. See *Note 21 – Interest-bearing Financial Liabilities, Note 22 – Deferred Credits and Other Noncurrent Liabilities, Note 23 – Accounts Payable,* and *Note 24 – Accrued Expenses and Other Current Liabilities.*

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in our consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Amortized cost of financial instruments

Amortized cost is computed using the EIR method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the EIR.

"Day 1" difference

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique which variables include only data from observable market, we recognize the difference between the transaction price and fair value (a "Day 1" difference) in our consolidated income statement unless it qualifies for recognition as some other type of asset or liability. In cases where data used are not observable, the difference between the transaction price and model value is only recognized in our consolidated income statement when the inputs become observable or when the instrument is derecognized. For each transaction, we determine the appropriate method of recognizing the "Day 1" difference amount.

Impairment of Financial Assets

We assess at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that the debtor will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Impairment of Trade and Other Receivables

Individual impairment

Retail subscribers

We recognize impairment losses for the whole amount of receivables from permanently disconnected wireless and fixed line subscribers. Permanent disconnections are made after a series of collection steps following nonpayment by postpaid subscribers. Such permanent disconnection usually occurs within a predetermined period from the last statement date.

We also recognize impairment losses for accounts with extended credit arrangements or promissory notes.

Regardless of the age of the account, additional impairment losses are also made for accounts specifically identified to be doubtful of collection when there is information on financial incapacity after considering the other contractual obligations between us and the subscriber.

Corporate subscribers

Receivables from corporate subscribers are provided with impairment losses when they are specifically identified as impaired. Full allowance is generally provided for the whole amount of receivables from corporate accounts based on aging of individual account balances. In making this assessment, we take into account normal payment cycle, counterparty's payment history and industry-observed settlement periods.

Foreign administrations and domestic carriers

For receivables from foreign administration and domestic carriers, impairment losses are recognized when they are specifically identified as impaired regardless of the age of balances. Full allowance is generally provided after quarterly review of the status of settlement with the carriers. In making this assessment, we take into account normal payment cycle, counterparty carrier's payment history and industry-observed settlement periods.

Dealers, agents and others

Similar to carrier accounts, we recognize impairment losses for the full amount of receivables from dealers, agents and other parties based on our specific assessment of individual balances based on age and payment habits, as applicable.

Collective impairment

Postpaid wireless and fixed line subscribers

We estimate impairment losses for temporarily disconnected accounts for both wireless and fixed line subscribers based on the historical trend of temporarily disconnected accounts which eventually become permanently disconnected. Temporary disconnection is initiated after a series of collection activities is implemented, including the sending of a collection letter, call-out reminders and collection messages via text messaging. Temporary disconnection generally happens 90 days after the due date of the unpaid balance. If the account is not settled within 60 days from temporary disconnection, the account is permanently disconnected.

We recognize impairment losses on our postpaid wireless and fixed line subscribers through net flow-rate methodology which is derived from account-level monitoring of subscriber accounts between different age brackets, from current to 120 days past due. The criterion adopted for making the allowance for doubtful accounts takes into consideration the calculation of the actual percentage of losses incurred on each range of accounts receivable.

Other subscribers

Receivables that have been assessed individually and found not to be impaired are then assessed collectively based on similar credit risk characteristics to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident in the individual impairment assessment. Retail subscribers are provided with collective impairment based on a certain percentage derived from historical data/statistics.

See *Note 3 – Management's Use of Accounting Judgments, Estimates and Assumptions – Estimating allowance for doubtful accounts, Note 17 – Trade and Other Receivables* and *Note 28 – Financial Assets and Liabilities – Impairment Assessments* for further disclosures relating to impairment of financial assets.

Financial assets carried at amortized cost

For financial assets carried at amortized cost, we first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If we determine that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, we include the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized under “Asset impairment” in our consolidated income statement. Interest income continues to be accrued on the reduced carrying amount based on the original EIR of the asset. The financial asset together with the associated allowance are written-off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to us. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in our consolidated income statement, to the extent that the carrying value of the asset does not exceed its original amortized cost at the reversal date. If a write-off is later recovered, the recovery is recognized in profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, we assess at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale financial investments, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The determination of what is “significant” or “prolonged” requires judgment. We treat “significant” generally as decline of 20% or more below the original cost of investment, and “prolonged” as greater than 12 months assessed against the period in which the fair value has been below its original cost. When a decline in the fair value of an available-for-sale financial investment has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized in other comprehensive income is reclassified to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized. The amount of the cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss. If available-for-sale equity security is impaired, any further decline in the fair value at subsequent reporting date is recognized as impairment. Therefore, at each reporting period, for an equity security that was determined to be impaired, additional impairments are recognized for the difference between fair value and the original cost, less any previously recognized impairment. Impairment losses on equity investments are not reversed in profit or loss. Subsequent increases in the fair value after impairment are recognized in other comprehensive income.

In the case of debt instruments classified as available-for-sale financial investments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in our consolidated income statement. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of “Interest income” in our consolidated income statement. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in our consolidated income statement, the impairment loss is reversed in profit or loss.

Derecognition of Financial Assets and Liabilities

Financial assets

A financial asset (or where applicable as part of a financial asset or part of a group of similar financial assets) is primarily derecognized when: (1) the right to receive cash flows from the asset has expired; or (2) we have transferred the right to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either: (a) we have transferred substantially all the risks and rewards of the asset; or (b) we have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

When we have transferred the right to receive cash flows from an asset or have entered into a "pass-through" arrangement, and have neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognized to the extent of our continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that we could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of our continuing involvement is the amount of the transferred asset that we may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of our continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

The financial liability is also derecognized when equity instruments are issued to extinguish all or part of the financial liability. The equity instruments issued are recognized at fair value if it can be reliably measured, otherwise, it is recognized at the fair value of the financial liability extinguished. Any difference between the fair value of the equity instruments issued and the carrying value of the financial liability extinguished is recognized in profit or loss.

Derivative Financial Instruments and Hedge Accounting

Initial recognition and subsequent measurement

We use derivative financial instruments, such as long-term currency swaps, foreign currency options, forward currency contracts and interest rate swaps to hedge our risks associated with foreign currency fluctuations and interest rate. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of long-term currency swaps, foreign currency options, forward currency contracts and interest rate swap contracts is determined using applicable valuation techniques. See *Note 28 – Financial Assets and Liabilities*.

Any gains or losses arising from changes in fair value on derivatives during the period that do not qualify for hedge accounting are taken directly to the "Gains (losses) on derivative financial instruments – net" in our consolidated income statement.

For the purpose of hedge accounting, hedges are classified as: (1) fair value hedges when hedging the exposure to changes in the fair value of a recognized financial asset or liability or an unrecognized firm commitment (except for foreign currency risk); or (2) cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized financial asset or liability, a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment; or (3) hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, we formally designate and document the hedge relationship to which we wish to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how we will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an on-going basis to determine that they actually have been highly effective throughout the financial reporting periods for which they are designated. In a situation when that hedged item is a forecast transaction, we assess whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect our consolidated income statement.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges

The change in the fair value of a hedging derivative is recognized in our consolidated income statement. The change in the fair value of the hedged item attributable to the risk being hedged is recorded as part of the carrying value of the hedged item and is also recognized in our consolidated income statement.

The fair value for financial instruments traded in active markets at the end of the reporting period is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction. For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models and other relevant valuation models.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as a financial asset or liability with a corresponding gain or loss recognized in our consolidated income statement. The changes in the fair value of the hedging instrument are also recognized in our consolidated income statement.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized in other comprehensive income, while any ineffective portion is recognized immediately in our consolidated income statement. See *Note 28 – Financial Assets and Liabilities* for more details.

Amounts taken to other comprehensive income are transferred to our consolidated income statement when the hedged transaction affects our consolidated income statement, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognized in other comprehensive income are transferred to our consolidated income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in other comprehensive income remain in other comprehensive income until the forecast transaction or firm commitment occurs.

We use an interest rate swap agreement to hedge our interest rate exposure on certain outstanding loan balances. See *Note 28 – Financial Assets and Liabilities*.

Hedges of a net investment in a foreign operation

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in other comprehensive income while any gains or losses relating to the ineffective portion are recognized in our consolidated income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recognized in other comprehensive income is transferred to our consolidated income statement.

We use a loan as a hedge of its exposure to foreign exchange risk on its investment in foreign subsidiaries. See *Note 28 – Financial Assets and Liabilities* for more details.

Current versus noncurrent classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or noncurrent or separated into a current and noncurrent portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

Where we expect to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as noncurrent (or separated into current and noncurrent portions) consistent with the classification of the underlying item.

Embedded derivatives that are not closely related to the host contract are classified consistent with the cash flows of the host contract.

Derivative instruments that are designated as effective hedging instruments are classified consistently with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and a noncurrent portion only if a reliable allocation can be made.

We recognize transfers into and transfers out of fair value hierarchy levels as at the date of the event or change in circumstances that caused the transfer.

Property and Equipment

Property and equipment, except for land, is stated at cost less accumulated depreciation and amortization and any accumulated impairment losses. The initial cost of property and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the property and equipment to its working condition and location for its intended use. Such cost includes the cost of replacing component parts of the property and equipment when the cost is incurred, if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, we recognize such parts as individual assets with specific useful lives and depreciate them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs are recognized as expense as incurred. The present value of the expected cost for the decommissioning of the asset after use is included in the cost of the asset if the recognition criteria for a provision are met. Land is stated at cost less any impairment in value.

Depreciation and amortization commence once the property and equipment are available for their intended use and are calculated on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives used in depreciating our property and equipment are disclosed in *Note 9 – Property and Equipment*.

The residual values, estimated useful lives, and methods of depreciation and amortization are reviewed at least at each financial year-end and adjusted prospectively, if appropriate.

An item of property and equipment and any significant part initially recognized are derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognized.

Property under construction is stated at cost less any impairment in value. This includes cost of construction, plant and equipment, capitalizable borrowing costs and other direct costs associated to construction. Property under construction is not depreciated until such time that the relevant assets are completed and available for its intended use.

Construction-in-progress is transferred to the related property and equipment when the construction or installation and related activities necessary to prepare the property and equipment for their intended use have been completed, and the property and equipment are ready for operational use.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

All other borrowing costs are expensed as incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Asset Retirement Obligations

We are legally required under various lease agreements to dismantle the installation in leased sites and restore such sites to their original condition at the end of the lease contract term. We recognize the liability measured at the present value of the estimated costs of these obligations and capitalize such costs as part of the balance of the related item of property and equipment. The amount of asset retirement obligations are accreted and such accretion is recognized as interest expense. See *Note 9 – Property and Equipment* and *Note 22 – Deferred Credits and Other Noncurrent Liabilities*.

Investment Properties

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in our consolidated income statement in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an amount evaluation performed by a Philippine SEC accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognized when they are disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in our consolidated income statement in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, we account for such property in accordance with the policy stated under property and equipment up to the date of change in use. The difference between the carrying amount of the owner-occupied property and its fair value at the date of change is accounted for as revaluation increment recognized in other comprehensive income. On subsequent disposal of the investment property, the revaluation increment recognized in other comprehensive income is transferred to retained earnings.

No assets held under operating lease have been classified as investment properties.

Intangible Assets

Intangible assets acquired separately are measured at cost on initial recognition. The cost of intangible assets acquired from business combinations is initially recognized at fair value on the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. The useful lives of intangible assets are assessed at the individual asset level as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life using the straight-line method and assessed for impairment whenever there is an indication that the intangible assets may be impaired. At the minimum, the amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in our consolidated income statement.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually either individually or at the CGU level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

The estimated useful lives used in amortizing our intangible assets are disclosed in *Note 15 – Goodwill and Intangible Assets*.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in our consolidated income statement when the asset is derecognized.

Internally generated intangibles are not capitalized and the related expenditures are charged against operations in the period in which the expenditures are incurred.

Inventories and Supplies

Inventories and supplies, which include cellular and landline phone units, materials, spare parts, terminal units and accessories, are valued at the lower of cost and net realizable value.

Costs incurred in bringing inventories and supplies to its present location and condition are accounted for using the weighted average cost method. Net realizable value is determined by either estimating the selling price in the ordinary course of business, less the estimated cost to sell or determining the prevailing replacement costs.

Impairment of Non-Financial Assets

We assess at each reporting period whether there is an indication that an asset may be impaired. If any indication exists, or when the annual impairment testing for an asset is required, we make an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent from those of other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. Impairment losses are recognized in our consolidated income statement.

For assets, excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, we make an estimate of the recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in our consolidated income statement. After such reversal, the depreciation and amortization charges are adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining economic useful life.

The following assets have specific characteristics for impairment testing:

Property and equipment and intangible assets with definite useful lives

For property and equipment, we also assess for impairment on the basis of impairment indicators such as evidence of internal obsolescence or physical damage. See *Note 3 – Management's Use of Accounting Judgments, Estimates and Assumptions – Impairment of non-financial assets Note 9 – Property and Equipment* and *Note 15 – Goodwill and Intangible Assets* for further disclosures relating to impairment of non-financial assets.

Investments in associates and joint ventures

We determine at the end of each reporting period whether there is any objective evidence that our investments in associates and joint ventures are impaired. If this is the case, the amount of impairment is calculated as the difference between the recoverable amount of the investments in associates and joint ventures, and its carrying amount. The amount of impairment loss is recognized in our consolidated income statement. See *Note 10 – Investments in Associates, Joint Ventures and Deposits* for further disclosures relating to impairment of non-financial assets.

Goodwill

Goodwill is tested for impairment annually as at December 31, and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU, or group of CGUs, to which the goodwill relates. When the recoverable amount of the CGU, or group of CGUs, is less than the carrying amount of the CGU, or group of CGUs, to which goodwill has been allocated, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives are not amortized but are tested for impairment annually either individually or at the CGU level, as appropriate. We calculate the amount of impairment as being the difference between the recoverable amount of the intangible asset or the CGU, and its carrying amount and recognize the amount of impairment in our consolidated income statement. Impairment losses relating to intangible assets can be reversed in future periods.

See *Note 3 – Management's Use of Accounting Judgments, Estimates and Assumptions – Impairment of non-financial assets* and *Note 15 – Goodwill and Intangible Assets – Impairment Testing of Goodwill and Intangible Assets with Indefinite Life* for further disclosures relating to impairment of non-financial assets.

Investment in Debt Securities

Investment in debt securities are government securities which are carried at amortized cost using the EIR method. Interest earned from these securities is recognized under "Interest income" in our consolidated income statement.

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents, which include temporary cash investments, are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the date of acquisition, and for which there is an insignificant risk of change in value.

Short-term Investments

Short-term investments are money market placements, which are highly liquid with maturities of more than three months but less than one year from the date of acquisition.

Fair value measurement

We measure financial instruments such as derivatives, available-for-sale financial investments, certain short-term investments and non-financial assets such as investment properties, at fair value at each reporting date. Also, fair values of financial instruments measured at amortized cost are disclosed in *Note 28 – Financial Assets and Liabilities*.

Fair value is the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (i) in the principal market for the asset or liability, or (ii) in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by us.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

We use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole: (i) Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities; (ii) Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and (iii) Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, we determine whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

We determine the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted available-for-sale financial assets, and for non-recurring measurement, such as assets held for distribution in discontinued operation.

External valuers are involved for valuation of significant assets, such as certain short-term investments and investment properties. Involvement of external valuers is decided upon annually. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. At each reporting date, we analyze the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per our accounting policies. For this analysis, we verify the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

We, in conjunction with our external valuers, also compare the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable. This includes a discussion of the major assumptions used in the valuations. For the purpose of fair value disclosures, we have determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to us and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding value-added tax, or VAT, or overseas communication tax, or OCT, where applicable. When deciding the most appropriate basis for presenting revenue and cost of revenue, we assess our revenue arrangements against specific criteria to determine if we are acting as principal or agent. We consider both the legal form and the substance of our agreement, to determine each party's respective roles in the agreement. We are acting as a principal when we have the significant risks and rewards associated with the rendering of telecommunication services. When our role in a transaction is that of principal, revenue is presented on a gross basis, otherwise, revenue is presented on a net basis.

Service revenues from continuing operations

Our revenues are principally derived from providing the following telecommunications services: cellular voice and data services in the wireless business; and local exchange, international and national long distance, data and other network, and information and communications services in the fixed line business. When determining the amount of revenue to be recognized in any period, the overriding principle followed is to match the revenue with the cost of the provision of service. Services may be rendered separately or bundled with goods or other services. The specific recognition criteria are as follows:

Subscribers

We provide telephone, cellular and data communication services under prepaid and postpaid payment arrangements as follows:

Postpaid service arrangements include fixed monthly charges (including excess of consumable fixed monthly service fees) generated from postpaid cellular voice, short messaging services, or SMS, and data services through the postpaid plans of *Smart* and *Sun Cellular*, from cellular and local exchange services primarily through wireless, landline and related services, and from data and other network services primarily through broadband and leased line services, which we recognize on a straight-line basis over the customer's subscription period. Services provided to postpaid subscribers are billed throughout the month according to the billing cycles of subscribers. Services availed by subscribers in addition to these fixed fee arrangements are charged separately and recognized as the additional service is provided or as availed by the subscribers.

Our prepaid services include over-the-air reloading channels and prepaid cards provided by *Smart Prepaid, Talk 'N Text Prepaid* and *Sun Cellular Prepaid*. Proceeds from over-the-air reloading channels and prepaid cards are initially recognized as unearned revenue and realized upon actual usage of the airtime value (i.e., the pre-loaded airtime value of subscriber identification module, or SIM, cards and subsequent top-ups) for voice, SMS, multimedia messaging services, or MMS, content downloading (inclusive of browsing), infotext services and prepaid unlimited and bucket-priced SMS and call subscriptions, net of free SMS allocation and bonus credits (load package purchased, i.e., free additional SMS or minute calls or Peso credits), or upon expiration of the usage period, whichever comes earlier. Interconnection fees and charges arising from the actual usage of airtime value or subscriptions are recorded as incurred.

Revenue from international and national long distance calls carried via our network is generally based on rates which vary with distance and type of service (direct dial or operator-assisted, paid or collect, etc.). Revenue from both wireless and fixed line long distance calls is recognized as the service is provided.

Nonrecurring upfront fees such as activation fees charged to subscribers for connection to our network are deferred and are recognized as revenue throughout the estimated average length of customer relationship. The related incremental costs are similarly deferred and recognized over the same period in our consolidated income statement.

Connecting carriers

Interconnection revenues for call termination, call transit and network usages are recognized in the period in which the traffic occurs. Revenues related to local, long distance, network-to-network, roaming and international call connection services are recognized when the call is placed or connection is provided and the equivalent amounts charged to us by other carriers are recorded under interconnection costs in our consolidated income statement. Inbound revenue and outbound charges are based on agreed transit and termination rates with other foreign and local carriers.

Value-Added Services, or VAS

Revenues from VAS include MMS, content downloading (inclusive of browsing) and infotext services. The amount of revenue recognized is net of payout to content provider's share in revenue. Revenue is recognized upon service availment.

Incentives

We operate customer loyalty programmes in our wireless business which allows customers to accumulate points when they purchase services or prepaid credits from us. The points can then be redeemed for free services and discounts, subject to a minimum number of points being obtained. Consideration received is allocated between the services and prepaid credits sold and the points issued, with the consideration allocated to the points equal to their value. The fair value of the points issued is deferred and recognized as revenue when the points are redeemed.

Product-based incentives provided to retailers and customers as part of a transaction are accounted for as multiple element arrangements and recognized when earned.

Multiple-deliverable arrangements

In revenue arrangements including more than one deliverable, the deliverables are assigned to one or more separate units of accounting and the arrangement consideration is allocated to each unit of accounting based on their relative fair value to reflect the substance of the transaction. Where fair value is not directly observable, the total consideration is allocated using an appropriate allocation method.

Other services

Revenue from server hosting, co-location services and customer support services are recognized as the service is performed.

Service revenues from discontinued operations

Our revenues are principally derived from knowledge processing solutions and customer relationship management services in the business process outsourcing operations.

Revenue from outsourcing contracts under our knowledge processing solutions and customer relationship management businesses are recognized when evidence of an arrangement exists, the service has been provided, the fee is fixed or determinable, and collectability is reasonably assured. If the fee is not fixed or determinable, or collectability is not reasonably assured, revenue is not recognized until payment is received. For arrangements requiring specific customer acceptance, revenue recognition is deferred until the earlier of the end of the deemed acceptable period or until a written notice of acceptance is received from the customer. Revenue on services rendered to customers whose ability to pay is in doubt at the time of performance of services is also not recorded. Rather, revenue is recognized from these customers as payment is received. Revenue contingent on meeting specific performance conditions are recognized to the extent of costs incurred to provide the service. Outsourcing contracts may also include incentive payments dependent on achieving performance targets. Revenue relating to such incentive payments is recognized when the performance target is achieved.

Non-service revenues

Revenues from handset and equipment sales are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. The related cost or net realizable value of handsets or equipment, sold to customers is presented as “Cost of sales” in our consolidated income statement.

Interest income

Interest income is recognized as it accrues on a time proportion basis taking into account the principal amount outstanding and the EIR.

Dividend income

Revenue is recognized when our right to receive the payment is established.

Expenses

Expenses are recognized as incurred.

Provisions

We recognize a provision when we have a present obligation, legal or constructive, as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When we expect some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain to be received if the entity settles the obligation. The expense relating to any provision is presented in our consolidated income statement, net of any reimbursements. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Retirement Benefits

Defined benefit pension plans

PLDT has separate and distinct retirement plans for itself and majority of its Philippine-based operating subsidiaries, administered by the respective Funds' Trustees, covering permanent employees. Retirement costs are separately determined using the projected unit credit method. This method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

Retirement costs consist of the following:

- Service cost;
- Net interest on the net defined benefit asset or obligation; and
- Remeasurements of net defined benefit asset or obligation

Service cost (which includes current service costs, past service costs and gains or losses on curtailments and non-routine settlements) is recognized as part of "Compensation and employee benefits" account in our consolidated income statement. These amounts are calculated periodically by an independent qualified actuary.

Net interest on the net defined benefit asset or obligation is the change during the period in the net defined benefit asset or obligation that arises from the passage of time which is determined by applying the discount rate based on the government bonds to the net defined benefit asset or obligation. Net deferred benefit asset is recognized as part of advances and other noncurrent assets and net defined benefit obligation is recognized as part of pension and other employee benefits in our consolidated statement of financial position.

Remeasurements, comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit obligation) are recognized immediately in other comprehensive income in the period in which they occur. Remeasurements are not classified to profit or loss in subsequent periods.

The net defined benefit asset or obligation comprises the present value of the defined benefit obligation (using a discount rate based on government bonds, as explained in *Note 3 – Management's Use of Accounting Judgments, Estimates and Assumptions – Estimating pension benefit costs and other employee benefits*), net of the fair value of plan assets out of which the obligations are to be settled directly. Plan assets are assets held by a long-term employee benefit fund or qualifying insurance policies and are not available to our creditors nor can they be paid directly to us. Fair value is based on market price information and in the case of quoted securities, the published bid price and in the case of unquoted securities, the discounted cash flow using the income approach. The value of any defined benefit asset recognized is restricted to the asset ceiling which is the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan. See *Note 26 – Employee Benefits – Defined Benefit Pension Plans* for more details.

Defined contribution plans

Smart and certain of its subsidiaries maintain a defined contribution plan that covers all regular full-time employees under which it pays fixed contributions based on the employees' monthly salaries. Smart and certain of its subsidiaries, however, are covered under Republic Act 7641, or R.A. 7641, otherwise known as "The Philippine Retirement Law", which provides for qualified employees to receive a defined benefit minimum guarantee. The defined benefit minimum guarantee is equivalent to a certain percentage of the monthly salary payable to an employee at normal retirement age with the required credited years of service based on the provisions of R.A. 7641.

Accordingly, Smart and certain of its subsidiaries account for their retirement obligation under the higher of the defined benefit obligation related to the minimum guarantee and the obligation arising from the defined contribution plan.

For the defined benefit minimum guarantee plan, the liability is determined based on the present value of the excess of the projected defined benefit obligation over the projected defined contribution obligation at the end of the reporting period. The defined benefit obligation is calculated annually by a qualified independent actuary using the projected unit credit method. Smart and certain of its subsidiaries determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense (income) and other expenses (income) related to the defined benefit plan are recognized in our profit or loss.

The defined contribution liability, on the other hand, is measured at the fair value of the defined contribution assets upon which the defined contribution benefits depend, with an adjustment for margin on asset returns, if any, where this is reflected in the defined contribution benefits.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in our other comprehensive income.

When the benefits of the plan are changed or when the plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in our profit or loss. Gains or losses on the settlement of the defined benefit plan are recognized when the settlement occurs. See *Note 26 – Employee Benefits – Defined Contribution Plans* for more details.

Other Long-term Employee Benefits

Our liability arising from the 2012 to 2014 Long-term Incentive Plan, or the 2012 to 2014 LTIP, is determined using the projected unit credit method. Employee benefit costs include current service cost, net interest on the net defined benefit obligation, and remeasurements of the net defined benefit obligation. Past service costs and actuarial gains and losses are recognized immediately in our profit or loss. See *Note 26 – Employee Benefits – Other Long-term Employee Benefits* for more details.

The long-term employee benefit liability comprises the present value of the defined benefit obligation (using a discount rate based on government bonds) at the end of the reporting period.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date. The arrangement is assessed for whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement. A reassessment is made after the inception of the lease only if one of the following applies: (a) there is a change in contractual terms, other than a renewal or extension of the agreement; (b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term; (c) there is a change in the determination of whether the fulfillment is dependent on a specified asset; or (d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and the date of renewal or extension period for scenario (b).

As a Lessor. Leases where we retain substantially all the risks and benefits of ownership of the asset are classified as operating leases. Any initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Rental income is recognized in our consolidated income statement on a straight-line basis over the lease term.

All other leases are classified as finance leases. At the inception of the finance lease, the asset subject to lease agreement is derecognized and lease receivable is recognized. Interest income is accrued over the lease term using the EIR and lease amortization is accounted for as reduction of lease receivable.

As a Lessee. Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as expense in our consolidated income statement on a straight-line basis over the lease term.

All other leases are classified as finance leases. A finance lease gives rise to the recognition of a leased asset and finance lease liability. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term, if there is no reasonable certainty that we will obtain ownership of the leased asset at the end of the lease term. Interest expense is recognized over the lease term using the EIR.

Income Taxes

Current income tax

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the end of the reporting period where we operate and generate taxable income.

Deferred income tax

Deferred income tax is provided using the balance sheet liability method on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the end of the reporting period.

Deferred income tax liabilities are recognized for all taxable temporary differences except: (1) when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (2) with respect to taxable temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, the carryforward benefits of unused tax credits from excess minimum corporate income tax, or MCIT, over regular corporate income tax, or RCIT, and unused net operating loss carry over, or NOLCO. Deferred income tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and unused tax losses can be utilized, except: (1) when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (2) with respect to deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred income tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as at the end of the reporting period.

Deferred income tax relating to items recognized in "Other comprehensive income" account is included in our statement of comprehensive income and not in our consolidated income statement.

Deferred income tax assets and liabilities are offset, if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognized subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in our profit or loss.

VAT

Revenues, expenses and assets are recognized net of the amount of VAT except: (1) where the VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case, the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and (2) where receivables and payables are stated with the amount of VAT included.

Contingencies

Contingent liabilities are not recognized in our consolidated financial statements. They are disclosed in the notes to our consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in our consolidated financial statements but are disclosed in the notes to our consolidated financial statements when an inflow of economic benefits is probable.

Events After the End of the Reporting Period

Post period-end events up to the date of approval of the Board of Directors that provide additional information about our financial position at the end of the reporting period (adjusting events) are reflected in our consolidated financial statements. Post period-end events that are not adjusting events are disclosed in the notes to our consolidated financial statements when material.

Equity

Preferred and common stocks are measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax. Proceeds and/or fair value of considerations received in excess of par value are recognized as capital in excess of par value in our consolidated statements of changes in equity.

Treasury stocks are our own equity instruments which are reacquired and recognized at cost and presented as reduction in equity. No gain or loss is recognized in our consolidated income statement on the purchase, sale, reissuance or cancellation of our own equity instruments. Any difference between the carrying amount and the consideration upon reissuance or cancellation of shares is recognized as capital in excess of par value in our consolidated statements of changes in equity and statements of financial position.

Change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction and any impact is presented as part of capital in excess of par value in our consolidated statements of changes in equity.

Retained earnings represent our net accumulated earnings less cumulative dividends declared.

Other comprehensive income comprises of income and expense, including reclassification adjustments that are not recognized in our profit or loss as required or permitted by PFRSs.

Standards Issued But Not Yet Effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the financial statements are listed below. We will adopt these standards and amendments to existing standards which are relevant to us when these become effective. Except for PFRS 9, *Financial Instruments*, as discussed further below, we do not expect the adoption of these standards and amendments to PFRS to have a significant impact on our consolidated financial statements.

No definite adoption date prescribed by the SEC and FRSC

- *Philippine Interpretation IFRIC 15, Agreements for the Construction of Real Estate*

Effective January 1, 2016

- *PFRS 10, Consolidated Financial Statements, and PAS 28, Investments in Associates and Joint Ventures - Investment entities: Applying the consolidation Exception (Amendments)*
- *PAS 27, Separate Financial Statements - Equity Method in Separate Financial Statements (Amendments)*
- *PFRS 11, Joint Arrangements - Accounting for Acquisitions of Interests (Amendments)*
- *PAS 1, Presentation of Financial Statements - Disclosure Initiative (Amendments)*
- *PFRS 14, Regulatory Deferral Accounts*
- *PAS 16, Property, Plant and Equipment, and PAS 41, Agriculture - Bearer Plants*
- *PAS 16, Property, Plant and Equipment, and PAS 38, Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)*
- Annual Improvements to PFRSs (2012 – 2014 Cycle)
    - *PFRS 5, Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
    - *PFRS 7, Financial Instruments: Disclosures - Servicing Contracts*
    - *PFRS 7, Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
    - *PAS 19, Employee Benefits - regional market issue regarding discount rate*
    - *PAS 34, Interim Financial Reporting - disclosure of information 'elsewhere in the interim financial report'*

Effective January 1, 2018

- *PFRS 9, Financial Instruments*

In July 2014, the IASB issued the final version of International Financial Reporting Standards, or *IFRS, 9, Financial Instruments*. The new standard (renamed as *PFRS 9*) reflects all phases of the financial instruments project and replaces *PAS 39, Financial Instruments: Recognition and Measurement*, and all previous versions of *PFRS 9*. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. *PFRS 9* is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Early application of previous versions of *PFRS 9* (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015. We did not early adopt *PFRS 9*.

The adoption of *PFRS 9* will have an effect on the classification and measurement of our financial assets, but will have no impact on the classification and measurement of our financial liabilities. The adoption will also have an effect on our application of hedge accounting and on the amount of its credit losses. We are currently assessing the impact of adopting this standard.

In addition, the International Accounting Standards Board has issued the following new standards that have not yet been adopted locally by the SEC and FRSC. We are currently assessing the impact of these new standards and plans to adopt them on their required effective dates once adopted locally.

- *IFRS 15, Revenue from Contracts with Customers* (effective January 1, 2018)
- *IFRS 16, Leases* (effective January 1, 2019)

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3. Management's Use of Accounting Judgments, Estimates and Assumptions

The preparation of our consolidated financial statements in conformity with PFRS requires us to make judgments, estimates and assumptions that affect the reported amounts of our revenues, expenses, assets and liabilities and disclosure of contingent liabilities at the end of each reporting period. The uncertainties inherent in these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets or liabilities affected in the future years.

Judgments

In the process of applying the PLDT Group's accounting policies, management has made the following judgments, apart from those including estimations and assumptions, which have the most significant effect on the amounts recognized in our consolidated financial statements.

Assets classified as held-for-sale and discontinued operations

On December 4, 2012, our Board of Directors authorized the sale of our BPO segment, and in April 2013, the sale was completed. Consequently, the BPO segment as at December 31, 2012 has been classified as discontinued operations and a disposal group held-for-sale. The BPO segment met the criteria of an asset to be classified as held-for-sale as at December 31, 2012 for the following reasons: (1) the BPO segment was then available for immediate sale and could be sold to a potential buyer in its current condition; (2) the Board of Directors had approved the plan to sell the BPO segment and we had entered into preliminary negotiations with a potential buyer and a number of other potential buyers had been identified; and (3) the Board of Directors expected negotiations to be finalized and the sale to be completed in April 2013. The results of operations of our BPO business for the four months ended April 30, 2013 were presented as discontinued operations. See *Note 2 – Summary of Significant Accounting Policies – Discontinued Operations*.

Determination of functional currency

The functional currencies of the entities under the PLDT Group are the currency of the primary economic environment in which each entity operates. It is the currency that mainly influences the revenue from and cost of rendering products and services.

The presentation currency of the PLDT Group is the Philippine peso. Based on the economic substance of the underlying circumstances relevant to the PLDT Group, the functional currency of all entities under PLDT Group is the Philippine peso, except for (a) SMHC, FECL Group, PLDT Global and certain of its subsidiaries, DCPL, PGNL and certain of its subsidiaries, Chikka and certain of its subsidiaries and PGIC, which use the U.S. dollar; (b) eInnovations, Takatack Holdings, Takatack Technologies, iCommerce, eVentures, ePay, 3^{rd} Brand, CPL and AGSPL, which use the Singapore dollar; (c) CCCBL, which uses the Chinese renminbi; (d) AGS Malaysia, which uses the Malaysian ringgit; and (e) AGS Indonesia, which uses the Indonesian rupiah.

Leases

As a lessee, we have various lease agreements in respect of certain equipment and properties. We evaluate whether significant risks and rewards of ownership of the leased properties are transferred to us (finance lease) or retained by the lessor (operating lease) based on *PAS 17, Leases*. Total lease expense amounted to Php6,376 million, Php6,692 million and Php6,041 million for the years ended December 31, 2015, 2014 and 2013, respectively, while that from discontinued operations amounted to Php86 million for the year ended December 31, 2013. Total finance lease obligations amounted to Php1 million and Php6 million as at December 31, 2015 and 2014, respectively. See *Note 2 – Summary of Significant Accounting Policies, Note 21 – Interest-bearing Financial Liabilities – Obligations under Finance Leases* and *Note 28 – Financial Assets and Liabilities – Liquidity Risk*.

Accounting for investments in MediaQuest Holdings, Inc., or MediaQuest, through Philippine Depositary Receipts, or PDRs

ePLDT made various investments in PDRs issued by MediaQuest in relation to its direct interest in Satventures, Inc., or Satventures, and Hastings Holdings, Inc., or Hastings, and indirect interest in Cignal TV, Inc., or Cignal TV.

Based on our judgment, at the PLDT Group level, ePLDT's investments in PDRs gives ePLDT a significant influence over Satventures, Hastings and Cignal TV as evidenced by inter-change of managerial personnel, provision of essential technical information and material transactions among PLDT, Smart, Satventures, Hastings and Cignal TV, thus accounted for as investments in associates using the equity method.

The carrying value of our investments in PDRs issued by MediaQuest amounted to Php12,749 million and Php9,575 million as at December 31, 2015 and 2014, respectively. See related discussion on *Note 10 – Investment in Associates, Joint Ventures and Deposits – Investments in Associates – Investment in MediaQuest PDRs*.

Impairment of available-for-sale equity investments

For available-for-sale financial investments, we assess at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale financial investments, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The determination of what is "significant" or "prolonged" requires judgment. We treat "significant" generally as decline of 20% or more below the original cost of investment, and "prolonged" as greater than 12 months assessed against the period in which the fair value has been below its original cost.

Based on our judgment, the decline in fair value of our investment in Rocket as at December 31, 2015 is considered significant as the cumulative net losses from changes in fair value amounting to Php5,124 million represents 26% decline in value below cost. As a result, we recognized in profit or loss impairment of the investment in Rocket Internet amounting to Php5,124 million. See related discussion on *Note 5 – Income and Expenses* and *Note 11 – Available-for-Sale Financial Investments.*

Accounting for investments in Phunware and AppCard

In 2015, PLDT Capital subscribed to preferred shares of Phunware and AppCard, see *Note 10 Investment in Associates, Joint Ventures and Deposits*. The investment in Phunware allows PLDT Capital to designate one director in the five-seat board (20% interest) of Phunware for as long as PLDT Capital beneficially owns at least a certain percentage of Phunware's preferred shares. Likewise, PLDT Capital was assigned one board seat out of the five board members of AppCard for so long as PLDT Capital, together with its affiliates, continues to own at least a certain percentage of AppCard's capital stock.

Based on our judgment, at the PLDT Group Level, PLDT Capital's investments in preferred shares give PLDT a significant influence over Phunware and AppCard as evidenced by the board seats assigned to us. This gives us the authority to participate in the financial and operating policy decisions of Phunware and AppCard but neither control nor joint control of those policies. Hence, the investments are accounted for as investment in associates.

Estimates and Assumptions

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities recognized in our consolidated financial statements within the next financial year are discussed below. We based our estimates and assumptions on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond our control. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets

PFRS requires that an impairment review be performed when certain impairment indicators are present. In the case of goodwill and intangible assets with indefinite useful life, at a minimum, such assets are subject to an impairment test annually and whenever there is an indication that such assets may be impaired. This requires an estimation of the value in use of the CGUs to which these assets are allocated. The value in use calculation requires us to make an estimate of the expected future cash flows from the CGU and to choose a suitable discount rate in order to calculate the present value of those cash flows. See *Note 15 – Goodwill and Intangible Assets – Impairment Testing of Goodwill and Intangible Assets with Indefinite Useful Life* for the key assumptions used to determine the value in use of the relevant CGUs.

Determining the recoverable amount of property and equipment, investments in associates, joint ventures and deposits, intangible assets, prepayments and other noncurrent assets, requires us to make estimates and assumptions in the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets. Future events could cause us to conclude that property and equipment, investments in associates and joint ventures, intangible assets and other noncurrent assets associated with an acquired business are impaired. Any resulting impairment loss could have a material adverse impact on our financial position and financial performance.

The preparation of estimated future cash flows involves significant estimations and assumptions. While we believe that our assumptions are appropriate and reasonable, significant changes in our assumptions may materially affect our assessment of recoverable values and may lead to future impairment charges under PFRS.

Total asset impairment on noncurrent assets amounted to Php10,954 million, Php3,844 million and Php2,143 million for the years ended December 31, 2015, 2014 and 2013, respectively.

See *Note 4 – Operating Segment Information, Note 5 – Income and Expenses – Asset Impairment* and *Note 9 – Property and Equipment – Impairment of Certain Wireless Network Equipment and Facilities*.

The carrying values of our property and equipment, investments in associates, joint ventures and deposits, goodwill and intangible assets, and prepayments are separately disclosed in *Notes 9*, *10*, *15* and *19*, respectively.

Estimating useful lives of property and equipment

We estimate the useful lives of each item of our property and equipment based on the periods over which our assets are expected to be available for use. Our estimate of the useful lives of our property and equipment is based on our collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives of our property and equipment are reviewed every year-end and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limitations on the use of our assets. It is possible, however, that future results of operations could be materially affected by changes in our estimates brought about by changes in the factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of our property and equipment would increase our recorded depreciation and amortization and decrease our property and equipment.

The total depreciation and amortization of property and equipment amounted to Php31,519 million, Php31,379 and Php30,304 million for the years ended December 31, 2015, 2014 and 2013, respectively, while that from discontinued operations amounted to Php153 million for the year ended December 31, 2013. Total carrying values of property and equipment, net of accumulated depreciation and amortization, amounted to Php195,782 million and Php191,984 million as at December 31, 2015 and 2014, respectively. See *Note 2 – Summary of Significant Accounting Policies, Note 4 – Operating Segment Information* and *Note 9 – Property and Equipment*.

Estimating useful lives of intangible assets with finite lives

Intangible assets with finite lives are amortized over their expected useful lives using the straight-line method of amortization. At a minimum, the amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in our consolidated income statement.

The total amortization of intangible assets with finite lives amounted to Php1,076 million, Php1,149 million and Php1,020 million for the years ended December 31, 2015, 2014 and 2013, respectively, while that from discontinued operations amounted to Php55 million for the year ended December 31, 2013. Total carrying values of intangible assets with finite lives amounted to Php5,219 million and Php6,173 million as at December 31, 2015 and 2014, respectively. See *Note 2 – Summary of Significant Accounting Policies, Note 4 – Operating Segment Information* and *Note 15 – Goodwill and Intangible Assets*.

Business combinations

Our consolidated financial statements and financial performance reflect acquired businesses after the completion of the respective acquisition. We account for the acquired businesses using the acquisition method, which requires extensive use of accounting judgments and estimates to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities and contingent liabilities, if any, at the acquisition date. Any excess in the purchase price over the estimated fair market values of the net assets acquired is recorded as goodwill in our consolidated statement of financial position. Thus, the numerous judgments made in estimating the fair market value to be assigned to the acquiree's assets and liabilities can materially affect our financial performance and position. See *Note 14 – Business Combinations*.

Recognition of deferred income tax assets

We review the carrying amounts of deferred income tax assets at the end of each reporting period and reduce these to the extent that these are no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized. Our assessment on the recognition of deferred income tax assets on deductible temporary differences is based on the level and timing of forecasted taxable income of the subsequent reporting periods. This forecast is based on our past results and future expectations on revenues and expenses as well as future tax planning strategies. However, there is no assurance that we will generate sufficient taxable income to allow all or part of our deferred income tax assets to be utilized. We also review the level of projected gross margin for the use of Optional Standard Deduction, or OSD method, and assess the future tax consequences for the recognition of deferred income tax assets.

For taxable year 2015, Smart shifted to itemized deduction method in computing its taxable income due to decline in gross margin and based on the most recent approved forecast, Smart expects itemized deduction method to be more favorable moving forward. Unrecognized deferred tax assets and liabilities, which were previously valued using the OSD method, are now fully recognized.

Based on the above assessment, our consolidated unrecognized deferred income tax assets amounted to Php10,759 million and Php10,248 million as at December 31, 2015 and 2014, respectively. Total consolidated benefit from deferred income tax amounted to Php4,710 million, Php1,024 million and Php4,401 million for the years ended December 31, 2015, 2014 and 2013, respectively, while provision for deferred income tax from discontinued operations amounted to Php30 million for the year ended December 31, 2013. Total consolidated net deferred income tax assets amounted to Php21,941 million and Php17,131 million as at December 31, 2015 and 2014, respectively. See *Note 2 – Summary of Significant Accounting Policies, Note 4 – Operating Segment Information* and *Note 7 – Income Taxes*.

Estimating allowance for doubtful accounts

If we assessed that there was objective evidence that an impairment loss was incurred in our trade and other receivables, we estimate the allowance for doubtful accounts related to our trade and other receivables that are specifically identified as doubtful of collection. The amount of allowance is evaluated by management on the basis of factors that affect the collectability of the accounts. In these cases, we use judgment based on all available facts and circumstances, including, but not limited to, the length of our relationship with the customer and the customer's credit status based on third party credit reports and known market factors, to record specific reserves for customers against amounts due in order to reduce our receivables to amounts that we expect to collect. These specific reserves are re-evaluated and adjusted as additional information received affects the amounts estimated.

In addition to specific allowance against individually significant receivables, we also assess a collective impairment allowance against credit exposures of our customer which were grouped based on common credit characteristics, which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when the receivables were originally granted to customers. This collective allowance is based on historical loss experience using various factors, such as historical performance of the customers within the collective group, deterioration in the markets in which the customers operate, and identified structural weaknesses or deterioration in the cash flows of customers.

Total provision for doubtful accounts for trade and other receivables recognized in our consolidated income statements amounted to Php3,391 million, Php2,023 million and Php3,171 million for the years ended December 31, 2015, 2014 and 2013, respectively. Trade and other receivables, net of allowance for doubtful accounts, amounted to Php24,898 million and Php29,151 million as at December 31, 2015 and 2014, respectively. See *Note 4 – Operating Segment Information, Note 5 – Income and Expenses – Asset Impairment, Note 17 – Trade and Other Receivables* and *Note 28 – Financial Assets and Liabilities*.

Estimating pension benefit costs and other employee benefits

The cost of defined benefit and present value of the pension obligation are determined using the projected unit credit method. An actuarial valuation includes making various assumptions which consists, among other things, discount rates, rates of compensation increases and mortality rates. See *Note 26 – Employee Benefits*. Due to complexity of valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in assumptions. While we believe that our assumptions are reasonable and appropriate, significant differences in our actual experience or significant changes in our assumptions may materially affect our cost for pension and other retirement obligations. All assumptions are reviewed every year-end.

Net consolidated pension benefit costs amounted to Php1,882 million, Php1,702 million and Php856 million for the years ended December 31, 2015, 2014 and 2013, respectively, while net consolidated pension benefit costs from discontinued operations amounted to Php9 million for the year ended December 31, 2013. The prepaid benefit costs amounted to Php306 million and Php65 million as at December 31, 2015 and 2014, respectively. The accrued benefit costs amounted to Php10,197 million and Php13,131 million as at December 31, 2015 and 2014, respectively. See *Note 5 – Income and Expenses – Compensation and Employee Benefits, Note 19 – Prepayments* and *Note 26 – Employee Benefits – Defined Benefit Pension Plans*.

To ensure the proper execution of our strategic and operational business plans while taking into account the acquisition of Digitel in 2011 and other recent market developments, the 2012 to 2014 LTIP, covering the period from January 1, 2012 to December 31, 2014, was approved by the Board of Directors with the endorsement of the Executive Compensation Committee, or ECC, on March 22, 2012. The awards in the 2012 to 2014 LTIP were contingent upon the successful achievement of certain profit targets, intended to align the execution of the business strategies of the expanded PLDT Group, including Digitel, over the three-year period 2012 to 2014. In addition, the 2012 to 2014 LTIP allowed for the participation of a number of senior executives and certain newly hired executives and ensured the continuity of management in line with the succession planning of the PLDT Group. LTIP costs recognized for the years ended December 31, 2014 and 2013 amounted to Php168 million and Php1,638 million, respectively. Total outstanding liability and fair value of the 2012 to 2014 LTIP amounted to Php33 million and Php3,297 million as at December 31, 2015 and 2014, respectively. The LTIP liability amounting to Php3,264 million as at December 31, 2014 was paid in 2015. See *Note 5 – Income and Expenses – Compensation and Employee Benefits, Note 24 – Accrued Expenses and Other Current Liabilities* and *Note 26 – Employee Benefits – Other Long-term Employee Benefits*.

Provision for asset retirement obligations

Provision for asset retirement obligations are recognized in the period in which these are incurred if a reasonable estimate can be made. This requires an estimation of the cost to restore/dismantle on a per square meter basis, depending on the location, and is based on the best estimate of the expenditure required to settle the obligation at the future restoration/dismantlement date, discounted using a pre-tax rate that reflects the current market assessment of the time value of money and, where appropriate, the risk specific to the liability. Total provision for asset retirement obligations amounted to Php1,437 million and Php2,068 million as at December 31, 2015 and 2014, respectively. See *Note 22 – Deferred Credits and Other Noncurrent Liabilities*.

Provision for legal contingencies and tax assessments

We are currently involved in various legal proceedings and tax assessments. Our estimates of the probable costs for the resolution of these claims have been developed in consultation with our counsel handling the defense in these matters and are based upon our analysis of potential results. We currently do not believe these proceedings could materially reduce our revenues and profitability. It is possible, however, that future financial position and performance could be materially affected by changes in our estimates or effectiveness of our strategies relating to these proceedings and assessments. See *Note 27 – Provisions and Contingencies*.

Based on management's assessment, appropriate provisions were made; however, management has decided not to disclose further details of these provisions as they may prejudice our position in certain legal proceedings.

Revenue recognition

Our revenue recognition policies require us to make use of estimates and assumptions that may affect the reported amounts of our revenues and receivables.

Our agreements with domestic and foreign carriers for inbound and outbound traffic subject to settlements require traffic reconciliations before actual settlement is done, which may not be the actual volume of traffic as measured by us. Initial recognition of revenues is based on our observed traffic adjusted by our normal experience adjustments, which historically are not material to our consolidated financial statements. Differences between the amounts initially recognized and the actual settlements are taken up in the accounts upon reconciliation.

Revenues earned from multiple element arrangements offered by our fixed line and wireless businesses are split into separately identifiable components based on their relative fair value in order to reflect the substance of the transaction. Where fair value is not directly observable, the total consideration is allocated using an appropriate allocation method. We account for mobile contracts in accordance with *PAS 18, Revenue Recognition,* and have concluded that the handset and the mobile services may be accounted for as separate identifiable components. The handset (with activation) is delivered first, followed by the mobile service (which is provided over the contract/lock-in period, generally one or two years). Because some amount of the arrangement consideration that may be allocated to the handset generally is contingent on providing the mobile service, the amount that is allocated to the handset is limited to the cash received (i.e., the amount paid for the handset) at the time of the handset delivery.

Under certain arrangements with our knowledge processing solutions services, if there is uncertainty regarding the outcome of the transaction for which service was rendered, revenue is recognized only to the extent of expenses incurred for rendering the service and only to such amount as determined to be recoverable.

We recognize our revenues from installation and activation related fees and the corresponding costs over the expected average periods of customer relationship for fixed line and cellular services. We estimate the expected average period of customer relationship based on our most recent churn rate analysis.

Determination of fair values of financial assets and financial liabilities

Where the fair value of financial assets and financial liabilities recorded in our consolidated statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Other than those whose carrying amounts are reasonable approximations of fair values, total fair values of noncurrent financial assets and noncurrent financial liabilities as at December 31, 2015 amounted to Php3,277 million and Php165,572 million, respectively, while the total fair values of noncurrent financial assets and noncurrent financial liabilities as at December 31, 2014 amounted to Php3,315 million and Php139,207 million, respectively. See *Note 28 – Financial Assets and Liabilities*.

4. Operating Segment Information

Operating segments are components of the PLDT Group that engage in business activities from which they may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of PLDT Group). The operating results of these operating segments are regularly reviewed by the Management Committee to make decisions about how resources are to be allocated to each of the segments and to assess their performances, and for which discrete financial information is available.

For management purposes, we are organized into business units based on our products and services and based on the reorganization as discussed below. We have three reportable operating segments, as follows:

- Wireless – wireless telecommunications services provided by Smart and DMPI, which owns the *Sun Cellular* business and is a wholly-owned subsidiary of Digitel, our cellular service providers; Voyager and certain subsidiaries, our mobile applications and digital platforms developer and mobile financial services provider; SBI and PDSI, our wireless broadband service providers; Chikka Group, our wireless content operators; ACeS Philippines, our satellite operator; WiFun, our *WiFi*-enabler and certain subsidiaries of PLDT Global, our mobile virtual network operations provider;

- Fixed Line – fixed line telecommunications services primarily provided by PLDT. We also provide fixed line services through PLDT's subsidiaries, namely, ClarkTel, SubicTel, Philcom Group, Maratel, SBI, BCC, PLDT Global and certain subsidiaries and Digitel, all of which together account for approximately 5% of our consolidated fixed line subscribers; information and communications technology, infrastructure and services for internet applications, internet protocol-based solutions and multimedia content delivery provided by ePLDT, IPCDSI Group, Rack IT, AGS Group and Curo; business infrastructure and solutions, intelligent data processing and implementation services and data analytics insight generation provided by Talas; distribution of Filipino channels and content services provided by PGNL and its subsidiaries; and bills printing and other VAS-related services provided by ePDS; and

- Others – PCEV, PGIH, PLDT Digital and its subsidiaries, MIC and PGIC, our investment companies.

See *Note 2 – Summary of Significant Accounting Policies* and *Note 14 – Business Combinations*, for further discussion.

The Management Committee monitors the operating results of each business unit separately for purposes of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net income (loss) for the year; earnings before interest, taxes and depreciation and amortization, or EBITDA; EBITDA margin; and core income. Net income (loss) for the year is measured consistent with net income (loss) in our consolidated financial statements.

EBITDA for the year is measured as net income excluding depreciation and amortization, amortization of intangible assets, asset impairment on noncurrent assets, financing costs, interest income, equity share in net earnings (losses) of associates and joint ventures, foreign exchange gains (losses) – net, gains (losses) on derivative financial instruments – net, provision for (benefit from) income tax and other income – net.

EBITDA margin for the year is measured as EBITDA from continuing operations divided by service revenues.

Core income for the year is measured as net income attributable to equity holders of PLDT (net income less net income attributable to noncontrolling interests), excluding foreign exchange gains (losses) – net, gains (losses) on derivative financial instruments – net (excluding hedge costs), asset impairment on noncurrent assets, other nonrecurring 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.

Transfer prices between operating segments are on an arm's length basis similar to transactions with third parties. Segment revenues, segment expenses and segment results include transfers between business segments. These transfers are eliminated in full upon consolidation.

Core earnings per common share, or core EPS, for the year is measured as core income divided by the weighted average number of outstanding common shares. See *Note 8 – Earnings Per Common Share* for the weighted average number of common shares.

EBITDA, EBITDA margin, core income and core EPS are non-PFRS measures.

The amounts of segment assets and liabilities and segment profit or loss are based on measurement principles that are similar to those used in measuring the assets and liabilities and profit or loss in our consolidated financial statements, which is in accordance with PFRS.

The segment revenues, net income, and other segment information of our reportable operating segments as at and for the years ended December 31, 2015, 2014 and 2013 are as follows:

	Wireless	Fixed Line	Others	Inter-segment Transactions	Consolidated
			(in million pesos)		
December 31, 2015					
Revenues					
External customers	113,985	57,118	–	–	171,103
Service revenues (Note 3)	109,188	53,742	–	–	162,930
Non-service revenues (Notes 3 and 5)	4,797	3,376	–	–	8,173
Inter-segment transactions	1,528	11,747	–	(13,275)	–
Service revenues (Note 3)	1,528	11,733	–	(13,261)	–
Non-service revenues (Notes 3 and 5)	–	14	–	(14)	–
Total revenues	115,513	68,865	–	(13,275)	171,103
Results					
Depreciation and amortization (Notes 3 and 9)	17,218	14,301	–	–	31,519
Asset impairment (Notes 3, 5, 9, 10, 11, 17, 18 and 28)	8,446	1,286	5,124	–	14,856
Equity share in net earnings (losses) of associates and joint ventures (Note 10)	(81)	38	3,284	–	3,241
Interest income (Notes 5, 12 and 16)	308	620	99	(228)	799
Financing costs – net (Notes 5, 9, 21 and 28)	1,799	4,509	179	(228)	6,259
Provision for income tax (Notes 3 and 7)	2,763	1,656	144	–	4,563
Net income / Segment profit	15,434	6,193	448	–	22,075
EBITDA	44,237	24,749	(59)	1,291	70,218
EBITDA margin	40%	38%	–	–	43%
Core income	22,512	6,539	6,161	–	35,212
Assets and liabilities					
Operating assets	217,317	190,856	18,504	(42,226)	384,451
Investments in associates, joint ventures and deposits (Notes 3 and 10)	2,208	12,922	33,573	–	48,703
Deferred income tax assets – net (Notes 3 and 7)	8,249	13,692	–	–	21,941
Total assets	227,774	217,470	52,077	(42,226)	455,095
Operating liabilities	171,131	182,085	12,149	(27,872)	337,493
Deferred income tax liabilities – net (Notes 3 and 7)	3,146	412	146	–	3,704
Total liabilities	174,277	182,497	12,295	(27,872)	341,197
Other segment information					
Capital expenditures, including capitalized interest (Notes 5, 9, 21 and 22)	30,311	12,864	–	–	43,175
December 31, 2014					
Revenues					
External customers	117,297	53,538	–	–	170,835
Service revenues (Note 3)	113,455	51,488	–	–	164,943
Non-service revenues (Notes 3 and 5)	3,842	2,050	–	–	5,892
Inter-segment transactions	1,582	12,640	–	(14,222)	–
Service revenues (Note 3)	1,582	12,619	–	(14,201)	–
Non-service revenues (Notes 3 and 5)	–	21	–	(21)	–
Total revenues	118,879	66,178	–	(14,222)	170,835

	Wireless	Fixed Line	Others	Inter-segment Transactions	Consolidated
			(in million pesos)		
Results					
Depreciation and amortization (Notes 3 and 9)	16,375	15,004	–	–	31,379
Asset impairment (Notes 3, 5, 9, 10, 11, 17, 18 and 28)	5,620	426	–	–	6,046
Equity share in net earnings (losses) of associates and joint ventures (Note 10)	(11)	63	3,789	–	3,841
Interest income (Notes 5, 12 and 16)	217	350	295	(110)	752
Financing costs – net (Notes 5, 9, 21 and 28)	1,646	3,724	60	(110)	5,320
Provision for income tax (Notes 3 and 7)	7,158	2,818	82	–	10,058
Net income / Segment profit	21,895	6,722	5,473	–	34,090
EBITDA	50,917	24,555	(56)	1,334	76,750
EBITDA margin	44%	38%	–	–	47%
Core income	25,176	6,691	5,543	–	37,410
Assets and liabilities					
Operating assets	200,981	199,098	34,791	(57,752)	377,118
Investments in associates, joint ventures and deposits (Notes 3 and 10)	492	11,956	29,598	–	42,046
Deferred income tax assets – net (Notes 3 and 7)	3,504	13,627	–	–	17,131
Total assets	204,977	224,681	64,389	(57,752)	436,295
Operating liabilities	143,463	169,706	13,867	(29,836)	297,200
Deferred income tax liabilities – net (Notes 3 and 7)	3,367	1,015	45	–	4,427
Total liabilities	146,830	170,721	13,912	(29,836)	301,627
Other segment information					
Capital expenditures, including capitalized interest (Notes 5, 9, 21 and 22)	23,048	11,711	–	–	34,759
December 31, 2013					
Revenues					
External customers	117,615	50,596	–	–	168,211
Service revenues (Note 3)	114,971	48,961	–	–	163,932
Non-service revenues (Notes 3 and 5)	2,644	1,635	–	–	4,279
Inter-segment transactions	1,708	11,935	–	(11,935)	–
Service revenues (Note 3)	1,708	11,873	–	(11,873)	–
Non-service revenues (Notes 3 and 5)	–	62	–	(62)	–
Total revenues	119,323	62,531	–	(11,935)	168,211
Results					
Depreciation and amortization (Notes 3 and 9)	16,358	13,946	–	–	30,304
Asset impairment (Notes 3, 5, 9, 10, 11, 17, 18 and 28)	3,918	1,625	–	–	5,543
Equity share in net earnings of associates and joint ventures (Note 10)	(54)	(86)	2,882	–	2,742
Interest income (Notes 5, 12 and 16)	324	392	249	(33)	932
Financing costs – net (Notes 5, 9, 21 and 28)	3,232	3,390	–	(33)	6,589
Provision for income tax (Notes 3 and 7)	8,862	(698)	84	–	8,248
Net income / Segment profit	21,921	7,809	3,508	146	35,453
Continuing operations	21,921	7,809	3,508	146	33,384
Discontinued operations (Notes 2 and 8)	–	–	–	–	2,069
EBITDA from continuing operations	54,703	21,238	(5)	1,496	77,432
EBITDA margin	47%	35%	–	–	47%
Core income	26,499	9,061	3,110	146	38,717
Continuing operations	26,499	9,061	3,110	146	38,816
Discontinued operations	–	–	–	–	(99)
Assets and liabilities					
Operating assets	195,212	172,293	15,522	(38,880)	344,147
Investments in associates, joint ventures and deposits	–	11,685	29,625	–	41,310
Deferred income tax assets – net	999	13,182	–	–	14,181
Total assets	196,211	197,160	45,147	(38,880)	399,638
Operating liabilities	133,977	143,891	1,220	(21,213)	257,875
Deferred income tax liabilities – net	3,591	819	27	–	4,437
Total liabilities	137,568	144,710	1,247	(21,213)	262,312
Other segment information					
Capital expenditures, including capitalized interest	17,092	11,746	–	–	28,838

The following table shows the reconciliation of our consolidated EBITDA to our consolidated net income for the years ended December 31, 2015, 2014 and 2013:

	2015	2014	2013
		(in million pesos)	
Consolidated EBITDA from continuing operations	**70,218**	76,750	77,432
Add (deduct) adjustments to continuing operations:			
Equity share in net earnings of associates and joint ventures (Note 10)	**3,241**	3,841	2,742
Interest income (Notes 5, 12 and 16)	**799**	752	932
Gains (losses) on derivative financial instruments – net (Note 28)	**420**	(101)	511
Amortization of intangible assets (Notes 3 and 15)	**(1,076)**	(1,149)	(1,020)
Foreign exchange losses – net (Notes 9 and 28)	**(3,036)**	(382)	(2,893)
Provision for income tax (Notes 3 and 7)	**(4,563)**	(10,058)	(8,248)
Financing costs – net (Notes 5, 9, 21 and 28)	**(6,259)**	(5,320)	(6,589)
Asset impairment (Notes 3, 5, 9, 10, 11, 17, 18 and 28)	**(10,954)**	(3,844)	(2,143)
Depreciation and amortization (Notes 3 and 9)	**(31,519)**	(31,379)	(30,304)
Retroactive effect of adoption of Revised *PAS 19*	**–**	–	(1,269)
Other income – net	**4,804**	4,980	4,233
Total adjustments	**(48,143)**	(42,660)	(44,048)
Net income from continuing operations	**22,075**	34,090	33,384
Net income from discontinued operations (Note 8)	**–**	–	2,069
Consolidated net income	**22,075**	34,090	35,453

The following table shows the reconciliation of our consolidated core income to our consolidated net income for the years ended December 31, 2015, 2014 and 2013:

	2015	2014	2013
		(in million pesos)	
Consolidated core income from continuing operations	**35,212**	37,410	38,816
Consolidated core income from discontinued operations	**–**	–	(99)
Consolidated core income	**35,212**	37,410	38,717
Add (deduct) adjustments:			
Gains on derivative financial instruments – net, excluding hedge costs (Note 28)	**762**	208	816
Net income (loss) attributable to noncontrolling interests	**10**	(1)	33
Core income adjustment on equity share in net earnings (losses) of associates and joint ventures	**(179)**	(79)	59
Foreign exchange losses – net (Notes 9 and 28)	**(3,036)**	(382)	(2,893)
Asset impairment (Notes 3, 5, 9 and 11)	**(10,954)**	(3,844)	(2,143)
Casualty losses due to typhoon "Yolanda"	**–**	–	(878)
Retroactive effect of adoption of Revised *PAS 19*	**–**	–	(1,269)
Net tax effect of aforementioned adjustments	**260**	778	843
Total adjustments	**(13,137)**	(3,320)	(5,432)
Adjustments to discontinued operations	**–**	–	2,168
Net income from continuing operations	**22,075**	34,090	33,384
Net income from discontinued operations (Note 8)	**–**	–	2,069
Consolidated net income	**22,075**	34,090	35,453

The following table shows the reconciliation of our consolidated basic and diluted core EPS to our consolidated basic and diluted EPS attributable to common equity holder of PLDT for the years ended December 31, 2015, 2014 and 2013:

	2015		2014		2013	
	Basic	**Diluted**	Basic	Diluted	Basic	Diluted
Core EPS from continuing operations	**162.70**	**162.70**	172.88	172.88	179.38	179.38
Core EPS from discontinued operations	**–**	**–**	–	–	(0.45)	(0.45)
Consolidated core EPS	**162.70**	**162.70**	172.88	172.88	178.93	178.93
Add (deduct) adjustments:						
Gains on derivative financial instruments – net, excluding hedge costs (Note 28)	**2.47**	**2.47**	0.55	0.55	2.65	2.65
Core income adjustment on equity share in net earnings (losses) of associates and joint ventures	**(0.83)**	**(0.83)**	(0.37)	(0.37)	0.27	0.27
Foreign exchange losses – net (Note 28)	**(11.85)**	**(11.85)**	(1.40)	(1.40)	(9.61)	(9.61)
Asset impairment (Notes 3, 5, 9 and 11)	**(50.64)**	**(50.64)**	(14.15)	(14.15)	(9.92)	(9.92)
Casualty losses due to typhoon "Yolanda"	**–**	**–**	–	–	(3.58)	(3.58)
Retroactive effect of adoption of Revised *PAS 19*	**–**	**–**	–	–	(5.10)	(5.10)
Total adjustments	**(60.85)**	**(60.85)**	(15.37)	(15.37)	(25.29)	(25.29)
Adjustments to discontinued operations	**–**	**–**	–	–	10.03	10.03
EPS from continuing operations attributable to common equity holders of PLDT (Note 8)	**101.85**	**101.85**	157.51	157.51	154.09	154.09
EPS from discontinued operations attributable to common equity holders of PLDT (Note 8)	**–**	**–**	–	–	9.58	9.58
Consolidated EPS attributable to common equity holders of PLDT (Note 8)	**101.85**	**101.85**	157.51	157.51	163.67	163.67

The following table presents our revenues from external customers by category of products and services for the years ended December 31, 2015, 2014 and 2013:

	2015	2014	2013
		(in million pesos)	
Wireless services			
Service revenues:			
Cellular	**96,298**	101,297	104,278
Broadband and others	**11,842**	11,102	10,401
Digital platforms and mobile financial services	**1,048**	1,056	292
	109,188	113,455	114,971
Non-service revenues:			
Sale of cellular handsets, cellular SIM-packs and broadband data modems (Note 5)	**4,797**	3,842	2,644
Total wireless revenues	**113,985**	117,297	117,615
Fixed line services			
Service revenues:			
Local exchange	**16,979**	16,487	16,173
International long distance	**5,243**	6,534	6,848
National long distance	**3,577**	3,986	4,205
Data and other network	**27,170**	23,721	21,077
Miscellaneous	**773**	760	658
	53,742	51,488	48,961
Non-service revenues:			
Sale of computers (Note 5)	**2,690**	1,522	1,160
Point-product-sales (Note 5)	**686**	528	475
	3,376	2,050	1,635
Total fixed line revenues	**57,118**	53,538	50,596
Total revenues	**171,103**	170,835	168,211

Disclosure of the geographical distribution of our revenues from external customers and the geographical location of our total assets are not provided since the majority of our consolidated revenues are derived from our operations within the Philippines.

There is no revenue transaction with a single external customer that accounted for 10% or more of our consolidated revenues from external customers for the years ended December 31, 2015, 2014 and 2013.

5. Income and Expenses

Non-service Revenues

Non-service revenues for the years ended December 31, 2015, 2014 and 2013 consist of the following:

	2015	2014	2013
		(in million pesos)	
Sale of computers, cellular handsets, cellular SIM-packs and broadband data modems	**7,487**	5,364	3,804
Point-product-sales	**686**	528	475
Total non-service revenues (Note 4)	**8,173**	5,892	4,279

Compensation and Employee Benefits

Compensation and employee benefits for the years ended December 31, 2015, 2014 and 2013 consist of the following:

	2015	2014	2013
		(in million pesos)	
Salaries and other employee benefits	**17,960**	16,637	17,034
Pension benefit costs (Notes 3 and 26)	**1,882**	1,702	828
Manpower rightsizing program, or MRP	**1,764**	242	1,869
Incentive plans (Notes 3 and 26)	**–**	168	1,638
Total compensation and employee benefits	**21,606**	18,749	21,369

Over the past several years, we have been implementing the MRP in line with our continuing efforts to reduce the cost base of our businesses. The decision to implement the MRP was a result of challenges faced by our businesses as significant changes in technology, increasing competition, and shifting market preferences have reshaped the future of our businesses. The MRP is being implemented in compliance with the Labor Code of the Philippines and all other relevant labor laws and regulations in the Philippines.

Cost of Sales

Cost of sales for the years ended December 31, 2015, 2014 and 2013 consist of the following:

	2015	2014	2013
		(in million pesos)	
Cost of computers, cellular handsets, cellular SIM-packs sold and broadband data modems	**15,794**	13,055	11,380
Cost of point-product-sales	**579**	432	376
Cost of content	**225**	–	–
Cost of satellite air time and terminal units (Note 25)	**16**	25	50
Total cost of sales	**16,614**	13,512	11,806

Asset Impairment

Asset impairment for the years ended December 31, 2015, 2014 and 2013 consist of the following:

	2015	2014	2013
		(in million pesos)	
Property and equipment (Notes 3 and 9)	**5,788**	3,844	2,142
Available-for-sale securities (Notes 3 and 11)	**5,124**	–	–
Trade and other receivables (Notes 3 and 17)	**3,391**	2,023	3,171
Inventories and supplies (Note 18)	**511**	179	229
Others (Note 3)	**42**	–	1
Total asset impairment	**14,856**	6,046	5,543

Interest Income

Interest income for the years ended December 31, 2015, 2014 and 2013 consist of the following:

	2015	2014	2013
		(in million pesos)	
Interest income on other loans and receivables	**742**	533	790
Interest income on HTM investments (Note 12)	**43**	211	135
Interest income on FVPL	**14**	8	7
Total interest income (Notes 4, 12 and 16)	**799**	752	932

Financing Costs – net

Financing costs – net for the years ended December 31, 2015, 2014 and 2013 consist of the following:

	2015	2014	2013
		(in million pesos)	
Interest on loans and other related items (Notes 21 and 28)	**6,289**	5,429	5,086
Accretion on financial liabilities (Notes 21 and 28)	**231**	165	1,541
Financing charges	**109**	168	383
Capitalized interest (Notes 4, 9 and 21)	**(370)**	(442)	(421)
Total financing costs – net (Notes 4, 9, 21 and 28)	**6,259**	5,320	6,589

6. Components of Other Comprehensive Income

Changes in other comprehensive income under equity of our consolidated statements of financial position for the years ended December 31, 2015, 2014 and 2013 are as follows:

	Foreign currency translation differences of subsidiaries	**Net gains (losses) on available-for-sale financial investments – net of tax**	**Net transactions on cash flow hedges – net of tax**	**Revaluation increment on investment properties – net of tax**	**Actuarial losses on defined benefit plans – net of tax**	**Share in the other comprehensive income of associates and joint ventures accounted for using the equity method**	**Total other comprehensive loss attributable to equity holders of PLDT**	**Share of noncontrolling interests**	**Total other comprehensive loss – net of tax**
					(in million pesos)				
Balances as at January 1, 2015	**489**	**8,211**	**(34)**	**603**	**(18,207)**	**653**	**(8,285)**	**2**	**(8,283)**
Other comprehensive income (loss)	**35**	**(8,135)**	**31**	**(1)**	**(1,598)**	**(249)**	**(9,917)**	**10**	**(9,907)**
Balances as at December 31, 2015	**524**	**76**	**(3)**	**602**	**(19,805)**	**404**	**(18,202)**	**12**	**(18,190)**
Balances as at January 1, 2014	496	67	40	239	(13,333)	1,010	(11,481)	(2)	(11,483)
Other comprehensive income (loss)	(7)	8,144	(74)	364	(4,874)	(357)	3,196	4	3,200
Balances as at December 31, 2014	489	8,211	(34)	603	(18,207)	653	(8,285)	2	(8,283)
Balances as at January 1, 2013	441	75	44	240	(4,177)	(10)	(3,387)	6	(3,381)
Other comprehensive income (loss)	802	(8)	(16)	(1)	(9,156)	1,020	(7,359)	(8)	(7,367)
Discontinued operations (Note 2)	(747)	–	12	–	–	–	(735)	–	(735)
Balances as at December 31, 2013	496	67	40	239	(13,333)	1,010	(11,481)	(2)	(11,483)

Revaluation increment on investment properties pertains to the difference between the carrying value and fair value of property and equipment transferred to investment property at the time of change in classification.

7. Income Taxes

Corporate Income Tax

The major components of consolidated net deferred income tax assets and liabilities recognized in our consolidated statements of financial position as at December 31, 2015 and 2014 are as follows:

	2015	2014
	(in million pesos)	
Net deferred income tax assets (Notes 3 and 4)	**21,941**	17,131
Net deferred income tax liabilities (Note 4)	**3,704**	4,427

The components of our consolidated net deferred income tax assets and liabilities as at December 31, 2015 and 2014 are as follows:

	2015	2014
	(in million pesos)	
Net deferred income tax assets:		
Unamortized past service pension costs	**4,182**	3,026
Pension and other employee benefits	**3,142**	4,484
Accumulated provision for doubtful accounts	**2,921**	2,579
Customer list and trademark	**2,654**	1,115
Provision for other assets	**2,552**	461
Unrealized foreign exchange losses	**2,335**	1,475
Unearned revenues	**1,730**	2,179
NOLCO	**1,238**	100
Fixed asset impairment	**1,219**	2,531
Derivative financial instruments	**230**	435
Accumulated write-down of inventories to net realizable values	**224**	210
Undepreciated capitalized interest charges	**(1,378)**	(1,554)
MCIT	**–**	2
Others	**892**	88
Total deferred income tax assets – net	**21,941**	17,131
Net deferred income tax liabilities:		
Intangible assets and fair value adjustment on assets acquired – net of amortization	**2,808**	2,973
Unamortized fair value adjustment on fixed assets from business combinations	**458**	511
Unrealized foreign exchange gains	**159**	689
Undepreciated capitalized interest charges	**9**	9
Others	**270**	245
Total deferred income tax liabilities – net	**3,704**	4,427

Changes in our consolidated net deferred income tax assets (liabilities) as at December 31, 2015 and 2014 are as follows:

	2015	2014
	(in million pesos)	
Net deferred income tax assets – balance at beginning of the year (Notes 3 and 4)	**17,131**	14,181
Net deferred income tax liabilities – balance at beginning of the year (Note 4)	**(4,427)**	(4,437)
Net balance at beginning of the year	**12,704**	9,744
Benefit from deferred income tax (Note 3)	**4,710**	1,024
Movement charged directly to other comprehensive income	**784**	1,988
Excess MCIT deducted against RCIT due	**–**	(33)
Others	**39**	(19)
Net balance at end of the year	**18,237**	12,704
Net deferred income tax assets – balance at end of the year (Notes 3 and 4)	**21,941**	17,131
Net deferred income tax liabilities – balance at end of the year (Notes 3 and 4)	**(3,704)**	(4,427)

The analysis of our consolidated net deferred income tax assets as at December 31, 2015 and 2014 are as follows:

	2015	2014
	(in million pesos)	
Deferred income tax assets:		
Deferred income tax assets to be recovered after 12 months	**20,964**	16,432
Deferred income tax assets to be recovered within 12 months	**3,076**	2,828
	24,040	19,260
Deferred income tax liabilities:		
Deferred income tax liabilities to be settled after 12 months	**(1,341)**	(1,666)
Deferred income tax liabilities to be settled within 12 months	**(758)**	(463)
	(2,099)	(2,129)
Net deferred income tax assets (Notes 3 and 4)	**21,941**	17,131

The analysis of our consolidated net deferred income tax liabilities as at December 31, 2015 and 2014 are as follows:

	2015	2014
	(in million pesos)	
Deferred income tax assets:		
Deferred income tax assets to be recovered after 12 months	**11**	34
Deferred income tax assets to be recovered within 12 months	**3**	8
	14	42
Deferred income tax liabilities:		
Deferred income tax liabilities to be settled after 12 months	**(3,469)**	(3,728)
Deferred income tax liabilities to be settled within 12 months	**(249)**	(741)
	(3,718)	(4,469)
Net deferred income tax liabilities (Note 4)	**(3,704)**	(4,427)

Provision for (benefit from) corporate income tax for the years ended December 31, 2015, 2014 and 2013 consist of:

	2015	2014	2013
		(in million pesos)	
Current	**9,273**	11,082	12,649
Deferred (Note 3)	**(4,710)**	(1,024)	(4,401)
	4,563	10,058	8,248

The reconciliation between the provision for income tax at the applicable statutory tax rate and the actual provision for corporate income tax for the years ended December 31, 2015, 2014 and 2013 are as follows:

	2015	2014	2013
		(in million pesos)	
Provision for income tax at the applicable statutory tax rate			
Continuing operations	**9,529**	13,244	12,490
Discontinued operations (Note 2)	**–**	–	637
	9,529	13,244	13,127
Tax effects of:			
Nondeductible expenses	**1,171**	450	235
Difference between OSD and itemized deductions	**(33)**	(242)	(1,397)
Income subject to lower tax rate	**(104)**	(110)	(702)
Income not subject to income tax	**(168)**	(417)	(622)
Income subject to final tax	**(680)**	(224)	(899)
Equity share in net earnings of associates and joint ventures	**(972)**	(1,152)	(822)
Net movement in unrecognized deferred income tax assets and other adjustments	**(4,180)**	(1,491)	(617)
	(4,966)	(3,186)	(4,824)
Actual provision for corporate income tax:			
Continuing operations	**4,563**	10,058	8,248
Discontinued operations (Note 2)	**–**	–	55
	4,563	10,058	8,303

We review the carrying amounts of deferred income tax assets at the end of each reporting period. Our assessment on the recognition of deferred income tax assets on deductible temporary differences is based on the level and timing of forecasted taxable income of the subsequent reporting period. This forecast is based on the past results and future expectations on revenues and expenses as well as future tax planning strategies. However, there is no assurance that we will generate sufficient taxable income to allow all or part of our deferred income tax assets to be utilized.

For taxable year 2014, Smart opted to use OSD method in computing its taxable income. In line with this, certain deferred income tax assets and liabilities of Smart, for which the related income and expenses are not considered in determining gross income for income tax purposes, are not recognized as deferred income tax assets and liabilities in the consolidated statements of financial position. This is because the manner by which they expect to recover or settle the underlying assets and liabilities would not result in any future tax consequence. Deferred income tax assets and liabilities, for which the related income and expenses are considered in determining gross income for income tax purposes, are recognized only to the extent of their future tax consequence assuming OSD method was applied, which results in such deferred income tax assets and liabilities being reduced by the 40% allowable deduction that are provided for under the OSD method. Accordingly, the deferred income tax assets and liabilities that were not recognized due to the OSD method amounted to Php4,259 million as at December 31, 2014.

For taxable year 2015, Smart shifted to itemized deduction method in computing its taxable income due to decline in gross margin and based on the most recent approved forecast, Smart expects itemized deduction method to be more favorable moving forward. Unrecognized deferred tax assets and liabilities, which were previously valued using the OSD method, are now fully recognized.

Accordingly, Smart's deferred income tax assets and liabilities that were recognized as at December 31, 2015 and 2014 amounted to Php6,014 million and Php503 million, respectively. See *Note 3 – Management's Use of Accounting Judgments, Estimates and Assumptions – Recognition of deferred income tax assets*.

The breakdown of our consolidated deductible temporary differences, carryforward benefits of unused tax credits from excess of MCIT over RCIT, and NOLCO (excluding those not recognized due to the adoption of the OSD method) for which no deferred income tax assets were recognized and the equivalent amount of unrecognized deferred income tax assets as at December 31, 2015 and 2014 are as follows:

	2015	2014
	(in million pesos)	
Fixed asset impairment	**12,338**	9,250
NOLCO	**7,194**	7,966
Accumulated provision for doubtful accounts	**5,216**	4,321
Provisions for other assets	**5,098**	3,611
Unearned revenues	**3,417**	5,036
Asset retirement obligation	**588**	859
MCIT	**398**	395
Unrealized foreign exchange losses	**312**	40
Accumulated write-down of inventories to net realizable values	**231**	119
Pension and other employee benefits	**94**	1,356
Derivative financial instruments	**26**	69
Operating lease and others	**22**	218
	34,934	33,240
Unrecognized deferred income tax assets (Note 3)	**10,759**	10,248

DMPI recognized deferred income tax assets to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized. DMPI's deferred income tax assets that were recognized amounted to Php1,821 million and Php1,461 million as at December 31, 2015 and 2014, respectively. Digitel and DMPI's unrecognized deferred income tax assets amounted to Php9,874 million and Php9,564 million as at December 31, 2015 and 2014, respectively.

Our consolidated deferred income tax assets have been recorded to the extent that such consolidated deferred income tax assets are expected to be utilized against sufficient future taxable profit. Deferred income tax assets shown in the preceding table were not recognized as we believe that future taxable profit will not be sufficient to realize these deductible temporary differences and carryforward benefits of unused tax credits from excess of MCIT over RCIT, and NOLCO in the future.

The breakdown of our consolidated excess MCIT and NOLCO as at December 31, 2015 are as follows:

Date Incurred	**Expiry Date**	**MCIT**	**NOLCO**
		(in million pesos)	
December 31, 2013	December 31, 2016	232	1,925
December 31, 2014	December 31, 2017	81	5,970
December 31, 2015	December 31, 2018	85	3,428
		398	11,323
Consolidated tax benefits		398	3,397
Consolidated unrecognized deferred income tax assets		(398)	(2,159)
Consolidated recognized deferred income tax assets		–	1,238

The excess MCIT totaling Php398 million as at December 31, 2015 can be deducted against future RCIT liability. The excess MCIT that was deducted against RCIT amounted to nil, Php33 million and Php9 million for the years ended December 31, 2015, 2014 and 2013, respectively. The amount of expired portion of excess MCIT amounted to Php91 million, Php61 million and Php11 million for the years ended December 31, 2015, 2014 and 2013, respectively.

NOLCO totaling Php11,323 million as at December 31, 2015 can be claimed as deduction against future taxable income. The NOLCO claimed as deduction against taxable income amounted to Php14 million, Php130 million and Php6,643 million for the years ended December 31, 2015, 2014 and 2013, respectively. The amount of expired portion of excess NOLCO amounted to nil, Php39 million and Php23 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Registration with Subic Bay Freeport Enterprise and Clark Special Economic Zone Enterprise

SubicTel is registered with Subic Bay Freeport Enterprise, while ClarkTel is registered with Clark Special Economic Zone Enterprise under Republic Act 7227, or R.A. 7227, otherwise known as the Bases Conversion and Development Act of 1992. As registrants, SubicTel and ClarkTel are entitled to all the rights, privileges and benefits established thereunder including tax and duty-free importation of capital equipment and a special income tax rate of 5% of gross income, as defined in R.A. 7227.

Registration with Philippine Economic Zone Authorities, or PEZA

On June 14, 2012, the PEZA through its Resolution No. 12-312, approved the transfer of all rights, obligations and assets of IPCDSI under its Registration Agreement with the PEZA dated April 24, 2006 and Supplemental Agreements with the PEZA dated November 13, 2007 and June 29, 2011 subject to submission by IPCDSI of certain requirements. At the same time, the PEZA registration of IPCDSI as an Economic Information Technology (IT) Enterprise was cancelled effective June 1, 2012.

The Registration Agreement dated April 24, 2006 provided that the IPCDSI's IT operations shall be covered by the 5% gross income tax incentive, in lieu of national and local taxes, including additional deductions for training expenses. IPCDSI shall also be entitled to following incentives: (a) duty and tax exemption on importation; (b) exemption from wharfage dues and export tax, impost or fees; and (c) VAT zero rating of local purchases subject to compliance with BIR and PEZA requirements.

Supplemental agreements dated November 13, 2007 and June 29, 2011 provided the approval of PEZA registration which granted the non-pioneer status and tax incentives under R.A. 7916 for the additional activity on the expansion project in RCBC Plaza and on the new project in Bonifacio Technology Center Building, respectively. Further, the expansion project shall be entitled to three years Income Tax Holiday, or ITH incentive, subject to required conditions, starting from its commercial operations on June 1, 2012, while the new project shall be entitled to four years ITH incentive, subject to required conditions, starting from its commercial operations on October 23, 2011. Both projects were subjected to 5% gross income tax upon the expiration of ITH incentive on October 23, 2015.

Consolidated income derived from non-registered activities with Economic Zone and Board of Investments, or BOI, is subject to the RCIT rate at the end of the reporting period.

Consolidated tax incentives that were availed from registration with Economic Zone and BOI amounted to Php55 million, Php40 million and Php39 million for the years ended December 31, 2015, 2014 and 2013, respectively.

8. Earnings Per Common Share

The following table presents information necessary to calculate the EPS for the years ended December 31, 2015, 2014 and 2013:

	2015		2014		2013	
	Basic	**Diluted**	Basic	Diluted	Basic	Diluted
	(in million pesos)					
Net income attributable to equity holders of PLDT from:						
Continuing operations	**22,065**	**22,065**	34,091	34,091	33,351	33,351
Discontinued operations (Notes 2 and 4)	**–**	**–**	–	–	2,069	2,069
Consolidated net income attributable to common shares (Note 4)	**22,065**	**22,065**	34,091	34,091	35,420	35,420
Dividends on preferred shares (Note 20)	**(59)**	**(59)**	(59)	(59)	(60)	(60)
Consolidated net income attributable to common equity holders of PLDT	**22,006**	**22,006**	34,032	34,032	35,360	35,360
	(in thousands, except per share amounts which are in pesos)					
Weighted average number of common shares	**216,056**	**216,056**	216,056	216,056	216,056	216,056
EPS from continuing operations (Notes 4)	**101.85**	**101.85**	157.51	157.51	154.09	154.09
EPS from discontinued operations (Notes 2 and 4)	**–**	**–**	–	–	9.58	9.58
EPS attributable to common equity holders of PLDT (Note 4)	**101.85**	**101.85**	157.51	157.51	163.67	163.67

Basic EPS amounts are calculated by dividing our consolidated net income for the period attributable to common equity holders of PLDT (consolidated net income adjusted for dividends on all series of preferred shares, except for dividends on preferred stock subject to mandatory redemption) by the weighted average number of common shares issued and outstanding during the year.

Diluted EPS amounts are calculated in the same manner assuming that, at the beginning of the year or at the time of issuance during the period, all outstanding options are exercised and convertible preferred shares are converted to common shares, and appropriate adjustments to our consolidated net income are effected for the related income and expenses on preferred shares. Outstanding stock options will have a dilutive effect only when the average market price of the underlying common share during the year exceeds the exercise price of the stock option.

Convertible preferred shares are deemed dilutive when required dividends declared on each series of convertible preferred shares divided by the number of equivalent common shares, assuming such convertible preferred shares are converted to common shares, decreases the basic EPS. As such, the diluted EPS is calculated by dividing our consolidated net income attributable to common shareholders (consolidated net income, adding back any dividends and/or other charges recognized for the period related to the dilutive convertible preferred shares classified as liability, less dividends on non-dilutive preferred shares except for dividends on preferred stock subject to mandatory redemption) by the weighted average number of common shares excluding the weighted average number of common shares held as treasury shares, and including the common shares equivalent arising from the conversion of the dilutive convertible preferred shares and from the mandatory tender offer for all remaining Digitel shares.

Where the effect of the assumed conversion of the preferred shares and the exercise of all outstanding options have an anti-dilutive effect, basic and diluted EPS are stated at the same amount.

9. Property and Equipment

Changes in property and equipment account for the years ended December 31, 2015 and 2014 are as follows:

	Cable and wire facilities	Central office equipment	Cellular facilities	Buildings and improvements	Vehicles, aircraft, furniture and other network equipment	Communications satellite	Information origination and termination equipment	Land and land improvements	Property under construction	Total
						(in million pesos)				
As at January 1, 2014										
Cost	175,695	115,625	152,885	26,441	48,595	966	11,091	2,943	47,045	581,286
Accumulated depreciation, impairment and amortization	(118,991)	(95,197)	(105,874)	(15,439)	(42,061)	(966)	(9,834)	(259)	–	(388,621)
Net book value	56,704	20,428	47,011	11,002	6,534	–	1,257	2,684	47,045	192,665
Year Ended December 31, 2014										
Net book value at beginning of the year	56,704	20,428	47,011	11,002	6,534	–	1,257	2,684	47,045	192,665
Additions	1,788	472	9,233	181	2,246	–	544	5	20,430	34,899
Disposals/Retirements	(14)	(21)	(173)	(36)	(57)	–	–	–	(1)	(302)
Translation differences charged directly to cumulative translation adjustments	–	1	–	–	1	–	–	–	–	2
Acquisition through business combinations (Note 14)	–	–	–	–	502	–	–	–	192	694
Impairment losses recognized during the year (Note 5)	(1)	(227)	(3,606)	–	(10)	–	–	–	–	(3,844)
Reclassifications (Note 13)	(57)	(202)	23	(1)	(162)	–	114	508	(972)	(749)
Transfers and others	5,683	4,431	3,960	333	2,125	–	92	4	(16,628)	–
Depreciation of revaluation increment on investment properties transferred to property and equipment charged to other comprehensive income	–	–	–	(2)	–	–	–	–	–	(2)
Depreciation and amortization (Notes 2, 3 and 4)	(9,944)	(4,807)	(11,243)	(1,337)	(3,363)	–	(684)	(1)	–	(31,379)
Net book value at end of the year (Note 3)	54,159	20,075	45,205	10,140	7,816	–	1,323	3,200	50,066	191,984
As at December 31, 2014										
Cost	182,019	118,149	161,246	26,844	51,017	966	11,830	3,461	50,066	605,598
Accumulated depreciation, impairment and amortization	(127,860)	(98,074)	(116,041)	(16,704)	(43,201)	(966)	(10,507)	(261)	–	(413,614)
Net book value (Note 3)	54,159	20,075	45,205	10,140	7,816	–	1,323	3,200	50,066	191,984
Year Ended December 31, 2015										
Net book value at beginning of the period (Note 3)	**54,159**	**20,075**	**45,205**	**10,140**	**7,816**	**–**	**1,323**	**3,200**	**50,066**	**191,984**
Additions	**2,258**	**540**	**10,276**	**239**	**2,309**	**–**	**519**	**15**	**27,076**	**43,232**
Disposals/Retirements	**(6)**	**(96)**	**(37)**	**(214)**	**(227)**	**–**	**–**	**(33)**	**(23)**	**(636)**
Translation differences charged directly to cumulative translation adjustments	**1**	**4**	**–**	**–**	**2**	**–**	**–**	**–**	**–**	**7**
Reclassifications (Note 13)	**(42)**	**611**	**121**	**484**	**(666)**	**–**	**41**	**(4)**	**(2,041)**	**(1,496)**
Transfers and others	**4,185**	**2,456**	**7,773**	**300**	**2,358**	**–**	**594**	**2**	**(17,668)**	**–**
Impairment losses recognized during the year (Notes 3 and 5)	**(2,343)**	**–**	**(3,358)**	**–**	**(87)**	**–**	**–**	**–**	**–**	**(5,788)**
Depreciation of revaluation increment on investment properties transferred to property and equipment charged to other comprehensive income	**–**	**–**	**–**	**(2)**	**–**	**–**	**–**	**–**	**–**	**(2)**
Depreciation and amortization (Notes 2, 3 and 4)	**(9,975)**	**(4,059)**	**(11,902)**	**(1,452)**	**(3,336)**	**–**	**(793)**	**(2)**	**–**	**(31,519)**
Net book value at end of the year (Note 3)	**48,237**	**19,531**	**48,078**	**9,495**	**8,169**	**–**	**1,684**	**3,178**	**57,410**	**195,782**
As at December 31, 2015										
Cost	**187,195**	**112,867**	**177,118**	**27,162**	**53,797**	**966**	**12,962**	**3,441**	**57,410**	**632,918**
Accumulated depreciation, impairment and amortization	**(138,958)**	**(93,336)**	**(129,040)**	**(17,667)**	**(45,628)**	**(966)**	**(11,278)**	**(263)**	**–**	**(437,136)**
Net book value (Note 3)	**48,237**	**19,531**	**48,078**	**9,495**	**8,169**	**–**	**1,684**	**3,178**	**57,410**	**195,782**

Substantially all of our telecommunications equipment were purchased outside the Philippines. Our significant sources of financing for such purchases are foreign loans requiring repayment in currencies other than the Philippine peso, which are principally in U.S. dollars. See *Note 21 – Interest-bearing Financial Liabilities*.

Interest capitalized to property and equipment that qualified as borrowing costs amounted to Php370 million, Php442 million and Php421 million for the years ended December 31, 2015, 2014 and 2013, respectively. See *Note 5 – Income and Expenses – Financing Costs – net*. Our undepreciated interest capitalized to property and equipment that qualified as borrowing costs amounted to Php5,553 million and Php6,124 million as at December 31, 2015 and 2014, respectively. The average interest capitalization rates used were approximately 4% for the years ended December 31, 2015, 2014 and 2013.

Our undepreciated capitalized net foreign exchange losses that qualified as borrowing costs amounted to Php274 million and Php143 million as at December 31, 2015 and 2014, respectively. Our net foreign exchange differences, which qualified as borrowing costs amounted to Php144 million, Php71 million and Php80 million for the years ended December 31, 2015, 2014 and 2013, respectively.

The estimated useful lives of our property and equipment are estimated as follows:

Cable and wire facilities	10 – 15 years
Central office equipment	3 – 15 years
Cellular facilities	3 – 10 years
Buildings	25 years
Vehicles, aircraft, furniture and other network equipment	3 – 7 years
Information origination and termination equipment	3 – 5 years
Leasehold improvements	3 – 5 years
Land improvements	10 years

Property and equipment include the net carrying value of capitalized vehicles, aircraft, furniture and other network equipment under financing leases, which amounted to Php3 million and Php10 million as at December 31, 2015 and 2014, respectively. See *Note 21 – Interest-bearing Financial Liabilities – Obligations under Finance Leases*.

Impairment of Certain Network Equipment and Facilities

In 2014, SBI and PDSI recognized impairment losses equivalent to the net book values of our Canopy and Wimax equipment. Canopy and Wimax technologies have become less preferable as telecommunications operators shift to LTE which offers improved speed and more compatibility with 2G and 3G technologies. The business plan for fixed wireless is to roll-out TD-LTE sites in 2014 and 2015 and migrate all existing Canopy and Wimax subscribers to the new technology as network coverage for TD-LTE increases. Total impairment losses recognized for the year ended December 31, 2014 amounted to Php2,394 million and Php1,223 million for SBI and PDSI, respectively.

In 2014, PLDT implemented a massive fiber optic footprint and backbone expansion which increased bandwidth connectivity between different regions of the country and provided subscribers with opportunities for better services. In relation to this expansion, PLDT recognized an impairment provision equivalent to the net book value of certain transmission facilities replaced by the program amounting to Php227 million for the year ended December 31, 2014.

In December 2015, DMPI recognized an impairment loss of Php5,789 million pertaining to network assets affected by the convergence program of Smart and DMPI. Network assets impaired in 2015 consist mainly of core and transport equipment in Metro Manila and Cebu which were not included in the initial program as management's original strategy was to minimize the risk of service disruption for Sun subscribers in critical and high traffic areas. We decided to change the strategy for network convergence, that is, to fully integrate the network of Smart and DMPI, as management believes that the converged network will be resilient enough to address any risk of service disruption in the critical and high traffic areas.

See *Note 3 – Management's Use of Accounting Judgments, Estimates and Assumptions – Impairment of non-financial assets*.

10. Investments in Associates, Joint Ventures and Deposits

As at December 31, 2015 and 2014, this account consists of:

	2015	2014
	(in million pesos)	
Carrying value of investments in associates:		
MediaQuest PDRs (Notes 3 and 26)	**12,749**	9,575
Asia Outsourcing Beta Limited, or Beta	**654**	545
AF Payments, Inc., or AFPI, (formerly Automated Fare Collection System, Inc.)[(*)]	**533**	492
Phunware (Note 3)	**384**	–
Appcard (Note 3)	**231**	–
Digitel Crossing, Inc., or DCI	**173**	131
ACeS International Limited, or AIL	**–**	–
Asia Netcom Philippines Corp., or ANPC	**–**	–
	14,724	10,743
Carrying value of investments in joint ventures:		
Beacon Electric Asset Holdings, Inc., or Beacon	**32,304**	29,053
Philippines Internet Holding S.à.r.l., or PHIH	**1,595**	–
Ecommerce Pay Holding S.à.r.l., or mePay Global	**80**	–
	33,979	29,053
Deposit for future PDRs subscription:		
MediaQuest (Notes 3 and 26)	**–**	2,250
Total carrying value of investments in associates, joint ventures and deposits (Note 4)	**48,703**	42,046

[(*)] *On February 26, 2015, AFPI through its Board of Directors and stockholders amended its corporate name to AF Payments, Inc.*

Changes in the cost of investments and deposits for the years ended December 31, 2015 and 2014 are as follows:

	2015	2014
	(in million pesos)	
Balance at beginning of the year	**37,724**	37,074
Additions during the year	**3,413**	803
Business combinations (Note 14)	**–**	(155)
Translation and other adjustments	**13**	2
Balance at end of the year	**41,150**	37,724

Changes in the accumulated impairment losses for the years ended December 31, 2015 and 2014 are as follows:

	2015	2014
	(in million pesos)	
Balance at beginning of the year	**1,884**	1,883
Translation and other adjustments	**4**	1
Balance at end of the year	**1,888**	1,884

Changes in the accumulated equity share in net earnings of associates and joint ventures for the years ended December 31, 2015 and 2014 are as follows:

	2015	2014
	(in million pesos)	
Balance at beginning of the year	**6,206**	6,119
Equity share in net earnings (losses) of associates and joint ventures (Note 4):	**3,241**	3,841
Beacon	**3,205**	3,222
DCI	**114**	24
Beta	**79**	567
MediaQuest PDRs	**(76)**	53
AFPI	**(81)**	(11)
PG1	**–**	(14)
Realized portion of deferred gain on the transfer of Beacon and Manila Electric Company, or Meralco, shares	**2,838**	1,418
Share in the other comprehensive loss of associates and joint ventures accounted for using the equity method	**(249)**	(357)
Dividends	**(2,544)**	(4,855)
Business combinations (Note 14)	**–**	58
Translation and other adjustments	**(51)**	(18)
Balance at end of the year	**9,441**	6,206

Investments in Associates

Investment in MediaQuest PDRs

In 2012, ePLDT made deposits totaling Php6 billion to MediaQuest, an entity wholly-owned by the PLDT Beneficial Trust Fund for the issuance of PDRs by MediaQuest in relation to its indirect interest in Cignal TV. Cignal TV is a wholly-owned subsidiary of Satventures, which is a wholly-owned subsidiary of MediaQuest. The Cignal TV PDRs confer an economic interest in common shares of Cignal TV indirectly owned by MediaQuest, and when issued, will provide ePLDT with a 40% economic interest in Cignal TV. Cignal TV operates a direct-to-home, or DTH, Pay-TV business under the brand name "Cignal TV", which is the largest DTH Pay-TV operator in the Philippines.

On March 5, 2013, PLDT's Board of Directors approved additional investments in PDRs of MediaQuest:

- a Php3.6 billion investment by ePLDT in PDRs to be issued by MediaQuest in relation to its interest in Satventures. The Satventures PDRs confer an economic interest in common shares of Satventures owned by MediaQuest and provide ePLDT with a 40% economic interest in Satventures; and

- a Php1.95 billion investment by ePLDT in PDRs to be issued by MediaQuest in relation to its interest in Hastings. The Hastings PDRs confer an economic interest in common shares of Hastings owned by MediaQuest. Hastings is a wholly-owned subsidiary of MediaQuest and holds all the print-related investments of MediaQuest, including equity interests in the three leading newspapers: The Philippine Star, Philippine Daily Inquirer, and Business World. See *Note 26 – Employee Benefits – Unlisted Equity Investments – Investment in MediaQuest*.

The Php6 billion Cignal TV PDRs and Php3.6 billion Satventures PDRs were issued on September 27, 2013. These PDRs provided ePLDT an aggregate of 64% economic interest in Cignal TV.

On March 4, 2014, PLDT's Board of Directors approved an additional investment of up to Php500 million in Hastings PDRs to be issued by MediaQuest. On March 11, 2014, MediaQuest received from ePLDT an amount aggregating to Php300 million representing deposits for future PDRs subscription. As at December 31, 2014, total deposit for PDRs subscription amounted to Php2,250 million.

On May 21, 2015, ePLDT's Board of Directors approved an additional Php800 million investment in Hastings PDRs and settlement of the Php200 million balance of the Php500 million Hastings PDR investment in 2014. Subsequently, on May 30, 2015, the Board of Trustees of the Beneficial Trust Fund and the Board of Directors of MediaQuest approved the issuance of Php3,250 million Hastings PDRs. This provided ePLDT with 70% economic interest in Hastings. See *Note 26 – Employee Benefits – Investment in MediaQuest*.

The carrying value of investment in MediaQuest PDRs amounted to Php12,749 million and Php9,575 million as at December 31, 2015 and 2014, respectively. See *Note 3 – Management's Use of Accounting Judgments, Estimates and Assumptions – Accounting for investments in MediaQuest through PDRs*.

The PLDT Group's financial investment in PDRs of MediaQuest is part of the PLDT Group's overall strategy of broadening its distribution platforms and increasing the PLDT Group's ability to deliver multi-media content to its customers across the PLDT Group's broadband and mobile networks.

Investment of PGIC in Beta

On February 5, 2013, PLDT entered into a Subscription and Shareholders' Agreement with Asia Outsourcing Alpha Limited, or Alpha, and Beta, wherein PLDT, through its indirect subsidiary PGIC, acquired from Alpha approximately 20% equity interest in Beta for a total cost of approximately US$40 million, which consists of preferred shares of US$39.8 million and ordinary shares of US$0.2 million. On various dates in 2013 and 2014, PGIC transferred a total of 85 ordinary shares and 31,426 preferred shares to certain employees of Beta for a total consideration of US$53 thousand. The equity interest of PGIC in Beta remained at 20% after the transfer with economic interest of 18.32%.

Alpha and Beta are both exempted limited liability companies incorporated under the laws of Cayman Islands and are both controlled by CVC Capital Partners. Beta has been designated to be the holding company of the SPi Technologies, Inc. and Subsidiaries.

On October 1, 2014, Asia Outsourcing Gamma Limited, or AOGL,'s healthcare business, which provides revenue cycle management, health information management and software solutions for independent and provider-owned physician practices, was sold to Conifer Health Solutions, America's leading provider of technology-enabled healthcare performance improvement services, for a total value of US$235 million. AOGL is a wholly-owned subsidiary of Beta. As a result of the sale, PGIC received a cash distribution of US$42 million from Beta.

The carrying value of investment in common shares amounted to Php654 million and Php545 million as at December 31, 2015 and 2014, respectively. The carrying value of PGIC's investment in Beta's preferred shares amounting to Php265 million and Php233 million were presented as part of investment in debt securities and other long-term investments in our consolidated statements of financial position as at December 31, 2015 and 2014, respectively. See related discussion on *Note 12 – Investment in Debt Securities and Other Long-term Investments*.

PGIC is a wholly-owned subsidiary of PLDT Global, which was incorporated under the laws of British Virgin Islands.

Investment of Smart in AFPI

In 2013, Smart, along with other conglomerates Metro Pacific Investments Corporation, or MPIC, and Ayala Corporation, or Ayala, embarked on a venture to bid for the Automated Fare Collection System, or AFCS, project of the Department of Transportation and Communications, or DOTC, and Light Rail Transit Authority. The project aims to upgrade the Light Rail Transit 1 and 2, and Metro Rail Transit ticketing systems by substantially speeding up payments, reducing queuing time and facilitating efficient passenger transfer to other rail lines. The AFCS Consortium led by MPIC and Ayala, composed of AC Infrastructure Holdings Corporation, BPI Card Finance Corporation, and Globe Telecoms, Inc., or Globe, for the Ayala Group, and MPIC, Meralco Financial Services Corporation, and Smart for the MPIC Group, bid for the AFCS Project and on January 30, 2014, received a Notice of Award from the DOTC declaring it as the winning bidder.

On February 10, 2014, AFPI, the joint venture company, was incorporated in the Philippines and registered with the Philippine SEC. As part of the agreement, Smart subscribed for 503 million shares equivalent to a 20% equity interest in AFPI at a subscription price of Php1.00 per share.

On June 30, 2014, MPIC and Ayala Group signed a ten-year concession agreement with the DOTC to build and implement the AFCS project.

On January 20, 2015, the Board of Directors of AFPI approved an additional cash call on unpaid subscription of Php800 million to fund its expenditures, which was paid on March 30, 2015 by the shareholders in proportion to their share subscriptions. Smart contributed an additional Php160 million for its 20% share in AFPI.

On November 17, 2015, the Board of Directors of AFPI approved the increase in authorized capital stock from Php2,550 million divided into 2,550 million shares with par value of Php1.00 per share to Php5,000 million divided into 5,000 million shares with par value of Php1.00 per share. AFPI subsequently issued a total of 612.5 million shares with par value of Php1.00 per share to all of its existing shareholders in proportion to their current shareholdings. Smart subscribed to an additional capital of Php122.5 million representing its proportionate share in the capital increase.

The carrying value of Smart's investment in AFPI amounted to Php533 million, including subscription payable of Php166 million as at December 31, 2015 and Php492 million, including subscription payable of Php203 million as at December 31, 2014. Smart has significant influence over AFPI given its 20% voting interest and its Board representation.

Investment of PLDT Capital in Phunware

On September 3, 2015, PLDT Capital subscribed to an 8% US$5 million Convertible Promissory Note, or Note, issued by Phunware, a Delaware corporation. Phunware is an expansive mobile delivery platform that creates, markets, and monetizes mobile application experiences across multiple screens. By pioneering the multiscreen as a service platform, Phunware enables companies to engage seamlessly with their customers through mobile devices, from indoor and outdoor location-based marketing and advertising to content management, notifications and analytics, indoor mapping, navigation and wayfinding.

The US$5 million Note was issued and paid on September 4, 2015. On December 18, 2015, PLDT Capital subscribed to Series F Preferred Shares of Phunware for a total consideration of US$3 million. On the same date, the Note and its related interest were converted to additional Phunware Series F Preferred Shares.

On September 3, 2015, PLDT Capital also entered into a Memorandum of Understanding with Phunware to establish a joint venture that will exclusively market and distribute Phunware's targeted mobile and multiscreen solutions in the Philippines and the rest of Southeast Asia. Consequently, on November 11, 2015, PLDT Capital incorporated Phunware Southeast Asia Pte. Ltd., through which the joint venture will conduct its operations in the region.

Investment of PLDT Capital in AppCard

On October 9, 2015, PLDT Capital entered into a Convertible Preferred Stock Purchase Agreement with AppCard for US$5 million. AppCard, a Delaware Corporation, is engaged in the business of developing, marketing, selling and servicing digital loyalty program platforms.

The US$5 million Convertible Series B Preferred Stock was paid on October 9, 2015.

Investment of Digitel in DCI and ANPC

Digitel has 60% and 40% interest in Asia Netcom Philippines Corporation, or ANPC, and Digitel Crossing, Inc., or DCI, respectively. DCI is involved in the business of cable system linking the Philippines, United States and other neighboring countries in Asia. ANPC is an investment holding company owning 20% of DCI.

In December 2000, Digitel, Pacnet Network (Philippines), Inc., or PNPI, (formerly Asia Global Crossing Ltd.) and BT Group O/B Broadband Infrastructure Group Ltd., or BIG, entered into a Joint Venture Agreement, or JVA, under which the parties agreed to form DCI with each party owning 40%, 40% and 20%, respectively. DCI was incorporated to develop, provide and market backhaul network services, among others.

On April 19, 2001, after BIG withdrew from the proposed joint venture, Digitel and PNPI formed ANPC to replace BIG. Digitel contributed US$2 million, or Php69 million, for a 60% equity interest in ANPC while PNPI owned the remaining 40% equity interest.

Digitel provided full impairment loss on its investment in DCI and ANPC in prior years on the basis that DCI and ANPC have incurred significant recurring losses in the past. In 2011, Digitel recorded a reversal of impairment loss amounting to Php92 million following improvement in the associates' operations.

Digitel has no control over ANPC. Though Digitel owns more than half of the voting interest in ANPC because of certain governance matters, management has assessed that Digitel only has significant influence and not control.

Digitel's investment in DCI does not qualify as investment in joint venture as there is no provision for joint control in the joint venture agreement among Digitel, PNPI and ANPC.

Following PLDT's acquisition of a controlling stake in Digitel, PNPI, on November 4, 2011, sent a notice to exercise its Call Right under Section 6.3 of the JVA, which provides for a Call Right exercisable by PNPI following the occurrence of a Digitel change in control. As at February 29, 2016, Digitel management is ready to conclude the transfer of its investment in DCI, subject to PNPI's ability to meet certain regulatory and valuation requirements.

Investment of ACeS Philippines in AIL

As at December 31, 2015, ACeS Philippines held 36.99% equity interest in AIL, a company incorporated under the laws of Bermuda. AIL owns the Garuda I Satellite and the related system control equipment in Batam, Indonesia. In December 2014, AIL suffered a failure of the propulsion system on board the Garuda I Satellite, thus, AIL decided to decommission the operation of Garuda I Satellite in January 2015.

AIL has incurred significant operating losses, negative operating cash flows, and significant levels of debt. The financial condition of AIL was partly due to the National Service Providers', or NSPs, inability to generate the amount of revenues originally expected as the growth in subscriber numbers has been significantly lower than budgeted. These factors raised substantial doubt about AIL's ability to continue as a going concern. On this basis, we recognized a full impairment provision of Php1,896 million in respect of our investment in AIL in 2003.

Unrecognized share in net income of AIL amounted to Php70 million and Php361 million for the years ended December 31, 2015 and 2014, respectively, while unrecognized share in net loss amounted to Php19 million for the year ended December 31, 2014. Share in net cumulative losses amounting to Php2,075 million and Php1,852 million as at December 31, 2015 and 2014, respectively, were not recognized as we do not have any legal or constructive obligation to pay for such losses and have not made any payments on behalf of AIL.

See *Note 25 – Related Party Transactions – Air Time Purchase Agreement between PLDT and AIL Related Agreements* and *Note 28 – Financial Assets and Liabilities – Liquidity Risk – Unconditional Purchase Obligations* for further details as to the contractual relationships with respect to AIL.

Summarized Financial Information of Associates

The following tables present our share in the summarized financial information of our investments in associates in conformity with PFRS for equity investees in which we have significant influence as at December 31, 2015 and 2014 and for the years ended December 31, 2015, 2014 and 2013:

	2015	2014
	(in million pesos)	
Statements of Financial Position:		
Noncurrent assets	**8,520**	4,463
Current assets	**4,493**	2,797
Equity	**2,119**	(1,594)
Noncurrent liabilities	**4,186**	4,471
Current liabilities	**6,708**	4,383

	2015	2014	2013
		(in million pesos)	
Income Statements:			
Revenues	**6,533**	4,707	1,991
Expenses	**6,362**	4,299	1,848
Other income – net	**47**	238	159
Net income	**218**	646	302
Other comprehensive income	**–**	–	–
Total comprehensive income	**218**	646	302

We have no outstanding contingent liabilities or capital commitments with our associates as at December 31, 2015 and 2014.

Investments in Joint Ventures

Investment in Beacon

On March 1, 2010, PCEV, MPIC and Beacon, entered into an Omnibus Agreement, or OA. Beacon was incorporated in the Philippines and organized with the sole purpose of holding the respective shareholdings in Meralco of PCEV and MPIC. PCEV and MPIC are Philippine affiliates of First Pacific and both held equity interest in Meralco. Under the OA, PCEV and MPIC have agreed to set out their mutual agreement in respect of, among other matters, the capitalization, organization, conduct of business and the extent of their participation in the management of the affairs of Beacon. Beacon, PCEV and MPIC have also agreed on certain corporate governance matters, including Board composition, election of officers, shareholders' action, representation to the Meralco Board, nomination of the Meralco Board Committees, and nomination of Meralco officers.

Beacon is merely a special purpose vehicle created for the main purpose of holding and investing in Meralco using the same Meralco shares as collateral for funding such additional investment. The OA entered into by Beacon, PCEV and MPIC effectively delegates the decision making power of Beacon over the Meralco shares to PCEV and MPIC and that Beacon does not exercise any discretion over the vote to be taken in respect of the Meralco shares but is obligated to vote on the Meralco shares strictly in accordance with the instructions of PCEV and MPIC. Significant influence over the relevant financing and operating activities of Meralco is exercised at the respective Boards of PCEV and MPIC.

PCEV accounts for its investment in Beacon as investment in joint venture since the OA establishes joint control over Beacon.

Beacon's Capitalization

Beacon's authorized capital stock of Php5,000 million consists of 3,000 million common shares with a par value of Php1.00 per share and 2,000 million preferred shares with a par value of Php1.00 per share. The preferred shares of Beacon are non-voting, not convertible to common shares or any shares of any class of Beacon and have no pre-emptive rights to subscribe to any share or convertible debt securities or warrants issued or sold by Beacon. The preferred shareholder is entitled to liquidation preference and yearly cumulative dividends at the rate of 7% of the issue value subject to: (a) availability of unrestricted retained earnings; and (b) dividend payment restrictions imposed by Beacon's bank creditors.

On March 30, 2010, MPIC subscribed to 1,157 million common shares of Beacon and approximately 801 million preferred shares of Beacon in consideration of: (1) the transfer of 164 million Meralco shares at a price of Php150.00 per share, or an aggregate amount of Php24,540 million; and (2) Php6,600 million in cash, as further discussed in "Transfer of Meralco Shares to Beacon" section below for further information.

PCEV likewise subscribed to 1,157 million common shares of Beacon on March 30, 2010 in consideration of the transfer of 154 million Meralco common shares at a price of Php150.00 per share, or an aggregate amount of Php23,130 million.

Transfer of Meralco Shares to Beacon

Alongside the subscription to the Beacon shares pursuant to the OA, Beacon purchased 154 million and 164 million Meralco common shares, or the Transferred Shares, from PCEV and MPIC, respectively, for a consideration of Php150.00 per share or a total of Php23,130 million for the PCEV Meralco shares and Php24,540 million for the MPIC Meralco shares. PCEV transferred the 154 million Meralco common shares to Beacon on May 12, 2010.

On October 25, 2011, PCEV transferred to Beacon its remaining investment in 69 million of Meralco's common shares for a total cash consideration of Php15,136 million. PCEV also subscribed to 1,199 million Beacon preferred shares at the same time. The transfers of the Meralco shares was implemented through a special block sale/cross sale in the PSE.

PCEV recognized a deferred gain of Php8,047 million and Php8,145 million on May 12, 2010 and October 25, 2011, respectively, for the difference between the transfer price of the Meralco shares to Beacon and the carrying amount in PCEV's books of the Meralco shares transferred since the transfer was between entities with common shareholders. The deferred gain, presented as a reduction in PCEV's investment in Beacon common shares, will only be realized upon the disposal of the Meralco shares to a third party.

PCEV's Additional Investment in Beacon Common Shares

On January 20, 2012, PCEV subscribed to 135 million Beacon common shares for a total cash consideration of Php2,700 million. On the same date, MPIC also subscribed to 135 million Beacon common shares for a total cash consideration of Php2,700 million.

Sale of Beacon Preferred Shares to MPIC

On June 6, 2012, PCEV agreed to sell approximately 282 million of its Beacon preferred shares to MPIC for total cash consideration of Php3,563 million, which sale was completed on June 29, 2012. Beacon preferred shares were sold to an entity not included in PLDT Group, PCEV realized a portion of the deferred gain amounting to Php2,012 million, which was recorded when the underlying Meralco shares were transferred to Beacon.

Sale of Beacon's Meralco Shares to MPIC

Beacon has entered into Share Purchase Agreements with MPIC with the following details:

Date	Number of Shares Sold	% of Meralco Shareholdings Sold	Price Per Share	Total Price	Deferred Gain Realized[(1)]
	(in millions)			(in millions)	(in millions)
June 24, 2014	56.35	5%	Php235.00	Php13,243	Php1,418
April 14, 2015	112.71	10%	235.00	26,487	2,838

[(1)] *Since Beacon sold the shares to an entity not included in the PLDT Group, PCEV realized portion of the deferred gain which was recorded when the Meralco shares were transferred to Beacon.*

On June 24, 2014, MPIC settled portion of the consideration amounting to Php3,000 million and the balance was paid on February 27, 2015 amounting to Php10,243 million.

As part of the April 14, 2015 sale, MPIC settled a portion of the consideration amounting to Php1,000 million on April 14, 2015 and Php17,000 million on June 29, 2015, both of which were used by Beacon to partially settle its outstanding loans. MPIC will pay Beacon the balance of Php8,487 million on or before July 2016.

PCEV's effective interest in Meralco, through Beacon, was reduced to 17.48% from 22.48%, while MPIC's effective interest in Meralco, through its direct ownership of Meralco shares and through Beacon, increased to 32.48% from 27.48% as at December 31, 2015 and 2014, respectively. There is no change in the aggregate joint interest of MPIC and Beacon in Meralco which remained at 49.96% as at December 31, 2015 and 2014.

The carrying value of PCEV's investment in Beacon, net of deferred gain of Php9,924 and Php12,762 million, was Php32,304 million and Php29,053 million as at December 31, 2015 and 2014, respectively.

As at December 31, 2015, Beacon effectively owns 394 million Meralco common shares representing approximately 34.96% effective ownership in Meralco with a carrying value of Php87,831 million and market value of Php126,099 million based on quoted price of Php320 per share. As at December 31, 2014, Beacon effectively owns 507 million Meralco common shares representing approximately 44.96% effective ownership in Meralco with a carrying value of Php112,819 million and market value of Php129,733 million based on quoted price of Php256 per share.

Beacon's Dividend Declaration

A summary of Beacon's dividend declarations are shown below:

Date of Declaration	Date of Payment	Holders	Amount	Share of PCEV
			(in millions)	
February 26, 2015	**February 27, 2015**	**Common**	**Php4,277**	**Php2,139**
March 30, 2015	**April 24, 2015**	**Preferred**	**810**	**405**
Total dividends declared as at December 31, 2015			**5,087**	**2,544**
March 19 and 31, 2014	May 2014	Preferred	810	405
June 24, 2014	June 27, 2014	Common	2,900	1,450
November 17, 2014	February 27, 2015	Common	6,000	3,000
Total dividends declared as at December 31, 2014			Php9,710	Php4,855

PCEV's share in the cash dividends was deducted from the carrying value of the investment in a joint venture.

Beacon's Financing

Beacon has outstanding loans amounting to Php12,260 million and Php35,195 million as at December 31, 2015 and 2014, respectively, which were secured by a pledge over the Meralco shares and were not guaranteed by PLDT. The loans were not included in our consolidated long-term debt.

iCommerce's Investment in PHIH

On January 20, 2015, PLDT and Rocket entered into a joint venture agreement to further strengthen their existing partnership and to foster the development of internet-based businesses in the Philippines. PLDT, through iCommerce, a subsidiary of Voyager's eInnovations, and Asia Internet Holding S.à r.l., which is 50%-owned by Rocket, are shareholders in PHIH.

PHIH focuses on creating and developing online businesses in the Philippines, leveraging local market and business model insights, facilitating commercial, strategic and investment partnerships, enabling local recruiting and sourcing, and accelerating the rollout of online startups.

PLDT, through iCommerce, acquired a 33.33% equity interest in PHIH. iCommerce has the option to increase its equity interest to 50%. iCommerce became a shareholder of PHIH on October 14, 2015 and paid approximately €7.4 million on October 27, 2015 for the first installment. The carrying value of the investment in PHIH amounted to €30.6 million, or Php1,595 million, including subscription payable of €22.6 million, or Php1,176 million, as at December 31, 2015. Total capitalized professional fees and other start-up costs for the investment in PHIH amounted to Php31 million as at December 31, 2015.

eInnovations' Investment in MePay Global

On January 6, 2015, PLDT, through eInnovations, entered into a joint venture agreement with Rocket, pursuant to which the two parties agreed to form MePay Global, of which each partner holds a 50% equity interest. MePay Global is a global joint venture for payment services with a focus on emerging markets.

On July 30, 2015, eInnovations became a 50% shareholder of MePay Global, and on August 11, 2015 invested €1.2 million into MePay Global.

On February 3, 2016, eInnovations further contributed, via its subsidiary ePay the intellectual property, platforms and business operations of its mobile-first platform, PayMaya, as had been agreed in the joint venture agreement. Rocket has contributed, among other things, its participation in Paymill Holding GmbH and Payleven Holding GmbH, two of the leading payment platforms for high growth, small-and-medium sized e-commerce businesses across Europe.

Summarized Financial Information of Joint Ventures

The table below presents the summarized financial information of Beacon as at December 31, 2015 and 2014 and for the years ended December 31, 2015, 2014 and 2013:

	2015	2014
	(in million pesos)	
Statements of Financial Position:		
Noncurrent assets	**87,831**	112,819
Current assets	**10,874**	10,774
Equity	**85,325**	84,051
Noncurrent liabilities	**12,148**	35,004
Current liabilities	**1,231**	4,538
Additional Information:		
Cash and cash equivalents	**2,270**	3,577
Current financial liabilities*	**1,084**	1,260
Noncurrent financial liabilities*	**11,176**	33,935

* *Excluding trade, other payables and provisions.*

	2015	2014	2013
		(in million pesos)	
Income Statements:			
Revenues - equity share in net earnings	**6,899**	8,202	8,017
Expenses	**9**	3	170
Interest income	**455**	205	28
Interest expense	**1,723**	2,315	2,369
Net income	**6,539**	6,439	5,450
Other comprehensive income (loss)	**(497)**	18	390
Total comprehensive income	**6,041**	6,457	5,840

The following table presents the reconciliation between the share in Beacon's equity and the carrying value of investment in Beacon as at December 31, 2015 and 2014:

	2015	2014
	(in million pesos)	
Beacon's equity	**85,325**	84,051
PCEV's ownership interest	**50%**	50%
Share in net assets of Beacon	**42,663**	42,025
Purchase price allocation adjustments	**(88)**	(53)
Deferred gain on transfer of Meralco shares	**(9,924)**	(12,762)
Others	**(347)**	(157)
Carrying amount of interest in Beacon	**32,304**	29,053

The table below presents our aggregate share in the statements of financial position of our investments in individually immaterial joint ventures as at December 31, 2015 and 2014:

	2015	2014
	(in million pesos)	
Noncurrent assets	**–**	–
Current assets	**2**	4
Equity	**2**	2
Current liabilities	**–**	2

Our aggregate share in the revenues, expenses, other expenses – net, net loss, other comprehensive income, and total comprehensive loss of our investments in individually immaterial joint ventures for the years ended December 31, 2015, 2014 and 2013 are considered immaterial in relation to our consolidated financial statements.

We have no outstanding contingent liabilities or capital commitments with our joint ventures as at December 31, 2015 and 2014.

11. Available-for-Sale Financial Investments

Investment of PLDT Online in iFlix Limited, or iFlix

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

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

Investment of PLDT Capital in Matrixx

On December 18, 2015, PLDT Capital entered into a Stock and Warrant Purchase Agreement with Matrixx, a Delaware corporation. Matrixx provides the IT foundation to move to an all-digital service environment with a new real-time technology platform designed to handle the surge in interactions without forcing the compromises of conventional technology. Under the terms of the agreement, PLDT Capital subscribed to convertible Series B Preferred Stock of Matrixx for a total consideration of US$5 million, or Php237 million, and is entitled to purchase additional Series B Preferred Stock upon occurrence of certain conditions on or before March 15, 2016. PLDT Capital did not exercise its right to purchase additional Series B Preferred Stock of Matrixx.

PLDT Online's Investment in Rocket

On August 7, 2014, PLDT and Rocket entered into a global strategic partnership to drive the development of online and mobile payment solutions in emerging markets. Rocket provides a platform for the rapid creation and scaling of consumer internet businesses outside the U.S. and China. Rocket's prominent brands include the leading Southeast Asian e-Commerce businesses Zalora and Lazada, as well as fast growing brands with strong positions in their markets such as Dafiti, Linio, Jumia, Namshi, Lamoda, Jabong, Westwing, Home24 and HelloFresh in Latin America, Africa, Middle East, Russia, India and Europe. Financial technology and payments comprise Rocket's third sector where it anticipates numerous and significant growth opportunities.

Pursuant to the terms of the investment agreement, PLDT invested €333 million, or Php19,577 million, in cash, for new shares equivalent to a 10% stake in Rocket as at August 2014. These new shares are of the same class and bear the same rights as the Rocket shares held by the investors as at the date of the agreement namely, Investment AB Kinnevik and Access Industries, in addition to Global Founders GmbH (formerly European Founders Fund GmbH). PLDT made the €333 million investment in two payments (one on September 8 and one on September 15, 2014), which it funded from available cash and new debt. In accordance with PLDT's right to appoint one member of Rocket's nine-person supervisory board, on August 22, 2014, PLDT's then President and Chief Executive Officer, Napoleon L. Nazareno, was appointed to the supervisory board.

Concurrently with the investment, PLDT and Rocket agreed pursuant to a joint venture agreement to jointly develop mobile and online payments in emerging markets. The partnership is expected leverage PLDT's experience and intellectual property in mobile payments and remittance platforms, together with Rocket's global technology platform, to provide products and services for the "unbanked, uncarded and unconnected" population in emerging markets.

On August 21, 2014, PLDT assigned all its rights, title and interests as well as all of its obligations related to its investment in Rocket, to PLDT Online, an indirectly wholly-owned subsidiary of PLDT.

On October 1, 2014, Rocket announced the pricing of its initial public offering, or IPO, at €42.50 per share. On October 2, 2014, Rocket listed its shares on Entry Standard of the Frankfurt Stock Exchange under the ticker symbol "RKET." Our ownership stake in Rocket after the IPO was reduced to 6.6%. In February 2015, due to additional issuances of shares by Rocket, our ownership percentage in Rocket was further reduced to 6.1%. Total costs directly attributable to the acquisition of Rocket shares and recognized as part of the cost of investment amounted to Php134 million.

Further details on investment in Rocket are as follows:

	2015	2014
Closing price per share at year-end (in Euros)	**28.24**	51.39
Total market value as at year-end (in million Euros)	**285**	519
Total market value as at year-end (in million pesos)	**14,587**	27,855
Net gains (losses) from changes in fair value recognized during the year (in million pesos)	**(13,268)**	8,144

Our cumulative unrealized gain on investment in Rocket amounting to Php8,144 million was recognized in our consolidated other comprehensive income as at December 31, 2014.

Our cumulative net losses from changes in fair value amounting to Php5,124 million as at December 31, 2015 represents a 26% decline in fair value below cost. We assessed that the decline in fair value as at December 31, 2015 is significant and consequently recognized impairment of investment in Rocket amounting to Php5,124 million in our consolidated income statements.

As at February 26, 2016, closing price of Rocket is €20.38 per share resulting to total market value of PLDT's stake in Rocket of €206 million, or Php10,679 million.

12. Investment in Debt Securities and Other Long-term Investments

As at December 31, 2015 and 2014, this account consists of:

	2015	2014
	(in million pesos)	
Security Bank Corporation, or Security Bank, Time Deposits	**330**	313
Beta's preferred shares (Note 10)	**265**	233
PSALM Bonds	**207**	373
GT Capital Bond	**150**	150
National Power Corporation, or NAPOCOR, Bond	**51**	52
Home Development Mutual Fund, or HDMF Bonds	**–**	101
Philippine Retail Treasury Bond, or Philippine RTB	**–**	33
	1,003	1,255
Less current portion (Note 28)	**51**	295
Noncurrent portion (Note 28)	**952**	960

Security Bank Time Deposits

In October 2012, PLDT and Smart invested US$2.5 million each in a five-year time deposit with Security Bank maturing on October 11, 2017 at a gross coupon rate of 4.00%. These long-term fixed rate time deposits pay interest on a monthly basis or an estimate of 30 days. The deposits may be terminated prior to maturity at the applicable pretermination rates. Interest income, net of withholding tax, recognized on this investment amounted to US$187 thousand, or Php8.6 million, US$187 thousand, or Php8 million, and US$42 thousand, or Php2 million for the years ended December 31, 2015, 2014 and 2013, respectively. The carrying value of this investment amounted to Php236 million and Php224 million as at December 31, 2015 and 2014, respectively.

In May 2013, PLDT invested US$2.0 million in a five-year time deposit with Security Bank maturing on May 31, 2018 at a gross coupon rate of 3.5%. These long-term fixed rate time deposits pay interest on a monthly basis or an estimate of 30 days. The deposits may be terminated prior to maturity at the applicable pretermination rates. Interest income, net of withholding tax, recognized on this investment amounted to US$66 thousand, or Php3 million, for the years ended December 31, 2015 and 2014 and US$38 thousand, or Php2 million for the year ended December 31, 2013. The carrying value of this investment amounted to Php94 million and Php89 million as at December 31, 2015 and 2014, respectively.

Investment in Beta's Preferred Shares

See *Note 10 – Investments in Associates, Joint Ventures and Deposits – Investment of PGIC in Beta* for the detailed discussion of our investment.

PSALM Bonds

In April 2013, Smart purchased, at a premium, PSALM Bonds with face value of Php200 million maturing on April 22, 2017 with yield-to-maturity at 4.25% gross. The bond has a gross coupon rate of 7.75% payable on a quarterly basis, and was recognized as held-to-maturity investment. Premium is amortized using the EIR method. Interest income, net of withholding tax, recognized on this investment amounted to Php7.2 million, Php7 million and Php9 million for the years ended December 31, 2015, 2014 and 2013, respectively. The carrying value of this investment amounted to Php207 million and Php212 million as at December 31, 2015 and 2014, respectively.

In August 2013, Smart purchased, at a premium, PSALM Bonds with face value of Php100 million with yield-to-maturity at 3.25% gross. The bond has a gross coupon rate of 6.88% payable on a quarterly basis, and was recognized as held-to-maturity investment. Premium is amortized using the EIR method. Interest income, net of withholding tax, recognized on this investment amounted to Php827 thousand, Php2.6 million and Php2.0 million for the years ended December 31, 2015, 2014 and 2013, respectively. The carrying value of this investment amounted to Php101 million as at December 31, 2014. This investment matured on April 22, 2015.

In January 2014, Smart purchased, at a premium, additional PSALM Bonds with face value of Php60 million with yield-to-maturity at 3.00% gross. The bond has a gross coupon rate of 6.88% payable on a quarterly basis, and was recognized as held-to-maturity investment. Premium is amortized using the EIR method. Interest income, net of withholding tax, recognized on this investment amounted to Php289 million and Php1.6 million for the years ended December 31, 2015 and 2014, respectively. The carrying value of this investment amounted to Php60 million as at December 31, 2014. This investment matured on April 22, 2015.

GT Capital Bond

In February 2013, Smart purchased at par a seven-year GT Capital Bond with face value of Php150 million maturing on February 27, 2020. The bond has a gross coupon rate of 4.84% payable on a quarterly basis, and was recognized as held-to-maturity investment. Interest income, net of withholding tax, recognized on this investment amounted to Php5.8 million for the years ended December 31, 2015 and 2014 and Php5 million for the year ended December 31, 2014. The carrying value of this investment amounted to Php150 million as at December 31, 2015 and 2014.

NAPOCOR Bond

In March 2014, Smart purchased, at a premium, a NAPOCOR Bond with face value of Php50 million maturing on December 19, 2016 with yield-to-maturity at 4.22% gross. The bond has a gross coupon rate of 7.34% payable on a semi-annual basis, and was recognized as held-to-maturity investment. This investment is a tax-exempt bond. Premium is amortized using the EIR method. Interest income recognized on this investment amounted to Php1.8 million and Php1 million for the years ended December 31, 2015 and 2014, respectively. The carrying value of this investment amounted to Php51 million and Php52 million as at December 31, 2015 and 2014, respectively.

HDMF Bonds

In June 2014, Smart purchased, at a premium, HDMF Bonds with face value of Php100 million with yield-to-maturity at 2.75% gross. The bond has a gross coupon rate of 6.25% payable on a semi-annual basis, and was recognized as held-to-maturity investment. This investment is a tax-exempt bond. Premium is amortized using the EIR method. Interest income recognized on this investment amounted to Php468 thousand and Php1 million for the years ended December 31, 2015 and 2014, respectively. The carrying value of this investment amounted to Php101 million as at December 31, 2014. This investment matured on March 12, 2015.

Philippine RTB

In January 2014, Smart purchased, at a premium, a Philippine RTB with face value of Php32 million with yield-to-maturity at 2.38% gross. The bond has a gross coupon rate of 5.88% payable on a quarterly basis, and was recognized as held-to-maturity investment. Premium is amortized using the EIR method. Interest income, net of withholding tax, recognized on this investment amounted to Php303 thousand and Php684 thousand for the years ended December 31, 2015 and 2014, respectively. The carrying value of this investment amounted to Php33 million as at December 31, 2014. This investment matured on August 19, 2015.

13. Investment Properties

Changes in investment properties account for the years ended December 31, 2015 and 2014 are as follows:

	Land	Land Improvements	Building	Total
		(in million pesos)		
December 31, 2015				
Balance at beginning of the year	**1,479**	**10**	**327**	**1,816**
Net gains (losses) from fair value adjustments charged to profit or loss	**18**	**(1)**	**(7)**	**10**
Transfers from property and equipment	**5**	**–**	**–**	**5**
Disposals	**(6)**	**–**	**–**	**(6)**
Balance at end of the year (Note 4)	**1,496**	**9**	**320**	**1,825**
December 31, 2014				
Balance at beginning of the year	984	10	228	1,222
Net gains (losses) from fair value adjustments charged to profit or loss	660	(1)	(26)	633
Movement charged directly to other comprehensive income	338	–	123	461
Disposals	(6)	–	–	(6)
Transfers (to) from property and equipment	(497)	1	2	(494)
Balance at end of the year (Note 4)	1,479	10	327	1,816

Investment properties, which consist of land, land improvements and building, are stated at fair values, which have been determined based on appraisal performed by an independent firm of appraisers, an industry specialist in valuing these types of investment properties. None of our investment properties are being leased to third parties that earn rental income.

The valuation for land was based on a market approach valuation technique using price per square meter ranging from Php13 to Php140 thousand. The valuation for building and land improvements were based on a cost approach valuation technique using current material and labor costs for improvements based on external and independent reviewers.

We have determined that the highest and best use of some of the idle or vacant land properties at the measurement date would be to convert the properties for residential or commercial development. The properties are not being used for strategic reasons.

We have no restrictions on the realizability of our investment properties and no contractual obligations to either purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

Repairs and maintenance expenses related to investment properties that do not generate rental income amounted to Php29 million, Php53 million and Php57 million for the years ended December 31, 2015, 2014 and 2013, respectively.

The above investment properties were categorized under Level 3 of the fair value hierarchy. There were no transfers in and out of Level 3 of the fair value hierarchy.

Significant increases (decreases) in price per square meter for land, current material and labor costs of improvements would result in a significantly higher (lower) fair value measurement.

14. Business Combinations

2014 Acquisitions

IPCDSI's Acquisition of Rack IT

On January 28, 2014, IPCDSI and a third party entered into a sale and purchase agreement for the sale of 100% ownership in Rack IT to IPCDSI for a total purchase price of Php164 million, of which Php25 million was paid on April 21, 2015 upon completion of certain closing conditions. Rack IT is engaged in the business of providing data center services, encompassing all the information technology and facility-related components or activities that support the projects and operations of a data center facility. Rack IT started commercial operations on February 20, 2015.

The fair values of the identifiable assets and liabilities of Rack IT at the date of acquisition are as follows:

	Fair Values Recognized on Acquisition
	(in million pesos)
Assets:	
Property and equipment (Note 9)	192
Other noncurrent assets	2
Trade and other receivables	15
Prepayments and other current assets	15
	224
Liabilities:	
Deferred income tax liability	46
Accounts payable	14
Fair value of net assets acquired	164
Cash paid	164
	164
Cash flows from investing activity:	
Cash paid	(164)
Cash acquired	–
	(164)

The excess of purchase price consideration over the net assets acquired amounting to Php107 million was added to the fair value of property and equipment and deferred income tax liability since Rack IT is still under construction when it was acquired by IPCDSI.

The fair value and gross amount of trade and other receivables amounted to Php15 million and it is expected that the full contractual amounts can be collected.

Our consolidated net income would have decreased by Php17 million for the year ended December 31, 2014 had the acquisition of Rack IT actually taken place on January 1, 2014. Revenues of Rack IT from January 1, 2014 to date of acquisition is immaterial. Total net loss of Rack IT included in our consolidated income statement from January 28, 2014 to December 31, 2014 amounted to Php14 million.

PLDT's Additional Investment in PG1

On January 28, 2014, PLDT's Board of Directors approved the purchase of 37.5 million shares of PG1 owned by JSL which effectively increased PLDT's ownership in PG1 from 50% to 65% for a total consideration of Php23 million. PLDT consolidated PG1's financial statements effective March 10, 2014, completion date of the purchase.

The fair values of the identifiable assets and liabilities of PG1 at the date of acquisition are as follows:

	Fair Values Recognized on Acquisition
	(in million pesos)
Assets:	
Property and equipment (Note 9)	502
Other noncurrent assets	37
Cash and cash equivalents	21
Trade and other receivables	6
Prepayments and other current assets	12
	578
Liabilities:	
Accounts payable	413
	165
Goodwill from the acquisition (Note 15)	3
Total identifiable net assets acquired	168
Noncontrolling interests	(48)
Fair value of net assets acquired	120
Cash paid	23
Fair value of previous interest	97
	120
Cash flows from investing activity:	
Cash paid	(23)
Cash acquired	21
Purchase of subsidiary – net of cash acquired	(2)

The goodwill of Php3 million pertains to the fair value of PG1's air transportation business.

The fair value and gross amount of trade and other receivables amounted to Php6 million and it is expected that the full contractual amounts can be collected.

Our consolidated revenues would have increased by Php1 million and net income would have decreased by Php14 million for the year ended December 31, 2014 had the acquisition of PG1 actually taken place on January 1, 2014. Total revenues and net loss of PG1 included in our consolidated income statement from March 10, 2014 to December 31, 2014 amounted to Php7 million and Php79 million, respectively.

Smart's Acquisition of WiFun

On November 18, 2014, Smart acquired an 87% equity interest in WiFun for total cash consideration of Php70 million, of which Php35 million was paid in December 2014, Php6 million was paid on April 6, 2015 and Php29 million is payable upon capital call of WiFun. WiFun was incorporated in the Philippines in 2013 and is engaged in the business of selling software solutions, telecommunications equipment and gadgets, and providing WiFi access.

The fair values of the identifiable assets and liabilities of WiFun at the date of acquisition are as follows:

	Previous Carrying Values	Fair Values Recognized on Acquisition
	(in million pesos)	
Assets:		
Subscription receivable	29	29
Cash and cash equivalents	22	22
Inventory	7	7
Other assets	1	1
	59	59
Liabilities:		
Accounts payable and other liabilities	9	9
Due to related party	4	4
	13	13
	46	46
Goodwill from the acquisition (Note 15)	–	34
Total identifiable net assets acquired		80
Noncontrolling interests		(10)
Fair value of net assets acquired		70
Cash paid		41
Subscriptions payable		29
		70
Cash flows from investing activity:		
Cash paid		(35)
Cash acquired		22
		(13)

The goodwill of Php34 million pertains to the fair value of the expected synergies arising from the acquisition of WiFun by Smart. WiFun is expected to complement SBI's broadband internet service.

Our consolidated revenues would have increased by Php7 million and net income would have decreased by Php6 million for the year ended December 31, 2014 had the acquisition of WiFun actually taken place in January 1, 2014. Total net loss of WiFun included in our consolidated income statement from November 18, 2014 to December 31, 2014 amounted to Php1 million.

On November 25, 2015, Smart acquired the remaining noncontrolling shares for a total purchase price of Php10 million, of which Php7 million and Php3 million were paid on November 25, 2015 and February 29, 2016, respectively.

2015 Acquisition

Takatack Holdings' Acquisition of Takatack Technologies

On August 6, 2015, Voyager, through Takatack Holdings acquired a 100% equity interest in Takatack Technologies for a total cash consideration of US$5 million, of which US$3 million was paid in August 2015 and US$2 million is payable in 12 quarterly installments, subject to satisfaction of certain conditions. The acquisition is consistent with the PLDT Group's focus to build Voyager into a digital economy platforms-enabler, allowing it to build its digital commerce business in the Philippines and other emerging markets. Takatack Technologies is a Singapore-based company behind the online store, TackThis!, a cloud-based e-commerce platform operating on software as a service model that enables companies to easily set-up and showcase their businesses on various online platforms.

The purchase price consideration has been allocated to the identifiable assets and liabilities on the basis of provisional values at the date of acquisition. The corresponding carrying amounts immediately before the acquisition are as follows:

	Previous Carrying Values		Fair Values Recognized on Acquisition	
	In S.G. Dollar	In Php[1]	In S.G. Dollar	In Php[1]
	(in millions)			
Assets:				
Property and equipment (Note 9)	–	0.1	–	0.1
Cash and cash equivalents	0.1	2.7	0.1	2.7
Trade receivables	0.1	5.1	0.1	5.1
Prepayments and other current assets	–	0.4	–	0.4
	0.2	8.3	0.2	8.3
Liabilities:				
Accounts payable and other liabilities	0.1	4.6	0.1	4.6
Total identifiable net assets acquired	0.1	3.7	0.1	3.7
Goodwill from the acquisition (Note 14)			6.9	229.5
Purchase consideration transferred			7.0	233.2
Cash paid			4.4	147.6
Accounts payable – others			2.6	85.6
			7.0	233.2
Cash flow from investing activity:				
Cash paid			4.4	147.5
Cash acquired			(0.1)	(2.7)
			4.3	144.8

(1) *Converted to Philippine Peso using the exchange rate at the time of purchase of Php33.23 to SGD1.00.*

The transactions resulted in a Php229 million goodwill pertaining to the projected global rollout of the e-commerce business.

Our consolidated revenues would have increased by Php2 million and net income would have decreased by Php7 million for the year ended December 31, 2015 had the acquisition of Takatack Technologies actually taken place on January 1, 2015.

15. Goodwill and Intangible Assets

Changes in goodwill and intangible assets for the years ended December 31, 2015 and 2014 are as follows:

	Intangible Assets with Indefinite Life	Intangible Assets with Finite Life					Total Intangible Assets with Finite Life	Total Intangible Assets	Goodwill	Total Goodwill and Intangible Assets
	Trademark	Customer List	Franchise	Spectrum	Licenses	Others				
					(in million pesos)					
December 31, 2015										
Costs:										
Balance at beginning of the year	**4,505**	**4,726**	**3,016**	**1,205**	**972**	**1,177**	**11,096**	**15,601**	**62,863**	**78,464**
Business combinations (Note 14)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**229**	**229**
Additions	**–**	**–**	**–**	**–**	**107**	**15**	**122**	**122**	**–**	**122**
Translation and other adjustments	**–**	**–**	**–**	**–**	**–**	**(3)**	**(3)**	**(3)**	**–**	**(3)**
Balance at end of the year	**4,505**	**4,726**	**3,016**	**1,205**	**1,079**	**1,189**	**11,215**	**15,720**	**63,092**	**78,812**
Accumulated amortization and impairment:										
Balance at beginning of the year	**–**	**1,748**	**589**	**830**	**645**	**1,111**	**4,923**	**4,923**	**699**	**5,622**
Amortization during the year (Note 3)	**–**	**510**	**186**	**81**	**279**	**20**	**1,076**	**1,076**	**–**	**1,076**
Translation and other adjustments	**–**	**–**	**–**	**–**	**–**	**(3)**	**(3)**	**(3)**	**–**	**(3)**
Balance at end of the year	**–**	**2,258**	**775**	**911**	**924**	**1,128**	**5,996**	**5,996**	**699**	**6,695**
Net balance at end of the year (Note 3)	**4,505**	**2,468**	**2,241**	**294**	**155**	**61**	**5,219**	**9,724**	**62,393**	**72,117**
Estimated useful lives (in years)	**–**	**9**	**16**	**15**	**2 – 18**	**1 – 10**	**–**	**–**	**–**	**–**
Remaining useful lives (in years)	**–**	**5**	**12**	**4**	**1 – 7**	**2 – 4**	**–**	**–**	**–**	**–**
December 31, 2014										
Costs:										
Balance at beginning of the year	4,505	4,726	3,016	1,205	936	1,199	11,082	15,587	62,826	78,413
Business combinations (Note 14)	–	–	–	–	–	–	–	–	37	37
Additions	–	–	–	–	36	–	36	36	–	36
Translation and other adjustments	–	–	–	–	–	(22)	(22)	(22)	–	(22)
Balance at end of the year	4,505	4,726	3,016	1,205	972	1,177	11,096	15,601	62,863	78,464
Accumulated amortization and impairment:										
Balance at beginning of the year	–	1,237	403	750	287	1,119	3,796	3,796	699	4,495
Amortization during the year (Note 3)	–	511	186	80	358	14	1,149	1,149	–	1,149
Translation and other adjustments	–	–	–	–	–	(22)	(22)	(22)	–	(22)
Balance at end of the year	–	1,748	589	830	645	1,111	4,923	4,923	699	5,622
Net balance at end of the year (Note 3)	4,505	2,978	2,427	375	327	66	6,173	10,678	62,164	72,842
Estimated useful lives (in years)	–	1 – 9	16	15	1 – 18	1 – 10	–	–	–	–
Remaining useful lives (in years)	–	6	13	5	8	5	–	–	–	–

The consolidated goodwill and intangible assets of our reportable segments as at December 31, 2015 and 2014 are as follows:

	2015		
	Wireless	Fixed Line	Total
		(in million pesos)	
Trademark	**4,505**	**–**	**4,505**
Customer list	**2,468**	**–**	**2,468**
Franchise	**2,241**	**–**	**2,241**
Spectrum	**294**	**–**	**294**
Licenses	**155**	**–**	**155**
Others	**61**	**–**	**61**
Total intangible assets	**9,724**	**–**	**9,724**
Goodwill	**57,585**	**4,808**	**62,393**
Total goodwill and intangible assets (Note 3)	**67,309**	**4,808**	**72,117**

	2014		
	Wireless	Fixed Line	Total
		(in million pesos)	
Trademark	4,505	–	4,505
Customer list	2,978	–	2,978
Franchise	2,427	–	2,427
Spectrum	375	–	375
Licenses	327	–	327
Others	66	–	66
Total intangible assets	10,678	–	10,678
Goodwill	57,356	4,808	62,164
Total goodwill and intangible assets (Note 3)	68,034	4,808	72,842

Intangible Assets

In April 2013, Smart entered into a three-year licensing agreement with MCA Music, Inc., an affiliate of the Universal Music Group, the world's largest music company with wholly-owned record operations in 77 countries. On July 15, 2015, Smart extended the licensing agreement for another three years.

In July 2013, Smart entered into an 18-month licensing agreement with Ivory Music and Video, Inc., a domestic corporation and one of the major labels in the Philippine music industry. The agreement, which expired on December 31, 2014 was renewed for another two years commencing on January 1, 2015.

In February 2014, Smart entered into a two-year licensing agreement with Universal Records Philippines, Inc., or Universal Records, and PolyEast Records, Inc., or PolyEast Records. The agreement granted Smart an exclusive right to sell digital products of Universal Records and PolyEast Records such as downloading and streaming of digital audio and video. On September 1, 2015, Smart extended the licensing agreement for another two years.

In August 2015, Smart entered into an asset purchase agreement with Wifi Nation Philippines, Inc., or Wifi Nation, for a total consideration of Php15 million. Under the terms of the agreement, Smart acquired the assigned assets of Wifi Nation such as all its rights, titles and interests in its technology platform, patents, patent applications, contracts, intellectual property rights, and the business and trade name "Wifi Nation". Smart recognized intangible assets of Php15 million for the technology applications, amortized over the remaining life of the customer contracts acquired. Amortization amounted to Php6 million for the year ended December 31, 2015.

The consolidated future amortization of intangible assets with finite life as at December 31, 2015 is as follows:

Year	(in million pesos)
2016	911
2017	798
2018	798
2019	771
2020 and onwards	1,941
(Note 3)	5,219

Impairment Testing of Goodwill and Intangible Assets with Indefinite Life

The organizational structure of PLDT and its subsidiaries is designed to monitor financial operations based on fixed line and wireless segmentation. Management provides guidelines and decisions on resource allocation, such as continuing or disposing of asset and operations by evaluating the performance of each segment through review and analysis of available financial information on the fixed line and wireless segments. As at December 31, 2015, the PLDT Group's goodwill comprised of goodwill resulting from acquisition of Takatack Technologies in 2015, PLDT's additional investment in PG1 in 2014, Smart's acquisition of WiFun in 2014, ePLDT's acquisition of IPCDSI in 2012, PLDT's acquisition of Digitel in 2011, ePLDT's acquisition of ePDS in 2011, Smart's acquisition of PDSI and Chikka in 2009, Smart's acquisition of CURE in 2008, and Smart's acquisition of SBI in 2004. The test for recoverability of the PLDT's and Smart's goodwill was applied to the fixed line and wireless asset group, respectively, which represent the lowest level within our business at which we monitor goodwill.

Although revenue streams may be segregated among the companies within the PLDT Group, the cost items and cash flows are difficult to carve out due largely to the significant portion of shared and common used network/platform. The same is true for Sun, wherein Smart 2G/3G network, cellular base stations and fiber optic backbone are shared for areas where Sun has limited connectivity and facilities. On the other hand, PLDT has the largest fixed line network in the Philippines. PLDT's transport facilities are installed nationwide to cover both domestic and international IP backbone to route and transmit IP traffic generated by the customers. In the same manner, PLDT has the most Internet Gateway facilities which are composed of high capacity IP routers and switches that serve as the main gateway of the Philippines to the Internet connecting to the World Wide Web. With PLDT's network coverage, other fixed line subsidiaries share the same facilities to leverage on a Group perspective.

Given the significant common use of network facilities among fixed line and wireless companies within the PLDT Group, Management views that the wireless and fixed line operating segments are the lowest CGU to which goodwill is to be allocated and which are expected to benefit from the synergies.

The recoverable amount of the wireless and fixed line segments had been determined using the value in use approach calculated using cash flow projections based on the financial budgets approved by the Board of Directors, covering a three-year period from 2016 to 2018. The pre-tax discount rate applied to cash flow projections is 10.8% and 10.5% for the wireless and fixed line segments, respectively. Cash flows beyond the three-year period are determined using a 3.0% growth rate for the wireless and fixed line segments, which is the same as the long-term average growth rate for the telecommunications industry.

Based on the assessment of the value-in-use of the wireless and fixed line segments, the recoverable amount of the CGUs exceeded their carrying amounts, which as a result, no impairment was recognized as at December 31, 2015 and 2014 in relation to goodwill resulting from the additional investment in PG1 and the acquisition of WiFun, IPCDSI, Digitel, ePDS, PDSI, Chikka, CURE and SBI.

16. Cash and Cash Equivalents

As at December 31, 2015 and 2014, this account consists of:

	2015	2014
	(in million pesos)	
Cash on hand and in banks (Note 28)	**7,352**	6,816
Temporary cash investments (Note 28)	**39,103**	19,843
	46,455	26,659

Cash in banks earn interest at prevailing bank deposit rates. Temporary cash investments are made for varying periods of up to three months depending on our immediate cash requirements, and earn interest at the prevailing temporary cash investment rates. Due to the short-term nature of such transactions, the carrying value approximates the fair value of our temporary cash investments. See *Note 28 – Financial Assets and Liabilities*.

Interest income earned from cash in banks and temporary cash investments amounted to Php579 million, Php476 million and Php740 million for the years ended December 31, 2015, 2014 and 2013, respectively.

17. Trade and Other Receivables

As at December 31, 2015 and 2014, this account consists of receivables from:

	2015	2014
	(in million pesos)	
Retail subscribers (Note 28)	**19,750**	17,053
Corporate subscribers (Notes 25 and 28)	**9,263**	7,941
Foreign administrations (Note 28)	**5,514**	8,420
Domestic carriers (Notes 25 and 28)	**540**	823
Dealers, agents and others (Notes 25 and 28)	**5,752**	10,485
	40,819	44,722
Less allowance for doubtful accounts (Notes 3, 5 and 28)	**15,921**	15,571
	24,898	29,151

Receivables from foreign administrations and domestic carriers represent receivables based on interconnection agreements with other telecommunications carriers. The aforementioned amounts of receivables are shown net of related payables to the same telecommunications carriers where a legal right of offset exists and settlement is facilitated on a net basis.

Receivables from dealers, agents and others consist mainly of receivables from credit card companies, dealers and distributors having collection arrangements with the PLDT Group, dividend receivables and advances from affiliates.

Trade receivables are non-interest-bearing and are generally with settlement term of 30 to 180 days.

For terms and conditions relating to related party receivables, see *Note 25 – Related Party Transactions*.

See *Note 25 – Related Party Transactions* for the summary of transactions with related parties and *Note 28 – Financial Assets and Liabilities – Credit Risk* on credit risk of trade receivables to understand how we manage and measure credit quality of trade receivables that are neither past due nor impaired.

Changes in the allowance for doubtful accounts for the years ended December 31, 2015 and 2014 are as follows:

	Total	**Retail Subscribers**	**Corporate Subscribers**	**Foreign Administrations**	**Domestic Carriers**	**Dealers, Agents and Others**
			(in million pesos)			
December 31, 2015						
Balance at beginning of the year	**15,571**	**8,133**	**4,326**	**548**	**93**	**2,471**
Provisions (reversals) and other adjustments	**3,043**	**2,920**	**297**	**(233)**	**4**	**55**
Write-offs	**(2,693)**	**(2,505)**	**(172)**	**–**	**(11)**	**(5)**
Reclassifications	**–**	**992**	**–**	**–**	**–**	**(992)**
Balance at end of the year	**15,921**	**9,540**	**4,451**	**315**	**86**	**1,529**
Individual impairment	**8,593**	**2,677**	**4,121**	**306**	**86**	**1,403**
Collective impairment	**7,328**	**6,863**	**330**	**9**	**–**	**126**
	15,921	**9,540**	**4,451**	**315**	**86**	**1,529**
Gross amount of receivables individually impaired, before deducting any impairment allowance	**8,593**	**2,677**	**4,121**	**306**	**86**	**1,403**
December 31, 2014						
Balance at beginning of the year	14,524	7,149	5,849	119	80	1,327
Provisions and other adjustments	1,956	1,462	(1,100)	430	13	1,151
Write-offs	(909)	(478)	(423)	(1)	–	(7)
Balance at end of the year	15,571	8,133	4,326	548	93	2,471

	Total	Retail Subscribers	Corporate Subscribers	Foreign Administrations	Domestic Carriers	Dealers, Agents and Others
			(in million pesos)			
Individual impairment	9,586	2,541	4,081	526	93	2,345
Collective impairment	5,985	5,592	245	22	–	126
	15,571	8,133	4,326	548	93	2,471
Gross amount of receivables individually impaired, before deducting any impairment allowance	9,586	2,541	4,081	526	93	2,345

18. Inventories and Supplies

As at December 31, 2015 and 2014, this account consists of:

	2015	2014
	(in million pesos)	
Terminal and cellular phone units:		
At net realizable value	**3,253**	2,853
At cost	**3,721**	3,265
Spare parts and supplies:		
At net realizable value	**539**	283
At cost	**835**	706
Others:		
At net realizable value	**822**	570
At cost	**975**	647
Total inventories and supplies at the lower of cost or net realizable value (Notes 4 and 5)	**4,614**	3,706

The cost of inventories and supplies recognized as expense for the years ended December 31, 2015, 2014 and 2013 are as follows:

	2015	2014	2013
		(in million pesos)	
Cost of sales	**15,525**	**13,077**	11,674
Repairs and maintenance	**643**	**575**	474
Write-down of inventories and supplies (Notes 4 and 5)	**511**	**179**	229
	16,679	**13,831**	12,377

Changes in the allowance for inventory obsolescence for the years ended December 31, 2015 and 2014 are as follows:

	2015	2014
	(in million pesos)	
Balance at beginning of the year	**913**	957
Provisions	**511**	179
Write-off and others	**(506)**	(223)
Balance at end of the year	**918**	913

19. Prepayments

As at December 31, 2015 and 2014, this account consists of:

	2015	2014
	(in million pesos)	
Prepaid taxes (Note 7)	**5,949**	6,203
Prepaid selling and promotions	**881**	1,111
Prepaid fees and licenses	**856**	979
Prepaid rent (Note 3)	**468**	383
Prepaid insurance (Note 25)	**145**	125
Prepaid repairs and maintenance	**126**	116
Prepaid benefit costs (Notes 3 and 26)	**306**	65
Other prepayments	**542**	348
	9,273	9,330
Less current portion of prepayments	**5,798**	6,406
Noncurrent portion of prepayments	**3,475**	2,924

Prepaid taxes include creditable withholding taxes and input VAT.

Prepaid benefit costs represent excess of fair value of plan assets over present value of defined benefit obligations recognized in our consolidated statements of financial position. See *Note 26 – Employee Benefits*.

Agreement of PLDT and Smart with TV5 Network, Inc., or TV5

In 2010, PLDT and Smart entered into advertising placement agreements with TV5, a subsidiary of MediaQuest, which is a wholly-owned investee company of PLDT Beneficial Trust Fund for the airing and telecast of advertisements and commercials of PLDT and Smart on TV5's television network for a period of five years. The costs of telecast of each advertisement shall be applied and deducted from the placement amount only after the relevant advertisement or commercial is actually aired on TV5's television network. In June 2014, Smart and TV5 agreed to amend the liquidation schedule under the original advertising placement agreement by extending the term of expiry from 2015 to 2021. Total prepayment under the advertising placement agreements amounted to Php533 million and Php758 million as at December 31, 2015 and 2014, respectively. See *Note 25 – Related Party Transactions*.

Agreement of PLDT, Smart and DMPI with Dakila Cable TV Corp. or Dakila

In May 2015, PLDT, Smart and DMPI entered into a four-year agreement with Dakila commencing on the launch of the OTT video-on-demand service, or iFlix service, in the Philippines on June 18, 2015. iFlix service is provided by IFlix Sdn Bhd and Dakila is the authorized reseller of the iFlix service in the Philippines. Under the agreement, PLDT, Smart and DMPI were appointed by Dakila to act as its internet service providers with an authority to resell and distribute the iFlix service to their respective subscribers on a monthly and annual basis. Further, as agreed by all parties, the fees will be subject to a guaranteed minimum fess of US$2 million on the first year, US$4 million on the second year, US$6 million on the third year and US$8 million on the fourth year. The guaranteed minimum fee on the fourth year is subject to certain conditions as defined in the agreement. Total prepayment and unamortized cost related to the agreement in 2015 amounted to US$3.1 million, or Php138.2 million, and US$1.9 million, or Php88 million, respectively, as at December 31, 2015.

20. Equity

PLDT's number of shares of subscribed and outstanding capital stock as at December 31, 2015 and 2014 are as follows:

	2015	2014
	(in millions)	
Authorized		
Non-Voting Serial Preferred Stocks	**388**	388
Voting Preferred Stock	**150**	150
Common Stock	**234**	234
Subscribed		
Non-Voting Serial Preferred Stocks[(1)]	**300**	300
Voting Preferred Stock	**150**	150
Common Stock	**219**	219
Outstanding		
Non-Voting Serial Preferred Stocks[(1)]	**300**	300
Voting Preferred Stock	**150**	150
Common Stock	**216**	216
Treasury Stock		
Common Stock	**3**	3

[(1)] *Includes 300 million shares of Series IV Cumulative Non-Convertible Redeemable Preferred Stock subscribed for Php3 billion, of which Php360 million has been paid.*

The changes in PLDT's capital account are the issuance of 870 shares or Php8,700 of Series JJ 10% Cumulative Convertible Preferred Stock and the redemption of 200 shares or Php2,000 of Series HH 10% Cumulative Convertible Preferred Stock for the years ended December 31, 2015 and 2014, respectively.

Preferred Stock

Non-Voting Serial Preferred Stocks

On January 26, 2016, the Board of Directors designated 20,000 shares of Non-Voting Serial Preferred Stock as Series KK 10% Cumulative Convertible Preferred Stock to be issued from January 1, 2016 to December 31, 2020, pursuant to the PLDT Subscriber Investment Plan, or SIP.

On November 5, 2013, the Board of Directors designated 50,000 shares of Non-Voting Serial Preferred Stock as Series JJ 10% Cumulative Convertible Preferred Stock to be issued from January 1, 2013 to December 31, 2015, pursuant to the SIP. On June 8, 2015, PLDT issued 870 shares of Series JJ 10% Cumulative Convertible Preferred Stock.

On January 26, 2010, the Board of Directors designated 100,000 shares of Non-Voting Serial Preferred Stock as Series II 10% Cumulative Convertible Preferred Stock to be issued from January 1, 2010 to December 31, 2012, pursuant to the SIP.

The Series II, JJ and KK 10% Cumulative Convertible Preferred Stock, or SIP shares, earns cumulative dividends at an annual rate of 10%. After the lapse of one year from the last day of the year of issuance of a particular Series of 10% Cumulative Convertible Preferred Stock, any holder of such series may convert all or any of the shares of 10% Cumulative Convertible Preferred Stock held by him into fully paid and non-assessable shares of Common Stock of PLDT, at a conversion price equivalent to 10% below the average of the high and low daily sales price of a share of Common Stock of PLDT on the PSE, or if there have been no such sales on the PSE on any day, the average of the bid and the ask prices of a share of Common Stock of PLDT at the end of such day on such Exchange, in each case averaged over a period of 30 consecutive trading days prior to the conversion date, but in no case shall the conversion price be less than the price set by the Board of Directors which, as at December 31, 2015 was Php5.00 each per share. The number of shares of Common Stock issuable at any time upon conversion of 10% Cumulative Convertible Preferred Stock is determined by dividing Php10.00 by the then applicable conversion price.

In case the shares of Common Stock outstanding are at anytime subdivided into a greater or consolidated into a lesser number of shares, then the minimum conversion price per share of Common Stock will be proportionately decreased or increased, as the case may be, and in the case of a stock dividend, such price will be proportionately decreased, provided, however, that in every case the minimum conversion price shall not be less than the par value per share of Common Stock. In the event the relevant effective date for any such subdivision or consolidation of shares of stock dividend occurs during the period of 30 trading days preceding the presentation of any shares of 10% Cumulative Convertible Preferred Stock for conversion, a similar adjustment will be made in the sales prices applicable to the trading days prior to such effective date utilized in calculating the conversion price of the shares presented for conversion.

In case of any other reclassification or change of outstanding shares of Common Stock, or in case of any consolidation or merger of PLDT with or into another corporation, the Board of Directors shall make such provisions, if any, for adjustment of the minimum conversion price and the sale price utilized in calculating the conversion price as the Board of Directors, in its sole discretion, shall deem appropriate.

At PLDT's option, the Series II, JJ and KK 10% Cumulative Convertible Preferred Stock are redeemable at par value plus accrued dividends five years after the year of issuance.

The Series IV Cumulative Non-Convertible Redeemable Preferred Stock earns cumulative dividends at an annual rate of 13.5% based on the paid-up subscription price. It is redeemable at the option of PLDT at any time one year after subscription and at the actual amount paid for such stock, plus accrued dividends.

The Non-Voting Serial Preferred Stocks are non-voting, except as specifically provided by law, and are preferred as to liquidation.

All preferred stocks limit the ability of PLDT to pay cash dividends unless all dividends on such preferred stock for all past dividend payment periods have been paid and or declared and set apart and provision has been made for the currently payable dividends.

Voting Preferred Stock

On June 5, 2012, the Philippine SEC approved the amendments to the Seventh Article of PLDT's Articles of Incorporation consisting of the sub-classification of its authorized Preferred Capital Stock into: 150 million shares of Voting Preferred Stock with a par value of Php1.00 each, and 807.5 million shares of Non-Voting Serial Preferred Stock with a par value of Php10.00 each, and other conforming amendments, or the Amendments. The shares of Voting Preferred Stock may be issued, owned, or transferred only to or by: (a) a citizen of the Philippines or a domestic partnership or association wholly-owned by citizens of the Philippines; (b) a corporation organized under the laws of the Philippines of which at least 60% of the capital stock entitled to vote is owned and held by citizens of the Philippines and at least 60% of the board of directors of such corporation are citizens of the Philippines; and (c) a trustee of funds for pension or other employee retirement or separation benefits, where the trustee qualifies under paragraphs (a) and (b) above and at least 60% of the funds accrue to the benefit of citizens of the Philippines, or Qualified Owners. The holders of Voting Preferred Stock will have voting rights at any meeting of the stockholders of PLDT for the election of directors and for all other purposes, with one vote in respect of each share of Voting Preferred Stock. The Amendments were approved by the Board of Directors and stockholders of PLDT on July 5, 2011 and March 22, 2012, respectively.

On October 12, 2012, the Board of Directors, pursuant to the authority granted to it in the Seventh Article of PLDT's Articles of Incorporation, determined the following specific rights, terms and features of the Voting Preferred Stock: (a) entitled to receive cash dividends at the rate of 6.5% per annum, payable before any dividends are paid to the holders of Common Stock; (b) in the event of dissolution or liquidation or winding up of PLDT, holders will be entitled to be paid in full, or pro-rata insofar as the assets of PLDT will permit, the par value of such shares of Voting Preferred Stock and any accrued or unpaid dividends thereon before any distribution shall be made to the holders of shares of Common Stock; (c) redeemable at the option of PLDT; (d) not convertible to Common Stock or to any shares of stock of PLDT of any class; (e) voting rights at any meeting of the stockholders of PLDT for the election of directors and all other matters to be voted upon by the stockholders in any such meetings, with one vote in respect of each Voting Preferred Share; and (f) holders will have no pre-emptive right to subscribe for or purchase any shares of stock of any class, securities or warrants issued, sold or disposed by PLDT.

On October 16, 2012, BTFHI subscribed to 150 million newly issued shares of Voting Preferred Stock of PLDT, at a subscription price of Php1.00 per share for a total subscription price of Php150 million pursuant to a subscription agreement between BTFHI and PLDT dated October 15, 2012. As a result of the issuance of Voting Preferred Shares, the voting power of the NTT Group (NTT DOCOMO and NTT Communications), First Pacific Group and its Philippine affiliates, and JG Summit Group was reduced to 12%, 15% and 5%, respectively, as at December 31, 2015. See *Note 1 – Corporate Information* and *Note 27 – Provisions and Contingencies – In the Matter of the Wilson Gamboa Case and Jose M. Roy III Petition*.

Redemption of Preferred Stock

On September 23, 2011, the Board of Directors approved the redemption, or the Redemption, of all outstanding shares of PLDT's Series A to FF 10% Cumulative Convertible Preferred Stock, or the SIP Preferred Shares, and all such shares were redeemed and retired effective on January 19, 2012, or the Redemption Date. The record date for the determination of the holders of outstanding SIP Preferred Shares subject to Redemption, or Holders of SIP Preferred Shares, was fixed on October 10, 2011, or the Record Date. In accordance with the terms and conditions of the SIP Preferred Shares, the Holders of SIP Preferred Shares as of the Record Date are entitled to payment of the redemption price in an amount equal to the par value of such shares, plus accrued and unpaid dividends thereon up to the Redemption Date, or the Redemption Price.

PLDT has set aside Php5.9 billion (the amount required to fund the redemption price for the SIP Preferred Shares) in addition to Php2.3 billion for unclaimed dividends on SIP Preferred Shares, or a total amount of Php8.2 billion, to fund the redemption of the SIP Preferred Shares, or the Redemption Trust Fund, in a trust account, or the Trust Account, in the name of Rizal Commercial Banking Corporation, or RCBC, as Trustee. Pursuant to the terms of the Trust Account, the Trustee will continue to hold the Redemption Trust Fund or any balance thereof, in trust, for the benefit of Holders of SIP Preferred Shares, for a period of ten years from the Redemption Date, or until January 19, 2022. After the said date, any and all remaining balance in the Trust Account shall be returned to PLDT and revert to its general funds. Any interests on the Redemption Trust Fund shall accrue for the benefit of, and be paid from time to time, to PLDT.

On May 8, 2012, the Board of Directors approved the redemption of all outstanding shares of PLDT's Series GG 10% Cumulative Convertible Preferred Stock and all such shares were redeemed and retired effective on August 30, 2012. The record date for purposes of determining the holders of the outstanding Series GG Shares subject to redemption, or Holders of Series GG Shares, was fixed on May 22, 2012. In accordance with the terms and conditions of the Series GG Shares, the Holders of the Series GG Shares as at May 22, 2012 are entitled to the payment of the redemption price in an amount equal to the par value of such shares, plus accrued and unpaid dividends thereon up to August 30, 2012, or the Redemption Price of Series GG Shares.

PLDT has set aside Php247 thousand (the amount required to fund the redemption price for the Series GG Shares) in addition to Php63 thousand for unclaimed dividends on Series GG Shares, or a total amount of Php310 thousand, to fund the redemption price for the Series GG Shares, or the Redemption Trust Fund for Series GG Shares, which forms an integral part of the Redemption Trust Fund previously set aside in the trust account with RCBC, as Trustee, for the purpose of funding the payment of the Redemption Price of PLDT Series A to FF 10% Cumulative Convertible Preferred Stock.

As at January 19, 2012 and August 30, 2012, notwithstanding that any stock certificate representing the Series A to FF 10% Cumulative Convertible Preferred Stock and Series GG 10% Cumulative Convertible Preferred Stock, respectively, were not surrendered for cancellation, the Series A to GG 10% Cumulative Convertible Preferred Stock were no longer deemed outstanding and the right of the holders of such shares to receive dividends thereon ceased to accrue and all rights with respect to such shares ceased and terminated, except only the right to receive the Redemption Price of such shares, but without interest thereon.

On January 29, 2013, the Board of Directors approved the redemption of all outstanding shares of PLDT's Series HH 10% Cumulative Convertible Preferred Stock which were issued in 2007 and all such shares were redeemed and retired effective on May 16, 2013. The record date for purpose of determining the holders of the outstanding Series HH Shares issued in 2007 subject to redemption, or Holders of Series HH Shares issued in 2007, was fixed on February 14, 2013. In accordance with the terms and conditions of Series HH Shares issued in 2007, the Holders of Series HH Shares issued in 2007 as at February 14, 2013 are entitled to the payment of the redemption price in an amount equal to the par value of such shares, plus accrued and unpaid dividends thereon up to May 16, 2013, or the Redemption Price of Series HH Shares issued in 2007.

On January 28, 2014, the Board of Directors approved the redemption of all outstanding shares of PLDT's Series HH 10% Cumulative Convertible Preferred Stock which were issued in 2008, and all such shares were redeemed and retired effective on May 16, 2014. The record date for the purpose of determining the holders of the outstanding Series HH Shares issued in 2008 subject to redemption or Holders of Series HH Shares issued in 2008, was fixed on February 14, 2014. In accordance with the terms and conditions of Series HH Shares issued in 2008, the Holders of Series HH Shares issued in 2008 as at February 14, 2014 are entitled to the payment of the redemption price in an amount equal to the par value of such shares, plus accrued and unpaid dividends thereon up to May 16, 2014, or the Redemption Price of Series HH Shares issued in 2008.

On January 26, 2016, the Board of Directors approved the redemption of all outstanding shares of PLDT's Series II 10% Cumulative Convertible Preferred Stock which were issued in 2010, and all such shares will be redeemed and retired effective on May 11, 2016. The record date for the purpose of determining the holders of the outstanding Series II Shares issued in 2010 subject to redemption or Holders of Series II Shares issued in 2010, was fixed on February 10, 2016. In accordance with the terms and conditions of Series II Shares issued in 2010, the Holders of Series II Shares issued in 2010 as at February 10, 2016 are entitled to the payment of the redemption price in an amount equal to the par value of such shares, plus accrued and unpaid dividends thereon up to May 11, 2016, or the Redemption Price of Series II Shares issued in 2010.

Total amounts of Php15 million, Php30 million and Php64 million were withdrawn from the Trust Account, representing total payments on redemption for the years ended December 31, 2015, 2014 and 2013, respectively. The balances of the Trust Account of Php7,906 million and Php7,922 million were presented as part of the "Current portion of advances and other noncurrent assets" and the related redemption liability of the same amount were presented as part of "Accrued expenses and other current liabilities" in our consolidated statement of financial position as at December 31, 2015 and 2014, respectively. See *Note 24 – Accrued Expenses and Other Current Liabilities* and *Note 28 – Financial Assets and Liabilities*.

PLDT expects to similarly redeem the outstanding shares of Series JJ and KK 10% Cumulative Convertible Preferred Stock as and when they become eligible for redemption.

Common Stock

The Board of Directors approved a share buyback program of up to five million shares of PLDT's common stock, representing approximately 3% of PLDT's then total outstanding shares of common stock in 2008. The share buyback program reflects PLDT's commitment to capital management as an important element in enhancing shareholders value. This also reinforces initiatives that PLDT has already undertaken, such as the declaration of special dividends on common stock in addition to the regular dividend payout equivalent to 75% of our core EPS, after having determined that PLDT has the capacity to pay additional returns to shareholders. Under the share buyback program, PLDT reacquired shares on an opportunistic basis, directly from the open market through the trading facilities of the PSE and NYSE.

We had acquired a total of approximately 2.72 million shares of PLDT's common stock at a weighted average price of Php2,388.00 per share for a total consideration of Php6,505 million in accordance with the share buyback program as at December 31, 2015 and 2014.

On November 9, 2011, the PSE approved the listing of an additional 27.7 million common shares of PLDT, which were issued on October 26, 2011 at the issue price of Php2,500.00 per share, as consideration for the acquisition by PLDT of certain assets of Digitel from JGSHI.

On January 27, 2012, a total of 1.61 million PLDT common shares were issued for settlement of the purchase price of 2,518 million common shares of Digitel tendered by the noncontrolling Digitel stockholders under the mandatory tender offer conducted by PLDT, and which opted to receive payment of the purchase price in the form of PLDT common shares.

Decrease in Authorized Capital Stock

On April 23, 2013 and June 14, 2013, the Board of Directors and stockholders, respectively, approved the following actions: (1) decrease in PLDT's authorized capital stock from Php9,395 million divided into two classes consisting of: (a) Preferred Capital Stock sub-classified into: 150 million shares of Voting Preferred Stock of the par value of Php1.00 each and 807.5 million shares of Non-Voting Serial Preferred Stock of the par value of Php10.00 each; and (b) 234 million shares of Common Capital Stock of the par value of Php5.00 each, to Php5,195 million, divided into two classes consisting of: (a) Preferred Capital Stock sub-classified into: 150 million shares of Voting Preferred Stock of the par value of Php1.00 each and 387.5 million shares of Non-Voting Serial Preferred Stock of the par value of Php10.00 each; and (b) 234 million shares of Common Capital Stock of the par value of Php5.00 each; and (2) corresponding amendments to the Seventh Article of the Articles of Incorporation of PLDT. On October 3, 2013, the Philippine SEC approved the decrease in authorized capital stock and amendments to the Articles of Incorporation of PLDT.

Dividends Declared

Our dividends declared for the years ended December 31, 2015, 2014 and 2013 are detailed as follows:

December 31, 2015

	Date			Amount	
Class	**Approved**	**Record**	**Payable**	**Per Share**	**Total**
				(in million pesos, except per share amounts)	
10% Cumulative Convertible Preferred Stock					
Series II	**May 5, 2015**	**May 19, 2015**	**May 30, 2015**	**1.00**	**–**
Cumulative Non-Convertible Redeemable Preferred Stock					
Series IV*	**January 27, 2015**	**February 26, 2015**	**March 15, 2015**	**–**	**12**
	May 5, 2015	**May 26, 2015**	**June 15, 2015**	**–**	**12**
	August 4, 2015	**August 20, 2015**	**September 15, 2015**	**–**	**13**
	November 3, 2015	**November 20, 2015**	**December 15, 2015**	**–**	**12**
					49
Voting Preferred Stock	**March 3, 2015**	**March 19, 2015**	**April 15, 2015**	**–**	**2**
	June 9, 2015	**June 26, 2015**	**July 15, 2015**	**–**	**3**
	August 25, 2015	**September 15, 2015**	**October 15, 2015**	**–**	**2**
	December 1, 2015	**December 18, 2015**	**January 15, 2016**	**–**	**3**
					10
Common Stock					
Regular Dividend	**March 3, 2015**	**March 17, 2015**	**April 16, 2015**	**61.00**	**13,179**
	August 4, 2015	**August 27, 2015**	**September 25, 2015****	**65.00**	**14,044**
Special Dividend	**March 3, 2015**	**March 17, 2015**	**April 16, 2015**	**26.00**	**5,618**
					32,841
Charged to retained earnings					**32,900**

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

December 31, 2014

Class	Date			Amount	
	Approved	Record	Payable	Per Share	Total
				(in million pesos, except per share amounts)	
10% Cumulative Convertible Preferred Stock					
Series HH (Final Dividends)	April 1, 2014	February 14, 2014	May 16, 2014	0.0027/day	–
Series II	April 1, 2014	April 30, 2014	May 30, 2014	1.00	–
					–
Cumulative Non-Convertible Redeemable Preferred Stock					
Series IV*	January 28, 2014	February 27, 2014	March 15, 2014	–	12
	May 6, 2014	May 27, 2014	June 15, 2014	–	12
	August 5, 2014	August 20, 2014	September 15, 2014	–	13
	November 4, 2014	November 20, 2014	December 15, 2014	–	12
					49
Voting Preferred Stock	March 4, 2014	March 20, 2014	April 15, 2014	–	3
	June 10, 2014	June 27, 2014	July 15, 2014	–	3
	December 2, 2014	October 15, 2014	October 15, 2014	–	2
	December 2, 2014	December 19, 2014	January 15, 2015	–	2
					10
Common Stock					
Regular Dividend	March 4, 2014	March 18, 2014	April 16, 2014	62.00	13,395
	August 5, 2014	August 28, 2014	September 26, 2014	69.00	14,908
Special Dividend	March 4, 2014	March 18, 2014	April 16, 2014	54.00	11,667
					39,970
Charged to retained earnings					40,029

* ***Dividends were declared based on total amount paid up.***

December 31, 2013

Class	Date			Amount	
	Approved	Record	Payable	Per Share	Total
				(in million pesos, except per share amounts)	
10% Cumulative Convertible Preferred Stock					
Series HH (issued 2008)	April 23, 2013	May 9, 2013	May 31, 2013	1.00	–
Series HH (final, issued 2007)	April 23, 2013	February 14, 2013	May 16, 2013	0.0027/day	–
Series II	April 23, 2013	May 9, 2013	May 31, 2013	1.00	–
					–
Cumulative Non-Convertible Redeemable Preferred Stock					
Series IV*	January 29, 2013	February 28, 2013	March 15, 2013	–	12
	May 7, 2013	May 27, 2013	June 15, 2013	–	13
	August 7, 2013	August 23, 2013	September 15, 2013	–	12
	November 5, 2013	November 20, 2013	December 15, 2013	–	12
					49
Voting Preferred Stock	March 5, 2013	March 20, 2013	April 15, 2013	–	3
	June 14, 2013	June 28, 2013	July 15, 2013	–	3
	August 27, 2013	September 11, 2013	October 15, 2013	–	2
	December 3, 2013	December 19, 2013	January 15, 2014	–	2
					10
Common Stock					
Regular Dividend	March 5, 2013	March 19, 2013	April 18, 2013	60.00	12,963
	August 7, 2013	August 30, 2013	September 27, 2013	63.00	13,611
Special Dividend	March 5, 2013	March 19, 2013	April 18, 2013	52.00	11,235
					37,809
Charged to retained earnings					37,868

* *Dividends were declared based on total amount paid up.*

Our dividends declared after December 31, 2015 are detailed as follows:

	Date			Amount	
Class	Approved	Record	Payable	Per Share	Total
				(in million pesos, except per share amounts)	
Cumulative Non-Convertible Redeemable Preferred Stock					
Series IV*	January 26, 2016	February 24, 2016	March 15, 2016	–	12
Voting Preferred Stock	February 29, 2016	March 30, 2016	April 15, 2016	–	2
Common Stock					
Regular Dividend	February 29, 2016	March 14, 2016	April 1, 2016	57	12,315
Charge to retained earnings					**12,329**

* *Dividends were declared based on total amount paid up.*

Retained Earnings Available for Dividend Declaration

The following table shows the reconciliation of our consolidated retained earnings available for dividend declaration as at December 31, 2015:

	(in million pesos)
Consolidated unappropriated retained earnings as at December 31, 2014	17,030
Effect of *PAS 27* Adjustments and other adjustments	5,548
Parent Company's unappropriated retained earnings at beginning of the year	22,578
Less: Cumulative unrealized income – net of tax:	
Unrealized foreign exchange gains – net (except those attributable to cash and cash equivalents)	(563)
Fair value adjustments of investment property resulting to gain	(862)
Fair value adjustments (mark-to-market gains)	(1,727)
Parent Company's unappropriated retained earnings available for dividends as at January 1, 2015	19,426
Parent Company's net income attributable to equity holders of PLDT for the year	27,703
Less: Fair value adjustment of investment property resulting to gain	2
Fair value adjustments (mark-to-market gains)	(533)
	27,172
Add: Realized income during the year	
Realized foreign exchange gains	40
Less: Cash dividends declared during the year	
Preferred stock (Note 8)	(59)
Common stock	(32,841)
Charged to retained earnings	(32,900)
Parent Company's unappropriated retained earnings available for dividends as at December 31, 2015	**13,738**

As at December 31, 2015, our consolidated unappropriated retained earnings amounted to Php6,195 million while the Parent Company's unappropriated retained earnings amounted to Php17,381 million. The difference of Php11,186 million pertains to the effect of *PAS 27* in our investments in subsidiaries, associates and joint ventures accounted for under the equity method.

21. Interest-bearing Financial Liabilities

As at December 31, 2015 and 2014, this account consists of the following:

	2015	2014
	(in million pesos)	
Long-term portion of interest-bearing financial liabilities:		
Long-term debt (Notes 9 and 28)	**143,982**	115,399
Obligations under finance leases (Note 28)	**–**	1
	143,982	115,400
Current portion of interest-bearing financial liabilities:		
Long-term debt maturing within one year (Notes 9 and 28)	**16,910**	14,724
Obligations under finance leases maturing within one year (Note 28)	**1**	5
	16,911	14,729

Unamortized debt discount, representing debt issuance costs and any difference between the fair value of consideration given or received at initial recognition, included in our financial liabilities amounted to Php676 million and Php511 million as at December 31, 2015 and 2014, respectively. See *Note 28 – Financial Assets and Liabilities*.

The following table describes all changes to unamortized debt discount for the years ended December 31, 2015 and 2014.

	2015	2014
	(in million pesos)	
Unamortized debt discount at beginning of the year	**511**	383
Additions during the year	**396**	293
Accretion during the year included as part of Financing costs – net (Note 5)	**(231)**	(165)
Unamortized debt discount at end of the year (Note 28)	**676**	511

Long-term Debt

As at December 31, 2015 and 2014, long-term debt consists of:

Description	Interest Rates	2015		2014	
			(in millions)		
U.S. Dollar Debts:					
Export Credit Agencies-Supported Loans:					
Exportkreditnamnden, or EKN	1.4100% to 1.9000% and US$ LIBOR + 0.3000% to 0.3500% in 2015 and 2014	**US$62**	**Php2,911**	US$94	Php4,187
China Export and Credit Insurance Corporation, or Sinosure	US$ LIBOR + 0.5500% to 1.8000% in 2015 and 2014	**53**	**2,484**	82	3,679
EKN and AB Svensk Exportkredit, or SEK	3.9550% in 2015 and 2014	**32**	**1,528**	44	1,974
Finnvera, Plc, or Finnvera	2.9900% in 2015 and 2.9900% and US$ LIBOR + 1.3500% in 2014	**–**	**–**	5	223
		147	**6,923**	225	10,063
Fixed Rate Notes	8.3500% in 2015 and 2014	**228**	**10,733**	227	10,170
Term Loans:					
GSM Network Expansion Facilities	US$ LIBOR + 0.8500% to 1.1125% in 2015 and US$ LIBOR + 0.8500% to 1.8500% in 2014	**36**	**1,722**	75	3,354
Others	US$ LIBOR + 0.7900% to 1.9000% in 2015 and US$ LIBOR + 0.9500% to 1.9000% in 2014	**1,024**	**48,242**	828	37,045
		US$1,435	**67,620**	US$1,355	60,632
Philippine Peso Debts:					
Corporate Notes	5.3300% to 6.2600% in 2015 and 5.3300% to 6.3981% in 2014		**21,320**		21,534
Fixed Rate Retail Bonds	5.2250% to 5.2813% in 2015 and 2014		**14,883**		14,865
Term Loans:					
Unsecured Term Loans	4.4850% to 5.7895%; BSP overnight rate - 0.3500% to BSP overnight rate in 2015 and 3.9250% to 6.3462%, PDST-F + 0.3000%; BSP overnight rate - 0.3500% to BSP overnight rate in 2014		**57,069**		33,092
			93,272		69,491
Total long-term debt (Note 28)			**160,892**		130,123
Less portion maturing within one year (Note 28)			**16,910**		14,724
Noncurrent portion of long-term (Note 28)			**Php143,982**		Php115,399

The scheduled maturities of our consolidated outstanding long-term debt at nominal values as at December 31, 2015 are as follows:

	U.S. Dollar Debt		Php Debt	Total
Year	**U.S. Dollar**	**Php**	**Php**	**Php**
		(in millions)		
2016	341	16,062	1,147	17,209
2017	511	24,068	8,682	32,750
2018	259	12,210	1,089	13,299
2019	94	4,456	13,272	17,728
2020	195	9,187	7,440	16,627
2021 and onwards	45	2,120	61,835	63,955
(Note 28)	1,445	68,103	93,465	161,568

In order to acquire imported components for our network infrastructure in connection with our expansion and service improvement programs, we obtained loans extended and/or guaranteed by various export credit agencies as at December 31, 2015 and 2014:

			Terms				Cancelled		Outstanding Amounts			
Loan Amount	**Date of Loan Agreement**	**Lender(s)**	**Installments**	**Final Installment**	**Dates Drawn**	**Drawn Amount**	**Undrawn Amount**	**Paid in full on**	**2015**		2014	
						(in millions)			(in millions)			
U.S. Dollar Debts												
EKN, the Export-Credit Agency of Sweden												
DMPI US$18.7M[1]	April 4, 2006	Nordea Bank AB (publ), or Nordea Bank	18 equal semi-annual	April 30, 2015	Various dates in 2006-2007	US$18.7	US$–	April 30, 2015	**US$–**	**Php–**	US$1	Php48
DMPI US$43.2M[2]	December 20, 2006	ING Bank N.V., or ING Bank	14 equal semi-annual	May 30, 2014	Various dates in 2007-2008	42.9	0.3	May 30, 2014	**–**	**–**	–	–
DMPI US$59.2M [3]	December 17, 2007	ING Bank, Societe Generale and Calyon	18 equal semi-annual	March 30, 2017	Various dates in 2008-2009	59.1	0.1	–	**10**	**477**	17	755
DMPI US$51.2M[4]	December 17, 2007	ING Bank, Societe Generale and Calyon	18 equal semi-annual	June 30, 2017	Various dates in 2008-2009	51.1	0.1	–	**9**	**415**	15	656
Smart US$49M[5] Tranche A1: US$24M; Tranche A2: US$24M; Tranche B: US$1M	June 10, 2011	Nordea Bank, subsequently assigned to SEK on July 5, 2011	10 equal semi-annual	Tranche A1 and B: December 29, 2016; Tranche A2: October 30, 2017	Various dates in 2012 and February 21, 2013	49.0	–	–	**14[*]**	**674[*]**	24[*]	1,065[*]
Smart US$45.6M[5] Tranche A1: US$25M; Tranche A2: US$19M; Tranche B1: US$0.9M; Tranche B2: US$0.7M	February 22, 2013	Nordea Bank, subsequently assigned to SEK on July 3, 2013	10 equal semi-annual, commencing 6 months after the applicable mean delivery date	Tranche A1 and B1: July 16, 2018; Tranche A2 and B2: April 15, 2019	Various dates in 2013-2014	45.6	–	–	**29[*]**	**1,345[*]**	37[*]	1,663[*]
									US$62	**Php2,911**	US$94	Php4,187

(*) *Amounts are net of unamortized discount and/or debt issuance cost;*
(1) *The purpose of this loan is to finance the supply of GSM mobile telephone equipment and related services;*
(2) *The purpose of this loan is to finance the equipment and service contracts for the GSM Expansion in Visayas and Mindanao;*
(3) *The purpose of this loan is to finance the equipment and service contracts for the Phase 7 North Luzon Expansion and Change-out Project;*
(4) *The purpose of this loan is to finance the equipment and service contracts for the Phase 7 Expansion Project in Visayas and Mindanao; and*
(5) *The purpose of this loan is to finance the supply and services contracts for the modernization and expansion project.*

Loan Amount	Date of Loan Agreement	Lender(s)	Terms: Installments	Terms: Final Installment	Dates Drawn	Drawn Amount	Cancelled Undrawn Amount	Paid in full on	Outstanding Amounts 2015		Outstanding Amounts 2014	
						(in millions)			(in millions)			
Sinosure												
DMPI US$12.7M[1]	May 4, 2006	Societe Generale and Calyon	14 equal semi-annual	October 6, 2014	Various dates in 2007-2008	US$12.2	US$0.5	October 6, 2014	**US$–**	**Php–**	US$–	Php–
DMPI US$12M[2]	June 1, 2006	ING Bank	14 equal semi-annual	June 1, 2014	Various dates in 2006-2007	10.0	2.0	June 2, 2014	**–**	**–**	–	–
DMPI US$21M[3]	May 24, 2007	ING Bank	14 equal semi-annual	May 24, 2015	Various dates in 2008	20.8	0.2	May 22, 2015	**–**	**–**	1	67
DMPI US$12.1M[4]	May 24, 2007	ING Bank	14 equal semi-annual	May 24, 2015	Various dates in 2008	12.1	–	May 22, 2015	**–**	**–**	1	39
DMPI US$23.8M[5]	November 10, 2008	ING Bank	14 equal semi-annual	September 1, 2016	Various dates in 2008-2009	23.8	–	–	**3**	**160**	7	304
DMPI US$5.5M[6]	November 10, 2008	ING Bank	14 equal semi-annual	September 1, 2016	Various dates in 2008-2009	5.5	–	–	**1**	**37**	2	70
DMPI US$4.9M[7]	November 10, 2008	ING Bank	14 equal semi-annual	September 1, 2016	Various dates in 2008-2009	4.9	–	–	**1**	**33**	1	63
DMPI US$50M[8]	December 16, 2009	China Citic Bank Corporation Ltd., subsequently assigned to ING Bank on December 9, 2011	14 equal semi-annual	December 17, 2017	Various dates in 2010	48.0	2.0	–	**14**	**639**	20	909
DMPI US$117M[9]	September 15, 2010	China Development Bank and The Hong Kong and Shanghai Banking Corporation Limited	15 equal semi-annual	April 10, 2018	Various dates in 2011	116.3	1.0	–	**34**	**1,615**	50	2,227
									US$53	**Php2,484**	US$82	Php3,679
EKN and SEK, the Export Credit Agency of Sweden												
DMPI US$96.6M[10]	April 28, 2009	Nordea Bank and ING Bank	17 equal semi-annual	Tranche 1: February 28, 2018; Tranche 2: November 30, 2018	Various dates in 2009-2011	US$96.6	US$–	–	**US$32**	**Php1,528**	US$44	Php1,974

(1) The purpose of this loan is to finance the supply of the equipment and software for the expansion of GSM services in NCR;
(2) The purpose of this loan is to finance the equipment and service contracts for the upgrading of GSM Phase 5 Core Intelligent Network Project;
(3) The purpose of this loan is to finance the equipment for the Phase 6 South Luzon Change Out and Expansion Project;
(4) The purpose of this loan is to finance the equipment for the Phase 6 NCR Expansion Project;
(5) The purpose of this loan is to finance the equipment and service contracts for the Phase 7 Core Expansion Project;
(6) The purpose of this loan is to finance the equipment and service contracts for the supply of 3G network in NCR;
(7) The purpose of this loan is to finance the equipment and service contracts for the Phase 7 Intelligent Network Expansion Project;
(8) The purpose of this loan is to finance the equipment, software and related materials for the Phase 2 3G Expansion, transmission for the Phase 2 3G Expansion and Phase 8A NCR and South Luzon BSS Expansion Projects;
(9) The purpose of this loan is to finance the purchase of equipment and related materials for the expansion of Phase 8A and 8B Core and IN Network Expansion; Phase 8B NCR and SLZ BSS Network Expansion Project and Phase 3 3G Network Roll-out Project. US$20 million was partially prepaid on April 10, 2013 and the remaining balance is now payable over five years in 10 semi-annual installments, with final installment on April 10, 2018;and
(10) The purpose of this loan is to finance the supply of GSM mobile telephone equipment and related services.

Loan Amount	Date of Loan Agreement	Lender(s)	Terms: Installment	Terms: Final Installment	Dates Drawn	Drawn Amount	Cancelled Undrawn Amount	Paid in full on	Outstanding Amounts 2015		Outstanding Amounts 2014	
						(in millions)			(in millions)			
Finnvera, Plc, the Finnish Export Credit Agency												
Smart US$50M[1]	May 14, 2009	Finnish Export Credit, Plc, or FEC	10 equal semi-annual	July 15, 2014	July 15, 2009	US$50.0	US$–	July 15, 2014	**US$–**	**Php–**	US$–	Php–
Smart US$50M[2]	October 9, 2009	FEC	10 equal semi-annual	April 7, 2015	April 7, 2010	50.0	–	April 7, 2015	**–**	**–**	5[*]	223[*]
									US$–	**Php–**	US$5	Php223
Atradius N.V., the Export Credit Agency of Amsterdam, the Netherlands												
DMPI US$6M[3]	July 3, 2006	ING Bank	14 equal semi-annual	June 27, 2014	Various dates in 2006-2007	US$5.4	US$0.6	June 27, 2014	**US$–**	**Php–**	US$–	Php–
									US$–	**Php–**	US$5	Php223

[*] Amounts are net of unamortized debt discount and/or debt issuance cost;
[1] The purpose of this loan is to finance the Phase 10 (Extension) GSM equipment and services contract;
[2] The purpose of this loan is to finance the GSM equipment and services contracts; and
[3] The purpose of this loan is to finance the equipment and service contracts for the Phase 5 Mobile Messaging Core Network.

Loan Amount	Issuance Date	Trustee	Terms: Installments	Terms: Maturity	Repurchase: Date	Repurchase: Amount	Paid in full on	Outstanding Amounts 2015		Outstanding Amounts 2014	
						(in millions)		(in millions)			
Fixed Rate Notes											
PLDT US$300M[1]	March 6, 1997	Deutsche Bank Trust Company Americas	Non-amortizing	March 6, 2017	Various dates in 2008-2014	US$71.6	–	**US$228[*]**	**Php10,733[*]**	US$227[*]	Php10,170[*]

[*] Amounts are net of unamortized debt discount and/or debt issuance cost; and
[1] This fixed rate note has a coupon rate of 8.350%. The purpose of this note is to finance service improvements and expansion programs.

Loan Amount	Date of Loan Agreement	Lender(s)	Terms: Installments	Terms: Final Installment	Dates Drawn	Drawn Amount	Cancelled Undrawn Amount	Paid in full on	Outstanding Amounts 2015		Outstanding Amounts 2014	
						(in millions)			(in millions)			
Term Loans												
GSM Network Expansion Facilities												
Smart US$50M[1]	November 27, 2008	FEC	10 equal semi-annual	January 23, 2014	Various dates in 2009	US$50	Php–	January 23, 2014	**US$–**	**Php–**	US$–	Php–
Smart US$60M[2]	June 6, 2011	The Bank of Tokyo-Mitsubishi UFJ, Ltd., or Bank of Tokyo	8 equal semi-annual, commencing on the 18th month from signing date	June 6, 2016	Various dates in 2012	60	–	–	**7**	**353**	22	1,007
Smart US$50M[3]	August 19, 2011	FEC	10 equal semi-annual, commencing 6 months after August 19, 2012	August 19, 2016	Various dates in 2012	50	–	–	**12[*]**	**588[*]**	25[*]	1,115[*]
Smart US$50M[2]	May 29, 2012	Bank of Tokyo	9 equal semi-annual, commencing on May 29, 2013	May 29, 2017	Various dates in 2012	50	–	–	**17[*]**	**781[*]**	28[*]	1,232[*]
									US$36	**Php1,722**	US$75	Php3,354

[*] Amounts are net of unamortized debt discount and/or debt issuance cost;
[1] The purpose of this loan is to finance the Phase 10 GSM equipment and service contracts;
[2] The purpose of this loan is to finance the equipment and service contracts for the modernization and expansion project; and
[3] The purpose of this loan is to finance the supply contracts for the modernization and expansion project.

Loan Amount	Date of Loan Agreement	Lender(s)	Terms	Dates Drawn	Drawn Amount	Cancelled Undrawn Amount	Paid in full on	Outstanding Amounts 2015		2014	
					(in millions)			(in millions)			
Other Term Loans[1]											
PLDT US$150M	March 7, 2012	Syndicate of Banks with the Bank of Tokyo Mitsubishi UFJ, Ltd., or Bank of Tokyo as Facility Agent	9 equal semi-annual, commencing on the date which falls 12 months after the date of the loan agreement, with final installment on March 7, 2017	Various dates in 2012	US$150	US$–	–	**US$50**	**Php2,356**	US$84	Php3,729
PLDT US$25M	March 16, 2012	Citibank, N.A.	17 equal quarterly-installments, commencing 12 months from the initial drawdown date, with final installment on May 30, 2017	May 29, 2012	25	–	May 29, 2015	**–**	**–**	15	658
PLDT US$300M	January 16, 2013	Syndicate of Banks with Bank of Tokyo as Facility Agent	9 equal semi-annual, commencing on the date which falls 12 months after the date of the loan agreement, with final installment on January 16, 2018	Various dates in 2013	300	–	–	**167**	**7,853**	233	10,439
Smart US$35M	January 28, 2013	China Banking Corporation	10 equal semi-annual, with final installment on January 29, 2018	May 7, 2013	35	–	–	**18**	**825**	24	1,096
Smart US$50M	March 25, 2013	FEC	9 equal semi-annual, commencing six months after drawdown date, with final installment on March 23, 2018	Various dates in 2013 and 2014	32	18	–	**18**[*]	**833**[*]	25[*]	1,102[*]
Smart US$80M	May 31, 2013	China Banking Corporation	10 equal semi-annual, commencing six months after drawdown date, with final installment on May 31, 2018	September 25, 2013	80	–	–	**40**	**1,885**	56	2,505
Smart US$120M	June 20, 2013	Mizuho Bank Ltd. and Sumitomo Mitsui Banking Corporation with Sumitomo as Facility Agent	8 equal semi-annual, commencing six months after drawdown date, with final installment on June 20, 2018	September 25, 2013	120	–	–	**74**[*]	**3,501**[*]	104[*]	4,640[*]
Smart US$100M	March 7, 2014	Bank of Tokyo	9 equal semi-annual, commencing 12 months after drawdown date, with final installment on March 7, 2019	Various dates in 2014	90	–	–	**77**[*]	**3,625**[*]	88[*]	3,958[*]
				March 2, 2015	10	–	–	**–**	**–**	–	–
Smart US$50M	May 14, 2014	Mizuho Bank Ltd.	9 equal semi-annual, commencing 11 months after drawdown date, with final installment on May 14, 2019	July 1, 2014	50	–	–	**38**[*]	**1,813**[*]	49[*]	2,207[*]
PLDT US$100M	August 5, 2014	Philippine National Bank	Annual amortization rate of 1% of the issue price on the first year up to the fifth year from the initial drawdown date, with final installment on August 11, 2020	Various dates in 2014	100	–	–	**99**	**4,665**	100	4,474
								US$581	**Php27,356**	US$778	Php34,808

[*] *Amounts are net of unamortized debt discount and/or debt issuance cost; and*
[1] *The purpose of this loan is to finance capital expenditures and/or to refinance existing loan obligations which were utilized for network expansion and improvement programs.*

Loan Amount	Date of Loan Agreement	Lender(s)	Terms	Dates Drawn	Drawn Amount	Cancelled Undrawn Amount	Paid in full on	Outstanding Amounts 2015		Outstanding Amounts 2014	
					(in millions)			(in millions)			
PLDT US$50M	August 29, 2014	Metropolitan Bank and Trust Company, or Metrobank	Semi-annual amortization rate of 1% of the issue price on the first year up to the fifth year from the initial drawdown date and the balance payable upon maturity on September 2, 2020	September 2, 2014	US$50	US$–	–	**US$50**	**Php2,344**	US$50	Php2,237
PLDT US$200M Tranche A: US$150M; Tranche B: US$50M	February 26, 2015	Bank of Tokyo	Commencing 36 months after loan date, with semi-annual amortization of 23.75% of the loan amount on the first and second repayment dates and seven semi-annual amortizations of 7.5% starting on the third repayment date, with final installment on February 25, 2022	Various dates in 2015	200	–	–	**198[*]**	**9,320[*]**	–	–
Smart US$200M	March 4, 2015	Mizuho Bank Ltd.	9 equal semi-annual installments commencing on the date which falls 12 months after the loan date, with final installment on March 4, 2020	Various dates in 2015	200	–	–	**197[*]**	**9,299[*]**	–	–
Smart US$100M	December 7, 2015	Mizuho Bank Ltd.	13 equal semi-annual installments commencing on the date which falls 12 months after the loan date, with final installment on December 7, 2022	–	–	–	–	**(2)[2]**	**(77)[2]**	–	–
								443	**20,886**	50	2,237
								US$1,024	**Php48,242**	US$828	Php37,045

[*] Amounts are net of unamortized debt discount and/or debt issuance cost; and
[2] Amounts pertain to debt issuance costs.

Loan Amount	Date of Loan Agreement	Facility Agent	Installments	Date of Issuance/ Drawdown	Prepayments Amount	Prepayments Date	Outstanding Amounts 2015	Outstanding Amounts 2014
					(in millions)		(in millions)	
Philippine Peso Debts								
Fixed Rate Corporate Notes[1]								
Smart Php2,000M Tranche A: Php1,000M; Tranche B: Php1,000M	March 9, 2011	BDO Private Bank, Inc.	Payable in full, 5 years from their respective issue dates	Drawn and issued on various dates in 2011	Php1,000	December 16, 2013	**Php–**	Php–
					250	December 23, 2013		
					750	January 2014		
Smart Php5,500M Series A: Php1,910M; Series B: Php3,590M	March 15, 2012	Metrobank	Series A: 1% annual amortization staring March 19, 2013, with the balance of 96% payable on March 20, 2017; Series B: 1% annual amortization starting March 19, 2013 with the balance of 91% payable on March 19, 2022	Drawn and issued on March 19, 2012	1,376	July 19, 2013	**3,966[*]**	4,002[*]
PLDT Php1,500M	July 25, 2012	Metrobank	Annual amortization rate of 1% of the issue price on the first year up to the sixth year from issue date and the balance payable upon maturity on July 27, 2019	July 27, 2012	1,188	July 29, 2013	**291**	294
							Php4,257	Php4,296

[*] Amounts are net of unamortized debt discount and/or debt issuance cost; and
[1] The purpose of this loan is to finance capital expenditures and/or refinance existing loan obligations which were utilized for network expansion and improvement programs.

Loan Amount	Date of Loan Agreement	Facility Agent	Installments	Date of Issuance/ Drawdown	Prepayments Amount	Prepayments Date	Outstanding Amounts 2015	Outstanding Amounts 2014
					(in millions)		(in millions)	
PLDT Php8,800M Series A: Php4,610M; Series B: Php4,190M	September 19, 2012	Metrobank	Series A: 1% annual amortization on the first up to sixth year, with the balance payable on September 21, 2019; Series B: 1% annual amortization on the first up to ninth year, with the balance payable on September 21, 2022	September 21, 2012	Php2,055	June 21, 2013	**Php6,543**	Php6,610
PLDT Php6,200M Series A: 7-year notes Php3,775M; Series B: 10-year notes Php2,425M	November 20, 2012	BDO Unibank, Inc., or BDO	Series A: Annual amortization rate of 1% of the issue price on the first year up to the sixth year from issue date and the balance payable upon maturity on November 22, 2019 Series B: Annual amortization rate of 1% of the issue price on the first year up to the ninth year from issue date and the balance payable upon maturity on November 22, 2022	November 22, 2012	–	–	**6,014**	6,076
Smart Php1,376M Series A: Php742M; Series B: Php634M	June 14, 2013	Metrobank	Series A: Annual amortization equivalent to 1% of the principal amount starting June 19, 2014 with the balance of 97% payable on March 20, 2017; Series B: Annual amortization equivalent to 1% of the principal amount starting June 19, 2014 with the balance of 92% payable on March 21, 2022	June 19, 2013	–	–	**1,349**	1,362
PLDT Php2,055M Series A: Php1,735M; Series B: Php320M	June 14, 2013	Metrobank	Series A: Annual amortization rate of 1% of the issue price up to the fifth and the balance payable upon maturity on September 21, 2019; Series B: Annual amortization rate of 1% of the issue price up to the eighth year and the balance payable upon maturity on September 21, 2022	June 21, 2013	–	–	**1,993**	2,014
PLDT Php1,188M	July 19, 2013	Metrobank	Annual amortization rate of 1% of the issue on the first year up to the fifth year from the issue date and the balance payable upon maturity on July 27, 2019	July 29, 2013	–	–	**1,164**	1,176
							17,063	17,238
							Php21,320	Php21,534

Loan Amount	Date of Agreement	Paying Agent	Terms	Date of Issuance/ Drawdown	Prepayments Amount	Prepayments Date	Outstanding Amounts 2015	Outstanding Amounts 2014
					(in millions)		(in millions)	
Fixed Rate Retail Bonds[(1)]								
PLDT Php15,000M	January 22, 2014	Philippine Depositary Trust Corp.	Php12.4B – non-amortizing, payable in full upon maturity on February 6, 2021; Php2.6B – non-amortizing payable in full on February 6, 2024	February 6, 2014	Php–	–	**Php14,883***	Php14,865*

(*) Amounts are net of unamortized debt discount and/or debt issuance cost; and

(1) This fixed rate retail corporate bond is comprised of Php12.4 billion and Php2.6 billion due in 2021 and 2024 with a coupon rate of 5.225% and 5.2813%, respectively. The purpose of this loan is to finance capital expenditures and/or refinance existing loan obligations which were utilized for network expansion and improvement programs.

Loan Amount	Date of Loan Agreement	Lender(s)	Terms	Dates Drawn	Drawn Amount	Cancelled Undrawn Amount	Paid in full on	Outstanding Amounts 2015	2014
					(in millions)			(in millions)	
Term Loans									
Unsecured Term Loans[(1)]									
Smart Php1,000M	July 16, 2009	Metrobank	16 equal consecutive quarterly installments commencing on the fifth quarter from the date of the first drawdown, with final installment on August 1, 2014	August 3, 2009	Php1,000	Php–	August 1, 2014	**Php–**	Php–
PLDT Php2,000M	September 18, 2009	Bank of the Philippine Islands, or BPI	17 equal quarterly installments, with final installment on October 27, 2014	Various dates in 2009	2,000	–	October 27, 2014	**–**	–
PLDT Php1,000M	November 23, 2009	BPI	17 equal quarterly installments, with final installment on December 18, 2014	December 18, 2009	1,000	–	December 18, 2014	**–**	–
PLDT Php2,000M	March 20, 2012	RCBC	Annual amortization rate of 1% on the fifth year up to the ninth year from the initial drawdown date and the balance payable upon maturity on April 12, 2022	April 12, 2012	2,000	–	–	**2,000**	2,000
PLDT Php3,000M	April 27, 2012	Land Bank of the Philippines, or LBP	Annual amortization rate of 1% on the first year up to the fourth year from drawdown date and the balance payable upon maturity on July 18, 2017	July 18, 2012	3,000	–	–	**2,910**	2,940
PLDT Php2,000M	May 29, 2012	LBP	Annual amortization rate of 1% on the first year up to the fourth year from drawdown date and the balance payable upon maturity on June 27, 2017	June 27, 2012	2,000	–	–	**1,940**	1,960
Smart Php1,000M	June 7, 2012	LBP	Annual amortization rate of 1% of the principal amount commencing on the first year of the initial drawdown up to the fourth year and the balance payable upon maturity on August 22, 2017	August 22, 2012	1,000	–	–	**970**	980
DMPI Php1,500M	June 27, 2012	BPI, BPI Asset Management and Trust Group and ALFM Peso Bond Fund, Inc.	Annual amortization rate of 1% of the principal amount with the balance payable upon maturity on June 29, 2019	Various dates in 2012	1,500	–	July 1, 2015	**–**	1,470
PLDT Php200M	August 31, 2012	Manufacturers Life Insurance Co. (Phils.), Inc.	Payable in full upon maturity on October 9, 2019	October 9, 2012	200	–	–	**200**	200
PLDT Php1,000M	September 3, 2012	Union Bank of the Philippines, or Union Bank	Annual amortization rate of 1% of the first year up to the sixth year from the initial drawdown date and the balance payable upon maturity on January 13, 2020	January 11, 2013	1,000	–	–	**980**	990
PLDT Php1,000M	October 11, 2012	Philippine American Life and General Insurance Company, or Philam Life	Payable in full upon maturity on December 5, 2022	December 3, 2012	1,000	–	–	**1,000**	1,000
Smart Php3,000M	December 17, 2012	LBP	Annual amortization rate of 1% of the principal amount on the first year up to the sixth year commencing on the first year anniversary of the initial drawdown and the balance payable upon maturity on December 20, 2019	Various dates in 2012-2013	3,000	–	–	**2,910**	2,940
PLDT Php2,000M	November 13, 2013	BPI	Annual amortization rate of 1% on the first year up to the sixth year from the initial drawdown and the balance payable upon maturity on November 22, 2020	Various dates in 2013-2014	2,000	–	–	**1,960**	1,980
Smart Php3,000M	November 25, 2013	Metrobank	Annual amortization rate of 10% of the total amount drawn for the six years and the final installment is payable upon maturity on November 27, 2020	November 29, 2013	3,000	–	–	**2,391**[(*)]	2,688[(*)]
								Php17,261	Php19,148

[(*)] *Amounts are net of unamortized debt discount and/or debt issuance cost; and*
[(1)] *The purpose of this loan is to finance the capital expenditures and/or refinance existing loan obligations, which were utilized for service improvements and expansion programs.*

Loan Amount	Date of Loan Agreement	Lender(s)	Terms	Dates Drawn	Drawn Amount	Cancelled Undrawn Amount	Paid in full on	Outstanding Amounts 2015	2014
					(in millions)			(in millions)	
Smart Php3,000M	December 3, 2013	BPI	Annual amortization rate of 1% of the total amount drawn for the first six years and the final installment is payable upon maturity on December 10, 2020	December 10, 2013	Php3,000	Php–	–	**Php2,929(*)**	Php2,957(*)
Smart Php3,000M	January 29, 2014	LBP	Annual amortization rate of 1% of the principal amount on the first year up to the sixth year commencing on the first year anniversary of the initial drawdown and the balance payable upon maturity on February 5, 2021	February 5, 2014	3,000	–	–	**2,959(*)**	2,987
Smart Php500M	February 3, 2014	LBP	Annual amortization rate of 1% of the principal amount on the first year up to the sixth year commencing on the first year anniversary of the initial drawdown and the balance payable upon maturity on February 5, 2021	February 7, 2014	500	–	–	**495**	500
Smart Php2,000M	March 26, 2014	Union Bank	Annual amortization rate of 1% of the principal amount on the first year up to the sixth year commencing on the first year anniversary of the initial drawdown and the balance payable upon maturity on March 29, 2021	March 28, 2014	2,000	–	–	**1,980**	2,000
PLDT Php1,500M	April 2, 2014	Philam Life	Payable in full upon maturity on April 4, 2024	April 4, 2014	1,500	–	–	**1,500**	1,500
Smart Php500M	April 2, 2014	BDO	Annual amortization rate of 1% of the principal amount on the first year up to the sixth year commencing on the first year anniversary of the initial drawdown and the balance payable upon maturity on April 2, 2021	April 4, 2014	500	–	–	**495**	500
PLDT Php1,000M	May 23, 2014	Philam Life	Payable in full upon maturity on May 28, 2024	May 28, 2014	1,000	–	–	**1,000**	1,000
PLDT Php1,000M	June 9, 2014	LBP	Annual amortization rate of 1% on the first year up to the ninth year from initial drawdown date and the balance payable upon maturity on June 13, 2024	June 13, 2014	1,000	–	–	**990**	1,000
PLDT Php1,500M	July 28, 2014	Union Bank	Annual amortization rate of 1% on the first year up to the ninth year from initial drawdown date and the balance payable upon maturity on July 31, 2024	July 31, 2014	1,500	–	–	**1,485**	1,500
PLDT Php2,000M	February 25, 2015	BPI	Annual amortization rate of 1% on the first year up to the ninth year from initial drawdown date and the balance payable upon maturity on March 24, 2025	March 24, 2015	2,000	–	–	**2,000**	–
PLDT Php3,000M	June 26, 2015	BPI	Annual amortization rate of 1% on the first year up to the ninth year from initial drawdown date and the balance payable upon maturity on June 30, 2025	June 30, 2015	3,000	–	–	**3,000**	–
PLDT Php5,000M	August 3, 2015	Metrobank	Annual amortization rate of 1% on the first year up to the ninth year from initial drawdown date and the balance payable upon maturity on September 23, 2025	Various dates in 2015	5,000	–	–	**5,000**	–
								Php23,833	Php13,944

(*) *Amounts are net of unamortized debt discount and/or debt issuance cost.*

Loan Amount	Date of Loan Agreement	Lender(s)	Terms	Dates Drawn	Drawn Amount	Cancelled Undrawn Amount	Paid in full on	Outstanding Amounts 2015	2014
					(in millions)			(in millions)	
Smart Php5,000M	August 11, 2015	Metrobank	Annual amortization rate of 1% of the principal amount on the first year up to the ninth year commencing on the first year anniversary of the initial drawdown date and the balance payable upon maturity on September 1, 2025	September 1, 2015	Php5,000	Php–	–	**Php4,975(*)**	Php–
Smart Php5,000M	December 11, 2015	BPI	Annual amortization rate of 1% of the principal amount on the first year up to the ninth year commencing on the first year anniversary of the initial drawdown date and the balance payable upon maturity on December 21, 2025	December 21, 2015	5,000	–	–	**5,000**	–
Smart Php5,000M	December 16, 2015	Metrobank	Annual amortization rate of 1% of the principal amount up to the tenth year commencing on the first year anniversary of the initial drawdown and the balance payable upon maturity on June 29, 2026	December 28, 2015	5,000	–	–	**5,000**	–
Smart Php7,000M	December 18, 2015	China Banking Corporation	14 semi-annual installments commencing on the sixth month after initial drawdown and the balance payable upon maturity on December 28, 2022	December 28, 2015	1,000	–	–	**1,000**	–
				February 24, 2016	6,000	–	–	**–**	–
								15,975	–
								Php57,069	Php33,092

(*) *Amounts are net of unamortized debt discount and/or debt issuance cost.*

Compliance with Debt Covenants

Our 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.

The principal factors that could negatively affect our ability to comply with these financial ratio covenants and other financial tests are depreciation of the Philippine peso relative to the U.S. dollar, poor operating performance of PLDT and its subsidiaries, impairment or similar charges in respect of investments or other long-lived assets that may be recognized by PLDT and its subsidiaries, and increases in our interest expense. Interest expense may increase as a result of various factors including issuance of new debt, the refinancing of lower cost indebtedness by higher cost indebtedness, depreciation of the Philippine peso, the lowering of PLDT's credit ratings or the credit ratings of the Philippines, increase in reference interest rates, and general market conditions. Since approximately 42% and 47% of PLDT's total consolidated debts as at December 31, 2015 and 2014, respectively, were denominated in foreign currencies, principally in U.S. dollars, many of these financial ratios and other tests are negatively affected by any weakening of the Philippine peso. See *Note 28 – Financial Assets and Liabilities – Foreign Currency Exchange Risk.*

PLDT's debt instruments contain a number of other negative covenants that, subject to certain exceptions and qualifications, restrict PLDT's ability to take certain actions without lenders' approval, including: (a) making or permitting any material change in the character of its business; (b) selling, leasing, transferring or disposing of all or substantially all of its assets or any significant portion thereof other than in the ordinary course of business; (c) creating any lien or security interest; (d) permitting set-off against amounts owed to PLDT; and (e) merging or consolidating with any other company.

Furthermore, certain of DMPI's debt instruments contain provisions wherein DMPI may be declared in default in case of a change in control in DMPI.

PLDT's debt instruments and guarantees for DMPI loans also contain customary and other default provisions that permit the lender to accelerate amounts due or terminate their commitments to extend additional funds under the debt instruments. These default provisions include: (a) cross-defaults that will be triggered only if the principal amount of the defaulted indebtedness exceeds a threshold amount specified in these debt instruments; (b) failure by PLDT to meet certain financial ratio covenants referred to above; (c) the occurrence of any material adverse change in circumstances that a lender reasonably believes materially impairs PLDT's ability to perform its obligations under its debt instrument with the lender; (d) the revocation, termination or amendment of any of the permits or franchises of PLDT in any manner unacceptable to the lender; (e) the nationalization or sustained discontinuance of all or a substantial portion of PLDT's business; and (f) other typical events of default, including the commencement of bankruptcy, insolvency, liquidation or winding up proceedings by PLDT.

Smart's debt instruments contain certain restrictive covenants that require Smart to comply with specified financial ratios and other financial tests at semi-annual measurement dates. Smart's loan agreements include compliance with financial tests such as consolidated debt to consolidated equity, consolidated debt to consolidated EBITDA and debt service coverage ratios. Previously, Smart was required to comply with certain consolidated debt to consolidated equity ratio under Variable Loan Agreement 2014 debt with Marubeni Corporation as original lender and under the 2014 (A) Debt under Metrobank as Facility Agent. On August 16, 2012 and September 3, 2012, the approvals to amend the covenant from "the ratio of Consolidated Debt to Consolidated Equity" to "the ratio of Consolidated Debt to Consolidated EBITDA" were obtained. The agreements also contain customary and other default provisions that permit the lender to accelerate amounts due under the loans or terminate their commitments to extend additional funds under the loans. These default provisions include: (a) cross-defaults and cross-accelerations that permit a lender to declare a default if Smart is in default under another loan agreement. These cross-default provisions are triggered upon a payment or other default permitting the acceleration of Smart debt, whether or not the defaulted debt is accelerated; (b) failure by Smart to comply with certain financial ratio covenants; and (c) the occurrence of any material adverse change in circumstances that the lender reasonably believes materially impairs Smart's ability to perform its obligations or impair the guarantors' ability to perform their obligations under its loan agreements.

DMPI's liabilities are guaranteed up to a certain extent by Digitel and PLDT. In addition, the loan agreements contain covenants which, among others, restrict the incurrence of loans or debts not in the ordinary course of business, merger or disposition of any substantial portion of Digitel and DMPI's assets, distribution of capital or profits, redemption of any of its issued shares, and reduction of Digitel and DMPI's registered and paid-up capital.

The loan agreements with suppliers, banks (foreign and local alike) and other financial institutions provide for certain restrictions and requirements with respect to, among others, maintenance of percentage of ownership of specific shareholders, incurrence of additional long-term indebtedness or guarantees and creation of property encumbrances.

As at December 31, 2015 and 2014, we were in compliance with all of our debt covenants. See *Note 28 – Financial Assets and Liabilities – Derivative Financial Instruments*.

Obligations Under Finance Leases

The consolidated future minimum payments for finance leases and long-term portion of obligations under finance leases amounted to Php1 million and nil as at December 31, 2015 and 2014, respectively. See *Note 2 – Summary of Significant Accounting Policies, Note 3 – Management's Use of Accounting Estimates, Judgments and Assumptions – Leases, Note 9 – Property and Equipment,* and *Note 28 – Financial Assets and Liabilities*.

Long-term Finance Lease Obligations

The PLDT Group has various long-term lease contracts for a period of three years covering various office equipment and vehicles. In particular, IPCDSI and PLDT Global have finance lease obligations in the aggregate amounts of Php1 million and Php6 million as at December 31, 2015 and 2014, respectively. See *Note 28 – Financial Assets and Liabilities*.

Under the terms of certain loan agreements and other debt instruments, PLDT may not create, incur, assume, permit or suffer to exist any mortgage, pledge, lien or other encumbrance or security interest over the whole or any part of its assets or revenues or suffer to exist any obligation as lessee for the rental or hire of real or personal property in connection with any sale and leaseback transaction.

22. Deferred Credits and Other Noncurrent Liabilities

As at December 31, 2015 and 2014, this account consists of:

	2015	2014
	(in million pesos)	
Accrual of capital expenditures under long-term financing	**19,743**	19,431
Provision for asset retirement obligations (Notes 3 and 9)	**1,437**	2,068
Unearned revenues	**245**	202
Others	**57**	223
	21,482	21,924

Accrual of capital expenditures under long-term financing represent expenditures related to the expansion and upgrade of our network facilities which are not due to be settled within one year. Such accruals are settled through refinancing from long-term loans obtained from the banks.

The following table summarizes all changes to asset retirement obligations for the years ended December 31, 2015 and 2014:

	2015	2014
	(in million pesos)	
Provision for asset retirement obligations at beginning of the year	**2,068**	2,144
Accretion expenses	**(3)**	37
Additional liability recognized during the year	**(88)**	68
Settlement of obligations and others	**(540)**	(181)
Provision for asset retirement obligations at end of the year (Note 3)	**1,437**	2,068

23. Accounts Payable

As at December 31, 2015 and 2014, this account consists of:

	2015	2014
	(in million pesos)	
Suppliers and contractors (Note 28)	**46,487**	35,857
Carriers and other customers (Note 28)	**3,014**	2,799
Taxes (Note 27)	**1,134**	1,503
Related parties (Notes 25 and 28)	**507**	593
Others	**1,537**	171
	52,679	40,923

Accounts payable are non-interest-bearing and are normally settled within 180 days.

For terms and conditions pertaining to related parties, see *Note 25 – Related Party Transactions*.

For explanation on the PLDT Group's liquidity risk management processes, see *Note 28 – Financial Assets and Liabilities – Liquidity Risk.*

24. Accrued Expenses and Other Current Liabilities

As at December 31, 2015 and 2014, this account consists of:

	2015	2014
	(in million pesos)	
Accrued utilities and related expenses (Notes 25 and 28)	**46,256**	42,531
Accrued taxes and related expenses (Note 27)	**9,561**	8,618
Liability from redemption of preferred shares (Notes 20 and 28)	**7,906**	7,922
Unearned revenues (Note 22)	**7,456**	7,628
Accrued employee benefits (Notes 2, 3, 25, 26 and 28)	**6,290**	8,251
Accrued interests and other related costs (Notes 21 and 28)	**1,284**	1,076
Others	**5,533**	6,652
	84,286	82,678

Accrued utilities and related expenses pertain to costs incurred for electricity and water consumption, repairs and maintenance, selling and promotions, professional and other contracted services, rent, insurance and security services.

Accrued taxes and related expenses pertain to licenses, permits and other related business taxes, which are normally settled within a year.

Unearned revenues represent advance payments for leased lines, installation fees, monthly service fees and unused and/or unexpired portion of prepaid loads.

Other accrued expenses are non-interest-bearing and are normally settled within a year. This pertains to other costs incurred for operations-related expenses pending receipt of invoice and statement of accounts from suppliers.

25. Related Party Transactions

Parties are considered to be related if one party has the ability, directly and indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. Transactions with related parties are on an arm’s length basis, similar to transactions with third parties.

Settlement of outstanding balances of related party transactions at year-end occurs in cash. The PLDT Group has not recorded any impairment of receivables relating to amounts owed by related parties as at December 31, 2015 and 2014. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

The following table provides the summary of outstanding balances as at December 31, 2015 and 2014 transactions that have been entered into with related parties:

	Classifications	Terms	Conditions	2015	2014
				(in million pesos)	
Indirect investment in joint ventures through PCEV:					
Meralco	Accrued expenses and other current liabilities (Note 24)	Electricity charges – immediately upon receipt of invoice	Unsecured	**383**	367
		Pole rental – 45 days upon receipt of invoice	Unsecured	**4**	45
Meralco Industrial Engineering Services Corporation, or MIESCOR	Accrued expenses and other current liabilities (Note 24)	Outside and inside plant – 20 days upon receipt of invoice	Unsecured	**6**	–
Indirect investment in associate through ACeS Philippines:					
AIL	Accounts payable and accrued expenses and other current liabilities (Notes 23 and 24)	30 days upon receipt of invoice	Unsecured	**4**	50
Transactions with major stockholders, directors and officers:					
Asia Link B.V., or ALBV	Accounts payable (Note 23)	15 days from end of quarter	Unsecured	**46**	297
NTT World Engineering Marine Corporation	Accrued expenses and other current liabilities (Note 24)	1st month of each quarter; non-interest-bearing	Unsecured	**50**	29
NTT Communications	Accrued expenses and other current liabilities (Note 24)	30 days upon receipt of invoice; non-interest-bearing	Unsecured	**12**	19
NTT Worldwide Telecommunications Corporation	Accrued expenses and other current liabilities (Note 24)	30 days upon receipt of invoice; non-interest-bearing	Unsecured	**3**	10
JGSHI and Subsidiaries	Accounts payable and accrued expenses and other current liabilities (Notes 23 and 24)	Immediately upon receipt of invoice	Unsecured	**4**	3
NTT DOCOMO	Accrued expenses and other current liabilities (Note 24)	30 days upon receipt of invoice; non-interest-bearing	Unsecured	**5**	9
Malayan Insurance Co., Inc., or Malayan	Accrued expenses and other current liabilities (Note 24)	Immediately upon receipt of invoice	Unsecured	**5**	5
Others:					
Various	Trade and other receivables (Note 17)	30 days upon receipt of invoice	Unsecured; no impairment	**1,588**	2,444

The following table provides the summary of transactions that have been entered into with related parties for the years ended December 31, 2015, 2014 and 2013 in relation with the table above.

	Classifications	2015	2014	2013
			(in million pesos)	
Indirect investment in joint ventures through PCEV:				
Meralco	Repairs and maintenance	**2,328**	2,929	3,049
	Rent	**264**	298	250
MIESCOR	Repairs and maintenance	**165**	81	68
	Construction-in-progress	**95**	83	48
Republic Surety and Insurance Co., Inc., or RSIC	Insurance and security services	**3**	3	3
Indirect investment in associate through ACeS Philippines:				
AIL	Cost of sales (Note 5)	**16**	25	50
Transactions with major stockholders, directors and officers:				
JGSHI and Subsidiaries	Rent	**303**	332	284
	Repairs and maintenance	**20**	46	14
	Communication, training and travel	**2**	5	13
	Professional and other contracted services	**–**	–	1
	Selling and promotions	**–**	–	3
ALBV	Professional and other contracted services	**203**	222	289
Malayan	Insurance and security services	**203**	206	231
NTT DOCOMO	Professional and other contracted services	**90**	67	73
NTT World Engineering Marine Corporation	Repairs and maintenance	**60**	26	14
NTT Worldwide Telecommunications Corporation	Selling and promotions	**14**	15	15
NTT Communications	Professional and other contracted services	**77**	75	73
	Rent	**10**	12	10
Others:				
Various	Revenues	**864**	761	717

a. Agreements between PLDT and certain subsidiaries with Meralco

In the ordinary course of business, Meralco provides electricity to PLDT and certain subsidiaries' offices within its franchise area. Total electricity costs, which were presented as part of repairs and maintenance in our consolidated income statements, amounted to Php2,328 million, Php2,929 million and Php3,049 million for the years ended December 31, 2015, 2014 and 2013, respectively. Under these agreements, the outstanding obligations, which were presented as part of accrued expenses and other current liabilities in our consolidated statements of financial position, amounted to Php383 million and Php367 million as at December 31, 2015 and 2014, respectively.

In 2009, PLDT and Smart renewed their respective Pole Attachment Contracts with Meralco, wherein Meralco leases its pole spaces to accommodate PLDT's and Smart's cable network facilities. Total fees under these contracts, which were presented as part of rent in our consolidated income statements, amounted to Php264 million, Php298 million and Php250 million for the years ended December 31, 2015, 2014 and 2013, respectively. Under these agreements, the outstanding obligations, which were presented as part of accrued expenses and other current liabilities in our consolidated statements of financial position, amounted to Php4 million and Php45 million as at December 31, 2015 and 2014, respectively.

See also *Note 10 – Investments in Associates, Joint Ventures and Deposits – Investment in Beacon – Beacon's Acquisition of Additional Meralco Shares* for additional transactions involving Meralco.

b. Agreements between PLDT and MIESCOR

PLDT has an existing Outside and Inside Plant Contracted Services Agreement with MIESCOR, a subsidiary of Meralco, which will expire on February 28, 2018. Under the agreement, MIESCOR assumes full and overall responsibility for the implementation and completion of any assigned project such as cable and civil works that are required for the provisioning and restoration of lines and recovery of existing plant.

Total fees under this agreement, which were presented as part of repairs and maintenance in our consolidated income statements, amounted to Php45 million, Php24 million and Php33 million for the years ended December 31, 2015, 2014 and 2013, respectively. Total amounts capitalized to property and equipment amounted to Php3 million, Php7 million and Php2 million for the years ended December 31, 2015, 2014 and 2013, respectively. Under these agreements, the outstanding obligations, which were presented as part of accrued expenses and other current liabilities in our consolidated statements of financial position, amounted to Php6 million and nil as at December 31, 2015 and 2014, respectively.

PLDT also has an existing One Area One Partner for Outside Plant Subscriber Line Rehabilitation, Repair, Installation and Related Activities agreement with MIESCOR, from January 1, 2011 and extended until March 31, 2017. Under the agreement, MIESCOR is responsible for the customer line installation, repair, rehabilitation and maintenance activities of cables and cabinets in the areas awarded to them.

Total fees under this agreement, which were presented as part of repairs and maintenance in our consolidated income statements, amounted to Php120 million, Php57 million and Php35 million for the years ended December 31, 2015, 2014 and 2013, respectively. Total amounts capitalized to property and equipment amounted to Php92 million, Php76 million and Php46 million for the years ended December 31, 2015, 2014 and 2013, respectively. There were no outstanding obligations under this agreement as at December 31, 2015 and 2014.

c. *Transactions with RSIC*

Since 2012, PLDT has insurance policies with RSIC, a wholly-owned subsidiary of Meralco, covering material damages for buildings, building improvements and equipment. Total fees under the related contracts, which were presented as part of insurance and security services in our consolidated income statements, amounted to Php3 million each for the years ended December 31, 2015, 2014 and 2013. There were no outstanding obligations for these contracts as at December 31, 2015 and 2014.

d. *Air Time Purchase Agreement between PLDT, AIL and Related Agreements*

Under the Founder NSP Air Time Purchase Agreement, or ATPA, entered into with AIL in March 1997, which was amended in December 1998, or Original ATPA, PLDT was granted the exclusive right to sell AIL services, through ACeS Philippines, as national service provider, or NSP, in the Philippines. In exchange, the Original ATPA required PLDT to purchase from AIL a minimum of US$5 million worth of air time, or Minimum Air Time Purchase Obligation, annually for ten years commencing on January 1, 2002, or the Minimum Purchase Period, the expected date of commercial operations of the Garuda I Satellite. In the event that AIL's aggregate billed revenue was less than US$45 million in any given year, the Original ATPA also required PLDT to make supplemental air time purchase payments of up to US$15 million per year during the Minimum Purchase Period, or the Supplemental Air Time Purchase Obligation.

On February 1, 2007, the parties to the Original ATPA entered into an amendment to the Original ATPA on substantially the terms attached to the term sheet negotiated with the relevant banks, or Amended ATPA. Under the Amended ATPA, the Minimum Air Time Purchase Obligation was amended and replaced in its entirety with the obligation of PLDT to purchase from AIL a minimum of US$500 thousand worth of air time annually over a period ending upon the earlier of: (i) the expiration of the Minimum Purchase Period; and (ii) the date on which all indebtedness incurred by AIL to finance the AIL System is repaid. Furthermore, the Amended ATPA unconditionally released PLDT from any obligations arising out of or in connection with the Original ATPA prior to the date of the Amended ATPA, except for obligations to pay for billable units used prior to such date.

Total fees under the Amended ATPA, which were presented as part of cost of sales in our consolidated income statements, amounted to Php16 million, Php25 million and Php50 million for the years ended December 31, 2015, 2014 and 2013, respectively. Under the Amended ATPA, the outstanding obligations of PLDT, which were presented as part of accounts payable and accrued expenses and other current liabilities in our consolidated statements of financial position, amounted to Php4 million and Php50 million as at December 31, 2015 and 2014, respectively. See *Note 5 – Income and Expenses – Cost of Sales*.

e. Transactions with Major Stockholders, Directors and Officers

Material transactions to which PLDT or any of its subsidiaries is a party, in which a director, key officer or owner of more than 10% of the outstanding common stock of PLDT, or any member of the immediate family of a director, key officer or owner of more than 10% of the outstanding common stock of PLDT, had a direct or indirect material interest as at December 31, 2015 and 2014 and for the years ended December 31, 2015, 2014 and 2013 are as follows:

1. Agreement between Smart and ALBV

Smart has an existing Technical Assistance Agreement with ALBV, a subsidiary of the First Pacific Group and its Philippine affiliates. ALBV provides technical support services and assistance in the operations and maintenance of Smart's cellular business which provides for payment of technical service fees equivalent to a rate of 0.5% of the consolidated net revenues of Smart. Effective February 1, 2014, the parties agreed to reduce the technical service fee rate from 0.5% to 0.4% of the consolidated net revenues of Smart. The agreement, which expired on February 23, 2016 was renewed until February 23, 2018 and is subject to further renewal upon mutual agreement of the parties. Total service fees charged to operations under this agreement, which were presented as part of professional and other contracted services in our consolidated income statements, amounted to Php203 million, Php222 million and Php289 million for the years ended December 31, 2015, 2014 and 2013, respectively. Under this agreement, the outstanding obligations, which were presented as part of accounts payable in our consolidated statements of financial position, amounted to Php46 million and Php297 million as at December 31, 2015 and 2014, respectively.

2. Various Agreements with NTT Communications and/or its Affiliates

PLDT is a party to the following agreements with NTT Communications and/or its affiliates:

- *Service Agreement.* On February 1, 2008, PLDT entered into an agreement with NTT World Engineering Marine Corporation wherein the latter provides offshore submarine cable repair and other allied services for the maintenance of PLDT's domestic fiber optic network submerged plant. The fees under this agreement, which were presented as part of repairs and maintenance in our consolidated income statements, amounted to Php60 million, Php26 million and Php14 million for the years ended December 31, 2015, 2014 and 2013, respectively. Under this agreement, the outstanding obligations of PLDT, which were presented as part of accrued expenses and other current liabilities in our consolidated statements of financial position, amounted to Php50 million and Php29 million as at December 31, 2015 and 2014, respectively;

- *Advisory Services Agreement*. On March 24, 2000, PLDT entered into an agreement with NTT Communications, as amended on March 31, 2003, March 31, 2005 and June 16, 2006, under which NTT Communications provides PLDT with technical, marketing and other consulting services for various business areas of PLDT starting April 1, 2000. The fees under this agreement, which were presented as part of professional and other contracted services in our consolidated income statements, amounted to Php77 million, Php75 million and Php73 million for the years ended December 31, 2015, 2014 and 2013, respectively. Under this agreement, the outstanding obligations of PLDT, which were presented as part of accrued expenses and other current liabilities in our consolidated statements of financial position, amounted to Php10 million and Php12 million as at December 31, 2015 and 2014, respectively;

- *Conventional International Telecommunications Services Agreement.* On March 24, 2000, PLDT entered into an agreement with NTT Communications under which PLDT and NTT Communications agreed to cooperative arrangements for conventional international telecommunications services to enhance their respective international businesses. The fees under this agreement, which were presented as part of rent in our consolidated income statements, amounted to Php10 million, Php12 million and Php10 million for the years ended December 31, 2015, 2014 and 2013, respectively. Under this agreement, the outstanding obligations of PLDT, which were presented as part of accrued expenses and other current liabilities in our consolidated statements of financial position, amounted to Php2 million and Php7 million as at December 31, 2015 and 2014, respectively; and

- *Arcstar Licensing Agreement and Arcstar Service Provider Agreement*. On March 24, 2000, PLDT entered into an agreement with NTT Worldwide Telecommunications Corporation under which PLDT markets, and manages data and other services under NTT Communications' "Arcstar" brand to its corporate customers in the Philippines. PLDT also entered into a Trade Name and Trademark Agreement with NTT Communications under which PLDT has been given the right to use the trade name "Arcstar" and its related trademark, logo and symbols, solely for the purpose of PLDT's marketing, promotional and sales activities for the Arcstar services within the Philippines. The fees under this agreement, which were presented as part of selling and promotions in our consolidated income statements, amounted to Php14 million for the year ended December 31, 2015 and Php15 million each for the years ended December 31, 2014 and 2013. Under this agreement, the outstanding obligations of PLDT, which were presented as part of accrued expenses and other current liabilities in our consolidated statements of financial position, amounted to Php3 million and Php10 million as at December 31, 2015 and 2014, respectively.

3. Transactions with JGSHI and Subsidiaries

PLDT and certain of its subsidiaries have existing agreements with Universal Robina Corporation and Robinsons Land Corporation for office and business office rental. Total fees under these contracts, which were presented as part of rent in our consolidated income statements, amounted to Php303 million, Php332 million and Php284 million for the years ended December 31, 2015, 2014 and 2013, respectively. Under these agreements, the outstanding obligations, which were presented as part of accounts payable and accrued expenses and other current liabilities in our consolidated statements of financial position, amounted to Php2 million each as at December 31, 2015 and 2014.

There were also other transactions such as airfare, electricity, marketing expenses and bank fees, which were presented as part of selling and promotions, communication, training and travel, repairs and maintenance and professional and other contracted services, in our consolidated income statements, amounted to Php22 million, Php51 million and Php31 million for the years ended December 31, 2015, 2014 and 2013, respectively. Under these agreements, the outstanding obligations for these transactions, which were presented as part of accounts payable and accrued expenses and other current liabilities in our consolidated statements of financial position, amounted to Php2 million and Php1 million as at December 31, 2015 and 2014, respectively.

4. *Advisory Services Agreement between NTT DOCOMO and PLDT*

   An Advisory Services Agreement was entered into by NTT DOCOMO and PLDT on June 5, 2006, in accordance with the Cooperation Agreement dated January 31, 2006. Pursuant to the Advisory Services Agreement, NTT DOCOMO will provide the services of certain key personnel in connection with certain aspects of the business of PLDT and Smart. Also, this agreement governs the terms and conditions of the appointments of such key personnel and the corresponding fees related thereto. Total fees under this agreement, which were presented as part of professional and other contracted services in our consolidated income statements, amounted to Php90 million, Php67 million and Php73 million for the years ended December 31, 2015, 2014 and 2013, respectively. Under this agreement, the outstanding obligations of PLDT, which were presented as part of accrued expenses and other current liabilities in our consolidated statements of financial position, amounted to Php5 million and Php9 million as at December 31, 2015 and 2014, respectively.

5. *Transactions with Malayan*

   PLDT and certain of its subsidiaries have insurance policies with Malayan covering directors, officers, liability to employees and material damages for buildings, building improvements, equipment and motor vehicles. The premiums are directly paid to Malayan. Total fees under these contracts, which were presented as part of insurance and security services in our consolidated income statements, amounted to Php203 million, Php206 million and Php231 million for the years ended December 31, 2015, 2014 and 2013, respectively. Under this agreement, the outstanding obligations, which were presented as part of accrued expenses and other current liabilities in our consolidated statements of financial position, amounted to Php5 million each as at December 31, 2015 and 2014. A director of PLDT has direct/indirect interests in or serves as a director/officer of Malayan as at December 31, 2015 and 2014.

6. *Cooperation Agreement with First Pacific and certain affiliates, or the FP Parties, NTT Communications and NTT DOCOMO*

   In connection with the transfer by NTT Communications of approximately 12.6 million shares of PLDT's common stock to NTT DOCOMO pursuant to a Stock Sale and Purchase Agreement dated January 31, 2006 between NTT Communications and NTT DOCOMO, the FP Parties, NTT Communications and NTT DOCOMO entered into a Cooperation Agreement, dated January 31, 2006. Under the Cooperation Agreement, the relevant parties extended certain rights of NTT Communications under the Stock Purchase and Strategic Investment Agreement dated September 28, 1999, as amended, and the Shareholders Agreement dated March 24, 2000, to NTT DOCOMO, including:

   - certain contractual veto rights over a number of major decisions or transactions; and

   - rights relating to the representation on the Board of Directors of PLDT and Smart, respectively, and any committees thereof.

   Moreover, key provisions of the Cooperation Agreement pertain to, among other things:

   - *Restriction on Ownership of Shares of PLDT by NTT Communications and NTT DOCOMO*. Each of NTT Communications and NTT DOCOMO has agreed not to beneficially own, directly or indirectly, in the aggregate with their respective subsidiaries and affiliates, more than 21% of the issued and outstanding shares of PLDT's common stock. If such event does occur, the FP Parties, as long as they own in the aggregate not less than 21% of the issued and outstanding shares of PLDT's common stock, have the right to terminate their respective rights and obligations under the Cooperation Agreement, the Shareholders Agreement and the Stock Purchase and Strategic Investment Agreement.

- *Limitation on Competition*. NTT Communications, NTT DOCOMO and their respective subsidiaries are prohibited from investing in excess of certain thresholds in businesses competing with PLDT in respect of customers principally located in the Philippines and from using their assets in the Philippines in such businesses. Moreover, if PLDT, Smart or any of Smart's subsidiaries intend to enter into any contractual arrangement relating to certain competing businesses, PLDT is required to provide, or to use reasonable efforts to procure that Smart or any of Smart's subsidiaries provide, NTT Communications and NTT DOCOMO with the same opportunity to enter into such agreement with PLDT or Smart or any of Smart's subsidiaries, as the case may be.

- *Business Cooperation*. PLDT and NTT DOCOMO agreed in principle to collaborate with each other on the business development, roll-out and use of a W-CDMA mobile communication network. In addition, PLDT agreed, to the extent of the power conferred by its direct or indirect shareholding in Smart, to procure that Smart will: (i) become a member of a strategic alliance group for international roaming and corporate sales and services; and (ii) enter into a business relationship concerning preferred roaming and inter-operator tariff discounts with NTT DOCOMO.

- *Additional Rights of NTT DOCOMO*. Pursuant to amendments effected by the Cooperation Agreement to the Stock Purchase and Strategic Investment Agreement and the Shareholders Agreement, upon NTT Communications and NTT DOCOMO and their respective subsidiaries owning in the aggregate 20% or more of PLDT's shares of common stock and for as long as they continue to own in the aggregate at least 17.5% of PLDT's shares of common stock then outstanding, NTT DOCOMO has additional rights under the Stock Purchase and Strategic Investment Agreement and Shareholders Agreement, including that:

    1. NTT DOCOMO is entitled to nominate one additional NTT DOCOMO nominee to the Board of Directors of each PLDT and Smart;

    2. PLDT must consult NTT DOCOMO no later than 30 days prior to the first submission to the board of PLDT or certain of its committees of any proposal of investment in an entity that would primarily engage in a business that would be in direct competition or substantially the same business opportunities, customer base, products or services with business carried on by NTT DOCOMO, or which NTT DOCOMO has announced publicly an intention to carry on;

    3. PLDT must procure that Smart does not cease to carry on its business, dispose of all of its assets, issue common shares, merge or consolidate, or effect winding up or liquidation without PLDT first consulting with NTT DOCOMO no later than 30 days prior to the first submission to the board of PLDT or Smart, or certain of its committees; and

    4. PLDT must first consult with NTT DOCOMO no later than 30 days prior to the first submission to the board of PLDT or certain of its committees for the approval of any transfer by any member of the PLDT Group of Smart common capital stock to any person who is not a member of the PLDT Group.

NTT Communications and NTT DOCOMO together beneficially owned approximately 20% of PLDT's outstanding common stock as at December 31, 2015 and 2014.

- *Change in Control*. Each of NTT Communications, NTT DOCOMO and the FP Parties agreed that to the extent permissible under applicable laws and regulations of the Philippines and other jurisdictions, subject to certain conditions, to cast its vote as a shareholder in support of any resolution proposed by the Board of Directors of PLDT for the purpose of safeguarding PLDT from any Hostile Transferee. A *"Hostile Transferee"* is defined under the Cooperation Agreement to mean any person (other than NTT Communications, NTT DOCOMO, First Pacific or any of their respective affiliates) determined to be so by the PLDT Board of Directors and includes, without limitation, a person who announces an intention to acquire, seeking to acquire or acquires 30% or more of PLDT common shares then issued and outstanding from time to time or having (by itself or together with itself) acquired 30% or more of the PLDT common shares who announces an intention to acquire, seeking to acquire or acquires a further 2% of such PLDT common shares: (a) at a price per share which is less than the fair market value as determined by the Board of Directors of PLDT, as advised by a professional financial advisor; (b) which is subject to conditions which are subjective or which could not be reasonably satisfied; (c) without making an offer for all PLDT common shares not held by it and/or its affiliates and/or persons who, pursuant to an agreement or understanding (whether formal or informal), actively cooperate to obtain or consolidate control over PLDT; (d) whose offer for the PLDT common shares is unlikely to succeed; or (e) whose intention is otherwise not *bona fide*; provided that, no person will be deemed a Hostile Transferee unless prior to making such determination, the Board of Directors of PLDT has used reasonable efforts to discuss with NTT Communications and NTT DOCOMO in good faith whether such person should be considered a Hostile Transferee.

- *Termination.* If NTT Communications, NTT DOCOMO or their respective subsidiaries cease to own, in the aggregate, full legal and beneficial title to at least 10% of the shares of PLDT's common stock then issued and outstanding, their respective rights and obligations under the Cooperation Agreement and the Shareholders Agreement will terminate and the Strategic Arrangements (as defined in the Stock Purchase and Strategic Investment Agreement) will terminate. If the FP Parties and their respective subsidiaries cease to have, directly or indirectly, effective voting power in respect of shares of PLDT's common stock representing at least 18.5% of the shares of PLDT's common stock then issued and outstanding, their respective rights and obligations under the Cooperation Agreement, the Stock Purchase and Strategic Investment Agreement, and the Shareholders Agreement will terminate.

f. *Others*

1. Telecommunications services provided by PLDT and certain of its subsidiaries and other transactions with various related parties

   PLDT and certain of its subsidiaries provide telephone, data communication and other services to various related parties at arm's length similar to transactions with other customers. The revenues under these services amounted to Php864 million, Php761 million and Php717 million for the years ended December 31, 2015, 2014 and 2013, respectively.

   The outstanding receivables of PLDT and certain of its subsidiaries, which were presented as part of trade and other receivables in our consolidated statements of financial position, from these transactions amounted to Php1,588 million and Php2,444 million as at December 31, 2015 and 2014, respectively.

See *Note 10 – Investments in Associates, Joint Ventures and Deposits – Investment in MediaQuest PDRs* and *Note 19 – Prepayments – Agreement of PLDT and Smart with TV5* for other related party transactions.

Compensation of Key Officers of the PLDT Group

The compensation of key officers of the PLDT Group by benefit type for the years ended December 31, 2015, 2014 and 2013 are as follows:

	2015	2014	2013
		(in million pesos)	
Short-term employee benefits	**602**	768	791
Post-employment benefits (Note 26)	**43**	39	31
Other long-term employee benefits (Note 26)	**–**	14	305
Total compensation paid to key officers of the PLDT Group	**645**	821	1,127

Effective January 2014, each of the directors, including the members of the advisory board of PLDT, was entitled to a director's fee in the amount of Php250 thousand for each board meeting attended. Each of the members or advisors of the audit, executive compensation, governance and nomination, and technology strategy committees was entitled to a fee in the amount of Php125 thousand for each committee meeting attended.

Total fees paid for board meetings and board committee meetings amounted to Php55 million, Php45 million and Php32 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Except for the fees mentioned above, the directors are not compensated, directly or indirectly, for their services as such.

There are no agreements between PLDT Group and any of its key management personnel providing for benefits upon termination of employment, except for such benefits to which they may be entitled under PLDT Group's retirement and incentive plans.

The amounts disclosed in the table are the amounts recognized as expenses during the period related to key management personnel.

26. Employee Benefits

Pension

Defined Benefit Pension Plans

PLDT has defined benefit pension plans, operating under the legal name "The Board of Trustees for the account of the Beneficial Trust Fund created pursuant to the Benefit Plan of PLDT Company" and covering all of our permanent and regular employees. Certain subsidiaries of PLDT have not yet drawn up a specific retirement plan for its permanent or regular employees. For the purpose of complying with Revised *PAS 19*, pension benefit expense has been actuarially computed based on defined benefit plan.

Our actuarial valuation is performed every year-end. Based on the latest actuarial valuation, the actual present value of accrued (prepaid) benefit costs, net periodic benefit costs and average assumptions used in developing the valuation as at and for the years ended December 31, 2015, 2014 and 2013 are as follows:

	2015	2014	2013
		(in million pesos)	
Changes in the present value of defined benefit obligations:			
Present value of defined benefit obligations at beginning of the year	**23,072**	19,497	17,456
Service costs	**1,113**	986	970
Interest costs on benefit obligation	**1,050**	970	958
Actuarial losses – experience	**3**	332	552
Actuarial losses (gains) – economic assumptions	**(1,414)**	1,479	1,180
Actual benefits paid/settlements	**(2,112)**	(92)	(1,348)
Curtailments and others (Notes 2 and 5)	**(110)**	(100)	(271)
Present value of defined benefit obligations at end of the year	**21,602**	23,072	19,497
Changes in fair value of plan assets:			
Fair value of plan assets at beginning of the year	**9,950**	9,187	18,435
Actual contributions	**7,086**	5,510	2,073
Interest income on plan assets	**519**	489	1,023
Actual benefits paid/settlements	**(2,112)**	(92)	(1,348)
Return on plan assets (excluding amount included in net interest)	**(4,004)**	(5,144)	(10,996)
Fair value of plan assets at end of the year	**11,439**	9,950	9,187
Unfunded status – net	**(10,163)**	(13,122)	(10,310)
Accrued benefit costs (Note 3)	**10,178**	13,125	10,310
Prepaid benefit costs (Notes 3 and 19)	**15**	3	–
Components of net periodic benefit costs:			
Service costs	**1,113**	986	970
Interest costs (income) – net	**531**	481	(65)
Curtailment/settlement gain	**(29)**	(6)	(275)
Net periodic benefit costs (Notes 3 and 5)	**1,615**	1,461	630

Actual net losses on plan assets amounted to Php3,485 million, Php4,655 million and Php9,973 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Based on the latest actuarial valuation, our expected contribution to the defined benefit plan in 2016 will amount to Php1,411 million.

The following table sets forth the expected future settlements by the Plan of maturing defined benefit obligation as at December 31, 2015:

	(in million pesos)
2016	257
2017	287
2018	342
2019	468
2020	608
2021 to 2060	89,161

The average duration of the defined benefit obligation at the end of the reporting period is 9 to 21 years.

The weighted average assumptions used to determine pension benefits for the years ended December 31, 2015, 2014 and 2013 are as follows:

	2015	2014	2013
Rate of increase in compensation	**6.0%**	6.0%	6.0%
Discount rate	**5.0%**	4.5%	5.0%

We have adopted mortality rates in accordance with the 1994 Group Annuity Mortality Table developed by the U.S. Society of Actuaries, which provides separate rates for males and females.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at the end of the reporting period, assuming if all other assumptions were held constant:

	2015	
	Increase (Decrease)	
	(in million pesos)	
Discount rate	**1%**	(2,500)
	(1%)	2,947
Future salary increases	**1%**	2,888
	(1%)	(2,503)

PLDT's Retirement Plan

The Board of Trustees, which manages the beneficial trust fund, is composed of: (i) a member of the Board of Directors of PLDT, who is not a beneficiary of the Plan; (ii) a member of the Board of Directors or a senior officer of PLDT, who is a beneficiary of the Plan; (iii) a senior member of the executive staff of PLDT; and (iv) two persons who are not executives nor employees of PLDT.

Benefits are payable in the event of termination of employment due to: (i) compulsory, optional, or deferred retirement; (ii) death while in active service; (iii) physical disability; (iv) voluntary resignation; or (v) involuntary separation from service. For a plan member with less than 15 years of credited services, retirement benefit is equal to 100% of final compensation for every year of service. For those with at least 15 years of service, retirement benefit is equal to 125% of final compensation for every year of service, with such percentage to be increased by an additional 5% for each completed year of service in excess of 15 years, but not to exceed a maximum of 200%. In case of voluntary resignation after attainment of age 40 and completion of at least 15 years of credited service, benefit is equal to a percentage of his vested retirement benefit, in accordance with percentages prescribed in the retirement plan.

The Board of Trustees of the beneficial trust fund uses an investment approach with the objective of maximizing the long-term expected return of plan assets. The majority of investment portfolio consists of listed and unlisted equity securities while the remaining portion consists of passive investments like temporary cash investments and fixed income investments.

The plan assets are primarily exposed to financial risks such as liquidity risk and price risk.

Liquidity risk pertains to the plan's ability to meet its obligation to the employees upon retirement. To effectively manage liquidity risk, the Board of Trustees invests at least the equivalent amount of actuarially computed expected compulsory retirement benefit payments for the period to liquid/semi-liquid assets such as treasury notes, treasury bills, savings and time deposits with commercial banks.

Price risk pertains mainly to fluctuations in market prices of equity securities listed in the PSE. In order to effectively manage price risk, the Board of Trustees continuously assesses these risks by closely monitoring the market value of the securities and implementing prudent investment strategies.

The following table sets forth the fair values, which are equal to the carrying values, of PLDT's plan assets recognized as at December 31, 2015 and 2014:

	2015	2014
	(in million pesos)	
Noncurrent Financial Assets		
Investments in:		
Unlisted equity investments	**8,258**	6,549
Shares of stock	**2,621**	2,844
Mutual funds	**61**	63
Government securities	**41**	42
Investment properties	**10**	10
Total noncurrent financial assets	**10,991**	9,508
Current Financial Assets		
Cash and cash equivalents	**360**	357
Receivables	**5**	3
Total current financial assets	**365**	360
Total PLDT's Plan Assets	**11,356**	9,868
Subsidiaries Plan Assets	**83**	82
Total Plan Assets of Defined Benefit Pension Plans	**11,439**	9,950

Investment in shares of stocks is valued using the latest bid price at the reporting date. Investments in mutual funds and government securities are valued using the market values at reporting date. Investment properties are valued using the latest available appraised values.

Unlisted Equity Investments

As at December 31, 2015 and 2014, this account consists of:

	2015	2014	**2015**	2014
	% of Ownership		(in million pesos)	
MediaQuest	**100%**	100%	**7,672**	6,008
Tahanan Mutual Building and Loan Association, Inc., or TMBLA, (net of subscriptions payable of Php32 million)	**100%**	100%	**365**	329
BTFHI	**100%**	100%	**182**	172
Superior Multi Parañaque Homes, Inc.	**100%**	100%	**38**	39
Bancholders, Inc., or Bancholders	**100%**	100%	**1**	1
			8,258	6,549

Investment in MediaQuest

MediaQuest was registered with the Philippine SEC on June 29, 1999 primarily to purchase, subscribe for or otherwise acquire and own, hold, use, manage, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property or every kind and description, and to pay thereof in whole or in part, in cash or by exchanging, stocks, bonds and other evidences of indebtedness or securities of this any other corporation. Its investments include common shares of stocks of various communication, broadcasting and media entities.

The Board of Trustees of the Beneficial Trust Fund approved additional investments in MediaQuest amounting to Php750 million each on November 5, 2012 and January 25, 2013 to fund the latter's operational and capital expenditure requirements. Subsequently, on March 1, 2013, the Board of Directors of MediaQuest approved its application of the additional investment to additional paid in capital on the existing subscribed shares of stock.

On May 8, 2012, the Board of Trustees of the Beneficial Trust Fund approved the issuance by MediaQuest of PDRs amounting to Php6 billion. The underlying shares of these PDRs are the shares of stocks of Cignal TV held by MediaQuest through Satventures (Cignal TV PDRs). On the same date, MediaQuest Board of Directors approved the investment in Cignal TV PDRs by ePLDT, which give ePLDT a 40% economic interest in Cignal TV. In June 2012, MediaQuest received a deposit for future PDRs subscription of Php4 billion from ePLDT. Additional deposits of Php1 billion each were received on July 6, 2012 and August 9, 2012.

On January 25, 2013, the Board of Trustees of the Beneficial Trust Fund and the MediaQuest Board of Directors approved the issuance of additional MediaQuest PDRs amounting to Php3.6 billion. The underlying shares of these additional PDRs are the shares of Satventures held by MediaQuest (Satventures PDRs), the holder of which will have a 40% economic interest in Satventures. Satventures is a wholly-owned subsidiary of MediaQuest and the investment vehicle for Cignal TV. From March to August 2013, MediaQuest received from ePLDT an amount aggregating to Php3.6 billion representing deposits for future PDRs subscription. The Satventures PDRs and Cignal TV PDRs were subsequently issued on September 27, 2013, providing ePLDT an effective 64% economic interest in Cignal TV.

Also, on January 25, 2013, the Board of Trustees of the Beneficial Trust Fund and the MediaQuest Board of Directors approved the issuance of additional MediaQuest PDRs amounting to Php1.95 billion. The underlying shares of these additional PDRs are the shares of stocks of Hastings held by MediaQuest (Hastings PDRs). Hastings is a wholly-owned subsidiary of MediaQuest, which holds all the print-related investments of MediaQuest, including equity interests in the three leading newspapers: The Philippine Star, Philippine Daily Inquirer, and Business World. From June 2013 to October 2013, MediaQuest received from ePLDT an amount aggregating to Php1.95 billion representing deposits for future PDRs subscription.

In November 2013, the Board of Trustees of the Beneficial Trust Fund and the Board of Directors of MediaQuest approved the additional investment of Hastings in The Philippine Star Group. See *Note 10 – Investments in Associates, Joint Ventures and Deposits – Investment in MediaQuest PDRs*.

In 2014, the Board of Trustees of the Beneficial Trust Fund approved additional investments in MediaQuest amounting to Php6,300 million to fund the latter's investment requirements. Of the Php6,300 million, a total of Php5,500 million had already been drawn by MediaQuest as at December 31, 2014.

On February 19, 2014, ePLDT's Board of Directors approved an additional Php500 million investment in Hastings PDRs. On March 11, 2014, MediaQuest received from ePLDT an amount aggregating to Php300 million representing deposits for future PDRs subscription. As at December 31, 2014, total deposit for PDRs subscription amounted to Php2,250 million.

On May 21, 2015, ePLDT's Board of Directors approved an additional Php800 million investment in Hastings PDRs and settlement of the Php200 million balance of the Php500 million Hastings PDR investment in 2014. Subsequently, on May 30, 2015, the Board of Trustees of the Beneficial Trust Fund and the Board of Directors of MediaQuest approved the issuance of Php3,250 million Hastings PDRs. This provided ePLDT with 70% economic interest in Hastings. See *Note 10 – Investments in Associates, Joint Ventures and Deposits – Investment in MediaQuest PDRs*.

In 2015, the Board of Trustees of the Beneficial Trust Fund approved additional investments in MediaQuest amounting to Php5,090 million to fund MediaQuest's investment requirements and such amount was fully drawn by MediaQuest as at December 31, 2015.

PAS 19 requires employee benefit plan assets to be measured at fair value. The fair values of the investments in MediaQuest were measured using an income approach valuation technique using cash flows projections based on financial budgets and forecasts approved by MediaQuest's Board of Directors, covering a five-year period from 2016 to 2020.

The pre-tax discount rates applied to cash flow projections range from 10% to 12%. Cash flows beyond the five-year period are determined using 0% to 4.5% growth rates.

Investment in TMBLA

TMBLA was incorporated for the primary purpose of accumulating the savings of its stockholders and lending funds to them for housing programs. The beneficial trust fund has a direct subscription in shares of stocks of TMBLA in the amount of Php112 million. The related unpaid subscription of Php32 million is included in unlisted equity investments. The cumulative change in the fair market value of this investment amounted to Php285 million and Php249 million as at December 31, 2015 and 2014, respectively.

Investment in BTFHI

BTFHI was incorporated for the primary purpose of acquiring voting preferred shares in PLDT and while the owner, holder of possessor thereof, to exercise all the rights, powers, and privileges of ownership or any other interest therein.

On October 26, 2012, BTFHI subscribed to a total of 150 million shares of Voting Preferred Stock of PLDT at a subscription price of Php1.00 per share for a total subscription price of Php150 million. Total cash dividend income amounted to Php10 million each for the years ended December 31, 2015 and 2014, and Php12 million for the year ended December 31, 2013. Dividend receivables amounted to Php2 million each as at December 31, 2015 and 2014.

Shares of Stocks

As at December 31, 2015 and 2014, this account consists of:

	2015	2014
	(in million pesos)	
Common shares		
PSE	**1,754**	1,945
PLDT	**54**	77
Others	**453**	462
Preferred shares	**360**	360
	2,621	2,844

Dividends earned on PLDT common shares amounted to Php2 million for the year ended December 31, 2015 and Php5 million each for the years ended December 30, 2014 and 2013.

Preferred shares represent 300 million unlisted preferred shares of PLDT at Php10 par value as at December 31, 2015 and 2014, net of subscription payable of Php2,640 million. These shares, which bear dividend of 13.5% per annum based on the paid-up subscription price, are cumulative, non-convertible and redeemable at par value at the option of PLDT. Dividends earned on this investment amounted to Php49 million each for the years ended December 31, 2015, 2014 and 2013.

Mutual Funds

Investment in mutual funds includes various U.S. dollar and Euro denominated equity funds, which aims to out-perform benchmarks in various international indices as part of its investment strategy. Total investment in mutual funds amounted to Php61 million and Php63 million as at December 31, 2015 and 2014, respectively.

Government Securities

Investment in government securities includes retail treasury bonds and FXTN bearing interest ranging from 5.88% to 7% per annum. These securities are fully guaranteed by the government of the Republic of the Philippines. Total investment in government securities amounted to Php41 million and Php42 million as at December 31, 2015 and 2014, respectively.

Investment Properties

Investment properties include two condominium units (bare, separate 127 and 58 square meter units) located in Ayala-FGU Building along Alabang-Zapote Road in Muntinlupa City. Total fair value of investment properties amounted to Php10 million each as at December 31, 2015 and 2014.

The asset allocation of the Plan is set and reviewed from time to time by the Plan Trustees taking into account the membership profile, the liquidity requirements of the Plan and risk appetite of the Plan sponsor. This considers the expected benefit cash flows to be matched with asset durations.

The allocation of the fair value of the assets for the PLDT pension plan as at December 31, 2015 and 2014 are as follows:

	2015	2014
Investments in listed and unlisted equity securities	**96%**	95%
Temporary cash investments	**3%**	4%
Investments in mutual funds	**1%**	1%
	100%	100%

Defined Contribution Plans

Smart's and certain of its subsidiaries' contributions to the plan are made based on the employees' years of tenure and range from 5% to 10% of the employee's monthly salary. Additionally, an employee has an option to make a personal contribution to the fund, at an amount not exceeding 10% of his monthly salary. The employer then provides an additional contribution to the fund ranging from 10% to 50% of the employee's contribution based on the employee's years of tenure. Although the plan has a defined contribution format, Smart and certain of its subsidiaries regularly monitor compliance with R.A. 7641. As at December 31, 2015 and 2014, Smart and certain of its subsidiaries were in compliance with the requirements of R.A. 7641.

Smart's and certain of its subsidiaries' actuarial valuation is performed every year-end. Based on the latest actuarial valuation, the actual present value of prepaid benefit costs, net periodic benefit costs and average assumptions used in developing the valuation as at and for the years ended December 31, 2015, 2014 and 2013 are as follows:

	2015	2014	2013
		(in million pesos)	
Changes in the present value of defined benefit obligations:			
Present value of defined benefit obligations at beginning of the year	**2,149**	1,685	1,606
Service costs	**289**	241	226
Interest costs on benefit obligation	**98**	92	95
Actuarial losses (gains) – economic assumptions	**(67)**	98	(6)
Actual benefits paid/settlements	**(96)**	(42)	(177)
Actuarial losses (gains) – experience	**(217)**	75	(59)
Curtailment and others	**(40)**	–	–
Present value of defined benefit obligations at end of the year	**2,116**	2,149	1,685
Changes in fair value of plan assets:			
Fair value of plan assets at beginning of the year	**2,205**	1,884	1,760
Actual contributions	**227**	261	208
Interest income on plan assets	**92**	92	95
Return on plan assets (excluding amount included in net interest)	**(40)**	10	(2)
Actual benefits paid/settlements	**(96)**	(42)	(177)
Fair value of plan assets at end of the year	**2,388**	2,205	1,884
Funded status – net (Notes 3 and 19)	**272**	56	199
Accrued benefit costs (Note 3)	**19**	6	–
Prepaid benefit costs (Note 3)	**291**	62	199

	2015	2014	2013
		(in million pesos)	
Components of net periodic benefit costs:			
Service costs	**289**	241	226
Interest costs – net	**7**	–	–
Curtailment/settlement losses and other adjustments	**(23)**	–	–
Net periodic benefit costs (Notes 3 and 5)	**273**	241	226

Actual net gains on plan assets amounted to Php52 million, Php102 million and Php93 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Based on the latest actuarial valuation, Smart and certain of its subsidiaries expect to contribute the amount of approximately Php327 million to its defined benefit plan in 2016.

The following table sets forth the expected future settlements by the Plan of maturing defined benefit obligation as at December 31, 2015:

	(in million pesos)
2016	149
2017	61
2018	84
2019	94
2020	151
2021 to 2025	1,012

The average duration of the defined benefit obligation at the end of the reporting period is 15 years.

The weighted average assumptions used to determine pension benefits for the years ended December 31, 2015, 2014 and 2013 are as follows:

	2015	2014	2013
Rate of increase in compensation	**5.0%**	7.0%	6.0%
Discount rate	**5.0%**	4.5%	5.5%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2015, assuming if all other assumptions were held constant:

	Increase (Decrease)	
	(in million pesos)	
Discount rate	1%	(48)
	(1%)	183
Future salary increases	1%	175
	(1%)	(48)

Smart's Retirement Plan

The fund is being managed and invested by BPI Asset Management and Trust Group, as Trustee, pursuant to an amended trust agreement dated February 21, 2012.

The plan's investment portfolio seeks to achieve regular income, long-term capital growth and consistent performance over its own portfolio benchmark. In order to attain this objective, the Trustee's mandate is to invest in a diversified portfolio of bonds and equities, both domestic and international. The portfolio mix is kept at 60% to 90% for debt and fixed income securities, while 10% to 40% is allotted to equity securities.

The following table sets forth the fair values, which are equal to the carrying values, of Smart's plan assets recognized as at December 31, 2015 and 2014:

	2015	2014
	(in million pesos)	
Noncurrent Financial Assets		
Investments in:		
Domestic fixed income	**1,411**	1,240
International equities	**460**	367
Domestic equities	**424**	615
Philippine foreign currency bonds	**352**	427
International fixed income	**–**	106
Total noncurrent financial assets	**2,647**	2,755
Current Financial Assets		
Cash and cash equivalents	**431**	19
Receivables	**4**	95
Total current financial assets	**435**	114
Total plan assets	**3,082**	2,869
Employee's share, forfeitures and mandatory reserve account	**805**	664
Smart's plan assets	**2,277**	2,094
Subsidiaries' plan assets	**111**	111
Total Plan Assets of Defined Contribution Plans	**2,388**	2,205

Domestic Fixed Income

Investments in domestic fixed income include Philippine peso denominated bonds, such as government securities, corporate debt securities and a fixed income fund managed by BPI Asset Management and Trust Group which is invested in a diversified portfolio of Philippine peso-denominated fixed income instruments. The investments under this category, exclusive of the mutual fund, earned between 4.19% and 9.13% interest for the years ended December 31, 2015 and 2014. Total investments in domestic fixed income amounted to Php1,411 million and Php1,240 million as at December 31, 2015 and 2014, respectively.

International Equities

Investments in international equities include mutual funds managed by ING International and an offshore investment in a global mutual fund managed by Franklin Templeton, which are all invested in diversified portfolios of global equities. Total investment in international equities amounted to Php460 million and Php367 million as at December 31, 2015 and 2014, respectively.

Domestic Equities

Investments in domestic equities include direct equity investments in common shares and convertible preferred shares listed in the PSE and a local equity fund managed by BPI Asset Management and Trust Group which is invested in a diversified portfolio of stocks listed in the PSE. These investments earn on stock price appreciation and dividend payments. Total investment in domestic equities amounted to Php424 million and Php615 million as at December 31, 2015 and 2014, respectively. This includes investment in PLDT shares with fair value of Php31 million and Php46 million as at December 31, 2015 and 2014, respectively.

Philippine Foreign Currency Bonds

Investments in Philippine foreign currency bonds include investments in U.S. dollar denominated fixed income instruments issued by the Philippine government, local corporations and financial institutions. The investments under this category earned between 4.20% and 7.38% interest for the years ended December 31, 2015 and 2014. Total investment in Philippine foreign currency bonds amounted to Php352 million and Php427 million as at December 31, 2015 and 2014, respectively.

International Fixed Income

Investments in international fixed income include mutual funds managed by ING International which are invested in diversified portfolios of high-yield foreign currency denominated bonds. Total investments in international fixed income amounted to nil and Php106 million as at December 31, 2015 and 2014, respectively.

Cash and Cash Equivalents

This pertains to the fund's excess liquidity in Philippine peso and U.S. dollars including investments in time deposits, money market funds and other deposit products of banks with duration or tenor less than a year.

The asset allocation of the Plan is set and reviewed from time to time by the Plan Trustees taking into account the membership profile, the liquidity requirements of the Plan and risk appetite of the Plan sponsor. This considers the expected benefit cash flows to be matched with asset durations.

The plan assets are primarily exposed to financial risks such as liquidity risk and price risk.

Liquidity risk pertains to the plan's ability to meet its obligation to the employees upon retirement. To effectively manage liquidity risk, the Plan Trustees invests a portion of the fund in readily tradeable and liquid investments which can be sold at any given time to fund liquidity requirements.

Price risk pertains mainly to fluctuations in market prices of equity securities listed in the PSE. In order to effectively manage price risk, the Plan Trustees continuously assesses these risks by closely monitoring the market value of the securities and implementing prudent investment strategies.

The allocation of the fair value of Smart and certain of its subsidiaries pension plan assets as at December 31, 2015 and 2014 is as follows:

	2015	2014
Investments in debt and fixed income securities and others	**71%**	66%
Investments in listed and unlisted equity securities	**29%**	34%
	100%	100%

Other Long-term Employee Benefits

To ensure the proper execution of our strategic and operational business plans while taking into account the acquisition of Digitel in 2011 and other recent market developments, the 2012 to 2014 LTIP, covering the period from January 1, 2012 to December 31, 2014, was approved by the Board of Directors with the endorsement of the ECC on March 22, 2012. The awards in the 2012 to 2014 LTIP were contingent upon the successful achievement of certain profit targets, intended to align the execution of the business strategies of the expanded Group, including Digitel, over the three-year period 2012 to 2014. In addition, the 2012 to 2014 LTIP allowed for the participation of a number of senior executives and certain newly hired executives and ensured the continuity of management in line with the succession planning of the PLDT Group. LTIP costs recognized for the years ended December 31, 2014 and 2013 amounted to Php168 million and Php1,638 million, respectively. Total outstanding liability and fair value of the 2012 to 2014 LTIP amounted to Php33 million and Php3,297 million as at December 31, 2015 and 2014, respectively. The LTIP liability amounting to Php3,264 million as at December 31, 2014 was paid in 2015. See *Note 3 – Management's Use of Accounting Judgments, Estimates and Assumptions – Estimating pension benefit costs and other employee benefits* and *Note 5 – Income and Expenses – Compensation and Employee Benefits*.

Net periodic benefit costs computed for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
	(in million pesos)	
Components of net periodic benefit costs:		
Current service costs	184	1,532
Interest costs – net	17	42
Net actuarial losses (gains)	(33)	64
Net periodic benefit costs (Notes 3 and 5)	168	1,638

27. Provisions and Contingencies

PLDT's Local Business and Franchise Tax Assessments

Pursuant to a decision of the Supreme Court on March 25, 2003 in the case of *PLDT vs. City of Davao* declaring PLDT not exempt from the local franchise tax, PLDT started paying local franchise tax to various Local Government Units, or LGU. As at December 31, 2015, PLDT has no contested LGU assessments for franchise taxes based on gross receipts received or collected for services within their respective territorial jurisdiction.

However, PLDT contested the imposition of local business taxes in addition to local franchise tax by the City of Tuguegarao for the years 2006 to 2011 by filing a Petition with the Regional Trial Court, or RTC, of the City of Makati on July 8, 2011. In an order dated October 12, 2012, the RTC, following a Motion to Dismiss filed by the City of Tuguegarao, dismissed the petition for lack of jurisdiction. Upon denial of its Motion for Reconsideration, PLDT filed a Petition for Review before the Court of Tax Appeals, or CTA, which dismissed the said Petition and upheld the decision of the RTC. On July 28, 2014, PLDT filed a Motion for Reconsideration which was also denied by the CTA. PLDT filed a Petition before the CTA En Banc on November 3, 2014. The case is still pending before the CTA En Banc.

PLDT also contested the imposition of local business tax in addition to local franchise tax also by the City of Tuguegarao for the years 2012 to 2014. The case was filed on January 14, 2015 before the Second Judicial Region of Tuguegarao City. The case is scheduled for trial after mediation proceedings failed.

Smart's Local Business and Franchise Tax Assessments

The Province of Cagayan issued a tax assessment against Smart for alleged local franchise tax. In 2011, Smart appealed the assessment to the RTC of Makati on the ground that Smart cannot be held liable for local franchise tax mainly because it has no sales office within the Province of Cagayan pursuant to Section 137 of the Local Government Code (Republic Act No. 7160). The RTC issued a Temporary Restraining Order and a writ of preliminary injunction. On April 30, 2012, the RTC rendered a decision nullifying the tax assessment. The Province of Cagayan was also directed to cease and desist from imposing local franchise taxes on Smart's gross receipts. The Province of Cagayan then appealed to the Court of Tax Appeals. In a Decision promulgated on July 25, 2013, the Court of Tax Appeals ruled that the franchise tax assessment is null and void for lack of legal and factual justifications. Cagayan's Motion for Reconsideration was denied. Cagayan then appealed before the Court of Tax Appeals En Banc. The CTA En Banc issued a Decision dated December 8, 2015 affirming the nullity of the tax assessment.

In October 2013, the City of Bacoor issued local franchise tax assessments against Smart based on the gross sales of handsets and gross receipts derived from franchise operations (prepaid and postpaid receipts), after Smart had paid the local business taxes assessed on the same gross receipts within the same taxable period. Smart protested the assessments and eventually appealed the assessment to the RTC of the City of Makati, arguing that Smart cannot be held liable for local franchise tax because Smart is exempt from paying the local franchise tax as such is covered under the "in lieu of all taxes" clause in Section 9 of its legislative franchise, Republic Act No. 7924 (Series 1992). Smart also argued that even if it is liable for local franchise tax, the City of Bacoor cannot collect local business tax on the same gross receipts derived from franchise operations realized within the same taxing jurisdiction by the same taxing authority and within the same period. Smart has argued that the gross sales of handsets should not be subject to the local franchise tax because the sale of handsets and accessories is not considered a sale derived from franchise operations. During mediation, the Treasurer of the City of Bacoor agreed that the gross sales of handsets and accessories would be subject to local business tax, but not to the local franchise tax, while the gross receipts from prepaid and postpaid services would be subject to the local franchise tax, but not to the local business tax. Accordingly, the RTC dismissed the Appeal based on the Joint Motion to Dismiss signed by the parties.

In 2015, the City of Manila issued two Letters of Assessment, the first for alleged business tax deficiencies and the second for regulatory fees and charges for cell site. Smart protested the assessments and subsequently appealed to the RTC of the City of Manila, arguing that it is not liable for local business taxes on income realized from its telecommunications operations and that the assessments were a clear circumvention of Manila City Ordinance No. 8299 exempting Smart from the payment of local franchise tax. The assessment for regulatory fees was contested for being void, as they were made without a valid and legal basis. The case is now submitted for the Court's decision after the parties filed their respective Memoranda on February 2, 2016.

Digitel's Franchise Tax Assessment and Real Property Tax Assessment

In the case of *Digitel vs. Province of Pangasinan* (G.R. No. 152534, February 23, 2007), the Supreme Court held that Digitel is liable to the Province of Pangasinan for franchise tax from November 13, 1992 and real property tax only on real properties not actually, directly and exclusively used in the franchise operations from February 17, 1994. Digitel has fully settled its obligation with the Province of Pangasinan with respect to franchise tax and is currently in talks with the Province for the settlement of the real property tax.

DMPI's Local Business and Real Property Taxes Assessments

In *DMPI vs. City of Cotabato*, DMPI filed a Petition in 2010 for Prohibition and Mandamus against the City of Cotabato due to their threats to close its cell sites due to alleged real property tax delinquencies. DMPI filed a Motion for Reconsideration after the Court dismissed the case for DMPI's failure to prove that DMPI is exempt from payment of real property tax. The Motion is pending resolution.

In the *DMPI vs. City of Davao*, DMPI filed in 2011 a Petition for Prohibition and Mandamus and sought the Court's intervention due to the threats issued by the City of Davao to stop the operations of DMPI business centers in the locality due to lack of business permits. DMPI contended that the City of Davao's act of refusing to process its applications due to failure to pay real property taxes and business taxes is unwarranted. Davao's Legal Officer and City Assessor confirmed that DMPI's machinery is exempt from real property tax. On March 20, 2015, the Court has approved DMPI's Motion which prayed for the dismissal of the case.

In the *DMPI vs. City Government of Malabon*, DMPI filed in 2011 a Petition for Prohibition and Mandamus against the City of Malabon to prevent the auction sale of DMPI sites in its jurisdiction for alleged real property tax liabilities. DMPI was able to secure a TRO to defer the sale. As at February 29, 2016, there is an ongoing mediation and the parties are exploring the possibility of settling amicably.

DMPI's Local Tower Fee Assessments

In *DMPI vs. Municipality of San Mateo*, DMPI filed in 2011 a petition for Prohibition and Mandamus with Preliminary Injunction and TRO against the Tower Fee Ordinance of the Municipality of San Mateo. In 2014, the RTC ruled in favor of DMPI and declared the ordinance void and without legal force and effect. The Municipality of San Mateo appealed with the Court of Appeals. The case has been submitted for resolution.

Meanwhile, in *DMPI vs. the City Government of Santiago City and the City Permits and License Inspection Office of Santiago City, Isabela* (CA-G.R. SP No. 127253) (Special Civil Action Case No. 36-0360, February 2011), the City Government of Santiago City filed an appeal with the Court of Appeals after the lower court granted DMPI's petition and ruled as unconstitutional the provision of the ordinance imposing the Php200 thousand per cell site per annum. On May 5, 2015, the Appeal was dismissed and the ruling issued by the trial court was affirmed.

DMPI vs. City of Trece Martires – In 2010, DMPI petitioned to declare void the City of Trece Martires ordinance of imposing tower fee of Php150 thousand for each cell site annually. Application for the issuance of a preliminary injunction by DMPI is pending resolution.

Globe Telecoms, et al. vs. City of Lipa – In 2006, Globe filed a Protest of Assessment questioning the act of the City of Lipa in assessing tower fees for its sites amounting to Php105 thousand per year. Smart, Digitel and DMPI submitted a joint memorandum in June 2013 pertaining to the issue. However, the Sangguniang Panglungsod has since repealed the ordinance, and issued instead Tax Ordinance No. 177, which imposes a one-time regulatory fee of Php50 thousand for every tower to be constructed in the City of Lipa. The Joint Motion to Dismiss filed by Smart and DMPI on June 8, 2015 is pending resolution.

Arbitration with Eastern Telecommunications Philippines, Inc., or ETPI

Since 1990, PLDT and ETPI have been engaged in legal proceedings involving a number of issues in connection with their business relationship. While they have entered into compromise agreements in the past (one in February 1990, and another one in March 1999), these agreements have not put to rest their issues against each other. Accordingly, to avoid further protracted litigation and improve their business relationship, both PLDT and ETPI have agreed in April 2008 to submit their differences and issues to voluntary arbitration. For this arbitration (after collating various claims of one party against the other) ETPI, on one hand, initially submitted its claims of about Php2.9 billion against PLDT; while PLDT, on the other hand, submitted its claims of about Php2.8 billion against ETPI. Pursuant to an agreement between PLDT and ETPI, the arbitration proceedings have been suspended.

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

On June 29, 2011, the Supreme Court of the Philippines, or the Court, promulgated a Decision in the case of *Wilson P. Gamboa vs. Finance Secretary Margarito B. Teves, et. al. (G.R. No. 176579)* (the "Gamboa Case"), holding that "the term 'capital' in Section 11, Article XII of the 1987 Constitution refers only to shares of stock entitled to vote in the election of directors and thus only to voting common shares, and not to the total outstanding capital stock (common and non-voting preferred shares)". This decision reversed earlier opinions issued by the Philippine SEC that non-voting preferred shares are included in the computation of the 60%-40% Filipino-alien equity requirement of certain economic activities, such as telecommunications (which is a public utility under Section 11, Article XII of the 1987 Constitution).

Although PLDT is not a party to the Gamboa Case, in its decision, the Court directed the Philippine SEC "to apply this definition of the term 'capital' in determining the extent of allowable foreign ownership in PLDT, and if there is a violation of Section 11, Article XII of the 1987 Constitution, to impose the appropriate sanctions under the law." Although the parties to the Gamboa Case filed Motions for Reconsideration of the decision and argued their positions before the Court, the Court ultimately denied the motions on October 9, 2012.

Meanwhile, on July 5, 2011, the Board of Directors of PLDT approved the amendments to the Seventh Article of Amended Articles of Incorporation of PLDT, or the Amendments to the Articles, which subclassified its authorized preferred capital into preferred shares with full voting rights, or Voting Preferred Shares, and serial preferred shares without voting rights. The Amendments to the Articles were subsequently approved by the stockholders of PLDT and the Philippine SEC.

On October 15, 2012, PLDT and BTFHI, a Filipino corporation and a wholly-owned company of The Board of Trustees for the Account of the Beneficial Trust Fund created pursuant to the PLDT's Benefit Plan, entered into a Subscription Agreement, pursuant to which PLDT issued 150 million Voting Preferred Shares to BTFHI at Php1.00 per share reducing the percentage of PLDT's voting stock held by foreigners from 56.62% (based on Voting Common Stock) as at October 15, 2012 to 18.37% (based on Voting Common and Preferred Stock) as at April 15, 2013.

On May 20, 2013, the Philippine SEC issued SEC Memorandum Circular No. 8, Series of 2013, or the Philippine SEC Guidelines, which we believe was intended to fulfill the Court's directive to the Philippine SEC in the Gamboa Case. The Philippine SEC Guidelines provided that "the required percentage of Filipino ownership shall be applied to BOTH: (a) the total number of outstanding shares of stock entitled to vote in the election of directors; AND (b) the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors." PLDT believes it was, and continues to be, compliant with the Philippine SEC Guidelines. As at February 24, 2016, PLDT's foreign ownership was 30.14% of its outstanding shares entitled to vote (Common and Voting Preferred Shares), and 16.56% of its total outstanding capital stock. Therefore, we believe that as at February 29, 2016, PLDT is in compliance with the requirement of Section 11, Article XII of the 1987 Constitution.

On June 10, 2013, Jose M. Roy III filed a petition for certiorari with the Supreme Court against the Philippine SEC, Philippine SEC Chairperson Teresita Herbosa and PLDT, claiming: (1) that the Philippine SEC Guidelines violates the Court's decision in the Gamboa Case (on the basis that (a) the 60-40 ownership requirement be imposed on "each class of shares" and (b) Filipinos must have full beneficial ownership of 60% of the outstanding capital stock of corporations subject to the foreign ownership requirements); and (2) that the PLDT Beneficial Trust Fund is not a Filipino-owned entity and consequently, the corporations owned by PLDT Beneficial Trust Fund, including BTFHI, cannot be considered Filipino-owned corporations.

PLDT raised several procedural and substantive arguments against the petition, including in particular, that (a) the Philippine SEC Guidelines merely implemented the dispositive portion of the decision in the Gamboa Case, and that the dispositive portion of the Gamboa Case that defines "capital" is properly reflected in the Philippine SEC Guidelines, and (b) the fundamental requirements which need to be satisfied in order for PLDT Beneficial Trust Fund and BTFHI to be considered Filipino (for PLDT Beneficial Trust Fund's Trustees to be Filipinos and for 60% of the Fund to accrue to the benefit of Philippine nationals) are satisfied with respect to the PLDT Beneficial Trust Fund, and therefore, PLDT Beneficial Trust Fund and BTFHI are Filipino shareholders for purposes of classifying their 150 million Voting Preferred Shares in PLDT. As a result, more than 60% of PLDT's total voting stock is Filipino-owned and PLDT is compliant with the Constitutional ownership requirements.

In 2013, the Philippine SEC and Chairperson Teresita Herbosa also raised a number of arguments for dismissal of the petition for being procedurally flawed and for lack of merit.

In May 2014, the petitioner filed a consolidated reply and a motion for the issuance of a temporary restraining order to prevent PLDT from holding its 2014 annual stockholders meeting. The temporary restraining order was denied and PLDT held its 2014 annual meeting on June 10, 2014 as scheduled.

On February 10, 2015, PLDT filed a consolidated memorandum setting forth its arguments against the petition.

As at February 29, 2016, the resolution of the petition remains pending with the Supreme Court.

Other disclosures required by *PAS 37* were not provided as it may prejudice our position in on-going claims, litigations and assessments. See *Note 3 – Management's Use of Accounting Judgments, Estimates and Assumptions – Provision for legal contingencies and tax assessments*.

28. Financial Assets and Liabilities

We have various financial assets such as trade and non-trade receivables, cash and short-term deposits, which arise directly from our operations. Our principal financial liabilities, other than derivatives, comprise of bank loans and overdrafts, finance leases, trade and non-trade payables. The main purpose of these financial liabilities is to finance our operations. We also enter into derivative transactions, primarily principal only-currency swap agreements, currency options, interest rate swaps and forward foreign exchange contracts to manage the currency and interest rate risks arising from our operations and sources of financing. Our accounting policies in relation to derivatives are set out in *Note 2 – Summary of Significant Accounting Policies – Financial Instruments*.

The following table sets forth our consolidated financial assets and financial liabilities as at December 31, 2015 and 2014:

	Loans and receivables	HTM investments	Financial instruments at FVPL	Derivatives used for hedging	Available-for-sale financial investments	Financial liabilities carried at amortized cost	Total financial assets and liabilities
				(in million pesos)			
Assets as at December 31, 2015							
Noncurrent:							
Available-for-sale financial investments	–	–	–	–	**15,711**	–	**15,711**
Investment in debt securities and other long-term investments – net of current portion	**595**	**357**	–	–	–	–	**952**
Derivative financial assets – net of current portion	–	–	–	**145**	–	–	**145**
Advances and other noncurrent assets – net of current portion	**2,580**	–	–	–	–	–	**2,580**
Current:							
Cash and cash equivalents	**46,455**	–	–	–	–	–	**46,455**
Short-term investments	**744**	–	**685**	–	–	–	**1,429**
Trade and other receivables	**24,898**	–	–	–	–	–	**24,898**
Current portion of derivative financial assets	–	–	**10**	**16**	–	–	**26**
Current portion of investment in debt securities and other long-term investments	–	**51**	–	–	–	–	**51**
Current portion of advances and other noncurrent assets	**7,936**	–	–	–	–	–	**7,936**
Total assets	**83,208**	**408**	**695**	**161**	**15,711**	–	**100,183**
Liabilities as at December 31, 2015							
Noncurrent:							
Interest-bearing financial liabilities – net of current portion	–	–	–	–	–	**143,982**	**143,982**
Derivative financial liabilities – net of current portion	–	–	**659**	**77**	–	–	**736**
Customers' deposits	–	–	–	–	–	**2,430**	**2,430**
Deferred credits and other noncurrent liabilities	–	–	–	–	–	**19,788**	**19,788**
Current:							
Accounts payable	–	–	–	–	–	**51,542**	**51,542**
Accrued expenses and other current liabilities	–	–	–	–	–	**66,844**	**66,844**
Current portion of interest-bearing financial liabilities	–	–	–	–	–	**16,911**	**16,911**
Dividends payable	–	–	–	–	–	**1,461**	**1,461**
Current portion of derivative financial liabilities	–	–	**22**	**284**	–	–	**306**
Total liabilities	–	–	**681**	**361**	–	**302,958**	**304,000**
Net assets (liabilities)	**83,208**	**408**	**14**	**(200)**	**15,711**	**(302,958)**	**(203,817)**

	Loans and receivables	HTM investments	Financial instruments at FVPL	Derivatives used for hedging	Available-for-sale financial investments	Financial liabilities carried at amortized cost	Total financial assets and liabilities
				(in million pesos)			
Assets as at December 31, 2014							
Noncurrent:							
Available-for-sale financial investments	–	–	–	–	28,086	–	28,086
Investment in debt securities and other long-term investments – net of current portion	546	414	–	–	–	–	960
Derivative financial assets – net of current portion	–	–	–	94	–	–	94
Advances and other noncurrent assets – net of current portion	2,758	–	–	–	–	–	2,758
Current:							
Cash and cash equivalents	26,659	–	–	–	–	–	26,659
Short-term investments	18	–	625	–	–	–	643
Trade and other receivables	29,151	–	–	–	–	–	29,151
Current portion of derivative financial assets	–	–	–	2	–	–	2
Current portion of investment in debt securities and other long-term investments	–	295	–	–	–	–	295
Current portion of advances and other noncurrent assets	7,953	–	–	–	–	–	7,953
Total assets	**67,085**	**709**	**625**	**96**	**28,086**	**–**	**96,601**
Liabilities as at December 31, 2014							
Noncurrent:							
Interest-bearing financial liabilities – net of current portion	–	–	–	–	–	115,400	115,400
Derivative financial liabilities – net of current portion	–	–	1,426	34	–	–	1,460
Customers’ deposits	–	–	–	–	–	2,438	2,438
Deferred credits and other noncurrent liabilities	–	–	–	–	–	19,643	19,643
Current:							
Accounts payable	–	–	–	–	–	39,416	39,416
Accrued expenses and other current liabilities	–	–	–	–	–	65,981	65,981
Current portion of interest-bearing financial liabilities	–	–	–	–	–	14,729	14,729
Dividends payable	–	–	–	–	–	1,070	1,070
Current portion of derivative financial liabilities	–	–	45	209	–	–	254
Total liabilities	**–**	**–**	**1,471**	**243**	**–**	**258,677**	**260,391**
Net assets (liabilities)	**67,085**	**709**	**(846)**	**(147)**	**28,086**	**(258,677)**	**(163,790)**

The following table sets forth our consolidated carrying values and estimated fair values of our financial assets and liabilities recognized as at December 31, 2015 and 2014 other than those whose carrying amounts are reasonable approximations of fair values:

	Carrying Value		Fair Value	
	2015	2014	**2015**	2014
	(in million pesos)			
Noncurrent Financial Assets				
Investment in debt securities and other long-term investments	**952**	960	**972**	969
Advances and other noncurrent assets	**2,580**	2,758	**2,305**	2,346
Total	**3,532**	3,718	**3,277**	3,315
Noncurrent Financial Liabilities				
Interest-bearing financial liabilities:				
Long-term debt	**143,982**	115,399	**145,731**	118,944
Obligations under finance leases	**–**	1	**–**	1
Customers' deposits	***2,430***	*2,438*	***1,868***	*1,902*
Deferred credits and other noncurrent liabilities	***19,788***	*19,643*	***17,973***	*18,360*
Total	**166,200**	137,481	**165,572**	139,207

The following table sets forth our consolidated offsetting of financial assets and liabilities recognized as at December 31, 2015 and 2014:

	Gross amounts of recognized financial assets and liabilities	**Gross amounts of recognized financial assets and liabilities set-off in the statement of financial position**	**Net amount presented in the statement of financial position**
		(in million pesos)	
December 31, 2015			
Noncurrent Financial Assets			
Derivative financial instruments			
Interest rate swap – net of current portion	**1,788**	**1,714**	**74**
Current Financial Assets			
Trade and other receivables			
Foreign administrations	**9,623**	**4,424**	**5,199**
Domestic carriers	**12,777**	**12,323**	**454**
Derivative financial instruments			
Current portion of interest rate swap	**327**	**311**	**16**
Total	**24,515**	**18,772**	**5,743**
Noncurrent Financial Liabilities			
Derivative financial instruments			
Interest rate swap – net of current portion	**1,826**	**1,748**	**78**
Current Financial Liabilities			
Accounts payable			
Suppliers and contractors	**46,532**	**45**	**46,487**
Carriers and other customers	**9,109**	**6,095**	**3,014**
Derivative financial instruments			
Current portion of interest rate swap	**496**	**233**	**263**
Total	**57,963**	**8,121**	**49,842**

	Gross amounts of recognized financial assets and liabilities	Gross amounts of recognized financial assets and liabilities set-off in the statement of financial position	Net amount presented in the statement of financial position
		(in million pesos)	
December 31, 2014			
Noncurrent Financial Assets			
Derivative financial instruments			
Interest rate swap – net of current portion	1,224	1,130	94
Current Financial Assets			
Trade and other receivables			
Foreign administrations	11,240	3,368	7,872
Domestic carriers	8,233	7,503	730
Derivative financial instruments			
Current portion of interest rate swap	183	181	2
Total	**20,880**	**12,182**	**8,698**
Noncurrent Financial Liabilities			
Derivative financial instruments			
Interest rate swap – net of current portion	1,206	1,148	58
Current Financial Liabilities			
Accounts payable			
Suppliers and contractors	35,886	29	35,857
Carriers and other customers	5,212	2,413	2,799
Derivative financial instruments			
Current portion of interest rate swap	397	143	254
Total	**42,701**	**3,733**	**38,968**

There are no financial instruments subject to an enforceable master netting arrangement as at December 31, 2015 and 2014.

Below are the list of our consolidated financial assets and liabilities carried at fair value that are classified using a fair value hierarchy as required for our complete sets of consolidated financial statements as at December 31, 2015 and 2014. This classification provides a reasonable basis to illustrate the nature and extent of risks associated with those financial statements.

	2015			2014		
	Level 1[(1)]	**Level 2[(2)]**	**Total**	Level 1[(1)]	Level 2[(2)]	Total
			(in million pesos)			
Noncurrent Financial Assets						
Available-for-sale financial investments – Listed equity securities	**14,695**	**–**	**14,695**	27,955	–	27,955
Derivative financial assets – net of current portion	**–**	**145**	**145**	–	94	94
Current Financial Assets						
Short-term investments	**–**	**685**	**685**	–	625	625
Current portion of derivative financial assets	**–**	**26**	**26**	–	2	2
Total	**14,695**	**856**	**15,551**	27,955	721	28,676
Noncurrent Financial Liabilities						
Derivative financial liabilities	**–**	**736**	**736**	–	1,460	1,460
Current Financial Liabilities						
Derivative financial liabilities	**–**	**306**	**306**	–	254	254
Total	**–**	**1,042**	**1,042**	–	1,714	1,714

(1) *Fair values determined using observable market inputs that reflect quoted prices in active markets for identical assets or liabilities.*
(2) *Fair values determined using inputs other than quoted market prices that are either directly or indirectly observable for the assets or liabilities.*

As at December 31, 2015 and 2014, we have no financial instruments measured at fair values using inputs that are not based on observable market data (Level 3). As at December 31, 2015 and 2014, there were no transfers into and out of Level 3 fair value measurements.

As at December 31, 2015 and 2014, there were no transfers between Level 1 and Level 2 fair value measurements.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Long-term financial assets and liabilities:

Fair value is based on the following:

Type	Fair Value Assumptions	Fair Value Hierarchy
Noncurrent portion of advances and other noncurrent assets	Estimated fair value is based on the discounted values of future cash flows using the applicable zero coupon rates plus counterparties' credit spread.	Level 3
Fixed Rate Loans: U.S. dollar notes	Quoted market price.	Level 1
Investment in debt securities	Fair values were determined using quoted prices.	Level 1
	For non-quoted securities, fair values were determined using discounted cash flow based on market observable rates.	Level 2
Other loans in all other currencies	Estimated fair value is based on the discounted value of future cash flows using the applicable Commercial Interest Reference Rate and PDST-F (until March 31, 2015) and PDST-R2* (after March 31, 2015) rates for similar types of loans plus PLDT's credit spread.	Level 3
Variable Rate Loans	The carrying value approximates fair value because of recent and regular repricing based on market conditions.	Level 2

* *PDST-F was replaced by PDST-R2 on April 1, 2015 per BAP Memo dated January 8, 2015.*

Derivative Financial Instruments:

Forward foreign exchange contracts, foreign currency swaps and interest rate swaps: The fair values were computed as the present value of estimated future cash flows using market U.S. dollar and Philippine peso interest rates as at valuation date.

The valuation techniques considered various inputs including the credit quality of counterparties.

Available-for-sale financial investments: Fair values of available-for-sale financial investments, which consist of listed shares, were determined using quoted prices. For investments where there is no active market and fair value cannot be determined, investments are carried at cost less any accumulated impairment losses.

Due to the short-term nature of the transactions, the fair value of cash and cash equivalents, short-term investments, trade and other receivables, accounts payable, accrued expenses and other current liabilities and dividends payable approximate their carrying values as at the end of the reporting period.

Derivative Financial Instruments

Our derivative financial instruments are accounted for as either cash flow hedges or transactions not designated as hedges. Cash flow hedges refer to those transactions that hedge our exposure to variability in cash flows attributable to a particular risk associated with a recognized financial asset or liability and exposures arising from forecast transactions. Changes in the fair value of these instruments representing effective hedges are recognized directly in other comprehensive income until the hedged item is recognized in our consolidated income statement. For transactions that are not designated as hedges, any gains or losses arising from the changes in fair value are recognized directly to income for the period. Interest rate swap agreements were designated as cash flow hedges by PLDT and Smart as at December 31, 2015 and 2014.

As at December 31, 2015 and 2014, we have taken into account the counterparties' credit risks (for derivative assets) and our own non-performance risk (for derivative liabilities) and have included a credit or debit valuation adjustment, as appropriate, by assessing the maximum credit exposure and taking into account market-based inputs which considers the risk of default occurring and corresponding losses once the default event occurs. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationships and other financial instruments recognized at fair value.

The table below sets out the information about our consolidated derivative financial instruments as at December 31, 2015 and 2014:

		2015		2014	
	Maturity	**Notional**	**Mark-to-market Gains (Losses)**	Notional	Mark-to-market Gains (Losses)
			(in millions)		
Transactions not designated as hedges:					
PLDT					
Forward foreign exchange contracts	2016	**US$22**	**Php6**	US$–	Php–
Long-term currency swaps	2017	**202**	**(655)**	202	(1,402)
Smart					
Forward foreign exchange contracts	2016	**13**	**4**	–	–
DMPI					
Interest rate swaps	2017	**19**	**(26)**	31	(69)
			(671)		(1,471)
Transactions designated as hedges:					
Cash flow hedges:					
PLDT					
Interest rate swaps	2017	**US$23**	**Php2**	US$–	Php–
	2018	**167**	**10**	93	9
	2020	**149**	**(133)**	150	(80)
	2022	**150**	**(95)**	–	–
Long-term currency swaps	2018	**90**	**18**	–	–
Smart					
Interest rate swaps	2016	**20**	**1**	47	(5)
	2017	**17**	**2**	28	(2)
	2018	**75**	**6**	105	(19)
	2019	**107**	**(19)**	115	(50)
	2020	**200**	**1**	–	–
Long-term currency swaps	2020	**100**	**7**	–	–
			(200)		(147)
Net liabilities			**(Php871)**		(Php1,618)

	2015	2014
	(in million pesos)	
Presented as:		
Noncurrent assets	**145**	94
Current assets	**26**	2
Noncurrent liabilities	**(736)**	(1,460)
Current liabilities	**(306)**	(254)
Net liabilities	**(871)**	(1,618)

Movements of our consolidated mark-to-market losses for the years ended December 31, 2015 and 2014 are summarized as follows:

	2015	2014
	(in million pesos)	
Net mark-to-market losses at beginning of the year	**(1,618)**	(1,940)
Gains on derivative financial instruments (Note 4)	**781**	208
Settlements, accretions and conversions	**320**	243
Net fair value gains (losses) on cash flow hedges charged to other comprehensive income	**5**	(94)
Effective portion recognized in the profit or loss for the cash flow hedges	**(359)**	(35)
Net mark-to-market losses at end of the year	**(871)**	(1,618)

Our consolidated analysis of gains (losses) on derivative financial instruments for the years ended December 31, 2015 and 2014 are as follows:

	2015	2014	2013
		(in million pesos)	
Gains on derivative financial instruments (Note 4)	**781**	208	816
Hedge costs	**(361)**	(309)	(305)
Net gains (losses) on derivative financial instruments	**420**	(101)	511

PLDT

Due to the amounts of PLDT's foreign currency hedging requirements and the large interest differential between the Philippine peso and the U.S. dollar, the costs to book long-term hedges can be significant. In order to manage such hedging costs, PLDT utilizes structures that include currency option contracts, and fixed-to-floating coupon-only swaps that may not qualify for hedge accounting.

Forward Foreign Exchange Contracts

On various dates from September to December 2015, PLDT entered into short-term U.S. dollar forward foreign exchange purchase contracts to hedge U.S. dollar liabilities. The total forward foreign exchange purchase contracts amounted to US$22 million with U.S. dollar forward purchase average exchange rate of Php46.97 resulting to total mark-to-market gains of Php5.7 million as at December 31, 2015. There were no outstanding forward foreign exchange contracts as at December 31, 2014.

Long-term Currency Swaps

PLDT has entered into a long-term principal only-currency swap agreements with various foreign counterparties to hedge the currency risk on its fixed rate notes maturing in 2017. Under the swaps, PLDT effectively exchanges the principal of its U.S. dollar-denominated fixed rate notes into Philippine peso-denominated loan exposures at agreed swap exchange rates. The outstanding swap contracts have an agreed average swap exchange rates of Php49.85 for the years ended December 31, 2015 and 2014. The semi-annual fixed swap cost payments that PLDT is required to make to its counterparties averaged about 3.42% per annum for the years ended December 31, 2015 and 2014.

On various dates from August to November 2012, the long-term principal only-currency swap agreements maturing in 2017 were partially terminated, with a total aggregate settlement of Php256 million. As a result of these unwinding transactions, the total notional amount of US$300 million of the long-term currency swaps that we entered to hedge the 2017 fixed rate notes was reduced to US$202 million with mark-to-market losses of Php655 million and Php1,402 million as at December 31, 2015 and 2014, respectively. See *Note 21 – Interest-bearing Financial Liabilities – Long-term Debt*.

On various dates from October to December 2015, PLDT entered into long-term principal only-currency swap agreements with various counterparties to hedge the currency risk on a portion of its floating rate loan maturing in 2018. The total notional amount of the currency swaps was at US$90 million. Under the swaps, PLDT effectively exchanges the principal of its U.S. dollar-denominated fixed rate notes into Philippine peso-denominated loan exposures at agreed swap exchange rates. The swap contracts have an agreed average swap exchange rates of Php46.72. The semi-annual fixed swap cost payments that PLDT is required to make to its counterparties averaged about 2.26% per annum. The outstanding notional amounts under these agreements amounted to US$90 million with mark-to-market gains of Php17.7 million as at December 31, 2015. See *Note 21 – Interest-bearing Financial Liabilities – Long-term Debt*.

The long-term principal only-currency swap agreements entered into in 2015 were designated as cash flow hedges, wherein effective portion of the movements in the fair value is recognized in our consolidated other comprehensive income, while any ineffective portion is recognized immediately in our consolidated income statement. The mark-to-market gains of the long-term principal only-currency swap with aggregate outstanding notional amount of US$90 million amounted to Php17.7 million and were recognized in our consolidated other comprehensive income as at December 31, 2015. There were no ineffective portion of the movements in the fair value for the twelve months ended December 31, 2015.

Interest Rate Swaps

On various dates in 2013 and 2015, PLDT entered into five-year and three-year interest rate swap agreements with a total notional amount of US$240 million to hedge its interest rate exposure on a portion of the outstanding balance of the US$300 million Loan Facility maturing in January 2018 into fixed interest rate. Under these agreements, PLDT is entitled to receive a floating rate of equivalent to the three-month US$ LIBOR rate plus a margin at the end of each Calculation Period (comprising of successive periods of six months commencing on the applicable interest payment date) and in exchange, will pay a weighted average fixed rate of 2.17%. The outstanding notional amounts under these agreements amounted to US$167 million and US$93 million with mark-to-market gains of Php10 million and Php9 million as at December 31, 2015 and 2014, respectively. See *Note 21 – Interest-bearing Financial Liabilities – Long-term Debt*.

In August 2014, PLDT entered into six-year interest rate swap agreements with a total notional amount of US$100 million to hedge its interest rate exposure on the outstanding balance of the US$100 million Loan Facility maturing in August 2020 into fixed interest rate. Under these agreements, PLDT is entitled to receive a floating rate of equivalent to the three-month US$ LIBOR rate plus a margin at the end of each Calculation Period (comprising of successive periods of three months commencing on November 12, 2014) and in exchange, will pay a weighted average fixed rate of 3.46%. The outstanding notional amounts under these agreements amounted to US$99 million and US$100 million with mark-to-market losses of Php86 million and Php50 million as at December 31, 2015 and 2014, respectively. See *Note 21 – Interest-bearing Financial Liabilities – Long-term Debt*.

In September 2014, PLDT entered into a six-year interest rate swap agreements with a total notional amount of US$50 million to hedge its interest rate exposure on the outstanding balance of the US$50 million Loan Facility maturing in September 2020 into fixed interest rate. Under these agreements, PLDT is entitled to receive a floating rate of equivalent to the three-month US$ LIBOR rate plus a margin at the end of each Calculation Period (comprising of successive periods of three months commencing on December 2, 2014) and in exchange, will pay a weighted average fixed rate of 3.47%. The outstanding notional amounts under these agreements amounted to US$50 million each with mark-to-market losses of Php47 million and Php30 million as at December 31, 2015 and 2014, respectively. See *Note 21 – Interest-bearing Financial Liabilities – Long-term Debt*.

On January 23, 2015, PLDT entered into a two-year interest rate swap agreement with a total notional amount of US$30 million to hedge its interest rate exposure on a portion of the outstanding balance of the US$150 million Loan Facility maturing in March 2017 into fixed interest rate. Under this agreement, PLDT is entitled to receive a floating rate of equivalent to the three-month US$ LIBOR rate plus a margin at the end of each Calculation Period (comprising of successive periods of three months commencing on March 10, 2015) and in exchange, will pay a fixed rate of 2.11%. The outstanding notional amount under this agreement amounted to US$23 million with mark-to-market gain of Php2 million as at December 31, 2015. See *Note 21 – Interest-bearing Financial Liabilities – Long-term Debt*.

In April and June 2015, PLDT entered into seven-year interest rate swap agreements with a total notional amount of US$150 million to hedge its interest rate exposure on a portion of the outstanding balance of the US$200 million Loan Facility maturing in February 2022 into fixed interest rate. Under these agreements, PLDT is entitled to receive a floating rate of equivalent to the six-month US$ LIBOR rate plus a margin at the end of each Calculation Period (comprising of successive periods of six months commencing on the applicable interest payment date) and in exchange will pay a weighted average fixed rate of 2.70%. The outstanding notional amounts under these agreements amounted to US$150 million with mark-to-market loss of Php95 million as at December 31, 2015. See *Note 21 – Interest-bearing Financial Liabilities – Long-term Debt*.

The interest rate swap agreements outstanding as at December 31, 2015 and 2014 were designated as cash flow hedges, wherein effective portion of the movements in the fair value is recognized in our consolidated other comprehensive income while any ineffective portion is recognized immediately in our consolidated income statement. The mark-to-market gains/losses of the interest rate swaps with aggregate outstanding notional amounts of US$489 million and US$243 million amounted to losses of Php216 million and Php71 million as at December 31, 2015 and 2014, respectively. The mark-to-market losses amounting to Php172 million and Php51 million were recognized in our consolidated other comprehensive income as at December 31, 2015 and 2014, respectively. Interest accrual on the interest rate swaps amounting to Php44 million and Php20 million were recorded as at December 31, 2015 and 2014, respectively. The ineffective portion of the movements in the fair value amounting to Php0.2 million each were recognized in our consolidated income statements for the twelve months ended December 31, 2015 and 2014, respectively.

Smart

Long-term Currency Swaps

On various dates in 2015, Smart entered into long-term principal only-currency swap agreements with various counterparties to hedge the currency risk on a portion of its fixed rate loan maturing in 2020. The total notional amount of the currency swaps was at US$100 million. Under the swaps, Smart effectively exchanges the principal of its U.S. dollar-denominated fixed rate loan into Philippine peso-denominated loan exposures at agreed swap exchange rates. The swap contracts have an agreed average swap exchange rates of Php46.659. The semi-annual fixed swap cost payments that Smart is required to make to its counterparties averaged about 2.21% per annum. The outstanding notional amount under these agreements amounted to US$100 million with mark-to-market gains of Php7 million as at December 31, 2015. See *Note 21 – Interest-bearing Financial Liabilities – Long-term Debt*.

The long-term principal only-currency swap agreements outstanding as at December 31, 2015 were designated as cash flow hedges, wherein the effective portion of the movements in fair value is recognized in our consolidated other comprehensive income, while any ineffective portion is recognized immediately in our consolidated income statement. The mark-to-market gains of the long-term principal only-currency swap with aggregate notional amount of US$100 million amounted to Php7 million and were recognized in our consolidated other comprehensive income as at December 31, 2015. There were no ineffective portions of the movements in the fair value instruments that were recognized in our consolidated income statements for the twelve months ended December 31, 2015.

Forward Foreign Exchange Contracts

In March 2015, Smart entered into short-term U.S. dollar forward foreign exchange sale contracts with a total notional amount of US$29 million as at March 31, 2015 to hedge the loan proceeds from the partial drawdown of the US$200 million Mizuho Facility with average exchange rate of Php44.801. The mark-to-market gains recognized in the profit or loss were Php1 million as at March 31, 2015. In April 2015, all outstanding forward foreign exchange sale contracts matured and the proceeds of which amounted to Php1,299 million.

In May 2015, Smart entered into short-term U.S. dollar forward foreign exchange sale contracts with a total notional amount of US$18 million as at June 30, 2015 to hedge the loan proceeds from the partial drawdown of the US$200 million Mizuho Facility with average exchange rate of Php44.891. The mark-to-market losses recognized in the profit or loss were Php5 million as at June 30, 2015. In July 2015, all outstanding forward foreign exchange sale contracts matured and the proceeds of which amounted to Php786 million.

On various dates in 2015, Smart entered into short-term U.S. dollar forward foreign exchange purchase contracts with a total notional amount of US$43 million to hedge its outstanding U.S. dollar liabilities for the year with average exchange rate of Php46.947. The outstanding notional amounts under these contracts amounted to US$13 million with mark-to-market gains of Php4 million as at December 31, 2015. There were no outstanding forward foreign exchange contracts as at December 31, 2014.

In January 2016, Smart entered into short-term U.S. dollar forward foreign exchange purchase contracts with a total notional amount of US$3 million to hedge its outstanding U.S. dollar liabilities for the year with average exchange rate of Php47.33.

Interest Rate Swaps

On May 8, 2013, Smart entered into a three-year interest rate swap agreement with a total notional amount of US$45 million to hedge its interest rate exposure on the outstanding balance of the US$60 million Loan Facility maturing in June 2016 into fixed interest rate. Under this agreement, Smart is entitled to receive a floating rate of equivalent to the six-month US$ LIBOR rate plus a margin at the end of each Calculation Period (comprising of successive periods of six months commencing on December 6, 2013) and in exchange, will pay a fixed rate of 1.53%. The outstanding notional amounts under this agreement amounted to US$7 million and US$22 million with mark-to-market gain of Php244 thousand and mark-to-market loss of Php2 million as at December 31, 2015 and 2014, respectively. See *Note 21 – Interest-bearing Financial Liabilities – Long-term Debt*.

On May 9, 2013, Smart entered into a three-year interest rate swap agreement with a total notional amount of US$38 million to hedge its interest rate exposure on the outstanding balance of the US$50 million Loan Facility maturing in August 2016 into fixed interest rate. Under this agreement, Smart is entitled to receive a floating rate of equivalent to the six-month US$ LIBOR rate plus a margin at the end of each Calculation Period (comprising of successive periods of six months commencing on February 19, 2014) and in exchange, will pay a fixed rate of 1.43%. The outstanding notional amounts under this agreement amounted to US$13 million and US$25 million with mark-to-market gain of Php474 thousand and mark-to-market loss of Php3 million as at December 31, 2015 and 2014, respectively. See *Note 21 – Interest-bearing Financial Liabilities – Long-term Debt*.

On May 16, 2013, Smart entered into a four-year interest rate swap agreement with a total notional amount of US$44 million to hedge its interest rate exposure on the outstanding balance of the US$50 million Loan Facility maturing in May 2017 into fixed interest rate. Under this agreement, Smart is entitled to receive a floating rate of equivalent to the six-month US$ LIBOR rate plus a margin at the end of each Calculation Period (comprising of successive periods of six months commencing on November 29, 2013) and in exchange, will pay a fixed rate of 1.77%. The outstanding notional amounts under this agreement amounted to US$17 million and US$28 million with mark-to-market gain of Php2 million and mark-to-market loss of Php2 million as at December 31, 2015 and 2014, respectively. See *Note 21 – Interest-bearing Financial Liabilities – Long-term Debt*.

On various dates in 2013 and 2014, Smart entered into three-to-five-year interest rate swap agreements with a total notional amount of US$110 million to hedge its interest rate exposure on a portion of the outstanding balance of the US$120 million Loan Facility maturing in June 2018 into fixed interest rate. Under these agreements, Smart is entitled to receive a floating rate of equivalent to the six-month US$ LIBOR rate plus a margin at the end of each Calculation Period (comprising of successive periods of six months commencing on the applicable interest payment date) and in exchange, will pay a weighted average fixed rate of 2.22%. The outstanding notional amounts under these agreements amounted to US$75 million and US$105 million with mark-to-market gains of Php6 million and mark-to-market losses of Php19 million as at December 31, 2015 and 2014, respectively. See *Note 21 – Interest-bearing Financial Liabilities – Long-term Debt*.

On various dates in 2014 and 2015, Smart entered into four-to-five-year interest rate swap agreements with a total notional amount of US$85 million to hedge its interest rate exposure on a portion of the outstanding balance of the US$100 million Loan Facility maturing in March 2019 into fixed interest rate. Under these agreements, Smart is entitled to receive a floating rate of equivalent to the six-month US$ LIBOR rate plus a margin at the end of each Calculation Period (comprising of successive periods of six months commencing on the applicable interest payment date) and in exchange, will pay a weighted average fixed rate of 2.23%. The outstanding notional amounts under these agreements amounted to US$68 million and US$65 million with mark-to-market losses of Php9 million and Php27 million as at December 31, 2015 and 2014, respectively. See *Note 21 – Interest-bearing Financial Liabilities – Long-term Debt*.

On October 2, 2014, Smart entered into a four-year interest rate swap agreement with a total notional amount of US$50 million to hedge its interest rate exposure on the US$50 million Loan Facility maturing in May 2019 into fixed interest rate. Under this agreement, Smart is entitled to receive a floating rate of equivalent to the six-month US$ LIBOR rate plus a margin at the end of each Calculation Period (comprising of successive periods of six months commencing on May 14, 2015) and in exchange, will pay a fixed rate of 2.58%. The outstanding notional amounts under this agreement amounted to US$39 million and US$50 million with mark-to-market losses of Php10 million and Php23 million as at December 31, 2015 and 2014, respectively. See *Note 21 – Interest-bearing Financial Liabilities – Long-term Debt*.

On various dates in 2015, Smart entered into five-year interest rate swap agreements with a total notional amount of US$200 million to hedge its interest rate exposure on the US$200 million Loan Facility maturing in March 2020 into fixed interest rate. Under these agreements, Smart is entitled to receive a floating rate of equivalent to the six-month US$ LIBOR rate plus a margin at the end of each Calculation Period (comprising of successive periods of six months commencing on the applicable interest payment date) and in exchange, will pay a weighted average fixed rate of 2.10%. The outstanding notional amount under these agreements amounted to US$200 million with mark-to-market gains of Php323 thousand as at December 31, 2015. See *Note 21 – Interest-bearing Financial Liabilities – Long-term Debt*.

The interest rate swap agreements outstanding as at December 31, 2015 and 2014 were designated as cash flow hedges, wherein the effective portion of the movements in fair value is recognized in our consolidated other comprehensive income while any ineffective portion is recognized immediately in our consolidated income statement. The mark-to-market losses of the interest rate swaps with aggregate notional amounts of US$419 million and US$295 million amounted to Php10 million and Php76 million as at December 31, 2015 and 2014, respectively. The mark-to-market gains amounting to Php14 million and mark-to-market losses amounting to Php66 million were recognized in our consolidated other comprehensive income as at December 31, 2015 and 2014, respectively. Interest accrual on the interest rate swaps amounting to Php24 million and Php10 million were recognized as at December 31, 2015 and 2014, respectively. There were no ineffective portions of the movements in the fair value instruments that were recognized in our consolidated income statements for the twelve months ended December 31, 2015 and 2014.

In February 2016, Smart entered into five-year interest rate swap agreements with a total notional amount of US$30 million to hedge its interest rate exposure on the US$100 million Loan Facility maturing in December 2022 into fixed interest rate. Under these agreements, Smart is entitled to receive a floating rate of equivalent to the six-month US$ LIBOR rate plus a margin at the end of each Calculation Period (comprising of successive periods of six months commencing on June 7, 2017) and in exchange, will pay a weighted average fixed rate of 2.03%. See *Note 21 – Interest-bearing Financial Liabilities – Long-term Debt*.

DMPI

On October 7, 2008, DMPI entered into an eight-year interest rate swap agreement with a total notional amount of US$54.1 million to hedge its interest rate exposure on the US$59.2 million Loan Facility maturing in March 2017 into fixed interest rate. Under this agreement, DMPI is entitled to receive a floating rate of equivalent to the US$ LIBOR rate as at the last Calculation Date and in exchange, will pay a fixed rate of 3.88%. The outstanding notional amounts under this agreement amounted to US$10 million and US$17 million with mark-to-market losses of the interest rate swap of Php14 million and Php37 million as at December 31, 2015 and 2014, respectively. See *Note 21 – Interest-bearing Financial Liabilities – Long-term Debt.*

On October 7, 2008, DMPI entered into an eight-year interest rate swap agreement with a total notional amount of US$46.5 million to hedge its interest rate exposure on the US$51.2 million Loan Facility maturing in June 2017 into fixed interest rate. Under this agreement, DMPI is entitled to receive a floating rate of equivalent to the US$ LIBOR rate as at the last Calculation Date and in exchange, will pay a fixed rate of 3.97%. The outstanding notional amounts under this agreement amounted to US$9 million and US$14 million with mark-to-market losses of the interest rate swap of Php12 million and Php32 million as at December 31, 2015 and 2014, respectively. See *Note 21 – Interest-bearing Financial Liabilities – Long-term Debt.*

The mark-to-market losses of the interest rate swaps with aggregate notional amounts of US$19 million and US$31 million amounted to Php26 million and Php69 million as at December 31, 2015 and 2014, respectively.

Financial Risk Management Objectives and Policies

The main risks arising from our financial instruments are liquidity risk, foreign currency exchange risk, interest rate risk and credit risk. The importance of managing those risks has significantly increased in light of the considerable change and volatility in both the Philippine and international financial markets. Our Board of Directors reviews and approves policies for managing each of these risks. Our policies for managing these risks are summarized below. We also monitor the market price risk arising from all financial instruments.

Liquidity Risk

Our exposure to liquidity risk refers to the risk that our financial requirements, working capital requirements and planned capital expenditures are not met.

We manage our liquidity profile to be able to finance our operations and capital expenditures, service our maturing debts and meet our other financial obligations. To cover our financing requirements, we use internally generated funds and proceeds from debt and equity issues and sales of certain assets.

As part of our liquidity risk management program, we regularly evaluate our projected and actual cash flows, including our loan maturity profiles, and continuously assess conditions in the financial markets for opportunities to pursue fund-raising initiatives. These activities may include bank loans, export credit agency-guaranteed facilities, debt capital and equity market issues.

Any excess funds are primarily invested in short-term and principal-protected bank products that provide flexibility of withdrawing the funds anytime. We also allocate a portion of our cash in longer tenor investments such as fixed income securities issued or guaranteed by the Republic of the Philippines, and Philippine banks and corporates, managed funds and other structured products linked to the Republic of the Philippines. We regularly evaluate available financial products and monitor market conditions for opportunities to enhance yields at acceptable risk levels. Our investments are also subject to certain restrictions contained in our debt covenants. Our funding arrangements are designed to keep an appropriate balance between equity and debt and to provide financing flexibility while enhancing our businesses.

Our cash position remains sufficient to support our planned capital expenditure requirements and service our debt and financing obligations; however, we may be required to finance a portion of our future capital expenditures from external financing sources. We have cash and cash equivalents, and short-term investments amounting to Php46,455 million and Php1,429 million, respectively, as at December 31, 2015, which we can use to meet our short-term liquidity needs. See *Note 16 – Cash and Cash Equivalents.*

The following table discloses a summary of maturity profile of our financial assets based on our consolidated undiscounted claims outstanding as at December 31, 2015 and 2014:

	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
			(in million pesos)		
December 31, 2015					
Loans and receivables:	***91,978***	***88,602***	***2,697***	***516***	***163***
Advances and other noncurrent assets	**10,717**	**7,936**	**2,102**	**516**	**163**
Cash equivalents	**39,103**	**39,103**	–	–	–
Short-term investments	**744**	**744**	–	–	–
Investment in debt securities and other long-term investments	**595**	–	**595**	–	
Retail subscribers	**19,750**	**19,750**	–	–	–
Corporate subscribers	**9,263**	**9,263**	–	–	–
Foreign administrations	**5,514**	**5,514**	–	–	–
Domestic carriers	**540**	**540**	–	–	–
Dealers, agents and others	**5,752**	**5,752**	–	–	–
HTM investments:	***408***	***51***	***207***	***150***	–
Investment in debt securities and other long-term investments	**408**	**51**	**207**	**150**	–
Financial instruments at FVPL:	***685***	***685***	–	–	–
Short-term investments	**685**	**685**	–	–	–
Available-for-sale financial investments	***15,711***	–	–	–	***15,711***
Total	**108,782**	**89,338**	**2,904**	**666**	**15,874**
December 31, 2014					
Loans and receivables:	*76,041*	*72,536*	*1,303*	*1,086*	*1,116*
Advances and other noncurrent assets	10,912	7,953	1,070	773	1,116
Cash equivalents	19,843	19,843	–	–	–
Short-term investments	18	18	–	–	–
Investment in debt securities and other long-term investments	546	–	233	313	–
Retail subscribers	17,053	17,053	–	–	–
Foreign administrations	8,420	8,420	–	–	–
Corporate subscribers	7,941	7,941	–	–	–
Domestic carriers	823	823	–	–	–
Dealers, agents and others	10,485	10,485	–	–	–
HTM investments:	*709*	*295*	*264*	–	*150*
Investment in debt securities and other long-term investments	709	295	264	–	150
Financial instruments at FVPL:	*625*	*625*	–	–	–
Short-term investments	625	625	–	–	–
Available-for-sale financial investments	*28,086*	–	–	–	*28,086*
Total	**105,461**	**73,456**	**1,567**	**1,086**	**29,352**

The following table discloses a summary of maturity profile of our financial liabilities based on our consolidated contractual undiscounted obligations outstanding as at December 31, 2015 and 2014:

	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	(in million pesos)				
December 31, 2015					
Debt[1]:	***195,603***	***1,716***	***78,007***	***41,890***	***73,990***
Principal	**161,568**	**1,411**	**61,847**	**34,355**	**63,955**
Interest	**34,035**	**305**	**16,160**	**7,535**	**10,035**
Lease obligations:	***17,920***	***10,161***	***3,640***	***2,003***	***2,116***
Operating lease	**17,919**	**10,160**	**3,640**	**2,003**	**2,116**
Finance lease	**1**	**1**	**–**	**–**	**–**
Unconditional purchase obligations[2]	***150***	***27***	***47***	***47***	***29***
Other obligations:	***139,148***	***110,874***	***23,378***	***3,012***	***1,884***
Derivative financial liabilities[3]:	**6,067**	**10**	**6,050**	**7**	**–**
Long-term currency swap	**5,670**	**–**	**5,670**	**–**	**–**
Interest rate swap	**397**	**10**	**380**	**7**	**–**
Various trade and other obligations:	**133,081**	**110,864**	**17,328**	**3,005**	**1,884**
Suppliers and contractors	**66,229**	**46,487**	**16,788**	**2,954**	**–**
Utilities and related expenses	**38,155**	**38,155**	**–**	**–**	**–**
Liability from redemption of preferred shares	**7,906**	**7,906**	**–**	**–**	**–**
Employee benefits	**6,262**	**6,262**	**–**	**–**	**–**
Carriers and other customers	**3,014**	**3,014**	**–**	**–**	**–**
Customers' deposits	**2,430**	**–**	**495**	**51**	**1,884**
Dividends	**1,461**	**1,461**	**–**	**–**	**–**
Others	**7,624**	**7,579**	**45**	**–**	**–**
Total contractual obligations	**352,821**	**122,778**	**105,072**	**46,952**	**78,019**
December 31, 2014					
Debt[1]:	*157,607*	*575*	*71,798*	*27,100*	*58,134*
Principal	130,634	377	57,918	21,107	51,232
Interest	26,973	198	13,880	5,993	6,902
Lease obligations:	*18,190*	*9,446*	*4,302*	*2,132*	*2,310*
Operating lease	18,184	9,446	4,296	2,132	2,310
Finance lease	6	–	6	–	–
Unconditional purchase obligations[2]	*211*	*72*	*45*	*45*	*49*
Other obligations:	*122,486*	*98,452*	*17,073*	*5,160*	*1,801*
Derivative financial liabilities[3]:	2,057	131	1,926	–	–
Long-term currency swap	1,712	–	1,712	–	–
Interest rate swap	345	131	214	–	–
Various trade and other obligations:	120,429	98,321	15,147	5,160	1,801
Suppliers and contractors	55,288	35,857	14,356	5,075	–
Utilities and related expenses	35,049	35,021	6	5	17
Employee benefits	8,234	8,234	–	–	–
Liability from redemption of preferred shares	7,922	7,922	–	–	–
Carriers and other customers	2,799	2,799	–	–	–
Customers' deposits	2,438	–	574	80	1,784
Dividends	1,070	1,070	–	–	–
Others	7,629	7,418	211	–	–
Total contractual obligations	**298,494**	**108,545**	**93,218**	**34,437**	**62,294**

(1) *Consists of long-term debt, including current portion; gross of unamortized debt discount and debt issuance costs.*
(2) *Based on the Amended ATPA with AIL. See Note 25 – Related Party Transactions – Air Time Purchase Agreement between PLDT and AIL Related Party Agreements.*
(3) *Gross liabilities before any offsetting application.*

Debt

See *Note 21 – Interest-bearing Financial Liabilities – Long-term Debt* for a detailed discussion of our debt.

Operating Lease Obligations

The PLDT Group has various lease contracts for periods ranging from one to ten years covering certain offices, warehouses, cell sites telecommunications equipment locations and various office equipment. These lease contracts are subject to certain escalation clauses.

The consolidated future minimum lease commitments payable with non-cancellable operating leases as at December 31, 2015 and 2014 are as follows:

	2015	2014
	(in million pesos)	
Within one year	**10,318**	9,570
After one year but not more than five years	**5,485**	6,304
More than five years	**2,116**	2,310
Total	**17,919**	18,184

Finance Lease Obligations

See *Note 21 – Interest-bearing Financial Liabilities – Obligations under Finance Leases* for the detailed discussion of our long-term finance lease obligations.

Unconditional Purchase Obligations

See *Note 25 – Related Party Transactions – Air Time Purchase Agreement between PLDT and AIL Related Agreements* for a detailed discussion of PLDT's obligation under the Original and the Amended ATPA.

Under the Amended ATPA, PLDT's aggregate remaining minimum obligation is approximately Php150 million and Php211 million as at December 31, 2015 and 2014, respectively.

Other Obligations – Various Trade and Other Obligations

PLDT Group has various obligations to suppliers for the acquisition of phone and network equipment, contractors for services rendered on various projects, foreign administrations and domestic carriers for the access charges, shareholders for unpaid dividends distributions, employees for benefits and other related obligations, and various business and operational related agreements. Total obligations under these various agreements amounted to approximately Php133,081 million and Php120,429 million as at December 31, 2015 and 2014, respectively. See *Note 23 – Accounts Payable*.

Commercial Commitments

Our outstanding consolidated commercial commitments, in the form of letters of credit, amounted to Php46 million and Php32 million as at December 31, 2015 and 2014, respectively. These commitments will expire within one year.

Collateral

We have not made any pledges as collateral with respect to our financial liabilities as at December 31, 2015 and 2014.

Foreign Currency Exchange Risk

Foreign currency exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The revaluation of our foreign currency-denominated financial assets and liabilities as a result of the appreciation or depreciation of the Philippine peso is recognized as foreign exchange gains or losses as at the end of the reporting period. The extent of foreign exchange gains or losses is largely dependent on the amount of foreign currency debt. While a certain percentage of our revenues are either linked to or denominated in U.S. dollars, a substantial portion of our indebtedness and related interest expense, a substantial portion of our capital expenditures and a portion of our operating expenses are denominated in foreign currencies, mostly in U.S. dollars. As such, a strengthening or weakening of the Philippine peso against the U.S. dollar will decrease or increase in Philippine peso terms both the principal amount of our foreign currency-denominated debts and the related interest expense, our foreign currency-denominated capital expenditures and operating expenses as well as our U.S. dollar-linked and U.S. dollar-denominated revenues. In addition, many of our financial ratios and other financial tests are affected by the movements in the Philippine peso to U.S. dollar exchange rate.

To manage our foreign exchange risks and to stabilize our cash flows in order to improve investment and cash flow planning, we enter into forward foreign exchange contracts, currency swap contracts, currency option contracts and other hedging products aimed at reducing and/or managing the adverse impact of changes in foreign exchange rates on our operating results and cash flows. We use forward foreign exchange sale and purchase contracts, currency swap contracts and foreign currency option contracts to manage the foreign currency risks associated with our foreign currency-denominated loans. We also enter into forward foreign exchange sale contracts to manage foreign currency risks associated with our U.S. dollar-linked and U.S. dollar-denominated revenues. We accounted for these instruments as either cash flow hedges, wherein changes in the fair value are recognized in our consolidated other comprehensive income until the hedged transaction affects our consolidated income statement or transactions not designated as hedges, wherein changes in the fair value are recognized directly as income or expense for the period.

The following table shows our consolidated foreign currency-denominated monetary financial assets and liabilities and their Philippine peso equivalents as at December 31, 2015 and 2014:

	2015		2014	
	U.S. Dollar	**Php[(1)]**	U.S. Dollar	Php[(2)]
	(in millions)			
Noncurrent Financial Assets				
Investment in debt securities and other long-term investments	**26**	**1,206**	7	313
Derivative financial assets – net of current portion	**3**	**145**	2	94
Advances and other noncurrent assets – net of current portion	**–**	**16**	–	17
Total noncurrent financial assets	**29**	**1,367**	9	424
Current Financial Assets				
Cash and cash equivalents	**379**	**17,874**	149	6,665
Short-term investments	**24**	**1,156**	14	625
Trade and other receivables – net	**142**	**6,690**	210	9,414
Current portion of derivative financial assets	**1**	**26**	–	2
Current portion of advances and other noncurrent assets	**–**	**19**	–	10
Total current financial assets	**546**	**25,765**	373	16,716
Total Financial Assets	**575**	**27,132**	382	17,140
Noncurrent Financial Liabilities				
Interest-bearing financial liabilities – net of current portion	**1,104**	**52,040**	1,046	46,812
Derivative financial liabilities – net of current portion	**16**	**736**	33	1,460
Other noncurrent liabilities	**–**	**6**	–	–
Total noncurrent financial liabilities	**1,120**	**52,782**	1,079	48,272
Current Financial Liabilities				
Accounts payable	**99**	**4,685**	121	5,438
Accrued expenses and other current liabilities	**153**	**7,216**	153	6,856
Current portion of interest-bearing financial liabilities	**341**	**16,058**	316	14,124
Current portion of derivative financial liabilities	**7**	**306**	6	254
Total current financial liabilities	**600**	**28,265**	596	26,672
Total Financial Liabilities	**1,720**	**81,047**	1,675	74,944

(1) *The exchange rate used to convert the U.S. dollar amounts into Philippine peso was Php47.12 to US$1.00, the Philippine peso-U.S. dollar exchange rate as quoted through the Philippine Dealing System as at December 31, 2015.*

(2) *The exchange rate used to convert the U.S. dollar amounts into Philippine peso was Php44.74 to US$1.00, the Philippine peso-U.S. dollar exchange rate as quoted through the Philippine Dealing System as at December 31, 2014.*

As at February 26, 2016, the Philippine peso-U.S. dollar exchange rate was Php47.56 to US$1.00. Using this exchange rate, our consolidated net foreign currency-denominated financial liabilities would have increased in Philippine peso terms by Php504 million as at December 31, 2015.

Approximately 42% and 47% of our total consolidated debts (net of consolidated debt discount) were denominated in U.S. dollars as at December 31, 2015 and 2014, respectively. Consolidated foreign currency-denominated debt increased to Php67,620 million as at December 31, 2015 from Php60,632 million as at December 31, 2014. See *Note 21 – Interest-bearing Financial Liabilities*. The aggregate notional amount of PLDT's outstanding long-term principal only-currency swap contracts were US$392 million and US$202 million as at December 31, 2015 and 2014, respectively. Consequently, the unhedged portion of our consolidated debt amounts was approximately 30% (or 17%, net of our consolidated U.S. dollar cash balances) and 40% (or 34%, net of our consolidated U.S. dollar cash balances) as at December 31, 2015 and 2014, respectively.

Approximately, 18% of our consolidated service revenues were denominated in U.S. dollars and/or were linked to U.S. dollars for the year ended December 31, 2015 as compared with approximately 20% and 21% for the years ended December 31, 2014 and 2013, respectively. Approximately, 9% of our consolidated expenses were denominated in U.S. dollars and/or linked to the U.S. dollar for the year ended December 31, 2015 as compared with approximately 10% and 11% for the years ended December 31, 2014 and 2013, respectively. In this respect, the higher weighted average exchange rate of the Philippine peso against the U.S. dollar increased our revenues and expenses, and consequently, affects our cash flow from operations in Philippine peso terms. In view of the anticipated continued decline in dollar-denominated/dollar-linked revenues, which provide a natural hedge against our foreign currency exposure, we are progressively refinancing our dollar-denominated debt in Philippine pesos.

The Philippine peso depreciated by 5.32% against the U.S. dollar to Php47.12 to US$1.00 as at December 31, 2015 from Php44.74 to US$1.00 as at December 31, 2014. As at December 31, 2014, the Philippine peso depreciated by 0.77% against the U.S. dollar to Php44.74 to US$1.00 from Php44.40 to US$1.00 as at December 31, 2013. As a result of our consolidated foreign exchange movements, as well as the amount of our consolidated outstanding net foreign currency financial assets and liabilities, we recognized net consolidated foreign exchange losses of Php3,036 million, Php382 million and Php2,893 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Management conducted a survey among our banks to determine the outlook of the Philippine peso-U.S. dollar exchange rate until March 31, 2016. Our outlook is that the Philippine peso-U.S. dollar exchange rate may weaken/strengthen by 1.87% as compared to the exchange rate of Php47.12 to US$1.00 as at December 31, 2015. If the Philippine peso-U.S. dollar exchange rate had weakened/strengthened by 1.87% as at December 31, 2015, with all other variables held constant, profit after tax for the year end 2015 would have been approximately Php570 million lower/higher and our consolidated stockholders' equity as at year end 2015 would have been approximately Php515 million lower/higher, mainly as a result of consolidated foreign exchange gains and losses on conversion of U.S. dollar-denominated net assets/liabilities and mark-to-market valuation of derivative financial instruments.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market interest rates.

Our exposure to the risk of changes in market interest rates relates primarily to our long-term debt obligations and short-term borrowings with floating interest rates.

Our policy is to manage interest cost through a mix of fixed and variable rate debts. We evaluate the fixed to floating ratio of our loans in line with movements of relevant interest rates in the financial markets. Based on our assessment, new financing will be priced either on a fixed or floating rate basis. On a limited basis, we enter into interest rate swap agreements in order to manage our exposure to interest rate fluctuations. We make use of hedging instruments and structures solely for reducing or managing financial risk associated with our liabilities and not for trading purposes.

The following tables set out the carrying amounts, by maturity, of our financial instruments that are expected to have exposure on interest rate risk as at December 31, 2015 and 2014. Financial instruments that are not subject to interest rate risk were not included in the table.

As at December 31, 2015

	In U.S. Dollars							Discount/ Debt Issuance Cost	Carrying Value	Fair Value	
	Below 1 year	1-2 years	2-3 years	3-5 years	Over 5 years	Total	In Php	In Php	In Php	In U.S. Dollar	In Php
									(in millions)		
Assets:											
Investment in Debt Securities and Other Long-term Investments											
U.S. Dollar	–	11	2	–	–	13	596	–	596	13	605
Interest rate	–	4.0000% to 10.0000%	3.5000%	–	–	–	–	–	–	–	–
Philippine Peso	–	5	–	3	–	8	407	–	407	9	418
Interest rate	–	4.2500%	–	4.8400%	–	–	–	–	–	–	–
Cash in Bank											
U.S. Dollar	35	–	–	–	–	35	1,651	–	1,651	35	1,651
Interest rate	0.0100% to 1.0000%	–	–	–	–	–	–	–	–	–	–
Philippine Peso	82	–	–	–	–	82	3,880	–	3,880	82	3,880
Interest rate	0.0010% to 2.0000%	–	–	–	–	–	–	–	–	–	–
Other Currencies	1	–	–	–	–	1	24	–	24	1	24
Interest rate	0.0100% to 0.5000%	–	–	–	–	–	–	–	–	–	–
Temporary Cash Investments											
U.S. Dollar	315	–	–	–	–	315	14,829	–	14,829	315	14,829
Interest rate	0.2500% to 4.7500%	–	–	–	–	–	–	–	–	–	–
Philippine Peso	515	–	–	–	–	515	24,274	–	24,274	515	24,274
Interest rate	0.2500% to 4.6875%	–	–	–	–	–	–	–	–	–	–
Short-term Investments											
U.S. Dollar	24	–	–	–	–	24	1,156	–	1,156	24	1,156
Interest rate	2.1622% to 3.9940%	–	–	–	–	–	–	–	–	–	–
Philippine Peso	6	–	–	–	–	6	273	–	273	6	273
Interest rate	1.5000%	–	–	–	–	–	–	–	–	–	–
	978	16	2	3	–	999	47,090	–	47,090	1,000	47,110
Liabilities:											
Long-term Debt											
Fixed Rate											
U.S. Dollar Notes	–	228	–	–	–	228	10,761	29	10,732	247	11,617
Interest rate	–	8.3500%	–	–	–	–	–	–	–	–	–
U.S. Dollar Fixed Loans	5	51	42	17	11	126	5,945	41	5,904	134	6,298
Interest rate	1.9000%	1.4100% to 3.9550%	1.4100% to 3.9550%	1.4100% to 3.9550%	2.8850%	–	–	–	–	–	–
Philippine Peso	–	205	21	337	1,243	1,806	85,100	171	84,929	1,803	84,965
Interest rate	–	4.4850% to 6.2600%	4.4850% to 6.2600%	4.4850% to 6.2600%	4.5500% to 6.2600%	–	–	–	–	–	–
Variable Rate											
U.S. Dollar	25	542	217	273	34	1,091	51,397	413	50,984	1,091	51,396
Interest rate	0.8500% to 1.0000% over LIBOR	0.3000% to 1.8000% over LIBOR	0.7900% to 1.8000% over LIBOR	0.7900% to 1.4500% over LIBOR	0.9500% over LIBOR	–	–	–	–	–	–
Philippine Peso	–	4	2	102	70	178	8,365	22	8,343	177	8,365
Interest rate	–	BSP overnight rate - 0.3500% to BSP overnight rate	BSP overnight rate - 0.3500% to BSP overnight rate	BSP overnight rate - 0.3500% to BSP overnight rate	BSP overnight rate - 0.3500% to BSP overnight rate	–	–	–	–	–	–
	30	1,030	282	729	1,358	3,429	161,568	676	160,892	3,452	162,641

As at December 31, 2014

	In U.S. Dollars									Fair Value	
	Below 1 year	1-2 years	2-3 years	3-5 years	Over 5 years	Total	In Php	Discount/ Debt Issuance Cost In Php	Carrying Value In Php	In U.S. Dollar	In Php
									(in millions)		
Assets:											
Investment in Debt Securities and Other Long-term Investments											
U.S. Dollar	–	–	5	7	–	12	546	–	546	12	558
Interest rate	–	–	10.0000%	3.5000 to 4.000%	–	–	–	–	–	–	–
Philippine Peso	7	1	5	–	3	16	709	–	709	16	706
Interest rate	2.9310%	4.2188%	4.2500%	–	4.8371%	–	–	–	–	–	–
Cash in Bank											
U.S. Dollar	23	–	–	–	–	23	1,044	–	1,044	23	1,044
Interest rate	0.0100% to 0.5000%	–	–	–	–	–	–	–	–	–	–
Philippine Peso	82	–	–	–	–	82	3,675	–	3,675	82	3,675
Interest rate	0.0010% to 1.5500%	–	–	–	–	–	–	–	–	–	–
Other Currencies	1	–	–	–	–	1	23	–	23	1	23
Interest rate	0.0100% to 0.5000%	–	–	–	–	–	–	–	–	–	–
Temporary Cash Investments											
U.S. Dollar	88	–	–	–	–	88	3,929	–	3,929	88	3,929
Interest rate	0.2500% to 1.5000%	–	–	–	–	–	–	–	–	–	–
Philippine Peso	356	–	–	–	–	356	15,914	–	15,914	356	15,914
Interest rate	0.5000% to 5.0000%	–	–	–	–	–	–	–	–	–	–
Short-term Investments											
U.S. Dollar	14	–	–	–	–	14	625	–	625	14	625
Interest rate	4.9570%	–	–	–	–	–	–	–	–	–	–
Philippine Peso	–	–	–	–	–	–	18	–	18	–	18
Interest rate	1.3750%	–	–	–	–	–	–	–	–	–	–
	571	**1**	**10**	**7**	**3**	**592**	**26,483**	**–**	**26,483**	**592**	**26,492**
Liabilities:											
Long-term Debt											
Fixed Rate											
U.S. Dollar Notes	–	–	228	–	–	228	10,218	48	10,170	263	11,738
Interest rate	–	–	8.3500%	–	–	–	–	–	–	–	–
U.S. Dollar Fixed Loans	5	61	26	20	–	112	4,998	74	4,924	111	4,972
Interest rate	2.9900%	1.4100% to 3.9550%	1.4100% to 3.9550%	1.4100% to 3.9550%	–	–	–	–	–	–	–
Philippine Peso	–	31	184	331	823	1,369	61,240	173	61,067	1,403	62,780
Interest rate	–	3.9250% to 6.2600%	3.9250% to 6.3462%	3.9250% to 6.3462%	4.4850% to 6.3462%	–	–	–	–	–	–
Variable Rate											
U.S. Dollar	4	546	213	116	143	1,022	45,728	190	45,538	1,022	45,728
Interest rate	0.3500% to 0.5500% over LIBOR	0.3000% to 1.9000% over LIBOR	0.3000% to 1.9000% over LIBOR	0.9500% to 1.8000% over LIBOR	1.4000% to 1.4500% over LIBOR	–	–	–	–	–	–
Philippine Peso	–	4	2	4	179	189	8,450	26	8,424	189	8,450
Interest rate	–	BSP overnight rate - 0.3500% to BSP overnight rate	BSP overnight rate - 0.3500% to BSP overnight rate	BSP overnight rate - 0.3500% to BSP overnight rate	BSP overnight rate - 0.3500% to BSP overnight rate	–	–	–	–	–	–
	9	**642**	**653**	**471**	**1,145**	**2,920**	**130,634**	**511**	**130,123**	**2,988**	**133,668**

Fixed rate financial instruments are subject to fair value interest rate risk while floating rate financial instruments are subject to cash flow interest rate risk.

Repricing of floating rate financial instruments is mostly done on intervals of three months or six months. Interest on fixed rate financial instruments is fixed until maturity of the particular instrument.

Management conducted a survey among our banks to determine the outlook of the U.S. dollar and Philippine peso interest rates until March 31, 2016. Our outlook is that the U.S. dollar and Philippine peso interest rates may move 10 basis points, or bps, and 18 bps higher/lower, respectively, as compared to levels as at December 31, 2015. If U.S. dollar interest rates had been 10 bps higher/lower as compared to market levels as at December 31, 2015, with all other variables held constant, profit after tax for the year end 2015 and our consolidated stockholders' equity as at year end 2015 would have been approximately Php32 million and Php6 million, respectively, lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings and loss/gain on derivative transactions. If Philippine peso interest rates had been 18 bps higher/lower as compared to market levels as at December 31, 2015, with all other variables held constant, profit after tax for the year end 2015 and our consolidated stockholders' equity as at year end 2015 would have been approximately Php14 million and Php19 million, respectively, lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings and loss/gain on derivative transactions.

Credit Risk

Credit risk is the risk that we will incur a loss arising from our customers, clients or counterparties that fail to discharge their contracted obligations. We manage and control credit risk by setting limits on the amount of risk we are willing to accept for individual counterparties and by monitoring exposures in relation to such limits.

We trade only with recognized and creditworthy third parties. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis to reduce our exposure to bad debts.

We established a credit quality review process to provide regular identification of changes in the creditworthiness of counterparties. Counterparty limits are established and reviewed periodically based on latest available financial data on our counterparties' credit ratings, capitalization, asset quality and liquidity. Our credit quality review process allows us to assess the potential loss as a result of the risks to which we are exposed and allow us to take corrective actions.

The table below shows the maximum exposure to credit risk for the components of our consolidated statements of financial position, including derivative financial instruments as at December 31, 2015 and 2014:

	December 31, 2015		
	Gross Maximum Exposure	**Collateral and Other Credit Enhancements***	**Net Maximum Exposure**
		(in million pesos)	
Loans and receivables:			
Advances and other noncurrent assets	**10,516**	**–**	**10,516**
Cash and cash equivalents	**46,455**	**272**	**46,183**
Short-term investments	**744**	**–**	**744**
Investment in debt securities and other long-term investments	**595**	**–**	**595**
Retail subscribers	**10,210**	**46**	**10,164**
Foreign administrations	**5,199**	**–**	**5,199**
Corporate subscribers	**4,812**	**160**	**4,652**
Domestic carriers	**454**	**–**	**454**
Dealers, agents and others	**4,223**	**2**	**4,221**
HTM investments:			
Investment in debt securities and other long-term investments	**408**	**–**	**408**
Financial instruments at FVPL:			
Short-term investments	**685**	**–**	**685**
Forward foreign exchange contracts	**10**	**–**	**10**
Available-for-sale financial investments	**15,711**	**–**	**15,711**
Derivatives used for hedging:			
Interest rate swap	**90**	**–**	**90**
Long-term currency swap	**71**	**–**	**71**
Total	**100,183**	**480**	**99,703**

* *Includes bank insurance, security deposits and customer deposits. We have no collateral held as at December 31, 2015.*

	December 31, 2014		
	Gross Maximum Exposure	**Collateral and Other Credit Enhancements***	**Net Maximum Exposure**
		(in million pesos)	
Loans and receivables:			
Advances and other noncurrent assets	10,711	1	10,710
Cash and cash equivalents	26,659	266	26,393
Short-term investments	18	–	18
Investment in debt securities and other long-term investments	546	–	546
Retail subscribers	8,920	46	8,874
Foreign administrations	7,872	–	7,872
Corporate subscribers	3,615	139	3,476
Domestic carriers	730	–	730
Dealers, agents and others	8,014	1	8,013
HTM investments:			
Investment in debt securities and other long-term investments	709	–	709
Available-for-sale financial investments	28,086	–	28,086
Financial instruments at FVPL:			
Short-term investments	625	–	625
Derivatives used for hedging:			
Interest rate swap	96	–	96
Total	**96,601**	**453**	**96,148**

* *Includes bank insurance, security deposits and customer deposits. We have no collateral held as at December 31, 2014.*

The table below provides information regarding the credit quality by class of our financial assets according to our credit ratings of counterparties as at December 31, 2015 and 2014:

		Neither past due nor impaired			
	Total	**Class A(1)**	**Class B(2)**	**Past due but not impaired**	**Impaired**
			(in million pesos)		
December 31, 2015					
Loans and receivables:	***99,330***	***57,471***	***12,033***	***13,704***	***16,122***
Advances and other noncurrent assets	**10,717**	**10,204**	**307**	**5**	**201**
Cash and cash equivalents	**46,455**	**41,509**	**4,946**	**–**	**–**
Short-term investments	**744**	**744**	**–**	**–**	**–**
Investment in debt securities and other long-term investments	**595**	**595**	**–**	**–**	**–**
Retail subscribers	**19,750**	**1,549**	**3,449**	**5,212**	**9,540**
Corporate subscribers	**9,263**	**1,162**	**1,316**	**2,334**	**4,451**
Foreign administrations	**5,514**	**933**	**1,744**	**2,522**	**315**
Domestic carriers	**540**	**88**	**100**	**266**	**86**
Dealers, agents and others	**5,752**	**687**	**171**	**3,365**	**1,529**
HTM investments:	***408***	***408***	**–**	**–**	**–**
Investment in debt securities and other long-term investments	**408**	**408**	**–**	**–**	**–**
Financial instruments at FVPL(3):	***695***	***695***	**–**	**–**	**–**
Short-term investments	**685**	**685**	**–**	**–**	**–**
Forward foreign exchange contracts	**10**	**10**	**–**	**–**	**–**
Available-for-sale financial investments	***15,711***	***14,721***	***990***	**–**	**–**
Derivatives used for hedging:	***161***	***161***	**–**	**–**	**–**
Interest rate swaps	**90**	**90**	**–**	**–**	**–**
Long-term currency swap	**71**	**71**	**–**	**–**	**–**
Total	**116,305**	**73,456**	**13,023**	**13,704**	**16,122**

	Total	Neither past due nor impaired		Past due but not impaired	Impaired
		Class A[(1)]	Class B[(2)]		
		(in million pesos)			
December 31, 2014					
Loans and receivables:	*82,857*	*43,730*	*11,083*	*12,272*	*15,772*
Advances and other noncurrent assets	10,912	8,978	1,732	1	201
Cash and cash equivalents	26,659	23,952	2,707	–	–
Short-term investments	18	18	–	–	–
Investment in debt securities and other long-term investments	546	546	–	–	–
Retail subscribers	17,053	2,115	2,894	3,911	8,133
Foreign administrations	8,420	2,825	535	4,512	548
Corporate subscribers	7,941	1,008	654	1,953	4,326
Domestic carriers	823	90	158	482	93
Dealers, agents and others	10,485	4,198	2,403	1,413	2,471
HTM investments:	*709*	*709*	–	–	–
Investment in debt securities and other long-term investments	709	709	–	–	–
Available-for-sale financial investments	*28,086*	*28,024*	*62*	–	–
Financial instruments at FVPL[(3)]:	*625*	*625*	–	–	–
Short-term investments	625	625	–	–	–
Derivatives used for hedging:	*96*	*96*	–	–	–
Interest rate swaps	96	96	–	–	–
Total	**112,373**	**73,184**	**11,145**	**12,272**	**15,772**

(1) *This includes low risk and good paying customer accounts with no history of account treatment for a defined period and no overdue accounts as at report date; and deposits or placements to counterparties with good credit rating or bank standing financial review.*

(2) *This includes medium risk and average paying customer accounts with no overdue accounts as at report date, and new customer accounts for which sufficient credit history has not been established; and deposits or placements to counterparties not classified as Class A.*

(3) *Gross receivables from counterparties, before any offsetting arrangements.*

The aging analysis of past due but not impaired class of financial assets as at December 31, 2015 and 2014 are as follows:

	Total	Neither past due nor impaired	Past due but not impaired			Impaired
			1-60 days	61-90 days	Over 91 days	
			(in million pesos)			
December 31, 2015						
Loans and receivables:	***99,330***	***69,504***	***5,436***	***1,306***	***6,962***	***16,122***
Advances and other noncurrent assets	**10,717**	**10,511**	**–**	**–**	**5**	**201**
Cash and cash equivalents	**46,455**	**46,455**	**–**	**–**	**–**	**–**
Short-term investments	**744**	**744**	**–**	**–**	**–**	**–**
Investment in debt securities and other long-term investments	**595**	**595**	**–**	**–**	**–**	**–**
Retail subscribers	**19,750**	**4,998**	**2,064**	**499**	**2,649**	**9,540**
Corporate subscribers	**9,263**	**2,478**	**1,165**	**335**	**834**	**4,451**
Foreign administrations	**5,514**	**2,677**	**314**	**290**	**1,918**	**315**
Domestic carriers	**540**	**188**	**63**	**62**	**141**	**86**
Dealers, agents and others	**5,752**	**858**	**1,830**	**120**	**1,415**	**1,529**
HTM investments:	***408***	***408***	**–**	**–**	**–**	**–**
Investment in debt securities and other long-term investments	**408**	**408**	**–**	**–**	**–**	**–**
Financial instruments at FVPL:	***695***	***695***	**–**	**–**	**–**	**–**
Short-term investments	**685**	**685**	**–**	**–**	**–**	**–**
Forward foreign exchange contracts	**10**	**10**	**–**	**–**	**–**	**–**
Available-for-sale financial investments	***15,711***	***15,711***	**–**	**–**	**–**	**–**
Derivatives used for hedging:	***161***	***161***	**–**	**–**	**–**	**–**
Interest rate swaps	**90**	**90**	**–**	**–**	**–**	**–**
Long-term currency swap	**71**	**71**	**–**	**–**	**–**	**–**
Total	**116,305**	**86,479**	**5,436**	**1,306**	**6,962**	**16,122**

	Total	Neither past due nor impaired	Past due but not impaired 1-60 days	61-90 days	Over 91 days	Impaired
			(in million pesos)			
December 31, 2014						
Loans and receivables:	*82,857*	*54,813*	*5,285*	*1,149*	*5,838*	*15,772*
Advances and other noncurrent assets	10,912	10,710	–	–	1	201
Cash and cash equivalents	26,659	26,659	–	–	–	–
Short-term investments	18	18	–	–	–	–
Investment in debt securities and other long-term investments	546	546	–	–	–	–
Retail subscribers	17,053	5,009	1,949	325	1,637	8,133
Foreign administrations	8,420	3,360	932	468	3,112	548
Corporate subscribers	7,941	1,662	951	234	768	4,326
Domestic carriers	823	248	166	97	219	93
Dealers, agents and others	10,485	6,601	1,287	25	101	2,471
HTM investments:	*709*	*709*	–	–	–	–
Investment in debt securities and other long-term investments	709	709	–	–	–	–
Available-for-sale financial investments	*28,086*	*28,086*	–	–	–	–
Financial instruments at FVPL:	*625*	*625*	–	–	–	–
Short-term investments	625	625	–	–	–	–
Derivatives used for hedging:	*96*	*96*	–	–	–	–
Interest rate swaps	96	96	–	–	–	–
Total	**112,373**	**84,329**	**5,285**	**1,149**	**5,838**	**15,772**

Impairment Assessments

The main consideration for the impairment assessment include whether any payments of principal or interest are overdue by more than 90 days or whether there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. Our impairment assessments are classified into two areas: individually assessed allowance and collectively assessed allowances.

Individually assessed allowance

We determine the allowance appropriate for each individually significant loan or advance on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue, the availability of other financial support, the realizable value of collateral, if any, and the timing of the expected cash flows. We also recognize an impairment for accounts specifically identified to be doubtful of collection when there is information on financial incapacity after considering the other contractual obligations between us and the subscriber. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

Collectively assessed allowances

Allowances are assessed collectively for losses on loans and advances that are not individually significant and for individually significant loans and advances where there is no objective evidence of individual impairment. Allowances are evaluated on each reporting date with each portfolio receiving a separate review.

The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is no objective evidence of the impairment in an individual assessment. Impairment losses are estimated by taking into consideration the following information: historical losses on the portfolio, current economic conditions, the approximate delay between the time a loss is likely to have been incurred and the time it is identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired. The impairment allowance is then reviewed by credit management to ensure alignment with our policy.

Capital Management Risk

We aim to achieve an optimal capital structure in pursuit of our business objectives which include maintaining healthy capital ratios and strong credit ratings, and maximizing shareholder value.

In recent years, our cash flow from operations has allowed us to substantially reduce debts and, in 2005, resume payment of dividends on common shares. Since 2005, our strong cash flow has enabled us to make investments in new areas and pay higher dividends.

Our approach to capital management focuses on balancing the allocation of cash and the incurrence of debt as we seek new investment opportunities for new businesses and growth areas. On August 5, 2014, the PLDT Board of Directors approved an amendment to our dividend policy, increasing the dividend payout rate to 75% from 70% of our core EPS as regular dividends. 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. Further, in the event no investment opportunities arise, we may consider the option of returning additional cash to our shareholders in the form of special dividends or share buybacks. Philippine corporate regulations prescribe, however, that we can only pay out dividends or make capital distribution up to the amount of our unrestricted retained earnings.

Some of our debt instruments contain covenants that impose maximum leverage ratios. In addition, our credit ratings from the international credit ratings agencies are based on our ability to remain within certain leverage ratios.

No changes were made in our objectives, policies or processes for managing capital during the years ended December 31, 2015, 2014 and 2013.