

PLDT Inc.
Form 6-K
May 11, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16

OF THE SECURITIES EXCHANGE ACT OF 1934

May 11, 2018

PLDT INC.

(Translation of registrant's name into English)

Ramon Cojuangco Building

Makati Avenue, Makati City

Philippines

(Address of registrant's principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.
Form 20-F Form 40-F

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Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T
Rule 101 (b) (1): Yes No

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T
Rule 101 (b) (7): Yes No

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby
furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.
Yes No

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereto duly authorized.

PLDT
PLDT INC.
(Registrant)

By: /s/ Ma.
Lourdes C.
Rausa-Chan

Name: Ma. Lourdes
C.
Rausa-Chan
Title: Corporate
Secretary

Date: 05/11/2018

SEC Number PW-55
File Number

PLDT Inc.

(Company's Full Name)

Ramon Cojuangco Building
Makati Avenue, Makati City

(Company's Address)

(632) 816-8556

(Telephone Number)

Not Applicable

(Fiscal Year Ending)

(month & day)

SEC Form 17-Q

Form Type

Not Applicable

Amendment Designation (if applicable)

March 31, 2018

Period Ended Date

Not Applicable

(Secondary License Type and File Number)

May 11, 2018

Securities & Exchange Commission

Secretariat Building, PICC Complex

Roxas Boulevard, Pasay City

Attention: Mr. Vicente Graciano P. Felizmenio, Jr.
Director – Markets and Securities Regulations Dept.

Gentlemen:

In accordance with Section 17.1(b) of the Securities Regulation Code and SRC Rule 17.1.1.1.2, we submit herewith two (2) copies of SEC Form 17-Q with Management's Discussion and Analysis and accompanying unaudited consolidated financial statements for the three (3) months ended March 31, 2018.

Very truly yours,

/s/ Ma. Lourdes C. Rausa-Chan
MA. LOURDES C. RAUSA-CHAN
Corporate Secretary

COVER SHEET

SEC
Registration
Number
PW-55

Company Name

PLDT INC.

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

RAMON COJ UANGCO BUILDING
MAYA AVE. MAKATI CITY

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

COMPANY INFORMATION

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

No. of Stockholders Annual Meeting Fiscal Year

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11,693 Month/Day Month/Day

as at March 31, 2018 Every 2nd Tuesday in June December 31

CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

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

Contact
Person's
Address
11/F
Ramon
Cojuangco
Bldg.
Makati
Ave.,
Makati
City

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17

OF THE SECURITIES REGULATION CODE (“SRC”) AND

SRC 17 (2) (b) THEREUNDER

1. For the quarterly period ended March 31, 2018
2. SEC Identification Number PW-55
3. BIR Tax Identification No. 000-488-793
4. PLDT Inc.
Exact name of registrant as specified in its charter
5. Republic of the Philippines
Province,
country or other jurisdiction of incorporation or organization
6. Industry Classification Code: (SEC Use Only)
7. Ramon Cojuangco Building, Makati Avenue, Makati City 0721

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Address of registrant's principal office Postal Code

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

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

10. Securities registered pursuant to Sections 8 of the SRC

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Capital Stock, Php5 par value	216,055,775 shares as at March 31, 2018

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

Yes [X] No []

12. Check whether the registrant

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Section 11 of

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

Yes [X] No []

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

Yes [X] No []

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PART I – FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

Our consolidated financial statements as at March 31, 2018 (unaudited) and December 31, 2017 (audited) and for the three months ended March 31, 2018 and 2017 (unaudited) and related notes (pages F-1 to F-151) are filed as part of this report on Form 17-Q.

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

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

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

The financial information appearing in this report and in the accompanying unaudited consolidated financial statements is stated in Philippine pesos. Unless otherwise indicated, translations of Philippine peso amounts into U.S. dollars in this report and in the accompanying unaudited consolidated financial statements were made based on the exchange rate of Php52.25 to US\$1.00, the exchange rate as at March 31, 2018 quoted through the Philippine Dealing System.

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

A forward-looking statement may include a statement of the assumptions or bases underlying the forward-looking statement. We have chosen these assumptions or bases in good faith. These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond our control. In addition, these forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of factors, including, without limitation, the risk factors. When considering forward-looking statements, you should keep in mind the description of risks and other cautionary statements in this report. You should also keep in mind that any forward-looking statement made by us in this report or elsewhere speaks only as at the date on which we made it. New risks and uncertainties come up from time to time, and it is impossible for us to predict these events or how they may affect us. We have no duty to, and do not intend to, update or revise the statements in this report after the date hereof. In light of these risks and uncertainties, you should keep in mind that

actual results may differ materially from any forward-looking statement made in this report or elsewhere.

Financial Highlights and Key Performance Indicators

	Three months ended March 31,		Increase	
	2018	2017	Amount	%
(amounts in million Php, except for EBITDA margin, earnings per common share)				
Consolidated Income Statement				
Revenues	40,507	39,188	1,319	3
Expenses	33,561	30,476	3,085	10
Other income (expenses)	1,889	(1,456)	3,345	230
Income before income tax	8,835	7,256	1,579	22
Net income	6,924	4,969	1,955	39
Core income	6,003	5,329	674	13
EBITDA	16,533	16,467	66	—
EBITDA margin ⁽¹⁾	44	%	44	%
Reported earnings per common share:				
Basic	31.87	22.84	9.03	40
Diluted	31.87	22.84	9.03	40
Core earnings per common share ⁽²⁾ :				
Basic	27.72	24.60	3.12	13
Diluted	27.72	24.60	3.12	13

	March 31,		December 31,		Increase	
	2018	2017	2017	2018	(Decrease)	Amount %
(amounts in million Php, except for net debt to equity ratio)						
Consolidated Statements of Financial Position						
Total assets	467,655	459,444	8,211	2		
Property and equipment	184,455	186,907	(2,452)	(1)		
Cash and cash equivalents and short-term investments	37,920	33,979	3,941	12		
Total equity attributable to equity holders of PLDT	109,070	106,842	2,228	2		
Long-term debt, including current portion	172,239	172,611	(372)	—		
Net debt ⁽³⁾ to equity ratio	1.23x	1.30x	—	—		

	Three months ended		Increase	
	March 31,	2017	(Decrease)	%
	2018		Amount	
(amounts in million Php, except for operational data)				
Consolidated Statements of Cash Flows				
Net cash provided by operating activities	16,316	15,131	1,185	8
Net cash used in investing activities	(16,161)	(9,681)	(6,480)	(67)
Payment for purchase of property and equipment	12,944	1,770	11,174	631
Net cash used in financing activities	(4,692)	(12,756)	8,064	63

Operational Data				
Number of mobile subscribers	58,117,819	63,142,478	(5,024,659)	(8)
Prepaid ⁽⁴⁾	55,666,020	60,421,068	(4,755,048)	(8)
Postpaid	2,451,799	2,721,410	(269,611)	(10)
Number of broadband subscribers	1,995,900	1,770,805	225,095	13
Fixed Line broadband	1,772,836	1,506,578	266,258	18
Fixed Wireless broadband	223,064	264,227	(41,163)	(16)
Number of fixed line subscribers	2,707,079	2,487,601	219,478	9
Number of employees:	17,814	17,885	(71)	—
Fixed Line	10,843	10,667	176	2
LEC	6,853	7,263	(410)	(6)
Others	3,990	3,404	586	17
Wireless	6,971	7,218	(247)	(3)

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

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

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

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

		Weighted average Month end rates during the year
Exchange Rates – per US\$	rates	
March 31, 2018	52.25	51.45
December 31, 2017	49.96	50.41
March 31, 2017	50.22	50.01
December 31, 2016	49.77	47.48

Performance Indicators

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

EBITDA

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

Core Income

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

Overview

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

• **Wireless** — mobile telecommunications services provided by Smart Communications, Inc., or Smart, and Digitel Mobile Philippines, Inc., or DMPI, our mobile service providers; Voyager Innovations, Inc., or Voyager, and certain subsidiaries, our mobile applications and digital platforms developers and mobile financial services provider; Smart Broadband, Inc., or SBI, and Primeworld Digital Systems, Inc., or PDSI, our wireless broadband service providers; and certain subsidiaries of PLDT Global Corporation, or PLDT Global, our mobile virtual network operations, or MVNO, provider;

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

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

As at March 31, 2018, our chief operating decision maker, or our Management Committee, views our business activities in three business units: Wireless, Fixed Line and Others.

Management's Financial Review

In addition to consolidated net income, we use EBITDA and core income to assess our operating performance. The reconciliation of our consolidated EBITDA and our consolidated core income to our consolidated net income for the three months ended March 31, 2018 and 2017 are set forth below.

The following table shows the reconciliation of our consolidated EBITDA to our consolidated net income for the three months ended March 31, 2018 and 2017:

	2018	2017
	(amounts in million Php)	
Consolidated EBITDA	16,533	16,467
Add (deduct) adjustments:		
Depreciation and amortization	(9,373)	(7,550)
Provision for income tax	(1,911)	(2,287)

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Financing costs – net	(1,698)	(1,900)
Foreign exchange losses – net	(1,142)	(397)
Amortization of intangible assets	(214)	(205)
Impairment of investments	(60)	(339)
Equity share in net earnings of associates and joint ventures	74	193
Interest income	477	309
Gains on derivative financial instruments – net	530	282
Other income – net	3,708	396
Total adjustments	(9,609)	(11,498)
Consolidated net income	6,924	4,969

The following table shows the reconciliation of our consolidated core income to our consolidated net income for the three months ended March 31, 2018 and 2017:

	2018	2017
	(amounts in million Php)	
Consolidated core income	6,003	5,329
Add (deduct) adjustments:		
Gain on investment valuation	3,350	—
Gains on derivative financial instruments – net, excluding hedge costs	546	386
Net income attributable to noncontrolling interests	24	18
Core income adjustment on equity share in net		
losses of associates and joint ventures	(12)	19
Impairment of investments	(60)	(339)
Foreign exchange losses – net	(1,142)	(397)
Depreciation due to shortened life of property and equipment	(2,392)	—
Net tax effect of aforementioned adjustments	607	(47)
Total adjustments	921	(360)
Consolidated net income	6,924	4,969

Results of Operations

The table below shows the contribution by each of our business segments to our consolidated revenues, expenses, other income (expense), income (loss) before income tax, provision for (benefit from) income tax, net income (loss)/segment profit (loss), EBITDA, EBITDA margin and core income for the three months ended March 31, 2018 and 2017. In each of the three months ended March 31, 2018 and 2017, majority of our revenues are derived from our operations within the Philippines. Our revenues derived from outside the Philippines consist primarily of revenues from incoming international calls to the Philippines.

In 2017, we changed the presentation of our expenses by combining certain line items to simplify our reporting while maintaining the same level of information.

	Inter-segment				Consolidated
	Wireless	Fixed Line	Others	Transactions	
	(amounts in million Php, except for EBITDA margin)				
For the three months ended March 31, 2018					
Revenues	22,904	20,457	—	(2,854)	40,507
Expenses	21,235	15,558	8	(3,240)	33,561
Other income (expenses)	(539)	(60)	2,824	(336)	1,889
Income before income tax	1,130	4,839	2,816	50	8,835

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Provision for income tax	474	1,308	114	15	1,911
Net income /Segment profit	656	3,531	2,702	35	6,924
EBITDA	7,926	8,229	(8)	386	16,533
EBITDA margin ⁽¹⁾	38 %	42 %	—	—	44 %
Core income	2,551	3,351	66	35	6,003

For the three months ended March 31, 2017

Revenues	23,162	19,049	—	(3,023)	39,188
Expenses	19,488	14,372	18	(3,402)	30,476
Other expenses	(363)	(293)	(421)	(379)	(1,456)
Income (loss) before income tax	3,311	4,384	(439)	—	7,256
Provision for income tax	1,081	1,175	31	—	2,287
Net income (loss)/Segment profit (loss)	2,230	3,209	(470)	—	4,969
EBITDA	8,309	7,797	(18)	379	16,467
EBITDA margin ⁽¹⁾	37 %	43 %	—	—	44 %
Core income	2,298	2,856	175	—	5,329

Increase (Decrease)

Revenues	(258)	1,408	—	169	1,319
Expenses	1,747	1,186	(10)	162	3,085
Other income (expenses)	(176)	233	3,245	43	3,345
Income before income tax	(2,181)	455	3,255	50	1,579
Provision for income tax	(607)	133	83	15	(376)
Net income/Segment profit	(1,574)	322	3,172	35	1,955
EBITDA	(383)	432	10	7	66
Core income	253	495	(109)	35	674

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

In the first quarter of 2018, we adopted PFRS 15 using the modified retrospective approach. i.e. contracts that are not completed by January 1, 2018 are accounted as if they were recognized in accordance with the new standard from the very beginning. The cumulative effect arising from the transition was recognized as an adjustment to the opening balance of the equity.

The following is the impact of PFRS 15 adoption in our profit and loss for the three months ended March 31, 2018:

	PFRS 15 Impact			
	PAS 18	Wireless	Fixed Line	PFRS 15
	(amounts in million Php)			
Service revenues	38,614	(873)	4	37,745
Non-service revenues	2,099	617	46	2,762
Other income - interest income	404	72	1	477
Income before tax	8,968	(184)	51	8,835
Provision for income tax	1,974	(78)	15	1,911
Net income (loss)	6,994	(106)	36	6,924
EBITDA	16,739	(256)	50	16,533
EBITDA Margin	43 %	—	—	44 %
Core income	6,073	(106)	36	6,003

On a Consolidated Basis

Revenues

We reported consolidated revenues of Php40,507 million for the three months ended March 31, 2018, an increase of Php1,319 million, or 3%, as compared with Php39,188 million in the same period in 2017, primarily due to higher revenues from data services in our fixed line business, partially offset by lower revenues from mobile and home broadband services in our wireless business.

The following table shows the breakdown of our consolidated revenues by services for the three months ended March 31, 2018 and 2017:

	Wireless	Fixed Line	Inter-segment Transactions	Consolidated
	(amounts in million Php)			
For the three months ended March 31, 2018				
Service Revenues				
Wireless	20,926		(773)	20,153
Mobile	20,040		(315)	19,725
Home broadband	433		(385)	48
Digital platforms and mobile financial services	301		(4)	297
MVNO and others	152		(69)	83
Fixed Line		19,672	(2,080)	17,592
Voice		7,083	(508)	6,575
Data		12,137	(1,399)	10,738
Home broadband		5,551	(66)	5,485
Corporate data and ICT		6,586	(1,333)	5,253
Miscellaneous		452	(173)	279
Total Service Revenues	20,926	19,672	(2,853)	37,745
Non-Service Revenues				
Sale of computers, phone units and mobile handsets	1,978	629	(1)	2,606
Point-product sales	—	156	—	156
Total Non-Service Revenues	1,978	785	(1)	2,762
Total Revenues	22,904	20,457	(2,854)	40,507
For the three months ended March 31, 2017				
Service Revenues				
Wireless	22,475		(330)	22,145
Mobile	21,387		(318)	21,069
Home broadband	655		(3)	652
Digital platforms and mobile financial services	318		(9)	309
MVNO and others	115		—	115
Fixed Line		18,249	(2,693)	15,556
Voice		7,220	(908)	6,312
Data		10,574	(1,549)	9,025
Home broadband		4,134	(60)	4,074
Corporate data and ICT		6,440	(1,489)	4,951
Miscellaneous		455	(236)	219
Total Service Revenues	22,475	18,249	(3,023)	37,701
Non-Service Revenues				

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Sale of computers, phone units and mobile handsets	687	589	—	1,276
Point-product sales	—	211	—	211
Total Non-Service Revenues	687	800	—	1,487
Total Revenues	23,162	19,049	(3,023)	39,188

The following table shows the breakdown of our consolidated revenues by business segment for the three months ended March 31, 2018 and 2017:

	2018	%	2017	%	Change	
	(amounts in million Php)				Amount	%
Wireless	22,904	57	23,162	59	(258)	(1)
Fixed line	20,457	50	19,049	49	1,408	7
Inter-segment transactions	(2,854)	(7)	(3,023)	(8)	169	6
Consolidated	40,507	100	39,188	100	1,319	3

Expenses

Consolidated expenses increased by Php3,085 million, or 10%, to Php33,561 million for the three months ended March 31, 2018 from Php30,476 million in the same period in 2017, primarily due to higher depreciation and amortization, and cost of sales and services in our wireless business, and higher selling, general and administrative expenses, and provisions in our fixed line business.

The following table shows the breakdown of our consolidated expenses by business segment for the three months ended March 31, 2018 and 2017:

	2018	%	2017	%	Change Amount %
	(amounts in million Php)				
Wireless	21,235	63	19,488	64	1,747 9
Fixed line	15,558	46	14,372	47	1,186 8
Others	8	—	18	—	(10) (56)
Inter-segment transactions	(3,240)	(9)	(3,402)	(11)	162 5
Consolidated	33,561	100	30,476	100	3,085 10

Other Income (Expenses)

Consolidated other income amounted to Php1,889 million for the three months ended March 31, 2018, a change of Php3,345 million as against other expenses of Php1,456 million in the same period in 2017, primarily due to gain on valuation of Rocket Internet investment, partially offset by higher net foreign exchange losses in our wireless and other businesses.

The following table shows the breakdown of our consolidated other income (expenses) by business segment for the three months ended March 31, 2018 and 2017:

	2018	2017	Change Amount %
	(amounts in million Php)		
Wireless	(539)	(363)	(176) (48)
Fixed line	(60)	(293)	233 80
Others	2,824	(421)	3,245 771
Inter-segment transactions	(336)	(379)	43 11
Consolidated	1,889	(1,456)	3,345 230

Net Income (Loss)

Consolidated net income increased by Php1,955 million, or 39%, to Php6,924 million for the three months ended March 31, 2018, from Php4,969 million in the same period in 2017, primarily due to Php3,172 million increase in net income from our other business, partially offset by Php1,574 million decrease in net income from our wireless segment. Our consolidated basic and diluted EPS increased to Php31.87 for the three months ended March 31, 2018 from Php22.84 in the same period in 2017. Our weighted average number of outstanding common shares was approximately 216.06 million in each of the first three months of 2018 and 2017.

The following table shows the breakdown of our consolidated net income by business segment for the three months ended March 31, 2018 and 2017:

	2018	%	2017	%	Change	
	(amounts in million Php)				Amount	%
Wireless	656	9	2,230	45	(1,574)	(71)
Fixed line	3,531	51	3,209	65	322	10
Others	2,702	39	(470)	(10)	3,172	675
Inter-segment transactions	35	1	—	—	35	—
Consolidated	6,924	100	4,969	100	1,955	39

EBITDA

Our consolidated EBITDA amounted to Php16,533 million for the three months ended March 31, 2018, an increase of Php66 million as compared with Php16,467 million in the same period in 2017, primarily due to improved EBITDA in our fixed line business, partially offset by lower EBITDA in our wireless business.

The following table shows the breakdown of our consolidated EBITDA by business segment for the three months ended March 31, 2018 and 2017:

	2018	%	2017	%	Change	
	(amounts in million Php)				Amount	%
Wireless	7,926	48	8,309	51	(383)	(5)
Fixed line	8,229	50	7,797	47	432	6
Others	(8)	—	(18)	—	10	56
Inter-segment transactions	386	2	379	2	7	2
Consolidated	16,533	100	16,467	100	66	—

Core Income

Our consolidated core income amounted to Php6,003 million for the three months ended March 31, 2018, an increase of Php674 million, or 13%, as compared with Php5,329 million in the same period in 2017, primarily due to higher core income from our fixed line and wireless segments. Our consolidated basic and diluted core EPS increased to Php27.72 for the three months ended March 31, 2018 from Php24.60 in the same period in 2017.

The following table shows the breakdown of our consolidated core income by business segment for the three months ended March 31, 2018 and 2017:

	2018	%	2017	%	Change	
	(amounts in million Php)				Amount	%
Wireless	2,551	42	2,298	43	253	11
Fixed line	3,351	56	2,856	54	495	17
Others	66	1	175	3	(109)	(62)
Inter-segment transactions	35	1	—	—	35	—
Consolidated	6,003	100	5,329	100	674	13

On a Business Segment Basis

Wireless

Revenues

We generated revenues of Php22,904 million from our wireless business for the three months ended March 31, 2018, a decrease of Php258 million, or 1%, from Php23,162 million in the same period in 2017.

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The following table summarizes our total revenues from our wireless business for the three months ended March 31, 2018 and 2017 by service:

	2018	%	2017	%	Increase (Decrease) Amount	%
	(amounts in million Php)					
Service Revenues:						
Mobile	20,040	87	21,387	92	(1,347)	(6)
Home broadband	433	2	655	3	(222)	(34)
Digital platforms and mobile financial services	301	1	318	1	(17)	(5)
MVNO and others ⁽¹⁾	152	1	115	1	37	32
Total Wireless Service Revenues	20,926	91	22,475	97	(1,549)	(7)
Non-Service Revenues:						
Sale of mobile handsets and broadband data modems	1,978	9	687	3	1,291	188
Total Wireless Revenues	22,904	100	23,162	100	(258)	(1)

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

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Service Revenues

Our wireless service revenues for the three months ended March 31, 2018 decreased by Php1,549 million, or 7%, to Php20,926 million as compared with Php22,475 million in the same period in 2017, mainly as a result of lower revenues from mobile and home broadband services. As a percentage of our total wireless revenues, service revenues accounted for 91% and 97% for the three months ended March 31, 2018 and 2017, respectively.

Mobile Services

Our mobile service revenues amounted to Php20,040 million for the three months ended March 31, 2018, a decrease of Php1,347 million, or 6%, from Php21,387 million in the same period in 2017. Mobile service revenues accounted for 96% and 95% of our wireless service revenues for the three months ended March 31, 2018 and 2017, respectively.

	2018	%	2017	%	Increase (Decrease) Amount	%
	(amounts in million Php)					
Mobile Services:						
Voice	6,953	35	7,835	37	(882)	(11)
SMS	5,919	30	6,912	32	(993)	(14)
Data	6,673	33	6,308	29	365	6
Inbound roaming and others ⁽¹⁾	495	2	332	2	163	49
Total	20,040	100	21,387	100	(1,347)	(6)

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

Voice Services

Mobile revenues from our voice services, which include all voice traffic, decreased by Php882 million, or 11%, to Php6,953 million for the three months ended March 31, 2018 from Php7,835 million in the same period in 2017, mainly on account of lower domestic and international voice revenues due to subscribers' shift to digital lifestyle with access to alternative calling options and other over-the-top, or OTT, services, and the impact of adoption of PFRS 15. Mobile voice services accounted for 35% and 37% of our mobile service revenues for the three months ended March 31, 2018 and 2017, respectively.

Domestic voice service revenues decreased by Php363 million, or 6%, to Php5,666 million for the three months ended March 31, 2018 from Php6,029 million in the same period in 2017, due to lower domestic outbound and inbound voice service revenues.

International voice service revenues decreased by Php519 million, or 29%, to Php1,287 million for the three months ended March 31, 2018 from Php1,806 million in the same period in 2017, primarily due to lower international inbound and outbound voice service revenues as a result of lower international voice traffic, partially offset by the effect of higher weighted average rate of the Philippine peso relative to the U.S. dollar.

SMS Services

Mobile revenues from our SMS services, which include all SMS-related services and value-added services, or VAS, decreased by Php993 million, or 14%, to Php5,919 million for the three months ended March 31, 2018 from Php6,912 million in the same period in 2017 mainly due to declining SMS volumes as a result of alternative text messaging options, such as OTT services and social media, and the impact of adoption of PFRS 15. Mobile SMS services accounted for 30% and 32% of our mobile service revenues for the three months ended March 31, 2018 and 2017, respectively.

Data Services

Mobile revenues from our data services, which include mobile internet, mobile broadband and other data services, increased by Php365 million, or 6%, to Php6,673 million for the three months ended March 31, 2018 from Php6,308 million in the same period in 2017 as a result of continuous network improvement, enhanced data offers and increased mobile internet usage, partially offset by lower revenues from mobile broadband and the impact of adoption of PFRS 15.

The following table shows the breakdown of our mobile data service revenues for the three months ended March 31, 2018 and 2017:

	2018	%	2017	%	Increase (Decrease) Amount	%
(amounts in million Php)						
Data Services:						
Mobile internet ⁽¹⁾	5,375	80	4,612	73	763	17
Mobile broadband	1,260	19	1,655	26	(395)	(24)
Other data	38	1	41	1	(3)	(7)
Total	6,673	100	6,308	100	365	6

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

Mobile internet

Mobile internet service revenues increased by Php763 million, or 17%, to Php5,375 million for the three months ended March 31, 2018 from Php4,612 million in the same period in 2017 as a result of the increase in smartphone ownership and greater data adoption among our subscriber base leading to the increase in mobile internet browsing and prevalent use of mobile apps, social networking sites and other OTT services. Mobile internet services accounted for 27% and 22% of our mobile service revenues for the three months ended March 31, 2018 and 2017, respectively.

Mobile broadband

Mobile broadband revenues amounted to Php1,260 million for the three months ended March 31, 2018, a decrease of Php395 million, or 24%, from Php1,655 million in the same period in 2017, primarily due to a decrease in the number of subscribers using dongles as they move to smartphone usage and fixed DSL/Fiber subscription. Mobile broadband services accounted for 6% and 8% of our mobile service revenues for the three months ended March 31, 2018 and 2017, respectively.

Other data

Revenues from our other data services, which include domestic leased lines and share in revenue from PLDT WeRoam, decreased by Php3 million, or 7%, to Php38 million for the three months ended March 31, 2018 from Php41 million in the same period in 2017.

Inbound Roaming and Others

Mobile revenues from inbound roaming and other services increased by Php163 million, or 49%, to Php495 million for the three months ended March 31, 2018 from Php332 million in the same period in 2017.

The following table shows the breakdown of our mobile service revenues by service type for the three months ended March 31, 2018 and 2017:

	2018	2017	Increase (Decrease)	
	(amounts in million Php)			
			Amount	%
Mobile service revenues	20,040	21,387	(1,347)	(6)
By service type				
Prepaid	14,712	15,135	(423)	(3)
Postpaid	4,833	5,920	(1,087)	(18)
Inbound roaming and others	495	332	163	49

Prepaid Revenues

Revenues generated from our mobile prepaid services amounted to Php14,712 million for the three months ended March 31, 2018, a decrease of Php423 million, or 3%, as compared with Php15,135 million in the same period in 2017. Mobile prepaid service revenues accounted for 73% and 71% of mobile service revenues for the three months ended March 31, 2018 and 2017, respectively. The decrease in revenues from our mobile prepaid services was primarily driven by a lower mobile prepaid subscriber base resulting in lower voice and SMS revenues, partially offset by the sustained growth in mobile internet revenues.

Postpaid Revenues

Revenues generated from mobile postpaid service amounted to Php4,833 million for the three months ended March 31, 2018, a decrease of Php1,087 million, or 18%, as compared with Php5,920 million in the same period in 2017, and accounted for 24% and 28% of mobile service revenues for the three months ended March 31, 2018 and 2017, respectively. The decrease in our mobile postpaid service revenues was primarily due to a lower postpaid subscriber base and the impact of adoption of PFRS 15.

Subscriber Base, ARPU and Churn Rates

The following table shows our wireless subscriber base as at March 31, 2018 and 2017:

	2018	2017	Increase (Decrease) Amount	%
Mobile subscriber base				
Smart ⁽¹⁾	21,601,011	23,299,171	(1,698,160)	(7)
Postpaid	1,402,046	1,365,709	36,337	3
Prepaid ⁽²⁾	20,198,965	21,933,462	(1,734,497)	(8)
TNT	29,231,950	30,401,174	(1,169,224)	(4)
Sun ⁽¹⁾	7,284,858	9,442,133	(2,157,275)	(23)
Postpaid	1,049,753	1,355,701	(305,948)	(23)
Prepaid ⁽²⁾	6,235,105	8,086,432	(1,851,327)	(23)
Total mobile subscribers	58,117,819	63,142,478	(5,024,659)	(8)

⁽¹⁾Includes mobile broadband subscribers.

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

The average monthly churn rate for Smart Prepaid subscribers for the three months ended March 31, 2018 and 2017 were 6.8% and 5.3%, respectively, while the average monthly churn rate for TNT subscribers were 6.2% and 5.7% for the three months ended March 31, 2018 and 2017, respectively. The average monthly churn rate for Sun Prepaid subscribers were 6.0% and 7.7% for the three months ended March 31, 2018 and 2017, respectively.

The average monthly churn rate for Smart Postpaid subscribers were 2.0% and 2.4% for the three months ended March 31, 2018 and 2017, respectively, and 3.9% and 3.3% for three months ended March 31, 2018 and 2017, respectively, for Sun Postpaid subscribers.

The following table summarizes our average monthly ARPUs for the three months ended March 31, 2018 and 2017:

Gross ⁽¹⁾		Increase (Decrease) Amount%	Net ⁽²⁾		Increase (Decrease) Amount%
2018	2017		2018	2017	

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(amounts in Php)

Prepaid								
Smart	124	114	10	9	112	104	8	8
TNT	80	77	3	4	73	71	2	3
Sun	88	84	4	5	80	78	2	3
Postpaid								
Smart	819	1,001	(182)	(18)	809	965	(156)	(16)
Sun	384	416	(32)	(8)	382	413	(31)	(8)

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

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

Home Broadband

Revenues from our Home Broadband services decreased by Php222 million, or 34%, to Php433 million for the three months ended March 31, 2018 from Php655 million in the same period in 2017, mainly due to the transfer of Ultra and WiMAX businesses to PLDT.

Digital Platforms and Mobile Financial Services

Revenues from digital platforms and mobile financial services, as reported by Voyager, decreased by Php17 million, or 5%, to Php301 million for the three months ended March 31, 2018 from Php318 million in the same period in 2017.

MVNO and Others

Revenues from our MVNO and other services increased by Php37 million, or 32%, to Php152 million for the three months ended March 31, 2018 from Php115 million in the same period in 2017, primarily due to revenue share from Shops.Work Unplugged, or SWUP, partially offset by lower revenue contribution from MVNOs of PLDT Global.

Non-Service Revenues

Our wireless non-service revenues consist of sales of mobile handsets, mobile broadband data modems, tablets and accessories. Our wireless non-service revenues increased by Php1,291 million, or 188%, to Php1,978 million for the three months ended March 31, 2018 from Php687 million in the same period in 2017, primarily due to higher revenues from postpaid mobile handsets and the impact of adoption of PFRS 15, partly offset by the decline in revenues from prepaid mobile handsets and broadband data modems attributable to lower average price per unit.

Expenses

Expenses associated with our wireless business amounted to Php21,235 million for the three months ended March 31, 2018, an increase of Php1,747 million, or 9%, from Php19,488 million in the same period in 2017. A significant portion of the increase was mainly attributable to higher depreciation and amortization, cost of sales and services, and provisions, partially offset by lower interconnection costs, and selling, general and administrative expenses. As a percentage of our total wireless revenues, expenses associated with our wireless business accounted for 93% and 84% for the three months ended March 31, 2018 and 2017, respectively.

The following table summarizes the breakdown of our total wireless-related expenses for the three months ended March 31, 2018 and 2017 and the percentage of each expense item in relation to the total:

	2018	%	2017	%	Increase (Decrease) Amount %	
	(amounts in million Php)					
Selling, general and administrative expenses	10,452	49	10,597	54	(145)	(1)
Depreciation and amortization	6,043	28	4,430	23	1,613	36
Cost of sales and services	2,546	12	2,024	10	522	26
Interconnection costs	1,446	7	1,709	9	(263)	(15)
Provisions	748	4	728	4	20	3
Total	21,235	100	19,488	100	1,747	9

Selling, general and administrative expenses decreased by Php145 million, or 1%, to Php10,452 million, primarily due to lower expenses related to rent, professional and other contracted services, and insurance and security services,

partly offset by higher expenses on repairs and maintenance, selling and promotions, and compensation and employee benefits.

Depreciation and amortization charges increased by Php1,613 million, or 36%, to Php6,043 million, on account of depreciation due to shortened life of certain data network platform and other technology equipment resulting from the transformation projects to improve and simplify the network and systems applications.

Cost of sales and services increased by Php522 million, or 26%, to Php2,546 million, primarily due to higher issuances of mobile handsets and mobile broadband data modems.

Interconnection costs decreased by Php263 million, or 15%, to Php1,446 million, primarily due to lower interconnection cost on domestic and international voice and SMS services, partially offset by an increase in interconnection charges on international data roaming.

Provisions increased by Php20 million, or 3%, to Php748 million, primarily due to higher provision for inventory obsolescence, partly offset by lower provision for doubtful accounts.

Other Income (Expenses)

The following table summarizes the breakdown of our total wireless-related other income (expenses) for the three months ended March 31, 2018 and 2017:

		Change
2018	2017	Amount