PLDT

May 6, 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 three (3) months ended March 31, 2021.

Very truly yours,

MA. LOURDES C. RAUSA-CHAN
Corporate Secretary

PLDT

May 6, 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 three (3) months ended March 31, 2021.

Very truly yours,

MA. LOURDES C. RAUSA-CHAN
Corporate Secretary

SEC Number PW-55
File Number

PLDT Inc.

(Company's Full Name)

Ramon Cojuangco Building
Makati Avenue, Makati City

(Company's Address)

(632) 8816-8556

(Telephone Number)

Not Applicable

(Fiscal Year Ending)
(month & day)

SEC Form 17-Q

Form Type

Not Applicable

Amendment Designation (if applicable)

March 31, 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   I N C .

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

R A M O N   C O J U A N G C O   B U I L D I N G

M A K A T I   A V E N U E   M A K A T I   C I T Y

Form Type	Department requiring the report	Secondary License Type, If Applicable
1 7 - Q	M S R D	

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
gdgarcia@pldt.com.ph	**(02) 8816-8056**	

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
11,554 as at March 31, 2021	**Every 2nd Tuesday in June**	**December 31**

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Gil Samson D. Garcia	**gdgarcia@pldt.com.ph**	**(02) 8816-8056**	

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 **March 31, 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 City** **0721**
   Address of registrant's principal office Postal Code

8. **(632) 8816-8556**
   Registrant's telephone number, including area code

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

10. Securities registered pursuant to Sections 8 of the SRC

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Capital Stock, Php5 par value	**216,055,775 shares as at March 31, 2021**

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

    Yes [**X**] No [ ]

12. Check whether the registrant

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

Yes [**X**] No [ ]

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

Yes [**X**] No [ ]

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PART I – FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

Our consolidated financial statements as at March 31, 2021 (unaudited) and December 31, 2020 (audited) and for the three months ended March 31, 2021 and 2020 (unaudited) and related notes (pages F-1 to F-172) are filed as part of this report on Form 17-Q.

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

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

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

The financial information appearing in this report and in the accompanying unaudited consolidated financial statements is stated in Philippine pesos. Unless otherwise indicated, translations of Philippine peso amounts into U.S. dollars in this report and in the accompanying unaudited consolidated financial statements were made based on the exchange rate of Php48.54 to US$1.00, the exchange rate as at March 31, 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

	Three months ended March 31,		Increase (Decrease)	
	2021	2020	Amount	%
(amounts in million Php, except for EBITDA margin and earnings per common share)				
Consolidated Income Statement				
Revenues	47,924	43,646	4,278	10
Expenses	37,748	32,528	5,220	16
Other expenses – net	(2,480)	(2,787)	307	11
Income before income tax	7,696	8,331	(635)	(8)
Net income	5,874	5,975	(101)	(2)
Core income	7,349	6,397	952	15
Telco core income	7,502	6,878	624	9
EBITDA	23,072	21,612	1,460	7
EBITDA margin[1]	51%	52%	–	–
Reported earnings per common share:				
Basic	26.79	27.30	(0.51)	(2)
Diluted	26.79	27.30	(0.51)	(2)
Core earnings per common share[2]:				
Basic	33.95	29.54	4.41	15
Diluted	33.95	29.54	4.41	15

	March 31,	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	584,510	575,846	8,664	2
Property and equipment	270,964	260,868	10,096	4
Cash and cash equivalents and short-term investments	32,476	41,226	(8,750)	(21)
Total equity attributable to equity holders of PLDT	109,419	115,408	(5,989)	(5)
Long-term debt, including current portion	221,529	222,765	(1,236)	(1)
Net debt[3] to equity ratio	1.72x	1.56x	–	–

	Three months ended March 31,		Change	
	2021	2020	Amount	%
(amounts in million Php, except for operational data)				
Consolidated Statements of Cash Flows				
Net cash provided by operating activities	17,508	16,920	588	3
Net cash used in investing activities	(20,410)	(19,239)	(1,171)	(6)
Payment for purchase of property and equipment, including capitalized interest	*(20,005)*	*(17,074)*	*(2,931)*	(17)
Net cash provided by (used in) financing activities	(5,939)	8,896	(14,835)	167
Operational Data				
Number of mobile subscribers	71,804,412	73,075,627	(1,271,215)	(2)
Prepaid	*69,706,746*	*70,590,758*	*(884,012)*	*(1)*
Postpaid	*2,097,666*	*2,484,869*	*(387,203)*	*(16)*
Number of broadband subscribers	3,276,070	2,282,788	993,282	*44*
Fixed Line broadband	*2,385,197*	*1,986,783*	*398,414*	*20*
Fixed Wireless broadband	*890,873*	*296,005*	*594,868*	*201*
Number of fixed line subscribers	3,108,796	2,801,187	307,609	*11*
Number of employees:	18,553	18,384	169	1
Fixed Line	13,040	12,504	536	4
LEC	*11,322*	*10,926*	*396*	*4*
Others	*1,718*	*1,578*	*140*	*9*
Wireless	5,513	5,880	(367)	(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
March 31, 2021	48.54	48.31
December 31, 2020	48.02	49.63
March 31, 2020	50.78	50.83
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 alternatives 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 78.2 million customers through the provision of mobile, fixed line and data services. In addition to the business segments 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 miscellaneous services.
- *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 three months ended March 31, 2021 and 2020 are set forth below.

The following table shows the reconciliation of our consolidated net income to our consolidated EBITDA for the three months ended March 31, 2021 and 2020:

	2021	2020
	(amounts in million Php)	
Consolidated net income	5,874	5,975
Add (deduct) adjustments:		
Depreciation and amortization	11,721	10,286
Financing costs – net	2,443	2,301
Provision for income tax	1,822	2,356
Amortization of intangible assets	1,175	176
Foreign exchange losses – net	623	24
Equity share in net losses of associates and joint ventures	314	532
Impairment of investments	60	—
Asset impairment	—	32
Losses (gains) on derivative financial instruments – net	(80)	12
Interest income	(210)	(358)
Other income – net	(670)	276
Total adjustments	17,198	15,637
Consolidated EBITDA	23,072	21,612

The following table shows the reconciliation of our consolidated net income to our consolidated core income and telco core income for the three months ended March 31, 2021 and 2020:

	2021	2020
	(amounts in million Php)	
Consolidated net income	5,874	5,975
Add (deduct) adjustments:		
Sun Trademark amortization	1,126	—
Foreign exchange losses – net	623	24
Accelerated depreciation, net	277	—
Manpower rightsizing program	180	24
Corporate Recovery and Tax Incentives for Enterprises, or CREATE, Act impact (for prior year)	101	—
Impairment of investments	60	—
Losses from changes in fair value of financial assets at FVPL	(20)	456
Net income attributable to noncontrolling interests	(71)	(63)
Losses (gains) on derivative financial instruments – net, excluding hedge costs	(130)	3
Core income adjustment on equity share in net income of associates and joint ventures	(152)	(6)
Net tax effect of aforementioned adjustments	(519)	(16)
Total adjustments	1,475	422
Consolidated core income	7,349	6,397
Add (deduct) adjustments:		
Share in VIH losses	428	481
Voyager gain on dilution, net	(275)	—
Total adjustments	153	481
Telco core income	7,502	6,878

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 three months ended March 31, 2021 and 2020. In each of the three months ended March 31, 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 three months ended March 31, 2021					
Revenues	27,383	26,555	—	(6,014)	47,924
Expenses	22,705	21,085	2	(6,044)	37,748
Other income (expenses) – net	(1,651)	4,292	(148)	(4,973)	(2,480)
Income (loss) before income tax	3,027	9,762	(150)	(4,943)	7,696
Provision for (benefit from) income tax	1,561	300	(87)	48	1,822
Net income (loss)/Segment profit (loss)	1,466	9,462	(63)	(4,991)	5,874
EBITDA	14,802	10,307	(2)	(2,035)	23,072
EBITDA margin[1]	59%	39%	—	—	51%
Core income (loss)	3,701	8,591	(94)	(4,849)	7,349
Telco core income	3,701	8,591	59	(4,849)	7,502
For the three months ended March 31, 2020					
Revenues	25,354	22,695	—	(4,403)	43,646
Expenses	19,179	17,839	6	(4,496)	32,528
Other income (expenses) – net	(1,566)	(633)	(989)	401	(2,787)
Income (loss) before income tax	4,609	4,223	(995)	494	8,331
Provision for (benefit from) income tax	1,276	1,090	(98)	88	2,356
Net income (loss)/Segment profit (loss)	3,333	3,133	(897)	406	5,975
EBITDA	14,213	9,068	(6)	(1,663)	21,612
EBITDA margin[1]	60%	40%	—	—	52%
Core income (loss)	3,357	3,085	(451)	406	6,397
Telco core income	3,357	3,085	30	406	6,878
Increase (Decrease)					
Revenues	2,029	3,860	—	(1,611)	4,278
Expenses	3,526	3,246	(4)	(1,548)	5,220
Other income (expenses) – net	(85)	4,925	841	(5,374)	307
Income (loss) before income tax	(1,582)	5,539	845	(5,437)	(635)
Provision for (benefit from) income tax	285	(790)	11	(40)	(534)
Net income (loss)/Segment profit (loss)	(1,867)	6,329	834	(5,397)	(101)
EBITDA	589	1,239	4	(372)	1,460
Core income (loss)	344	5,506	357	(5,255)	952
Telco core income	344	5,506	29	(5,255)	624

[1] *EBITDA margin for the period is measured as EBITDA divided by service revenues.*

On a Consolidated Basis

Revenues

We reported consolidated revenues of Php47,924 million for the three months ended March 31, 2021, an increase of Php4,278 million, or 10%, as compared with Php43,646 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 Php45,677 million for the three months ended March 31, 2021, increased by Php3,880 million, or 9%, from Php41,797 million in the same period in 2020. Our consolidated non-service revenues of Php2,247 million for the three months ended March 31, 2021, increased by Php398 million, or 22%, from Php1,849 million in the same period in 2020.

Consolidated service revenues, net of interconnection costs, amounted to Php44,844 million for the three months ended March 31, 2021, an increase of Php3,349 million, or 8%, from Php41,495 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 three months ended March 31, 2021 and 2020:

	Wireless	Fixed Line	Inter-segment Transactions	Consolidated
		(amounts in million Php)		
For the three months ended March 31, 2021				
Service Revenues				
Wireless	*25,220*		*(404)*	*24,816*
Mobile	24,573		(332)	24,241
Fixed Wireless broadband	573		—	573
MVNO and others	74		(72)	2
Fixed Line		*26,471*	*(5,610)*	*20,861*
Voice		8,032	(3,054)	4,978
Data		18,292	(2,473)	15,819
Home broadband		9,238	(14)	9,224
Corporate data and ICT		9,054	(2,459)	6,595
Miscellaneous		147	(83)	64
Total Service Revenues	25,220	26,471	(6,014)	45,677
Non-Service Revenues				
Sale of computers, phone units, mobile handsets and broadband data modems	2,163	97	—	2,260
Point-product sales	—	(13)	—	(13)
Total Non-Service Revenues	2,163	84	—	2,247
Total Revenues	27,383	26,555	(6,014)	47,924
For the three months ended March 31, 2020				
Service Revenues				
Wireless	*23,683*		*(429)*	*23,254*
Mobile	23,495		(297)	23,198
Fixed Wireless broadband	13		—	13
MVNO and others	175		(132)	43
Fixed Line		*22,517*	*(3,974)*	*18,543*
Voice		6,322	(1,742)	4,580
Data		16,032	(2,140)	13,892
Home broadband		7,515	(23)	7,492
Corporate data and ICT		8,517	(2,117)	6,400
Miscellaneous		163	(92)	71
Total Service Revenues	23,683	22,517	(4,403)	41,797
Non-Service Revenues				
Sale of computers, phone units, mobile handsets and broadband data modems	1,671	172	—	1,843
Point-product sales	—	6	—	6
Total Non-Service Revenues	1,671	178	—	1,849
Total Revenues	25,354	22,695	(4,403)	43,646

The following table shows the breakdown of our consolidated revenues by business segment for the three months ended March 31, 2021 and 2020:

	2021	%	2020	%	Change Amount	Change %
			(amounts in million Php)			
Wireless	27,383	57	25,354	58	2,029	8
Fixed Line	26,555	55	22,695	52	3,860	17
Inter-segment transactions	(6,014)	(12)	(4,403)	(10)	(1,611)	(37)
Consolidated	47,924	100	43,646	100	4,278	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 otherwise, 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 three months ended March 31, 2021 and 2020.

	2021	%	2020	%	Change Amount	Change %
			(amounts in million Php)			
Wireless	25,220	52	23,683	54	1,537	6
Individual	*21,884*	*46*	*20,513*	*47*	*1,371*	*7*
Home	*103*	—	*116*	—	*(13)*	*(11)*
Enterprise	*2,178*	*4*	*1,674*	*4*	*504*	*30*
International	*1,055*	*2*	*1,380*	*3*	*(325)*	*(24)*
Fixed Line	26,471	55	22,517	52	3,954	18
Individual	398	*1*	376	*1*	*22*	*6*
Home	*10,935*	*23*	*9,246*	*21*	*1,689*	*18*
Enterprise	*10,814*	*22*	*10,621*	*25*	*193*	*2*
International	*4,305*	*9*	*2,258*	*5*	*2,047*	*91*
Others	*19*	—	*16*	—	*3*	*19*
Inter-segment Transactions	(6,014)	*(12)*	(4,403)	*(10)*	(1,611)	(37)
Total Service Revenues	**45,677**	**95**	**41,797**	**96**	**3,880**	**9**
Wireless	2,163	5	1,671	*4*	492	29
Individual	*1,789*	*4*	*1,223*	*3*	*566*	*46*
Enterprise	*372*	*1*	*447*	*1*	*(75)*	*(17)*
International	*2*	—	*1*	—	*1*	*100*
Fixed Line	84	—	178	—	*(94)*	*(53)*
Individual	46	—	86	—	*(40)*	*(47)*
Home	*43*	—	*71*	—	*(28)*	*(39)*
Enterprise	*(5)*	—	*21*	—	*(26)*	*(124)*
Total Non-Service Revenues	**2,247**	**5**	**1,849**	**4**	**398**	**22**
Total Revenues	**47,924**	**100**	**43,646**	**100**	**4,278**	**10**

Expenses

Consolidated expenses increased by Php5,220 million, or 16%, to Php37,748 million for the three months ended March 31, 2021 from Php32,528 million in the same period in 2020, primarily due to higher selling, general and administrative expenses, depreciation and amortization, and provisions in our Wireless and Fixed Line business segments, as well as higher interconnection costs in our Fixed Line business segment and 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 three months ended March 31, 2021 and 2020:

	2021	%	2020	%	Change Amount	Change %
			(amounts in million Php)			
Wireless	22,705	60	19,179	59	3,526	18
Fixed Line	21,085	56	17,839	55	3,246	18
Others	2	—	6	—	(4)	(67)
Inter-segment transactions	(6,044)	(16)	(4,496)	(14)	(1,548)	(34)
Consolidated	37,748	100	32,528	100	5,220	16

Other Income (Expenses) – Net

Consolidated other expenses amounted to Php2,480 million for the three months ended March 31, 2021, a decrease of Php307 million, or 11%, from Php2,787 million in the same period in 2020, primarily due to the combined effects of the following: (i) other income – net in 2021 as against other expenses – net in 2020 mainly due to gains on fair value in 2021 as against losses on fair value in 2020 of investments from our Other business segment; (ii) higher equity share in net earnings from our Fixed Line business segment; (iii) higher foreign exchange losses 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; (iv) lower interest income across our business segments; and (v) 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 three months ended March 31, 2021 and 2020:

			Change	
	2021	**2020**	**Amount**	**%**
		(amounts in million Php)		
Wireless	(1,651)	(1,566)	(85)	(5)
Fixed Line	4,292	(633)	4,925	778
Others	(148)	(989)	841	85
Inter-segment transactions	(4,973)	401	(5,374)	(1,340)
Consolidated	(2,480)	(2,787)	307	11

Net Income (Loss)

Consolidated net income decreased by Php101 million, or 2%, to Php5,874 million for the three months ended March 31, 2021, from Php5,975 million in the same period in 2020, primarily due to lower net income from our Wireless business segment, partially offset by higher net income from our Fixed Line business segment, as well as lower net loss from our Other business segment. Our consolidated basic and diluted EPS decreased to Php26.79 for the three months ended March 31, 2021 from Php27.30 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 three months ended March 31, 2021 and 2020:

					Change	
	2021	**%**	**2020**	**%**	**Amount**	**%**
			(amounts in million Php)			
Wireless	1,466	25	3,333	56	(1,867)	(56)
Fixed Line	9,462	161	3,133	52	6,329	202
Others	(63)	(1)	(897)	(15)	834	93
Inter-segment transactions	(4,991)	(85)	406	7	(5,397)	(1,329)
Consolidated	5,874	100	5,975	100	(101)	(2)

EBITDA

Our consolidated EBITDA amounted to Php23,072 million for the three months ended March 31, 2021, an increase of Php1,460 million, or 7%, as compared with Php21,612 million in the same period in 2020, primarily due to higher EBITDA across all our business segments.

The following table shows the breakdown of our consolidated EBITDA by business segment for the three months ended March 31, 2021 and 2020:

					Change	
	2021	**%**	**2020**	**%**	**Amount**	**%**
			(amounts in million Php)			
Wireless	14,802	64	14,213	66	589	4
Fixed Line	10,307	45	9,068	42	1,239	14
Others	(2)	—	(6)	—	4	67
Inter-segment transactions	(2,035)	(9)	(1,663)	(8)	(372)	(22)
Consolidated	23,072	100	21,612	100	1,460	7

Our consolidated EBITDA excluding MRP amounted to Php23,252 million for the three months ended March 31, 2021, an increase of Php1,616 million, or 7%, as compared with Php21,636 million in the same period in 2020.

Core Income

Our consolidated core income amounted to Php7,349 million for the three months ended March 31, 2021, an increase of Php952 million, or 15%, as compared with Php6,397 million in the same period in 2020 mainly on account of higher EBITDA and other miscellaneous income, partly offset by higher depreciation and amortization and financing costs. Our consolidated basic and diluted core EPS increased to Php33.95 for the three months ended March 31, 2021 from Php29.54 in the same period in 2020.

The following table shows the breakdown of our consolidated core income by business segment for the three months ended March 31, 2021 and 2020:

					Change	
	2021	**%**	**2020**	**%**	**Amount**	**%**
			(amounts in million Php)			
Wireless	3,701	50	3,357	53	344	10
Fixed Line	8,591	117	3,085	48	5,506	178
Others	(94)	(1)	(451)	(7)	357	79
Inter-segment transactions	(4,849)	(66)	406	6	(5,255)	(1,294)
Consolidated	7,349	100	6,397	100	952	15

Our consolidated telco core income amounted to Php7,502 million for the three months ended March 31, 2021, an increase of Php624 million, or 9%, as compared with Php6,878 million in the same period in 2020 mainly due to higher EBITDA and other miscellaneous income, 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 three months ended March 31, 2021 and 2020:

					Change	
	2021	**%**	**2020**	**%**	**Amount**	**%**
			(amounts in million Php)			
Wireless	3,701	49	3,357	49	344	10
Fixed Line	8,591	115	3,085	45	5,506	178
Others	59	1	30	—	29	97
Inter-segment transactions	(4,849)	(65)	406	6	(5,255)	(1,294)
Consolidated	7,502	100	6,878	100	624	9

On a Business Segment Basis

<u>Wireless</u>

Revenues

We generated revenues of Php27,383 million from our Wireless business segment in 2020, an increase of Php2,029 million, or 8%, from Php25,354 million in the same period in 2020.

The following table summarizes our total revenues by service from our Wireless business segment for the three months ended March 31, 2021 and 2020:

					Increase (Decrease)	
	2021	**%**	**2020**	**%**	**Amount**	**%**
			(amounts in million Php)			
Service Revenues:						
Mobile	24,573	90	23,495	92	1,078	5
Fixed Wireless broadband[(1)]	573	2	13	—	560	4,308
MVNO and others[(2)]	74	—	175	1	(101)	(58)
Total Wireless Service Revenues	25,220	92	23,683	93	1,537	6
Non-Service Revenues:						
Sale of mobile handsets and broadband data modems	2,163	8	1,671	7	492	29
Total Wireless Revenues	27,383	100	25,354	100	2,029	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 Php1,537 million, or 6%, to Php25,220 million for the three months ended March 31, 2021 as compared with Php23,683 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 92% and 93% for the three months ended March 31, 2021 and 2020, respectively.

Mobile Services

Our mobile service revenues amounted to Php24,573 million for the three months ended March 31, 2021, an increase of Php1,078 million, or 5%, from Php23,495 million in the same period in 2020. Mobile service revenues accounted for 98% and 99% of our wireless service revenues for the three months ended March 31, 2021 and 2020, respectively.

The following table shows the breakdown of our mobile service revenues for the three months ended March 31, 2021 and 2020:

					Increase (Decrease)	
	2021	**%**	**2020**	**%**	**Amount**	**%**
			(amounts in million Php)			
Mobile Services:						
Data	17,568	71	15,519	66	2,049	13
Voice	4,831	20	5,677	24	(846)	(15)
SMS	1,545	6	1,806	8	(261)	(14)
Inbound roaming and others[1]	629	3	493	2	136	28
Total	24,573	100	23,495	100	1,078	5

[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 Php2,049 million, or 13%, to Php17,568 million for the three months ended March 31, 2021 from Php15,519 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 amidst the pandemic to conform with the "new normal" ways of working and schooling. This was further boosted by enhanced data products, and continuous network improvement and LTE migration. Smart continued its aggressive brand campaigns to drive 5G network usage and Gigalife app adoption. Data services accounted for 71% and 66% of our mobile service revenues for the three months ended March 31, 2021 and 2020, respectively.

The following table shows the breakdown of our mobile data service revenues for the three months ended March 31, 2021 and 2020:

					Increase (Decrease)	
	2021	**%**	**2020**	**%**	**Amount**	**%**
			(amounts in million Php)			
Data Services:						
Mobile internet[1]	16,512	94	14,598	94	1,914	13
Mobile broadband	760	4	698	5	62	9
Other data	296	2	223	1	73	33
Total	17,568	100	15,519	100	2,049	13

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

Mobile Internet

Mobile internet service revenues increased by Php1,914 million, or 13%, to Php16,512 million for the three months ended March 31, 2021 from Php14,598 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 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 remains to have the fastest Mobile Data network in the country as verified by independent third-party agencies, *Ookla and OpenSignal*.

Mobile internet services accounted for 67% and 62% of our mobile service revenues for the three months ended March 31, 2021 and 2020, respectively.

Mobile Broadband

Mobile broadband revenues amounted to Php760 million for the three months ended March 31, 2021, an increase of Php62 million, or 9%, from Php698 million in the same period in 2020, primarily due to an increase in the number of enterprise broadband subscribers. However, we expect mobile broadband take up to slow down as subscribers shift to fiber and fixed wireless solutions due to the prolonged pandemic and subsequent extension of community quarantine measures. Mobile broadband services accounted for 3% of our mobile service revenues in each of the three months ended March 31, 2021 and 2020.

Other Data

Revenues from our other data services, which include value-added services, or VAS, and domestic leased lines, increased by Php73 million, or 33%, to Php296 million for the three months ended March 31, 2021 from Php223 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 Php846 million, or 15%, to Php4,831 million for the three months ended March 31, 2021 from Php5,677 million in the same period in 2020, due to subscribers' shift to alternative calling options, digital teleconferencing solutions, and other OTT services. Mobile voice services accounted for 20% and 24% of our mobile service revenues for the three months ended March 31, 2021 and 2020, respectively.

Domestic voice service revenues decreased by Php763 million, or 15%, to Php4,242 million for the three months ended March 31, 2021 from Php5,005 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 Php83 million, or 12%, to Php589 million for the three months ended March 31, 2021 from Php672 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 Php261 million, or 14%, to Php1,545 million for the three months ended March 31, 2021 from Php1,806 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 6% and 8% of our mobile service revenues for the three months ended March 31, 2021 and 2020, respectively.

Inbound Roaming and Others

Mobile revenues from inbound roaming and other services increased by Php136 million, or 28%, to Php629 million for the three months ended March 31, 2021 from Php493 million in the same period in 2020, mainly due to facility service fees related to fixed wireless business and increase in other subscriber-related income, partly offset by lower revenues from inbound roaming services.

The following table shows the breakdown of our mobile service revenues by service type for the three months ended March 31, 2021 and 2020:

			Increase (Decrease)	
	2021	**2020**	**Amount**	**%**
		(amounts in million Php)		
Mobile service revenues	24,573	23,495	1,078	5
By service type				
Prepaid	19,320	18,246	1,074	6
Postpaid	4,624	4,756	(132)	(3)
Inbound roaming and others	629	493	136	28

Prepaid Mobile Revenues

Revenues generated from our mobile prepaid services amounted to Php19,320 million for the three months ended March 31, 2021, an increase of Php1,074 million, or 6%, as compared with Php18,246 million in the same period in 2020. Mobile prepaid service revenues accounted for 79% and 78% of mobile service revenues for the three months ended March 31, 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 Giga Life bundle using Smart's LTE network.

Postpaid Mobile Revenues

Revenues generated from mobile postpaid services amounted to Php4,624 million for the three months ended March 31, 2021, a decrease of Php132 million, or 3%, as compared with Php4,756 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 20% of mobile service revenues for the three months ended March 31, 2021 and 2020, respectively.

Subscriber Base, ARPU and Churn Rates

The following table shows our mobile subscriber base as at March 31, 2021 and 2020:

			Increase (Decrease)	
	2021	**2020**	**Amount**	**%**
Mobile subscriber base				
Smart[(1)]	28,669,575	26,306,727	2,362,848	9
Prepaid[(2)]	*27,227,210*	*24,830,033*	*2,397,177*	*10*
Postpaid	*1,442,365*	*1,476,694*	*(34,329)*	*(2)*
TNT	42,479,536	38,871,067	3,608,469	9
Sun[(1)]	655,301	7,897,833	(7,242,532)	(92)
Prepaid[(2)]	—	*6,889,658*	*(6,889,658)*	*(100)*
Postpaid	*655,301*	*1,008,175*	*(352,874)*	*(35)*
Total mobile subscribers	71,804,412	73,075,627	(1,271,215)	*(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 5.6% and 6.0% for the three months ended March 31, 2021 and 2020, respectively, while the average monthly churn rates for TNT subscribers were 4.0% and 4.5% for the three months ended March 31, 2021 and 2020, respectively.

The average monthly churn rates for Smart Postpaid subscribers was 2.4% in each of the three months ended March 31, 2021 and 2020. The average monthly churn rates for Sun Postpaid subscribers were 2.8% and 1.0% for the three months ended March 31, 2021 and 2020, respectively.

The following table summarizes our average monthly ARPUs for the three months ended March 31, 2021 and 2020:

	Gross[1]		**Increase (Decrease)**		**Net[2]**		**Increase (Decrease)**	
	2021	**2020**	**Amount**	**%**	**2021**	**2020**	**Amount**	**%**
				(amounts in Php)				
Prepaid								
Smart[3]	*122*	*130*	*(8)*	*(6)*	*104*	*112*	*(8)*	*(7)*
TNT	*96*	*81*	*15*	*19*	*83*	*71*	*12*	*17*
Sun[3]	—	*74*	*(74)*	*(100)*	—	*66*	*(66)*	*(100)*
Postpaid								
Smart	*852*	*833*	*19*	*2*	*819*	*804*	*15*	*2*
Sun	*419*	*384*	*35*	*9*	*407*	*377*	*30*	*8*

(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 Php573 million for the three months ended March 31, 2021, an increase of Php560 million from Php13 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 Php74 million for the three months ended March 31, 2021, a decrease of Php101 million, or 58%, from Php175 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, mobile broadband data routers, tablets and accessories. Our wireless non-service revenues increased by Php492 million, or 29%, to Php2,163 million for the three months ended March 31, 2021 from Php1,671 million in the same period in 2020, primarily due to a higher number of units issued and higher average price per unit for mobile handsets, as well as the PHW broadband routers issued in 2021.

Expenses

Expenses associated with our Wireless business segment amounted to Php22,705 million for the three months ended March 31, 2021, an increase of Php3,526 million, or 18%, from Php19,179 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, and provisions, partially offset by lower interconnection costs. As a percentage of our total wireless revenues, expenses associated with our Wireless business segment accounted for 83% and 76% for the three months ended March 31, 2021 and 2020, respectively.

The following table summarizes the breakdown of our total wireless-related expenses for the three months ended March 31, 2021 and 2020 and the percentage of each expense item in relation to the total:

					Increase (Decrease)	
	2021	%	2020	%	Amount	%
			(amounts in million Php)			
Selling, general and administrative expenses	10,175	45	8,560	45	1,615	19
Depreciation and amortization	8,949	39	7,830	41	1,119	14
Cost of sales and services	2,787	12	2,226	11	561	25
Provisions	569	3	351	2	218	62
Interconnection costs	129	1	141	1	(12)	(9)
Asset impairment	96	—	71	—	25	35
Total	22,705	100	19,179	100	3,526	18

Selling, general and administrative expenses increased by Php1,615 million, or 19%, to Php10,175 million, primarily due to higher expenses related to amortization of intangible assets mainly on account of trademark amortization, selling and promotions, rent, repairs and maintenance, and professional and other contracted services, partly offset by lower taxes and licenses, and communication, training and travel expenses.

Depreciation and amortization charges increased by Php1,119 million, or 14%, to Php8,949 million, mainly on account of 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 Php561 million, or 25%, to Php2,787 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 increased by Php218 million, or 62%, to Php569 million, mainly on account of higher provision for trade inventory, particularly broadband routers, and higher provision for expected credit losses primarily driven by aging receivables and worsened macro-economic factors as a result of the pandemic.

Interconnection costs, mainly from international and data services, decreased by Php12 million, or 9%, to Php129 million.

Asset impairment, consisting mainly of impairment of contract assets, increased by Php25 million, or 35%, to Php96 million.

Other Income (Expenses) – Net

The following table summarizes the breakdown of our total wireless-related other income (expenses) – net for the three months ended March 31, 2021 and 2020:

			Change	
	2021	2020	Amount	%
		(amounts in million Php)		
Other Income (Expenses) – Net:				
Financing costs – net	(1,659)	(1,748)	89	5
Foreign exchange losses – net	(289)	(28)	(261)	(932)
Gains (losses) on derivative financial instruments – net	31	(7)	38	543
Interest income	108	176	(68)	(39)
Other income (expenses) – net	158	41	117	285
Total	(1,651)	(1,566)	(85)	(5)

Our Wireless business segment's other expenses amounted to Php1,651 million for the three months ended March 31, 2021, an increase of Php85 million, or 5%, from Php1,566 million in the same period in 2020, primarily due to the combined effects of the following: (i) higher net foreign exchange losses by Php261 million 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 appeciation of the Philippine peso relative to the U.S. dollar in 2020; (ii) lower interest income by Php68 million; (iii) net gains on derivative financial instruments of Php31 million in

2021 as against net losses on derivative financial instruments of Php7 million in 2020; (iv) lower net financing costs by Php89 million; and (v) higher other income – net of Php117 million.

Provision for Income Tax

Provision for income tax amounted to Php1,561 million for the three months ended March 31, 2021, an increase of Php285 million, or 22%, from Php1,276 million in the same period in 2020, mainly due to the net unfavorable impact of CREATE adjustments for prior year deferred tax assets booked in the first quarter of 2021, partly offset by lower taxable income and lower corporate income tax rate under the CREATE Act.

Net Income

As a result of the foregoing, our Wireless business segment's net income income decreased by Php1,867, or 56%, to Php1,466 million for the three months ended March 31, 2021 from Php3,333 million in the same period in 2020.

EBITDA

Our Wireless business segment's EBITDA increased by Php589 million, or 4%, to Php14,802 million for the three months ended March 31, 2021 from Php14,213 million in the same period in 2020. EBITDA margin decreased to 59% for the three months ended March 31, 2021 from 60% in the same period in 2020.

Core Income

Our Wireless business segment's core income increased by Php344 million, or 10%, to Php3,701 million for the three months ended March 31, 2021 from Php3,357 million in the same period in 2020, mainly on account of higher EBITDA and other miscellaneous income, partially offset by higher depreciation and amortization.

Fixed Line

Revenues

Revenues generated from our Fixed Line business segment amounted to Php26,555 million for the three months ended March 31, 2021, an increase of Php3,860 million, or 17%, from Php22,695 million in the same period in 2020.

The following table summarizes our total revenues by service from our Fixed Line business segment for the three months ended March 31, 2021 and 2020:

					Increase (Decrease)	
	2021	**%**	**2020**	**%**	**Amount**	**%**
			(amounts in million Php)			
Service Revenues:						
Data	18,292	69	16,032	70	2,260	14
Voice	8,032	30	6,322	28	1,710	27
Miscellaneous	147	1	163	1	(16)	(10)
	26,471	100	22,517	99	3,954	18
Non-Service Revenues:						
Sale of computers, phone units and point-product sales	84	–	178	1	(94)	(53)
Total Fixed Line Revenues	26,555	100	22,695	100	3,860	17

Service Revenues

Our fixed line service revenues increased by Php3,954 million, or 18%, to Php26,471 million for the three months ended March 31, 2021 from Php22,517 million in the same period in 2020, primarily due to higher revenues from our data and voice services.

Data Services

Our data services posted revenues of Php18,292 million for the three months ended March 31, 2021, an increase of Php2,260 million, or 14%, from Php16,032 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 69% and 71% for the three months ended March 31, 2021 and 2020, respectively.

The following table shows information of our data service revenues for the three months ended March 31, 2021 and 2020:

			Increase	
	2021	**2020**	**Amount**	**%**
		(amounts in million Php)		
Data service revenues	18,292	16,032	2,260	14
Corporate data and ICT	9,054	8,517	537	6
Home broadband	9,238	7,515	1,723	23

Corporate Data and ICT

Corporate data services amounted to Php7,321 million for the three months ended March 31, 2021, an increase of Php358 million, or 5%, as compared with Php6,963 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 three months ended March 31, 2021 and 2020, respectively.

ICT revenues increased by Php179 million, or 12%, to Php1,733 million for the three months ended March 31, 2021 from Php1,554 million in the same period in 2020 mainly due to higher revenues from data center and cloud services. The percentage contribution of this service segment to our total data service revenues accounted for 9% and 10% for the three months ended March 31, 2021 and 2020, respectively.

Home Broadband

Home broadband data revenues amounted to Php9,238 million for the three months ended March 31, 2021, an increase of Php1,723 million, or 23%, from Php7,515 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 47% of total data service revenues for the three months ended March 31, 2021 and 2020, respectively. PLDT's FTTH nationwide network roll-out has reached approximately 10.2 million homes passed as of March 31, 2021, while the number of ports has grown to 4.4 million.

Voice Services

Revenues from our voice services increased by Php1,710 million, or 27%, to Php8,032 million for the three months ended March 31, 2021 from Php6,322 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 and domestic services. The decline in local exchange and domestic services was partly due to the continued popularity of services such as Skype, Viber, Line, Facebook Messenger, Google Talk and WhatsApp, offering free OTT calling services, and other similar services, as well as subscribers' shift to mobile services. The percentage contribution of voice service revenues to our fixed line service revenues accounted for 30% and 28% for the three months ended March 31, 2021 and 2020, respectively.

Miscellaneous Services

Miscellaneous service revenues are derived mostly from rentals and management fees. These service revenues decreased by Php16 million, or 10%, to Php147 million for the three months ended March 31, 2021 from Php163 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 three months ended March 31, 2021 and 2020.

Non-service Revenues

Non-service revenues decreased by Php94 million, or 53%, to Php84 million for the three months ended March 31, 2021 from Php178 million in the same period in 2020, primarily due to lower sale of PHW broadband routers, computer bundles and Telpad units, partially offset by higher sale of Set Top Box and Google WiFi.

Expenses

Expenses related to our Fixed Line business segment totaled Php21,085 million for the three months ended March 31, 2021, an increase of Php3,246 million, or 18%, as compared with Php17,839 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. As a percentage of our total fixed line revenues, expenses associated with our Fixed Line business segment accounted for 79% in each of the three months ended March 31, 2021 and 2020.

The following table shows the breakdown of our total fixed line-related expenses for the three months ended March 31, 2021 and 2020 and the percentage of each expense item in relation to the total:

					Increase (Decrease)	
	2021	**%**	**2020**	**%**	**Amount**	**%**
			(amounts in million Php)			
Selling, general and administrative expenses	10,745	51	10,265	57	480	5
Depreciation and amortization	4,837	23	4,212	24	625	15
Interconnection costs	3,752	18	1,899	11	1,853	98
Provisions	926	4	608	3	318	52
Cost of sales and services	823	4	826	5	(3)	—
Asset impairment	2	—	29	—	(27)	(93)
Total	21,085	100	17,839	100	3,246	18

Selling, general and administrative expenses increased by Php480 million, or 5%, to Php10,745 million primarily due to higher expenses related to repairs and maintenance, and compensation and employee benefits, partly offset by lower rent, professional and other contracted services, and communication, training and travel expenses.

Depreciation and amortization charges increased by Php625 million, or 15%, to Php4,837 million mainly on account of higher depreciable asset base, combined with higher depreciation of right-of-use asset.

Interconnection costs increased by Php1,853 million, or 98%, to Php3,752 million, primarily due to higher international interconnection costs of PLDT Global.

Provisions increased by Php318 million, or 52%, to Php926 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 Php3 million to Php823 million, primarily due to lower cost of PHW broadband routers, computer bundles and Telpad units, partially offset by higher cost of Set Top Box and Google WiFi.

Asset impairment, consisting mainly of impairment of contract assets, decreased by Php27 million, or 93%, to Php2 million.

Other Income (Expenses) – Net

The following table summarizes the breakdown of our total fixed line-related other income (expenses) – net for the three months ended March 31, 2021 and 2020:

	2021	2020	Change Amount	%
		(amounts in million Php)		
Other Income (Expenses) – Net:				
Equity share in net earnings of associates	207	47	160	340
Interest income	95	142	(47)	(33)
Gains (losses) on derivative financial instruments – net	49	(5)	54	1,080
Foreign exchange gains (losses) – net	(363)	1	(364)	(36,400)
Financing costs – net	(1,453)	(1,276)	(177)	(14)
Other income – net	5,757	458	5,299	1,157
Total	4,292	(633)	4,925	778

Our Fixed Line business segment's other income amounted to Php4,292 million for the three months ended March 31, 2021, a change of Php4,925 million as against other expenses of Php633 million in the same period in 2020, primarily due to the combined effects of the following: (i) higher other income – net by Php5,299 million mainly due to PLDT's dividend income from Smart and gain on sale of PHW subscribers in 2021; (ii) higher equity share in net earnings of associates by Php160 million; (iii) net gains on derivative financial instruments of Php49 million in 2021 as against net losses on derivative financial instruments of Php5 million in 2020; (iv) lower interest income by Php47 million; (v) higher net financing costs by Php177; and (vi) net foreign exchange losses of Php363 million in 2021 as against net foreign exchange gain of Php1 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 Php300 million for the three months ended March 31, 2021, a decrease of Php790 million, or 72%, from Php1,090 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 Php9,462 million for the three months ended March 31, 2021, an increase of Php6,329 million as compared with Php3,133 million in the same period in 2020.

EBITDA

Our Fixed Line business segment's EBITDA increased by Php1,239 million, or 14%, to Php10,307 million for the three months ended March 31, 2021 from Php9,068 million in the same period in 2020. EBITDA margin decreased to 39% for the three months ended March 31, 2021 from 40% in the same period in 2020.

Core Income

Our Fixed Line business segment's core income increased by Php5,506 million to Php8,591 million for the three months ended March 31, 2021 from Php3,085 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 three months ended March 31, 2021 and 2020.

Expenses

Expenses related to our Other business segment decreased by Php4 million, or 67%, to Php2 million for the three months ended March 31, 2021 from Php6 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 three months ended March 31, 2021 and 2020:

			Change	
	2021	**2020**	**Amount**	**%**
	(amounts in million Php)			
Other Income (Expenses) – Net:				
Equity share in net losses of associates and joint ventures	(521)	(579)	58	10
Interest income	7	40	(33)	(83)
Foreign exchange gains – net	23	3	20	667
Other income (expenses) – net	343	(453)	796	176
Total	(148)	(989)	841	85

Our Other business segment's other expenses amounted to Php148 million for the three months ended March 31, 2021, a decrease of Php841 million, or 85%, from Php989 million in the same period in 2020, primarily due to the combined effects of the following: (i) other income – net of Php343 million in 2021 as against other expenses of Php453 million in 2020 mainly due to gains on fair value in 2021 as against losses on fair value in 2020 of Phunware investment, and losses on fair value in 2020 of Rocket Internet investment; (ii) lower equity share in net losses of associates and joint ventures by Php58 million; (iii) higher net foreign exchange gains by Php20 million; and (iv) lower interest income by Php33 million.

Net Income (Loss)

As a result of the foregoing, our Other business segment registered a net loss of Php63 million for the three months ended March 31, 2021, a decrease of Php834 million, or 93%, from Php897 million in the same period in 2020.

Core Income (Loss)

Our Other business segment's core loss amounted to Php94 million for the three months ended March 31, 2021, a decrease of Php357 million from Php451 million in the same period in 2020.

Liquidity and Capital Resources

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

	Three months ended March 31,	
	2021	2020
	(amounts in million Php)	
Cash Flows		
Net cash flows provided by operating activities	17,508	16,920
Net cash flows used in investing activities	(20,410)	(19,239)
Payment for purchase of property and equipment, including capitalized interest	*(20,005)*	*(17,074)*
Net cash flows provided by (used in) financing activities	(5,939)	8,896
Net increase (decrease) in cash and cash equivalents	(8,756)	6,575

	March 31, 2021	December 31, 2020
	(amounts in million Php)	
Capitalization		
Long-term portion of interest-bearing financial liabilities – net of current portion:		
Long-term debt	216,212	205,195
Current portion of interest-bearing financial liabilities:		
Long-term debt maturing within one year	5,317	17,570
Total interest-bearing financial liabilities	221,529	222,765
Total equity attributable to equity holders of PLDT	109,419	115,408
	330,948	338,173
Other Selected Financial Data		
Total assets	584,510	575,846
Property and equipment	270,964	260,868
Cash and cash equivalents	31,481	40,237
Short-term investments	995	989

Our consolidated cash and cash equivalents and short-term investments totaled Php32,476 million as at March 31, 2021. Principal sources of consolidated cash and cash equivalents in 2021 were cash flows from operating activities amounting to Php17,508 million, proceeds from availment of long-term debt of Php12,000 million and interest received of Php232 million. These funds were used principally for: (1) purchase of property and equipment, including capitalized interest, of Php20,005 million; (2) long-term debt principal and interest payments of Php13,634 million and Php2,108 million, respectively; (3) settlement of obligations under lease liabilities of Php1,924 million; and (4) payment for acquisition of investments in associates and joint ventures of Php507 million, mainly PCEV's additional investment in VIH's preferred shares.

Our consolidated cash and cash equivalents and short-term investments totaled Php33,893 million as at March 31, 2020. Principal sources of consolidated cash and cash equivalents for the three months ended March 31, 2020 were cash flows from operating activities amounting to Php16,920 million, proceeds from availment of long-term and short-term debt of Php12,000 million and Php4,000 million, respectively, and interest received of Php380 million. These funds were used principally for: (1) purchase of property and equipment, including capitalized interest, of Php17,074 million; (2) debt principal and interest payments of Php3,119 million and Php1,955 million, respectively; (3) net payment for purchase of short-term investments of Php2,640 million; and (4) settlement of obligations under lease liabilities of Php1,788 million.

Operating Activities

Our consolidated net cash flows provided by operating activities increased by Php588 million, or 3%, to Php17,508 million for the three months ended March 31, 2021 from Php16,920 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, higher pension and other employee benefits, and higher inventories.

Cash flows provided by operating activities of our Wireless business segment decreased by Php5,448 million, or 48%, to Php5,923 million for the three months ended March 31, 2021 from Php11,371 million in the same period in 2020, primarily due to lower level of collection of receivables, higher prepayments and higher level of settlement of accrued expenses and other current liabilities, partially offset by lower level of settlement of accounts payable and other noncurrent liabilities. Cash flows provided by operating activities of our Fixed Line business segment increased by Php5,799 million, or 107%, to Php11,226 million for the three months ended March 31, 2021 from Php5,427 million in the same period in 2020, primarily due to higher level of collection of receivables, higher operating income and lower level of settlement of accounts payable, partially offset by higher prepayments and higher pension and other employee benefits. Cash flows used in operating activities of our Other business segment increased by Php418 million for the three months ended March 31, 2021 from Php38 million in the same period in 2020, primarily due to higher level of settlement of accounts payable, partially offset by higher operating income.

Investing Activities

Consolidated net cash flows used in investing activities amounted to Php20,410 million for the three months ended March 31, 2021, an increase of Php1,171 million, or 6%, from Php19,239 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 Php2,931 million; (2) payment for acquisition of investments in associates and joint ventures of Php507 million in 2021, mainly PCEV's additional investment in VIH's preferred shares; (3) payment for purchase of investment in debt securities of Php100 million in 2021 as against net proceeds from redemption of investment in debt securities of Php150 million in 2020; (4) lower interest received by Php148 million; and (5) lower net payment for purchase of short-term investment by Php2,634 million.

Our consolidated payment for purchase of property and equipment, including capitalized interest, for the three months ended March 31, 2021 totaled Php20,005 million, an increase of Php2,931 million, or 17%, as compared with Php17,074 million in the same period in 2020. Smart's payment for purchase of property, including capitalized interest, decreased by Php2,944 million, or 28%, to Php7,481 million for the three months ended March 31, 2021 from Php10,425 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, including capitalized interest, increased by Php5,625 million, or 87%, to Php12,070 million for the three months ended March 31, 2021 from Php6,445 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 Php5,939 million for the three months ended March 31, 2021, as against cash flows provided by financing activities of Php8,896 million in the same period in 2020, primarily due to the combined effects of the following: (1) higher payment of long-term debt by Php10,515 million; (2) proceeds from availment of short-term debt of Php4,000 million in 2020; and (3) higher settlement of obligations under lease liabilities by Php136 million.

Debt Financing

Proceeds from availment of long-term debt for the three months ended March 31, 2021 amounted to Php12,000 million, mainly from PLDT's and Smart's drawings related to refinancing of maturing loan obligations, prepayment of outstanding loans and financing of capital expenditure requirements. Payments of principal and interest on our total debt amounted to Php13,634 million and Php2,108 million, respectively, for the three months ended March 31, 2021.

Our consolidated long-term debt decreased by Php1,236 million, or 1%, to Php221,529 million as at March 31, 2021 from Php222,765 million as at December 31, 2020, primarily due to debt amortizations and prepayments, partially offset by drawings from our long-term facilities. As at March 31, 2021, PLDT's long-term debt level decreased by 6% to Php136,000 million from Php144,001 million as at December 31, 2020, while Smart's long-term debt level increased by 9%, to Php85,529 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 March 31, 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 three months ended March 31, 2021 and 2020:

	Date			Amount	
Class	**Approved[1]**	**Record**	**Payable**	**Per Share**	**Total**
				(in million Php, except per share amount)	
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
Voting Preferred Stock	March 4, 2021	March 24, 2021	April 15, 2021	–	3
Charged to Retained Earnings					8,657
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
Voting Preferred Stock	March 5, 2020	March 25, 2020	April 15, 2020	–	3
Charged to Retained Earnings					8,441

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

Our dividends declared after March 31, 2021 are as follow:

	Date			Amount	
Class	**Approved**	**Record**	**Payable**	**Per Share**	**Total**
				(in million Php, except per share amount)	
Preferred					
Series IV Cumulative Non-convertible Redeemable Preferred Stock[1]	May 6, 2021	May 21, 2021	June 15, 2021	–	12
Charged to Retained Earnings					12

[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 Php584,510 million as at March 31, 2021, an increase of Php8,664 million, or 2%, from Php575,846 million as at December 31, 2020, primarily due to higher property and equipment, and prepayments, partly offset by lower cash and cash equivalents.

Our total liabilities amounted to Php470,843 million as at March 31, 2021, an increase of Php14,662 million, or 3%, from Php456,181 million as at December 31, 2020, primarily due to higher accounts payable and dividends payable, partially offset by lower interest-bearing financial liabilities.

Off-Balance Sheet Arrangements

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

Equity Financing

On August 2, 2016, the PLDT Board of Directors approved the amendment of our dividend policy, reducing our dividend payout rate to 60% of our core earnings per share as regular dividends. This was in view of the elevated capital expenditures to support the build-out of a resilient and reliable data network, lower EBITDA primarily due to higher subsidies to grow the data business and defend market share, and the resources required to support the acquisition of SMC's telecommunications business. In declaring dividends, we take into consideration the interest of our shareholders, as well as our working capital, capital expenditures and debt servicing requirements. The retention of earnings may be necessary to meet the funding requirements of our business expansion and development programs. However, in the event that no investment opportunities arise, we may consider the option of returning additional cash to our shareholders in the form of special dividends of up to the balance of our core earnings or to undertake share buybacks. We were able to pay out approximately 100% of our core earnings for seven consecutive years from 2007 to 2013, approximately 90% of our core earnings for 2014, 75% of our core earnings for 2015, 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 Php25 million for the three months ended March 31, 2021 as compared with Php18 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 March 31, 2021 and December 31, 2020, see *Note 28 – Financial Assets and Liabilities* to the accompanying unaudited consolidated financial statements.

Commercial Commitments

Our outstanding consolidated commercial commitments, in the form of letters of credit, amounted to nil as at March 31, 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 March 31, 2021 and December 31, 2020 other than those whose carrying amounts are reasonable approximations of fair values:

	Fair Values	
	March 31, 2021	December 31, 2020
	(amounts in million Php)	
Noncurrent Financial Assets		
Debt instruments at amortized cost	1,324	1,163
Other financial assets – net of current portion	2,698	2,561
Total noncurrent financial assets	4,022	3,724
Noncurrent Financial Liabilities		
Interest-bearing financial liabilities	220,474	213,908
Customers' deposits	1,757	1,821
Deferred credits and other noncurrent liabilities	1,045	1,562
Total noncurrent financial liabilities	223,276	217,291

The following table sets forth the amount of gains (losses) recognized for the financial assets and liabilities for the three months ended March 31, 2021 and the year ended December 31, 2020:

	March 31, 2021	December 31, 2020
	(amounts in million Php)	
Profit and Loss		
Interest income	210	1,210
Gains (losses) on derivative financial instruments – net	80	(378)
Accretion on financial liabilities	(37)	(146)
Interest on loans and other related items	(2,497)	(10,333)
Other Comprehensive Income		
Net fair value losses on cash flow hedges – net of tax	(227)	(306)

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 three months ended March 31, 2021 and 2020 were 4.5% and 2.7%, 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 ("CREATE")

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 Republic Act No. 11232, known as the Revised Corporation Code of the Philippines.

The application for the amendment of the By-Laws of PLDT will be submitted to the Philippine SEC for review and approval.

Sale of PLDT Prepaid Home WiFi ("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 will use 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., or VIH

On April 16, 2020, PLDT, through PCEV, KRR, 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 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 deemed disposal, resulted in the recognition of Php 394 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.

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.

Interconnection Deal with 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.

In 2020, Smart subscribed to an additional Php30 million representing its 33.33% equity interest in TCI, which is quivalent to 30 million shares at a subscription price of Php1.00 per share payable upon next capital call of the joint venture.

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:

- 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.

- A 24/7 InfoMed hotline that is ready to address medical-related concerns and health benefits PLDT personnel may have. 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.

Together with certain related companies other companies, we have placed orders with various COVID-19 vaccine suppliers to ensure an adequate supply of doses for our employees, their dependents and household members. Pending their delivery, we have started to draft the appropriate policies governing their allocation and mechanics for inoculation. We have informed the employees that vaccines have been ordered and will be made available. We have also started to secure indications of interest from our employees to determine how many vaccines will be availed of.

Moreover, we have made arrangements 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.

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 postpaid and prepaid customers, equipped our corporate customers with telecommuting solutions, and for our Overseas Filipino Workers ("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 after the end of the pandemic.

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.

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 March 31, 2021:

Type of Accounts Receivable	Total	Current	31-60 Days	61-90 Days	Over 91 Days
			(amounts in million Php)		
Retail subscribers	17,273	7,204	827	423	8,819
Corporate subscribers	14,018	2,562	2,907	1,659	6,890
Foreign administrations	1,531	814	124	71	522
Domestic carriers	298	122	12	12	152
Dealers, agents and others	6,370	3,099	236	344	2,691
Total	39,490	13,801	4,106	2,509	19,074
Less: Allowance for expected credit losses	17,409				
Total Receivables - net	22,081				

ANNEX II – FINANCIAL SOUNDNESS INDICATORS

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

	March 31, 2021	December 31, 2020
Current Ratio(1)	0.39:1.0	0.41:1.0
Acid Test Ratio(2)	0.25:1.0	0.30:1.0
Solvency Ratio(3)	0.33:1.0	0.37:1.0
Net Debt to Equity Ratio(4)	1.72:1.0	1.56:1.0
Net Debt to EBITDA Ratio(5)	2.31:1.0	2.09:1.0
Total Debt to EBITDA Ratio(6)	2.73:1.0	2.59:1.0
Asset to Equity Ratio(7)	5.34:1.0	4.99:1.0
Interest Coverage Ratio(8)	4.03:1.0	4.14:1.0
Profit Margin(9)	13%	14%
Return on Assets(10)	4%	4%
Return on Equity(11)	22%	22%
EBITDA Margin(12)	46%	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 equivalent and short-term investments and debt instruments at amortized cost divided by EBITDA for the period.*

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

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

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

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

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

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

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

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

SIGNATURE

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

Registrant: **PLDT Inc.**

Signature and Title: ______________________________

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

Signature and Title: ______________________________

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

Signature and Title: ______________________________

GIL SAMSON D. GARCIA
First Vice President
(Principal Accounting Officer)

Date: May 6, 2021