PLDT

August 8, 2019

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

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

Gentlemen:

In accordance with Section 17.1(b) of the Securities Regulation Code and SRC Rule 17.3, we submit herewith a copy of SEC Form 17-Q with Management's Discussion and Analysis and accompanying unaudited consolidated financial statements for the six (6) months ended June 30, 2019.

Very truly yours,

MA. LOURDES C. RAUSA-CHAN
Corporate Secretary

PLDT

August 8, 2019

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

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

Gentlemen:

In accordance with Section 17.1(b) of the Securities Regulation Code and SRC Rule 17.1.1.1.2, we submit herewith two (2) copies of SEC Form 17-Q with Management's Discussion and Analysis and accompanying unaudited consolidated financial statements for the six (6) months ended June 30, 2019.

Very truly yours,

MA. LOURDES C. RAUSA-CHAN
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) 816-8556

(Telephone Number)

Not Applicable

(Fiscal Year Ending)
(month & day)

SEC Form 17-Q

Form Type

Not Applicable

Amendment Designation (if applicable)

June 30, 2019

Period Ended Date

Not Applicable

(Secondary License Type and File Number)

COVER SHEET

SEC Registration Number
PW-55

Company Name

PLDT INC.

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

RAMON COJUANGCO BUILDING
MAKATI AVENUE MAKATI CITY

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

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
11,630 as at June 30, 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) 816-8534**	

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

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17

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

1. For the quarterly period ended **June 30, 2019**

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

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

4. **PLDT Inc.**
   Exact name of registrant as specified in its charter

5. **Republic of the Philippines**
   Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: (SEC Use Only)

7. **Ramon Cojuangco Building, Makati Avenue, Makati City** **0721**
   Address of registrant's principal office Postal Code

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

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

10. Securities registered pursuant to Sections 8 of the SRC

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Capital Stock, Php5 par value	**216,055,775 shares as at June 30, 2019**

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

    Yes [**X**] No [ ]

12. Check whether the registrant

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period the registrant was required to file such reports):

Yes [**X**] No [ ]

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

Yes [**X**] No [ ]

TABLE OF CONTENTS

PART I – FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

Our consolidated financial statements as at June 30, 2019 (unaudited) and December 31, 2018 (audited) and for the six months ended June 30, 2019 and 2018 (unaudited) and related notes (pages F-1 to F-159) are filed as part of this report on Form 17-Q.

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

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

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

The financial information appearing in this report and in the accompanying unaudited consolidated financial statements is stated in Philippine pesos. Unless otherwise indicated, translations of Philippine peso amounts into U.S. dollars in this report and in the accompanying unaudited consolidated financial statements were made based on the exchange rate of Php51.23 to US$1.00, the exchange rate as at June 30, 2019 quoted through the Bankers Association of the Philippines.

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

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

Financial Highlights and Key Performance Indicators

	Six months ended June 30, 2019	Six months ended June 30, 2018	Increase (Decrease) Amount	Increase (Decrease) %
(amounts in million Php, except for EBITDA margin, earnings per common share)	(Unaudited)			
Consolidated Income Statement				
Revenues	84,038	82,239	1,799	2
Expenses	63,667	67,371	(3,704)	(5)
Other income (expenses) – net	(3,300)	694	(3,994)	(576)
Income before income tax	17,071	15,562	1,509	10
Net income	12,235	11,805	430	4
Core income(1)	12,320	13,361	(1,041)	(8)
EBITDA	39,666	33,185	6,481	20
EBITDA margin(2)	49%	43%	—	—
Reported earnings per common share:				
Basic	56.37	54.31	2.06	4
Diluted	56.37	54.31	2.06	4
Core earnings per common share(3):				
Basic	56.89	61.71	(4.82)	(8)
Diluted	56.89	61.71	(4.82)	(8)

	June 30, 2019	December 31, 2018	Increase (Decrease) Amount	Increase (Decrease) %
(amounts in million Php, except for net debt to equity ratio)	(Unaudited)	(Audited)		
Consolidated Statements of Financial Position				
Total assets	501,787	482,750	19,037	4
Property and equipment	211,957	195,964	15,993	8
Cash and cash equivalents and short-term investments	32,129	52,819	(20,690)	(39)
Total equity attributable to equity holders of PLDT	114,374	112,358	2,016	2
Long-term debt, including current portion	172,843	176,276	(3,433)	(2)
Net debt(4) to equity ratio	1.23x	1.10x	—	—

	Six months ended June 30, 2019	Six months ended June 30, 2018	Change Amount	Change %
(amounts in million Php, except for operational data)	(Unaudited)			
Consolidated Statements of Cash Flows				
Net cash provided by operating activities	35,828	40,882	(5,054)	(12)
Net cash used in investing activities	(37,135)	(11,258)	(25,877)	(230)
Payment for purchase of property and equipment, including capitalized interest	*(40,961)*	*(32,009)*	*(8,952)*	*(28)*
Net cash used in financing activities	(17,517)	(11,566)	(5,951)	(51)
Operational Data				
Number of mobile subscribers	67,547,646	58,510,872	9,036,774	15
Prepaid	*65,151,418*	*56,081,230*	*9,070,188*	*16*
Postpaid	*2,396,228*	*2,429,642*	*(33,414)*	*(1)*
Number of broadband subscribers	2,041,946	2,038,333	3,613	—
Fixed Line broadband	*1,841,147*	*1,829,096*	*12,051*	*1*
Fixed Wireless broadband	*200,799*	*209,237*	*(8,438)*	*(4)*
Number of fixed line subscribers	2,711,411	2,756,865	(45,454)	(2)
Number of employees:	19,457	17,642	1,815	10
Fixed Line	13,157	10,967	2,190	20
LEC	*11,038*	*6,844*	*4,194*	*61*
Others	*2,119*	*4,123*	*(2,004)*	*(49)*
Wireless	6,300	6,675	(375)	(6)

(1) *2018 core income was restated to conform with 2019 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
June 30, 2019	51.23	52.22
December 31, 2018	52.56	52.68
June 30, 2018	53.40	51.94
December 31, 2017	49.96	50.41

Performance Indicators

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

EBITDA

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

Core Income

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

Overview

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

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

- *Fixed Line* — fixed line telecommunications services primarily provided by PLDT. We also provide fixed line services through PLDT's subsidiaries, namely, PLDT Clark Telecom, Inc., PLDT Subic Telecom, Inc., PLDT-Philcom, Inc. or Philcom, and its subsidiaries, or Philcom Group, PLDT-Maratel, Inc., Bonifacio Communications Corporation, PLDT Global and certain subsidiaries, and Digital Telecommunications Phils., Inc., or Digitel, all of which together account for approximately 4% of our consolidated fixed line subscribers; data center, cloud, cyber security services, managed information technology services and resellership through ePLDT, Inc., or ePLDT, IP Converge Data Services, Inc., or IPCDSI, and subsidiary, or IPCDSI Group, ABM Global Solutions, Inc., or AGS, and its subsidiaries, or AGS Group, Curo Teknika, Inc. and ePDS, Inc., or ePDS; full service customer rewards and loyalty programs provided by MVP Rewards and Loyalty Solutions, Inc., or MRSI; and distribution of Filipino channels and content through Pilipinas Global Network Limited and its subsidiaries; and

- *Others* — Voyager Innovations Holdings, Pte. Ltd., or VIH, and certain subsidiaries, the digital innovations arm of PLDT and Smart, which was deconsolidated from PLDT Communications and Energy Ventures, Inc., or PCEV, effective November 30, 2018; PCEV, PLDT Global Investment Holdings, Inc., PLDT Global Investments Corporation, or PGIC, PLDT Digital Investments Pte. Ltd., or PLDT Digital, and its subsidiaries, our investment companies.

As at June 30, 2019, our chief operating decision maker, or our Management Committee, views our business activities in three business units: Wireless, Fixed Line and Others.

Management's Financial Review

In addition to consolidated net income, we use EBITDA and core income to assess our operating performance. The reconciliation of our consolidated net income to our consolidated EBITDA and our consolidated core income for the six months ended June 30, 2019 and 2018 are set forth below.

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

	2019	2018
	(Unaudited)	
	(amounts in million Php)	
Consolidated net income	12,235	11,805
Add (deduct) adjustments:		
Depreciation and amortization	18,903	17,889
Provision for income tax	4,836	3,757
Financing costs – net	4,285	3,477
Equity share in net losses (earnings) of associates and joint ventures	706	(176)
Amortization of intangible assets	392	428
Losses (gains) on derivative financial instruments - net	308	(1,011)
Impairment of investments	34	60
Foreign exchange losses (gains) - net	(362)	906
Interest income	(1,012)	(916)
Other income – net	(659)	(3,034)
Total adjustments	27,431	21,380
Consolidated EBITDA	39,666	33,185

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

	2019	2018
	(Unaudited)	
	(amounts in million Php)	
Consolidated net income	12,235	11,805
Add (deduct) adjustments:		
Manpower rightsizing program	292	322
Losses (gains) on derivative financial instruments – net, excluding hedge costs	281	(1,039)
Core income adjustment on equity share in net losses of associates and joint ventures	141	31
Impairment of investments	34	60
Investment written-off	—	362
Depreciation due to shortened life of property and equipment	—	3,565
Net income attributable to noncontrolling interests	(28)	(43)
Unrealized gain in fair value of investments	(142)	(1,459)
Foreign exchange losses (gains) – net	(362)	906
Net tax effect of aforementioned adjustments	(131)	(1,149)
Total adjustments	85	1,556
Consolidated core income	12,320	13,361

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 six months ended June 30, 2019 and 2018. In each of the six months ended June 30, 2019 and 2018, majority of our revenues are derived from our operations within the Philippines. Our revenues derived from outside the Philippines consist primarily of revenues from incoming international calls to the Philippines.

	Wireless	Fixed Line	Others[1]	Inter-segment Transactions	Consolidated
	(amounts in million Php, except for EBITDA margin)				
For the six months ended June 30, 2019 (Unaudited)					
Revenues	46,231	44,217	—	(6,410)	84,038
Expenses	34,249	35,877	10	(6,469)	63,667
Other income (expenses) - net	(2,292)	(627)	(462)	81	(3,300)
Income (loss) before income tax	9,690	7,713	(472)	140	17,071
Provision for (benefit from) income tax	2,531	2,331	(207)	181	4,836
Net income (loss)/Segment profit (loss)	7,159	5,382	(265)	(41)	12,235
EBITDA	26,005	16,389	(10)	(2,718)	39,666
EBITDA margin[2]	60%	38%	—	—	49%
Core income (loss)	7,166	5,461	(266)	(41)	12,320
For the six months ended June 30, 2018 (Unaudited)					
Revenues	45,235	41,652	612	(5,260)	82,239
Expenses	38,904	32,467	2,054	(6,054)	67,371
Other income (expenses) - net	(558)	(234)	2,649	(1,163)	694
Income (loss) before income tax	5,773	8,951	1,207	(369)	15,562
Provision for (benefit from) income tax	1,129	2,451	177	—	3,757
Net income (loss)/Segment profit (loss)	4,644	6,500	1,030	(369)	11,805
EBITDA	17,577	16,127	(1,313)	794	33,185
EBITDA margin[2]	42%	41%	—	—	43%
Core income (loss)	7,097	6,407	226	(369)	13,361
Increase (Decrease)					
Revenues	996	2,565	(612)	(1,150)	1,799
Expenses	(4,655)	3,410	(2,044)	(415)	(3,704)
Other income (expenses) - net	(1,734)	(393)	(3,111)	1,244	(3,994)
Income (loss) before income tax	3,917	(1,238)	(1,679)	509	1,509
Provision for (benefit from) income tax	1,402	(120)	(384)	181	1,079
Net income (loss)/Segment profit (loss)	2,515	(1,118)	(1,295)	328	430
EBITDA	8,428	262	1,303	(3,512)	6,481
Core income (loss)	69	(946)	(492)	328	(1,041)

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

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

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

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

On a Consolidated Basis

Revenues

We reported consolidated revenues of Php84,038 million for the six months ended June 30, 2019, an increase of Php1,799 million, or 2%, as compared with Php82,239 million in the same period in 2018, primarily due to higher revenues from data and voice services in our Fixed Line business segment and higher mobile services from our Wireless business segment, partially offset by lower revenues from our Other business segment.

Our consolidated services revenues of Php80,410 million for the six months ended June 30, 2019, increased by Php4,049 million, or 5%, from Php76,361 million in the same period in 2018, while our consolidated non-service revenues of Php3,628 million for the six months ended June 30, 2019, decreased by Php2,250 million, or 38%, from Php5,878 million in the same period in 2018.

Consolidated service revenues, net of interconnection costs, amounted to Php76,655 million for the six months ended June 30, 2019, an increase of Php4,202 million, or 6%, from Php72,453 million in the same period in 2018.

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

The following table shows the breakdown of our consolidated revenues by services for the six months ended June 30, 2019 and 2018:

	Wireless	Fixed Line	Others	Inter-segment Transactions	Consolidated
			(amounts in million Php)		
For the six months ended June 30, 2019					
Service Revenues					
Wireless	*43,435*			*(1,233)*	*42,202*
Mobile	42,408			(442)	41,966
Home broadband	50			—	50
MVNO and others	977			(791)	186
Fixed Line		*43,384*		*(5,176)*	*38,208*
Voice		13,109		(1,004)	12,105
Data		29,379		(3,844)	25,535
Home broadband		13,882		(83)	13,799
Corporate data and ICT		15,497		(3,761)	11,736
Miscellaneous		896		(328)	568
Others			—	—	—
Total Service Revenues	43,435	43,384	—	(6,409)	80,410
Non-Service Revenues					
Sale of computers, phone units and mobile handsets	2,796	647	—	(2)	3,441
Point-product sales	—	186	—	1	187
Total Non-Service Revenues	2,796	833	—	(1)	3,628
Total Revenues	46,231	44,217	—	(6,410)	84,038
For the six months ended June 30, 2018					
Service Revenues					
Wireless	*41,409*			*(1,456)*	*39,953*
Mobile	40,329			(630)	39,699
Home broadband	87			—	87
MVNO and others	993			(826)	167
Fixed Line		*39,631*		*(3,796)*	*35,835*
Voice		12,329		(1,102)	11,227
Data		26,421		(2,331)	24,090
Home broadband		13,250		(132)	13,118
Corporate data and ICT		13,171		(2,199)	10,972
Miscellaneous		881		(363)	518
Others			*580*	*(7)*	*573*
Total Service Revenues	41,409	39,631	580	(5,259)	76,361
Non-Service Revenues					
Sale of computers, phone units and mobile handsets	3,826	1,659	32	(2)	5,515
Point-product sales	—	362	—	1	363
Total Non-Service Revenues	3,826	2,021	32	(1)	5,878
Total Revenues	45,235	41,652	612	(5,260)	82,239

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

	2019	%	2018	%	Change Amount	Change %
			(amounts in million Php)			
Wireless	46,231	55	45,235	55	996	2
Fixed Line	44,217	53	41,652	50	2,565	6
Others[1]	—	—	612	1	(612)	(100)
Inter-segment transactions	(6,410)	(8)	(5,260)	(6)	(1,150)	(22)
Consolidated	84,038	100	82,239	100	1,799	2

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

Expenses

Consolidated expenses decreased by Php3,704 million, or 5%, to Php63,667 million for the six months ended June 30, 2019 from Php67,371 million in the same period in 2018, primarily due to lower selling, general and administrative expenses, interconnection costs, cost of sales and services, and provisions in our Wireless business segment, as well as lower expenses in our Other business segment due to the deconsolidation of VIH, partially offset by higher interconnection costs, provisions, and selling, general and administrative expenses in our Fixed Line business segment, and higher depreciation and amortization in our Wireless and Fixed Line business segments.

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

					Change	
	2019	%	2018	%	Amount	%
			(amounts in million Php)			
Wireless	34,249	54	38,904	58	(4,655)	(12)
Fixed Line	35,877	56	32,467	48	3,410	11
Others	10	—	2,054	3	(2,044)	(100)
Inter-segment transactions	(6,469)	(10)	(6,054)	(9)	(415)	(7)
Consolidated	63,667	100	67,371	100	(3,704)	(5)

Other Income (Expenses) – Net

Consolidated other expenses amounted to Php3,300 million for the six months ended June 30, 2019, a change of Php3,994 million as against other income of Php694 million in the same period in 2018, primarily due to lower realized and unrealized gains on fair value of Rocket Internet investment and the equity share in net losses of VIH from our Other business segment, as well as higher financings costs from our Wireless business segment, partially offset by higher net foreign exchange gains from our Wireless and Fixed Line business segments.

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

			Change	
	2019	2018	Amount	%
		(amounts in million Php)		
Wireless	(2,292)	(558)	(1,734)	(311)
Fixed Line	(627)	(234)	(393)	(168)
Others	(462)	2,649	(3,111)	(117)
Inter-segment transactions	81	(1,163)	1,244	107
Consolidated	(3,300)	694	(3,994)	(576)

Net Income (Loss)

Consolidated net income increased by Php430 million, or 4%, to Php12,235 million for the six months ended June 30, 2019, from Php11,805 million in the same period in 2018, primarily due to higher net income from our Wireless business segment, partly offset by lower net income from our Fixed Line and Other business segments. Our consolidated basic and diluted EPS increased to Php56.37 for the six months ended June 30, 2019 from Php54.31 in the same period in 2018. Our weighted average number of outstanding common shares was approximately 216.06 million in each of 2019 and 2018.

The following table shows the breakdown of our consolidated net income by business segment for the six months ended June 30, 2019 and 2018:

					Change	
	2019	%	2018	%	Amount	%
			(amounts in million Php)			
Wireless	7,159	58	4,644	39	2,515	54
Fixed Line	5,382	44	6,500	55	(1,118)	(17)
Others	(265)	(2)	1,030	9	(1,295)	(126)
Inter-segment transactions	(41)	—	(369)	(3)	328	89
Consolidated	12,235	100	11,805	100	430	4

EBITDA

Our consolidated EBITDA amounted to Php39,666 million for the six months ended June 30, 2019, an increase of Php6,481 million, or 20%, as compared with Php33,185 million in the same period in 2018, primarily due to higher EBITDA in our Wireless business segment, as well as from our Other business segment due to the deconsolidation of VIH in November 2018.

In 2019, we adopted PFRS 16 resulting to a reduction in rent expense of Php3,114 million for the six months ended June 30, 2019, thereby contributing an improvement in EBITDA.

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

					Change	
	2019	**%**	**2018**	**%**	**Amount**	**%**
			(amounts in million Php)			
Wireless	26,005	66	17,577	53	8,428	48
Fixed Line	16,389	41	16,127	49	262	2
Others	(10)	—	(1,313)	(4)	1,303	99
Inter-segment transactions	(2,718)	(7)	794	2	(3,512)	(442)
Consolidated	39,666	100	33,185	100	6,481	20

Core Income

Our consolidated core income amounted to Php12,320 million for the six months ended June 30, 2019, a decrease of Php1,041 million, or 8%, as compared with Php13,361 million in the same period in 2018. Our consolidated basic and diluted core EPS decreased to Php56.89 for the six months ended June 30, 2019 from Php61.71 in the same period in 2018.

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

					Change	
	2019	**%**	**2018**	**%**	**Amount**	**%**
			(amounts in million Php)			
Wireless	7,166	58	7,097	53	69	1
Fixed Line	5,461	44	6,407	48	(946)	(15)
Others	(266)	(2)	226	2	(492)	(218)
Inter-segment transactions	(41)	–	(369)	(3)	328	89
Consolidated	12,320	100	13,361	100	(1,041)	(8)

Our consolidated core income from telco operations, or telco core income, amounted to Php13,203 million and Php13,214 million for the six months ended June 30, 2019 and 2018, respectively.

On a Business Segment Basis

<u>Wireless</u>

Revenues

We generated revenues of Php46,231 million from our Wireless business segment for the six months ended June 30, 2019, an increase of Php996 million, or 2%, from Php45,235 million in the same period in 2018.

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

	2019	%	2018	%	Increase (Decrease) Amount	%
			(amounts in million Php)			
Service Revenues:						
Mobile	42,408	92	40,329	89	2,079	5
Home broadband	50	—	87	—	(37)	(43)
MVNO and others[1]	977	2	993	3	(16)	(2)
Total Wireless Service Revenues	43,435	94	41,409	92	2,026	5
Non-Service Revenues:						
Sale of mobile handsets and broadband data modems	2,796	6	3,826	8	(1,030)	(27)
Total Wireless Revenues	46,231	100	45,235	100	996	2

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

Service Revenues

Our wireless service revenues for the six months ended June 30, 2019 increased by Php2,026 million, or 5%, to Php43,435 million as compared with Php41,409 million in the same period in 2018, mainly as a result of higher mobile revenues. As a percentage of our total wireless revenues, service revenues accounted for 94% and 92% for the six months ended June 30, 2019 and 2018, respectively.

Mobile Services

Our mobile service revenues amounted to Php42,408 million for the six months ended June 30, 2019, an increase of Php2,079 million, or 5%, from Php40,329 million in the same period in 2018. Mobile service revenues accounted for 98% and 97% of our wireless service revenues for the six months ended June 30, 2019 and 2018, respectively. In the third quarter of 2018, the revenue split allocation among voice, SMS and data for our mobile bundled plans was revised to reflect the current usage behavior pattern of our subscribers based on the network study conducted for our Wireless business segment.

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

	2019	%	2018	%	Increase (Decrease) Amount	%
			(amounts in million Php)			
Mobile Services:						
Data	24,223	57	13,800	34	10,423	76
Voice	12,353	29	13,869	35	(1,516)	(11)
SMS	5,142	12	11,813	29	(6,671)	(56)
Inbound roaming and others[1]	690	2	847	2	(157)	(19)
Total	42,408	100	40,329	100	2,079	5

[1] *Refers to other non-subscriber-related revenues consisting primarily of inbound international roaming fees.*

Data Services

Mobile revenues from our data services, which include mobile internet, mobile broadband and other data services, increased by Php10,423 million, or 76%, to Php24,223 million for the six months ended June 30, 2019 from Php13,800 million in the same period in 2018 due to increased mobile internet usage driven mainly by enhanced data products and consumer engagement promos, supported by continuous network improvement and LTE migration, as well as the impact of the revised revenue split allocation, partially offset by lower revenues from mobile broadband. Data services accounted for 57% and 34% of our mobile service revenues for the six months ended June 30, 2019 and 2018, respectively.

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

	2019	%	2018	%	Increase (Decrease) Amount	%
			(amounts in million Php)			
Data Services:						
Mobile internet[1]	21,983	91	11,266	82	10,717	95
Mobile broadband	1,836	7	2,451	18	(615)	(25)
Other data[2]	404	2	83	—	321	387
Total	24,223	100	13,800	100	10,423	76

[1] *Includes revenues from web-based services, net of discounts and content provider costs.*
[2] *Beginning third quarter of 2018, revenues from other data include value-added services, or VAS.*

Mobile Internet

Mobile internet service revenues increased by Php10,717 million, or 95%, to Php21,983 million for the six months ended June 30, 2019 from Php11,266 million in the same period in 2018, primarily due to the following: (i) launch of new prepaid mobile data products like *Giga Videos*, *Giga Games*, *Giga IG + FB* and *SurfSaya* that cater to video, gaming and social media users for Smart, TNT and Sun; (ii) *Big play* on mobile games and e-sports which drives the increase in mobile gaming usage; (iii) *Video Everyday* campaign which remains to be a growth driver as video users increase across over-the-top, or OTT, services, such as *Youtube, NBA, iWant,* and *iflix*; (iv) simplified product discovery and buying experience through **123#*; (v) continued LTE migration efforts that increase LTE and smartphone ownership among our subscriber base; and (vi) impact of the revised revenue split allocation. Mobile internet services accounted for 52% and 28% of our mobile service revenues for the six months ended June 30, 2019 and 2018, respectively.

Mobile Broadband

Mobile broadband revenues amounted to Php1,836 million for the six months ended June 30, 2019, a decrease of Php615 million, or 25%, from Php2,451 million in the same period in 2018, primarily due to a decrease in the number of subscribers using pocket wifi as they shift to using mobile internet and fixed DSL/Fiber home broadband. Mobile broadband services accounted for 4% and 6% of our mobile service revenues for the six months ended June 30, 2019 and 2018, respectively.

Other Data

Revenues from our other data services, which include VAS, domestic leased lines and share in revenue from PLDT WeRoam, increased by Php321 million to Php404 million for the six months ended June 30, 2019 from Php83 million in the same period in 2018, primarily due to revenues from VAS related to mobile gaming.

Voice Services

Mobile revenues from our voice services, which include all voice traffic, decreased by Php1,516 million, or 11%, to Php12,353 million for the six months ended June 30, 2019 from Php13,869 million in the same period in 2018, mainly on account of lower traffic due to subscribers' shift to digital lifestyle with access to alternative calling options and other OTT services, and the impact of reduction in interconnection rates for voice services, as mandated by the NTC, partly offset by the effect of the revised revenue split allocation. Mobile voice services accounted for 29% and 35% of our mobile service revenues for the six months ended June 30, 2019 and 2018, respectively.

Domestic voice service revenues decreased by Php552 million, or 5%, to Php10,781 million for the six months ended June 30, 2019 from Php11,333 million in the same period in 2018, due to lower domestic inbound and outbound voice service revenues.

International voice service revenues decreased by Php964 million, or 38%, to Php1,572 million for the six months ended June 30, 2019 from Php2,536 million in the same period in 2018, primarily due to lower international inbound and outbound voice service revenues as a result of lower international voice traffic.

SMS Services

Mobile revenues from our SMS services, which include all SMS-related services, decreased by Php6,671 million, or 56%, to Php5,142 million for the six months ended June 30, 2019 from Php11,813 million in the same period in 2018 mainly due to declining SMS volumes as a result of alternative text messaging options, such as OTT services and social media, and the impact of the revised revenue split allocation and reduction in interconnection rates for SMS services. Mobile SMS services accounted for 12% and 29% of our mobile service revenues for the six months ended June 30, 2019 and 2018, respectively.

Inbound Roaming and Others

Mobile revenues from inbound roaming and other services decreased by Php157 million, or 19%, to Php690 million for the six months ended June 30, 2019 from Php847 million in the same period in 2018 due to lower other subscriber-related income and lower inbound roaming on voice.

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

			Increase (Decrease)	
	2019	**2018**	**Amount**	**%**
		(amounts in million Php)		
Mobile service revenues	42,408	40,329	2,079	5
By service type				
Prepaid	32,106	29,758	2,348	8
Postpaid	9,612	9,724	(112)	(1)
Inbound roaming and others	690	847	(157)	(19)

Prepaid Revenues

Revenues generated from our mobile prepaid services amounted to Php32,106 million for the six months ended June 30, 2019, an increase of Php2,348 million, or 8%, as compared with Php29,758 million in the same period in 2018. Mobile prepaid service revenues accounted for 76% and 74% of mobile service revenues for the six months ended June 30, 2019 and 2018, respectively. The increase in revenues from our mobile prepaid services was primarily driven by a higher mobile prepaid subscriber base combined with the sustained growth in mobile internet usages.

Postpaid Revenues

Revenues generated from mobile postpaid service amounted to Php9,612 million for the six months ended June 30, 2019, a decrease of Php112 million, or 1%, as compared with Php9,724 million in the same period in 2018, and accounted for 22% and 24% of mobile service revenues for the six months ended June 30, 2019 and 2018, respectively. The decrease in our mobile postpaid service revenues was primarily due to a lower postpaid subscriber base.

Subscriber Base, ARPU and Churn Rates

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

			Increase (Decrease)	
	2019	**2018**	**Amount**	**%**
Mobile subscriber base				
Smart[(1)]	25,204,637	21,686,235	3,518,402	16
Prepaid	*23,734,790*	*20,261,130*	*3,473,660*	*17*
Postpaid	*1,469,847*	*1,425,105*	*44,742*	*3*
TNT	35,579,048	29,753,534	5,825,514	20
Sun[(1)]	6,763,961	7,071,103	(307,142)	(4)
Prepaid	*5,837,580*	*6,066,566*	*(228,986)*	*(4)*
Postpaid	*926,381*	*1,004,537*	*(78,156)*	*(8)*
Total mobile subscribers	67,547,646	58,510,872	9,036,774	15

[(1)] *Includes mobile broadband subscribers.*

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

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

The average monthly churn rates for Smart Prepaid subscribers were 3.6% and 7.0% for the six months ended June 30, 2019 and 2018, respectively, while the average monthly churn rates for TNT subscribers were 3.7% and 6.2% for the six months ended June 30, 2019 and 2018, respectively. The average monthly churn rates for Sun Prepaid subscribers were 5.1% and 5.8% for the six months ended June 30, 2019 and 2018, respectively.

The average monthly churn rates for Smart Postpaid subscribers were 2.1% and 2.0% for the six months ended June 30, 2019 and 2018, respectively, and 1.2% and 3.6% for the six months ended June 30, 2019 and 2018, respectively, for Sun Postpaid subscribers.

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

	Gross[1]		Increase (Decrease)		Net[2]		Increase (Decrease)	
	2019	2018	Amount	%	2019	2018	Amount	%
	(amounts in Php)							
Prepaid								
Smart	*132*	*126*	*6*	*5*	*118*	*114*	*4*	*4*
TNT	*74*	*80*	*(6)*	*(8)*	*67*	*73*	*(6)*	*(8)*
Sun	*83*	*88*	*(5)*	*(6)*	*75*	*81*	*(6)*	*(7)*
Postpaid								
Smart	*815*	*829*	*(14)*	*(2)*	*805*	*811*	*(6)*	*(1)*
Sun	*424*	*394*	*30*	*8*	*421*	*392*	*29*	*7*

(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 Php50 million for the six months ended June 30, 2019, a decrease of Php37 million, or 43%, from Php87 million in the same period in 2018.

MVNO and Others

Revenues from our MVNO and other services amounted to Php977 million for the six months ended June 30, 2019, a decrease of Php16 million, or 2%, from Php993 million in the same period in 2018.

Non-Service Revenues

Our wireless non-service revenues consist of sale of mobile handsets, mobile broadband data modems, tablets and accessories. Our wireless non-service revenues decreased by Php1,030 million, or 27%, to Php2,796 million for the six months ended June 30, 2019 from Php3,826 million in the same period in 2018, primarily due to lower average selling price per unit of mobile handsets.

Expenses

Expenses associated with our Wireless business segment amounted to Php34,249 million for the six months ended June 30, 2019, a decrease of Php4,655 million, or 12%, from Php38,904 million in the same period in 2018. The decrease was mainly attributable to lower selling, general and administrative expenses, interconnection costs, cost of sales and services, and provisions, partially offset by higher depreciation and amortization. As a percentage of our total wireless revenues, expenses associated with our Wireless business segment accounted for 74% and 86% in the six months ended June 30, 2019 and 2018, respectively.

The following table summarizes the breakdown of our total wireless-related expenses for the six months ended June 30, 2019 and 2018 and the percentage of each expense item in relation to the total:

	2019	%	2018	%	Increase (Decrease) Amount	%
			(amounts in million Php)			
Selling, general and administrative expenses	14,932	44	18,538	48	(3,606)	(19)
Depreciation and amortization	13,631	40	10,854	28	2,777	26
Cost of sales and services	3,972	12	5,312	14	(1,340)	(25)
Interconnection costs	1,113	3	2,875	7	(1,762)	(61)
Provisions	542	1	1,325	3	(783)	(59)
Asset impairment	59	—	—	—	59	100
Total	34,249	100	38,904	100	(4,655)	(12)

Selling, general and administrative expenses decreased by Php3,606 million, or 19%, to Php14,932 million, primarily due to lower rent resulting mainly from the impact of adoption of PFRS 16, partly offset by higher expenses related to repairs and maintenance, compensation and employee benefits, and selling and promotions.

Depreciation and amortization charges increased by Php2,777 million, or 26%, to Php13,631 million, on account of higher depreciation, mainly due to the impact of adoption of PFRS 16 and higher depreciable asset base, partly offset by lower additional depreciation recognized due to shortened life of certain data network platform and other technology equipment resulting from the ongoing transformation projects.

Cost of sales and services decreased by Php1,340 million, or 25%, to Php3,972 million, primarily due to lower cost of services and lower average cost per unit of mobile handsets.

Interconnection costs decreased by Php1,762 million, or 61%, to Php1,113 million, primarily due to lower interconnection cost on domestic voice and SMS services, mainly due to the impact of reduction in interconnection rates for voice and SMS.

Provisions decreased by Php783 million, or 59%, to Php542 million, primarily due to lower provision for doubtful accounts, resulting from lower provision for trade receivables, and lower provision for inventory obsolescence.

Asset impairment, mainly consisting of contract asset impairment, amounted to Php59 million and nil in the six months ended June 30, 2019 and 2018, respectively.

Other Income (Expenses) – Net

The following table summarizes the breakdown of our total wireless-related other income (expenses) – net for the six months ended June 30, 2019 and 2018:

	2019	2018	Change Amount	%
		(amounts in million Php)		
Other Income (Expenses) - Net:				
Financing costs – net	(3,202)	(843)	(2,359)	(280)
Gains (losses) on derivative financial instruments – net	(92)	450	(542)	(120)
Equity share in net earnings of associates and joint ventures	—	62	(62)	(100)
Foreign exchange gains (losses) – net	176	(502)	678	135
Interest income	406	274	132	48
Other income – net	420	1	419	41,900
Total	(2,292)	(558)	(1,734)	(311)

Our Wireless business segment's other expenses amounted to Php2,292 million for the six months ended June 30, 2019, an increase of Php1,734 million, or 311%, from Php558 million in the same period in 2018, primarily due to the combined effects of the following: (i) higher net financing costs by Php2,359 million mainly due to the impact of adoption of PFRS 16; (ii) net losses on derivative financial instruments of Php92 million in 2019 as against net gains on derivative financial instruments of Php450 million in 2018 mainly due to the appreciation of the Philippine peso relative to the U.S. dollar in 2019 as against the depreciation of the Philippine peso relative to the U.S. dollar in 2018; (iii) equity share in net earnings of associates of Php62 million in 2018; (iv) higher interest income by Php132 million; (v) higher other income – net by Php419 million mainly due to higher income from management services and other miscellaneous income; and (vi) net foreign exchange gains of Php176 million in 2019 as against net foreign exchange losses of Php502 million in 2018, mainly due to the appreciation of the Philippine peso relative to the U.S. dollar in 2019 as against the depreciation of the Philippine peso relative to the U.S. dollar in 2018.

Provision for (Benefit from) Income Tax

Provision for income tax amounted to Php2,531 million for the six months ended June 30, 2019, an increase of Php1,402 million, or 124%, from Php1,129 million in the same period in 2018 mainly due to higher taxable income.

Net Income

As a result of the foregoing, our Wireless business segment's net income increased by Php2,515 million, or 54%, to Php7,159 million for the six months ended June 30, 2019 from Php4,644 million in the same period in 2018.

EBITDA

Our Wireless business segment's EBITDA increased by Php8,428 million, or 48%, to Php26,005 million for the six months ended June 30, 2019 from Php17,577 million in the same period in 2018. EBITDA margin increased to 60% for the six months ended June 30, 2019 from 42% in the same period in 2018.

Core Income

Our Wireless business segment's core income increased by Php69 million, or 1%, to Php7,166 million for the six months ended June 30, 2019 from Php7,097 million in the same period in 2018, mainly on account of higher EBITDA, partially offset by higher depreciation expense and net financing costs.

Fixed Line

Revenues

Revenues generated from our Fixed Line business segment amounted to Php44,217 million for the six months ended June 30, 2019, an increase of Php2,565 million, or 6%, from Php41,652 million in the same period in 2018.

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

					Increase (Decrease)	
	2019	**%**	**2018**	**%**	**Amount**	**%**
			(amounts in million Php)			
Service Revenues:						
Data	29,379	66	26,421	63	2,958	11
Voice	13,109	30	12,329	30	780	6
Miscellaneous	896	2	881	2	15	2
	43,384	98	39,631	95	3,753	9
Non-Service Revenues:						
Sale of computers, phone units and point-product sales	833	2	2,021	5	(1,188)	(59)
Total Fixed Line Revenues	44,217	100	41,652	100	2,565	6

Service Revenues

Our fixed line service revenues increased by Php3,753 million, or 9%, to Php43,384 million for the six months ended June 30, 2019 from Php39,631 million in the same period in 2018, due to higher revenues from our data, voice and miscellaneous services. In the second quarter of 2018, the revenue split allocation between voice and data for our fixed line bundled plans was revised, in favor of data, to reflect the result of a network usage study from our Fixed Line business segment.

Data Services

The following table shows information of our data service revenues for the six months ended June 30, 2019 and 2018:

	2019	2018	Increase Amount	%
		(amounts in million Php)		
Data service revenues	29,379	26,421	2,958	11
Home broadband	13,882	13,250	632	5
Corporate data and ICT	15,497	13,171	2,326	18

Our data services posted revenues of Php29,379 million for the six months ended June 30, 2019, an increase of Php2,958 million, or 11%, from Php26,421 million in the same period in 2018, primarily due to higher revenues from home broadband, corporate data and leased lines, and data center and ICT. The percentage contribution of this service segment to our fixed line service revenues accounted for 68% and 67% for the six months ended June 30, 2019 and 2018, respectively.

Home Broadband

Home broadband data revenues amounted to Php13,882 million for the six months ended June 30, 2019, an increase of Php632 million, or 5%, from Php13,250 million in the same period in 2018. This growth is driven by increasing demand for broadband services which the company is providing through its existing copper network and a nationwide roll-out of its fiber-to-the-home, or FTTH, network, and the impact of the revised revenue split allocation. Home broadband revenues accounted for 47% and 50% of total data service revenues in the six months ended June 30, 2019 and 2018, respectively. In the first half of 2019, PLDT's FTTH nationwide network rollout has passed 6.90 million homes.

Corporate Data and ICT

Corporate data services amounted to Php13,091 million for the six months ended June 30, 2019, an increase of Php1,923 million, or 17%, as compared with Php11,168 million in the same period in 2018, mainly due to sustained market traction of internet services, such as Dedicated Internet Access and FibrBiz, as a result of higher internet connectivity requirements, and key Multiprotocol Label Switching solutions, such as IP-VPN, Metro Ethernet and *Shops.Work*. Corporate data revenues accounted for 45% and 42% of total data services in the six months ended June 30, 2019 and 2018, respectively.

ICT revenues increased by Php403 million, or 20%, to Php2,406 million for the six months ended June 30, 2019 from Php2,003 million in the same period in 2018 mainly due to higher revenues from data centers, cloud and cybersecurity services. The percentage contribution of this service segment to our total data service revenues accounted for 8% in each of the six months ended June 30, 2019 and 2018.

Voice Services

Revenues from our voice services increased by Php780 million, or 6%, to Php13,109 million for the six months ended June 30, 2019 from Php12,329 million in the same period in 2018, primarily due to higher revenues from international services of PLDT Global, partly offset by lower revenues from local exchange and domestic 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 the impact of the revised revenue split allocation. The percentage contribution of voice service revenues to our fixed line service revenues accounted for 30% and 31% for the six months ended June 30, 2019 and 2018, respectively.

Miscellaneous Services

Miscellaneous service revenues are derived mostly from rentals and management fees. These service revenues increased by Php15 million, or 2%, to Php896 million for the six months ended June 30, 2019 from Php881 million in the same period in 2018. The percentage contribution of miscellaneous service revenues to our total fixed line service revenues accounted for 2% in each of the six months ended June 30, 2019 and 2018.

Non-service Revenues

Non-service revenues decreased by Php1,188 million, or 59%, to Php833 million for the six months ended June 30, 2019 from Php2,021 million in the same period in 2018, primarily due to lower sale of computer bundles, Telpad units, Ultera devices, and hardware.

Expenses

Expenses related to our Fixed Line business segment totaled Php35,877 million for the six months ended June 30, 2019, an increase of Php3,410 million, or 11%, as compared with Php32,467 million in the same period in 2018. The increase was primarily due to higher interconnection costs, depreciation and amortization, provisions, and selling, general and administrative expenses. As a percentage of our total fixed line revenues, expenses associated with our Fixed Line business segment accounted for 81% and 78% for the six months ended June 30, 2019 and 2018, respectively.

The following table shows the breakdown of our total fixed line-related expenses for the six months ended June 30, 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	19,822	55	19,526	60	296	2
Depreciation and amortization	8,049	22	6,942	21	1,107	16
Interconnection costs	3,629	10	2,211	7	1,418	64
Cost of sales and services	2,334	7	2,301	7	33	1
Provisions	1,942	6	1,487	5	455	31
Asset impairment	101	—	—	—	101	100
Total	35,877	100	32,467	100	3,410	11

Selling, general and administrative expenses increased by Php296 million, or 2%, to Php19,822 million primarily due to higher compensation and employee benefits, repairs and maintenance, and selling and promotions, partly offset by lower rent expense, mainly due to the impact of adoption of PFRS 16.

Depreciation and amortization charges increased by Php1,107 million, or 16%, to Php8,049 million mainly due to the impact of adoption of PFRS 16.

Interconnection costs increased by Php1,418 million, or 64%, to Php3,629 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 increased by Php33 million, or 1%, to Php2,334 million, primarily due to higher cost of services, partly offset by lower cost of computer bundles, Telpad units, Ultera devices and hardware.

Provisions increased by Php455 million, or 31%, to Php1,942 million, primarily due to higher provision for doubtful accounts mainly due to lower collection efficiency, partly offset by nil provision for inventory obsolescence in the first six months of 2019.

Asset impairment, consisting mainly of contract asset impairment, amounted to Php101 million and nil for the six months ended June 30, 2019 and 2018, respectively.

Other Income (Expenses) – Net

The following table summarizes the breakdown of our total fixed line-related other income (expenses) – net for the six months ended June 30, 2019 and 2018:

	2019	2018	Change Amount	Change %
	(amounts in million Php)			
Other Income (Expenses) - Net:				
Financing costs – net	(2,505)	(2,627)	122	5
Gains (losses) on derivative financial instruments – net	(216)	279	(495)	(177)
Equity share in net earnings of associates	139	122	17	14
Foreign exchange gains – net	277	19	258	1,358
Interest income	388	418	(30)	(7)
Other income – net	1,290	1,555	(265)	(17)
Total	(627)	(234)	(393)	(168)

Our Fixed Line business segment's other expenses amounted to Php627 million for the six months ended June 30, 2019, an increase of Php393 million, or 168%, from Php234 million in the same period in 2018, primarily due to the combined effects of the following: (i) net losses on derivative financial instruments of Php216 million in 2019 as against net gains on derivative financial instruments of Php279 million in 2018; (ii) lower other income – net by Php265 million; (iii) lower interest income by Php30 million; (iv) higher equity share in net earnings of associates by Php17 million; (v) lower net financing costs by Php122 million; and (vi) higher net foreign exchange gains by Php258 million.

Provision for Income Tax

Provision for income tax amounted to Php2,331 million for the six months ended June 30, 2019, a decrease of Php120 million, or 5%, from Php2,451 million in the same period in 2018, mainly due to lower taxable income.

Net Income

As a result of the foregoing, our Fixed Line business segment registered a net income of Php5,382 million for the six months ended June 30, 2019, a decrease of Php1,118 million, or 17%, as compared with Php6,500 million in the same period in 2018.

EBITDA

Our Fixed Line business segment's EBITDA increased by Php262 million, or 2%, to Php16,389 million for the six months ended June 30, 2019 from Php16,127 million in the same period in 2018. EBITDA margin decreased to 38% for the six months ended June 30, 2019 from 41% in the same period in 2018.

Core Income

Our Fixed Line business segment's core income decreased by Php946 million, or 15%, to Php5,461 million for the six months ended June 30, 2019 from Php6,407 million in the same period in 2018, primarily as a result of higher depreciation expense, partly offset by higher EBITDA.

Others

Revenues

Revenues generated from our Other business segment, which include revenues from digital platforms and mobile financial services, amounted to nil and Php612 million for the six months ended June 30, 2019 and 2018, respectively, due mainly to the deconsolidation of VIH.

Expenses

Expenses related to our Other business segment totaled Php10 million for the six months ended June 30, 2019, a decrease of Php2,044 million from Php2,054 million in the same period in the same period in 2018, due mainly to the deconsolidation of VIH.

Other Income (Expenses) – Net

The following table summarizes the breakdown of other income (expenses) – net for Other business segment for the six months ended June 30, 2019 and 2018:

			Change	
	2019	**2018**	**Amount**	**%**
		(amounts in million Php)		
Other Income (Expenses) - Net:				
Interest income	249	315	(66)	(21)
Gains on derivative financial instruments – net	—	282	(282)	(100)
Financing costs – net	(31)	(98)	67	68
Foreign exchange losses – net	(91)	(423)	332	78
Equity share in net losses of associates and joint ventures	(845)	(8)	(837)	(10,463)
Other income – net	256	2,581	(2,325)	(90)
Total	(462)	2,649	(3,111)	(117)

Our Other business segment's other expenses amounted to Php462 million for the six months ended June 30, 2019, a change of Php3,111 million, or 117%, as against other income of Php2,649 million in the same period in 2018, primarily due to the combined effects of the following: (i) lower other income – net by Php2,325 million mainly due to lower realized and unrealized gains on fair value of Rocket Internet investment, as well as unrealized loss on fair value of Phunware in 2019; (ii) higher equity share in net losses of associates and joint ventures by Php837 million mainly due to equity share in net losses of VIH in 2019; (iii) net gains on derivative financial instruments of Php282 million in 2018; (iv) lower interest income by Php66 million; (v) lower net financing costs by Php67 million; and (vi) lower net foreign exchange losses by Php332 million mainly due to revaluation of net foreign currency-denominated assets in 2019 as against revaluation of net foreign currency-denominated liabilities in 2018.

Net Income

As a result of the foregoing, our Other business segment registered a net loss of Php265 million for the six months ended June 30, 2019, a change of Php1,295 million, or 126%, as against net income of Php1,030 million in the same period in 2018.

Core Income (Loss)

Our Other business segment's core loss amounted to Php266 million for the six months ended June 30, 2019, a change of Php492 million, or 218%, as against core income of Php226 million in the same period in 2018.

Liquidity and Capital Resources

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

	Six months ended June 30,	
	2019	2018
	(amounts in million Php)	
Cash Flows		
Net cash flows provided by operating activities	35,828	40,882
Net cash flows used in investing activities	(37,135)	(11,258)
Payment for purchase of property and equipment, including capitalized interest	*(40,961)*	*(32,009)*
Net cash flows used in financing activities	(17,517)	(11,566)
Net increase (decrease) in cash and cash equivalents	(19,553)	19,459

	June 30, 2019	December 31, 2018
	(amounts in million Php)	
Capitalization		
Long-term portion of interest-bearing financial liabilities – net of current portion:		
Long-term debt	157,651	155,835
Current portion of interest-bearing financial liabilities:		
Long-term debt maturing within one year	15,192	20,441
Total interest-bearing financial liabilities	172,843	176,276
Total equity attributable to equity holders of PLDT	114,374	112,358
	287,217	288,634
Other Selected Financial Data		
Total assets	501,787	482,750
Property and equipment	211,957	195,964
Cash and cash equivalents	32,101	51,654
Short-term investments	28	1,165

Our consolidated cash and cash equivalents and short-term investments totaled Php32,129 million as at June 30, 2019. Principal sources of consolidated cash and cash equivalents for the six months ended June 30, 2019 were cash flows from operating activities amounting to Php35,828 million, proceeds from availment of long-term debt of Php6,000 million, collection of receivables from Metro Pacific Investments Corporation, or MPIC, of Php1,771 million, net proceeds from maturity of short-term investments of Php1,138 million, interest received of Php1,065 million and proceeds from disposal of Rocket Internet shares of Php681 million. These funds were used principally for: (1) purchase of property and equipment, including capitalized interest, of Php40,961 million; (2) debt principal and interest payments of Php8,921 million and Php3,529 million, respectively; (3) cash dividend payments of Php7,796 million; and (4) settlement of obligations under lease liabilities of Php3,147 million.

Our consolidated cash and cash equivalents and short-term investments totaled Php56,690 million as at June 30, 2018. Principal sources of consolidated cash and cash equivalents for the six months ended June 30, 2018 were cash flows from operating activities amounting to Php40,882 million, proceeds from availment of long-term debt of Php17,500 million, proceeds from disposal of Rocket Internet shares of Php10,059 million, proceeds from sale and collection of MPIC receivables of Php6,976 million and Php4,731 million, respectively, and proceeds from disposal of Hastings PDRs of Php1,664 million. These funds were used principally for: (1) purchase of property and equipment, including capitalized interest, of Php32,009 million; (2) net payment of long-term financing used for capital expenditures of Php11,938 million; (3) debt principal and interest payments of Php8,504 million and Php3,111 million, respectively; (4) cash dividend payments of Php6,054 million; and (5) net payment for purchase of short-term investments of Php3,042 million.

Operating Activities

Our consolidated net cash flows provided by operating activities decreased by Php5,054 million, or 12%, to Php35,828 million for the six months ended June 30, 2019 from Php40,882 million in the same period in 2018, primarily due to higher prepayments, higher level of settlement of accounts payable and accrued expenses and other current liabilities, and higher corporate taxes paid, partly offset by higher collection of receivables, higher operating income, lower inventories and lower pension contribution.

Cash flows provided by operating activities of our Wireless business segment decreased by Php5,859 million, or 22%, to Php21,207 million for the six months ended June 30, 2019 from Php27,066 million in the same period in 2018, primarily due to higher level of settlement of accounts payable and higher prepayments, partly offset by higher collection of receivables and higher operating income. Cash flows provided by operating activities of our Fixed Line business segment decreased by Php167 million, or 1%, to Php14,960 million for the six months ended June 30, 2019 from Php15,127 million in the same period in 2018 primarily due to higher level of settlement of accounts payable and accrued expenses and other current liabilities, higher prepayments, lower operating income and higher corporate taxes paid, partially offset by higher collection of receivables, lower inventories and lower pension contribution. Cash flows used in operating activities of our Other business segment decreased by Php551 million, or 51%, to Php521 million for the six months ended June 30, 2019 from Php1,072 million in the same period in 2018, mainly due to operating income in the first six months of 2019 as against operating loss in the same period in 2018, and lower inventories and prepayments, partly offset by higher level of settlement of accounts payable and accrued expenses and other current liabilities, and lower collection of receivables.

Investing Activities

Consolidated net cash flows used in investing activities amounted to Php37,135 million for the six months ended June 30, 2019, an increase of Php25,877 million, or 230%, from Php11,258 million in the same period in 2018, primarily due to the combined effects of the following: (1) lower proceeds from sale of Rocket Internet shares by Php9,378 million; (2) higher payment for purchase of property and equipment, including capitalized interest, by Php8,952 million; (3) proceeds from sale of MPIC receivables of Php6,976 million in 2018; (4) lower collection of MPIC receivables by Php2,960 million; (5) proceeds from disposal of Hastings PDRs of Php1,664 million in 2018; (6) higher interest received by Php639 million; and (7) net proceeds from maturity of short-term investment of Php1,138 million in 2019 as against payment for purchase of short-term investments of Php3,042 million in 2018.

Our consolidated payment for purchase of property and equipment, including capitalized interest, for the six months ended June 30, 2019 totaled Php40,961 million, an increase of Php8,952 million, or 28%, as compared with Php32,009 million in the same period in 2018. Smart Group's capital spending increased by Php3,976 million, or 17%, to Php27,861 million for the six months ended June 30, 2019 from Php23,885 million in the same period in 2018. Smart Group's capex spending was primarily focused on expansion of LTE (4G) coverage and capacity. PLDT's capital spending increased by Php5,096 million, or 70%, to Php12,376 million for the six months ended June 30, 2019 from Php7,280 million in the same period in 2018. PLDT's capex spending was used to finance the modernization program and the continuous facility roll-out and expansion of our domestic and international fiber optic network. The balance represents other subsidiaries' capital spending.

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

Financing Activities

On a consolidated basis, cash flows used in financing activities amounted to Php17,517 million for the six months ended June 30, 2019, an increase of Php5,951 million, or 51%, from Php11,566 million in the same period in 2018, primarily due to the combined effects of the following: (1) lower proceeds from availment of long-term debt by Php11,500 million; (2) settlement of obligations under lease liabilities of Php3,147 million in 2019; (3) higher cash dividend payments by Php1,742 million; (4) lower collection from derivatives by Php571 million; (5) higher interest paid by Php418 million; (6) higher payments of long-term debt by Php417 million; and (7) net settlement of long-term financing used for capital expenditures of Php11,938 million in 2018.

Debt Financing

Proceeds from availment of long-term debt for the six months ended June 30, 2019 amounted to Php6,000 million, mainly from Smart's drawings related to the financing of capital expenditure requirements and refinancing of maturing loan obligations. Payments of principal and interest on our total debt amounted to Php8,921 million and Php3,529 million, respectively, for the six months ended June 30, 2019.

Our consolidated long-term debt decreased by Php3,433 million, or 2%, to Php172,843 million as at June 30, 2019 from Php176,276 million as at December 31, 2018, primarily due to debt amortizations, partly offset by drawings from our long-term facilities. As at June 30, 2019, the long-term debt level of Smart increased by 5% to Php69,152 million from Php65,996 as at December 31, 2018, while PLDT's long-term debt level decreased by 6% to Php103,691 million from Php110,280 million as at December 31, 2018.

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

Debt Covenants

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

As at June 30, 2019 and 2018, we are in compliance with all of our debt covenants.

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

Financing Requirements

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

The following table shows the dividends declared to shareholders from the earnings for the six months ended June 30, 2019 and 2018:

Earnings	**Approved**[(1)]	**Date Record**	**Payable**	**Amount 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	–	12
Voting Preferred Stock	March 7, 2019	March 27, 2019	April 15, 2019	–	3
	June 11, 2019	June 28, 2019	July 15, 2019	–	2
Charged to Retained Earnings					15,597
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	–	12
Voting Preferred Stock	March 8, 2018	March 28, 2018	April 15, 2018	–	3
	June 13, 2018	June 29, 2018	July 15, 2018	–	2
Charged to Retained Earnings					13,869

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

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

Changes in Financial Conditions

Our total assets amounted to Php501,787 million as at June 30, 2019, an increase of Php19,037 million, or 4%, from Php482,750 million as at December 31, 2018, primarily due to right-of-use of assets resulting from the impact of adoption of PFRS 16, and higher property and equipment and prepayments, partly offset by lower cash and cash equivalents and receivables.

Our total liabilities amounted to Php383,218 million as at June 30, 2019, an increase of Php17,134 million, or 5%, from Php366,084 million as at December 31, 2018, primarily due to lease liabilities on account of the impact of the adoption of PFRS 16, partly offset by lower interest-bearing financial liabilities and accounts payable.

Off-Balance Sheet Arrangements

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

Equity Financing

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

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

Consolidated cash dividend payments for the six months ended June 30, 2019 amounted to Php7,796 million as compared with Php6,054 million paid to shareholders in the same period in 2018.

Contractual Obligations and Commercial Commitments

Contractual Obligations

For a detailed discussion of our consolidated contractual undiscounted obligations as at June 30, 2019 and December 31, 2018, see *Note 29 – Financial Assets and Liabilities* to the accompanying unaudited consolidated financial statements.

Commercial Commitments

Our outstanding consolidated commercial commitments, in the form of letters of credit, amounted to Php18 million and Php20 million as at June 30, 2019 and December 31, 2018, respectively. These commitments will expire within one year.

Quantitative and Qualitative Disclosures about Market Risks

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

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

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

	Fair Values	
	June 30, 2019	**March 31, 2019**
	(Unaudited) **(amounts in million Php)**	
Noncurrent Financial Assets		
Other financial assets – net of current portion	2,529	2,026
Total noncurrent financial assets	2,529	2,026
Noncurrent Financial Liabilities		
Interest-bearing financial liabilities	151,031	143,554
Customers' deposits	1,492	1,435
Deferred credits and other noncurrent liabilities	2,218	2,487
Total noncurrent financial liabilities	154,741	147,476

The following table sets forth the amount of gains (losses) recognized for the financial assets and liabilities for the six months ended June 30, 2019 and for the three months ended March 31, 2019:

	June 30, 2019	**March 31, 2019**
	(Unaudited) **(amounts in million Php)**	
Profit and Loss		
Interest income	1,012	552
Losses on derivative financial instruments – net	(308)	(3)
Accretion on financial liabilities	(63)	(31)
Interest on loans and other related items	(4,202)	(2,098)
Other Comprehensive Income		
Net fair value losses on cash flow hedges – net of tax	(197)	(76)

Impact of Inflation and Changing Prices

Inflation can be a significant factor in the Philippine economy, and we are continually seeking ways to minimize its impact. The average inflation rate in the Philippines in the six months ended June 30, 2019 and 2018 were 3.4% and 4.3%, respectively. We expect inflation to stay within the 2% to 4% target range of the BSP.

PART II – OTHER INFORMATION

Sale of Rocket Internet Shares

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

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

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

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

On various dates in June 2019, PLDT Online sold 0.5 million Rocket Internet shares for an aggregate amount of €12 million, or Php681 million, reducing equity ownership in Rocket Internet from 1.7% 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, PGIH paid Php523 million to the owner of Multisys for the acquisition of existing shares and invested Php800 million into Multisys as a deposit for future stock subscription pending the approval by the Philippine SEC of the capital increase of Multisys. On February 1, 2019, the Philippine SEC approved the capital increase of Multisys.

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

Investment of PLDT Capital in Phunware

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

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

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

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

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

On March 15, 2019, PLDT Capital exercised its warrants to purchase PHUN common shares for a total consideration of US$1.6 million.

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

This is a Petition for Mandamus filed on October 23, 2018 by Attys. Joseph Lemuel Baligod Baquiran and Ferdinand C. Tecson against the Respondents NTC, the PCC, Liberty, BellTel, Globe, PLDT and Smart. Briefly, the case involves the 700 MHz frequency, among others, or Subject Frequencies, that was originally assigned to Liberty and which eventually became subject of the Co-Use Agreement between Globe, on the one hand, and PLDT and Smart, on the other.

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

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

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

In a Resolution dated March 19, 2019, the Supreme Court noted: BellTel's Comment/Opposition dated January 10, 2019, Globe's Comment/Opposition dated January 21, 2019, PLDT and Smart's Comment dated January 17, 2019, and Tori Spectrum Telecom, Inc.'s (formerly Liberty Broadcasting Networking Inc.) Comment/Opposition dated January 10, 2019. As of this writing, the Company has not received any pleadings from the Office of the Solicitor General on behalf of the public respondents.

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

Related Party Transactions

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

ANNEX I – AGING OF ACCOUNTS RECEIVABLE

The following table shows the aging of our consolidated receivables as at June 30, 2019:

Type of Accounts Receivable	Total	Current	31-60 Days	61-90 Days	Over 91 Days
			(amounts in million Php)		
Retail subscribers	19,896	9,447	766	225	9,458
Corporate subscribers	11,299	2,852	2,004	405	6,038
Foreign administrations	2,994	1,163	267	89	1,475
Domestic carriers	543	264	107	47	125
Dealers, agents and others	4,608	2,032	502	38	2,036
Total	39,340	15,758	3,646	804	19,132
Less: Allowance for doubtful accounts	18,499				
Total Receivables - net	20,841				

ANNEX II – FINANCIAL SOUNDNESS INDICATORS

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

	2019	2018
Current Ratio[(1)]	0.40:1.0	0.75:1.0
Net Debt to Equity Ratio[(2)]	1.23:1.0	1.12:1.0
Net Debt to EBITDA Ratio[(3)]	2:00:1.0	1.89:1.0
Total Debt to EBITDA Ratio[(4)]	2.45:1.0	2.73:1.0
Asset to Equity Ratio[(5)]	4.39:1.0	4.18:1.0
Interest Coverage Ratio[(6)]	3.97:1.0	2.29:1.0
Profit Margin[(7)]	15%	15%
Return on Assets[(8)]	4%	2%
Return on Equity[(9)]	17%	8%
EBITDA Margin[(10)]	49%	43%

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

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

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

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

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

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

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

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

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

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

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the registrant has duly caused this report for the first half 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: August 8, 2019