



August 5, 2021

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 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, 2021.

Very truly yours,


MA. LOURDES C. RAUSA-CHAN
Corporate Secretary 



August 5, 2021

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, 2021.

Very truly yours,


MA. LOURDES C. RAUSA-CHAN
Corporate Secretary 

SEC Number
File Number

PW-55

PLDT Inc.

(Company's Full Name)

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

(Company's Address)

(632) 8816-8556

(Telephone Number)

Not Applicable

(Fiscal Year Ending)
(month & day)

SEC Form 17-Q

Form Type

Not Applicable

Amendment Designation (if applicable)

June 30, 2021

Period Ended Date

Not Applicable

(Secondary License Type and File Number)

COVER SHEET

SEC Registration Number									
P	W	-	5	5					

Company Name

P	L	D	T																

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

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

Form Type

1	7	-	Q
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Department requiring the report

M	S	R	D
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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's Email Address gdgarcia@pldt.com.ph	Company's Telephone Number/s (02) 8816-8056	Mobile Number
No. of Stockholders 11,539 as at June 30, 2021	Annual Meeting Month/Day Every 2nd Tuesday in June	Fiscal Year Month/Day December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person Gil Samson D. Garcia	Email Address gdgarcia@pldt.com.ph	Telephone Number/s (02) 8816-8056	Mobile Number
Contact Person's Address 12/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, 2021**
2. SEC Identification Number **PW-55**
3. BIR Tax Identification No. **000-488-793-000**
4. **PLDT Inc.**
Exact name of registrant as specified in its charter
5. **Republic of the Philippines**
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code: (SEC Use Only)
7. **Ramon Cojuangco Building, Makati Avenue, Makati** **0721**
City Postal Code
Address of registrant's principal office
8. **(632) 8816-8556**
Registrant's telephone number, including area code
9. **Not Applicable**
Former name, former address, and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 of the SRC

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Capital Stock, Php5 par value	216,055,775 shares as at June 30, 2021
11. Are any or all of these securities listed on the Philippine Stock Exchange?
Yes [] No []
12. Check whether the registrant
 - (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period the registrant was required to file such reports):
Yes [] No []
 - (b) has been subject to such filing requirements for the past 90 days.
Yes [] No []

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PART I – FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

Our consolidated financial statements as at June 30, 2021 (unaudited) and December 31, 2020 (audited) and for the six months ended June 30, 2021 and 2020 (unaudited) and related notes (pages F-1 to F-169) 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, translation 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 Php48.70 to US\$1.00, the exchange rate as at June 30, 2021 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,		Increase (Decrease)	
	2021	2020	Amount	%
(amounts in million Php, except for EBITDA margin and earnings per common share)				
Consolidated Income Statement				
Revenues	95,623	86,735	8,888	10
Expenses	75,999	64,819	11,180	17
Other expenses – net	2,916	4,797	(1,881)	(39)
Income before income tax	16,708	17,119	(411)	(2)
Net income	13,068	12,423	645	5
Core income	15,323	12,981	2,342	18
Telco core income	15,212	13,868	1,344	10
EBITDA	46,327	43,165	3,162	7
EBITDA margin ⁽¹⁾	51%	52%	—	—
Reported earnings per common share:				
Basic	59.67	56.70	2.97	5
Diluted	59.67	56.70	2.97	5
Core earnings per common share ⁽²⁾ :				
Basic	70.78	59.95	10.83	18
Diluted	70.78	59.95	10.83	18

	June 30,	December 31,	Increase (Decrease)	
	2021	2020	Amount	%
(amounts in million Php, except for net debt to equity ratio)				
Consolidated Statements of Financial Position				
Total assets	600,947	575,846	25,101	4
Property and equipment	280,177	260,868	19,309	7
Cash and cash equivalents and short-term investments	25,603	41,226	(15,623)	(38)
Total equity attributable to equity holders of PLDT	116,471	115,408	1,063	1
Long-term debt, including current portion	235,783	222,765	13,018	6
Net debt ⁽³⁾ to equity ratio	1.79x	1.56x	—	—

	Six months ended June 30,		Change	
	2021	2020	Amount	%
(amounts in million Php, except for operational data)				
Consolidated Statements of Cash Flows				
Net cash provided by operating activities	44,124	33,890	10,234	30
Net cash used in investing activities	(56,920)	(39,578)	(17,342)	(44)
<i>Payment for purchase of property and equipment, including capitalized interest</i>	<i>(55,139)</i>	<i>(41,046)</i>	<i>(14,093)</i>	<i>(34)</i>
Net cash provided by (used in) financing activities	(4,355)	27,396	(31,751)	(116)
Operational Data				
Number of mobile subscribers	71,686,129	70,185,489	1,500,640	2
<i>Prepaid</i>	<i>69,625,148</i>	<i>67,738,421</i>	<i>1,886,727</i>	<i>3</i>
<i>Postpaid</i>	<i>2,060,981</i>	<i>2,447,068</i>	<i>(386,087)</i>	<i>(16)</i>
Number of broadband subscribers	3,451,268	2,609,166	842,102	32
<i>Fixed Line broadband</i>	<i>2,538,865</i>	<i>2,105,140</i>	<i>433,725</i>	<i>21</i>
<i>Fixed Wireless broadband</i>	<i>912,403</i>	<i>504,026</i>	<i>408,377</i>	<i>81</i>
Number of fixed line subscribers	3,245,547	2,917,641	327,906	11
Number of employees:	18,721	18,416	305	2
Fixed Line	13,199	12,518	681	5
<i>LEC</i>	<i>11,466</i>	<i>10,937</i>	<i>529</i>	<i>5</i>
<i>Others</i>	<i>1,733</i>	<i>1,581</i>	<i>152</i>	<i>10</i>
Wireless	5,522	5,898	(376)	(6)

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

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

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

Exchange Rates – per US\$	Month end rates	Weighted average rates during the year
June 30, 2021	48.70	48.24
December 31, 2020	48.02	49.63
June 30, 2020	49.79	50.64
December 31, 2019	50.80	51.79

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 because our management believes that it is widely used by investors in their analysis of the performance of PLDT and can assist them in their comparison of PLDT's performance with those 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 alternative to net income as an indicator of our performance, nor should EBITDA be considered 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, and operating, investing and financing cash flows. 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 and Telco 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, 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. Core income results are monitored by management for each business unit separately for purposes of making decisions about resource allocation and performance assessment.

Meanwhile, telco 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, 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, adjusted for the effect of the share in Voyager Innovations Holdings, Pte. Ltd., or VIH, losses, asset sales, and accelerated depreciation. Telco core income is used by the management as a basis for determining the level of dividend payouts to shareholders and one of the bases for granting incentives to employees.

Core income and telco core income should not be considered as alternatives to income before income tax or net income determined in accordance with PFRS as an indicator of our performance. Unlike net income, core income and telco core income do not include certain items, among others, foreign exchange gains and losses, gains and losses on derivative financial instruments, asset impairments and non-recurring gains and losses. We compensate for these limitations by using core income and telco core income as few 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 one of the leading telecommunications and digital services providers in the Philippines, in terms of both subscribers and revenues, serving the fixed line, wireless and broadband markets. Through our three principal business segments, Wireless, Fixed Line and Others, we offer a diverse range of telecommunications and digital services across our extensive fiber optic backbone and wireless and fixed line networks.

We serve 78.4 million customers through the provision of mobile, fixed line and data services. In addition to the business units discussed below, PLDT has found it beneficial to view its business from a customer-served perspective. Accordingly, we also assign metrics along the following marketing verticals: Home, Individual, Enterprise and International.

Our three business units are as follows:

- *Wireless* — Our wireless business focuses on driving the growth of our data services while managing our legacy business of voice and SMS. We generate data revenues across all segments of our wireless business, whether through the access of mobile internet via smartphones or broadband using mobile or fixed wireless broadband routers and other similar devices. We provide the following mobile telecommunications services through our wireless business: (i) mobile services, (ii) fixed wireless broadband services, and (iii) MVNO and other services.
- *Fixed Line* — We are the leading provider of fixed line telecommunications services throughout the Philippines, servicing retail, corporate and SME clients. Our fixed line business group offers data, voice and ICT solutions.
- *Others* — Our other business consists primarily of our interests in digital platforms and other technologies, including our interests in VIH and Multisys.

Management's Financial Review

In addition to consolidated net income, we use EBITDA, core income and telco core income to assess our operating performance. Set forth below is a reconciliation of our consolidated net income to our consolidated EBITDA and a reconciliation of our consolidated net income to our consolidated core income and consolidated telco core income for the six months ended June 30, 2021 and 2020 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, 2021 and 2020:

	2021	2020
	(amounts in million Php)	
Consolidated net income	13,068	12,423
Add (deduct) adjustments:		
Depreciation and amortization	24,354	20,897
Financing costs – net	4,942	4,838
Provision for income tax	3,640	4,696
Amortization of intangible assets	2,349	352
Foreign exchange losses (gains) – net	767	(513)
Impairment of investments	60	60
Equity share in net losses (gains) of associates and joint ventures	(46)	1,028
Losses (gains) on derivative financial instruments – net	(141)	132
Interest income	(392)	(686)
Other income – net	(2,274)	(62)
Total adjustments	33,259	30,742
Consolidated EBITDA	46,327	43,165

The following table shows the reconciliation of our consolidated net income to our consolidated core income and telco core income for the six months ended June 30, 2021 and 2020:

	2021	2020
	(amounts in million Php)	
Consolidated net income	13,068	12,423
Add (deduct) adjustments:		
Sun Trademark amortization	2,253	—
Foreign exchange losses (gains)– net	767	(513)
Accelerated depreciation	555	—
Manpower rightsizing program	271	45
Impairment of investments	60	60
Core income adjustment on equity share in net losses (income) of associates and joint ventures	13	(22)
Losses (gains) from changes in fair value of financial assets at FVPL	(7)	960
Net income attributable to noncontrolling interests	(146)	(143)
Losses (gains) on derivative financial instruments – net, excluding hedge costs	(259)	116
Corporate Recovery and Tax Incentives for Enterprises, or CREATE, Act impact for prior year deferred taxes	(355)	—
Net tax effect of aforementioned adjustments	(897)	55
Total adjustments	2,255	558
Consolidated core income	15,323	12,981
Add (deduct) adjustments:		
Share in VIH losses	893	887
Gain on asset sales, net	(302)	—
VIH gain on dilution, net	(702)	—
Total adjustments	(111)	887
Telco core income	15,212	13,868

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, core income and telco core income for the six months ended June 30, 2021 and 2020. In each of the six months ended June 30, 2021 and 2020, 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	Inter-segment Transactions	Consolidated
(amounts in million Php, except for EBITDA margin)					
For the six months ended June 30, 2021					
Revenues	53,902	54,840	—	(13,119)	95,623
Expenses	44,627	44,493	4	(13,125)	75,999
Other income (expenses) – net	(2,960)	3,844	877	(4,677)	(2,916)
Income (loss) before income tax	6,315	14,191	873	(4,671)	16,708
Provision for (benefit from) income tax	2,062	1,387	(92)	283	3,640
Net income (loss)/Segment profit (loss)	4,253	12,804	965	(4,954)	13,068
EBITDA	30,138	20,534	(4)	(4,341)	46,327
EBITDA margin ⁽¹⁾	60%	38%	—	—	51%
Core income (loss)	7,766	12,432	(6)	(4,869)	15,323
Telco core income	7,766	12,130	185	(4,869)	15,212
For the six months ended June 30, 2020					
Revenues	49,911	46,483	—	(9,659)	86,735
Expenses	37,055	37,404	8	(9,648)	64,819
Other income (expenses) – net	(2,635)	(217)	(1,997)	52	(4,797)
Income (loss) before income tax	10,221	8,862	(2,005)	41	17,119
Provision for (benefit from) income tax	2,337	2,403	(217)	173	4,696
Net income (loss)/Segment profit (loss)	7,884	6,459	(1,788)	(132)	12,423
EBITDA	29,012	17,373	(8)	(3,212)	43,165
EBITDA margin ⁽¹⁾	61%	38%	—	—	52%
Core income (loss)	7,867	6,163	(913)	(136)	12,981
Telco core income (loss)	7,867	6,163	(26)	(136)	13,868
Increase (Decrease)					
Revenues	3,991	8,357	—	(3,460)	8,888
Expenses	7,572	7,089	(4)	(3,477)	11,180
Other income (expenses) – net	(325)	4,061	2,874	(4,729)	1,881
Income (loss) before income tax	(3,906)	5,329	2,878	(4,712)	(411)
Provision for (benefit from) income tax	(275)	(1,016)	125	110	(1,056)
Net income (loss)/Segment profit (loss)	(3,631)	6,345	2,753	(4,822)	645
EBITDA	1,126	3,161	4	(1,129)	3,162
Core income (loss)	(101)	6,269	907	(4,733)	2,342
Telco core income (loss)	(101)	5,967	211	(4,733)	1,344

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

On a Consolidated Basis

Revenues

We reported consolidated revenues of Php95,623 million for the six months ended June 30, 2021, an increase of Php8,888 million, or 10%, as compared with Php86,735 million in the same period in 2020, primarily due to higher revenues from data and broadband services in our Wireless and Fixed Line business segments, and higher revenues from voice services in our Fixed Line business segment, partially offset by lower revenues from voice and SMS services in our Wireless business segment.

Our consolidated service revenues of Php91,593 million for the six months ended June 30, 2021, increased by Php8,111 million, or 10%, from Php83,482 million in the same period in 2020. Our consolidated non-service revenues of Php4,030 million for the six months ended June 30, 2021, increased by Php777 million, or 24%, from Php3,253 million in the same period in 2020.

Consolidated service revenues, net of interconnection costs, amounted to Php89,866 million for the six months ended June 30, 2021, an increase of Php7,025 million, or 8%, from Php82,841 million in the same period in 2020.

In 2019, R.A. 11202, otherwise known as the Mobile Number Portability, or MNP, Act, was enacted, which provides that a customer can retain his mobile number when he moves from one mobile service provider to another or, changes the type of subscription from postpaid to prepaid or vice versa. The Act also provides that no interconnection fee or charge shall be imposed by any mobile service provider for domestic calls and SMS made by a subscriber. Thus, effective January 2, 2020, we removed the mobile interconnection fees for domestic calls and SMS, which were formerly priced at Php0.50 per minute for voice calls and Php0.05 per message for SMS.



On January 29, 2021, PLDT and Smart entered into a Sale/Purchase Agreement for the transfer of PLDT's Prepaid Home WiFi, or PHW, subscribers to Smart to consolidate fixed wireless services under Smart. The transfer of PHW subscribers took effect on March 1, 2021 after complying with the NTC's required 30-day notice to subscribers.

The following table shows the breakdown of our consolidated revenues by services for the six months ended June 30, 2021 and 2020:

	Wireless	Fixed Line	Inter-segment Transactions	Consolidated
(amounts in million Php)				
For the six months ended June 30, 2021				
Service Revenues				
<i>Wireless</i>	50,057		(643)	49,414
Mobile	48,512		(517)	47,995
Fixed Wireless broadband	1,416		—	1,416
MVNO and others	129		(126)	3
<i>Fixed Line</i>		54,654	(12,475)	42,179
Voice		17,241	(7,234)	10,007
Data		36,984	(5,072)	31,912
Home broadband		18,864	(26)	18,838
Corporate data and ICT		18,120	(5,046)	13,074
Miscellaneous		429	(169)	260
Total Service Revenues	50,057	54,654	(13,118)	91,593
Non-Service Revenues				
Sale of computers, phone units, mobile handsets and broadband data modems	3,845	172	—	4,017
Point-product sales	—	14	(1)	13
Total Non-Service Revenues	3,845	186	(1)	4,030
Total Revenues	53,902	54,840	(13,119)	95,623
For the six months ended June 30, 2020				
Service Revenues				
<i>Wireless</i>	47,190		(980)	46,210
Mobile	46,836		(721)	46,115
Fixed Wireless broadband	25		—	25
MVNO and others	329		(259)	70
<i>Fixed Line</i>		45,951	(8,679)	37,272
Voice		13,319	(4,031)	9,288
Data		32,270	(4,475)	27,795
Home broadband		15,360	(45)	15,315
Corporate data and ICT		16,910	(4,430)	12,480
Miscellaneous		362	(173)	189
Total Service Revenues	47,190	45,951	(9,659)	83,482
Non-Service Revenues				
Sale of computers, phone units, mobile handsets and broadband data modems	2,721	508	—	3,229
Point-product sales	—	24	—	24
Total Non-Service Revenues	2,721	532	—	3,253
Total Revenues	49,911	46,483	(9,659)	86,735

The following table shows the breakdown of our consolidated revenues by business segment for the six months ended June 30, 2021 and 2020:

	2021	%	2020	%	Change Amount	Change %
(amounts in million Php)						
Wireless	53,902	56	49,911	57	3,991	8
Fixed Line	54,840	58	46,483	54	8,357	18
Inter-segment transactions	(13,119)	(14)	(9,659)	(11)	(3,460)	(36)
Consolidated	95,623	100	86,735	100	8,888	10

Our consolidated revenues are further segmented by market, based on the type of customers served. "Home" refers to household subscribers, "Individual" covers mobile wireless individual customers, "Enterprise" encompasses

business-based customers, corporate or or small businesses, and “International” refers to international carrier customers.

The following table shows our consolidated revenues by market segment for each of our business segments for the six months ended June 30, 2021 and 2020:

	2021	%	2020 ⁽¹⁾	%	Change	
					Amount	%
	(amounts in million Php)					
Wireless	50,057	52	47,190	54	2,867	6
<i>Individual</i>	43,590	46	40,631	47	2,959	7
<i>Home</i>	202	—	231	—	(29)	(13)
<i>Enterprise</i>	4,210	4	3,725	4	485	13
<i>International</i>	2,055	2	2,603	3	(548)	(21)
Fixed Line	54,654	58	45,951	53	8,703	19
<i>Individual</i>	489	1	1,039	1	(550)	(53)
<i>Home</i>	22,752	24	18,578	22	4,174	22
<i>Enterprise</i>	21,679	23	21,103	24	576	3
<i>International</i>	9,696	10	5,164	6	4,532	88
<i>Others</i>	38	—	67	—	(29)	(43)
Inter-segment Transactions	(13,118)	(14)	(9,659)	(11)	(3,459)	(36)
Total Service Revenues	91,593	96	83,482	96	8,111	10
Wireless	3,845	4	2,721	3	1,124	41
<i>Individual</i>	3,116	3	1,905	2	1,211	64
<i>Enterprise</i>	721	1	814	1	(93)	(11)
<i>International</i>	8	—	2	—	6	300
Fixed Line	186	—	532	1	(346)	(65)
<i>Individual</i>	54	—	232	1	(178)	(77)
<i>Home</i>	139	—	90	—	49	54
<i>Enterprise</i>	(7)	—	210	—	(217)	(103)
Inter-segment Transactions	(1)	—	—	—	(1)	—
Total Non-Service Revenues	4,030	4	3,253	4	777	24
Total Revenues	95,623	100	86,735	100	8,888	10

(1) Certain amounts for the six months ended June 30, 2020 were reclassified to conform with the current presentation.

Expenses

Consolidated expenses increased by Php11,180 million, or 17%, to Php75,999 million for the six months ended June 30, 2021 from Php64,819 million in the same period in 2020, primarily due to higher selling, general and administrative expenses, depreciation and amortization, and interconnection costs in our Wireless and Fixed Line business segments, as well as higher cost of sales and services in our Wireless business segment.

The following table shows the breakdown of our consolidated expenses by business segment for the six months ended June 30, 2021 and 2020:

	2021	%	2020	%	Change	
					Amount	%
	(amounts in million Php)					
Wireless	44,627	59	37,055	57	7,572	20
Fixed Line	44,493	58	37,404	58	7,089	19
Others	4	—	8	—	(4)	(50)
Inter-segment transactions	(13,125)	(17)	(9,648)	(15)	(3,477)	(36)
Consolidated	75,999	100	64,819	100	11,180	17

Other Income (Expenses) – Net

Consolidated other expenses amounted to Php2,916 million for the six months ended June 30, 2021, a decrease of Php1,881 million, or 39%, from Php4,797 million in the same period in 2020, primarily due to the combined effects of the following: (i) higher other income – net mainly due to gains on fair value in 2021 as against losses on fair value in 2020 of investments, gains on asset sale for the period, and lower equity share in net losses from our Other business segment; (ii) higher foreign exchange losses and lower interest income across our business segments; and (iii) higher financing costs from our Fixed Line business segment.

The following table shows the breakdown of our consolidated other income (expenses) – net by business segment for the six months ended June 30, 2021 and 2020:

	2021	2020	Change	
			Amount	%
	(amounts in million Php)			
Wireless	(2,960)	(2,635)	(325)	(12)
Fixed Line	3,844	(217)	4,061	1,871
Others	877	(1,997)	2,874	144
Inter-segment transactions	(4,677)	52	(4,729)	(9,094)
Consolidated	(2,916)	(4,797)	1,881	39

Net Income (Loss)

Consolidated net income increased by Php645 million, or 5%, to Php13,068 million for the six months ended June 30, 2021 from Php12,423 million in the same period in 2020, primarily due to higher net income from our Fixed Line and Other business segments, partially offset by lower net income from our Wireless business segment. Our consolidated basic and diluted EPS increased to Php59.67 for the six months ended June 30, 2021 from Php56.70 in the same period in 2020. Our weighted average number of outstanding common shares was approximately 216.06 million in each of 2021 and 2020.

The following table shows the breakdown of our consolidated net income (loss) by business segment for the six months ended June 30, 2021 and 2020:

	2021	%	2020	%	Change	
					Amount	%
	(amounts in million Php)					
Wireless	4,253	33	7,884	63	(3,631)	(46)
Fixed Line	12,804	98	6,459	52	6,345	98
Others	965	7	(1,788)	(14)	2,753	154
Inter-segment transactions	(4,954)	(38)	(132)	(1)	(4,822)	3,653
Consolidated	13,068	100	12,423	100	645	5

EBITDA

Our consolidated EBITDA amounted to Php46,327 million for the six months ended June 30, 2021, an increase of Php3,162 million, or 7%, as compared with Php43,165 million in the same period in 2020, primarily due to higher EBITDA from our Fixed Line and Wireless business segments.

The following table shows the breakdown of our consolidated EBITDA by business segment for the six months ended June 30, 2021 and 2020:

	2021	%	2020	%	Change	
					Amount	%
	(amounts in million Php)					
Wireless	30,138	65	29,012	67	1,126	4
Fixed Line	20,534	44	17,373	40	3,161	18
Others	(4)	—	(8)	—	4	50
Inter-segment transactions	(4,341)	(9)	(3,212)	(7)	(1,129)	(35)
Consolidated	46,327	100	43,165	100	3,162	7

Our consolidated EBITDA excluding MRP amounted to Php46,598 million for the six months ended June 30, 2021, an increase of Php3,388 million, or 8%, as compared with Php43,210 million in the same period in 2020.

Core Income

Our consolidated core income amounted to Php15,323 million for the six months ended June 30, 2021, an increase of Php2,342 million, or 18%, as compared with Php12,981 million in the same period in 2020 mainly on account of higher EBITDA, equity share in net earnings of associates and joint ventures, and other miscellaneous income, partly offset by higher depreciation and amortization and financing costs. Our consolidated basic and diluted core EPS increased to Php70.78 for the six months ended June 30, 2021 from Php59.95 in the same period in 2020.

The following table shows the breakdown of our consolidated core income by business segment for the six months ended June 30, 2021 and 2020:

	2021	%	2020	%	Change	
					Amount	%
	(amounts in million Php)					
Wireless	7,766	51	7,867	61	(101)	(1)
Fixed Line	12,432	81	6,163	47	6,269	102
Others	(6)	—	(913)	(7)	907	99
Inter-segment transactions	(4,869)	(32)	(136)	(1)	(4,733)	(3,480)
Consolidated	15,323	100	12,981	100	2,342	18

Our consolidated telco core income amounted to Php15,212 million for the six months ended June 30, 2021, an increase of Php1,344 million, or 10%, as compared with Php13,868 million in the same period in 2020 mainly due to higher EBITDA and lower provision for income tax, partially offset by higher depreciation and amortization, and financing costs.

The following table shows the breakdown of our consolidated telco core income by business segment for the six months ended June 30, 2021 and 2020:

	2021	%	2020	%	Change	
					Amount	%
	(amounts in million Php)					
Wireless	7,766	51	7,867	57	(101)	(1)
Fixed Line	12,130	80	6,163	44	5,967	97
Others	185	1	(26)	—	211	812
Inter-segment transactions	(4,869)	(32)	(136)	(1)	(4,733)	(3,480)
Consolidated	15,212	100	13,868	100	1,344	10

On a Business Segment Basis

Wireless

Revenues

We generated revenues of Php53,902 million from our Wireless business segment for the six months ended June 30, 2021, an increase of Php3,991 million, or 8%, from Php49,911 million in the same period in 2020.

The following table summarizes our total revenues by service from our Wireless business segment for the six months ended June 30, 2021 and 2020:

	2021	%	2020	%	Increase (Decrease)	
					Amount	%
(amounts in million Php)						
Service Revenues:						
Mobile	48,512	90	46,836	94	1,676	4
Fixed Wireless broadband ⁽¹⁾	1,416	3	25	—	1,391	5,564
MVNO and others ⁽²⁾	129	—	329	1	(200)	(61)
Total Wireless Service Revenues	50,057	93	47,190	95	2,867	6
Non-Service Revenues:						
Sale of mobile handsets and broadband data modems	3,845	7	2,721	5	1,124	41
Total Wireless Revenues	53,902	100	49,911	100	3,991	8

⁽¹⁾ Includes service revenues from PHW beginning February 2021.

⁽²⁾ Includes service revenues generated by MVNOs of PLDT Global subsidiaries and facility service fees.

Service Revenues

Our wireless service revenues increased by Php2,867 million, or 6%, to Php50,057 million for the six months ended June 30, 2021 as compared with Php47,190 million in the same period in 2020, primarily due to higher mobile and fixed wireless broadband revenues, partly offset by lower revenues from MVNO and other services. As a percentage of our total wireless revenues, service revenues accounted for 93% and 95% for the six months ended June 30, 2021 and 2020, respectively.

Mobile Services

Our mobile service revenues amounted to Php48,512 million for the six months ended June 30, 2021, an increase of Php1,676 million, or 4%, from Php46,836 million in the same period in 2020. Mobile service revenues accounted for 97% and 99% of our wireless service revenues for the six months ended June 30, 2021 and 2020, respectively.

The following table shows the breakdown of our mobile service revenues for the six months ended June 30, 2021 and 2020:

	2021	%	2020	%	Increase (Decrease)	
					Amount	%
(amounts in million Php)						
Mobile Services:						
Data	35,144	72	31,335	67	3,809	12
Voice	9,328	19	11,026	24	(1,698)	(15)
SMS	3,157	7	3,530	7	(373)	(11)
Inbound roaming and others ⁽¹⁾	883	2	945	2	(62)	(7)
Total	48,512	100	46,836	100	1,676	4

⁽¹⁾ Refers to other non-subscriber-related revenues consisting primarily of inbound international roaming fees and facility service fees.

Data Services

Mobile revenues from our data services, which include mobile internet, mobile broadband and other data services, increased by Php3,809 million, or 12%, to Php35,144 million for the six months ended June 30, 2021 from Php31,335 million in the same period in 2020 due to growth in mobile internet usage that was driven mainly by an increased demand for data connectivity. This was further boosted by enhanced data products, and continuous network improvement and LTE migration.

Smart also launched brand campaigns to promote 5G network usage with the aggressive roll-out of over 4,000 5G sites. Moreover, Smart continues to drive Gigalife app adoption through exclusive offerings such as Unli 5G via Gigapoints.

Data services accounted for 72% and 67% of our mobile service revenues for the six months ended June 30, 2021 and 2020, respectively.

The following table shows the breakdown of our mobile data service revenues for the six months ended June 30, 2021 and 2020:

	2021	%	2020	%	Increase (Decrease)	
					Amount	%
	(amounts in million Php)					
Data Services:						
Mobile internet ⁽¹⁾	33,121	94	29,355	94	3,766	13
Mobile broadband	1,409	4	1,430	4	(21)	(1)
Other data	614	2	550	2	64	12
Total	35,144	100	31,335	100	3,809	12

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

Mobile Internet

Mobile internet service revenues increased by Php3,766 million, or 13%, to Php33,121 million for the six months ended June 30, 2021 from Php29,355 million in the same period in 2020, primarily due to the following: (i) increase in the use of video, gaming and social media data usage by our subscribers driven by the enhanced product offerings, marketing promotions and content partnerships; (ii) increase in digital productivity requirements from work-from-home and study-from-home environment; (iii) expansion of distribution channels, particularly using digital platforms like Gigalife app with notable growth acquiring over five million monthly active users in less than a year; and (iv) LTE migration initiatives that further increased the number of LTE device and data users. Smart is now embarking on migrating its data subscribers to its new 5G network with even faster speeds and lower latency to open new usage possibilities.

Mobile internet services accounted for 68% and 63% of our mobile service revenues for the six months ended June 30, 2021 and 2020, respectively.

Mobile Broadband

Mobile broadband revenues amounted to Php1,409 million for the six months ended June 30, 2021, a decrease of Php21 million, or 1%, from Php1,430 million in the same period in 2020, primarily due to subscribers' shift to fiber and fixed wireless solutions due to the prolonged pandemic and subsequent extension of community quarantine restrictions. Mobile broadband services accounted for 3% of our mobile service revenues in each of the six months ended June 30, 2021 and 2020.

Other Data

Revenues from our other data services, which include value-added services, or VAS, and domestic leased lines, increased by Php64 million, or 12%, to Php614 million for the six months ended June 30, 2021 from Php550 million in the same period in 2020. The increase was primarily due to higher revenues from VAS via direct carrier billing, driven by various online activities and transactions, including mobile gaming in-app purchases.

Voice Services

Mobile revenues from our voice services, which include all voice traffic, decreased by Php1,698 million, or 15%, to Php9,328 million for the six months ended June 30, 2021 from Php11,026 million in the same period in 2020, due to subscribers' shift to alternative calling options, digital conferencing solutions, and other OTT services. Mobile voice services accounted for 19% and 24% of our mobile service revenues for the six months ended June 30, 2021 and 2020, respectively.

Domestic voice service revenues decreased by Php1,395 million, or 15%, to Php8,222 million for the six months ended June 30, 2021 from Php9,617 million in the same period in 2020, mainly due to lower traffic from domestic outbound and inbound voice services.

International voice service revenues decreased by Php303 million, or 22%, to Php1,106 million for the six months ended June 30, 2021 from Php1,409 million in the same period in 2020 resulting from lower traffic, partially offset by revenues from international voice agreement with Orange International Carriers.

SMS Services

Mobile revenues from our SMS services, which include all SMS-related services, decreased by Php373 million, or 11%, to Php3,157 million for the six months ended June 30, 2021 from Php3,530 million in the same period in 2020, mainly due to the decline in SMS volumes arising from the increased adoption of alternative messaging solutions, such as OTT services, social media, and messenger application. Mobile SMS services accounted for 7% of our mobile service revenues in each of the six months ended June 30, 2021 and 2020.

Inbound Roaming and Others

Mobile revenues from inbound roaming and other services decreased by Php62 million, or 7%, to Php883 million for the six months ended June 30, 2021 from Php945 million in the same period in 2020, mainly due to lower facility service fees related to fixed wireless business and lower revenues from inbound roaming services, partly offset by higher other subscriber-related income.

The following table shows the breakdown of our mobile service revenues by service type for the six months ended June 30, 2021 and 2020:

	2021	2020	Increase (Decrease)	
			Amount	%
Mobile service revenues	48,512	46,836	1,676	4
<i>By service type</i>				
Prepaid	38,454	36,130	2,324	6
Postpaid	9,175	9,761	(586)	(6)
Inbound roaming and others	883	945	(62)	(7)

Prepaid Mobile Revenues

Revenues generated from our mobile prepaid services amounted to Php38,454 million for the six months ended June 30, 2021, an increase of Php2,324 million, or 6%, as compared with Php36,130 million in the same period in 2020. Mobile prepaid service revenues accounted for 79% and 77% of mobile service revenues for the six months ended June 30, 2021 and 2020, respectively. The increase in revenues from our mobile prepaid services was attributed to higher average daily top-ups, driven by the sustained growth in mobile internet usage.

In October 2020, we implemented the rebranding of Sun Prepaid to Smart Prepaid. Subscribers retained their existing Sun numbers while having access to expanded retail and customer care channels, data-centric Giga offers alongside existing select Sun top-up offers. Following this development, Sun subscribers can avail of GigaLife bundle using Smart's LTE network.

Postpaid Mobile Revenues

Revenues generated from our mobile postpaid services amounted to Php9,175 million for the six months ended June 30, 2021, a decrease of Php586 million, or 6%, as compared with Php9,761 million in the same period in 2020, primarily due to a decline in the postpaid subscriber base. Mobile postpaid service revenues accounted for 19% and 21% of mobile service revenues for the six months ended June 30, 2021 and 2020, respectively.

Subscriber Base, ARPU and Churn Rates

The following table shows our mobile subscriber base as at June 30, 2021 and 2020:

	2021	2020	Increase (Decrease)	
			Amount	%
Mobile subscriber base				
Smart ⁽¹⁾	28,349,998	24,902,319	3,447,679	14
Prepaid ⁽²⁾	26,915,884	23,413,304	3,502,580	15
Postpaid	1,434,114	1,489,015	(54,901)	(4)
TNT	42,709,264	38,638,225	4,071,039	11
Sun ⁽¹⁾	626,867	6,644,945	(6,018,078)	(91)
Prepaid ⁽²⁾	—	5,686,892	(5,686,892)	(100)
Postpaid	626,867	958,053	(331,186)	(35)
Total mobile subscribers	71,686,129	70,185,489	1,500,640	2

⁽¹⁾ Includes mobile broadband subscribers.

⁽²⁾ Beginning October 2020, Sun Prepaid was rebranded as Smart Prepaid.

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.

The average monthly churn rates for Smart Prepaid subscribers were 5.3% and 5.8% for the six months ended June 30, 2021 and 2020, respectively, while the average monthly churn rates for TNT subscribers were 4.1% and 4.6% for the six months ended June 30, 2021 and 2020, respectively.

The average monthly churn rates for Smart Postpaid subscribers were 2.0% and 1.7% in the six months ended June 30, 2021 and 2020, respectively. The average monthly churn rates for Sun Postpaid subscribers were 2.2% and 1.1% for the six months ended June 30, 2021 and 2020, respectively.

The following table summarizes our average monthly ARPUs for the six months ended June 30, 2021 and 2020:

	Gross ⁽¹⁾		Increase (Decrease)		Net ⁽²⁾		Increase (Decrease)	
	2021	2020	Amount	%	2021	2020	Amount	%
	(amounts in Php)							
Prepaid								
Smart ⁽³⁾	123	131	(8)	(6)	104	111	(7)	(6)
TNT	98	84	14	17	84	74	10	14
Sun ⁽³⁾	—	75	(75)	(100)	—	66	(66)	(100)
Postpaid								
Smart	856	841	15	2	821	810	11	1
Sun	410	390	20	5	397	382	15	4

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

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

⁽³⁾ Beginning October 2020, Sun Prepaid was rebranded as Smart Prepaid.

Fixed Wireless Broadband

Revenues from our Fixed Wireless Broadband services amounted to Php1,416 million for the six months ended June 30, 2021, an increase of Php1,391 million from Php25 million in the same period in 2020, primarily due to the transfer of PHW subscribers to Smart beginning February 2021. In March 2021, the Gigalife App was opened to PHW which allowed the linking of accounts between mobile and home devices enabling a convergent solution to simplify account management and cross-selling of products.

MVNO and Others

Revenues from our MVNO and other services amounted to Php129 million for the six months ended June 30, 2021, a decrease of Php200 million, or 61%, from Php329 million in the same period in 2020, primarily due to lower facility service fees.

Non-Service Revenues

Our wireless non-service revenues consist of sale of mobile handsets, broadband data routers, tablets and accessories. Our wireless non-service revenues increased by Php1,124 million, or 41%, to Php3,845 million for the six months ended June 30, 2021 from Php2,721 million in the same period in 2020, primarily due to a higher number of units issued for mobile handsets, as well as the PHW broadband routers issued in 2021.

Expenses

Expenses associated with our Wireless business segment amounted to Php44,627 million for the six months ended June 30, 2021, an increase of Php7,572 million, or 20%, from Php37,055 million in the same period in 2020. The increase was mainly attributable to higher selling, general and administrative expenses, depreciation and amortization, cost of sales and services, asset impairment, and interconnection costs, partially offset by lower provisions. As a percentage of our total wireless revenues, expenses associated with our Wireless business segment accounted for 83% and 74% for the six months ended June 30, 2021 and 2020, respectively.

The following table summarizes the breakdown of our total wireless-related expenses for the six months ended June 30, 2021 and 2020 and the percentage of each expense item in relation to the total:

	2021	%	2020	%	Increase (Decrease)	
					Amount	%
	(amounts in million Php)					
Selling, general and administrative expenses	19,605	44	16,265	44	3,340	21
Depreciation and amortization	18,514	42	15,804	43	2,710	17
Cost of sales and services	5,061	11	3,397	9	1,664	49
Provisions	976	2	1,279	3	(303)	(24)
Interconnection costs	314	1	252	1	62	25
Asset impairment	157	—	58	—	99	171
Total	44,627	100	37,055	100	7,572	20

Selling, general and administrative expenses increased by Php3,340 million, or 21%, to Php19,605 million, primarily due to higher expenses related to amortization of intangible assets mainly on account of trademark amortization, selling and promotions, repairs and maintenance, professional and other contracted services, compensation and employee benefits, and rent, partly offset by lower taxes and licenses, and communication, training and travel expenses.

Depreciation and amortization charges increased by Php2,710 million, or 17%, to Php18,514 million, mainly on account of higher depreciable asset base, higher depreciation due to shortened life of certain network, technology and other equipment resulting from the migration to faster speed LTE and 5G technologies, as well as transformation and cost reengineering initiatives, combined with higher depreciation of right-of-use asset.

Cost of sales and services increased by Php1,664 million, or 49%, to Php5,061 million, primarily due to a higher number of units issued and higher average cost per unit for mobile handsets, as well as the cost of PHW broadband routers issued in 2021.

Provisions decreased by Php303 million, or 24%, to Php976 million, mainly on account of lower provision for expected credit losses, partly offset by higher provision for trade inventory, particularly for broadband routers.

Interconnection costs increased by Php62 million, or 25%, to Php314 million, primarily due to higher interconnection costs on Application-to-Person, or A2P, messaging transactions and international data services.

Asset impairment, consisting mainly of impairment of contract assets, increased by Php99 million, or 171%, to Php157 million.

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, 2021 and 2020:

	2021	2020	Change Amount	%
	(amounts in million Php)			
Other Income (Expenses) – Net:				
Financing costs – net	(3,449)	(3,519)	70	2
Foreign exchange gains (losses) – net	(355)	168	(523)	(311)
Gains (losses) on derivative financial instruments – net	70	(48)	118	246
Interest income	206	337	(131)	(39)
Other income – net	568	427	141	33
Total	(2,960)	(2,635)	(325)	(12)

Our Wireless business segment’s other expenses amounted to Php2,960 million for the six months ended June 30, 2021, an increase of Php325 million, or 12%, from Php2,635 million in the same period in 2020, primarily due to the combined effects of the following: (i) foreign exchange losses of Php355 million in 2021 as against foreign exchange gains of Php168 million in 2020 mainly on account of revaluation of net foreign currency-denominated liabilities due to the depreciation of the Philippine peso relative to the U.S. dollar in 2021 as against the appreciation of the Philippine peso relative to the U.S. dollar in 2020; (ii) lower interest income by Php131 million; (iii) lower net financing costs by Php70 million; (iv) net gains on derivative financial instruments of Php70 million in 2021 as against net losses on derivative financial instruments of Php48 million in 2020; and (v) higher other income – net of Php141 million.

Provision for Income Tax

Provision for income tax amounted to Php2,062 million for the six months ended June 30, 2021, a decrease of Php275 million, or 12%, from Php2,337 million in the same period in 2020, mainly due to lower taxable income and lower corporate income tax rate under the CREATE Act, partly offset by the net unfavorable impact of CREATE adjustments for prior year deferred tax assets booked in the first quarter of 2021.

Net Income

As a result of the foregoing, our Wireless business segment’s net income decreased by Php3,631 million, or 46%, to Php4,253 million for the six months ended June 30, 2021 from Php7,884 million in the same period in 2020.

EBITDA

Our Wireless business segment’s EBITDA increased by Php1,126 million, or 4%, to Php30,138 million for the six months ended June 30, 2021 from Php29,012 million in the same period in 2020. EBITDA margin decreased to 60% for the six months ended June 30, 2021 from 61% in the same period in 2020.

Core Income

Our Wireless business segment’s core income decreased by Php101 million, or 1%, to Php7,766 million for the six months ended June 30, 2021 from Php7,867 million in the same period in 2020, mainly on account of higher depreciation and amortization, partially offset by higher EBITDA and lower provision for income tax.

Fixed Line

Revenues

Revenues generated from our Fixed Line business segment amounted to Php54,840 million for the six months ended June 30, 2021, an increase of Php8,357 million, or 18%, from Php46,483 million in the same period in 2020.

The following table summarizes our total revenues by service from our Fixed Line business segment for the six months ended June 30, 2021 and 2020:

	2021	%	2020	%	Increase (Decrease)	
					Amount	%
(amounts in million Php)						
Service Revenues:						
Data	36,984	68	32,270	69	4,714	15
Voice	17,241	31	13,319	29	3,922	29
Miscellaneous	429	1	362	1	67	19
	54,654	100	45,951	99	8,703	19
Non-Service Revenues:						
Sale of computers, phone units and point-product sales	186	—	532	1	(346)	(65)
Total Fixed Line Revenues	54,840	100	46,483	100	8,357	18

Service Revenues

Our fixed line service revenues increased by Php8,703 million, or 19%, to Php54,654 million for the six months ended June 30, 2021 from Php45,951 million in the same period in 2020, primarily due to higher revenues from our data and voice services.

Data Services

Our data services, which include Home broadband, corporate data, and ICT portfolio with data center, cloud, cyber security, and managed IT offerings, posted revenues of Php36,984 million for the six months ended June 30, 2021, an increase of Php4,714 million, or 15%, from Php32,270 million in the same period in 2020, primarily due to higher revenues from home broadband, corporate data and leased lines, and ICT services. The percentage contribution of this service segment to our fixed line service revenues accounted for 68% and 70% for the six months ended June 30, 2021 and 2020, respectively.

The following table shows information of our data service revenues for the six months ended June 30, 2021 and 2020:

	2021	2020	Increase	
			Amount	%
(amounts in million Php)				
Data service revenues	36,984	32,270	4,714	15
Home broadband	18,864	15,360	3,504	23
Corporate data and ICT	18,120	16,910	1,210	7

Home Broadband

Home broadband data revenues amounted to Php18,864 million for the six months ended June 30, 2021, an increase of Php3,504 million, or 23%, from Php15,360 million in the same period in 2020. This growth is driven by increasing demand for broadband services, including fixed wired (PLDT Home Fibr), which the company is providing through the nationwide roll-out of its fiber-to-the-home, or FTTH, network and its existing copper network, which is progressively being upgraded to fiber. Home broadband revenues accounted for 51% and 48% of total data service revenues for the six months ended June 30, 2021 and 2020, respectively. PLDT's FTTH nationwide network roll-out has reached over 11.3 million homes passed as of June 30, 2021, while the number of ports has grown to 4.8 million.

Corporate Data and ICT

Corporate data services amounted to Php14,810 million for the six months ended June 30, 2021, an increase of Php933 million, or 7%, as compared with Php13,877 million in the same period in 2020, mainly due to the sustained demand for broadband internet and data networking services. Corporate data revenues accounted for 40% and 43% of total data services for the six months ended June 30, 2021 and 2020, respectively.

ICT revenues increased by Php277 million, or 9%, to Php3,310 million for the six months ended June 30, 2021 from Php3,033 million in the same period in 2020 mainly due to higher revenues from data center, cloud, cyber security and managed IT services. The percentage contribution of this service segment to our total data service revenues accounted for 9% in each of the six months ended June 30, 2021 and 2020.

Voice Services

Revenues from our voice services increased by Php3,922 million, or 29%, to Php17,241 million for the six months ended June 30, 2021 from Php13,319 million in the same period in 2020, primarily due to higher revenues from international services of PLDT Global, partly offset by lower revenues from local exchange services. The decline in local exchange services was partly due to the continued popularity of services such as Skype, Viber, Line, Facebook Messenger, Google Talk and WhatsApp, offering free OTT calling services, and other similar services, as well as subscribers' shift to mobile services. The percentage contribution of voice service revenues to our fixed line service revenues accounted for 31% and 29% for the six months ended June 30, 2021 and 2020, respectively.

Miscellaneous Services

Miscellaneous service revenues are derived mostly from rentals and management fees. These service revenues increased by Php67 million, or 19%, to Php429 million for the six months ended June 30, 2021 from Php362 million in the same period in 2020. The percentage contribution of miscellaneous service revenues to our total fixed line service revenues accounted for 1% in each of the six months ended June 30, 2021 and 2020.

Non-service Revenues

Non-service revenues decreased by Php346 million, or 65%, to Php186 million for the six months ended June 30, 2021 from Php532 million in the same period in 2020, primarily due to lower sale of managed ICT equipment, PHW broadband routers and computer bundles, partially offset by sale of Home WiFi mesh in 2021 and higher sale of set top box.

Expenses

Expenses related to our Fixed Line business segment totaled Php44,493 million for the six months ended June 30, 2021, an increase of Php7,089 million, or 19%, as compared with Php37,404 million in the same period in 2020. The increase was primarily due to higher interconnection costs, depreciation and amortization, selling, general and administrative expenses, and provisions, partly offset by lower cost of sales and services, and asset impairment. As a percentage of our total fixed line revenues, expenses associated with our Fixed Line business segment accounted for 81% and 80% for the six months ended June 30, 2021 and 2020, respectively.

The following table shows the breakdown of our total fixed line-related expenses for the six months ended June 30, 2021 and 2020 and the percentage of each expense item in relation to the total:

	2021	%	2020	%	Increase (Decrease)	
					Amount	%
	(amounts in million Php)					
Selling, general and administrative expenses	21,689	49	20,321	54	1,368	7
Depreciation and amortization	10,187	23	8,294	22	1,893	23
Interconnection costs	8,633	19	4,406	12	4,227	96
Provisions	2,301	5	2,091	6	210	10
Cost of sales and services	1,679	4	2,244	6	(565)	(25)
Asset impairment	4	—	48	—	(44)	(92)
Total	44,493	100	37,404	100	7,089	19

Selling, general and administrative expenses increased by Php1,368 million, or 7%, to Php21,689 million primarily due to higher expenses related to repairs and maintenance, compensation and employee benefits, and selling and promotions, partly offset by lower professional and other contracted services, and rent expenses.

Depreciation and amortization charges increased by Php1,893 million, or 23%, to Php10,187 million mainly on account of higher depreciable asset base, combined with higher depreciation of right-of-use asset.

Interconnection costs increased by Php4,227 million, or 96%, to Php8,633 million, primarily due to higher international interconnection costs of PLDT Global.

Provisions increased by Php210 million, or 10%, to Php2,301 million, primarily due to increase in specific impairment from non-paying accounts and higher provision for expected credit losses mainly due to the decline in macroeconomic factors partially mitigated by the improvement in collection rate, as well as higher provision for inventory obsolescence.

Cost of sales and services decreased by Php565 million, or 25%, to Php1,679 million, primarily due to lower cost of managed ICT equipment, PHW broadband routers, and computer bundles, partially offset by the cost of Home WiFi mesh in 2021 and higher cost of set top box.

Asset impairment, consisting mainly of impairment of contract assets, decreased by Php44 million, or 92%, to Php4 million.

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, 2021 and 2020:

	2021	2020	Change	
			Amount	%
	(amounts in million Php)			
Other Income (Expenses) – Net:				
Interest income	170	272	(102)	(38)
Gains (losses) on derivative financial instruments – net	71	(84)	155	185
Equity share in net earnings of associates	60	100	(40)	(40)
Foreign exchange gains (losses) – net	(464)	300	(764)	(255)
Financing costs – net	(2,873)	(2,713)	(160)	(6)
Other income – net	6,880	1,908	4,972	261
Total	3,844	(217)	4,061	1,871

Our Fixed Line business segment's other income amounted to Php3,844 million for the six months ended June 30, 2021, a change of Php4,061 million as against other expenses of Php217 million in the same period in 2020, primarily due to the combined effects of the following: (i) higher other income – net by Php4,972 million mainly due to PLDT's dividend income from Smart and gain on sale of PHW subscribers in 2021; (ii) net gains on derivative financial instruments of Php71 million in 2021 as against net losses on derivative financial instruments of Php84 million in 2020; (iii) lower equity share in net earnings of associates by Php40 million; (iv) lower interest income by Php102 million; (v) higher net financing costs by Php160 million; and (vi) net foreign exchange losses of Php464 million in 2021 as against net foreign exchange gains of Php300 million in 2020 mainly on account of revaluation of net foreign currency-denominated liabilities due to the depreciation of the Philippine peso relative to the U.S. dollar in 2021 as against the appreciation of the Philippine peso relative to the U.S. dollar in 2020.

Provision for Income Tax

Provision for income tax amounted to Php1,387 million for the six months ended June 30, 2021, a decrease of Php1,016 million, or 42%, from Php2,403 million in the same period in 2020, mainly due to the impact of lower corporate income tax under the CREATE Act, as well as the net favorable impact of 2020 income tax retroactive adjustment, per Revenue Regulations (RR) No. 5-2021, recognized in the first quarter of 2021, partly offset by higher taxable income.

Net Income

As a result of the foregoing, our Fixed Line business segment registered a net income of Php12,804 million for the six months ended June 30, 2021, an increase of Php6,345 million, or 98%, as compared with Php6,459 million in the same period in 2020.

EBITDA

Our Fixed Line business segment's EBITDA increased by Php3,161 million, or 18%, to Php20,534 million for the six months ended June 30, 2021 from Php17,373 million in the same period in 2020. EBITDA margin remained at 38% for the six months ended June 30, 2021 and 2020.

Core Income

Our Fixed Line business segment's core income increased by Php6,269 million to Php12,432 million for the six months ended June 30, 2021 from Php6,163 million in the same period in 2020, primarily due to higher EBITDA and other miscellaneous income, partially offset by higher depreciation and amortization, and net financing costs.

Others

Revenues

Revenues generated from our Other business segment amounted to nil in each of the six months ended June 30, 2021 and 2020.

Expenses

Expenses related to our Other business segment decreased by Php4 million, or 50%, to Php4 million for the six months ended June 30, 2021 from Php8 million in the same period in 2020.

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, 2021 and 2020:

	2021	2020	Change Amount	%
	(amounts in million Php)			
Other Income (Expenses) – Net:				
Foreign exchange gains – net	40	45	(5)	(11)
Interest income	16	77	(61)	(79)
Equity share in net losses of associates and joint ventures	(14)	(1,128)	1,114	99
Other income (expenses) – net	835	(991)	1,826	184
Total	877	(1,997)	2,874	144

Our Other business segment's other income amounted to Php877 million for the six months ended June 30, 2021, a change of Php2,874 million from other expenses of Php1,997 million in the same period in 2020, primarily due to the combined effects of the following: (i) other income – net of Php835 million in 2021 as against other expenses of Php991 million in 2020 mainly due to losses on fair value in 2020 of iflix and Rocket Internet investments, as well as gain on VIH dilution in 2021; (ii) lower equity share in net losses of associates and joint ventures by Php1,114 million mainly due to higher equity share in net earnings in Vega Telecom Inc. on account mainly of the favorable impact of CREATE adjustment on the unamortized deferred tax liability component of the investment; (iii) lower net foreign exchange gains by Php5 million; and (iv) lower interest income by Php61 million.

Net Income (Loss)

As a result of the foregoing, our Other business segment registered a net income of Php965 million for the six months ended June 30, 2021, an increase of Php2,753 million from a net loss of Php1,788 million in the same period in 2020.

Core Income (Loss)

Our Other business segment's core loss amounted to Php6 million for the six months ended June 30, 2021, a decrease of Php907 million, or 99%, from Php913 million in the same period in 2020.

Liquidity and Capital Resources

The following table shows our consolidated cash flows for the six months ended June 30, 2021 and 2020, as well as our consolidated capitalization and other consolidated selected financial data as at June 30, 2021 and December 31, 2020:

	Six months ended June 30,	
	2021	2020
	(amounts in million Php)	
Cash Flows		
Net cash flows provided by operating activities	44,124	33,890
Net cash flows used in investing activities	(56,920)	(39,578)
<i>Payment for purchase of property and equipment, including capitalized interest</i>	(55,139)	(41,046)
Net cash flows provided by (used in) financing activities	(4,355)	27,396
Net increase (decrease) in cash and cash equivalents	(17,067)	21,402
Capitalization		
(amounts in million Php)		
Long-term portion of interest-bearing financial liabilities – net of current portion:		
Long-term debt	228,455	205,195
Current portion of interest-bearing financial liabilities:		
Long-term debt maturing within one year	7,328	17,570
Total interest-bearing financial liabilities	235,783	222,765
Total equity attributable to equity holders of PLDT	116,471	115,408
	352,254	338,173
Other Selected Financial Data		
Total assets	600,947	575,846
Property and equipment	280,177	260,868
Cash and cash equivalents	23,170	40,237
Short-term investments	2,433	989

Our consolidated cash and cash equivalents and short-term investments totaled Php25,603 million as at June 30, 2021. Principal sources of consolidated cash and cash equivalents in 2021 were cash flows from operating activities amounting to Php44,124 million, proceeds from availment of long-term debt of Php27,000 million, proceeds from disposal of property and equipment of Php730 million, and interest received of Php389 million. These funds were used principally for: (1) purchase of property and equipment, including capitalized interest, of Php55,139 million; (2) long-term debt principal and interest payments of Php14,444 million and Php4,301 million, respectively; (3) cash dividend payment of Php8,705 million; (4) settlement of obligations under lease liabilities of Php3,426 million; (5) payment for acquisition of investments in associates and joint ventures of Php1,725 million, mainly PCEV's additional investment in VIH's preferred shares; and (6) payment for purchase of short-term investments of Php1,676 million.

Our consolidated cash and cash equivalents and short-term investments totaled Php47,493 million as at June 30, 2020. Principal sources of consolidated cash and cash equivalents for the six months ended June 30, 2020 were proceeds from availment of long-term and short-term debt of Php47,541 million and Php10,000 million, respectively, cash flows from operating activities amounting to Php33,890 million, proceeds from maturity of short-term investments of Php2,940 million, collection of MPIC receivables of Php2,826 million and interest received of

Php742 million. These funds were used principally for: (1) purchase of property and equipment, including capitalized interest, of Php41,046 million; (2) payment of short-term debt of Php10,000 million; (3) cash dividend payments of Php8,448 million; (4) debt principal and interest payments of Php3,733 million and Php4,086 million, respectively; (5) payment for purchase of short-term investments of Php4,943 million; and (6) settlement of obligations under lease liabilities of Php3,018 million.

Operating Activities

Our consolidated net cash flows provided by operating activities increased by Php10,234 million, or 30%, to Php44,124 million for the six months ended June 30, 2021 from Php33,890 million in the same period in 2020, primarily due to lower level of settlement of accounts payable, higher level of collection of receivables and higher operating income, partially offset by higher prepayments, higher level of settlement of accrued expenses and other current liabilities, and higher inventories.

Cash flows provided by operating activities of our Wireless business segment decreased by Php1,948 million, or 8%, to Php23,811 million for the six months ended June 30, 2021 from Php25,759 million in the same period in 2020, primarily due to higher prepayments, partially offset by lower level of settlement of accounts payable and other noncurrent liabilities, higher operating income and higher level of collection of receivables. Cash flows provided by operating activities of our Fixed Line business segment increased by Php16,307 million to Php24,148 million for the six months ended June 30, 2021 from Php7,841 million in the same period in 2020, primarily due to lower level of settlement of accounts payable, higher level of collection of receivables and higher operating income, partially offset by higher prepayments and higher level of settlement of accrued expenses and other current and noncurrent liabilities. Cash flows provided by operating activities of our Other business segment amounted to Php3,406 million for the six months ended June 30, 2021 as against cash flows used in operating activities of Php161 million in the same period in 2020, primarily due to lower level of settlement of accounts payable, partially offset by lower level of collection of receivables.

Investing Activities

Consolidated net cash flows used in investing activities amounted to Php56,920 million for the six months ended June 30, 2021, an increase of Php17,342 million, or 44%, from Php39,578 million in the same period in 2020, primarily due to the combined effects of the following: (1) higher payment for purchase of property and equipment, including capitalized interest, by Php14,093 million; (2) lower level of collection of MPIC receivables by Php2,656 million; (3) higher payment for acquisition of investments in associates and joint ventures by Php1,665 million, mainly PCEV's additional investment in VIH's preferred shares; (4) lower interest received by Php353 million; (5) dividends received of Php316 million in 2020; (6) lower net payment for purchase of short term investments by Php588 million; and (7) higher proceeds from disposal of property and equipment by Php673 million.

Our consolidated payment for purchase of property and equipment, including capitalized interest, for the six months ended June 30, 2021 totaled Php55,139 million, an increase of Php14,093 million, or 34%, as compared with Php41,046 million in the same period in 2020. Smart's payment for purchase of property and equipment, including capitalized interest, increased by Php3,813 million, or 17%, to Php26,559 million for the six months ended June 30, 2021 from Php22,746 million in the same period in 2020. Smart's capex spending was primarily focused on expansion of LTE (4G) coverage and capacity, and rollout of 5G base stations in key business districts of Metro Manila, and key cities in Visayas and Mindanao. PLDT's payment for purchase of property and equipment, including capitalized interest, increased by Php9,765 million, or 55%, to Php27,610 million for the six months ended June 30, 2021 from Php17,845 million in the same period in 2020. PLDT's capex spending was used to finance the fixed line expansion, modernization and upgrade of transport network, continuous expansion of fiber optic footprint nationwide, and expansion of our international submarine cable 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 Php4,355 million for the six months ended June 30, 2021, as against cash flows provided by financing activities of Php27,396 million in the same period in 2020, primarily due to the combined effects of the following: (1) lower proceeds from availment of long term

debt by Php20,541 million; (2) higher payment of long-term debt by Php10,711 million; and (3) higher settlement of obligations under lease liabilities by Php408 million.

Debt Financing

Proceeds from availment of long-term debt for the six months ended June 30, 2021 amounted to Php27,000 million, mainly from PLDT's and Smart's drawings related to refinancing of maturing loan obligations and financing of capital expenditure requirements. Payments of principal and interest on our total debt amounted to Php14,444 million and Php4,301 million, respectively, for the six months ended June 30, 2021.

Our consolidated long-term debt increased by Php13,018 million, or 6%, to Php235,783 million as at June 30, 2021 from Php222,765 million as at December 31, 2020, primarily due to drawings from our long-term facilities, partially offset by debt amortizations. As at June 30, 2021, PLDT's long-term debt level decreased by Php115 million to Php143,886 million from Php144,001 million as at December 31, 2020, while Smart's long-term debt level increased by Php13,133 million, or 17%, to Php91,897 million from Php78,764 as at December 31, 2020.

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, 2021 and 2020, 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 flows from operations, will provide sufficient liquidity to fund our projected operating, investment, capital expenditures and debt service requirements for the next 12 months; however, we may finance a portion of these from external sources if we consider it prudent to do so.

The following table shows the dividends declared to shareholders for the six months ended June 30, 2021 and 2020:

Class	Date			Amount	
	Approved ⁽¹⁾	Record	Payable	Per Share (in million Php, except per share amount)	Total
2021					
Common					
Regular Dividend	March 4, 2021	March 18, 2021	April 6, 2021	40	8,642
Preferred					
Series IV Cumulative Non-convertible Redeemable Preferred Stock ⁽¹⁾	January 26, 2021	February 22, 2021	March 15, 2021	—	12
	May 6, 2021	May 21, 2021	June 15, 2021	—	13
Voting Preferred Stock	March 4, 2021	March 24, 2021	April 15, 2021	—	3
	June 8, 2021	June 24, 2021	July 15, 2021	—	2
Charged to Retained Earnings					8,672
2020					
Common					
Regular Dividend	March 5, 2020	March 19, 2020	April 3, 2020	39	8,426
Preferred					
Series IV Cumulative Non-convertible Redeemable Preferred Stock ⁽¹⁾	January 28, 2020	February 24, 2020	March 15, 2020	—	12
	May 7, 2020	May 21, 2020	June 15, 2020	—	13
Voting Preferred Stock	March 5, 2020	March 25, 2020	April 15, 2020	—	3
	June 9, 2020	June 24, 2020	July 15, 2020	—	2
Charged to Retained Earnings					8,456

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

Our dividends declared after June 30, 2021 are as follows:

Class	Date			Amount	
	Approved	Record	Payable	Per Share (in million Php, except per share amount)	Total
Preferred					
Series IV Cumulative Non-convertible Redeemable Preferred Stock ⁽¹⁾	August 5, 2021	August 20, 2021	September 15, 2021	—	12
Common					
Regular Dividend	August 5, 2021	August 19, 2021	September 3, 2021	42	9,074
Charged to Retained Earnings					9,086

⁽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 Php600,947 million as at June 30, 2021, an increase of Php25,101 million, or 4%, from Php575,846 million as at December 31, 2020, primarily due to higher prepayments, and property and equipment, partly offset by lower cash and cash equivalents.

Our total liabilities amounted to Php480,244 million as at June 30, 2021, an increase of Php24,063 million, or 5%, from Php456,181 million as at December 31, 2020, primarily due to higher 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, 60% of our core earnings for 2016, 2017 and 2018, and 60% of our telco core income for 2019 and 2020. 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 amounted to Php8,705 million for the six months ended June 30, 2021 as compared with Php8,448 million paid to shareholders in the same period in 2020.

Contractual Obligations and Commercial Commitments

Contractual Obligations

For a detailed discussion of our consolidated contractual undiscounted obligations as at June 30, 2021 and December 31, 2020, see *Note 28 – Financial Assets and Liabilities* to the accompanying unaudited consolidated financial statements.

Commercial Commitments

We have no outstanding commercial commitments, in the form of letters of credit, as at June 30, 2021 and December 31, 2020.

Quantitative and Qualitative Disclosures about Market Risks

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

For further discussions of these risks, see *Note 28 – Financial Assets and Liabilities* to the accompanying 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, 2021 and December 31, 2020 other than those whose carrying amounts are reasonable approximations of fair values:

	Fair Values	
	June 30, 2021	December 31, 2020
	(amounts in million Php)	
Noncurrent Financial Assets		
Debt instruments at amortized cost	1,278	1,163
Other financial assets – net of current portion	2,739	2,561
Total noncurrent financial assets	4,017	3,724
Noncurrent Financial Liabilities		
Interest-bearing financial liabilities	235,790	213,908
Customers' deposits	1,748	1,821
Deferred credits and other noncurrent liabilities	898	1,562
Total noncurrent financial liabilities	238,436	217,291

The following table sets forth the amount of gains (losses) recognized for the financial assets and liabilities for the six months ended June 30, 2021 and the three months ended March 31, 2021:

	June 30,	March 31,
	2021	2021
	(amounts in million Php)	
Profit and Loss		
Interest income	392	210
Gains (losses) on derivative financial instruments – net	141	80
Accretion on financial liabilities	(582)	(37)
Interest on loans and other related items	(5,074)	(2,497)
Other Comprehensive Income		
Net fair value losses on cash flow hedges – net of tax	(155)	(227)

Impact of Inflation and Changing Prices

Inflation can be a significant factor in the Philippine economy, and we are continually seeking ways to minimize its impact. The average inflation rate in the Philippines for the six months ended June 30, 2021 and 2020 were 4.4% and 2.5%, respectively. We expect inflation to breach the upper end of the 2% to 4% target range of the BSP.

PART II – OTHER INFORMATION

Corporate Recovery and Tax Incentives for Enterprises Act

On March 26, 2021, CREATE was enacted into law as Republic Act, or R.A., 11534. It took effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation, or on April 11, 2021.

CREATE provides for the following reduction in corporate income tax rates, among others:

- Lower corporate income tax from 30% to 25%, retroactive to July 1, 2020, for both domestic and foreign corporations;
- Lower corporate income tax of 20% for small and medium domestic corporations (with net taxable income of Php5 million and below, and with total assets of not more than Php100 million excluding land); and
- Lower MCIT from 2% to 1% effective July 1, 2020 until June 30, 2023.

Under CREATE, we are entitled to avail ourselves of a lower corporate income tax.

Amendments to the By-Laws of PLDT

On March 25, 2021, the Board of Directors approved the amendments to the By-Laws of PLDT to conform with the provisions of R.A. 11232, known as the Revised Corporation Code of the Philippines.

On July 9, 2021, the application for the amendment of the By-Laws of PLDT was submitted to the Philippine SEC for review and approval.

Sale of PLDT Prepaid Home WiFi, or PHW, Subscribers to Smart

On January 29, 2021, PLDT and Smart entered into a Sale/Purchase Agreement for the transfer of PLDT's PHW subscribers to Smart to consolidate fixed wireless services under Smart in order to optimize shared resources for wireless broadband, undertake seamless upgrades, cross-sell products for a simplified customer experience, and better manage network costs and wireless network capacity.

The transfer of PHW subscribers took effect on March 1, 2021 after complying with the NTC's required 30-day notice to subscribers. The initial purchase price for the transfer, together with the Prepaid Home WiFi inventories and unearned revenues, amounted to Php1,338 million, exclusive of value-added tax, subject to subsequent purchase price adjustment. Smart used its internally generated cashflow to fund the purchase. This transaction is eliminated in our consolidated financial statements.

Commitment of New Investments in Voyager Innovations Holdings, Pte. Ltd., VIH

On April 16, 2020, PLDT, through PCEV, KKR, Tencent, IFC and IFC Emerging Asia Fund, or the Subscribers, entered into a new subscription agreement with VIH to commit up to US\$120 million of new funding. The Notes Subscription Agreement covers the issuance of VIH's Convertible Loan Notes, or the VIH Notes, with an aggregate principal amount of US\$65 million and issuance of Warrants with an aggregate subscription amount of US\$55 million.

On May 14, 2020, VIH issued the Convertible Loan Note Instruments and Warrant Certificates to the Subscribers. PCEV paid US\$10.8 million for the VIH Note and received a Warrant Certificate amounting to US\$9.2 million. The investments in VIH Note and warrant are both measured at FVPL. PCEV recognized Php90 million and Php18 million gain on revaluation of the VIH Note and warrant, respectively, for the year ended December 31, 2020.

On December 31, 2020, the VIH Note held by PCEV was converted in full into 7.9 million Class A2 Convertible Preference Shares of VIH at US\$1.3685 per share. Thereafter, PCEV's ownership was diluted from 48.74% to 43.97%. The reduction in equity interest, referred to as a deemed disposal, resulted in the recognition of Php394 million dilution gain, which is equivalent to the difference between the fair value of the equity interest given up and its carrying value.

On March 12, 2021, PCEV, KKR and Tencent exercised their right to subscribe for additional Class A2 Convertible Preference Shares of VIH in accordance with the warrant instrument issued by VIH. PCEV paid a total exercise price of US\$9.2 million on March 29, 2021. As a result, PCEV's ownership was diluted from 43.97% to 41.87% and a gain on deemed disposal amounting to Php324 million was recognized.

On June 11, 2021, PCEV, KKR, Tencent, and IFC Financial Institutions Growth Fund, a fund managed by IFC Asset Management Company, entered into a new subscription agreement with VIH to subscribe for US\$120.75 million Class B Convertible Preference Shares of VIH. PCEV paid a total consideration of US\$25 million on June 25, 2021. As a result, PCEV's ownership was diluted from 41.87% to 38.45% and an additional gain on deemed disposal amounting to Php503 million was recognized.

VIH will use the funds to support PayMaya's rapid growth as it pursues its plan to accelerate digital and financial inclusion in the Philippines which will enable the wider Filipino population to participate in the digital economy. VIH is now leveraging this unique ecosystem to expand into digital banking for the next phase of its mission to improve financial inclusion in the Philippines. VIH applied for a digital bank license with the country's central bank, the BSP.

Service Agreement between PLDT and Dito Telecommunity, or Dito

In February 2021, PLDT and Dito entered into an agreement for the construction of a transmission facility that will serve as the point of interconnection for their subscribers. Under the agreement, PLDT will establish and manage the interconnection facility that will operate as the primary physical interface for both companies.

The planned facility was completed in March 2021.

Smart, Globe and Dito Joint Venture on Mobile Number Portability

In 2019, Smart, Globe and Dito established a joint venture company, Telecommunications Connectivity, Inc., or TCI, to provide number porting services in compliance with the MNP requirement of the MNP Act. Smart subscribed to Php10 million representing 33.3% equity interest in TCI, which is equivalent to 10 million shares at a subscription price of Php1.00 per share.

In 2020, Smart subscribed to an additional Php30 million representing its 33.33% equity interest, equivalent to 30 million shares at a subscription price of Php1.00 per share. The subscription price was settled in July 2021, upon TCI's capital call.

TCI's operation, which has been impacted by COVID-19-related restrictions, is expected to commence by September 2021.

Measures We Have Taken in Light of the COVID-19 Pandemic

In light of the ongoing COVID-19 pandemic, we continue to assess PLDT's risks, and implement measures to protect our employees, customers and trade partners.

People

The travel ban on our employees and limited access to our corporate premises which were instituted in 2020 remain in effect. We continue to implement the "work from home" policy. To ensure minimal disruption to our operations, we have taken steps to ensure that employees working from home are properly equipped with the appropriate digital equipment, including internet connection. For the employees that continue to work on-site, we have taken steps to try and minimize their risk of exposure to the COVID-19 disease.

Among others, the following measures remain to be in place to protect our employees:

- We have already started the vaccination roll-out for our employees. After our employees are vaccinated, we will schedule the dependents and household members who are enrolled in our vaccination program.

- A coronavirus online form is required to be completed by employees daily which would allow the company to monitor if an employee is experiencing symptoms or has been exposed to a COVID-19 patient or someone suspected to be infected.
- We have issued instructions and guidelines to our trade partners on how to best deal with the COVID-19 pandemic.
- Our premises have been retrofitted to ensure social distancing for those who report to the office. In addition, we have equipped facilities with HEPA filtering devices to improve air quality.
- PLDT Medical Services provides maintenance medicines and multivitamins through our in-house clinics nationwide, and in partnership with several pharmacies. Internal channels for 24/7 COVID-19-related assistance are also available for our workforce.
- Our employees can reach out to advisers on questions related to internal guidelines, safety protocols, rapid testing and the like through the COVID-19 Employee Hotline from Mondays to Fridays from 8AM to 5PM, and on weekends starting May 1, 2021.

Moreover, our arrangement with the First Pacific Leadership Academy whose campus located in Antipolo, Rizal has been converted into an isolation and quarantine facility, to accommodate our employees who are asymptomatic and those with mild COVID-19 symptoms remains in place.

Network and IT

Since the beginning of the COVID-19 outbreak in the Philippines, we have been closely monitoring our network traffic for usage spikes and possible congestion. As at the date of this report, we have sufficient capacity to serve the increased needs of all our subscribers. We have added international and domestic internet capacity, upgraded our local content delivery network, and refarmed our 2G frequencies to LTE. We have taken steps to enhance physical security for premises in which our critical network and IT systems are kept. We have also reinforced our cyber security to protect the network from intrusion and malicious attacks. We have also moved essential spare parts and supplies from our remote warehouses to Metro Manila to help us undertake maintenance and repairs more efficiently.

Customer Service

We continue to provide zero-rated access to certain Government agencies and emergency hotlines, boosted minimum speeds for our eligible PLDT Home subscribers, increased data allocations for prepaid customers, equipped our corporate customers with telecommuting solutions, and for our Overseas Filipino Workers, or OFWs, extended the duration of free calls through our Free Bee app. Members of our service teams have also been trained in the proper health protocols for before, during, and after site visits, including maintaining proper social distances with customers at all times.

Precautionary measures at our stores such as provision for foot bath, regular sanitization and disinfection, temperature check, wearing of face masks and face shields, installation of commercial-grade air filters, and other observance of social distancing remain to be in effect. We also made available to our customers the virtual booking appointment.

Impact of COVID-19 Outbreak on our Operations

While work-from-home arrangements for businesses and their employees boosted demand for corporate fixed broadband and fixed wireless data services, corporate revenue growth in this period was constrained by the slump in commercial activities resulting from the imposition of various community quarantines. During the imposition of community quarantines, network traffic grew significantly, with traffic shifting from the commercial business districts to residential areas. To further ensure that we could handle the increased volume of data traffic, Smart reallocated its assigned 1,800 MHz frequencies from 2G to 4G/LTE.

The various community quarantines highlighted a distinct advantage of PLDT's fully integrated fixed and wireless network architecture which allowed the seamless and efficient delivery of quality services to fixed and wireless

customers. In general, we were not significantly impacted by COVID-19 and have benefited from an increase in demand for our broadband and mobile data services. We cannot predict whether this increase in business activity will continue during and after the pandemic, especially with the emergence of new variants of the COVID-19.

Amidst this uncertainty, new opportunities for future growth have arisen. Life under the community quarantine has pushed the rapid adoption of online and digital services as people forced to stay at home have turned to web-based collaboration tools, distance learning, online shopping and payment and e-health services, among others. We believe our superior network and digital infrastructure has driven more data usage to both our mobile and fixed networks. PLDT Home is ramping up its installation and repair levels and rolling out fixed wireless in areas with no fixed line or fiber connections. Telecommunications is one of the businesses given exemption by the Inter-Agency Task Force, or IATF, on COVID-19, allowing our installation and repair teams mobility despite the quarantine lockdowns. Smart is gearing to capitalize on e-payments and further leverage its online distribution channels and our Enterprise vertical is driving opportunities in e-health, e-learning, telemedicine and other collaboration solutions while seeing renewed demand for data center services. PLDT Enterprise has partnered with the national and local government units in the vaccination program by providing connectivity in vaccination centers.

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

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

For updates relating to the above discussion, please see *Note 27 – Provisions and Contingencies* to the accompanying unaudited consolidated financial statements.

For updates on matters relating to the (1) Department of Labor and Employment, or DOLE, Compliance Order to PLDT, see *Note 27 – Provisions and Contingencies*; and (2) Petition against the Philippine Competition Commission, see *Note 11 – Investment in Associates and Joint Ventures*, to the accompanying unaudited consolidated financial statements.

Related Party Transactions

For a detailed discussion of the related party transactions, see *Note 25 – 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, 2021:

Type of Accounts Receivable	Total	Current	31-60 Days	61-90 Days	Over 91 Days
			(amounts in million Php)		
Retail subscribers	18,281	7,701	720	321	9,539
Corporate subscribers	13,835	3,154	3,450	1,124	6,107
Foreign administrations	1,423	704	127	49	543
Domestic carriers	222	68	19	13	122
Dealers, agents and others	5,383	2,833	464	171	1,915
Total	39,144	14,460	4,780	1,678	18,226
Less: Allowance for expected credit losses	18,255				
Total Receivables - net	20,889				

ANNEX II – FINANCIAL SOUNDNESS INDICATORS

The following table shows our financial soundness indicators as at June 30, 2021 and December 31, 2020:

	June 30, 2021	December 31, 2020
Current Ratio ⁽¹⁾	0.36:1.0	0.41:1.0
Acid Test Ratio ⁽²⁾	0.22:1.0	0.30:1.0
Solvency Ratio ⁽³⁾	0.32:1.0	0.37:1.0
Net Debt to Equity Ratio ⁽⁴⁾	1.79:1.0	1.56:1.0
Net Debt to EBITDA Ratio ⁽⁵⁾	2.34:1.0	2.09:1.0
Total Debt to EBITDA Ratio ⁽⁶⁾	2.64:1.0	2.59:1.0
Asset to Equity Ratio ⁽⁷⁾	5.16:1.0	4.99:1.0
Interest Coverage Ratio ⁽⁸⁾	4.06:1.0	4.14:1.0
Profit Margin ⁽⁹⁾	13%	14%
Return on Assets ⁽¹⁰⁾	4%	5%
Return on Equity ⁽¹¹⁾	22%	22%
EBITDA Margin ⁽¹²⁾	49%	50%

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

⁽²⁾ Acid test ratio is measured as total of cash and cash equivalents, short-term investments and trade and other receivables divided by total current liabilities.

⁽³⁾ Solvency ratio is measured as adding back non-cash expenses to the net income after tax divided by total debt (long-term debt, including current portion.)

⁽⁴⁾ Net Debt to equity ratio is measured as total debt (long-term debt, including current portion) less cash and cash equivalents and short-term investments divided by total equity attributable to equity holders of PLDT.

⁽⁵⁾ Net Debt to EBITDA ratio is measured as total debt (long-term debt, including current portion) less cash and cash equivalents, short-term investments and debt instruments at amortized cost divided by EBITDA for the last 12-month period.

⁽⁶⁾ Total Debt to EBITDA ratio is measured as total debt (long-term debt, including current portion) divided by EBITDA for the last 12-month period.

⁽⁷⁾ Asset to equity ratio is measured as total assets divided by total equity attributable to equity holders of PLDT.

⁽⁸⁾ Interest coverage ratio is measured by EBIT, or earnings before interest and taxes for the period, divided by total financing cost for the last 12-month period.

⁽⁹⁾ Profit margin is derived by dividing net income for the period with total revenues for the last 12-month period.

⁽¹⁰⁾ Return on assets is measured as net income for the last 12-month period divided by average total assets.

⁽¹¹⁾ Return on Equity is measured as net income for the last 12-month period divided by average total equity attributable to equity holders of PLDT.

⁽¹²⁾ EBITDA margin for the period is measured as EBITDA divided by service revenues for the last 12-month period.

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



SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the registrant has duly caused this report for the first half of 2021 to be signed on its behalf by the undersigned, thereunto duly authorized.

Registrant: **PLDT Inc.**

A handwritten signature in black ink, appearing to read "Alfredo S. Panlilio", written over a horizontal line.

Signature and Title: _____
ALFREDO S. PANLILIO
President and Chief Executive Officer

A handwritten signature in black ink, appearing to read "Anabelle Lim-Chua", written over a horizontal line.

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

A handwritten signature in black ink, appearing to read "Gil Samson D. Garcia", written over a horizontal line.

Signature and Title: _____
GIL SAMSON D. GARCIA
First Vice President (Principal Accounting Officer)

Date: August 5, 2021