

SEC Number  
File Number

PW-55

---

**PLDT Inc.**

---

(Company's Full Name)

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

---

(Company's Address)

**(632) 816-8556**

---

(Telephone Number)

**Not Applicable**

---

(Fiscal Year Ending)  
(month & day)

**SEC Form 17-Q**

---

Form Type

**Not Applicable**

---

Amendment Designation (if applicable)

**June 30, 2018**

---

Period Ended Date

**Not Applicable**

---

(Secondary License Type and File Number)



August 9, 2018

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

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

Gentlemen:

In accordance with Section 17.1(b) of the Securities Regulation Code and SRC Rule 17.1.1.1.2, we submit herewith two (2) copies of SEC Form 17-Q with Management's Discussion and Analysis and accompanying unaudited consolidated financial statements for the six (6) months ended June 30, 2018.

Very truly yours,

  
**MA. LOURDES C. RAUSA-CHAN**  
Corporate Secretary 

# COVER SHEET

SEC Registration Number									
P	W	-	5	5					

## Company Name

P	L	D	T	.															

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

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

Form Type

1	7	-	Q
---	---	---	---

Department requiring the report

M	S	R	D
---	---	---	---

Secondary License Type, If Applicable

--	--	--	--

### COMPANY INFORMATION

Company's Email Address

<b>jacabal@pldt.com.ph</b>
----------------------------

Company's Telephone Number/s

<b>(02) 816-8534</b>
----------------------

Mobile Number

--

No. of Stockholders

<b>11,679</b>
<b>as at June 30, 2018</b>

Annual Meeting  
Month/Day

<b>Every 2<sup>nd</sup> Tuesday in June</b>
---

Fiscal Year  
Month/Day

<b>December 31</b>
--------------------

### CONTACT PERSON INFORMATION

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

Name of Contact Person

<b>June Cheryl A. Cabal-Revilla</b>
-------------------------------------

Email Address

<b>jacabal@pldt.com.ph</b>
----------------------------

Telephone Number/s

<b>(02) 816-8534</b>
----------------------

Mobile Number

--

Contact Person's Address

<b>11/F Ramon Cojuangco Bldg. Makati Ave., Makati City</b>
--

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17

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

1. For the quarterly period ended **June 30, 2018**
2. SEC Identification Number **PW-55**
3. BIR Tax Identification No. **000-488-793**
4. **PLDT Inc.**  
Exact name of registrant as specified in its charter
5. **Republic of the Philippines**  
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code: (SEC Use Only)
7. **Ramon Cojuangco Building, Makati Avenue, Makati** **0721**  
**City** Postal Code  
Address of registrant's principal office
8. **(632) 816-8556**  
Registrant's telephone number, including area code
9. **Not Applicable**  
Former name, former address, and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 of the SRC  
Title of Each Class Number of Shares of Common Stock Outstanding  
**Common Capital Stock, Php5 par value 216,055,775 shares as at June 30, 2018**
11. Are any or all of these securities listed on the Philippine Stock Exchange?  
Yes [  ] No [  ]
12. Check whether the registrant
  - (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period the registrant was required to file such reports):  
Yes [  ] No [  ]
  - (b) has been subject to such filing requirements for the past 90 days.  
Yes [  ] No [  ]

## TABLE OF CONTENTS

PART I –	<u>FINANCIAL INFORMATION</u> .....	1
Item 1.	<u>Consolidated Financial Statements</u> .....	1
Item 2.	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations ..</u>	1
	<u>Financial Highlights and Key Performance Indicators</u> .....	2
	<u>Performance Indicators</u> .....	3
	<u>Overview</u> .....	4
	<u>Management’s Financial Review</u> .....	4
	<u>Results of Operations</u> .....	5
	<u>Wireless</u> .....	9
	<u>Revenues</u> .....	9
	<u>Service Revenues</u> .....	10
	<u>Non-Service Revenues</u> .....	13
	<u>Expenses</u> .....	13
	<u>Other Income (Expenses)</u> .....	14
	<u>Provision for Income Tax</u> .....	14
	<u>Net Income (Loss)</u> .....	14
	<u>EBITDA</u> .....	14
	<u>Core Income</u> .....	14
	<u>Fixed Line</u> .....	14
	<u>Revenues</u> .....	14
	<u>Service Revenues</u> .....	15
	<u>Non-Service Revenues</u> .....	16
	<u>Expenses</u> .....	16
	<u>Other Income (Expenses)</u> .....	17
	<u>Provision for Income Tax</u> .....	17
	<u>Net Income</u> .....	17
	<u>EBITDA</u> .....	17
	<u>Core Income</u> .....	17
	<u>Others</u> .....	18
	<u>Expenses</u> .....	18
	<u>Other Income (Expenses)</u> .....	18
	<u>Net Income</u> .....	18
	<u>Core Income</u> .....	18
	<u>Liquidity and Capital Resources</u> .....	19
	<u>Operating Activities</u> .....	20
	<u>Investing Activities</u> .....	20
	<u>Financing Activities</u> .....	20
	<u>Changes in Financial Conditions</u> .....	22
	<u>Off-Balance Sheet Arrangements</u> .....	22
	<u>Equity Financing</u> .....	23
	<u>Contractual Obligations and Commercial Commitments</u> .....	23
	<u>Quantitative and Qualitative Disclosures about Market Risks</u> .....	23
	<u>Impact of Inflation and Changing Prices</u> .....	24
PART II –	<u>OTHER INFORMATION</u> .....	25
	<u>Related Party Transactions</u> .....	27
ANNEX –	<u>Aging of Accounts Receivable</u> .....	A-1
	<u>Financial Soundness Indicators</u> .....	A-2
	<u>SIGNATURES</u> .....	S-1



---

## PART I – FINANCIAL INFORMATION

### Item 1. Consolidated Financial Statements

*Our consolidated financial statements as at June 30, 2018 (unaudited) and December 31, 2017 (audited) and for the six months ended June 30, 2018 and 2017 (unaudited) and related notes (pages F-1 to F-152) are filed as part of this report on Form 17-Q.*

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

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

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

*The financial information appearing in this report and in the accompanying unaudited consolidated financial statements is stated in Philippine pesos. Unless otherwise indicated, translations of Philippine peso amounts into U.S. dollars in this report and in the accompanying unaudited consolidated financial statements were made based on the exchange rate of Php53.40 to US\$1.00, the exchange rate as at June 30, 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 words.*

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



## Financial Highlights and Key Performance Indicators

	Six months ended June 30,		Increase	
	2018	2017	Amount	%
<b>(amounts in million Php, except for EBITDA margin, earnings per common share)</b>				
<b>Consolidated Income Statement</b>				
Revenues	82,239	79,015	3,224	4
Expenses	67,371	62,746	4,625	7
Other income	694	4,468	(3,774)	(84)
Income before income tax	15,562	20,737	(5,175)	(25)
Net income	11,805	16,561	(4,756)	(29)
Core income	13,136	17,427	(4,291)	(25)
EBITDA	33,185	32,010	1,175	4
EBITDA margin <sup>(1)</sup>	43%	42%	—	—
Reported earnings per common share:				
Basic	54.31	76.32	(22.01)	(29)
Diluted	54.31	76.32	(22.01)	(29)
Core earnings per common share <sup>(2)</sup> :				
Basic	60.66	80.53	(19.87)	(25)
Diluted	60.66	80.53	(19.87)	(25)

	June 30,	December 31,	Increase (Decrease)	
	2018	2017	Amount	%
<b>(amounts in million Php, except for net debt to equity ratio)</b>				
<b>Consolidated Statements of Financial Position</b>				
Total assets	473,075	459,444	13,631	3
Property and equipment	190,726	186,907	3,819	2
Cash and cash equivalents and short-term investments	56,690	33,979	22,711	67
Total equity attributable to equity holders of PLDT	113,185	106,842	6,343	6
Long-term debt, including current portion	183,810	172,611	11,199	6
Net debt <sup>(3)</sup> to equity ratio	1.12x	1.30x	—	—

	Six months ended June 30,		Increase (Decrease)	
	2018	2017	Amount	%
<b>(amounts in million Php, except for operational data)</b>				
<b>Consolidated Statements of Cash Flows</b>				
Net cash provided by operating activities	40,882	19,536	21,346	109
Net cash used in investing activities	(11,258)	(2,361)	(8,897)	(377)
<i>Payment for purchase of property and equipment, including capitalized interest</i>	32,009	5,727	26,282	459
Net cash used in financing activities	(11,566)	(22,592)	11,026	49
<b>Operational Data</b>				
Number of mobile subscribers	58,510,872	58,703,732	(192,860)	—
<i>Prepaid<sup>(4)</sup></i>	56,081,230	56,083,707	(2,477)	—
<i>Postpaid</i>	2,429,642	2,620,025	(190,383)	(7)
Number of broadband subscribers	2,038,333	1,833,101	205,232	11
<i>Fixed Line broadband</i>	1,829,096	1,575,914	253,182	16
<i>Fixed Wireless broadband</i>	209,237	257,187	(47,950)	(19)
Number of fixed line subscribers	2,756,865	2,546,992	209,873	8
Number of employees:	17,642	17,897	(255)	(1)
<i>Fixed Line</i>	10,967	10,893	74	1
<i>LEC</i>	6,844	7,284	(440)	(6)
<i>Others</i>	4,123	3,609	514	14
<i>Wireless</i>	6,675	7,004	(329)	(5)

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

<sup>(2)</sup> 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.

<sup>(3)</sup> Net debt is derived by deducting cash and cash equivalents and short-term investments from total debt (long-term debt, including current portion).

<sup>(4)</sup> 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
June 30, 2018	53.40	51.94
December 31, 2017	49.96	50.41
June 30, 2017	50.45	49.94
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 period is measured as net income excluding depreciation and amortization, amortization of intangible assets, asset impairment on noncurrent assets, financing costs – net, interest income, equity share in net earnings (losses) of associates and joint ventures, foreign exchange gains (losses) – net, gains (losses) on derivative financial instruments – net, provision for (benefit from) income tax and other income – net. EBITDA is monitored by management for each business unit separately for purposes of making decisions about resource allocation and performance assessment. EBITDA is presented also as a supplemental disclosure because our management believes that it is widely used by investors in their analysis of the performance of PLDT and to assist them in their comparison of PLDT’s performance with that of other companies in the technology, media and telecommunications sector. We also present EBITDA because it is used by some investors as a way to measure a company’s ability to incur and service debt, make capital expenditures and meet working capital requirements. Companies in the technology, media and telecommunications sector have historically reported EBITDA as a supplement to financial measures in accordance with PFRS. EBITDA should not be considered as an alternative to net income as an indicator of our performance, as an alternative to cash flows from operating activities, as a measure of liquidity or as an alternative to any other measure determined in accordance with PFRS. Unlike net income, EBITDA does not include depreciation and amortization, and financing costs and, therefore, does not reflect current or future capital expenditures or the cost of capital. We compensate for these limitations by using EBITDA as only one of several comparative tools, together with PFRS-based measurements, to assist in the evaluation of operating performance. Such PFRS-based measurements include income before income tax, net income, cash flows from operations and cash flow data. We have significant uses of cash flows, including capital expenditures, interest payments, debt principal repayments, taxes and other non-recurring charges, which are not reflected in EBITDA. Our calculation of EBITDA may be different from the calculation methods used by other companies and, therefore, comparability may be limited.

### *Core Income*

Core income for the period is measured as net income attributable to equity holders of PLDT (net income less net income attributable to noncontrolling interests), excluding foreign exchange gains (losses) – net, gains (losses) on derivative financial instruments – net (excluding hedge costs), asset impairment on noncurrent assets, other non-recurring gains (losses), net of tax effect of aforementioned adjustments, as applicable, and similar adjustments to equity share in net earnings (losses) of associates and joint ventures. The core income results are monitored by management for each business unit separately for purposes of making decisions about resource allocation and performance assessment. Also, core income is used by management as a basis of determining the level of dividend payouts to shareholders and basis of granting incentives to employees. Core income should not be considered as an alternative to income before income tax or net income determined in accordance with PFRS as an indicator of our performance. Unlike income before income tax, 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 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, Inc., or Voyager, 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., Mabuhay Investments Corporation, PLDT Global Investments Corporation, or PGIC, PLDT Digital Investments Pte. Ltd., or PLDT Digital, and its subsidiaries, our investment companies.

As at June 30, 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 EBITDA and our consolidated core income to our consolidated net income for the six months ended June 30, 2018 and 2017 are set forth below.

The following table shows the reconciliation of our consolidated EBITDA to our consolidated net income for the six months ended June 30, 2018 and 2017:

	2018	2017
	(amounts in million Php)	
Consolidated EBITDA	33,185	32,010
Add (deduct) adjustments:		
Depreciation and amortization	(17,889)	(15,329)
Provision for income tax	(3,757)	(4,176)
Financing costs – net	(3,477)	(3,799)
Foreign exchange losses – net	(906)	(479)
Amortization of intangible assets	(428)	(412)
Impairment of investments	(60)	(778)
Equity share in net earnings of associates and joint ventures	176	1,149
Interest income	916	611
Gains on derivative financial instruments – net	1,011	358
Other income – net	3,034	7,406
Total adjustments	(21,380)	(15,449)
Consolidated net income	11,805	16,561



The following table shows the reconciliation of our consolidated core income to our consolidated net income for the six months ended June 30, 2018 and 2017:

	2018	2017
	(amounts in million Php)	
Consolidated core income	13,136	17,427
Add (deduct) adjustments:		
Gain on investment valuation	1,459	—
Gains on derivative financial instruments – net, excluding hedge costs	1,039	498
Net income attributable to noncontrolling interests	43	43
Core income adjustment on equity share in net losses of associates and joint ventures	(31)	(67)
Impairment of investments	(60)	(778)
Investment written-off	(362)	—
Foreign exchange losses – net	(906)	(479)
Depreciation due to shortened life of property and equipment	(3,565)	—
Net tax effect of aforementioned adjustments	1,052	(83)
Total adjustments	(1,331)	(866)
Consolidated net income	11,805	16,561

## Results of Operations

The table below 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 six months ended June 30, 2018 and 2017. In each of the six months ended June 30, 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.

In 2017, we changed the presentation of our expenses by combining certain line items to simplify our reporting while maintaining the same level of information.

	Wireless	Fixed Line	Others	Inter-segment Transactions	Consolidated
	(amounts in million Php, except for EBITDA margin)				
<b>For the six months ended June 30, 2018</b>					
Revenues	45,547	41,652	300	(5,260)	82,239
Expenses	39,894	32,467	1,064	(6,054)	67,371
Other income (expenses)	(507)	(234)	2,598	(1,163)	694
Income (loss) before income tax	5,146	8,951	1,834	(369)	15,562
Provision for income tax	1,129	2,451	177	—	3,757
Net income (loss)/Segment profit (loss)	4,017	6,500	1,657	(369)	11,805
EBITDA	16,964	16,127	(700)	794	33,185
EBITDA margin <sup>(1)</sup>	41%	41%	-251%	—	43%
Core income	6,407	6,275	823	(369)	13,136
<b>For the six months ended June 30, 2017</b>					
Revenues	46,665	38,658	6	(6,314)	79,015
Expenses	39,040	30,798	19	(7,111)	62,746
Other income (expenses)	(1,130)	(554)	7,188	(1,036)	4,468
Income (loss) before income tax	6,495	7,306	7,175	(239)	20,737
Provision for income tax	2,189	1,934	53	—	4,176
Net income (loss)/Segment profit (loss)	4,306	5,372	7,122	(239)	16,561
EBITDA	17,062	14,164	(13)	797	32,010
EBITDA margin <sup>(1)</sup>	38%	38%	-217%	—	42%
Core income	4,775	5,050	7,841	(239)	17,427
<b>Increase (Decrease)</b>					
Revenues	(1,118)	2,994	294	1,054	3,224
Expenses	854	1,669	1,045	1,057	4,625
Other income (expenses)	623	320	(4,590)	(127)	(3,774)
Income (loss) before income tax	(1,349)	1,645	(5,341)	(130)	(5,175)
Provision for income tax	(1,060)	517	124	—	(419)
Net income (loss)/Segment profit (loss)	(289)	1,128	(5,465)	(130)	(4,756)
EBITDA	(98)	1,963	(687)	(3)	1,175
Core income	1,632	1,225	(7,018)	(130)	(4,291)

<sup>(1)</sup> 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 approach. i.e. contracts that are not completed by January 1, 2018 are accounted as if they were recognized in accordance with the new standard from the very beginning. The cumulative effect arising from the transition was recognized as an adjustment to the opening balance of the equity.

The following is the impact of PFRS 15 adoption in our profit and loss for the six months ended June 30, 2018:

	PAS 18	PFRS 15 Impact		PFRS 15
		Wireless	Fixed Line	
		(amounts in million Php)		
Service revenues	78,115	(1,749)	(5)	76,361
Non-service revenues	4,257	1,412	209	5,878
Other income – interest income	779	137	—	916
Income before tax	15,563	(205)	204	15,562
Provision for income tax	3,758	(62)	61	3,757
Net income (loss)	11,805	(143)	143	11,805
EBITDA	33,323	(342)	204	33,185
EBITDA margin	43%	—	—	43%
Core income	13,136	(143)	143	13,136

### On a Consolidated Basis

#### Revenues

We reported consolidated revenues of Php82,239 million for the six months ended June 30, 2018, an increase of Php3,224 million, or 4%, as compared with Php79,015 million in the same period in 2017, primarily due to higher revenues from data services in our fixed line business, as well as higher non-service revenues from our wireless and fixed line businesses, partially offset by lower revenues from mobile and home broadband services in our wireless business.



The following table shows the breakdown of our consolidated revenues by services for the six months ended June 30, 2018 and 2017:

	Wireless	Fixed Line	Others	Inter-segment Transactions	Consolidated
(amounts in million Php)					
<b>For the six months ended June 30, 2018</b>					
Service Revenues					
Wireless	41,710			(1,460)	40,250
Mobile	40,329			(630)	39,699
Home broadband	87			—	87
Digital platforms and mobile financial services	301			(4)	297
MVNO and others	993			(826)	167
Fixed Line		39,631		(3,796)	35,835
Voice		12,329		(1,102)	11,227
Data		26,421		(2,331)	24,090
Home broadband		13,250		(132)	13,118
Corporate data and ICT		13,171		(2,199)	10,972
Miscellaneous		881		(363)	518
Others			279	(3)	276
<b>Total Service Revenues</b>	<b>41,710</b>	<b>39,631</b>	<b>279</b>	<b>(5,259)</b>	<b>76,361</b>
Non-Service Revenues					
Sale of computers, phone units and mobile handsets	3,837	1,659	21	(2)	5,515
Point-product sales	—	362	—	1	363
<b>Total Non-Service Revenues</b>	<b>3,837</b>	<b>2,021</b>	<b>21</b>	<b>(1)</b>	<b>5,878</b>
<b>Total Revenues</b>	<b>45,547</b>	<b>41,652</b>	<b>300</b>	<b>(5,260)</b>	<b>82,239</b>
<b>For the six months ended June 30, 2017</b>					
Service Revenues					
Wireless	44,858			(651)	44,207
Mobile	42,697			(635)	42,062
Home broadband	1,267			(6)	1,261
Digital platforms and mobile financial services	642			(8)	634
MVNO and others	252			(2)	250
Fixed Line		36,829		(5,653)	31,176
Voice		14,408		(1,837)	12,571
Data		21,459		(3,374)	18,085
Home broadband		8,495		(121)	8,374
Corporate data and ICT		12,964		(3,253)	9,711
Miscellaneous		962		(442)	520
Others			6	(6)	—
<b>Total Service Revenues</b>	<b>44,858</b>	<b>36,829</b>	<b>6</b>	<b>(6,310)</b>	<b>75,383</b>
Non-Service Revenues					
Sale of computers, phone units and mobile handsets	1,807	1,323	—	(3)	3,127
Point-product sales	—	506	—	(1)	505
<b>Total Non-Service Revenues</b>	<b>1,807</b>	<b>1,829</b>	<b>—</b>	<b>(4)</b>	<b>3,632</b>
<b>Total Revenues</b>	<b>46,665</b>	<b>38,658</b>	<b>6</b>	<b>(6,314)</b>	<b>79,015</b>

The following table shows the breakdown of our consolidated revenues by business segment for the six months ended June 30, 2018 and 2017:

	2018	%	2017	%	Change Amount	%
(amounts in million Php)						
Wireless	45,547	55	46,665	59	(1,118)	(2)
Fixed line	41,652	51	38,658	49	2,994	8
Others <sup>(1)</sup>	300	—	6	—	294	4,900
Inter-segment transactions	(5,260)	(6)	(6,314)	(8)	1,054	17
<b>Consolidated</b>	<b>82,239</b>	<b>100</b>	<b>79,015</b>	<b>100</b>	<b>3,224</b>	<b>4</b>

<sup>(1)</sup> Other business segment includes revenues from digital platforms and mobile financial services, resulting from the transfer of VIH from Smart to PCEV in April 2018.

### Expenses

Consolidated expenses increased by Php4,625 million, or 7%, to Php67,371 million for the six months ended June 30, 2018 from Php62,746 million in the same period in 2017, primarily due to higher depreciation and amortization,



and cost of sales and services in our wireless business, and higher selling, general and administrative expenses, and provisions in our fixed line business.

The following table shows the breakdown of our consolidated expenses by business segment for the six months ended June 30, 2018 and 2017:

	2018	%	2017	%	Change	
					Amount	%
	(amounts in million Php)					
Wireless	39,894	59	39,040	62	854	2
Fixed line	32,467	48	30,798	49	1,669	5
Others	1,064	2	19	—	1,045	5,500
Inter-segment transactions	(6,054)	(9)	(7,111)	(11)	1,057	15
Consolidated	67,371	100	62,746	100	4,625	7

### **Other Income (Expenses)**

Consolidated other income amounted to Php694 million for the six months ended June 30, 2018, a decrease of Php3,774 million, or 84%, from Php4,468 million in the same period in 2017, primarily due to gain on sale of Beacon Electric Holdings, Inc., or Beacon, shares in 2017 and lower equity share in net earnings of associates and joint ventures, partially offset by gain on sale of Rocket Internet shares in 2018, gain on valuation of Rocket Internet investment as a result of the adoption of PFRS 9, and higher net gains on derivative financial instruments.

The following table shows the breakdown of our consolidated other income (expenses) by business segment for the six months ended June 30, 2018 and 2017:

	2018	2017	Change	
			Amount	%
	(amounts in million Php)			
Wireless	(507)	(1,130)	623	55
Fixed line	(234)	(554)	320	58
Others	2,598	7,188	(4,590)	(64)
Inter-segment transactions	(1,163)	(1,036)	(127)	(12)
Consolidated	694	4,468	(3,774)	(84)

### **Net Income (Loss)**

Consolidated net income decreased by Php4,756 million, or 29%, to Php11,805 million for the six months ended June 30, 2018, from Php16,561 million in the same period in 2017, primarily due to lower net income from our wireless and other businesses, partly offset by higher net income from our fixed line business. Our consolidated basic and diluted EPS decreased to Php54.31 for the six months ended June 30, 2018 from Php76.32 in the same period in 2017. Our weighted average number of outstanding common shares was approximately 216.06 million in each of the first six months of 2018 and 2017.

The following table shows the breakdown of our consolidated net income by business segment for the six months ended June 30, 2018 and 2017:

	2018	%	2017	%	Change	
					Amount	%
	(amounts in million Php)					
Wireless	4,017	34	4,306	26	(289)	(7)
Fixed line	6,500	55	5,372	32	1,128	21
Others	1,657	14	7,122	43	(5,465)	(77)
Inter-segment transactions	(369)	(3)	(239)	(1)	(130)	(54)
Consolidated	11,805	100	16,561	100	(4,756)	(29)

### **EBITDA**

Our consolidated EBITDA amounted to Php33,185 million for the six months ended June 30, 2018, an increase of Php1,175 million, or 4%, as compared with Php32,010 million in the same period in 2017, primarily due to improved EBITDA in our fixed line business, partially offset by lower EBITDA in our wireless and other businesses.



The following table shows the breakdown of our consolidated EBITDA by business segment for the six months ended June 30, 2018 and 2017:

	2018	%	2017	%	Change	
					Amount	%
	(amounts in million Php)					
Wireless	16,964	51	17,062	53	(98)	(1)
Fixed line	16,127	49	14,164	44	1,963	14
Others	(700)	(2)	(13)	—	(687)	(5,285)
Inter-segment transactions	794	2	797	3	(3)	—
Consolidated	33,185	100	32,010	100	1,175	4

### Core Income

Our consolidated core income amounted to Php13,136 million for the six months ended June 30, 2018, a decrease of Php4,291 million, or 25%, as compared with Php17,427 million in the same period in 2017, primarily due to lower core income from our other business, partly offset by higher core income from our wireless and fixed line segments. Our consolidated basic and diluted core EPS decreased to Php60.66 for the six months ended June 30, 2018 from Php80.53 in the same period in 2017.

The following table shows the breakdown of our consolidated core income by business segment for the six months ended June 30, 2018 and 2017:

	2018	%	2017	%	Change	
					Amount	%
	(amounts in million Php)					
Wireless	6,407	49	4,775	27	1,632	34
Fixed line	6,275	48	5,050	29	1,225	24
Others	823	6	7,841	45	(7,018)	(90)
Inter-segment transactions	(369)	(3)	(239)	(1)	(130)	(54)
Consolidated	13,136	100	17,427	100	(4,291)	(25)

### On a Business Segment Basis

#### Wireless

##### Revenues

We generated revenues of Php45,547 million from our wireless business for the six months ended June 30, 2018, a decrease of Php1,118 million, or 2%, from Php46,665 million in the same period in 2017.

The following table summarizes our total revenues by service from our wireless business for the six months ended June 30, 2018 and 2017:

	2018	%	2017	%	Increase (Decrease)	
					Amount	%
	(amounts in million Php)					
Service Revenues:						
Mobile	40,329	89	42,697	91	(2,368)	(6)
Home broadband	87	—	1,267	3	(1,180)	(93)
Digital platforms and mobile financial services <sup>(1)</sup>	301	1	642	1	(341)	(53)
MVNO and others <sup>(2)</sup>	993	2	252	1	741	294
Total Wireless Service Revenues	41,710	92	44,858	96	(3,148)	(7)
Non-Service Revenues:						
Sale of mobile handsets and broadband data modems	3,837	8	1,807	4	2,030	112
Total Wireless Revenues	45,547	100	46,665	100	(1,118)	(2)

<sup>(1)</sup> Starting April 2018, revenues from digital platforms and mobile financial services are reported under other segment resulting from the transfer of VIH from Smart to PCEV.

<sup>(2)</sup> Includes service revenues generated by MVNOs of PLDT Global subsidiaries and facilities service fees.



### Service Revenues

Our wireless service revenues for the six months ended June 30, 2018 decreased by Php3,148 million, or 7%, to Php41,710 million as compared with Php44,858 million in the same period in 2017, mainly as a result of lower revenues from mobile and home broadband services. As a percentage of our total wireless revenues, service revenues accounted for 92% and 96% for the six months ended June 30, 2018 and 2017, respectively.

#### Mobile Services

Our mobile service revenues amounted to Php40,329 million for the six months ended June 30, 2018, a decrease of Php2,368 million, or 6%, from Php42,697 million in the same period in 2017. Mobile service revenues accounted for 97% and 95% of our wireless service revenues for the six months ended June 30, 2018 and 2017, respectively.

	2018	%	2017	%	Increase (Decrease)	
					Amount	%
(amounts in million Php)						
Mobile Services:						
Voice	13,869	35	15,651	37	(1,782)	(11)
SMS	11,813	29	13,428	32	(1,615)	(12)
Data	13,800	34	12,999	30	801	6
Inbound roaming and others <sup>(1)</sup>	847	2	619	1	228	37
Total	40,329	100	42,697	100	(2,368)	(6)

<sup>(1)</sup> Refers to other non-subscriber-related revenues consisting primarily of inbound international roaming fees.

#### Voice Services

Mobile revenues from our voice services, which include all voice traffic, decreased by Php1,782 million, or 11%, to Php13,869 million for the six months ended June 30, 2018 from Php15,651 million in the same period in 2017, mainly on account of lower international and domestic voice revenues due to subscribers' shift to digital lifestyle with access to alternative calling options and other over-the-top, or OTT, services, and the impact of adoption of PFRS 15. Mobile voice services accounted for 35% and 37% of our mobile service revenues for the six months ended June 30, 2018 and 2017, respectively.

Domestic voice service revenues decreased by Php735 million, or 6%, to Php11,333 million for the six months ended June 30, 2018 from Php12,068 million in the same period in 2017, due to lower domestic outbound and inbound voice service revenues.

International voice service revenues decreased by Php1,047 million, or 29%, to Php2,536 million for the six months ended June 30, 2018 from Php3,583 million in the same period 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 and value-added services, or VAS, decreased by Php1,615 million, or 12%, to Php11,813 million for the six months ended June 30, 2018 from Php13,428 million in the same period 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 adoption of PFRS 15. Mobile SMS services accounted for 29% and 32% of our mobile service revenues for the six months ended June 30, 2018 and 2017, respectively.

#### Data Services

Mobile revenues from our data services, which include mobile internet, mobile broadband and other data services, increased by Php801 million, or 6%, to Php13,800 million for the six months ended June 30, 2018 from Php12,999 million in the same period in 2017 as a result of continuous network improvement, LTE migration, enhanced data offers and increased mobile internet usage, partially offset by lower revenues from mobile broadband and the impact of adoption of PFRS 15. Data services accounted for 34% and 30% of our mobile service revenues for the six months ended June 30, 2018 and 2017, respectively.



The following table shows the breakdown of our mobile data service revenues for the six months ended June 30, 2018 and 2017:

	2018	%	2017	%	Increase (Decrease)	
					Amount	%
	(amounts in million Php)					
Data Services:						
Mobile internet <sup>(1)</sup>	11,266	82	9,712	75	1,554	16
Mobile broadband	2,451	18	3,202	24	(751)	(23)
Other data	83	—	85	1	(2)	(2)
<b>Total</b>	<b>13,800</b>	<b>100</b>	<b>12,999</b>	<b>100</b>	<b>801</b>	<b>6</b>

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

#### *Mobile Internet*

Mobile internet service revenues increased by Php1,554 million, or 16%, to Php11,266 million for the six months ended June 30, 2018 from Php9,712 million in the same period in 2017 as a result of the increase in smartphone ownership, greater data adoption among our subscriber base with the growth in LTE subscribers, and increased usage of our existing data users, leading to the significant growth of mobile internet browsing and prevalent use of mobile apps, social networking and e-commerce sites, and other OTT services. Mobile internet services accounted for 28% and 23% of our mobile service revenues for the six months ended June 30, 2018 and 2017, respectively.

#### *Mobile Broadband*

Mobile broadband revenues amounted to Php2,451 million for the six months ended June 30, 2018, a decrease of Php751 million, or 23%, from Php3,202 million in the same period in 2017, primarily due to a decrease in the number of subscribers using dongles as they move to smartphone usage and fixed DSL/Fiber subscription. Mobile broadband services accounted for 6% and 7% of our mobile service revenues for the six months ended June 30, 2018 and 2017, respectively.

#### *Other Data*

Revenues from our other data services, which include domestic leased lines and share in revenue from PLDT WeRoam, decreased by Php2 million, or 2%, to Php83 million for the six months ended June 30, 2018 from Php85 million in the same period in 2017.

#### *Inbound Roaming and Others*

Mobile revenues from inbound roaming and other services increased by Php228 million, or 37%, to Php847 million for the six months ended June 30, 2018 from Php619 million in the same period in 2017.

The following table shows the breakdown of our mobile service revenues by service type for the six months ended June 30, 2018 and 2017:

	2018	2017	Increase (Decrease)	
			Amount	%
	(amounts in million Php)			
Mobile service revenues	40,329	42,697	(2,368)	(6)
<i>By service type</i>				
Prepaid	29,758	30,327	(569)	(2)
Postpaid	9,724	11,751	(2,027)	(17)
Inbound roaming and others	847	619	228	37

#### *Prepaid Revenues*

Revenues generated from our mobile prepaid services amounted to Php29,758 million for the six months ended June 30, 2018, a decrease of Php569 million, or 2%, as compared with Php30,327 million in the same period in 2017. Mobile prepaid service revenues accounted for 74% and 71% of mobile service revenues for the six months ended June 30, 2018 and 2017, respectively. The decrease in revenues from our mobile prepaid services was primarily driven by a lower mobile prepaid subscriber base resulting in lower voice and SMS revenues, partially offset by the sustained growth in mobile internet revenues.



### Postpaid Revenues

Revenues generated from mobile postpaid service amounted to Php9,724 million for the six months ended June 30, 2018, a decrease of Php2,027 million, or 17%, as compared with Php11,751 million in the same period in 2017, and accounted for 24% and 28% of mobile service revenues for the six months ended June 30, 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 wireless subscriber base as at June 30, 2018 and 2017:

	2018	2017	Increase (Decrease)	
			Amount	%
Mobile subscriber base				
Smart <sup>(1)</sup>	21,686,235	21,941,155	(254,920)	(1)
Prepaid <sup>(2)</sup>	20,261,130	20,587,687	(326,557)	(2)
Postpaid	1,425,105	1,353,468	71,637	5
TNT	29,753,534	28,481,294	1,272,240	4
Sun <sup>(1)</sup>	7,071,103	8,281,283	(1,210,180)	(15)
Prepaid <sup>(2)</sup>	6,066,566	7,014,726	(948,160)	(14)
Postpaid	1,004,537	1,266,557	(262,020)	(21)
Total mobile subscribers	58,510,872	58,703,732	(192,860)	—

<sup>(1)</sup> Includes mobile broadband subscribers.

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

The average monthly churn rate for Smart Prepaid subscribers was 7.0% for each of the six months ended June 30, 2018 and 2017, while the average monthly churn rate for TNT subscribers were 6.2% and 7.3% for the six months ended June 30, 2018 and 2017, respectively. The average monthly churn rate for Sun Prepaid subscribers were 5.8% and 9.0% for the six months ended June 30, 2018 and 2017, respectively.

The average monthly churn rate for Smart Postpaid subscribers were 2.0% and 2.5% for the six months ended June 30, 2018 and 2017, respectively, and 3.6% for each of the six months ended June 30, 2018 and 2017 for Sun Postpaid subscribers.

The following table summarizes our average monthly ARPUs for the six months ended June 30, 2018 and 2017:

	Gross <sup>(1)</sup>		Increase (Decrease)		Net <sup>(2)</sup>		Increase (Decrease)	
	2018	2017	Amount	%	2018	2017	Amount	%
	(amounts in Php)							
Prepaid								
Smart	126	117	9	8	114	107	7	7
TNT	80	80	—	—	73	74	(1)	(1)
Sun	88	86	2	2	81	80	1	1
Postpaid								
Smart	829	1,009	(180)	(18)	811	975	(164)	(17)
Sun	394	416	(22)	(5)	392	412	(20)	(5)

<sup>(1)</sup> 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.

<sup>(2)</sup> 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 Php1,180 million to Php87 million for the six months ended June 30, 2018 from Php1,267 million in the same period in 2017, mainly due to the transfer of *Utera* and *WiMAX* businesses to PLDT.

### Digital Platforms and Mobile Financial Services

Revenues from digital platforms and mobile financial services, as reported by Voyager, decreased by Php341 million, or 53%, to Php301 million for the six months ended June 30, 2018 from Php642 million in the same period in 2017, mainly due to the transfer of VIH to PCEV.

### MVNO and Others

Revenues from our MVNO and other services increased by Php741 million, or 294%, to Php993 million for the six months ended June 30, 2018 from Php252 million in the same period in 2017, primarily due to facility service fees relating to *Ultera*, *WiMax* and *Shops.Work Unplugged*, or *SWUP*, partially offset by lower revenue contribution from MVNOs of PLDT Global.

### Non-Service Revenues

Our wireless non-service revenues consist of sales of mobile handsets, mobile broadband data modems, tablets and accessories. Our wireless non-service revenues increased by Php2,030 million, or 112%, to Php3,837 million for the six months ended June 30, 2018 from Php1,807 million in the same period in 2017, primarily due to higher revenues from postpaid mobile handsets and the impact of adoption of PFRS 15, partly offset by the decline in revenues from prepaid mobile handsets and broadband data modems attributable to lower average price per unit.

### Expenses

Expenses associated with our wireless business amounted to Php39,894 million for the six months ended June 30, 2018, an increase of Php854 million, or 2%, from Php39,040 million in the same period in 2017. A significant portion of the increase was mainly attributable to higher depreciation and amortization, as well as higher cost of sales and services, partially offset by lower selling, general and administrative expenses, interconnection costs and provisions. As a percentage of our total wireless revenues, expenses associated with our wireless business accounted for 88% and 84% for the six months ended June 30, 2018 and 2017, respectively.

The following table summarizes the breakdown of our total wireless-related expenses for the six months ended June 30, 2018 and 2017 and the percentage of each expense item in relation to the total:

	2018		2017		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
	(amounts in million Php)					
Selling, general and administrative expenses	19,461	49	21,175	54	(1,714)	(8)
Depreciation and amortization	10,901	27	9,025	23	1,876	21
Cost of sales and services	5,332	14	3,792	10	1,540	41
Interconnection costs	2,875	7	3,473	9	(598)	(17)
Provisions	1,325	3	1,575	4	(250)	(16)
Total	39,894	100	39,040	100	854	2

Selling, general and administrative expenses decreased by Php1,714 million, or 8%, to Php19,461 million, primarily due to lower expenses related to rent, professional and other contracted services, selling and promotions, and taxes and licenses, partly offset by higher repairs and maintenance expenses.

Depreciation and amortization charges increased by Php1,876 million, or 21%, to Php10,901 million, mainly on account of depreciation due to shortened life of certain data network platform and other technology equipment resulting from the transformation projects to improve and simplify the network and systems applications.

Cost of sales and services increased by Php1,540 million, or 41%, to Php5,332 million, primarily due to higher issuances of mobile handsets.

Interconnection costs decreased by Php598 million, or 17%, to Php2,875 million, primarily due to lower interconnection cost on domestic and international voice and SMS services, as well as lower interconnection charges on international data roaming.

Provisions decreased by Php250 million, or 16%, to Php1,325 million, primarily due to lower provision for doubtful accounts, partly offset by higher provision for inventory obsolescence.



### ***Other Income (Expenses)***

The following table summarizes the breakdown of our total wireless-related other income (expenses) for the six months ended June 30, 2018 and 2017:

	2018	2017	Change	
			Amount	%
			(amounts in million Php)	
<b>Other Income (Expenses):</b>				
Financing costs – net	(844)	(1,269)	425	33
Foreign exchange losses – net	(546)	(278)	(268)	(96)
Equity share in net losses of associates and joint ventures	62	(66)	128	194
Interest income	274	142	132	93
Gain on derivative financial instruments – net	450	186	264	142
Other income – net	97	155	(58)	(37)
<b>Total</b>	<b>(507)</b>	<b>(1,130)</b>	<b>623</b>	<b>55</b>

Our wireless business' other expenses amounted to Php507 million for the six months ended June 30, 2018, a decrease of Php623 million, or 55%, from Php1,130 million in the same period in 2017, primarily due to the combined effects of the following: (i) lower net financing costs by Php425 million mainly due to higher capitalized interest, lower financing charges and lower weighted average loan principal amount; (ii) higher net gains on derivative financial instruments by Php264 million; (iii) higher interest income by Php132 million; (iv) equity share in net earnings of associates of Php62 million in the first six months of 2018 as against equity share in net losses of Php66 million in the same period in 2017; (v) lower other income – net by Php58 million; and (vi) higher net foreign exchange losses – net by Php268 million.

### ***Provision for Income Tax***

Provision for income tax amounted to Php1,129 million for the six months ended June 30, 2018, a decrease of Php1,060 million, or 48%, from Php2,189 million in the same period in 2017, mainly due to lower taxable income.

### ***Net Income***

As a result of the foregoing, our wireless business' net income decreased by Php289 million, or 7%, to Php4,017 million for the six months ended June 30, 2018 from Php4,306 million in the same period in 2017.

### ***EBITDA***

Our wireless business' EBITDA decreased by Php98 million, or 1%, to Php16,964 million for the six months ended June 30, 2018 from Php17,062 million in the same period in 2017. EBITDA margin increased to 41% for the six months ended June 30, 2018 from 38% in the same period in 2017.

### ***Core Income***

Our wireless business' core income increased by Php1,632 million, or 34%, to Php6,407 million for the six months ended June 30, 2018 from Php4,775 million in the same period in 2017 on account of lower depreciation expense and net financing costs, partially offset by higher provision for income tax and lower other miscellaneous income.

### **Fixed Line**

#### ***Revenues***

Revenues generated from our fixed line business amounted to Php41,652 million for the six months ended June 30, 2018, an increase of Php2,994 million, or 8%, from Php38,658 million in the same period in 2017.



The following table summarizes our total revenues from our fixed line business for the six months ended June 30, 2018 and 2017 by service segment:

	2018	%	2017	%	Increase (Decrease)	
					Amount	%
(amounts in million Php)						
<b>Service Revenues:</b>						
Voice	12,329	30	14,408	37	(2,079)	(14)
Data	26,421	63	21,459	56	4,962	23
Miscellaneous	881	2	962	2	(81)	(8)
	39,631	95	36,829	95	2,802	8
<b>Non-Service Revenues:</b>						
Sale of computers, phone units and point-product sales	2,021	5	1,829	5	192	10
<b>Total Fixed Line Revenues</b>	<b>41,652</b>	<b>100</b>	<b>38,658</b>	<b>100</b>	<b>2,994</b>	<b>8</b>

### *Service Revenues*

Our fixed line service revenues increased by Php2,802 million, or 8%, to Php39,631 million for the six months ended June 30, 2018 from Php36,829 million in the same period in 2017, due to higher revenues from our data services, partially offset by lower voice and miscellaneous service revenues. In 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.

#### *Voice Services*

Revenues from our voice services decreased by Php2,079 million, or 14%, to Php12,329 million for the six months ended June 30, 2018 from Php14,408 million in the same period in 2017, primarily due to lower revenues from local exchange and international 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 on-net 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 39% for the six months ended June 30, 2018 and 2017, respectively.

#### *Data Services*

The following table shows information of our data service revenues for the six months ended June 30, 2018 and 2017:

	2018	2017	Increase	
			Amount	%
(amounts in million Php)				
Data service revenues	26,421	21,459	4,962	23
Home broadband	13,250	8,495	4,755	56
Corporate data and ICT	13,171	12,964	207	2

Our data services posted revenues of Php26,421 million for the six months ended June 30, 2018, an increase of Php4,962 million, or 23%, from Php21,459 million in the same period in 2017, primarily due to higher home broadband revenues from DSL and Fibr, and higher data center and ICT revenues. The percentage contribution of this service segment to our fixed line service revenues accounted for 67% and 58% for the six months ended June 30, 2018 and 2017, respectively.

#### *Home Broadband*

Home broadband data revenues amounted to Php13,250 million for the six months ended June 30, 2018, an increase of Php4,755 million, or 56%, from Php8,495 million in the same period 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, as well as the impact of the revised revenue split allocation. Home broadband revenues accounted for 50% and 40% of total data service revenues in the six months ended June 30, 2018 and 2017, respectively. In the first half of 2018, PLDT's FTTH nationwide network rollout has passed 5.1 million homes.

### Corporate data and ICT

Corporate data services amounted to Php11,168 million for the six months ended June 30, 2018, a decrease of Php165 million, or 1%, as compared with Php11,333 million in the same period in 2017. Corporate data revenues accounted for 42% and 53% of total data services in the six months ended June 30, 2018 and 2017, respectively.

ICT revenues increased by Php372 million, or 23%, to Php2,003 million for the six months ended June 30, 2018 from Php1,631 million in the same period 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 8% and 7% in the first half of 2018 and 2017, respectively.

### Miscellaneous Services

Miscellaneous service revenues are derived mostly from rentals and management fees. These service revenues decreased by Php81 million, or 8%, to Php881 million for the six months ended June 30, 2018 from Php962 million in the same period 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 six months ended June 30, 2018 and 2017, respectively.

### Non-service Revenues

Non-service revenues increased by Php192 million, or 10%, to Php2,021 million for the six months ended June 30, 2018 from Php1,829 million in the same period in 2017, primarily due to higher sale of computer bundles, *Telpad* units and *Ultra* devices, partially offset by lower sale of hardware and software, *FabTab* for *myDSL* retention, and *TVolution* units.

### Expenses

Expenses related to our fixed line business totaled Php32,467 million for the six months ended June 30, 2018, an increase of Php1,669 million, or 5%, as compared with Php30,798 million in the same period in 2017. The increase was primarily due to higher selling, general and administrative expenses, provisions, and depreciation and amortization, partly offset by lower cost of sales and services, and interconnection costs. As a percentage of our total fixed line revenues, expenses associated with our fixed line business accounted for 78% and 80% for the six months ended June 30, 2018 and 2017, respectively.

The following table shows the breakdown of our total fixed line-related expenses for the six months ended June 30, 2018 and 2017 and the percentage of each expense item in relation to the total:

	2018		2017		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
	(amounts in million Php)					
Selling, general and administrative expenses	19,526	60	18,556	60	970	5
Depreciation and amortization	6,942	21	6,304	21	638	10
Cost of sales and services	2,301	7	2,682	9	(381)	(14)
Interconnection costs	2,211	7	2,583	8	(372)	(14)
Provisions	1,487	5	673	2	814	121
Total	32,467	100	30,798	100	1,669	5

Selling, general and administrative expenses increased by Php970 million, or 5%, to Php19,526 million primarily due to higher professional and other contracted services, rent, and repairs and maintenance expenses, partly offset by lower compensation and employee benefits, mainly as a result of lower MRP costs.

Depreciation and amortization charges increased by Php638 million, or 10%, to Php6,942 million mainly due to a higher depreciable asset base.

Cost of sales and services decreased by Php381 million, or 14%, to Php2,301 million, primarily due to lower cost of hardware and software, *FabTab* for *myDSL* retention and *TVolution* units.

Interconnection costs decreased by Php372 million, or 14%, to Php2,211 million, primarily due to lower international interconnection costs, as a result of a decrease in international inbound calls that terminated to other domestic carriers, and lower data interconnection costs.

Provisions increased by Php814 million, or 121%, to Php1,487 million, mainly due to higher provisions for doubtful accounts and inventory obsolescence.

### ***Other Income (Expenses)***

The following table summarizes the breakdown of our total fixed line-related other income (expenses) for the six months ended June 30, 2018 and 2017:

	2018	2017	Change Amount	%
	(amounts in million Php)			
<b>Other Income (Expenses):</b>				
Financing costs – net	(2,627)	(2,555)	(72)	(3)
Foreign exchange gains (losses)	19	(45)	64	142
Equity share in net earnings of associates	122	94	28	30
Gains on derivative financial instruments – net	279	172	107	62
Interest income	418	370	48	13
Other income – net	1,555	1,410	145	10
<b>Total</b>	<b>(234)</b>	<b>(554)</b>	<b>320</b>	<b>58</b>

Our fixed line business' other expenses amounted to Php234 million for the six months ended June 30, 2018, a decrease of Php320 million, or 58%, from Php554 million in the same period in 2017, mainly due to the combined effects of the following: (i) higher other income – net by Php145 million; (ii) higher net gains on derivative financial instruments by Php107 million; (iii) foreign exchange gains of Php19 million in the first six months of 2018 as compared with foreign exchange losses of Php45 million in the same period in 2017; (iv) higher interest income by Php48 million; (v) higher equity share in net earnings of associates by Php28 million; and (vi) higher net financing costs by Php72 million.

### ***Provision for Income Tax***

Provision for income tax amounted to Php2,451 million for the six months ended June 30, 2018, an increase of Php517 million, or 27%, from Php1,934 million in the same period in 2017. The effective tax rates for our fixed line business were 27% and 26% for the six months ended June 30, 2018 and 2017, respectively.

### ***Net Income***

As a result of the foregoing, our fixed line business registered a net income of Php6,500 million for the six months ended June 30, 2018, an increase of Php1,128 million, or 21%, as compared with Php5,372 million in the same period in 2017.

### ***EBITDA***

Our fixed line business' EBITDA increased by Php1,963 million, or 14%, to Php16,127 million for the six months ended June 30, 2018 from Php14,164 million in the same period in 2017. EBITDA margin increased to 41% in the first six months in 2018 from 38% in the same period in 2017.

### ***Core Income***

Our fixed line business' core income increased by Php1,225 million, or 24%, to Php6,275 million for the six months ended June 30, 2018 from Php5,050 million in the same period in 2017, primarily as a result of higher EBITDA, partially offset by higher depreciation expense and provision for income tax.

## **Others**

### ***Revenues***

Revenues generated from our other business amounted to Php300 million for the six months ended June 30, 2018, an increase of Php294 million from Php6 million in the same period in 2017, primarily due to the transfer of VIH from Smart to PCEV in April 2018.

### ***Expenses***

Expenses related to our other business totaled Php1,064 million for the six months ended June 30, 2018, an increase of Php1,045 million from Php19 million in the same period in 2017, due to higher selling, general and administrative expenses, as well as depreciation expenses, resulting from the transfer of VIH to PCEV.

### ***Other Income (Expenses)***

The following table summarizes the breakdown of other income (expenses) for other business segment for the six months ended June 30, 2018 and 2017:

	2018	2017	Change Amount	%
	(amounts in million Php)			
Other Income (Expenses):				
Interest income	315	221	94	43
Gain on derivative financial instruments – net	282	—	282	100
Equity share in net earnings (losses) of associates and joint ventures	(8)	1,121	(1,129)	(101)
Financing costs – net	(97)	(97)	—	—
Foreign exchange losses – net	(379)	(156)	(223)	(143)
Other income – net	2,485	6,099	(3,614)	(59)
<b>Total</b>	<b>2,598</b>	<b>7,188</b>	<b>(4,590)</b>	<b>(64)</b>

Other income decreased by Php4,590 million to Php2,598 million for the six months ended June 30, 2018 from Php7,188 million in the same period in 2017, primarily due to the combined effects of the following: (i) lower other income – net by Php3,614 million mainly due to gain on sale of Beacon shares in 2017, partly offset by gain on sale of Rocket Internet share in 2018 and gain on valuation of Rocket Internet investment resulting from the adoption of PFRS 9; (ii) equity share in net losses of associates and joint ventures of Php8 million in the first six months of 2018 as against equity share in net earnings of associates and joint ventures of Php1,121 million in the same period in 2017 mainly due to sale of Beacon shares and SPi Global in 2017; (iii) higher net foreign exchange losses by Php223 million; (iv) higher interest income by Php94 million; and (v) net gains on derivative financial instruments of Php282 million in the first six months of 2018 as against nil in the same period in 2017.

### ***Net Income***

As a result of the foregoing, our other business segment registered a net income of Php1,657 million for the six months ended June 30, 2018, a decrease of Php5,465 million, or 77%, from Php7,122 million in the same period in 2017.

### ***Core Income***

Our other business segment's core income amounted to Php823 million for the six months ended June 30, 2018, a decrease of Php7,018 million, or 90%, as compared with Php7,841 million in the same period in 2017, primarily due to lower other income and equity share in net losses of associates and joint ventures in 2018, as well as lower EBITDA, mainly from VIH.



## Liquidity and Capital Resources

The following table shows our consolidated cash flows for the six months ended June 30, 2018 and 2017, as well as our consolidated capitalization and other consolidated selected financial data as at June 30, 2018 and December 31, 2017:

	Six Months ended June 30,	
	2018	2017
(amounts in million Php)		
<b>Cash Flows</b>		
Net cash flows provided by operating activities	40,882	19,536
Net cash flows used in investing activities	(11,258)	(2,361)
<i>Payment for purchase of property and equipment, including capitalized interest</i>	32,009	5,727
Net cash flows used in financing activities	(11,566)	(22,592)
Net increase (decrease) in cash and cash equivalents	19,459	(5,145)
<hr/>		
	June 30,	December 31,
	2018	2017
(amounts in million Php)		
<b>Capitalization</b>		
Long-term portion of interest-bearing financial liabilities – net of current portion:		
Long-term debt	172,860	157,654
Current portion of interest-bearing financial liabilities:		
Long-term debt maturing within one year	10,950	14,957
Total interest-bearing financial liabilities	183,810	172,611
Total equity attributable to equity holders of PLDT	113,185	106,842
	296,995	279,453
<hr/>		
<b>Other Selected Financial Data</b>		
Total assets	473,075	459,444
Property and equipment	190,726	186,907
Cash and cash equivalents	52,364	32,905
Short-term investments	4,326	1,074

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

Our consolidated cash and cash equivalents and short-term investments totaled Php44,200 million as at June 30, 2017. Principal sources of consolidated cash and cash equivalents in the first half of 2017 were proceeds from availment of long-term debt of Php21,755 million, cash flows from operating activities amounting to Php19,536 million, proceeds from disposal of remaining Beacon shares of Php12,000 million, proceeds from issuance of perpetual notes of Php4,200 million, collection of receivable from MPIC of Php2,001 million, proceeds from disposal of investments available-for-sale of Php1,000 million, interest received of Php601 million and dividends received of Php566 million. These funds were used principally for: (1) debt principal and interest payments of Php32,447 million and Php3,822 million, respectively; (2) net payment for purchase of short-term investments of Php7,801 million; (3) net reduction in capital expenditures under long-term financing of Php5,979 million; (4) cash dividend payments of Php6,093 million; (5) payment for purchase of property and equipment, including capitalized interest, of Php5,727 million; and (6) payment to VTI and Bow Arken of Php5,413 million and additional funding to AFPI of Php100 million.



### ***Operating Activities***

Our consolidated net cash flows provided by operating activities increased by Php21,346 million, or 109%, to Php40,882 million for the six months ended June 30, 2018 from Php19,536 million in the same period in 2017, primarily due to lower level of settlement of accounts payable and other liabilities, higher operating income and lower corporate taxes paid, partially offset by lower collection of receivables, higher pension contribution and higher inventories.

Cash flows provided by operating activities of our wireless business increased by Php15,368 million, or 140%, to Php26,341 million for the six months ended June 30, 2018 from Php10,973 million in the same period in 2017, primarily due to lower level of settlement of accounts payable and other liabilities and lower corporate taxes paid, partially offset by lower collection of receivables, higher inventories and lower operating income. Cash flows provided by operating activities of our fixed line business increased by Php5,886 million, or 64%, to Php15,127 million for the six months ended June 30, 2018 from Php9,241 million in the same period in 2017, primarily due to lower level of settlement of accounts payable and other liabilities, and higher operating income, partly offset by higher pension contribution, lower collection of receivables and higher inventories. Cash flows used in operating activities of our other business decreased by Php139 million, or 29%, to Php347 million for the six months ended June 30, 2018 from Php486 million in the same period in 2017 mainly due to lower level of settlement of accounts payable and higher collection of receivables, partly offset by higher operating loss and higher inventories.

### ***Investing Activities***

Consolidated net cash flows used in investing activities amounted to Php11,258 million for the six months ended June 30, 2018, an increase of Php8,897 million from Php2,361 million in the same period in 2017, primarily due to the combined effects of the following: (1) higher payment for purchase of property and equipment, including capitalized interest, by Php26,282 million; (2) lower proceeds from disposal of investment in associates and joint ventures by Php11,954 million mainly due to proceeds from disposal of the remaining Beacon shares in 2017; (3) proceeds from disposal of Hastings PDRs to PLDT BTF of Php1,664 million; (4) higher collection of receivables from MPIC by Php2,730 million; (5) lower net payment for purchase of short-term investments by Php4,759 million; (6) lower net payment for purchase of investments in associates and joint ventures by Php5,402 million; (7) proceeds from sale of MPIC receivables of Php6,976 million; and (8) proceeds from sale of Rocket Internet shares of Php10,059 million in 2018 as compared with proceeds from redemption of Beacon's Class B Preferred Shares of Php1,000 million in 2017.

Our consolidated payment for purchase of property and equipment, including capitalized interest, for the six months ended June 30, 2018 totaled Php32,009 million, an increase of Php26,282 million as compared with Php5,727 million in the same period in 2017. Smart Group's capital spending increased by Php20,095 million to Php23,885 million for the six months ended June 30, 2018 from Php3,790 million in the same period in 2017. Smart Group's capex spending was primarily focused on expansion of LTE (4G) coverage. PLDT's capital spending increased by Php5,784 million to Php7,280 million for the six months ended June 30, 2018 from Php1,496 million in the same period 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 Php11,566 million for the six months ended June 30, 2018, a decrease of Php11,026 million, or 49%, from Php22,592 million in the same period in 2017, resulting largely from the combined effects of the following: (1) lower payments of long-term debt and interest by Php23,943 million and Php711 million, respectively; (2) proceeds from issuance of perpetual notes of Php4,200 million in 2017; (3) lower proceeds from availment of long-term debt by Php4,255 million; and (4) higher net settlement of capital expenditures under long-term financing by Php5,959 million.

### *Debt Financing*

Proceeds from availment of long-term debt for the six months ended June 30, 2018 amounted to Php17,500 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 Php8,504 million and Php3,111 million, respectively, for the six months ended June 30, 2018.

Our consolidated long-term debt increased by Php11,199 million, or 6%, to Php183,810 million as at June 30, 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 June 30, 2018, the long-term debt level of Smart increased by 8% to Php67,124 million from Php62,388 as at December 31, 2017, and PLDT's long-term debt level increased by 6% to Php116,686 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 June 30, 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.

The following table shows the dividends declared to shareholders from the earnings for the six months ended June 30, 2018 and 2017:

Earnings	Date			Amount	
	Approved <sup>(1)</sup>	Record	Payable	Per share	Total
(in million Php, except per share amount)					
<b>2018</b>					
Common					
Regular Dividend	March 27, 2018	April 13, 2018	April 27, 2018	28	6,050
	August 9, 2018	August 28, 2018	September 11, 2018	36	7,778
Preferred					
Series IV Cumulative Non-convertible Redeemable Preferred Stock <sup>(1)</sup>	January 22, 2018	February 21, 2018	March 15, 2018	—	12
	May 10, 2018	May 25, 2018	June 15, 2018	—	12
	August 9, 2018	August 28, 2018	September 15, 2018	—	12
Voting Preferred Stock	March 8, 2018	March 28, 2018	April 15, 2018	—	3
	June 13, 2018	June 29, 2018	July 15, 2018	—	2
Charged to Retained Earnings					13,869
<b>2017</b>					
Common					
Regular Dividend	March 7, 2017	March 21, 2017	April 6, 2017	28	6,050
	August 10, 2017	August 25, 2017	September 8, 2017	48	10,371
Preferred					
Series IV Cumulative Non-convertible Redeemable Preferred Stock <sup>(1)</sup>	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
Voting Preferred Stock	March 7, 2017	March 30, 2017	April 15, 2017	—	3
	June 13, 2017	June 27, 2017	July 15, 2017	—	2
Charged to Retained Earnings					16,463

<sup>(1)</sup> 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 Php473,075 million as at June 30, 2018, an increase of Php13,631 million, or 3%, from Php459,444 million as at December 31, 2017, primarily due to higher cash and cash equivalents, short-term investments, and property and equipment, 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 according to PFRS 9.

Our total liabilities amounted to Php355,517 million as at June 30, 2018, an increase of Php7,256 million, or 2%, from Php348,261 million as at December 31, 2017 significantly due to higher interest-bearing financial liabilities, and accrued expenses and other liabilities, partly offset by lower accounts payable.

### Off-Balance Sheet Arrangements

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

### *Equity Financing*

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

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

Consolidated cash dividend payments for the six months ended June 30, 2018 amounted to Php6,054 million as compared with Php6,093 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 June 30, 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 Php76 million and Php88 million as at June 30, 2018 and December 31, 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 June 30, 2018 and March 31, 2018 other than those whose carrying amounts are reasonable approximations of fair values:

	Fair Values	
	June 30, 2018	March 31, 2018
	(amounts in million Php)	
<b>Noncurrent Financial Assets</b>		
Debt instruments at amortized cost – net of current portion	150	151
Financial assets at fair value through other comprehensive income – net of current portion	2,806	6,477
Other financial assets – net of current portion	2,257	2,259
<b>Total noncurrent financial assets</b>	<b>5,213</b>	<b>8,887</b>
<b>Noncurrent Financial Liabilities</b>		
Interest-bearing financial liabilities	160,046	148,142
Customers' deposits	1,597	1,544
Deferred credits and other noncurrent liabilities	5,056	4,062
<b>Total noncurrent financial liabilities</b>	<b>166,699</b>	<b>153,748</b>

The following table sets forth the amount of gains (losses) recognized for the financial assets and liabilities for the six months ended June 30, 2018 and the three months ended March 31, 2018:

	June 30,	March 31,
	2018	2018
	(amounts in million Php)	
<b>Profit and Loss</b>		
Interest income	916	477
Gains on derivative financial instruments – net	1,011	530
Accretion on financial liabilities	(73)	(36)
Interest on loans and other related items	(4,013)	(1,942)
<b>Other Comprehensive Income</b>		
Net fair value losses on cash flow hedges – net of tax	(136)	(90)
Net losses on available-for-sale financial investments – net of tax	(4,327)	(4,301)

### Impact of Inflation and Changing Prices

Inflation can be a significant factor in the Philippine economy, and we are continually seeking ways to minimize its impact. The average inflation rate in the Philippines for the six months ended June 30, 2018 and 2017 were 4.9% and 3.1%, respectively. We continue to expect inflation to rise and breach the 2% to 4% target range of the Bangko Sentral ng Pilipinas.

## PART II – OTHER INFORMATION

### ***Sale of Rocket Internet Shares***

On April 16, 2018, Rocket Internet announced the buyback of up to 15.5 million Rocket Internet shares through a public share purchase offer, or the Offer, against payment of an offer price in the amount of €24 per share. PLDT Online Investments Pte. Ltd., or PLDT Online, committed to accept the Offer of Rocket Internet for at least 6.8 million shares, or approximately 67.4% of the total number of 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. As a result of the sale, PLDT Online's equity ownership in Rocket Internet was reduced from 6.1% to 2.0%.

On May 23, 2018, Rocket Internet redeemed 10.8 million shares, reducing the 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%.

### ***iCommerce's Investment 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.

On 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.

#### ***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 Digital for the sale and transfer of approximately 51.6% of the outstanding common stock of Digital 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 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 in 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 June 30, 2018:

Type of Accounts Receivable	Total	Current	31-60 Days	61-90 Days	Over 91 Days
	(amounts in million Php)				
Retail subscribers	19,464	10,644	844	178	7,798
Corporate subscribers	9,390	2,772	2,282	546	3,790
Foreign administrations	4,087	1,344	515	305	1,923
Domestic carriers	378	71	129	22	156
Dealers, agents and others	18,299	10,106	790	127	7,276
Total	51,618	24,937	4,560	1,178	20,943
Less: Allowance for doubtful accounts	15,417				
Total Receivables - net	36,201				

ANNEX II – FINANCIAL SOUNDNESS INDICATORS

The following table shows our financial soundness indicators as at June 30, 2018 and 2017:

	2018	2017
Current Ratio <sup>(1)</sup>	0.75:1.0	0.60:1.0
Net Debt to Equity Ratio <sup>(2)</sup>	1.12:1.0	1.07:1.0
Net Debt to EBITDA Ratio <sup>(3)</sup>	1.89:1.0	2.10:1.0
Total Debt to EBITDA Ratio <sup>(4)</sup>	2.73:1.0	2.80:1.0
Asset to Equity Ratio <sup>(5)</sup>	4.18:1.0	3.80:1.0
Interest Coverage Ratio <sup>(6)</sup>	2.29:1.0	4.35:1.0
Profit Margin <sup>(7)</sup>	15%	21%
Return on Assets <sup>(8)</sup>	2%	5%
Return on Equity <sup>(9)</sup>	8%	21%
EBITDA Margin <sup>(10)</sup>	43%	42%

- <sup>(1)</sup> Current ratio is measured as current assets divided by current liabilities (including current portion – LTD, unearned revenues and mandatory tender option liability.)
- <sup>(2)</sup> 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.
- <sup>(3)</sup> 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.
- <sup>(4)</sup> 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.
- <sup>(5)</sup> Asset to equity ratio is measured as total assets divided by total equity attributable to equity holders of PLDT.
- <sup>(6)</sup> 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.
- <sup>(7)</sup> Profit margin is derived by dividing net income for the period with total revenues for the period.
- <sup>(8)</sup> Return on assets is measured as net income for the 12 months average period divided by average total assets.
- <sup>(9)</sup> 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.
- <sup>(10)</sup> EBITDA margin is measured as EBITDA for the period divided by service revenues for the period. EBITDA for the period is measured as net income excluding depreciation and amortization, amortization of intangible assets, asset impairment on noncurrent assets, financing cost, interest income, equity share in net earnings (losses) of associates and joint ventures, foreign exchange gains (losses) – net, gains (losses) on derivative financial instruments – net, provision for (benefit from) income tax and other income (expenses) – net for the period.

SIGNATURES

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

Registrant: **PLDT Inc.**

Signature and Title:



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

Signature and Title:



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

Signature and Title:



\_\_\_\_\_  
**JUNE CHERYL A. CABAL-REVILLA**  
Senior Vice President  
(Principal Accounting Officer)

Date: August 9, 2018