



November 7, 2019

Philippine Stock Exchange
6/F Philippine Stock Exchange Tower
28th Street corner 5th 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 nine (9) months ended September 30, 2019.

Very truly yours,

A large, handwritten signature in black ink, consisting of several loops and a long horizontal stroke, is written over the text of the signature block.
FLORENTINO D. MABASA, JR.
Assistant Corporate Secretary



November 7, 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 nine (9) months ended September 30, 2019.

Very truly yours,


FLORENTINO D. MABASA, JR.
Assistant Corporate Secretary

SEC Number
File Number

PW-55

PLDT Inc.

(Company's Full Name)

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

(Company's Address)

(632) 8816-8556

(Telephone Number)

Not Applicable

(Fiscal Year Ending)
(month & day)

SEC Form 17-Q

Form Type

Not Applicable

Amendment Designation (if applicable)

September 30, 2019

Period Ended Date

Not Applicable

(Secondary License Type and File Number)

COVER SHEET

SEC Registration Number										
P	W	-	5	5						

Company Name

P	L	D	T		I	N	C	.																																	

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

R	A	M	O	N		C	O	J	U	A	N	G	C	O		B	U	I	L	D	I	N	G																						
M	A	K	A	T	I		A	V	E	N	U	E		M	A	K	A	T	I		C	I	T	Y																					

Form Type

1	7	-	Q
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Department requiring the report

M	S	R	D
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Secondary License Type, If Applicable

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Company's Email Address

jacabal@pldt.com.ph

COMPANY INFORMATION

Company's Telephone Number/s

(02) 8816-8534

Mobile Number

--

No. of Stockholders

11,611 as at September 30, 2019

Annual Meeting Month/Day

Every 2nd Tuesday in June

Fiscal Year Month/Day

December 31

CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

June Cheryl A. Cabal-Revilla

Email Address

jacabal@pldt.com.ph

Telephone Number/s

(02) 8816-8534

Mobile Number

--

Contact Person's Address

11/F Ramon Cojuangco Bldg. Makati Ave., Makati City

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17

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

1. For the quarterly period ended **September 30, 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** **0721**
Avenue, Makati City
Address of registrant's principal office Postal Code
8. **(632) 8816-8556**
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 September 30, 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 September 30, 2019 (unaudited) and December 31, 2018 (audited) and for the nine months ended September 30, 2019 and 2018 (unaudited) and related notes (pages F-1 to F-167) 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 Php51.80 to US\$1.00, the exchange rate as at September 30, 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

	Nine months ended September 30,		Increase (Decrease)	
	2019	2018 ⁽¹⁾	Amount	%
(amounts in million Php, except for EBITDA margin, earnings per common share) (Unaudited)				
Consolidated Income Statement				
Revenues	124,436	121,876	2,560	2
Expenses	95,696	100,318	(4,622)	(5)
Other income (expenses) – net	(6,125)	(309)	(5,816)	(1,882)
Income before income tax	22,615	21,249	1,366	6
Net income	16,036	16,326	(290)	(2)
Core income	18,168	19,180	(1,012)	(5)
EBITDA	57,935	49,699	8,236	17
EBITDA margin ⁽²⁾	49%	44%	—	—
Reported earnings per common share:				
Basic	73.83	75.09	(1.26)	(2)
Diluted	73.83	75.09	(1.26)	(2)
Core earnings per common share ⁽³⁾ :				
Basic	83.88	88.57	(4.69)	(5)
Diluted	83.88	88.57	(4.69)	(5)

	September 30,		Increase (Decrease)	
	2019	2018	Amount	%
(amounts in million Php, except for net debt to equity ratio) (Unaudited) (Audited)				
Consolidated Statements of Financial Position				
Total assets	510,388	482,750	27,638	6
Property and equipment	224,021	195,964	28,057	14
Cash and cash equivalents and short-term investments	27,562	52,819	(25,257)	(48)
Total equity attributable to equity holders of PLDT	110,193	112,358	(2,165)	(2)
Long-term debt, including current portion	178,376	176,276	2,100	1
Net debt ⁽⁴⁾ to equity ratio	1.37x	1.10x	—	—

	Nine months ended September 30,		Change	
	2019	2018	Amount	%
(amounts in million Php, except for operational data) (Unaudited)				
Consolidated Statements of Cash Flows				
Net cash provided by operating activities	57,695	42,622	15,073	35
Net cash used in investing activities	(58,549)	(17,988)	(40,561)	(225)
<i>Payment for purchase of property and equipment, including capitalized interest</i>	<i>(61,157)</i>	<i>(40,484)</i>	<i>(20,673)</i>	<i>(51)</i>
Net cash used in financing activities	(23,188)	(14,038)	(9,150)	(65)
Operational Data				
Number of mobile subscribers	71,451,288	58,034,007	13,417,281	23
<i>Prepaid</i>	<i>69,012,106</i>	<i>55,627,968</i>	<i>13,384,138</i>	<i>24</i>
<i>Postpaid</i>	<i>2,439,182</i>	<i>2,406,039</i>	<i>33,143</i>	<i>1</i>
Number of broadband subscribers	2,091,014	2,054,225	36,789	2
<i>Fixed Line broadband</i>	<i>1,878,983</i>	<i>1,859,210</i>	<i>19,773</i>	<i>1</i>
<i>Fixed Wireless broadband</i>	<i>212,031</i>	<i>195,015</i>	<i>17,016</i>	<i>9</i>
Number of fixed line subscribers	2,727,035	2,778,274	(51,239)	(2)
Number of employees:	19,224	16,978	2,246	13
<i>Fixed Line</i>	<i>12,877</i>	<i>10,264</i>	<i>2,613</i>	<i>25</i>
<i>LEC</i>	<i>10,905</i>	<i>8,091</i>	<i>2,814</i>	<i>35</i>
<i>Others</i>	<i>1,972</i>	<i>2,173</i>	<i>(201)</i>	<i>(9)</i>
<i>Wireless</i>	<i>6,347</i>	<i>6,714</i>	<i>(367)</i>	<i>(5)</i>

(1) Certain amounts for the nine months ended September 30, 2018 were reclassified to conform with the current presentation.

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

(3) 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.

(4) 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
September 30, 2019	51.80	52.05
December 31, 2018	52.56	52.68
September 30, 2018	54.10	52.50
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* — PLDT Communications and Energy Ventures, Inc., or 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 September 30, 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 nine months ended September 30, 2019 and 2018 are set forth below.

The following table shows the reconciliation of our consolidated net income to our consolidated EBITDA for the nine months ended September 30, 2019 and 2018:

	2019	2018
	(Unaudited)	
	(amounts in million Php)	
Consolidated net income	16,036	16,326
Add (deduct) adjustments:		
Depreciation and amortization	28,613	27,500
Provision for income tax	6,579	4,923
Financing costs – net	6,532	5,292
Equity share in net losses (earnings) of associates and joint ventures	1,111	(199)
Amortization of intangible assets	582	641
Losses (gains) on derivative financial instruments - net	190	(1,053)
Impairment of investments	34	60
Foreign exchange losses (gains) - net	(10)	891
Interest income	(1,405)	(1,396)
Other income – net	(327)	(3,286)
Total adjustments	41,899	33,373
Consolidated EBITDA	57,935	49,699



The following table shows the reconciliation of our consolidated net income to our consolidated core income for the nine months ended September 30, 2019 and 2018:

	2019	2018
	(Unaudited)	
	(amounts in million Php)	
Consolidated net income	16,036	16,326
Add (deduct) adjustments:		
Manpower rightsizing program	2,399	408
Unrealized losses (gains) in fair value of investments	265	(1,089)
Losses (gains) on derivative financial instruments – net, excluding hedge costs	150	(1,091)
Core income adjustment on equity share in net losses of associates and joint ventures	49	45
Impairment of investments	34	60
Investment written-off	—	362
Depreciation due to shortened life of property and equipment	—	4,511
Foreign exchange losses (gains) – net	(10)	891
Net income attributable to noncontrolling interests	(40)	(57)
Net tax effect of aforementioned adjustments	(715)	(1,186)
Total adjustments	2,132	2,854
Consolidated core income	18,168	19,180

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 (benefit from) income tax, net income (loss)/segment profit (loss), EBITDA, EBITDA margin and core income for the nine months ended September 30, 2019 and 2018. In each of the nine months ended September 30, 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 ⁽¹⁾	Inter-segment Transactions	Consolidated
	(amounts in million Php, except for EBITDA margin)				
For the nine months ended September 30, 2019 (Unaudited)					
Revenues	70,635	66,468	—	(12,667)	124,436
Expenses	52,570	55,731	91	(12,696)	95,696
Other income (expenses) - net	(3,938)	(1,375)	(963)	151	(6,125)
Income (loss) before income tax	14,127	9,362	(1,054)	180	22,615
Provision for (benefit from) income tax	3,694	2,989	(246)	142	6,579
Net income (loss)/Segment profit (loss)	10,433	6,373	(808)	38	16,036
EBITDA	39,126	23,039	(91)	(4,139)	57,935
EBITDA margin ⁽²⁾	59%	35%	—	—	49%
Core income (loss)	10,762	7,916	(578)	68	18,168
For the nine months ended September 30, 2018 (Unaudited)					
Revenues	67,363	63,336	922	(9,745)	121,876
Expenses	57,569	50,720	2,946	(10,917)	100,318
Other income (expenses) - net	(636)	(960)	2,841	(1,554)	(309)
Income (loss) before income tax	9,158	11,656	817	(382)	21,249
Provision for (benefit from) income tax	2,221	2,483	219	—	4,923
Net income (loss)/Segment profit (loss)	6,937	9,173	598	(382)	16,326
EBITDA	26,046	24,320	(1,839)	1,172	49,699
EBITDA margin ⁽²⁾	42%	40%	—	—	44%
Core income (loss)	10,205	9,160	197	(382)	19,180
Increase (Decrease)					
Revenues	3,272	3,132	(922)	(2,922)	2,560
Expenses	(4,999)	5,011	(2,855)	(1,779)	(4,622)
Other income (expenses) - net	(3,302)	(415)	(3,804)	1,705	(5,816)
Income (loss) before income tax	4,969	(2,294)	(1,871)	562	1,366
Provision for (benefit from) income tax	1,473	506	(465)	142	1,656
Net income (loss)/Segment profit (loss)	3,496	(2,800)	(1,406)	420	(290)
EBITDA	13,080	(1,281)	1,748	(5,311)	8,236
Core income (loss)	557	(1,244)	(775)	450	(1,012)

⁽¹⁾ Other business segment includes results of operations of Voyager Innovations Holdings, Pte. Ltd., or 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. Effective November 30, 2018, VIH was deconsolidated from PCEV.

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

In 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 Php124,436 million for the nine months ended September 30, 2019, an increase of Php2,560 million, or 2%, as compared with Php121,876 million in the same period in 2018, primarily due to higher revenues from data services in our Wireless and Fixed Line business segments, partially offset by lower revenues from voice and SMS services in our Wireless business segment, and lower non-service revenues in our Wireless and Fixed Line business segments, as well as lower revenues from our Other business segment due to the deconsolidation of VIH in November 2018.

Our consolidated services revenues of Php119,008 million for the nine months ended September 30, 2019, increased by Php5,407 million, or 5%, from Php113,601 million in the same period in 2018, while our consolidated non-service revenues of Php5,428 million for the nine months ended September 30, 2019, decreased by Php2,847 million, or 34%, from Php8,275 million in the same period in 2018.

Consolidated service revenues, net of interconnection costs, amounted to Php116,268 million for the nine months ended September 30, 2019, an increase of Php7,241 million, or 7%, from Php109,027 million in the same period in 2018.

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 nine months ended September 30, 2019 and 2018:

	Wireless	Fixed Line	Others	Inter-segment Transactions	Consolidated
(amounts in million Php)					
For the nine months ended September 30, 2019					
Service Revenues					
Wireless	66,356			(1,858)	64,498
Mobile	64,941			(775)	64,166
Home broadband	69			—	69
MVNO and others	1,346			(1,083)	263
Fixed Line		65,319		(10,809)	54,510
Voice		19,746		(4,653)	15,093
Data		45,002		(5,893)	39,109
Home broadband		20,983		(114)	20,869
Corporate data and ICT		24,019		(5,779)	18,240
Miscellaneous		571		(263)	308
Others			—	—	—
Total Service Revenues	66,356	65,319	—	(12,667)	119,008
Non-Service Revenues					
Sale of computers, phone units, mobile handsets and broadband data modems	4,279	875	—	(1)	5,153
Point-product sales	—	274	—	1	275
Total Non-Service Revenues	4,279	1,149	—	—	5,428
Total Revenues	70,635	66,468	—	(12,667)	124,436
For the nine months ended September 30, 2018					
Service Revenues					
Wireless	61,968			(2,112)	59,856
Mobile	60,518			(923)	59,595
Home broadband	124			—	124
MVNO and others	1,326			(1,189)	137
Fixed Line		60,491		(7,624)	52,867
Voice		18,818		(2,955)	15,863
Data		41,084		(4,389)	36,695
Home broadband		19,934		(197)	19,737
Corporate data and ICT		21,150		(4,192)	16,958
Miscellaneous		589		(280)	309
Others			886	(8)	878
Total Service Revenues	61,968	60,491	886	(9,744)	113,601
Non-Service Revenues					
Sale of computers, phone units, mobile handsets and broadband data modems	5,395	2,434	36	(7)	7,858
Point-product sales	—	411	—	6	417
Total Non-Service Revenues	5,395	2,845	36	(1)	8,275
Total Revenues	67,363	63,336	922	(9,745)	121,876

The following table shows the breakdown of our consolidated revenues by business segment for the nine months ended September 30, 2019 and 2018:

	2019	%	2018	%	Change Amount	Change %
(amounts in million Php)						
Wireless	70,635	57	67,363	55	3,272	5
Fixed Line	66,468	53	63,336	52	3,132	5
Others ⁽¹⁾	—	—	922	1	(922)	(100)
Inter-segment transactions	(12,667)	(10)	(9,745)	(8)	(2,922)	(30)
Consolidated	124,436	100	121,876	100	2,560	2

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

Expenses

Consolidated expenses decreased by Php4,622 million, or 5%, to Php95,696 million for the nine months ended September 30, 2019 from Php100,318 million in the same period in 2018, primarily due to lower selling, general and administrative expenses, interconnection costs, cost of sales and services, and provisions 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 interconnection costs, selling, general and administrative expenses, and provisions in our Fixed Line business segment, and higher depreciation and amortization in our Wireless and Fixed Line business segments.

The following table shows the breakdown of our consolidated expenses by business segment for the nine months ended September 30, 2019 and 2018:

	2019	%	2018	%	Change	
					Amount	%
	(amounts in million Php)					
Wireless	52,570	55	57,569	57	(4,999)	(9)
Fixed Line	55,731	58	50,720	51	5,011	10
Others	91	—	2,946	3	(2,855)	(97)
Inter-segment transactions	(12,696)	(13)	(10,917)	(11)	(1,779)	(16)
Consolidated	95,696	100	100,318	100	(4,622)	(5)

Other Income (Expenses) – Net

Consolidated other expenses amounted to Php6,125 million for the nine months ended September 30, 2019, an increase of Php5,816 million from Php309 million in the same period in 2018, primarily due to lower realized and unrealized gains on fair value of Rocket Internet investment, equity share in net losses of VIH and unrealized loss on fair value of Phunware investment in 2019 from our Other business segment, net losses on derivative financial instruments in 2019 as against net gains on derivative financial instruments in 2018 from our Wireless and Fixed Line business segments, and higher financings costs from our Wireless business segment.

The following table shows the breakdown of our consolidated other income (expenses) – net by business segment for the nine months ended September 30, 2019 and 2018:

	2019	2018	Change	
			Amount	%
	(amounts in million Php)			
Wireless	(3,938)	(636)	(3,302)	(519)
Fixed Line	(1,375)	(960)	(415)	(43)
Others	(963)	2,841	(3,804)	(134)
Inter-segment transactions	151	(1,554)	1,705	110
Consolidated	(6,125)	(309)	(5,816)	(1,882)

Net Income (Loss)

Consolidated net income decreased by Php290 million, or 2%, to Php16,036 million for the nine months ended September 30, 2019, from Php16,326 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 Php73.83 for the nine months ended September 30, 2019 from Php75.09 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 nine months ended September 30, 2019 and 2018:

	2019	%	2018	%	Change	
					Amount	%
	(amounts in million Php)					
Wireless	10,433	65	6,937	42	3,496	50
Fixed Line	6,373	40	9,173	56	(2,800)	(31)
Others	(808)	(5)	598	4	(1,406)	(235)
Inter-segment transactions	38	—	(382)	(2)	420	110
Consolidated	16,036	100	16,326	100	(290)	(2)

EBITDA

Our consolidated EBITDA amounted to Php57,935 million for the nine months ended September 30, 2019, an increase of Php8,236 million, or 17%, as compared with Php49,699 million in the same period in 2018, primarily due to higher EBITDA in our Wireless business segment, as well as from our Other business segment due to the deconsolidation of VIH, partly offset by lower EBITDA in our Fixed Line business segment, mainly due to higher MRP expense.

In 2019, we adopted PFRS 16 resulting to a reduction in rent expense of Php4,414 million for the nine months ended September 30, 2019, thereby contributing an improvement in EBITDA.

The following table shows the breakdown of our consolidated EBITDA by business segment for the nine months ended September 30, 2019 and 2018:

	2019	%	2018	%	Change	
					Amount	%
	(amounts in million Php)					
Wireless	39,126	67	26,046	53	13,080	50
Fixed Line	23,039	40	24,320	49	(1,281)	(5)
Others	(91)	—	(1,839)	(4)	1,748	95
Inter-segment transactions	(4,139)	(7)	1,172	2	(5,311)	(453)
Consolidated	57,935	100	49,699	100	8,236	17

Core Income

Our consolidated core income amounted to Php18,168 million for the nine months ended September 30, 2019, a decrease of Php1,012 million, or 5%, as compared with Php19,180 million in the same period in 2018. Our consolidated basic and diluted core EPS decreased to Php83.88 for the nine months ended September 30, 2019 from Php88.57 in the same period in 2018.

The following table shows the breakdown of our consolidated core income by business segment for the nine months ended September 30, 2019 and 2018:

	2019	%	2018	%	Change	
					Amount	%
	(amounts in million Php)					
Wireless	10,762	59	10,205	53	557	5
Fixed Line	7,916	44	9,160	48	(1,244)	(14)
Others	(578)	(3)	197	1	(775)	(393)
Inter-segment transactions	68	—	(382)	(2)	450	118
Consolidated	18,168	100	19,180	100	(1,012)	(5)

Our consolidated core income from telco operations, or telco core income, amounted to Php19,407 million for the nine months ended September 30, 2019, an increase of Php276 million, or 1%, as compared with Php19,131 million in the same period in 2018.



On a Business Segment Basis

Wireless

Revenues

We generated revenues of Php70,635 million from our Wireless business segment for the nine months ended September 30, 2019, an increase of Php3,272 million, or 5%, from Php67,363 million in the same period in 2018.

The following table summarizes our total revenues by service from our Wireless business segment for the nine months ended September 30, 2019 and 2018:

	2019	%	2018	%	Increase (Decrease)	
					Amount	%
(amounts in million Php)						
Service Revenues:						
Mobile	64,941	92	60,518	90	4,423	7
Home broadband	69	—	124	—	(55)	(44)
MVNO and others ⁽¹⁾	1,346	2	1,326	2	20	2
Total Wireless Service Revenues	66,356	94	61,968	92	4,388	7
Non-Service Revenues:						
Sale of mobile handsets and broadband data modems	4,279	6	5,395	8	(1,116)	(21)
Total Wireless Revenues	70,635	100	67,363	100	3,272	5

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

Service Revenues

Our wireless service revenues for the nine months ended September 30, 2019 increased by Php4,388 million, or 7%, to Php66,356 million as compared with Php61,968 million in the same period in 2018, mainly as a result of higher mobile revenues. As a percentage of our total wireless revenues, service revenues accounted for 94% and 92% for the nine months ended September 30, 2019 and 2018, respectively.

Mobile Services

Our mobile service revenues amounted to Php64,941 million for the nine months ended September 30, 2019, an increase of Php4,423 million, or 7%, from Php60,518 million in the same period in 2018. Mobile service revenues accounted for 98% of our wireless service revenues in each of the nine months ended September 30, 2019 and 2018. 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 observed usage behavior pattern of our subscribers based on the network study conducted for our Wireless business segment.

The following table shows the breakdown of our mobile service revenues for the nine months ended September 30, 2019 and 2018:

	2019	%	2018	%	Increase (Decrease)	
					Amount	%
(amounts in million Php)						
Mobile Services:						
Data	37,883	58	27,278	45	10,605	39
Voice	18,473	28	21,548	36	(3,075)	(14)
SMS	7,509	12	10,490	17	(2,981)	(28)
Inbound roaming and others ⁽¹⁾	1,076	2	1,202	2	(126)	(10)
Total	64,941	100	60,518	100	4,423	7

⁽¹⁾ 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 Php10,605 million, or 39%, to Php37,883 million for the nine months ended September 30, 2019 from Php27,278 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, partially offset by lower revenues from mobile broadband. Data services accounted for 58% and 45% of our mobile service revenues for the nine months ended September 30, 2019 and 2018, respectively.



The following table shows the breakdown of our mobile data service revenues for the nine months ended September 30, 2019 and 2018:

	2019	%	2018	%	Increase (Decrease)	
					Amount	%
	(amounts in million Php)					
Data Services:						
Mobile internet ⁽¹⁾	34,483	91	23,434	86	11,049	47
Mobile broadband	2,701	7	3,569	13	(868)	(24)
Other data	699	2	275	1	424	154
Total	37,883	100	27,278	100	10,605	39

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

Mobile Internet

Mobile internet service revenues increased by Php11,049 million, or 47%, to Php34,483 million for the nine months ended September 30, 2019 from Php23,434 million in the same period in 2018, primarily due to the following: (i) increase in video users driven by the *Free YouTube For All* program for *Smart*, *TNT* and *Sun*; (ii) increase in gaming usage on *Mobile Legends*, through promotion of gaming data packages and onground e-sports initiatives; (iii) higher take-up of new prepaid mobile data products like *GIGA Video*, *GIGA Games*, *GIGA IG+FB*, and *Surf Saya*; (iv) expanded LTE migration efforts to further drive LTE sim and smartphone ownership; and (v) shift to data-centric postpaid plans. Mobile internet services accounted for 53% and 39% of our mobile service revenues for the nine months ended September 30, 2019 and 2018, respectively.

Mobile Broadband

Mobile broadband revenues amounted to Php2,701 million for the nine months ended September 30, 2019, a decrease of Php868 million, or 24%, from Php3,569 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 4% and 6% of our mobile service revenues for the nine months ended September 30, 2019 and 2018, respectively.

Other Data

Revenues from our other data services, which include value-added services, or VAS, domestic leased lines and share in revenue from PLDT WeRoam, increased by Php424 million to Php699 million for the nine months ended September 30, 2019 from Php275 million in the same period in 2018, primarily due to revenues from VAS related to mobile gaming.

Voice Services

Mobile revenues from our voice services, which include all voice traffic, decreased by Php3,075 million, or 14%, to Php18,473 million for the nine months ended September 30, 2019 from Php21,548 million in the same period in 2018, mainly on account of lower traffic due to subscribers' shift to alternative calling options and other OTT services, and the impact of reduction in interconnection rates for voice services, as mandated by the NTC. Mobile voice services accounted for 28% and 36% of our mobile service revenues for the nine months ended September 30, 2019 and 2018, respectively.

Domestic voice service revenues decreased by Php1,729 million, or 10%, to Php16,225 million for the nine months ended September 30, 2019 from Php17,954 million in the same period in 2018, due to lower domestic outbound and inbound voice service revenues.

International voice service revenues decreased by Php1,346 million, or 37%, to Php2,248 million for the nine months ended September 30, 2019 from Php3,594 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 Php2,981 million, or 28%, to Php7,509 million for the nine months ended September 30, 2019 from Php10,490 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 reduction in interconnection rates for SMS services. Mobile SMS services accounted for 12% and 17% of our mobile service revenues for the nine months ended September 30, 2019 and 2018, respectively.

Inbound Roaming and Others

Mobile revenues from inbound roaming and other services decreased by Php126 million, or 10%, to Php1,076 million for the nine months ended September 30, 2019 from Php1,202 million in the same period in 2018 due to lower other subscriber-related income.

The following table shows the breakdown of our mobile service revenues by service type for the nine months ended September 30, 2019 and 2018:

	2019	2018	Increase (Decrease)	
			Amount	%
Mobile service revenues	64,941	60,518	4,423	7
<i>By service type</i>				
Prepaid	49,277	44,712	4,565	10
Postpaid	14,588	14,604	(16)	—
Inbound roaming and others	1,076	1,202	(126)	(10)

Prepaid Revenues

Revenues generated from our mobile prepaid services amounted to Php49,277 million for the nine months ended September 30, 2019, an increase of Php4,565 million, or 10%, as compared with Php44,712 million in the same period in 2018. Mobile prepaid service revenues accounted for 76% and 74% of mobile service revenues for the nine months ended September 30, 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 usages.

Postpaid Revenues

Revenues generated from mobile postpaid services amounted to Php14,588 million for the nine months ended September 30, 2019, slightly lower by Php16 million as compared with Php14,604 million in the same period in 2018, and accounted for 22% and 24% of mobile service revenues for the nine months ended September 30, 2019 and 2018, respectively.

Subscriber Base, ARPU and Churn Rates

The following table shows our mobile subscriber base as at September 30, 2019 and 2018:

	2019	2018	Increase (Decrease)	
			Amount	%
Mobile subscriber base				
Smart ⁽¹⁾	26,725,721	20,956,739	5,768,982	28
Prepaid	25,240,171	19,526,064	5,714,107	29
Postpaid	1,485,550	1,430,675	54,875	4
TNT	37,619,726	30,129,026	7,490,700	25
Sun ⁽¹⁾	7,105,841	6,948,242	157,599	2
Prepaid	6,152,209	5,972,878	179,331	3
Postpaid	953,632	975,364	(21,732)	(2)
Total mobile subscribers	71,451,288	58,034,007	13,417,281	23

⁽¹⁾ 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 3.6% and 7.4% for the nine months ended September 30, 2019 and 2018, respectively, while the average monthly churn rates for TNT subscribers were 3.6% and 6.3% for the nine months ended September 30, 2019 and 2018, respectively. The average monthly churn rates for Sun Prepaid subscribers were 4.9% and 5.8% for the nine months ended September 30, 2019 and 2018, respectively.

The average monthly churn rates for Smart Postpaid subscribers were 2.0% and 2.1% for the nine months ended September 30, 2019 and 2018, respectively, and 1.4% and 3.3% for the nine months ended September 30, 2019 and 2018, respectively, for Sun Postpaid subscribers.

The following table summarizes our average monthly ARPUs for the nine months ended September 30, 2019 and 2018:

	Gross ⁽¹⁾		Increase (Decrease)		Net ⁽²⁾		Increase (Decrease)	
	2019	2018	Amount	%	2019	2018	Amount	%
	(amounts in Php)							
Prepaid								
<i>Smart</i>	131	128	3	2	117	116	1	1
<i>TNT</i>	75	79	(4)	(5)	67	72	(5)	(7)
<i>Sun</i>	83	89	(6)	(7)	75	81	(6)	(7)
Postpaid								
<i>Smart</i>	822	831	(9)	(1)	806	811	(5)	(1)
<i>Sun</i>	419	399	20	5	414	397	17	4

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

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

Home Broadband

Revenues from our Home Broadband services amounted to Php69 million for the nine months ended September 30, 2019, a decrease of Php55 million, or 44%, from Php124 million in the same period in 2018.

MVNO and Others

Revenues from our MVNO and other services amounted to Php1,346 million for the nine months ended September 30, 2019, an increase of Php20 million, or 2%, from Php1,326 million in the same period in 2018.

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 Php1,116 million, or 21%, to Php4,279 million for the nine months ended September 30, 2019 from Php5,395 million in the same period in 2018, primarily due to lower average selling price per unit of mobile handsets.

Expenses

Expenses associated with our Wireless business segment amounted to Php52,570 million for the nine months ended September 30, 2019, a decrease of Php4,999 million, or 9%, from Php57,569 million in the same period in 2018. The decrease was mainly attributable to lower selling, general and administrative expenses, interconnection costs, provisions 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 74% and 85% in the nine months ended September 30, 2019 and 2018, respectively.

The following table summarizes the breakdown of our total wireless-related expenses for the nine months ended September 30, 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	23,301	45	28,418	50	(5,117)	(18)
Depreciation and amortization	20,479	39	15,664	27	4,815	31
Cost of sales and services	6,322	12	7,548	13	(1,226)	(16)
Interconnection costs	1,728	3	4,017	7	(2,289)	(57)
Provisions	653	1	1,922	3	(1,269)	(66)
Asset impairment	87	—	—	—	87	100
Total	52,570	100	57,569	100	(4,999)	(9)

Selling, general and administrative expenses decreased by Php5,117 million, or 18%, to Php23,301 million, primarily due to lower rent resulting mainly from the impact of PFRS 16 adoption, and professional and other contracted services, partly offset by higher expenses related to repairs and maintenance, selling and promotions, and compensation and employee benefits.

Depreciation and amortization charges increased by Php4,815 million, or 31%, to Php20,479 million, on account of depreciation of right-of-use asset resulting from the impact of PFRS 16 adoption and increase in depreciation of property and equipment due to higher asset base, partly offset by lower depreciation recognized due to shortened life of certain data network platform and other technology equipment resulting from the ongoing transformation projects.

Cost of sales and services decreased by Php1,226 million, or 16%, to Php6,322 million, primarily due to lower average cost per unit of mobile handsets and lower cost of services.

Interconnection costs decreased by Php2,289 million, or 57%, to Php1,728 million, primarily due to lower interconnection cost on domestic voice and SMS services, as a result of the impact of reduction in interconnection rates for voice and SMS.

Provisions decreased by Php1,269 million, or 66%, to Php653 million, primarily due to lower provision for doubtful accounts on trade receivables, and lower provision for inventory obsolescence.

Asset impairment, mainly consisting of contract asset impairment, amounted to Php87 million and nil in the nine months ended September 30, 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 nine months ended September 30, 2019 and 2018:

	2019	2018	Change	
			Amount	%
	(amounts in million Php)			
Other Income (Expenses) – Net:				
Financing costs – net	(4,817)	(1,344)	(3,473)	(258)
Gains (losses) on derivative financial instruments – net	(127)	489	(616)	(126)
Foreign exchange losses – net	(96)	(452)	356	79
Equity share in net earnings of associates and joint ventures	—	62	(62)	(100)
Interest income	559	436	123	28
Other income – net	543	173	370	214
Total	(3,938)	(636)	(3,302)	(519)

Our Wireless business segment's other expenses amounted to Php3,938 million for the nine months ended September 30, 2019, an increase of Php3,302 million, or 519%, from Php636 million in the same period in 2018, primarily due to the combined effects of the following: (i) higher net financing costs by Php3,473 million mainly due to the impact of PFRS 16 adoption; (ii) net losses on derivative financial instruments of Php127 million in 2019 as against net gains on derivative financial instruments of Php489 million in 2018 mainly due to the appreciation of the Philippine peso relative to the U.S. dollar in 2019 as against the depreciation of the Philippine peso relative to the U.S. dollar in 2018; (iii) equity share in net earnings of associates of Php62 million in 2018; (iv) higher interest income by Php123 million; (v) lower net foreign exchange losses by Php356 million, mainly due to revaluation of net foreign currency-denominated assets in 2019 as against revaluation of net foreign currency-denominated liabilities in 2018; and (vi) higher other income – net by Php370 million mainly due to higher rental income, income from management services and other miscellaneous income.

Provision for Income Tax

Provision for income tax amounted to Php3,694 million for the nine months ended September 30, 2019, an increase of Php1,473 million, or 66%, from Php2,221 million in the same period in 2018 mainly due to higher taxable income.

Net Income

As a result of the foregoing, our Wireless business segment's net income increased by Php3,496 million, or 50%, to Php10,433 million for the nine months ended September 30, 2019 from Php6,937 million in the same period in 2018.

EBITDA

Our Wireless business segment's EBITDA increased by Php13,080 million, or 50%, to Php39,126 million for the nine months ended September 30, 2019 from Php26,046 million in the same period in 2018. EBITDA margin increased to 59% for the nine months ended September 30, 2019 from 42% in the same period in 2018.

Core Income

Our Wireless business segment's core income increased by Php557 million, or 5%, to Php10,762 million for the nine months ended September 30, 2019 from Php10,205 million in the same period in 2018, mainly on account of higher EBITDA, partially offset by higher depreciation expense and net financing costs.

Fixed Line

Revenues

Revenues generated from our Fixed Line business segment amounted to Php66,468 million for the nine months ended September 30, 2019, an increase of Php3,132 million, or 5%, from Php63,336 million in the same period in 2018.

The following table summarizes our total revenues by service from our Fixed Line business segment for the nine months ended September 30, 2019 and 2018:

	2019		2018		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
	(amounts in million Php)					
Service Revenues:						
Data	45,002	67	41,084	65	3,918	10
Voice	19,746	30	18,818	30	928	5
Miscellaneous	571	1	589	1	(18)	(3)
	65,319	98	60,491	96	4,828	8
Non-Service Revenues:						
Sale of computers, phone units and point-product sales	1,149	2	2,845	4	(1,696)	(60)
Total Fixed Line Revenues	66,468	100	63,336	100	3,132	5

Service Revenues

Our fixed line service revenues increased by Php4,828 million, or 8%, to Php65,319 million for the nine months ended September 30, 2019 from Php60,491 million in the same period in 2018, due to higher revenues from our data and voice services, partly offset by lower revenues from our miscellaneous services. 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 nine months ended September 30, 2019 and 2018:

	2019	2018	Increase	
			Amount	%
	(amounts in million Php)			
Data service revenues	45,002	41,084	3,918	10
Corporate data and ICT	24,019	21,150	2,869	14
Home broadband	20,983	19,934	1,049	5

Our data services posted revenues of Php45,002 million for the nine months ended September 30, 2019, an increase of Php3,918 million, or 10%, from Php41,084 million in the same period in 2018, primarily due to higher revenues from corporate data and leased lines, data center and ICT, and home broadband services. The percentage contribution of this service segment to our fixed line service revenues accounted for 69% and 68% for the nine months ended September 30, 2019 and 2018, respectively.

Corporate Data and ICT

Corporate data services amounted to Php19,759 million for the nine months ended September 30, 2019, an increase of Php2,254 million, or 13%, as compared with Php17,505 million in the same period in 2018, mainly due to the sustained demand for broadband internet and data networking services. Corporate data revenues accounted for 44% and 43% of total data services in the nine months ended September 30, 2019 and 2018, respectively.

ICT revenues increased by Php615 million, or 17%, to Php4,260 million for the nine months ended September 30, 2019 from Php3,645 million in the same period in 2018 mainly due to higher revenues from Data Centers, Cloud, Cybersecurity and managed IT services. The percentage contribution of this service segment to our total data service revenues accounted for 9% in each of the nine months ended September 30, 2019 and 2018.

Home Broadband

Home broadband data revenues amounted to Php20,983 million for the nine months ended September 30, 2019, an increase of Php1,049 million, or 5%, from Php19,934 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. Home broadband revenues accounted for 47% and 48% of total data service revenues in the nine months ended September 30, 2019 and 2018, respectively. In the first nine months of 2019, PLDT's FTTH nationwide network rollout passes 7.1 million homes.

Voice Services

Revenues from our voice services increased by Php928 million, or 5%, to Php19,746 million for the nine months ended September 30, 2019 from Php18,818 million in the same period in 2018, primarily due to higher revenues from international services of PLDT Global, partly offset by lower revenues from domestic and local exchange services. The decline in local exchange and domestic services 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 subscribers' shift to mobile services. The percentage contribution of voice service revenues to our fixed line service revenues accounted for 30% and 31% for the nine months ended September 30, 2019 and 2018, respectively.

Miscellaneous Services

Miscellaneous service revenues are derived mostly from rentals and management fees. These service revenues decreased by Php18 million, or 3%, to Php571 million for the nine months ended September 30, 2019 from Php589 million in the same period in 2018. The percentage contribution of miscellaneous service revenues to our total fixed line service revenues accounted for 1% in each of the nine months ended September 30, 2019 and 2018.

Non-service Revenues

Non-service revenues decreased by Php1,696 million, or 60%, to Php1,149 million for the nine months ended September 30, 2019 from Php2,845 million in the same period in 2018, primarily due to lower sale of computer bundles, Telpad units, managed ICT equipment, Ultra devices, and hardware.

Expenses

Expenses related to our Fixed Line business segment totaled Php55,731 million for the nine months ended September 30, 2019, an increase of Php5,011 million, or 10%, as compared with Php50,720 million in the same period in 2018. The increase was primarily due to higher expenses related to interconnection costs, selling, general and administrative, provisions, and depreciation and amortization. As a percentage of our total fixed line revenues, expenses associated with our Fixed Line business segment accounted for 84% and 80% for the nine months ended September 30, 2019 and 2018, respectively.

The following table shows the breakdown of our total fixed line-related expenses for the nine months ended September 30, 2019 and 2018 and the percentage of each expense item in relation to the total:

	2019		2018		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
	(amounts in million Php)					
Selling, general and administrative expenses	31,527	57	29,542	58	1,985	7
Depreciation and amortization	12,302	22	11,704	23	598	5
Interconnection costs	5,642	10	3,612	7	2,030	56
Cost of sales and services	3,148	6	3,620	7	(472)	(13)
Provisions	2,977	5	2,242	5	735	33
Asset impairment	135	—	—	—	135	100
Total	55,731	100	50,720	100	5,011	10

Selling, general and administrative expenses increased by Php1,985 million, or 7%, to Php31,527 million primarily due to higher compensation and employee benefits resulting from higher MRP expenses, repairs and maintenance, and selling and promotions, partly offset by lower rent expense, mainly due to the impact of PFRS 16 adoption.

Depreciation and amortization charges increased by Php598 million, or 5%, to Php12,302 million mainly due to the impact of PFRS 16 adoption.

Interconnection costs increased by Php2,030 million, or 56%, to Php5,642 million, primarily due to higher international interconnection costs of PLDT Global, partly offset by lower domestic interconnection costs, mainly due to the impact of reduction in interconnection rate for voice services.

Cost of sales and services decreased by Php472 million, or 13%, to Php3,148 million, primarily due to lower cost of computer bundles, Telpad units, managed ICT equipment, Ultra devices and hardware, partly offset by higher cost of services.

Provisions increased by Php735 million, or 33%, to Php2,977 million, primarily due to higher provision for doubtful accounts mainly from our Home trade receivables, partly offset by nil provision for inventory obsolescence in the first nine months of 2019.

Asset impairment, consisting mainly of contract asset impairment, amounted to Php135 million and nil for the nine months ended September 30, 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 nine months ended September 30, 2019 and 2018:

	2019	2018	Change	
			Amount	%
(amounts in million Php)				
Other Income (Expenses) - Net:				
Financing costs – net	(3,804)	(3,941)	137	3
Gains (losses) on derivative financial instruments – net	(137)	282	(419)	(149)
Equity share in net earnings of associates	164	152	12	8
Foreign exchange gains (losses) – net	156	(36)	192	533
Interest income	550	649	(99)	(15)
Other income – net	1,696	1,934	(238)	(12)
Total	(1,375)	(960)	(415)	(43)

Our Fixed Line business segment’s other expenses amounted to Php1,375 million for the nine months ended September 30, 2019, an increase of Php415 million, or 43%, from Php960 million in the same period in 2018, primarily due to the combined effects of the following: (i) net losses on derivative financial instruments of Php137 million in 2019 as against net gains on derivative financial instruments of Php282 million in 2018; (ii) lower other income – net by Php238 million; (iii) lower interest income by Php99 million; (iv) higher equity share in net earnings of associates by Php12 million; (v) lower net financing costs by Php137 million; and (vi) net foreign exchange gains of Php156 million in 2019 as against net foreign exchange losses of Php36 million in 2018, mainly due to the appreciation of the Philippine peso relative to the U.S. dollar in 2019 as against the depreciation of the Philippine peso relative to the U.S. dollar in 2018.

Provision for Income Tax

Provision for income tax amounted to Php2,989 million for the nine months ended September 30, 2019, an increase of Php506 million, or 20%, from Php2,483 million in the same period in 2018.

Net Income

As a result of the foregoing, our Fixed Line business segment registered a net income of Php6,373 million for the nine months ended September 30, 2019, a decrease of Php2,800 million, or 31%, as compared with Php9,173 million in the same period in 2018.

EBITDA

Our Fixed Line business segment’s EBITDA decreased by Php1,281 million, or 5%, to Php23,039 million for the nine months ended September 30, 2019 from Php24,320 million in the same period in 2018. EBITDA margin decreased to 35% for the nine months ended September 30, 2019 from 40% in the same period in 2018.

Core Income

Our Fixed Line business segment’s core income decreased by Php1,244 million, or 14%, to Php7,916 million for the nine months ended September 30, 2019 from Php9,160 million in the same period in 2018, primarily as a result of lower EBITDA, and higher provision for income tax and 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 Php922 million for the nine months ended September 30, 2019 and 2018, respectively, due mainly to the deconsolidation of VIH.

Expenses

Expenses related to our Other business segment totaled Php91 million for the nine months ended September 30, 2019, a decrease of Php2,855 million, or 97%, from Php2,946 million 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 nine months ended September 30, 2019 and 2018:

	2019	2018	Change	
			Amount	%
(amounts in million Php)				
Other Income (Expenses) - Net:				
Interest income	325	419	(94)	(22)
Gains on derivative financial instruments – net	74	282	(208)	(74)
Foreign exchange losses – net	(18)	(403)	385	96
Financing costs – net	(29)	(115)	86	75
Equity share in net losses of associates and joint ventures	(1,275)	(15)	(1,260)	(8,400)
Other income (expenses) – net	(40)	2,673	(2,713)	(101)
Total	(963)	2,841	(3,804)	(134)

Our Other business segment's other expenses amounted to Php963 million for the nine months ended September 30, 2019, a change of Php3,804 million, or 134%, as against other income of Php2,841 million in the same period in 2018, primarily due to the combined effects of the following: (i) lower other income – net by Php2,713 million mainly due to lower realized and unrealized gains on fair value of Rocket Internet investment, as well as unrealized loss on fair value of Phunware investment in 2019; (ii) higher equity share in net losses of associates and joint ventures by Php1,260 million mainly due to equity share in net losses of VIH amounting to Php1,329 million in 2019; (iii) lower net gains on derivative financial instruments by Php208 million, mainly due to the appreciation of the Philippine peso relative to the U.S. dollar in 2019 as against the depreciation of the Philippine peso relative to the U.S. dollar in 2018; (iv) lower interest income by Php94 million; (v) lower net financing costs by Php86 million; and (vi) lower net foreign exchange losses by Php385 million 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 (Loss)

As a result of the foregoing, our Other business segment registered a net loss of Php808 million for the nine months ended September 30, 2019, a change of Php1,406 million as against net income of Php598 million in the same period in 2018.

Core Income (Loss)

Our Other business segment's core loss amounted to Php578 million for the nine months ended September 30, 2019, a change of Php775 million as against core income of Php197 million in the same period in 2018.

Liquidity and Capital Resources

The following table shows our consolidated cash flows for the nine months ended September 30, 2019 and 2018, as well as our consolidated capitalization and other consolidated selected financial data as at September 30, 2019 and December 31, 2018:

	Nine months ended September 30,	
	2019	2018
(amounts in million Php)		
Cash Flows		
Net cash flows provided by operating activities	57,695	42,622
Net cash flows used in investing activities	(58,549)	(17,988)
Payment for purchase of property and equipment, including capitalized interest	(61,157)	(40,484)
Net cash flows used in financing activities	(23,188)	(14,038)
Net increase (decrease) in cash and cash equivalents	(24,516)	12,301



	September 30, 2019	December 31, 2018
	(amounts in million Php)	
Capitalization		
Long-term portion of interest-bearing financial liabilities – net of current portion:		
Long-term debt	161,238	155,835
Current portion of interest-bearing financial liabilities:		
Long-term debt maturing within one year	17,138	20,441
Total interest-bearing financial liabilities	178,376	176,276
Total equity attributable to equity holders of PLDT	110,193	112,358
	288,569	288,634
Other Selected Financial Data		
Total assets	510,388	482,750
Property and equipment	224,021	195,964
Cash and cash equivalents	27,138	51,654
Short-term investments	424	1,165

Our consolidated cash and cash equivalents and short-term investments totaled Php27,562 million as at September 30, 2019. Principal sources of consolidated cash and cash equivalents for the nine months ended September 30, 2019 were cash flows from operating activities amounting to Php57,695 million, proceeds from availment of long-term debt of Php18,000 million, collection of receivables from Metro Pacific Investments Corporation, or MPIC, of Php1,771 million, interest received of Php1,363 million, proceeds from disposal of Rocket Internet shares of Php1,021 million and net proceeds from maturity of short-term investments of Php731 million. These funds were used principally for: (1) purchase of property and equipment, including capitalized interest, of Php61,157 million; (2) debt principal and interest payments of Php15,626 million and Php5,252 million, respectively; (3) cash dividend payments of Php15,556 million; (4) settlement of obligations under lease liabilities of Php4,363 million; and (5) net additions to right-of-use assets of Php2,251 million.

Our consolidated cash and cash equivalents and short-term investments totaled Php50,052 million as at September 30, 2018. Principal sources of consolidated cash and cash equivalents for the nine months ended September 30, 2018 were cash flows from operating activities amounting to Php42,622 million, proceeds from availment of long-term debt of Php20,500 million, proceeds from disposal of Rocket Internet shares of Php11,400 million, proceeds from sale and collection of MPIC receivables of Php6,976 million and Php4,731 million, respectively, proceeds from disposal of Hastings PDRs of Php1,664 million and interest received of Php904 million. These funds were used principally for: (1) payment for purchase of property and equipment, including capitalized interest, of Php40,484 million; (2) debt principal and interest payments of Php16,458 million and Php4,802 million, respectively; (3) cash dividend payments of Php13,798 million; and (4) net payment for purchase of short-term investments of Php3,450 million.

Operating Activities

Our consolidated net cash flows provided by operating activities increased by Php15,073 million, or 35%, to Php57,695 million for the nine months ended September 30, 2019 from Php42,622 million in the same period in 2018, primarily due to higher level of collection of receivables, higher operating income, lower level of settlement of accounts payable and accrued expenses and other current liabilities, and lower inventories, partly offset by higher prepayments and higher pension contribution.

Cash flows provided by operating activities of our Wireless business segment increased by Php5,266 million, or 18%, to Php35,122 million for the nine months ended September 30, 2019 from Php29,856 million in the same period in 2018, primarily due to higher operating income, higher level of collection of receivables and lower level of settlement of accrued expenses and other current liabilities, partly offset by higher prepayments. Cash flows provided by operating activities of our Fixed Line business segment increased by Php4,506 million, or 27%, to Php20,926 million for the nine months ended September 30, 2019 from Php16,420 million in the same period in 2018 primarily due to higher level of collection of receivables, lower inventories and lower level of settlement of accounts payable and accrued expenses and other current liabilities, partially offset by higher prepayments, lower operating income and higher pension contribution. Cash flows used in operating activities of our Other business segment decreased by Php3,094 million, or 93%, to Php229 million for the nine months ended September 30, 2019 from Php3,323 million in the same period in 2018, mainly due to higher level of collection of receivables, lower

operating loss and lower level of settlement of accrued expenses and other current liabilities, partly offset by higher level of settlement of accounts payable.

Investing Activities

Consolidated net cash flows used in investing activities amounted to Php58,549 million for the nine months ended September 30, 2019, an increase of Php40,561 million from Php17,988 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 Php20,673 million; (2) lower proceeds from sale of Rocket Internet shares by Php10,379 million; (3) proceeds from sale of MPIC receivables of Php6,976 million in 2018; (4) lower collection of MPIC receivables by Php2,960 million; (5) net additions to right-of-use assets of Php2,251 million in 2019; (6) proceeds from disposal of Hastings PDRs of Php1,664 million in 2018; (7) higher interest received by Php459 million; and (8) net proceeds from maturity of short-term investment of Php731 million in 2019 as against net payment for purchase of short-term investments of Php3,450 million in 2018.

Our consolidated payment for purchase of property and equipment, including capitalized interest, for the nine months ended September 30, 2019 totaled Php61,157 million, an increase of Php20,673 million, or 51%, as compared with Php40,484 million in the same period in 2018. Smart Group's capital spending increased by Php11,287 million, or 40%, to Php39,291 million for the nine months ended September 30, 2019 from Php28,004 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 Php9,334 million, or 83%, to Php20,616 million for the nine months ended September 30, 2019 from Php11,282 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 and international fiber optic network. 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 Php23,188 million for the nine months ended September 30, 2019, an increase of Php9,150 million, or 65%, from Php14,038 million in the same period in 2018, primarily due to the combined effects of the following: (1) settlement of obligations under lease liabilities of Php4,363 million in 2019; (2) lower proceeds from availment of long-term debt by Php2,500 million; (3) higher cash dividend payments by Php1,758 million; (4) higher settlement of derivatives by Php869 million; (5) higher interest paid by Php450 million; and (6) lower payments of long-term debt by Php832 million.

Debt Financing

Proceeds from availment of long-term debt for the nine months ended September 30, 2019 amounted to Php18,000 million, mainly from PLDT's and 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 Php15,626 million and Php5,252 million, respectively, for the nine months ended September 30, 2019.

Our consolidated long-term debt increased by Php2,100 million, or 1%, to Php178,376 million as at September 30, 2019 from Php176,276 million as at December 31, 2018, primarily due to drawings from our long-term facilities, partly offset by debt amortizations and prepayments. As at September 30, 2019, the long-term debt level of Smart increased by 8% to Php71,020 million from Php65,996 as at December 31, 2018, while PLDT's long-term debt level decreased by 3% to Php107,356 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 September 30, 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 nine months ended September 30, 2019 and 2018:

Earnings	Approved ⁽¹⁾	Date Record	Payable	Amount	
				Per share (in million Php, except per share amount)	Total
2019					
Common					
Regular Dividend	March 21, 2019	April 4, 2019	April 23, 2019	36	7,778
	August 8, 2019	August 27, 2019	September 10, 2019	36	7,778
Preferred					
Series IV Cumulative Non-convertible Redeemable Preferred Stock ⁽¹⁾	January 29, 2019	February 22, 2019	March 15, 2019	—	12
	May 9, 2019	May 24, 2019	June 15, 2019	—	12
	August 8, 2019	August 27, 2019	September 15, 2019	—	12
	November 7, 2019	November 22, 2019	December 15, 2019	—	12
Voting Preferred Stock	March 7, 2019	March 27, 2019	April 15, 2019	—	3
	June 11, 2019	June 28, 2019	July 15, 2019	—	2
	September 24, 2019	October 8, 2019	October 15, 2019	—	2
Charged to Retained Earnings					15,611
2018					
Common					
Regular Dividend	March 27, 2018	April 13, 2018	April 27, 2018	28	6,050
	August 9, 2018	August 28, 2018	September 11, 2018	36	7,778
Preferred					
Series IV Cumulative Non-convertible Redeemable Preferred Stock ⁽¹⁾	January 22, 2018	February 21, 2018	March 15, 2018	—	12
	May 10, 2018	May 25, 2018	June 15, 2018	—	12
	August 9, 2018	August 28, 2018	September 15, 2018	—	13
	November 8, 2018	November 23, 2018	December 15, 2018	—	12
Voting Preferred Stock	March 8, 2018	March 28, 2018	April 15, 2018	—	3
	June 13, 2018	June 29, 2018	July 15, 2018	—	2
	September 25, 2018	October 9, 2018	October 15, 2018	—	2
Charged to Retained Earnings					13,884

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

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

Changes in Financial Conditions

Our total assets amounted to Php510,388 million as at September 30, 2019, an increase of Php27,638 million, or 6%, from Php482,750 million as at December 31, 2018, primarily due to higher property and equipment, right-of-use of assets resulting from the impact of PFRS 16 adoption, and prepayments, partly offset by lower cash and cash equivalents and receivables.

Our total liabilities amounted to Php396,040 million as at September 30, 2019, an increase of Php29,956 million, or 8%, from Php366,084 million as at December 31, 2018, primarily due to lease liabilities on account of the impact of PFRS 16 adoption, higher accounts payable, accrued expenses and other liabilities, and 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 nine months ended September 30, 2019 amounted to Php15,556 million as compared with Php13,798 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 September 30, 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 nil and Php20 million as at September 30, 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 September 30, 2019 and June 30, 2019 other than those whose carrying amounts are reasonable approximations of fair values:

	Fair Values	
	September 30, 2019	June 30, 2019
	(Unaudited)	
	(amounts in million Php)	
Noncurrent Financial Assets		
Other financial assets – net of current portion	2,557	2,529
Total noncurrent financial assets	2,557	2,529
Noncurrent Financial Liabilities		
Interest-bearing financial liabilities	156,800	151,031
Customers' deposits	1,513	1,492
Deferred credits and other noncurrent liabilities	3,020	2,218
Total noncurrent financial liabilities	161,333	154,741

The following table sets forth the amount of gains (losses) recognized for the financial assets and liabilities for the nine months ended September 30, 2019 and for the six months ended June 30, 2019:

	September 30, 2019	June 30, 2019
	(Unaudited)	
	(amounts in million Php)	
Profit and Loss		
Interest income	1,405	1,012
Losses on derivative financial instruments – net	(190)	(308)
Accretion on financial liabilities	(91)	(63)
Interest on loans and other related items	(6,412)	(4,202)
Other Comprehensive Income		
Net fair value losses on cash flow hedges – net of tax	(230)	(197)

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 the nine months ended September 30, 2019 and 2018 were 2.8% and 5.0%, respectively. We expect inflation to stay within the 2% to 4% target range of the BSP.

PART II – OTHER INFORMATION

Consent Solicitation Exercise of PLDT

On October 11, 2019, PLDT announced its undertaking of a consent solicitation exercise relating to the 5.2250% 7-Year Fixed Rate Bonds due 2021 and 5.2813% 10-Year Fixed Rate Bonds due 2024, to amend PLDT's maximum stand-alone Total Debt to EBITDA Ratio stipulated in the Trust Indenture from 3.0:1 to 4.0:1. The proposed amendment seeks to provide the Company with greater flexibility to support, if necessary, higher levels of capital expenditures and general corporate requirements. Moreover, it will align the covenant ratio of PLDT's outstanding debt capital market issuances with that of the existing bilateral facilities of both PLDT and Smart.

On October 30, 2019, PLDT announced the early closing of the consent solicitation exercise from its original schedule of November 15, 2019 when the Company received the required consents to effect the proposed amendment.

Issuance of Smart Perpetual Notes

On September 19, 2019, Smart issued Php4,700 million perpetual notes to DMPI under the Notes Facility Agreement dated September 16, 2019. Smart will pay distributions quarterly starting December 2019.

Proceeds from the issuance of these notes are intended to finance capital expenditures. The notes have no fixed redemption dates, however, Smart may, at its sole option, redeem the notes. The notes are subordinated to and rank junior to all senior loans of Smart.

Expiration of Philcom's Legislative Franchise

Effective September 15, 2019, Philcom ceased to operate as a telecommunications service provider, pursuant to the expiration of its legislative franchise, R.A. 7783. In order to facilitate continued customer service, arrangements have been made between Philcom and PLDT where PLDT would make its services available to the affected Philcom subscribers on voluntary basis. The NTC interposed no objection to the transfer of Philcom's subscribers to PLDT, subject to certain conditions. Consequently, Philcom and PLDT executed a Deed of Assignment on September 13, 2019 wherein all property and equipment of Philcom, accounts receivable, inventories and subscribers were transferred to PLDT after complying with the conditions imposed by NTC.

Sale of Rocket Internet Shares

On April 16, 2018, Rocket Internet announced the buyback of up to 15.5 million Rocket Internet shares through a public share purchase offer, or the Offer, against payment of an offer price in the amount of €24 per share. PLDT Online Investments Pte. Ltd., or PLDT Online, committed to accept the Offer of Rocket Internet for at least 6.8 million shares, or approximately 67.4% of the total number of shares directly held by PLDT Online.

On May 4, 2018, Rocket Internet accepted the tender of PLDT Online of 6.8 million shares and paid the total consideration of €163.2 million, or Php10,059 million, which was settled on May 9, 2018, reducing the equity ownership in Rocket Internet from 6.1% to 2.0%.

On May 23, 2018, Rocket Internet redeemed 10.8 million shares, reducing its share capital of the company to €154 million. As a result of the redemption of shares, PLDT Online's equity ownership in Rocket Internet increased from 2.0% to 2.1%.

On various dates in the third quarter of 2018, PLDT Online sold 0.7 million Rocket Internet shares for an aggregate amount of €22 million, or Php1,346 million, reducing the equity ownership in Rocket Internet from 2.1% to 1.7%.

On various dates in 2019, PLDT Online sold 0.7 million Rocket Internet shares for an aggregate amount of €18 million, or Php1,021 million, reducing equity ownership in Rocket Internet from 1.7% to 1.3%.

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. Out of the Php550 million total consideration for the acquisition of existing shares, PGIH paid Php523 million to the owners of Multisys. Further, PGIH invested Php800 million into Multisys as a deposit for future stock 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.

On June 3, 2019, the balance of the acquisition consideration amounting to Php27 million was fully paid.

Investment of PLDT Capital in Phunware

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.

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.

For updates relating to the above discussion, please see *Note 28 – Provisions and Contingencies* to the accompanying unaudited consolidated financial statements.

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 September 30, 2019:

Type of Accounts Receivable	Total	Current	31-60 Days	61-90 Days	Over 91 Days
	(amounts in million Php)				
Retail subscribers	19,608	8,445	751	198	10,214
Corporate subscribers	11,812	3,626	1,997	450	5,739
Foreign administrations	2,652	1,064	183	113	1,292
Domestic carriers	721	335	177	63	146
Dealers, agents and others	5,086	2,133	480	239	2,234
Total	39,879	15,603	3,588	1,063	19,625
Less: Allowance for doubtful accounts	19,257				
Total Receivables - net	20,622				

ANNEX II – FINANCIAL SOUNDNESS INDICATORS

The following table shows our financial soundness indicators as at September 30, 2019 and 2018:

	2019	2018
Current Ratio ⁽¹⁾	0.37:1.0	0.66:1.0
Net Debt to Equity Ratio ⁽²⁾	1.37:1.0	1.18:1.0
Net Debt to EBITDA Ratio ⁽³⁾	2.09:1.0	1.94:1.0
Total Debt to EBITDA Ratio ⁽⁴⁾	2.47:1.0	2.69:1.0
Asset to Equity Ratio ⁽⁵⁾	4.63:1.0	4.30:1.0
Interest Coverage Ratio ⁽⁶⁾	3.75:1.0	2.09:1.0
Profit Margin ⁽⁷⁾	13%	14%
Return on Assets ⁽⁸⁾	4%	2%
Return on Equity ⁽⁹⁾	17%	7%
EBITDA Margin ⁽¹⁰⁾	49%	44%

⁽¹⁾ Current ratio is measured as current assets divided by current liabilities (including current portion – LTD, unearned revenues and mandatory tender option liability.)

⁽²⁾ Net Debt to equity ratio is measured as total debt (long-term debt, including current portion) less cash and cash equivalent and short-term investments divided by total equity attributable to equity holders of PLDT.

⁽³⁾ Net Debt to EBITDA ratio is measured as total debt (long-term debt, including current portion) less cash and cash equivalent and short-term investments divided by EBITDA for the 12 months average period.

⁽⁴⁾ Total Debt to EBITDA ratio is measured as total debt (long-term debt, including current portion) divided by EBITDA for the 12 months average period.

⁽⁵⁾ Asset to equity ratio is measured as total assets divided by total equity attributable to equity holders of PLDT.

⁽⁶⁾ Interest coverage ratio is measured by EBIT, or earnings before interest and taxes for the 12 months average period, divided by total financing cost for the 12 months average period.

⁽⁷⁾ Profit margin is derived by dividing net income for the period with total revenues for the period.

⁽⁸⁾ Return on assets is measured as net income for the 12 months average period divided by average total assets.

⁽⁹⁾ Return on Equity is measured as net income for the 12 months average period divided by average total equity attributable to equity holders of PLDT.

⁽¹⁰⁾ EBITDA margin is measured as EBITDA for the period divided by service revenues for the period.


EBITDA for the period is measured as net income excluding depreciation and amortization, amortization of intangible assets, asset impairment on noncurrent assets, financing cost, interest income, equity share in net earnings (losses) of associates and joint ventures, foreign exchange gains (losses) – net, gains (losses) on derivative financial instruments – net, provision for (benefit from) income tax and other income (expenses) – net for the period.




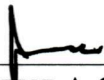
SIGNATURES

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

Registrant: **PLDT Inc.**

Signature and Title: 
MANUEL V. PANGILINAN
Chairman of the Board
President and Chief Executive Officer

Signature and Title: 
ANABELLE LIM-CHUA
Senior Vice President
(Principal Financial Officer)

Signature and Title: 
JUNE CHERYL A. CABAL-REVILLA
Senior Vice President
(Principal Accounting Officer)

Date: November 7, 2019