PLDT Inc.
Form 6-K
March 07, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16

OF THE SECURITIES EXCHANGE ACT OF 1934

March 7, 2019

PLDT INC.

(Translation of registrant's name into English)

Ramon Cojuangco Building

Makati Avenue, Makati City

Philippines

(Address of registrant's principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.
Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T
Rule 101 (b) (1): Yes No

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101 (b) (7): Yes No

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.
Yes No

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereto duly authorized.

PLDT
PLDT INC.
(Registrant)

| | |
|---|---|
| By: | /s/ Marilyn A. Victorio-Aquino |
| Name: | Marilyn A. Victorio-Aquino |
| Title: | Corporate Affairs and Legal Services Head |

Date: 03/07/2019

SEC Number PW-55
File Number

PLDT Inc.

(Company's Full Name)

Ramon Cojuangco Building

Makati Avenue, Makati City

(Company's Address)

(632) 816-8556

(Telephone Number)

Not Applicable

(Fiscal Year Ending)

(month & day)

SEC Form 17-C

Form Type

Not Applicable

Amendment Designation (if applicable)

December 31, 2018

Period Ended Date

Not Applicable

(Secondary License Type and File Number)

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March 7, 2019

Securities & Exchange Commission

Secretariat Building, PICC Complex

Roxas Boulevard, Pasay City

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

Gentlemen:

In accordance with Section 17.1(b) of the Securities Regulation Code and SRC Rule 17.1.1.1.2, we submit herewith two (2) copies of SEC Form 17-C with Management's Discussion and Analysis and accompanying unaudited consolidated financial statements as at and for the year ended December 31, 2018.

Very truly yours,

/s/ Ma. Lourdes C. Rausa-Chan
MA. LOURDES C. RAUSA-CHAN
Corporate Secretary

COVER SHEET

SEC Registration Number
PW-55

Company Name

PLDT INC.

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

R AMON COJ UANGCO BUI LDI NG

MAK ATI AVENUE MAKATI CI TY

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

COMPANY INFORMATION

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

| No. of Stockholders | Annual Meeting | Fiscal Year |
|---|---|---|

| | | |
|---|---|---|
| | Month/Day | Month/Day |
| 11,657 | | |
| as at January 31, 2019 | Every 2nd Tuesday in June | December 31 |

CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

| Name of Contact Person | Email Address | Telephone Number/s | Mobile Number |
|---|---|---|---|
| June Cheryl A. Cabal-Revilla | jacabal@pldt.com.ph | (02) 816-8534 | |

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

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

SECURITIES AND EXCHANGE COMMISSION

SECURITIES AND EXCHANGE COMMISSION

CURRENT REPORT UNDER SECTION 17

OF THE SECURITIES REGULATION CODE

AND SRC RULE 17.1

1. March 7, 2019
Date of Report (Date of earliest event reported)

2. SEC Identification Number PW-55

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

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

5. PHILIPPINES
Province, country or other jurisdiction

of Incorporation

6. ____________ (SEC Use Only)
Industry Classification Code

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

8. (632) 816-8553
Issuer's telephone number, including area code

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

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

| Title of Each Class | Number of Shares of Common Stock Outstanding |
|---|---|
| Common Stock | 216,055,775 [(1)] |
| Amount of Debt Outstanding | Php176,276 million as at December 31, 2018 |

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

TABLE OF CONTENTS

PART I – FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

Our consolidated financial statements as at and for the years ended December 31, 2018 and 2017 and related notes (pages F-1 to F-168) are filed as part of this report on Form 17-C.

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

In the following discussion and analysis of our financial condition and results of operations, unless the context indicates or otherwise requires, references to "we," "us," "our" or "PLDT Group" mean PLDT Inc. and its consolidated subsidiaries, and references to "PLDT" mean PLDT Inc., not including its consolidated subsidiaries (please see Note 2 – Summary of Significant Accounting Policies to the accompanying 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 Php52.56 to US$1.00, the exchange rate as at December 31, 2018 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

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.

1

Financial Highlights and Key Performance Indicators

| (amounts in million Php, except for EBITDA margin, earnings per common share) | Years ended December 31, 2018 (Unaudited) | 2017 (Audited) | Increase (Decrease) Amount | % |
|---|---|---|---|---|
| Consolidated Income Statement | | | | |
| Revenues | 164,752 | 159,926 | 4,826 | 3 |
| Expenses | 150,979 | 150,415 | 564 | — |
| Other income (expenses) | 9,042 | 5,058 | 3,984 | 79 |
| Income before income tax | 22,815 | 14,569 | 8,246 | 57 |
| Net income | 18,973 | 13,466 | 5,507 | 41 |
| Core income | 25,855 | 27,668 | (1,813) | (7) |
| EBITDA | 64,027 | 66,174 | (2,147) | (3) |
| EBITDA margin[1] | 42% | 44% | — | — |
| Reported earnings per common share: | | | | |
| Basic | 87.28 | 61.61 | 25.67 | 42 |
| Diluted | 87.28 | 61.61 | 25.67 | 42 |
| Core earnings per common share[2]: | | | | |
| Basic | 119.39 | 127.79 | (8.40) | (7) |
| Diluted | 119.39 | 127.79 | (8.40) | (7) |

| (amounts in million Php, except for net debt to equity ratio) | December 31, 2018 (Unaudited) | 2017 (Audited) | Increase (Decrease) Amount | % |
|---|---|---|---|---|
| Consolidated Statements of Financial Position | | | | |
| Total assets | 482,750 | 459,444 | 23,306 | 5 |
| Property and equipment | 195,964 | 186,907 | 9,057 | 5 |
| Cash and cash equivalents and short-term investments | 52,819 | 33,979 | 18,840 | 55 |
| Total equity attributable to equity holders of PLDT | 112,358 | 106,842 | 5,516 | 5 |
| Long-term debt, including current portion | 176,276 | 172,611 | 3,665 | 2 |
| Net debt[3] to equity ratio | 1.10x | 1.30x | — | — |

| (amounts in million Php, except for operational data) | Years ended December 31, 2018 (Unaudited) | 2017 (Audited) | Change Amount | % |
|---|---|---|---|---|
| Consolidated Statements of Cash Flows | | | | |
| Net cash provided by operating activities | 61,116 | 56,114 | 5,002 | 9 |
| Net cash used in investing activities | (25,054) | (21,060) | (3,994) | (19) |

| | | | | |
|---|---|---|---|---|
| Payment for purchase of property and equipment, including | | | | |
| capitalized interest | 48,771 | 37,432 | 11,339 | 30 |
| Net cash used in financing activities | (18,144) | (40,319) | 22,175 | 55 |
| Operational Data | | | | |
| Number of mobile subscribers | 60,499,017 | 58,293,908 | 2,205,109 | 4 |
| Prepaid[4] | 58,178,978 | 55,776,646 | 2,402,332 | 4 |
| Postpaid | 2,320,039 | 2,517,262 | (197,223) | (8) |
| Number of broadband subscribers | 2,025,563 | 1,950,881 | 74,682 | 4 |
| Fixed Line broadband | 1,812,037 | 1,713,527 | 98,510 | 6 |
| Fixed Wireless broadband | 213,526 | 237,354 | (23,828) | (10) |
| Number of fixed line subscribers | 2,710,972 | 2,663,210 | 47,762 | 2 |
| Number of employees: | 17,222 | 17,779 | (557) | (3) |
| Fixed Line | 10,890 | 10,737 | 153 | 1 |
| LEC | 8,772 | 6,832 | 1,940 | 28 |
| Others | 2,118 | 3,905 | (1,787) | (46) |
| Wireless | 6,332 | 7,042 | (710) | (10) |

[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 and short-term investments from total debt (long-term debt, including current portion).

2

(4) Beginning 2Q2017, the prepaid subscriber base excludes subscribers who did not reload within 90 days vis-à-vis 120 days previous cut-off.

| Exchange Rates – per US$ | Month end rates | Weighted average rates during the year |
|---|---|---|
| December 31, 2018 | 52.56 | 52.68 |
| December 31, 2017 | 49.96 | 50.41 |
| December 31, 2016 | 49.77 | 47.48 |

Performance Indicators

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

EBITDA

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

Core Income

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

Overview

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

- Wireless — mobile telecommunications services provided by Smart Communications, Inc., or Smart, and Digitel Mobile Philippines, Inc., or DMPI, our mobile service providers; Smart Broadband, Inc., or SBI, and Primeworld Digital Systems, Inc., or PDSI, our wireless broadband service providers; and certain subsidiaries of PLDT Global Corporation, or PLDT Global, our mobile virtual network operations, or MVNO, provider;
- Fixed Line — fixed line telecommunications services primarily provided by PLDT. We also provide fixed line services through PLDT's subsidiaries, namely, PLDT Clark Telecom, Inc., PLDT Subic Telecom, Inc., PLDT-Philcom, Inc. or Philcom, and its subsidiaries, or Philcom Group, PLDT-Maratel, Inc., Bonifacio Communications Corporation, PLDT Global and certain subsidiaries, and Digital Telecommunications Phils., Inc., or Digitel, all of which together account for approximately 4% of our consolidated fixed line subscribers; data center, cloud, big data, managed security services, managed IT services and resellership provided by ePLDT, Inc., or ePLDT, IP Converge Data Services, Inc., or IPCDSI, and subsidiary, or IPCDSI Group, ABM Global Solutions, Inc., or AGS, and its subsidiaries, or AGS Group, Curo Teknika, Inc. and ePDS, Inc., or ePDS; business infrastructure and solutions, intelligent data processing and implementation services and data analytics insight generation provided by Talas Data Intelligence, Inc., or Talas; distribution of Filipino channels and content by Pilipinas Global Network Limited and its subsidiaries; and
- Others — Voyager Innovations Holdings, Pte. Ltd., or VIH, and certain subsidiaries, our mobile applications and digital platforms developers and mobile financial services provider; PLDT Communications and Energy Ventures, Inc., or PCEV, PLDT Global Investment Holdings, Inc., PLDT Global Investments Corporation, or PGIC, PLDT Digital Investments Pte. Ltd., or PLDT Digital, and its subsidiaries, our investment companies.

As at December 31, 2018, our chief operating decision maker, or our Management Committee, views our business activities in three business units: Wireless, Fixed Line and Others.

Management's Financial Review

In addition to consolidated net income, we use EBITDA and core income to assess our operating performance. The reconciliation of our consolidated net income to our consolidated EBITDA and our consolidated core income for the years ended December 31, 2018 and 2017 are set forth below.

The following table shows the reconciliation of our consolidated net income to our consolidated EBITDA for the years ended December 31, 2018 and 2017:

| | 2018 (Unaudited) | 2017 (Audited) |
|---|---|---|
| | (amounts in million Php) | |
| Consolidated net income | 18,973 | 13,466 |
| Add (deduct) adjustments: | | |
| Depreciation and amortization | 47,240 | 51,915 |

| | | |
|---|---|---|
| Financing costs – net | 7,067 | 7,370 |
| Provision for income tax | 3,842 | 1,103 |
| Noncurrent asset impairment | 2,122 | 3,913 |
| Amortization of intangible assets | 892 | 835 |
| Foreign exchange losses – net | 771 | 411 |
| Impairment of investments | 172 | 2,562 |
| Equity share in net earnings (losses) of associates and joint ventures | 87 | (2,906) |
| Gains on derivative financial instruments – net | (1,086) | (533) |
| Interest income | (1,943) | (1,412) |
| Other income – net | (14,110) | (10,550) |
| Total adjustments | 45,054 | 52,708 |
| Consolidated EBITDA | 64,027 | 66,174 |

4

The following table shows the reconciliation of our consolidated net income to our consolidated core income for the years ended December 31, 2018 and 2017:

| | 2018 (Unaudited) | 2017 (Audited) |
|---|---|---|
| | (amounts in million Php) | |
| Consolidated net income | 18,973 | 13,466 |
| Add (deduct) adjustments: | | |
| Depreciation due to shortened life of property and equipment | 4,564 | 12,816 |
| Noncurrent asset impairment | 2,122 | 3,913 |
| Manpower rightsizing program | 1,703 | — |
| Unrealized loss in fair value of investments | 1,154 | — |
| Foreign exchange losses – net | 771 | 411 |
| Investment written-off | 362 | — |
| Impairment of investments | 172 | 2,562 |
| Core income adjustment on equity share in net losses of associates and joint ventures | 23 | 60 |
| Net income attributable to noncontrolling interests | (57) | (95) |
| Other nonrecurring income | (1,018) | — |
| Gains on derivative financial instruments – net, excluding hedge costs | (1,135) | (724) |
| Net tax effect of aforementioned adjustments | (1,779) | (4,741) |
| Total adjustments | 6,882 | 14,202 |
| Consolidated core income | 25,855 | 27,668 |

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 income tax, net income (loss)/segment profit (loss), EBITDA, EBITDA margin and core income for the years ended December 31, 2018 and 2017. In each of the years ended December 31, 2018 and 2017, majority of our revenues are derived from our operations within the Philippines. Our revenues derived from outside the Philippines consist primarily of revenues from incoming international calls to the Philippines.

| | Wireless | Fixed Line | Others[(1)] | Inter-segment Transactions | Consolidated |
|---|---|---|---|---|---|
| | (amounts in million Php, except for EBITDA margin) | | | | |
| For the year ended December 31, 2018 (Unaudited) | | | | | |
| Revenues | 89,929 | 85,222 | 1,138 | (11,537) | 164,752 |
| Expenses | 82,246 | 77,782 | 4,093 | (13,142) | 150,979 |
| Other income (expenses) | (625) | (45) | 12,099 | (2,387) | 9,042 |

| | | | | | |
|---|---|---|---|---|---|
| Income (loss) before income tax | 7,058 | 7,395 | 9,144 | (782) | 22,815 |
| Provision for income tax | 1,333 | 1,336 | 1,173 | — | 3,842 |
| Net income (loss)/Segment profit (loss) | 5,725 | 6,059 | 7,971 | (782) | 18,973 |
| EBITDA | 34,235 | 30,875 | (2,688) | 1,605 | 64,027 |
| EBITDA margin[(2)] | 41% | 38% | -246% | — | 42% |
| Core income | 9,760 | 6,925 | 9,952 | (782) | 25,855 |
| | | | | | |
| For the year ended December 31, 2017 (Audited) | | | | | |
| Revenues | 92,572 | 78,341 | 1,279 | (12,266) | 159,926 |
| Expenses | 97,651 | 63,864 | 2,774 | (13,874) | 150,415 |
| Other income (expenses) | 77 | (3,323) | 10,530 | (2,226) | 5,058 |
| Income (loss) before income tax | (5,002) | 11,154 | 9,035 | (618) | 14,569 |
| Provision for (benefit from) income tax | (2,787) | 3,680 | 210 | — | 1,103 |
| Net income (loss)/Segment profit (loss) | (2,215) | 7,474 | 8,825 | (618) | 13,466 |
| EBITDA | 36,395 | 29,478 | (1,307) | 1,608 | 66,174 |
| EBITDA margin[(2)] | 42% | 39% | -104% | — | 44% |
| Core income | 9,812 | 8,846 | 9,628 | (618) | 27,668 |
| | | | | | |
| Increase (Decrease) | | | | | |
| Revenues | (2,643) | 6,881 | (141) | 729 | 4,826 |
| Expenses | (15,405) | 13,918 | 1,319 | 732 | 564 |
| Other income (expenses) | (702) | 3,278 | 1,569 | (161) | 3,984 |
| Income (loss) before income tax | 12,060 | (3,759) | 109 | (164) | 8,246 |
| Provision for (benefit from) income tax | 4,120 | (2,344) | 963 | — | 2,739 |
| Net income (loss)/Segment profit (loss) | 7,940 | (1,415) | (854) | (164) | 5,507 |
| EBITDA | (2,160) | 1,397 | (1,381) | (3) | (2,147) |
| Core income | (52) | (1,921) | 324 | (164) | (1,813) |

5

(1) Other business segment includes results of operations of VIH, resulting from the transfer from Smart to PCEV in April 2018. Consequently, we reclassified the presentation of VIH from Wireless to Other business segment, including prior period herein reported. VIH was deconsolidated from PCEV effective November 30, 2018.
(2) EBITDA margin for the period is measured as EBITDA divided by service revenues.

In the first quarter of 2018, we adopted PFRS 15 using the modified retrospective method of adoption with the date of initial application of January 1, 2018. Under this method, the standard can be applied either to all contracts at the date of intitial application or only to contracts that are not completed at this date. We elected to apply the standard to all contracts that are not completed as at the date of initial application, that is, January 1, 2018. The cumulative effect arising from the transition was recognized as an adjustment to the opening balance of retained earnings.

The following is the impact of PFRS 15 adoption in our results of operations for the year ended December 31, 2018:

| | | PFRS 15 Impact | | |
|---|---|---|---|---|
| | PAS 18 | Wireless | Fixed Line | PFRS 15 |
| | (amounts in million Php) | | | |
| Service revenues | 157,845 | (3,250) | (388) | 154,207 |
| Non-service revenues | 7,602 | 2,733 | 210 | 10,545 |
| Other income – interest income | 1,486 | 338 | 119 | 1,943 |
| Income before income tax | 23,259 | (298) | (146) | 22,815 |
| Provision for income tax | 3,976 | (90) | (44) | 3,842 |
| Net income | 19,283 | (208) | (102) | 18,973 |
| EBITDA | 64,928 | (636) | (265) | 64,027 |
| EBITDA margin | 41% | — | — | 42% |
| Core income | 26,165 | (208) | (102) | 25,855 |

On a Consolidated Basis

Revenues

We reported consolidated revenues of Php164,752 million in 2018, an increase of Php4,826 million, or 3%, as compared with Php159,926 million in 2017, primarily due to higher revenues from data services in our Fixed Line business segment, as well as higher non-service revenues from our Wireless business segment, partially offset by lower revenues from mobile and home broadband services from our Wireless business segment, and lower voice revenues from our Fixed Line business segment.

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

The following table shows the breakdown of our consolidated revenues by services for the years ended December 31, 2018 and 2017:

| | Wireless | Fixed Line | Others | Inter-segment Transactions | Consolidated |
|---|---|---|---|---|---|
| | (amounts in million Php) | | | | |
| For the year ended December 31, 2018 | | | | | |
| Service Revenues | | | | | |
| Wireless | 83,001 | | | (2,736) | 80,265 |
| Mobile | 81,096 | | | (1,192) | 79,904 |
| Home broadband | 155 | | | — | 155 |
| MVNO and others | 1,750 | | | (1,544) | 206 |
| Fixed Line | | 81,648 | | (8,790) | 72,858 |
| Voice | | 25,178 | | (2,192) | 22,986 |
| Data | | 54,770 | | (5,912) | 48,858 |
| Home broadband | | 26,733 | | (255) | 26,478 |
| Corporate data and ICT | | 28,037 | | (5,657) | 22,380 |
| Miscellaneous | | 1,700 | | (686) | 1,014 |
| Others | | | 1,094 | (10) | 1,084 |
| Total Service Revenues | 83,001 | 81,648 | 1,094 | (11,536) | 154,207 |
| Non-Service Revenues | | | | | |
| Sale of computers, phone units and mobile handsets | 6,928 | 3,064 | 44 | (8) | 10,028 |
| Point-product sales | — | 510 | — | 7 | 517 |
| Total Non-Service Revenues | 6,928 | 3,574 | 44 | (1) | 10,545 |
| Total Revenues | 89,929 | 85,222 | 1,138 | (11,537) | 164,752 |
| | | | | | |
| For the year ended December 31, 2017 | | | | | |
| Service Revenues | | | | | |
| Wireless | 87,412 | | | (1,284) | 86,128 |
| Mobile | 84,439 | | | (1,273) | 83,166 |
| Home broadband | 2,556 | | | (9) | 2,547 |
| MVNO and others | 417 | | | (2) | 415 |
| Fixed Line | | 74,757 | | (10,946) | 63,811 |
| Voice | | 28,500 | | (3,204) | 25,296 |
| Data | | 44,294 | | (6,849) | 37,445 |
| Home broadband | | 18,054 | | (245) | 17,809 |
| Corporate data and ICT | | 26,240 | | (6,604) | 19,636 |
| Miscellaneous | | 1,963 | | (893) | 1,070 |
| Others | | | 1,256 | (30) | 1,226 |
| Total Service Revenues | 87,412 | 74,757 | 1,256 | (12,260) | 151,165 |
| Non-Service Revenues | | | | | |
| Sale of computers, phone units and mobile handsets | 5,160 | 2,724 | 23 | (18) | 7,889 |

| | | | | | |
|---|---|---|---|---|---|
| Point-product sales | — | 860 | — | 12 | 872 |
| Total Non-Service Revenues | 5,160 | 3,584 | 23 | (6 ) | 8,761 |
| Total Revenues | 92,572 | 78,341 | 1,279 | (12,266 ) | 159,926 |

The following table shows the breakdown of our consolidated revenues by business segment for the years ended December 31, 2018 and 2017:

| | 2018 | % | 2017 | % | Change Amount | % |
|---|---|---|---|---|---|---|
| | (amounts in million Php) | | | | | |
| Wireless | 89,929 | 54 | 92,572 | 58 | (2,643) | (3 ) |
| Fixed Line | 85,222 | 52 | 78,341 | 49 | 6,881 | 9 |
| Others[1] | 1,138 | 1 | 1,279 | 1 | (141 ) | (11) |
| Inter-segment transactions | (11,537 ) | (7 ) | (12,266 ) | (8 ) | 729 | 6 |
| Consolidated | 164,752 | 100 | 159,926 | 100 | 4,826 | 3 |

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

Expenses

Consolidated expenses increased by Php564 million to Php150,979 million in 2018 from Php150,415 million in 2017, primarily due to higher depreciation and amortization, selling, general and administrative expenses, asset impairment and provisions in our Fixed Line business segment, and higher cost of sales and services in our Wireless business segment, partially offset by lower depreciation and amortization, asset impairment and interconnection costs in our Wireless business segment.

The following table shows the breakdown of our consolidated expenses by business segment for the years ended December 31, 2018 and 2017:

| | 2018 | % | 2017 | % | Change Amount | % |
|---|---|---|---|---|---|---|
| | (amounts in million Php) | | | | | |
| Wireless | 82,246 | 54 | 97,651 | 65 | (15,405) | (16) |
| Fixed Line | 77,782 | 52 | 63,864 | 42 | 13,918 | 22 |
| Others | 4,093 | 3 | 2,774 | 2 | 1,319 | 48 |
| Inter-segment transactions | (13,142) | (9) | (13,874) | (9) | 732 | 5 |
| Consolidated | 150,979 | 100 | 150,415 | 100 | 564 | — |

Other Income (Expenses)

Consolidated other income increased by Php3,984 million, or 79%, to Php9,042 million in 2018 from Php5,058 million in 2017, primarily due to gain on the loss of control on VIH and realized gain on fair value of Rocket Internet investment in 2018 from our Other business segment, as well as impairment of investment in Hastings PDRs in 2017 from our Fixed Line business segment, partially offset by gain on sale of Beacon Electric Holdings, Inc., or Beacon, shares in 2017 and equity share in net losses of associates and joint ventures in 2018 from our Other business segment.

The following table shows the breakdown of our consolidated other income (expenses) by business segment for the years ended December 31, 2018 and 2017:

| | 2018 | 2017 | Change Amount | % |
|---|---|---|---|---|
| | (amounts in million Php) | | | |
| Wireless | (625) | 77 | (702) | (912) |
| Fixed Line | (45) | (3,323) | 3,278 | 99 |
| Others | 12,099 | 10,530 | 1,569 | 15 |
| Inter-segment transactions | (2,387) | (2,226) | (161) | (7) |
| Consolidated | 9,042 | 5,058 | 3,984 | 79 |

Net Income (Loss)

Consolidated net income increased by Php5,507 million, or 41%, to Php18,973 million in 2018, from Php13,466 million in 2017, primarily due to higher net income from our Wireless business segment, partly offset by lower net income from our Fixed Line and Other business segments. Our consolidated basic and diluted EPS increased to Php87.28 in 2018 from Php61.61 in 2017. Our weighted average number of outstanding common shares was approximately 216.06 million in each of 2018 and 2017.

The following table shows the breakdown of our consolidated net income by business segment for the years ended December 31, 2018 and 2017:

| | | | | | Change | |
|---|---|---|---|---|---|---|
| | 2018 | % | 2017 | % | Amount | % |
| | (amounts in million Php) | | | | | |
| Wireless | 5,725 | 30 | (2,215) | (17) | 7,940 | 358 |
| Fixed Line | 6,059 | 32 | 7,474 | 56 | (1,415) | (19) |
| Others | 7,971 | 42 | 8,825 | 66 | (854) | (10) |
| Inter-segment transactions | (782) | (4) | (618) | (5) | (164) | (27) |
| Consolidated | 18,973 | 100 | 13,466 | 100 | 5,507 | 41 |

8

EBITDA

Our consolidated EBITDA amounted to Php64,027 million in 2018, a decrease of Php2,147 million, or 3%, as compared with Php66,174 million in 2017, primarily due to lower EBITDA in our Wireless and Other business segments, partially offset by higher EBITDA in our Fixed Line business segment.

The following table shows the breakdown of our consolidated EBITDA by business segment for the years ended December 31, 2018 and 2017:

| | 2018 | % | 2017 | % | Change Amount | % |
|---|---|---|---|---|---|---|
| | (amounts in million Php) | | | | | |
| Wireless | 34,235 | 53 | 36,395 | 55 | (2,160) | (6) |
| Fixed Line | 30,875 | 48 | 29,478 | 45 | 1,397 | 5 |
| Others | (2,688) | (4) | (1,307) | (2) | (1,381) | (106) |
| Inter-segment transactions | 1,605 | 3 | 1,608 | 2 | (3) | — |
| Consolidated | 64,027 | 100 | 66,174 | 100 | (2,147) | (3) |

Core Income

Our consolidated core income amounted to Php25,855 million in 2018, a decrease of Php1,813 million, or 7%, as compared with Php27,668 million in 2017, primarily due to lower core income from our Fixed Line business segment, partially offset by higher core income from our Other business segment. Our consolidated basic and diluted core EPS decreased to Php119.39 in 2018 from Php127.79 in 2017.

The following table shows the breakdown of our consolidated core income by business segment for the years ended December 31, 2018 and 2017:

| | 2018 | % | 2017 | % | Change Amount | % |
|---|---|---|---|---|---|---|
| | (amounts in million Php) | | | | | |
| Wireless | 9,760 | 38 | 9,812 | 35 | (52) | (1) |
| Fixed Line | 6,925 | 27 | 8,846 | 32 | (1,921) | (22) |
| Others | 9,952 | 38 | 9,628 | 35 | 324 | 3 |
| Inter-segment transactions | (782) | (3) | (618) | (2) | (164) | (27) |
| Consolidated | 25,855 | 100 | 27,668 | 100 | (1,813) | (7) |

On a Business Segment Basis

Wireless

Revenues

We generated revenues of Php89,929 million from our Wireless business segment in 2018, a decrease of Php2,643 million, or 3%, from Php92,572 million in 2017.

The following table summarizes our total revenues by service from our Wireless business segment for the years ended December 31, 2018 and 2017:

| | 2018 | % | 2017 | % | Increase (Decrease) Amount | % |
|---|---|---|---|---|---|---|
| | (amounts in million Php) | | | | | |
| Service Revenues: | | | | | | |
| Mobile | 81,096 | 90 | 84,439 | 91 | (3,343) | (4) |
| Home broadband | 155 | — | 2,556 | 3 | (2,401) | (94) |
| MVNO and others[1] | 1,750 | 2 | 417 | — | 1,333 | 320 |
| Total Wireless Service Revenues | 83,001 | 92 | 87,412 | 94 | (4,411) | (5) |
| Non-Service Revenues: | | | | | | |
| Sale of mobile handsets and broadband data modems | 6,928 | 8 | 5,160 | 6 | 1,768 | 34 |
| Total Wireless Revenues | 89,929 | 100 | 92,572 | 100 | (2,643) | (3) |

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

Service Revenues

Our wireless service revenues in 2018 decreased by Php4,411 million, or 5%, to Php83,001 million as compared with Php87,412 million in 2017, mainly as a result of lower revenues from mobile, and home broadband, partially offset by higher revenues from other services. As a percentage of our total wireless revenues, service revenues accounted for 92% and 94% for the years ended December 31, 2018 and 2017, respectively.

Mobile Services

Our mobile service revenues amounted to Php81,096 million in 2018, a decrease of Php3,343 million, or 4%, from Php84,439 million in 2017. Mobile service revenues accounted for 98% and 97% of our wireless service revenues for the years ended December 31, 2018 and 2017, respectively. In the third quarter of 2018, the revenue split allocation among voice, SMS and data for our mobile bundled plans was revised to reflect the current usage behavior pattern of our subscribers based on the recent network study conducted for our Wireless business segment.

| | 2018 | % | 2017 | % | Increase (Decrease) Amount | % |
|---|---|---|---|---|---|---|
| | (amounts in million Php) | | | | | |
| Mobile Services: | | | | | | |
| Data | 38,350 | 47 | 26,281 | 31 | 12,069 | 46 |
| Voice | 28,052 | 35 | 30,724 | 36 | (2,672) | (9) |
| SMS | 13,103 | 16 | 26,045 | 31 | (12,942) | (50) |
| Inbound roaming and others[1] | 1,591 | 2 | 1,389 | 2 | 202 | 15 |
| Total | 81,096 | 100 | 84,439 | 100 | (3,343) | (4) |

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

Data Services

Mobile revenues from our data services, which include mobile internet, mobile broadband and other data services, increased by Php12,069 million, or 46%, to Php38,350 million in 2018 from Php26,281 million in 2017 due to increased mobile internet usage driven mainly by enhanced data offers with video access, supported by continuous network improvement and LTE migration, as well as the impact of the revised revenue split allocation, partially offset by lower revenues from mobile broadband and the impact of adoption of PFRS 15. Data services accounted for 47% and 31% of our mobile service revenues for the years ended December 31, 2018 and 2017, respectively.

The following table shows the breakdown of our mobile data service revenues for the years ended December 31, 2018 and 2017:

| | 2018 | % | 2017 | % | Increase (Decrease) Amount | % |
|---|---|---|---|---|---|---|

(amounts in million Php)

| | | | | | | |
|---|---|---|---|---|---|---|
| Data Services: | | | | | | |
| Mobile internet[1] | 33,207 | 87 | 20,086 | 76 | 13,121 | 65 |
| Mobile broadband | 4,589 | 12 | 6,030 | 23 | (1,441 ) | (24 ) |
| Other data[2] | 554 | 1 | 165 | 1 | 389 | 236 |
| Total | 38,350 | 100 | 26,281 | 100 | 12,069 | 46 |

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

Mobile Internet

Mobile internet service revenues increased by Php13,121 million, or 65%, to Php33,207 million in 2018 from Php20,086 million in 2017, primarily due to the following: (i) LTE migration efforts which yielded growth in LTE SIMs and smartphone ownership among our subscriber base; (ii) Youtube promo which built a video-streaming habit among users; (iii) prevalent use of mobile apps, social networking and e-commerce sites, and other over-the-top, or OTT, services; and (iv) impact of the revised revenue split allocation. Mobile internet services accounted for 41% and 24% of our mobile service revenues for the years ended December 31, 2018 and 2017, respectively.

Mobile Broadband

Mobile broadband revenues amounted to Php4,589 million in 2018, a decrease of Php1,441 million, or 24%, from Php6,030 million in 2017, primarily due to a decrease in the number of subscribers using pocket wifi as they shift to using mobile internet and fixed DSL/Fiber home broadband.  Mobile broadband services accounted for 6% and 7% of our mobile service revenues for the years ended December 31, 2018 and 2017, respectively.

Other Data

Revenues from our other data services, which include VAS, domestic leased lines and share in revenue from PLDT WeRoam, increased by Php389 million, or 236%, to Php554 million in 2018 from Php165 million in 2017.

Voice Services

Mobile revenues from our voice services, which include all voice traffic, decreased by Php2,672 million, or 9%, to Php28,052 million in 2018 from Php30,724 million in 2017, mainly on account of lower traffic due to subscribers' shift to digital lifestyle with access to alternative calling options and other OTT services, and the impact of reduction in interconnection rates for voice services, as mandated by the NTC, and adoption of PFRS 15, partly offset by the effect of the revised revenue split allocation.  Mobile voice services accounted for 35% and 36% of our mobile service revenues for the years ended December 31, 2018 and 2017, respectively.

Domestic voice service revenues decreased by Php650 million, or 3%, to Php23,486 million in 2018 from Php24,136 million in 2017, due to lower domestic inbound and outbound voice service revenues.

International voice service revenues decreased by Php2,022 million, or 31%, to Php4,566 million in 2018 from Php6,588 million in 2017, primarily due to lower international inbound and outbound voice service revenues as a result of lower international voice traffic, partially offset by the effect of higher weighted average rate of the Philippine peso relative to the U.S. dollar.

SMS Services

Mobile revenues from our SMS services, which include all SMS-related services, decreased by Php12,942 million, or 50%, to Php13,103 million in 2018 from Php26,045 million in 2017 mainly due to declining SMS volumes as a result of alternative text messaging options, such as OTT services and social media, and the impact of the revised revenue split allocation, reduction in interconnection rates for SMS services and adoption of PFRS 15.  Mobile SMS services accounted for 16% and 31% of our mobile service revenues for the years ended December 31, 2018 and 2017, respectively.

Inbound Roaming and Others

Mobile revenues from inbound roaming and other services increased by Php202 million, or 15%, to Php1,591 million in 2018 from Php1,389 million in 2017.

The following table shows the breakdown of our mobile service revenues by service type for the years ended December 31, 2018 and 2017:

| | | | Increase (Decrease) | |
|---|---|---|---|---|
| | 2018 | 2017 | Amount | % |

| | (amounts in million Php) | | | |
|---|---|---|---|---|
| Mobile service revenues | 81,096 | 84,439 | (3,343) | (4 ) |
| By service type | | | | |
| Prepaid | 59,914 | 59,862 | 52 | — |
| Postpaid | 19,591 | 23,188 | (3,597) | (16) |
| Inbound roaming and others | 1,591 | 1,389 | 202 | 15 |

Prepaid Revenues

Revenues generated from our mobile prepaid services amounted to Php59,914 million in 2018, an increase of Php52 million as compared with Php59,862 million in 2017. Mobile prepaid service revenues accounted for 74% and 71% of mobile service revenues for the years ended December 31, 2018 and 2017, respectively. The increase in revenues from our mobile prepaid services was primarily driven by a higher mobile prepaid subscriber base combined with the sustained growth in mobile internet revenues.

Postpaid Revenues

Revenues generated from mobile postpaid service amounted to Php19,591 million in 2018, a decrease of Php3,597 million, or 16%, as compared with Php23,188 million in 2017, and accounted for 24% and 27% of mobile service revenues for the years ended December 31, 2018 and 2017, respectively. The decrease in our mobile postpaid service revenues was primarily due to a lower postpaid subscriber base and the impact of adoption of PFRS 15.

Subscriber Base, ARPU and Churn Rates

The following table shows our mobile subscriber base as at December 31, 2018 and 2017:

| | 2018 | 2017 | Increase (Decrease) Amount | % |
|---|---|---|---|---|
| Mobile subscriber base | | | | |
| Smart[1] | 21,956,289 | 21,821,441 | 134,848 | 1 |
| Prepaid | 20,532,174 | 20,433,351 | 98,823 | 0 |
| Postpaid | 1,424,115 | 1,388,090 | 36,025 | 3 |
| TNT | 31,893,641 | 28,807,964 | 3,085,677 | 11 |
| Sun[1] | 6,649,087 | 7,664,503 | (1,015,416) | (13) |
| Prepaid | 5,753,163 | 6,535,331 | (782,168) | (12) |
| Postpaid | 895,924 | 1,129,172 | (233,248) | (21) |
| Total mobile subscribers | 60,499,017 | 58,293,908 | 2,205,109 | 4 |

[1] Includes mobile broadband subscribers.

Our current policy is to recognize a prepaid subscriber as active only when the subscriber activates and uses the SIM card. Beginning the second quarter of 2017, 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, revised from the previous 120 days.

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

The average monthly churn rates for Smart Prepaid subscribers were 6.5% and 6.7% in 2018 and 2017, respectively, while the average monthly churn rates for TNT subscribers were 5.8% and 6.8% in 2018 and 2017, respectively. The average monthly churn rates for Sun Prepaid subscribers were 6.1% and 7.7% in 2018 and 2017, respectively.

The average monthly churn rates for Smart Postpaid subscribers were 2.0% and 2.3% in 2018 and 2017, respectively, and 3.5% in each of 2018 and 2017, for Sun Postpaid subscribers.

The following table summarizes our average monthly ARPUs for the years ended December 31, 2018 and 2017:

| | Gross[1] | | Increase (Decrease) | | Net[2] | | Increase (Decrease) | |
|---|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | Amount | % | 2018 | 2017 | Amount | % |
| | (amounts in Php) | | | | | | | |
| Prepaid | | | | | | | | |
| Smart | 130 | 118 | 12 | 10 | 118 | 108 | 10 | 9 |
| TNT | 79 | 81 | (2) | (2) | 71 | 74 | (3) | (4) |
| Sun | 89 | 88 | 1 | 1 | 81 | 82 | (1) | (1) |
| Postpaid | | | | | | | | |
| Smart | 836 | 1,004 | (168) | (17) | 819 | 972 | (153) | (16) |
| Sun | 403 | 422 | (19) | (5) | 401 | 418 | (17) | (4) |

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

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

Home Broadband

Revenues from our Home Broadband services decreased by Php2,401 million, or 94%, to Php155 million in 2018 from Php2,556 million in 2017, mainly due to the transfer of Ultera and WiMAX businesses to PLDT.

MVNO and Others

Revenues from our MVNO and other services increased by Php1,333 million to Php1,750 million in 2018 from Php417 million in 2017, primarily due to facility service fees relating to Ultera, WiMAX and Shops.Work Unplugged, or SWUP, in 2018, partially offset by lower revenue contribution from MVNOs of PLDT Global.

Non-Service Revenues

Our wireless non-service revenues consist of sale of mobile handsets, mobile broadband data modems, tablets and accessories. Our wireless non-service revenues increased by Php1,768 million, or 34%, to Php6,928 million in 2018 from Php5,160 million in 2017, primarily due to the impact of adoption of PFRS 15.

Expenses

Expenses associated with our Wireless business segment amounted to Php82,246 million in 2018, a decrease of Php15,405 million, or 16%, from Php97,651 million in 2017. The decrease was mainly attributable to lower depreciation and amortization, asset impairment and interconnection costs, partially offset by higher cost of sales and services, and selling, general and administrative expenses. As a percentage of our total wireless revenues, expenses associated with our Wireless business segment accounted for 91% and 105% in the years ended December 31, 2018 and 2017, respectively.

The following table summarizes the breakdown of our total wireless-related expenses for the years ended December 31, 2018 and 2017 and the percentage of each expense item in relation to the total:

| | | | | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| | 2018 | % | 2017 | % | Amount | % |
| | (amounts in million Php) | | | | | |
| Selling, general and administrative expenses | 39,693 | 48 | 39,584 | 41 | 109 | — |
| Depreciation and amortization | 24,778 | 30 | 36,776 | 38 | (11,998) | (33) |
| Cost of sales and services | 9,989 | 12 | 8,814 | 9 | 1,175 | 13 |
| Interconnection costs | 4,467 | 6 | 6,373 | 6 | (1,906) | (30) |
| Provisions | 2,210 | 3 | 2,191 | 2 | 19 | 1 |
| Asset impairment | 1,109 | 1 | 3,913 | 4 | (2,804) | (72) |
| Total | 82,246 | 100 | 97,651 | 100 | (15,405) | (16) |

Selling, general and administrative expenses increased by Php109 million to Php39,693 million, primarily due to higher taxes and licenses, repairs and maintenance, and compensation and employee benefits, partly offset by lower professional and other contracted services, rent, and selling and promotions expenses.

Depreciation and amortization charges decreased by Php11,998 million, or 33%, to Php24,778 million, on account of lower depreciation due to shortened life of certain data network platform and other technology equipment resulting from the ongoing transformation projects which commenced in the previous year, to improve and simplify the network and systems applications.

Cost of sales and services increased by Php1,175 million, or 13%, to Php9,989 million, primarily due to higher issuances of mobile handsets and cost of SIM packs.

Interconnection costs decreased by Php1,906 million, or 30%, to Php4,467 million, primarily due to lower interconnection cost on domestic voice and SMS services, mainly due to the impact of reduction in interconnection rates for voice and SMS, as well as lower interconnection charges on international SMS and data roaming services.

Provisions increased by Php19 million, or 1%, to Php2,210 million, primarily due to higher provision for doubtful accounts, partly offset by lower provision for inventory obsolescence.

Asset impairment decreased by Php2,804 million, or 72%, to Php1,109 million primarily due to the impairment of certain network equipment in 2017 which were rendered obsolete due to technological advancements as a result of continuing network transformation projects.

Other Income (Expenses)

The following table summarizes the breakdown of our total wireless-related other income (expenses) for the years ended December 31, 2018 and 2017:

| | 2018 | 2017 | Change Amount | % |
|---|---|---|---|---|
| | (amounts in million Php) | | | |
| Other Income (Expenses): | | | | |
| Financing costs – net | (1,865) | (2,247) | 382 | 17 |
| Foreign exchange losses – net | (125) | (57) | (68) | (119) |
| Equity share in net earnings (losses) of associates and joint ventures | 62 | (129) | 191 | 148 |
| Gain on derivative financial instruments – net | 449 | 282 | 167 | 59 |
| Interest income | 719 | 305 | 414 | 136 |
| Other income – net | 135 | 1,923 | (1,788) | (93) |
| Total | (625) | 77 | (702) | (912) |

Our Wireless business segment's other expenses amounted to Php625 million in 2018, a change of Php702 million as against other income of Php77 million in 2017, primarily due to the net effects of the following: (i) lower other income – net by Php1,788 million mainly due to lower income from consultancy and other miscellaneous income, partly offset by lower impairment on Smart's investment in AFPI; (ii) higher net foreign exchange losses by Php68 million; (iii) higher net gains on derivative financial instruments by Php167 million; (iv) equity share in net earnings of associates of Php62 million in 2018 as against equity share in net losses of Php129 million in 2017; (v) lower net financing costs by Php382 million mainly due to higher capitalized interest, lower financing charges and lower weighted average loan principal amount, partly offset by higher weighted average interest rates; and (vi) higher interest income by Php414 million mainly due to an increase in principal amount of temporary cash investment, higher weighted average interest rates and higher weighted average rate of the Philippine peso relative to the U.S. dollar.

Provision for (Benefit from) Income Tax

Provision for income tax amounted to Php1,333 million in 2018, a change of Php4,120 million as against benefit from income tax of Php2,787 million, which includes tax impact of depreciation due to shortened life of property and equipment and noncurrent asset impairment recognized in 2017.

Net Income

As a result of the foregoing, our Wireless business segment's net income increased by Php7,940 million to Php5,725 million in 2018 as against net losses of Php2,215 million in 2017.

EBITDA

Our Wireless business segment's EBITDA decreased by Php2,160 million, or 6%, to Php34,235 million in 2018 from Php36,395 million in 2017. EBITDA margin decreased to 41% in 2018 from 42% in 2017.

Core Income

Our Wireless business segment's core income decreased by Php52 million to Php9,760 million in 2018 from Php9,812 million in 2017 on account of lower EBITDA, higher provision for income tax and lower other miscellaneous income, partially offset by lower depreciation expense and net financing costs.

Fixed Line

Revenues

Revenues generated from our Fixed Line business segment amounted to Php85,222 million in 2018, an increase of Php6,881 million, or 9%, from Php78,341 million in 2017.

The following table summarizes our total revenues by service from our Fixed Line business segment for the years ended December 31, 2018 and 2017:

| | 2018 | % | 2017 | % | Increase (Decrease) Amount | % |
|---|---|---|---|---|---|---|
| | (amounts in million Php) | | | | | |
| Service Revenues: | | | | | | |
| Voice | 25,178 | 30 | 28,500 | 36 | (3,322) | (12) |
| Data | 54,770 | 64 | 44,294 | 57 | 10,476 | 24 |
| Miscellaneous | 1,700 | 2 | 1,963 | 2 | (263) | (13) |
| | 81,648 | 96 | 74,757 | 95 | 6,891 | 9 |
| Non-Service Revenues: | | | | | | |
| Sale of computers, phone units and point-product sales | 3,574 | 4 | 3,584 | 5 | (10) | — |
| Total Fixed Line Revenues | 85,222 | 100 | 78,341 | 100 | 6,881 | 9 |

Service Revenues

Our fixed line service revenues increased by Php6,891 million, or 9%, to Php81,648 million in 2018 from Php74,757 million in 2017, due to higher revenues from our data services, partially offset by lower voice and miscellaneous service revenues. In the second quarter of 2018, the revenue split allocation between voice and data for our fixed line bundled plans was revised, in favor of data, to reflect the result of a recent network usage study from our Fixed Line business segment.

Voice Services

Revenues from our voice services decreased by Php3,322 million, or 12%, to Php25,178 million in 2018 from Php28,500 million in 2017, primarily due to lower revenues from local exchange and domestic services. The decline was partly due to the continued popularity of services such as Skype, Viber, Line, Facebook Messenger, Google Talk and WhatsApp, offering free OTT calling services, and other similar services, as well as the impact of the revised revenue split allocation. The percentage contribution of voice service revenues to our fixed line service revenues accounted for 31% and 38% for the years ended December 31, 2018 and 2017, respectively.

Data Services

The following table shows information of our data service revenues for the years ended December 31, 2018 and 2017:

| | 2018 | 2017 | Increase Amount | % |
|---|---|---|---|---|
| | (amounts in million Php) | | | |
| Data service revenues | 54,770 | 44,294 | 10,476 | 24 |
| Home broadband | 26,733 | 18,054 | 8,679 | 48 |

| | | | | |
|---|---|---|---|---|
| Corporate data and ICT | 28,037 | 26,240 | 1,797 | 7 |

Our data services posted revenues of Php54,770 million in 2018, an increase of Php10,476 million, or 24%, from Php44,294 million in 2017, primarily due to higher home broadband revenues from DSL and Fibr, higher corporate data and leased lines, and higher data center and ICT revenues.  The percentage contribution of this service segment to our fixed line service revenues accounted for 67% and 59% for the years ended December 31, 2018 and 2017, respectively.

Home Broadband

Home broadband data revenues amounted to Php26,733 million in 2018, an increase of Php8,679 million, or 48%, from Php18,054 million in 2017.  This growth is driven by increasing demand for broadband services which the company is providing through its existing copper network and a nationwide roll-out of its fiber-to-the-home, or FTTH, network, and the transfer of Ultera and Wimax businesses from SBI, as well as the impact of the revised revenue split allocation.  Home broadband revenues accounted for 49% and 41% of total data service revenues in the years ended December 31, 2018 and 2017, respectively.  In 2018, PLDT's FTTH nationwide network rollout has passed 6.3 million homes.

Corporate Data and ICT

Corporate data services amounted to Php23,991 million in 2018, an increase of Php1,102 million, or 5%, as compared with Php22,889 million in 2017, mainly due to sustained market traction of internet services, such as Dedicated Internet Access and FibrBiz, as a result of higher internet connectivity requirements, and key Multiprotocol Label Switching solutions, such as IP-VPN, Metro Ethernet and Shops.Work. Corporate data revenues accounted for 44% and 52% of total data services in the years ended December 31, 2018 and 2017, respectively.

ICT revenues increased by Php695 million, or 21%, to Php4,046 million in 2018 from Php3,351 million in 2017 mainly due to higher revenues from colocation and managed IT services. The percentage contribution of this service segment to our total data service revenues accounted for 7% in each of the years ended December 31, 2018 and 2017.

Miscellaneous Services

Miscellaneous service revenues are derived mostly from rentals and management fees. These service revenues decreased by Php263 million, or 13%, to Php1,700 million in 2018 from Php1,963 million in 2017 mainly due to lower management fees. The percentage contribution of miscellaneous service revenues to our total fixed line service revenues accounted for 2% and 3% for the years ended December 31, 2018 and 2017, respectively.

Non-service Revenues

Non-service revenues decreased by Php10 million to Php3,574 million in 2018 from Php3,584 million in 2017, primarily due to lower sale of hardware and software, and Fabtab for myDSL retention, partly offset by higher sale of computer bundles, managed ICT equipment, and Ultera devices, combined with the impact of PFRS 15 adjustment.

Expenses

Expenses related to our Fixed Line business segment totaled Php77,782 million in 2018, an increase of Php13,918 million, or 22%, as compared with Php63,864 million in 2017. The increase was primarily due to higher depreciation and amortization, selling, general and administrative expenses, provisions, asset impairment, and interconnection costs. As a percentage of our total fixed line revenues, expenses associated with our Fixed Line business segment accounted for 91% and 82% for the years ended December 31, 2018 and 2017, respectively.

The following table shows the breakdown of our total fixed line-related expenses for the years ended December 31, 2018 and 2017 and the percentage of each expense item in relation to the total:

| | 2018 | % | 2017 | % | Increase (Decrease) Amount | % |
|---|---|---|---|---|---|---|
| | (amounts in million Php) | | | | | |
| Selling, general and administrative expenses | 41,065 | 53 | 37,390 | 59 | 3,675 | 10 |
| Depreciation and amortization | 22,303 | 29 | 15,001 | 23 | 7,302 | 49 |
| Interconnection costs | 5,145 | 7 | 4,587 | 7 | 558 | 12 |
| Cost of sales and services | 4,523 | 6 | 4,788 | 8 | (265) | (6) |
| Provisions | 3,527 | 4 | 2,098 | 3 | 1,429 | 68 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Asset impairment | 1,219 | 1 | — | — | 1,219 | — |
| Total | 77,782 | 100 | 63,864 | 100 | 13,918 | 22 |

Selling, general and administrative expenses increased by Php3,675 million, or 10%, to Php41,065 million primarily due to higher professional and other contracted services, repairs and maintenance, rent, and selling and promotions expenses, partly offset by lower compensation and employee benefits, mainly as a result of lower incentive plan and MRP costs.

Depreciation and amortization charges increased by Php7,302 million, or 49%, to Php22,303 million mainly due to a higher depreciable asset base and depreciation due to shortened life of certain network equipments resulting from the modernization of facilities to adopt more effective technologies, such as VVDSL and FTTH.

Interconnection costs increased by Php558 million, or 12%, to Php5,145 million, primarily due to higher international interconnection costs, as a result of an increase in international inbound calls that terminated to other domestic carriers, partly offset by lower domestic interconnection costs.

Cost of sales and services decreased by Php265 million, or 6%, to Php4,523 million, primarily due to lower cost of hardware and software, Fabtab for myDSL retention, and TVolution units, partly offset by higher cost of services.

Provisions increased by Php1,429 million, or 68%, to Php3,527 million, primarily due to higher provision for doubtful accounts mainly due to lower collection efficiency, and higher provision for inventory obsolescence due to provision for network materials resulting from the modernization of facilities.

Asset impairment amounted to Php1,219 million in 2018 primarily due to the impairment provision for property and equipment of Digitel.

Other Income (Expenses)

The following table summarizes the breakdown of our total fixed line-related other income (expenses) for the years ended December 31, 2018 and 2017:

| | | | Change | |
|---|---|---|---|---|
| | 2018 | 2017 | Amount | % |
| | (amounts in million Php) | | | |
| Other Income (Expenses): | | | | |
| Financing costs – net | (5,195) | (5,106) | (89) | (2) |
| Foreign exchange losses | (58) | (98) | 40 | 41 |
| Equity share in net earnings of associates | 171 | 44 | 127 | 289 |
| Gains on derivative financial instruments – net | 355 | 251 | 104 | 41 |
| Interest income | 812 | 695 | 117 | 17 |
| Other income – net | 3,870 | 891 | 2,979 | 334 |
| Total | (45) | (3,323) | 3,278 | 99 |

Our Fixed Line business segment's other expenses amounted to Php45 million in 2018, a decrease of Php3,278 million, or 99%, from Php3,323 million in 2017, mainly due to the combined effects of the following: (i) higher other income – net by Php2,979 million, mainly due to the impairment of investment in Hastings PDRs in 2017 while nil in 2018, and higher other miscellaneous income; (ii) higher equity share in net earnings of associates by Php127 million; (iii) higher interest income by Php117 million; (iv) higher net gains on derivative financial instruments by Php104 million; (v) lower foreign exchange losses by Php40 million; and (vi) higher net financing costs by Php89 million.

Provision for Income Tax

Provision for income tax amounted to Php1,336 million in 2018, a decrease of Php2,344 million, or 64%, from Php3,680 million in 2017, mainly due to lower taxable income.

Net Income

As a result of the foregoing, our Fixed Line business segment's registered a net income of Php6,059 million in 2018, a decrease of Php1,415 million, or 19%, as compared with Php7,474 million in 2017.

EBITDA

Our Fixed Line business segment's EBITDA increased by Php1,397 million, or 5%, to Php30,875 million in 2018 from Php29,478 million in 2017. EBITDA margin decreased to 38% in 2018 from 39% in 2017.

Core Income

Our Fixed Line business segment's core income decreased by Php1,921 million, or 22%, to Php6,925 million in 2018 from Php8,846 million in 2017, primarily as a result of higher depreciation expense, partially offset by higher EBITDA and lower provision for income tax.

Others

Revenues

Revenues generated from our Other business segment, which include revenues from digital platforms and mobile financial services, amounted to Php1,138 million in 2018, a decrease of Php141 million, or 11%, from Php1,279 million in the same period in 2017, due mainly to the deconsolidation of VIH.

Expenses

Expenses related to our Other business segment totaled Php4,093 million in 2018, an increase of Php1,319 million, or 48%, from Php2,774 million in the same period in 2017, due to higher selling, general and administrative expenses of VIH.

Other Income (Expenses)

The following table summarizes the breakdown of other income (expenses) for Other business segment for the years ended December 31, 2018 and 2017:

| | 2018 | 2017 | Change Amount | % |
|---|---|---|---|---|
| | (amounts in million Php) | | | |
| Other Income (Expenses): | | | | |
| Interest income | 536 | 655 | (119) | (18) |
| Gain on derivative financial instruments – net | 282 | — | 282 | 100 |
| Financing costs – net | (131) | (214) | 83 | 39 |
| Equity share in net earnings (losses) of associates and joint ventures | (320) | 2,991 | (3,311) | (111) |
| Foreign exchange losses – net | (588) | (256) | (332) | (130) |
| Other income – net | 12,320 | 7,354 | 4,966 | 68 |
| Total | 12,099 | 10,530 | 1,569 | 15 |

Our Other business segment's other income amounted to Php12,099 million in 2018, an increase of Php1,569 million, or 15%, from Php10,530 million in 2017, primarily due to the combined effects of the following: (i) higher other income – net by Php4,966 million mainly due to gain on the loss of control on VIH and realized gain on fair value of Rocket Internet investment in 2018, partly offset by gain on sale of Beacon shares and gain on conversion of iflix convertible notes in 2017, and unrealized loss on fair value of iflix investment in 2018; (ii) net gains on derivative financial instruments of Php282 million in 2018; (iii) lower net financing costs by Php83 million; (iv) lower interest income by Php119 million; (v) higher net foreign exchange losses by Php332 million; and (vi) equity share in net losses of associates and joint ventures of Php320 million in 2018 as against equity share in net earnings of associates and joint ventures of Php2,991 million in 2017 mainly due to sale of Beacon shares and SPi Global in 2017.

Net Income

As a result of the foregoing, our Other business segment registered a net income of Php7,971 million in 2018, a decrease of Php854 million, or 10%, from Php8,825 million in 2017.

EBITDA

Our Other business segment's EBITDA amounted to negative Php2,688 million in 2018, an increase of Php1,381 million, or 106%, from negative Php1,307 million in 2017.

Core Income

Our Other business segment's core income amounted to Php9,952 million in 2018, an increase of Php324 million, or 3%, as compared with Php9,628 million in 2017, primarily as a result of higher miscellaneous income, partially offset by equity share in net losses of associates and joint ventures in 2018, higher negative EBITDA and higher provision for income tax.

Liquidity and Capital Resources

The following table shows our consolidated cash flows for the years ended December 31, 2018 and 2017, as well as our consolidated capitalization and other consolidated selected financial data as at December 31, 2018 and 2017:

| | Years ended December 31, 2018 | 2017 |
|---|---|---|
| | (amounts in million Php) | |
| Cash Flows | | |
| Net cash flows provided by operating activities | 61,116 | 56,114 |
| Net cash flows used in investing activities | (25,054) | (21,060) |
| Payment for purchase of property and equipment, including capitalized interest | 48,771 | 37,432 |
| Net cash flows used in financing activities | (18,144) | (40,319) |
| Net increase (decrease) in cash and cash equivalents | 18,749 | (5,817) |

| | December 31, 2018 | 2017 |
|---|---|---|
| | (amounts in million Php) | |
| Capitalization | | |
| Long-term portion of interest-bearing financial liabilities – net of current portion: | | |
| Long-term debt | 155,835 | 157,654 |
| | | |
| Current portion of interest-bearing financial liabilities: | | |
| Long-term debt maturing within one year | 20,441 | 14,957 |
| Total interest-bearing financial liabilities | 176,276 | 172,611 |
| Total equity attributable to equity holders of PLDT | 112,358 | 106,842 |
| | 288,634 | 279,453 |
| | | |
| Other Selected Financial Data | | |

| | | |
|---|---|---|
| Total assets | 482,750 | 459,444 |
| Property and equipment | 195,964 | 186,907 |
| Cash and cash equivalents | 51,654 | 32,905 |
| Short-term investments | 1,165 | 1,074 |

Our consolidated cash and cash equivalents and short-term investments totaled Php52,819 million as at December 31, 2018. Principal sources of consolidated cash and cash equivalents in 2018 were: (1) cash flows from operating activities amounting to Php61,116 million; (2) proceeds from availment of long-term debt of Php20,500 million; (3) proceeds from disposal of Rocket Internet shares of Php11,405 million and proceeds from repurchase of Matrixx's Convertible Series B Preferred Stock of Php237 million; (4) proceeds from sale of receivables from Metro Pacific Investments Corporation, or MPIC, of Php6,976 million; (5) collection of receivables from MPIC of Php4,451 million; (6) proceeds from disposal of Hastings PDRs of Php1,664 million; (7) interest received of Php1,115 million; (8) proceeds from collection of derivative financial instruments of Php886 million; and (9) proceeds from disposal of property and equipment of Php345 million. These funds were used principally for: (1) payment for purchase of property and equipment, including capitalized interest, of Php48,771 million; (2) debt principal and interest payments of Php18,740 million and Php6,614 million, respectively; (3) cash dividend payments of Php13,928 million; and (4) payment for purchase of investment in Multisys Technologies Corporation, or Multisys, of Php1,588 million and net decrease in cash resulting from deconsolidation of VIH of Php1,186 million.

Our consolidated cash and cash equivalents and short-term investments totaled Php33,979 million as at December 31, 2017. Principal sources of consolidated cash and cash equivalents in 2017 were: (1) cash flows from operating activities amounting to Php56,114 million; (2) proceeds from availment of long-term debt of Php26,255 million; (3) proceeds from disposal of investment in associates and joint ventures of Php14,884 million; (4) proceeds from issuance of perpetual notes of Php4,165 million; (5) collection of receivables from MPIC of Php2,001 million: (6) net proceeds from maturity of short-term investments of Php1,830 million; (7) interest received of Php1,217 million; (8) net proceeds from disposal of investments available-for-sale of Php924 million; (9) dividends received of Php833 million; (10) proceeds from disposal of property and equipment of Php484 million; (11) net proceeds from redemption of investment in debt securities of Php456 million; and (12) proceeds from disposal of investment properties of Php290 million. These funds were used principally for: (1) debt principal and interest payments of Php39,199 million and Php7,076 million, respectively; (2) payment for purchase of property and equipment, including capitalized interest, of Php37,432 million; (3) cash dividend payments of Php16,617 million; (4) net reduction in capital expenditures under long-term financing of Php7,735 million; (5) payment for purchase of investment in associates and joint ventures, mainly payment to VTI and Bow Arken of Php5,533 million and Php100 million additional funding to AFPI.

Operating Activities

Our consolidated net cash flows provided by operating activities increased by Php5,002 million, or 9%, to Php61,116 million in 2018 from Php56,114 million in 2017, primarily due to lower level of settlement of accounts payable and other liabilities, lower corporate taxes paid and lower prepayments, partially offset by higher advances and other noncurrent assets, lower collection of receivables and lower operating income.

Cash flows provided by operating activities of our Wireless business segment increased by Php7,559 million, or 24%, to Php39,296 million in 2018 from Php31,737 million in 2017, primarily due to higher collection of receivables, lower level of settlement of accounts payable and other liabilities, lower corporate taxes paid and lower prepayments, partially offset by higher advances and other noncurrent assets and lower operating income. Cash flows provided by operating activities of our Fixed Line business segment decreased by Php2,950 million, or 12%, to Php22,601 million in 2018 from Php25,551 million in 2017, primarily due to higher advances and other noncurrent assets, higher level of settlement of accounts payable and other liabilities, and higher corporate taxes paid, partially offset by higher operating income and higher collection of receivables. Cash flows used in operating activities of our Other business segment decreased by Php475 million, or 59%, to Php329 million in 2018 from Php804 million in 2017, mainly due to lower level of settlement of accounts payable, partly offset by lower collection of receivables and higher operating loss.

Investing Activities

Consolidated net cash flows used in investing activities amounted to Php25,054 million in 2018, an increase of Php3,994 million, or 19%, from Php21,060 million in 2017, primarily due to the combined effects of the following: (1) lower proceeds from disposal of investment in associates and joint ventures by Php14,838 million mainly due to proceeds from disposal of the remaining Beacon shares in 2017; (2) higher payment for purchase of property and equipment, including capitalized interest, by Php11,339 million; (3) higher payment for purchase of investment, mainly investment in Multisys amounting to Php1,588 million and decrease in cash resulting from deconsolidation of VIH of Php1,186 million; (4) lower net proceeds from maturity of short-term investments by Php1,720 million; (5) proceeds from redemption of Beacon's Class B Preferred Shares of Php1,000 million in 2017; (6) dividends received of Php833 million in 2017; (7) proceeds from disposal of Hastings PDRs of Php1,664 million in 2018; (8) higher collection of receivables from MPIC by Php2,450 million; (9) proceeds from sale of receivables from MPIC of Php6,976 million in 2018; (10) lower payment for purchase of investments in associates and joint ventures by Php5,522 million, mainly investment in VTI; and (11) proceeds from sale of Rocket Internet shares of Php11,405 million and proceeds from repurchase of Matrixx's Convertible Series B Preferred Stock of Php237 million in 2018.

Our consolidated payment for purchase of property and equipment, including capitalized interest, in 2018 totaled Php48,771 million, an increase of Php11,339 million as compared with Php37,432 million in 2017. Smart Group's capital spending increased by Php7,579 million, or 31%, to Php31,884 million in 2018 from Php24,305 million in 2017. Smart Group's capex spending was primarily focused on expansion of LTE (4G) coverage and capacity. PLDT's capital spending increased by Php4,118 million, or 37%, to Php15,252 million in 2018 from Php11,134 million in 2017. PLDT's capex spending was used to finance the modernization program and the continuous facility roll-out and expansion of our domestic fiber optic network, as well as expansion of our data center business. 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 Php18,144 million in 2018, a decrease of Php22,175 million, or 55%, from Php40,319 million in 2017, resulting largely from the combined effects of the following: (1) lower payments of long-term debt and interest by Php20,459 million and Php462 million, respectively; (2) net settlement of capital expenditures under long-term financing of Php7,735 million in 2017;
(3) lower cash dividend payments by Php2,689 million; (4) proceeds from issuance of perpetual notes of Php4,165 million in 2017; and (5) lower proceeds from availment of long-term debt by Php5,755 million.

Debt Financing

Proceeds from availment of long-term debt for the year ended December 31, 2018 amounted to Php20,500 million, mainly from PLDT's and Smart's drawings related to the financing of capital expenditure requirements and refinancing of maturing loan obligations. Payments of principal and interest on our total debt amounted to Php18,740 million and Php6,614 million, respectively, for the year ended December 31, 2018.

Our consolidated long-term debt increased by Php3,665 million, or 2%, to Php176,276 million as at December 31, 2018 from Php172,611 million as at December 31, 2017, primarily due to drawings from our long-term facilities and the depreciation of the Philippine peso relative to the U.S. dollar, partly offset by debt amortizations. As at December 31, 2018, the long-term debt level of Smart increased by 6% to Php65,996 million from Php62,388 as at December 31, 2017, and PLDT's long-term debt level increased to Php110,280 million from Php110,223 million as at December 31, 2017.

See Note 20 – 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 December 31, 2018 and 2017, we are in compliance with all of our debt covenants.

See Note 20 – Interest-bearing Financial Liabilities – Compliance with Debt Covenants to the accompanying unaudited consolidated financial statements for a more detailed discussion of our debt covenants.

Financing Requirements

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

21

The following table shows the dividends declared to shareholders from the earnings for the years ended December 31, 2018 and 2017:

| Earnings | Date Approved[1] | Record | Payable | Amount Per share | Total |
|---|---|---|---|---|---|
| | | | | (in million Php, except per share amount) | |
| 2018 | | | | | |
| Common | | | | | |
| Regular Dividend | August 9, 2018 | August 28, 2018 | September 11, 2018 | 36 | 7,778 |
| Preferred | | | | | |
| Series IV Cumulative Non-convertible | | | | | |
| Redeemable Preferred Stock[1] | January 22, 2018 | February 21, 2018 | March 15, 2018 | — | 12 |
| | May 10, 2018 | May 25, 2018 | June 15, 2018 | — | 12 |
| | August 9, 2018 | August 28, 2018 | September 15, 2018 | — | 13 |
| | November 8, 2018 | November 23, 2018 | December 15, 2018 | — | 12 |
| Voting Preferred Stock | March 8, 2018 | March 28, 2018 | April 15, 2018 | — | 3 |
| | June 13, 2018 | June 29, 2018 | July 15, 2018 | — | 2 |
| | September 25, 2018 | October 9, 2018 | October 15, 2018 | — | 2 |
| | December 4, 2018 | December 19, 2018 | January 15, 2019 | — | 3 |
| Charged to Retained Earnings | | | | | 7,837 |
| 2017 | | | | | |
| Common | | | | | |
| Regular Dividend | August 10, 2017 | August 25, 2017 | September 8, 2017 | 48 | 10,371 |
| | March 27, 2018 | April 13, 2018 | April 27, 2018 | 28 | 6,050 |
| Preferred | | | | | |
| Series IV Cumulative Non-convertible | | | | | |
| Redeemable Preferred Stock[1] | February 7, 2017 | February 24, 2017 | March 15, 2017 | — | 12 |
| | May 12, 2017 | May 26, 2017 | June 15, 2017 | — | 12 |
| | August 10, 2017 | August 25, 2017 | September 15, 2017 | — | 13 |
| | November 9, 2017 | November 23, 2017 | December 15, 2017 | — | 12 |
| Voting Preferred Stock | March 7, 2017 | March 30, 2017 | April 15, 2017 | — | 3 |
| | June 13, 2017 | June 27, 2017 | July 15, 2017 | — | 2 |
| | September 26, 2017 | October 10, 2017 | Octoberber 15, 2017 | — | 2 |
| | December 5, 2017 | December 20, 2017 | January 15, 2018 | — | 3 |

| | |
|---|---|
| Charged to Retained Earnings | 16,480 |

(1) Dividends were declared based on total amount paid up.
See Note 19 – Equity to the accompanying unaudited consolidated financial statements for further details.

Changes in Financial Conditions

Our total assets amounted to Php482,750 million as at December 31, 2018, an increase of Php23,306 million, or 5%, from Php459,444 million as at December 31, 2017, primarily due to higher cash and cash equivalents, property and equipment, and investment in associates and joint ventures, mainly due to investment in VIH and Multisys, partially offset by lower financial assets at fair value through profit and loss, mainly due to sale of Rocket Internet shares, and lower financial assets at fair value through other comprehensive income, mainly on account of sale of MPIC receivables. Starting 2018, available-for-sale financial investments are presented as financial assets at fair value through profit or loss according to PFRS 9.

Our total liabilities amounted to Php366,084 million as at December 31, 2018, an increase of Php17,823 million, or 5%, from Php348,261 million as at December 31, 2017 significantly due to higher accounts payable, and accrued expenses and other liabilities, combined with higher interest-bearing financial liabilities.

Off-Balance Sheet Arrangements

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

Equity Financing

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

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

Consolidated cash dividend payments for the year ended December 31, 2018 amounted to Php13,928 million as compared with Php16,617 million paid to shareholders in the same period in 2017.

Contractual Obligations and Commercial Commitments

Contractual Obligations

For a detailed discussion of our consolidated contractual undiscounted obligations as at December 31, 2018 and 2017, see Note 27 – 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 Php20 million and Php88 million as at December 31, 2018 and 2017, respectively. These commitments will expire within one year.

Quantitative and Qualitative Disclosures about Market Risks

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

For further discussions of these risks, see Note 27 – 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 December 31, 2018 and September 30, 2018 other than those whose carrying amounts are reasonable approximations of fair values:

| | Fair Values | |
|---|---|---|
| | December 31, 2018 | September 30, 2018 |
| | (amounts in million Php) | |
| Noncurrent Financial Assets | | |
| Debt instruments at amortized cost – net of current portion | 148 | 150 |
| Financial assets at fair value through other comprehensive income – net of current portion | 2,749 | 2,749 |
| Other financial assets – net of current portion | 2,020 | 2,275 |
| Total noncurrent financial assets | 4,917 | 5,174 |
| Noncurrent Financial Liabilities | | |
| Interest-bearing financial liabilities | 139,504 | 155,835 |
| Customers' deposits | 1,305 | 2,194 |
| Deferred credits and other noncurrent liabilities | 2,583 | 1,261 |
| Total noncurrent financial liabilities | 143,392 | 149,507 |

The following table sets forth the amount of gains (losses) recognized for the financial assets and liabilities for the year ended December 31, 2018 and the nine months ended September 30, 2018:

| | December 31, 2018 | September 30, 2018 |
|---|---|---|
| | (amounts in million Php) | |
| Profit and Loss | | |
| Interest income | 1,943 | 1,396 |
| Gains on derivative financial instruments – net | 1,086 | 1,053 |
| Accretion on financial liabilities | (145) | (108) |
| Interest on loans and other related items | (8,307) | (6,169) |
| Other Comprehensive Income | | |
| Net fair value losses on cash flow hedges – net of tax | (271) | (146) |
| Net gains on available-for-sale financial investments – net of tax | — | 10 |

Impact of Inflation and Changing Prices

Inflation can be a significant factor in the Philippine economy, and we are continually seeking ways to minimize its impact. The average inflation rate in the Philippines for the years ended December 31, 2018 and 2017 were 5.2% and 2.9%, respectively. We expect inflation to ease given BSP's outlook that it will be within the target range of 2% to 4% in 2019.

PART II – OTHER INFORMATION

Investment of PGIH in Multisys

On November 8, 2018, the PLDT Board of Directors approved the investment of Php2,150 million in Multisys for a 45.73% equity interest through its wholly-owned subsidiary, PGIH. Multisys is a Philippine software development and IT solutions provider engaged in designing, developing, implementing business system solutions and services covering courseware, webpage development and designing user-defined system programming. PGIH's investment involves the acquisition of new and existing shares.

On December 3, 2018, PGIH completed the closing of its investment in Multisys. PGIH paid Php523 million to the owner of Multisys for the acquisition of existing shares and invested Php800 million into Multisys as a deposit for future subscription pending the approval by the Philippine SEC of the capital increase of Multisys.

On February 1, 2019, the Philippine SEC approved the capital increase of Multisys. This resulted to an increase in the total equity ownership of PGIH in Multisys to 45.73%.

Loss of Control of PCEV over VIH

On October 4, 2018, PLDT, as the ultimate Parent Company of PCEV, VIH, Vision Investment Holdings Pte. Ltd., or Vision, an entity indirectly controlled by KKR & Co., Inc., or KKR, and Cerulean Investment Limited, or Cerulean, an entity indirectly owned and controlled by Tencent Holdings Limited, or Tencent, entered into subscription agreements under which Vision and Cerulean, or the Lead Investors, will separately subscribe to and VIH will allot and issue to the Lead Investors a total of up to US$175 million Convertible Class A Preferred Shares of VIH, with an option for VIH to allot and issue up to US$50 million Convertible Class A Preferred Shares to such follower investors as may be agreed among VIH, PLDT and the Lead Investors, or the upsize option.

On November 26, 2018, PLDT, the International Finance Corporation, or IFC, and IFC Emerging Asia Fund, or IFC EAF, a fund managed by IFC Asset Management Company, entered into subscription agreements under which IFC and IFC EAF, the follower investors, will separately subscribe to and VIH will allot and issue to the follower investors a total of up to US$40 million Convertible Class A Preferred Shares of VIH pursuant to the upsize option.

The foregoing investment in VIH is not subject to the compulsory merger notification regime under the Philippine Competition Act and its implementing rules and regulations. In addition, the Bangko Sentral ng Pilipinas confirmed that it interposes no objection to the investment.

On November 28, 2018, VIH received the US$175 million funding from KKR and Tencent. Upon closing of this investment transaction, PCEV's ownership was reduced to 53.87% and PCEV retained only two Board seats in the investee, resulting to a loss of control.

On December 10, 2018, VIH received the US$40 million funding from IFC and IFC EAF. As a result, PCEV's ownership was further reduced to 48.74%.

ePLDT's Additional Investment in ePDS

On August 7, 2018, the Board of Directors of ePLDT approved the additional investment in ePDS amounting to Php66 million, thereby increasing its equity interest in ePDS from 67% to 95%.

Sale of Rocket Internet Shares

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

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

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

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

Conversion of PLDT Online's iflix Convertible Note

On August 4, 2017, PLDT Online subscribed to a convertible note of iflix for US$1.5 million, or Php75 million, in a new funding round led by Hearst Entertainment. The convertible note was paid on August 8, 2017. The note is zero coupon, senior and unsubordinated, non-redeemable, transferable and convertible into Series B Preferred Shares subject to occurrence of a conversion event. iflix will use the funds to invest in its local content strategy and for its regional and international expansion.

On December 15, 2018, the US$1.5 million convertible note held by PLDT Online was converted into 1.0 million Series B Preferred Shares of iflix upon the occurrence of the cut-off date. After the conversion of all outstanding convertible notes, PLDT Online's equity ownership in iflix was reduced from 7.3% to 5.3%.

Investment of PLDT Capital in Phunware

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

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

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

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

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

Investment of PLDT Capital in Matrixx

On December 18, 2015, PLDT Capital entered into a Stock and Warrant Purchase Agreement with Matrixx, a Delaware corporation. Matrixx provides the IT foundation to move to an all-digital service environment with a new real-time technology platform designed to handle the surge in interactions without forcing the compromises of conventional technology. Under the terms of the agreement, PLDT Capital subscribed to convertible Series B Preferred Stock of Matrixx for a total consideration of US$5 million, or Php237 million, and was entitled to purchase additional Series B Preferred Stock upon occurrence of certain conditions on or before March 15, 2016. PLDT Capital did not exercise its right to purchase additional Series B Preferred Stock of Matrixx.

On December 20, 2018, Matrixx entered into a Repurchase Agreement with PLDT Capital to repurchase all of its capital stock held by PLDT Capital including a warrant to purchase capital stock for US$5 million. The transaction closed on the same day.

Investment of iCommerce in Philippines Internet Holding S.à.r.l., or PHIH

On January 20, 2015, PLDT and Rocket Internet entered into a joint venture agreement designed to foster the development of internet-based businesses in the Philippines. PLDT, through its subsidiary, Voyager, and Asia Internet Holding S.à r.l., or AIH, which is 50%-owned by Rocket Internet, were the initial shareholders of the joint venture company PHIH. iCommerce, former subsidiary of Voyager, replaced the latter as shareholder of PHIH on October 14, 2015 and held a 33.33% equity interest in PHIH.

The objective of PHIH was the creation and development of online businesses in the Philippines, the leveraging of local market and business model insights, the facilitation of commercial, strategic and investment partnerships, and the acceleration of the rollout of online startups in the Philippines. In accordance with the underlying agreements, iCommerce paid approximately €7.4 million to PHIH as contribution to capital. Payment of another contribution by iCommerce to the PHIH capital of approximately €2.6 million was requested in 2016 and remained outstanding.

On September 5, 2017, AIH initiated arbitral proceedings via the German Arbitration Institute (DIS) against iCommerce for not settling the €2.6 million contribution. AIH required the payment of €2.6 million plus interest and all costs of the arbitral proceedings.

On December 14, 2017, the management and operations of iCommerce was transferred from VIH to PLDT Online. As a result, VIH ceased to have any direct interest in iCommerce and any indirect interest in PHIH. See Note 2 – Summary of Significant Accounting Policies – Transfer of iCommerce to PLDT Online.

On April 19, 2018, iCommerce, together with PLDT and Voyager, executed a Settlement Agreement with AIH to terminate the arbitral proceedings and to settle disputes over rights and obligations in connection with the PHIH agreements. On the same date, iCommerce executed a Share Transfer Agreement with AIH to transfer its PHIH shares to AIH. As a result, iCommerce gave up its 33.33% equity interest for zero value and its claims over the remaining cash of PHIH. iCommerce, AIH and PHIH waived all other claims in connection with PHIH, including any claims against iCommerce.

In separate letters dated April 26, 2018, iCommerce and AIH informed the DIS that both parties have concluded an out-of-court settlement with AIH requesting for the termination of the arbitral proceedings.

On May 7, 2018, iCommerce received the order of the DIS for the termination of the arbitral proceedings and the administrative fees to be paid in relation to the arbitral proceedings. With the foregoing, iCommerce has completed the exit from the joint venture.

Consolidation of the Digital Investments of Smart under PCEV

On February 27, 2018, the Board of Directors of PCEV approved the consolidation of the various digital investments under PCEV.

On March 14, 2018, PCEV entered into a Share Purchase Agreement with Voyager to purchase 53 million ordinary shares of VIH, representing 100% of the issued and outstanding ordinary shares of VIH, for a total consideration of Php465 million. The total consideration was settled on March 15, 2018, while the transfer of shares to PCEV was completed on April 6, 2018.

On March 14, 2018, VIH entered into Share Purchase Agreement with Smart to purchase all of its 170 million common shares of Voyager for a total consideration of Php3,527 million. The total consideration was settled on April 16, 2018.

On April 12, 2018, PCEV entered into a Subscription Agreement with VIH to subscribe to additional 96 million ordinary shares of VIH with a par value of SG$1.00 per ordinary shares, for a total subscription price of SG$96 million, or Php3,806 million, which was settled on April 13, 2018.

PCEV's Sale of Receivables from MPIC

On March 2, 2018, PCEV entered into a Receivables Purchase Agreement, or RPA, with various financial institutions, or the Purchasers, to sell a portion of its receivables from MPIC due in 2019 to 2021 amounting to Php5,550 million for a total consideration of Php4,852 million, which was settled on March 5, 2018. Under the terms of the RPA, the Purchasers will have exclusive ownership of the purchased receivables and all of its rights, title, and interest.

On March 23, 2018, PCEV entered into another RPA with a financial institution to sell a portion of its receivables from MPIC due in 2019 amounting to Php2,230 million for a total consideration of Php2,124 million, which was settled on April 2, 2018.

Agreement between PLDT and Smart and Amdocs

On January 24, 2018, PLDT and Smart entered into a seven-year, US$300 million Managed Transformation Agreement with Amdocs, a leading provider of software and services to communications and media companies, to upgrade PLDT's business IT systems and improve its business processes and services, aimed at enhancing consumer satisfaction, reducing costs and generating increased revenues.

On September 28, 2018, PLDT and Amdocs expanded their strategic partnership under a new six-year service agreement to consolidate, modernize and manage PLDT and Smart's IT Infrastructure, to further enhance customer experience and engagement.

Transfer of Hastings PDRs to PLDT Beneficial Trust Fund

On January 22, 2018, ePLDT's Board of Directors approved the assignment of the Hastings PDRs, representing 70% economic interest in Hastings Holdings, Inc., to the PLDT Beneficial Trust Fund for a total consideration of Php1,664 million. The assignment was completed on February 15, 2018 and ePLDT subsequently ceased to have any economic interest in Hastings.

Divestment of CURE

On October 26, 2011, PLDT received the Order issued by the NTC approving the application jointly filed by PLDT and Digitel for the sale and transfer of approximately 51.6% of the outstanding common stock of Digitel to PLDT. The approval of the application was subject to conditions which included the divestment by PLDT of CURE, in accordance with the Divestment Plan.

In a letter dated July 26, 2012, Smart informed the NTC that it has complied with the terms and conditions of the divestment plan as CURE had rearranged its assets, such that, except for assets necessary to pay off obligations due after June 30, 2012 and certain tax assets, CURE's only remaining assets as at June 30, 2012 were its congressional franchise, the 10MHz of 3G frequency in the 2100 band and related permits.

In a letter dated September 10, 2012, Smart informed the NTC that the minimum Cost Recovery Amount, or CRA, to enable PLDT to recover its investment in CURE includes, among others, the total cost of equity investments in CURE, advances from Smart for operating requirements, advances from stockholders and associated funding costs. In a letter dated January 21, 2013, the NTC referred the computation of the CRA to the Commissioners of the NTC.

In a letter dated March 5, 2018, PLDT informed the NTC that it is waiving its right to recover any and all costs related to the 10MHz of 3G radio frequency previously assigned to CURE. Accordingly, CURE will not claim any cost associated with it in the event of subsequent assignment by the NTC to another qualified telecommunications company. With the foregoing, PLDT is deemed to have fully complied with its obligation to divest from CURE as a condition to the sale and transfer of DTPI shares to PLDT.

See Note 2 – Summary of Significant Accounting Policies – Divestment of CURE to the accompanying unaudited consolidated financial statements for further details.

For updates on matters relating to the (1) Department of Labor and Employment, or DOLE, Compliance Order to PLDT, see Note 26 – Provisions and Contingencies; (2) Petition against the Philippine Competition Commission, see Note 10 – Investment in Associates and Joint Ventures; and (3) Wilson Gamboa and Jose M. Roy III Petition, see Note 26 – Provisions and Contingencies, to the accompanying unaudited consolidated financial statements.

Related Party Transactions

For a detailed discussion of the related party transactions, see Note 24 – 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 December 31, 2018:

| Type of Accounts Receivable | Total | Current | 31-60 Days | 61-90 Days | Over 91 Days |
|---|---|---|---|---|---|
| | (amounts in million Php) | | | | |
| Retail subscribers | 19,444 | 10,404 | 992 | 318 | 7,730 |
| Corporate subscribers | 11,073 | 2,789 | 2,275 | 1,089 | 4,920 |
| Foreign administrations | 4,225 | 1,408 | 183 | 125 | 2,509 |
| Domestic carriers | 270 | 60 | 52 | 19 | 139 |
| Dealers, agents and others | 5,547 | 2,945 | 456 | 113 | 2,033 |
| Total | 40,559 | 17,606 | 3,958 | 1,664 | 17,331 |
| Less: Allowance for doubtful accounts | 16,634 | | | | |
| Total Receivables - net | 23,925 | | | | |

A-1

ANNEX II – Financial Soundness Indicators

The following table shows our financial soundness indicators as at December 31, 2018 and 2017:

| | 2018 | 2017 |
|---|---|---|
| Current Ratio[1] | 0.52:1.0 | 0.53:1.0 |
| Net Debt to Equity Ratio[2] | 1.10:1.0 | 1.30:1.0 |
| Net Debt to EBITDA Ratio[3] | 1:93:1.0 | 2.09:1.0 |
| Total Debt to EBITDA Ratio[4] | 2.75:1.0 | 2.61:1.0 |
| Asset to Equity Ratio[5] | 4.30:1.0 | 4.30:1.0 |
| Interest Coverage Ratio[6] | 4.19:1.0 | 2.93:1.0 |
| Profit Margin[7] | 12 % | 8 % |
| Return on Assets[8] | 4 % | 3 % |
| Return on Equity[9] | 17 % | 13 % |
| EBITDA Margin[10] | 42 % | 44 % |

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

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the registrant has duly caused this report for the fourth quarter of 2018 to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant: PLDT Inc.

| | |
|---|---|
| Signature and Title: | /s/ Manuel V. Pangilinan<br>Manuel V. Pangilinan<br>Chairman of the Board<br>President and Chief Executive Officer |
| Signature and Title: | /s/ Anabelle Lim-Chua<br>Anabelle Lim-Chua<br>Senior Vice President<br>(Principal Financial Officer) |
| Signature and Title: | /s/ June Cheryl A. Cabal-Revilla<br>June Cheryl A. Cabal-Revilla<br>Senior Vice President<br>(Principal Accounting Officer) |

Date: March 7, 2019

PLDT INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2018 AND 2017

AND FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

PLDT INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31, 2018 and 2017

(in million pesos)

| | 2018 (Unaudited) | 2017 (Audited) |
|---|---|---|
| ASSETS | | |
| Noncurrent Assets | | |
| Property and equipment (Notes 9 and 21) | 195,964 | 186,907 |
| Investments in associates and joint ventures (Note 10) | 55,427 | 46,130 |
| Available-for-sale financial investments (Notes 6 and 11) | — | 15,165 |
| Financial assets at fair value through profit or loss (Note 11) | 4,763 | — |
| Investment in debt securities and other long-term investments – net of current portion (Note 12) | — | 150 |
| Debt instruments at amortized cost (Note 12) | 150 | — |
| Investment properties (Notes 6 and 13) | 777 | 1,635 |
| Goodwill and intangible assets (Note 14) | 68,583 | 69,583 |
| Deferred income tax assets – net (Note 7) | 27,697 | 30,466 |
| Derivative financial assets – net of current portion (Note 27) | 140 | 215 |
| Prepayments – net of current portion (Note 18) | 6,255 | 5,370 |
| Advances and other noncurrent assets – net of current portion (Note 24) | 17,083 | 14,154 |
| Financial assets at fair value through other comprehensive income – net of current portion (Notes 6 and 24) | 2,749 | — |
| Other financial assets – net of current portion (Note 27) | 2,275 | — |
| Other non-financial assets – net of current portion | 230 | — |
| Total Noncurrent Assets | 382,093 | 369,775 |
| Current Assets | | |
| Cash and cash equivalents (Note 15) | 51,654 | 32,905 |
| Short-term investments (Note 27) | 1,165 | 1,074 |
| Trade and other receivables (Note 16) | 23,925 | 33,761 |
| Inventories and supplies (Note 17) | 2,878 | 3,933 |
| Contract assets (Notes 5 and 27) | 3,399 | — |
| Current portion of derivative financial assets (Note 27) | 183 | 171 |
| Current portion of investment in debt securities and other long-term investments (Note 12) | — | 100 |
| Current portion of prepayments (Note 18) | 7,760 | 9,633 |
| Current portion of advances and other noncurrent assets (Note 19) | 620 | 8,092 |

| | | |
|---|---|---|
| Current portion of financial assets at fair value through other comprehensive income (Notes 6 and 24) | 1,604 | — |
| Current portion of other financial assets (Notes 19 and 27) | 7,008 | — |
| Current portion of other non-financial assets | 461 | — |
| Total Current Assets | 100,657 | 89,669 |
| TOTAL ASSETS | 482,750 | 459,444 |
| | | |
| EQUITY AND LIABILITIES | | |
| Equity | | |
| Non-voting serial preferred stock (Notes 8 and 19) | 360 | 360 |
| Voting preferred stock (Note 19) | 150 | 150 |
| Common stock (Notes 8 and 19) | 1,093 | 1,093 |
| Treasury stock (Notes 8 and 19) | (6,505) | (6,505) |
| Treasury shares under employee benefit trust (Note 25) | (808) | (940) |
| Capital in excess of par value (Note 19) | 130,526 | 130,374 |
| Other equity reserves (Note 25) | 651 | 827 |
| Retained earnings (Note 19) | 12,081 | 634 |
| Other comprehensive loss (Note 6) | (25,190) | (19,151) |
| Total Equity Attributable to Equity Holders of PLDT (Note 27) | 112,358 | 106,842 |
| Noncontrolling interests (Note 6) | 4,308 | 4,341 |
| TOTAL EQUITY | 116,666 | 111,183 |

See accompanying Notes to Consolidated Financial Statements.

F-2

PLDT INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)

As at December 31, 2018 and 2017

(in million pesos)

| | 2018 (Unaudited) | 2017 (Audited) |
|---|---|---|
| Noncurrent Liabilities | | |
| Interest-bearing financial liabilities – net of current portion (Notes 20, 24 and 27) | 155,835 | 157,654 |
| Deferred income tax liabilities – net (Note 7) | 2,981 | 3,366 |
| Derivative financial liabilities – net of current portion (Note 27) | — | 8 |
| Customers’ deposits (Note 27) | 2,194 | 2,443 |
| Pension and other employee benefits (Note 25) | 7,182 | 8,997 |
| Deferred credits and other noncurrent liabilities (Note 21) | 5,226 | 7,702 |
| Total Noncurrent Liabilities | 173,418 | 180,170 |
| Current Liabilities | | |
| Accounts payable (Note 22) | 74,755 | 60,445 |
| Accrued expenses and other current liabilities (Notes 23 and 26) | 95,637 | 90,740 |
| Current portion of interest-bearing financial liabilities (Notes 20, 24 and 27) | 20,441 | 14,957 |
| Dividends payable (Note 19) | 1,533 | 1,575 |
| Current portion of derivative financial liabilities (Note 27) | 80 | 141 |
| Income tax payable | 220 | 233 |
| Total Current Liabilities | 192,666 | 168,091 |
| TOTAL LIABILITIES | 366,084 | 348,261 |
| TOTAL EQUITY AND LIABILITIES | 482,750 | 459,444 |

See accompanying Notes to Consolidated Financial Statements.

PLDT INC. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS

For the Years Ended December 31, 2018, 2017 and 2016

(in million pesos, except earnings per common share amounts which are in pesos)

| | 2018 (Unaudited) | 2017 (Audited) | 2016 |
|---|---|---|---|
| REVENUES | | | |
| Service revenues (Note 5) | 154,207 | 151,165 | 157,210 |
| Non-service revenues (Note 5) | 10,545 | 8,761 | 8,052 |
| | 164,752 | 159,926 | 165,262 |
| EXPENSES | | | |
| Selling, general and administrative expenses (Note 5) | 73,916 | 68,990 | 67,196 |
| Depreciation and amortization (Note 9) | 47,240 | 51,915 | 34,455 |
| Cost of sales and services (Note 5) | 14,427 | 13,633 | 18,293 |
| Interconnection costs | 7,331 | 7,619 | 9,573 |
| Asset impairment (Note 5) | 8,065 | 8,258 | 11,042 |
| | 150,979 | 150,415 | 140,559 |
| | 13,773 | 9,511 | 24,703 |
| | | | |
| OTHER INCOME (EXPENSES) (Note 5) | 9,042 | 5,058 | (2,632 ) |
| INCOME BEFORE INCOME TAX | 22,815 | 14,569 | 22,071 |
| | | | |
| PROVISION FOR INCOME TAX (Note 7) | 3,842 | 1,103 | 1,909 |
| NET INCOME | 18,973 | 13,466 | 20,162 |
| ATTRIBUTABLE TO: | | | |
| Equity holders of PLDT (Note 8) | 18,916 | 13,371 | 20,006 |
| Noncontrolling interests | 57 | 95 | 156 |
| | 18,973 | 13,466 | 20,162 |
| Earnings Per Share Attributable to Common Equity Holders of PLDT (Note 8) | | | |
| Basic | 87.28 | 61.61 | 92.33 |
| Diluted | 87.28 | 61.61 | 92.33 |

See accompanying Notes to Consolidated Financial Statements.

For the year-ended December 31, 2018, the total of service and non-service revenues pertains to revenue from contracts with customers.

F-4

PLDT INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2018, 2017 and 2016

(in million pesos)

| | 2018 (Unaudited) | 2017 (Audited) | 2016 |
|---|---|---|---|
| NET INCOME | 18,973 | 13,466 | 20,162 |
| OTHER COMPREHENSIVE INCOME (LOSS) – NET OF TAX (Note 6) | | | |
| Foreign currency translation differences of subsidiaries | 117 | (18) | 79 |
| Financial instrument at fair value through other comprehensive income (Note 24) | (29) | — | — |
| Net transactions on cash flow hedges: | (271) | (376) | 10 |
| Net fair value gains (losses) on cash flow hedges (Note 27) | (286) | (411) | 76 |
| Income tax related to fair value adjustments charged directly to equity (Note 7) | 15 | 35 | (66) |
| Net gains on available-for-sale financial investments: | — | 3,364 | 860 |
| Unrealized gains (losses) from changes in fair value adjustments recognized during the period (Note 11) | — | 2,826 | (4,520) |
| Impairment recognized in profit or loss (Note 11) | — | 540 | 5,381 |
| Income tax related to fair value adjustments charged directly to equity (Note 7) | — | (2) | (1) |
| Share in the other comprehensive income of associates and joint ventures accounted for using the equity method (Note 10) | — | 112 | 151 |
| Net other comprehensive income (loss) to be reclassified to profit or loss in subsequent years | (183) | 3,082 | 1,100 |
| Revaluation increment on investment properties: | (2) | 1 | 17 |
| Fair value adjustment to property and equipment transferred to investment properties during the year | — | 4 | 26 |
| Depreciation of revaluation increment in investment properties transferred to property and equipment (Note 9) | (2) | (2) | (2) |
| Income tax related to revaluation increment charged directly to equity (Note 7) | — | (1) | (7) |

| | | | |
|---|---|---|---|
| Actuarial losses on defined benefit obligations: | (1,222) | (1,091) | (3,571) |
| Remeasurement in actuarial losses on defined benefit obligations (Note 25) | (1,788) | (1,566) | (5,112) |
| Income tax related to remeasurement adjustments (Note 7) | 566 | 475 | 1,541 |
| Share in the other comprehensive income of associates and joint ventures accounted for using the equity method (Note 10) | — | 194 | — |
| Net other comprehensive loss not to be reclassified to profit or loss in subsequent years | (1,224) | (896) | (3,554) |
| Total Other Comprehensive Income (Loss) – Net of Tax | (1,407) | 2,186 | (2,454) |
| TOTAL COMPREHENSIVE INCOME | 17,566 | 15,652 | 17,708 |
| ATTRIBUTABLE TO: | | | |
| Equity holders of PLDT | 17,504 | 15,550 | 17,557 |
| Noncontrolling interests | 62 | 102 | 151 |
| | 17,566 | 15,652 | 17,708 |

See accompanying Notes to Consolidated Financial Statements.

PLDT INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2018, 2017 and 2016

(in million pesos)

| | Preferred Stock | Common Stock | Treasury Stock | Treasury Shares under Employee Benefit Trust | Capital in Excess of Par Value | Other Equity Reserves | Retained Earnings | Other Comprehensive Income (Loss) | Total Equity Attributable to Equity Holders of PLDT | Noncontrolling Interests | Total Equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Balances as at January 1, 2018 | 510 | 1,093 | (6,505) | (940) | 130,374 | 827 | 634 | (19,151) | 106,842 | 4,341 | 111,183 |
| Effect on adoption of PFRS 9 (Note 2) | — | — | — | — | — | — | 4,101 | (4,627) | (526) | — | (526) |
| Effect on adoption of PFRS 15 (Note 2) | — | — | — | — | — | — | 2,553 | — | 2,553 | — | 2,553 |
| Balances as at January 1, 2018 (as restated) | 510 | 1,093 | (6,505) | (940) | 130,374 | 827 | 7,288 | (23,778) | 108,869 | 4,341 | 113,210 |
| Total comprehensive income (loss): | — | — | — | — | — | — | 18,916 | (1,412) | 17,504 | 62 | 17,566 |
| Net income (Note 8) | — | — | — | — | — | — | 18,916 | — | 18,916 | 57 | 18,973 |
| Other comprehensive (loss) income (Note 6) | — | — | — | — | — | — | — | (1,412) | (1,412) | 5 | (1,407) |
| Cash dividends (Note 19) | — | — | — | — | — | — | (13,887) | — | (13,887) | (15) | (13,902) |
| | — | — | — | — | — | — | (236) | — | (236) | — | (236) |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Distribution charges on perpetual notes (Note 19) | | | | | | | | | | | |
| Other equity reserves (Note 3) | — | — | — | — | — | (176) | — | — | (176) | — | (176) |
| Treasury shares under employee benefit trust | — | — | — | 132 | — | — | — | — | 132 | — | 132 |
| Acquisition and dilution of noncontrolling interests | — | — | — | — | 152 | — | — | — | 152 | (80) | 72 |
| Balances as at December 31, 2018 (Unaudited) | 510 | 1,093 | (6,505) | (808) | 130,526 | 651 | 12,081 | (25,190) | 112,358 | 4,308 | 116,666 |
| | | | | | | | | | | | |
| Balances as at January 1, 2017 | 510 | 1,093 | (6,505) | — | 130,488 | — | 3,483 | (20,894) | 108,175 | 362 | 108,537 |
| Total comprehensive income: | — | — | — | — | — | — | 13,807 | 1,743 | 15,550 | 102 | 15,652 |
| Net income (Note 8) | — | — | — | — | — | — | 13,371 | — | 13,371 | 95 | 13,466 |
| Other comprehensive income (Note 6) | — | — | — | — | — | — | 436 | 1,743 | 2,179 | 7 | 2,186 |
| Cash dividends (Note 19) | — | — | — | — | — | — | (16,479) | — | (16,479) | (66) | (16,545) |
| Perpetual notes (Note 19) | — | — | — | — | — | — | — | — | — | 4,165 | 4,165 |
| Distribution charges on perpetual notes (Note 19) | — | — | — | — | — | — | (177) | — | (177) | — | (177) |
| Equity reserves | — | — | — | — | — | 827 | — | — | 827 | — | 827 |
| Treasury shares under employee | — | — | — | (940) | — | — | — | — | (940) | — | (940) |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| benefit trust | | | | | | | | | | | |
| Acquisition and dilution of noncontrolling interests | — | — | — | — | (114) | — | — | — | (114) | (222) | (336) |
| Balances as at December 31, 2017 (Audited) | 510 | 1,093 | (6,505) | (940) | 130,374 | 827 | 634 | (19,151) | 106,842 | 4,341 | 111,183 |
| | | | | | | | | | | | |
| Balances as at January 1, 2016 | 510 | 1,093 | (6,505) | — | 130,517 | — | 6,195 | (18,202) | 113,608 | 290 | 113,898 |
| Total comprehensive income: | — | — | — | — | — | — | 20,249 | (2,692) | 17,557 | 151 | 17,708 |
| Net income (Note 8) | — | — | — | — | — | — | 20,006 | — | 20,006 | 156 | 20,162 |
| Other comprehensive income (loss) (Note 6) | — | — | — | — | — | — | 243 | (2,692) | (2,449) | (5) | (2,454) |
| Cash dividends (Note 19) | — | — | — | — | — | — | (22,961) | — | (22,961) | (81) | (23,042) |
| Perpetual notes (Note 19) | — | — | — | — | — | — | — | — | — | — | — |
| Distribution charges on perpetual notes (Note 19) | — | — | — | — | — | — | — | — | — | — | — |
| Equity reserves | — | — | — | — | — | — | — | — | — | — | — |
| Acquisition and dilution of noncontrolling interests | — | — | — | — | (29) | — | — | — | (29) | 2 | (27) |
| Balances as at December 31, 2016 (Audited) | 510 | 1,093 | (6,505) | — | 130,488 | — | 3,483 | (20,894) | 108,175 | 362 | 108,537 |

See accompanying Notes to Consolidated Financial Statements.

PLDT INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2018, 2017 and 2016

(in million pesos)

| | 2018 (Unaudited) | 2017 (Audited) | 2016 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Income before income tax | 22,815 | 14,569 | 22,071 |
| Adjustments for: | | | |
| Depreciation and amortization (Note 9) | 47,240 | 51,915 | 34,455 |
| Asset impairment (Note 5) | 8,065 | 8,258 | 11,042 |
| Interest on loans and other related items – net (Note 5) | 6,783 | 7,014 | 6,956 |
| Pension benefit costs (Notes 5 and 25) | 1,855 | 1,607 | 1,775 |
| Amortization of intangible assets (Notes 5 and 14) | 892 | 835 | 929 |
| Foreign exchange losses – net (Notes 5 and 9) | 771 | 411 | 2,785 |
| Incentive plans (Notes 5 and 25) | 208 | 827 | — |
| Accretion on financial liabilities – net (Note 5) | 145 | 219 | 230 |
| Equity share in net losses (earnings) of associates and joint ventures (Notes 5 and 10) | 87 | (2,906) | (1,181) |
| Impairment of investments (Notes 10 and 11) | 60 | 2,562 | 5,515 |
| Losses (gains) on disposal of property and equipment (Note 9) | (12) | 79 | (1,360) |
| Gains on disposal of investment in associates and joint ventures (Note 10) | (144) | (6,512) | (7,365) |
| Gains on derivative financial instruments – net (Notes 5 and 27) | (1,086) | (533) | (996) |
| Interest income (Note 5) | (1,943) | (1,412) | (1,046) |
| Gains on disposal of investment property (Note 13) | — | - | — |
| Others | (13,018) | (2,443) | (400) |
| Operating income before changes in assets and liabilities | 72,718 | 74,490 | 73,410 |
| Decrease (increase) in: | | | |
| Prepayments | 969 | (212) | (5,634) |
| Advances and other noncurrent assets | (5,287) | 162 | (99) |
| Trade and other receivables | (12,061) | (10,674) | (7,060) |
| Inventories and supplies | 26 | (542) | (917) |
| Contract assets | 276 | — | — |
| Increase (decrease) in: | | | |
| Customers' deposits | (250) | 13 | 1 |
| Pension and other employee benefits | (5,733) | (5,841) | (5,863) |
| Other noncurrent liabilities | 47 | 38 | (10) |
| Accounts payable | 7,816 | 4,622 | 1,358 |
| Accrued expenses and other current liabilities | 5,039 | (1,392) | 755 |
| Net cash flows generated from operations | 63,560 | 60,664 | 55,941 |

| | | | |
|---|---|---|---|
| Income taxes paid | (2,444 ) | (4,550 ) | (6,965 ) |
| Net cash flows from operating activities | 61,116 | 56,114 | 48,976 |

See accompanying Notes to Consolidated Financial Statements.

PLDT INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

For the Years Ended December 31, 2018, 2017 and 2016

(in million pesos)

| | 2018 (Unaudited) | 2017 (Audited) | 2016 |
|---|---|---|---|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Decrease in notes receivable | 4,731 | — | — |
| Interest received | 1,115 | 1,217 | 947 |
| Proceeds from: | | | |
| Disposal of financial assets at fair value through profit or loss | 11,643 | — | — |
| Notes receivable | 6,976 | 2,001 | — |
| Proceeds from maturity of short-term investments | 6,102 | 20,254 | 1,557 |
| Disposal of investments (Note 10) | 1,664 | — | — |
| Disposal of property and equipment (Note 9) | 345 | 484 | 1,889 |
| Redemption of debt instruments at amortized cost | 105 | — | — |
| Disposal of investments in associates and joint ventures | 46 | 14,884 | 17,000 |
| Disposal of available-for-sale financial investments | — | 1,000 | 2,502 |
| Redemption of investment in debt securities | — | 456 | 609 |
| Disposal of investment properties | — | 290 | — |
| Payments for: | | | |
| Acquisition of intangible assets (Note 14) | (21) | (137) | (159) |
| Purchase of investments in associates and joint ventures (Note 10) | (111) | (5,633) | (21,524) |
| Interest capitalized to property and equipment (Notes 5 and 9) | (1,524) | (816) | (566) |
| Purchase of investments - net of cash acquired | (2,814) | (266) | (22) |
| Purchase of short-term investments | (5,992) | (18,424) | (2,734) |
| Purchase of property and equipment (Note 9) | (47,247) | (36,616) | (42,259) |
| Purchase of available-for-sale financial investments | — | (76) | (3,500) |
| Purchase of investment properties | — | — | (6) |
| Purchase of investment in debt securities | — | — | (20) |
| Dividends received (Note 10) | — | 833 | 4,409 |
| Increase in advances and other noncurrent assets | (72) | (511) | (105) |
| Net cash flows used in investing activities | (25,054) | (21,060) | (41,982) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from: | | | |
| Availments of long-term debt (Note 20) | 20,500 | 26,255 | 40,569 |
| Derivative financial instruments (Note 27) | 886 | 218 | — |
| Issuance of perpetual notes (Note 19) | — | 4,165 | — |
| Issuance of capital stock | — | — | 5 |
| Payments for: | | | |
| Debt issuance costs (Note 20) | (38) | (153) | (185) |

| | | | |
|---|---|---|---|
| Distribution charges on perpetual notes (Note 19) | (236) | (177) | — |
| Interest – net of capitalized portion (Notes 5 and 20) | (6,614) | (7,076) | (6,512) |
| Cash dividends (Note 19) | (13,928) | (16,617) | (22,987) |
| Long-term debt (Note 20) | (18,740) | (39,199) | (19,650) |
| Long-term financing for capital expenditures | — | (7,735) | (6,040) |
| Derivative financial instruments (Note 27) | — | — | (541) |
| Decrease in treasury shares under employee benefit trust | 26 | — | — |
| Net cash flows used in financing activities | (18,144) | (40,319) | (15,341) |
| NET EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | 831 | (552) | 614 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 18,749 | (5,817) | (7,733) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR (Note 15) | 32,905 | 38,722 | 46,455 |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR (Note 15) | 51,654 | 32,905 | 38,722 |

See accompanying Notes to Consolidated Financial Statements.

PLDT INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

PLDT Inc. (formerly Philippine Long Distance Telephone Company), which we refer to as PLDT or the Parent Company, was incorporated under the old Corporation Law of the Philippines (Act 1459, as amended) on November 28, 1928, following the merger of four telephone companies under common U.S. ownership. Under its amended Articles of Incorporation, PLDT's corporate term is currently limited through 2028. In 1967, effective control of PLDT was sold by the General Telephone and Electronics Corporation, then a major shareholder since PLDT's incorporation, to a group of Filipino businessmen. In 1981, in furtherance of the then existing policy of the Philippine government to integrate the Philippine telecommunications industry, PLDT purchased substantially all of the assets and liabilities of the Republic Telephone Company, which at that time was the second largest telephone company in the Philippines. In 1998, certain subsidiaries of First Pacific Company Limited, or First Pacific, and its Philippine affiliates (collectively the First Pacific Group and its Philippine affiliates), acquired a significant interest in PLDT. On March 24, 2000, NTT Communications Corporation, or NTT Communications, through its wholly-owned subsidiary NTT Communications Capital (UK) Ltd., became PLDT's strategic partner with approximately 15% economic and voting interest in the issued and outstanding common stock of PLDT at that time. Simultaneous with NTT Communications' investment in PLDT, the latter acquired 100% of Smart Communications, Inc., or Smart. On March 14, 2006, NTT DOCOMO, Inc., or NTT DOCOMO, acquired from NTT Communications approximately 7% of PLDT's then outstanding common shares held by NTT Communications with NTT Communications retaining ownership of approximately 7% of PLDT's common shares. Since March 14, 2006, NTT DOCOMO has made additional purchases of shares of PLDT, and together with NTT Communications beneficially owned approximately 20% of PLDT's outstanding common stock as at December 31, 2018. NTT Communications and NTT DOCOMO are subsidiaries of NTT Holding Company. On February 28, 2007, Metro Pacific Asset Holdings, Inc., a Philippine affiliate of First Pacific, completed the acquisition of an approximately 46% interest in Philippine Telecommunications Investment Corporation, or PTIC, a shareholder of PLDT. This investment in PTIC represented an attributable interest of approximately 6% of the then outstanding common shares of PLDT and thereby raised First Pacific Group's and its Philippine affiliates' beneficial ownership to approximately 28% of PLDT's outstanding common stock as at that date. Since then, First Pacific Group's beneficial ownership interest in PLDT decreased by approximately 2%, mainly due to the holders of Exchangeable Notes, which were issued in 2005 by a subsidiary of First Pacific and exchangeable into PLDT shares owned by First Pacific Group, who fully exchanged their notes. First Pacific Group and its Philippine affiliates had beneficial ownership of approximately 26% in PLDT's outstanding common stock as at December 31, 2018. On October 26, 2011, PLDT completed the acquisition of a controlling interest in Digital Telecommunications Phils., Inc., or Digitel, from JG Summit Holdings, Inc., or JGSHI, and its affiliates, or JG Summit Group. As payment for the assets acquired from JGSHI, PLDT issued approximately 27.7 million common shares. In November 2011, JGSHI sold 5.81 million and 4.56 million PLDT shares to a Philippine affiliate of First Pacific and NTT DOCOMO, respectively, pursuant to separate option agreements that JGSHI had entered into with a Philippine affiliate of First Pacific and NTT DOCOMO, respectively. As at December 31, 2018, the JG Summit Group beneficially owned approximately 8% of PLDT's outstanding common shares.

On October 16, 2012, BTF Holdings, Inc., or BTFHI, a wholly-owned company of the Board of Trustees for the Account of the Beneficial Trust Fund, or PLDT Beneficial Trust Fund, created pursuant to PLDT's Benefit Plan, subscribed to 150 million newly issued shares of Voting Preferred Stock of PLDT, or Voting Preferred Shares, at a subscription price of Php1.00 per share for a total subscription price of Php150 million pursuant to a subscription agreement between BTFHI and PLDT dated October 15, 2012. As a result of the issuance of Voting Preferred Shares, the voting power of the NTT Group (NTT DOCOMO and NTT Communications), First Pacific Group and its

Philippine affiliates, and JG Summit Group was reduced to 12%, 15% and 5%, respectively, as at December 31, 2018.  See Note 19 – Equity – Voting Preferred Stock and Note 26 – Provisions and Contingencies – In the Matter of the Wilson Gamboa Case and Jose M. Roy III Petition.

The common shares of PLDT are listed and traded on the Philippine Stock Exchange, Inc., or PSE. On October 19, 1994, an American Depositary Receipt, or ADR, facility was established, pursuant to which Citibank N.A., as the depositary, issued American Depositary Shares, or ADSs, with each ADS representing one PLDT common share with a par value of Php5.00 per share. Effective February 10, 2003, PLDT appointed JP Morgan Chase Bank as successor depositary for PLDT's ADR facility. The ADSs are listed on the New York Stock Exchange, or NYSE, in the United States and are traded on the NYSE under the symbol "PHI". There were approximately 25.7 million ADSs outstanding as at December 31, 2018.

PLDT and our Philippine-based fixed line and wireless subsidiaries operate under the jurisdiction of the Philippine National Telecommunications Commission, or NTC, which jurisdiction extends, among other things, to approving major services offered and certain rates charged to customers.

We are the largest and most diversified telecommunications company in the Philippines which delivers data and multi-media services nationwide. We have organized our business into business units based on our products and services and have three reportable operating segments which serve as the bases for management's decision to allocate resources and evaluate operating performance. Our principal activities are discussed in Note 4 – Operating Segment Information.

Our registered office address is Ramon Cojuangco Building, Makati Avenue, Makati City, Philippines.

Amendments to the Articles of Incorporation of PLDT

On April 12, 2016 and June 14, 2016, the Board of Directors and stockholders of PLDT, respectively, approved the following actions: (i) change in the name of the Company from Philippine Long Distance Telephone Company to PLDT Inc.; (ii) expansion of the purpose clause to expressly provide for such other purposes and powers incidental to or in furtherance of the primary purpose, including the power to do or engage in such activities required, necessary or expedient in the pursuit of lawful businesses or for the protection or benefit of the Company; and (iii) corresponding amendments to the First Article and Second Article of the Articles of Incorporation of the Company.

On July 29, 2016, the Amended Articles of Incorporation of the Company containing the aforementioned amendments was approved by the Philippine Securities and Exchange Commission, or Philippine SEC.

Amendments to the By-Laws of PLDT

On August 30, 2016, the Board of Directors, exercising its own power and the authority duly delegated to it by the stockholders of PLDT to amend the By-Laws, authorized and approved the following amendments:
(i) change in the name of the Parent Company from Philippine Long Distance Telephone Parent Company to PLDT Inc. both in the heading and Section 1, Article XV of the By-Laws; and (ii) change in the logo of the Company as stated in Section 1, Article XV of the By-Laws from desk telephone to the current triangle-shaped logo of the corporation. On November 14, 2016, the Amended By-Laws of the Parent Company containing the aforementioned amendments was approved by the Philippine SEC.

2. Summary of Significant Accounting Policies

Basis of Preparation

Our consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards, or PFRSs, as issued by the Philippine Financial Reporting Standards Council, or FRSC.

Our consolidated financial statements have been prepared under the historical cost basis, except for derivative financial assets, financial assets at fair value through profit or loss, or FVPL, financial assets at fair value through other comprehensive, or FVOCI, certain available-for-sale financial investments, certain short-term investments and investment properties that are measured at fair values.

Our consolidated financial statements are presented in Philippine peso, PLDT’s functional currency, and all values are rounded to the nearest million, except when otherwise indicated.

Basis of Consolidation

Our consolidated financial statements include the financial statements of PLDT and the following subsidiaries (collectively, the "PLDT Group") as at December 31, 2018 and 2017:

| | | | 2018 (Unaudited) | | 2017 (Audited) | |
|---|---|---|---|---|---|---|
| | | | Percentage of Ownership | | | |
| Name of Subsidiary | Place of Incorporation | Principal Business Activity | Direct | Indirect | Direct | Indirect |
| Wireless | | | | | | |
| Smart: | Philippines | Cellular mobile services | 100.0 | — | 100.0 | — |
| Smart Broadband, Inc., or SBI, and Subsidiary | Philippines | Internet broadband distribution services | — | 100.0 | — | 100.0 |
| Primeworld Digital Systems, Inc., or PDSI | Philippines | Internet broadband distribution services | — | 100.0 | — | 100.0 |
| I-Contacts Corporation | Philippines | Operations support servicing business | — | 100.0 | — | 100.0 |
| Smart Money Holdings Corporation, or SMHC[(a)] | Cayman Islands | Investment company | — | 100.0 | — | 100.0 |
| Far East Capital Limited, or FECL, and Subsidiary, or FECL Group[(a)] | Cayman Islands | Cost effective offshore financing and risk management activities for Smart | — | 100.0 | — | 100.0 |
| PH Communications Holdings Corporation, or PHC | Philippines | Investment company | — | 100.0 | — | 100.0 |
| Connectivity Unlimited Resource Enterprise, or CURE | Philippines | Cellular mobile services | — | 100.0 | — | 100.0 |
| Francom Holdings, Inc., or FHI: | Philippines | Investment company | — | 100.0 | — | 100.0 |
| Chikka Holdings Limited, or Chikka, and Subsidiaries, or Chikka Group[(a)] | British Virgin Islands | Content provider, mobile applications development and services | — | 100.0 | — | 100.0 |
| Wifun, Inc., or Wifun | Philippines | Software developer and selling | — | 100.0 | — | 100.0 |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | of WiFi access equipment | | | | |
| Telesat, Inc.[a] | Philippines | Satellite communications services | 100.0 | — | 100.0 | — |
| ACeS Philippines Cellular Satellite Corporation, or ACeS Philippines | Philippines | Satellite information and messaging services | 88.5 | 11.5 | 88.5 | 11.5 |
| Digitel Mobile Philippines, Inc., or DMPI, (a wholly-owned subsidiary of Digitel) | Philippines | Cellular mobile services | — | 99.6 | — | 99.6 |
| Fixed Line | | | | | | |
| PLDT Clark Telecom, Inc., or ClarkTel | Philippines | Telecommunications services | 100.0 | — | 100.0 | — |
| PLDT Subic Telecom, Inc., or SubicTel | Philippines | Telecommunications services | 100.0 | — | 100.0 | — |
| PLDT Global Corporation, or PLDT Global, and Subsidiaries | British Virgin Islands | Telecommunications services | 100.0 | — | 100.0 | — |
| Smart-NTT Multimedia, Inc.[a] | Philippines | Data and network services | 100.0 | — | 100.0 | — |
| PLDT-Philcom, Inc., or Philcom, and Subsidiaries, or Philcom Group | Philippines | Telecommunications services | 100.0 | — | 100.0 | — |
| Talas Data Intelligence, Inc., or Talas | Philippines | Business infrastructure and solutions; intelligent data processing and implementation services and data analytics insight generation | 100.0 | — | 100.0 | — |
| ePLDT, Inc., or ePLDT: | Philippines | Information and communications infrastructure for internet-based services, e-commerce, customer relationship management and IT related services | 100.0 | — | 100.0 | — |
| IP Converge Data Services, | Philippines | Information and | — | 100.0 | — | 100.0 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Inc., or IPCDSI, and Subsidiary, or IPCDSI Group | | communications infrastructure for internet-based services, e-commerce, customer relationship management and IT related services | | | | |
| Curo Teknika, Inc., or Curo | Philippines | Managed IT outsourcing | — | 100.0 | — | 100.0 |
| ABM Global Solutions, Inc., or AGS, and Subsidiaries, or AGS Group | Philippines | Internet-based purchasing, IT consulting and professional services | — | 100.0 | — | 100.0 |
| ePDS, Inc., or ePDS | Philippines | Bills printing and other related value-added services, or VAS | — | 95.0 | — | 67.0 |
| netGames, Inc.[(b)] | Philippines | Gaming support services | — | 57.5 | — | 57.5 |
| Digitel: | Philippines | Telecommunications services | 99.6 | — | 99.6 | — |
| Digitel Information Technology Services, Inc.[(a)] | Philippines | Internet services | — | 99.6 | — | 99.6 |
| PLDT-Maratel, Inc., or Maratel | Philippines | Telecommunications services | 98.0 | — | 98.0 | — |
| Bonifacio Communications Corporation, or BCC | Philippines | Telecommunications, infrastructure and related VAS | 75.0 | — | 75.0 | — |
| Pacific Global One Aviation Company, Inc., or PG1 | Philippines | Air transportation business | 65.0 | — | 65.0 | — |
| Pilipinas Global Network Limited, or PGNL, and Subsidiaries | British Virgin Islands | Internal distributor of Filipino channels and content | 64.6 | — | 64.6 | — |
| Others | | | | | | |
| PLDT Global Investments Holdings, Inc., or PGIH | Philippines | Investment company | 100.0 | — | 100.0 | — |
| PLDT Digital Investments Pte. Ltd., | Singapore | Investment company | 100.0 | — | 100.0 | — |

| |
|---|
| or PLDT Digital, and Subsidiaries |
| F-11 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Mabuhay Investments Corporation, or MIC[a] | Philippines | Investment company | 67.0 | — | 67.0 | — |
| PLDT Global Investments Corporation, or PGIC | British Virgin Islands | Investment company | — | 100.0 | — | 100.0 |
| PLDT Communications and Energy Ventures, Inc., or PCEV | Philippines | Investment company | — | 99.9 | — | 99.9 |
| Voyager Innovations Holdings, Pte. Ltd. or VIH, (formerly eInnovations Holdings Pte. Ltd.)[c]: | Singapore | Investment company | — | — | — | 100.0 |
| Voyager Innovations Investments Pte. Ltd., or VII, (formerly Takatack Holdings Pte. Ltd.)[d] | Singapore | Investment company | — | — | — | 100.0 |
| Voyager Innovations Singapore Pte. Ltd., or VIS, (formerly Takatack Technologies Pte. Ltd.)[e] | Singapore | Development and maintenance of IT-based solutions for communications and e-Commerce platforms | — | — | — | 100.0 |
| Takatack Malaysia Sdn. Bhd., or Takatack Malaysia | Malaysia | Development, maintenance and support services to enable the digital commerce ecosystem | — | — | — | 100.0 |
| Voyager Innovations, Inc., or Voyager | Philippines | Mobile applications and digital platform developer | — | — | — | 100.0 |
| Voyager Innovations Pte. Ltd., or VIP, (formerly ePay Investments Pte. Ltd.)[f] | Singapore | Investment company | — | — | — | 100.0 |
| PayMaya Philippines, Inc. or PayMaya | Philippines | Provide and market certain mobile payment | — | — | — | 100.0 |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | services | | | | |
| PayMaya Operations Philippines, Inc., or PayMaya Ops | Philippines | Market, sell and distribute payment solutions and other related services | — | — | — | 100.0 |
| ePay Investments Myanmar, Ltd., or ePay Myanmar[(g)] | Myanmar | Investment company | — | — | — | 100.0 |
| 3rd Brand Pte. Ltd., or 3rd Brand[(h)] | Singapore | Solutions and systems integration services | — | — | — | 85.0 |
| Voyager Fintech Ventures Pte. Ltd., or Fintech Ventures | Singapore | Investment company | — | — | — | 100.0 |
| Fintqnologies Corporation, or FINTQ | Philippines | Development of financial technology innovations | — | — | — | 100.0 |
| Fintq Inventures Insurance Agency Corporation | Philippines | Insurance company | — | — | — | 100.0 |

(a) Ceased commercial operations.
(b) Ceased commercial operations and under liquidation due to shortened corporate life to August 31, 2015.
(c) On July 11, 2017, the Accounting and Corporate Regulatory Authority, or ACRA, of Singapore approved the change in business name of eInnovations Holdings Pte. Ltd. to Voyager Innovations Holdings Pte. Ltd. On April 16, 2018, the ACRA of Singapore approved the transfer of VIH to PCEV. On November 28, 2018, upon closing of the subscription agreements of PLDT, Tencent Holdings Limited, or Tencent, and KKR & Co., Inc., or KKR, PCEV's ownership in VIH was reduced to 53.87% and with only two board seats in the investee, the transaction resulted to a loss of control. On December 10, 2018, PCEV's ownership in VIH was further reduced to 48.74% upon receipt of the investments from International Finance Corp., or IFC, and IFC Emerging Asia Fund, or IFC EAF. PCEV accounts for its remaining interest in VIH as investment in associate starting December 2018.
(d) On December 29, 2017, the ACRA of Singapore approved the change in business name of Takatack Holdings Pte. Ltd. to Voyager Innovations Investments Pte. Ltd.
(e) On March 6, 2018, the ACRA of Singapore approved the change in business name of Takatack Technologies Pte. Ltd. to Voyager Innovations Singapore Pte. Ltd.
(f) On January 25, 2018, the ACRA of Singapore approved the change in business name of ePay Investments Pte. Ltd. to Voyager Innovations Pte. Ltd.
(g) On July 25, 2017, ePay Investments Myanmar, Ltd. was incorporated in Myanmar to engage in the business of providing support services on the development and provision of digital technology.
(h) On January 15, 2018, VIH purchased from Phonix Investment Management Ltd. (formerly Kolipri Communications Ltd.) its 15% minority interest of 3rd Brand for a consideration of SG$1.00.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which PLDT obtains control, and continue to be consolidated until the date that such control ceases. We control an investee when we are exposed, or have rights, to variable returns from our involvement with the investee and when we have the ability to affect those returns through our power over the investee.

The financial statements of our subsidiaries are prepared for the same reporting period as PLDT. We prepare our consolidated financial statements using uniform accounting policies for like transactions and other events with similar circumstances.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Noncontrolling interests share in losses even if the losses exceed the noncontrolling equity interest in the subsidiary.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction and impact is presented as part of other equity reserves.

If PLDT loses control over a subsidiary, it: (a) derecognizes the assets (including goodwill) and liabilities of the subsidiary; (b) derecognizes the carrying amount of any noncontrolling interest; (c) derecognizes the cumulative translation differences recorded in equity; (d) recognizes the fair value of the consideration received; (e) recognizes the fair value of any investment retained; (f) recognizes any surplus or deficit in profit or loss; and (g) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

Divestment of CURE

On October 26, 2011, PLDT received the Order issued by the NTC approving the application jointly filed by PLDT and Digitel for the sale and transfer of approximately 51.6% of the outstanding common stock of Digitel to PLDT. The approval of the application was subject to conditions which included the divestment by PLDT of CURE, in accordance with the Divestment Plan, as follows:

- CURE is obligated to sell its Red Mobile business to Smart consisting primarily of its subscriber base, brand and fixed assets; and
- Smart is obligated to sell all of its rights and interests in CURE whose remaining assets will consist of its congressional franchise, 10 Megahertz, or MHz, of 3G frequency in the 2100 band and related permits.

In compliance with the commitments in the divestment plan, CURE completed the sale and transfer of its Red Mobile business to Smart on June 30, 2012 for a total consideration of Php18 million through a series of transactions, which included: (a) the sale of CURE's Red Mobile trademark to Smart; (b) the transfer of CURE's existing Red Mobile subscriber base to Smart; and (c) the sale of CURE's fixed assets to Smart at net book value.

In a letter dated July 26, 2012, Smart informed the NTC that it has complied with the terms and conditions of the divestment plan as CURE had rearranged its assets, such that, except for assets necessary to pay off obligations due after June 30, 2012 and certain tax assets, CURE's only remaining assets as at June 30, 2012 were its congressional franchise, the 10 MHz of 3G frequency in the 2100 band and related permits.

In a letter dated September 10, 2012, Smart informed the NTC that the minimum Cost Recovery Amount, or CRA, to enable PLDT to recover its investment in CURE includes, among others, the total cost of equity investments in CURE, advances from Smart for operating requirements, advances from stockholders and associated funding costs. In a letter dated January 21, 2013, the NTC referred the computation of the CRA to the Commissioners of the NTC.

In a letter dated March 5, 2018, PLDT informed the NTC that it is waiving its right to recover any and all cost related to the 10MHz of 3G radio frequency previously assigned to CURE. Accordingly, CURE will not claim any cost associated with it in the event of subsequent assignment by the NTC to another qualified telecommunication company. With the foregoing, PLDT is deemed to have fully complied with its obligation to divest from CURE as a condition to the sale and transfer of Digitel shares to PLDT.

In 2018, Smart recognized full impairment of its receivable from CURE, due to uncertainty of collectability, and its investments in PHC and FHI, which holds the 97% and 3% interest in CURE, respectively. These transactions were eliminated in our consolidated financial statements.

Incorporation of Talas

On June 9, 2015, the PLDT's Board of Directors approved the incorporation of Talas, a wholly-owned subsidiary of PLDT. Total subscription in Talas amounted to Php250 million, of which Php62.5 million was paid on May 25, 2015, for purposes of incorporation, and the balance of Php187.5 million was paid on May 16, 2016. PLDT provided Talas an additional equity investment of Php120 million, Php150 million and Php115 million on January 31, 2017, February

28, 2017 and March 31, 2017, respectively, as approved by PLDT's Board of Directors in June 2016.

Talas is tasked with unifying the digital data assets of the PLDT Group which involves the implementation of the Intelligent Data Fabric, exploration of revenue opportunities and the delivery of the big data capability platform.

Agreement between PLDT Capital and Gohopscotch, Inc., or Hopscotch

On April 15, 2016, PLDT Capital and Hopscotch entered into an agreement to market and exclusively distribute Hopscotch's mobile solutions in Southeast Asia through Gohopscotch Southeast Asia Pte. Ltd., a Singapore company incorporated on March 1, 2016, of which PLDT Capital and Hopscotch own 90% and 10% of the equity interests, respectively. The Hopscotch mobile-platform technology allows for the rapid development of custom mobile applications for sports teams, live events, and brands to create a memorable and monetizable fan experience and also increase mobile advertising revenue.

Transfer of DMPI's Sun Postpaid Cellular and Broadband Subscription Assets to Smart

On August 1, 2016, the Board of Directors of Smart and DMPI approved the sale/transfer of DMPI's trademark and subscribers (both individual and corporate) including all of DMPI's assets, rights and obligations directly or indirectly connected to its postpaid cellular and broadband subscribers. The transfer is in accordance with the integration of the wireless business to simplify business operations, as well as to provide flexibility in offering new bundled/converged products and enhanced customer experience. The transfer was completed on November 1, 2016, after which only its prepaid cellular business remains with DMPI.

Extension of Smart's Congressional Franchise

On March 27, 1992, Philippine Congress granted a legislative franchise to Smart under Republic Act, or R.A., No. 7294 to establish, install, maintain, lease and operate integrated telecommunications, computer, electronic services, and stations throughout the Philippines for public domestic and international telecommunications, and for other purposes. R.A. No. 7294 took effect on April 15, 1992, or 15 days from the date of its publication in at least two newspapers of general circulation in the Philippines.

On April 21, 2017, R.A. No. 10926, which effectively extends Smart's franchise until 2042, was signed into law by the President of the Republic of the Philippines. The law was published in a newspaper of general circulation on May 4, 2017 and took effect on May 19, 2017.

Decrease in Authorized Capital Stock and Amendment of the Articles of Incorporation of MIC

On May 30, 2017, the Board of Directors of MIC approved the (a) reduction of MIC's authorized capital stock from Php2,028 million divided into 20 million shares to Php1,602 million by decreasing the par value per share from Php100.00 to Php79.00, or the Decrease in Capital, and (b) the corresponding amendment to the Seventh Article of the Articles of Incorporation of MIC, or the Amendment of Articles. On the same date, the Decrease in Capital and Amendment of Articles were approved by the stockholders representing at least two thirds of the outstanding shares of MIC. The application for approval of the Decrease in Capital and Amendment of Articles was filed with the Philippine Securities and Exchange Commission, or Philippine SEC, on July 11, 2017 and was approved on December 18, 2017.

Transfer of SBI's Home Broadband Subscription Assets to PLDT

On September 26, 2017, the Board of Directors of PLDT and SBI, a subsidiary providing wireless broadband services, approved the sale and transfer of SBI's trademark and subscribers, and all of SBI's assets, rights and obligations directly or indirectly connected to its HOME Ultera and HOMEBRO Wimax businesses to PLDT. The transfer was effective January 1, 2018. Subscription assets and trademark are amortized over two years and 10 years, respectively, using the straight-line method of accounting.

SBI's businesses are currently being managed by PLDT pursuant to the Operations Maintenance and Management Agreement between PLDT and SBI effective October 1, 2012. Subsequent to the transfer, SBI will continue to provide broadband services to its existing Canopy subscribers using a portion of Smart's network. The transfer is in accordance with the said agreement and in order to achieve the expected benefits, as follows:

- Seamless upgrades of PLDT products;
- Flexibility for business in cross-selling of PLDT products; and
- Enhanced customer experience.

On December 18, 2017, PLDT settled the partial consideration to SBI amounting to Php1,294 million. The remaining balance of Php1,152 million was fully paid on July 31, 2018.

This transaction was eliminated in our consolidated financial statements.

Transfer of iCommerce Pte. Ltd., or iCommerce, to PLDT Online

On December 14, 2017, VIH and PLDT Online entered into a Sale and Purchase Agreement, or SPA, whereby VIH sold all of its 10 thousand ordinary shares in iCommerce to PLDT Online for a total purchase price of SG$1.00. On the same date, VIH assigned its loans receivables from iCommerce to PLDT Online amounting to US$8.6 million. In consideration, a total of US$8.9 million, inclusive of interest, was fully paid by PLDT Online to VIH in February 2018. See Note 10 – Investments in Associates and Joint Ventures – Investments in Joint Ventures – iCommerce's Investment in PHIH.

Issuance of Perpetual Notes

In 2017, Smart issued various perpetual notes, including Php1,100 million perpetual notes to Rizal Commercial Banking Corporation, or RCBC, Trustee of PLDT's Redemption Trust Fund. See Note 19 – Equity – Perpetual Notes. This transaction was eliminated in our consolidated financial statements.

Agreement between PLDT, Smart and Amdocs Philippines, Inc., or Amdocs

On January 24, 2018, PLDT and Smart entered into a seven-year, US$300 million Managed Transformation Agreement with Amdocs, a leading provider of software and services to communications and media companies, to upgrade PLDT's business IT systems and improve its business processes and services, aimed at enhancing consumer satisfaction, reducing costs and generating increased revenues.

On September 28, 2018, PLDT and Amdocs expanded their strategic partnership under a new six-year service agreement to consolidate, modernize and manage PLDT and Smart's IT Infrastructure, to further enhance customer experience and engagement.

Consolidation of the Digital Investments of Smart under PCEV

On February 27, 2018, the Board of Directors of PCEV approved the consolidation of the various Digital Investments under PCEV, which was carried out through the following transactions:

(i) PCEV entered into a Share Purchase Agreement with Voyager to purchase 53 million ordinary shares of VIH, representing 100% of the issued and outstanding ordinary shares of VIH, for a total consideration of Php465 million. The total consideration was settled on March 15, 2018, while the transfer of shares to PCEV was completed on April 6, 2018;
(ii) VIH entered into a Share Purchase Agreement with Smart to purchase all of its 170 million common shares of Voyager for a total consideration of Php3,527 million. The total consideration was settled on April 16, 2018; and
(iii) PCEV entered into a Subscription Agreement with VIH to subscribe to additional 96 million ordinary shares of VIH, with a par value of SG$1.00 per ordinary share, for a total subscription price of SG$96 million, or Php3,806 million, which was settled on April 13, 2018.

ePLDT's Additional Investment in ePDS

On March 5, 2018 and August 7, 2018, the Board of Directors of ePLDT approved the additional investment in ePDS amounting to Php134 million and Php66 million, respectively, thereby increasing its equity interest in ePDS from

67% to 95%.

Loss of Control of PCEV over VIH

On October 4, 2018, PLDT, as the ultimate Parent Company of PCEV, VIH, Vision Investment Holdings Pte. Ltd., or Vision, an entity indirectly controlled by KKR and Cerulean Investment Limited, or Cerulean, an entity indirectly owned and controlled by Tencent, entered into subscription agreements under which Vision and Cerulean, or the Lead Investors, will separately subscribe to and VIH will allot and issue to the Lead Investors a total of up to US$175 million Convertible Class A Preferred Shares of VIH, with an option for VIH to allot and issue up to US$50 million Convertible Class A Preferred Shares to such follower investors as may be agreed among VIH, PLDT and the Lead Investors, or the upsize option.

On November 26, 2018, PLDT, IFC and IFC EAF, a fund managed by IFC Asset Management Company, entered into subscription agreements under which IFC and IFC EAF, the follower investors, will separately subscribe to and VIH will allot and issue to the follower investors a total of up to US$40 million Convertible Class A Preferred Shares of VIH pursuant to the upsize option.

The foregoing investment in VIH is not subject to the compulsory merger notification regime under the Philippine Competition Act and its implementing Rules and Regulations. In addition, the Bangko Sentral ng Pilipinas confirmed that it interposes no objection to the investment.

On November 28, 2018, VIH received the US$175 million funding from KRR and Tencent. Upon closing of this investment transaction, PCEV's ownership was reduced to 53.87% and PCEV retained only two Board seats in the investee, resulting to a loss of control.

In November 2018, upon the loss of control, VIH was deconsolidated and the fair market value of the investment amounting to Php10,748 million was recorded as an investment in associate. On December 10, 2018, VIH received the US$40 million funding from IFC and IFC EAF. As a result, PCEV's ownership was further reduced to 48.74%. The carrying value of PCEV's investment in VIH amounted to Php10,487 million as at December 31, 2018. See Note 10 – Investments in Associates and Joint Ventures – Investment in PCEV in VIH.

New and Amended Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year, except that the PLDT Group has adopted the following new standards and amendments starting January 1, 2018. Except for the adoption of PFRS 9, Financial Instruments, and PFRS 15, Revenue from Contract with Customers, the adoption of these new standards and amendments did not have any significant impact on PLDT Group's financial position or performance.

- Amendments to PFRS 4, Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4
- Amendments to Philippine Accounting Standards, or PAS, 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)
- Amendments to PAS 40, Investment Property, Transfers of Investment Property
- Philippine Interpretation to International Financial Reporting Interpretations Committee, or IFRIC, 22, Foreign Currency Transactions and Advance Consideration
- PFRS 1, First-time Adoption of Philippine Financial Reporting Standards (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)
- PFRS 9, Financial Instruments (2014)

We have adopted PFRS 9 with a date of initial application of January 1, 2018. PFRS 9 replaces PAS 39, Financial Instruments: Recognition and Measurement and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting.

We chose not to restate comparative figures as permitted by the transitional provisions of PFRS 9, thereby resulting in the following impact:

- Comparative information for prior periods was not restated. The classification and measurement requirements previously applied in accordance with PAS 39 and disclosures required in PFRS 7 were retained for the comparative periods. Accordingly, the information presented for 2017 does not reflect the requirements of PFRS 9.

- We disclosed the accounting policies for both the current period and the comparative periods, one applying PFRS 9 beginning January 1, 2018 and one applying PAS 39 as at December 31, 2017.

- The difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application was recognized in the opening retained earnings or other component of equity, as appropriate.

- As comparative information was not restated, we are not required to provide a third statement of financial information at the beginning of the earliest comparative period in accordance with PAS 1, Presentation of Financial Statements.

As at January 1, 2018, we have reviewed and assessed all of its existing financial assets. The following reconciles the carrying amounts of financial assets from their previous measurement category in accordance with PAS 39 to their new measurement categories upon transition to PFRS 9 on January 1, 2018.

| | Note | PAS 39 Measurement Category | Amount | Reclassification | PFRS 9 Measurement Amount | Category |
|---|---|---|---|---|---|---|
| | | | (in million pesos) | | | |
| Financial Assets | | | | | | |
| Cash and cash equivalents | 15 | Loans and receivables | 32,905 | — | 32,905 | Amortized Cost |
| Short-term investments | 27 | Loans and receivables | 1,074 | — | 1,074 | Amortized Cost |
| Trade and other receivables | 16 | Loans and receivables | 33,761 | — | 33,761 | Amortized Cost |
| Current portion of investment in debt securities and other long-term investments | 12 | Loans and receivables | 100 | — | 100 | Amortized Cost |
| Current portion of advances and other noncurrent assets[3] | 19 | Loans and receivables | 6,824 | (6,812) | 12 | Amortized Cost |
| Less: To Financial instruments at FVPL | | | | (6,812) | — | |
| Advances and other noncurrent assets – net of current portion[3] | 24 | Loans and receivables | 13,855 | (11,461) | 2,394 | Amortized Cost |
| Less: To Financial instruments at FVOCI | | | — | (11,461) | — | |
| Investment in debt securities and other long-term investments – net of current portion[2] | 12 | | N/A | 150 | 150 | Amortized Cost |
| Add: From HTM investments | 12 | | — | 150 | — | |
| | | Loans and receivables | 88,519 | (18,123) | 70,396 | Amortized Cost |
| Investment in debt securities and other long-term investments – net of current portion[2] | 12 | Held-to-maturity | 150 | (150) | — | |
| Less: To Financial instruments at amortized | 12 | | — | (150) | — | |

| | | | | | | |
|---|---|---|---|---|---|---|
| cost | | | | | | |
| | | Held-to-maturity | 150 | (150) | — | |
| | | | | | | |
| Current portion of derivative financial assets[(1)] | 27 | Derivatives used for hedging | 171 | (171) | — | |
| Derivative financial assets – net of current portion[(1)] | 27 | Derivatives used for hedging | 215 | (215) | — | |
| Current portion of derivative financial liabilities[(1)] | 27 | Derivatives used for hedging | (51) | 51 | — | |
| Derivative financial liabilities – net of current portion[(1)] | 27 | Derivatives used for hedging | (8) | 8 | — | |
| Less: To financial assets at FVOCI | 6 and 24 | | — | (327) | — | |
| | | Derivatives used for hedging | 327 | (327) | — | |
| Available-for-sale financial investments[(4)] | 11 | Available-for-sale financial investments | 15,165 | (15,165) | — | |
| Less: To financial assets at FVPL | 11 | | — | (15,165) | — | |
| | 11 | Available-for-sale financial investments | 15,165 | (15,165) | — | |
| | | | | | | |
| Advances and other noncurrent assets – net of current portion[(3)] | 24 | | N/A | 11,461 | 11,461 | FVOCI |
| Add: From Loans and receivables | 24 | | — | 11,461 | — | |
| | | | — | 11,461 | 11,461 | FVOCI |
| | | | | | | |
| Current portion of derivative financial assets[(1)] | 12 | | N/A | 171 | 171 | FVPL |
| Derivative financial assets – net of current portion[(1)] | 12 | | N/A | 215 | 215 | FVPL |
| Current portion of derivative financial liabilities[(1)] | 12 | | N/A | (51) | (51) | FVPL |

| | | | | | |
|---|---|---|---|---|---|
| Derivative financial liabilities – net of current portion[1] | 12 | N/A | (8) | (8) | FVPL |
| Current portion of advances and other noncurrent assets[3] | 19 | N/A | 6,812 | 6,812 | FVPL |
| Available-for-sale financial investments[4] | 11 | N/A | 15,165 | 15,165 | FVPL |
| Add: From Loans and receivables | 19 | — | 6,812 | — | |
| From Available-for-sale financial investments | 11 | — | 15,165 | — | |
| From Derivatives used for hedging | | — | 327 | — | |
| | | — | 22,304 | 22,304 | FVPL |

[1] As at January 1, 2018, our analysis highlighted that certain complex structured products with separated embedded derivatives, based on the assessment of the combined instrument, did not meet the SPPI criterion. Therefore, we reclassified these loans along with the embedded derivatives - previously separated under PAS 39 – as financial assets at FVPL.

[2] As at January 1, 2018, we do not have any debt instruments that did not meet the SPPI criterion within the held-to-maturity, or HTM, portfolio. Therefore, we elected to classify these instruments as debt instruments measured at amortized cost.

F-18

[3] We have elected the option to irrevocably designate some of the previous equity instruments as equity instruments at FVOCI.

[4] As at January 1, 2018, we have classified our AFS asset-backed securities as financial assets measured at FVPL as the payments did not meet the SPPI criterion. We have not elected the option to irrevocably designate previous available-for-sale equity instruments as equity instruments at FVOCI.

Classification and measurement

Except for certain trade receivables, under PFRS 9, we initially measure a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition or issue of the financial asset.

Under PFRS 9, debt financial instruments are subsequently measured at FVPL, amortized cost, or FVOCI with recycling of gains or losses to profit or loss upon derecognition. The classification is based on two criteria: (1) whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding, or the SPPI criterion; and (2) our business model for managing the financial assets portfolio.

A debt instrument is measured at amortized cost if it meets both criteria, which business model's objective is to hold assets to collect contractual cash flows, and is not designated as at FVPL. This category includes cash and cash equivalents, short-term investments, trade and other receivables, contract assets, debt instruments at amortized cost and other financial assets – net of current portion.

A debt instrument is measured at FVOCI if it meets both criteria which business model's objective is achieved by both collecting contractual cash flows and selling financial assets, and is not designated as at FVPL.

On initial recognition of equity instruments that are not held for trading, we may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVPL. Financial assets at FVPL include all derivative instruments, equity instruments that are held for trading and equity instruments that are not held for trading which we have not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category also include debt instruments whose cash flow characteristic meet the SPPI criterion, but business model is neither hold assets to collect contractual cash flows nor collecting contractual cash flows and selling financial assets.

Quoted and unquoted equity securities that were previously classified as AFS financial assets under PAS 39 were reclassified as financial assets at FVPL upon adoption of PFRS 9. Upon transition, the AFS reserve relating to these equity securities, which had been previously accumulated under other comprehensive income, was reclassified to retained earnings.

The assessment of our business models was made as at the date of initial application, January 1, 2018, and applied modified retrospectively to those financial assets that were not derecognized before January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely payments of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The effect of adopting PFRS 9 as at January 1, 2018 was, as follows:

(in
million

| | pesos) |
|---|---|
| Assets | |
| Financial assets at FVOCI | (136 ) |
| Total assets | (136 ) |
| | |
| Total adjustment on equity: | |
| Retained earnings | 4,491 |
| Other comprehensive income | (4,627 ) |
| | (136 ) |

F-19

Impairment

PFRS 9 requires recording of expected credit losses, or ECL, for all debt securities not classified as at FVPL, together with contract assets, lease receivables, loan commitments and financial guarantee contracts. ECL represents credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. In comparison, the incurred loss model under PAS 39 recognizes lifetime credit losses only when there is objective evidence of impairment. The ECL model eliminates the loss event required under the incurred loss model, and lifetime ECL is recognized earlier under PFRS 9.

The objective of the new impairment model is to record lifetime losses on all financial assets which have experienced a significant increase in credit risk from initial recognition. As a result, ECL allowances will be measured at amounts equal to either: (i) 12-month ECL; or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk since initial recognition (General Approach). The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial instrument. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on our internal credit assessment, the counterparty is determined to require close monitoring or with well-defined credit weakness.

Financial assets have the following staging assessments, depending on the quality of the credit exposures:

For non-credit-impaired financial assets:

- Stage 1 financial assets are comprised of all non-impaired financial instruments which have not experienced a significant increase in credit risk since initial recognition. We recognize a 12-month ECL for Stage 1 financial assets.
- Stage 2 financial assets are comprised of all non-impaired financial assets which have experienced a significant increase in credit risk since initial recognition. We recognize a lifetime ECL for Stage 2 financial assets.

For credit-impaired financial assets:

- Financial assets are classified as Stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or a portfolio of loans. The ECL model requires that lifetime ECL be recognized for impaired financial assets.

PFRS 9 provides some operational simplifications for trade receivables, lease receivables and contract assets by introducing an alternative simplified approach. Under the simplified approach, there is no more requirement to determine at reporting date whether a credit exposure has significantly increased in credit risk or not. Credit exposures under the simplified approach will be subject only to lifetime ECL. In addition, PFRS 9 allows the use of a provision matrix approach or a loss rate approach as a practical expedient when measuring ECL, so long as these methodologies reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date, about past events, current conditions and forecasts of future economic conditions.

The risk of a default occurring represents the likelihood that a credit exposure will not be repaid and will go into default in either a 12-month ECL for Stage 1 assets or lifetime ECL for Stages 2 and 3 assets. The risk of a default occurring for each individual instrument is modelled based on historical data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions. We segmented the credit exposures based on homogenous risk characteristics and applied a specific ECL methodology for each portfolio. The methodology for each relevant portfolio is determined based on the underlying nature or characteristic of the portfolio, payment patterns and materiality of the segment as compared to the total portfolio.

The magnitude of default represents the amount that may not be recovered in the event of default and is determined based on the historical cash flow recoveries and reasonable and supportable information about future economic conditions, where appropriate.

We applied the simplified approach and record lifetime ECL on all trade receivables and contract assets. For other debt financial assets measured at amortized cost, the general approach was applied, measuring either a 12-month or lifetime ECL, depending on the extent of the deterioration of the credit quality from origination.

The table below presents a reconciliation of the prior period's closing impairment allowance measured in accordance with PAS 39 and the provisions in accordance with PAS 37 to the opening impairment allowance determined in accordance with PFRS 9 as at January 1, 2018.

| Measurement category | Impairment allowance under PAS 39 | Retained earnings, beginning Remeasurement | Impairment allowance under PFRS 9 |
|---|---|---|---|
| | (in million pesos) | | |
| Loans and receivables (PAS 39)/ Financial assets at amortized cost (PFRS 9) | | | |
| Trade and other receivables | 14,501 | 372 | 14,873 |
| Current portion of other financial assets | — | 18 | 18 |
| | 14,501 | 390 | 14,891 |

Under PFRS 9, the level of provision for credit and impairment losses has generally increased due to the incorporation of a more forward-looking approach in determining provisions. Further, since the implementation of PFRS 9, all financial assets except those measured at FVPL and equity instruments FVOCI are assessed for at least 12-month ECL and the population of financial assets to which the lifetime ECL applies is larger than the population for which there is objective evidence of impairment in accordance with PAS 39.

Hedge accounting

The new hedge accounting model under PFRS 9 aims to simplify hedge accounting, align the accounting for hedge relationships more closely with an entity's risk management activities and permit hedge accounting to be applied more broadly to a greater variety of hedging instruments and risks eligible for hedge accounting.

We determined that all existing hedge relationships that are currently designated in effective hedging relationships will continue to qualify for hedge accounting under PFRS 9. We have chosen not to retrospectively apply PFRS 9 on transition to the hedges where we excluded the forward points from the hedge designation under PAS 39. As PFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of PFRS 9 did not have a significant impact on the consolidated financial statements.

•PFRS 15

PFRS 15 supersedes PAS 11, Construction Contracts, PAS 18, Revenue, and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. PFRS 15 establishes a five-step model that will apply to revenue arising from contracts with customers. The five-step model is as follows:

1. Identify the contract(s) with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with the customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the PLDT Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the we have received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

We adopted PFRS 15 using the modified retrospective method of adoption with the date of initial application of January 1, 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. We elected to apply the standard to all contracts that are not completed as at the date of initial application, that is, January 1, 2018.

The cumulative effect of initially applying PFRS 15 is recognized at the date of initial application as an adjustment to the opening balance of retained earnings. Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under PAS 18, PAS 11 and related interpretations. The following table summarized the impact, net of tax, of transition to PFRS 15 on retained earnings at January 1, 2018.

The effect of adopting PFRS 15 as at January 1, 2018 was as follows:

| | Reference | Increase (Decrease) (in millions) |
|---|---|---|
| Assets | | |
| Trade and other receivables | B and C | (37) |
| Contract assets | B and C | 3,880 |
| Deferred income tax assets | B and C | (918) |
| Total assets | | 2,925 |
| | | |
| Liabilities | | |
| Accrued expenses and other current liabilities | | 49 |
| Contract liabilities | B and C | 130 |
| Deferred income tax liabilities | B and C | 193 |
| Total liabilities | | 372 |
| Net impact on equity | | |
| Retained earnings | B and C | 2,553 |

Set out below, are the amounts by which each financial statement line item is affected as at and for the year ended December 31, 2018 as a result of the adoption of PFRS 15. The adoption of PFRS 15 did not have a material impact on other comprehensive income or on our operating, investing and financing cash flows. The first column shows amounts prepared under PFRS 15 and the second column shows what the amounts would have been had PFRS 15 not been adopted.

Consolidated statement of profit or loss for the year ended December 31, 2018

| | Reference | PFRS 15 | Previous PFRS | Increase (Decrease) |
|---|---|---|---|---|
| | | (in millions) | | |
| Revenue from contracts with customers | | | | |
| Sale of goods | A, B and C | 10,545 | 7,602 | 2,943 |
| Rendering of services | A and C | 154,207 | 157,845 | (3,638) |
| Revenue | | 164,752 | 165,447 | (695) |
| Interest income | C | 1,943 | 1,486 | 457 |
| Impairment loss on contract asset | B and C | (206) | — | (206) |
| Provision for income tax | B and C | (3,842) | (3,976) | 134 |
| Net impact on profit for the year | | (2,105) | (2,490) | 385 |
| | | | | |
| Attributable to: | | | | |
| Equity holders of parent | B and C | (2,162) | (2,547) | 385 |
| Noncontrolling interests | | 57 | 57 | — |

Consolidated statement of financial position for the year ended December 31, 2018

| | Reference | PFRS 15 | Previous PFRS | Increase (Decrease) |
|---|---|---|---|---|
| | | (in millions) | | |
| Assets | | | | |
| Noncurrent Assets | | | | |
| Investments and advances | | 56,354 | 56,354 | — |
| Property and equipment | | 195,964 | 195,964 | — |
| Goodwill and intangible assets | | 68,583 | 68,583 | — |
| Derivative financial assets - net of current portion | | 140 | 140 | — |
| Financial assets as FVPL | | 4,763 | 4,763 | — |
| Deferred income tax assets - net | | 27,697 | 27,697 | — |
| Advances and other noncurrent assets - net of current portion | | 28,592 | 28,592 | — |
| Total Noncurrent Assets | | 382,093 | 382,093 | — |
| | | | | |
| Current Assets | | | | |
| Cash and cash equivalents | | 52,819 | 52,819 | — |
| Trade and other receivables | B and C | 23,925 | 23,958 | (33) |
| Inventories and supplies | | 2,878 | 2,878 | — |
| Contract assets | B and C | 3,399 | — | 3,399 |
| Current portion of derivative financial assets | | 183 | 183 | — |
| Current portion of advances and other noncurrent assets | B and C | 17,453 | 18,286 | (833) |
| Total Current Assets | | 100,657 | 98,124 | 2,533 |
| TOTAL ASSETS | | 482,750 | 480,217 | 2,533 |
| | | | | |
| Liabilities and Equity | | | | |
| Equity | | | | |
| Equity attributable to equity holders of PLDT | B and C | 112,594 | 110,351 | 2,243 |
| Non-controlling interests | | 4,072 | 4,072 | — |
| Total Equity | | | | |