PLDT

March 5, 2020

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-C with Management's Discussion and Analysis and accompanying consolidated financial statements as at and for year ended December 31, 2019.

Very truly yours,

FLORENTINO D. MABASA, JR.
Assistant Corporate Secretary

PLDT

March 5, 2020

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-C with Management's Discussion and Analysis and accompanying consolidated financial statements as at and for year ended December 31, 2019.

Very truly yours,

FLORENTINO D. MABASA, JR.
Assistant Corporate Secretary

SEC Number PW-55
File Number

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-C

Form Type

Not Applicable

Amendment Designation (if applicable)

December 31, 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	Department requiring the report	Secondary License Type, If Applicable
1 7 - C	M S R D	

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
jacabal@pldt.com.ph	**(02) 8816-8534**	

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
11,596 as at December 31, 2019	**Every 2nd Tuesday in June**	**December 31**

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
June Cheryl A. Cabal-Revilla	**jacabal@pldt.com.ph**	**(02) 8816-8534**	

Contact Person's Address

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

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

SECURITIES AND EXCHANGE COMMISSION

SECURITIES AND EXCHANGE COMMISSION
CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.1

1. **March 5, 2020**
   Date of Report (Date of earliest event reported)

2. SEC Identification Number **PW-55**

3. BIR Tax Identification No. **000-488-793**

4. **PLDT INC.**
   Exact name of issuer as specified in its charter

5. **PHILIPPINES**
   Province, country or other jurisdiction
   of Incorporation

6. **____________ (SEC Use Only)**
   Industry Classification Code

7. **Ramon Cojuangco Building, Makati Avenue, Makati City** — **1200**
   Address of principal office — Postal Code

8. **(632) 8816-8553**
   Issuer's telephone number, including area code

9. Not Applicable
   Former name or former address, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code and Sections 4 and 8 of the Revised Securities Act

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Stock	216,055,775 [(1)]
Amount of Debt Outstanding	Php192,556 million as at December 31, 2019

(1) Represents the total outstanding common shares (net of 2,724,111 Treasury shares).

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PART I – FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

Our consolidated financial statements as at and for the years ended December 31, 2019 and 2018 and related notes (pages F-1 to F-175) are filed as part of this report on Form 17-C.

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 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 consolidated financial statements and the related notes. Our 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 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 consolidated financial statements were made based on the exchange rate of Php50.80 to US$1.00, the exchange rate as at December 31, 2019 quoted through the Bankers Association of the Philippines.

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

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

Financial Highlights and Key Performance Indicators

	Years ended December 31,		Increase (Decrease)	
	2019	2018[1]	Amount	%
(amounts in million Php, except for EBITDA margin and earnings per common share)				
Consolidated Income Statement				
Revenues	169,187	162,914	6,273	4
Expenses	129,786	149,141	(19,355)	(13)
Other income (expenses) – net	(7,065)	9,042	(16,107)	(178)
Income before income tax	32,336	22,815	9,521	42
Net income	22,786	18,973	3,813	20
Core income	25,111	25,855	(744)	(3)
Telco core income	27,080	24,047	3,033	13
EBITDA	79,815	64,027	15,788	25
EBITDA margin[2]	49%	42%	—	—
Reported earnings per common share:				
Basic	103.97	87.28	16.69	19
Diluted	103.97	87.28	16.69	19
Core earnings per common share[3]:				
Basic	115.95	119.39	(3.44)	(3)
Diluted	115.95	119.39	(3.44)	(3)

	December 31,		Increase (Decrease)	
	2019	2018	Amount	%
(amounts in million Php, except for net debt to equity ratio)				
Consolidated Statements of Financial Position				
Total assets	525,036	482,750	42,286	9
Property and equipment	232,134	195,964	36,170	18
Cash and cash equivalents and short-term investments	24,683	52,819	(28,136)	(53)
Total equity attributable to equity holders of PLDT	111,996	112,358	(362)	—
Long-term debt, including current portion	192,556	176,276	16,280	9
Net debt[4] to equity ratio	1.50x	1.10x	—	—

	Years ended December 31,		Change	
	2019	2018	Amount	%
(amounts in million Php, except for operational data)				
Consolidated Statements of Cash Flows				
Net cash provided by operating activities	73,390	61,116	12,274	20
Net cash used in investing activities	(84,170)	(25,054)	(59,116)	(236)
Payment for purchase of property and equipment, including capitalized interest	*(89,701)*	*(48,771)*	*(40,930)*	*(84)*
Net cash used in financing activities	(15,757)	(18,144)	2,387	13
Operational Data				
Number of mobile subscribers	73,118,155	60,499,017	12,619,138	21
Prepaid	*70,721,789*	*58,178,978*	*12,542,811*	*22*
Postpaid	*2,396,366*	*2,320,039*	*76,327*	*3*
Number of broadband subscribers	2,161,484	2,025,563	135,921	7
Fixed Line broadband	*1,931,333*	*1,812,037*	*119,296*	*7*
Fixed Wireless broadband	*230,151*	*213,526*	*16,625*	*8*
Number of fixed line subscribers	2,765,209	2,710,972	54,237	2
Number of employees:	18,784	17,222	1,562	9
Fixed Line	12,877	10,890	1,987	18
LEC	*10,878*	*8,772*	*2,106*	*24*
Others	*1,999*	*2,118*	*(119)*	*(6)*
Wireless	5,907	6,332	(425)	(7)

(1) *Certain amounts for the year ended December 31, 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
December 31, 2019	50.80	51.79
December 31, 2018	52.56	52.68
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 year 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 year is measured as net income attributable to equity holders of PLDT (net income less net income attributable to noncontrolling interests), excluding foreign exchange gains (losses) – net, gains (losses) on derivative financial instruments – net (excluding hedge costs), asset impairment on noncurrent assets, other 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. Our core income from telco operations, or telco 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 1% 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 December 31, 2019, our chief operating decision maker, or our Management Committee, views our business activities in three business units: Wireless, Fixed Line and Others.

Management's Financial Review

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

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

	2019	**2018**
	(amounts in million Php)	
Consolidated net income	22,786	18,973
Add (deduct) adjustments:		
Depreciation and amortization	39,656	47,240
Provision for income tax	9,550	3,842
Financing costs – net	8,553	7,067
Equity share in net losses of associates and joint ventures	1,535	87
Amortization of intangible assets	758	892
Losses (gains) on derivative financial instruments - net	284	(1,086)
Impairment of investments	34	172
Noncurrent asset impairment	—	2,122
Foreign exchange losses (gains) - net	(424)	771
Interest income	(1,745)	(1,943)
Other income – net	(1,172)	(14,110)
Total adjustments	57,029	45,054
Consolidated EBITDA	79,815	64,027

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

	2019	2018
	(amounts in million Php)	
Consolidated net income	22,786	18,973
Add (deduct) adjustments:		
Manpower rightsizing program	3,296	1,703
Unrealized losses in fair value of investments	675	1,154
Losses (gains) on derivative financial instruments – net, excluding hedge costs	233	(1,135)
Impairment of investments	34	172
Depreciation due to shortened life of property and equipment	—	4,564
Noncurrent asset impairment	—	2,122
Investment written-off	—	362
Other nonrecurring income	—	(1,018)
Core income adjustment on equity share in net losses of associates and joint ventures	(226)	23
Net income attributable to noncontrolling interests	(265)	(57)
Foreign exchange losses (gains) – net	(424)	771
Net tax effect of aforementioned adjustments	(998)	(1,779)
Total adjustments	2,325	6,882
Consolidated core income	25,111	25,855

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 years ended December 31, 2019 and 2018. In each of the years ended December 31, 2019 and 2018, majority of our revenues are derived from our operations within the Philippines. Our revenues derived from outside the Philippines consist primarily of revenues from incoming international calls to the Philippines.

	Wireless	Fixed Line	Others[1]	Inter-segment Transactions	Consolidated
	(amounts in million Php, except for EBITDA margin)				
For the year ended December 31, 2019					
Revenues	96,906	89,406	—	(17,125)	169,187
Expenses	74,359	72,385	101	(17,059)	129,786
Other income (expenses) - net	(5,023)	(259)	(2,112)	329	(7,065)
Income (loss) before income tax	17,524	16,762	(2,213)	263	32,336
Provision for (benefit from) income tax	4,423	5,341	(444)	230	9,550
Net income (loss)/Segment profit (loss)	13,101	11,421	(1,769)	33	22,786
EBITDA	52,789	33,162	(101)	(6,035)	79,815
EBITDA margin[2]	58%	38%	—	—	49%
Core income (loss)	13,685	12,531	(1,151)	46	25,111
For the year ended December 31, 2018					
Revenues	89,929	85,222	1,138	(13,375)	162,914
Expenses	82,246	77,782	4,093	(14,980)	149,141
Other income (expenses) - net	(625)	(45)	12,099	(2,387)	9,042
Income (loss) before income tax	7,058	7,395	9,144	(782)	22,815
Provision for (benefit from) income tax	1,333	1,336	1,173	—	3,842
Net income (loss)/Segment profit (loss)	5,725	6,059	7,971	(782)	18,973
EBITDA	34,235	30,875	(2,688)	1,605	64,027
EBITDA margin[2]	41%	38%	—	—	42%
Core income (loss)	9,760	6,925	9,952	(782)	25,855
Increase (Decrease)					
Revenues	6,977	4,184	(1,138)	(3,750)	6,273
Expenses	(7,887)	(5,397)	(3,992)	(2,079)	(19,355)
Other income (expenses) - net	(4,398)	(214)	(14,211)	2,716	(16,107)
Income (loss) before income tax	10,466	9,367	(11,357)	1,045	9,521
Provision for (benefit from) income tax	3,090	4,005	(1,617)	230	5,708
Net income (loss)/Segment profit (loss)	7,376	5,362	(9,740)	815	3,813
EBITDA	18,554	2,287	2,587	(7,640)	15,788
Core income (loss)	3,925	5,606	(11,103)	828	(744)

(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 consolidated financial statements for further discussions.

On a Consolidated Basis

Revenues

We reported consolidated revenues of Php169,187 million in 2019, an increase of Php6,273 million, or 4%, as compared with Php162,914 million in 2018, primarily due to higher revenues from data services in our Wireless and Fixed Line business segments, and higher revenues from voice services in our Fixed Line business segment, partially offset by lower revenues from voice, SMS and home broadband 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 service revenues of Php161,355 million in 2019, increased by Php8,986 million, or 6%, from Php152,369 million in 2018, while our consolidated non-service revenues of Php7,832 million in 2019, decreased by Php2,713 million, or 26%, from Php10,545 million in 2018.

Consolidated service revenues, net of interconnection costs, amounted to Php157,717 million in 2019, an increase of Php10,841 million, or 7%, from Php146,876 million 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 years ended December 31, 2019 and 2018:

	Wireless	Fixed Line	Others	Inter-segment Transactions	Consolidated
		(amounts in million Php)			
For the year ended December 31, 2019					
Service Revenues					
Wireless	*90,661*			*(2,418)*	*88,243*
Mobile	88,865			(1,042)	87,823
Home broadband	85			—	85
MVNO and others	1,711			(1,376)	335
Fixed Line		*87,819*		*(14,707)*	*73,112*
Voice		26,267		(6,377)	19,890
Data		60,764		(7,977)	52,787
Home broadband		28,449		(142)	28,307
Corporate data and ICT		32,315		(7,835)	24,480
Miscellaneous		788		(353)	435
Others			—	—	—
Total Service Revenues	90,661	87,819	—	(17,125)	161,355
Non-Service Revenues					
Sale of computers, phone units, mobile handsets and broadband data modems	6,245	1,223	—	(30)	7,438
Point-product sales	—	364	—	30	394
Total Non-Service Revenues	6,245	1,587	—	—	7,832
Total Revenues	96,906	89,406	—	(17,125)	169,187
For the year ended December 31, 2018					
Service Revenues					
Wireless	*83,001*			*(2,736)*	*80,265*
Mobile	81,096			(1,192)	79,904
Home broadband	155			—	155
MVNO and others	1,750			(1,544)	206
Fixed Line		*81,648*		*(10,628)*	*71,020*
Voice		25,178		(4,030)	21,148
Data		55,732		(6,228)	49,504
Home broadband		26,733		(255)	26,478
Corporate data and ICT		28,999		(5,973)	23,026
Miscellaneous		738		(370)	368
Others			*1,094*	*(10)*	*1,084*
Total Service Revenues	83,001	81,648	1,094	(13,374)	152,369
Non-Service Revenues					
Sale of computers, phone units, mobile handsets and broadband data modems	6,928	3,064	44	(8)	10,028
Point-product sales	—	510	—	7	517
Total Non-Service Revenues	6,928	3,574	44	(1)	10,545
Total Revenues	89,929	85,222	1,138	(13,375)	162,914

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

	2019	%	2018	%	Change Amount	Change %
			(amounts in million Php)			
Wireless	96,906	57	89,929	55	6,977	8
Fixed Line	89,406	53	85,222	52	4,184	5
Others[(1)]	—	—	1,138	1	(1,138)	(100)
Inter-segment transactions	(17,125)	(10)	(13,375)	(8)	(3,750)	(28)
Consolidated	169,187	100	162,914	100	6,273	4

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

Expenses

Consolidated expenses decreased by Php19,355 million, or 13%, to Php129,786 million in 2019 from Php149,141 million in 2018, primarily due to lower selling, general and administrative expenses, interconnection costs, provisions and noncurrent asset impairment in our Wireless business segment, lower depreciation and amortization and noncurrent asset impairment in our Fixed Line business segment, and lower expenses in our Other business segment due to the deconsolidation of VIH, partially offset by higher depreciation and amortization in our Wireless business segment and higher interconnection costs in our Fixed Line business segment.

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

	2019	%	2018	%	Change Amount	Change %
			(amounts in million Php)			
Wireless	74,359	57	82,246	55	(7,887)	(10)
Fixed Line	72,385	56	77,782	52	(5,397)	(7)
Others	101	—	4,093	3	(3,992)	(98)
Inter-segment transactions	(17,059)	(13)	(14,980)	(10)	(2,079)	(14)
Consolidated	129,786	100	149,141	100	(19,355)	(13)

Other Income (Expenses) – Net

Consolidated other expenses amounted to Php7,065 million in 2019, a change of Php16,107 million as against other income of Php9,042 million in 2018, primarily due to the combined effects of the following: (i) gain on the deconsolidation of VIH in 2018, lower realized gains on fair value of Rocket Internet investment, and higher equity share in net losses of VIH from our Other business segment; (ii) 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 (iii) higher financing costs from our Wireless business segment.

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

	2019	2018	Change Amount	Change %
		(amounts in million Php)		
Wireless	(5,023)	(625)	(4,398)	(704)
Fixed Line	(259)	(45)	(214)	(476)
Others	(2,112)	12,099	(14,211)	(117)
Inter-segment transactions	329	(2,387)	2,716	114
Consolidated	(7,065)	9,042	(16,107)	(178)

Net Income (Loss)

Consolidated net income increased by Php3,813 million, or 20%, to Php22,786 million in 2019, from Php18,973 million in 2018, primarily due to higher net income from our Wireless and Fixed Line business segments, partly offset by net loss from our Other business segment as against net income in 2018. Our consolidated basic and diluted EPS increased to Php103.97 in 2019 from Php87.28 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 (loss) by business segment for the years ended December 31, 2019 and 2018:

	2019	%	2018	%	Change Amount	Change %
	(amounts in million Php)					
Wireless	13,101	58	5,725	30	7,376	129
Fixed Line	11,421	50	6,059	32	5,362	88
Others	(1,769)	(8)	7,971	42	(9,740)	(122)
Inter-segment transactions	33	—	(782)	(4)	815	104
Consolidated	22,786	100	18,973	100	3,813	20

EBITDA

Our consolidated EBITDA amounted to Php79,815 million in 2019, an increase of Php15,788 million, or 25%, as compared with Php64,027 million in 2018, primarily due to higher EBITDA in our Wireless and Fixed Line business segments, as well as from our Other business segment due to the deconsolidation of VIH.

In 2019, we adopted PFRS 16 resulting to a reduction in rent expense of Php5,281 million, thereby contributing an improvement in EBITDA, which was partially offset by the increase in manpower rightsizing program, or MRP, cost to Php3,296 million in 2019 from Php1,703 million in 2018.

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

	2019	%	2018	%	Change Amount	Change %
	(amounts in million Php)					
Wireless	52,789	66	34,235	53	18,554	54
Fixed Line	33,162	42	30,875	48	2,287	7
Others	(101)	—	(2,688)	(4)	2,587	96
Inter-segment transactions	(6,035)	(8)	1,605	3	(7,640)	(476)
Consolidated	79,815	100	64,027	100	15,788	25

Core Income

Our consolidated core income amounted to Php25,111 million in 2019, a decrease of Php744 million, or 3%, as compared with Php25,855 million in 2018 mainly on account of lower other income primarily due to last year's gain on deconsolidation of VIH and lower realized gains on fair value of Rocket Internet investment, as well as higher provision for income tax and financing costs, partly offset by higher EBITDA and lower depreciation expense. Our consolidated basic and diluted core EPS decreased to Php115.95 in 2019 from Php119.39 in 2018.

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

	2019	%	2018	%	Change Amount	Change %
	(amounts in million Php)					
Wireless	13,685	55	9,760	38	3,925	40
Fixed Line	12,531	50	6,925	27	5,606	81
Others	(1,151)	(5)	9,952	38	(11,103)	(112)
Inter-segment transactions	46	—	(782)	(3)	828	106
Consolidated	25,111	100	25,855	100	(744)	(3)

Our consolidated core income from telco operations, or telco core income, which excludes results from Voyager, and accelerated depreciation, amounted to Php27,080 million in 2019, an increase of Php3,033 million, or 13%, as compared with Php24,047 million in 2018 mainly due to higher EBITDA, partially offset by higher depreciation on account of depreciation of right-of-use asset resulting from the impact of PFRS 16 adoption, and higher provision for income tax and financing costs.

On a Business Segment Basis

Wireless

Revenues

We generated revenues of Php96,906 million from our Wireless business segment in 2019, an increase of Php6,977 million, or 8%, from Php89,929 million in 2018.

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

					Increase (Decrease)	
	2019	**%**	**2018**	**%**	**Amount**	**%**
			(amounts in million Php)			
Service Revenues:						
Mobile	88,865	92	81,096	90	7,769	10
Home broadband	85	—	155	—	(70)	(45)
MVNO and others[1]	1,711	2	1,750	2	(39)	(2)
Total Wireless Service Revenues	90,661	94	83,001	92	7,660	9
Non-Service Revenues:						
Sale of mobile handsets and broadband data modems	6,245	6	6,928	8	(683)	(10)
Total Wireless Revenues	96,906	100	89,929	100	6,977	8

[1] *Includes service revenues generated by MVNOs of PLDT Global subsidiaries and facilities service fees.*

Service Revenues

Our wireless service revenues in 2019 increased by Php7,660 million, or 9%, to Php90,661 million as compared with Php83,001 million in 2018, primarily due to higher mobile revenues, partly offset by lower home broadband revenues. As a percentage of our total wireless revenues, service revenues accounted for 94% and 92% in 2019 and 2018, respectively.

Mobile Services

Our mobile service revenues amounted to Php88,865 million in 2019, an increase of Php7,769 million, or 10%, from Php81,096 million in 2018. Mobile service revenues accounted for 98% of our wireless service revenues in each of 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 years ended December 31, 2019 and 2018:

					Increase (Decrease)	
	2019	**%**	**2018**	**%**	**Amount**	**%**
			(amounts in million Php)			
Mobile Services:						
Data	52,848	59	38,350	47	14,498	38
Voice	24,597	28	28,052	35	(3,455)	(12)
SMS	9,907	11	13,103	16	(3,196)	(24)
Inbound roaming and others[1]	1,513	2	1,591	2	(78)	(5)
Total	88,865	100	81,096	100	7,769	10

[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 Php14,498 million, or 38%, to Php52,848 million in 2019 from Php38,350 million in 2018 due to increased mobile internet usage driven mainly by enhanced data products and consumer engagement promotions, supported by continuous network improvement and LTE migration, partially offset by lower revenues from mobile broadband. Data services accounted for 59% and 47% of our mobile service revenues in 2019 and 2018, respectively.

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

	2019	%	2018	%	Increase (Decrease) Amount	%
			(amounts in million Php)			
Data Services:						
Mobile internet[1]	48,399	91	33,207	87	15,192	46
Mobile broadband	3,547	7	4,589	12	(1,042)	(23)
Other data	902	2	554	1	348	63
Total	52,848	100	38,350	100	14,498	38

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

Mobile Internet

Mobile internet service revenues increased by Php15,192 million, or 46%, to Php48,399 million in 2019 from Php33,207 million in 2018, primarily due to the following: (i) promoting of data and content-led products such as *Giga Video*, *Giga Games*, *Giga Stories* for mobile prepaid services, which increased usage of video, gaming and social media by Smart, TNT and Sun subscribers; (ii) launching promotions of products, such as *Free Video Everyday* and *Free IG + FB For All*, which increased the number of mobile data users and further stimulated data usage; (iii) increased data usage resulting from events and activities, such as vlogger & creator camps, nationwide grassroots gaming tournaments, and large-scale eSports events, which attracted video creators and gamers; (iv) adoption of more accessible channels for customers to discover and buy mobile data services, such as *123#, online stores, malls and convenience store chains; (v) introduction of new data-led postpaid plans with the launch of *Smart Signature*; and (vi) LTE migration initiatives that further increased the number of LTE device users and LTE data users among our subscriber base. Mobile internet services accounted for 54% and 41% of our mobile service revenues in 2019 and 2018, respectively.

Mobile Broadband

Mobile broadband revenues amounted to Php3,547 million in 2019, a decrease of Php1,042 million, or 23%, from Php4,589 million in 2018, primarily due to a decrease in the number of subscribers using pocket wifi as users shift to using mobile internet and fixed DSL/Fiber home broadband. Mobile broadband services accounted for 4% and 6% of our mobile service revenues in 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 Php348 million, or 63%, to Php902 million in 2019 from Php554 million in 2018, primarily due to revenues from VAS related to mobile gaming and other pay with mobile online subscriptions and purchases.

Voice Services

Mobile revenues from our voice services, which include all voice traffic, decreased by Php3,455 million, or 12%, to Php24,597 million in 2019 from Php28,052 million 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 effective September 2018. Mobile voice services accounted for 28% and 35% of our mobile service revenues in 2019 and 2018, respectively.

Domestic voice service revenues decreased by Php1,656 million, or 7%, to Php21,830 million in 2019 from Php23,486 million in 2018, due to lower domestic outbound and inbound voice service revenues.

International voice service revenues decreased by Php1,799 million, or 39%, to Php2,767 million in 2019 from Php4,566 million in 2018, primarily due to lower international inbound and outbound voice service revenues as a result of lower international voice traffic.

SMS Services

Mobile revenues from our SMS services, which include all SMS-related services, decreased by Php3,196 million, or 24%, to Php9,907 million in 2019 from Php13,103 million in 2018 mainly due to the 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 11% and 16% of our mobile service revenues in 2019 and 2018, respectively.

Inbound Roaming and Others

Mobile revenues from inbound roaming and other services decreased by Php78 million, or 5%, to Php1,513 million in 2019 from Php1,591 million 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 years ended December 31, 2019 and 2018:

			Increase (Decrease)	
	2019	**2018**	**Amount**	**%**
		(amounts in million Php)		
Mobile service revenues	88,865	81,096	7,769	10
By service type				
Prepaid	67,850	59,914	7,936	13
Postpaid	19,502	19,591	(89)	—
Inbound roaming and others	1,513	1,591	(78)	(5)

Prepaid Revenues

Revenues generated from our mobile prepaid services amounted to Php67,850 million in 2019, an increase of Php7,936 million, or 13%, as compared with Php59,914 million in 2018. Mobile prepaid service revenues accounted for 76% and 74% of mobile service revenues in 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 higher average daily top-up by mobile prepaid subscribers and sustained growth in mobile internet usages.

Postpaid Revenues

Revenues generated from mobile postpaid services amounted to Php19,502 million in 2019, lower by Php89 million as compared with Php19,591 million in 2018, and accounted for 22% and 24% of mobile service revenues in 2019 and 2018, respectively.

Subscriber Base, ARPU and Churn Rates

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

			Increase (Decrease)	
	2019	**2018**	**Amount**	**%**
Mobile subscriber base				
Smart[(1)]	27,335,602	21,956,289	5,379,313	25
Prepaid	*25,866,195*	*20,532,174*	*5,334,021*	*26*
Postpaid	*1,469,407*	*1,424,115*	*45,292*	*3*
TNT	38,308,363	31,893,641	6,414,722	20
Sun[(1)]	7,474,190	6,649,087	825,103	12
Prepaid	*6,547,231*	*5,753,163*	*794,068*	*14*
Postpaid	*926,959*	*895,924*	*31,035*	*3*
Total mobile subscribers	73,118,155	60,499,017	12,619,138	21

(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 4.1% and 6.5% in 2019 and 2018, respectively, while the average monthly churn rates for TNT subscribers were 4.0% and 5.8% in 2019 and 2018, respectively. The average monthly churn rates for Sun Prepaid subscribers were 4.5% and 6.1% in 2019 and 2018, respectively.

The average monthly churn rates for Smart Postpaid subscribers were 2.1% and 2.0% in 2019 and 2018, respectively, and 2.0% and 3.5% in 2019 and 2018, respectively, for Sun Postpaid subscribers.

The following table summarizes our average monthly ARPUs for the years ended December 31, 2019 and 2018:

	Gross[(1)]		Increase (Decrease)		Net[(2)]		Increase (Decrease)	
	2019	2018	Amount	%	2019	2018	Amount	%
				(amounts in Php)				
Prepaid								
Smart	*132*	*130*	*2*	*2*	*116*	*118*	*(2)*	*(2)*
TNT	*77*	*79*	*(2)*	*(3)*	*69*	*71*	*(2)*	*(3)*
Sun	*84*	*89*	*(5)*	*(6)*	*75*	*81*	*(6)*	*(7)*
Postpaid								
Smart	*824*	*836*	*(12)*	*(1)*	*806*	*819*	*(13)*	*(2)*
Sun	*418*	*403*	*15*	*4*	*411*	*401*	*10*	*2*

[(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 Php85 million in 2019, a decrease of Php70 million, or 45%, from Php155 million in 2018, primarily due to a decrease in the number of subscribers.

MVNO and Others

Revenues from our MVNO and other services amounted to Php1,711 million in 2019, a decrease of Php39 million, or 2%, from Php1,750 million 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 Php683 million, or 10%, to Php6,245 million in 2019 from Php6,928 million in 2018, primarily due to lower issuances and decrease in average selling price per unit of mobile handsets.

Expenses

Expenses associated with our Wireless business segment amounted to Php74,359 million in 2019, a decrease of Php7,887 million, or 10%, from Php82,246 million in 2018. The decrease was mainly attributable to lower selling, general and administrative expenses, interconnection costs, provisions, asset impairment, 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 77% and 91% in 2019 and 2018, respectively.

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

					Increase (Decrease)	
	2019	%	2018	%	Amount	%
			(amounts in million Php)			
Selling, general and administrative expenses	32,009	43	39,693	48	(7,684)	(19)
Depreciation and amortization	29,484	40	24,778	30	4,706	19
Cost of sales and services	9,324	13	9,989	12	(665)	(7)
Interconnection costs	2,409	3	4,467	6	(2,058)	(46)
Provisions	1,011	1	2,173	3	(1,162)	(53)
Asset impairment	122	—	1,146	1	(1,024)	(89)
Total	74,359	100	82,246	100	(7,887)	(10)

Selling, general and administrative expenses decreased by Php7,684 million, or 19%, to Php32,009 million, primarily due to lower rent resulting mainly from the impact of PFRS 16 adoption, lower taxes and licenses, and professional and other contracted services, partly offset by higher expenses related to repairs and maintenance, compensation and employee benefits, and selling and promotions.

Depreciation and amortization charges increased by Php4,706 million, or 19%, to Php29,484 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 Php665 million, or 7%, to Php9,324 million, primarily due to lower average cost per unit of mobile handsets and lower cost of services, mainly content costs.

Interconnection costs decreased by Php2,058 million, or 46%, to Php2,409 million, primarily due to lower interconnection cost on domestic voice and SMS services, as a result of the impact of reduction in interconnection rates, combined with lower traffic.

Provisions decreased by Php1,162 million, or 53%, to Php1,011 million, primarily due to lower provision for doubtful accounts and lower provision for inventory obsolescence, for both trade inventories and network materials.

Asset impairment decreased by Php1,024 million, or 89%, to Php122 million, primarily due to the impairment of certain network equipment in 2018 as a result of continued network convergence strategy of DMPI.

Other Income (Expenses) – Net

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

			Change	
	2019	**2018**	**Amount**	**%**
		(amounts in million Php)		
Other Income (Expenses) - Net:				
Financing costs – net	(6,422)	(1,865)	(4,557)	(244)
Gains (losses) on derivative financial instruments – net	(243)	449	(692)	(154)
Equity share in net earnings of associates and joint ventures	—	62	(62)	(100)
Foreign exchange gains (losses) – net	118	(125)	243	194
Interest income	703	719	(16)	(2)
Other income – net	821	135	686	508
Total	(5,023)	(625)	(4,398)	(704)

Our Wireless business segment's other expenses amounted to Php5,023 million in 2019, an increase of Php4,398 million from Php625 million in 2018, primarily due to the combined effects of the following: (i) higher net financing costs by Php4,557 million mainly attributed to the impact of PFRS 16 adoption; (ii) net losses on derivative financial instruments of Php243 million in 2019 as against net gains on derivative financial instruments of Php449 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) lower interest income by Php16 million; (v) net foreign exchange gains of Php118 million in 2019 as against net foreign exchange losses of Php125 million in 2018, on account of revaluation of net foreign currency-denominated liabilities 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; and (vi) higher other income – net by Php686 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 Php4,423 million in 2019, an increase of Php3,090 million from Php1,333 million 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 Php7,376 million, or 129%, to Php13,101 million in 2019 from Php5,725 million in 2018.

EBITDA

Our Wireless business segment's EBITDA increased by Php18,554 million, or 54%, to Php52,789 million in 2019 from Php34,235 million in 2018. EBITDA margin increased to 58% in 2019 from 41% in 2018.

Core Income

Our Wireless business segment's core income increased by Php3,925 million, or 40%, to Php13,685 million in 2019 from Php9,760 million in 2018, mainly on account of higher EBITDA, partially offset by higher depreciation expense, net financing costs and provision for income tax.

Fixed Line

Revenues

Revenues generated from our Fixed Line business segment amounted to Php89,406 million in 2019, an increase of Php4,184 million, or 5%, from Php85,222 million in 2018.

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

					Increase (Decrease)	
	2019	**%**	**2018**	**%**	**Amount**	**%**
			(amounts in million Php)			
Service Revenues:						
Data	60,764	68	55,732	65	5,032	9
Voice	26,267	29	25,178	30	1,089	4
Miscellaneous	788	1	738	1	50	7
	87,819	98	81,648	96	6,171	8
Non-Service Revenues:						
Sale of computers, phone units and point-product sales	1,587	2	3,574	4	(1,987)	(56)
Total Fixed Line Revenues	89,406	100	85,222	100	4,184	5

Service Revenues

Our fixed line service revenues increased by Php6,171 million, or 8%, to Php87,819 million in 2019 from Php81,648 million in 2018, primarily due to higher revenues from our data and voice 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 of our Fixed Line business segment.

Data Services

The following table shows information of our data service revenues for the years ended December 31, 2019 and 2018:

			Increase	
	2019	**2018**	**Amount**	**%**
		(amounts in million Php)		
Data service revenues	60,764	55,732	5,032	9
Corporate data and ICT	32,315	28,999	3,316	11
Home broadband	28,449	26,733	1,716	6

Our data services posted revenues of Php60,764 million in 2019, an increase of Php5,032 million, or 9%, from Php55,732 million 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% in 2019 and 2018, respectively.

Corporate Data and ICT

Corporate data services amounted to Php26,681 million in 2019, an increase of Php2,690 million, or 11%, as compared with Php23,991 million 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 2019 and 2018, respectively.

ICT revenues increased by Php626 million, or 13%, to Php5,634 million in 2019 from Php5,008 million 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 2019 and 2018.

Home Broadband

Home broadband data revenues amounted to Php28,449 million in 2019, an increase of Php1,716 million, or 6%, from Php26,733 million 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 2019 and 2018, respectively. In 2019, PLDT's FTTH nationwide network rollout passed 7.2 million homes.

Voice Services

Revenues from our voice services increased by Php1,089 million, or 4%, to Php26,267 million in 2019 from Php25,178 million 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% in 2019 and 2018, respectively.

Miscellaneous Services

Miscellaneous service revenues are derived mostly from rentals and management fees. These service revenues increased by Php50 million, or 7%, to Php788 million in 2019 from Php738 million in 2018. The percentage contribution of miscellaneous service revenues to our total fixed line service revenues accounted for 1% in each of 2019 and 2018.

Non-service Revenues

Non-service revenues decreased by Php1,987 million, or 56%, to Php1,587 million in 2019 from Php3,574 million in 2018, primarily due to lower sale of Telpad units, computer bundles, managed ICT equipment and Ultera devices.

Expenses

Expenses related to our Fixed Line business segment totaled Php72,385 million in 2019, a decrease of Php5,397 million, or 7%, as compared with Php77,782 million in 2018. The decrease was primarily due to lower expenses related to depreciation and amortization, asset impairment, cost of sales and services, and selling, general and administrative expenses, partly offset by higher interconnection costs. As a percentage of our total fixed line revenues, expenses associated with our Fixed Line business segment accounted for 81% and 91% in 2019 and 2018, respectively.

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

					Increase (Decrease)	
	2019	**%**	**2018**	**%**	**Amount**	**%**
			(amounts in million Php)			
Selling, general and administrative expenses	40,856	56	41,065	53	(209)	(1)
Depreciation and amortization	16,141	22	22,303	29	(6,162)	(28)
Interconnection costs	7,577	11	5,145	7	2,432	47
Cost of sales and services	4,112	6	4,523	6	(411)	(9)
Provisions	3,530	5	3,547	4	(17)	—
Asset impairment	169	—	1,199	1	(1,030)	(86)
Total	72,385	100	77,782	100	(5,397)	(7)

Selling, general and administrative expenses decreased by Php209 million, or 1%, to Php40,856 million primarily due to lower rent expenses, mainly due to the impact of PFRS 16 adoption, as well as lower selling and promotions expenses, partly offset by higher compensation and employee benefits resulting from higher MRP expenses, professional and other contracted services, taxes and licenses, repairs and maintenance, and communication, training and travel expenses.

Depreciation and amortization charges decreased by Php6,162 million, or 28%, to Php16,141 million mainly on account of lower depreciation due to shortened life of certain network equipments in 2018 resulting from the modernization of facilities to adopt more effective technologies, partly offset by depreciation of right-of-use asset due to the impact of PFRS 16 adoption.

Interconnection costs increased by Php2,432 million, or 47%, to Php7,577 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 Php411 million, or 9%, to Php4,112 million, primarily due to lower cost of Telpad units, computer bundles, managed ICT equipment and Ultera devices, partly offset by higher cost of services.

Provisions decreased by Php17 million to Php3,530 million, primarily due to lower provision for inventory obsolescence, partly offset by higher provision for doubtful accounts mainly from our Home trade receivables.

Asset impairment decreased by Php1,030 million, or 86%, to Php169 million, primarily due to impairment provision for certain property and equipment of Digitel in 2018.

Other Income (Expenses) – Net

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

			Change	
	2019	**2018**	**Amount**	**%**
		(amounts in million Php)		
Other Income (Expenses) - Net:				
Financing costs – net	(5,078)	(5,195)	117	2
Gains (losses) on derivative financial instruments – net	(196)	355	(551)	(155)
Equity share in net earnings of associates	568	171	397	232
Foreign exchange gains (losses) – net	400	(58)	458	790
Interest income	680	812	(132)	(16)
Other income – net	3,367	3,870	(503)	(13)
Total	(259)	(45)	(214)	(476)

Our Fixed Line business segment's other expenses amounted to Php259 million in 2019, an increase of Php214 million from Php45 million in 2018, primarily due to the combined effects of the following: (i) net losses on derivative financial instruments of Php196 million in 2019 as against net gains on derivative financial instruments of Php355 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; (ii) lower other income – net by Php503 million; (iii) lower interest income by Php132 million; (iv) higher equity share in net earnings of associates by Php397 million; (v) lower net financing costs by Php117 million; and (vi) net foreign exchange gains of Php400 million in 2019 as against net foreign exchange losses of Php58 million in 2018, on account of revaluation of net foreign currency-denominated liabilities 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 Php5,341 million in 2019, an increase of Php4,005 million from Php1,336 million in 2018, primarily due to higher taxable income.

Net Income

As a result of the foregoing, our Fixed Line business segment registered a net income of Php11,421 million in 2019, an increase of Php5,362 million, or 88%, as compared with Php6,059 million in 2018.

EBITDA

Our Fixed Line business segment's EBITDA increased by Php2,287 million, or 7%, to Php33,162 million in 2019 from Php30,875 million in 2018. EBITDA margin remained stable at 38% for each of 2019 and 2018.

Core Income

Our Fixed Line business segment's core income increased by Php5,606 million, or 81%, to Php12,531 million in 2019 from Php6,925 million in 2018, primarily as a result of lower depreciation expenses and higher EBITDA, partly offset by higher provision for income tax.

Others

Revenues

Revenues generated from our Other business segment, which include revenues from digital platforms and mobile financial services, amounted to nil and Php1,138 million in 2019 and 2018, respectively, due mainly to the deconsolidation of VIH in November 2018.

Expenses

Expenses related to our Other business segment totaled Php101 million in 2019, a decrease of Php3,992 million, or 98%, from Php4,093 million 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 years ended December 31, 2019 and 2018:

			Change	
	2019	**2018**	**Amount**	**%**
		(amounts in million Php)		
Other Income (Expenses) - Net:				
Interest income	362	536	(174)	(32)
Gains on derivative financial instruments – net	155	282	(127)	(45)
Financing costs – net	—	(131)	131	100
Foreign exchange losses – net	(76)	(588)	512	87
Equity share in net losses of associates and joint ventures	(2,103)	(320)	(1,783)	(557)
Other income (expenses) – net	(450)	12,320	(12,770)	(104)
Total	(2,112)	12,099	(14,211)	(117)

Our Other business segment's other expenses amounted to Php2,112 million in 2019, a change of Php14,211 million as against other income of Php12,099 million in 2018, primarily due to the combined effects of the following: (i) lower other income – net by Php12,770 million mainly due to gain on deconsolidation of VIH of Php12,054 million in 2018 and lower realized 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 Php1,783 million mainly due to equity share in net losses of VIH amounting to Php2,268 million in 2019; (iii) lower interest income by Php174 million; (iv) lower net gains on derivative financial instruments by Php127 million; (v) lower net financing costs by Php131 million; and (vi) lower net foreign exchange losses by Php512 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.

Net Income (Loss)

As a result of the foregoing, our Other business segment registered a net loss of Php1,769 million in 2019, a change of Php9,740 million as against net income of Php7,971 million in 2018.

Core Income (Loss)

Our Other business segment's core loss amounted to Php1,151 million in 2019, a change of Php11,103 million as against core income of Php9,952 million in 2018.

Liquidity and Capital Resources

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

	Years ended December 31,	
	2019	**2018**
	(amounts in million Php)	
Cash Flows		
Net cash flows provided by operating activities	73,390	61,116
Net cash flows used in investing activities	(84,170)	(25,054)
Payment for purchase of property and equipment, including capitalized interest	*(89,701)*	*(48,771)*
Net cash flows used in financing activities	(15,757)	(18,144)
Net increase (decrease) in cash and cash equivalents	(27,285)	18,749

	December 31,	
	2019	**2018**
	(amounts in million Php)	
Capitalization		
Long-term portion of interest-bearing financial liabilities – net of current portion:		
Long-term debt	172,834	155,835
Current portion of interest-bearing financial liabilities:		
Long-term debt maturing within one year	19,722	20,441
Total interest-bearing financial liabilities	192,556	176,276
Total equity attributable to equity holders of PLDT	111,996	112,358
	304,552	288,634
Other Selected Financial Data		
Total assets	525,036	482,750
Property and equipment	232,134	195,964
Cash and cash equivalents	24,369	51,654
Short-term investments	314	1,165

Our consolidated cash and cash equivalents and short-term investments totaled Php24,683 million as at December 31, 2019. Principal sources of consolidated cash and cash equivalents in 2019 were cash flows from operating activities amounting to Php73,390 million, proceeds from availment of long-term debt of Php37,500 million, interest received of Php1,723 million, collection of receivables from Metro Pacific Investments Corporation, or MPIC, of Php1,771 million, proceeds from disposal of Rocket Internet shares of Php1,021 million and net proceeds from maturity of short-term investments of Php843 million. These funds were used principally for: (1) purchase of property and equipment, including capitalized interest, of Php89,701 million; (2) debt principal and interest payments of Php20,494 million and Php7,143 million, respectively; (3) cash dividend payments of Php15,592 million; and (4) settlement of obligations under lease liabilities of Php9,543 million.

Our consolidated cash and cash equivalents and short-term investments totaled Php52,819 million as at December 31, 2018. Principal sources of consolidated cash and cash equivalents in 2018 were: (1) cash flows from operating activities amounting to Php61,116 million; (2) proceeds from availment of long-term debt of Php20,500 million; (3) proceeds from disposal of Rocket Internet shares of Php11,400 million and proceeds from repurchase of Matrixx's Convertible Series B Preferred Stock of Php237 million; (4) proceeds from sale and collection of receivables from MPIC of Php6,976 million and Php4,451 million, respectively; (5) proceeds from disposal of Hastings PDRs of Php1,664 million; (6) interest received of Php1,115 million; (7) proceeds from collection of derivative financial instruments of Php886 million; and (8) proceeds from disposal of property and equipment of Php345 million. These funds were used principally for: (1) payment for purchase of property and equipment, including capitalized interest, of Php48,771 million; (2) debt principal and interest payments of Php18,740 million and Php6,614 million, respectively; (3) cash dividend payments of Php13,928 million; and (4) payment for purchase of investment in Multisys Technologies Corporation, or Multisys, of Php1,588 million and net decrease in cash resulting from deconsolidation of VIH of Php1,186 million.

Operating Activities

Our consolidated net cash flows provided by operating activities increased by Php12,274 million, or 20%, to Php73,390 million in 2019 from Php61,116 million in 2018, primarily due to higher operating income, higher level of collection of receivables, and lower level of settlement of accounts payable and other noncurrent liabilities, partly offset by higher prepayments and higher pension contribution.

Cash flows provided by operating activities of our Wireless business segment increased by Php8,621 million, or 22%, to Php47,917 million in 2019 from Php39,296 million in 2018, primarily due to higher operating income, lower level of settlement of accounts payable and higher level of collection of receivables, partly offset by higher prepayments and higher level of settlement of other noncurrent liabilities. Cash flows provided by operating activities of our Fixed Line business segment increased by Php995 million, or 4%, to Php23,596 million in 2019 from Php22,601 million in 2018 primarily due to higher operating income and lower corporate taxes paid, partially offset by higher pension contribution, lower level of collection of receivables and higher level of settlement of accrued expenses and other current liabilities. Cash flows used in operating activities of our Other business segment increased by Php50 million, or 15%, to Php379 million in 2019 from Php329 million in 2018, primarily due to higher level of settlement of accounts payable, partly offset by lower operating loss, higher level of collection of receivables, and lower level of settlement of accrued expenses and other current liabilities.

Investing Activities

Consolidated net cash flows used in investing activities amounted to Php84,170 million in 2019, an increase of Php59,116 million from Php25,054 million in 2018, primarily due to the combined effects of the following: (1) higher payment for purchase of property and equipment, including capitalized interest, by Php40,930 million; (2) lower proceeds from sale of Rocket Internet shares by Php10,379 million and proceeds from repurchase of Matrixx's Convertible Series B Preferred Shares of Php237 million in 2018; (3) proceeds from sale of MPIC receivables of Php6,976 million in 2018 and lower collection of MPIC receivables by Php2,680 million; (4) proceeds from disposal of Hastings PDRs of Php1,664 million in 2018; (6) higher interest received by Php608 million; (7) lower net payment for purchase of short-term investment by Php733 million; and (8) payment for purchase of investment in Multisys of Php1,588 million and net decrease in cash resulting from the deconsolidation of VIH of Php1,186 million in 2018.

Our consolidated payment for purchase of property and equipment, including capitalized interest, in 2019 totaled Php89,701 million, an increase of Php40,930 million, or 84%, as compared with Php48,771 million in 2018. Smart Group's capital spending increased by Php22,218 million, or 70%, to Php54,102 million in 2019 from Php31,884 million in 2018. Smart Group's capex spending was primarily focused on expansion of LTE (4G) coverage and capacity. PLDT's capital spending increased by Php18,707 million, or 123%, to Php33,959 million in 2019 from Php15,252 million in 2018. PLDT's capex spending was used to finance the fixed line 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 Php15,757 million in 2019, a decrease of Php2,387 million, or 13%, from Php18,144 million in 2018, primarily due to the combined effects of the following: (1) higher proceeds from availment of long-term debt by Php17,000 million; (2) higher interest paid by Php529 million; (3) net settlement of derivative financial instruments of Php50 million in 2019 as against net proceeds from collection from derivative financial instruments of Php886 million in 2018; (4) higher cash dividend payments by Php1,664 million; (5) higher payments of long-term debt by Php1,754 million; and (6) settlement of obligations under lease liabilities of Php9,543 million in 2019.

Debt Financing

Proceeds from availment of long-term debt for the year ended December 31, 2019 amounted to Php37,500 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 Php20,494 million and Php7,143 million, respectively, for the year ended December 31, 2019.

Our consolidated long-term debt increased by Php16,280 million, or 9%, to Php192,556 million as at December 31, 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 December 31, 2019, the long-term debt level of Smart increased by 18% to Php78,152 million from Php65,996 as at December 31, 2018, and PLDT's long-term debt level increased by 4% to Php114,404 million from Php110,280 million as at December 31, 2018.

See *Note 21 – Interest-bearing Financial Liabilities – Long-term Debt* to the accompanying 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 December 31, 2019 and 2018, we are in compliance with all of our debt covenants.

See *Note 21 – Interest-bearing Financial Liabilities – Compliance with Debt Covenants* to the accompanying 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 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 years ended December 31, 2019 and 2018:

	Date			Amount	
Earnings	**Approved[(1)]**	**Record**	**Payable**	**Per share**	**Total**
				(in million Php, except per share amount)	
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	—	13
	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
	December 3, 2019	December 18, 2019	January 15, 2020	—	3
Charged to Retained Earnings					15,615
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
	December 4, 2018	December 19, 2018	January 15, 2019	—	3
Charged to Retained Earnings					13,887

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

Our dividends declared after December 31, 2019 are as follow:

Earnings	Date Approved[(1)]	Date Record	Date Payable	Amount Per share	Amount Total
				(in million Php, except per share amount)	
2019					
Cumulative Non-Convertible Redeemable Preferred Stock					
Series IV	January 28, 2020	February 24, 2020	March 15, 2020	-	12
Voting Preferred	March 5, 2020	March 25, 2020	April 15, 2020	-	3
					15
Common Stock					
Regular Dividend	March 5, 2020	March 19, 2020	April 3, 2020	39	8,426
Charged to Retained Earnings					8,441

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

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

Changes in Financial Conditions

Our total assets amounted to Php525,036 million as at December 31, 2019, an increase of Php42,286 million, or 9%, from Php482,750 million as at December 31, 2018, primarily due to higher property and equipment, prepayments and right-of-use of assets resulting from the impact of PFRS 16 adoption, partly offset by lower cash and cash equivalents.

Our total liabilities amounted to Php408,737 million as at December 31, 2019, an increase of Php42,653 million, or 12%, from Php366,084 million as at December 31, 2018, primarily due to higher interest-bearing financial liabilities, lease liabilities on account of the impact of PFRS 16 adoption, and higher accounts payable and accrued expenses and other 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, 60% of our core earnings for 2016, 2017 and 2018, and 60% of our telco core earnings for 2019. 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 in 2019 amounted to Php15,592 million as compared with Php13,928 million paid to shareholders in 2018.

Contractual Obligations and Commercial Commitments

Contractual Obligations

For a detailed discussion of our consolidated contractual undiscounted obligations as at December 31, 2019 and 2018, see *Note 28 – Financial Assets and Liabilities* to the accompanying 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 December 31, 2019 and 2018, respectively. These commitments will expire within one year.

Quantitative and Qualitative Disclosures about Market Risks

The main risks arising from our financial instruments are liquidity risk, foreign currency exchange risk, interest rate risk and credit risk. The importance of managing those risks has significantly increased in light of the considerable change and volatility in both the Philippine and international financial markets. Our Board of Directors reviews and approves policies for managing each of these risks. We also monitor the market price risk arising from all financial instruments.

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

The following table sets forth the estimated consolidated fair values of our financial assets and liabilities recognized as at December 31, 2019 and September 30, 2019 other than those whose carrying amounts are reasonable approximations of fair values:

	Fair Values	
	December 31, 2019	**September 30, 2019**
	(amounts in million Php)	
Noncurrent Financial Assets		
Other financial assets – net of current portion	1,657	2,557
Total noncurrent financial assets	1,657	2,557
Noncurrent Financial Liabilities		
Interest-bearing financial liabilities	169,965	156,800
Customers' deposits	1,539	1,513
Deferred credits and other noncurrent liabilities	1,953	3,020
Total noncurrent financial liabilities	173,457	161,333

The following table sets forth the amount of gains (losses) recognized for the financial assets and liabilities for the year ended December 31, 2019 and the nine months ended September 30, 2019:

	December 31, 2019	**September 30, 2019**
	(amounts in million Php)	
Profit and Loss		
Interest income	1,745	1,405
Losses on derivative financial instruments – net	(284)	(190)
Accretion on financial liabilities	(122)	(91)
Interest on loans and other related items	(8,730)	(6,412)
Other Comprehensive Income		
Net fair value losses on cash flow hedges – net of tax	(256)	(230)

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 for the years ended December 31, 2019 and 2018 were 2.5% and 5.2%, respectively. We expect inflation to stay within the 2% to 4% target range of the BSP.

PART II – OTHER INFORMATION

Expiration of SubicTel's Franchise

Effective January 23, 2020, SubicTel ceased to operate as a telecommunications service provider, pursuant to the expiration of its franchise issued by the Subic Bay Metropolitan Authority, or SBMA. In order to facilitate continued customer service, arrangements have been made between SubicTel and PLDT where PLDT would make its services available to the affected SubicTel subscribers on voluntary basis. The NTC interposed no objection to the transfer of SubicTel's subscribers to PLDT, subject to certain conditions. Likewise, the SBMA Board approved the issuance of Certificate of Registration to PLDT to operate within SBMA. On September 24, 2019, the PLDT Board of Directors approved the acquisition of the assets and subscribers of SubicTel for a total consideration of Php675 million.

Expiration of Maratel's Legislative Franchise

Effective April 2020, Maratel will cease to operate as a telecommunications service provider, following the expiration of its legislative franchise, R.A. 7970. In order to ensure continued customer service, Maratel will assign its assets and subscribers, or the "Maratel Subscribers", to PLDT who undertakes to offer its services to Maratel Subscribers subject to conditions as may be imposed by the NTC. The NTC, has yet to respond to Maratel's notice to transfer its subscribers to PLDT. On November 7, 2019, the PLDT Board of Directors approved the acquisition of the assets and Maratel Subscribers for a total consideration of Php442 million.

Smart, Globe and Dito Joint Venture on Mobile Number Portability

On January 2, 2020, PLDT announced that Smart joined forces with Globe Telecom, Inc., or Globe, and Dito Telecommunity Corporation, or Dito, to put up a new company using fresh investments to enable number porting services in line with the new mobile number portability, or MNP, initiative of the government. MNP refers to the ability of a mobile postpaid or prepaid subscriber, who has no existing financial obligation to the current service provider, to retain an existing mobile number despite having moved from one mobile service provider to another, or to change the type subscription from postpaid to prepaid or vice versa.

On January 21, 2020, Telecommunications Connectivity, Inc., or TCI, was incorporated in the Philippines and registered with the Philippine SEC. The primary purpose of the joint venture is to serve as a clearing house for MNP. TCI will ensure smooth implementation of mobile number porting services. Smart subscribed Php10 million representing 33.3% equity interest in TCI, which is equivalent to 10 million shares at a subscription price of Php1.00 per share.

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.

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.

Decrease in PCEV's Par Value of Common Stock and Authorized Capital Stock

On May 10, 2019 and June 25, 2019, PCEV's Board of Directors and stockholders approved the decrease in PCEV's par value of common stock, from Php21,000 to Php8,700, and authorized capital stock, from Php12,060 million to Php4,996 million.

The decrease in PCEV's par value of common stock and authorized capital stock was approved by the Philippine SEC on December 19, 2019. Consequently, the partial return of capital representing their proportionate share in the decrease in par value amounting to Php6,825 million and Php4 million were paid to Smart and PCEV's minority shareholders, respectively.

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 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 December 6, 2018, Rocket Internet redeemed 1.9 million shares reducing its share capital to €153 million. PLDT Online's equity ownership in Rocket Internet remained at 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%.

On October 9, 2019, Rocket Internet redeemed 1.7 million shares reducing its share capital to €151 million. PLDT Online's equity ownership in Rocket Internet remained at 1.3%.

On January 30, 2020, Rocket Internet redeemed 13.5 million shares, reducing its share capital to €137 million. As a result of the redemption of shares, PLDT Online's equity ownership in Rocket Internet increased from 1.3% to 1.4%.

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

The carrying value of the investment in Multisys amounted to Php2,538 million and Php2,388 million, including subscription payable of Php800 million and contingent consideration of Php230 million as at December 31, 2019 and 2018, respectively.

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 27 – Provisions and Contingencies* to the accompanying consolidated financial statements.

For updates on matters relating to the (1) Department of Labor and Employment, or DOLE, Compliance Order to PLDT, see *Note 27 – 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 27 – Provisions and Contingencies*, to the accompanying consolidated financial statements.

Related Party Transactions

For a detailed discussion of the related party transactions, see *Note 25 – Related Party Transactions* to the accompanying consolidated financial statements.

ANNEX I – AGING OF ACCOUNTS RECEIVABLE

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

Type of Accounts Receivable	Total	Current	31-60 Days	61-90 Days	Over 91 Days
			(amounts in million Php)		
Retail subscribers	17,178	7,603	845	183	8,547
Corporate subscribers	13,005	5,709	1,822	857	4,617
Foreign administrations	1,896	891	41	31	933
Domestic carriers	889	239	261	77	312
Dealers, agents and others	6,372	2,799	766	150	2,657
Total	39,340	17,241	3,735	1,298	17,066
Less: Allowance for doubtful accounts	16,904				
Total Receivables - net	22,436				

ANNEX II – FINANCIAL SOUNDNESS INDICATORS

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

	2019	2018
Current Ratio(1)	0.37:1.0	0.52:1.0
Acid Test Ratio(2)	0.23:1.0	0.40:1.0
Solvency Ratio(3)	0.35:1.0	0.43:1.0
Net Debt to Equity Ratio(4)	1.50:1.0	1.10:1.0
Net Debt to EBITDA Ratio(5)	2.10:1.0	1.93:1.0
Total Debt to EBITDA Ratio(6)	2.41:1.0	2.75:1.0
Asset to Equity Ratio(7)	4.69:1.0	4.30:1.0
Interest Coverage Ratio(8)	4.63:1.0	4.19:1.0
Profit Margin(9)	13%	12%
Return on Assets(10)	5%	4%
Return on Equity(11)	20%	17%
EBITDA Margin(12)	49%	42%

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

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the registrant has duly caused this report for the fourth quarter 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: March 5, 2020