

# COVER SHEET

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(Company's Full Name)

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B O N I F A C I O G L O B A L C I T Y T A G U I G

(Business Address: No. Street City / Town / Province)

ROSEMARIE MANIEGO-EALA

Contact Person

797-2000

Company Telephone Number

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Month Day  
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Month Day  
Annual Meeting

Secondary License Type, if Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. Of Stockholders

Total Amount of Borrowings  
Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

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Cashier

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**SEC Number** 1177

**File Number** \_\_\_\_\_

**GLOBE TELECOM, INC.**

(Company's Full Name)

**27th Floor The Globe Tower**

**32nd Street corner 7th Avenue, Bonifacio Global City, Taguig**

(Company's Address)

**(632) 797-2000**

(Telephone Numbers)

**31 MARCH 2016**

(Quarter Ending)

**SEC FORM 17-Q**

(Form Type)

**SECURITIES AND EXCHANGE COMMISSION**

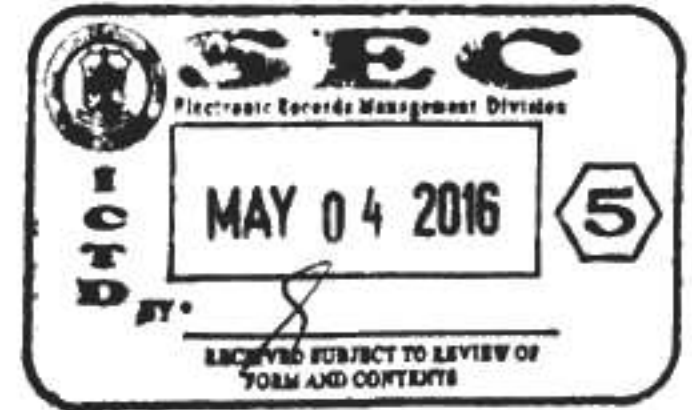
**SEC FORM 17-Q**

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

1. For the three months ended **31 March 2016**
2. Commission identification number: **1177**
3. BIR Tax Identification No. **000-768-480-000**
4. Exact name of registrant as specified in its charter: **GLOBE TELECOM, INC.**
5. Province, country or other jurisdiction of incorporation or organization: **PHILIPPINES**
6. Industry Classification Code:  (SEC Use Only)
7. Address of registrant's principal office:  
**27th Floor, The Globe Tower**  
**32nd Street corner 7th Avenue, Bonifacio Global City, Taguig**
8. Registrant's telephone number, including area code: **(632) 797-2000**
9. Former name, former address and former fiscal year, if changed since last report: **N / A**
10. Securities registered pursuant to Sections in Securities Regulation Code

<u>Title of each class</u>	<u>Number of shares of stock outstanding</u>
<b>Common Stock, ₱50.00 par value</b>	<b>132,756,410</b>
<b>Voting Preferred Stock, ₱5.00 par value</b>	<b>158,515,021</b>
<b>Non-Voting Preferred Stock, ₱50.00 par value</b>	<b>20,000,000</b>

11. Are any or all of the Securities listed on the Philippine Stock Exchange? **Yes**
12. Indicate whether the registrant:
  - a) Has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the SRC and SRC 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**
  - b) Has been subject to such filing requirements for the past 90 days.  
**Yes**



**GLOBE TELECOM, INC. AND SUBSIDIARIES**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**OF**

**FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**FOR THE THREE MONTHS ENDED**

**31 MARCH 2016**

## **PART I FINANCIAL INFORMATION**

### **ITEM 1. FINANCIAL STATEMENTS**

*Our unaudited condensed consolidated financial statements include the accounts of Globe Telecom, Inc. and its subsidiaries such as, Innove Communications, Inc. (herein referred to as “Innove”), G-Xchange, Inc. (GXl), GTI Business Holdings, Inc. (GTI) and its subsidiaries, Kickstart Ventures, Inc. (Kickstart) and its subsidiary, Asticom Technology, Inc. (Asticom), Globe Capital Venture Holdings Inc.(GCVHI) and its subsidiaries, and Bayan Telecommunications, Inc. (Bayan) and its subsidiaries.*

*The unaudited condensed consolidated financial statements for the three months ended 31 March 2016 (filed as Annex 1 of this report) have been prepared in accordance with Philippine Accounting Standard 34, Interim Financial Reporting and hence do not include all of the information required in the December 31, 2016 annual audited financial statements.*

### **ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A) OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*The following is a discussion and analysis of Globe Group’s financial performance for the three months ended 31 March 2016. The prime objective of this MD&A is to help the readers understand the dynamics of the Company’s business and the key factors underlying its financial results. Hence, Globe’s MD&A is comprised of a discussion of its core business, and analysis of the results of operations for each business segment. This section also focuses on key statistics from the unaudited consolidated financial statements and pertains to known risks and uncertainties relating to the telecommunications industry in the Philippines where we operate up to the stated reporting period. However, Globe’s MD&A should not be considered all inclusive, as it excludes unknown risks, uncertainties and changes that may occur in the general economic, political and environmental condition after the stated reporting period. The Globe Group has adopted an expanded corporate governance approach in managing its business risks. An Enterprise Risk Management Policy was developed to systematically view the risks and to manage these risks in the context of the normal business processes such as strategic planning, business planning, operational and support processes.*

*The Company’s MD&A should be read in conjunction with its unaudited consolidated financial statements and the accompanying notes. All financial information is reported in Philippine Pesos (Php) unless otherwise stated.*

*Any references in this MD&A to “we”, “us”, “our”, “Company” means the Globe Group and references to “Globe” mean Globe Telecom, Inc., not including its wholly-owned subsidiaries.*

*Additional information about the Company, including annual and quarterly reports, can be found on our corporate website [www.globe.com.ph](http://www.globe.com.ph)*

The following is a summary of the key sections of this MD&A:

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## OVERVIEW OF OUR BUSINESS

Globe Telecom, Inc. is a major provider of telecommunications services in the Philippines, supported by over 6,900 employees and over 1.08 million retailers, distributors, and business partners nationwide. The Company operates one of the largest and most technologically-advanced mobile, fixed line and broadband networks in the country, providing reliable, superior communications services to individual customers, small and medium-sized businesses, and corporate and enterprise clients. Globe currently has about 57.3 million mobile subscribers (*which now include fully mobile broadband previously reported under broadband*), over 1.1 million home broadband customers, and 1.2 million landline subscribers.

Globe is one of the largest and most profitable companies in the country, and has been consistently recognized both locally and internationally for its corporate governance practices. It is listed on the Philippine Stock Exchange under the ticker symbol GLO and had a market capitalization of US\$6.4 billion as of the end of March 2016.

The Company's principal shareholders are Ayala Corporation and Singapore Telecom, both industry leaders in their respective countries. Aside from providing financial support, this partnership has created various synergies and has enabled the sharing of best practices in the areas of purchasing, technical operations, and marketing, among others.

Globe is committed to being a responsible corporate citizen. Globe Bridging Communities (or Globe BridgeCom) is the company's umbrella corporate social responsibility program, which leads and supports various initiatives that promote the quality education, active citizenship to protect the environment, social entrepreneurship and responsive governance through the innovative and Communications Technology, resulting in enabled, empowered and enriched lives for its employees and partner communities. Since its inception in 2003, Globe BridgeCom has made a positive impact on the lives of thousands of public elementary and high school students, teachers, community leaders, and micro-entrepreneurs throughout the country. For its efforts, Globe BridgeCom has been recognized and conferred several awards and citations by various Philippine and international organizations.

The Globe Group is composed of the following companies:

- Globe Telecom, Inc. (Globe) provides mobile telecommunications services;
- Innove Communications Inc. (Innove), a wholly-owned subsidiary, provides fixed line telecommunications and broadband services, high-speed internet and private data networks for enterprise clients, services for internal applications, internet protocol-based solutions and multimedia content delivery;
- G-Xchange, Inc. (GXI), a wholly-owned subsidiary, provides mobile commerce services under the GCash brand;
- GTI Business Holdings, Inc. (GTI) is a wholly-owned subsidiary with authority to provide VOIP services. Its wholly-owned subsidiaries are: GTI Corporation (GTIC US), a company organized under the General Corporation Law of the State of Delaware for the purpose of engaging in any lawful act or activity, Globe Telecom HK Limited (GTHK), a limited company organized under the Companies Ordinance of Hong Kong, Globetel European Limited and its subsidiaries namely: UK Globetel Limited, Globe Mobile' Italy



S.r.l. (GMI) and Globetel Internacional European España, S.L. UK Globetel Limited is a private limited company under the Companies Act of 2006, wherein the registered address is in England and Wales; Globe Mobile' Italy S.r.l. (GMI), is a limited liability company to perform, directly, and/or through its subsidiaries, services such as voice calling, SMS, MMS, load top-up and mobile data to Filipinos based in, or visiting Italy with registered address in Milan, Italy; Globetel Internacional European España, S.L. with registered address in Barcelona, Spain;

- Kickstart Ventures, Inc. (Kickstart), a wholly-owned subsidiary, is a pioneering business incubator designed to provide aspiring technopreneurs with funds and facilities, mentorship and market access needed to build new businesses. Kickstart's subsidiary is Flipside Publishing Services, Inc. (FPSI) which was consolidated in February 2015;
- Asticom Technology, Inc. a wholly-owned subsidiary is a provider of shared services, a system integrator and an information technology services provider to domestic and international markets; and
- Globe Capital Venture Holdings, Inc. (GCVHI), a wholly-owned subsidiary incorporated on June 29, 2015. On July 8, 2015 and October 13, 2015, GCVHI incorporated its wholly owned subsidiaries, Globe Fintech Innovations, Inc. (GFI) and Adspark Holdings, Inc. (AHI), respectively. GCVHI, GFI and AHI were incorporated to act as holding companies for Globe Telecom's non-core businesses. On December 28, 2015, AHI incorporated its wholly-owned subsidiary, Adspark Inc. (AI), to operate as an advertising company.
- Bayan Telecommunications, Inc.(Bayan), is a provider of data and communications services such as dedicated domestic and international leased lines, frame relay services, Internet access, and other managed data services like Digital Subscriber Lines (DSL). BTI's subsidiaries are: Radio Communications of the Philippines, Inc. (RCPI), Alarmnet, Inc. (Alarmnet), Telecoms Infrastructure Corp. of the Philippines (Telicphil), Sky Internet, Incorporated (Sky Internet), BTI Global Communications Japan, Inc. (BTI - Japan), BTI Global Communications Ltd. (BTI - UK), and NDTN Land, Inc. (NLI).

The Company is a grantee of various authorizations and licenses from the National Telecommunications Commission (NTC) as follows: (1) license to offer and operate facsimile, other traditional voice and data services and domestic line service using Very Small Aperture Terminal (VSAT) technology; (2) license for inter-exchange services; and (3) Certificate of Public Convenience and Necessity (CPCN) for: (a) international digital gateway facility (IGF) in Metro Manila, (b) nationwide digital cellular mobile telephone system under the GSM standard (CMTS-GSM), (c) nationwide local exchange carrier (LEC) services, and (d) international cable landing stations located in Nasugbu, Batangas and Ballesteros, Cagayan.

Globe is organized along three key customer facing units (CFUs) tasked to focus on the integrated mobile and fixed line needs of specific market segments. The Company has a Consumer CFU with dedicated marketing and sales groups to address the needs of retail customers, and a Business CFU (Globe Business) focused on the needs of big and small businesses. Globe Business provides end-to-end mobile and fixed line solutions and is equipped with its own technical and customer relationship teams to serve the requirements of its client base. Lastly, Globe has an International Business Group to serve the voice and roaming needs of overseas Filipinos, whether transient or permanent. It is tasked to grow the Company's international





revenues by leveraging on Globe's product portfolio and developing and capitalizing on regional and global opportunities.

## **Business Segments**

### **Mobile Business**

Globe provides digital mobile communication and internet-on-the-go services nationwide using a fully digital network based on the Global System for Mobile Communication (GSM), 3G, HSPA+, and LTE technologies. It provides voice, SMS, data and value-added services to its mobile subscribers through three major brands: *Globe Postpaid*, *Globe Prepaid* and *TM* (which now include fully mobile, internet-on-the-go service starting 2016).

#### **Postpaid**

*Globe Postpaid* leads the overall postpaid market with various plan offerings. Over the years, these plans have evolved in order to cater to the changing needs, lifestyles and demands of its subscribers.

Sustaining its market leadership in 2015, Globe launched a revolutionary postpaid plan offer, the new *myLifestyle Plan*, to boost the digital lifestyle experience of its customers who have fully embraced data and content usage on their mobile phones. The new *myLifestyle Plan* gives customers access to an easier and simplified plan offer starting at ₱499 a month which comes with built-in unlimited calls and texts to Globe & TM plus freebies such as the Navigation Bundle which gives customers all day, all month access to apps such as Waze, Grab Taxi, Google Maps, MMDA, and Accuweather, 1 Gigabyte (GB) Globe cloud storage for easy and hassle-free storage of files and photos, and Gadget Care that allows customers to protect their devices against theft and accidental damage. On top of the base ₱499 per month plan, *Globe postpaid* customers can avail of add-on services like Surf Packs for their mobile internet needs, which are bundled with exclusive access to Spotify and/or NBA League Pass. Customers can choose from *GoSURF99* for 100 Megabyte (MB) of mobile internet monthly to as much as 15GB monthly with *GoSURF2499*. For a richer data experience, *myLifestyle Plan* customers can also choose from any of the Lifestyle Packs, which includes Music (Spotify), Productivity (Work Bundle for access to Evernote, Gmail, Yahoo Mail, and Globe Cloud), Life (Navigation Bundle, Explore Bundle for access to Agoda, Cebu Pacific, PAL, and Trip Advisor; and Shopping Bundle for access to Amazon, AyosDito, eBay, OLX, and Zalora), and Social (Chat Bundle for access to Viber, Facebook Messenger, KakaoTalk, Line, WeChat, and WhatsApp; Photo Bundle for access to Instagram, InstaSize, Photo Grid, and Photo Repost; ChatApp for access to Viber or Facebook Messenger; and standalone access to Facebook or Twitter). Moreover, they can also get extra calls and texts to other networks, as well as landline and international services with the Classic Packs.

#### **Prepaid**

*Globe Prepaid* and *TM* are the prepaid brands of Globe. *Globe Prepaid* is focused on the mainstream market while *TM* caters to the value-conscious segment of the market. Each brand is positioned at different market segments to address the needs of the subscribers by offering affordable innovative products and services.

*Globe Prepaid's GoSAKTO* is a self-service menu that provides its subscribers easy access to avail of the latest promos and services of Globe by simply dialing \*143# or through the GoSakto



mobile app (*available on Android and iOS*). This menu also allows the subscribers to build their own promos (call, text and surf promos) that are best suited for their needs and lifestyle. *Globe Prepaid* customers can personalize their call, text and surfing needs for 1 day, 2 days, 3 days, 7 days, 15 days or even for 30 days. They can also select the type and number of call minutes and texts they need and adjust data allocation (in MBs) of mobile surfing the way they want it.

*Globe Prepaid* and *TM* subscribers can reload airtime value or credits using various reloading channels including prepaid call and text cards, bank channels such as ATMs, credit cards, and through internet banking. Subscribers can also top-up via *AutoLoad Max* retailers nationwide, all at affordable denominations and increments. A consumer-to-consumer top-up facility, *Share-A-Load*, is also available to enable subscribers to share prepaid load credits via SMS.

### *GCash*

Globe also provides its subscribers with mobile payment and remittance services under the *GCash* brand. *GCash* transforms a mobile phone into a virtual wallet, enabling secure, fast, and convenient way to transfer money at a cost of a text message. This service enables our subscribers to perform mobile banking and mobile commerce transactions, international and domestic remittance transactions, pay fees, utility bills, income taxes, avail of micro-finance transactions, donate to charitable institutions, and buy prepaid reloads. A wide network of local and international partnerships has been established over the years including government agencies, utility companies, cooperatives, insurance companies, remittance companies and commercial establishments, in order to make *GCash* an accepted mode of payment for various products and services. In 2015, *GCash* unveiled its very own *GCash MasterCard* that is ideal for those who do not yet own a credit card or a debit card. The *GCash MasterCard* is a reloadable prepaid card that one can easily use to swipe and pay just like any other credit card. Linked to one's *GCash* account, it can be used to shop and pay across 33 million MasterCard-enabled establishments worldwide. In 2015, the Company launched the *GCash beep Mastercard*, the first value-added card to be beep ready, allowing cardholders to load and pay for their MRT and LRT trips easily. *Globe GCash beep Mastercard* is not only a reloadable contactless tap and go card for LRT and MRT passengers but is also accepted as a payment option in popular online shopping sites and in almost 33 million establishments worldwide that recognize the Mastercard brand. At the same time, because it has a *GCash* account, it can be used to buy prepaid Globe/TM phone load, send money to any Globe/TM user for free, receive remittance, and even withdraw cash from any automated teller machine (ATM). The *GCash beep Mastercard* allows balance and transaction monitoring to ensure that everything is properly recorded.

### *Loyalty & Rewards Program*

Globe has a loyalty and rewards program called *My Rewards*, *My Globe* for *Globe Prepaid* subscribers, *TM Astig Rewards* for *TM* subscribers and *Tattoo+ Rewards* for *Tattoo Broadband* subscribers. *Globe Postpaid* subscribers can earn points based on their monthly billed amounts in excess of their Monthly Subscription Fee. Subscribers have the option to redeem rewards instantly, or accumulate points to avail of higher value rewards. Redeemed points in the form of telecom services is netted out against revenues whereas points redeemed in the form of non-telco services such as gift certificates and other products are reflected as marketing expense. At the end of each period, Globe estimates and records the amount of probable future liability for unredeemed points.



*Globe Postpaid's* platinum subscribers can enjoy exceptional benefits with the *Platinum* or *Platinum Elite membership*. Just subscribe to any *Platinum Lifestyle Plan* or spend an average of ₱3,499 and above over a twelve-month period. The *Platinum Rewards Cards* cards can also work as a *GCash Mastercard* which can be used to shop anywhere within the Philippines and even abroad. Special perks may vary depending on the plan subscription. With the *Globe Platinum* or *Platinum Elite card*, platinum subscribers can make fund transactions that are quick and effortless, transfer money from their GCash wallet to the *Globe Platinum* or *Globe Plantinum elite card*, shop with ease by using it as a debit card, use it as an ATM card in any ATM machine nationwide, and access exclusive privileges and exceptional offers like premier movie screenings, seasonal promotions, special offers from their favorite stores and more. (Note: the following fees apply: ₱20 for every ATM withdrawal regardless of amount, ₱3 for every ATM balance inquiry, no charge for debit card transactions)

### **Mobile Voice**

Globe's voice services include local, national and international long distance call services. It has one of the most extensive local calling options designed for multiple calling profiles. In addition to its standard, pay-per-use rates, subscribers can choose from bulk and unlimited voice offerings for all-day, and in several denominations to suit different budgets.

Globe keeps Filipinos connected wherever they may be in the world, through its tie-up with 736 roaming partners in 236 calling destinations worldwide. Globe also offers roaming coverage on-board selected shipping lines and airlines, via satellite. Through its *Globe Kababayan* program, Globe provides an extensive range of international call and text services to allow OFWs (Overseas Filipino Workers) to stay connected with their friends and families in the Philippines. This includes prepaid and reloadable call cards and electronic PINs available in popular OFW destinations worldwide.

### **Mobile SMS**

Globe's *Mobile SMS* service includes local and international SMS offerings. Globe also offers various bucket and unlimited SMS packages to cater to the different needs and lifestyles of its postpaid and prepaid subscribers.

### **Mobile Data**

Globe's *Mobile Data* services allow subscribers to access the internet using their internet-capable handsets, devices or laptops with USB modems. Data access can be made using various technologies including LTE, HSPA+, 3G with HSDPA, EDGE and GPRS. In 2015, the Company spearheaded the shift from unlimited time-based data plans to volume-based consumable plans, geared towards improving the mobile data experience of its subscribers and ensures the most appropriate pricing of data. Instead of unlimited mobile internet SuperSurf, Globe and TM subscribers can choose from a variety of GoSurf consumable data plans, ranging from ₱15 for 30 MB to ₱2,499 for 15 GB per month.

*Globe's Tattoo On-the-Go* is for consumers who require a fully mobile, internet-on-the-go service, which allows subscribers to access the internet using HSPA+, 3G with HSDPA, EDGE, GPRS or Wi-Fi at various hotspots nationwide using a plug-and-play USB modem. This service is available in both postpaid and prepaid packages. In addition, consumers in selected urban areas who require faster connections have the option to subscribe to *Tattoo Torque* plans using leading edge GPON (*Gigabit Passive Optical Network*) technology with speeds of up to 100 Mbps.



Globe's *Value-Added Services* offers a full range of downloadable content covering multiple topics including news, information, and entertainment through its web portal. Subscribers can purchase or download music, movie pictures and wallpapers, games, mobile advertising, applications or watch clips of popular TV shows and documentaries as well as participate in interactive TV, do mobile chat, and play games, among others. Additionally, Globe subscribers can send and receive Multimedia Messaging Service (MMS) pictures and video, or do local and international 3G video calling.

### **Fixed Line and Home Broadband Business**

Globe offers a full range of fixed line communications services, wired and wireless broadband access, and end-to-end connectivity solutions customized for consumers, SMEs (Small & Medium Enterprises), large corporations and businesses.

#### **Fixed Line Voice**

Globe's fixed line voice services include local, national and international long distance calling services in postpaid and prepaid packages through its *Globelines* brand. Subscribers get to enjoy toll-free rates for national long distance calls with other *Globelines* subscribers nationwide. Additionally, postpaid fixed line voice consumers enjoy free unlimited dial-up internet from their *Globelines* subscriptions. Low-MSF (monthly service fee) fixed line voice services bundled with internet plans are available nationwide and can be customized with value-added services including multi-calling, call waiting and forwarding, special numbers and voice mail. For corporate and enterprise customers, Globe offers voice solutions that include regular and premium conferencing, enhanced voice mail, IP-PBX solutions and domestic or international toll free services. With the Company's cutting-edge Next Generation Network (NGN), Globe Business Voice solutions offer enterprises a bevy of fully-managed traditional and IP-based voice packages that can be customized to their needs.

#### **Corporate data**

Corporate data services include end-to-end data solutions customized according to the needs of businesses. Globe's product offerings include international and domestic leased line services, wholesale and corporate internet access, data center services and other connectivity solutions tailored to the needs of specific industries.

Globe's international data services provide corporate and enterprise customers with the most diverse international connectivity solutions. Globe's extensive data network allow customers to manage their own virtual private networks, subscribe to wholesale internet access via managed international private leased lines, run various applications, and access other networks with integrated voice services over high-speed, redundant and reliable connections. In addition to bandwidth access from multiple international submarine cable operators, Globe also has two international cable landing stations situated in different locales to ensure redundancy and network resiliency.

The Company's domestic data services include data center solutions such as business continuity and data recovery services, 24x7 monitoring and management, dedicated server hosting, maintenance for application-hosting, managed space and carrier-class facilities for co-location requirements and dedicated hardware from leading partner vendors for off-site deployment.



Other corporate data services include premium-grade access solutions combining voice, broadband and video offerings designed to address specific connectivity requirements. These include Broadband Internet Zones (BIZ) for broadband-to-room internet access for hotels, and Internet Exchange (GiX) services for bandwidth-on-demand access packages based on average usage.

Globe Business also launched Cloud Solutions that allows an organization's infrastructure to match the elasticity of the business climate and increase its business agility. The new cloud capabilities were the first large-scale, private and public-ready, next generation cloud in Asia. Globe offers *Software-as-a-Service or SaaS*, which include a suite of business applications that leverage on the power of cloud to help enterprises improve their business operations such as:

- *Globe Mail* - a low-cost hosted email solution whose features include File storage and sharing, Instant messaging, Music, photo, and video storage and sharing, Whiteboard sharing and Media player;
- *Google Apps for Work* - A cloud-based productivity suite that helps businesses and its employees connect and get work done from anywhere on any device;
- *Office 365* which has applications that are always up to date and accessible from virtually anywhere;
- *Canvas Mobile Forms* - which enables businesses to replace expensive and inefficient paper forms with powerful mobile forms on their smartphones and tablets;
- *Google Drive for Work* - is a new premium offering for businesses that includes all the services in Google Apps for business plus unlimited storage, advanced audit reporting, new security controls and Google Vault
- *PayrollCloud application* – which an end-to-end SaaS Payroll System;
- *Document Cloud*- allows companies to manage, access and store business-related content through a virtual enterprise storage system;
- *Globe HealthCloud* - an end-to-end web-based health ICT solution that enables real-time, secure and convenient access to health information

Moreover, the Company offers *Infrastructure Services* that provide consulting, managed services, and integrated solutions to establish agile and flexible IT environments. This enables customers through a strategy covering assessment through design, implementation, management and optimization to reach a true end-to-end solution. These are: *Backup-as-a-Service* platform which is the most advanced backup and restoration software that enables continuous data protection, local off-site storage and managed services to industries, enterprises as well as small and medium businesses; *Disaster-Recovery-as-a-Service* platform to address the infrastructure replacements to improve uptime of applications and data in instances of natural or man-made disasters.

Furthermore, *Infrastructure-as-a-Service* is also offered to corporate clients such as: *Virtual Private Cloud* which allows them to acquire processing power without the high cost of purchasing dedicated servers; and *Dedicated-Private-Cloud* which reduces the complexity of cloud computing by leveraging pre-configured and fully-tested components.

### **Home Broadband**

Globe offers wired and fixed wireless broadband services, across various technologies and connectivity speeds for its residential and business customers. *Globe Home Broadband* consists of wired or DSL broadband packages bundled with voice, or broadband data-only services which are available with download speeds ranging from 1 Mbps up to 15 Mbps. In selected areas where





DSL is not yet available, Globe also offers *WiMAX*, a fixed wireless broadband service using its *WiMAX* network.

Globe also expanded its Long Term Evolution (LTE) footprint through *LTE @Home* offerings, bringing latest internet technology to households and allowing subscribers to surf the internet at ultrafast speeds to watch high-definition videos, downloading and uploading large files, seamless music streaming, and voice-over-internet-protocol (VOIP) calling with clear quality. This LTE service is backed by the largest 4G network in the country deployed by Globe. Unlimited broadband bundles with free calls to Globe and TM may be availed of starting at Plan 1099 at 1 Mbps, Plan 1299 at 2 Mbps, Plan 1599 at 3 Mbps, Plan 2299 at 5 Mbps, Plan 3999 at 10 Mbps and Plan 4999 at 15 Mbps. Meanwhile, internet-only plans that connect at 3 and 5 Mbps are available at Plan 999 and 1999 respectively, both with unlimited web access.

Meanwhile, Globe also offers *Tattoo Home Broadband*, providing access to the fastest broadband connection. Starting at Plan 1599, the formerly 3 Mbps *Tattoo Home Broadband* bundle has been upgraded to a faster and more reliable 5 Mbps speed. Moreover, *Tattoo Platinum*, the premium broadband product continued its expansion to provide fiber powered home broadband experience powering up the community in Rockwell Makati with the ultra-high speed home broadband service. Together with residents from Forbes, Urdaneta, Bel-Air and Serendra, Rockwell residents may now enjoy speeds of up to 100 Mbps. *Tattoo Platinum* offers speeds of up to 150 Mbps at the same monthly fees now. Surfing speeds of up to 10 Mbps is now at Plan 3499, 15 Mbps at Plan 3999, 10 Mbps at Plan 4999, 50 Mbps at Plan 6999, 100 Mbps at Plan 11999 and 150 Mbps at Plan 16999. Being the first to launch the Gigabit-capable Passive Optical Network (GPON) internet service in the Philippines, *Tattoo Platinum* comes with exclusive offers all for Free such as Globe landline, Globe-to-Globe landline NDD calls, Unlicalls to Globe and TM mobile, 4-port modem + Wi-Fi router and a Tattoo Postpaid Stick with 40 surfing hours per month. Beyond these, *Tattoo Platinum* subscribers may enjoy exclusive perks and privileges such as priority servicing in Globe Stores and Hotline, dedicated relationship managers for Plan 4999 and up, and discounts to partner merchants and concierge services. In 2015, Globe Telecom, through its home broadband brand Tattoo, has unveiled its latest roster of broadband plans for new customers with a strong bid to attract more customers and further grow its customer base.

With the new broadband plans, customers get exclusive access to a portfolio of entertainment content which allows them to watch movies and basketball games, as well as stream music at the comfort of their homes. As an online entertainment service provider, *HOOQ* boasts of an extensive content library with thousands of movies, television episodes and shows available for users to watch, including titles from partners *Sony Pictures* and *Warner Bros. Entertainment*. With *Spotify*, the world's most popular music streaming service, customers get the best music experience with access to over 20 million songs. On the other hand, the *NBA League Pass* allows customers to watch basketball games along with highlights, stats and other features. Likewise, with *Walt Disney* partnership, Globe customers will now have access to an array of Disney content offerings (whose brands include Disney, Pixar, Marvel, Star Wars and global leader in short-form video, Maker Studios) including long- and short-form programming, interactive content and games, theatrical releases and retail promotions.

## **KEY PERFORMANCE INDICATORS**

Globe is committed to efficiently managing the Company's resources and enhancing shareholder value. The Company regularly reviews its performance against its operating and financial plans and strategies, and use key performance indicators to monitor its progress.

Some of its key performance indicators are set out below. Except for Net Income, these key performance indicators are not measurements in accordance with Philippine Financial Reporting Standards (PFRS) and should not be considered as an alternative to net income or any other measure of performance which are in accordance with PFRS.

### ***AVERAGE REVENUE PER UNIT (ARPU)***

ARPU measures the average monthly gross revenue generated for each subscriber. This is computed by dividing recurring gross service revenues (gross of interconnect charges) for a business segment for the period by the average number of the segment's subscribers and then dividing the quotient by the number of months in the period.

### ***SUBSCRIBER ACQUISITION COST (SAC)***

SAC is computed by the total marketing costs (including commissions and handset/SIM subsidies<sup>1</sup>) related to the acquisition programs for the segment for the period divided by the gross incremental subscribers.

### ***AVERAGE MONTHLY CHURN RATE***

The average monthly churn rate is computed by dividing total disconnections (net of reconnections) for the segment by the average number of the segment's subscribers, and then divided by the number of months in the period. This is a measure of the average number of customers who leave, switch, or change to another type of service or to another service provider and is usually stated as a percentage.

### ***EBITDA***

EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization) is calculated as service revenues less subsidy<sup>1</sup>, operating expenses and other income and expenses<sup>2</sup>. This measure provides useful information regarding a company's ability to generate cash flows, incur and service debt, finance capital expenditures and working capital changes. As the Company's method of calculating EBITDA may differ from other companies, it may not be comparable to similarly titled measures presented by other companies.

<sup>1</sup> Computed as non-service revenues less cost of sales, mostly on sale of handsets/SIM packs, accessories & gadgets

<sup>2</sup> Operating expenses do not include any property and equipment-related gains and losses and financing costs

***EBITDA MARGIN***

EBITDA margin is calculated as EBITDA divided by total service revenues. Total service revenue is equal to total gross operating revenue less non-service revenue. This is useful in measuring the extent to which subsidies and operating expenses (excluding property and equipment-related gains and losses and financing costs), use up revenue.

***EBIT and EBIT MARGIN***

EBIT is defined as earnings before interest, property and equipment-related gains and losses and income taxes. This measure is calculated by deducting depreciation and amortization from EBITDA. The Globe Group's method of calculating EBIT may differ from other companies and, hence, may not be comparable to similar measures presented by other companies. EBIT margin is calculated as EBIT divided by total service revenues.

***NET INCOME***

As presented in the unaudited condensed consolidated financial statements for applicable periods, net income provides an indication of how well the Company performed after all costs of the business have been factored in.

***CORE NET INCOME***

Core net income is defined as net income after tax (NIAT) but excluding foreign exchange and mark-to-market gains (losses), and non-recurring items such as the Company's accelerated depreciation charges resulting from the network modernization and IT transformation program implemented in 2012. Starting with the 2012 payout, dividends will be computed against prior year's core net income instead of reported net income to ensure that dividends remain sustainable and yields competitive, despite the expected decline in near-term profits arising from accelerated depreciation charges related to the transformation efforts.



## FINANCIAL AND OPERATIONAL RESULTS

### GROUP FINANCIAL SUMMARY

Results of Operations (Php Mn)	Globe Group					Bayan (Standalone)
	Year on Year					
	Globe Conso	Globe ex-Bayan	Last Yr	YoY Change (%)		
	31-Mar 2016	31-Mar 2016	31-Mar 2015	vs. Globe Conso	vs. Globe ex-Bayan	
Operating Revenues	31,546	30,166	28,046	12%	8%	1,522
Service Revenues *	29,867	28,487	26,220	14%	9%	1,522
Mobile <sup>1</sup>	23,064	23,069	21,635	7%	7%	-
Home Broadband <sup>2</sup>	3,481	2,831	2,300	51%	23%	649
Corporate Data	2,333	1,837	1,543	51%	19%	626
Fixed line Voice	989	750	742	33%	1%	247
Non-Service Revenues	1,679	1,679	1,826	-8%	-8%	-
Costs and Expenses	18,517	17,815	17,037	9%	5%	844
Cost of Sales	3,457	3,452	3,439	1%	-	5
Operating Expenses	15,060	14,363	13,598	11%	6%	839
EBITDA	13,029	12,351	11,009	18%	12%	678
EBITDA Margin	44%	43%	42%			45%
Depreciation	6,215	5,790	4,439	40%	30%	358
EBIT	6,814	6,561	6,570	4%	0%	320
EBIT Margin	23%	23%	25%			21%
Non-Operating Charges	540	597	523	3%	14%	57
Net Income After Tax (NIAT)	4,335	4,154	4,203	3%	-1%	227
Core Net Income	4,185	4,091	4,182	-	-2%	140

\* 2015 service revenues have been restated to reflect the change in the presentation of fully mobile broadband to be part of mobile business (which was reported under broadband previously)

<sup>1</sup> Mobile business includes mobile and fully mobile broadband (which was reported under broadband previously)

<sup>2</sup> Home Broadband includes fixed wireless and wired broadband.

- On a consolidated view, Globe closed the first three months of 2016 with gross service revenues of ₱29.9 billion, 14% higher than the ₱26.2 billion in the same period last year. The robust revenue performance remained broad-based with notable gains across all business segments (*mobile, home broadband, corporate data and fixed line voice*). Mobile revenues posted a 7% increase year-on-year mostly coming from the prepaid segments Globe Prepaid (+8%) and TM (+10%). This was likewise supported by the continued strong acquisitions, bringing the total mobile subscriber<sup>1</sup> base to 57.3 million as of end-March this year. The home broadband and corporate data segments likewise sustained their double digit growths, with each segment posting an increase of 51% year-on-year, due to continued subscriber growth and the strong demand for data from both consumers and corporates. Fixed line voice also posted a 33% increase year-on-year to reach close to ₱1.0 billion from ₱742 million in the same period last year. The strong revenue performance was also aided by Bayan's revenue contribution during the period, after Globe started consolidating Bayan in July 2015. Even excluding Bayan's results, Globe gross service revenues registered at ₱28.5 billion, or 9% higher from a year ago.
- Globe's operating expenses and subsidy for the first three months of 2016 grew by 11% year-on-year from ₱15.2 billion in the same period last year to ₱16.8 billion this period, reflective of the growing scale of the business and partly due to the inclusion of Bayan costs. The increase in network related expenses – lease, maintenance, supplies and utilities were driven by the continuous

expansion of Globe's network. Also, services costs, subsidy, recontracting expenses, as well as staff-related costs were all up year-on-year to support the continued subscriber base expansion.

- The Globe Group's depreciation expenses in the first three months of the year increased by 40% from ₱4.4 billion in the same period last year to ₱6.2 billion this period. The increase in depreciation expenses were driven by (1) one-time depreciation impact arising from the end of useful life of certain assets, (2) the consolidation of Bayan depreciation during the quarter and (3) the depreciation expenses of asset additions related to Globe's capital expenditure programs completed in 2015 and the first quarter of the 2016.
- Overall, Globe Group's total cost and expenses for the first three months of the year, including depreciation charges, increased to ₱23.1 billion or 17% higher than the ₱19.7 billion reported in the same period of 2015. Excluding Bayan's total cost and expenses, Globe's total cost and expenses as of end-March of 2016 grew by 12%.
- Buoyed by the robust revenue performance, consolidated EBITDA for the first three months of 2016 registered another all-time quarterly high at ₱13.0 billion, up a solid 18% from the ₱11.0 billion reported a year ago and up 17% from the previous high last quarter. The Globe Group's EBITDA margin for the first three months of the year remained strong at 44% from 42% in the same period of 2015.
- The Globe Group closed the first three months of the year with net income reaching ₱4.3 billion, 3% higher than the ₱4.2 billion net income reported in the same period last year, despite higher depreciation expense and non-operating charges during the period. Excluding the non-recurring expenses, net foreign exchange gains, core net income reached ₱4.2 billion.
- As of end-March 2016, total cash capital expenditures stood at about ₱7.1 billion, 45% higher than last year's level of ₱4.9 billion. To support the requirements of its subscribers for 2G, 3G and 4G services, Globe has a total of 29,008 base stations, including over 18,900 4G<sup>1</sup> base stations.

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<sup>1</sup> Includes HSPA+, WiMax and LTE

Results of Operations (Php Mn)	Globe Group					Bayan (Standalone)
	Quarter on Quarter					
	Globe Conso	Globe ex-Bayan	Last Qtr	QoQ Change (%)		
	Q1 2016	Q1 2016	Q4 2015	vs. Globe Conso	vs. Globe ex-Bayan	
Operating Revenues	31,546	30,166	31,928	-1%	-6%	1,522
Service Revenues*	29,867	28,487	30,323	-2%	-6%	1,522
Mobile <sup>1</sup>	23,064	23,069	23,730	-3%	-3%	-
Home Broadband <sup>2</sup>	3,481	2,831	3,474	-	-19%	649
Corporate Data	2,333	1,837	2,204	6%	-17%	626
Fixed line Voice	989	750	915	8%	-18%	247
Non-Service Revenues	1,679	1,679	1,605	5%	5%	-
Costs and Expenses	18,517	17,815	20,799	-11%	-14%	844
Cost of Sales	3,457	3,452	3,721	-7%	-7%	5
Operating Expenses	15,060	14,363	17,078	-12%	-16%	839
EBITDA	13,029	12,351	11,129	17%	11%	678
EBITDA Margin	44%	43%	37%			45%
Depreciation	6,215	5,790	6,521	-5%	-11%	358
EBIT	6,814	6,561	4,608	48%	42%	320
EBIT Margin	23%	23%	15%			21%
Non-Operating Charges	540	597	932	-42%	-36%	57
Net Income After Tax (NIAT)	4,335	4,154	2,340	85%	78%	227
Core Net Income	4,185	4,091	2,418	73%	69%	140

\* 2015 service revenues have been restated to reflect the change in the presentation of fully mobile broadband to be part of mobile business (which was reported under broadband previously)

<sup>1</sup> Mobile business includes mobile and fully mobile broadband (which was reported under broadband previously)

<sup>2</sup> Home Broadband includes fixed wireless and wired broadband.

- On a sequential basis, the Globe Group's first quarter consolidated services revenues of ₱29.9 billion was 2% lower than the record-high results achieved in the fourth quarter of 2015. The growth in corporate data and fixed line voice revenues partially offset the decline in mobile revenues. Bayan's contribution to this quarter's revenue reached ₱1.5 billion. Excluding Bayan, service revenues was likewise down by 6% quarter-on-quarter.
- Globe's subsidy and operating expenses were down by 12% quarter-on-quarter from ₱19.2 billion to only ₱16.8 billion this quarter. The higher costs during the fourth quarter was mainly driven by the catch-up accruals towards the end of 2015 and the inclusion of Bayan's expenses, which tend to normalize during the first quarter of the year. Excluding Bayan's impact to the first quarter results, total subsidy and operating expenses were lower by 16% quarter-on-quarter.
- Depreciation charges for the first quarter were likewise lower by 5% from the ₱6.5 billion reported last quarter. In total, Globe's total cost and expenses, including depreciation expenses, were lower by 10% from the ₱25.7 billion in the fourth quarter of 2015.
- Globe's first quarter record level EBITDA of ₱13.0 billion is a 17% improvement from the ₱11.1 billion posted in the last quarter of 2015. Consolidated EBITDA margin likewise improved to 44% from the 37% EBITDA margin in the fourth quarter last year.
- Globe recorded total non-operating charges of ₱540 million, 42% lower against the prior quarter's non-operating expense of ₱932 million due mainly to net forex gains (driven by realized gains on derivatives) countered with slight peso appreciation (average of ₱47.081 in 1Q 2016 versus the



average of ₱47.048 last 4Q 2015). It was likewise buoyed by lower net interest expense and gains on disposal of various fixed assets.

- Consolidated quarterly net income amounted to ₱4.3 billion, up a solid 85% from the ₱2.3 billion last quarter, due to the strong EBITDA growth, lower depreciation and non-operating charges this period. Core net income, which excludes non-recurring items, foreign exchange gains and mark-to-market items, was likewise higher by a robust 73% against the fourth period of 2015.

## GROUP OPERATING REVENUES

Operating Revenues By Business (Php Mn)	Globe Group					Bayan (Standalone)
	Year on Year					
	Globe Conso	Globe ex-Bayan	Last Yr	YoY Change (%)		
	31-Mar 2016	31-Mar 2016	31-Mar 2015	vs. Globe Conso	vs. Globe ex-Bayan	
Mobile <sup>1</sup>	24,612	24,617	23,404	5%	5%	-
Service Revenues	23,064	23,069	21,635	7%	7%	-
Non-Service Revenues	1,548	1,548	1,769	-12%	-12%	-
Fixed Line and Home Broadband <sup>2</sup>	6,934	5,549	4,642	49%	20%	1,522
Service Revenues	6,803	5,418	4,585	48%	18%	1,522
Non-Service Revenues	131	131	57	130%	130%	-
Total Operating Revenues	31,546	30,166	28,046	12%	8%	1,522

<sup>\*</sup> 2015 service revenues have been restated to reflect the change in the presentation of fully mobile broadband to be part of mobile business (which was reported under broadband previously)

<sup>1</sup> Mobile business includes mobile and fully mobile broadband (which was reported under broadband previously)

<sup>2</sup> Home Broadband includes fixed wireless and wired broadband; Fixed line and Home Broadband includes corporate data, fixed line voice and home broadband.

The Globe Group closed the first three months of the year with total operating revenues of ₱31.5 billion, up 12% from the ₱28.0 billion recorded in the same period last year. This was driven by the strong service revenue growth, which was up 14% year-on-year to reach ₱29.9 billion in the first three months of this period from ₱26.2 billion in the same period of 2015. Excluding the impact of Bayan's results in the first quarter, total operating revenues still grew by 7% year-on-year to ₱28.5 billion.

Mobile service revenues, which accounted for 77% of Globe's consolidated service revenues during the first quarter of the year, improved to ₱23.1 billion, up 7% from last year's level of ₱21.6 billion, due to the robust revenue contributions from mobile data (+62%) and the continued subscriber expansion across all mobile brands.

Home broadband and fixed line businesses comprised 23% of consolidated service revenues, which grew by 48% year-on-year from the ₱4.6 billion in the first three months of last year to ₱6.8 billion this year. The solid growth in home broadband, corporate data and fixed line voice was driven mainly by the expanded subscriber base given higher demand for internet services coupled with Bayan's revenue contribution for this period.

Mobile non-service revenues declined year-on-year by 12% while fixed line and broadband non-service revenues improved by 129%.

Operating Revenues By Business (Php Mn)	Globe Group					Bayan (Standalone)
	Quarter on Quarter					
	Globe Conso	Globe ex-Bayan	Last Qtr	QoQ Change (%)		
	Q1 2016	Q1 2016	Q4 2015	vs. Globe Conso	vs. Globe ex-Bayan	
Mobile <sup>1</sup>	24,612	24,617	25,250	-3%	-3%	-
Service Revenues	23,064	23,069	23,730	-3%	-3%	-
Non-Service Revenues	1,548	1,548	1,520	2%	2%	-
Fixed Line and Home Broadband <sup>2</sup>	6,934	5,549	6,678	4%	-17%	1,522
Service Revenues	6,803	5,418	6,593	3%	-18%	1,522
Non-Service Revenues	131	131	85	54%	54%	-
Total Operating Revenues	31,546	30,166	31,928	-1%	-6%	1,522

<sup>\*</sup> 2015 service revenues have been restated to reflect the change in the presentation of fully mobile broadband to be part of mobile business (which was reported under broadband previously)

<sup>1</sup> Mobile business includes mobile and fully mobile broadband (which was reported under broadband previously)

<sup>2</sup> Home Broadband includes fixed wireless and wired broadband; Fixed line and Home Broadband includes corporate data, fixed line voice and home broadband.

On a quarterly basis, Globe Group's total operating revenues were down by 1% from the ₱31.9 billion reported in the fourth quarter of 2015. Globe's corporate data and fixed line voice revenues were up by 6%, 8%, respectively, which partially mitigated the decline in mobile revenues (-3%) during the quarter.

Mobile non-service revenues posted an increase quarter-on-quarter by 2% while fixed line and home broadband non-service revenues, were likewise up by 54%.

## MOBILE BUSINESS

	Globe Group				
	Year on Year				
	Globe Conso	Globe ex-Bayan	Last Yr	YoY Change (%)	
	31-Mar 2016	31-Mar 2016	31-Mar 2015	vs. Globe Conso	vs. Globe ex-Bayan
<b>Operating Revenues By Business (Php Mn)</b>					
Service*					
Mobile Voice <sup>1</sup>	8,181	8,186	9,192	-11%	-11%
Mobile SMS <sup>2</sup>	5,763	5,763	6,807	-15%	-15%
Mobile Data <sup>3</sup>	9,120	9,120	5,636	62%	62%
<b>Mobile Service Revenues</b>	<b>23,064</b>	<b>23,069</b>	<b>21,635</b>	<b>7%</b>	<b>7%</b>

	Globe Group				
	Quarter on Quarter				
	Globe Conso	Globe ex-Bayan	Last Qtr	QoQ Change (%)	
	Q1 2016	Q1 2016	Q4 2015	vs. Globe Conso	vs. Globe ex-Bayan
<b>Operating Revenues By Business (Php Mn)</b>					
Service*					
Mobile Voice <sup>1</sup>	8,181	8,186	9,064	-10%	-10%
Mobile SMS <sup>2</sup>	5,763	5,763	6,193	-7%	-7%
Mobile Data <sup>3</sup>	9,120	9,120	8,473	8%	8%
<b>Mobile Service Revenues</b>	<b>23,064</b>	<b>23,069</b>	<b>23,730</b>	<b>-3%</b>	<b>-3%</b>

\* 2015 service revenues have been restated to reflect the change in the presentation of fully mobile broadband to be part of mobile business (which was reported under broadband previously)

<sup>1</sup> Mobile Voice service revenues include the following:

- Prorated monthly service fees on consumable minutes of postpaid plans;
- Subscription fees on unlimited and bucket voice promotions including the expiration of the unused value of denomination loaded;
- Charges for intra-network and outbound calls in excess of the consumable minutes for various Globe Postpaid plans, including currency exchange rate adjustments, or CERA, net of loyalty discounts credited to subscriber billings; and
- Airtime fees for intra network and outbound calls recognized upon the earlier of actual usage of the airtime value or expiration of the unused value of the prepaid reload denomination (for Globe Prepaid and TM) which occurs between 3 and 120 days after activation depending on the prepaid value reloaded by the subscriber net of (i) bonus credits and (ii) prepaid reload discounts; and revenues generated from inbound international and national long distance calls and international roaming calls; and
- Mobile service revenues of GTI.

Revenues from (a) to (e) are reduced by any payouts to content providers.

<sup>2</sup> Mobile SMS revenues consist of local and international revenues from value-added services such as inbound and outbound SMS and MMS, infotext, and subscription fees on unlimited and bucket prepaid SMS services, net of any interconnection or settlement payouts to international and local carriers and content providers.

<sup>3</sup> Mobile Data service revenues consist of local and international revenues from value-added services such as mobile internet browsing and content downloading, mobile commerce services, fully mobile broadband, other add-on VAS, and service revenues of GXI, Yondu, KVI and Asticom net of any interconnection or settlement payouts to international and local carriers and content providers. 2015 Mobile Data service revenues have been restated to reflect the change in the presentation of fully mobile broadband to be part of wireless business (which was reported under broadband previously)

### ***Mobile Voice***

Mobile voice revenues, which accounted for 35% of total mobile service revenues, declined by 11% to only ₱8.1 billion from ₱9.2 billion in the same period last year. The year-on-year decline in voice revenues was due to the migration of voice traffic through alternative channels that make use of internet-based applications (such as Viber, Facebook, Skype, and Whatsapp, among others). Against the previous quarter, mobile voice revenues declined by 10%.

The Company continues to provide attractive and affordable bulk voice offers such as *Tawag 236* for 20-minute consumable calls for only ₱20 for *Globe Postpaid* and *Globe Prepaid* subscribers and *TM's TodoTawag 15/15* service for 15-minute on-net call for only ₱15. *TM* subscribers may also subscribe to *SuliTawag* for only ₱5 for 3-minute Globe and *TM* network calls and *TM Dagdag Call* worth ₱5 which is an add-on service to subscribers registered to *TM's* text promotions that provides 3-minute on-net calls. Likewise, *GoCall100* provides *Globe Prepaid* subscribers 500 minutes of on-net calls to Globe/*TM* for only ₱100 for 7 days. Meanwhile, *TM* subscribers may choose *Unlicall15* which gives its subscribers unlimited calls to all Globe and *TM* subscribers for as low as ₱15 valid for 1 day.

Meanwhile, for Filipinos who wish to stay connected with their loved ones abroad, Globe continues to offer its pioneering per-second charging for international voice calls, *IDD Sakto Calls* for both *Globe Postpaid* and *Globe Prepaid* subscribers. *Globe Prepaid's GoTipIDD* service remains to be the lowest per-minute IDD rates in the market. In addition, Globe also provides a bucket IDD service to popular and selected overseas destinations with its *IDD Tingi* promotion, while offering its *TipIDD* card at various Globe distribution channels. The Company's international voice services also include *Super IDD*, an unlimited call service for 24 hours to select destinations worldwide, and *Go IDD* for IDD calls to the US mainland, Canada, China, Hawaii, Hong Kong, Singapore, and Thailand for as low as ₱1.50 per minute for only ₱200, valid for 30 days. Also, *TM* customers may opt to subscribe to *TM TipIDD30* which offer four (4) minutes of international calls to Saudi, UAE, Kuwait, Bahrain, Italy, UK, Australia and Japan for only ₱30 a day.

In addition, Filipinos or OFW's abroad can likewise spend more talk time with their loved ones in the Philippines with *Globe Duo International*. It is a subscription service that assigns a virtual international number to a registered *Globe Prepaid*, *Postpaid* or *TM* mobile number. This service allows their friends and family members from abroad to call that virtual number, giving them a 'local' calling experience, which is more affordable compared to the standard IDD call rates to the Philippines. *DUO USA* provides registered *Globe Postpaid* and *Globe Prepaid* subscribers with virtual US landline numbers which they can use to communicate with their loved ones in the USA. Families and friends in the USA in turn may call their loved ones back in the Philippines and be charged at domestic US rates. This service was further expanded to cover Korea, Canada, UK, Japan and Spain with the launch of *Globe DUO Korea*, *Globe DUO Canada*, *Globe DUO UK*, *DUO Japan*, and *DUO Spain*, where it assigns a Korean, Canadian, UK, Japan or Spain number to a Globe/*TM* mobile number in the Philippines which subscribers may use to call friends and loved ones in Korea, Canada UK, Japan and Spain directly while enjoying local (Korea/Canada/UK/Japan/Spain) domestic calling rates. In the same manner, incoming calls from Korea, Canada, UK, Japan and Spain to Duo numbers registered in the Philippines are also charged at local rates. This service are available to *Globe Postpaid*, *Globe Prepaid*, and *TM* subscribers.

The Company also provides its subscribers with the best possible mix of voice, SMS, and mobile browsing services through its combo packages. For *Globe Prepaid*, subscribers have the choice to avail of *GoUnli* offers, which provides unlimited SMS to all networks as well as unlimited on-net





calls, and unlimited use of Facebook or *Go AllNet* promos, which provides unlimited SMS to all networks, plus calls to Globe/TM and calls to all networks and consumable mobile browsing. The *GoUnli25*, provides unlimited texts and calls to Globe/TM, unlimited Facebook plus a choice of one free app (*Twitter, Instagram, Google, Yahoo, Viber, Foursquare, WeChat*) for ₱25/day. The new *GoUNLI30*, likewise gives its subscriber unlimited calls to Globe/TM and unlimited allnet texts, plus free unlimited chat with the best chat apps for only ₱30. Subscribers can call their friends abroad using *Viber*, enjoy real-time IM conversations via *FB Messenger*, send cute, animated stickers using *Kakao*, and even leave personalized walkie-talkie voice messages using *WeChat*. Other chat apps like *Whatsapp, Line* and *GMessage* can also be used for free, with no Wi-Fi needed. *GoUnli20* was likewise introduced to the market which offers unlimited calls to Globe and TM, 20 texts to all networks, and 15MB of mobile data, good for 1 day. *Globe Prepaid* subscribers may also opt to subscribe to *GoUnli50*, which offers unli calls to Globe/TM, unli all-net texts, and 50MB of surfing for 3 days for only ₱50. Meanwhile, *Go All-Net* promotions include *GoAllNet25* which gives its subscribers unlimited texts to all networks, 75 mins of calls to Globe/TM, 5 mins of calls to all networks and 5MB Facebook for ₱50 good for 1 day, and *SuperAllTxtPlus20* which provides its customers 250 local texts to All networks, plus 10 minutes voice calls (Globe/TM) for one day. Also available are *GoAllNet70, GoAllNet200, GoAllNet300*, and *GoAllNet500* for all-net offers valid for 3, 7, 15 and 30 days, respectively.

In addition, *Globe Prepaid* subscribers also have the option to subscribe to *Super Unli All Txt 25*, which allows unlimited calls and SMS to all networks, 10 minutes of calls to Globe or TM numbers, and 1 hour of mobile internet for only ₱25/day. Also available is *GoTXT19Plus*, whereby subscribers can send unlimited texts to all networks, make 20 minutes of calls to Globe/TM, and surf up to 15MB for only ₱19 valid for 1 day.

For *TM* on the other hand, subscribers can choose from a wide array of unlimited and bucket offers which will best fit their budget and lifestyle. Among the unlimited promo offers are: *UnliCombo* for as low as ₱15 for 1 day to get unlimited on-net calls from 11PM to 6AM the following day and unlimited on-net SMS for 24 hours; *UnliCombo20* for unlimited on-net calls from 10 PM to 5 PM the following day and unlimited on-net SMS for 24 hours. Bucket text and call services are likewise available for as low as ₱10 for an unlimited on-net SMS and bulk on-net voice calls with *AstigCombo10*. *Astigcombo15* is also available which gives unlimited on-net texts and 30 minutes on-net calls for ₱15 a day. *TM* subscribers may avail of *Combo15* to get unlimited on-net SMS, 50 all-network text service, and 10 consumable minutes within the TM and Globe networks for 2 days as well as *Combo10* which offer unlimited on-net SMS, 10-minute calls to TM/Globe plus 50 all-net texts for only ₱10 a day. *Unlicombo20* was likewise introduced to the market which provides unlimited texts to TM/Globe subscribers for 24 hours plus unlimited calls to TM/Globe subscribers from 10 PM to 5 PM the following day. In addition, *TM* subscribers can extend for another 24 hours their favorite *TM* promo for only ₱5. In 2015, TM introduced the *Extend all-you-can promo* which gives all TM subscribers the option to extend all TM call and text promos up to 30 times by simply texting "EXTEND" to 8888 before their current promo expires. *ComboAll10* was likewise introduced to the market which provides unlimited texts and 50 minutes of calls to *TM/Globe* plus 50 texts to all networks for only ₱10 per day.

### ***Mobile SMS***

Mobile SMS, which accounted for 25% of total mobile service revenues, closed the first three months of the year at ₱5.8 billion, 15% lower than the ₱6.8 billion recorded in the same period last year. The year-on-year decline in SMS revenues was due to the increasing popularity over-the-top chat applications such as Facebook Messenger, Whatsapp, Viber and other chat applications, offering



avenues for messaging to our subscribers outside of SMS services. On a sequential basis, mobile SMS revenues declined by 7%.

Globe showcases a comprehensive line up of mobile SMS services ranging from unlimited and bucket text services. Globe continues to provide its prepaid subscribers with all-day unlimited on-net SMS with *UnliTxt* and *AstigTxt*, respectively. *Globe Postpaid* and *Globe Prepaid* subscribers may get 30 days of unlimited on-net text service by subscribing to *SuperTxt*. TM subscribers can likewise subscribe to other variants of the *AstigTxt* offering for unlimited on-net SMS valid for 2 days, 3 days, or 5 days. For on-net bucket SMS offers, Globe continues to provide *SuliTxt* which allows 100 and 25 text messages for a single day subscription. The Company also offers all-network text services such as *My SuperTxt All*, an unlimited text service for 30 days available for postpaid subscribers and *UnliTxtAll20* for a 1-day unlimited SMS to all networks for TM subscribers. All network bucket text services are likewise available with *Globe Prepaid's SuperAllTxt* for 250 SMS and *TM's AstigTxtAll* for 150 SMS, both valid for a day. Meanwhile, in response to the market's clamor for prepaid offers with longer validity periods, *Globe Prepaid* introduced via GoSakto *GoUnlitxt49* which offers its subscribers unlimited on-net texts to *Globe/TM* for only ₱49. Likewise, *AstigItxt20* was introduced in the market which gives TM subscribers 30 international and all-network texts for only P20 valid for 1 day as well as *UnliAllNet10* which provides its subscribers with unlimited texts to all networks for ₱10 a day. *Dagdagtxt* for additional 100 all-network texts added to an UnliCall promo for only ₱5 a day was likewise launched. With TM's continued dedication of giving its subscribers more wonderful offers, TM introduced *UnliTxt10 (T10)* which provides unlimited texts to TM/Globe subscribers for two (2) days for only ₱10. Also, for a minimal price of ₱5, TM subscribers may opt to add to the *UnliTxt10* promo 15 minutes of calls to TM/Globe or unlimited text to TM/Globe to the *UnliTawag15* promo.

### ***Mobile Data***

#### ***Mobile Browsing, Internet-on-the-Go and Other Data***

Mobile data revenues, which now accounted for 40% of total mobile service revenues (up from 26% a year ago), stood at ₱9.1 billion as end-March 2016, up by a solid 62% from ₱5.6 billion year ago. On a sequential basis, mobile data revenues grew by 8% from the seasonally strong fourth quarter revenues of ₱8.5 billion. The significant growth in mobile data revenues was driven by the increasing smartphone penetration (now reaching close to 50%) and positive customer response to Globe's market-relevant data offers, as well as the growth of the nomadic (*fully mobile*) subscriber base and enhanced network experience from our expanded 3G, HSPA+ and LTE networks.

Over the years, Globe has pioneered efforts in introducing product and promotions that cater to the customer's digital preferences, enabling Globe to be the brand of choice in the world of data. This was done through collaborative partnerships with global giants in the world of content. The Company partnered with internet giant Google to provide free access to Google mobile services. Taking this a step further, Globe worked with Google to provide its subscribers the ability to charge purchases of applications to their postpaid bill or prepaid load, bypassing the need for credit cards and enhancing the convenience for Globe and TM customers. Likewise, the Company was able to tailor-made lifestyle packages for all its subscribers to meet their social networking needs and crowd-sourced content (via *Facebook* and *Wattpad*), chatting and digital communication (*Viber*), music (*Spotify*), sports (*NBA*) and media (*HOOQ* and *Walt Disney*).

Globe's mobile browsing services include the new consumable mobile internet plan "*GoSurf*" which gives its subscribers bulk megabytes of mobile data consumable per kilobyte for as low as ₱10/day. The *GoSurf* data plans were introduced to the market with the Company's strategy to shift from unlimited time-based data plans to volume-based consumable plans and improve the mobile data



experience of its subscribers. Globe and TM subscribers can choose from a variety of *GoSurf* consumable data plans, ranging from ₱10 for 30 MB per day to ₱2,499 for 15 GB per month. With every *GoSurf* data plan, subscribers can get free access to *Spotify*, one of the world's most popular music streaming services, to stream music all day, listen to their favorite songs and create playlists from *Spotify*'s over 30 million songs and share them with the world – anytime, anywhere. Subscribers who register to *GoSurf99* and below get free music streaming on *Spotify Basic*, while those who register to *GoSurf299* and above get free music streaming on *Spotify Premium*. With a *Spotify Premium* account, users can enjoy ad-free listening experience, play any song on-demand, listen to the highest audio quality, and download music and listen even on offline mode. During the first quarter of 2015, the *GoSurf* offers were improved in order to include *HOOQ* (a choice between *GoSurf* with *Spotify Basic* or *GoSurf* with *Spotify Premium* or *HOOQ*) available to Prepaid, Postpaid and Tattoo. With the Company's partnership with *HOOQ*, (a start-up joint venture between Singtel, Sony Pictures Television and Warner Bros. Entertainment), all Globe customers will get to enjoy unlimited online streaming access, offline viewing option and download to thousands of movies and TV series from Hollywood partners (Sony Pictures Television and Warner Bros. Entertainment) and major local studios (ABS-CBN, GMA, Viva Communications, Regal Entertainment), via any device including computers, smartphones and tablets. All *GoSurf* plans are automatically bundled with the "Globe No Bill Shock Guarantee", so subscribers who exceed their monthly MB allocations will never pay more than ₱1,500 for *GoSURF* plans 99 to 999 and ₱3,000 for *GoSURF* plans 1799 and 2499. In 2015, *GoSurf* offers were even made better giving its subscribers bigger data volume allocation and free games. New *GoSurf299* now provides 1.5 GB plus 1GB for worry-free gaming and *Premium Spotify* or *HOOQ* valid for 30 days; and *GoSurf499* now offers 3GB plus 1GB for worry-free gaming and *Premium Spotify* or *HOOQ* valid for 30 days.

Meanwhile, unlimited chat offers (*UnliChat25* valid for 1 day and *UnliChat299* valid for 30 days), *GMESSAGE*, *Viber*, *FB Messenger*, *KakaoTalk*, *WeChat*, *WhatsApp*, and *LINE* even without a WiFi connection are also available for *Globe Prepaid* subscribers. For unlimited access to Facebook, *Super Facebook* and *TM Astig Facebook* are available for only ₱10 a day for its *Globe Prepaid* and *TM* subscribers. Furthermore, *Globe Prepaid* and *TM* customers who want a full Viber experience with unlimited high-definition voice calls and unlimited chat can avail of *Viber20* for ₱20 a day and those who want unlimited *Viber* chat only can either avail of *Viber10*, a one day variant for only ₱10 or *Viber30* for five days unlimited *Viber* chat for ₱30. Aside for these, *Globe Prepaid* or *TM* customers may opt to avail of site bundles to enjoy 24-hour unlimited access to various websites of their choice for only ₱20 per day such as *Social20* (24-hour unlimited access to m.facebook.com, multiply.com/m and mobile.twitter.com); *Fun20* (24-hour unlimited mobile entertainment when you access m.youtube.com and m.facebook.com), and *Mail20* (24-hour unlimited access to Facebook, Yahoo Mail, Gmail and Jobstreet). In addition, "Piso Videos" was likewise introduced in the latter part of 2015 to provide *Globe* and *TM* subscribers' access to videos on their cellphones for as low as ₱1 per video.

Moreover, the Company continues its drive to position the Philippines as the Digital Lifestyle Capital of the World by giving customers free access to Facebook and Viber with their favorite Globe call, text, and surf promos. All *Globe Postpaid*, *Prepaid*, *TM* and *Tattoo* customers can enjoy free access to Facebook and Viber when subscribed to promos including *GoSurf* variants and other existing call and text promos such as *GoUnli*, *AllNetcombo* and *TMSulitxt*, among others without the need for a Wi-Fi connection. Customers will be able to view photos, stream videos uploaded on Facebook, as well as post, like, share and make comments on the social networking site. *Globe Prepaid* and *TM* customers subscribed to their promos will automatically get free access Facebook. Postpaid customers on the other hand, can opt-in by texting Free FB ON to 8888. Alongside Facebook, the browsing experience is made even better with free access to Viber. Customers can enjoy sending stickers, chatting with friends and groups, and staying connected with other Viber users around the



world. Those registered to a Globe text promo can get Free Viber chat, which includes sending and receiving messages, as well as stickers, doodles, and photos. Exploring public chat is also free. When registered to a call or surf promo, customers can enjoy Free Viber chat, complete with voice and video calls. Postpaid customers can instantly enjoy Free Viber call and chat for the entire promo duration.

As part of its commitment to enable the Filipino digital lifestyle, Globe customers can play and access *Clash Royale* on their iOS or Android devices through the *GoSURF* consumable mobile data promos. Additional purchase of in-game currency is also made more convenient with the reloadable prepaid card, Gcash Mastercard if one is using an iPhone or iPad. On an Android device, customers can also easily buy in-game currency via Direct Carrier Billing where the amount is charged to one's postpaid bill, or credited from the available prepaid load. Gamers can also play *Clash Royale* with no data charges on *GoSURF50*. Also, *GAMES15* which gives customers free access to *Clash Royale* among other games, for ₱15/day with 100MB data allocation is likewise made available in the market. In addition to these, the Company likewise introduced the *ChatPlus*, an all-in-one bundle that not only gives customers access to their favorite messaging apps but to a generous amount of IDD minutes to the US Mainland and Canada. For as low as ₱25 per day, one can enjoy free access to these messaging apps (such as *Facebook Messenger*, *Viber*, *WhatsApp*, *Google Messenger*, *Kakao Talk*, *WeChat*, and *LINE*) plus 15 IDD minutes for calls from the Philippines to the US Mainland and Canada. For those opting for a longer subscription and more free IDD minutes, there is also the *ChatPlus 299*, valid for 30 days with 60 IDD minutes.

Starting January 2016 *Tattoo On-the-Go*, Globe's fully mobile or nomadic broadband services, is reported as part of the mobile business. *Tattoo* subscribers can choose the plan that matches their surfing lifestyles with *Tattoo Postpaid GoSurf* plans starting from Plan 299 (light) with monthly data allowance of 1.5GB, Plan 499 (casual) with monthly data allowance of 3GB, Plan 999 (regular) for 5GB, Plan 1799 (heavy) for 10GB and Plan 2499 (ultimate) for 15GB monthly data allowance. All plans include a free 1GB of Spotify premium or Hooq per month for 3 months. Some plans also come with a free tablet and Chromecast device depending on the plan and lock-in period. In addition, subscribers may also opt to get the *Tattoo Gadget Plan* and get access to Hooq, Spotify, and NBA league pass. The gadget plans allow the customer to get a gadget with a Free mobile WiFi bundled to a *Tattoo Postpaid Plan* thru two plan constructs – either by purchasing a gadget plan—or by paying a one-time gadget fee when purchasing a *Tattoo GoSurf Plan 999* with 5GB monthly data allowance. All Gadget Plans have three (3) months Spotify Premium Access with monthly 1 GB allocation, 1GB Globe Cloud storage, and a freebie (either a powerbank or a Bluetooth speaker). During the first quarter of the year, subscription to *Tattoo Postpaid GoSurf Plan Regular* (which gives 5GB of monthly data allowance) was offered at a discount for only ₱849 instead of ₱999 for the first twelve (12) months of subscription.

Meanwhile, *Tattoo 4G Flash*, *Tattoo's* 4G-capable device that allows users to surf with speeds of up to 7.2 Mbps are also available. The *Tattoo Prepaid Flash Kit* is now available for only ₱795, and it comes with Free 1GB worth of data valid for 7 days. Aside from this, the limited edition *Tattoo STAR WARS™ Mobile WiFi* that connects up to 10 devices are also available for only ₱1,495 with free 1GB data for seven (7) days. Subscribers may also enroll to *GoSURF* promos to enjoy non-stop browsing in other websites. Each *Tattoo Prepaid* device comes with free ₱5 load amount.

In the first quarter of 2016, the Company launched the “*Share-A-Promo*” allowing its users to share *GoSurf* promos to their relatives and friends. The promo can be sent to any mobile phone, tablet, or *Tattoo* mobile Wi-Fi. *Share-A-Promo* is open to all Globe (Postpaid, Prepaid, *Tattoo*, and TM) subscribers.

The key drivers for the mobile business are as follows:

	Globe Group					
	Quarter on Quarter			Year on Year		
	Q1 2016	Q4 2015	QoQ Change (%)	31-Mar 2016	31-Mar 2015	YoY Change (%)
<b><u>Cumulative Subscribers (or SIMs)</u></b>	<b>57,265,682</b>	<b>56,182,678</b>	<b>2%</b>	<b>57,265,682</b>	<b>48,417,436</b>	<b>18%</b>
Globe Postpaid	2,564,148	2,597,027	-1%	2,564,148	2,458,045	4%
Prepaid	54,701,534	53,585,651	2%	54,701,534	45,959,391	19%
Globe Prepaid	25,452,193	25,915,096	-2%	25,452,193	22,214,373	15%
TM	29,249,341	27,670,555	6%	29,249,341	23,745,018	23%
<b><u>Net Subscriber (or SIM) Additions</u></b>	<b>1,083,004</b>	<b>3,099,396</b>	<b>-65%</b>	<b>1,083,004</b>	<b>2,328,955</b>	<b>-53%</b>
Globe Postpaid	(32,879)	35,737	-192%	(32,879)	9,361	-451%
Prepaid	1,115,883	3,063,659	-64%	1,115,883	2,319,594	-52%
Globe Prepaid	(462,903)	1,523,106	-130%	(462,903)	1,071,443	-143%
TM	1,578,786	1,540,553	2%	1,578,786	1,248,151	26%
<b><u>Average Revenue Per Subscriber (ARPU)</u></b>						
<b>ARPU<sup>1</sup></b>						
Globe Postpaid	1,099	1,122	-2%	1,099	1,116	-2%
Prepaid						
Globe Prepaid	116	117	-1%	116	128	-9%
TM	65	70	-7%	65	74	-12%
<b><u>Subscriber Acquisition Cost (SAC)</u></b>						
Globe Postpaid	8,109	9,135	-11%	8,109	7,329	11%
Prepaid						
Globe Prepaid	11	11	-	11	4	175%
TM	11	12	-8%	11	16	-31%
<b><u>Average Monthly Churn Rate (%)</u></b>						
Globe Postpaid	3.7%	3.2%		3.7%	3.5%	
Prepaid						
Globe Prepaid	7.7%	5.2%		7.7%	5.9%	
TM	6.1%	6.1%		6.1%	6.7%	

<sup>1</sup> 2015 subscribers have been restated to reflect the change in the presentation of fully mobile broadband subscribers to be part of mobile business (which was reported under broadband previously). 2015 ARPU and SAC was restated as well to reflect the said change.

<sup>1</sup> ARPU is computed by dividing recurring gross service revenues (gross of interconnect expenses) segment by the average number of the segment's subscribers and then dividing the quotient by the number of months in the period.

Globe closed the year with a total mobile subscriber base of 57.3 million, up 18% from 48.4 million subscribers last year. This was mainly driven by the sustained strong acquisitions of the Company's prepaid (*Globe Prepaid*) and mass market brands (*TM*). Combined, *Globe Prepaid* and *TM* gross acquisitions comprised 98% of acquired SIMs during the period. With the increase in overall churn rates for the first three months of 2016 of 6.7% from 6.1% in the same period of 2015, net incremental subscribers dipped significantly from 2.3 million in 2015 to only 1.1 million net additions this period. The high churn rates for the period arose from the impact of the delayed churn of non-revenue subscribers during the migration into our new business support system.





The succeeding sections cover the key segments and brands of the mobile business – *Globe Postpaid*, *Globe Prepaid* and *TM*. Please note that starting January 2016, fully-mobile broadband subscribers are included in Globe Postpaid or Globe Prepaid, depending on the nature of their subscription.

### ***Globe Postpaid***

As of the end of March 2016, *Globe Postpaid* had 2.6 million subscribers, higher by 4% from the 2.5 million subscribers recorded last year but lower by 1% against the 2.6 million posted against last quarter. *Globe Postpaid's* gross acquisitions for the first quarter of the year of only 249,859 posted declines of 4% against the acquisition in 1Q15 and 9% against the record-level of acquisitions in the last quarter of 2015. The slowdown in acquisition was partially impacted by the enforcement of stricter credit policies, which are aimed to further ensure the quality of acquisitions moving forward. Coupled with the slight slow down in acquisitions, first quarter churn increased to 3.7%, which resulted in the net reduction in postpaid subscribers during the first three months of the year.

*Globe Postpaid* remain true to its commitment of being one step ahead in giving customers access to the latest smartphone devices and best-in-class postpaid plans as it welcomes the new *Samsung Galaxy S7* and *Samsung Galaxy S7 edge* in its device line-up to give its customers a complete digital experience. On the *Globe myLifestyle plan*, customers can avail of the *Galaxy S7* on Plan 1499 with a ₱500 monthly cash-out and the *Galaxy S7 edge* on Plan 1999 with a ₱600 monthly cash-out, both on a 24-month contract period. Customers can stream faster, share more, and surf longer, with an upgraded 10 GB of mobile data for both plans alongside free Facebook, Viber and Instagram for 24 months and free 3-month access to Spotify Premium, HOOQ, and select mobile games such as Clash of Clans, Candy Crush Pop, and Hay Day. One can also stay connected 24/7 with the built-in unlimited calls and texts to Globe and TM. In addition, the Company recently launched the *Globe myStarter Plan* bundled with the latest Disney Mobile smartphone. Globe Telecom is the the first telco in Southeast Asia to offer Disney Mobile smartphones through its new myStarter postpaid plans for as low as ₱750 per month (*Globe myStarter* postpaid Plan 500 plus ₱250 monthly cash out that can be charged to the monthly bill). These smartphones carry the signature aesthetic of the Disney brand from its lively colors to matching themed accessories. The first Disney Mobile range for the Philippines comes in three (3) themes – Mickey Mouse, Frozen and Disney Princess. *Globe myStarter plans* are the new all-in-one budget-friendly plans. Plan 500 is already bundled with a smartphone and comes with unlimited calls and texts to Globe and TM, 300 texts to other networks and 200 MB of data and a smartphone. It is also available on Plan 300 with a smartphone and 300 texts to all networks, 300 minutes to Globe and TM, and 200 MB worth of data. With the *myStarter plans*, customers will no longer worry about going over the limit as it guarantees a fixed bill every month and can easily be topped-up when needed. It is also the first postpaid plan that is capable of number portability where customers can opt to retain their prepaid numbers. The plan also provides free access to Facebook, Viber, and a separate 1 GB data wallet for Spotify Basic.

Moreover, the new *Globe myShare Plan 999* was also made available during the quarter. For only ₱999 per month, subscribers can share 6GB mobile data, unlimited calls and texts for each of the three mobile numbers, and three free smartphones ( a choice between Cloudfone Geo 500Q Black, Huawei Y3 Black, Lenovo A2010 Black).

*Globe Postpaid* ARPU of ₱1,099 slightly declined from last year's level of ₱1,116 driven by the changing mix of the plans. On a quarterly basis, *Globe Postpaid* ARPU in the first quarter of the year likewise declined by 2% from ₱1,122 the prior quarter.



*Globe Postpaid* subscriber acquisition cost (SAC) was 11% higher year-on-year to ₱8,109 from ₱7,329 from a year ago. *Globe Postpaid* SAC declined by 11% from ₱9,135 last quarter coming from a record acquisition in the fourth quarter of 2015. *Globe Postpaid* SAC, either on a year-to-date basis or on a quarterly basis, remained recoverable well within the 24-month contract period.

### ***Prepaid***

Globe's prepaid segment, which includes the *Globe Prepaid* and *TM* brands, accounts for 95% of its total mobile subscriber base. As of the first three months of the year, cumulative prepaid subscribers stood at about 54.7 million, 19% better than last year's level of 46.0 million.

A prepaid subscriber is recognized upon the activation and use of a new SIM card. The subscriber is provided with 60 days (first expiry) to utilize the preloaded SMS value. If the subscriber does not reload prepaid credits within the first expiry period, the subscriber retains the use of the mobile number but is only entitled to receive incoming voice calls and text messages for another 120 days (second expiry). The second expiry is 120 days from the date of the first expiry. However, if the subscriber does not reload prepaid credits within the second expiry period, the account is permanently disconnected and considered part of churn. The first expiry periods of reloads vary depending on the denominations, ranging from 3 days for ₱10 and lower to 60 days for load ranging from ₱150 – ₱250 to maximum of 120 days for over ₱300 reloads. The first expiry is reset based on the longest expiry period among current and previous reloads. Under this policy, subscribers are included in the subscriber count until churned.

In 2009, the National Telecommunications Commission (NTC) published Memorandum Circular 03-07-2009 which promulgates the extension of the validity periods of prepaid reloads effective July 19, 2009. Under the new pronouncement, the first expiry periods now range from 3 days for ₱10 or below to 120 days for reloads amounting to ₱300 and above. The second expiry remains at 120 days from the date of the new first expiry periods.

The succeeding sections discuss the performance of the *Globe Prepaid* and *TM* brands in more detail.

#### ***a. Globe Prepaid***

*Globe Prepaid* gross acquisitions slightly improved by 12,627 subscribers from the 5,459,944 gross additions in the previous quarter. The year-on-year improvement in gross additions were driven by the brand's aggressive acquisition efforts, value-for-money promotions during the period and the popularity of *GoSurf* data bundles. However, churn for the period increased from the unusually low 5.2% in the fourth quarter last year to 7.7% during the first three months of the year. The increase in churn rates was driven by the delayed churn of non-revenue subscribers last year arising from the migration of subscribers into our new business support system. Over the six month period covering October 2015 to March 2016, average monthly churn stood at 6.6%. The increase in churn in the first quarter of 2016 resulted in a net reduction of *Globe Prepaid* subscribers to 25.5 million from 25.9 million at the close of 2015.

The Company further improved the *GoSurf* offer by providing customers longer surfing hours through *GoSurf50*, which offers 700 MB of mobile internet for three days with free Spotify Basic, free access to games and Facebook, free YouTube, and a free HOOQ trial for the same price of ₱50. *Globe Prepaid* subscribers may opt to subscribe to *GoSurf507D*, which further extends the offer to seven days of mobile internet for 350MB with the same freebies.. Prepaid subscribers may also add unlimited calls and texts to Globe/TM on top of the *GoSurf50* subscription for only ₱10.



*Globe Prepaid* ARPU declined by 9% year-on-year to ₱116 from ₱128 in the same period last year and 1% lower quarter-on-quarter from ₱117 in the prior quarter. *Globe Prepaid* SAC likewise were up year-on-year by 175% to ₱11 in the first three months of 2016 from ₱4 a year ago. On a sequential basis, *Globe Prepaid* SAC were flat from ₱11 in the previous quarter.

#### ***b. TM***

*TM* on the other hand, achieved a new record high gross additions, acquiring 6.8 million new SIMs or 5% better than previous quarter's all-time high level of 6.5 million due to *TM*'s sustained aggressive acquisition efforts boosted by the value for money offers launched during the period. Coming from the very strong acquisition and improved churn rates as of end-March of 2016 from 6.7% to 6.1%, net incremental subscribers improved by 26% from 1.2 million in 2015 to 1.6 million this period.

During the first quarter, *TM*, introduced *CU10* which offers unli calls to *TM/Globe* plus 100 all-net texts for 2 days for only ₱10. *ComboAll20(CA10)* was also made available in the market which offer unlimited on-net SMS, 20-minute calls to *TM/Globe* plus 50 all-net texts for only ₱20 valid for three (3) days. Likewise, *Net2* was also launched during the quarter which gives *TM* subscribers an option to add mobile internet on top of any *TM* promo subscription for just a minimal fee of ₱2. *Net2* gives its users 20MB for Youtube streaming or 10MB for *Clash of Clans*, Google, Twitter, Instagram, or WeChat for one whole day.

*TM* ARPU was down by 12% year-on-year to reach ₱65 from ₱74 in the same period last year, with the continued shift from regular pay-as-you-use service to unlimited and value offers. *TM* SAC, was likewise lower year-on-year and quarter-on-quarter by 31% and 8%, respectively.

#### ***GCash***

*GCash* continues to establish its presence in the mobile commerce industry. *GCash*'s initial thrust towards money-transfers, purchase of goods and services from retail outlets, and sending and receiving domestic and international remittances has spurred alliances in the field of mobile commerce. From a regular remittance service back in 2004, *GCash* has evolved into a total mobile money solution that carries a wide portfolio of payment options for its customers. Today, *GCash* allows *Globe* and *TM* subscribers to send money, pay bills, buy load, enjoy rebates, shop online, play games, and donate to their favorite institution using their mobile phone. To keep the momentum, *GCash* continues to improve its existing portfolio of services and introduce groundbreaking services to extend reach to a bigger segment of customers.

During the first quarter of 2016, *bux.com* the world's most advanced total mobile payment solution, collaborated with *GCash* to provide financial inclusion to the Philippines' unbanked sector. Through the mobile payment solutions offered by *bux.com* and *GCash*, unbanked Filipinos need not travel long distances to any bank branches to open bank accounts or process their payment transactions. Likewise, the partnership also addresses the need of many OFWs for a reliable and affordable means of sending money to their loved ones in the Philippines.

Leveraging on Bayad Center's wide network and customer reach as a one-stop services center, *GCash* cash-in, cash-out and remittance services will now be available in Bayad Center branches nationwide, making the service more accessible among *GCash* customers.

In addition, *GCash* has entered into a partnership with First Performance Global, an international platform provider, to launch *GogoNogo*, a mobile security app that allows users to turn on and turn off payment capabilities of their prepaid, debit or credit cards through their mobile phone, providing for increased user security and purchase control. The simple, easy-to-navigate *GogoNogo* self-service security app will give *GCash MasterCard* holders the ability to personally make decisions on





when to "turn on" and "turn off" their prepaid card for payments as well as allow them to control where and how their card can be used to prevent the misuse of a lost or stolen card.

As of end-March 2016, *GCash* now has the largest remittance network in the country with 8,289 active *GCash* remittance partners and 12,115 cash-in and cash-out outlets nationwide.

## FIXED LINE AND HOME BROADBAND BUSINESS

Service Revenues (Php Mn)	Globe Group					Bayan Standalone
	Year on Year					
	Globe Conso	Globe ex-Bayan	Last Yr	YoY Change (%)		
	31-Mar 2016	31-Mar 2016	31-Mar 2015	vs. Conso	vs. Globe ex-Bayan	
Service*						
Home Broadband <sup>1</sup>	3,481	2,831	2,300	51%	23%	649
Corporate Data <sup>2</sup>	2,333	1,837	1,543	51%	19%	626
Fixed line Voice <sup>3</sup>	989	750	742	33%	1%	247
Fixed Line & Home Broadband Service Revenues	6,803	5,418	4,585	48%	18%	1,522

Service Revenues (Php Mn)	Globe Group					Bayan Standalone
	Quarter on Quarter					
	Globe Conso	Globe ex-Bayan	Last Qtr	QoQ Change (%)		
	Q1 2016	Q1 2016	Q4 2015	vs. Conso	vs. Globe ex-Bayan	
Service*						Q1 2016
Home Broadband <sup>1</sup>	3,481	2,831	3,474	-	-19%	649
Corporate Data <sup>2</sup>	2,333	1,837	2,204	6%	-17%	626
Fixed line Voice <sup>3</sup>	989	750	915	8%	-18%	247
Fixed Line & Home Broadband Service Revenues	6,803	5,418	6,593	3%	-18%	1,522

\* 2015 service revenues have been restated to reflect the change in the presentation of fully mobile broadband to be part of mobile business (which was reported under broadband previously)

<sup>1</sup> Home Broadband service revenues consist of the following:

- Monthly service fees of wired, fixed wireless, bundled voice and data subscriptions;
- Browsing revenues from all postpaid and prepaid wired, fixed wireless broadband packages in excess of allocated free browsing minutes and expiration of unused value of prepaid load credits;
- Value-added services such as games; and
- Installation charges and other one-time fees associated with the service.

<sup>2</sup> Corporate data (previously called Fixed line data) service revenues consist of the following:

- Monthly service fees from international and domestic leased lines;
- Other wholesale transport services;
- Revenues from value-added services; and
- One-time connection charges associated with the establishment of service.

<sup>3</sup> Fixed line voice service revenues consist of the following:

- Monthly service fees;
- Revenues from local, international and national long distance calls made by postpaid, prepaid fixed line voice subscribers and payphone customers, as well as broadband customers who have subscribed to data packages bundled with a voice service. Revenues are net of prepaid and payphone call card discounts;
- Revenues from inbound local, international and national long distance calls from other carriers terminating on Globe's network;
- Revenues from additional landline features such as caller ID, call waiting, call forwarding, multi-calling, voice mail, duplex and hotline numbers and other value-added features;
- Installation charges and other one-time fees associated with the establishment of the service; and
- Revenues from DUO and SUPERDUO (Fixed line portion) service consisting of monthly service fees for postpaid and subscription fees for prepaid.

### Home Broadband

	Globe Group					Bayan
	Year on Year					
	Globe Conso	Globe ex-Bayan	Last Yr	YoY Change (%)		
	31-Mar 2016	31-Mar 2016	31-Mar 2015	vs. Globe Conso	vs. Globe ex-Bayan	
Cumulative Home Broadband Subscribers						
Fixed Wireless	451,120	451,120	325,521	39%	39%	-
Wired	650,064	497,739	454,069	43%	10%	152,325
Total (end of period)	1,101,184	948,859	779,590	41%	22%	152,325

For the first three months of the year, Globe Group's fixed line and home broadband revenues posted a 48% increase from the ₱4.6 billion as of end March 2015 to ₱6.8 billion this period. The growth was driven by robust contributions across all business segments, with Globe home broadband and corporate data improving by double digits year-on-year. Excluding Bayan's contribution during the first quarter, total Globe's fixed and home broadband revenues reached ₱5.4 billion as of end March of 2016, still higher by 18% year-on-year.

*Globe Home Broadband* posted a 51% growth to reach ₱3.5 billion in the first three months of the year from ₱2.3 billion reported in the same period of 2015, as a result of the 41% expansion of its customer base for both wired and fixed wireless services (up 43% and 39% year-on-year, respectively). The impressive revenue growth and sustained customer uptake were attributed to the various home broadband products bundled with exclusive access to entertainment content. *Home Broadband's* sustained revenue growth was mainly due to the higher subscriber base, rising to 1.1 million subscribers from 0.8 million in the same period last year.

In the first quarter of 2016, Globe welcomed the arrival of internet television network *Netflix* in the Philippines with its roster of home broadband plans, which come with free access to Chromecast, allowing customers to enjoy *Netflix* from any mobile device to a bigger screen. With a *Globe Home Broadband Plan* starting at Plan 1299, customers can enjoy Netflix with Google Chromecast for a more inclusive entertainment experience at home. Globe Platinum Broadband customers can also avail of Chromecast for free starting at Plan 2499 to Plan 9499.

	Globe Group					Bayan
	Quarter on Quarter					
	Globe Conso	Globe ex-Bayan	Last Qtr	QoQ Change (%)		
	Q1 2016	Q1 2016	Q4 2015	vs. Globe Conso	vs. Globe ex-Bayan	
Cumulative Home Broadband Subscribers						
Fixed Wireless	451,120	451,120	421,424	7%	7%	-
Wired	650,064	497,739	647,496	-	-23%	152,325
Total (end of period)	1,101,184	948,859	1,068,920	3%	-11%	152,325

On a sequential basis, fixed line and home broadband revenues likewise improved by 3% from ₱6.6 billion last quarter. *Globe Home Broadband's* sustained revenue growth was mainly driven by higher fixed wireless and wired subscriber base, rising to 1,101,184 subscribers from 1,068,920 last quarter.

### Corporate data

Service Revenues (Php Mn)	Globe ex-Bayan					
	Quarter on Quarter			Year on Year		
	Q1 2016	Q4 2015	QoQ Change (%)	31-Mar 2016	31-Mar 2015	YoY Change (%)
<b>Corporate data</b>						
International	289	351	-18%	289	313	-8%
Domestic	784	768	2%	784	684	15%
Others <sup>1</sup>	763	648	18%	763	546	40%
<b>Total Corporate data Service Revenues</b>	<b>1,836</b>	<b>1,767</b>	<b>4%</b>	<b>1,836</b>	<b>1,543</b>	<b>19%</b>

<sup>1</sup> Includes revenues from value-added services such as internet, access, data centers and bundled services.

Excluding Bayan's first quarter results, Globe's *corporate data* reached ₱1.8 billion, up 19% from the same period last year. However, including Bayan's results, *corporate data* sustained its growth momentum with ₱2.3 billion revenues registered in the first three months of the year, up 51% against the same period last year, fueled by strong demand for corporate connectivity, domestic and international leased line services, managed service solutions and cloud-based services (such as data storage and solutions-based cloud computing).

## Fixed line Voice

	Globe Group					Bayan
	Year on Year					
	Globe Conso	Globe ex-Bayan	Last Yr	YoY Change (%)		
	31-Mar 2016	31-Mar 2016	31-Mar 2015	vs. Globe Conso	vs. Globe ex-Bayan	
Cumulative Voice Subscribers – Net (End of period) <sup>1</sup>	1,160,250	977,321	809,649	43%	21%	183,289

<sup>1</sup>Globe Group includes DUO and SuperDUO subscribers

Globe's total *fixed line voice* revenues likewise improved year-on-year by 33% due mainly to expansion in subscriber base, both organically given the popularity of bundled broadband plans and the contribution of Bayan in the first quarter of the year. Even without the aid of Bayan's first quarter results, Globe's fixed line voice still grew by 1% from a year ago.

	Globe Group					Bayan
	Quarter on Quarter					
	Globe Conso	Globe ex-Bayan	Last Qtr	QoQ Change (%)		
	Q1 2016	Q1 2016	Q4 2015	vs. Globe Conso	vs. Globe ex-Bayan	
Cumulative Voice Subscribers – Net (End of period) <sup>1</sup>	1,160,250	977,321	1,136,290	2%	-14%	183,289

<sup>1</sup>Globe Group includes DUO and SuperDUO subscribers

Compared to prior quarter, Globe group's *fixed line voice* revenues improved quarter-on-quarter by 8%, due to the sustained subscriber growth. However, total Globe ex-Bayan *fixed line voice* revenues stood at ₱750 million or 18% below than last quarter.

## OTHER GLOBE GROUP REVENUES

### *International Long Distance (ILD) Services*

	Globe ex-Bayan					
	Quarter on Quarter			Year on Year		
	Q1 2016	Q4 2015	QoQ Change (%)	31-Mar 2016	31-Mar 2015	YoY Change (%)
<b>Total ILD Revenues (Php Mn)<sup>1</sup></b>	<b>2,314</b>	<b>2,615</b>	<b>-12%</b>	<b>2,314</b>	<b>2,443</b>	<b>-5%</b>
Average Collection rates for the Period	47.460	46.71	2%	47.460	44.503	7%

Both Globe and Innove offer ILD voice services which cover international call services between the Philippines to 236 destinations with 736 roaming partners. This service generates revenues from both inbound and outbound international call traffic, with pricing based on agreed international termination rates for inbound traffic revenues and NTC-approved ILD rates for outbound traffic revenues.

On a consolidated basis, ILD voice revenues from the mobile and fixed line businesses declined year on year by 5% attributed to the migration of international traffic through alternative channels that make use of internet-based applications (viber, skype, line, yahoo, etc.). On a sequential basis, ILD revenues also declined by 12%.

Meanwhile, Globe sustained its promotion on OFW SIM packs and the discounted call rate offers such as *IDD Sakto* Calls (per-second IDD), *TipIDD* card, and *IDD Tingi* – the first bulk IDD service which can be purchased via registration and through AMAX retailers nationwide. In addition, *The Filipino Seafarer SIM* enables Filipino seafarers around the world to keep in touch with their loved ones back home at cheaper rates for as low as US\$0.20 per minute while sending SMS for only US\$0.10 per sms. Subscribers who will avail of the SIM will get two numbers in one SIM – an international mobile number and a Philippine Globe mobile number. Globe and TM subscribers calling the Globe Seafarer SIM are only charged at local rates. The *Globe Local UK SIM card* alternatively gives Filipinos one affordable rate of only 10 pence for each call or text sent to Globe or TM number in the Philippines as well as calls and text to all UK networks. Subscribers also pay only 10 pence for every MB of mobile internet. Moreover, *Globe local Italy SIM* was later introduced to give Filipino communities in Italy can now enjoy calls to Globe in the Philippines for just five Euro cents per minute, the lowest among all Italian mobile operators.

In 2015, Globe launched \$1 calls from US to the Philippines allowing Filipinos with relatives in the USA to enjoy calling their loved ones and friends here in the Philippines for only \$1 for 100 minutes. Likewise, The Company partnered with Du in the United Arab Emirates to provide OFWs with the best call rate to Globe and TM in the Philippines. Cost of 36 fils per minute is 20% cheaper than the regular rate of 45 fils per minute. Du has almost 50% market share in the UAE with 6.5 million mobile subscribers. The Company launched *Globe Prepaid Roam Surf*, a flat rate offer for unlimited data roaming service to its prepaid customers. This offer allowed prepaid customers to access the internet abroad for an entire 24-hour cycle, making their data connectivity experience more seamless and worry-free. *Roam Surf* for Globe Prepaid offers customers the ability to choose from three variants, ₱599 for 24 hours, ₱1797 for 3 full days and ₱2995 for 5 full days. Customers can dial \*143# and access the International and Roaming menu to register to the service without having to memorize registration



keywords. In the first quarter of 2015, the Company widen its global footprint and reaches out to more Filipinos around the world through its new partnership with global telecommunications operator, Orange, to launch the new Libon Out "Philippines with Globe" package offer. Libon was developed by Orange Group, headquartered in Paris, France. The Libon app features "Libon Out" calls with rechargeable minutes to make international calls to over 140 destinations around the world. Filipinos from around the world using the Libon app, an all-in-one communication application for iPhone and Android that provides free unlimited Libon to Libon HD calls, chats, and voicemail to a variety of international destinations, can enjoy a "Libon Out" package for only US\$25.99, inclusive of 1,000 minutes of calls or ₱1.30 per minute rate to any Globe and TM number in the Philippines. This is 67% lower compared to other app-to-Globe per minute rate. From August 26 to September 9, 2015, customers who register to the Libon app will also enjoy free 100 minutes of calls to Globe and TM numbers in the Philippines to celebrate the partnership. In addition, Globe reinforces its partnership with Japan's Brastel Co., Ltd., International Communication Operator through the launch of a new co-branded OTT service which allows users to save up to 68% in calling rates. Globe and Brastel entered into a business alliance agreement in February this year as strategic partners in Japan to offer a co-branded reloadable calling card for calls to Globe and TM numbers in the Philippines at a preferential rate. Starting August 1, 2015, Globe and TM customers have access to affordable calls via Brastel's 050 Free application with rates of just 10 yen per minute, from its current price of 32 yen per minute when calling from a mobile with 0091 prefix.

During the first quarter of 2016, Globe Telecom has forged a partnership with Bharti Airtel to give Airtel customers from around the world access to an affordable calling plan to the Philippines via Airtel's voice calling app airtel talk. With the partnership, airtel talk users can make unlimited high-quality VoIP calls to their Globe and TM contacts in the country for as low as USD14.99 or ₱700 for a 30-day period, or only ₱23.30 per day. Available on both iOS and Android, airtel talk offers superior call quality, exclusive call me free service, multi-party conferencing, voice message chat, multi-device access, free audio/video app-to-app calling, and instant phonebook access.

Also during the period, *DUO International* launched a special treat for its customers and their loved ones. For a limited time only, subscribers of *Duo USA* can avail of a special discounted price of \$10 (or PHP499) instead of the \$25 (or PHP999) regular price. This price also applies to all 24 countries where *DUO International* is available (e.g. Canada, Japan, Spain, Korea, UK, etc.). Promo is valid until April 30, 2016.

## GROUP OPERATING EXPENSES

For the first three months of the year, Globe Group's total costs and expenses, including depreciation charges, amounted to ₱23.1 billion, up by 17% from last year's ₱19.7 billion, due to increases across all expense line items except for interconnect and marketing costs. The growing subscriber base and expanding network infrastructure, coupled with the inclusion of Bayan's costs, drove the increase in costs year-on-year. Even excluding Bayan costs and expenses for the first quarter, which amounted to ₱1.2 billion in the first quarter of 2016, actual year-on-year increase on cost and expenses, including depreciation charges, was 12%.

(Php Mn)	Globe Group					Bayan (Standalone)
	Year on Year					
	Globe Conso	Globe ex-Bayan	Last Yr	YoY Change (%)		
	31-Mar 2016	31-Mar 2016	31-Mar 2015	vs. Globe Conso	vs. Globe ex-Bayan	
Cost of Sales	3,457	3,452	3,439	1%	-	5
Less: Non-service Revenues	1,679	1,679	1,826	-8%	-8%	-
Subsidy	1,778	1,773	1,613	10%	10%	5
Interconnect	2,277	2,270	2,316	-2%	-2%	19
Selling, Advertising and Promotions	1,099	1,074	1,163	-6%	-8%	25
Re-contracting	838	838	781	7%	7%	-
Staff Costs	2,571	2,519	2,046	26%	23%	53
Utilities, Supplies & Other Administrative Expenses	1,184	1,082	1,066	11%	2%	101
Rent	1,340	1,197	1,147	17%	4%	274
Repairs and Maintenance	1,191	965	1,004	19%	-4%	226
Provisions	798	731	801	-	-9%	67
Services and Others	3,762	3,687	3,274	15%	13%	74
Operating Expenses	15,060	14,363	13,598	11%	6%	839
Depreciation and Amortization	6,215	5,790	4,439	40%	30%	358
Costs and Expenses	23,053	21,926	19,650	17%	12%	1,202

### Interconnect

Globe's interconnect charges slightly declined by 2% from the previous year's ₱2.3 billion, due mainly to lower inter-network usage from promo subscriptions.

### Subsidy

For the first three months of the year, subsidy costs grew to ₱1.8 billion from the ₱1.6 billion recorded a year ago mainly coming from mobile and home broadband gross acquisitions. Furthermore, the first quarter subsidy costs included catch-up accruals related to Google Chromecast USB bundled devices, which were issued starting December 2014.

### Marketing

Globe Group's total marketing expenses for the first three months of the year was at ₱1.1 billion, 6% lower year-on-year, primarily from lower advertising and promotions, partly offset by higher





commissions subsequent to higher acquisitions of home broadband customers. Excluding Bayan's costs, Globe's selling, advertising and promotions, which account for 7% of total operating expenses and subsidy, likewise declined by 8% year-on-year.

### **Re-contracting**

Globe continued to re-invest in its existing high-value *Postpaid* subscriber base, resulting in an increase in re-contracting costs in the first three months of the year. Re-contracting costs reached ₱838 million from ₱781 million in the same period last year, translating to a 7% increase year-on-year emanating from higher volume of re-contracting subscribers and the shift in mix of re-contracting subscribers towards mid- to high-end plans.

### **Staff Costs**

The Globe Group's total staff costs for the first three months amounted to ₱2.6 billion, up 26% from ₱2.0 billion posted in the same period last year. Aside from the inclusion of Bayan's manpower expenses, bulk of the increase was driven by the increase in average headcount, accruals for corporate incentives, and pension costs. Even excluding Bayan staff costs, Globe's staff costs grew by 23% year-on-year.

### **Utilities, Supplies and Other Administrative Expenses**

Utilities, supplies, and other expenses as of the end of March 2015 amounted to ₱1.2 billion, driven by higher power consumption to support Globe's expanded 3G, HSPA+ and LTE networks as well as higher travel expenses, taxes and licenses/permits and spectrum user's fee. Excluding Bayan's expenses, total utilities, supplies, and other administrative expenses actually grew by 2%.

### **Rent**

Total rent expense for the three months just ended reached ₱1.3 billion, a 17% increase from the same period last year, due to higher renewal rates for existing and incremental sites, international cable facilities, co-locations, and local tie-lines. The inclusion of Bayan lease expenses likewise contributed to the increase in rent for the first three months of the year. Excluding said Bayan, total rent expenses increased by 4% from ₱1.2 billion in same period of 2015.

### **Repairs and Maintenance**

Repairs and maintenance charges for the period stood at ₱1.2 billion, 19% higher against the ₱1.0 billion recorded last year. The increase was mainly driven by higher preventive and corrective maintenance of Globe's facilities and equipments as well as higher subscriber line materials and lumpsum repairs. Content licenses for support of bundled entertainment suite products such as *HOOQ*, *Disney* and *Youtube*, also contributed to the increase in maintenance costs. However, these were partly offset by lower TSA mainly on reversal of excess prior year accruals.

### **Provisions**

This account includes provisions related to trade, non-trade and traffic receivables and inventory. Including the total provisions of Bayan as of the first quarter, (₱67.0 million), total provisions of the Group amounted to ₱798.0 million as of end March of 2016, which is relatively flat year-on-year. Excluding the impact of Bayan's provisions, provision expenses would have declined by 9%, driven by lower inventory obsolescence and last year's market decline of old iPhone models.

## Services and Others

For the first three months of the year, services and other costs increased to ₱3.8 billion from ₱3.3 billion a year ago, reflecting 15% year-on-year growth. The increase was due mainly to higher contracted and professional fees, and contact center services to support the higher amount of calls to the hotline from a larger subscriber base, both in mobile and home broadband.

## Depreciation and Amortization

The Globe Group's depreciation expenses in the first three months of the year increased by 40% from ₱4.4 billion in the same period last year to ₱6.2 billion this period. The increase in depreciation expenses were driven by (1) one-time depreciation impact arising from the end of useful life of certain assets, (2) the consolidation of Bayan depreciation during the quarter and (3) the depreciation expenses of asset additions related to Globe's capital expenditure programs completed in 2015 and the first quarter of the 2016.

## Quarter-on Quarter

Against the previous quarter, Globe Group's total operating spend, including depreciation charges declined by 10% to ₱23.0 billion this period from ₱25.7 billion in the previous quarter, which were normally higher due to the impact of catch-up accruals usually booked during the last quarter of the year. Excluding Bayan's costs and expenses, total operating costs likewise decreased by 15%.

(Php Mn)	Globe Group					Bayan Standalone
	Quarter on Quarter					
	Globe Conso	Globe ex- Bayan	Last Qtr	QoQ Change (%)		
	Q1 2016	Q1 2016	Q4 2015	vs. Globe Conso	vs. Globe ex-Bayan	
Cost of Sales	3,457	3,452	3,721	-7%	-7%	5
Less: Non-service Revenues	1,679	1,679	1,605	5%	5%	-
Subsidy	1,778	1,773	2,116	-16%	-16%	5
Interconnect	2,277	2,270	2,129	7%	7%	19
Selling, Advertising and Promotions	1,099	1,074	2,085	-47%	-48%	25
Re-contracting	838	838	936	-10%	-10%	-
Staff Costs	2,571	2,519	3,108	-17%	-19%	53
Utilities, Supplies & Other Administrative Expenses	1,184	1,082	1,283	-8%	-16%	101
Rent	1,340	1,197	1,404	-5%	-15%	274
Repairs and Maintenance	1,191	965	1,381	-14%	-30%	226
Provisions	798	731	670	19%	9%	67
Services and Others	3,762	3,687	4,082	-8%	-10%	74
Operating Expenses	15,060	14,363	17,078	-12%	-16%	839
Depreciation and Amortization	6,215	5,790	6,521	-5%	-11%	358
Costs and Expenses	23,053	21,926	25,715	-10%	-15%	1,202

**Interconnect**

Globe's interconnect charges for the quarter stood at was ₱2.3 billion, or 7% higher than the ₱2.1 billion reported in the fourth quarter of 2015. Last quarter's interconnect costs was lower as it included a reversal of excess prior period payout amounting to ₱156M.

**Subsidy**

Total subsidy for the quarter was down by 16% from the ₱2.1 billion reported last quarter, given the usual spike in subsidies during the fourth quarter, when the iPhone 6s/iPhone 6s Plus were launched.

**Marketing**

Selling, advertising, and promotions significantly declined by 47% from ₱2.1 billion reported in the fourth quarter of 2015. The decrease was driven mostly by lower commissions, advertising and promotions, as the fourth quarter included various brand building spends on sponsorship and events (iPhone 6s/6s Plus, and Disney's Starwars launch, among others) and product launches. This was partially offset by the inclusion of Bayan-related marketing costs. Excluding the impact of Bayan, total marketing expense was 48% lower quarter-on-quarter.

**Re-contracting**

Globe's quarterly recontracting costs also declined by 10% to ₱838 million from ₱936 million in the prior quarter due to lower recontracting volume in the first quarter, which is seasonally a low period for re-contracting for Globe.

**Staff Costs**

Staff costs for the quarter reached ₱2.6 billion, a 17% decline from ₱3.1 billion posted last quarter, mainly on fourth quarter's additional accrual for corporate incentives and pension costs coupled with lower average headcount. Excluding Bayan-related manpower costs, staff costs decreased by 19%.

**Utilities, Supplies and Other Administrative Expenses**

Total utilities, supplies, and administrative expenses dropped by 8% to ₱1.2 billion from ₱1.3 billion in the fourth quarter of 2015. Bulk was mainly driven by lower electricity and power generation charges as well as lower taxes and licenses given last quarter's settlement of claims related to prior years' assessment. Excluding Bayan's costs, Globe's utilities, supplies, and other administrative expenses for the quarter just ended actually declined by 16%.

**Rent**

Rent expense including Bayan, likewise decreased by 5% to ₱1.3 billion from ₱1.4 billion in the previous quarter largely on corporate offices as the fourth quarter included catch-up accrual for stores rental. This was partly offset by higher IP port charges, incremental cell sites and co-location facilities on newly activated accounts. Excluding Bayan, Globe's rent expense for the first quarter of 2016 dropped by 15%.

**Repairs and Maintenance**

Globe Group's repairs and maintenance costs for the quarter declined by 14% to only ₱1.2 billion from ₱1.3 billion in the prior quarter, largely on communication equipment related to reversal of excess prior year 's accruals coupled with lower hardware/software maintenance for various licenses and applications (NBA, Disney, etc.). Bayan repairs and maintenance costs for the first quarter of the year amounted to ₱226 million. Excluding Bayan-related repairs and maintenance, maintenance charges decreased by 30% quarter-on-quarter.

**Provisions**

Overall, total Globe group's provisions increased by 19% quarter-on-quarter to ₱798 million this quarter from ₱670 million last quarter, as the fourth quarter 2015 provisions were net of reversals of settled disputes with other networks. Of the provisions in the quarter, Bayan contributed ₱67 million. Excluding the impact of Bayan, total provisions grew by 9% quarter-on-quarter.

**Services and Others**

Total services and other expenses for the first quarter amounted to ₱3.8 billion, a 8% decline from previous quarter, due to lower professional consultancies and contracted services coupled with decrease in network services on handling equipment, which was partially mitigated by the inclusion of Bayan services and other costs. Excluding Bayan, total services and other expenses declined by 10% quarter-on-quarter.

**Depreciation and Amortization**

Depreciation charges for the quarter were lower by 5% from the ₱6.5 billion last quarter to ₱6.2 billion this period, to cover for asset additions related to Globe's new projects as well as the inclusion Bayan's depreciation, which amounted to ₱358 million.

## OTHER INCOME STATEMENT ITEMS

Other income statement items include net financing costs, net foreign exchange gain (loss), interest income and net property and equipment related income (charges) as shown below:

(Php Mn)	Globe Group					Bayan (Standalone)
	Year on Year					
	Globe Conso	Globe ex-Bayan	Last Yr	YoY Change (%)		
	31-Mar 2016	31-Mar 2016	31-Mar 2015	vs. Globe Conso	vs. Globe ex-Bayan	
Financing Costs						
Interest Expense	(735)	(729)	(674)	9%	8%	(69)
Loss on derivative instruments		-	-	-	-	-
Swap costs and other financing costs	(49)	(49)	(44)	11%	11%	-
Foreign Exchange Loss (net)	-	-	(27)	-100%	-100%	-
	(784)	(778)	(745)	5%	4%	(69)
Other Income						
Gain on derivative instruments	-	-	12	-100%	-100%	-
Foreign Exchange gain (net)	174	50	-	-	-	124
Interest Income	51	114	196	-74%	-42%	2
Others – net	19	17	14	36%	21%	-
Total Income (Other Expenses)	(540)	(597)	(523)	3%	14%	57

For the three months ended March 2016, Globe's non-operating charges reported a 3% increase from the P523 million in the same period last year to P540 million this period. The increase was mainly due to higher interest expense and lower interest income, which was partly cushioned by net forex gains and income on sale of various fixed assets.

(Php Mn)	Globe Group					Bayan (Standalone)
	Quarter on Quarter					
	Globe Conso	Globe ex-Bayan	Last Qtr	QoQ Change (%)		
	Q1 2016	Q1 2016	Q4 2015	vs. Globe Conso	vs. Globe ex-Bayan	
Financing Costs						
Interest Expense	(735)	(729)	(827)	-11%	-12%	(69)
Loss on derivative instruments	-	-	(13)	-100%	-100%	-
Swap costs and other financing costs	(49)	(49)	(41)	20%	20%	-
Foreign Exchange Loss (net)	-	-	(111)	-100%	-100%	-
	(784)	(778)	(992)	-21%	-22%	(69)
Other Income						
Gain on derivative instruments	-	-	-	-	-	-
Foreign Exchange gain (net)	174	50	-	0%	0%	124
Interest Income	51	114	62	-18%	84%	2
Others – net	19	17	(2)	-1050%	-950%	-
Total Income (Other Expenses)	(540)	(597)	(932)	-42%	-36%	57

On a quarterly basis, Globe's non-operating charges posted declined by 42% from last quarter's P0.9 billion due to this period's net forex gains coupled with lower net interest expense and gains on disposal of various fixed assets. Excluding Bayan, total non-operating charges for the quarter is at P0.6 billion.

(See related discussion on derivative instruments and swap costs in the Foreign Exchange and Interest Rate Exposure section)

## LIQUIDITY AND CAPITAL RESOURCES

	Globe Group		
	31 Mar 2016	31 Dec 2015	YoY Change (%)
<b>Balance Sheet Data (Php Mn)</b>			
Total Assets	195,795	195,680	-
Total Debt	70,219	72,229	-3%
Total Stockholders' Equity	60,890	59,398	3%
<b>Financial Ratios (x)</b>			
Total Debt to EBITDA	1.41	1.51	
Debt Service Coverage	4.08	5.18	
Interest Cover (Gross)	14.62	12.24	
Debt to Equity (Gross)	1.15	1.22	
Debt to Equity (Net) <sup>1</sup>	0.98	1.02	
Total Debt to Total Capitalization (Book)	0.54	0.55	
Total Debt to Total Capitalization (Market)	0.19	0.22	

<sup>1</sup> Net debt is calculated by subtracting cash, cash equivalents and short term investments from total debt.

Globe's balance sheet and cash flows remain strong with ample liquidity and gearing comfortably within bank covenants.

Globe Group's consolidated assets as of 31 March 2016 amounted to ₱195.8 billion compared to ₱195.7 billion as of December 31, 2015. Consolidated cash, cash equivalents and short term investments (including investments in assets available for sale and held to maturity investments) was at ₱10.3 billion as of end-March of 2016 compared to ₱11.8 billion as of end December 2015.

Globe ended the first quarter of the year with gross debt to equity ratio on a consolidated basis at 1.15:1 which is well within the 2:1 debt to equity limit dictated by Globe's debt covenants. Meanwhile net debt to equity ratio was at 0.98:1 as of end-March 2016 and 1.02:1 as of end December 2015.

The financial tests under Globe's loan agreements include compliance with the following ratios:

- Total debt to equity not exceeding 2:1;
- Total debt to EBITDA not exceeding 3:1;
- Debt service coverage <sup>1</sup> exceeding 1.3 times; and
- Secured debt ratio <sup>2</sup> not exceeding 0.2 times.

As of 31 March 2016, Globe is well within the ratios prescribed under its loan agreements.

<sup>1</sup> Debt service coverage ratio is defined as the ratio of EBITDA to required debt service, where debt service includes subordinated debt but excludes shareholder loans.

<sup>2</sup> Secured debt ratio is defined as the ratio of the total amount for the period of all present consolidated obligations for payment, whether actual or contingent which are secured by Permitted Security Interest as defined in the loan agreement to the total amount of consolidated debt.



### Consolidated Net Cash Flows

(Php Mn)	Globe Group		
	31 Mar 2016	31 Mar 2015	YoY Change (%)
Net Cash from Operating Activities.....	11,286	9,465	19%
Net Cash from Investing Activities.....	(7,003)	(4,936)	42%
Net Cash from Financing Activities.....	(5,692)	(4,507)	26%

Net cash flows provided by operating activities for the first three months of the year were at ₱11.3 billion, up 19% from the previous year.

Meanwhile, net cash used in investing activities amounted to ₱7.0 billion, 42% higher from same period last year. Consolidated cash capital expenditures as of end-March 2016 amounted to ₱7.1 billion, up 45% from last year's ₱4.9 billion.

(Php Mn)	Globe Group		
	31 Mar 2016	31 Mar 2015	YoY Change (%)
Capital Expenditures (Cash) <sup>1</sup>	7,084	4,880	45%
Increase (decrease) in Liabilities related to Acquisition of PPE	(421)	(272)	55%
<b>Total Capital Expenditures<sup>2</sup></b>	<b>6,663</b>	<b>4,608</b>	<b>45%</b>
Total Capital Expenditures / Service Revenues (%)	<b>22%</b>	<b>18%</b>	

<sup>1</sup> Cash capital expenditures-property & equipment and intangibles as of report date

<sup>2</sup> Consolidated capital expenditures include property and equipment, intangibles and capitalized borrowing costs acquired as of report date regardless of whether payment has been made or not.

Consolidated net cash used from financing activities amounting to ₱5.7 billion was 26% higher than last year. Consolidated total debt, on the other hand, declined by 3% from ₱72.2 billion at the end of 2015 to only ₱70.2 billion at the end of March this year.

69% of US\$ consolidated loans have been effectively converted to PHP via US\$205Mln in currency hedges. After swaps, effectively 6% of total debt is in USD.

Below is the schedule of debt maturities for Globe for the years stated below based on total outstanding debt as of March 31, 2016:

Year Due	Principal (US\$ Mn)
2016 .....	93.2
2017 .....	227.5
2018 .....	169.0
2019 through 2026 .....	1,043.8
<b>Total</b>	<b>1,533.5</b>

\* Principal amount before debt issuance costs.



On March 3, 2016, Globe Telecom signed a ₱1,000.00 million short-term loan with fixed interest rate with Security Bank as lender. The proceeds of the loan were used as working capital. The loan was fully paid on March 22, 2016.

On March 14, 2016, Globe Telecom signed a ₱7 Billion Ten-Year Term Loan with Land Bank. The proceeds of the loan will be used to partially finance Globe's general financing and corporate requirements for capital expenditures.

Stockholders' equity as of the first three months of 2016 was higher by 3% from ₱59,398 million to ₱60,890 million this period. Globe's capital stock consists of the following:

#### Voting Preferred Shares

Voting Preferred stock at a par value of ₱5 per share of which 158.5 million shares are outstanding out of a total authorized of 160 million shares.

The dividends for voting preferred stock are declared upon the sole discretion of the Globe Telecom's BOD.

To date, none of the voting preferred shares have been converted to common shares.

#### Non-Voting Preferred stock

Non-Voting Preferred stock at a par value of ₱50 per share of which 20 million shares are issued out of a total authorized of 40 million shares.

#### Common Shares

Common shares at par value of ₱50 per share of which 132.8 million are issued and outstanding out of a total authorized of 149 million shares.

#### Cash Dividends

The dividend policy of Globe Telecom as approved by the Board of Directors is to declare cash dividends to its common stockholders on a regular basis as may be determined by the Board. The dividend payout rate is reviewed annually by the Board of Directors, taking into account the company's operating results, cash flows, debt covenants, capital expenditure levels and liquidity.

On November 8, 2011, the Board of Directors amended the Company's dividend policy to be based on core instead of reported net income. Pay-out range remains at 75% to 90%. This is to ensure that dividends will remain sustainable and yields competitive despite the expected near-term decline in net income that would result from the accelerated depreciation charges related to assets that will be decommissioned as part of the Company's network and IT transformation programs. As currently defined, core net income excludes all foreign exchange, mark-to-market gains and losses, as well as non-recurring items.

On August 6, 2013, the Board of Directors approved the proposed change in the frequency of the cash dividend distribution from semi-annual to quarterly. On December 10, 2013, the Company announced that the quarterly cash dividend distribution will be implemented beginning in the first quarter of 2015.

On February 5, 2016, the Board of Directors of the company has approved the declaration of the first quarter cash dividend of ₱22.00 per common share paid last March 4, 2016 to shareholders on record as of February 22, 2016. The first quarter cash dividend payment total is about ₱2.9 billion. On an annualized basis, this represents about 77% of 2015 core net income.



on record as of February 22, 2016. The first quarter cash dividend payment total is about ₱2.9 billion. On an annualized basis, this represents about 77% of 2015 core net income.

#### Return on Average Equity (ROE)

Consolidated Return on Average Equity (ROE) registered at 7.2% as of end-March 2016, compared to 7.6% in the same period in 2015 using net income and based on average equity balances for the year ended. Using annualized core net income, return on average equity for the first three months this year was at 7.0% compared to 7.6% in 2015.

#### Earnings Per Share (EPS)

Accordingly, consolidated basic earnings per common share were ₱31.60 and ₱30.59, while consolidated diluted earnings per common share were ₱31.59 and ₱30.57 as of end-March 2016 and 2015, respectively.

## FINANCIAL RISK MANAGEMENT

### ***FOREIGN EXCHANGE EXPOSURE***

Foreign exchange risks are managed such that USD inflows from operations (transaction exposures) are balanced or offset by the net USD liability position of the company (translation exposures). Globe Group's objective is to maintain a position which results in, as close as possible, a neutral effect to the P&L relative to movements in the foreign exchange market.

#### **Transaction exposures**

Globe has natural net US\$ inflows arising from its operations. Consolidated foreign currency-linked revenues<sup>1</sup> was at 13% of total gross service revenues for the periods ended 31 March 2016 and 2015. In contrast, Globe's foreign-currency linked expenses were at 16% and 8% of total operating expenses for the same periods ended, respectively.

The US\$ flows are as follows:

	<b>March 31, 2016</b>
US\$ and US\$ Linked Revenues	<b>₱3.9 billion</b>
US\$ Operating Expenses	<b>₱2.0 billion</b>
US\$ Net Interest Expense	<b>₱0.1 billion</b>

Due to these net US\$ inflows, an appreciation of the Peso has a negative impact on Globe's Peso EBITDA. Globe occasionally enters into forward contracts to hedge against a peso appreciation.

There were no outstanding forward contracts as of March 2016.

*Includes the following revenues:*

- (1) billed in foreign currency and settled in foreign currency, and*
- (2) billed in Pesos at rates linked to a foreign currency tariff and settled in Pesos*

### **Translation Exposures**

Globe's foreign exchange translation exposures result primarily from movements of the Philippine Peso (Php) against the U.S. Dollars (USD) with respect to USD-denominated financial assets, USD-denominated financial liabilities and certain USD-denominated revenues. Majority of revenues are generated in Php, while substantially all of capital expenditures are in USD. In addition, 19% of debt as of March 31, 2016 are denominated in USD before taking into account any swap and hedges.

Information on Globe's foreign currency-denominated monetary assets and liabilities as of March 31, 2016 are as follows:

	<b>March 31, 2016</b>
US\$ Assets	US\$212 million
US\$ Liabilities	US\$664 million
Net US\$ Liability Position	US\$452 million

For accounting purposes, the foreign currency assets and liabilities are revalued at the exchange rate at the end of each reporting period. Given the net US\$ liability position, an appreciation of the peso results in a revaluation or forex gain in our P&L. As of March 2016, the Philippine Peso stood at ₱45.989 to the US dollar, which decreased versus the 2015 year-end rate of ₱47.118. Due to the strengthening peso, the Globe Group charged a total of ₱174 million in net foreign exchange gains to current operations for the first three months of 2016.

The Globe Group's foreign exchange risk management policy is to maintain a hedged financial position, after taking into account expected USD flows from operations and financing transactions. Globe Telecom enters into short-term foreign currency forwards and long-term foreign currency swap contracts in order to achieve this target.

Globe entered into cross currency swaps amounting to US\$125 million in 2013, US\$40 million in 2014, and US\$35 million in 2015 to hedge the FX and interest rate risk on some of its USD loans. The MTM of the swap contracts stood at a gain of ₱348 million as of end-March 2016.

Globe entered into principal only swaps amounting to US\$45 million in 2015 and US\$35 million in 1Q 2016 to hedge the foreign exchange risks on its US\$ loans. The MTM of the swap contracts stood at a loss of ₱78 million as of end-March 2016.

### **INTEREST RATE EXPOSURE**

Interest rate exposures are managed via targeted levels of fixed versus floating rate debt that are meant to achieve a balance between cost and volatility. Globe's policy is to maintain between 44-88% of its peso debt in fixed rate, and between 31-62% of its US\$ debt in fixed rate.

As of end-March 2016, 79% (excluding short-term debt) of peso debt is fixed, while 43% of USD debt is fixed after swaps.

### ***CREDIT EXPOSURES FROM FINANCIAL INSTRUMENTS***

Outstanding credit exposures from financial instruments are monitored daily and allowable exposures are reviewed quarterly.

For investments, the Globe Group does not have investments in foreign securities (bonds, collateralized debt obligations (CDO), collateralized mortgage obligations (CMO), or any instruments linked to the mortgage market in the US). Globe's excess cash is invested in short term bank deposits.

The Globe Group also does not have any investments or hedging transactions with investment banks. Derivative transactions as of the end of the period are with large foreign and local banks. Furthermore, the Globe Group does not have instruments in its portfolio which became inactive in the market nor does the company have any structured notes which require use of judgment for valuation purposes.

### ***VALUATION OF DERIVATIVE TRANSACTIONS***

The company uses valuation techniques that are commonly used by market participants and that have been demonstrated to provide reliable estimates of prices obtained in actual market transactions. The company uses readily observable market yield curves to discount future receipts and payments on the transactions. The net present value of receipts and payments are translated into Peso using the foreign exchange rate at time of valuation to arrive at the mark to market value. For derivative instruments with optionality, the company relies on valuation reports of its counterparty banks, which are the company's best estimates of the close-out value of the transactions.

Gains (losses) on derivative instruments represent the net mark-to-market (MTM) gains (losses) on derivative instruments. As of 31 March 2016, the MTM value of the derivatives of the Globe Group amounted to a gain of ₱252.89 million while net gain on derivative instruments arising from changes in MTM reflected in the consolidated income statements amounted to ₱446.93 million.

To measure riskiness, the Company provides a sensitivity analysis of its profit and loss from financial instruments resulting from movements in foreign exchange and interest rates. The interest rate sensitivity estimates the changes to the following P&L items, given an indicated movement in interest rates: (1) interest income, (2) interest expense, (3) mark-to-market of derivative instruments. The foreign exchange sensitivity estimates the P&L impact of a change in the USD/PHP rate as it specifically pertains to the revaluation of the net unhedged liability position of the company, and foreign exchange derivatives.



## **LEGAL, REGULATORY AND CORPORATE DEVELOPMENTS**

- A. On 23 July 2009, the NTC issued NTC Memorandum Circular (MC) No. 05-07-2009 (Guidelines on Unit of Billing of Mobile Voice Service). The MC provides that the maximum unit of billing for the cellular mobile telephone service (CMTS) whether postpaid or prepaid shall be six (6) seconds per pulse. The rate for the first two (2) pulses, or equivalent if lower period per pulse is used, may be higher than the succeeding pulses to recover the cost of the call set-up. Subscribers may still opt to be billed on a one (1) minute per pulse basis or to subscribe to unlimited service offerings or any service offerings if they actively and knowingly enroll in the scheme. In compliance with NTC MC 05-07-2009, Globe refreshed and offered to the general public its existing per-second rates that, it bears emphasizing, comply with the NTC Memorandum Circular. Globe made per second charging for Globe-Globe/TM-TM/Globe available for Globe Subscribers dialing prefix 232 (GLOBE) OR 803 plus 10-digit TM or Globe number for TM subscribers. The NTC, however, contends that Globe's offering does not comply with the circular and with the NTC's Order of 7 December 2009 which imposed a three-tiered rate structure with a mandated flag-down of ₱3.00, a rate of ₱0.4375 for the 13th to the 160th second of the first minute and ₱0.65 for every 6-second pulse thereafter. On 9 December 2009, the NTC issued a Cease and Desist Order requiring the carriers to refrain from charging under the previous billing system or regime and refund consumers.

Globe maintains that the Order of the NTC of 7 December 2009 and the Cease and Desist Order are void as being without basis in fact and law and in violation of Globe's rights to due process. Globe, Smart, Sun and CURE all filed petitions before the Court of Appeals seeking the nullification of the questioned orders of the NTC. On 18 February 2010, the Court of Appeals issued a Temporary Restraining Order preventing the NTC from enforcing the disputed Order.

On 25 May 2010, the CA issued a writ of preliminary injunction directing the NTC to cease and desist from enforcing their assailed Order/s. On 28 December 2010, the CA rendered a Decision declaring the questioned decisions invalid for being violative of the Petitioners' right to due process, among others. The Petitioners and the NTC filed their respective Motions for Partial Reconsideration. The motions were DENIED by the CA in an Order dated 19 January 2012. Due to lack of material time, the NTC and the Petitioners seasonably filed their respective Motions for Extension of Time to File Petition for Review with the Supreme Court. The Movants filed their respective petitions in March 2012.

Globe believes that its legal position is strong and that its offering is compliant with the NTC's Memorandum Circular 05-07-2009, and therefore believes that it would not be obligated to make a refund to its subscribers. If, however, Globe would be held as not being in compliance with the circular, Globe may be contingently liable to refund to any complaining subscribers any charges it may have collected in excess of what it could have charged under the NTC's disputed Order of 7 December 2009, if indeed it is proven by any complaining party that Globe charged more with its per second scheme than it could have under the NTC's 6-second pulse billing scheme stated in the disputed Order. Management has no estimate of what amount this could be at this time.

- B. On 22 May 2006, Innove received a copy of the Complaint of Subic Telecom Company ("Subictel"), Inc., a subsidiary of PLDT, seeking an injunction to stop the Subic Bay Metropolitan Authority and Innove from taking any actions to implement the Certificate

of Public Convenience and Necessity granted by SBMA to Innove. Subicel claimed that the grant of a CPCN allowing Innove to offer certain telecommunications services within the Subic Bay Freeport Zone would violate the Joint Venture Agreement (“JVA”) between PLDT and SBMA. The Supreme Court ordered the reinstatement of the case and has forwarded it to the NTC-Olongapo for trial. Trial is now on-going.

- C. PLDT and its affiliate, Bonifacio Communications Corporation (BCC) and Innove and Globe are in litigation over the right of Innove to render services and build telecommunications infrastructure in the Bonifacio Global City. In the case filed by Innove before the NTC against BCC, PLDT and the Fort Bonifacio Development Corporation (FBDC), the NTC has issued a Cease and Desist Order preventing BCC from performing further acts to interfere with Innove’s installations in the Bonifacio Global City.

In the case filed by PLDT against the NTC in Branch 96 of the Regional Trial Court (RTC) of Quezon City, where PLDT sought to obtain an injunction to prevent the NTC from hearing the case filed by Innove, the RTC denied the prayer for a preliminary injunction and the case has been set for further hearings. PLDT has filed a Motion for Reconsideration and Globe has intervened in this case. In a resolution dated 28 October 2008, the RTC QC denied BCC’s motion for the issuance of a temporary restraining order (TRO). On October 14, 2013, the Court issued an Order DISMISSING the complaint. PLDT elevated the case to the Court of Appeals where the same remains pending.

In the case filed by BCC against FBDC, Globe Telecom and Innove, Bonifacio Communications Corp. before the Regional Trial Court of Pasig, which case sought to enjoin Innove from making any further installations in the BGC and claimed damages from all the parties for the breach of the exclusivity of BCC in the area, the court did not issue a Temporary Restraining Order and has instead scheduled several hearings on the case. In a resolution dated 28 October 2008, the RTC QC denied BCC’s motion for the issuance of a temporary restraining order (TRO). After trial on the merits, the Court issued an Order DISMISSING the complaint. BCC filed its motion for reconsideration and the same is still pending resolution with the RTC Pasig.

On 11 November 2008, Bonifacio Communications Corp. (BCC) filed a criminal complaint against the officers of Innove Communications Inc., the Fort Bonifacio Development Corporation (FBDC) and Innove contractor Avecs Corporation for malicious mischief and theft arising out of Innove’s disconnection of BCC’s duct at the Net Square buildings. The accused officers filed their counter-affidavits and are currently pending before the Prosecutor’s Office of Pasig. The case is still pending resolution with the Office of the City Prosecutor.

On 21 January 2011, BCC and PLDT filed with the Court of Appeals a Petition for Certiorari and Prohibition against NTC, et al. seeking to annul the Orders of the NTC dated 28 October 2008 directing BCC, PLDT and FBDC to comply with the provisions of NTC MC 05-05-02 and the CEASE AND DESIST from performing further acts that will prevent Innove from implementing and providing telecommunications services in the Fort Bonifacio Global City pursuant to the authorization granted by the NTC. BCC and PLDT anchor their petition on the grounds that: 1) the NTC has no jurisdiction over BCC it being a non telecommunications entity; 2) the NTC violated BCC and PLDT’s right to



due process; and 3) there was no urgency or emergency for the issuance of the cease and desist order. The case is pending with the court of appeals.

On April 25, 2011, Innove Communications filed its comment on the case filed by PLDT that seeks to ban all Globe services from the Bonifacio Global City before the CA's Tenth Division. In its comment, Globe argued that it is in the public's best interest that open access and free competition among telecom operators be allowed at the Bonifacio Global City.

On August 16, 2011, the Ninth Division of the CA ruled that PLDT's case against Innove and the National Telecommunications Commission (NTC) lacked merit, and thus denied the petition and DISMISSED the case. PLDT and its co-petitioner, BCC file their motion for reconsideration. The same is still pending resolution.

### **Other Developments**

Globe Telecom and other leading Asia Pacific mobile operators (JV partners) signed an Agreement in 2004 (JV Agreement) to form a regional mobile alliance, which will operate through a Singapore-incorporated company, BMPL. The JV company is a commercial vehicle for the JV partners to build and establish a regional mobile infrastructure and common service platform and deliver different regional mobile services to their subscribers.

Globe Group has a ten percent (10%) stake in BMPL. The other joint venture partners each with equal stake in the alliance include SK Telecom, Co. Ltd., Advanced Info Service Public Company Limited, Bharti Airtel Limited, Maxis Communications Berhad, Optus Mobile Pty. Limited, Singapore Telecom Mobile Pte. Ltd., Taiwan Mobile Co. Ltd., PT Telekomunikasi Selular and CSL Ltd. Under the JV Agreement, each partner shall contribute USD4.00 million based on an agreed schedule of contribution. Globe Telecom may be called upon to contribute on dates to be determined by the JV. On November 25, 2015, Globe Telecom received a return of capital amounting to USD1.40 million.

As of March 31, 2016 and 2015, and December 31, 2015, the carrying value of the investment in BMPL amounted to ₱30.56 million, ₱21.30 million, and ₱29.80 million, respectively.

The share in total comprehensive income from this investment for the three-month period ended March 31, 2016 and 2015 amounted to ₱0.76 million and ₱0.39 million, respectively.

### **BPI Globe BanKO**

Globe Telecom, Inc. (Globe), Ayala Corporation (AC) and Bank of the Philippine Islands (BPI) signed an agreement on August 27, 2015 to turn over full ownership of BPI Globe BanKO (BanKO) to BPI, one of the majority owners of the joint venture. Pending completion of regulatory and business requirements (including the issuance of a fairness opinion on the share valuation), the agreement will result in the country's first mobile phone-based savings bank becoming a wholly-owned and managed subsidiary of BPI. It is expected that BPI will assume full ownership in BanKO by year-end. Despite the change in shareholder structure, BanKO will continue to provide broader and more competitive access to funds and critical financial services to the underbanked, as it has done in its five years of operation. Globe and AC will sell their respective 40% and 20% stakes in BanKO to BPI, which already owns 40% of BanKO. As of March 31, 2016, completion of regulatory and business requirements is still on going.



**Yondu Inc.**<sup>2</sup>

On September 1, 2015, Yondu Inc.<sup>2</sup> and GCVHI entered into a Deed of Assignment to assign the former's interest in Global Telehealth, Inc. ("GTI") to GCVHI for a total consideration of ₱15 million.

On September 15, 2015, Globe Telecom sold its controlling interest in Yondu for a total consideration of ₱670 million. On the same date, Yondu issued additional 5,000 common shares from its unissued authorized capital stock to a third party which further dilutes Globe Telecom's ownership interest to 49% as of September 2015.

*Details on these transactions have been extensively discussed in the disclosures filed with the SEC and PSE and maybe accessed from the PSE and Company websites.*

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<sup>2</sup> Globe Telecom previously owned 100% of Yondu, Inc. (formerly known as Entertainment Gateway Group Corp. [EGGC]). Yondu is engaged in the development and creation of wireless products and services accessible through telephones or other forms of communication devices. It also provides internet and mobile value added services, information technology and technical services including software development and related services.

**OTHER RELEVANT INFORMATION:**

- 1. Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation:**

Contingencies

PLDT and its affiliate, Bonifacio Communications Corporation (“BCC”) and Innove and Globe Telecom are in litigation over the right of Innove to render services and build infrastructure in the Bonifacio Global City (“BGC”). In the case filed by Innove with NTC against BCC, PLDT and the Fort Bonifacio Development Corporation (“FBDC”), NTC issued a Cease and Desist Order preventing BCC from performing further acts to interfere with Innove’s installations in the BGC.

PLDT in turn filed a case against NTC in Branch 96 of the RTC of Quezon City to obtain an injunction to prevent NTC from hearing the case filed by Innove. In a resolution dated October 28, 2008, the RTC QC denied BCC’s motion for the issuance of a temporary restraining order (“TRO”). The case was dismissed by RTC on December 12, 2014. As of March 31, 2016, the case is still pending with the Court of Appeals.

The Globe Group is contingently liable for various claims arising in the ordinary conduct of business and certain tax assessments which are either pending decision by the courts or are being contested, the outcome of which are not presently determinable. In the opinion of management and legal counsel, the eventual liability under these claims, if any, will not have a material or adverse effect on the Globe Group’s financial position and results of operations.

For provisions relating to various pending regulatory claims and assessments, the information usually required by PAS 37 is not disclosed as it may prejudice the outcome of these on-going claims and assessments.

- 2. Description of material commitments and general purpose of such commitments. Material off-balance sheet transactions, arrangements, obligations and other relationships with unconsolidated entities or other persons created during the period:**

For details on material commitments and arrangements, see Notes 12 in the attached Notes to the Financial Statements.

The Globe Group has entered into agreements with various suppliers for the development or construction, delivery and installation of property and equipment. Under the terms of these agreements, advance payments and downpayments are made to suppliers upon submission of required documentation. While the development or construction is in progress, project costs are accrued based on the project status. Billings are based on the progress of the development or construction and advance payments are being applied proportionately to the milestone billings. When development or construction and installation are completed and the property and equipment is ready for service, the value of undelivered goods or services from the related purchase orders is accrued.

As of March 31, 2016 and 2015, and December 31, 2015, the consolidated expected future billings on the unaccrued portion of purchase orders issued amounted to ₱33,220.12 million, ₱39,100.00 million, and ₱44,786.69 million, respectively. The settlement of these liabilities



is dependent on the payment terms and project milestones agreed with the suppliers and contractors.

#### ***Agreements and Commitments with Other Carriers***

Globe Telecom, Innove and BTI have existing international telecommunications service agreements with various foreign administrations and interconnection agreements with local telecommunications companies for their various services. Globe Telecom also has international roaming agreements with other foreign operators, which allow its subscribers access to foreign networks. The agreements provide for sharing of toll revenues derived from the mutual use of telecommunication networks.

#### **Deed of Assignment of Certificate of Public Convenience and Necessity by Worldwide Communication Inc. (WWCI)**

On July 5, 2013, the NTC approved the “Deed of Assignment” (DoA) dated February 13, 2013 executed by WWCI in favor of Globe Telecom. Through the DoA, WWCI assigned and transferred its entire interest including the operation of its Trunk Radio Network, the Certificate of Public Convenience and Necessity granted by the NTC and the pertinent permits necessary to operate the trunk radio to Globe Telecom. The total consideration under the said original DoA was ₱30.00 million.

On April 1, 2014, Globe Telecom and WWCI signed the Supplemental Agreement to the DoA for final consideration of ₱150.00 million to be paid in tranches upon fulfillment of stated conditions.

Conditions include reassignment and reallocation of Radio Station Licenses and issuance of associated Frequency Assignment Sheets in the name of Globe. Pending compliance on the conditions, payments will be recorded as advances classified under ‘Prepayments and other current assets’ in the statements of financial position.

On January 29, 2015, WWCI and Globe Telecom have agreed to wind down the transaction as the conditions for closing can no longer be met. WWCI was not able to pay the advances made by Globe Telecom amounting to ₱45.00 million due on December 31, 2015. WWCI and Globe Telecom agreed to settle the advances by transferring the WWCI-held shares representing 100% ownership of Benguet Broadcasting Corporation and its underlying franchise and assets on or before June 30, 2016, and shall return ₱10.00 million in cash on or before May 31, 2016.

#### **Southeast Asia- United States Project**

Globe Telecom has joined a consortium of seven international telecommunication companies for the construction of a new submarine cable system directly connecting Southeast Asia and the United States. Other members of the consortium include PT Telekomunikasi Indonesia International (Telin), Telkom USA, RAM Telecom International (RTI), Hawaiian Telcom, and Teleguam Holdings (GTA). The 15,000-kilometer cable system would link Manado in Indonesia, Davao in the Philippines, Piti in Guam, Oahu in Hawaii, and Los Angeles in California, providing superior latency delivering additional 20 terabits per second (Tbps), utilizing 100 gigabits per second (Gbps) transmission equipment. Globe Telecom and GTIC US is spending more than US\$80 million for the SEA-US undersea cable system targeted to be completed within 2016.

On March 17, 2015, Globe Telecom provided a written guaranty to NEC Corporation (NEC) pursuant to the supply contract of the cable system between GTIC US and NEC. Globe





Telecom unconditionally guarantees the full and punctual performance by GTIC US of its payment obligations up to an aggregate amount of US\$46.23 million, less any payments made in accordance with the terms and conditions of the contract. A default by GTIC US to pay any guaranteed obligation under the contract is a condition that will render the guaranty exercisable. Total payments amounted to US\$9.29 million for three-month period ended March 31, 2016.

Facilities-based Operations License granted to Globetel Singapore Pte. Ltd (GTSG)

On November 25, 2014, Globetel Singapore Pte. Ltd. (GTSG) has applied for a facilities-based operations license (FBO) with Infocommunications Development Authority in Singapore (IDA) which was subsequently granted on January 7, 2015. GTSG is licensed to provide a full range of international data services in Singapore. Under this license, GTSG was required to provide IDA with the performance bond for the aggregate amount of USD75,400 to secure its obligation to fulfill the three performance milestones of installation of equipment required to support Southeast Asia Japan cable system and activation of its capacity between Singapore, Philippines and Hongkong. GTSG has fulfilled the first two milestones following review of IDA. On April 28, 2015, IDA returned the two bank guarantees pertaining to first two milestones totaling to USD45,400 while the remaining USD30,000 securing the third milestone is still held by IDA. As of December 31, 2015, the third performance milestone has been completed while the remaining USD30,000 bond is due from IDA which is payable within 2016.

Services-based Operator License granted to Globe Telecom HK Limited (GTHK)

On March 17, 2015, Globe Telecom HK Limited (GTHK) has applied for a services-based operator license (SBO) with Office of the Communications Authority in Hong Kong (OFCA) which was subsequently approved on May 7, 2015. GTHK is licensed to provide a public telecommunications service and establish and maintain a telecommunications system.

Agreements with HOOQ Digital Pte. Ltd. (HOOQ)

On February 25, 2015, Globe Telecom entered into a 5 year service and content distribution contract with HOOQ. Under the agreement, HOOQ will provide content to Globe Telecom, in the form of video, movies or other form of content, which Globe Telecom may sell to its subscribers. The service may be provided either on transaction or subscription basis. Globe Telecom shall pay a service fee for every active subscriber in each month, or a minimum net subscriber guaranty of ₱257.70 million for the first 3 contract years.

Globe Telecom also undertakes to provide advertising and promotions support at a minimum amount of \$3 million, for the first three (3) contract years. For this purpose, HOOQ granted Globe Telecom a non-exclusive and royalty free right to use the HOOQ trade mark. As of March 31, 2016, the total amount accrued under “general, selling and administrative” line item in the condensed consolidated statement of comprehensive income amounted to ₱33.08 million. There were no payments to HOOQ for three-month period ended March 31, 2016.

License agreements with Walt Disney Company (Southeast Asia) Pte. Limited (“Disney”)

On July 1, 2015, Globe Telecom and Disney entered into several license agreements for a period of five (5) years. Under the agreements, Globe Telecom is granted the right to market, reproduce and distribute Disney’s products to the public through its distribution channels. In consideration, Globe Telecom agreed to pay royalty of fifty percent (50%) of its net revenues, with minimum commitment guarantee amounting to US\$48.41 million including a guaranteed non-returnable, non-refundable advance on a quarterly basis amounting to US\$0.17 million. As of March 31, 2016, the total amount accrued under “general, selling



and administrative” line item in the condensed consolidated statement of comprehensive income amounted to US\$0.78 million. Total payments amounted to ₱2.65 million for the three- month period ended March 31, 2016.

Agreements with Huawei International, Pte. Ltd.

In 2014, Globe Telecom and Innove engaged Huawei for a period of ten (10) years to perform the design, engineering, manufacture, assembly and delivery of certain equipment and all its ancillary equipment and related software and documentation, and to provide services, including subsequent training and technical support, in an end-to-end full-turn key outcome based technical solution. Globe Telecom is spending a total of ₱1,911.46 million for the services and US\$92.32 million for the equipment.

Agreements with Spotify AB (Spotify)

On March 13, 2014, Globe Telecom entered into a 2 year service agreement with Spotify to provide ad-free desktop, portable music streaming and conditional download service. During the term, Globe Telecom shall spend USD2.25 million worth of advertising budget and at least USD400,000 in purchasing in-client advertising inventory from Spotify. For each month of the term, Globe Telecom shall pay an amount equal to the monthly fees which includes hard bundle fee, soft bundle fee and standalone subscription fee. In addition, Globe Telecom commits to pay a total minimum guarantee of USD1.75 million which shall be recouped against the actual fees paid and payable for the service subscriptions. There were no payments to Spotify for three-month period ended March 31, 2016.

**3. Any significant elements of income or loss that did not arise from the registrant's continuing operations:**

Not applicable.

**4. Seasonal aspects that have a material effect on the fs**

No seasonal aspects that have a material effect on the financial statements.

## MAJOR STOCKHOLDERS

The following are the major stockholders of Globe Telecom as of 31 March 2016:

Stockholders	Common Shares	% of Common	Voting Preferred Shares	% of Voting Preferred Shares	Non-Voting Preferred Shares	% of Non-Voting Preferred Shares	Total Voting Shares	% of Total Voting Shares
Ayala Corp.	40,724,986	30.68%	-	-			40,724,986	13.08%
SingTel	62,646,487	47.19%	-	-			62,646,487	20.13%
Asiacom	-	-	158,515,016	100.00%			158,515,016	50.93%
Public*	29,384,937	22.13%	5	-	20,000,000	100.00%	49,384,942	15.87%
<b>Total</b>	<b>132,756,410</b>	<b>100.00%</b>	<b>158,515,021</b>	<b>100.00%</b>	<b>20,000,000</b>	<b>100.00%</b>	<b>311,271,431</b>	<b>100.00%</b>

\*Includes shares held by Directors/Officers/ESOP;

Ms. Saw and Messrs. Bernardo, Pacis, Mendoza and Cu directly hold one (1) voting preferred share each.

## BOARD OF DIRECTORS (BOD)

As of 31 March 2016, the members of the Board of Directors of the Globe Group are:

Name	Position
Jaime Augusto Zobel de Ayala	Chairman
Gerardo C. Ablaza, Jr.	Co-Vice Chairman
Mark Chong Chin Kok	Co-Vice Chairman
Romeo L. Bernardo	Director
Ernest L. Cu	Director, President and CEO
Delfin L. Lazaro	Director
Rex Ma. A. Mendoza*	Director
Saw Phaik Hwa*	Director
Manuel A. Pacis*	Director
Samba Natarajan	Director
Fernando Zobel de Ayala	Director

\* Independent Director

## Key Officers – Globe

Name	Position
Ernest L. Cu <sup>1</sup>	President and Chief Executive Officer
Alberto M. de Larrazabal	Chief Commercial Officer
Gil B. Genio	Chief Technology and Information Officer, Chief Strategy Officer and Chief Operating Officer for International and Business Markets
Rosemarie Maniego-Eala	Acting Chief Finance Officer, Treasurer and Chief Risk Officer
Vicente Froilan M. Castelo	General Counsel
Marisalve Ciocson-Co	Compliance Officer, Assistant Corporate Secretary and VP, Legal Services
Rebecca V. Eclipse	Chief Customer Experience Officer
Carmina J. Herbosa	Chief Audit Executive
Renato M. Jiao	Chief Human Resources Officer
Maria Aurora Sy-Manalang	Chief Information Officer
Bernard P. Llamzon	EVP, Consumer Sales
Solomon M. Hermosura	Corporate Secretary

<sup>1</sup>Member, Board of Directors

## Consultants

Name	Position
Daniel James Horan	Senior Advisor for Consumer Business
Rodolfo A. Salalima	Chief Legal Counsel and Senior Advisor
Robert Tan	Chief Technical Advisor



## SIGNATURES

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

Registrant GLOBE TELECOM, INC.

for: 

CARMELI PAULINE M. BRIONES  
Head – Financial Control

4 May 2016



MS. ROSEMARIE MANIEGO-EALA  
Acting Chief Finance Officer

4 May 2016

**Globe Telecom, Inc. and Subsidiaries**  
Interim Condensed Consolidated Financial Statements  
March 31, 2016 and 2015

# GLOBE TELECOM, INC. AND SUBSIDIARIES

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		March 31	December 31
	Notes	2016 (Unaudited)	2015 (Unaudited) 2015 (Audited)
<i>(In Thousand Pesos)</i>			
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		₱10,331,664	₱16,679,984
Receivables – net		22,420,158	17,669,036
Inventories and supplies - net		4,478,832	3,509,069
Derivative assets	14	64,700	321,715
Prepayments and other current assets	5	9,876,254	8,455,879
		47,171,608	46,635,683
<b>Noncurrent Assets</b>			
Property and equipment – net	3	129,351,616	117,238,023
Intangible assets and goodwill - net	4	13,223,452	5,818,974
Investments and advances	6	1,590,165	593,582
Deferred income tax assets - net		1,103,630	1,669,217
Derivative assets	14	317,640	207,970
Other noncurrent assets	5	3,036,458	7,065,768
		148,622,961	132,593,534
<b>Total Assets</b>		<b>₱195,794,569</b>	<b>₱179,229,217</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued expenses	7	₱49,103,362	₱45,811,730
Current portion of long-term debt	8	9,502,693	5,525,787
Unearned revenues		4,615,133	4,061,517
Income tax payable		2,738,154	2,670,073
Provisions		1,397,793	454,127
Derivative liabilities	14	113,674	69,008
		67,470,809	58,592,242
<b>Noncurrent Liabilities</b>			
Long-term debt - net of current portion	8	60,716,303	59,012,117
Derivative liabilities	14	15,773	-
Deferred income tax		2,143	498
Other long-term liabilities		6,700,004	5,629,752
		67,434,223	64,642,367
<b>Total Liabilities</b>		<b>134,905,032</b>	<b>123,234,609</b>
<b>Equity</b>			
Paid-up capital	9	44,498,045	44,479,956
Cost of share-based payments		394,379	201,567
Other reserves	9	(1,202,498)	(983,768)
Retained earnings	9	17,198,391	12,302,856
Equity attributable to equity holders of the Parent		60,888,317	56,000,611
Non-controlling Interest		1,220	(6,003)
<b>Total Equity</b>		<b>60,889,537</b>	<b>55,994,608</b>
<b>Total Liabilities and Equity</b>		<b>₱195,794,569</b>	<b>₱179,229,217</b>

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

**GLOBE TELECOM, INC. AND SUBSIDIARIES**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE**  
**INCOME**

		<b>Three-Month Period Ended</b>	
		<b>March 31</b>	
	Notes	<b>2016</b> <b>(Unaudited)</b>	<b>2015</b> <b>(Unaudited)</b>
<i>(In Thousand Pesos)</i>			
<b>REVENUES</b>			
Service revenues		<b>₱29,867,036</b>	₱26,219,730
Nonservice revenues		<b>1,679,303</b>	1,826,203
		<b>31,546,339</b>	28,045,933
<b>INCOME</b>			
Interest income	5	<b>51,221</b>	195,750
Gain on disposal of property and equipment – net		<b>18,630</b>	17,953
Other income – net		<b>349,573</b>	68,331
		<b>419,424</b>	282,034
<b>COSTS AND EXPENSES</b>			
General, selling and administrative	10	<b>12,123,192</b>	10,503,493
Depreciation and amortization	3, 4	<b>6,214,686</b>	4,438,615
Interconnect costs		<b>2,276,788</b>	2,315,992
Cost of sales		<b>3,456,846</b>	3,439,057
Financing costs	10	<b>783,891</b>	744,821
Impairment losses and others	10	<b>798,040</b>	804,165
Equity in net losses of associates and joint ventures		<b>37,650</b>	34,635
		<b>25,691,093</b>	22,280,778
<b>INCOME BEFORE INCOME TAX</b>		<b>6,274,670</b>	6,047,189
<b>PROVISION FOR INCOME TAX</b>			
Current		<b>1,722,192</b>	1,594,641
Deferred		<b>217,825</b>	249,315
		<b>1,940,017</b>	1,843,956
<b>NET INCOME</b>		<b>4,334,653</b>	4,203,233
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>	9		
<b>Item that will not be reclassified into profit or loss in subsequent periods:</b>			
Remeasurement losses on defined benefit plan - net		<b>4,397</b>	-
<b>Items to be reclassified to profit or loss in subsequent periods:</b>			
Transactions on cash flow hedges - net		<b>5,136</b>	(29,632)
Changes in fair value of available-for-sale investment in equity securities		<b>6,043</b>	10,302
Exchange differences arising from translations of foreign investments		<b>(6,561)</b>	13,415
		<b>9,015</b>	(5,915)
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>₱4,343,668</b>	₱4,197,318
<b>Total net income attributable to:</b>			
Equity holders of the Parent		<b>₱4,340,278</b>	₱4,204,602
Non-controlling Interest		<b>(5,625)</b>	(1,369)
		<b>₱4,334,653</b>	₱4,203,233

*(Forward)*



<b>Three-Month Period Ended March 31</b>			
	Notes	<b>2016 (Unaudited)</b>	2015 (Unaudited)
<i>(In Thousand Pesos)</i>			
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Parent		<b>₱4,349,293</b>	₱4,198,687
Non-controlling interest		<b>(5,625)</b>	(1,369)
		<b>₱4,343,668</b>	₱4,197,318
<b>Earnings Per Share</b>	13		
Basic		<b>₱31.60</b>	₱30.59
Diluted		<b>₱31.59</b>	₱30.57
Cash dividends declared per common share	9	<b>₱22.00</b>	₱20.75

*See accompanying Notes to Interim Condensed Consolidated Financial Statements*

# GLOBE TELECOM, INC. AND SUBSIDIARIES

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Three-Month Period Ended March 31, 2016 (Unaudited)

Attributable to Equity Holders of the Parent								
Note	Capital Stock	Additional Paid-in Capital	Cost of Share-Based Payments	Other Reserves (Note 9)	Retained Earnings	Subtotal	Non-controlling Interest	Total
<i>(Unaudited and In Thousand Pesos)</i>								
As of January 1, 2016	<b>₱8,429,713</b>	<b>₱36,057,263</b>	<b>₱338,008</b>	<b>(₱1,211,513)</b>	<b>₱15,778,557</b>	<b>₱59,392,028</b>	<b>₱5,754</b>	<b>₱59,397,782</b>
Total comprehensive income for the period	9	-	-	9,015	4,340,278	4,349,293	(5,625)	4,343,668
Dividends on common stock	9	-	-	-	(2,920,444)	(2,920,444)	-	(2,920,444)
Cost of share-based payments		-	62,659	-	-	62,659	-	62,659
Exercise of stock options		683	10,386	(6,288)	-	4,781	-	4,781
Non-controlling interest arising from business combination		-	-	-	-	-	1,091	1,091
As of March 31, 2016		<b>₱8,430,396</b>	<b>₱36,067,649</b>	<b>₱394,379</b>	<b>(₱1,202,498)</b>	<b>₱60,888,317</b>	<b>₱1,220</b>	<b>₱60,889,537</b>

For the Three-Month Period Ended March 31, 2015 (Unaudited)

Attributable to Equity Holders of the Parent								
Note	Capital Stock	Additional Paid-in Capital	Cost of Share-Based Payments	Other Reserves (Note 9)	Retained Earnings	Subtotal	Non-controlling Interest	Total
<i>(Unaudited and In Thousand Pesos)</i>								
As of January 1, 2015	<b>₱8,429,229</b>	<b>₱36,049,013</b>	<b>₱189,433</b>	<b>(₱977,853)</b>	<b>₱10,852,478</b>	<b>₱54,542,300</b>	<b>(₱4,634)</b>	<b>₱54,537,666</b>
Total comprehensive income for the period	9	-	-	(5,915)	4,204,602	4,198,687	(1,369)	4,197,318
Dividends on common stock	9	-	-	-	(2,754,224)	(2,754,224)	-	(2,754,224)
Cost of share-based payments		-	13,726	-	-	13,726	-	13,726
Exercise of stock options	98	1,616	(1,592)	-	-	122	-	122
As of March 31, 2015		<b>₱8,429,327</b>	<b>₱36,050,629</b>	<b>₱201,567</b>	<b>(₱983,768)</b>	<b>₱56,000,611</b>	<b>(₱6,003)</b>	<b>₱55,994,608</b>

For the Year Ended December 31, 2015 (Audited)

		Attributable to Equity Holders of the Parent							
	Notes	Capital Stock	Additional Paid-in Capital	Cost of Share-Based Payments	Other Reserves (Note 9)	Retained Earnings	Subtotal	Non-controlling Interest	Total
(In Thousand Pesos)									
As of January 1, 2015		₱8,429,229	₱36,049,013	₱189,433	(₱977,853)	₱10,852,478	₱54,542,300	(₱4,634)	₱54,537,666
Total comprehensive income for the year	9	-	-	-	(233,660)	16,496,644	16,262,984	(12,194)	16,250,790
Dividends on:	9								
Common Stock		-	-	-	-	(11,017,355)	(11,017,355)	-	(11,017,355)
Preferred Stock – voting		-	-	-	-	(33,150)	(33,150)	-	(33,150)
Preferred Stock - non-voting		-	-	-	-	(520,060)	(520,060)	-	(520,060)
Cost of share-based payments		-	-	153,994	-	-	153,994	-	153,994
Exercise of stock options		484	8,196	(5,419)	-	-	3,261	-	3,261
Equity transaction costs on non-voting preferred stock		-	54	-	-	-	54	-	54
Non-controlling interest arising from subscription		-	-	-	-	-	-	10	10
Non-controlling interest arising from business combination		-	-	-	-	-	-	22,572	22,572
As of December 31, 2015		₱8,429,713	₱36,057,263	₱338,008	(₱1,211,513)	₱15,778,557	₱59,392,028	₱5,754	₱59,397,782

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

**GLOBE TELECOM, INC. AND SUBSIDIARIES**  
**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

		<b>Three-Month Period Ended March 31</b>	
	Notes	<b>2016</b>	2015
		<b>Unaudited</b>	Unaudited
<i>(In Thousand Pesos)</i>			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax		<b>₱6,274,670</b>	₱6,047,189
Adjustments for:			
Depreciation and amortization	3, 4	<b>6,214,686</b>	4,438,615
Provisions and impairment losses	10	<b>798,040</b>	804,165
Interest expense	10	<b>734,603</b>	673,518
Foreign exchange (gain)/ losses - net	10	<b>(220,206)</b>	27,115
Pension expense		<b>209,857</b>	106,179
Cost of share-based payments		<b>62,659</b>	13,726
Equity in net losses of associates and joint ventures		<b>37,650</b>	34,635
Loss/(Gain) on derivative instruments - net		<b>46,084</b>	(11,750)
Gain on disposal of property and equipment - net		<b>(18,630)</b>	(17,953)
Interest income		<b>(51,221)</b>	(195,750)
Operating income before working capital changes		<b>14,088,192</b>	11,919,689
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables		<b>(969,259)</b>	(458,850)
Inventories and supplies		<b>41,774</b>	(409,994)
Prepayments and other current assets		<b>(1,795,318)</b>	463,121
Other noncurrent assets		<b>306,873</b>	577
Increase (decrease) in:			
Accounts payable and accrued expenses		<b>364,881</b>	(1,000,949)
Unearned revenues		<b>(323,100)</b>	(548,451)
Other long-term liabilities		<b>(76,185)</b>	5,357
Net cash generated from operations		<b>11,637,858</b>	9,970,500
Income taxes paid		<b>(352,319)</b>	(505,941)
Net cash flows provided by operating activities		<b>11,285,539</b>	9,464,559
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to:			
Property and equipment	3	<b>(7,061,623)</b>	(4,597,128)
Intangible assets	4	<b>(22,228)</b>	(282,546)
Investments and advances	6	<b>(130,000)</b>	(160,000)
Proceeds from loan receivables		<b>100,000</b>	-
Dividends received		<b>35,000</b>	-
Interest received		<b>54,545</b>	82,819
Proceeds from sale of property and equipment		<b>21,694</b>	20,392
Net cash flows used in investing activities		<b>(7,002,612)</b>	(4,936,463)

*(Forward)*

<b>Three-Month Period Ended March 31</b>			
	Notes	<b>2016</b> <b>Unaudited</b>	2015 Unaudited
<i>(In Thousand Pesos)</i>			
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from long-term borrowings			
Long-term		<b>2,000,000</b>	-
Short-term		<b>1,000,000</b>	-
Repayments of borrowings:	8		
Long-term		<b>(3,691,825)</b>	(725,000)
Short-term		<b>(1,000,000)</b>	-
Payments of dividends to stockholders:	9		
Common		<b>(2,920,444)</b>	(2,754,224)
Preferred - non-voting		<b>(260,030)</b>	(260,030)
Exercise of stock options		<b>4,781</b>	127
Interest paid		<b>(824,094)</b>	(767,915)
Net cash flows used in financing activities		<b>(5,691,612)</b>	(4,507,042)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(1,408,685)</b>	21,054
<b>NET FOREIGN EXCHANGE DIFFERENCE</b>		<b>(74,030)</b>	(97,978)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>		<b>11,814,379</b>	16,756,908
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>		<b>₱10,331,664</b>	₱16,679,984

*See accompanying Notes to Interim Condensed Consolidated Financial Statements.*

## **GLOBE TELECOM, INC. AND SUBSIDIARIES**

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### **NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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#### **1. Basis of Financial Statement Preparation**

The interim condensed consolidated financial statements of Globe Telecom, Inc. and its subsidiaries (the “Globe Group”) as of and for the three-month ended March 31, 2016 and 2015 were authorized for issue in accordance with a resolution of the Board of Directors (BOD) on May 4, 2016.

Globe Telecom, Inc. (herein referred to as “Globe Telecom”) is a company incorporated and domiciled in the Philippines whose shares are publicly traded. The principal activities of Globe and its subsidiaries are described in Note 15.

The accompanying interim condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. Accordingly, the interim condensed consolidated financial statements do not include all of the information required in the annual audited financial statements, and should be read in conjunction with the Globe Group’s annual financial statements as of and for the year ended December 31, 2015.

The preparation of the financial statements in compliance with the Philippine Financial Reporting Standards (PFRS) require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions used in the accompanying interim condensed consolidated financial statements are consistent with those followed in the preparation of the Globe Group’s consolidated financial statements as of and for the year ended December 31, 2015, and are based upon management’s evaluation of relevant facts and circumstances as of the date of the interim condensed consolidated financial statements. Actual results could differ from such estimates.

The interim condensed consolidated financial statements as of March 31, 2016 include the accounts of Globe Telecom and its subsidiaries such as, Innove Communications, Inc. (herein referred to as “Innove”), G-Xchange, Inc. (herein referred to as “GXI”), GTI Business Holdings, Inc. (herein referred to as “GTI”) and its subsidiaries, Kickstart Ventures, Inc. (herein referred to as “Kickstart”) and its subsidiary, Asticom Technology, Inc. (herein referred to as “Asticom”), Globe Capital Venture Holdings, Inc. (herein referred to as “GCVHI”) and its subsidiaries, and Bayan Telecommunications, Inc. (herein referred to as “BTI”) and its subsidiaries, collectively referred to as the “Globe Group”.

On September 15, 2015, the Globe Group sold its controlling interest in Yondu, Inc. (Yondu) and has ceased to consolidate the latter’s net assets and liabilities as of that date. The interim condensed consolidated financial statements of Globe Telecom and subsidiaries as of March 31, 2015 include the accounts of Yondu.

GTI wholly-owned subsidiaries are: GTI Corporation (GTIC US), Globe Telecom HK Limited (GTHK), Globetel Singapore Pte. Ltd. (GTSG) and Globetel European Limited (GTEU). GTEU’s wholly owned subsidiaries are UK Globetel Limited (UKGT), Globe Mobile’ Italy S.r.l. (GMI) and Globetel Internacional European España, S.L. (GIEE).

Kickstart’s subsidiary is Flipside Publishing Services, Inc. (FPSI) which was consolidated in February 2014.

Globe Telecom owns 100% of GCVHI. GCVHI was incorporated on June 29, 2015. On July 8, 2015 and October 13, 2015, GCVHI incorporated its wholly owned subsidiaries, Globe Fintech Innovations, Inc. (GFI) and Adspark Holdings, Inc. (AHI), respectively. GCVHI, GFI and AHI were incorporated to act as holding companies for Globe Telecom's non-core businesses. GCVHI was consolidated starting July 2015. On December 28, 2015, AHI incorporated its wholly-owned subsidiary, Adspark Inc. (AI), to operate as an advertising company.

On September 1, 2015, Yondu and GCVHI entered into a Deed of Assignment to assign the former's 50% interest in Global Telehealth, Inc. ("GTHI") to GCVHI for a total consideration of ₱15 million, as disclosed in Note 6. On September 15, 2015, Globe Telecom sold its controlling interest in Yondu for a total consideration of ₱670 million and has ceased to consolidate the latter's net assets and liabilities as of that date in its condensed consolidated financial statements. Following this transaction and Yondu's issuance of additional shares to a third party, Globe Telecom's ownership in Yondu was reduced from 100% to 49% and Globe started to account for such investment using the equity method starting September 15, 2015.

On January 29, 2016, Adspark Inc. acquired 70% of the shares of Socialytics Inc. for a total amount of ₱3.01 million. Socialytics Inc. is a social media marketing firm founded in 2013.

On July 2, 2015, the National Telecommunications Commission (NTC) approved the conversion of BTI's Tranche A convertible portion of the debt to equity, and resulted to Globe gaining a controlling interest in BTI. BTI was consolidated starting July 2015.

BTI's subsidiaries are: Radio Communications of the Philippines, Inc. (RCPI), Alarmnet, Inc. (Alarmnet), Telecoms Infrastructure Corp. of the Philippines (Telicphil), Sky Internet, Incorporated (Sky Internet), BTI Global Communications Japan, Inc. (BTI - Japan), BTI Global Communications Ltd. (BTI - UK), and NDTN Land, Inc. (NLI).

The accompanying interim condensed consolidated financial statements have been prepared under the historical cost convention method, except for derivative financial instruments and available-for-sale (AFS) investments that are measured at fair value, certain financial instruments carried at amortized cost, inventories which are carried at net realizable value, and accrued pension, which is measured as the excess of the present value of the defined benefit obligation over the fair value of the plan assets.

The interim condensed consolidated financial statements are presented in Philippine Peso (₱), the Globe Group's functional currency, and rounded to the nearest thousands except when otherwise indicated.



## 2. Significant Accounting Policies

### Changes in Accounting Policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Globe Group's consolidated financial statements effective as at and for the year ended December 31, 2015, except for the adoption of following new and amended standards effective as of January 1, 2016.

The nature and impact of each new standard and amendment is described below:

- **PAS 16, *Property, Plant and Amortization (Amendments)***

The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. These amendments are not expected to have any impact to Globe Group given that it has not used a revenue-based method to depreciate its non-current assets.

- **PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements (Amendments)***

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. These amendments will not have significant impact to the Globe Group's financial statements.

- **PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are not expected to have any impact to Globe Group.

- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations (Amendments)*

The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. These amendments are not expected to have any impact to Globe Group.

- PFRS 14, *Regulatory Deferral Accounts*

PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. Since the Globe Group is an existing PFRS preparer, this standard would not apply.

- *Annual Improvements to PFRSs (2012-2014 cycle)*

The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact to Globe Group. They include:

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*

The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*

PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- *PFRS 7 - Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*

This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- *PAS 19, Employee Benefits - Regional Market Issue Regarding Discount Rate*

This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- *PAS 34, Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*

The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

- *Disclosure Initiative (Amendments to PAS 1)*

The amendments to PAS 1 addresses some concerns expressed about existing presentation and disclosure requirements and to ensure that entities are able to use judgment when applying PAS 1. The amendments clarify that:

- Information should not be obscured by aggregating or by providing immaterial information.
- Materiality considerations apply to all parts of the financial statements, even when a standard requires a specific disclosure.
- The list of line items to be presented in the statement of financial position and statement of profit or loss and other comprehensive income can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.
- An entity's share on OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

- *Investment Entities: Applying the Consolidation Exception (Amendments to PFRS 10, PFRS 12 and PAS 28)* clarifies that:

- A subsidiary that provides investment-related services should not be consolidated if the subsidiary itself is an investment entity.
- The exemption from preparing consolidated financial statements for an intermediate held by an investment entity, even though the investment entity does not consolidate the intermediate.

- When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.

#### Future Changes in Accounting Policies

The Globe Group has not opted for an early adoption of any standard, interpretation or amendment that has been issued but is not yet effective.

### 3. Property and Equipment

The rollforward analysis of property and equipment follows:

#### 2016

	Telecommunication Equipment	Buildings and Leasehold Improvement	Cable System	Office Equipment	Transportation Equipment	Land	Assets Under Construction	Total
<i>(Unaudited and In Thousand Pesos)</i>								
<b>Cost</b>								
At January 1	P239,521,081	P42,809,270	P22,677,742	P13,660,352	P2,698,476	P3,145,123	P13,631,840	P338,143,884
Additions	107,893	1,933	-	202,863	102,753	-	6,225,242	6,640,684
Retirements/disposals	(584,129)	-	-	(554,015)	(94,705)	-	-	(1,232,849)
Reclassifications/adjustments	3,822,360	188,507	23,770	47,953	(2,328)	-	(5,142,127)	(1,061,865)
At March 31	242,867,205	42,999,710	22,701,512	13,357,153	2,704,196	3,145,123	14,714,955	342,489,854
<b>Accumulated Depreciation and Amortization</b>								
At January 1	161,671,467	20,616,530	12,666,242	10,415,931	1,863,952	-	-	207,234,122
Depreciation	3,992,453	513,861	359,035	368,052	71,512	-	-	5,304,913
Retirements/disposals	(583,439)	-	-	(553,999)	(92,128)	-	-	(1,229,566)
Reclassifications/adjustments	(34,683)	(2,048)	(554)	(594)	(3,592)	-	-	(41,471)
At March 31	165,045,798	21,128,343	13,024,723	10,229,390	1,839,744	-	-	211,267,998
<b>Impairment Losses</b>								
At January 1	1,318,884	23,252	-	-	9,860	-	518,244	1,870,240
At March 31	1,318,884	23,252	-	-	9,860	-	518,244	1,870,240
<b>Carrying amount at March 31</b>	<b>P76,502,523</b>	<b>P21,848,115</b>	<b>P9,676,789</b>	<b>P3,127,763</b>	<b>P854,592</b>	<b>P3,145,123</b>	<b>P14,196,711</b>	<b>P129,351,616</b>

#### 2015

	Telecommunication Equipment	Buildings and Leasehold Improvement	Cable System	Office Equipment	Transportation Equipment	Land	Assets Under Construction	Total
<i>(Unaudited and In Thousand Pesos)</i>								
<b>Cost</b>								
At January 1	P213,848,704	P38,910,997	P19,782,452	P10,649,751	P2,433,137	P1,610,062	P15,921,265	P303,156,368
Additions	1,020,993	73,487	-	23,784	87,747	-	3,281,917	4,487,928
Retirements/disposals	(2,522,991)	-	-	(5,846)	(91,296)	-	(7)	(2,620,140)
Reclassifications/adjustments	871,695	164,726	1,816	299,881	(6,099)	-	(1,771,083)	(439,064)
At March 31	213,218,401	39,149,210	19,784,268	10,967,570	2,423,489	1,610,062	17,432,092	304,585,092
<b>Accumulated Depreciation and Amortization</b>								
At January 1	147,360,362	17,849,452	9,887,715	8,507,997	1,714,754	-	-	185,320,280
Depreciation	2,922,509	475,530	299,118	273,267	63,500	-	-	4,033,924
Retirements/disposals	(2,503,769)	-	-	(5,846)	(88,896)	-	-	(2,598,511)
Reclassifications/adjustments	21	(126)	4	122	1	-	-	22
At March 31	147,779,123	18,324,856	10,186,837	8,775,540	1,689,359	-	-	186,755,715
<b>Impairment Losses</b>								
At January 1	151,577	-	-	-	9,860	-	445,493	606,930
Additions (Reversals)	-	-	-	-	-	-	3,607	3,607
Writeoff/adjustments	(19,183)	-	-	-	-	-	-	(19,183)
At March 31	132,394	-	-	-	9,860	-	449,100	591,354
<b>Carrying amount at March 31</b>	<b>P65,306,884</b>	<b>P20,824,354</b>	<b>P9,597,431</b>	<b>P2,192,030</b>	<b>P724,270</b>	<b>P1,610,062</b>	<b>P16,982,992</b>	<b>P117,238,023</b>

December 31, 2015

	Telecommunication Equipment	Buildings and Leasehold Improvement	Cable System	Office Equipment	Transportation Equipment	Land	Assets Under Construction	Total
<i>(In Thousand Pesos)</i>								
Cost								
At January 1	₱213,848,704	₱38,910,997	₱19,782,452	₱10,649,751	₱2,433,137	₱1,610,062	₱15,921,265	₱303,156,368
Additions	11,347,186	214,584	243,504	111,872	281,936	-	18,021,938	30,221,020
Acquired on acquisition of a subsidiary	28,756,144	1,418,051	-	1,424,897	137,999	1,535,061	346,891	33,619,043
Retirements/disposals	(20,635,610)	(61,468)	(106,799)	(404,814)	(247,163)	-	(7)	(21,455,861)
Reclassifications/adjustments	6,204,657	2,327,106	2,758,585	1,878,646	92,567	-	(20,658,247)	(7,396,686)
At December 31	239,521,081	42,809,270	22,677,742	13,660,352	2,698,476	3,145,123	13,631,840	338,143,884
Accumulated Depreciation and Amortization								
At January 1	147,360,362	17,849,452	9,887,715	8,507,997	1,714,754	-	-	185,320,280
Depreciation and amortization	13,805,338	2,022,558	1,255,444	1,384,710	282,782	-	-	18,750,832
Acquired on acquisition of a subsidiary	21,748,508	1,239,572	-	1,361,339	144,291	-	-	24,493,710
Retirements/disposals	(20,552,078)	(40,832)	(73,379)	(382,682)	(234,281)	-	-	(21,283,252)
Reclassifications/adjustments	(690,663)	(454,220)	1,596,462	(455,433)	(43,594)	-	-	(47,448)
At December 31	161,671,467	20,616,530	12,666,242	10,415,931	1,863,952	-	-	207,234,122
Impairment Losses								
At January 1	151,577	-	-	-	9,860	-	445,493	606,930
Additions	-	-	-	-	-	-	72,751	72,751
Acquired on acquisition of a subsidiary	1,554,612	23,252	-	-	-	-	-	1,577,864
Write-off/adjustments	(387,305)	-	-	-	-	-	-	(387,305)
At December 31	1,318,884	23,252	-	-	9,860	-	518,244	1,870,240
Carrying amount at December 31	₱76,530,730	₱22,169,488	₱10,011,500	₱3,244,421	₱824,664	₱3,145,123	₱13,113,596	₱129,039,522

Assets under construction include intangible components of a network system which are reclassified to depreciable intangible assets only when assets become available for use (see Note 4).

Investments in cable systems include the cost of the Globe Group's ownership share in the capacity of certain cable systems under a joint venture or a consortium or private cable set-up and infeasible rights of use (IRUs) of circuits in various cable systems. It also includes the cost of cable landing station and transmission facilities where the Globe Group is the landing party.

The Globe Group uses its borrowed funds to finance the acquisition of property and equipment and bring it to its intended location and working condition. Borrowing costs incurred relating to these acquisitions are capitalized as part of the cost of property and equipment using 1.63%, 1.47% and 0.46% capitalization rates for the three-month period ended March 31, 2016 and 2015, and for the year ended December 31, 2015, respectively. The Globe Group's total capitalized borrowing costs amounted to ₱115.40 million, ₱71.72 million, and ₱147.51 million for the three-month period ended March 31, 2016 and 2015, and for the year ended December 31, 2015, respectively.

The carrying value of the hardware infrastructure and information equipment held under finance lease included under "Office and Equipment" and "Asset under Construction" amounted to ₱553.84 million and ₱18.70 million as of March 31, 2016, ₱381.61 million and ₱295.24 million, respectively, as of March 31, 2015, and ₱584.23 million and ₱18.70 million, respectively, as of December 31, 2015.

As of July 2, 2015, the carrying value of the property and equipment arising from the acquisition of controlling interest in BTI amounted to ₱6,602.45 million. These include: Infeasible Right of Use (IRU) agreements on its network capacity which are accounted for as a finance lease as the significant risks and rewards of ownership are transferred to the buyer; and capitalized Asset Retirement Obligation (ARO) to include in the cost of the assets its future dismantling costs. From the date of acquisition, BTI did not derecognize any assets related to IRU transactions and

utilized ₱25.8 million of its ARO for sites and equipment that are mostly part of BTS sites declared unusable in 2014 but were actually dismantled in 2015.

Pursuant to the Amended Rehabilitation Plan (ARP) and Master Restructuring Agreement (MRA), the remaining outstanding restructured debt of BTI to creditors other than Globe Telecom amounting to USD4.47 million will be secured by a real estate mortgage on identified real property assets. The processing of the real properties to be mortgaged is still ongoing as at March 31, 2016.

#### 4. Intangible Assets and Goodwill

The rollforward analysis of intangible assets and goodwill follows:

##### 2016

	Licenses and Application Software	Customer Contracts	Exclusive Dealership Right	Other Intangible Assets and Goodwill	Total Intangible Assets and Goodwill
Cost					
At January 1	₱22,924,678	₱571,760	₱141,019	₱1,644,864	₱25,282,321
Additions	22,228	-	-	-	22,228
Reclassifications/ adjustments (Note 3)	1,091,736	-	-	-	1,091,736
At March 31	24,038,642	571,760	141,019	1,644,864	26,396,285
Accumulated Amortization					
At January 1	12,082,383	71,470	47,001	24,542	12,225,396
Amortization	883,177	11,912	7,541	4,090	906,720
Reclassifications/adjustments	8,713	23,823	-	8,181	40,717
At March 31	12,974,273	107,205	54,542	36,813	13,172,833
Carrying Amount at March 31	₱11,064,369	₱464,555	₱86,477	₱1,608,051	₱13,223,452

##### 2015

	Licenses and Application Software	Customer Contracts	Exclusive Dealership Right	Other Intangible Assets and Goodwill	Total Intangible Assets and Goodwill
Cost					
At January 1	₱17,170,998	₱28,381	₱139,960	₱327,125	₱17,666,464
Additions	120,124	-	-	-	120,124
Reclassifications/ adjustments (Note 3)	432,060	-	-	-	432,060
At March 31	17,723,182	28,381	139,960	327,125	18,218,648
Accumulated Amortization					
At January 1	11,940,399	28,381	26,040	-	11,994,820
Amortization	397,704	-	6,987	-	404,691
Reclassifications/adjustments	163	-	-	-	163
At March 31	12,338,266	28,381	33,027	-	12,399,674
Carrying Amount at March 31	₱5,384,916	₱-	₱106,933	₱327,125	₱5,818,974

December 31, 2015

	Licenses and Application Software	Customer Contracts	Exclusive Dealership Right	Other Intangible Assets and Goodwill	Total Intangible Assets and Goodwill
Cost					
At January 1	₱17,170,998	₱28,381	₱139,960	₱327,125	₱17,666,464
Additions	174,698	-	-	-	174,698
Acquired on acquisition of a subsidiary	721,731	571,760	-	1,644,864	2,938,355
Retirements/disposals	(2,519,474)	(28,381)	-	(327,125)	(2,874,980)
Reclassifications/ adjustments (Note 3)	7,376,725	-	1,059	-	7,377,784
At December 31	22,924,678	571,760	141,019	1,644,864	25,282,321
Accumulated Amortization					
At January 1	11,940,399	28,381	26,040	-	11,994,820
Amortization	2,264,893	71,470	20,961	24,542	2,381,866
Retirements/disposals	(2,516,549)	(28,381)	-	-	(2,544,930)
Reclassifications/adjustments	393,640	-	-	-	393,640
At December 31	12,082,383	71,470	47,001	24,542	12,225,396
Carrying Amount at December 31	₱10,842,295	₱500,290	₱94,018	₱1,620,322	₱13,056,925

Intangible assets pertain to (1) telecommunications equipment software licenses, corporate application software and licenses and other VAS software applications that are not integral to the hardware or equipment; (2) intangible assets identified to exist during the acquisition of Yondu for its existing customer contracts (3) exclusive dealership right in Taodharma, Inc and (4) intangible assets identified to exist during the acquisition of BTI for its customer contracts, franchise, license and goodwill.

As a result of Globe Telecom's sale of its controlling stake in Yondu, the related intangible assets with carrying amount of ₱2.92 million were derecognized starting September 15, 2015.

No impairment loss on intangible assets was recognized in 2015 and 2016.

## 5. Loan Receivables

### 5.1 Bayan Telecommunications Inc. (BTI)

On July 3, 2015, as a result of substantial modification, old loans receivable from BTI were extinguished and new loans receivable were booked based on the new terms. Those loans including interest income were eliminated in consolidation starting July 2015.

Prior to consolidation, interest income related to loans receivable from BTI amounted to ₱123.16 million for the three-month period ended March 31, 2015. There were no principal remittances from BTI for the three-month period ended March 31, 2016.

In addition, prior to consolidation, loans receivable from BTI amounted to ₱4.91 billion as of March 31, 2015, comprising of principal and interest due until 2023, with quarterly interest payments and semi-annual principal payments. Non-current portion of the loans receivable amounted to ₱4.49 billion as of March 31, 2015.

### 5.2 Bethlehem Holdings, Inc. (BHI)

As of March 31, 2016 and 2015, and December 31, 2015, loans receivable from BHI amounted to ₱158.62 million and is classified under "Noncurrent assets" in the interim condensed consolidated statements of financial position.



On August 13, 2014, the maturity of the outstanding balance of loan receivable from BHI amounting to ₱158.62 million was extended to August 13, 2017 and the interest rate was reduced to 5% per annum effective August 14, 2014.

**5.3 Globe Group Retirement Plans (GGRP)**

Loans receivable from GGRP classified under “Noncurrent assets” in the interim condensed consolidated statements of financial position amounted to ₱868.00 million as of March 31, 2016 and ₱968.00 million as of March 31, 2015, and December 31, 2015. Principal remittance from GGRP amounted to ₱100.00 million for the three-month period ended March 31, 2016.

On September 16, 2014, the maturity of the outstanding balance of loan receivable from GGRP amounting to ₱968.00 million was extended to September 11, 2017 and the interest rate was reduced to 5% per annum effective on September 11, 2014.

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**6. Investments and Advances**

**6.1 Investment in BTI**

On October 1, 2013, Globe Telecom acquired 38% interest in BTI following the conversion of its unsustainable debt (Tranche B) into 45 million common shares equity based on the confirmation of the Court dated August 27, 2013 on the Amended Rehabilitation Plan.

In July 2015, as a result of conversion of additional debt to equity and acquisition of voting shares, Globe Telecom gained a controlling interest in BTI. The assets and liabilities of BTI are included in the statements of interim condensed consolidated financial position of Globe Group starting July 2015.

The accumulated unrecognized share in total comprehensive loss as of March 31, 2015 amounted to ₱876.41 million.

**6.2 Investment in AF Payments Inc. (formerly Automated Fare Collection Services, Inc.)**

On January 30, 2014, following a competitive bidding process, the Department of Transportation and Communication awarded to AF Consortium, composed of AC Infrastructure Holdings Corp., BPI Card Finance Corp., Globe Telecom, Inc., Meralco Financial Services, Inc., Metro Pacific Investments Corp., and Smart Communications, Inc. the rights to design, build and operate the ₱1.72 billion automated fare collection system. This is a public-private partnership project intended to upgrade and consolidate the fare collection systems of the three urban rail transit systems which presently serve Metro Manila.

On February 10, 2014, AF Consortium incorporated Automated Fare Collection Services, Inc. (AFCS), a special purpose company, which will assume the rights and obligations of the concessionaire. These rights and obligations include the construction and establishment of systems, infrastructure including implementation, test, acceptance and maintenance plans, and operate the urban transit system for a period of 10 years.

Globe Telecom made additional capital contribution of ₱160.00 million in February 2015, and ₱130.00 million in February 2016.

On March 11, 2015, AFCS changed its name from Automated Fare Collection Services, Inc. to AF Payments Inc. (AFPI).

As of March 31, 2016 and 2015, and December 31, 2015, Globe Telecom has invested a total of ₱590.00 million, ₱460.00 million, and ₱460.00 million, respectively, in the consortium with 20% equivalent equity interest. This is accounted for as investment in an associate with carrying value

as of March 31, 2016 and 2015, and December 31, 2015, amounting to ₱466.81 million, ₱435.64 million, and ₱371.19 million, respectively.

The share in total comprehensive loss from this investment for the three-month period ended March 31, 2016 and 2015 amounted to ₱34.37 million and ₱13.04 million, respectively.

#### 6.3 Investment in BPI Globe BanKO, Inc.

On July 17, 2009, Globe Telecom acquired a 40% stake in BPI Globe BanKO (formerly Pilipinas Savings Bank, Inc. or PS Bank) for ₱141.33 million, pursuant to a Shareholder Agreement with Bank of the Philippine Islands (BPI), Ayala Corporation (AC) and PS Bank, and a Deed of Absolute Sale with BPI. BPI Globe BanKO will have the capability to provide services to micro-finance institutions and retail clients through mobile and related technology.

On May 10, 2011, the BOD of Globe Telecom approved the additional investment of ₱100.00 million as share for BPI Globe BanKO's increase in capitalization to cover its expansion plan for the next three years. Globe Telecom made the initial capital infusion of ₱79.01 million on May 10, 2011, and ₱20.99 million on March 28, 2012. Globe Telecom infused additional capital recorded under "Investments and advances" account amounting to ₱248.00 million and ₱59.00 million in 2014 and 2013, respectively.

On August 27, 2015, Globe Telecom, AC and BPI Globe BanKO entered into an agreement to turn over full ownership of BPI Globe BanKO to BPI, one of the majority owners of the joint venture. As of March 31, 2016, completion of regulatory and business requirements is still on going.

As of March 31, 2016 and 2015, and December 31, 2015, the investment and advances of Globe Telecom in BPI Globe BanKO, Inc. amounted to ₱40.62 million, ₱121.64 million, and ₱53.16 million, respectively, representing 40% interest.

The share in total comprehensive loss from this investment for the three-month period ended March 31, 2016 and 2015 amounted to ₱12.54 million and ₱21.99 million, respectively.

#### 6.4 Investment in Bridge Mobile Pte. Ltd. (BMPL)

Globe Telecom and other leading Asia Pacific mobile operators (JV partners) signed an Agreement in 2004 (JV Agreement) to form a regional mobile alliance, which will operate through a Singapore-incorporated company, BMPL. The JV company is a commercial vehicle for the JV partners to build and establish a regional mobile infrastructure and common service platform and deliver different regional mobile services to their subscribers.

Globe Group has a ten percent (10%) stake in BMPL. The other joint venture partners each with equal stake in the alliance include SK Telecom, Co. Ltd., Advanced Info Service Public Company Limited, Bharti Airtel Limited, Maxis Communications Berhad, Optus Mobile Pty. Limited, Singapore Telecom Mobile Pte, Ltd., Taiwan Mobile Co. Ltd., PT Telekomunikasi Selular and CSL Ltd. Under the JV Agreement, each partner shall contribute USD4.00 million based on an agreed schedule of contribution. Globe Telecom may be called upon to contribute on dates to be determined by the JV. On November 25, 2014, Globe Telecom received a return of capital amounting to USD1.40 million.

As of March 31, 2016 and 2015, and December 31, 2015, the carrying value of the investment in BMPL amounted to ₱30.56 million, ₱21.30 million, and ₱29.80 million, respectively.

The share in total comprehensive income from this investment for the three-month period ended March 31, 2016 and 2015 amounted to ₱0.76 million and ₱0.39 million, respectively.

#### 6.5 Investment in Yondu Inc. (Yondu)

Globe Telecom previously owned 100% of Yondu, Inc. (formerly known as Entertainment Gateway Group Corp. [EGGC]). Yondu is engaged in the development and creation of wireless products and services accessible through mobile devices or other forms of communication devices. It also provides internet and mobile value added services, information technology and technical services including software development and related services. Yondu is registered with the Department of Transportation and Communication (DOTC) as a content provider.

On September 1, 2015, Yondu and GCVHI entered into a Deed of Assignment to assign the former's interest in Global Telehealth, Inc. ("GTHI") to GCVHI for a total consideration of ₱15 million.

On September 15, 2015, Globe Telecom sold its controlling interest in Yondu for a total consideration of ₱670 million. On the same date, Yondu issued additional 5,000 common shares from its unissued authorized capital stock to a third party which further diluted Globe Telecom's ownership interest to 49%, as disclosed in Note 1. Gain on disposal of controlling interest in subsidiary and gain on fair value of retained interest was recognized in the consolidated statements of comprehensive income amounting to ₱449.15 million and ₱745.83 million, respectively, for the year ended December 31, 2015.

Total assets and liabilities of Yondu as of the date of disposal of controlling interest amounted to ₱740.70 million and ₱728.10 million, respectively, including cash and cash equivalents of ₱75.51 million. The fair value of the Yondu shares held by Globe Telecom amounted to ₱864.71 million as of September 15, 2015.

As of March 31, 2016 and 2015, and December 31, 2015, the carrying value of the investment in Yondu amounted to ₱897.42 million, nil, and ₱886.99 million, respectively.

The share in total comprehensive income from this investment amounted to ₱10.43 million for the three-month period ended March 31, 2016.

#### 6.6 Investment in Global Telehealth, Inc. (GTHI)

On October 23, 2014, Yondu and Salud Interactiva (SI) signed a shareholder's agreement for the purpose of entering into a joint venture through a Philippine corporation. The Joint Venture (JV) company was registered with the Securities and Exchange Commission on June 3, 2015 under the name Global Telehealth, Inc. (GTHI) as a stock corporation with 50% foreign equity formed to establish, operate, manage and provide a health hotline facility, including ancillary Information Technology services with intent to operate as a domestic market enterprise. GTHI started commercial operation in July 2015.

On September 1, 2015, Yondu assigned its interest to GCVHI. This is accounted for using the equity method, as disclosed in Note 1.

As of March 31, 2016 and December 31, 2015, total investment in GTHI amounted to ₱50.00 million and carrying value of investment amounted to ₱33.01 million and ₱34.93 million, respectively. The share in total comprehensive loss from this investment amounted to ₱1.92 million for the period ended March 31, 2016.

#### 6.7 Investment in TechGlobal Data Center, Inc. (TechGlobal)

On November 2, 2015, Innove and Techzone Philippines incorporated TechGlobal Data Center, Inc., a Joint Venture Company, formed to install, own, operate, maintain and manage all kinds of data centers and to provide information technology-enabled services and computer-enabled support services. Innove and Techzone hold ownership interest of 49% and 51%, respectively. As of March 31, 2016, TechGlobal has not started commercial operations.

As of March 31, 2016 and December 31, 2015, total investments in TechGlobal amounted to ₱122.50 million.

## 7. Accounts Payable and Accrued Expenses

This account consists of:

	<b>March 31</b>	<b>December 31</b>	
	<b>2016</b>	2015	2015
	<b>(Unaudited)</b>	(Unaudited)	(Audited)
	<i>(In Thousand Pesos)</i>		
Accrued project costs	<b>₱20,185,831</b>	₱21,406,498	₱20,862,122
Accounts payable	<b>8,549,447</b>	7,360,215	13,050,017
Accrued expenses			
Services	<b>3,700,634</b>	3,695,530	3,695,142
Repairs and maintenance	<b>2,860,892</b>	1,501,820	2,605,407
Staff costs	<b>2,337,528</b>	2,278,643	1,945,611
Rent	<b>1,825,361</b>	953,764	1,635,900
General, selling and administrative	<b>1,592,323</b>	849,134	1,931,195
Advertising	<b>1,421,398</b>	1,534,374	1,768,127
Utilities	<b>1,032,631</b>	836,620	1,045,435
Interest	<b>342,566</b>	340,520	385,672
Output VAT-net	<b>4,193,945</b>	3,580,503	198,433
Traffic settlements	<b>1,060,806</b>	1,474,109	444,211
Dividends payable	-	-	260,030
	<b>₱49,103,362</b>	₱45,811,730	₱49,827,302

General, selling and administrative accrued expenses include travel, professional fees, supplies, commissions and miscellaneous, which are individually immaterial.

## 8. Notes Payable and Long-term Debt

Notes payable consist of short-term unsecured US dollar and peso-denominated promissory notes from local banks for working capital requirements.

On March 3, 2016, Globe Telecom signed a ₱1,000.00 million short-term loan with fixed interest rate with Security Bank as lender. The proceeds of the loan were used as working capital. The loan was fully paid on March 22, 2016.

Long-term debt consists of:

	March 31	December 31
	2016	2015
	(Unaudited)	(Unaudited)
		2015
		(Audited)
<i>(In Thousand Pesos)</i>		
Term Loans:		
Peso	₱37,556,955	₱31,119,703
Dollar	13,670,997	14,433,665
Corporate Notes	2,067,514	2,086,584
Retail Bonds	16,923,530	16,897,952
	70,218,996	64,537,904
Less current portion	(9,502,693)	(5,525,787)
	₱60,716,303	₱59,012,117
		₱64,255,264

The maturities of long-term debt at nominal values as of March 31, 2016 follow (in thousand pesos):

Due in:	
2016 (9 months)	₱4,286,787
2017	10,461,988
2018	7,772,381
2019	11,118,172
2020 and thereafter	36,886,677
	₱70,526,005

Unamortized debt issuance costs excluded from the above long-term debt as of March 31, 2016 and 2015, and December 31, 2015 amounted to ₱307.01 million, ₱336.62 million, and ₱305.58 million, respectively.

The interest rates and maturities of the above loans are as follows:

	Maturities	Interest Rates
Term Loans:		
Peso	2016-2026	2.06% to 6.00% in 2016
	2015-2022	2.44% to 6.00% in 2015
Dollar	2016-2023	1.12% to 5.00% in 2016
	2015-2022	1.26% to 1.75% in 2015
Corporate notes	2016	8.43% in 2016
	2015-2016	8.43% in 2015
Retail bonds	2017-2023	4.89% to 6.00% in 2016
	2017-2023	4.89% to 6.00% in 2015

#### 8.1 Term Loans and Corporate Notes

Globe Telecom's unsecured term loans and corporate notes, which consist of fixed and floating rate notes and dollar and peso-denominated term loans, bear interest at stipulated and prevailing market rates. Globe Group also has secured debt amounting to USD4.47 million as of March 31, 2016 arising from its acquisition of BTI (see Note 3).

On March 6, 2013, Globe Telecom signed a USD75 million 3-year term loan with floating interest rate with Bank of Tokyo - Mitsubishi UFJ, Ltd., Singapore Branch as lender to finance Globe Telecom's capital expenditures. The loan was fully paid in March 2016.

On March 22, 2013, Globe Telecom signed a USD120 million 7-year term loan with floating interest rate with Metrobank as lender to finance Globe Telecom's capital expenditures.

On July 29, 2013, Globe Telecom signed a USD40 million 3-year term loan with floating interest rate with Mizuho Bank Ltd. as lender to prepay and refinance certain debts.

On December 4, 2013, Globe Telecom signed a ₱7,000.00 million 7-year term loan credit facility with fixed interest rate with Land Bank of the Philippines as lender. The proceeds of the loan were used to partially finance Globe Telecom's general financing and corporate requirements for capital expenditures. The total loan amount was drawdown in 2014.

On March 9, 2015, Globe Telecom signed a ₱7,000.00 million 7-year term loan with fixed interest rate with Philippine National Bank. The proceeds of the loan were used to partially finance the capital expenditures and general corporate requirements. The total loan amount was drawdown in 2015. Total payments amounted to ₱17.50 million and ₱35.00 million for the three-month period ended March 31, 2016 and for the year ended December 31, 2015, respectively.

On October 1, 2015, Globe Telecom signed a USD45 million 7-year term loan with floating interest rate and a ₱5,000.00 million 10-year term loan with fixed interest rate with Metrobank. The proceeds of the loan were used to finance the capital expenditures and/or reimburse capital expenditures.

On March 14, 2016, Globe Telecom signed a ₱7,000.00 million 10-year term loan with fixed interest rate with Land Bank of the Philippines as lender. The ₱2,000.00 million proceeds of the loan for the three month period ended March 31, 2016 were used to partially finance the general financing and corporate requirements for capital expenditures.

The loan agreements with banks and other financial institutions provide for certain restrictions and requirements with respect to, among others, maintenance of financial ratios and percentage of ownership of specific shareholders, incurrence of additional long-term indebtedness or guarantees and creation of property encumbrances.

The financial tests under Globe Group's loan agreements include compliance with the following ratios:

- Total debt\* to equity not exceeding 2:1;
- Total debt\* to EBITDA not exceeding 3:1;
- Debt service coverage exceeding 1.3 times; and
- Secured debt ratio not exceeding 0.2 times.

*\*Composed of notes payable, long term debt and net derivative liabilities*

As of March 31, 2016, the Globe Group is not in breach of any loan covenants.

## 8.2 Retail Bonds

On June 1, 2012, the Globe Group issued ₱10,000.00 million fixed rate bonds. The amount comprises ₱4,500.00 million and ₱5,500.00 million fixed rate bonds due in 2017 and 2019, with interest rate of 5.75% and 6.00%, respectively. The net proceeds of the issue were used to partially finance the Globe Group's capital expenditure requirements in 2012.

The five-year and seven-year retail bonds may be redeemed in whole, but not in part only, starting two years before maturity date and on the anniversary thereafter at a price equal to 101.00% and 100.50%, respectively, of the principal amount of the bonds and all accrued interest to the date of the redemption.

On July 17, 2013, the Globe Group issued ₱7,000.00 million fixed rate bond. The amount comprises ₱4,000.00 million and ₱3,000.00 million bonds due in 2020 and 2023, with interest rate of 4.8875% and 5.2792%, respectively. The net proceeds of the issue were used to partially finance the Globe Group's capital expenditure requirements in 2013.

The seven-year and ten-year retail bonds may be redeemed in whole, but not in part only, starting two years for the seven-year bonds and three years for the ten-year bonds before the maturity date and on the anniversary thereafter at a price ranging from 101.0% to 100.5% and 102.0% to 100.5%, respectively, of the principal amount of the bonds and all accrued interest depending on the year of redemption.

The prepayment feature is assessed as clearly and closely related to the host debt instrument, and hence need not be separately accounted for at fair value through profit or loss.

The Globe Group has to meet certain bond covenants including a maximum debt-to-equity ratio of 2 to 1. As of March 31, 2016, the Globe Group is not in breach of any bond covenants.

## 9. Equity and Other Comprehensive Income

Globe Telecom's authorized capital stock consists of:

	March 31, 2016		March 31, 2015		December 31, 2015	
	Shares	Amount	Shares	Amount	Shares	Amount
<i>(In Thousand Pesos and Number of Shares)</i>						
Voting Preferred Stock - ₱5 per share	160,000	₱800,000	160,000	₱800,000	160,000	₱800,000
Non-voting Preferred Stock - ₱50 per share	40,000	2,000,000	40,000	2,000,000	40,000	2,000,000
Common Stock - ₱50 per share	148,934	7,446,719	148,934	7,446,719	148,934	7,446,719

Globe Telecom's issued and subscribed capital stock consists of:

	March 31, 2016		March 31, 2015		December 31, 2015	
	Shares	Amount	Shares	Amount	Shares	Amount
<i>(In Thousand Pesos and Number of Shares)</i>						
Voting preferred stock - ₱5 per share	158,515	₱792,575	158,515	₱792,575	158,515	₱792,575
Non-voting Preferred Stock - ₱50 per share	20,000	1,000,000	20,000	1,000,000	20,000	1,000,000
Common stock - ₱50 per share	132,756	6,637,821	132,735	6,636,752	132,743	6,637,138
Total capital stock		₱8,430,396		₱8,429,327		₱8,429,713



## 9.1 Preferred Stock

### *Non-Voting Preferred Stock*

On February 10, 2014, the BOD approved the amendment of Articles of Incorporation (AOI) to reclassify 31 million of unissued common shares with par value of ₱50 per share and 90 million of unissued voting preferred shares with par value of ₱5 per share into a new class of 40 million non-voting preferred shares with par value of ₱50 per share.

On April 8, 2014, the stockholders approved the issuance, offer and listing of up to 20 million non-voting preferred shares, with an issue volume of up to ₱10 billion. The non-voting preferred shares shall be redeemable, non-convertible, non-voting, cumulative and may be issued in series.

On June 5, 2014, the Securities and Exchange Commission approved the amendment of AOI to implement the foregoing reclassification of shares.

On August 8, 2014, the SEC approved the offer of non-voting perpetual preferred shares and on August 15, 2014, the 20 million non-voting preferred shares were fully subscribed and issued. Subsequently, the shares were listed at the Philippine Stock Exchange on August 22, 2014.

The proceeds from the preferred shares issuance were used to partially finance capital expenditures.

### *Non-Voting Preferred Stock*

Non-voting preferred stock has the following features:

- a) Issued at ₱50 par;
- b) Dividend rate to be determined by the BOD at the time of issue;
- c) Redemption - at Globe Telecom's option at such times and price(s) as may be determined by the BOD at the time of issue, which price may not be less than the par value thereof plus accrued dividends;
- d) Eligibility of investors - Any person, partnership, association or corporation regardless of nationality wherein at least 60% of the outstanding capital stock shall be owned by Filipino
- e) No voting rights;
- f) Cumulative and non-participating;
- g) No pre-emptive rights over any sale or issuance of any share in Globe Telecom's capital stock; and
- h) Shares shall rank ahead of the common shares and equally with the voting preferred shares in the event of liquidation.

### *Voting Preferred Stock*

Voting preferred stock has the following features:

- (a) Issued at ₱5 par;
- (b) Dividend rate to be determined by the BOD at the time of issue;
- (c) One preferred share is convertible to one common share starting at the end of the 10th year of the issue date at a price to be determined by Globe Telecom's BOD at the time of issue which shall not be less than the market price of the common share less the par value of the preferred share;
- (d) Call option - Exercisable any time by Globe Telecom starting at the end of the 5th year from

issue date at a price to be determined by the BOD at the time of issue;

- (e) Eligibility of investors - Only Filipino citizens or corporations or partnerships wherein 60% of the voting stock or voting power is owned by Filipino;
- (f) With voting rights;
- (g) Cumulative and non-participating;
- (h) Preference as to dividends and in the event of liquidation; and
- (i) No preemptive right to any share issue of Globe Telecom, and subject to yield protection in case of change in tax laws.

The dividends for preferred shares are declared upon the sole discretion of the Globe Telecom's BOD.

## 9.2 Common Stock

The rollforward of outstanding common stocks follows:

	<b>March 31, 2016</b>		March 31, 2015		December 31, 2015	
	<b>Shares</b>	<b>Amount</b>	Shares	Amount	Shares	Amount
<i>(In Thousand Pesos and Number of Shares)</i>						
At beginning of year	<b>132,743</b>	<b>₱6,637,138</b>	132,733	₱6,636,654	132,733	₱6,636,654
Exercise of stock options	<b>13</b>	<b>683</b>	2	98	10	484
At end of year	<b>132,756</b>	<b>₱6,637,821</b>	132,735	₱6,636,752	132,743	₱6,637,138

Fully paid common stock, which have a par value of P50, carry one vote per share and carry a right to dividends.

## 9.3 Cash Dividends

Information of Globe Group's cash dividends follows:

			Date	
	Per Share	Amount	Record	Payable
(In Thousand Pesos, Except Per Share Figures)				
Voting Preferred stock dividends declared on:				
November 6, 2015	0.21	33,150	November 24, 2015	December 4, 2015
Non-voting Preferred stock dividends declared on:				
May 12, 2015	13.00	260,030	August 10, 2015	August 22, 2015
December 11, 2015	13.00	260,030	January 26, 2016	February 22, 2016
Common stock dividends declared on:				
February 4, 2015	20.75	2,754,224	February 18, 2015	March 4, 2015
May 12, 2015	20.75	2,754,346	May 26, 2015	June 11, 2015
August 3, 2015	20.75	2,754,373	August 17, 2015	September 2, 2015
November 6, 2015	20.75	2,754,412	November 24, 2015	December 4, 2015
February 5, 2016	22.00	2,920,444	February 22, 2016	March 4, 2016

## Common Stock Dividend

The dividend policy of Globe Telecom as approved by the BOD is to declare cash dividends to its common stockholders on a regular basis as may be determined by the BOD. On November 8, 2011, the BOD approved the current dividend policy of Globe Telecom to distribute cash dividends at the rate of 75% to 90% of prior year's core net income. On August 6, 2013, the BOD further approved the change in distribution from semi-annual dividend payments to quarterly dividend distributions. However, on December 10, 2013, the BOD approved to defer the implementation of the quarterly dividend payout to the second semester of 2014.

The dividend distribution is reviewed annually and subsequently each quarter of the year, taking into account Globe Telecom's operating results, cash flows, debt covenants, capital expenditure levels and liquidity.

#### Preferred Stock Dividend

The dividend for preferred shares are declared upon sole discretion of the BOD.

#### 9.4 Retained Earnings Available for Dividend Declaration

The total unrestricted retained earnings available for dividend declaration amounted to ₱6,271.27 million as of March 31, 2016. This amount excludes the undistributed net earnings of consolidated subsidiaries, accumulated equity in net earnings of joint ventures accounted for under the equity method, unrealized gains recognized on asset and liability, currency translations, unrealized gains on fair value adjustments and deferred income tax assets. The Globe Group is also subject to loan covenants that restrict its ability to pay dividends.

#### 9.5 Other Comprehensive Income

##### *Other Reserves*

For the Three Month Ended March 31, 2016					
	Cash Flow hedges	Available-for- sale financial assets	Exchange differences arising from translations of foreign investments	Remeasurement losses on defined plan	Total
<i>(Unaudited, Restated and In Thousand Pesos)</i>					
As of January 1, 2016	₱41,357	₱102,434	₱15,776	(₱1,371,080)	(₱1,211,513)
Fair value changes	(767,215)	6,043	-	-	(761,172)
Remeasurement losses on defined benefit plan	-	-	-	4,397	4,397
Transferred to profit or loss	774,553	-	-	-	774,553
Income tax effect	(2,202)	-	-	-	(2,202)
Exchange differences	-	-	(6,561)	-	(6,561)
As of March 31, 2016	₱46,493	₱108,477	₱9,215	(₱1,366,683)	(₱1,202,498)

For the Three Month Ended March 31, 2015					
	Cash Flow hedges	Available-for- sale financial assets	Exchange differences arising from translations of foreign investments	Remeasurement losses on defined plan	Total
<i>(Unaudited, Restated and In Thousand Pesos)</i>					
As of January 1, 2015	₱40,434	₱78,167	₱8,454	(₱1,104,908)	(₱977,853)
Fair value changes	(84,316)	10,302	-	-	(74,014)
Transferred to profit or loss	41,984	-	-	-	41,984
Income tax effect	12,700	-	-	-	12,700
Exchange differences	-	-	13,415	-	13,415
As of March 31, 2015	₱10,802	₱88,469	₱21,869	(₱1,104,908)	(₱983,768)

For the Year Ended December 31, 2015

	Cash flow hedges	Available-for- sale financial assets	Exchange differences arising from translations of foreign investments	Remeasurement losses on defined benefit plan	Total
	<i>(In Thousand Pesos)</i>				
As of January 1	₱40,434	₱78,167	₱8,454	(₱1,104,908)	(₱977,853)
Fair value changes	299,772	24,267	-	-	324,039
Remeasurement losses on defined benefit plan	-	-	-	(379,091)	(379,091)
Transferred to profit or loss	(298,453)	-	-	-	(298,453)
Income tax effect to or transferred from equity	(396)	-	-	112,919	112,523
Exchange differences	-	-	7,322	-	7,322
As of December 31, 2015	₱41,357	₱102,434	₱15,776	(₱1,371,080)	(₱1,211,513)

## 10. Costs and Expenses

### 10.1 General, selling and administrative expenses consist of:

	<b>Three-Month Period Ended March 31</b>	
	<b>2016</b>	<b>2015</b>
	<i>(Unaudited and In Thousand Pesos)</i>	
Staff costs	<b>₱2,571,366</b>	₱2,045,890
Professional and other contracted services	<b>2,477,189</b>	1,983,369
Selling, advertising and promotions	<b>1,937,328</b>	1,943,988
Rent	<b>1,339,768</b>	1,147,276
Utilities, supplies and other administrative expenses	<b>1,183,578</b>	1,066,501
Repairs and maintenance	<b>1,191,448</b>	1,003,919
Courier, delivery and miscellaneous expenses	<b>420,979</b>	469,925
Insurance and security services	<b>412,031</b>	374,998
Taxes and licenses	<b>396,802</b>	318,121
Others	<b>192,703</b>	149,506
	<b>₱12,123,192</b>	₱10,503,493

The “Others” account includes various items that are individually immaterial.

### 10.2 Impairment losses and others consist of:

	<b>Three-Month Period Ended March 31</b>	
	<b>2016</b>	<b>2015</b>
	<i>(Unaudited and In Thousand Pesos)</i>	
Impairment loss on:		
Receivables	<b>₱743,056</b>	₱641,157
Property and equipment	-	3,607
Provisions for:		
Inventory obsolescence and market decline	<b>(31,424)</b>	87,340
Other probable losses	<b>86,408</b>	72,061
	<b>₱798,040</b>	₱804,165

10.3 Financing costs consist of:

	<b>Three-Month Period Ended March 31</b>	
	<b>2016</b>	<b>2015</b>
	<i>(Unaudited and In Thousand Pesos)</i>	
Interest expense*	<b>₱734,603</b>	₱673,518
Foreign exchange loss - net	-	27,115
Swap and other financing costs - net	<b>49,288</b>	44,188
	<b>₱783,891</b>	<b>₱744,821</b>

\*This account is net of capitalized expense and inclusive of amortization of debt issuance costs.

Interest expense is incurred on the following:

	<b>Three-Month Period Ended March 31</b>	
	<b>2016</b>	<b>2015</b>
	<i>(Unaudited and In Thousand Pesos)</i>	
Long-term debt	<b>₱630,887</b>	₱578,029
Accretion expense	<b>44,283</b>	43,688
Amortization of debt issuance cost	<b>24,964</b>	25,390
Pension cost	<b>32,471</b>	23,906
Others	<b>1,998</b>	2,505
	<b>₱734,603</b>	<b>₱673,518</b>

## 11. Contingencies

PLDT and its affiliate, Bonifacio Communications Corporation (“BCC”) and Innove and Globe Telecom are in litigation over the right of Innove to render services and build infrastructure in the Bonifacio Global City (“BGC”). In the case filed by Innove with NTC against BCC, PLDT and the Fort Bonifacio Development Corporation (“FBDC”), NTC issued a Cease and Desist Order preventing BCC from performing further acts to interfere with Innove’s installations in the BGC.

PLDT in turn filed a case against NTC in Branch 96 of the RTC of Quezon City to obtain an injunction to prevent NTC from hearing the case filed by Innove. In a resolution dated October 28, 2008, the RTC QC denied BCC’s motion for the issuance of a temporary restraining order (“TRO”). The case was dismissed by RTC on December 12, 2014. As of March 31, 2016, the case is still pending with the Court of Appeals.

The Globe Group is contingently liable for various claims arising in the ordinary conduct of business and certain tax assessments which are either pending decision by the courts or are being contested, the outcome of which are not presently determinable. In the opinion of management and legal counsel, the eventual liability under these claims, if any, will not have a material or adverse effect on the Globe Group’s financial position and results of operations.

For provisions relating to various pending regulatory claims and assessments, the information usually required by PAS 37 is not disclosed as it may prejudice the outcome of these on-going claims and assessments.

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## 12. Agreements and Commitments

### Arrangements and Commitments with Suppliers

The Globe Group has entered into agreements with various suppliers for the development or construction, delivery and installation of property and equipment. Under the terms of these agreements, advance payments and downpayments are made to suppliers upon submission of required documentation. While the development or construction is in progress, project costs are accrued based on the project status. Billings are based on the progress of the development or construction and advance payments are being applied proportionately to the milestone billings. When development or construction and installation are completed and the property and equipment is ready for service, the value of undelivered goods or services from the related purchase orders is accrued.

As of March 31, 2016 and 2015, and December 31, 2015, the consolidated expected future billings on the unaccrued portion of purchase orders issued amounted to ₱33,220.12 million, ₱39,100.00 million, and ₱44,786.69 million, respectively. The settlement of these liabilities is dependent on the payment terms and project milestones agreed with the suppliers and contractors.

### Agreements and Commitments with Other Carriers

Globe Telecom, Innove and BTI have existing international telecommunications service agreements with various foreign administrations and interconnection agreements with local telecommunications companies for their various services. Globe Telecom also has international roaming agreements with other foreign operators, which allow its subscribers access to foreign networks. The agreements provide for sharing of toll revenues derived from the mutual use of telecommunication networks.

### Deed of Assignment of Certificate of Public Convenience and Necessity by Worldwide Communication Inc. (WWCI)

On July 5, 2013, the NTC approved the “Deed of Assignment” (DoA) dated February 13, 2013 executed by WWCI in favor of Globe Telecom. Through the DoA, WWCI assigned and transferred its entire interest including the operation of its Trunk Radio Network, the Certificate of Public Convenience and Necessity granted by the NTC and the pertinent permits necessary to operate the trunk radio to Globe Telecom. The total consideration under the said original DoA was ₱30.00 million.

On April 1, 2014, Globe Telecom and WWCI signed the Supplemental Agreement to the DoA for final consideration of ₱150.00 million to be paid in tranches upon fulfillment of stated conditions.

Conditions include reassignment and reallocation of Radio Station Licenses and issuance of associated Frequency Assignment Sheets in the name of Globe. Pending compliance on the conditions, payments will be recorded as advances classified under ‘Prepayments and other current assets’ in the statements of financial position.

On January 29, 2015, WWCI and Globe Telecom have agreed to wind down the transaction as the conditions for closing can no longer be met. WWCI was not able to pay the advances made by Globe Telecom amounting to ₱45.00 million due on December 31, 2015. WWCI and Globe Telecom agreed to settle the advances by transferring the WWCI-held shares representing 100% ownership of Benguet Broadcasting Corporation and its underlying franchise and assets on or before June 30, 2016, and shall return ₱10.00 million in cash on or before May 31, 2016.

Southeast Asia- United States Project

Globe Telecom has joined a consortium of seven international telecommunication companies for the construction of a new submarine cable system directly connecting Southeast Asia and the United States. Other members of the consortium include PT Telekomunikasi Indonesia International (Telin), Telkom USA, RAM Telecom International (RTI), Hawaiian Telcom, and Teleguam Holdings (GTA). The 15,000-kilometer cable system would link Manado in Indonesia, Davao in the Philippines, Piti in Guam, Oahu in Hawaii, and Los Angeles in California, providing superior latency delivering additional 20 terabits per second (Tbps), utilizing 100 gigabits per second (Gbps) transmission equipment. Globe Telecom and GTIC US is spending more than US\$80 million for the SEA-US undersea cable system targeted to be completed within 2016.

On March 17, 2015, Globe Telecom provided a written guaranty to NEC Corporation (NEC) pursuant to the supply contract of the cable system between GTIC US and NEC. Globe Telecom unconditionally guarantees the full and punctual performance by GTIC US of its payment obligations up to an aggregate amount of US\$46.23 million, less any payments made in accordance with the terms and conditions of the contract. A default by GTIC US to pay any guaranteed obligation under the contract is a condition that will render the guaranty exercisable. Total payments amounted to US\$9.29 million for three-month period ended March 31, 2016.

Facilities-based Operations License granted to Globetel Singapore Pte. Ltd (GTSG)

On November 25, 2014, Globetel Singapore Pte. Ltd. (GTSG) has applied for a facilities-based operations license (FBO) with Infocommunications Development Authority in Singapore (IDA) which was subsequently granted on January 7, 2015. GTSG is licensed to provide a full range of international data services in Singapore. Under this license, GTSG was required to provide IDA with the performance bond for the aggregate amount of USD75,400 to secure its obligation to fulfill the three performance milestones of installation of equipment required to support Southeast Asia Japan cable system and activation of its capacity between Singapore, Philippines and Hongkong. GTSG has fulfilled the first two milestones following review of IDA. On April 28, 2015, IDA returned the two bank guarantees pertaining to first two milestones totaling to USD45,400 while the remaining USD30,000 securing the third milestone is still held by IDA. As of December 31, 2015, the third performance milestone has been completed while the remaining USD30,000 bond is due from IDA which is payable within 2016.

Services-based Operator License granted to Globe Telecom HK Limited (GTHK)

On March 17, 2015, Globe Telecom HK Limited (GTHK) has applied for a services-based operator license (SBO) with Office of the Communications Authority in Hong Kong (OFCA) which was subsequently approved on May 7, 2015. GTHK is licensed to provide a public telecommunications service and establish and maintain a telecommunications system.

Agreements with HOOQ Digital Pte. Ltd. (HOOQ)

On February 25, 2015, Globe Telecom entered into a 5 year service and content distribution contract with HOOQ. Under the agreement, HOOQ will provide content to Globe Telecom, in the form of video, movies or other form of content, which Globe Telecom may sell to its subscribers. The service may be provided either on transaction or subscription basis. Globe Telecom shall pay a service fee for every active subscriber in each month, or a minimum net subscriber guaranty of ₱257.70 million for the first 3 contract years.

Globe Telecom also undertakes to provide advertising and promotions support at a minimum amount of \$3 million, for the first three (3) contract years. For this purpose, HOOQ granted Globe Telecom a non-exclusive and royalty free right to use the HOOQ trade mark. As of March 31, 2016, the total amount accrued under “general, selling and administrative” line item in the

condensed consolidated statement of comprehensive income amounted to ₱33.08 million. There were no payments to HOOQ for three-month period ended March 31, 2016.

License agreements with Walt Disney Company (Southeast Asia) Pte. Limited (“Disney”)

On July 1, 2015, Globe Telecom and Disney entered into several license agreements for a period of five (5) years. Under the agreements, Globe Telecom is granted the right to market, reproduce and distribute Disney’s products to the public through its distribution channels. In consideration, Globe Telecom agreed to pay royalty of fifty percent (50%) of its net revenues, with minimum commitment guarantee amounting to US\$48.41 million including a guaranteed non-returnable, non-refundable advance on a quarterly basis amounting to US\$0.17 million. As of March 31, 2016, the total amount accrued under “general, selling and administrative” line item in the condensed consolidated statement of comprehensive income amounted to US\$0.78 million. Total payments amounted to ₱2.65 million for the three- month period ended March 31, 2016.

Agreements with Huawei International, Pte. Ltd.

In 2014, Globe Telecom and Innove engaged Huawei for a period of ten (10) years to perform the design, engineering, manufacture, assembly and delivery of certain equipment and all its ancillary equipment and related software and documentation, and to provide services, including subsequent training and technical support, in an end-to-end full-turn key outcome based technical solution. Globe Telecom is spending a total of ₱1,911.46 million for the services and US\$92.32 million for the equipment.

Agreements with Spotify AB (Spotify)

On March 13, 2014, Globe Telecom entered into a 2 year service agreement with Spotify to provide ad-free desktop, portable music streaming and conditional download service. During the term, Globe Telecom shall spend USD2.25 million worth of advertising budget and at least USD400,000 in purchasing in-client advertising inventory from Spotify. For each month of the term, Globe Telecom shall pay an amount equal to the monthly fees which includes hard bundle fee, soft bundle fee and standalone subscription fee. In addition, Globe Telecom commits to pay a total minimum guarantee of USD1.75 million which shall be recouped against the actual fees paid and payable for the service subscriptions. There were no payments to Spotify for three-month period ended March 31, 2016.

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### 13. Earnings Per Share

Globe Group’s earnings per share amounts were computed as follows:

	<b>Three-Month Period Ended March 31</b>	
	<b>2016</b>	<b>2015</b>
	<i>(Unaudited and In Thousand Pesos and Number of Shares Except per Share Figures)</i>	
Net income attributable to common shareholders	<b>₱4,340,278</b>	₱4,204,602
Less: Dividends on preferred shares		
Non-voting preferred shares	<b>(130,015)</b>	(130,015)
Convertible voting preferred shares	<b>(15,048)</b>	(13,843)
Net income attributable to common shareholders for basic earnings per share (a)	<b>4,195,215</b>	4,060,744
Add: Dividends on convertible voting preferred shares	<b>15,048</b>	13,843
Net income attributable to common shareholders for diluted earnings per share (b)	<b>4,210,263</b>	4,074,587



Common shares outstanding, beginning	<b>132,743</b>	132,733
Add exercise of stock options	<b>12</b>	2
Weighted average number of shares for basic earnings per share ( c)	<b>132,755</b>	132,735
Dilutive shares arising from:		
Convertible preferred shares	<b>406</b>	420
Stock options	<b>98</b>	111
Adjusted weighted average number of common stock for diluted earnings per share (d)	<b>133,259</b>	133,266
Basic earnings per share (a/c)	<b>P31.60</b>	P30.59
Diluted earnings per share (b/d)	<b>P31.59</b>	P30.57

#### 14. Capital and Risk Management and Financial Instruments

##### 14.1 General

The Globe Group adopts an expanded corporate governance approach in managing its business risks. An Enterprise Risk Management Policy was developed to systematically view the risks and to provide a better understanding of the different risks that could threaten the achievement of the Globe Group's mission, vision, strategies, and goals, and to provide emphasis on how management and employees play a vital role in achieving the Globe Group's mission of transforming and enriching lives through communications.

The policies are not intended to eliminate risk but to manage it in such a way that opportunities to create value for the stakeholders are achieved. Globe Group risk management takes place in the context of the normal business processes such as strategic planning, business planning, operational and support processes.

The application of these policies is the responsibility of the BOD through the Chief Executive Officer. The Chief Financial Officer and concurrent Chief Risk Officer champions and oversees the entire risk management function. Risk owners have been identified for each risk and they are responsible for coordinating and continuously improving risk strategies, processes and measures on an enterprise-wide basis in accordance with established business objectives.

The risks are managed through the delegation of management and financial authority and individual accountability as documented in employment contracts, consultancy contracts, letters of authority, letters of appointment, performance planning and evaluation forms, key result areas, terms of reference and other policies that provide guidelines for managing specific risks arising from the Globe Group's business operations and environment.

The Globe Group continues to monitor and manage its financial risk exposures according to its BOD approved policies.

#### 14.2 Categories of Financial Assets and Financial Liabilities

The table below presents the carrying value of Globe Group's financial instruments by category (in thousand pesos):

	March 31 2016 (Unaudited)	2015 (Unaudited)	December 31 2015 (Audited)
Financial assets:			
Financial assets at FVPL:			
Derivative assets designated as cash flow hedges	<b>₱376,380</b>	₱524,898	₱1,070,831
Derivative assets not designated as hedges	<b>5,960</b>	4,787	11,450
AFS investment in equity securities – net	<b>593,556</b>	405,065	577,580
Loans and receivables - net*	<b>34,492,918</b>	40,233,963	35,452,665
	<b>₱35,468,814</b>	₱41,168,713	₱37,112,526
Financial liabilities:			
Financial liabilities at FVPL:			
Derivative liabilities designated as cash flow	<b>₱106,364</b>	₱50,111	₱82,890
Derivative liabilities not designated as hedges	<b>23,083</b>	18,897	28,388
Financial liabilities at amortized cost**	<b>116,462,250</b>	107,892,773	118,799,743
	<b>₱116,591,697</b>	₱107,961,781	₱118,911,021

\*This consists of cash and cash equivalents, short-term investments and long-term investments, receivables, other nontrade receivables and loans receivables.

\*\*This consists of accounts payable, accrued expenses, accrued project cost, traffic settlement-net, dividends payable, notes payable, long-term debt (including current portion) and other long-term liabilities (including current portion).

As of March 31, 2016 and 2015, and December 31, 2015, the Globe Group has no investments in foreign securities.

#### Aging Analysis of Accounts Receivable

As of March 31, 2016 and 2015, and December 31, 2015, the aging analysis of the Globe Group's receivables is as follows:

##### March 31, 2016

	Neither Past Due Nor Impaired	Less than 30 days	Past Due But Not Impaired 31 to 60 days	61 to 90 days	More than 90 days	Impaired Financial Assets	Total
(Unaudited and In Thousand Pesos)							
Wireless receivables:							
Consumer	<b>₱420,870</b>	<b>₱991,992</b>	<b>₱519,344</b>	<b>₱217,109</b>	<b>₱6,439,302</b>	<b>₱3,374,021</b>	<b>₱11,962,638</b>
Key corporate accounts	<b>50,704</b>	<b>96,537</b>	<b>147,485</b>	<b>167,410</b>	<b>1,979,458</b>	<b>254,496</b>	<b>2,696,090</b>
Other corporations and SME	<b>188,840</b>	<b>173,475</b>	<b>165,132</b>	<b>91,260</b>	<b>1,532,766</b>	<b>419,469</b>	<b>2,570,942</b>
	<b>660,414</b>	<b>1,262,004</b>	<b>831,961</b>	<b>475,779</b>	<b>9,951,526</b>	<b>4,047,986</b>	<b>17,229,670</b>
Wireline receivables:							
Consumer	<b>680,889</b>	<b>441,682</b>	<b>192,507</b>	<b>105,925</b>	<b>2,228,408</b>	<b>2,270,031</b>	<b>5,919,442</b>
Key corporate accounts	<b>892,327</b>	<b>256,341</b>	<b>417,035</b>	<b>376,004</b>	<b>1,558,885</b>	<b>471,767</b>	<b>3,972,359</b>
Other corporations and SME	<b>76,642</b>	<b>186,952</b>	<b>126,487</b>	<b>68,319</b>	<b>198,772</b>	<b>168,845</b>	<b>826,017</b>
	<b>1,649,858</b>	<b>884,975</b>	<b>736,029</b>	<b>550,248</b>	<b>3,986,065</b>	<b>2,910,643</b>	<b>10,717,818</b>
Other trade receivables	<b>135,897</b>	-	-	-	-	-	<b>135,897</b>
Traffic receivables:							
Foreign	<b>1,509,838</b>	-	-	-	-	<b>135,809</b>	<b>1,645,647</b>
Local	<b>186,597</b>	<b>1,983</b>	<b>1,518</b>	<b>1,921</b>	<b>13,991</b>	<b>164,917</b>	<b>370,927</b>
	<b>1,696,435</b>	<b>1,983</b>	<b>1,518</b>	<b>1,921</b>	<b>13,991</b>	<b>300,726</b>	<b>2,016,574</b>
Other receivables	<b>772,369</b>	-	-	-	-	<b>303,987</b>	<b>1,076,356</b>
Total	<b>₱4,914,973</b>	<b>₱2,148,962</b>	<b>₱1,569,508</b>	<b>₱1,027,948</b>	<b>₱13,951,582</b>	<b>₱7,563,342</b>	<b>₱31,176,315</b>

March 31, 2015

	Neither Past Due Nor Impaired	Past Due But Not Impaired				Impaired Financial Assets	Total
		Less than 30 days	31 to 60 days	61 to 90 days	More than 90 days		
(Unaudited and In Thousand Pesos)							
Wireless receivables:							
Consumer	₱395,841	₱1,054,079	₱637,764	₱400,637	₱5,310,084	₱2,588,162	₱10,386,567
Key corporate accounts	10,055	70,184	115,469	85,923	2,051,304	198,053	2,530,988
Other corporations and SME	74,968	163,956	83,606	79,084	981,344	273,002	1,655,960
	480,864	1,288,219	836,839	565,644	8,342,732	3,059,217	14,573,515
Wireline receivables:							
Consumer	398,961	295,824	144,538	77,804	104,523	1,682,910	2,704,560
Key corporate accounts	91,003	223,805	345,835	357,724	1,518,368	357,973	2,894,708
Other corporations and SME	62,080	46,732	29,207	14,597	35,638	124,640	312,894
	552,044	566,361	519,580	450,125	1,658,529	2,165,523	5,912,162
Other trade receivables	-	114,096	1,985	503	296	1,619	118,499
Traffic receivables:							
Foreign	669,833	-	-	-	-	161,175	831,008
Local	928,994	11,720	2,671	-	-	124,585	1,067,970
	1,598,827	11,720	2,671	-	-	285,760	1,898,978
Other receivables	1,180,926	-	-	-	-	12,674	1,193,600
Total	₱3,812,661	₱1,980,396	₱1,361,075	₱1,016,272	₱10,001,557	₱5,524,793	₱23,696,754

December 31, 2015

	Neither Past Due Nor Impaired	Past Due But Not Impaired				Impaired Financial Assets	Total
		Less than 30 days	31 to 60 days	61 to 90 days	More than 90 days		
(Audited and In Thousand Pesos)							
Wireless receivables:							
Consumer	₱1,160,766	₱1,456,106	₱934,133	₱658,013	₱4,878,851	₱3,610,773	₱12,698,642
Key corporate accounts	23,588	80,842	147,701	195,144	1,621,980	288,440	2,357,695
Other corporations and SME	117,898	191,710	147,944	100,168	752,580	434,394	1,744,694
	1,302,252	1,728,658	1,229,778	953,325	7,253,411	4,333,607	16,801,031
Wireline receivables:							
Consumer	505,739	288,669	93,278	56,076	1,999,625	2,367,788	5,311,175
Key corporate accounts	339,476	408,804	208,351	438,261	2,432,971	462,242	4,290,105
Other corporations and SME	115,974	85,942	45,068	25,183	184,948	150,968	608,083
	961,189	783,415	346,697	519,520	4,617,544	2,980,998	10,209,363
Other trade receivables	20,041	15,501	1,360	712	11,474	-	49,088
Traffic receivables:							
Foreign	1,181,353	-	-	-	-	149,958	1,331,311
Local	114,305	3,368	1,664	3,890	1,104	271,682	396,013
	1,295,658	3,368	1,664	3,890	1,104	421,640	1,727,324
Other receivables	1,864,366	-	-	-	-	246,860	2,111,226
Total	₱5,443,506	₱2,530,942	₱1,579,499	₱1,477,447	₱11,883,533	₱7,983,105	₱30,898,032

The Globe Group's receivables and related allowances for impairment follow:

	<b>March 31</b>		December 31
	<b>2016</b>	2015	2015
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
	<i>(In Thousand Pesos)</i>		
Subscribers	<b>₱28,083,385</b>	₱20,604,176	₱27,010,394
Traffic Settlements – net	<b>2,016,574</b>	1,898,978	1,727,324
Dealers and others	<b>1,076,356</b>	1,193,600	2,160,314
	<b>31,176,315</b>	23,696,754	30,898,032
Less allowance for impairment losses:			
Subscribers	<b>8,068,191</b>	5,728,636	8,332,540
Traffic settlements and others	<b>687,966</b>	299,082	629,717
	<b>8,756,157</b>	6,027,718	8,962,257
	<b>₱22,420,158</b>	₱17,669,036	₱21,935,775

The account includes acquired receivables and allowance for impairment from BTI related to subscribers amounting to ₱2,041.05 million and ₱1,826.81 million as of March 31, 2016, and ₱2,056.07 million and ₱1,826.81 million as of December 31, 2015.

#### 14.3 Fair Values of Financial Assets and Financial Liabilities

The table below presents a comparison of the carrying amounts and estimated fair values of all the Globe Group's financial instruments as of:

	<b>March 31</b>		<b>December 31</b>			
	<b>2016</b>		2015		2015	
	<b>(Unaudited)</b>		<b>(Unaudited)</b>		<b>(Audited)</b>	
	<b>Carrying Value</b>	<b>Fair Value</b>	Carrying Value	Fair Value	Carrying Value	Fair Value
	<i>(In Thousand Pesos)</i>					
<b>Financial Assets</b>						
Derivative assets	<b>₱382,340</b>	<b>₱382,340</b>	₱529,685	₱529,685	₱ 1,082,281	₱ 1,082,281
AFS investment in equity securities	<b>593,556</b>	<b>593,556</b>	405,065	405,065	577,580	577,580
	<b>₱975,896</b>	<b>₱975,896</b>	₱934,750	₱934,750	₱ 1,659,861	₱ 1,659,861
<b>Financial Liabilities</b>						
Derivative liabilities	<b>₱129,447</b>	<b>₱129,447</b>	₱69,008	₱69,008	₱ 111,278	₱ 111,278
Long-term debt (including current portion)	<b>70,218,996</b>	<b>74,147,170</b>	64,537,904	69,672,942	72,228,858	76,181,637
	<b>₱70,348,443</b>	<b>₱74,276,617</b>	₱64,606,912	₱69,741,950	₱72,340,136	₱76,292,915

The following discussions are methods and assumptions used to estimate the fair value:

The fair values of cash and cash equivalents, subscriber receivables, traffic settlements, receivable, current portion of loan receivable, miscellaneous receivables, accrued interest receivables, accounts payable, accrued expenses and notes payable are approximately equal to their carrying amounts considering the short-term maturities of these financial instruments.

The fair value of loans receivables approximates carrying value after calculations.

The fair value of AFS investments are based on quoted prices. Unquoted AFS equity securities are carried at cost, subject to impairment.

For variable rate financial instruments that reprice every three months, the carrying value approximates the fair value because of recent and regular repricing based on current market rates. For variable rate financial instruments that reprice every six months, the fair value is determined by discounting the principal amount plus the next interest payment using the prevailing market rate for the period up to the next repricing date. The discount rates used for USD floating loans range from 0.3831% to 1.1908%. For noninterest bearing obligations, the fair value is estimated as the present value of all future cash flows discounted using the prevailing market rate of interest for a similar instrument.

The fair value of freestanding and embedded forward exchange contracts is calculated by using the interest rate parity concept.

The fair values of interest rate swap and cross currency swap transactions are determined using valuation techniques with inputs and assumptions that are based on market observable data and conditions and reflect appropriate risk adjustments that market participants would make for credit and liquidity risks existing at the end of each reporting period. The fair value of interest rate swap transactions is the net present value of the estimated future cash flows.

The fair values of currency and cross currency swap transactions are determined based on changes in the term structure of interest rates of each currency and the spot rate.

The fair values were tested to determine the impact of credit valuation adjustments. However, the impact is immaterial given that the Globe Group deals its derivatives with large foreign and local banks with minimal risk of default.

#### 14.3.1 Fair Value Hierarchy

The following tables provide the fair value measurement hierarchy of the Globe Group's assets and liabilities:

##### **March 31, 2016**

	<b>Fair value measurement using</b>			
	<b>Quoted prices in active markets (Level 1)</b>	<b>Significant observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>	<b>Total</b>
<b>Assets measured at fair value:</b>	<i>(Unaudited and In Thousand Pesos)</i>			
Derivative assets				
Cross currency swaps	<b>P-</b>	<b>P376,380</b>	<b>P-</b>	<b>P376,380</b>
Embedded currency forwards	<b>-</b>	<b>5,960</b>	<b>-</b>	<b>5,960</b>
AFS investment in equity securities	<b>202,450</b>	<b>391,106</b>	<b>-</b>	<b>593,556</b>
<b>Liabilities measured at fair value:</b>				
Derivative liabilities				
Cross currency swaps	<b>-</b>	<b>38,364</b>	<b>-</b>	<b>38,364</b>
Principal only swaps	<b>-</b>	<b>68,000</b>	<b>-</b>	<b>68,000</b>
Embedded Currency forwards	<b>-</b>	<b>23,083</b>	<b>-</b>	<b>23,083</b>
Long-term debt (including current portion)	<b>-</b>	<b>74,147,170</b>	<b>-</b>	<b>74,147,170</b>

March 31, 2015

Fair value measurement using				
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
<i>(Unaudited and In Thousand Pesos)</i>				
Assets measured at fair value:				
Derivative assets				
Cross currency swaps	P-	P524,422	P-	P524,422
Embedded currency forwards	-	4,787	-	4,787
Nondeliverable forwards	-	476	-	476
AFS investment in equity securities	156,515	248,550	-	405,065
Liabilities measured at fair value:				
Derivative liabilities				
Cross currency swaps	-	46,829	-	46,829
Interest rate swaps	-	11,907	-	11,907
Embedded Currency forwards	-	6,990	-	6,990
Deliverable forwards	-	3,282	-	3,282
Long-term debt (including current portion)	-	69,672,942	-	69,672,942

December 31, 2015

Fair value measurement using				
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
<i>(Unaudited and In Thousand Pesos)</i>				
Assets measured at fair value:				
Derivative assets				
Cross currency swaps	P-	P1,045,239	P-	P1,045,239
Principal only swaps	-	25,592	-	25,592
Embedded currency forwards	-	11,450	-	11,450
AFS investment in equity securities	203,736	373,844	-	577,580
Liabilities measured at fair value:				
Derivative liabilities				
Cross currency swaps	-	53,013	-	53,013
Principal only swaps	-	29,877	-	29,877
Embedded currency forwards	-	28,388	-	28,388
Long-term debt (including current portion)	-	76,181,637	-	76,181,637

There were no transfers from Level 1 and Level 2 fair value measurements as of March 31, 2016 and 2015, and December 31, 2015. The Globe Group has no financial instruments classified under Level 3.

## 15. Operating Segment Information

The Globe Group's reportable segments consist of: (1) mobile communications services; and (2) wireline communication services, which the Globe Group operates and manages as strategic business units and organize by products and services. The Globe Group presents its various operating segments based on segment net income.

Intersegment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties. Segment revenue, segment

expense and segment result include transfers between business segments. Those transfers are eliminated in consolidation.

Most of revenues are derived from operations within the Philippines, hence, the Globe Group does not present geographical information required by PFRS 8, *Operating Segments*. The Globe Group does not have a single customer that will meet the 10% reporting criteria.

The Globe Group also presents the different product types that are included in the report that is regularly reviewed by the chief operating decision maker in assessing the operating segments performance.

Segment assets and liabilities are not measures used by the chief operating decision maker since the assets and liabilities are managed on a group basis.

The Globe Group's segment information is as follows:

March 31, 2016

	Mobile Communication Services	Fixed Line & Broadband	Consolidated
<i>(Unaudited and In Thousand Pesos)</i>			
REVENUES:			
Service revenues			
External customers:			
Voice	₱8,139,369	₱988,690	₱9,128,059
SMS	5,776,738	-	5,776,738
Data	9,148,390	2,333,339	11,481,729
Broadband	-	3,480,510	3,480,510
Nonservice revenues:			
External customers	1,548,420	130,883	1,679,303
Segment revenues	24,612,917	6,933,422	31,546,339
EBITDA	11,004,888	2,024,360	13,029,248
Depreciation and amortization	(2,938,868)	(3,275,818)	(6,214,686)
EBIT	8,066,020	(1,251,458)	6,814,562
NET INCOME (LOSS) BEFORE TAX	7,277,421	(1,002,751)	6,274,670
Provision for income tax	(1,400,786)	(539,231)	(1,940,017)
<b>NET INCOME (LOSS)</b>	<b>₱5,876,635</b>	<b>(₱1,541,982)</b>	<b>₱4,334,653</b>
Core net income after tax			₱4,184,951
Intersegment revenues	(599,133)	(327,794)	(926,927)
Subsidy <sup>1</sup>	(1,724,401)	(53,142)	(1,777,543)
Interest income <sup>2</sup>	30,048	20,661	50,709
Interest expense	(728,161)	(6,442)	(734,603)
Equity in net losses of joint ventures	(37,650)	-	(37,650)
Impairment losses and others	(611,924)	(186,116)	(798,040)
Capital expenditure	4,530,707	2,132,205	6,662,912
Cost of sales	(3,272,821)	(184,025)	(3,456,846)
<b>Cash Flows</b>			
Net cash provided by (used in):			
Operating activities	9,922,916	1,362,623	11,285,539
Investing activities	(5,279,802)	(1,722,810)	(7,002,612)
Financing activities	(4,937,612)	(754,000)	(5,691,612)

<sup>1</sup> Computed as non-service revenues less cost of sales

<sup>2</sup> Net of final taxes

March 31, 2015

	Mobile Communication Services	Fixed Line & Broadband	Consolidated
<i>(Unaudited and In Thousand Pesos)</i>			
REVENUES:			
Service revenues			
External customers:			
Voice	₱9,128,359	₱741,928	₱9,870,287
SMS	6,742,694	-	6,742,694
Data	4,400,012	1,542,942	5,942,954
Broadband	-	3,663,795	3,663,795
Nonservice revenues:			
External customers	1,427,749	398,454	1,826,203
Segment revenues	21,698,814	6,347,119	28,045,933
EBITDA	9,262,974	1,745,554	11,008,528
Depreciation and amortization	(2,278,100)	(2,160,515)	(4,438,615)
EBIT	6,984,874	(414,961)	6,569,913
NET INCOME (LOSS) BEFORE TAX	6,498,161	(450,972)	6,047,189
Provision for income tax	(1,454,827)	(389,129)	(1,843,956)
<b>NET INCOME (LOSS)</b>	<b>₱5,043,334</b>	<b>(₱840,101)</b>	<b>₱4,203,233</b>
Core net income after tax			₱4,181,910
Intersegment revenues	(585,407)	(160,429)	(745,836)
Subsidy <sup>1</sup>	(1,532,961)	(79,893)	(1,612,854)
Interest income <sup>2</sup>	172,648	21,145	193,793
Interest expense	(632,076)	(41,442)	(673,518)
Equity in net losses of joint ventures	(34,635)	-	(34,635)
Impairment losses and others	(604,490)	(199,675)	(804,165)
Capital expenditure	3,563,397	1,044,655	4,608,052
Cost of sales	(2,960,710)	(478,347)	(3,439,057)
Cash Flows			
Net cash provided by (used in):			
Operating activities	7,470,572	1,993,987	9,464,559
Investing activities	(4,137,945)	(798,518)	(4,936,463)
Financing activities	(4,507,042)	-	(4,507,042)

<sup>1</sup> Computed as non-service revenues less cost of sales

<sup>2</sup> Net of final taxes



The reconciliation of the EBITDA to income before income tax presented in the condensed consolidated statements of comprehensive income is shown below:

	<b>Three-Month Period Ended March 31</b>	
	<b>2016</b>	<b>2015</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<i>(In Thousand Pesos)</i>	
EBITDA	<b>₱13,029,248</b>	<b>₱11,008,528</b>
Depreciation and amortization	<b>(6,214,686)</b>	<b>(4,438,615)</b>
Financing costs	<b>(783,891)</b>	<b>(744,821)</b>
Equity in net losses of joint ventures and associates	<b>(37,650)</b>	<b>(34,635)</b>
Interest income	<b>51,221</b>	<b>195,750</b>
Gain on disposal of property and equipment - net	<b>18,630</b>	<b>17,953</b>
Other items	<b>211,798</b>	<b>43,029</b>
Income before income tax	<b>₱6,274,670</b>	<b>₱6,047,189</b>

The reconciliation of CORE NIAT to NIAT is shown below:

	<b>Three-Month Period Ended March 31</b>	
	<b>2016</b>	<b>2015</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<i>(In Thousand Pesos)</i>	
CORE NIAT	<b>₱4,184,951</b>	<b>₱4,181,910</b>
Mark-to-market loss	<b>321,486</b>	<b>8,225</b>
Foreign exchange gains	<b>(199,601)</b>	<b>(18,981)</b>
Non-recurring items	<b>27,817</b>	<b>32,079</b>
NIAT	<b>₱4,334,653</b>	<b>₱4,203,233</b>

#### 15.1 Mobile Communications Services

This reporting segment is made up of digital cellular telecommunications services that allow subscribers to make and receive local, domestic long distance and international long distance calls, international roaming calls and other value added services (VAS) in any place within the coverage areas.

15.1.1 *Mobile communication voice net service revenues include the following:*

- a) Pro-rated monthly service fees on postpaid plans;
- b) Charges for intra-network and outbound calls in excess of the consumable minutes for various Globe Postpaid plans, including currency exchange rate adjustments (CERA) net of loyalty discounts credited to subscriber billings;
- c) Airtime fees for intra network and outbound calls recognized upon the earlier of actual usage of the airtime value or expiration of the unused value of the prepaid reload denomination (for Globe Prepaid and TM) which occurs between 3 and 120 days after activation depending on the prepaid value reloaded by the subscriber net of (i) bonus credits and (ii) prepaid reload discounts;
- d) Revenues generated from inbound international and national long distance calls and international roaming calls; and

e) Mobile revenues of GTL.

Revenues from (a) to (d) are net of any settlement payouts to international and local carriers.

15.1.2 *Mobile SMS service revenues* consist of local and international revenues from value-added services such as inbound and outbound SMS and MMS, and infotext, subscription fees on unlimited and bucket prepaid SMS services, net of any payouts to content providers.

15.1.3 *Mobile communication data net service revenues* consist of local and international revenues from value-added services such as mobile internet browsing and content downloading, mobile commerce services, other add-on VAS and service revenues of GXI, net of payouts to content providers.

15.1.4 Globe Telecom offers its wireless communications services to consumers, corporate and SME clients through the following three (3) brands: Globe Postpaid, Globe Prepaid and Touch Mobile (TM).

The Globe Group also provides its subscribers with mobile payment and remittance services under the GCash brand.

15.2 Fixed Line and Broadband Business

This reporting segment is made up of fixed line telecommunications services which offer subscribers local, domestic long distance and international long distance voice services in addition to broadband and mobile internet services and a number of VAS in various areas covered by the Certificate of Public Convenience and Necessity (CPCN) granted by the NTC.

15.2.1 *Fixed Line voice net service revenues consist of the following:*

- a) Monthly service fees including CERA of voice-only subscriptions;
- b) Revenues from local, international and national long distance calls made by postpaid and prepaid wireline subscribers, as well as broadband customers who have subscribed to data packages bundled with a voice service. Revenues are net of prepaid call card discounts;
- c) Revenues from inbound local, international and national long distance calls from other carriers terminating on our network;
- d) Revenues from additional landline features such as caller ID, call waiting, call forwarding, multi-calling, voice mail, duplex and hotline numbers and other value-added features;
- e) Installation charges and other one-time fees associated with the establishment of the service; and
- f) Revenues from DUO and SUPERDUO (Fixed line portion) service consisting of monthly service fees for postpaid and subscription fees for prepaid.

15.2.2 *Fixed Line data net service revenues consist of the following:*

- a) Monthly service fees from international and domestic leased lines. This is net of any settlement payments to other carriers;
- b) Other wholesale transport services;
- c) Revenues from value-added services; and
- d) One-time connection charges associated with the establishment of service.

15.2.3 *Broadband service revenues consist of the following:*

- a) Monthly service fees on mobile and wired broadband plans and charges for usage in excess of plan minutes; and
- b) Prepaid usage charges consumed by mobile broadband subscribers.
- c) Value-added services such as games; and
- d) Installation charges and other one-time fees associated with the service.

15.2.4 *The Globe Group provides wireline voice communications (local, national and international long distance), data and broadband and data services to consumers, corporate and SME clients in the Philippines.*

- *Consumers* - the Globe Group's postpaid voice service provides basic landline services including toll-free NDD calls to other Globe landline subscribers for a fixed monthly fee. For wired broadband, consumers can choose between broadband services bundled with a voice line, or a broadband data-only service. For fixed wireless broadband connection using Long-Term Evolution (LTE) or Worldwide Interoperability for Microwave Access (WiMax), the Globe Group offers broadband packages bundled with voice, or broadband data-only service. For subscribers who require full mobility, Globe Broadband Tattoo service come in postpaid and prepaid packages and allow them to access the internet via LTE, 3G with HSDPA, Enhanced Datarate for GSM Evolution (EDGE), General Packet Radio Service (GPRS) or WiFi at hotspots located nationwide.
- *Corporate/SME clients* - for corporate and SME enterprise clients wireline voice communication needs, the Globe Group offers postpaid service bundles which come with a business landline and unlimited dial-up internet access. The Globe Group also provides a full suite of telephony services from basic direct lines to Integrated Services Digital Network (ISDN) services, 1-800 numbers, International Direct Dialing (IDD) and National Direct Dialing (NDD) access as well as managed voice solutions such as Voice Over Internet Protocol (VOIP) and managed Internet Protocol (IP) communications. Value-priced, high speed data services, wholesale and corporate internet access, data center services and segment-specific solutions customized to the needs of vertical industries.

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16. **Note to Interim Condensed Consolidated Statements of Cash Flows**

The principal noncash transactions are as follows:

	<b>For the Three Month Period Ended March 31</b>	
	<b>2016</b>	<b>2015</b>
	<i>(Unaudited and In Thousand Pesos)</i>	
Decrease in liabilities related to the acquisition of property and equipment and intangible assets	<b>(₱536,735)</b>	<b>(₱346,015)</b>
Accretion of interest income from loans receivable	<b>-</b>	<b>123,164</b>
Capitalized ARO	<b>393</b>	<b>2,673</b>

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**17. Events after the Reporting Period****Sale of Alarmnet**

On April 8, 2016, RCPI sold its 100% interest in Alarmnet to a third party amounting to ₱0.5 million. A Deed of Assignment was executed on March 31, 2016, assigning the receivables of RCPI from Alarmnet to the buyer amounting to ₱42.31 million.

**Dividend Declaration**

On May 4, 2016, the BOD approved the declaration of the second quarterly cash dividend of ₱22.00 per common share, payable to common stockholders of record as of May 19, 2016. Total dividends amounting to ₱2.92 billion will be payable on June 3, 2016.

On the same date, the BOD approved the declaration of the second semi-annual cash dividend for holders of its non-voting preferred shares on record as of August 10, 2016. The amount of the cash dividend shall be at a fixed rate of 5.2006% per annum calculated in respect of each share by reference to the offer price of ₱500.00 per share on a 30/360 day basis for the six-month dividend period. Total amount of the cash dividend will be payable on August 22, 2016.

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**18. Schedule 1**

<b>FINANCIAL SOUNDNESS INDICATORS</b>	<b>March 31 2016</b>	<b>December 31 2015</b>
<b>FINANCIAL RATIOS</b>		
Debt to EBITDA	<b>1.41</b>	<b>1.51</b>
Debt Service Coverage Ratio	<b>4.08</b>	<b>5.18</b>
Interest Coverage Ratio	<b>14.62</b>	<b>12.24</b>
Debt to Equity (D/E Ratio) - gross	<b>1.15</b>	<b>1.22</b>
Debt to Equity (D/E Ratio) - net	<b>0.98</b>	<b>1.02</b>
Debt to Total Capitalization - book	<b>0.54</b>	<b>0.55</b>
Debt to Total Capitalization - market	<b>0.19</b>	<b>0.22</b>
Total Asset to Equity Ratio	<b>3.22</b>	<b>3.29</b>
Current Ratio	<b>0.70</b>	<b>0.72</b>
Solvency Ratio	<b>0.08</b>	<b>0.29</b>
<b>PROFITABILITY MARGINS</b>		
EBITDA Margins	<b>44%</b>	<b>40%</b>
Net Profit Margin	<b>15%</b>	<b>15%</b>
Return on Equity	<b>7%</b>	<b>29%</b>