



May 9, 2019

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

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

Gentlemen:

In accordance with Section 17.1(b) of the Securities Regulation Code and SRC Rule 17.3, we submit herewith a copy of SEC Form 17-Q with Management's Discussion and Analysis and accompanying unaudited consolidated financial statements for the three (3) months ended March 31, 2019.

Very truly yours,

A handwritten signature in black ink, appearing to read "LR Chan".

**MA. LOURDES C. RAUSA-CHAN**  
Corporate Secretary



May 9, 2019

Securities & Exchange Commission  
Secretariat Building, PICC Complex  
Roxas Boulevard, Pasay City

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

Gentlemen:

In accordance with Section 17.1(b) of the Securities Regulation Code and SRC Rule 17.1.1.1.2, we submit herewith two (2) copies of SEC Form 17-Q with Management's Discussion and Analysis and accompanying unaudited consolidated financial statements for the three (3) months ended March 31, 2019.

Very truly yours,

  
**MA. LOURDES C. RAUSA-CHAN**  
Corporate Secretary

SEC Number  
File Number

PW-55

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**PLDT Inc.**

---

(Company's Full Name)

**Ramon Cojuangco Building  
Makati Avenue, Makati City**

---

(Company's Address)

**(632) 816-8556**

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(Telephone Number)

**Not Applicable**

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(Fiscal Year Ending)  
(month & day)

**SEC Form 17-Q**

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Form Type

**Not Applicable**

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Amendment Designation (if applicable)

**March 31, 2019**

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Period Ended Date

**Not Applicable**

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(Secondary License Type and File Number)



SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17

OF THE SECURITIES REGULATION CODE ("SRC") AND  
SRC 17 (2) (b) THEREUNDER

1. For the quarterly period ended **March 31, 2019**
2. SEC Identification Number **PW-55**
3. BIR Tax Identification No. **000-488-793**
4. **PLDT Inc.**  
Exact name of registrant as specified in its charter
5. **Republic of the Philippines**  
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code: (SEC Use Only)
7. **Ramon Cojuangco Building, Makati Avenue, Makati** **0721**  
**City** Postal Code  
Address of registrant's principal office
8. **(632) 816-8556**  
Registrant's telephone number, including area code
9. **Not Applicable**  
Former name, former address, and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 of the SRC  
Title of Each Class Number of Shares of Common Stock Outstanding  
**Common Capital Stock, Php5 par value 216,055,775 shares as at March 31, 2019**
11. Are any or all of these securities listed on the Philippine Stock Exchange?  
Yes [  ] No [  ]
12. Check whether the registrant
  - (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period the registrant was required to file such reports):  
Yes [  ] No [  ]
  - (b) has been subject to such filing requirements for the past 90 days.  
Yes [  ] No [  ]

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## PART I – FINANCIAL INFORMATION

### Item 1. Consolidated Financial Statements

*Our consolidated financial statements as at March 31, 2019 (unaudited) and December 31, 2018 (audited) and for the three months ended March 31, 2019 and 2018 (unaudited) and related notes (pages F-1 to F-164) are filed as part of this report on Form 17-Q.*

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

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

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

*The financial information appearing in this report and in the accompanying unaudited consolidated financial statements is stated in Philippine pesos. Unless otherwise indicated, translations of Philippine peso amounts into U.S. dollars in this report and in the accompanying unaudited consolidated financial statements were made based on the exchange rate of Php52.63 to US\$1.00, the exchange rate as at March 31, 2019 quoted through the Bankers Association of the Philippines.*

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

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



## Financial Highlights and Key Performance Indicators

	Three months ended March 31,		Increase (Decrease)	
	2019	2018	Amount	%
<b>(amounts in million Php, except for EBITDA margin, earnings per common share)</b>				
(Unaudited)				
<b>Consolidated Income Statement</b>				
Revenues	41,433	40,507	926	2
Expenses	31,128	33,561	(2,433)	(7)
Other income (expenses) – net	(1,292)	1,889	(3,181)	(168)
Income before income tax	9,013	8,835	178	2
Net income	6,723	6,924	(201)	(3)
Core income	6,596	6,003	593	10
EBITDA	19,847	16,533	3,314	20
EBITDA margin <sup>(1)</sup>	50%	44%	—	—
Reported earnings per common share:				
Basic	30.98	31.87	(0.89)	(3)
Diluted	30.98	31.87	(0.89)	(3)
Core earnings per common share <sup>(2)</sup> :				
Basic	30.46	27.72	2.74	10
Diluted	30.46	27.72	2.74	10

	March 31,	December 31,	Increase (Decrease)	
	2019	2018	Amount	%
<b>(amounts in million Php, except for net debt to equity ratio)</b>				
(Unaudited) (Audited)				
<b>Consolidated Statements of Financial Position</b>				
Total assets	496,536	482,750	13,786	3
Property and equipment	200,062	195,964	4,098	2
Cash and cash equivalents and short-term investments	45,391	52,819	(7,428)	(14)
Total equity attributable to equity holders of PLDT	109,361	112,358	(2,997)	(3)
Long-term debt, including current portion	173,986	176,276	(2,290)	(1)
Net debt <sup>(3)</sup> to equity ratio	1.18x	1.10x	—	—

	Three months ended March 31,		Change	
	2019	2018	Amount	%
<b>(amounts in million Php, except for operational data)</b>				
(Unaudited)				
<b>Consolidated Statements of Cash Flows</b>				
Net cash provided by operating activities	16,477	16,316	161	1
Net cash used in investing activities	(17,474)	(16,161)	(1,313)	(8)
<i>Payment for purchase of property and equipment, including capitalized interest</i>	<i>(18,938)</i>	<i>(12,944)</i>	<i>(5,994)</i>	<i>(46)</i>
Net cash used in financing activities	(5,385)	(4,692)	(693)	(15)
<b>Operational Data</b>				
Number of mobile subscribers	63,948,886	58,117,819	5,831,067	10
<i>Prepaid</i>	<i>61,585,197</i>	<i>55,666,020</i>	<i>5,919,177</i>	<i>11</i>
<i>Postpaid</i>	<i>2,363,689</i>	<i>2,451,799</i>	<i>(88,110)</i>	<i>(4)</i>
Number of broadband subscribers	2,016,507	1,995,900	20,607	1
<i>Fixed Line broadband</i>	<i>1,818,530</i>	<i>1,772,836</i>	<i>45,694</i>	<i>3</i>
<i>Fixed Wireless broadband</i>	<i>197,977</i>	<i>223,064</i>	<i>(25,087)</i>	<i>(11)</i>
Number of fixed line subscribers	2,707,077	2,707,079	(2)	—
Number of employees:	18,764	17,814	950	5
Fixed Line	12,440	10,843	1,597	15
<i>LEC</i>	<i>10,306</i>	<i>6,853</i>	<i>3,453</i>	<i>50</i>
<i>Others</i>	<i>2,134</i>	<i>3,990</i>	<i>(1,856)</i>	<i>(47)</i>
Wireless	6,324	6,971	(647)	(9)

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

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

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



Exchange Rates – per US\$	Month end rates	Weighted average rates during the year
March 31, 2019	52.63	52.37
December 31, 2018	52.56	52.68
March 31, 2018	52.25	51.45
December 31, 2017	49.96	50.41

## Performance Indicators

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

### *EBITDA*

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

### *Core Income*

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

## Overview

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

- *Wireless* — mobile telecommunications services provided by Smart Communications, Inc., or Smart, and Digitel Mobile Philippines, Inc., or DMPI, our mobile service providers; Smart Broadband, Inc., or SBI, and Primeworld Digital Systems, Inc., or PDSI, our wireless broadband service providers; and certain subsidiaries of PLDT Global Corporation, or PLDT Global, our mobile virtual network operations, or MVNO, provider;
- *Fixed Line* — fixed line telecommunications services primarily provided by PLDT. We also provide fixed line services through PLDT's subsidiaries, namely, PLDT Clark Telecom, Inc., PLDT Subic Telecom, Inc., PLDT-Philcom, Inc. or Philcom, and its subsidiaries, or Philcom Group, PLDT-Maratel, Inc., Bonifacio Communications Corporation, PLDT Global and certain subsidiaries, and Digital Telecommunications Phils., Inc., or Digitel, all of which together account for approximately 4% of our consolidated fixed line subscribers; data center, cloud, cyber security services, managed information technology services and resellership through ePLDT, Inc., or ePLDT, IP Converge Data Services, Inc., or IPCDSI, and subsidiary, or IPCDSI Group, ABM Global Solutions, Inc., or AGS, and its subsidiaries, or AGS Group, Curo Teknika, Inc. and ePDS, Inc., or ePDS; full service customer rewards and loyalty programs provided by MVP Rewards and Loyalty Solutions, Inc., or MRSI; and distribution of Filipino channels and content through Pilipinas Global Network Limited and its subsidiaries; and
- *Others* — Voyager Innovations Holdings, Pte. Ltd., or VIH, and certain subsidiaries, the digital innovations arm of PLDT and Smart, which was deconsolidated from PLDT Communications and Energy Ventures, Inc., or PCEV, effective November 30, 2018; PCEV, PLDT Global Investment Holdings, Inc., PLDT Global Investments Corporation, or PGIC, PLDT Digital Investments Pte. Ltd., or PLDT Digital, and its subsidiaries, our investment companies.

As at March 31, 2019, our chief operating decision maker, or our Management Committee, views our business activities in three business units: Wireless, Fixed Line and Others.

## Management's Financial Review

In addition to consolidated net income, we use EBITDA and core income to assess our operating performance. The reconciliation of our consolidated net income to our consolidated EBITDA and our consolidated core income for the three months ended March 31, 2019 and 2018 are set forth below.

The following table shows the reconciliation of our consolidated net income to our consolidated EBITDA for the three months ended March 31, 2019 and 2018:

	2019	2018
	(Unaudited)	
	(amounts in million Php)	
Consolidated net income	6,723	6,924
Add (deduct) adjustments:		
Depreciation and amortization	9,346	9,373
Provision for income tax	2,290	1,911
Financing costs – net	2,001	1,698
Equity share in net losses (earnings) of associates and joint ventures	370	(74)
Amortization of intangible assets	196	214
Impairment of investments	34	60
Foreign exchange losses – net	18	1,142
Gains on derivative financial instruments – net	3	(530)
Interest income	(552)	(477)
Other income – net	(582)	(3,708)
Total adjustments	13,124	9,609
Consolidated EBITDA	19,847	16,533



The following table shows the reconciliation of our consolidated net income to our consolidated core income for the three months ended March 31, 2019 and 2018:

	2019	2018
	(Unaudited)	
	(amounts in million Php)	
Consolidated net income	6,723	6,924
Add (deduct) adjustments:		
Manpower rightsizing program	209	—
Impairment of investments	34	60
Foreign exchange losses – net	18	1,142
Core income adjustment on equity share in net losses of associates and joint ventures	18	12
Depreciation due to shortened life of property and equipment	—	2,392
Gains on derivative financial instruments – net, excluding hedge costs	(10)	(546)
Net income attributable to noncontrolling interests	(15)	(24)
Unrealized gain in fair value of investments	(320)	(3,350)
Net tax effect of aforementioned adjustments	(61)	(607)
Total adjustments	(127)	(921)
Consolidated core income	6,596	6,003

## Results of Operations

The following table shows the contribution by each of our business segments to our consolidated revenues, expenses, other income (expense), income (loss) before income tax, provision for income tax, net income (loss)/segment profit (loss), EBITDA, EBITDA margin and core income for the three months ended March 31, 2019 and 2018. In each of the three months ended March 31, 2019 and 2018, majority of our revenues are derived from our operations within the Philippines. Our revenues derived from outside the Philippines consist primarily of revenues from incoming international calls to the Philippines.

	Wireless	Fixed Line	Others <sup>(1)</sup>	Inter-segment Transactions	Consolidated
	(amounts in million Php, except for EBITDA margin)				
<b>For the three months ended March 31, 2019 (Unaudited)</b>					
Revenues	22,489	21,999	—	(3,055)	41,433
Expenses	17,135	17,014	6	(3,027)	31,128
Other income (expenses) - net	(1,292)	(537)	38	499	(1,292)
Income (loss) before income tax	4,062	4,448	32	471	9,013
Provision for income tax	1,159	1,118	13	—	2,290
Net income (loss)/Segment profit (loss)	2,903	3,330	19	471	6,723
EBITDA	12,166	9,044	(6)	(1,357)	19,847
EBITDA margin <sup>(2)</sup>	58%	42%	—	—	50%
Core income (loss)	2,984	3,408	(267)	471	6,596
<b>For the three months ended March 31, 2018 (Unaudited)</b>					
Revenues	22,592	20,457	312	(2,854)	40,507
Expenses	20,245	15,558	998	(3,240)	33,561
Other income (expenses) - net	(590)	(60)	2,875	(336)	1,889
Income (loss) before income tax	1,757	4,839	2,189	50	8,835
Provision for (benefit from) income tax	474	1,308	114	15	1,911
Net income (loss)/Segment profit (loss)	1,283	3,531	2,075	35	6,924
EBITDA	8,539	8,229	(621)	386	16,533
EBITDA margin <sup>(2)</sup>	41%	42%	-206%	—	44%
Core income (loss)	3,147	3,351	(530)	35	6,003
<b>Increase (Decrease)</b>					
Revenues	(103)	1,542	(312)	(201)	926
Expenses	(3,110)	1,456	(992)	213	(2,433)
Other income (expenses) - net	(702)	(477)	(2,837)	835	(3,181)
Income before income tax	2,305	(391)	(2,157)	421	178
Provision for income tax	685	(190)	(101)	(15)	379
Net income/Segment profit	1,620	(201)	(2,056)	436	(201)
EBITDA	3,627	815	615	(1,743)	3,314
Core income (loss)	(163)	57	263	436	593

<sup>(1)</sup> Other business segment includes results of operations of VIH, resulting from the transfer from Smart to PCEV in April 2018. Consequently, we reclassified the presentation of VIH from Wireless to Other business segment.

<sup>(2)</sup> EBITDA margin for the period is measured as EBITDA divided by service revenues.

In the first quarter of 2019, we adopted PFRS 16, Leases, which sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. We applied the modified retrospective approach upon adoption of PFRS 16 on January 1, 2019 and applied the standard to contracts that were previously identified as leases applying PAS 17 and Philippine Interpretation IFRIC 4, *Determining whether an Arrangement contains a Lease*. Under this approach, the cumulative effect arising from the transition was recognized as an adjustment to the opening balance of retained earnings. Accordingly, comparative information for prior periods were not restated.

See *Note 2 – Summary of Significant Accounting Policies – New and Amended Standards and Interpretations* to the accompanying unaudited consolidated financial statements for further discussions.

### **On a Consolidated Basis**

#### ***Revenues***

We reported consolidated revenues of Php41,433 million for the three months ended March 31, 2019, an increase of Php926 million, or 2%, as compared with Php40,507 million in the same period in 2018, primarily due to higher revenues from data services in our Fixed Line business segment and higher mobile services from our Wireless business segment, partially offset by lower voice revenues from our Fixed Line business segment.

In compliance with Memorandum Circular No. 05-07-2018 issued by the National Telecommunications Commission, or NTC, the interconnection rate for our voice calls was reduced to Php0.50 per minute from Php2.50 per minute, and the rate for SMS was down to Php0.05 per message from Php0.15 per message effective September 1, 2018.



The following table shows the breakdown of our consolidated revenues by services for the three months ended March 31, 2019 and 2018:

	Wireless	Fixed Line	Others	Inter-segment Transactions	Consolidated
<b>(amounts in million Php)</b>					
<b>For the three months ended March 31, 2019</b>					
Service Revenues					
Wireless	21,122			(529)	20,593
Mobile	20,711			(235)	20,476
Home broadband	27			—	27
MVNO and others	384			(294)	90
Fixed Line		21,539		(2,525)	19,014
Voice		6,349		(500)	5,849
Data		14,677		(1,862)	12,815
Home broadband		6,875		(47)	6,828
Corporate data and ICT		7,802		(1,815)	5,987
Miscellaneous		513		(163)	350
Others			—	—	—
Total Service Revenues	21,122	21,539	—	(3,054)	39,607
Non-Service Revenues					
Sale of computers, phone units and mobile handsets	1,367	366	—	(2)	1,731
Point-product sales	—	94	—	1	95
Total Non-Service Revenues	1,367	460	—	(1)	1,826
Total Revenues	22,489	21,999	—	(3,055)	41,433
<b>For the three months ended March 31, 2018</b>					
Service Revenues					
Wireless	20,625			(769)	19,856
Mobile	20,040			(315)	19,725
Home broadband	433			(385)	48
MVNO and others	152			(69)	83
Fixed Line		19,672		(2,080)	17,592
Voice		7,083		(508)	6,575
Data		12,137		(1,399)	10,738
Home broadband		5,551		(66)	5,485
Corporate data and ICT		6,586		(1,333)	5,253
Miscellaneous		452		(173)	279
Others			301	(4)	297
Total Service Revenues	20,625	19,672	301	(2,853)	37,745
Non-Service Revenues					
Sale of computers, phone units and mobile handsets	1,967	629	11	(1)	2,606
Point-product sales	—	156	—	—	156
Total Non-Service Revenues	1,967	785	11	(1)	2,762
Total Revenues	22,592	20,457	312	(2,854)	40,507

The following table shows the breakdown of our consolidated revenues by business segment for the three months ended March 31, 2019 and 2018:

	2019	%	2018	%	Change Amount	Change %
<b>(amounts in million Php)</b>						
Wireless	22,489	54	22,592	56	(103)	—
Fixed Line	21,999	53	20,457	50	1,542	8
Others <sup>(1)</sup>	—	—	312	1	(312)	(100)
Inter-segment transactions	(3,055)	(7)	(2,854)	(7)	(201)	(7)
Consolidated	41,433	100	40,507	100	926	2

<sup>(1)</sup> Other business segment includes revenues from digital platforms and mobile financial services.

### Expenses

Consolidated expenses decreased by Php2,433 million, or 7%, to Php31,128 million for the three months ended March 31, 2019 from Php33,561 million in the same period in 2018, primarily due to lower selling, general and administrative expenses, interconnection costs, and cost of sales and services in our Wireless business segment, as well as lower expenses in our Other business segment due to the deconsolidation of VIH, partially offset by higher depreciation and amortization, interconnection costs, and selling, general and administrative expenses in our Fixed Line business segment.

The following table shows the breakdown of our consolidated expenses by business segment for the three months ended March 31, 2019 and 2018:

	2019	%	2018	%	Change	
					Amount	%
	(amounts in million Php)					
Wireless	17,135	55	20,245	60	(3,110)	(15)
Fixed Line	17,014	55	15,558	47	1,456	9
Others	6	—	998	3	(992)	(99)
Inter-segment transactions	(3,027)	(10)	(3,240)	(10)	213	7
Consolidated	31,128	100	33,561	100	(2,433)	(7)

### Other Income (Expenses) – Net

Consolidated other expenses amounted to Php1,292 million for the three months ended March 31, 2019, a change of Php3,181 million, or 168%, as against other income of Php1,889 million in the same period in 2018, primarily due to lower unrealized gain on fair value of Rocket Internet investment and the equity share in net losses of VIH from our Other business segment and higher financings costs from our Wireless business segment, partially offset by lower net foreign exchange losses from our Wireless and Other business segments.

The following table shows the breakdown of our consolidated other income (expenses) – net by business segment for the three months ended March 31, 2019 and 2018:

	2019	2018	Change	
			Amount	%
	(amounts in million Php)			
Wireless	(1,292)	(590)	(702)	(119)
Fixed Line	(537)	(60)	(477)	(795)
Others	38	2,875	(2,837)	(99)
Inter-segment transactions	499	(336)	835	249
Consolidated	(1,292)	1,889	(3,181)	(168)

### Net Income (Loss)

Consolidated net income decreased by Php201 million, or 3%, to Php6,723 million for the three months ended March 31, 2019, from Php6,924 million in the same period in 2018, primarily due to lower net income from our Fixed Line and Other business segments, partly offset by higher net income from our Wireless business segment. Our consolidated basic and diluted EPS decreased to Php30.98 for the three months ended March 31, 2019 from Php31.87 in the same period in 2018. Our weighted average number of outstanding common shares was approximately 216.06 million in each of 2019 and 2018.

The following table shows the breakdown of our consolidated net income by business segment for the three months ended March 31, 2019 and 2018:

	2019	%	2018	%	Change	
					Amount	%
	(amounts in million Php)					
Wireless	2,903	43	1,283	19	1,620	126
Fixed Line	3,330	50	3,531	51	(201)	(6)
Others	19	—	2,075	30	(2,056)	(99)
Inter-segment transactions	471	7	35	—	436	1,246
Consolidated	6,723	100	6,924	100	(201)	(3)

## EBITDA

Our consolidated EBITDA amounted to Php19,847 million for the three months ended March 31, 2019, an increase of Php3,314 million, or 20%, as compared with Php16,533 million in the same period in 2018, primarily due higher EBITDA in our Wireless and Fixed Line business segments.

The following table shows the breakdown of our consolidated EBITDA by business segment for the three months ended March 31, 2019 and 2018:

	2019	%	2018	%	Change	
					Amount	%
(amounts in million Php)						
Wireless	12,166	61	8,539	52	3,627	42
Fixed Line	9,044	46	8,229	50	815	10
Others	(6)	—	(621)	(4)	615	99
Inter-segment transactions	(1,357)	(7)	386	2	(1,743)	(452)
Consolidated	19,847	100	16,533	100	3,314	20

## Core Income

Our consolidated core income amounted to Php6,596 million for the three months ended March 31, 2019, an increase of Php593 million, or 10%, as compared with Php6,003 million in the same period in 2018. Our consolidated basic and diluted core EPS increased to Php30.46 for the three months ended March 31, 2019 from Php27.72 in the same period in 2018.

The following table shows the breakdown of our consolidated core income by business segment for the three months ended March 31, 2019 and 2018:

	2019	%	2018	%	Change	
					Amount	%
(amounts in million Php)						
Wireless	2,984	45	3,147	52	(163)	(5)
Fixed Line	3,408	52	3,351	56	57	2
Others	(267)	(4)	(530)	(9)	263	50
Inter-segment transactions	471	7	35	1	436	1,246
Consolidated	6,596	100	6,003	100	593	10

## On a Business Segment Basis

### Wireless

#### Revenues

We generated revenues of Php22,489 million from our Wireless business segment for the three months ended March 31, 2019, a decrease of Php103 million from Php22,592 million in the same period in 2018.

The following table summarizes our total revenues by service from our Wireless business segment for the three months ended March 31, 2019 and 2018:

	2019	%	2018	%	Increase (Decrease)	
					Amount	%
(amounts in million Php)						
Service Revenues:						
Mobile	20,711	92	20,040	89	671	3
Home broadband	27	—	433	2	(406)	(94)
MVNO and others <sup>(1)</sup>	384	2	152	—	232	153
Total Wireless Service Revenues	21,122	94	20,625	91	497	2
Non-Service Revenues:						
Sale of mobile handsets and broadband data modems	1,367	6	1,967	9	(600)	(31)
Total Wireless Revenues	22,489	100	22,592	100	(103)	—

<sup>(1)</sup> Includes service revenues generated by MVNOs of PLDT Global subsidiaries and facilities service fees.

## Service Revenues

Our wireless service revenues for the three months ended March 31, 2019 increased by Php497 million, or 2%, to Php21,122 million as compared with Php20,625 million in the same period in 2018, mainly as a result of higher mobile revenues, partially offset by lower revenues from home broadband services. As a percentage of our total wireless revenues, service revenues accounted for 94% and 91% for the three months ended March 31, 2019 and 2018, respectively.

### Mobile Services

Our mobile service revenues amounted to Php20,711 million for the three months ended March 31, 2019, an increase of Php671 million, or 3%, from Php20,040 million in the same period in 2018. Mobile service revenues accounted for 98% and 97% of our wireless service revenues for the three months ended March 31, 2019 and 2018, respectively. In the third quarter of 2018, the revenue split allocation among voice, SMS and data for our mobile bundled plans was revised to reflect the current usage behavior pattern of our subscribers based on the network study conducted for our Wireless business segment.

	2019	%	2018	%	Increase (Decrease)	
					Amount	%
(amounts in million Php)						
<b>Mobile Services:</b>						
Data	11,643	56	6,673	33	4,970	74
Voice	6,143	30	6,953	35	(810)	(12)
SMS	2,583	12	5,919	30	(3,336)	(56)
Inbound roaming and others <sup>(1)</sup>	342	2	495	2	(153)	(31)
<b>Total</b>	<b>20,711</b>	<b>100</b>	<b>20,040</b>	<b>100</b>	<b>671</b>	<b>3</b>

<sup>(1)</sup> Refers to other non-subscriber-related revenues consisting primarily of inbound international roaming fees.

### Data Services

Mobile revenues from our data services, which include mobile internet, mobile broadband and other data services, increased by Php4,970 million, or 74%, to Php11,643 million for the three months ended March 31, 2019 from Php6,673 million in the same period in 2018 due to increased mobile internet usage driven mainly by enhanced data products and consumer engagement promos, supported by continuous network improvement and LTE migration, as well as the impact of the revised revenue split allocation, partially offset by lower revenues from mobile broadband. Data services accounted for 56% and 33% of our mobile service revenues for the three months ended March 31, 2019 and 2018, respectively.

The following table shows the breakdown of our mobile data service revenues for the three months ended March 31, 2019 and 2018:

	2019	%	2018	%	Increase (Decrease)	
					Amount	%
(amounts in million Php)						
<b>Data Services:</b>						
Mobile internet <sup>(1)</sup>	10,486	90	5,375	80	5,111	95
Mobile broadband	948	8	1,260	19	(312)	(25)
Other data <sup>(2)</sup>	209	2	38	1	171	450
<b>Total</b>	<b>11,643</b>	<b>100</b>	<b>6,673</b>	<b>100</b>	<b>4,970</b>	<b>74</b>

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

<sup>(2)</sup> Beginning third quarter of 2018, revenues from other data include value-added services, or VAS.

### Mobile Internet

Mobile internet service revenues increased by Php5,111 million, or 95%, to Php10,486 million for the three months ended March 31, 2019 from Php5,375 million in the same period in 2018, primarily due to the following: (i) LTE migration efforts in 2018 which yielded growth in LTE SIMs and smartphone ownership among our subscriber base; (ii) consumer programs which include *Smart Amazing 25*, a loyalty program that rewarded around 12 million subscribers, *Video Everyday* promo and *Road to Nationals* that are driving the growth in *Youtube*, *iFlix*, *NBA*, *iWantTV*, and *Mobile Legend* users base; (iii) prevalent use of mobile apps, social networking and e-commerce sites, and other over-the-top, or OTT, services; and (iv) impact of the revised revenue split allocation. Mobile internet services accounted for 51% and 27% of our mobile service revenues for the three months ended March 31, 2019 and 2018, respectively.



### *Mobile Broadband*

Mobile broadband revenues amounted to Php948 million for the three months ended March 31, 2019, a decrease of Php312 million, or 25%, from Php1,260 million in the same period in 2018, primarily due to a decrease in the number of subscribers using pocket wifi as they shift to using mobile internet and fixed DSL/Fiber home broadband. Mobile broadband services accounted for 5% and 6% of our mobile service revenues for the three months ended March 31, 2019 and 2018, respectively.

### *Other Data*

Revenues from our other data services, which include VAS, domestic leased lines and share in revenue from PLDT WeRoam, increased by Php171 million to Php209 million for the three months ended March 31, 2019 from Php38 million in the same period in 2018.

### *Voice Services*

Mobile revenues from our voice services, which include all voice traffic, decreased by Php810 million, or 12%, to Php6,143 million for the three months ended March 31, 2019 from Php6,953 million in the same period in 2018, mainly on account of lower traffic due to subscribers' shift to digital lifestyle with access to alternative calling options and other OTT services, and the impact of reduction in interconnection rates for voice services, as mandated by the NTC, partly offset by the effect of the revised revenue split allocation. Mobile voice services accounted for 30% and 35% of our mobile service revenues for the three months ended March 31, 2019 and 2018, respectively.

Domestic voice service revenues decreased by Php351 million, or 6%, to Php5,315 million for the three months ended March 31, 2019 from Php5,666 million in the same period in 2018, due to lower domestic inbound and outbound voice service revenues.

International voice service revenues decreased by Php459 million, or 36%, to Php828 million for the three months ended March 31, 2019 from Php1,287 million in the same period in 2018, primarily due to lower international inbound and outbound voice service revenues as a result of lower international voice traffic.

### *SMS Services*

Mobile revenues from our SMS services, which include all SMS-related services, decreased by Php3,336 million, or 56%, to Php2,583 million for the three months ended March 31, 2019 from Php5,919 million in the same period in 2018 mainly due to declining SMS volumes as a result of alternative text messaging options, such as OTT services and social media, and the impact of the revised revenue split allocation and reduction in interconnection rates for SMS services. Mobile SMS services accounted for 12% and 30% of our mobile service revenues for the three months ended March 31, 2019 and 2018, respectively.

### *Inbound Roaming and Others*

Mobile revenues from inbound roaming and other services decreased by Php153 million, or 31%, to Php342 million for the three months ended March 31, 2019 from Php495 million in the same period in 2018.

The following table shows the breakdown of our mobile service revenues by service type for the three months ended March 31, 2019 and 2018:

	2019	2018	Increase (Decrease)	
			Amount	%
	(amounts in million Php)			
Mobile service revenues	20,711	20,040	671	3
<i>By service type</i>				
Prepaid	15,609	14,712	897	6
Postpaid	4,760	4,833	(73)	(2)
Inbound roaming and others	342	495	(153)	(31)

### *Prepaid Revenues*

Revenues generated from our mobile prepaid services amounted to Php15,609 million for the three months ended March 31, 2019, an increase of Php897 million, or 6%, as compared with Php14,712 million in the same period in 2018. Mobile prepaid service revenues accounted for 75% and 74% of mobile service revenues for the three

months ended March 31, 2019 and 2018, respectively. The increase in revenues from our mobile prepaid services was primarily driven by a higher mobile prepaid subscriber base combined with the sustained growth in mobile internet revenues.

#### *Postpaid Revenues*

Revenues generated from mobile postpaid service amounted to Php4,760 million for the three months ended March 31, 2019, a decrease of Php73 million, or 2%, as compared with Php4,833 million in the same period in 2018, and accounted for 23% and 24% of mobile service revenues for the three months ended March 31, 2019 and 2018, respectively. The decrease in our mobile postpaid service revenues was primarily due to a lower postpaid subscriber base.

#### *Subscriber Base, ARPU and Churn Rates*

The following table shows our mobile subscriber base as at March 31, 2019 and 2018:

	2019	2018	Increase (Decrease)	
			Amount	%
Mobile subscriber base				
Smart <sup>(1)</sup>	23,476,732	21,601,011	1,875,721	9
<i>Prepaid</i>	22,011,859	20,198,965	1,812,894	9
<i>Postpaid</i>	1,464,873	1,402,046	62,827	4
TNT	33,531,651	29,231,950	4,299,701	15
Sun <sup>(1)</sup>	6,940,503	7,284,858	(344,355)	(5)
<i>Prepaid</i>	6,041,687	6,235,105	(193,418)	(3)
<i>Postpaid</i>	898,816	1,049,753	(150,937)	(14)
<b>Total mobile subscribers</b>	<b>63,948,886</b>	<b>58,117,819</b>	<b>5,831,067</b>	<b>10</b>

<sup>(1)</sup> Includes mobile broadband subscribers.

Our current policy is to recognize a prepaid subscriber as active only when the subscriber activates and uses the SIM card. A prepaid mobile subscriber is considered inactive if the subscriber does not reload within 90 days after the full usage or expiry of the last reload.

In compliance with Memorandum Circular (MC) No. 05-12-2017 issued jointly by the NTC, Department of Information and Communications Technology, and Department of Trade and Industry, Smart, TNT, and Sun extended the validity of prepaid loads to one year from the date of latest top-up. Beginning January 2018, the one-year validity was implemented particularly on prepaid loads worth Php300 and above. In July 2018, the one-year validity was fully implemented for all prepaid loads, including denominations lower than Php300, regardless of the validity period printed on the physical cards already out in the market.

The average monthly churn rates for Smart Prepaid subscribers were 3.5% and 6.8% for the three months ended March 31, 2019 and 2018, respectively, while the average monthly churn rates for TNT subscribers were 3.8% and 6.2% for the three months ended March 31, 2019 and 2018, respectively. The average monthly churn rates for Sun Prepaid subscribers were 3.8% and 6.0% for the three months ended March 31, 2019 and 2018, respectively.

The average monthly churn rates for Smart Postpaid subscribers was 2.0% in each of the three months ended March 31, 2019 and 2018, and 1.5% and 3.9% for the three months ended March 31, 2019 and 2018, respectively, for Sun Postpaid subscribers.



The following table summarizes our average monthly ARPUs for the three months ended March 31, 2019 and 2018:

	Gross <sup>(1)</sup>		Increase (Decrease)		Net <sup>(2)</sup>		Increase (Decrease)	
	2019	2018	Amount	%	2019	2018	Amount	%
	(amounts in Php)							
<b>Prepaid</b>								
Smart	131	124	7	6	118	112	6	5
TNT	74	80	(6)	(8)	67	73	(6)	(8)
Sun	85	88	(3)	(3)	77	80	(3)	(4)
<b>Postpaid</b>								
Smart	807	819	(12)	(1)	796	809	(13)	(2)
Sun	425	384	41	11	423	382	41	11

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

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

#### Home Broadband

Revenues from our Home Broadband services decreased by Php406 million, or 94%, to Php27 million for the three months ended March 31, 2019 from Php433 million in the same period in 2018, which include facility service fees.

#### MVNO and Others

Revenues from our MVNO and other services increased by Php232 million, or 153%, to Php384 million for the three months ended March 31, 2019 from Php152 million in the same period in 2018, primarily due to facility service fees relating to *Ultera*, *WiMAX* and *Shops.Work Unplugged*, or *SWUP*, for the three months ended March 31, 2019, partially offset by lower revenue contribution from MVNOs of PLDT Global.

#### Non-Service Revenues

Our wireless non-service revenues consist of sale of mobile handsets, mobile broadband data modems, tablets and accessories. Our wireless non-service revenues decreased by Php600 million, or 31%, to Php1,367 million for the three months ended March 31, 2019 from Php1,967 million in the same period in 2018, primarily due to lower average selling price per unit and issuances of mobile handsets.

#### Expenses

Expenses associated with our Wireless business segment amounted to Php17,135 million for the three months ended March 31, 2019, a decrease of Php3,110 million, or 15%, from Php20,245 million in the same period in 2018. The decrease was mainly attributable to lower selling, general and administrative expenses, interconnection costs, and cost of sales and services, partially offset by higher depreciation and amortization. As a percentage of our total wireless revenues, expenses associated with our Wireless business segment accounted for 76% and 90% in the three months ended March 31, 2019 and 2018, respectively.

The following table summarizes the breakdown of our total wireless-related expenses for the three months ended March 31, 2019 and 2018 and the percentage of each expense item in relation to the total:

	2019	%	2018	%	Increase (Decrease)	
	(amounts in million Php)				Amount	%
Selling, general and administrative expenses	7,353	43	9,529	47	(2,176)	(23)
Depreciation and amortization	6,616	39	5,996	30	620	10
Cost of sales and services	1,886	11	2,526	12	(640)	(25)
Provisions	719	4	748	4	(29)	(4)
Interconnection costs	533	3	1,446	7	(913)	(63)
Asset impairment	28	—	—	—	28	100
<b>Total</b>	<b>17,135</b>	<b>100</b>	<b>20,245</b>	<b>100</b>	<b>(3,110)</b>	<b>(15)</b>

Selling, general and administrative expenses decreased by Php2,176 million, or 23%, to Php7,353 million, primarily due to lower rent resulting mainly from the impact of adoption of PFRS 16, partly offset by higher expenses related to repairs and maintenance, and professional and other contracted services.

Depreciation and amortization charges increased by Php620 million, or 10%, to Php6,616 million, on account of higher depreciation, mainly due to the impact of adoption of PFRS 16, partly offset by lower depreciation due to shortened life of certain data network platform and other technology equipment resulting from the ongoing transformation projects which commenced in 2017, to improve and simplify the network and systems applications.

Cost of sales and services decreased by Php640 million, or 25%, to Php1,886 million, primarily due to lower issuances and average cost per unit of mobile handsets.

Interconnection costs decreased by Php913 million, or 63%, to Php533 million, primarily due to lower interconnection cost on domestic voice and SMS services, mainly due to the impact of reduction in interconnection rates for voice and SMS.

Provisions decreased by Php29 million, or 4%, to Php719 million, primarily due to lower provision for inventory obsolescence.

Asset impairment amounted to Php28 million and nil for the three months ended March 31, 2019 and 2018, respectively.

#### ***Other Income (Expenses) – Net***

The following table summarizes the breakdown of our total wireless-related other income (expenses) – net for the three months ended March 31, 2019 and 2018:

	2019	2018	Change	
			Amount	%
	(amounts in million Php)			
Other Income (Expenses) - Net:				
Financing costs – net	(1,670)	(517)	(1,153)	(223)
Foreign exchange losses – net	(22)	(509)	487	96
Gain on derivative financial instruments – net	(6)	312	(318)	(102)
Equity share in net earnings (losses) of associates and joint ventures	—	62	(62)	(100)
Interest income	228	146	82	56
Other income – net	178	(84)	262	312
Total	(1,292)	(590)	(702)	(119)

Our Wireless business segment's other expenses amounted to Php1,292 million for the three months ended March 31, 2019, an increase of Php702 million, or 119%, from Php590 million in the same period in 2018, primarily due to the net effects of the following: (i) higher net financing costs by Php1,153 million mainly due to the impact of adoption of PFRS 16; (ii) net loss on derivative financial instruments of Php6 million in 2019 as against net gain on derivative financial instruments of Php312 million in 2018; (iii) equity share in net earnings of associates of Php62 million in 2018; (iv) higher interest income by Php82 million; (v) higher other income – net by Php262 million mainly due to lower impairment on Smart's investment in AFPI and higher other miscellaneous income; and (vi) lower net foreign exchange losses by Php487 million mainly due to the lower level of depreciation of the Philippine peso relative to the U.S. dollar.

#### ***Provision for (Benefit from) Income Tax***

Provision for income tax amounted to Php1,159 million for the three months ended March 31, 2019, an increase of Php685 million, or 145%, from Php474 million mainly due to higher taxable income.

#### ***Net Income***

As a result of the foregoing, our Wireless business segment's net income increased by Php1,620 million, or 126%, to Php2,903 million for the three months ended March 31, 2019 from Php1,283 million in the same period in 2018.

#### ***EBITDA***

Our Wireless business segment's EBITDA increased by Php3,627 million, or 42%, to Php12,166 million for the three months ended March 31, 2019 from Php8,539 million in the same period in 2018. EBITDA margin increased to 58% for the three months ended March 31, 2019 from 41% in the same period in 2018.

### Core Income

Our Wireless business segment's core income decreased by Php163 million, or 5%, to Php2,984 million for the three months ended March 31, 2019 from Php3,147 million in the same period in 2018 on account of higher depreciation expense and net financing costs, partially offset by higher EBITDA.

### Fixed Line

#### Revenues

Revenues generated from our Fixed Line business segment amounted to Php21,999 million for the three months ended March 31, 2019, an increase of Php1,542 million, or 8%, from Php20,457 million in the same period in 2018.

The following table summarizes our total revenues by service from our Fixed Line business segment for the three months ended March 31, 2019 and 2018:

	2019	%	2018	%	Increase (Decrease)	
					Amount	%
(amounts in million Php)						
<b>Service Revenues:</b>						
Data	14,677	67	12,137	59	2,540	21
Voice	6,349	29	7,083	35	(734)	(10)
Miscellaneous	513	2	452	2	61	13
	21,539	98	19,672	96	1,867	9
<b>Non-Service Revenues:</b>						
Sale of computers, phone units and point-product sales	460	2	785	4	(325)	(41)
<b>Total Fixed Line Revenues</b>	<b>21,999</b>	<b>100</b>	<b>20,457</b>	<b>100</b>	<b>1,542</b>	<b>8</b>

#### Service Revenues

Our fixed line service revenues increased by Php1,867 million, or 9%, to Php21,539 million for the three months ended March 31, 2019 from Php19,672 million in the same period in 2018, due to higher revenues from our data and miscellaneous services, partially offset by lower voice service revenues. In the second quarter of 2018, the revenue split allocation between voice and data for our fixed line bundled plans was revised, in favor of data, to reflect the result of a network usage study from our Fixed Line business segment.

##### Data Services

The following table shows information of our data service revenues for the three months ended March 31, 2019 and 2018:

	2019	2018	Increase	
			Amount	%
(amounts in million Php)				
Data service revenues	14,677	12,137	2,540	21
Home broadband	6,875	5,551	1,324	24
Corporate data and ICT	7,802	6,586	1,216	18

Our data services posted revenues of Php14,677 million for the three months ended March 31, 2019, an increase of Php2,540 million, or 21%, from Php12,137 million in the same period in 2018, primarily due to higher home broadband revenues from DSL and Fibr, higher corporate data and leased lines, and higher data center and ICT revenues. The percentage contribution of this service segment to our fixed line service revenues accounted for 68% and 62% for the three months ended March 31, 2019 and 2018, respectively.

##### Home Broadband

Home broadband data revenues amounted to Php6,875 million for the three months ended March 31, 2019, an increase of Php1,324 million, or 24%, from Php5,551 million in the same period in 2018. This growth is driven by increasing demand for broadband services which the company is providing through its existing copper network and a nationwide roll-out of its fiber-to-the-home, or FTTH, network, and the impact of the revised revenue split allocation. Home broadband revenues accounted for 47% and 46% of total data service revenues in the three months ended March 31, 2019 and 2018, respectively. In the first quarter of 2019, PLDT's FTTH nationwide network rollout has passed 6.67 million homes.

### Corporate Data and ICT

Corporate data services amounted to Php6,694 million for the three months ended March 31, 2019, an increase of Php1,011 million, or 18%, as compared with Php5,683 million in the same period in 2018, mainly due to sustained market traction of internet services, such as Dedicated Internet Access and FibrBiz, as a result of higher internet connectivity requirements, and key Multiprotocol Label Switching solutions, such as IP-VPN, Metro Ethernet and *Shops.Work*. Corporate data revenues accounted for 46% and 47% of total data services in the three months ended March 31, 2019 and 2018, respectively.

ICT revenues increased by Php205 million, or 23%, to Php1,108 million for the three months ended March 31, 2019 from Php903 million in the same period in 2018 mainly due to higher revenues from colocation and managed IT services. The percentage contribution of this service segment to our total data service revenues accounted for 7% in each of the three months ended March 31, 2019 and 2018.

#### Voice Services

Revenues from our voice services decreased by Php734 million, or 10%, to Php6,349 million for the three months ended March 31, 2019 from Php7,083 million in the same period in 2018, primarily due to lower revenues from local exchange and domestic services. The decline was partly due to the continued popularity of services such as Skype, Viber, Line, Facebook Messenger, Google Talk and WhatsApp, offering free OTT calling services, and other similar services, as well as the impact of the revised revenue split allocation. The percentage contribution of voice service revenues to our fixed line service revenues accounted for 30% and 36% for the three months ended March 31, 2019 and 2018, respectively.

#### Miscellaneous Services

Miscellaneous service revenues are derived mostly from rentals and management fees. These service revenues increased by Php61 million, or 13%, to Php513 million for the three months ended March 31, 2019 from Php452 million in the same period in 2018 mainly due to higher management fees. The percentage contribution of miscellaneous service revenues to our total fixed line service revenues accounted for 2% in each of the three months ended March 31, 2019 and 2018.

#### Non-service Revenues

Non-service revenues decreased by Php325 million, or 41%, to Php460 million for the three months ended March 31, 2019 from Php785 million in the same period in 2018, primarily due to lower sale of computer bundles, *Fabtab* for *myDSL* retention, and hardware and software, partially offset by higher sale of Telpad units.

#### Expenses

Expenses related to our Fixed Line business segment totaled Php17,014 million for the three months ended March 31, 2019, an increase of Php1,456 million, or 9%, as compared with Php15,558 million in the same period in 2018. The increase was primarily due to higher depreciation and amortization, interconnection costs, selling, general and administrative expenses, and asset impairment, partly offset by lower provisions and cost of sales and services. As a percentage of our total fixed line revenues, expenses associated with our Fixed Line business segment accounted for 77% and 76% for the three months ended March 31, 2019 and 2018, respectively.

The following table shows the breakdown of our total fixed line-related expenses for the three months ended March 31, 2019 and 2018 and the percentage of each expense item in relation to the total:

	2019	%	2018	%	Increase (Decrease)	
					Amount	%
	(amounts in million Php)					
Selling, general and administrative expenses	9,729	57	9,539	61	190	2
Depreciation and amortization	4,059	24	3,330	22	729	22
Interconnection costs	1,608	10	977	6	631	65
Cost of sales and services	1,008	6	1,069	7	(61)	(6)
Provisions	555	3	643	4	(88)	(14)
Asset impairment	55	—	—	—	55	100
<b>Total</b>	<b>17,014</b>	<b>100</b>	<b>15,558</b>	<b>100</b>	<b>1,456</b>	<b>9</b>

Selling, general and administrative expenses increased by Php190 million, or 2%, to Php9,729 million primarily due to higher repairs and maintenance, compensation and employee benefits, and professional and other contracted services, partly offset by lower rent expense, mainly due to the impact of adoption of PFRS 16.

Depreciation and amortization charges increased by Php729 million, or 22%, to Php4,059 million mainly due to the impact of adoption of PFRS 16.

Interconnection costs increased by Php631 million, or 65%, to Php1,608 million, primarily due to higher international interconnection costs, as a result of an increase in international inbound calls that terminated to other domestic carriers, partly offset by lower domestic interconnection costs.

Cost of sales and services decreased by Php61 million, or 6%, to Php1,008 million, primarily due to lower cost of computer bundles, *Fabtab* for *myDSL* retention, and hardware and software, partly offset by higher cost of Telpad units and cost of services.

Provisions decreased by Php88 million, or 14%, to Php555 million, primarily due to lower provision for inventory obsolescence.

Asset impairment amounted to Php55 million and nil for the three months ended March 31, 2019 and 2018, respectively.

#### ***Other Income (Expenses) – Net***

The following table summarizes the breakdown of our total fixed line-related other income (expenses) – net for the three months ended March 31, 2019 and 2018:

	2019	2018	Change	
			Amount	%
	(amounts in million Php)			
Other Income (Expenses) - Net:				
Financing costs – net	(1,263)	(1,229)	(34)	(3)
Foreign exchange losses	(1)	17	(18)	(106)
Gains on derivative financial instruments – net	3	218	(215)	(99)
Equity share in net earnings of associates	47	30	17	57
Interest income	210	193	17	9
Other income – net	467	711	(244)	(34)
Total	(537)	(60)	(477)	(795)

Our Fixed Line business segment's other expenses amounted to Php537 million for the three months ended March 31, 2019, an increase of Php477 million from Php60 million in the same period in 2018, mainly due to the combined effects of the following: (i) lower other income – net by Php244 million; (ii) lower net gains on derivative financial instruments by Php215 million; (iii) higher net financing costs by Php34 million; (iv) net foreign exchange loss of Php1 million in 2019 as against net foreign exchange gains of Php17 million in 2018; (v) higher equity share in net earnings of associates by Php17 million; and (vi) higher interest income by Php17 million.

#### ***Provision for Income Tax***

Provision for income tax amounted to Php1,118 million for the three months ended March 31, 2019, a decrease of Php190 million, or 15%, from Php1,308 million in 2018, mainly due to lower taxable income.

#### ***Net Income***

As a result of the foregoing, our Fixed Line business segment registered a net income of Php3,330 million for the three months ended March 31, 2019, a decrease of Php201 million, or 6%, as compared with Php3,531 million in the same period in 2018.

#### ***EBITDA***

Our Fixed Line business segment's EBITDA increased by Php815 million, or 10%, to Php9,044 million for the three months ended March 31, 2019 from Php8,229 million in the same period in 2018. EBITDA margin remained stable at 42% for each of the three months ended March 31, 2019 and 2018.



### **Core Income**

Our Fixed Line business segment's core income increased by Php57 million, or 2%, to Php3,408 million for the three months ended March 31, 2019 from Php3,351 million in the same period in 2018, primarily as a result of higher EBITDA, partially offset by higher depreciation expense.

### **Others**

#### **Revenues**

Revenues generated from our Other business segment, which include revenues from digital platforms and mobile financial services, amounted to nil and Php312 million for the three months ended March 31, 2019 and 2018, respectively, due mainly to the deconsolidation of VIH.

#### **Expenses**

Expenses related to our Other business segment totaled Php6 million for the three months ended March 31, 2019, a decrease of Php992 million, or 99%, from Php998 million in the same period in the same period in 2018, due mainly to the deconsolidation of VIH.

#### **Other Income (Expenses) – Net**

The following table summarizes the breakdown of other income (expenses) – net for Other business segment for the three months ended March 31, 2019 and 2018:

	2019	2018	Change Amount	%
	(amounts in million Php)			
Other Income (Expenses) - Net:				
Interest income	129	192	(63)	(33)
Foreign exchange (gains) losses – net	5	(650)	655	101
Financing costs – net	(15)	(56)	41	73
Equity share in net earnings (losses) of associates and joint ventures	(417)	(18)	(399)	(2,217)
Other income – net	336	3,407	(3,071)	(90)
Total	38	2,875	(2,837)	(99)

Our Other business segment's other income amounted to Php38 million for the three months ended March 31, 2019, a decrease of Php2,837 million, or 99%, from Php2,875 million in the same period in 2018, primarily due to the combined effects of the following: (i) lower other income – net by Php3,071 million mainly due to lower unrealized gain on fair value of Rocket Internet investment; (ii) higher equity share in net losses of associates and joint ventures by Php399 million mainly due to share in net losses of VIH; (iii) lower interest income by Php63 million; (iv) lower net financing costs by Php41 million; and (v) net foreign exchange gains of Php5 million in 2019 as against net foreign exchange losses of Php650 million in 2018 mainly due to revaluation of net foreign currency-denominated assets in 2019 as against revaluation of net foreign currency-denominated liabilities in 2018.

### **Net Income**

As a result of the foregoing, our Other business segment registered a net income of Php19 million for the three months ended March 31, 2019, a decrease of Php2,056 million, or 99%, from Php2,075 million in the same period in 2018.

### **Core Income (Loss)**

Our Other business segment's core loss amounted to Php267 million for the three months ended March 31, 2019, a decrease of Php263 million, or 50%, as compared with Php530 million in the same period in 2018.



## Liquidity and Capital Resources

The following table shows our consolidated cash flows for the three months ended March 31, 2019 and 2018, as well as our consolidated capitalization and other consolidated selected financial data as at March 31, 2019 and December 31, 2018:

	Three months ended March 31,	
	2019	2018
(amounts in million Php)		
<b>Cash Flows</b>		
Net cash flows provided by operating activities	16,477	16,316
Net cash flows used in investing activities	(17,474)	(16,161)
<i>Payment for purchase of property and equipment, including capitalized interest</i>	<i>(18,938)</i>	<i>(12,944)</i>
Net cash flows used in financing activities	(5,385)	(4,692)
Net increase (decrease) in cash and cash equivalents	(6,368)	(3,685)
<hr/>		
	March 31,	December 31,
	2019	2018
(amounts in million Php)		
<b>Capitalization</b>		
Long-term portion of interest-bearing financial liabilities – net of current portion:		
Long-term debt	156,694	155,835
Current portion of interest-bearing financial liabilities:		
Long-term debt maturing within one year	17,292	20,441
Total interest-bearing financial liabilities	173,986	176,276
Total equity attributable to equity holders of PLDT	109,361	112,358
	283,347	288,634
<hr/>		
<b>Other Selected Financial Data</b>		
Total assets	496,536	482,750
Property and equipment	200,062	195,964
Cash and cash equivalents	45,286	51,654
Short-term investments	105	1,165

Our consolidated cash and cash equivalents and short-term investments totaled Php45,391 million as at March 31, 2019. Principal sources of consolidated cash and cash equivalents for the three months ended March 31, 2019 were cash flows from operating activities amounting to Php16,477 million, proceeds from availment of long-term debt of Php4,000 million, net proceeds from maturity of short-term investments of Php1,062 million and interest received of Php577 million. These funds were used principally for purchase of property and equipment, including capitalized interest, of Php18,938 million, debt principal and interest payments of Php6,320 million and Php1,703 million, respectively, and settlement of obligations under lease liabilities of Php1,313 million.

Our consolidated cash and cash equivalents and short-term investments totaled Php37,920 million as at March 31, 2018. Principal sources of consolidated cash and cash equivalents for the three months ended March 31, 2018 were cash flows from operating activities amounting to Php16,316 million, proceeds from sale of notes receivables of Php4,852 million, proceeds from availment of long-term debt of Php4,500 million, proceeds from disposal of Hastings PDRs of Php1,664 million, and interest received of Php352 million. These funds were used principally for: (1) purchase of property and equipment, including capitalized interest, of Php12,944 million; (2) debt principal and interest payments of Php6,402 million and Php1,513 million, respectively; (3) net payment for purchase of short-term investments of Php7,413 million; (4) additional advances and other financial and non-financial assets of Php2,629 million; and (5) net payment of long-term financing used for capital expenditures amounting to Php1,463 million.

### *Operating Activities*

Our consolidated net cash flows provided by operating activities increased by Php161 million, or 1%, to Php16,477 million for the three months ended March 31, 2019 from Php16,316 million in the same period in 2018, primarily due to higher collection of receivables, higher operating income, lower inventories, lower pension contribution, and lower other financial and non-financial assets, partly offset by higher level of settlement of accounts payable and accrued expenses and other current liabilities, and higher prepayments.

Cash flows provided by operating activities of our Wireless business segment increased by Php3,436 million, or 59%, to Php9,293 million for the three months ended March 31, 2019 from Php5,857 million in the same period in 2018, primarily due to higher collection of receivables, higher operating income and higher inventories, partly offset by higher prepayments and higher level of settlement of accrued expenses and other current liabilities. Cash flows provided by operating activities of our Fixed Line business segment decreased by Php4,012 million, or 34%, to Php7,813 million for the three months ended March 31, 2019 from Php11,825 million in the same period in 2018 primarily due to higher level of settlement of accounts payable and accrued expenses and other current liabilities, and higher corporate taxes paid, partially offset by higher collection of receivables, lower pension contribution, lower inventories and prepayments, and higher operating income. Cash flows used in operating activities of our Other business segment decreased by Php1,131 million, or 94%, to Php71 million for the three months ended March 31, 2019 from Php1,202 million in the same period in 2018, mainly due to operating income for the three months ended March 31, 2019 as against operating loss in the same period in 2018 and higher collection of receivables, partly offset by higher level of settlement of accrued expenses and other current liabilities.

### ***Investing Activities***

Consolidated net cash flows used in investing activities amounted to Php17,474 million for the three months ended March 31, 2019, an increase of Php1,313 million, or 8%, from Php16,161 million in the same period in 2018, primarily due to the combined effects of the following: (1) higher payment for purchase of property and equipment, including capitalized interest, by Php5,994 million; (2) proceeds from sale of notes receivables by Php4,852 million in 2018; (3) proceeds from disposal of Hastings PDRs of Php1,664 million in 2018; (4) higher interest received by Php225 million; (5) lower advances and other financial and non-financial assets by Php2,568 million; and (6) net proceeds from maturity of short-term investment of Php1,062 million for the three months ended March 31, 2019 as against payment for purchase of short-term investments of Php7,413 million in the same period in 2018.

Our consolidated payment for purchase of property and equipment, including capitalized interest, for the three months ended March 31, 2019 totaled Php18,938 million, an increase of Php5,994 million, or 46%, as compared with Php12,944 million in the same period in 2018. Smart Group's capital spending increased by Php3,644 million, or 39%, to Php12,923 million for the three months ended March 31, 2019 from Php9,279 million in the same period in 2018. Smart Group's capex spending was primarily focused on expansion of LTE (4G) coverage and capacity. PLDT's capital spending increased by Php2,246 million, or 67%, to Php5,585 million for the three months ended March 31, 2019 from Php3,339 million in the same period in 2018. PLDT's capex spending was used to finance the modernization program and the continuous facility roll-out and expansion of our domestic fiber optic network, as well as expansion of our data center business. The balance represents other subsidiaries' capital spending.

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

### ***Financing Activities***

On a consolidated basis, cash flows used in financing activities amounted to Php5,385 million for the three months ended March 31, 2019, an increase of Php693 million, or 15%, from Php4,692 million in the same period in 2018, resulting largely from the combined effects of the following: (1) settlement of obligations under lease liabilities of Php1,313 million in 2019; (2) lower proceeds from availment of long-term debt by Php500 million; (3) lower collection from derivatives by Php193 million; (4) higher interest paid by Php190 million; (5) lower payments of long-term debt by Php82 million; and (6) net settlement of long-term financing used for capital expenditures of Php1,463 million in 2018.

#### ***Debt Financing***

Proceeds from availment of long-term debt for the three months ended March 31, 2019 amounted to Php4,000 million, mainly from Smart's drawings related to the financing of capital expenditure requirements and refinancing of maturing loan obligations. Payments of principal and interest on our total debt amounted to Php6,320 million and Php1,703 million, respectively, for the three months ended March 31, 2019.

Our consolidated long-term debt decreased by Php2,290 million, or 1%, to Php173,986 million as at March 31, 2019 from Php176,276 million as at December 31, 2018, primarily due to debt amortizations, partly offset by drawings from our long-term facilities. As at March 31, 2019, the long-term debt level of Smart increased by 3% to Php68,163 million from Php65,996 as at December 31, 2018, while PLDT's long-term debt level decreased by 4% to Php105,823 million from Php110,280 million as at December 31, 2018.

See *Note 21 – Interest-bearing Financial Liabilities – Long-term Debt* to the accompanying unaudited consolidated financial statements for a more detailed discussion of our long-term debt.

#### *Debt Covenants*

Our consolidated debt instruments contain restrictive covenants, including covenants that require us to comply with specified financial ratios and other financial tests, calculated in conformity with PFRS, at relevant measurement dates, principally at the end of each quarterly period. We have complied with all of our maintenance financial ratios as required under our loan covenants and other debt instruments.

As at March 31, 2019 and 2018, we are in compliance with all of our debt covenants.

See *Note 21 – Interest-bearing Financial Liabilities – Compliance with Debt Covenants* to the accompanying unaudited consolidated financial statements for a more detailed discussion of our debt covenants.

#### *Financing Requirements*

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

The following table shows the dividends declared to shareholders from the earnings for the three months ended March 31, 2019 and 2018:

Earnings	Approved <sup>(1)</sup>	Date Record	Payable	Amount Per share (in million Php, except per share amount)	Total
2019					
Preferred					
Series IV Cumulative Non-convertible Redeemable Preferred Stock <sup>(1)</sup>	January 29, 2019	February 22, 2019	March 15, 2019	—	12
Voting Preferred Stock	March 7, 2019	March 27, 2019	April 15, 2019	—	3
Charged to Retained Earnings					15
2018					
Preferred					
Series IV Cumulative Non-convertible Redeemable Preferred Stock <sup>(1)</sup>	January 22, 2018	February 21, 2018	March 15, 2018	—	12
Voting Preferred Stock	March 8, 2018	March 28, 2018	April 15, 2018	—	3
Charged to Retained Earnings					15

<sup>(1)</sup> Dividends were declared based on total amount paid up.

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

#### **Changes in Financial Conditions**

Our total assets amounted to Php496,536 million as at March 31, 2019, an increase of Php13,786 million, or 3%, from Php482,750 million as at December 31, 2018, primarily due to right of use of assets resulting from the impact of adoption of PFRS 16, and higher prepayments and property and equipment, partly offset by lower cash and cash equivalents.

Our total liabilities amounted to Php382,852 million as at March 31, 2019, an increase of Php16,768 million, or 5%, from Php366,084 million as at December 31, 2018, primarily due to lease liabilities on account of the impact of the adoption of PFRS 16, and higher dividends payable, partly offset by lower accounts payable and pension and other employee benefits, combined with lower interest-bearing financial liabilities.

#### **Off-Balance Sheet Arrangements**

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

### *Equity Financing*

On August 2, 2016, the PLDT Board of Directors approved the amendment of our dividend policy, reducing our dividend payout rate to 60% of our core earnings per share as regular dividends. This was in view of the elevated capital expenditures to support the build-out of a resilient and reliable data network, lower EBITDA primarily due to higher subsidies to grow the data business and defend market share, and the resources required to support the acquisition of SMC's telecommunications business. In declaring dividends, we take into consideration the interest of our shareholders, as well as our working capital, capital expenditures and debt servicing requirements. The retention of earnings may be necessary to meet the funding requirements of our business expansion and development programs. However, in the event that no investment opportunities arise, we may consider the option of returning additional cash to our shareholders in the form of special dividends of up to the balance of our core earnings or to undertake share buybacks. We were able to pay out approximately 100% of our core earnings for seven consecutive years from 2007 to 2013, approximately 90% of our core earnings for 2014, 75% of our core earnings for 2015 and 60% of our core earnings for 2016, 2017 and 2018. The accumulated equity in the net earnings of our subsidiaries, which form part of our retained earnings, are not available for distribution unless realized in the form of dividends from such subsidiaries. Dividends are generally paid in Philippine pesos. In the case of shareholders residing outside the Philippines, PLDT's transfer agent in Manila, Philippines, as the dividend-disbursing agent, converts the Philippine peso dividends into U.S. dollars at the prevailing exchange rate and remits the dollar dividends abroad, net of any applicable withholding tax.

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

Consolidated cash dividend payments for the three months ended March 31, 2019 amounted to Php15 million as compared with Php16 million paid to shareholders in the same period in 2018.

### ***Contractual Obligations and Commercial Commitments***

#### *Contractual Obligations*

For a detailed discussion of our consolidated contractual undiscounted obligations as at March 31, 2019 and December 31, 2018, see *Note 29 – Financial Assets and Liabilities* to the accompanying unaudited consolidated financial statements.

#### *Commercial Commitments*

Our outstanding consolidated commercial commitments, in the form of letters of credit, amounted to Php111 million and Php20 million as at March 31, 2019 and December 31, 2018, respectively. These commitments will expire within one year.

### **Quantitative and Qualitative Disclosures about Market Risks**

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

For further discussions of these risks, see *Note 29 – Financial Assets and Liabilities* to the accompanying unaudited consolidated financial statements.

The following table sets forth the estimated consolidated fair values of our financial assets and liabilities recognized as at March 31, 2019 and December 31, 2018 other than those whose carrying amounts are reasonable approximations of fair values:

	Fair Values	
	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
(amounts in million Php)		
Noncurrent Financial Assets		
Debt instruments at amortized cost – net of current portion	-	148
Other financial assets – net of current portion	2,026	2,020
<b>Total noncurrent financial assets</b>	<b>2,026</b>	<b>2,168</b>
Noncurrent Financial Liabilities		
Interest-bearing financial liabilities	143,554	139,504
Customers' deposits	1,435	1,305
Deferred credits and other noncurrent liabilities	2,487	2,583
<b>Total noncurrent financial liabilities</b>	<b>147,476</b>	<b>143,392</b>

The following table sets forth the amount of gains (losses) recognized for the financial assets and liabilities for the three months ended March 31, 2019 and for the year ended December 31, 2018:

	March 31, 2019 (Unaudited)	December 31, 2018 (Audited)
	(amounts in million Php)	
Profit and Loss		
Interest income	552	1,943
Gains (losses) on derivative financial instruments – net	(3)	1,086
Accretion on financial liabilities	(31)	(145)
Interest on loans and other related items	(2,098)	(8,307)
Other Comprehensive Income		
Net fair value losses on cash flow hedges – net of tax	(76)	(271)

### Impact of Inflation and Changing Prices

Inflation can be a significant factor in the Philippine economy, and we are continually seeking ways to minimize its impact. The average inflation rate in the Philippines in each of the three months ended March 31, 2019 and 2018 was 3.8%. We expect inflation to stay within the 2% to 4% target range of the BSP.

## PART II – OTHER INFORMATION

### ***Expiration of Digitel’s Congressional Franchise***

On February 17, 1994, the Philippine Congress granted a legislative franchise to Digitel under R.A. No. 7678 to install, operate and maintain telecommunications systems throughout the Philippines for public domestic and international telecommunications, and for other purposes. R.A. No. 7678 expired on February 17, 2019 and was not renewed.

### ***Investment of PGIH in Multisys***

On November 8, 2018, the PLDT Board of Directors approved the investment of Php2,150 million in Multisys for a 45.73% equity interest through its wholly-owned subsidiary, PGIH. Multisys is a Philippine software development and IT solutions provider engaged in designing, developing, implementing business system solutions and services covering courseware, webpage development and designing user-defined system programming. PGIH’s investment involves the acquisition of new and existing shares.

On December 3, 2018, PGIH completed the closing of its investment in Multisys. PGIH paid Php523 million to the owner of Multisys for the acquisition of existing shares and invested Php800 million into Multisys as a deposit for future subscription pending the approval by the Philippine SEC of the capital increase of Multisys.

On February 1, 2019, the Philippine SEC approved the capital increase of Multisys.

### ***Investment of PLDT Capital in Phunware***

On September 3, 2015, PLDT Capital subscribed to an 8% US\$5 million Convertible Promissory Note, or Note, issued by Phunware, a Delaware corporation. Phunware provides an expansive mobile delivery platform that creates, markets, and monetizes mobile application experiences across multiple screens. The US\$5 million Note was issued to and paid for by PLDT Capital on September 4, 2015.

On December 18, 2015, PLDT Capital subscribed to Series F Preferred Shares of Phunware for a total consideration of US\$3 million. On the same date, the Note and its related interest were converted to additional Phunware Series F Preferred Shares.

On February 27, 2018, Phunware entered into a definitive Agreement and Plan of Merger, or Merger Agreement, with Stellar Acquisition III, Inc., or Stellar, relating to a business combination transaction for an enterprise value of US\$301 million, on a cash-free, debt-free basis. Pursuant to the Merger Agreement, the holders of Phunware common stock will be entitled to the right to receive the applicable portion of the merger consideration in the form of Stellar common shares, which are listed on the Nasdaq Stock Market. As a result, the holders of Phunware preferred stock have requested the automatic conversion of all outstanding preferred shares into common shares effective as of immediately prior to the closing of the transaction on a conversion ratio of one common share per one preferred share. In addition to the right to receive Stellar common shares, each holder of Phunware stock is entitled to elect to receive its pro rata share of warrants to purchase Stellar common shares that are held by the affiliate companies of Stellar’s co-Chief Executive Officers, or Stellar’s Sponsors.

On November 28, 2018, PLDT Capital elected to receive its full pro rata share of the warrants to purchase Stellar common shares held by Stellar’s Sponsors.

On December 26, 2018, Phunware announced the consummation of its business combination with Stellar. Stellar, the new Phunware holding company, changed its corporate name to “Phunware, Inc.,” or PHUN, and Phunware changed its corporate name to “Phunware OpCo, Inc.” Upon closing, PLDT Capital received the PHUN common shares equivalent to its portion of the merger consideration and its full pro rata share of warrants to purchase PHUN common shares.

On March 15, 2019, PLDT Capital exercised its warrants to purchase PHUN common shares for a total consideration of US\$1.6 million. However, Phunware is still securing approvals from the U.S. SEC for the issuance of the said common shares.

### ***Attys. Baquiran and Tecson vs. NTC, et al.***

This is a Petition for Mandamus filed on October 23, 2018 by Attys. Joseph Lemuel Baligod Baquiran and Ferdinand C. Tecson against the Respondents NTC, the PCC, Liberty, BellTel, Globe, PLDT and Smart. Briefly,



the case involves the 700 MHz frequency, among others, or Subject Frequencies, that was originally assigned to Liberty and which eventually became subject of the Co-Use Agreement between Globe, on the one hand, and PLDT and Smart, on the other.

The Petition prayed that: (a) A Temporary Restraining Order, or TRO, /Writ of Preliminary Injunction, or WPI, be issued to enjoin and restrain Globe, PLDT and Smart from utilizing and monopolizing the Subject Frequencies and NTC from bidding out or awarding the frequencies returned by Globe, PLDT and Smart; (b) NTC's conditional assignment of the Subject Frequencies be declared unconstitutional, illegal and void; (c) Alternatively, Liberty and its successors-in-interest be divested of the Subject Frequencies and the same be reverted to the State; (d) Liberty be declared to have transgressed Section 11 (1), Article XVI of the Constitution; (e) Liberty and its parent company be declared to have contravened paragraph 2 of Section 10, Article XII of the 1987 Constitution; (f) Liberty's assignment of the Subject Frequencies to BellTel be declared illegal and void; (g) The Co-Use Agreement be declared invalid; (h) NTC be found to have unlawfully neglected the performance of its positive duties; (i) PCC be found to have unlawfully neglected the performance of its positive duties; (j) A Writ of Mandamus be issued commanding NTC to revoke the Co-Use Agreement, recall the Subject Frequencies in favor of the State, and make the same available to the best qualified telecommunication players; (k) A Writ of Mandamus be issued commanding PCC to conduct a full review of Globe's and PLDT's acquisition of all issued and outstanding shares of Vega Telecom; (l) An Investigation of NTC be ordered for possible violation of Section 3 (e) of RA 3019 and other applicable laws; (m) The said TRO/WPI be made permanent.

Essentially, Petitioners contend that the NTC's assignments of the Subject Frequencies of Liberty were void xxx for failing to comply with Section 4 (c) of RA 7925 which essentially states that "the radio frequency spectrum is a scarce public resource xxx." Even assuming the assignments were valid, Liberty should be deemed divested of the same by operation of law (with the Subject Frequencies reverted to the State), considering that it underutilized or never utilized the Subject Frequencies in violation of the terms and conditions of the assignment. Assuming further that NTC's assignments of the Subject Frequencies were valid and that Liberty was not divested of the same by operation of law, still, Liberty did not validly assign the Subject Frequencies to BellTel because of the absence of Congressional approval. Petitioners conclude that since the assignments of the Subject Frequencies from NTC to Liberty, and from Liberty to BellTel, were all illegal and void, it follows that the Subject Frequencies could not serve as the object of the Co-Use Agreement between Globe and PLDT and Smart.

On January 17, 2019, PLDT and Smart filed their Comment. Essentially, the Comment raised the following arguments: first, that the requisites for judicial review and for a mandamus petition are lacking; second, that there was no need for Liberty to obtain prior Congressional approval before it assigned the Subject Frequencies to BellTel; and third, that the Co-Use Agreement is valid and approved by the NTC and did not violate the constitution or any laws.

In a Resolution dated March 19, 2019, the Supreme Court noted BellTel's Comment/Opposition dated January 10, 2019, Globe's Comment/Opposition dated January 21, 2019, and Liberty's Comment/Opposition dated January 10, 2019.

For updates on matters relating to the (1) Department of Labor and Employment, or DOLE, Compliance Order to PLDT, see *Note 28 – Provisions and Contingencies*; (2) Petition against the Philippine Competition Commission, see *Note 11 – Investment in Associates and Joint Ventures*; and (3) Wilson Gamboa and Jose M. Roy III Petition, see *Note 28 – Provisions and Contingencies*, to the accompanying unaudited consolidated financial statements.

### **Related Party Transactions**

For a detailed discussion of the related party transactions, see *Note 26 – Related Party Transactions* to the accompanying unaudited consolidated financial statements.



ANNEX I – AGING OF ACCOUNTS RECEIVABLE

The following table shows the aging of our consolidated receivables as at March 31, 2019:

Type of Accounts Receivable	Total	Current	31-60 Days	61-90 Days	Over 91 Days
	(amounts in million Php)				
Retail subscribers	20,059	9,664	1,033	278	9,084
Corporate subscribers	11,457	2,822	2,948	874	4,813
Foreign administrations	3,502	1,237	204	75	1,986
Domestic carriers	277	94	21	10	152
Dealers, agents and others	4,346	1,945	470	175	1,756
Total	39,641	15,762	4,676	1,412	17,791
Less: Allowance for doubtful accounts	17,464				
Total Receivables - net	22,177				



## ANNEX II – FINANCIAL SOUNDNESS INDICATORS

The following table shows our financial soundness indicators as at March 31, 2019 and 2018:

	2019	2018
Current Ratio <sup>(1)</sup>	0.45:1.0	0.58:1.0
Net Debt to Equity Ratio <sup>(2)</sup>	1.17:1.0	1.23:1.0
Net Debt to EBITDA Ratio <sup>(3)</sup>	1:91:1.0	2.03:1.0
Total Debt to EBITDA Ratio <sup>(4)</sup>	2.58:1.0	2.60:1.0
Asset to Equity Ratio <sup>(5)</sup>	4.51:1.0	4.29:1.0
Interest Coverage Ratio <sup>(6)</sup>	4.18:1.0	3.21:1.0
Profit Margin <sup>(7)</sup>	16%	17%
Return on Assets <sup>(8)</sup>	4%	3%
Return on Equity <sup>(9)</sup>	17%	14%
EBITDA Margin <sup>(10)</sup>	50%	44%

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



## SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the registrant has duly caused this report for the first quarter of 2019 to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant: **PLDT Inc.**

Signature and Title:

A handwritten signature in black ink, appearing to read "Manuel V. Pangilinan".

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

Signature and Title:

A handwritten signature in black ink, appearing to read "Anabelle Lim-Chua".

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

Signature and Title:

A handwritten signature in black ink, appearing to read "June Cheryl A. Cabal-Revilla".

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

Date: May 9, 2019