

PLDT Inc.
Form 6-K
May 11, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN ISSUER

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

OF THE SECURITIES EXCHANGE ACT OF 1934

May 11, 2018

PLDT INC.

(Translation of registrant's name into English)

Ramon Cojuangco Building

Makati Avenue, Makati City

Philippines

(Address of registrant's principal executive office)

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

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

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

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

SIGNATURES

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

PLDT
PLDT INC.
(Registrant)

By: /s/ Ma.
Lourdes C.
Rausa-Chan

Name: Ma. Lourdes
C.
Rausa-Chan
Title: Corporate
Secretary

Date: 05/11/2018

SEC Number PW-55
File Number

PLDT Inc.

(Company's Full Name)

Ramon Cojuangco Building
Makati Avenue, Makati City

(Company's Address)

(632) 816-8556

(Telephone Number)

Not Applicable

(Fiscal Year Ending)

(month & day)

SEC Form 17-Q

Form Type

Not Applicable

Amendment Designation (if applicable)

March 31, 2018

Period Ended Date

Not Applicable

(Secondary License Type and File Number)

May 11, 2018

Securities & Exchange Commission

Secretariat Building, PICC Complex

Roxas Boulevard, Pasay City

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

Gentlemen:

In accordance with Section 17.1(b) of the Securities Regulation Code and SRC Rule 17.1.1.1.2, we submit herewith two (2) copies of SEC Form 17-Q with Management's Discussion and Analysis and accompanying unaudited consolidated financial statements for the three (3) months ended March 31, 2018.

Very truly yours,

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

COVER SHEET

SEC
Registration
Number
PW-55

Company Name

PLDT INC.

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

RAMON COJ UANGCO BUILDING
MAYA AVE. MAKATI CITY

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

COMPANY INFORMATION

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

No. of Stockholders Annual Meeting Fiscal Year

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11,693 Month/Day Month/Day

as at March 31, 2018 Every 2nd Tuesday in June December 31

CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

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

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

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17

OF THE SECURITIES REGULATION CODE (“SRC”) AND

SRC 17 (2) (b) THEREUNDER

1. For the quarterly period ended March 31, 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 City 0721

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Address of Postal Code
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 March 31, 2018

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

Yes [X] No []

12. Check whether
the registrant

(a) has filed all reports required
to be filed by Section 17 of
the Code and SRC Rule 17
thereunder or Section 11 of

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

Yes [X] No []

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

Yes [X] No []

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PART I – FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

Our consolidated financial statements as at March 31, 2018 (unaudited) and December 31, 2017 (audited) and for the three months ended March 31, 2018 and 2017 (unaudited) and related notes (pages F-1 to F-151) 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 Php52.25 to US\$1.00, the exchange rate as at March 31, 2018 quoted through the Philippine Dealing System.

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

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

actual results may differ materially from any forward-looking statement made in this report or elsewhere.

Financial Highlights and Key Performance Indicators

	Three months ended March 31,		Increase	
	2018	2017	Amount	%
(amounts in million Php, except for EBITDA margin, earnings per common share)				
Consolidated Income Statement				
Revenues	40,507	39,188	1,319	3
Expenses	33,561	30,476	3,085	10
Other income (expenses)	1,889	(1,456)	3,345	230
Income before income tax	8,835	7,256	1,579	22
Net income	6,924	4,969	1,955	39
Core income	6,003	5,329	674	13
EBITDA	16,533	16,467	66	—
EBITDA margin ⁽¹⁾	44 %	44 %	—	—
Reported earnings per common share:				
Basic	31.87	22.84	9.03	40
Diluted	31.87	22.84	9.03	40
Core earnings per common share ⁽²⁾ :				
Basic	27.72	24.60	3.12	13
Diluted	27.72	24.60	3.12	13

	March 31,		December 31,		Increase	
	2018	2017	2017	2018	(Decrease)	Amount %
(amounts in million Php, except for net debt to equity ratio)						
Consolidated Statements of Financial Position						
Total assets	467,655	459,444	8,211	2		
Property and equipment	184,455	186,907	(2,452)	(1)		
Cash and cash equivalents and short-term investments	37,920	33,979	3,941	12		
Total equity attributable to equity holders of PLDT	109,070	106,842	2,228	2		
Long-term debt, including current portion	172,239	172,611	(372)	—		
Net debt ⁽³⁾ to equity ratio	1.23x	1.30x	—	—		

	Three months ended		Increase	
	March 31,	2017	(Decrease)	%
	2018		Amount	
(amounts in million Php, except for operational data)				
Consolidated Statements of Cash Flows				
Net cash provided by operating activities	16,316	15,131	1,185	8
Net cash used in investing activities	(16,161)	(9,681)	(6,480)	(67)
Payment for purchase of property and equipment	12,944	1,770	11,174	631
Net cash used in financing activities	(4,692)	(12,756)	8,064	63

Operational Data				
Number of mobile subscribers	58,117,819	63,142,478	(5,024,659)	(8)
Prepaid ⁽⁴⁾	55,666,020	60,421,068	(4,755,048)	(8)
Postpaid	2,451,799	2,721,410	(269,611)	(10)
Number of broadband subscribers	1,995,900	1,770,805	225,095	13
Fixed Line broadband	1,772,836	1,506,578	266,258	18
Fixed Wireless broadband	223,064	264,227	(41,163)	(16)
Number of fixed line subscribers	2,707,079	2,487,601	219,478	9
Number of employees:	17,814	17,885	(71)	—
Fixed Line	10,843	10,667	176	2
LEC	6,853	7,263	(410)	(6)
Others	3,990	3,404	586	17
Wireless	6,971	7,218	(247)	(3)

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

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

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

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

		Weighted average Month end rates during the year
Exchange Rates – per US\$ rates		
March 31, 2018	52.25	51.45
December 31, 2017	49.96	50.41
March 31, 2017	50.22	50.01
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, 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 multi-media services nationwide. We have organized our business into business units based on our products and services and have three reportable operating segments which serve as the bases for management's decision to allocate resources and evaluate operating performance:

• **Wireless** — mobile telecommunications services provided by Smart Communications, Inc., or Smart, and Digitel Mobile Philippines, Inc., or DMPI, our mobile service providers; Voyager Innovations, Inc., or Voyager, and certain subsidiaries, our mobile applications and digital platforms developers and mobile financial services provider; 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** — 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 March 31, 2018, our chief operating decision maker, or our Management Committee, views our business activities in three business units: Wireless, Fixed Line and Others.

Management's Financial Review

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

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

	2018	2017
	(amounts in million Php)	
Consolidated EBITDA	16,533	16,467
Add (deduct) adjustments:		
Depreciation and amortization	(9,373)	(7,550)
Provision for income tax	(1,911)	(2,287)

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Financing costs – net	(1,698)	(1,900)
Foreign exchange losses – net	(1,142)	(397)
Amortization of intangible assets	(214)	(205)
Impairment of investments	(60)	(339)
Equity share in net earnings of associates and joint ventures	74	193
Interest income	477	309
Gains on derivative financial instruments – net	530	282
Other income – net	3,708	396
Total adjustments	(9,609)	(11,498)
Consolidated net income	6,924	4,969

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

	2018	2017
	(amounts in million Php)	
Consolidated core income	6,003	5,329
Add (deduct) adjustments:		
Gain on investment valuation	3,350	—
Gains on derivative financial instruments – net, excluding hedge costs	546	386
Net income attributable to noncontrolling interests	24	18
Core income adjustment on equity share in net		
losses of associates and joint ventures	(12)	19
Impairment of investments	(60)	(339)
Foreign exchange losses – net	(1,142)	(397)
Depreciation due to shortened life of property and equipment	(2,392)	—
Net tax effect of aforementioned adjustments	607	(47)
Total adjustments	921	(360)
Consolidated net income	6,924	4,969

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

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.

	Inter-segment				Consolidated
	Wireless	Fixed Line	Others	Transactions	
	(amounts in million Php, except for EBITDA margin)				
For the three months ended March 31, 2018					
Revenues	22,904	20,457	—	(2,854)	40,507
Expenses	21,235	15,558	8	(3,240)	33,561
Other income (expenses)	(539)	(60)	2,824	(336)	1,889
Income before income tax	1,130	4,839	2,816	50	8,835

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Provision for income tax	474	1,308	114	15	1,911
Net income /Segment profit	656	3,531	2,702	35	6,924
EBITDA	7,926	8,229	(8)	386	16,533
EBITDA margin ⁽¹⁾	38 %	42 %	—	—	44 %
Core income	2,551	3,351	66	35	6,003

For the three months ended March 31, 2017

Revenues	23,162	19,049	—	(3,023)	39,188
Expenses	19,488	14,372	18	(3,402)	30,476
Other expenses	(363)	(293)	(421)	(379)	(1,456)
Income (loss) before income tax	3,311	4,384	(439)	—	7,256
Provision for income tax	1,081	1,175	31	—	2,287
Net income (loss)/Segment profit (loss)	2,230	3,209	(470)	—	4,969
EBITDA	8,309	7,797	(18)	379	16,467
EBITDA margin ⁽¹⁾	37 %	43 %	—	—	44 %
Core income	2,298	2,856	175	—	5,329

Increase (Decrease)

Revenues	(258)	1,408	—	169	1,319
Expenses	1,747	1,186	(10)	162	3,085
Other income (expenses)	(176)	233	3,245	43	3,345
Income before income tax	(2,181)	455	3,255	50	1,579
Provision for income tax	(607)	133	83	15	(376)
Net income/Segment profit	(1,574)	322	3,172	35	1,955
EBITDA	(383)	432	10	7	66
Core income	253	495	(109)	35	674

⁽¹⁾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 three months ended March 31, 2018:

	PFRS 15 Impact			
	PAS 18	Wireless	Fixed Line	PFRS 15
	(amounts in million Php)			
Service revenues	38,614	(873)	4	37,745
Non-service revenues	2,099	617	46	2,762
Other income - interest income	404	72	1	477
Income before tax	8,968	(184)	51	8,835
Provision for income tax	1,974	(78)	15	1,911
Net income (loss)	6,994	(106)	36	6,924
EBITDA	16,739	(256)	50	16,533
EBITDA Margin	43 %	—	—	44 %
Core income	6,073	(106)	36	6,003

On a Consolidated Basis

Revenues

We reported consolidated revenues of Php40,507 million for the three months ended March 31, 2018, an increase of Php1,319 million, or 3%, as compared with Php39,188 million in the same period in 2017, primarily due to higher revenues from data services in our fixed line business, 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 three months ended March 31, 2018 and 2017:

	Wireless	Fixed Line	Inter-segment Transactions	Consolidated
	(amounts in million Php)			
For the three months ended March 31, 2018				
Service Revenues				
Wireless	20,926		(773)	20,153
Mobile	20,040		(315)	19,725
Home broadband	433		(385)	48
Digital platforms and mobile financial services	301		(4)	297
MVNO and others	152		(69)	83
Fixed Line		19,672	(2,080)	17,592
Voice		7,083	(508)	6,575
Data		12,137	(1,399)	10,738
Home broadband		5,551	(66)	5,485
Corporate data and ICT		6,586	(1,333)	5,253
Miscellaneous		452	(173)	279
Total Service Revenues	20,926	19,672	(2,853)	37,745
Non-Service Revenues				
Sale of computers, phone units and mobile handsets	1,978	629	(1)	2,606
Point-product sales	—	156	—	156
Total Non-Service Revenues	1,978	785	(1)	2,762
Total Revenues	22,904	20,457	(2,854)	40,507
For the three months ended March 31, 2017				
Service Revenues				
Wireless	22,475		(330)	22,145
Mobile	21,387		(318)	21,069
Home broadband	655		(3)	652
Digital platforms and mobile financial services	318		(9)	309
MVNO and others	115		—	115
Fixed Line		18,249	(2,693)	15,556
Voice		7,220	(908)	6,312
Data		10,574	(1,549)	9,025
Home broadband		4,134	(60)	4,074
Corporate data and ICT		6,440	(1,489)	4,951
Miscellaneous		455	(236)	219
Total Service Revenues	22,475	18,249	(3,023)	37,701
Non-Service Revenues				

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Sale of computers, phone units and mobile handsets	687	589	—	1,276
Point-product sales	—	211	—	211
Total Non-Service Revenues	687	800	—	1,487
Total Revenues	23,162	19,049	(3,023)	39,188

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

	2018	%	2017	%	Change	
	(amounts in million Php)				Amount	%
Wireless	22,904	57	23,162	59	(258)	(1)
Fixed line	20,457	50	19,049	49	1,408	7
Inter-segment transactions	(2,854)	(7)	(3,023)	(8)	169	6
Consolidated	40,507	100	39,188	100	1,319	3

Expenses

Consolidated expenses increased by Php3,085 million, or 10%, to Php33,561 million for the three months ended March 31, 2018 from Php30,476 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 three months ended March 31, 2018 and 2017:

	2018	%	2017	%	Change Amount %
	(amounts in million Php)				
Wireless	21,235	63	19,488	64	1,747 9
Fixed line	15,558	46	14,372	47	1,186 8
Others	8	—	18	—	(10) (56)
Inter-segment transactions	(3,240)	(9)	(3,402)	(11)	162 5
Consolidated	33,561	100	30,476	100	3,085 10

Other Income (Expenses)

Consolidated other income amounted to Php1,889 million for the three months ended March 31, 2018, a change of Php3,345 million as against other expenses of Php1,456 million in the same period in 2017, primarily due to gain on valuation of Rocket Internet investment, partially offset by higher net foreign exchange losses in our wireless and other businesses.

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

	2018	2017	Change Amount %
	(amounts in million Php)		
Wireless	(539)	(363)	(176) (48)
Fixed line	(60)	(293)	233 80
Others	2,824	(421)	3,245 771
Inter-segment transactions	(336)	(379)	43 11
Consolidated	1,889	(1,456)	3,345 230

Net Income (Loss)

Consolidated net income increased by Php1,955 million, or 39%, to Php6,924 million for the three months ended March 31, 2018, from Php4,969 million in the same period in 2017, primarily due to Php3,172 million increase in net income from our other business, partially offset by Php1,574 million decrease in net income from our wireless segment. Our consolidated basic and diluted EPS increased to Php31.87 for the three months ended March 31, 2018 from Php22.84 in the same period in 2017. Our weighted average number of outstanding common shares was approximately 216.06 million in each of the first three months of 2018 and 2017.

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

	2018	%	2017	%	Change	
	(amounts in million Php)				Amount	%
Wireless	656	9	2,230	45	(1,574)	(71)
Fixed line	3,531	51	3,209	65	322	10
Others	2,702	39	(470)	(10)	3,172	675
Inter-segment transactions	35	1	—	—	35	—
Consolidated	6,924	100	4,969	100	1,955	39

EBITDA

Our consolidated EBITDA amounted to Php16,533 million for the three months ended March 31, 2018, an increase of Php66 million as compared with Php16,467 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 business.

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

	2018	%	2017	%	Change	
	(amounts in million Php)					
					Amount	%
Wireless	7,926	48	8,309	51	(383)	(5)
Fixed line	8,229	50	7,797	47	432	6
Others	(8)	—	(18)	—	10	56
Inter-segment transactions	386	2	379	2	7	2
Consolidated	16,533	100	16,467	100	66	—

Core Income

Our consolidated core income amounted to Php6,003 million for the three months ended March 31, 2018, an increase of Php674 million, or 13%, as compared with Php5,329 million in the same period in 2017, primarily due to higher core income from our fixed line and wireless segments. Our consolidated basic and diluted core EPS increased to Php27.72 for the three months ended March 31, 2018 from Php24.60 in the same period in 2017.

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

	2018	%	2017	%	Change	
	(amounts in million Php)					
					Amount	%
Wireless	2,551	42	2,298	43	253	11
Fixed line	3,351	56	2,856	54	495	17
Others	66	1	175	3	(109)	(62)
Inter-segment transactions	35	1	—	—	35	—
Consolidated	6,003	100	5,329	100	674	13

On a Business Segment Basis

Wireless

Revenues

We generated revenues of Php22,904 million from our wireless business for the three months ended March 31, 2018, a decrease of Php258 million, or 1%, from Php23,162 million in the same period in 2017.

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The following table summarizes our total revenues from our wireless business for the three months ended March 31, 2018 and 2017 by service:

	2018	%	2017	%	Increase (Decrease) Amount %	
	(amounts in million Php)					
Service Revenues:						
Mobile	20,040	87	21,387	92	(1,347)	(6)
Home broadband	433	2	655	3	(222)	(34)
Digital platforms and mobile financial services	301	1	318	1	(17)	(5)
MVNO and others ⁽¹⁾	152	1	115	1	37	32
Total Wireless Service Revenues	20,926	91	22,475	97	(1,549)	(7)
Non-Service Revenues:						
Sale of mobile handsets and broadband data modems	1,978	9	687	3	1,291	188
Total Wireless Revenues	22,904	100	23,162	100	(258)	(1)

⁽¹⁾Includes service revenues generated by MVNOs of PLDT Global subsidiaries.

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Service Revenues

Our wireless service revenues for the three months ended March 31, 2018 decreased by Php1,549 million, or 7%, to Php20,926 million as compared with Php22,475 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 91% and 97% for the three months ended March 31, 2018 and 2017, respectively.

Mobile Services

Our mobile service revenues amounted to Php20,040 million for the three months ended March 31, 2018, a decrease of Php1,347 million, or 6%, from Php21,387 million in the same period in 2017. Mobile service revenues accounted for 96% and 95% of our wireless service revenues for the three months ended March 31, 2018 and 2017, respectively.

	2018	%	2017	%	Increase (Decrease) Amount	%
	(amounts in million Php)					
Mobile Services:						
Voice	6,953	35	7,835	37	(882)	(11)
SMS	5,919	30	6,912	32	(993)	(14)
Data	6,673	33	6,308	29	365	6
Inbound roaming and others ⁽¹⁾	495	2	332	2	163	49
Total	20,040	100	21,387	100	(1,347)	(6)

⁽¹⁾Refers to other non-subscriber-related revenues consisting primarily of inbound international roaming fees and share in revenues from Smart Money.

Voice Services

Mobile revenues from our voice services, which include all voice traffic, decreased by Php882 million, or 11%, to Php6,953 million for the three months ended March 31, 2018 from Php7,835 million in the same period in 2017, mainly on account of lower domestic and international 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 three months ended March 31, 2018 and 2017, respectively.

Domestic voice service revenues decreased by Php363 million, or 6%, to Php5,666 million for the three months ended March 31, 2018 from Php6,029 million in the same period in 2017, due to lower domestic outbound and inbound voice service revenues.

International voice service revenues decreased by Php519 million, or 29%, to Php1,287 million for the three months ended March 31, 2018 from Php1,806 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 Php993 million, or 14%, to Php5,919 million for the three months ended March 31, 2018 from Php6,912 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 30% and 32% of our mobile service revenues for the three months ended March 31, 2018 and 2017, respectively.

Data Services

Mobile revenues from our data services, which include mobile internet, mobile broadband and other data services, increased by Php365 million, or 6%, to Php6,673 million for the three months ended March 31, 2018 from Php6,308 million in the same period in 2017 as a result of continuous network improvement, enhanced data offers and increased mobile internet usage, partially offset by lower revenues from mobile broadband and the impact of adoption of PFRS 15.

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

	2018	%	2017	%	Increase (Decrease) Amount	%
(amounts in million Php)						
Data Services:						
Mobile internet ⁽¹⁾	5,375	80	4,612	73	763	17
Mobile broadband	1,260	19	1,655	26	(395)	(24)
Other data	38	1	41	1	(3)	(7)
Total	6,673	100	6,308	100	365	6

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

Mobile internet

Mobile internet service revenues increased by Php763 million, or 17%, to Php5,375 million for the three months ended March 31, 2018 from Php4,612 million in the same period in 2017 as a result of the increase in smartphone ownership and greater data adoption among our subscriber base leading to the increase in mobile internet browsing and prevalent use of mobile apps, social networking sites and other OTT services. Mobile internet services accounted for 27% and 22% of our mobile service revenues for the three months ended March 31, 2018 and 2017, respectively.

Mobile broadband

Mobile broadband revenues amounted to Php1,260 million for the three months ended March 31, 2018, a decrease of Php395 million, or 24%, from Php1,655 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 8% of our mobile service revenues for the three months ended March 31, 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 Php3 million, or 7%, to Php38 million for the three months ended March 31, 2018 from Php41 million in the same period in 2017.

Inbound Roaming and Others

Mobile revenues from inbound roaming and other services increased by Php163 million, or 49%, to Php495 million for the three months ended March 31, 2018 from Php332 million in the same period in 2017.

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

	2018	2017	Increase (Decrease)	
	(amounts in million Php)			
			Amount	%
Mobile service revenues	20,040	21,387	(1,347)	(6)
By service type				
Prepaid	14,712	15,135	(423)	(3)
Postpaid	4,833	5,920	(1,087)	(18)
Inbound roaming and others	495	332	163	49

Prepaid Revenues

Revenues generated from our mobile prepaid services amounted to Php14,712 million for the three months ended March 31, 2018, a decrease of Php423 million, or 3%, as compared with Php15,135 million in the same period in 2017. Mobile prepaid service revenues accounted for 73% and 71% of mobile service revenues for the three months ended March 31, 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 Php4,833 million for the three months ended March 31, 2018, a decrease of Php1,087 million, or 18%, as compared with Php5,920 million in the same period in 2017, and accounted for 24% and 28% of mobile service revenues for the three months ended March 31, 2018 and 2017, respectively. The decrease in our mobile postpaid service revenues was primarily due to a lower postpaid subscriber base and the impact of adoption of PFRS 15.

Subscriber Base, ARPU and Churn Rates

The following table shows our wireless subscriber base as at March 31, 2018 and 2017:

	2018	2017	Increase (Decrease) Amount	%
Mobile subscriber base				
Smart ⁽¹⁾	21,601,011	23,299,171	(1,698,160)	(7)
Postpaid	1,402,046	1,365,709	36,337	3
Prepaid ⁽²⁾	20,198,965	21,933,462	(1,734,497)	(8)
TNT	29,231,950	30,401,174	(1,169,224)	(4)
Sun ⁽¹⁾	7,284,858	9,442,133	(2,157,275)	(23)
Postpaid	1,049,753	1,355,701	(305,948)	(23)
Prepaid ⁽²⁾	6,235,105	8,086,432	(1,851,327)	(23)
Total mobile subscribers	58,117,819	63,142,478	(5,024,659)	(8)

⁽¹⁾Includes mobile broadband subscribers.

⁽²⁾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 for the three months ended March 31, 2018 and 2017 were 6.8% and 5.3%, respectively, while the average monthly churn rate for TNT subscribers were 6.2% and 5.7% for the three months ended March 31, 2018 and 2017, respectively. The average monthly churn rate for Sun Prepaid subscribers were 6.0% and 7.7% for the three months ended March 31, 2018 and 2017, respectively.

The average monthly churn rate for Smart Postpaid subscribers were 2.0% and 2.4% for the three months ended March 31, 2018 and 2017, respectively, and 3.9% and 3.3% for three months ended March 31, 2018 and 2017, respectively, for Sun Postpaid subscribers.

The following table summarizes our average monthly ARPUs for the three months ended March 31, 2018 and 2017:

Gross ⁽¹⁾	Increase (Decrease) Amount	Net ⁽²⁾	Increase (Decrease) Amount
2018 2017	%	2018 2017	%

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(amounts in Php)

Prepaid								
Smart	124	114	10	9	112	104	8	8
TNT	80	77	3	4	73	71	2	3
Sun	88	84	4	5	80	78	2	3
Postpaid								
Smart	819	1,001	(182)	(18)	809	965	(156)	(16)
Sun	384	416	(32)	(8)	382	413	(31)	(8)

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

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

Home Broadband

Revenues from our Home Broadband services decreased by Php222 million, or 34%, to Php433 million for the three months ended March 31, 2018 from Php655 million in the same period in 2017, mainly due to the transfer of Ultra 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 Php17 million, or 5%, to Php301 million for the three months ended March 31, 2018 from Php318 million in the same period in 2017.

MVNO and Others

Revenues from our MVNO and other services increased by Php37 million, or 32%, to Php152 million for the three months ended March 31, 2018 from Php115 million in the same period in 2017, primarily due to revenue share from 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 Php1,291 million, or 188%, to Php1,978 million for the three months ended March 31, 2018 from Php687 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 Php21,235 million for the three months ended March 31, 2018, an increase of Php1,747 million, or 9%, from Php19,488 million in the same period in 2017. A significant portion of the increase was mainly attributable to higher depreciation and amortization, cost of sales and services, and provisions, partially offset by lower interconnection costs, and selling, general and administrative expenses. As a percentage of our total wireless revenues, expenses associated with our wireless business accounted for 93% and 84% for the three months ended March 31, 2018 and 2017, respectively.

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

	2018	%	2017	%	Increase (Decrease) Amount %	
	(amounts in million Php)					
Selling, general and administrative expenses	10,452	49	10,597	54	(145)	(1)
Depreciation and amortization	6,043	28	4,430	23	1,613	36
Cost of sales and services	2,546	12	2,024	10	522	26
Interconnection costs	1,446	7	1,709	9	(263)	(15)
Provisions	748	4	728	4	20	3
Total	21,235	100	19,488	100	1,747	9

Selling, general and administrative expenses decreased by Php145 million, or 1%, to Php10,452 million, primarily due to lower expenses related to rent, professional and other contracted services, and insurance and security services,

partly offset by higher expenses on repairs and maintenance, selling and promotions, and compensation and employee benefits.

Depreciation and amortization charges increased by Php1,613 million, or 36%, to Php6,043 million, 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 Php522 million, or 26%, to Php2,546 million, primarily due to higher issuances of mobile handsets and mobile broadband data modems.

Interconnection costs decreased by Php263 million, or 15%, to Php1,446 million, primarily due to lower interconnection cost on domestic and international voice and SMS services, partially offset by an increase in interconnection charges on international data roaming.

Provisions increased by Php20 million, or 3%, to Php748 million, primarily due to higher provision for inventory obsolescence, partly offset by lower provision for doubtful accounts.

Other Income (Expenses)

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

	2018	2017	Change Amount	%
	(amounts in million Php)			
Other Income (Expenses):				
Foreign exchange losses – net	(553)	(254)	(299)	118
Financing costs – net	(519)	(604)	85	(14)
Equity share in net earnings (losses) of associates	62	(33)	95	(288)
Interest income	147	60	87	145
Gain on derivative financial instruments – net	312	134	178	133
Other income (expenses) – net	12	334	(322)	(96)
Total	(539)	(363)	(176)	48

Our wireless business' other expenses amounted to Php539 million for the three months ended March 31, 2018, an increase of Php176 million, or 48%, from Php363 million in the same period in 2017, primarily due to the combined effects of the following: (i) lower other income – net by Php322 million in the same period in 2017 mainly due to lower miscellaneous income, impairment on Smart's investment in AF Payments, Inc., or AFPI, and lower income from consultancy; (ii) higher net foreign exchange losses by Php299 million due to the higher level of depreciation of the Philippine peso relative to the U.S. dollar; (iii) lower net financing costs by Php85 million; (iv) higher interest income by Php87 million; (v) equity share in net earnings of associates of Php62 million in the first three months of 2018 as against equity share in net losses of Php33 million in the same period in 2017; and (vi) higher net gains on derivative financial instruments by Php178 million.

Provision for Income Tax

Provision for income tax amounted to Php474 million for the three months ended March 31, 2018, a decrease of Php607 million, or 56%, from Php1,081 million in the same period in 2017, mainly due to lower taxable income.

Net Income (Loss)

As a result of the foregoing, our wireless business' net income decreased by Php1,574 million, or 71%, to Php656 million for the three months ended March 31, 2018 from Php2,230 million in the same period in 2017.

EBITDA

Our wireless business' EBITDA decreased by Php383 million, or 5%, to Php7,926 million for the three months ended March 31, 2018 from Php8,309 million in the same period in 2017. EBITDA margin increased to 38% for the three months ended March 31, 2018 from 37% in the same period in 2017.

Core Income

Our wireless business' core income increased by Php253 million, or 11%, to Php2,551 million for the three months ended March 31, 2018 from Php2,298 million in the same period in 2017 on account of lower depreciation expense and net financing costs, partially offset by lower EBITDA and other miscellaneous income.

Fixed Line

Revenues

Revenues generated from our fixed line business amounted to Php20,457 million for the three months ended March 31, 2018, an increase of Php1,408 million, or 7%, from Php19,049 million in the same period in 2017.

The following table summarizes our total revenues from our fixed line business for the three months ended March 31, 2018 and 2017 by service segment:

	2018	%	2017	%	Increase (Decrease) Amount %	
	(amounts in million Php)					
Service Revenues:						
Voice	7,083	35	7,220	38	(137)	(2)
Data	12,137	59	10,574	56	1,563	15
Miscellaneous	452	2	455	2	(3)	(1)
	19,672	96	18,249	96	1,423	8
Non-Service Revenues:						
Sale of computers, phone units and point-product sales	785	4	800	4	(15)	(2)
Total Fixed Line Revenues	20,457	100	19,049	100	1,408	7

Service Revenues

Our fixed line service revenues increased by Php1,423 million, or 8%, to Php19,672 million for the three months ended March 31, 2018 from Php18,249 million in the same period in 2017, due to higher revenues from our data services, partially offset by lower voice and miscellaneous service revenues.

Voice Services

Revenues from our voice services decreased by Php137 million, or 2%, to Php7,083 million for the three months ended March 31, 2018 from Php7,220 million in the same period in 2017, primarily due to lower international services (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), partially offset by higher revenues from local exchange and domestic services.

Data Services

The following table shows information of our data service revenues for the three months ended March 31, 2018 and 2017:

	2018	2017	Increase Amount %	
	(amounts in million Php)			
Data service revenues	12,137	10,574	1,563	15
Home broadband	5,551	4,134	1,417	34
Corporate data and ICT	6,586	6,440	146	2

Our data services posted revenues of Php12,137 million for the three months ended March 31, 2018, an increase of Php1,563 million, or 15%, from Php10,574 million in the same period in 2017, primarily due to higher home broadband revenues from DSL and Fibr, an increase in corporate data and leased lines primarily i-Gate, Metro Ethernet, Cignal plan, Internet Protocol-Virtual Private Network, or IP-VPN, Fibernet, and Shops.Work, and higher data center and ICT revenues. The percentage contribution of this service segment to our fixed line service revenues accounted for 62% and 58% for the three months ended March 31, 2018 and 2017, respectively.

Home Broadband

Home broadband data revenues amounted to Php5,551 million for the three months ended March 31, 2018, an increase of Php1,417 million, or 34%, from Php4,134 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. Home broadband revenues accounted for 46% and 39% of total data service revenues in the three months ended March 31, 2018 and 2017, respectively. In the first quarter of 2018, PLDT's FTTH nationwide network rollout has passed 4.4 million homes.

Corporate Data and ICT

Corporate data services amounted to Php5,683 million for the three months ended March 31, 2018, an increase of Php61 million, or 1%, as compared with Php5,622 million in the same period in 2017, mainly due to sustained market traction of broadband data services and growth on Fibr, as a result of higher internet connectivity requirements, and key Private Networking Solutions such as IP-VPN, Metro Ethernet and Shops.Work. Corporate data revenues accounted for 47% and 53% of total data services in the three months ended March 31, 2018 and 2017, respectively.

ICT revenues increased by Php85 million, or 10%, to Php903 million for the three months ended March 31, 2018 from Php818 million in the same period in 2017 mainly due to higher revenues from colocation and managed IT services. Cloud services include cloud contact center, cloud infrastructure as a service, cloud software as a service and cloud professional services. The percentage contribution of this service segment to our total data service revenues were 7% and 8% in the first three months of 2018 and 2017, respectively.

Miscellaneous Services

Miscellaneous service revenues are derived mostly from rental, outsourcing and facilities management fees. These service revenues decreased by Php3 million, or 1%, to Php452 million for the three months ended March 31, 2018 from Php455 million in the same period in 2017 mainly due to lower outsourcing and management fees. The percentage contribution of miscellaneous service revenues to our total fixed line service revenues accounted for 2% for each of the three months ended March 31, 2018 and 2017.

Non-service Revenues

Non-service revenues decreased by Php15 million, or 2%, to Php785 million for the three months ended March 31, 2018 from Php800 million in the same period in 2017, primarily due to lower sale of Telpad units, hardware and software, and FabTab for myDSL retention, partially offset by higher sale of computer-bundled and TD-LTE devices.

Expenses

Expenses related to our fixed line business totaled Php15,558 million for the three months ended March 31, 2018, an increase of Php1,186 million, or 8%, as compared with Php14,372 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 interconnection costs, and cost of sales and services. As a percentage of our total fixed line revenues, expenses associated with our fixed line business accounted for 76% and 75% for the three months ended March 31, 2018 and 2017, respectively.

The following table shows the breakdown of our total fixed line-related expenses for the three months ended March 31, 2018 and 2017 and the percentage of each expense item to the total:

	2018	%	2017	%	Increase (Decrease) Amount %
	(amounts in million Php)				
Selling, general and administrative expenses	9,539	61	8,399	59	1,140 14

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Depreciation and amortization	3,330	22	3,120	22	210	7
Cost of sales and services	1,069	7	1,208	8	(139)	(12)
Interconnection costs	977	6	1,322	9	(345)	(26)
Provisions	643	4	323	2	320	99
Total	15,558	100	14,372	100	1,186	8

Selling, general and administrative expenses increased by Php1,140 million, or 14%, to Php9,539 million primarily due to higher professional and other contracted services, compensation and employee benefits, rent, and repairs and maintenance expenses.

Depreciation and amortization charges increased by Php210 million, or 7%, to Php3,330 million mainly due to a higher depreciable asset base.

Cost of sales and services decreased by Php139 million, or 12%, to Php1,069 million, primarily due to lower cost of Telpad units, hardware and software, and FabTab for myDSL retention.

Interconnection costs decreased by Php345 million, or 26%, to Php977 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 domestic interconnection costs.

Provisions increased by Php320 million, or 99%, to Php643 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 three months ended March 31, 2018 and 2017:

	2018	2017	Change	
	(amounts in million Php)		Amount	%
Other Income (Expenses):				
Financing costs – net	(1,229)	(1,308)	79	6
Foreign exchange gain (losses)	17	(41)	58	141
Equity share in net earnings of associates	30	67	(37)	(55)
Interest income	193	199	(6)	(3)
Gains on derivative financial instruments – net	218	148	70	47
Other income – net	711	642	69	11
Total	(60)	(293)	233	80

Our fixed line business' other expenses amounted to Php60 million for the three months ended March 31, 2018 from Php293 million in the same period in 2017, mainly due to the combined effects of the following: (i) lower net financing costs by Php79 million; (ii) higher net gains on derivative financial instruments by Php70 million; (iii) higher other income – net by Php69 million; (iv) foreign exchange gains of Php17 million in the first three months of 2018 as compared with foreign exchange losses of Php41 million in the same period in 2017; (v) a decrease in interest income by Php6 million; and (vi) lower equity share in net earnings of associates by Php37 million.

Provision for Income Tax

Provision for income tax amounted to Php1,308 million for the three months ended March 31, 2018, an increase of Php133 million, or 11%, from Php1,175 million in the same period in 2017. The effective tax rates for our fixed line business was 27% for each of the three months ended March 31, 2018 and 2017.

Net Income

As a result of the foregoing, our fixed line business registered a net income of Php3,531 million for the three months ended March 31, 2018, a decrease of Php322 million, or 10%, as compared with Php3,209 million in the same period in 2017.

EBITDA

Our fixed line business' EBITDA increased by Php432 million, or 6%, to Php8,229 million for the three months ended March 31, 2018 from Php7,797 million in the same period in 2017. EBITDA margin decreased to 42% in the first three months in 2018 from 43% in the same period in 2017.

Core Income

Our fixed line business' core income increased by Php495 million, or 17%, to Php3,351 million for the three months ended March 31, 2018 from Php2,856 million in the same period in 2017, primarily as a result of higher EBITDA and lower net financing costs, partially offset by higher depreciation expense.

Others

Expenses

Expenses related to our other business totaled Php8 million for the three months ended March 31, 2018, a decrease of Php10 million, or 56%, as compared with Php18 million in the same period in 2017, due to lower selling, general and administrative expenses.

Other Income (Expenses)

The following table summarizes the breakdown of other income (expenses) for other business segment for the three months ended March 31, 2018 and 2017:

	2018	2017	Change	
	(amounts in million Php)			
			Amount	%
Other Income (Expenses):				
Interest income	191	111	80	72
Equity share in net earnings (losses) of associates and joint ventures	(18)	159	(177)	(111)
Financing costs – net	(54)	(49)	(5)	(10)
Foreign exchange losses	(606)	(102)	(504)	(494)
Other income (expenses) – net	3,311	(540)	3,851	713
Total	2,824	(421)	3,245	771

Other income increased by Php3,245 million to Php2,824 million for the three months ended March 31, 2018 as against other expenses of Php421 million in the same period in 2017, primarily due to the combined effects of the following: (i) higher other income – net by Php3,851 million mainly due to gain on valuation of Rocket Internet investment in the first three months of 2018 as against impairment in the same period in 2017; (ii) an increase in interest income by Php80 million; (iii) higher financing costs by Php5 million; (iv) equity share in net losses of associates and joint ventures of Php18 million in the first three months of 2018 as against equity share in net earnings of associates and joint ventures of Php159 million in the same period in 2017; and (v) higher net foreign exchange losses by Php504 million due to the higher level of depreciation of the Philippine peso relative to the U.S. dollar.

Net Income

As a result of the foregoing, our other business segment registered a net income of Php2,702 million for the three months ended March 31, 2018, an increase of Php3,172 million as against net loss of Php470 million in the same period in 2017.

Core Income

Our other business segment's core income amounted to Php66 million for the three months ended March 31, 2018, a decrease of Php109 million, or 62%, as compared with Php175 million in the same period in 2017.

Liquidity and Capital Resources

The following table shows our consolidated cash flows for the three months ended March 31, 2018 and 2017, as well as our consolidated capitalization and other consolidated selected financial data as at December 31, 2017 and 2016:

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	Three Months ended March 31, 2018 2017 (amounts in million Php)	
Cash Flows		
Net cash flows provided by operating activities	16,316	15,131
Net cash flows used in investing activities	(16,161)	(9,681)
Payment for purchase of property and equipment	(12,944)	(1,770)
Net cash flows used in financing activities	(4,692)	(12,756)
Net decrease in cash and cash equivalents	(3,685)	(7,094)

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	March 31, 2018	December 31, 2017
	(amounts in million Php)	
Capitalization		
Long-term portion of interest-bearing financial liabilities – net of current portion:		
Long-term debt	160,399	157,654
Current portion of interest-bearing financial liabilities:		
Long-term debt maturing within one year	11,840	14,957
Total interest-bearing financial liabilities	172,239	172,611
Total equity attributable to equity holders of PLDT	109,070	106,842
	281,309	279,453
Other Selected Financial Data		
Total assets	467,655	459,444
Property and equipment	184,455	186,907
Cash and cash equivalents	29,220	32,905
Short-term investments	8,700	1,074

Our consolidated cash and cash equivalents and short-term investments totaled Php37,920 million as at March 31, 2018. Principal sources of consolidated cash and cash equivalents for the three months ended March 31, 2018 were cash flows from operating activities amounting to Php16,316 million, proceeds from sale of notes receivables of Php4,852 million, proceeds from availment of long-term debt of Php4,500 million, proceeds from disposal of Hastings PDRs to the PLDT Beneficial Trust Fund of Php1,664 million, and interest received of Php352 million. These funds were used principally for: (1) payment for purchase of property and equipment, including capitalized interest, of Php12,944 million; (2) debt principal and interest payments of Php6,402 million and Php1,513 million, respectively; (3) net payment for purchase of short-term investments of Php7,413 million; (4) increase in advances and other noncurrent assets of Php2,629 million; and (5) net reduction in capital expenditures under long-term financing of Php1,463 million.

Our consolidated cash and cash equivalents and short-term investments totaled Php39,953 million as at March 31, 2017. Principal sources of consolidated cash and cash equivalents in the first three months of 2017 were cash flows from operating activities amounting to Php15,131 million, proceeds from availment of long-term debt of Php12,256 million, proceeds from issuance of perpetual notes of Php4,200 million, dividends received of Php286 million and interest received of Php242 million. These funds were used principally for: (1) debt principal and interest payments of Php22,637 million and Php2,072 million, respectively; (2) net payment for purchase of short-term investments of Php5,572 million; (3) net reduction in capital expenditures under long-term financing of Php4,387 million; (4) advances to VTI and Bow Arken of Php2,892 million to cover for the assumed liabilities and working capital requirements; and (5) payment for purchase of property and equipment, including capitalized interest, of Php1,770 million.

Operating Activities

Our consolidated net cash flows provided by operating activities increased by Php1,185 million, or 8%, to Php16,316 million for the three months ended March 31, 2018 from Php15,131 million in the same period in 2017, primarily due to lower level of settlement of accounts payable and other liabilities, and lower prepayments, partially offset by lower collection of receivables, higher pension contribution and higher inventories.

Cash flows provided by operating activities of our wireless business decreased by Php353 million, or 6%, to Php5,131 million for the three months ended March 31, 2018 from Php5,484 million in the same period in 2017, primarily due to lower collection of receivables, higher inventories and lower operating income, partially offset by lower level of settlement of accounts payable and other liabilities, and lower prepayments. Cash flows provided by operating activities of our fixed line business increased by Php2,306 million, or 24%, to Php11,825 million for the three months ended March 31, 2018 from Php9,519 million in the same period in 2017, primarily due to lower level of settlement of accounts payable and other liabilities, higher collection of receivables and higher operating income, partly offset by higher pension contribution. Cash flows used in operating activities of our other business increased by Php714 million to Php476 million for the three months ended March 31, 2018 as against cash flows provided by operating activities of Php238 million in the same period in 2017 mainly due to lower collection of receivables and higher level of settlement of accounts payable.

Investing Activities

Consolidated net cash flows used in investing activities amounted to Php16,161 million for the three months ended March 31, 2018, an increase of Php6,480 million, or 67%, from Php9,681 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 Php11,174 million; (2) higher advances and other noncurrent assets by Php2,601 million; (3) higher payment for purchase of short-term investments by Php1,841 million; (4) dividends received of Php286 million in 2017; (5) proceeds from disposal of Hastings PDRs of Php1,664 million; (6) lower net payment for purchase of investments in associates and joint ventures by Php2,836 million, primarily due to the purchase of investment in VTI, Bow Arken and Brightshare in 2017; and (7) proceeds from sale of notes receivables of Php4,852 million.

Our consolidated payment for purchase of property and equipment, including capitalized interest, for the three months ended March 31, 2018 totaled Php12,944 million, an increase of Php11,174 million as compared with Php1,770 million in the same period in 2017. Smart Group's capital spending increased by Php7,876 million to Php9,279 million for the three months ended March 31, 2018 from Php1,403 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 Php3,187 million to Php3,339 million for the three months ended March 31, 2018 from Php152 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 Php4,692 million for the three months ended March 31, 2018, a decrease of Php8,064 million, or 63%, from Php12,756 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 Php16,235 million and Php559 million, respectively; (2) lower net settlement of capital expenditures under long-term financing by Php2,924 million; (3) proceeds from issuance of perpetual notes of Php4,200 million in 2017; and (4) lower proceeds from availment of long-term debt by Php7,756 million.

Debt Financing

Proceeds from availment of long-term debt for the three months ended March 31, 2018 amounted to Php4,500 million, mainly from Smart's drawings related to the financing of capital expenditure requirements and refinancing of maturing loan obligations. Payments of principal and interest on our total debt amounted to Php6,402 million and Php1,513 million, respectively, for the three months ended March 31, 2018.

Our consolidated long-term debt decreased by Php372 million to Php172,239 million as at March 31, 2018 from Php172,611 million as at December 31, 2017, primarily due to debt amortizations, partly offset by drawings from our long-term facilities and the depreciation of the Philippine peso relative to the U.S. dollar. As at March 31, 2018, the long-term debt level of Smart increased by 5% to Php65,395 million from Php62,388 as at December 31, 2017, while PLDT's decreased by 3% to Php106,844 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 March 31, 2018 and 2017, we are in compliance with all of our debt covenants.

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

Financing Requirements

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

The following table shows the dividends declared to shareholders from the earnings for the three months ended March 31, 2018 and 2017:

Earnings	Date			Amount Per share Total (in million Php, except per share amount)
	Approved ⁽¹⁾	Record	Payable	
2018				
Preferred				
Series IV Cumulative Non-convertible Redeemable Preferred Stock ⁽¹⁾	January 22, 2018	February 21, 2018	March 15, 2018	— 12
Voting Preferred Stock	March 8, 2018	March 28, 2018	April 15, 2018	— 3
Charged to Retained Earnings				15
2017				
Preferred				
Series IV Cumulative Non-convertible Redeemable Preferred Stock ⁽¹⁾	February 7, 2017	February 24, 2017	March 15, 2017	— 12
Voting Preferred Stock	March 7, 2017	March 30, 2017	April 15, 2017	— 3
Charged to Retained Earnings				15

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

See Note 19 – Equity to the accompanying unaudited consolidated financial statements for further details.

Changes in Financial Conditions

Our total assets amounted to Php467,655 million as at March 31, 2018, an increase of Php8,211 million, or 2%, from Php459,444 million as at December 31, 2017, primarily due to higher short-term investments and contract assets, partially offset by lower cash and cash equivalents, property and equipment, and investments in associates and joint

ventures. Starting 2018, available-for-sale financial investments are presented according to PFRS 9.

Our total liabilities amounted to Php354,233 million as at March 31, 2018, an increase of Php5,972 million, or 2%, from Php348,261 million as at December 31, 2017 significantly due to higher dividends payable, and accrued expenses and other liabilities, partly offset by lower pension and other employee benefits.

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 three months ended March 31, 2018 amounted to Php16 million as compared with Php17 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 March 31, 2018 and 2017, see Note 27 – Financial Assets and Liabilities to the accompanying unaudited consolidated financial statements.

Commercial Commitments

Our outstanding consolidated commercial commitments, in the form of letters of credit, amounted to Php93 million and Php88 million as at March 31, 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 March 31, 2018 and December 31, 2017 other than those whose carrying amounts are reasonable approximations of fair values:

Fair Values

	March 31, 2018	December 31, 2017
	(amounts in million Php)	
Noncurrent Financial Assets		
Investments in debt securities and other long-term investments – net of current portion	–	151
Debt instruments at amortized cost - net of current portion	151	–
Equity instruments at fair value through other comprehensive income – net of current portion	6,477	–
Other financial assets – net of current portion	2,259	–
Advances and other noncurrent assets – net of current portion	–	13,695
Total noncurrent financial assets	8,887	13,846
Noncurrent Financial Liabilities		
Interest-bearing financial liabilities	148,142	150,918
Customers' deposits	1,544	1,700
Deferred credits and other noncurrent liabilities	4,062	5,093
Total noncurrent financial liabilities	153,748	157,711

The following table sets forth the amount of gains (losses) recognized for the financial assets and liabilities for the three months ended March 31, 2018 and the year ended December 31, 2017:

	March 31, 2018	December 31, 2017
	(amounts in million Php)	
Profit and Loss		
Interest income	477	1,412
Gains on derivative financial instruments – net	530	533
Accretion on financial liabilities	(36)	(219)
Interest on loans and other related items	(1,942)	(7,830)
Other Comprehensive Income		
Net fair value losses on cash flow hedges – net of tax	(90)	(376)
Net gains (losses) on available-for-sale financial investments – net of tax	(4,301)	3,364

Impact of Inflation and Changing Prices

Inflation can be a significant factor in the Philippine economy, and we are continually seeking ways to minimize its impact. The average inflation rate in the Philippines for the three months ended March 31, 2018 and 2017 were 3.8% and 3.1%, respectively. We continue to expect inflation to rise in the upper end of 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. Rocket Internet will settle the consideration on or before May 14, 2018. As a result of the sale, PLDT Online's equity ownership in Rocket Internet was reduced from 6.1% to 2.0%.

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 Metro Pacific Investments Corporation, or 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 Metro Pacific Investments Corporation, or 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 P2,124 million. The settlement was made on April 2, 2018, followed by PCEV's derecognition of the aforementioned receivables.

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 March 31, 2018:

Type of Accounts Receivable	Total	Current	Days	Days	Over
			31-60	61-90	91
	(amounts in million Php)				
Retail subscribers	18,703	10,743	573	171	7,216
Corporate subscribers	10,275	3,350	1,411	937	4,577
Foreign administrations	5,649	1,461	248	150	3,790
Domestic carriers	415	38	15	48	314
Dealers, agents and others	14,032	5,625	1,172	440	6,795
Total	49,074	21,217	3,419	1,746	22,692
Less: Allowance for doubtful accounts	15,061				
Total Receivables - net	34,013				

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ANNEX II – Financial Soundness Indicators

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

	2018	2017		
Current Ratio ⁽¹⁾	0.58:1.0	0.49:1.0		
Net Debt to Equity Ratio ⁽²⁾	1.23:1.0	1.23:1.0		
Net Debt to EBITDA Ratio ⁽³⁾	2.03:1.0	2.22:1.0		
Total Debt to EBITDA Ratio ⁽⁴⁾	2.60:1.0	2.87:1.0		
Asset to Equity Ratio ⁽⁵⁾	4.29:1.0	4.25:1.0		
Interest Coverage Ratio ⁽⁶⁾	3.21:1.0	3.68:1.0		
Profit Margin ⁽⁷⁾	17	%	13	%
Return on Assets ⁽⁸⁾	3	%	4	%
Return on Equity ⁽⁹⁾	14	%	17	%
EBITDA Margin ⁽¹⁰⁾	44	%	44	%

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

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

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

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

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

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

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

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

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

⁽¹⁰⁾EBITDA margin is measured as EBITDA for the period divided by service revenues for the period.

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

SIGNATURES

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

Registrant: PLDT Inc.

Signature and Title: /s/ Manuel V. Pangilinan
Manuel V. Pangilinan
Chairman of the Board
President and Chief Executive Officer

Signature and Title: /s/ Anabelle Lim-Chua
Anabelle Lim-Chua
Senior Vice President
(Principal Financial Officer)

Signature and Title: /s/ June Cheryl A. Cabal-Revilla
June Cheryl A. Cabal-Revilla
Senior Vice President
(Principal Accounting Officer)

Date: May 11, 2018

PLDT INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

AS AT MARCH 31, 2018 (UNAUDITED) AND DECEMBER 31, 2017 (AUDITED)

AND FOR THE THREE MONTHS ENDED MARCH 31, 2018 AND 2017 (UNAUDITED)

PLDT INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in million pesos)

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
ASSETS		
Noncurrent Assets		
Property and equipment (Notes 9 and 21)	184,455	186,907
Investments in associates and joint ventures (Note 10)	44,486	46,130
Available-for-sale financial investments (Notes 6 and 11)	—	15,165
Financial assets at fair value through profit or loss (Note 11)	18,522	—
Investment in debt securities and other long-term investments – net of current portion (Note 12)	—	150
Debt instruments at amortized cost – net of current portion (Note 12)	150	—
Investment properties (Notes 6 and 13)	1,943	1,635
Goodwill and intangible assets (Note 14)	69,369	69,583
Deferred income tax assets – net (Note 7)	29,512	30,466
Derivative financial assets – net of current portion (Note 27)	192	215
Prepayments – net of current portion (Note 18)	6,023	5,370
Advances and other noncurrent assets – net of current portion (Note 24)	—	14,154
Equity instruments at fair value through other comprehensive income – net of current portion (Notes 6 and 24)	6,477	—
Other financial assets – net of current portion	2,422	—
Other non-financial assets – net of current portion	2,997	—
Total Noncurrent Assets	366,548	369,775
Current Assets		
Cash and cash equivalents (Note 15)	29,220	32,905
Short-term investments (Note 27)	8,700	1,074
Trade and other receivables (Note 16)	34,013	33,761
Inventories and supplies (Note 17)	4,902	3,933
Contract assets (Note 27)	3,765	—
Current portion of derivative financial assets (Note 27)	299	171
Current portion of investment in debt securities and other long-term investments (Note 12)	—	100
Current portion of debt instruments at amortized cost (Note 12)	105	—
Current portion of prepayments (Note 18)	7,662	9,633
Current portion of advances and other noncurrent assets (Note 19)	—	8,092
Current portion of equity instruments at fair value through other comprehensive income	4,335	—

(Notes 6 and 24)		
Current portion of other financial assets	6,837	—
Current portion of other non-financial assets	1,269	—
Total Current Assets	101,107	89,669
TOTAL ASSETS	467,655	459,444
EQUITY AND LIABILITIES		
Equity		
Non-voting serial preferred stock (Notes 8 and 19)	360	360
Voting preferred stock (Note 19)	150	150
Common stock (Notes 8 and 19)	1,093	1,093
Treasury stock (Notes 8 and 19)	(6,505)	(6,505)
Treasury shares under employee benefit trust (Note 25)	(940)	(940)
Capital in excess of par value (Note 19)	130,374	130,374
Other equity reserves (Note 25)	937	827
Retained earnings (Note 19)	8,416	634
Other comprehensive loss (Note 6)	(24,815)	(19,151)
Total Equity Attributable to Equity Holders of PLDT (Note 27)	109,070	106,842
Noncontrolling interests (Note 6)	4,352	4,341
TOTAL EQUITY	113,422	111,183

See accompanying Notes to Consolidated Financial Statements.

PLDT INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)

(in million pesos)

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Noncurrent Liabilities		
Interest-bearing financial liabilities – net of current portion (Notes 20 and 24)	160,399	157,654
Deferred income tax liabilities – net (Note 7)	3,649	3,366
Derivative financial liabilities – net of current portion (Note 27)	4	8
Customers' deposits (Note 27)	2,450	2,443
Pension and other employee benefits (Note 25)	7,777	8,997
Deferred credits and other noncurrent liabilities (Note 21)	6,600	7,702
Total Noncurrent Liabilities	180,879	180,170
Current Liabilities		
Accounts payable (Note 22)	59,757	60,445
Accrued expenses and other current liabilities (Notes 23 and 26)	93,176	90,740
Current portion of interest-bearing financial liabilities (Notes 20 and 24)	11,840	14,957
Dividends payable (Note 19)	7,622	1,575
Current portion of derivative financial liabilities (Note 27)	15	141
Income tax payable (Note 7)	944	233
Total Current Liabilities	173,354	168,091
TOTAL LIABILITIES	354,233	348,261
TOTAL EQUITY AND LIABILITIES	467,655	459,444

See accompanying Notes to Consolidated Financial Statements.

PLDT INC. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS

For the Three Months Ended March 31, 2018 and 2017

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

	2018	2017
	(Unaudited)	
REVENUES		
Service revenues	37,745	37,701
Non-service revenues (Note 5)	2,762	1,487
	40,507	39,188
EXPENSES		
Selling, general and administrative expenses (Note 5)	17,309	16,552
Depreciation and amortization (Note 9)	9,373	7,550
Cost of sales and services (Note 5)	3,614	3,232
Asset impairment (Note 5)	1,391	1,051
Interconnection costs	1,874	2,091
	33,561	30,476
	6,946	8,712
OTHER INCOME (EXPENSES) (Note 5)	1,889	(1,456)
INCOME BEFORE INCOME TAX	8,835	7,256
PROVISION FOR INCOME TAX (Note 7)	1,911	2,287
NET INCOME	6,924	4,969
ATTRIBUTABLE TO:		
Equity holders of PLDT (Note 8)	6,900	4,951
Noncontrolling interests	24	18
	6,924	4,969
Earnings Per Share Attributable to Common Equity Holders of		
PLDT (Note 8)		
Basic	31.87	22.84
Diluted	31.87	22.84

See accompanying Notes to Consolidated Financial Statements.

PLDT INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Three Months Ended March 31, 2018 and 2017

(in million pesos)

	2018	2017
	(Unaudited)	
NET INCOME	6,924	4,969
OTHER COMPREHENSIVE INCOME (LOSS) – NET OF TAX (Note 6)		
Foreign currency translation differences of subsidiaries	178	13
Net transactions on cash flow hedges:	(90)	(132)
Net fair value losses on cash flow hedges (Note 27)	(78)	(145)
Income tax related to fair value adjustments charged directly to equity (Note 7)	(12)	13
Share in the other comprehensive loss of associates and joint ventures		
accounted for using the equity method (Note 10)	(182)	(42)
Net losses on available-for-sale financial investments:	(4,301)	(847)
Unrealized losses from changes in fair value adjustments recognized during the period (Note 11)	(4,311)	(1,386)
Impairment recognized in profit or loss (Note 11)	—	540
Income tax related to fair value adjustments charged directly to equity (Note 7)	10	(1)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	(4,395)	(1,008)
Actuarial losses on defined benefit obligations:	(1,265)	(387)
Remeasurement in actuarial losses on defined benefit obligations	(1,807)	(549)
Income tax related to remeasurement adjustments (Note 7)	542	162
Share in the other comprehensive income (loss) of associates and joint		
ventures accounted for using the equity method (Note 10)	—	216
Revaluation increment on investment properties:	—	—
Depreciation of revaluation increment in investment properties		
transferred to property and equipment (Note 9)	—	(1)
Income tax related to revaluation increment charged directly to equity (Note 7)	—	1
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods	(1,265)	(171)
Total Other Comprehensive Loss – Net of Tax	(5,660)	(1,179)
TOTAL COMPREHENSIVE INCOME	1,264	3,790
ATTRIBUTABLE TO:		
Equity holders of PLDT	1,236	3,770
Noncontrolling interests	28	20
	1,264	3,790

See accompanying Notes to Consolidated Financial Statements.

PLDT INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Three Months Ended March 31, 2018 and 2017

(in million pesos)

	Preferred Stock	Common Stock	Treasury Stock	Treasury Shares under Benefit Trust	Capital in Excess of Par Value	Other Equity Reserves	Retained Earnings	Other Comprehensive Income (Loss)	Total Equity Attributable to Equity Holders of PLDT	Noncontrolling Interests	Total Equity
Balances as at January 1, 2018 PFRS 15 and PFRS 9 adjustments	510	1,093	(6,505)	(940)	130,374	827	634	(19,151)	106,842	4,341	111,183
Total comprehensive income (loss):	—	—	—	—	—	—	7,006	—	7,006	—	7,006
Net income (Note 8)	—	—	—	—	—	—	6,900	—	6,900	24	6,924
Other comprehensive (loss) income (Note 6)	—	—	—	—	—	—	—	(5,664)	(5,664)	4	(5,660)
Cash dividends (Note 19)	—	—	—	—	—	—	(6,065)	—	(6,065)	(15)	(6,080)
Perpetual notes (Note 19)	—	—	—	—	—	—	—	—	—	—	—
Distribution charges on perpetual notes (Note 19)	—	—	—	—	—	—	(59)	—	(59)	—	(59)
Other equity reserves (Note 3)	—	—	—	—	—	110	—	—	110	—	110
	—	—	—	—	—	—	—	—	—	—	—

Loss from changes in fair value adjustment												
Acquisition and dilution of noncontrolling interests	—	—	—	—	—	—	—	—	—	(2)	(2)	
Balances as at March 31, 2018												
(Unaudited)	510	1,093	(6,505)	(940)	130,374	937	8,416	(24,815)	109,070	4,352	113,422	
Balances as at January 1, 2017	510	1,093	(6,505)	—	130,488	—	3,483	(20,894)	108,175	362	108,537	
Total comprehensive income (loss):	—	—	—	—	—	—	4,951	(1,181)	3,770	20	3,790	
Net income (Note 8)	—	—	—	—	—	—	4,951	—	4,951	18	4,969	
Other comprehensive income (loss) (Note 6)	—	—	—	—	—	—	—	(1,181)	(1,181)	2	(1,179)	
Cash dividends (Note 19)	—	—	—	—	—	—	(6,064)	—	(6,064)	—	(6,064)	
Perpetual notes (Note 19)	—	—	—	—	—	—	—	—	—	4,200	4,200	
Equity reserves	—	—	—	—	(127)	—	—	—	(127)	—	(127)	
Balances as at March 31, 2017												
(Unaudited)	510	1,093	(6,505)	—	130,361	—	2,370	(22,075)	105,754	4,582	110,336	

See accompanying Notes to Consolidated Financial Statements.

PLDT INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Three Months Ended March 31, 2018 and 2017

(in million pesos)

	2018	2017
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	8,835	7,256
Adjustments for:		
Depreciation and amortization (Note 9)	9,373	7,550
Interest on loans and other related items – net (Note 5)	1,638	1,824
Asset impairment (Note 5)	1,391	1,051
Foreign exchange losses – net (Notes 9 and 26)	1,142	397
Pension benefit costs (Notes 5 and 25)	447	483
Amortization of intangible assets (Notes 5 and 14)	214	205
Incentive plans (Notes 5 and 25)	110	—
Impairment of investments (Notes 10 and 11)	60	212
Accretion on financial liabilities – net (Note 5)	36	60
Losses (gains) on disposal of property and equipment (Note 9)	3	(1)
Equity share in net earnings of associates and joint ventures (Notes 5 and 10)	(74)	(193)
Interest income (Note 5)	(477)	(309)
Gains on derivative financial instruments – net (Notes 5 and 27)	(530)	(282)
Others	(4,005)	(168)
Operating income before changes in assets and liabilities	18,163	18,085
Decrease (increase) in:		
Trade and other receivables	(5,154)	(324)
Inventories and supplies	(1,077)	489
Prepayments	947	(60)
Advances and other noncurrent assets	(326)	23
Contract assets	486	—
Increase (decrease) in:		
Accounts payable	4,534	(3,843)
Accrued expenses and other current liabilities	2,380	1,708
Pension and other employee benefits	(3,475)	(569)
Customers' deposits	7	(3)
Other noncurrent liabilities	14	14
Net cash flows generated from operations	16,499	15,520
Income taxes paid	(183)	(389)
Net cash flows from operating activities	16,316	15,131
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	352	242

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Dividends received (Note 10)	—	286
Proceeds from:		
Proceeds from collection of notes receivable	4,852	—
Disposal of investments	1,664	—
Disposal of investments in associates and joint ventures	46	—
Disposal of property and equipment (Note 9)	22	94
Payments for:		
Purchase of subsidiaries – net of cash acquired	(51)	—
Purchase of investments in associates and joint ventures (Note 10)	(60)	(2,896)
Interest capitalized to property and equipment (Note 9)	(304)	(207)
Purchase of short-term investments	(7,413)	(5,572)
Purchase of property and equipment (Note 9)	(12,640)	(1,563)
Acquisition of intangible assets (Note 14)	—	(37)
Increase in advances and other noncurrent assets	(2,629)	(28)
Net cash flows used in investing activities	(16,161)	(9,681)

See accompanying Notes to Consolidated Financial Statements.

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PLDT INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

For the Three Months Ended March 31, 2018 and 2017

(in million pesos)

	2018	2017
	(Unaudited)	
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Availments of long-term debt (Note 20)	4,500	12,256
Derivative financial instruments (Note 27)	218	16
Deposit for future stock subscription	66	—
Issuance of perpetual notes (Note 19)	—	4,200
Payments for:		
Cash dividends (Note 19)	(16)	(17)
Debt issuance costs (Note 20)	(23)	(115)
Distribution charges on perpetual notes (Note 19)	(59)	—
Long-term financing for capital expenditures	(1,463)	(4,387)
Interest – net of capitalized portion (Notes 5 and 20)	(1,513)	(2,072)
Long-term debt (Note 20)	(6,402)	(22,637)
Net cash flows used in financing activities	(4,692)	(12,756)
NET EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH		
AND CASH EQUIVALENTS	852	212
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,685)	(7,094)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD (Note 15)	32,905	38,722
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note 15)	29,220	31,628

See accompanying Notes to Consolidated Financial Statements.

PLDT INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

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

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

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The common shares of PLDT are listed and traded on the Philippine Stock Exchange, Inc., or PSE. On October 19, 1994, an American Depositary Receipt, or ADR, facility was established, pursuant to which Citibank N.A., as the depository, issued American Depositary Shares, or ADSs, with each ADS representing one PLDT common share with a par value of Php5.00 per share. Effective February 10, 2003, PLDT appointed JP Morgan Chase Bank as successor depository for PLDT's ADR facility. The ADSs are listed on the New York Stock Exchange, or NYSE, in the United States and are traded on the NYSE under the symbol "PHI". There were approximately 30.3 million ADSs outstanding as at March 31, 2018.

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

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

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

2. Summary of Significant Accounting Policies

Basis of Preparation

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

Our consolidated financial statements have been prepared under the historical cost basis, except for derivative financial instruments, certain available-for-sale financial investments, certain short-term investments and investment properties that are measured at fair values.

Our consolidated financial statements include adjustments consisting only of normal recurring adjustments, necessary to present fairly the results of operations for the interim periods. The results of operations for the three months ended March 31, 2018 are not necessarily indicative of the results of operations that may be expected for the fully year.

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

Basis of Consolidation

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

Name of Subsidiary	Place of Incorporation	Principal Business Activity	Percentage of Ownership			
			March 31, 2018 (Unaudited)		December 31, 2017 (Audited)	
			Direct	Indirect	Direct	Indirect
Wireless Smart: Smart Broadband, Inc., or SBI, and Subsidiary	Philippines	Cellular mobile services	100.0	—	100.0	—
	Philippines	Internet broadband distribution services	—	100.0	—	100.0
Primeworld Digital Systems, Inc., or PDSI	Philippines	Internet broadband distribution services	—	100.0	—	100.0
I-Contacts Corporation	Philippines	Operations support servicing business	—	100.0	—	100.0
Smart Money Holdings Corporation, or SMHC	Cayman Islands	Investment company	—	100.0	—	100.0
Far East Capital Limited, or FECL, and Subsidiary, or FECL Group	Cayman Islands	Cost effective offshore financing and risk management activities for Smart	—	100.0	—	100.0
PH Communications Holdings Corporation, or PHC	Philippines	Investment company	—	100.0	—	100.0
Connectivity Unlimited Resource Enterprise, or CURE	Philippines	Cellular mobile services	—	100.0		