SEC Number **145111**
File Number

DIGITAL TELECOMMUNICATIONS PHILS., INC.

8003-A Matalino St., Diliman,
Quezon City, Metro Manila

(Company's Address)

(632) 8856-5902

(Telephone Number)

December 31, 2023

(Fiscal Year Ending)
(month & day)

SEC Form 20-IS
(Preliminary)

Form Type

Not Applicable

Amendment Designation (if applicable)

Not Applicable

Period Ended Date

Not Applicable

(Secondary License Type and File Number)

NOTICE AND AGENDA OF THE
ANNUAL STOCKHOLDERS' MEETING

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders (the "Annual Meeting") of **DIGITAL TELECOMMUNICATIONS PHILS., INC.** will be held at Quezon City by way of remote communication through Microsoft Teams (MS Teams) on **May 27, 2024, Monday**, at **2:00 P.M.**

The Agenda of the Annual Meeting is as follows:

1. Call to Order;
2. Certification by the Corporate Secretary on the sending of notices and existence of quorum;
3. Approval of Minutes of the Annual Meeting of the Stockholders held on May 29, 2023;
4. President's Report;
5. Approval of the audited financial statements for the calendar year ended December 31, 2023;
6. Election of Directors including Independent Directors;
7. Election of External Auditors;
8. Other Matters; and
9. Adjournment.

Only stockholders as of record date, March 31, 2024, are entitled to vote and be voted during the Annual Meeting.

IF YOU DO NOT EXPECT TO ATTEND THE ANNUAL MEETING, PLEASE EXECUTE AND RETURN THE COMPLETED PROXY FORM TO THE ASSISTANT CORPORATE SECRETARY AT 10/F SMART TOWER, 6799 AYALA AVENUE, MAKATI CITY 1226. THE LAST DAY FOR SUBMISSION OF PROXIES IS ON MAY 22, 2024. SOFT COPIES OF THE PROXY FORMS CAN BE EMAILED IN ADVANCE TO jdpeneyra@pldt.com.ph.

Online voting and participation by remote communication will be available for all stockholders as of Record Date. Stockholders who wish to vote online and participate by remote communication will be required to register by informing the Assistant Corporate Secretary, Joel D. Peneyra at 09285590433 or via email at jdpeneyra@pldt.com.ph not later than May 17, 2024. Stockholders who were not able to register as of May 17, 2024 can no longer avail of online voting but may still participate by remote communication, provided such stockholder shall register not later than May 22, 2024. Instructions on Registration, Online Voting in Absentia and Participation by Remote Communication are set out in Annex A attached to this Notice and Agenda.

Quezon City, Philippines, April 12, 2024.

FOR THE BOARD OF DIRECTORS

ATTY. ALEX ERLITO S. FIDER
Corporate Secretary

Republic of the Philippines)
Makati City, Metro Manila) s.s.

SECRETARY'S CERTIFICATE

I, JOEL D. PENEYRA, Filipino, of legal age, with office address at the 10/F Smart Tower, 6799 Ayala Avenue, Makati City, Philippines, being duly sworn in accordance with law, hereby certify that:

1. I am the duly appointed and incumbent Assistant Corporate Secretary of DIGITAL TELECOMMUNICATIONS PHILS., INC., (the "Corporation"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with office address at 8003 – A Matalino Street, Diliman, Quezon City;

2. At a duly constituted special meeting of the Board of Directors of the Corporation held on March 21, 2024, where a quorum was present and acting throughout, the following resolutions were approved and adopted by the Board of Directors of the Corporation:

RESOLUTION

RESOLVED, That the Board of Directors authorize and approve, as it hereby authorizes and approves, to conduct the Corporation's Annual Stockholders' Meeting (ASM) on May 27, 2024, Monday at 2:00 P.M. by way of remote communication through Microsoft Teams (MS Teams).

RESOLVED FURTHER, that the Corporation's stockholders as of Record Date, March 31, 2024, be allowed to participate in the Annual Stockholders' Meeting and to exercise their right to vote upon any agenda item, through remote communication, or in absentia, and for this purpose, their remote or in absentia participation be considered in the determination of quorum.

RESOLVED FINALLY, that the Corporate Secretary and Assistant Corporate Secretary be, and each is hereby, authorized to certify to the adoption of these resolutions.

4. The foregoing resolutions have not been amended nor superseded and are still in full force and effect as of this date and in accordance with the records of the Corporation presently in my custody.

IN WITNESS WHEREOF, I have hereunto set my hand this 1st day of April 2024 at Makati City, Metro Manila, Philippines.

JOEL D. PENEYRA
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me in Makati City this APR 04 2024 **by** Joel D. Peneyra who has satisfactorily proven to me his identity through his Driver's License No. N06-81-016919 valid until 09-24-2024 that he is the person who personally signed before me the foregoing Secretary's Certificate and acknowledged that he executed the same.

Doc. No. 315
Page No. 64
Book No. II
Series of 2024.

KRISTINE MARIZ I. DE CLARO
Notary Public for the City of Makati
Until December 31, 2024
Appointment No. M-601
Roll of Attorneys No. 71660
PTR O.R. No. 10077267 - 01/03/2024 MKT
IBP Membership O.R. No. 400370; 01/04/2024
10/F Smart Tower 1, 6799 Ayala Avenue, Makati City, MM

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:
   [ ] Preliminary Information Statement
   [✓] Definitive Information Statement

2. DIGITAL TELECOMMUNICATIONS PHILS., INC.
   Exact name of registrant as specified in its charter

3. Quezon City, Metro Manila, Philippines
   Province, Country or other jurisdiction of incorporation or organization

4. SEC Identification Number 145111

5. BIR Tax Identification No. 000-449-918-000

6. 8003-A Matlino Street, Diliman, Quezon City, Metro Manila — 1104
   Address of principal office — Postal Code

7. (632) 8856-5902
   Registrant's telephone number, including area code

8. May 27, 2024 at 2:00 P.M., at 10/F Smart Tower, 6799 Ayala Avenue, Makati City 1226 for presiding officer only and virtually via remote communication through MS Teams for shareholders
   Date, time and place of the meeting of the security holders

9. Approximate date on which the Information Statement is first to be published in two newspapers of general circulation, in print and online format, for two consecutive days pursuant to SEC Notice dated February 23, 2024: May 3, 2024

10. In case of Proxy Solicitation

    Name of Person Filing the Statement/Solicitor Joel D. Peneyra in behalf of the Registrant
    Address and Telephone No. 10/F Smart Tower, 6799 Ayala Avenue, Makati City 1226 / 09285590433 / jdpeneyra@pldt.com.ph

11. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation code, or Sec. 4 and 8 of the then Revised Securities Act.

Title of Each Class	Number of Shares of Common Stock Outstanding
Common stock, ₱0.10 par value	26,142,671,992 (as at April 30, 2024)

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

    Yes [ ] No [✓]
    If yes, disclose the name of such Stock Exchange and the class of securities listed therein: N/A

GENERAL INFORMATION

Digital Telecommunications Phils., Inc., “Digitel”, “Company” or “Parent Company”, is a corporation incorporated under the laws of the Philippines, with principal office and mailing address at 8003-A Matalino St., Diliman, Quezon City. Digitel Mobile Phils., Inc. is the Company’s major subsidiary referred to as “DMPI” in this report.

Date, Time and Place of Meeting

The Annual Meeting will be held by way of remote communication through MS Teams on May 27, 2024, Monday at 2:00 PM. The presiding officer will be at the10/F Smart Tower, 6799 Ayala Avenue, Makati City 1226. For participation and voting via remote communication, please refer to Instructions on Registration, Online Voting in Absentia and Participation by Remote Communication set out in Annex A of this Information Statement.

Record Date

The record date for the purpose of determining the stockholders entitled to notice of, and to vote at the Annual Meeting is March 31, 2024 (the “Record Date”).

Approximate Date of First Release of the Information Statement, Proxy Form and Annual Report

Pursuant to SEC Notice dated February 23, 2024, the Notice of Annual Meeting will be published in the business section of two newspapers of general circulation in both print and online format on May 3 and 4, 2024. The Information Statement, Proxy Form, Management Report/Annual Report, SEC Form 17-A, and SEC Form 17-Q will be made available upon request at DIGITEL_Phil@pldt.com.ph or from the Assistant Corporate Secretary, Joel D. Peneyra via email at jdpeneyra@pldt.com.ph beginning on May 6, 2024. The Company will provide, without charge, a printed copy of the SEC Form 17-A and SEC Form 17-Q, upon the written request of a stockholder addressed to the Assistant Corporate Secretary of the Company at the 10/F Smart Tower, Ayala Avenue, Makati City 1226 or you may send to the principal address at 8003-A, Matalino Street, Diliman, Quezon City, Philippines.

Dissenter’s Appraisal Right

A stockholder has the right to dissent and demand payment of the fair value of his share in case: (1) of any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or of authorizing preference over the outstanding shares or of extending or shortening the term of corporate existence; (2) of any sale, lease, exchange, transfer, mortgage, pledge or disposition of all or substantially all the corporate properties or assets; (3) of any merger or consolidation; and (4) of investment of corporate funds for any purpose other than the primary purpose of the corporation.

The appraisal right may be exercised by a stockholder who has voted against the proposed corporate action, by making written demand on the corporation for the payment of the fair market value of his shares within thirty (30) days after the date on which the vote was taken.

Sec 80-85 of Title X on Appraisal Right on the Revised Corporation Code of the Philippines will govern the appraisal right of a dissenting stockholder in instances allowed by law.

The proposed corporate actions to be voted upon at the Annual Meeting are not among the matters provided under Section 80 of Republic Act No. 11232 also known as the Revised Corporation Code of the Philippines (the "Corporation Code"), with respect to which a dissenting stockholder may exercise his appraisal right.

Interest of Certain Persons in Opposition to Certain Matters to be Acted Upon.

No director/independent director or officer or nominee for election as director/independent director and, to the best knowledge of the Board of Directors and Management of the Company, no associate of any of the foregoing persons has any substantial interest, direct or indirect, by security holdings or otherwise in any manner to be acted upon at the Annual Meeting, other than election to office.

No director/ independent director has informed the Company in writing that he intends to oppose any action to be taken at the Annual Meeting.

INFORMATION ON SECURITIES AND SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS

Voting Securities and Principal Holders Thereof

The registrant has 26,142,671,992 outstanding shares as of April 30, 2024, all of which are common shares and each share is entitled to one vote. Of the 26,142,671,992 shares of common stock as of March 31, 2024, Record Date, 29,271,888 or 0.11% were owned by foreigners.

A stockholder entitled to vote at the Annual Meeting shall have the right to vote either by proxy or, as approved by the majority of the board of directors, through online voting in absentia. Each share is entitled to one vote. For the purpose of election of directors, a stockholder may vote such number of shares recorded in his name on the stock and transfer books of the Company as of Record Date, March 31, 2024, for as many persons as there are directors to be elected or he may cumulate said share and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit.

Security Ownership of Certain Record and Beneficial Owners

The table below sets forth the record owner, the beneficial owner of more than five percent of the Company's outstanding shares of common stock, the number of shares owned, and percentage of shareholdings, as of April 30, 2024.

Title of Class	Name and Address of Record Owner and Relationship with the Issuer	Amount and Nature of the Beneficial Ownership	Citizenship	Number of Shares Held Record	Percentage of Class
Common	PLDT Inc. (PLDT) (1) 12th Floor Ramon Cojuangco Bldg. Makati Avenue, Makati City	₱2,604,327,932 Direct	Filipino	26,043,279,329	99.62

1 PLDT is the parent company of Digitel. PLDT is the leading telecommunications provider in the Philippines. Through its three principal business segments – wireless, fixed line and others - PLDT offers a large and diverse range of telecommunications services across the Philippines' most extensive fiber optic backbone and wireless and fixed line networks.

Based on a resolution adopted by the Board of Directors of the PLDT Inc., the President and Chief Executive Officer of PLDT, Manuel V. Pangilinan, has the authority to designate the persons to be nominated by PLDT for election as directors in any corporation in which PLDT owns or holds of record or beneficially any share of stock or security with voting right (the "investee"), represent and vote the shares of stock or security owned or held by PLDT in any meeting of the stockholders or security holders of the Investee or, as he may deem necessary, to designate/appoint a person he may deem fit as proxy or attorney-in-fact, with full power of delegation and substitution to represent and vote the shares of stock or security holders of the Investee, and sign in behalf of PLDT any nomination letter, voting instructions, and proxy form of attorney and other instruments in connection with any and all of the foregoing matters and in the exercise of the authority granted to the President and CEO.

Security Ownership of Management:

The following table sets forth the number of shares of common stock owned of record and/or beneficially by the directors/independent directors, Chief Executive Officers and executive officers of the Company, and the percentage of shareholdings of each, as at April 30, 2024:

Name of Record and Address	Citizenship	Title of Class	Number of shares	Amount and Nature of Holdings	Percentage of Class
Manuel V. Pangilinan Chairman of the Board 7/F Ramon Cojuangco Bldg., Makati Avenue, Makati City	Filipino	Common	10	₱1 / Direct	0.000000
Alfredo S. Panlilio Director 7/F Ramon Cojuangco Bldg., Makati Avenue, Makati City	Filipino	Common	10	1 / Direct	0.000000
Danny Y. Yu Director St. Francis Shangri-la Place Tower 2 St. Francis, Mandaluyong City	Filipino	Common	10	1 / Direct	0.000000
Oscar J. Hilado Director Phinma Building Rockwell, Makati City	Filipino	Common	10	1 / Direct	0.000000
Emerlinda R. Roman Director 41 Kalaw St. Manila Homes Congressional Ave., Quezon City	Filipino	Common	10	1 / Direct	0.000000
Lorenzo V. Tan Director 46/F Yuchengco Tower, RCBC Plaza, Sen G.J. Puyat Ave., Makati City	Filipino	Common	10	1 / Direct	0.000000

Voting Trust Holders

To the best knowledge of the Board of Directors and Management of the Company, there is no person who holds more than 5% of the Company's outstanding shares of Common Stock under a voting trust or similar agreement.

Change in Control

The Company is not aware of any change in control or arrangement that may result in a change in control of the Company since the beginning of its last calendar year.

DIRECTORS AND OFFICERS

Board of Directors

(a) Board of Directors: The Directors of the Company are elected at the Regular Annual Meeting of stockholders to hold office until the next Annual Meeting or until their representative successors have been elected and qualified.

Nominees for Election as Members of the Board of Directors

In accordance with the Company's By-laws, written nominations for election of directors including independent directors were submitted by certain stockholders to the Board of Directors through the Corporate Secretary not earlier than thirty (30) business days not later than twenty (20) business days prior to the date of the Annual Meeting.

The following individuals have been nominated for election as director/independent director at the Annual Meeting:

Name	Age	Citizenship	Period during which individual has served as such
Manuel V. Pangilinan	77	Filipino	October 26, 2011 to present
Alfredo S. Panlilio	60	Filipino	June 12, 2019 to present
Danny Y. Yu	62	Filipino	June 13, 2023 to present
Oscar J. Hilado (1)	85	Filipino	May 6, 2013 to present
Emerlinda R. Roman (1)	74	Filipino	March 4, 2013 to present
Lorenzo V. Tan	60	Filipino	January 27, 2014 to present

(1) Independent director

The nominees for election as independent directors of the Board of Directors on May 29, 2023 are as follows:

Nominee for Independent Director (a)	Person / Group Recommending Nomination (b)	Relationship of (a) and (b)
Emerlinda R. Roman	Manuel V. Pangilinan	none
Oscar J. Hilado	Manuel V. Pangilinan	none

The Company is in compliance with the guidelines on the nomination and election of independent directors as prescribed by Securities Regulation Code Rule 38, as amended, and as provided for in the Company's Amended By-Laws approved on January 10, 2006.

The Governance and Nomination Committee of the Board of Directors of the Company composed of Oscar J. Hilado (independent director) who is the chairman of the committee, and Manuel V. Pangilinan and Emerlinda R. Roman (independent director), as members, have determined that each of the nominees for election as directors/independent directors at the Annual Meeting, possesses all of the qualifications and has none of the disqualifications for directorship set out in the Company's Amended By-Laws and its new Manual on Corporate Governance, which was approved on June 9, 2020. In addition, the Nomination Committee has determined that each of the independent director-nominees meets the independence criteria set out in the Securities Regulation Code Rule 38, the Company's Amended By-Laws, Manual on Corporate Governance and other standards set by the Nomination Committee. Mr. Hilado and Dr. Roman did not participate in the deliberation and evaluation of their respective qualifications. In general, they are not officers or employees of the Company or any of its subsidiaries, and they are free from any business or any other relationships with the Company or any of its subsidiaries which could, or could reasonably be perceived to, materially interfere with the exercise of their independent judgment in carrying out their responsibilities as independent directors. Each of them has submitted a Certificate of Qualification as required by the SEC.

Pursuant to the Company's Board diversity Policy, the GNC also considered that the director/independent director for nominees have the appropriate mix and complementation of knowledge, skills, education and professional background and business experiences. Moreover, there are two (2) female directors and a combination of two (2) independent director nominees, four (4) non-executive director nominees and two (2) executive director nominees. These diversity aspects are deemed important to have an optimally performing Board, which is essential for the attainment of the Company's strategic objectives and sustainable development.

The Code of Corporate Governance for Public Companies and Registered Issuers prescribes a cumulative term limit of nine (9) years, (the "Term Limit") for independent directors for public companies, reckoned from the year 2012. The same circular provides, however, that where a company wants to retain independent director beyond the Term Limit, the Board should provide meritorious justifications and seek shareholder approval during the annual shareholders meeting. The Company's Manual on Corporate Governance provides that in the case stockholders who have a legal right to vote for the election of directors desire to re-elect an independent director beyond the Term Limit for meritorious justifications, the Company shall uphold the stockholders legal right and disclose the meritorious justifications for retaining the independent director beyond the Term Limit.

Mr. Oscar J. Hilado and Dr. Emerlinda R. Roman, who have both served as independent directors for more than nine (9) consecutive years, were nominated for re-election as independent directors. In accordance with the Code of Corporate Governance for Public Companies and Registered Issuers and the Company's procedures, (a) the GNC evaluated the nomination of Mr. Oscar J. Hilado and Dr. Emerlinda R. Roman and submitted its recommendation to the Bord, and (b) upon the recommendation of the GNC, the Board at its March 21, 2024 meeting resolved to endorse the re-election of Mr. Oscar J. Hilado and Dr. Emerlinda R. Roman as independent directors at the Annual Meeting for the following meritorious justifications based on the factors of integrity and independence, diligence, performance and value to the Company:

Mr. Oscar J. Hilado and Dr. Emerlinda R. Roman continue to: (1) meet all the independence standards and (2) be independent of Management and free from any business or other relationships with the Company, which could or could reasonably be perceived to materially interfere with their independent judgment in carrying out their responsibilities as independent directors, and there is no evidence that the proposed extension of their tenure would compromise their continued independence.

During their tenure as independent directors, both Mr. Oscar J. Hilado and Dr. Emerlinda R. Roman have consistently demonstrated their integrity, loyalty, diligence, commitment, challenged management in an effective and constructive manner, and attended and participated in all Board and Board Committee meetings for the past years

Mr. Hilado and Dr. Roman contributed significantly to the Board's and Board Committees' effective and efficient decision-making process and performance, and it is expected that they will continue to bring valuable business experience, knowledge and professionalism to the Board.

Pursuant to the Code of Corporate Governance for Public Companies and Registered Issuers and the Company's Manual on Corporate Governance, the GNC and the Board of Directors will uphold the stockholders right to vote for their chosen directors and endorse the re-election of Mr. Oscar J. Hilado and Dr. Emerlinda R. Roman at the Annual Meeting.

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **OSCAR J. HILADO**, Filipino, of legal age and a resident of 112 Mariposa Loop, Cubao, Quezon City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Digital Telecommunications Phils., Inc. and have been its independent director since May 6, 2013.

2. I am affiliated with the following companies or organizations (including Government Owned and Controlled Corporations):

Company/Organizations	Position/Relationship	Period of Service
Philippine Investment Management (PHINMA), Inc.	Chairman	August 2005 – Present
Phinma Corporation	Chairman Emeritus	April 12, 2022 – Present
Phinma Property Holdings Corporation	Vice-Chairman	April 2021 – Present
Union Galvasteel Corporation	Vice-Chairman	March 2017 - Present
Philex Mining Corporation	Director	Dec. 2009 – Present
Rockwell Land Corporation	Director	May 27, 2015 – Present
A. Soriano Corporation	Director	April 13, 1998 – Present
Roxas Holdings, Inc.	Director	March 2016 – Present
Smart Communications, Inc.	Director	May 6, 2013 – Present
Metro Pacific Investments Corporation	Advisor	October 17, 2023 – Present
Phil Cement Corp.	Director	July 10, 2018 - Present
Union Insulated Panel Corp.	Director	June 30, 2022
Phinma Education Holdings, Inc.	Director	March 2016 – Present
Araullo University	Director	April 2004 – Present
Cagayan de Oro College	Director	June 2005 – Present
University of Iloilo, Inc.	Director	Aug 17, 2009 – Present
University of Pangasinan, Inc.	Director	Aug 17, 2009 – Present
Southwestern University	Director	June 20, 2016 – Present

Phinma Hospitality, Inc.	Director	July 15, 2011 - Present
United Pulp and Paper Company, Inc.	Director	Dec. 2, 1969 - Present
Seven Seas Resorts & Leisure, Inc.	Director	1996 – Present
Beacon Venture Holdings, Inc.	Director	November 15, 1994 – Present
Manila Cordage Company	Director	1986 – Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Digital Telecommunications Phils., Inc. as provided for in Sections 22 and 26 of the Revised Corporation Code, Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. To the best of my knowledge, I am not related (other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code) to any director/officer/substantial shareholder of Digital Telecommunications Phils., Inc. and its subsidiaries and affiliates:

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding pending in court;

6. To the best of my knowledge, I am neither an officer nor an employee of any government agency or government-owned and controlled corporation;

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of Digital Telecommunications Phils., Inc. of any changes in the abovementioned information within five days from its occurrence.

Done, this APR 25 2024 at Makati City.

OSCAR J. HILADO

SUBSCRIBED AND SWORN to before me this APR 25 2024 at MAKATI CITY affiant personally appeared before me and exhibited to me his P/P No. P7959521A issued at DFA NCR East on July 16, 2018.

Doc. No. 462;
Page No. 94;
Book No. III;
Series of 2024.

KRISTINE MARIZ I. DE CLARO
Notary Public for the City of Makati
Until December 31, 2024
Appointment No. M-601
Roll of Attorneys No. 71660
PTR O.R. No. 10077267 - 01/03/2024 MKT
IBP Membership O.R. No. 400370; 01/04/2024
10/F Smart Tower 1, 6799 Ayala Avenue, Makati City, MM

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **EMERLINDA R. ROMAN**, Filipino, of legal age and a resident of 47 Kalaw St., Miranila Homes, Congressional Ave., Quezon City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Digital Telecommunications Phils., Inc. and have been its independent director since March 4, 2013.

2. I am affiliated with the following companies or organizations (including Government Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
PXP Energy Corporation	Independent Director	2011 to present
One Meralco Foundation	Director	2012 to present
Redondo Peninsula Energy	Director	2012 to present
Manila Tytana Colleges	Chair, Board of Advisers	2011 to present
Smart Communications, Inc.	Independent Director	2013 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Digital Telecommunications Phils., Inc. as provided for in Sections 22 and 26 of the Revised Corporation Code, Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. To the best of my knowledge, I am not related (other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code) to any director/officer/substantial shareholder of Digital Telecommunications Phils., Inc. and its subsidiaries and affiliates;

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding pending in court;

6. To the best of my knowledge, I am neither an officer nor an employee of any government agency or government-owned and controlled corporation;

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of Digital Telecommunications Phils., Inc. of any changes in the abovementioned information within five days from its occurrence.

Done, this APR 2 5 2024 at Makati City.

ERRoman
EMERLINDA R. ROMAN

SUBSCRIBED AND SWORN to before me this APR 2 5 2024 at CITY OF MAKATI affiant personally appeared before me and exhibited to me her TIN No. 110833070.

Doc. No. 401;
Page No. 94;
Book No. III;
Series of 2024.

KRISTINE MARIZ I. DE CLARO
Notary Public for the City of Makati
Until December 31, 2024
Appointment No. M-601
Roll of Attorneys No. 71660
PTR O.R. No. 10077267 - 01/03/2024 MKT
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10/F Smart Tower 1, 6799 Ayala Avenue, Makati City, MM

DIGITEL
DIGITAL TELECOMMUNICATIONS PHILS., INC.

SECRETARY'S CERTIFICATE

I, **JOEL D. PENEYRA**, of legal age and with office address at 10/F Smart Tower, 6799 Ayala Avenue, Makati City, Philippines, after being sworn to in accordance with law, depose and state that:

1. I am the incumbent Assistant Corporate Secretary of **DIGITAL TELECOMMUNICATIONS PHILS., INC.** (the "Company"), a corporation duly organized and existing in accordance with the laws of the Republic of the Philippines, with office address at 8003-A Matalino Street, Diliman, Quezon City;

2. No director or officer or nominee for election as director or officer of the Company is connected with any government agency or its instrumentalities;

3. I am issuing this Certification in compliance with the requirement of the Securities and Exchange Commission.

IN WITNESS WHEREOF, I have signed this Certification this April 2, 2024 in Makati City, Philippines.

JOEL D. PENEYRA
Assistant Corporate Secretary

SUBSCRIBED AND SWORN TO before me in Makati City this APR 04 2024 by JOEL D. PENEYRA who has satisfactorily proven to me his identity through his Driver's License No. N06-81-016919 valid until September 24, 2024, that he is the person who personally signed before me the foregoing Certificate and acknowledged that he executed the same.

Doc. No. 314;
Page No. 64;
Book No. III;
Series of 2024.

KRISTINE MARIZ I. DE CLARO
Notary Public for the City of Makati
Until December 31, 2024
Appointment No. M-601
Roll of Attorneys No. 71660
PTR O.R. No. 10077267 - 01/03/2024 MKT
IBP Membership O.R. No. 400370; 01/04/2024
10/F Smart Tower 1, 6799 Ayala Avenue, Makati City, MM

The following is a brief description of the business experiences of each of the nominees for election as directors/independent director for the last five years:

Mr. Manuel V. Pangilinan has been a director of Digitel since October 26, 2011 and is concurrently the Chairman of the Board of Directors and President and CEO of Digitel – LEC and CMTS. He is the Chairman of the Remuneration and Compensation Committee and Member of the Governance and Nomination Committee of the Board of Directors of Digitel. Mr. Pangilinan is currently the Chairman of the Board of Directors of PLDT, and held the position of President and Chief Executive Officer of PLDT from January 1, 2016 until June 7, 2021. He also serves as Chairman of Metro Pacific Investments Corporation ("MPIC"), Manila Electric Company ("Meralco"), PXP Energy Corporation and Philex Mining Corporation, and Vice Chairman of Roxas Holdings, Inc., all of which are PSE-listed companies, and of several subsidiaries or affiliates of PLDT or MPIC, including, among others, Smart, PLDT Communications & Energy Ventures, Inc., ePLDT, Inc. ("ePLDT"), Beacon Electric Assets Holdings Inc., Manila North Tollways Corporation, Maynilad Water Services Corporation, Landco Pacific Corporation, Metro Pacific Hospital Holdings, Inc., Medical Doctors Incorporated (Makati Medical Center), Colinas Verdes Corporation (Cardinal Santos Medical Center), 88 Davao Doctors Incorporated, Riverside Medical Center Incorporated, Our Lady of Lourdes Hospital and Asian Hospital Incorporated. He is also the Chairman of MediaQuest Holdings Inc., TV5 Network, Inc. and PLDT-Smart Foundation.

Mr. Pangilinan founded First Pacific Company Limited ("First Pacific"), a Hong Kong Stock Exchange-listed company, in 1981 and serves as its Executive Chairman, Managing Director and Chief Executive Officer. Within the First Pacific Group, he also holds the position of President Commissioner of P.T. Indofood Sukses Makmur Tbk, the largest food company in Indonesia.

Outside the First Pacific Group, Mr. Pangilinan is the Chairman of the Board of Trustees of San Beda College, and Amateur Boxing Association of the Philippines, a governing body of amateur boxers in the country, and the Chairman Emeritus of the Samahang Basketbol ng Pilipinas, Inc. ("SBP"). He is also the Chairman of Philippine Business for Social Progress, the largest private sector social action organization made up of the country's largest corporations. He is a Co-Chairman of the Philippine Disaster Resilience Foundation, Inc., a non-stock, non-profit foundation established to formulate and implement a reconstruction strategy to rehabilitate and rebuild areas devastated by floods and other calamities, and of the US Philippine Business Society, a non-profit society which seeks to broaden the relationship between the United States and the Philippines in the areas of trade, investment, education, foreign and security policies and culture.

Mr. Pangilinan has received numerous prestigious awards including the Business Icon Gold Award for having greatly contributed to the Philippine economy through achievements in business and society by Biz News Asia magazine (2008), Global Filipino Executive of the Year for 2010 by Asia CEO Awards, and Philippines Best CEO for 2012 by Finance Asia.

Mr. Pangilinan graduated cum laude from the Ateneo de Manila University, with a Bachelor of Arts Degree in Economics. He received his Master's Degree in Business Administration from Wharton School of Finance & Commerce at the University of Pennsylvania, where he was a Procter & Gamble Fellow. He was conferred a Doctor of Humanities Degree (Honoris Causa) by the San Beda College (2002), Xavier University (2007), Holy Angel University (2009) and Far Eastern University (2010).

Mr. Alfredo S. Panlilio has been a director of Digitel since June 12, 2019. Mr. Panlilio is also concurrently the President and Chief Executive Officer of PLDT since June 8, 2021 and President and CEO of Smart since August 8, 2019. Within the PLDT Group, Mr. Panlilio holds leadership positions as: Chairman, President and CEO of ePLDT, Inc., IP Converge Data Services, Inc., and Mabuhay Investments Corporation; Chairman and President of ABM Global Solutions, Inc., Curo

Tecknika, Inc., ePDS, Inc., IPC Rack It Data Center, Inc., VITRO Inc., ACeS Philippines Cellular Satellite Corporation, and Smart Broadband, Inc.; Chairman of Maya Bank, Bonifacio Communications Corporation, Telesat, Inc., PLDT Clark Telecom, Inc., PLDT Subic Telecom, Inc., PLDT-Maratel, Inc., and PLDT-Philcom, Inc.; President and CEO of Talas Data Intelligence, Inc.; President of MVP Rewards and Loyalty Solutions, Inc. (MRSI), Airborne Access Corporation, PLDT Communications and Energy Ventures, Inc., and Primeworld Digital Systems, Inc.; director of international business unit PLDT Global; and trustee of social outreach arm PLDT-Smart Foundation (PSF) and Asian Carriers Conference Inc.

During Panlilio's previous tenure in PLDT before returning as its Chief Revenue Officer on July 1, 2019, he served as Senior Vice President from May 2001 to December 2010 and was the President of PLDT Global from June 2004 to December 2010.

Prior to returning to PLDT Group, Panlilio was the Senior Vice President and Head of Customer Retail Services and Corporate Communications at Manila Electric Company (Meralco) from September 10, 2010 to June 30, 2019. Within the Meralco Group, Panlilio served as Chairman of Radius Telecoms, Inc., e-Meralco Ventures Inc., Paragon Vertical Corporation, Powersource First Bulacan Solar, Inc. and Pure Meridian Hydropower Corporation. He was also a Vice Chairman of Aclara Meters Philippines, Inc., and Director of CIS Bayad Center Inc., Corporate Information Solutions, Inc., Customer Frontline Solutions, Inc., Meralco Energy, Inc., MRAIL Inc., Meralco Industrial Engineering Services Corporation, Comstech Integration Alliance, Inc. and MSpectrum, Inc. Panlilio was also a trustee of One Meralco Foundation, Inc. (OMFI) and Meralco Power Academy, and Associate Board Member of Semiconductor and Electronics Industries in the Philippines, Inc. (SEIPI).

A veteran executive who started his career with IBM Philippines and rose through the ranks, Panlilio also serves as Director of Cignal TV, Inc., Asean Telecom Holdings Sdn. Bhd. (ATH), Chikka Holdings Limited, Connectivity Unlimited Resources Enterprises, Inc., Wifun, Inc., and Vega Group of Companies; Independent Director of CEMEX Holdings Philippines, Inc.; Board Member of Makati Central Estate Association, Inc. (MACEA); and Trustee of Asian Carrier Conference, Inc., Kapampangan Development Foundation, and Philpop Musicfest Foundation, Inc.

An advocate of the value of sports in maintaining a strong republic, Panlilio sits as President of the MVP Sports Foundation, Second Vice President of FIBA Asia Central Board, First Vice President of the Philippine Olympic Committee and Chairman of the FIBA Basketball World Cup 2023 local organizing committee. He is also the Governor of the Meralco Bolts Team under the Philippine Basketball Association (PBA) and President of Samahang Basketbol ng Pilipinas (SBP). Panlilio is also the Treasurer of the National Golf Association of the Philippines (NGAP) and Manila Golf Country Club, Inc.

Bearing testament to his achievements as President and CEO of PLDT and Smart, Panlilio was among PeopleAsia's "Men Who Matter" awardees for 2021 and was cited by London-based award-giving body Total Telecom under the CEO of the Year category of the 2020 Asia Communication Awards. He was previously honored as CEO Excel Awardee of the International Association of Business Communicators Philippines in 2013, was one of seven finalists in the Rising Star (individual) category of the PLATTS Global Energy Awards 2015 held in New York, and has received multiple local and international awards for customer management and business communication excellence throughout his 37-year career.

A Member of the Management Association of the Philippines (MAP), Panlilio holds a Bachelor of Science Degree in Business Administration (Computer Information Systems) from San Francisco State University. He obtained his Master in Business Administration at J. L. Kellogg School of Management of Northwestern University and the Hong Kong University of Science and Technology.

Mr. Danny Y. Yu, has been a director of Digitel since June 13, 2023. He is currently the PLDT Group Controller. He was a Financial Consultant of PXP Energy Corporation and served from November 2019 to February 2020. He also served as Senior Vice President and Chief Financial Officer, Chief Governance Officer and Chief Risk Officer of Philex Mining Corporation from September 2013 to August 2019, Chief Finance Officer of Digital Telecommunications Philippines, Inc. and Digitel Mobile Philippines, Inc. (Sun Cellular) from November 2011 to July 2013, Chief Financial Officer of ePLDT, Inc. from November 2010 to December 2011, Chief Financial Officer of PLDT Global Corporation from June 2004 to November 2010, Chief Financial Officer of Mabuhay Satellite Philippines Corporation & Aces Satellite Philippines Corporation from March 1999 to May 2004, and Vice President for Corporate Development of Fort Bonifacio Development Corporation from March 1997 to March 1999. Mr. Yu graduated Magna Cum Laude from the University of San Carlos with a Bachelor of Science in Commerce, Major in Accounting and holds a Master in Management from the Asian Institute of Management. He is also a Certified Public Accountant.

Mr. Oscar J. Hilado has been an independent director of Digitel since May 6, 2013. He is the Chairman of the Governance and Nomination Committee, and a Member of the Audit Committee and Remuneration and Compensation Committee of the Board of Directors of Digitel. He is currently the Chairman of the Board of PHINMA, Inc., Chairman Emeritus of Phinma Corporation, and Vice Chairman of Phinma Property Holdings Corp., and Union Galvasteel Corporation. He is a director of Philex Mining Corporation, Rockwell Land Corporation, A. Soriano Corporation, Roxas Holdings, Inc., Smart Communications Inc., Metro Pacific Investments Corporation, Phinma Solar Energy Corporation, Phil Cement Corp., Union Insulated Panel Corp., Phinma Education Holdings, Inc., Araullo University, Cagayan de Oro College, University of Iloilo, Inc., University of Pangasinan, Inc., Southwestern University, Phinma Hospitality Inc., United Pulp and Paper Company Inc., Seven Seas Resorts & Leisure, Inc., Beacon Property Ventures, Inc., Cebu Light Industries Phils., Inc., Pueblo de Oro Development Corporation, and Manila Cordage Company. Mr. Hilado is a Certified Public Accountant with a Bachelor of Science Degree in Commerce from De La Salle College in Bacolod and a Master's Degree in Business Administration from Harvard Business School.

Dr. Emerlinda R. Roman has been an independent director of Digitel since March 4, 2013. She is the Chairman of the Audit Committee and a Member of the Governance and Nomination Committee and Remuneration and Compensation Committee of the Board of Directors of Digitel. She is currently the Chair of the Board of Advisers of Manila Tytana Colleges. She is also an independent director of PXP Energy Corporation and Smart Communications, Inc. and a director of One Meralco Foundation and Redondo Peninsula Energy. Dr. Roman was not only UP's Centennial president, serving from 2005 to 2011, but also its first woman president. She also served as chancellor of the UP Diliman campus from 1991 to 1993 and from 1999 to 2004, vice chancellor for administration, secretary of the university and of the Board of Regents, vice president for administration, and member of the Board of Regents representing the faculty. Dr. Roman obtained her Bachelor of Science Degree in Agriculture from the University of the Philippines, Los Baños in 1972 and her Master's Degree in Agribusiness Management and PhD in Business Administration from UP Diliman in 1977 and 1989, respectively.

Mr. Lorenzo V. Tan has been a director of Digitel since January 27, 2014. He is a Member of the Audit Committee of the Board of Directors of Digitel and a member of Audit and Risk Committee for Smart. Mr. Tan is a Director and President and Chief Executive Officer of House Investments, Inc. Mr. Tan is also serving as Director of Smart Comminications, Inc., EEI Corp., Sunlife Grepa Financial, Inc., Malayan Insurance Company, Inc., Manila Memorial Park Cemetery, Inc., PetroEnergy Corporation, iPeople Inc., and Hi-Eisai Pharmaceutical Inc. He is also the Director, President and CEO of RCBC Realty Corporation and San Lorenzo Ruiz Investment and Holdings

Services, Inc., and a Director of Alphaland Development Corporation. He holds the Vice Chairmanship of the Pan Malayan Management and Investment Corporation, and TOYM Foundation. Member of the Board of Trustees at De La Salle Zobel.

His past experiences include: President and CEO of Rizal Commercial Banking Corporation. Prior to that, he also served as the President and CEO of Sun Life of Canada (Philippines), Inc., the Philippine National Bank, and the United Coconut Planters Bank, and Managing Director of Primeiro Partners. He was the Chief Executive Officer and President of Rizal Commercial Banking Corp. until May 2016. He served as Chairman of the Asian Bankers Association from 2012 to 2014, President of the Bankers Association of the Philippines (BAP) from 2013 to March 14, 2016. As BAP President, he leads the Association in representing the BAP in the ASEAN Bankers Association, composed of the national banking associations from the 10-member countries in the Association of Southeast Asian Nations. He was a former Director of Philrealty Holdings and Investment Corp.

(b) Executive Officers

The incumbent officers of the Company as at April 30, 2023, all of whom will be nominated for re-election at the Organizational Meeting of the Board of Directors following the Annual Meeting are as follows:

Name	Age	Position	Period during which individual has served as such
Manuel V. Pangilinan	77	Chairman of the Board – LEC/CMTS	October 26, 2011 to August 6, 2012 May 25, 2015 to present
Manuel V. Pangilinan	77	President and CEO –LEC/CMTS	January 1, 2024 to present
Jerone H. Tabanera	45	Chief Financial Officer – LEC	May 30, 2022 to present
Danny Y. Yu	62	Chief Financial Officer – CMTS	June 13, 2023 to present
Leo I. Posadas	57	Treasurer – LEC/CMTS	May 29, 2017 to present
Alex Erlito S. Fider	70	Corporate Secretary – LEC/CMTS	January 27, 2014 to present

The other officers of Digitel including their business experiences for the last five years are the following:

Jerone H. Tabanera is the Chief Financial Officer of LEC Business Unit since May 30, 2022 and is concurrently the Head of Financial Reporting of PLDT. Prior to joining PLDT in June 2011, he was a Manager at Punongbayan & Araullo (the Philippine member firm of Grant Thornton International Ltd.). Mr. Tabanera is a Certified Public Accountant and also passed the examination for Certified Internal Audit (CIA) and for Certified Information Systems Audit (CISA). He received his Bachelor of Science Degree in Accountancy from Holy Name University of Tagbilaran.

Mr. Leo I. Posadas is the Treasurer of LEC and CMTS Business Units since May 29, 2017 and is concurrently the Treasurer of the PLDT Group and Treasury Head of PLDT and Smart. He also handles the treasury management and treasury operations of several companies under the PLDT Group. He is a director and Treasurer of PLDT Global Investments Holdings, a director and Vice President for Treasury of Mabuhay Investments Corporation, and the Treasurer of the Vega Telecom group. He is also the Treasurer of Smart, ePLDT, and several other subsidiaries of PLDT and Smart. Prior to joining PLDT in September 2000, he served as Treasury Manager of Total Petroleum Philippines, and as Manager for Foreign Exchange Management of San Miguel Corporation. Mr. Posadas received his Bachelor of Arts Degree in Economics and Bachelor of Science Degree in Commerce Major in Management of Financial Institutions from the De La Salle University.

Alex Erlito S. Fider is the Corporate Secretary of LEC and CMTS Business Units since January 27, 2014. He is currently a senior partner of Picazo Buyco Tan Fider & Santos Law Offices.

Atty. Fider is a corporate legal practitioner with expertise in the fields of telecommunications, real estate, corporate finance and investments. He is a director of Roxas Holdings, Inc. and a member of the Audit & Risk Committee. He is the Corporate Secretary of Metro Pacific Tollways Corporation, Metro Pacific Tollways Development Corporation, Manila North Tollways Corporation, Tollways Management Corporation, Smart and Maynilad. He is actively involved in the Financial Executive Institute of the Philippines (FINEX) and the Institute of the Corporate Directors of which is he is a Fellow. Atty. Fider graduated from the University of the Philippines with Degrees in Economics and Law.

Significant Employees

As of April 30, 2024, the Company has no employee who is not an executive officer but is expected to make a significant contribution to the business.

Family Relationships

None of the Directors, key officers and advisors of the Company has any family relationship up to the fourth civil degree either by consanguinity or affinity.

Involvement of Directors and Officers in Certain Legal Proceedings

The Company is not aware, and none of the directors/independent directors and officers of the persons nominated for election to such positions has informed the Company, of any of the following events that occurred during the past five (5) years and up to the date of this Information Statement: (a) any bankruptcy petition filed by or against any business of which a director/independent director or officer or person nominated for election as a director/independent director or officer was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time; (b) any conviction by final judgment in a criminal proceeding, domestic or foreign, or any criminal proceeding, domestic or foreign, pending against any director or officer, except as noted below; (c) any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign , permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any director/independent director or officer or person nominated for election as a director/independent director or officer in any type of business, securities, commodities or banking activities; and (d) any finding by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or sell regulatory organization, that any director/independent director or officer or person nominated for election as director/independent director of officer, has violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

The Company is not a party to, nor is its properties the subject of, any significant pending legal proceeding that could be expected to have a material adverse effect on the Company or its business, financial condition and results of operations.

Relationships and Related Transactions

Except for the transactions discussed in *Note 21 – Related Party Transactions* to the accompanying audited consolidated financial statements as attached as Annex B in this statement, there were no other material related party transactions during the last two financial years, nor are there any material transactions currently proposed, to which the Company or any of its subsidiaries was or is to be a party in which any incumbent director/independent director or executive officer of the Company or any person nominated for election to such positions, or any owner of more than 10% of the Company's outstanding voting securities, or any member of the immediate family of any of the foregoing, had or is to have a direct or indirect material interest. In the ordinary course of business, the Company has transactions with other companies in which some of such persons or former officers of the Company or its subsidiaries may have an interest, but these transactions have been negotiated on an arm's length basis and are not material.

No director/independent director or officer of the Company or associate of any director/independent director or officer of the Company was indebted to the Company at any time during the past two years.

Resignation of Directors

To date, no director has resigned from or declined to stand for re-election to the Board since the May 29, 2023 Annual Stockholders Meeting of the Company due to any disagreement with the Company relating to its operations, policies and practices.

Appraisal and Preformance of the Board

For the year 2023, the Board of Directors of the Company conducted eight (8) meetings, with the following directors in attendance, to wit:
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	Date of Meeting								
Name of Director	Jan 10	Mar 23	May 4	May 29*	Jun 13	Aug 3	Nov 7	Dec 5	Total
Anabelle L. Chua/	X	X	X	X	X				0/5
Danny Y. Yu[1]					/	/	/	/	4/4
Oscar J. Hilado [2]	/	/	/	/	/	/	/	/	8/8
Manuel V. Pangilinan	/	/	/	X	/	/	/	/	7/8
Alfredo S. Panlilio	/	/	/	/	/	/	/	/	8/8
Emerlinda R. Roman [2]	/	/	/	/	/	/	/	/	8/8
Lorenzo V. Tan	/	/	/	/	/	/	/	/	8/8

[1] *Mr. Yu was elected as director to serve the unexpired term of Ms. Chua effective June 13, 2023.*
[2] *Independent directors*
* *Annual Stockholders' and Organizational Meeting of the Board*
/ Present
X Absent

The Board has established committees to assist in exercising its authority in monitoring the performance of the Company in accordance with its Revised Corporate Governance Manual and Code of Business Conduct and Ethics. The Governance and Nomination Committee of the Company oversees the performance evaluation of the Board and its committees and management.

The level of compliance of Digitel to the provisions of the Code of Corporate Governance for Public Companies and Registered Issuers for the period beginning January 1 to December 31, 2023 will be disclosed in its Annual Corporate Governance Report to be submitted to the Commission on or before June 30, 2024, pursuant to SEC Memorandum Circular No. 13 series of 2021.

Compensation of Directors and Executive Officers

Pursuant to Part IV paragraph (B) of "Annex C" of the Securities Regulation Code, the summary of compensation table of the executive officers of the Corporation follows:

SUMMARY OF COMPENSATION TABLE
Annual Compensation

Information as to the aggregate compensation paid or accrued including 13th month pay and bonuses during the last two fiscal years and the projected aggregate compensation to be paid for the current fiscal year for all other officers and directors.

Name and Position	Year	Regular Compensation *(in millions)*	13th Month and Bonuses *(in millions)*
a. Manuel V. Pangilinan Chairman of the Board of Directors – CMTS and LEC b. Alfredo S. Panlilio President and Chief Executive Officer – CMTS and LEC c. Jerone H. Tabanera Chief Finance Officer – CMTS d. Leo I. Posadas Treasurer – CMTS and LEC e. Rowena C. Reloj(1) VP – Human Resources - CMTS			
	Actual 2022 Actual 2023 Projected 2024	₱- - -	₱- - -

Some officers do not receive compensation from the Group. They receive compensation from the ultimate parent, PLDT.
(1) *Transferred to Smart effective April 1, 2021*

Compensation of Directors

Each of the independent and non-management directors of the Company is entitled to a director's fee of ₱50,000 for each Board of Directors meeting attended. In addition, the independent and non-management directors who serve in the Audit Committee of the Board of Directors are entitled to a fee of ₱30,000 for each meeting attended. Regular directors are not entitled to a director's fee.

Dr. Emerlinda R. Roman, Mr. Oscar J. Hilado (independent directors) and Mr. Lorenzo V. Tan (non-management director) received director's fee during the year amounting to ₱700,000, ₱580,000 and ₱700,00, respectively.

Except for the fees mentioned above, the directors/independent directors are not compensated, directly or indirectly, for their services as such directors/independent directors.

Compensation of Officers

There are no special arrangements for officers of the registrant. Officers are given the same compensation package as rank-and-file employees such as monthly salary and 13th month bonus.

Warrants and Options Outstanding

There are no outstanding warrants and options held by the Comapany's Directors and Officers.

Independent Public Accountant

The accounting firm of Sycip Gorres Velayo & Co. (SGV) with address at SGV Building, 6760 Ayala Avenue, Makati City, has been the Company's Auditors and Reporting Accountants for the past years. In compliance with the five-year rotation and the two-year cooling-off period requirements with respect to independent auditors, as provided under the applicable laws and rules, Roel E. Lucas from SGV took over as the new lead engagement /audit partner with the primary responsibility for the audit of the Company's financial statements beginning 2018. Ramon D. Dizon was the audit partner in 2017.

There has been no disagreement between the Company and said accounting firm with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure. SGV is expected to be represented in the coming Annual Meeting with an opportunity to make any statement, if they so desire, and will be available to respond to appropriate questions.

SGV is being recommended for re-election at the scheduled Annual Meeting for almost the same remuneration as in the previous year.

Audit and Audit-Related Fees

The expenses incurred by Digitel Group for SGV's examination and audit of financial statements amounted to ₱1.2 million and ₱1.6 million for 2023 and 2022, respectively.

The fees presented above includes out-of-pocket expenses incidental to our independent auditors' work, amount of which do not exceed 5% of the agreed-upon engagement fees.

The audit committee is composed of Dr. Emerlinda R. Roman (independent director) who chairs the committee, Mr. Oscar J. Hilado (independent director) and Mr. Lorenzo V. Tan, as members. The audit committee has an existing policy to review the audit and non-audit services, if any, rendered by the independent auditors. It includes the review and evaluation of audit plans, scope and results prior to Board approval and ensures that the services rendered does not prejudice or impair the independence of the external auditors.

Employment Contract & Termination of Employment & Change-in-Control Arrangement

There are no special employment contracts with executive officers. Hiring of corporate officers are conducted based on general policies on recruitment.

Digitel and DMPI, prior to its conversion to defined contribution plan effective January 1, 2018, have separate and distinct retirement plans administered by Fund's Trustees, covering permanent employees. Retirement costs are separately determined using the projected unit credit method. This method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

There is no compensatory act other than the legally mandated retirement plan under the Social Security Act.

FINANCIAL AND OTHER INFORMATION

Modification or Exchange of Securities

On April 12, 2012 the Board of Directors approved the succeeding amendments to Article Seventh of the Amended Articles of Incorporation. The first amendment consists of the increase in the authorized capital stock from ₱25,000,000,000 divided into 25,000,000,000 common shares with par value of ₱1.00 per share to ₱29,500,000,000 divided into 29,500,000,000 common shares with par value of ₱1.00 per share. Following aforesaid increase, another amendment to Article Seventh of the Amended Articles of Incorporation was made to decrease the authorized capital stock from ₱29,500,000,000 divided into 29,500,000,000 with a par value of ₱1.00 to ₱2,950,000,000 divided into 29,500,000,000 shares with a par value of ₱0.10 per share.

On June 28, 2012, the Company's shareholders approved in a meeting the increase in the authorized capital stock and the subsequent decrease in the authorized capital stock of the Company. On September 11, 2012, the Philippine SEC approved the above transactions.

Information Required

a) The General Nature and Scope of the Business, Management's Discussion and Analysis of Financial Condition and Results of Operations for 2023, Holders and Dividends, Compliance with the Corporate Governance Manual and Undertaking to provide Annual Report are included in "Annex A".

b) The audited consolidated financial statements as of December 31, 2023 are attached hereto as "Annex B", including the notes to financial statements, as well as the Statement of Management Responsibility.

Legal Proceedings

Except as disclosed in *Note 24 – Commitments and Contingencies* to the accompanying consolidated financial statements in Annex B, neither Digitel nor any of its subsidiaries is a party to, and none of their respective properties is subject to, any pending legal proceedings that Digitel considers to be potentially material to its and its subsidiaries' business.

Voting Procedures

Only stockholders as of Record Date are entitled to vote and be voted during the Annual Meeting.

Vote Requirement

1. For the approval of minutes of annual meeting of stockholders held on May 29, 2023:

   Majority of the outstanding capital stock of the Company are entitled to vote.

2. For the approval of the audited financial statements for the calendar year ended December 31, 2023:

   Majority of the outstanding capital stock of the Company are entitled to vote.

3. For the election of Directors including the Independent Directors:

   Six (6) nominees receiving the highest number of votes shall be declared elected and two (2) of them who have been pre-qualified as independent directors will be declared as such.

4. For the election of External Auditors

   The nominee receiving the highest votes shall be declared as elected.

Method by which vote will be counted

Voting will be by means of written voting instructions (printed proxy form), or online voting in absentia submitted by, and taking into account the number of shares which, the stockholders present or represented by proxy at the Annual Meeting and entitled to vote thereat own directly or for which they hold proxies.

Counting of votes will be done by the Corporate Secretary or his authorized representative(s) with the assistance of the representative(s) of SGV, and stock transfer agent, BDO Unibank, Inc. All votes attaching to the shares of stock owned by stockholders whose proxies were received by the Company will be cast in accordance with the voting instructions given or authority granted under the proxies.

Participation through remote communication

A stockholder who has successfully registered on or before May 17, 2024 can vote online and participate in the Annual Meeting by remote communication via Microsoft Teams (MS Teams). Stockholders who were not able to register as of May 17, 2024 can no longer avail online voiting but may still participate by remote communication, provided such stockholder shall register not later than May 22, 2024. Instruction on the registration, online voting in absentia and participation by remote communication is attached to this report in Annex C.

The Company will provide without charge to each person solicited, upon the written request of any such person, a printed copy of the Company's Annual Report in SEC Form 17-A and SEC Form 17-Q. Such written request should be directed to the Assistant Corporate Secretary, Digital Telecommunications Phils., Inc., 9/F PLDT Makati General Office Building, Dela Rosa Street, Legazpi Village, Makati City, Philippines.

Action with Respect to Reports

1. Approval of minutes of annual meeting of stockholders held on May 29, 2023.
2. Approval of the financial statements for the calendar year ended December 31, 2023.

Regular Meeting of Stockholders

The matters approved and recorded in the Minutes of the Annual Meeting of the Shareholders last May 29, 2023 are as follows:

1. Certification of Notice and Quorum (26,043,279,329 shares representing 99.62% of the outstanding Common Stock as of the Record Date, March 31, 2023)
2. Approval of the Minutes of the Annual Meeting of Stockholders held on May 30, 2022;
3. Approval of the Audited Financial Statements for the year ended December 31, 2022;
4. Election of Board of Directors, including Independent Directors; Anabelle L. Chua, Manuel V. Pangilinan, Alfredo S. Panlilio, Lorenzo V. Tan, Oscar J. Hilado (independent director) and Emerlinda R. Roman (independent director)
5. Election of External Auditor;

The Annual Meeting of the Shareholders was held on May 29, 2023 via remote communication and was attended by shareholders, the Board of Directors, and various officers of the Corporation. The shareholders were allowed to vote on each agenda item presented to them for approval, with the number of votes approving each agenda item indicated in their respective sections in the Minutes. The shareholders were also given the opportunity through electronic mail to ask questions, express opinion, and make suggestions on various issues related to the Corporation. In compliance with Section 49 of the Revised Corporation Code, the Minutes of the Annual Meeting of the Shareholders held on May 29, 2023 contain the following: (a) a description of the voting and tabulation procedures used in the meeting, (b) a description of the opportunity given shareholders to ask questions and a description of the nature of the questions asked and answers given, (c) matters discussed and resolutions reached, (d) a record of the voting results for each agenda item, and (e) a list of the directors and shareholders who attended the meeting. The Minutes of the Annual Meeting of the Shareholders held on May 29, 2023 is attached.

Brief description of material matters approved by the Board of Directors and Management in 2023 are as follows:

Date of Board Approval	Description
January 10, 2023	• Approved the budgets of Digital Telecommunications Phils., Inc. and Digitel Mobile Phils., Inc. for the year 2023; • DMPI Board authorized the sale, assignment and transfer by the Corporation (along with Smart Communications, Inc. or "**SMART**") to each of ISOC EDOTCO Towers, Inc. and Comworks Infratech Corp. (collectively, the "**Purchasers**" and singly (the "**Purchaser**") of all of the Corporation's rights, title and interests in and to the portion of 5,907 telecommunications sites owned by the Corporation
March 23, 2023	• Approved to delegate to the Audit Committee the authority to approve the following financial statements, subject to further changes and/or clearance from EY Global or Sycip Gorres & Velayo (SGV), to wit: 1. Audited consolidated financial statements of Digital Telecommunications Phils., Inc. and subsidiaries as at and for the year ended December 31, 2022; 2. Audited financial statements of Digital Telecommunications Phils., Inc. as at and for the year ended December 31, 2022; and 3. Audited financial statements of Digitel Mobile Phils., Inc. as at and for the year ended December 31, 2022. • Approved the Audit Committee Report of Activities for Q4 2022 • DMPI Board's approval to declare cash dividends to DTPI in the amount of Php250mn, payable on or before 31 March 2023 Approved to hold the Annual Stockholders' Meeting of the Company on May 29, 2023 (Monday) at 2:00 P.M. by way of remote communication through Microsoft Teams (MS Teams) and set the Record Date on March 31, 2023.
May 4, 2023	Noted the approval by the Board of Directors of Digitel Mobile Phils Inc (DMPI) on March 16, 2023 of; (1) the sale by SMART and DMPI of 1,012 telecommunication sites and associated passive telecommunication infrastructure, equipment and accessories therein (”Tower Assets”) to Frontier Tower Associates Philippines Inc. (the ”Purchaser”); and • Leaseback by SMART of the Tower Assets from the Purchase and provision by the Purchaser of operation and maintenance services in relation to the Tower Assets (together with (a) above, (the ”Transaction”)Approved the Audit Committee Report of Activities for Q1 2023

May 29, 2023	• Results of Annual Meeting of Shareholders • Results of Organizational Meeting of the Board of Directors including appointment of Chairpersons and Members of Board Committees and officers of the Company
June 13, 2023	• Accepted the resignation of Ms. Anabelle L. Chua as director of DTPI and DMPI and elected Mr. Danny Y. Yu as director of DTPI and DMPI, to serve the unexpired terms of Ms. Chua.
August 3, 2023	• Approved the Audit Committee Report of Activities for Q2 2023 • DMPI Board of Directors approved to declare cash dividends to DTPI in the amount of P2,000mn, or approximately P107.19 per share of common stock, payable on or before 01 September 2023..
November 7, 2023	• Approved the Audit Committee Report of Activities for Q3 2023 • DMPI Board of Directors approved to declare cash dividends to DTPI in the amount of Php800mn, payable on or before November 30, 2023.
December 5, 2023	• Approved the budgets of Digital Telecommunications Phils., Inc. and Digitel Mobile Phils., Inc. for the year 2024 • DMPI Board of Directors approved to declare cash dividends to DTPI in the amount of Php200mn, payable on or before March 31, 2024 • DTPI Board of Directors approved to declare cash dividends to DTPI stockholders in the amount of Php2,259mn, or approximately Php0.0864 per share of common stock to holders of record as at December 15, 2023. The cash dividends shall be paid to the Corporation's minority shareholders on January 5, 2024, and the portion of PLDT is payable on or before December 5, 2024 • DTPI Board of Directors accepted the retirement of Mr. Alfredo S. Panlilio as President and CEO of the Company effective December 31, 2023. The Board thereafter appointed Mr. Manuel V. Pangilinan as President and CEO of the Company effective January 1, 2024. • DMPI Board of Directors accepted the retirement of Mr. Alfredo S. Panlilio as President and CEO of the Company effective December 31, 2023. The Board thereafter appointed Mr. Manuel V. Pangilinan as President and CEO of the Company effective January 1, 2024.

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Makati City on March 27, 2024.

DIGITAL TELECOMMUNICATIONS PHILS., INC.

ATTY. ALEX ERLITO S. FIDER
Corporate Secretary

MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING
OF DIGITAL TELECOMMUNICATIONS PHILS., INC.
by way of remote communication
through Microsoft Teams (MS Teams)
May 29, 2023, Monday at 2:00 P.M.

I. CALL TO ORDER

Mr. Alfredo S. Panlilio informed the body that the Chairman of the Company, Mr. Manuel V. Pangilinan, could not attend this year's Annual Stockholders' Meeting ("Meeting") and therefore requested and authorized Mr. Panlilio to preside over the Meeting. The Meeting was called to order at 2:00 p.m.

Mr. Panlilio welcomed the shareholders of the Company to the Meeting held via remote communication due to the COVID-19 pandemic and related government regulations which prevent us from convening in person. He greeted the following members of the Board of Directors of the Company who each acknowledged his/her attendance and participation in the Meeting via remote communication:

Mr. Oscar J. Hilado;
Dr. Emerlinda R. Roman; and
Mr. Lorenzo V. Tan

Each of the members of the Board confirmed they could see and/or hear the proceedings and the other attendees through their respective devices and received the notice, agenda, and materials for the Meeting.

Other members of the Management Team, Mr. Jerone H. Tabanera, Chief Financial Officer and Mr. Leo I. Posadas, Treasurer of the Company also attended the online Meeting. Atty. Joel D. Peneyra, the Assistant Corporate Secretary of the Company, was requested to act as Secretary of the Meeting and record the minutes thereof.

II. CERTIFICATION OF NOTICE AND QUORUM

The Chairman requested the Secretary of the Meeting to report on the service of notice of the Meeting and on the presence of a quorum to transact business.

Atty. Peneyra, announced that the Notice and Agenda of this Meeting was published in two newspapers of general circulation, Philippine Star and Manila Times, both printed and online editions, for two consecutive days on May 5 and 6, 2023. The

Notice informed the stockholders of the date, time, place and agenda of this Meeting, and the availability of the electronic copy of the Information Statement, Management Report, 2021 Annual Report on SEC Form 17-A and other pertinent documents upon request from the Assistant Corporate Secretary.

The Secretary certified that based on the attendance record and proxy report, stockholders who own or hold a total of 26,043,279,329 shares representing 99.62% of the outstanding Common Stock as of the Record Date, March 31, 2023, were present via remote communication or represented by proxy in the Meeting. Therefore, a quorum existed.

Thereafter, the Secretary read the following ground rules to be observed during the Meeting to ensure the conduct of fair, orderly, and efficient proceedings and to protect the rights of all the shareholders:

> The Company published the Notice and Agenda which contained the instructions for participation in the Meeting via remote communication, and for electronic voting or voting *in absentia*. Stockholders who successfully registered between May 8 and May 24, 2023 can participate in the Meeting by remote communication. For the purpose of availing of the online voting, stockholders must have successfully registered on or before the deadline May 19, 2023.
>
> Stockholders may send their questions pertaining to items in the agenda to jdpeneyra@pldt.com.ph, the address shown on the screen.
>
> To ensure the smooth and orderly flow of the proceedings, questions will be addressed before Item 8 Other Matters in the agenda of the Meeting, and if there are any outstanding questions, Management will respond to the stockholders concerned via email.

III. APPROVAL OF THE MINUTES OF THE ANNUAL MEETING OF STOCKHOLDERS HELD ON MAY 30, 2022

The next item on the agenda was the "Approval of the Minutes of the Annual Meeting of Stockholders held on May 30, 2022" contained in the Company's Information Statement (SEC Form 20-IS).

The Chairman asked for the voting results.

The Secretary reported that 26,043,279,329 shares or 99.62% of the total outstanding voting shares voted in favor of the approval of the Minutes of the Annual Meeting of Stockholders held on May 30, 2022. This was more than the majority votes required for the approval of this corporate action. A breakdown of the votes are as follows:

FOR	AGAINST	ABSTAIN
26,043,279,329 shares	0	0

Having obtained the required votes, the Minutes of the Annual Meeting of Stockholders held on May 30, 2022 were approved. The following resolution was subsequently approved and adopted:

RESOLUTION

"RESOLVED, AS IT IS HEREBY RESOLVED, that the Minutes of the Annual Meeting of Stockholders held on May 30, 2022 be, as the same are hereby, approved."

"RESOLVED FINALLY, that the Corporate Secretary and/or Assistant Corporate Secretary be, and are hereby, individually authorized to execute the necessary Certification attesting to the approval and adoption by the Board of Directors of the Company of the foregoing resolution."

IV. PRESIDENT'S REPORT

The Chief Financial Officer of the Company, Mr. Jerone H. Tabanera, presented the President's Report. The Report to the stockholders is as follows:

BOARD OF DIRECTORS, COLLEAGUES AT DIGITEL, LADIES AND GENTLEMEN, GOOD AFTERNOON.

Digitel's consolidated service revenues in 2022 was at 7.2 billion pesos, a decrease of 5% from 7.6 billion pesos in 2021 as service revenues in 2022 came solely from our wireless subsidiary, Digitel Mobile Philippines, Inc., otherwise known under its trademark "Sun Cellular". As you know, our parent company, Digitel, fully migrated all of its fixed line subscribers to the PLDT network and has since ceased operating its fixed line business upon the expiration of its legislative franchise in February 2019.

Our consolidated EBITDA and EBITDA margin in 2022 amounted to 4.0 billion pesos and 55%, respectively, a decrease of 8% from last year's EBITDA and EBITDA Margin amounting to 4.4 billion pesos and 57%, respectively.

Consolidated net income in 2022 amounted to 5.2 billion pesos, a 14% increase from last year's 4.6 billion pesos.

Mobile service revenues from our wireless business decreased by 5% to 7.2 billion pesos versus 7.6 billion pesos in 2021. As mentioned in our Annual Stockholders' Meeting held last year, Digitel Mobile entered into a Rebranding Agreement in October 2020 with Smart Communications wherein Sun Prepaid subscribers were rebranded as Smart Prepaid subscribers. The brand consolidation strengthens the Group's market position, achieves cost efficiency and capitalizes on Smart's robust mobile data network. The ownership of Sun Prepaid subscribers still remains under Digitel Mobile, and the rebranding enables subscribers to access Smart's product offerings as well as Sun Prepaid's top offers which include Text Unlimited, Call and Text Combo and Sulit Surf. Under the terms of the Agreement, Smart pays a fixed fee representing Digitel Mobile's proportionate share on the Distributed Subscriber Revenues. For the period ending December 31, 2022, Sun's prepaid subscriber base decreased by 40%, to 1.8 million from 3.0 million in 2021.

Cash flows used in operations in 2022 amounted to 5.0 billion pesos, a decrease of 1,362%, from 400 million pesos cash flows from operations in 2021. Cash flows from investing activities in 2022 amounted to 5.3 billion pesos, an increase of 860%, from 549 million pesos in 2021. In 2022, we were able to settle our lease liabilities amounting to 359 million pesos.

The PLDT group will fortify its market leadership in the fixed, wireless, and broadband businesses.

I would like to thank the past and present Board of Directors for their guidance and support, the officers and staff of Digitel and Sun, for taking on the challenges of the past year with open-minds and unwavering dedication to their work, and you, my fellow shareholders, for your continued trust and confidence.

The Chairman thereafter reminded the shareholders that for the sake of good order, and in the interest of time, questions will be addressed towards the latter part of the Meeting before Item 8: "Other Matters" in the agenda. Also, questions should reference the President's Report or pertain to today's agenda.

V. APPROVAL OF THE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2022

The next item on the agenda was the "Approval of the audited financial statements for the fiscal year ended December 31, 2022" contained in the Company's Information Statement (SEC Form 20-IS).

The Chairman asked for the voting results.

The Secretary reported that 26,043,279,329 shares or 99.62% of the total outstanding voting shares voted in favor of the approval of the Company's audited financial statements for the fiscal year ended December 31, 2022. This was more than the majority votes required for the approval of this corporate action. A breakdown of the votes are as follows:

FOR	AGAINST	ABSTAIN
26,043,279,329 shares	0	0

Having obtained the required votes, the Company's audited financial statements for the year ended December 31, 2022 were approved. The following resolution was subsequently approved and adopted:

RESOLUTION

"RESOLVED, AS IT IS HEREBY RESOLVED, that the audited financial statements of the Company for the year ended December 31, 2022 be, as the same are hereby, approved."

"RESOLVED FINALLY, that the Corporate Secretary and/or Assistant Corporate Secretary be, and are hereby, individually authorized to execute the necessary Certification attesting to the approval and adoption by the Board of Directors of the Company of the foregoing resolution."

VI. ELECTION OF DIRECTORS AND INDEPENDENT DIRECTORS

The Meeting proceeded to the election of six (6) directors including two (2) independent directors of the Company for the ensuing year.

The Secretary announced that the following persons were nominated for election as directors for the ensuring year:

Ms. Anabelle L. Chua;
Mr. Manuel V. Pangilinan;
Mr. Alfredo S. Panlilio; and
Mr. Lorenzo V. Tan

And the persons nominated for election as independent directors were:

Mr. Oscar J. Hilado; and
Dr. Emerlinda R. Roman

The Chairman informed the body that the Governance and Nomination Committee of the Board reviewed and evaluated the background information of the persons nominated for election as directors. The Committee determined that: (a) each of the nominees possesses all of the qualifications, and has none of the disqualifications for directorship, and (b) each of the independent director-nominees meets the independence criteria, provided under the Revised Corporation Code, Securities Regulation Code, and the Company's By-Laws and Corporate Governance Manual. None of the independent director-nominees is involved in the Company's management or has any business or other relationships which could, or could be reasonably perceived to, materially interfere with the exercise of their independent judgment in carrying out their responsibilities as independent directors. There are two (2) independent director-nominees which meet the legal requirement under the Revised Corporation Code of the Philippines mandating corporations vested with public interest to have independent directors constituting at least 20% of its board.

The Committee also considered the appropriate mix and complementation of knowledge, skills, education and professional background and business experience of the nominees: 2 of the 6 nominees are female, and there is a combination of 2 independent, 2 non-executive, and 2 executive director-nominees.

The Chairman asked for the voting results.

The Secretary reported that each nominee received the votes of more than a majority of the outstanding shares of Common Stocks entitled to vote. Since there are only 6 nominees and all of the 6 nominees are qualified to be directors including 2 who are qualified to be independent directors, all of the nominees should be declared elected as directors, with Mr. Oscar J. Hilado and Dr. Emerlinda R. Roman as independent directors. A breakdown of the votes are as follows:

	FOR	AGAINST
Ms. Anabelle L. Chua	26,043,279,329 shares	0
Mr. Manuel V. Pangilinan	26,043,279,329 shares	0
Mr. Alfredo S. Panlilio	26,043,279,329 shares	0
Mr. Lorenzo V. Tan	26,043,279,329 shares	0
Mr. Oscar J. Hilado*	26,043,279,329 shares	0
Dr. Emerlinda R. Roman*	26,043,279,329 shares	0

*Independent Directors

Consequently, the Chairman declared the following persons as the duly elected members of the Board of Directors to serve for the ensuing year and until their successors are duly elected and qualified:

Ms. Anabelle L. Chua
Mr. Oscar J. Hilado
Mr. Manuel V. Pangilinan
Mr. Alfredo S. Panlilio
Dr. Emerlinda R. Roman
Mr. Lorenzo V. Tan

Mr. Oscar J. Hilado and Dr. Emerlinda R. Roman were elected as independent directors.

VII. APPOINTMENT OF EXTERNAL AUDITOR

The next item of the agenda was the appointment of the external auditor of the Company.

The Chairman asked for the voting results.

The Secretary reported that 26,043,279,329 shares or 99.62% of the total outstanding voting shares voted in favor of the reappointment of Sycip Gorres Velayo & Co., or SGV as the Company's external auditors for another term. This was more than the majority votes required for the approval of this corporate action. A breakdown of the votes are as follows:

FOR	AGAINST	ABSTAIN
26,043,279,329 shares	0	0

Having obtained the required votes, the reappointment of Sycip, Gorres, Velayo and Company as external auditor of the Company for another term was approved. The following resolution was subsequently approved and adopted:

RESOLUTION

"RESOLVED, AS IT IS HEREBY RESOLVED, that Sycip Gorres Velayo and Company, be as it is hereby reappointed as the external auditor of the Company for the year 2023-2024."

"RESOLVED FINALLY, that the Corporate Secretary and/or Assistant Corporate Secretary be, and are hereby, individually authorized to execute the necessary Certification attesting to the approval and adoption by the Board of Directors of the Corporation of the foregoing resolution."

VII. QUESTION AND ANSWER PORTION

The Chairman inquired if there were questions submitted by shareholders prior to and during the Meeting.

The Secretary replied that there were no questions submitted by shareholders.

VIII. ADJOURNMENT

The Chairman then inquired if there were other matters to discuss and there being none, the Meeting was adjourned on motion duly made by Dr. Emerlinda R. Roman and seconded by Mr. Oscar J. Hilado.

Prepared by:

JOEL D. PENEYRA
Secretary of the Meeting

ANNEX A

MANAGEMENT REPORT

A. General Nature and Scope of the Business

Established in the Philippines in August 31, 1987, Digitel was registered with the Philippine SEC and was enfranchised to provide domestic and international telecommunications services nationwide. On October 26, 2011, PLDT acquired a controlling stake in Digitel from JG Summit Holdings, Inc. and certain related parties of the latter and initiated a tender offer to acquire remaining non-controlling interest. As at December 31, 2023, PLDT owned approximately 99.6% of the outstanding common stock of Digitel.

Digitel ceased operating as a public telecommunications entity effective February 17, 2019, the expiration of its franchise, Republic Act No. 7678, entitled "An Act Granting The Digital Telecommunications Phils, Inc., A Franchise To Install, Operate And Maintain Telecommunications Systems Throughout The Philippines And For Other Purposes".

Digitel Group's operations are divided into two key business units: Wireless and Fixed Line.

We monitor the results of each business unit separately for purposes of making decisions about resource allocation and performance assessment. See *Note 4 – Operating Segment Information* to the accompanying audited consolidated financial statements in Item 7. "Financial Statements".

Wireless

Our wireless arm, DMPI, has consolidated its processes with Smart Communications, Inc. (Smart) to be able to provide better service to our subscriber base. Major processes were aligned with Smart to further enhance business partnering, maximize efficiencies in the current workforce and magnify the advantage of the combined networks.

On August 1, 2018, the BOD of Smart and DMPI approved the sale/transfer of DMPI's trademark, subscriber base (both individual and corporate) including all of its assets, rights and obligations directly or indirectly connected to its postpaid cellular and broadband operations. The effective date of the transfer was November 1, 2018. After the effectivity of the transfer, the remaining business of DMPI pertains to its prepaid mobile operation.

On October 21, 2020, Smart and DMPI entered into a Rebranding Agreement wherein Sun Prepaid subscribers were rebranded as Smart Prepaid subscribers. Post-rebranding, the ownership of Sun Prepaid subscribers remains under DMPI. Under the terms of the agreement, Smart will settle a fixed fee representing DMPI's proportionate share on the Distributed Subscriber Revenues.

In April 2022, we implemented the rebranding of Individual Sun Postpaid into Smart Postpaid. Sun subscribers retained their existing Sun numbers, SIM and plan inclusions while enjoying the services and perks of a Smart subscriber such as Smart 5G, access to GigaLife App, Smart notifications and billing, and other Smart add-ons and features. The subscribers may also avail of the Signature plan which provides the subscribers with a better experience, access to the fastest mobile network, better plan packages and latest devices.

The brand consolidation under Smart aims to strengthen market position, achieve cost-efficiency and capitalize on Smart's robust mobile data network to provide superior mobile data to all Sun subscribers.

The integrated wireless network that Smart and DMPI provide is extensive voice and broadband coverage in the Philippines, covering substantially all of major metropolitan areas and most of the other population centers in the Philippines. Our low spectrum band resources (700MHz, 850MHz and 900MHz) are primarily used to provide coverage whilst higher spectrum bands (1800MHz, 2100MHz, 2300MHz and 2600MHz and 3500MHz) provide coverage and additional capacity. Our wireless broadband network supports HSPA+, LTE-Advanced, and 5G to provide an improved data experience for our customers.

Fixed Line

Fixed line business which offered voice, data and miscellaneous services, was carried by the Parent Company, Digitel. Our fixed line subscribers were all migrated to the network of PLDT as of January 2018.

On July 1, 2013, Digitel entered into an agreement to sell its subscription assets to PLDT for a total cost of approximately ₱5.3 billion. The agreement covered the transfer, assignment and conveyance of Digitel's subscription agreements and subscriber list and included a transition mechanism to ensure uninterrupted availability of services to Digitel subscribers, until full migration of said subscribers to the PLDT network. The transaction was in line with the commitment to increase the level of quality of service for Digitel's subscribers and to achieve synergies and operating efficiencies within the PLDT Group. A FLA was executed to cover PLDT's continued use of Digitel's network and facilities to ensure uninterrupted provision of the LEC services to subscribers who had yet to be migrated to the PLDT network. Following the migration of all our fixed line subscribers as of January 2018, the FLA with PLDT was terminated in November 2018.

Digitel ceased operating as a public telecommunications entity effective February 17, 2019.

B. Management's Discussion and Analysis of Financial Condition and Results of Operations for 2023

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our audited consolidated financial statements and the related notes as at December 31, 2023 and 2022 and for the four years ended December 31, 2023 included elsewhere in this Annual Report. This discussion contains forward-looking statements that reflect our current views with respect to future events and our future financial performance. These statements involve risks and uncertainties, and our actual results may differ materially from those anticipated in these forward-looking statements.

Selected Financial Data and Key Performance Indicators

(In millions, except EBITDA margin, basic/dilutive earnings per share)

	Years ended December 31,		
	2023	**2022**	2021
Income Statement Data:			
Revenues	₱7,106	₱7,203	₱7,612
Expenses	3,634	3,874	4,223
Other income	1,037	3,063	1,997
Income before income tax	4,509	6,392	5,386
Net income	3,777	5,195	4,577
Core income	3,215	2,213	4,636
EBITDA	4,134	3,996	4,366
EBITDA margin (1)	58%	55%	57%
Basic/dilutive earnings per common share	0.14	0.20	0.18
Other Data:			
Net cash provided by (used in) operating activities	2,675	(4,968)	405
Net cash provided by (used in) investing activities	825	5,272	549
Capital expenditures	–	–	–
Net cash used in financing activities	(3,500)	(359)	(1,030)

	Years ended December 31,		
	2023	**2022**	2021
Operational Data:			
Number of employees	1	1	1
Wireless	–	–	–
Fixed line	*1*	*1*	*1*

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

In 2019, we adopted PFRS 16, *Leases,* which sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all the leases under single on-balance sheet model similar to the accounting for finance leases under PAS 17, Leases. PFRS 16 supersedes PAS 17, *Leases*, Philippine Interpretation to IFRIC 4, *Determining whether an Arrangement contains a Lease*, Philippine Interpretation to SIC-15, Operating Leases-Incentives and Philippine Interpretation to SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. We applied the modified retrospective approach upon adoption of PFRS 16 on January 1, 2021 and applied the standard to contracts that were previously identified as leases applying PAS 17 and Philippine Interpretation IFRIC 4, *Determining whether an Arrangement contains a Lease*. Under this approach, the cumulative effect arising from the transition was recognized as an adjustment to the opening balance of retained earnings. Accordingly, comparative information for prior periods were not restated.

See Note 2 – Summary of Significant Accounting Policies and Note 3 - Management's Use of Accounting Judgments, Estimates and Assumptions to the accompanying audited consolidated financial statements in Item 7. "Financial Statements" for further discussion.

Overview

Digitel was one of the major providers of wireline communication systems in Luzon Island. In September 2001, Digitel established a wholly owned subsidiary, DMPI, to provide wireless telecommunication services in the Philippines. DMPI is one of the Philippines' leading mobile telecommunications companies. We have organized our business into business units based on our products and services and have two reportable operating segments which serve as the basis for management's decision to allocate resources and evaluate operating performance:

- *Wireless* - wireless telecommunications services provided by DMPI, which operates prepaid business under the *Sun* brand; and

- *Fixed Line* - fixed line segment is carried by the Parent Company. As at January 1, 2018, Digitel fully migrated its subscribers to PLDT network.

Key performance indicators and drivers that our management uses to monitor and direct the operation of our businesses include, among others, the general economic conditions in the Philippines, market trends including customer demands, behavior and satisfaction parameters; technological developments, network performance (speed, coverage, capacity); market share and profitability.

Performance Indicators

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

EBITDA

EBITDA for the year is measured as net income excluding depreciation, impairment non-financial asset, financing costs – net, foreign exchange gains (losses) – net, equity in net earnings (losses) of associates, gains (losses) on disposal of fixed assets, interest income, rental income, provision for (benefit from) income tax and other income – net. EBITDA is monitored by the management for each business unit separately for purposes of making decisions about resource allocation and performance assessment. EBITDA is presented because our management believes that it is widely used by investors in their analysis of the performance of Digitel and can assist them in their comparison of Digitel's performance with those of other companies in the 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 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, nor should EBITDA be considered 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 or 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.

The following table shows the reconciliation of our consolidated EBITDA to our consolidated net income for the years ended December 31, 2023, 2022 and 2021:

	December 31,		
	2023	**2022**	**2021**
		(In millions)	
Consolidated net income	₱3,777	₱5,195	₱4,577
Add (deduct) adjustments:			
Provision for income tax	732	1,197	809
Royalty expense	353	354	370
Depreciation	309	288	607
Financing costs – net	60	55	94
Gains on disposal of fixed assets	(1)	(1)	(1)
Interest income	(2)	(3)	(1)
Rental income	(5)	(13)	(66)
Distribution income on perpetual notes	(191)	(258)	(281)
Losses (gains) on fair value change on perpetual notes	(230)	2,098	358
Gain on sale of telecom towers	(661)	(3,508)	–
Impairment on creditable withholding tax	–	25	–
Reversal of long outstanding accruals	–	(1,144)	(1,667)
Other income (expenses) – net	(7)	(289)	(433)
Total adjustments	357	(1,199)	(211)
Consolidated EBITDA	**₱4,134**	**₱3,996**	**₱4,366**

Consolidated Core Income

Core income for the year is measured as net income, excluding gain on sale of telecom towers, foreign exchange gains (losses) – net, manpower rightsizing program (MRP), impairment of property and equipment, and net tax effect of aforementioned adjustments, as applicable. Core income results are monitored by the management for each business unit separately for purposes of making decisions about resource allocation and performance assessment. Also, core income is used by the management as a basis of granting incentives to employees. Core income should not be considered as an alternative to income before income tax or net income determined in accordance with PFRS as an indicator of our performance. Unlike net income, core income does not include foreign exchange gains and losses, gains and losses on derivative financial instruments, asset impairments and other non-recurring gains and losses. We compensate for these limitations by using core income as only one of several comparative tools, together with PFRS-based measurements, to assist in the evaluation of operating performance. Such PFRS-based measurements include income before income tax and net income. Our calculation of core income may be different from the calculation methods used by other companies and, therefore, comparability may be limited.

The following table shows the reconciliation of our consolidated core income to our consolidated net income for the years ended December 31, 2023, 2022 and 2021:

	December 31,		
	2023	**2022**	2021
		(In millions)	
Consolidated net income	₱3,777	₱5,195	₱4,577
Add (deduct) adjustments:			
Gain on sale of telecom towers	(661)	(3,508)	–
MRP	–	–	72
Foreign exchange gains – net	(1)	–	(4)
CREATE impact	–	–	(10)
Net tax effect of aforementioned adjustments	100	526	1
Total adjustments	(562)	(2,982)	59
Consolidated core income	**₱3,215**	**₱2,213**	**₱4,636**

The following table shows the reconciliation of our consolidated basic and diluted core earnings per share, or EPS, to our consolidated basic and diluted EPS attributable to common equity holders of Digitel for the years ended December 31, 2023, 2022 and 2021:

	December 31,		
	2023	**2022**	**2021**
Consolidated basic and diluted EPS attributable to common equity holders of Digitel	₱0.12	₱0.08	₱0.18
Add (deduct) adjustments:			
Gain on sale of telecom towers	0.03	0.14	–
Net tax effect of aforementioned adjustments	(0.01)	(0.02)	–
Consolidated basic and diluted core EPS	**₱0.14**	**₱0.20**	**₱0.18**

Financial Condition and Changes in Financial Condition

2023 Compared to 2022

Cash and cash equivalents remained flat at ₱120 million as at December 31, 2023 and 2022. Our consolidated net cash flows provided by operating activities amounted to ₱2,675 million in 2023 as against consolidated net cash flows used in operating activities amounting to ₱4,968 million in 2022 primarily due to higher collection of trade and other receivables and lower income tax paid, partially offset by higher settlement of trade and other payables, higher other assets, lower other noncurrent liabilities and lower operating income. Consolidated net cash provided by investing activities amounted to ₱825 million in 2023, lower by ₱4,432 million, or 84%, from ₱5,272 million in 2022 primarily due to lower proceeds from disposal of fixed assets by ₱2,847 million, lower proceeds from distribution of perpetual notes by ₱67 million and lower interest received by ₱1 million, proceeds from partial redemption of perpetual notes of ₱1,500 million in 2022 as against nil in 2023. On a consolidated basis, net cash used in financing activities amounted to ₱3,500 million in 2023, higher by 875%, or ₱3,141 million, from ₱359 million in 2022 due to cash dividends paid of ₱3,212 million in 2023, partly offset by lower payments for principal of lease liability by ₱76 million.

Trade and other receivables increased by ₱307 million to ₱2,272 million as at December 31, 2023, from ₱1,965 million as at December 31, 2022 due mainly from higher billable charges to related parties.

Inventories amounted to nil as at December 31, 2023 and 2022. Impairment losses on inventory arising from obsolescence and write-down of inventories to NRV amounted to nil for the years ended December 31, 2023 and 2022, respectively.

Other current assets decreased by ₱49 million to ₱99 million as at December 31, 2023, from ₱148 million in December 31, 2022 primarily due to the lower prepaid rentals.

Investment properties amounting to ₱55 million as at December 31, 2023 and 2022 which represent land that is currently held for undetermined future use.

Property and equipment amounted to nil as at December 31, 2023, from ₱1 million as at December 31, 2022, primarily due to various disposals and depreciation.

Right-of-use assets increased by ₱215 million to ₱560 million as at December 31, 2023 from ₱345 million in 2022 due to additions amounting to ₱632 million, partially offset by termination of ₱133 million, and depreciation of ₱308 million.

Investment in perpetual notes increased by ₱230 million to ₱1,523 million as at December 31, 2023, from ₱1,293 million in 2022 primarily due to gain on fair value change on perpetual notes.

Net deferred income tax asset decreased to ₱1 million as at December 31, 2023, from ₱15 million as at December 31, 2022 primarily due to higher deferred income tax liabilities on ROU assets and pension and other employee benefits, partly offset by higher deferred income tax assets on lease liability.

Other noncurrent assets increased by ₱29 million to ₱424 million as at December 31, 2023, from ₱395 million as at December 31, 2022 due to higher pension asset and refundable deposits.

Trade and other payables decreased by ₱994 million to ₱16,511 million as at December 31, 2023, from ₱17,505 million as at December 31, 2022 due to settlement to related parties, lower accrued expenses, partially offset by higher trade payables.

Income tax payable amounted to ₱199 million which represents income tax due for 2023.

Net deferred income tax liabilities decreased by ₱1 million to ₱2 million as at December 31, 2023 from ₱3 million as at December 31, 2022 due to lower deferred income tax liability on pension assets.

Noncurrent portion and current lease liabilities decreased by ₱16 million and increased by ₱240 million, respectively, to ₱323 million and ₱282 million, respectively, as at December 31, 2023 from ₱339 million and ₱42 million, respectively, as at December 31, 2022 due to higher additional lease liabilities recognized during the year, higher accretion expenses, lower termination and lower settlement of obligations.

Asset retirement obligation (ARO) decreased by ₱16 million to ₱210 million as at December 31, 2023, from ₱226 million as at December 31, 2022 due to lower capitalized to ROU assets, partially offset by higher accretion expenses and lower gain on adjustment of ARO.

Capital deficiency decreased by ₱1,518 million to ₱12,469 million as at December 31, 2023, from ₱13,987 million as at December 31, 2022 due to the net income during the year amounting to ₱3,777 million, partially offset by cash dividends amounting to ₱ million.

2022 Compared to 2021

Cash and cash equivalents decreased by ₱54 million to ₱120 million as at December 31, 2022, from ₱174 million as at December 31, 2021. Our consolidated net cash flows used in operating activities amounted to ₱1,831 million in 2022 as against consolidated net cash flows provided operating activities amounting to ₱405 million in 2021 primarily due to higher settlement of due to related parties and trade and other payables, lower other current assets and higher incom tax paid partially offset by, lower collection of trade and other receivables, lower asset retirement obligation, and lower operating income. Consolidated net cash provided by investing activities amounted to ₱5,272 million in 2022, higher by ₱4,723 million, or 860%, from ₱549 million in 2021 primarily due to higher proceeds from disposal of fixed assets by ₱3,507 million, proceeds from partial redemption of perpetual notes of ₱1,500 million and higher interest received by ₱2 million, partly offset by lower proceeds from distribution of perpetual notes. On a consolidated basis, net cash used in financing activities amounted to ₱1,030 million in 2021, lower by 69% from ₱3,302 million in 2020 due to lower cash dividends paid by ₱2,050 million and lower payments for principal and interest of lease liability by ₱190 million and ₱32 million, respectively.

Trade and other receivables decreased by ₱1,797 million to ₱1,965 million as at December 31, 2022, from ₱3,762 million as at December 31, 2021 due mainly from collection from related parties.

Inventories amounted to nil as at December 31, 2022 and 2021. Impairment losses on inventory arising from obsolescence and write-down of inventories to NRV amounted to nil for the years ended December 31, 2022 and 2021, respectively.

Other current assets increased by ₱29 million to ₱148 million as at December 31, 2022, from ₱119 million in December 31, 2021 primarily due to the higher prepaid rentals.

Investment properties amounting to ₱55 million as at December 31, 2022 and 2021 which represent land that is currently held for undetermined future use.

Property and equipment decreased by ₱3 million to ₱1 million as at December 31, 2022, from ₱4 million as at December 31, 2021 primarily due to various disposals and depreciation.

Right-of-use assets decreased by ₱685 million to ₱345 million as at December 31, 2022 from ₱1,030 million in 2022 due to termination of ₱475 million, and depreciation of ₱285 million, partially offset by additions amounting to ₱80 million.

Investment in perpetual notes decreased by ₱3,598 million to ₱1,293 million as at December 31, 2022, from ₱4,891 million in 2021 primarily due to loss on fair value change on perpetual notes and partial redemption of ₱1,500 million.

Net deferred income tax asset increased to ₱11 million as at December 31, 2022, from ₱3 million as at December 31, 2021 primarily due to lower deferred income tax liabilities on pension and other employee benefits, financial instruments and ROU assets, partly offset by lower deferred income tax assets on lease liability and asset impairment.

Other noncurrent assets decreased by ₱71 million to ₱395 million as at December 31, 2022, from ₱467 million as at December 31, 2021 due to lower pension asset and refundable deposits.

Trade and other payables decreased by ₱7,201 million to ₱17,505 million as at December 31, 2022, from ₱24,706 million as at December 31, 2021 due to settlement to related parties, lower accrued expenses and net payables to connecting carriers.

Income tax payable amounted to ₱192 million which represents income tax due for 2022.

Net deferred income tax liabilities decreased by ₱1 million to ₱3 million as at December 31, 2022 from ₱4 million as at December 31, 2021 due to lower deferred income tax liability on pension assets.

Noncurrent portion and current lease liabilities decreased by ₱529 million and ₱253 million, respectively, to ₱339 million and ₱42 million, respectively, as at December 31, 2022 from ₱868 million and ₱295 million, respectively, as at December 31, 2021 due to lower additional lease liabilities recognized during the year, lower accretion expenses and lower termination, partially offset by lower settlement of obligations.

Asset retirement obligation decreased by ₱115 million to ₱226 million as at December 31, 2022, from ₱336 million as at December 31, 2021 due to lower settlement of asset retirement obligation and accretion expenses.

Capital deficiency decreased by ₱2,058 million to ₱13,987 million as at December 31, 2022, from ₱16,045 million as at December 31, 2021 due to the net income during the year amounting to ₱5,195 million, partially offset by cash dividends amounting to ₱3,137 million.

2021 Compared to 2020

Cash and cash equivalents decreased by ₱76 million to ₱174 million as at December 31, 2021, from ₱250 million as at December 31, 2020. Our consolidated net cash flows provided by operating activities amounted to ₱405 million in 2021, a decrease of 81% from ₱2,165 million in 2020 primarily due to lower collection of due from related parties, higher settlement of due to related parties, lower operating income, lower collection of trade and other receivables, higher income tax paid and higher inventories, partially offset byother current assets, lower benefits/contributions paid, and lower settlement of trade and other payables. Consolidated net cash provided by investing activities amounted to ₱549 million in 2021, lower by ₱79 million, or 13%, from ₱628 million in 2020 primarily due to lower dividends received by ₱317 million, higher settlement of asset retirement obligation by ₱18 million, higher advances and other noncurrent assets by ₱45 million, lower interest received by ₱6 million, and lower proceeds from disposal of fixed assets by ₱1 million, partly offset by lower capital expenditure by ₱1 million, and higher proceeds from sale of investment in associates by ₱307 million. On a consolidated basis, net cash used in financing activities amounted to ₱1,030 million in 2021, lower by 69% from ₱3,302 million in 2020 due to lower cash dividends paid by ₱2,050 million and lower payments for principal and interest of lease liability by ₱190 million and ₱32 million, respectively.

Trade and other receivables decreased by ₱19 million to ₱7 million as at December 31, 2021, from ₱26 million as at December 31, 2020. During the year, provision for impairment on trade and other receivables amounted to ₱4 million. The Group wrote-off an aggregate of ₱2,178 million and ₱5 million worth of long outstanding receivables from subscribers, connecting carriers, agents and others for the years ended December 31, 2021 and 2020, respectively.

Due from related parties increased by ₱1,341 million to ₱4,088 million as at December 31, 2021, from ₱2,747 million as at December 31, 2020 due to higher billable charges to related parties.

Inventories amounted to nil as at December 31, 2021 and 2020. Impairment losses on inventory arising from obsolescence and write-down of inventories to NRV amounted to nil and ₱9 million for the years ended December 31, 2021 and 2020, respectively.

Other current assets decreased by ₱57 million to ₱119 million as at December 31, 2021, from ₱176 million in December 31, 2020 primarily due to the lower prepayments for taxes, fees and licenses, repairs and maintenance, insurance, and rent.

Investment properties amounting to ₱55 million as at December 31, 2021 and 2020 which represent land that is currently held for undetermined future use.

Property and equipment decreased by ₱183 million to ₱4 million as at December 31, 2021, from ₱187 million as at December 31, 2020 primarily due to various disposals and depreciation.

Right-of-use assets decreased by ₱345 million to ₱1,030 million as at December 31, 2021 from ₱1,375 million in 2021 due to depreciation of ₱402 million, and lease modification of ₱18 million and charges from asset retirement obligation of ₱42 million, partially offset by additions amounting to ₱97 million and lease modification of ₱20 million,

Investment in associates decreased by ₱240 million to nil as at December 31, 2021. Digitel fully divested its investment in DCI and ANPC and as a result, the Group recognized a gain on sale of investment amounting to ₱32 million in 2021. The Group's share in net profit of its associates amounted to ₱33 million in 2021.

Investment in perpetual notes decreased by ₱358 million to ₱4,891 million as at December 31, 2021, from ₱5,249 million in 2020 primarily due to loss on fair value change on perpetual notes.

Net deferred income tax asset increased to ₱3 million as at December 31, 2021, from nil as at December 31, 2020 primarily due to higher deferred income tax assets on lease liability, asset impairment, and interest on perpetual notes, partly offset by higher deferred income tax liabilities on pension and other employee benefits, financial instruments and ROU assets.

Other noncurrent assets increased by ₱28 million to ₱467 million as at December 31, 2021, from ₱439 million as at December 31, 2020 due to higher pension asset and refundable deposits.

Trade and other payables decreased by ₱1,988 million to ₱2,485 million as at December 31, 2021, from ₱4,473 million as at December 31, 2020 due to lower accrued expenses, net payables to connecting carriers, and trade payables.

Due to related parties decreased by ₱1,808 million to ₱22,554 million as at December 31, 2021 from ₱24,362 million as at December 31, 2020 primarily due to higher settlement of due to related parties.

Income tax payable amounted to ₱336 million which represents income tax due for 2021.

Net deferred income tax liabilities decreased by ₱23 million to ₱4 million as at December 31, 2021 from ₱27 million as at December 31, 2020 due to lower deferred income tax liability on ROU assets, fair value adjustment on perpetual note, and pension assets, partially offset by higher deferred income tax assets on lease liabitilies, asset impairment, interest on perpetual notes, allowance for impairment loss on inventory obsolescense, and others.

Noncurrent portion and current lease liabilities decreased by ₱286 million and ₱60 million, respectively, to ₱868 million and ₱295 million, respectively, as at December 31, 2021 from ₱1,154 million and ₱355 million, respectively, as at December 31, 2020 due to lower additional lease liabilities recognized during the year, lower accretion expenses, partially offset by lower settlement of obligations, termination and higher lease modifications.

Asset retirement obligation decreased by ₱51 million to ₱341 million as at December 31, 2021, from ₱392 million as at December 31, 2020 due to lower capitalized ROU assets, lower settlement of asset retirement obligation and gain on adjustment of asset retirement obligation, and accretion expenses.

Capital deficiency decreased by ₱3,993 million to ₱16,065 million as at December 31, 2021, from ₱20,127 million as at December 31, 2020 due to the net income during the year amounting to ₱4,577 million and other comprehensive gain of ₱27 million, partially offset by cash dividends amounting to ₱502 million and transfer of pension amounting to ₱20 million.

Results of Operations

The table below shows the contribution by each of our business segments to our consolidated revenues, expenses, other income (expenses), income (loss) before income tax, net income (loss), EBITDA, EBITDA margin and core income for the years ended December 31, 2023, 2022 and 2021.

	Wireless	Fixed Line	Inter-segment Transactions	Consolidated
		(In millions)		
For the year ended December 31, 2023				
Revenues	₱7,106	–	–	₱7,106
Expenses	3,547	88	(1)	3,634
Other income	981	57	(1)	1,037
Income before income tax	4,540	(31)	–	4,509
Provision for (benefit from) income tax	733	(1)	–	732
Net income (loss)/ Segment profit (loss)	3,807	(30)	–	3,777
EBITDA	4,222	(88)	–	4,134
EBITDA margin [(1)]	59%	–	–	58%
Core income	3,245	(30)	–	3,215
For the year ended December 31, 2022				
Revenues	₱7,203	–	–	₱7,203
Expenses	3,760	114	–	3,874
Other income	2,319	744	–	3,063
Income before income tax	5,762	630	–	6,392
Provision for income tax	1,191	6	–	1,197
Net income / Segment profit	4,571	624	–	5,195
EBITDA	4,084	(88)	–	3,996
EBITDA margin [(1)]	57%	–	–	55%
Core income	1,588	625	–	2,213

	Wireless	Fixed Line	Inter-segment Transactions	Consolidated
		(In millions)		
For the year ended December 31, 2021				
Revenues	₱7,612	–	–	₱7,612
Expenses	4,053	172	(2)	4,223
Other income	1,760	239	(2)	1,997
Income before income tax	5,319	67	–	5,386
Provision for income tax	810	(1)	–	809
Net income / Segment profit	4,509	68	–	4,577
EBITDA	4,536	(172)	2	4,366
EBITDA margin [(1)]	60%	–	–	57%
Core income	4,574	62	–	4,636

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

Years ended December 31, 2023 and 2022

On a Consolidated Basis

Revenues

We reported consolidated revenues of ₱7,106 million in 2023, a decrease of ₱97 million, or 1%, as compared with ₱7,203 million in 2022, due to lower revenues from our wireless business.

Expenses

Consolidated expenses decreased by ₱240 million, or 6%, to ₱3,634 million in 2023 from ₱3,874 million in 2022, largely as a result of decrease in repairs and maintenance, rent, asset impairment, insurance and security services, and professional and other contracted services. This was partly offset by the increase in taxes and licenses and depreciation.

The following table shows the breakdown of our consolidated expenses by business segment for the years ended December 31, 2023 and 2022:

					Change	
	2023	**%**	**2022**	**%**	**Amount**	**%**
			(In millions)			
Wireless	₱3,547	98	₱3,760	97	(₱213)	(6)
Fixed line	88	2	114	3	(26)	(23)
Intersegment	(1)	–	–	–	(1)	100
Consolidated	₱3,634	100	₱3,874	100	(₱240)	(6)

Other Income

Consolidated other income decreased by ₱2,026 million, or 66%, to ₱1,037 million in 2023 from ₱3,063 million in 2022, primarily due to the combined effects of the following: (i) lower gain on sale of telecom towers by ₱2,847 million; (ii) gain on fair value change on perpetual notes of ₱230 million as against loss on fair value change on perpetual notes of ₱2,098 million in 2022; (iii) lower distribution income by ₱67 million; (iv) lower rental income by ₱8 million; (v) lower interest income by ₱1 million; (vi) foreign exchange gain of ₱1 million; (vii) gain on disposal of fixed assets of ₱1 million; (viii) higher financing costs by ₱5 million; (ix) lower reversal of long outstanding accruals by ₱1,144 million; and (x) lower other income by ₱283 million.

The following table shows the breakdown of our consolidated other income by business segment for the years ended December 31, 2023 and 2022:

					Change	
	2023	**%**	**2022**	**%**	**Amount**	**%**
			(In millions)			
Wireless	₱981	95	₱2,319	76	(₱1,338)	(58)
Fixed line	57	5	744	24	(687)	(92)
Intersegment	(1)	–	–	–	(1)	100
Consolidated	₱1,037	100	₱3,063	100	(₱2,026)	(66)

Net Income

We reported a consolidated net income of ₱3,777 million in 2023, a decrease of ₱1,418 million, or 27%, from ₱5,195 million in 2022. The decrease was mainly due to the combined effects of the following: (i) lower consolidated revenues by ₱97 million; (ii) lower expenses by ₱239 million;

(iii) lower provision for income tax by ₱465 million; and (iv) lower other income by ₱2,025 million. Our consolidated basic/dilutive earnings per share amounted to ₱0.14 and ₱0.20 in 2023 and 2022, respectively.

The following table shows the breakdown of our consolidated net income by business segment for the years ended December 31, 2023 and 2022:

	2023	%	2022	%	Change Amount	%
			(In millions)			
Wireless	₱3,807	101	₱4,571	88	(₱764)	(17)
Fixed line	(30)	(1)	624	12	(654)	(105)
Consolidated	₱3,777	100	₱5,195	100	(₱1,418)	(27)

EBITDA

We reported a consolidated EBITDA of ₱4,134 million in 2023, higher by ₱138 million, or 3%, from ₱3,996 million in 2022, primarily due to lower expenses excluding depreciation, partly offset by the decrease in revenues.

The following table shows the breakdown of our consolidated EBITDA by business segment for the years ended December 31, 2023 and 2022:

	2023	%	2022	%	Change Amount	%
			(In millions)			
Wireless	₱4,222	102	₱4,084	102	₱138	3
Fixed line	(88)	(2)	(88)	(2)	–	–
Intersegment	–	–	–	–	–	–
Consolidated	₱4,134	100	₱3,996	100	₱138	3

Core Income

Our consolidated core income increased by ₱1,002 million, or 45%, to ₱3,215 million in 2023 from ₱2,213 million in 2022 primarily due higher core income from our wireless business segment partly offset by core loss from our fixed line business segment.

The following table shows the breakdown of our consolidated core income by business segment for the years ended December 31, 2023 and 2022:

	2023	%	2022	%	Change Amount	%
			(In millions)			
Wireless	₱3,245	101	₱1,588	72	₱1,657	104
Fixed line	(30)	(1)	625	28	(655)	(105)
Consolidated	₱3,215	100	₱2,213	100	₱1,002	45

Years ended December 31, 2022 and 2021

On a Consolidated Basis

Revenues

We reported consolidated revenues of ₱7,203 million in 2022, a decrease of ₱409 million, or 5%, as compared with ₱7,612 million in 2021, primarily due to lower revenues from our wireless business.

Expenses

Consolidated expenses decreased by ₱333 million, or 9%, to ₱3,520 million in 2022 from ₱3,853 million in 2021, largely as a result of decrease in depreciation, professional and other contracted services, compensation and employee benefits, rent and insurance and security services. This was partly offset by the increase in repairs and maintenance, asset impairment, and taxes and licenses.

The following table shows the breakdown of our consolidated expenses by business segment for the years ended December 31, 2022 and 2021:

					Change	
	2022	**%**	**2021**	**%**	**Amount**	**%**
			(In millions)			
Wireless	₱3,406	97	₱3,683	96	(₱277)	(8)
Fixed line	114	3	172	4	(58)	(34)
Intersegment	–	–	(2)	–	2	–
Consolidated	₱3,520	100	₱3,853	100	(₱333)	(9)

Other Income

Consolidated other income increased by ₱1,082 million, or 67%, to ₱2,709 million in 2022 from ₱1,627 million in 2021, primarily due to the combined effects of the following: (i) gain on sale of telecom towers of ₱3,508; (ii) lower financing cost by ₱39 millon; (iii) lower financing costs by ₱16 million (iv) higher interest income by ₱2 million (v) lower net foreign exchange gains by ₱4 million; (vi) lower distribution income by ₱23 million; (vii) lower gain on sale of investment in associates by ₱32 million (viii) lower equity share in net earnings of affiliates by ₱33 million; (ix) lower rental income by ₱53 million; (x) lower reversal of long outstanding accruals by ₱523 million; (xi)) higher loss on fair value change on perpetual notes by ₱1,740 million; and (xii) lower other income by ₱75 million.

The following table shows the breakdown of our consolidated other income by business segment for the years ended December 31, 2022 and 2021:

					Change	
	2022	**%**	**2021**	**%**	**Amount**	**%**
			(In millions)			
Wireless	₱1,965	73	₱1,390	85	₱575	41
Fixed line	744	27	239	15	505	211
Intersegment	–	–	(2)	–	2	–
Consolidated	₱2,709	100	₱1,627	100	₱1,082	67

Net Income

We reported a consolidated net income of ₱5,195 million in 2022, an increase of ₱618 million, or 14%, from ₱4,577 million in 2021. The increase was mainly due to the combined effects of the following: (i) lower consolidated revenues by ₱409 million; (ii) lower expenses by ₱333 million; (iii) higher provision for income tax by ₱388 million; and (ii) higher other income by ₱1,082 million. Our consolidated basic/dilutive earnings per share amounted to ₱0.20 and ₱0.18 in 2022 and 2021, respectively.

The following table shows the breakdown of our consolidated net income by business segment for the years ended December 31, 2022 and 2021:

	2022	%	2021	%	Change Amount	%
			(In millions)			
Wireless	₱4,571	88	₱4,509	99	₱62	1
Fixed line	624	12	68	1	556	818
Consolidated	₱5,195	100	₱4,577	100	₱618	14

EBITDA

We reported a consolidated EBITDA of ₱3,996 million in 2022, lower by ₱370 million, or 8%, from ₱4,366 million in 2021, primarily due to lower revenues, partly offset by the decrease in expenses excluding depreciation.

The following table shows the breakdown of our consolidated EBITDA by business segment for the years ended December 31, 2022 and 2021:

	2022	%	2021	%	Change Amount	%
			(In millions)			
Wireless	₱4,084	102	₱4,536	104	(₱452)	(10)
Fixed line	(88)	(2)	(172)	(4)	84	(49)
Intersegment	–	–	2	–	(2)	(100)
Consolidated	₱3,996	100	₱4,366	100	(₱370)	(8)

Core Income

Our consolidated core income decreased by ₱2,423 million, or 52%, to ₱2,213 million in 2022 from ₱4,636 million in 2021 primarily due higher core income from our wireless business segment partly offset by lower core income from our fixed line business segment.
The following table shows the breakdown of our consolidated core income by business segment for the years ended December 31, 2022 and 2021:

	2022	%	2021	%	Change Amount	%
			(In millions)			
Wireless	₱1,588	72	₱4,574	99	(₱2,986)	(65)
Fixed line	625	28	62	1	563	908
Consolidated	₱2,213	100	₱4,636	100	(₱2,423)	(52)

Years ended December 31, 2021 and 2020

On a Consolidated Basis

Revenues

We reported consolidated revenues of ₱7,612 million in 2021, an increase of ₱703 million, or 10%, as compared with ₱6,909 million in 2020, primarily due to higher revenues from our wireless business.

Expenses

Consolidated expenses decreased by ₱449 million, or 10%, to ₱3,853 million in 2021 from ₱4,302 million in 2020, largely as a result of decrease in depreciation, compensation and employee benefits, selling and promotion, asset impairment, cost of sales, taxes and licenses, and insurance and security services. This was partly offset by the increase in repairs and maintenance, professional and other contracted services, rent, and communication, training and travel.

The following table shows the breakdown of our consolidated expenses by business segment for the years ended December 31, 2021 and 2020:

	2021	%	2020	%	Change Amount	Change %
			(In millions)			
Wireless	₱3,683	96	₱4,070	95	(₱387)	(10)
Fixed line	172	4	234	5	(62)	(26)
Intersegment	(2)	–	(2)	–	–	–
Consolidated	₱3,853	100	₱4,302	100	(₱449)	(10)

Other Income

Consolidated other income decreased by ₱618 million, or 28%, to ₱1,627 million in 2021 from ₱2,245 million in 2020, primarily due to the combined effects of the following: (i) loss on fair value change on perpetual notes of ₱358 million in 2021, as against gain on fair value change on perpetual notes of ₱452 million in 2020; (ii) lower other income of ₱692 million; (iii) higher royalty expense by ₱308 million; (iv) lower rental income by ₱7 million; (v) lower interest income by ₱6 million; (vi) lower gains on disposal of fixed assets by ₱2 million; (vii) net foreign exchange gains of ₱4 million in 2021 as against net foreign exchange losses of ₱4 million; (viii) lower financing cost by ₱32 millon; (ix) gain on sale of investment in associates of ₱32 million; (x) equity share in net earnings of affiliates of ₱33 million in 2021 as against equity share in net losses of ₱116 million in 2020; and (xi) higher reversal of long outstanding accruals by ₱986 million.

The following table shows the breakdown of our consolidated other income by business segment for the years ended December 31, 2021 and 2020:

	2021	%	2020	%	Change Amount	Change %
			(In millions)			
Wireless	₱1,390	85	₱1,897	84	(₱507)	(27)
Fixed line	239	15	350	16	(111)	(32)
Intersegment	(2)	–	(2)	–	–	–
Consolidated	₱1,627	100	₱2,245	100	(₱618)	(28)

Net Income

We reported a consolidated net income of ₱4,577 million in 2021, an increase of ₱508 million, or 12%, from ₱4,069 million in 2020. The increase was mainly due to the combined effects of the following: (i) higher consolidated revenues by ₱703 million; (ii) lower expenses by ₱449 million; (iii) higher provision for income tax by ₱26 million; and (ii) lower other income by ₱618 million. Our consolidated basic/dilutive earnings per share amounted to ₱0.18 and ₱0.16 in 2021 and 2020, respectively.

The following table shows the breakdown of our consolidated net income by business segment for the years ended December 31, 2021 and 2020:

	2021	%	2020	%	Change Amount	Change %
			(In millions)			
Wireless	₱4,509	99	₱3,966	97	₱543	14
Fixed line	68	1	103	3	(35)	(34)
Consolidated	₱4,577	100	₱4,069	100	₱508	12

EBITDA

We reported a consolidated EBITDA of ₱4,366 million in 2021, higher by ₱903 million, or 26%, from ₱3,463 million in 2020, primarily due to higher revenues and decrease in expenses excluding depreciation.

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

	2021	%	2020	%	Change Amount	Change %
			(In millions)			
Wireless	₱4,536	104	₱3,693	107	₱843	23
Fixed line	(172)	(4)	(232)	(7)	(60)	(26)
Intersegment	2	–	2	–	–	–
Consolidated	₱4,366	100	₱3,463	100	₱907	26

Core Income

Our consolidated core income increased by ₱536 million, or 13%, to ₱4,636 million in 2021 from ₱4,100 million in 2020 primarily due higher core income from our wireless business segment partly offset by lower core income from our fixed line business segment.
The following table shows the breakdown of our consolidated core income by business segment for the years ended December 31, 2021 and 2020:

	2021	%	2020	%	Change Amount	Change %
			(In millions)			
Wireless	₱4,574	99	₱3,995	97	₱579	14
Fixed line	62	1	105	3	(43)	(41)
Consolidated	₱4,636	100	₱4,100	100	₱536	13

Other Matters

a. Any known trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity.
   - We are not aware of any known trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity.
   - Digitel Group has not defaulted in paying its currently maturing obligations.
   - Digitel's current liabilities appear to be materially higher than its current assets, as indicated by the current ratio of 0.13:1 due to an outstanding payable to PLDT and other related parties amounting to ₱15.3 billion as at December 31, 2023. Without this portion in the current liabilities, the current ratio will improve to 1.42:1.

b. Any events that will trigger direct or contingent financial obligation that is material to Digitel, including any default or acceleration of an obligation.

- We are not aware of any events that will trigger direct or contingent financial obligation that is material to Digitel Group, including any default or acceleration of an obligation.

c. Description of any material commitments for capital expenditures, general purpose of such commitments, expected sources of funds for such expenditures.
   - We have no material commitment for capital expenditures.

d. Any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.
   - We are not aware of any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

e. Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.
   - We are not aware of any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.

f. Any significant elements of income or loss that arise from issuer's continuing operations.
   - We are not aware of any significant elements of income or loss that arises from the issuer's continuing operations.

g. Seasonal aspects that have material effect on the FS.
   - We are not aware of any seasonal aspects that have material effect on the FS.

C. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations for the first three months ended March 31, 2024</u>

As of current date, April 29, 2024, Financial condition and results of operations is not yet available, but the Company shall provide copies thereof to shareholders before the Annual Stockholders Meeting on May 27, 2024.

D. <u>Market Information Holders and Dividends</u>

<u>Stock Prices</u>

On January 24, 2012, Digitel filed for voluntary delisting of its shares with the PSE, since its public ownership level had fallen below the minimum 10% required by the PSE. On February 22, 2012, the PSE granted the petition for voluntary delisting and accordingly ordered the delisting of the shares of Digitel from the Official Registry of the PSE effective March 26, 2012. Digitel's share last trading date was March 20, 2012 which closed at ₱1.45 per share.

Top 20 Stockholders

As at April 30, 2024, there were 4,927 holders of record of Digitel's common shares. Listed below were the top 20 common shareholders, including their nationalities, the number of shares held, the amount of their holdings, and the approximate percentages of their respective shareholdings to Digitel's total outstanding common stocks:

	Name of Holder of Record	Nationality	Number of Shares Held	Amount of Holding	Approximate % to Total Outstanding Common Stock
1.	PLDT	Filipino	26,043,279,329	₱2,604,327,933	99.62
2.	Thorton Holdings, Inc.	British	26,680,810	2,668,081	0.10
3.	Chak Ching Chan	Filipino	11,614,000	1,161,400	0.04
4.	Seven (7) R. Port Services, Inc.	Filipino	5,000,000	500,000	0.02
5.	PCD Nominee Corporation	Filipino	2,395,411	239,541	
6.	BPI Sec Corp Fao Charlie D. Misaghi	Filipino	2,759,000	₱275,900	0.01
7.	Margarita Oppen	Filipino	1,830,000	183,000	0.01
8.	De Tuazon Paz A.	Filipino	1,663,500	166,350	0.01
9.	Michael S. Chua	Filipino	1,406,000	140,600	0.01
10.	Alvin Rey C. Sia	Filipino	1,000,000	100,000	0.00
11.	Lawrence C. Sia	Filipino	1,000,000	100,000	0.00
12.	Anthony U. Que	Filipino	940,000	94,000	0.00
13.	Ilene V. Acuna	Filipino	937,000	93,700	0.00
14.	CBC as Investment Agent for IMA	Filipino	815,600	81,560	0.00
15.	Ronald Arellano Vallar	Filipino	800,000	80,000	0.00
16.	BPI Securities Corporation Fao Reynaldo C.	Filipino	609,000	60,900	0.00
17.	Citibank Na Fao 1100050018	Filipino	600,000	60,000	0.00
18.	Leoncio Chungunco	Filipino	588,900	58,890	0.00
19.	Choa Siu Tin	Filipino	500,000	50,000	0.00
20.	Manuel Chua Co Kiong / Judy Chua Co Kiong	Filipino	500,000	50,000	0.00
			26,105,600,550	**₱2,610,560,055**	

Dividends

On December 5, 2023, the BOD of the Parent Company declared cash dividends in the amount of Php2,259mn, or approximately Php0.0864 per share of common stock to holders of record as at December 15, 2023, which was paid to the Corporation's minority shareholders on January 5, 2024, and to its majority shareholder, PLDT Inc. on or before December 5, 2024

On December 15, 2022, the BOD of the Parent Company declared cash dividends of ₱0.12 per share to all common shareholders of record as of December 31, 2022, which was paid to minority shareholders on January 13, 2023 and to its majority shareholder, PLDT Inc. on or before December 15, 2023.

On November 4, 2021, the BOD of the Parent Company declared cash dividends of ₱0.0192 per share to all common shareholders of record as of November 15, 2021 which was paid on Novemver 29, 2021 amounting to ₱502 million.

On November 5, 2020, the BOD of the Parent Company declared cash dividends of ₱0.0976 per share to all common shareholders of record as of November 16, 2020 which was paid on December 1, 2020 amounting to ₱2,552 million.

On November 7, 2019, the BOD of the Parent Company declared cash dividends of ₱0.0846 per share to all common shareholders of record as of November 18, 2019 which was paid on December 2, 2019 amounting to ₱2,212 million.

The Parent Company did not declare cash dividends in 2018.

The Parent Company's retained earnings available for dividend declaration as at December 31, 2023 based on the guidelines set forth in the Memorandum Circular 11 issued by the Philippine SEC on December 5, 2008 is ₱13,645 million. The Parent Company plans to declare cash dividends out of the remaining retained earnings as funds becomes available.

In accordance with the Company's By-Laws dividends shall be declared only from the surplus profits of the Company and shall be payable at such time, manner and amounts as the Board of Directors shall determine. No dividends shall be declared which shall impair the capital of the Company.

Recent Sales of Unregistered or Exempt Securities

There were no sales of unregistered or exempt securities.

E. Compliance with the Corporate Governance Manual

The Company is committed to good corporate governance in compliance with local regulatory mandates.

The Company adopted a new Manual on Corporate Governance on June 9, 2020 which substantially adopted all of the recommendations under SEC Memorandum Circular No. 24, series of 2019, otherwise known as the Code of Corporate Governance for Public Companies and Registered Issuers ("CG Code for PCs and RIs"). A copy of the new Manual on Corporate Governance was submitted to the SEC on September 29, 2020. The Board of Directors also approved the following corporate governance policies: (a) Code of Business Conduct and Ethics; (b) Conflict of Interest Policy; (c) Whistleblowing Policy; (d) Gifts, Entertainment and Sponsored Travel Policy; (e) Supplier/Contractor Relations Policy; (f) Third-party Business Partners Corporate Governance Guidelines; and (g) Policy on Gift-Giving Activities.

The Company further approved on March 22, 2022 its Revised Audit Committee Charter and Internal Audit Charter.

To ensure that the Company complies with leading practices in good corporate governance, directors and top management as well as key employees attended the Annual Corporate Governance Enhancement Session of the PLDT Group held on November 9, 2023.

The Company's Internal Auditor continues to performs internal audit functions in compliance with the Manual.

On June 29, 2023, the Company's Compliance Officer submitted with the Securities and Exchange Commission Digitel's Annual Corporate Governance Report for Public Companies and Registered Issuers ("ACGR") for the fiscal year ended December 31, 2022 confirming that, except as disclosed and explained in the ACGR, the Company, its directors, officers and employees substantially complied with its Corporate Governance Manual and SEC MC No. 24, series of 2019. There are no deviation from the Company's Manual of Corporate Governance.

The level of compliance of Digitel to the provisions of the CG Code for PCs and RIs for the period beginning January 1 to December 31, 2023 will be reported in its ACGR to be submitted to the SEC on or before June 30, 2024, as provided for in SEC MC 13 series of 2021.

F. Undertaking to Provide Annual Report and 1Q 2024 Unaudited Interim Financial Statements and Management's Discussion and Analysis (MD&A)

DIGITAL TELECOMMUNICATIONS PHILS., INC. (DIGITEL), AS A REGISTRANT, WILL PROVIDE THE STOCKHOLDERS, UPON WRITTEN REQUEST, A COPY OF THE COMPANY'S SEC FORM 17A AND 1Q 2024 UNAUDITED INTERIM FINANCIAL STATEMENTS AND MD&A FREE OF CHARGE. SUCH WRITTEN REQUEST SHOULD BE DIRECTED TO:

Atty. Alex Erlito S. Fider
Corporate Secretary
Digital Telecommunications Phils., Inc.
Picazo Buyco Tan Fider & Santos
18th Floor, Liberty Center
104 H. V. de la Costa St.
Salcedo Village, Makati City

DIGITAL TELECOMMUNICATIONS PHILS., INC.
Annual Stockholders' Meeting
May 27, 2024

INSTRUCTIONS ON REGISTRATION, ONLINE VOTING IN ABSENTIA AND PARTICIPATION BY REMOTE COMMUNICATION

General Instructions

1. Stockholders as of March 31, 2024 have the option to vote via online voting in absentia on the proposed corporate actions set out in items 3, 5, 6 and 7 of the Agenda.

2. To vote via online voting in absentia, the stockholder must have registered and received an e-mail confirmation from the Company that his registration has been successful. Registration period shall start on May 6, 2024 until May 17, 2024. After the May 17, 2024 registration deadline, the stockholder can no longer avail of the option to vote via online voting in absentia. A stockholder who has successfully registered on or before the May 17, 2024 registration deadline can also participate in the Annual Meeting by remote communication.

3. A stockholder who was not able to register until May 17, 2024 can no longer vote via online in absentia but may participate in the Annual Meeting by remote communication if he is able to register not later than May 22, 2024,

4. Only stockholders who have registered within the prescribed period, together with the stockholders who voted in absentia, and by proxy, will be included in the determination of quorum.

Registration

A. How to Register:

1. A stockholder may register by informing the Assistant Corporate Secretary, Joel D. Peneyra via email at jdpeneyra@pldt.com.ph from May 6, 2024 up to May 17, 2024. Instructions on how to participate via MS Teams shall be provided the stockholder. Stockholders who wish to vote online and participate by remote communication will be required to register not later than May 17, 2024. Stockholders who were not able to register as of May 17, 2024 can no longer avail of online voting but may still participate by remote communication, provided such stockholders shall register not later than May 22, 2024.

2. The stockholder must supply the following information and documentary requirements:

(a) For individual stockholder:
(i) A scanned copy of the stockholder's valid government-issued ID with photo and signature, preferably with residential address (in JPG format).
(ii) A valid and active e-mail address
(iii) A valid and active contact number

(b) For Corporate Stockholder:
(i) a scanned copy of certification signed by a duly authorized officer of such corporate stockholder attesting to the authority of the representative to vote for and on behalf of the corporate stockholder (in JPG format).
(ii) a scanned copy of one (1) valid government-issued ID of the representative with photo and signature, preferably with residential address, or two (2) valid non-government issued IDs with photo and signature, preferably with residential address (in JPG format).
(iii) a valid and active e-mail address of the representative
(iv) a valid and active contact number of the representative

(c) For stockholders with joint account - a scanned copy of an authorization letter signed by all the joint stockholders, identifying who among them is authorized to cast the vote for the account (in JPG format).

(d) For stockholders under Broker's Account

(i) Individual beneficial owner:
(a) a scanned copy of broker's certification on the individual beneficial owner's name, account number, and shareholdings (in JPG format)
(b) a scanned copy of the individual beneficial owner's one (1) valid government-issued ID with photo and signature, preferably with residential address, or two (2) valid non-government issued IDs with photo and signature, preferably with residential address (in JPG format).
(c) a valid and active e-mail address
(d) a valid and active contact number

(ii) Corporate beneficial owner:

(a) a scanned copy of broker's certification on the corporate beneficial owner's name, account number, and shareholdings (in JPG format)
(b) a scanned copy of certification signed by a duly authorized officer of such corporate beneficial owner attesting to the authority of the representative to vote for and on behalf of the corporate beneficial stockholder (in JPG format)
(c) a scanned copy of one (1) valid government-issued ID of the representative with photo and signature, preferably with residential address, or two (2) valid non-government issued IDs with photo and signature, preferably with residential address (in JPG format).

B. How will I know if my registration is successful?

1. You will receive an email informing that your registration will be subject to validation

2. A stockholder who registered on or before May 17, 2024, and whose registration has been validated will receive an email containing information on the online voting in absentia, and his access to the Annual Meeting, within three (3) business days from the date of registration.

3. A stockholder who registered after May 17, 2024 and until May 22, 2024, and whose registration has been validated will receive an email containing his access to the Annual Meeting, not later than three (3) business days from the date of registration.

Online Voting in Absentia

How to Vote Online?

1. A stockholder who registered on or before May 17, 2024, and whose registration has been validated and qualified to online voting in absentia shall accomplish the ballot provided and email it back to the Assistant Corporate Secretary, Joel D. Peneyra at jdpeneyra@pldt.com.ph.

2. For the approval of the Minutes of the Annual Meeting of the Stockholders held on May 29, 2023, select "FOR" or "AGAINST" or "ABSTAIN" to indicate your vote

3. For the approval of the audited financial statements for the fiscal year ending December 31, 2023, select "FOR" or "AGAINST" or "ABSTAIN" to indicate your vote

4. For the election of directors, you may vote such number of shares recorded in your name as of the Record Date, for as many persons as there are directors to be elected or you may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of your shares shall equal, or you may distribute them on the same principle among as many candidates as you shall see fit.

   Select "FOR ALL" if you wish to vote for all of the candidates
   Select "WITHHOLD FOR ALL" if you do not wish to vote for all the candidates
   If you select "EXCEPTIONS" please indicate the number of votes opposite the names of the candidates in the list

5. For the election of external auditor, SGV & Co. is nominated for election as external auditor, select for "FOR" or "AGAINST" or "ABSTAIN" to indicate your vote.

6. Once you have completed the ballot please email it back to the Assistant Corporate Secretary, Joel D. Peneyra at jdpeneyra@pldt.com.ph on or before 10 A.M. on May 22, 2024.

7. A stockholder may cast his vote during the period beginning May 6, 2024 until 10 A.M. on May 22, 2024

Participation by Remote Communication

1. A stockholder who has successfully registered on or before May 22, 2024 can participate in the Annual Meeting by remote communication via Microsoft Teams (MS Teams).

2. A stockholder who was not able to register until May 17, 2024 may still participate in the Annual Meeting provided he is able to register via email at jdpeneyra@pldt.com.ph not later than May 22, 2024. For validation purposes, the stockholder, shall be required to submit the documentary requirements listed in Item A. (Registration) above. He will then receive an email containing his access to the Annual Meeting.

3. A stockholder may send his questions or comments prior to or during the Annual Meeting to jdpeneyra@pldt.com.ph

4. For question or clarification, please contact Joel D. Peneyra at 09285590433 or via email at jdpeneyra@pldt.com.ph

DIGITAL TELECOMMUNICATIONS PHILS., INC.
Annual Stockholders' Meeting
May 27, 2024

STOCKHOLDER PROXY

(Proxy solicitation is being made by and on behalf of the Company)

The undersigned hereby appoints the Chairman of the Board of Digital Telecommunications Phils., Inc. (the "Company"), with full power of substitution and delegation, as the proxy of the undersigned, to represent and vote all of the shares of the undersigned at the Annual Meeting of Stockholders of the Company to be held on May 27, 2024 (the "Annual Meeting") and at any and all adjournments or postponements thereof, for the purpose of acting on the proposals enumerated below.

In case of absence of the Chairman of the Board and any substitute proxy designated by him at the Annual Meeting, the undersigned hereby grants the President of the Company or, in case of his absence, the Chairman of the Annual Meeting chosen in accordance with the Company's By-Laws, full power and authority to act as alternate proxy of the undersigned, for the same purposes specified in the preceding paragraph.

The proxy/substitute proxy/alternate proxy, as the case may be, shall vote subject to the instructions indicated below and the proxy/substitute proxy/alternate proxy, as the case may be, is authorized to vote in his discretion upon other business as may properly come before the Annual Meeting and any adjournments or postponements thereof. Where no specific instruction is clearly indicated below, the proxy/substitute proxy/alternate proxy, as the case may be, shall vote and shall be deemed authorized to vote "FOR" with respect to Proposals 3, 5, and 7, and "FOR ALL" with respect to Proposal 6.

PROPOSALS AND VOTING INSTRUCTIONS

Management recommends a "FOR" vote for Proposals 3, 5, and 7 and a "FOR ALL" vote for Proposal 6.

1. Approval of the Minutes of the Annual Meeting of the Stockholders held on May 29, 2023.
   FOR ☐ AGAINST ☐ ABSTAIN ☐

2. Approval of the audited financial statements for the fiscal year ending December 31, 2023 contained in the Company's 2023 Annual Report.
   FOR ☐ AGAINST ☐ ABSTAIN ☐

3. Election of 6 directors including 2 independent directors.
   The nominees for election as directors/independent directors are:
   1. Mr. Oscar J. Hilado (Independent Director)
   2. Mr. Manuel V. Pangilinan
   3. Mr. Alfredo S. Panlilio
   4. Dr. Emerlinda R. Roman (Independent Director)
   5. Mr. Lorenzo V. Tan
   6. Mr. Danny Y. Yu

   FOR ALL ☐ WITHHOLD FOR ALL ☐ EXCEPTIONS ☐

   Exceptions____
   1. ____________________ 4. ____________________
   2. ____________________ 5. ____________________
   3. ____________________ 6. ____________________

   Instructions:
   1. A stockholder may withhold authority to vote for any or some nominee(s), by marking the exception box and writing the name(s) of such nominee(s) on the space provided above. If a stockholder designates exception(s), the number of shares to be distributed to each of the remaining nominees must be indicated on the spaces provided above.
   2. A stockholder can either (a) vote for all of the nominees, in which case the said stockholder's total votes will be split and cast equally among the nominee(s); (b) withhold his/her/its vote for all of the nominees; or (c) vote only for some and not all of the nominees, in which case said stockholder's total votes will be distributed and cast as indicated by the said stockholder in the spaces provided above. If a stockholder does not indicate the number of shares to be distributed among the remaining nominees who are not named on the space for exceptions above, then the said stockholder's total votes will be split and cast equally among the remaining nominees. The total number of votes which a stockholder may cast is equal to six (6) times the number of shares held as of the Record Date.

4. Election of external auditor.
   SGV & Co. is nominated for election as external auditor
   FOR ☐ AGAINST ☐ ABSTAIN ☐

____
(Signature Over Printed Name)
Stockholder
Authorized Representative of Stockholder
Date: ___________________, 2024

(Reverse Side of Stockholder Proxy)
GENERAL INFORMATION AND INSTRUCTIONS

1. Solicitation Information

Solicitation of proxies for the Annual Meeting is being made by and on behalf of the Company. Solicitation of proxies in the Philippines will be undertaken mainly by mail and, in person or by telephone, by certain employees of the Company.
Officers and employees who will make the proxy solicitation on behalf of the Company will not be paid any additional compensation for proxy solicitation, except for reimbursement or reasonable transportation and representation expense estimated to be in the aggregate amount of P5,000. The cost of expenditures incidental to the proxy solicitation will be borne by the Company.

2. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

No director/independent director or officer of the Company or nominee for election as director/independent director or officer of the Company and, to the best knowledge of the Company, no associate of a director/independent director or officer or nominee for election as a director/independent director or officer of the Company has any substantial interest, direct and indirect, by security holdings or otherwise, in any matter to be acted upon at the Annual Meeting, other than election to office.

No director/independent director has informed the Company in writing that he intends to oppose any action to be taken at the Annual Meeting.

3. Submission of Proxy

(a) The proxy form must be completed, signed and dated by the stockholder or his duly authorized representative, and received at the principal office and mailing address of the Company not later than 4:00 p.m. on May 22, 2024. The proxy form need not be notarized.
(b) If the shares of stock are owned by two or more joint owners, the proxy form must be signed by all of the joint owners.
(c) If the shares of stock are owned in an "and/or" capacity, the proxy form must be signed by either one of the owners.
(d) If the shares of stock are owned by a corporation, association, partnership or unincorporated entity, the proxy form must be accompanied by a certification, signed by a duly authorized officer, partner or representative of such corporation, association, partnership or unincorporated entity, to the effect that the person signing the proxy form has been authorized by the governing body or has the power pursuant to the By-Laws, constitutive documents or duly approved policies of such corporation, association, partnership or unincorporated entity, for such purpose.
(e) A proxy form given by a broker or dealer in respect of shares of stock carried by such broker or dealer for the account of a customer must be supported by a sworn certification that the same is given with the express prior authorization of such customer.
(f) If any customer of a broker or dealer who is the beneficial owner of shares of stock executes a sub-proxy, the broker or dealer shall certify that the signature on the sub-proxy is the true and genuine signature of its customer.
(g) If the proxy is undated, the postmark or, if not mailed, its actual date of presentation shall be considered. If the Company receives more than one (1) proxy form from the same stockholder and they are all undated, the postmark dates shall be considered. If the proxy forms are mailed on the same date, the one bearing the latest time of day of postmark shall be recognized. If the proxy forms are not mailed, then the time of their actual presentation shall be considered and that which is presented last shall be recognized.
(h) If the same stockholder gives two (2) or more proxy forms for the same number of shares owned by him, the latest one given shall be deemed to revoke all proxy forms priorly given by said stockholder.

4. Period of Validity of Proxy

A proxy given by a stockholder shall be valid and effective only for the Annual Meeting on May 27, 2024 and any adjournments or postponements thereof, except if the stockholder shall have indicated in the proxy form that it is valid and effective for use in other meetings of stockholders of the Company. However, in no case shall any proxy given by a stockholder be valid and effective for a period longer than five (5) years.

5. Revocation of Proxy

A stockholder who has given a proxy has the power to revoke it by a written instrument duly signed and dated, which must be received at the 10/F Smart Tower, 6799 Ayala Avenue, Makati City 1226 or at the office of the Company's transfer agent at BDO Unibank, Inc., Stock Transfer Department, 15th Floor South Tower BDO Corporate Center, 7899 Makati Avenue, Makati City, not later than 4:00 p.m. on May 22, 2024. A proxy is also considered revoked if an individual stockholder attends the meeting in person and expresses his intention to vote in person.

6. Validation of Proxies

The last day for validation of proxies will be on May 22, 2024. Validation of proxies will be done by the Corporate Secretary and persons designated by the Corporate Secretary who shall be under her supervision and control, in accordance with the procedure and guidelines set out in the Company's By-Laws and Rule 20.11.2 of the Amended Implementing Rules and Regulations of the SRC. Pursuant to the Company's By-Laws, all issues relative to proxies, including the validity and effectivity of proxies, shall be decided by the Corporate Secretary and any decision of the Corporate Secretary thereon shall be final and binding unless set aside by a court of competent jurisdiction

DIGITAL TELECOMMUNICATIONS PHILS., INC. AND SUBSIDIARIES

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I. Map of Relationships of the Companies within the Group
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April 14, 2024

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

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

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-A with Management's Discussion and Analysis and accompanying audited consolidated financial statements as at and for the year ended December 31, 2023.

Very truly yours,

DIGITAL TELECOMMUNICATIONS PHILS., INC.

ATTY. ALEX ERLITO S. FIDER
Corporate Secretary

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0	0	0	0	1	4	5	1	1	1	

C O M P A N Y   N A M E

DIGITAL TELECOMMUNICATIONS PHILS., INC. AND SUBSIDIARIES (A Subsidiary of PLDT INC.)

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

8003-A Matalino Street, Diliman, Quezon City, Metro Manila

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-A	**MRSD**	**NA**

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
Digitel_phil@pldt.com.ph	**–**	**09285590433**

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
4,928 (as at December 31, 2023)	**May / Last Monday**	**12/31**

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
Jerone H. Tabanera	**jhtabanera@pldt.com.ph**	**–**	**0908-8867630**

CONTACT PERSON's ADDRESS

19TH Floor, Smart Tower, Ayala Avenue, Makati City

NOTE1: *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.*

2: *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

SEC Number **0000145111**
File Number ____________

DIGITAL TELECOMMUNICATIONS PHILS., INC.

(Company's Full Name)

8003-A Matalino Street, Diliman,
Quezon City, Metro Manila

(Company's Address)

(632) 8856-5902

(Telephone Number)

December 31, 2023

(Fiscal Year Ending)
(month & day)

SEC Form 17-A
(Annual Report)

Form Type

Not Applicable

Amendment Designation (if applicable)

Not Applicable

Period Ended Date

Not Applicable

(Secondary License Type and File Number)

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CERTAIN CONVENTIONS AND TERMS USED IN THIS ANNUAL REPORT

Unless the context indicates or otherwise requires, references to “we”, ”us”, “our” or “Digitel Group” in this annual report mean Digital Telecommunications Phils., Inc. and its consolidated subsidiaries, and references to “Digitel” or “Parent Company” mean Digital Telecommunications Phils., Inc., excluding consolidated subsidiaries.

Any discrepancies in any table between totals and the sums of the amounts listed are due to rounding.

In this annual report, each reference to:

- BIR means Bureau of Internal Revenue;
- CDMA means code division multiple access;
- CEO means Chief Executive Officer;
- CMTS means cellular mobile telephone system;
- CPCN means Certificate of Public Convenience and Necessity;
- DICT means Department of Information and Communications Technology;
- DMPI means Digitel Mobile Philippines, Inc., a wholly-owned subsidiary of Digitel, that owns the *Sun* business;
- EBITDA means Earnings before Interest, Taxes, Depreciation and Amortization;
- FLA means Facility Lease Agreement;
- GAAP means generally accepted accounting principles;
- Globe means Globe Telecom, Inc.;
- GSM means global system for mobile communications;
- HSPA means high-speed packet access;
- IGF means international gateway facility;
- LEC means local exchange carrier;
- LTE means long-term evolution;
- GNC means Governance and Nomination Committee;
- NDD means national direct dialing;
- NGN means Next Generation Network;
- NTC means the National Telecommunications Commission of the Philippines;
- OTT means over-the-top;
- PFRS means Philippine Financial Reporting Standards;
- Philippine SEC means the Philippine Securities and Exchange Commission;
- PLDT means PLDT Inc.;
- PSE means the Philippine Stock Exchange, Inc.;
- SIM means subscriber identification module;
- Smart means Smart Communications, Inc., a wholly-owned subsidiary of PLDT;
- SMS means short messaging service;
- SRC means the Securities Regulation Code of the Philippines;
- VoIP means voice over internet protocol.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended December 31, 2023

2. SEC Identification Number 0000145111   3. BIR Tax Identification No. 000-449-918-000

4. Exact name of registrant as specified in its charter: DIGITAL TELECOMMUNICATIONS PHILS., INC.

5. Republic of the Philippines
   Province, Country or other jurisdiction of incorporation or organization

6. __________ (SEC Use Only)
   Industry Classification Code:

7. 8003-A Matalino Street, Diliman, Quezon City, Metro Manila   1104
   Address of principal office   Postal Code

8. (632) 8856-5902
   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 and 12 of the Securities Regulation code, or Sec. 4 and 8 of the then Revised Securities Act.

Title of Each Class	Number of Shares of Common Stock Outstanding
Common stock, ₱0.10 par value	26,142,671,992 (as at December 31, 2022)

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

    Yes [ ]   No [✓]

12. Check whether the registrant:

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

    Yes [✓] No [ ]

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

    Yes [✓] No [ ]

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Overview

Established in the Philippines on August 31, 1987, Digitel was registered with the Philippine SEC and was enfranchised to provide domestic and international telecommunications services nationwide. On October 26, 2011, PLDT acquired a controlling stake in Digitel from JG Summit Holdings, Inc. and certain related parties of the latter and initiated a tender offer to acquire remaining non-controlling interest. As at December 31, 2023, PLDT owned approximately 99.6% of the outstanding common stock of Digitel.

Digitel ceased operating as a public telecommunications entity effective February 17, 2019, the expiration of its franchise, Republic Act No. 7678, entitled "An Act Granting The Digital Telecommunications Phils, Inc., A Franchise To Install, Operate And Maintain Telecommunications Systems Throughout The Philippines And For Other Purposes".

Digitel Group's operations are divided into two key business units: Wireless and Fixed Line.

We monitor the results of each business unit separately for purposes of making decisions about resource allocation and performance assessment. See *Note 4 – Operating Segment Information* to the accompanying audited consolidated financial statements in Item 7. "Financial Statements".

Wireless

Our wireless arm, DMPI, has consolidated its processes with Smart Communications, Inc. (Smart) to be able to provide better service to our subscriber base. Major processes were aligned with Smart to further enhance business partnering, maximize efficiencies in the current workforce and magnify the advantage of the combined networks.

On August 1, 2018, the BOD of Smart and DMPI approved the sale/transfer of DMPI's trademark, subscriber base (both individual and corporate) including all of its assets, rights and obligations directly or indirectly connected to its postpaid cellular and broadband operations. The effective date of the transfer was November 1, 2018. After the effectivity of the transfer, the remaining business of DMPI pertains to its prepaid mobile operation.

On October 21, 2020, Smart and DMPI entered into a Rebranding Agreement wherein Sun Prepaid subscribers were rebranded as Smart Prepaid subscribers. Post-rebranding, the ownership of Sun Prepaid subscribers remains under DMPI. Under the terms of the agreement, Smart settles a fixed fee representing DMPI's proportionate share on the Distributed Subscriber Revenues.

In April 2022, we implemented the rebranding of Individual Sun Postpaid into Smart Postpaid. Sun subscribers retained their existing Sun numbers, SIM and plan inclusions while enjoying the services and perks of a Smart subscriber such as Smart 5G, access to GigaLife App, Smart notifications and billing, and other Smart add-ons and features. The subscribers may also avail of the Signature plan which provides the subscribers with a better experience, access to the fastest mobile network, better plan packages and latest devices.

The brand consolidation under Smart aims to strengthen market position, achieve cost-efficiency and capitalize on Smart's robust mobile data network to provide superior mobile data to all Sun subscribers.

The integrated wireless network that Smart and DMPI provide is extensive voice and broadband coverage in the Philippines, covering substantially all of major metropolitan areas and most of the other population centers in the Philippines. Our low spectrum band resources (700MHz, 850MHz and 900MHz) are primarily used to provide coverage whilst higher spectrum bands (1800MHz, 2100MHz, 2300MHz and 2600MHz and 3500MHz) provide coverage and additional capacity. Our wireless broadband network supports HSPA+, LTE-Advanced, and 5G to provide an improved data experience for our customers.

Fixed Line

Fixed line business which offered voice, data and miscellaneous services, was carried by the Parent Company. Our fixed line subscribers were all migrated to the network of PLDT as of January 2018.

On July 1, 2013, Digitel entered into an agreement to sell its subscription assets to PLDT for a total cost of approximately ₱5.3 billion. The agreement covered the transfer, assignment and conveyance of Digitel's subscription agreements and subscriber list and included a transition mechanism to ensure uninterrupted availability of services to the Digitel subscribers, until migration of said subscribers to the PLDT network was completed. The transaction was in line with the commitment to increase the level of quality of service for Digitel's subscribers and to achieve synergies and operating efficiencies within the PLDT Group. Accordingly, a FLA was executed to cover PLDT's continued use of Digitel's network and facilities to ensure uninterrupted provision of the LEC services to subscribers who had yet to be migrated to the PLDT network. Following the migration of all our fixed line subscribers as of January 2018, the FLA with PLDT was terminated in November 2018.

Digitel ceased operating as a public telecommunications entity effective February 17, 2019.

Products and Services, Rates and Revenues

Wireless

We provide mobile and other services through our wireless business.

The following table summarizes key measures of our wireless business as at and for the years ended December 31, 2023, 2022 and 2021:

	December 31, 2023	2022	2021
Mobile service revenues (in millions)	₱7,106	₱7,203	₱7,612
Distributed subscriber revenues	5,520	5,529	5,797
Mobile revenues	–	–	–
Others	1,586	1,674	1,815
Percentage of wireless service revenues to total service revenues	100%	100%	100%

Mobile Services

We offer, through Smart, mobile communications services which include mobile data, voice, and SMS all over the country. With continuous and in-depth consumer understanding program, we commit to provide relevant products and cater to the communications, entertainment and service requirements of our target market segments.

The rebranding of *Sun Prepaid* to Smart, enables the subscribers to have access to expanded retail and customer care channels, and wide array of data-centric *Giga* offers. Following this development, rebranded subscribers can avail of *Giga Life* bundles, including the newest offers, *Giga 5G, Unli Giga, and Giga Power* to cater to the different lifestyles of subscribers, using Smart's LTE and 5G network. *Sun Prepaid*'s top offers *Sulit Surf Plus*, *Call & Text Combo*, and *Unlimited Calls and Text* are still available for the rebranded subscribers.

The rebranding of *Sun Postpaid* to Smart, enables the subscribers to enjoy the full range of available services such as fastest Smart 5G speeds with Smart 5G network, simpler account management with the GigaLife App and easily upgrade to the Smart Signature experience.

Rates

Post-rebranding, all subscribers were migrated to Smart's eload and prepaid billing platforms and are allowed to avail of Smart load offers and promos. The rebranding agreement also includes Smart's obligation to make all existing DMPI load offers and promos which were conceptualized, reviewed and approved by DMPI. Any changes to the existing DMPI offers and promos shall require DMPI's prior consent.

Sun Prepaid subscribers may top up via Smart prepaid load cards. *Smart Prepaid* call and text cards which are now available for our subscribers are sold in denominations of ₱100, ₱300 and ₱500.

Smart's over-the-air reloads called Smart eLoad, which ranges from ₱5 to ₱1,000 are available through the Giga Life app, Smart and PLDT online stores, e-wallet providers such as Maya (formerly PayMaya), e-commerce platforms such as Lazada and Shoppee and via Smart eLoad retailers nationwide. The stored value of a prepaid card and eLoads remain valid for 365 days regardless of the denomination, pursuant to the Joint Memorandum Circular No. 05-12-2017 issued by the NTC and the Department of Information and Communications Technology (the "DICT").

Sun top offers which include *Text Unlimited, Call and Text Combo,and Sulit Surf Plus,* are still available to rebranded *Sun Prepaid* subscribers. *Sulit Surf Plus* loads ranges from ₱20 to ₱249 and include unlimited tri-net calls and unlimited texts to all-network, plus data inclusions which varies from 300MB to 2GB.

Subscribers not availing of any unlimited offers and other promos are charged ₱6.50 per minute for calls to Smart, TNT, and *Sun* subscribers and ₱7.50 per minute to other mobile networks and local NDD calls.

The *Giga* suite of products, such as *Giga Video*, *Giga Games*, *Giga Stories*, *Giga Music*, *Giga Pro*, *Giga Study*, *Giga Work* and *Giga K*-Video plus the newest *Giga Power*, *Giga 5G* and *Unli Giga* offer a selection of specially customized packages that are easily accessible and identifiable, designed with the help of extensive data analysis.

Our current policy is to recognize a prepaid subscriber as active only when the subscriber activates and uses the SIM card. We consider a prepaid mobile subscriber inactive if the subscriber does not reload within 90 days after the full usage or expiry of the last reload, revised from the previous 120 days.

For international roaming, we offer various data roaming packages such as GigaRoam with up to 100GB for 10 days on popular travel destinations like Japan, South Korea, Thailand, Saudi Arabia, USA and many more. Data roaming plans ranges from Php150 to Php9,999, and are open to both prepaid and postpaid subscribers.

Fixed Line

Until February 17, 2019, we provided LEC services, including international and domestic voice services, data and miscellaneous services under our fixed line business.

The following table summarizes key measures of our fixed line services as at and for the years ended December 31, 2023, 2022, 2021 and 2020:

	December 31,			
	2023	2022	2021	2020
Number of fixed line employees	1	1	1	1
Fixed line service revenues (in millions)	₱–	₱–	₱–	₱–
Miscellaneous	–	–	–	–
Percentage of fixed line service revenues to total service revenues	–	–	–	–

Miscellaneous Service Revenues

This represents charges for the use of network facilities and reimbursement of maintenance cost and other operating expenses to service subscribers that have yet to be migrated to PLDT's network.

Infrastructure

Wireless Network Infrastructure

The acquisition of Digitel by PLDT offered an opportunity to strengthen DMPI's network by harmonizing the ongoing modernization program with Smart's network. To meet the growing demand for mobile services, Smart and DMPI have implemented an extensive deployment program for their GSM network covering substantially all of Metropolitan Manila and most of the other population centers in the Philippines.

DMPI through Smart, has been continually extending its LTE capacity and roll out more physical sites to widen our coverage in order to sustain the growing demand for our services.

Moreover, in tangent with its ongoing LTE-Advanced roll-out, Smart is deploying 5G-capable equipment. Smart started rolling out 5G and upgrading the core and transport elements of its network, including upgrading the backhaul to support 5G speed. Smart has completed 5G pilots and has pioneered 5G cities in Makati and Pampanga in 2018, and a 5G lifestyle hub with the Araneta Group, a 5G Campus with Ateneo de Manila University, and the first 5G Stadium at New Clark City during the 30th Southeast Asian Games in 2019. Smart ramped up its 5G leadership in 2020 when they fired up its commercial 5G SA sites in Makati City where they powered up one of the first 5G SA networks in the world. In 2021, Smart made its first successful voice over new radio ("VoNR") call and rolled out thousands of 5G sites to become the 5G Leader in the Philippines. Smart continues to lead 5G innovations in 2022, being the first in the Philippines to test end-to-end network slicing and low earth orbit ("LEO") broadband connectivity.

To support 5G capabilities, Smart's data core network is being transformed into a virtualized network to instill it with new capabilities, such as automation, network slicing and improved resiliency, while supporting massive data traffic growth.

Furthermore, Smart continues to evolve the voice core network through ongoing transformation activities. This will endow additional capabilities, such as "Voice over WiFi", which allows users to make and receive voice calls in WiFi environments, and Voice over LTE, which provides high quality voice calls and faster call setup times.

As at December 31, 2023, Smart had a total of 63,058 base stations.

Licenses and Regulations

Licenses

Digitel provided its fixed line telecommunications services pursuant to its legislative franchise, R.A. 7678. A franchise holder is required to obtain operating authority from the NTC to provide specific telecommunications services. These approvals may take the form of CPCN, or, while an application for a CPCN is pending, a provisional authority to operate. Provisional authorities are typically granted for a period of 18 months.

Digitel operated its business pursuant to a number of provisional authorities and CPCNs. Under these CPCNs, Digitel provided services to: (a) install, operate, maintain and develop telecommunications facilities in Regions I to V; (b) install, operate and maintain telephone systems/networks/services in Quezon City, Valenzuela City and Malabon, Metro Manila and Tarlac; (c) install, operate and maintain an IGF in Binalonan, Pangasinan; (d) install, operate and maintain an IGF in Metro Manila; (e) operate and maintain a National Digital Transmission Network; (f) install, operate, and maintain a nationwide CMTS using GSM and/or CDMA technology; and (g) install, operate and maintain a cable landing station. Digitel was also granted provisional authorities to: (a) install, operate and maintain LEC services in the National Capital Region; and (b) install, operate and maintain LEC services in Visayas and Mindanao.

Digitel ceased operating as a public telecommunications entity providing fixed line services effective February 17, 2019, the expiration of its franchise granted under Republic Act No. 7678, entitled “An Act Granting The Digital Telecommunications Phils, Inc., A Franchise To Install, Operate And Maintain Telecommunications Systems Throughout The Philippines And For Other Purposes”.

Wireless services are served by DMPI. On August 28, 2003, the NTC approved the assignment by Digitel of its authority to construct, install, operate and maintain a nationwide CMTS using GSM and/or CDMA technology to its wholly-owned subsidiary, DMPI. DMPI operates under the trade name *Sun* and is likewise a grantee of a 25-year legislative franchise under R.A. 9180, which will expire on April 1, 2028.

The following table sets forth the spectrum system, licensed frequency and bandwidth used by DMPI:

Service/Technology	Bands (in MHz)	Bandwidth
CDMA 2000	1900	2 channels of 1.25 MHz of bandwidth
WCDMA	2100	10 MHz x 2
TD-LTE	2500	15 MHz
TD-LTE	3400	30 MHz
GSM 1800	1800	17.5 MHz x 2

Competition

There are five major local exchange carriers, seven major international gateway facility providers and three major mobile operators in the Philippines. Some new entrants into the Philippine telecommunications market have entered into strategic alliances with foreign telecommunications companies, which provide them with access to technological and funding support, as well as service innovations and marketing strategies.

Mobile Service

Currently, there are three major mobile operators, namely PLDT (which owns Smart and DMPI), Globe and Dito. Mobile market penetration in the Philippines was approximately 153% based on the number of SIM cards issued.

Competition in the mobile telecommunications industry has intensified with greater availability of unlimited offers from the telecommunications operators resulting in increased volumes of data usage, calls and texts but declining yields. Globe continues to compete aggressively to gain revenue market share, with particular focus on the regional and local levels. Competition also increased in the postpaid space with more aggressive promotions involving greater handset subsidies. The principal bases of competition are price, including handset prices in the case of postpaid plans, quality of service, network reliability, geographic coverage and attractiveness of packaged services, including video content.

In recent years, the prevalence of OTT services, such as social media, instant messaging and internet telephone, also known as VoIP services, has greatly affected our legacy revenues namely voice and SMS. We are also facing growing competition from providers offering services using alternative wireless technologies and IP-based networks, including efforts by the Philippine government to roll-out its free WiFi services to various municipalities in the country.

In November 2018, the Philippine government, through the DICT, declared the New Major Player (NMP) Consortium as the third telecom player. The NMP Consortium indicated that they had reached an agreement with Dito (previously called Mislatel) for the use of Dito's telecommunications franchise. On July 8, 2020, Dito was granted its permit to operate after President Rodrigo Duterte awarded them their CPCN. In October 2020, Dito entered into agreements with Sky Cable and LCS Group. Under the agreement with LCS Group, Dito will lease the telecommunications towers that the LCS Group is building across different regions in the Philippines.

Data Services

The market for data services is the fastest growing segment in the Philippine telecommunications industry. This development has been spurred by the significant growth in consumer and retail broadband internet access, enterprise resource planning applications, customer relationship management, knowledge processing solutions, online gaming and other e-services that drive the need for broadband and internet-protocol based solutions both in the Philippines and abroad. Our major competitors in this area are Globe, Converge ICT Solutions, Inc. and Sky Cable. The principal bases of competition in the data services market are coverage, price, content, value for money, bundles or free gifts, customer service and quality of service. PLDT, the Parent Company, intends to compete in this segment, consistent with its overall strategy to maintain network leadership, broaden its distribution platform and increase its ability to deliver multimedia content.

Governmental Regulations

As a public utility, we are subject to governmental regulations with respect to our operations, services, rates and ownership. We believe that we are in compliance with all applicable governmental regulations and that our relations with government regulators are satisfactory.

Compliance with Environmental Laws

We have not been subject to any material fines or legal or regulatory action involving noncompliance with environmental regulations of the Philippines. We are not aware of any noncompliance in any material respect with relevant environmental protection regulations.

Employees

The Digitel Group had 1 regular employee as at December 31, 2023.

	December 31,			
	2023	**2022**	**2021**	**2020**
Digitel Group	1	1	1	378
Wireless	–	–	–	*377*
Fixed	*1*	*1*	*1*	*1*

See *Note 19 - Income and Expenses* to the accompanying audited consolidated financial statements in Item 7 for further discussion.

Item 2. Properties

Digitel Group's major properties, located in various areas consist of land and improvements currently held as Investment Properties.

For more information on these properties, see *Note 23 – Fair Value Measurement – Investment Properties* to the accompanying audited consolidated financial statements in Item 7. "Financial Statements".

Item 3. Legal Proceedings

Except as disclosed in *Note 24 – Commitments and Contingencies* to the accompanying audited consolidated financial statements in Item 7, neither Digitel nor any of its subsidiaries is a party to, and none of their respective properties is subject to, any pending legal proceedings that Digitel considers to be potentially material to Digitel Group's business.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the fourth quarter of 2023 covered by this annual report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

<u>Common Capital Stock</u>

<u>Stock Prices</u>

On January 24, 2012, Digitel filed for voluntary delisting of its shares with the PSE, since its public ownership level had fallen below the minimum 10% required by the PSE. On February 22, 2012, the PSE granted the petition for voluntary delisting and accordingly ordered the delisting of the shares of Digitel from the Official Registry of the PSE effective March 26, 2012. The last trading date of Digitel shares was on March 20, 2012 which closed at ₱1.45 per share.

<u>Top 20 Stockholders</u>

As at December 31, 2023, there were 4,928 holders of record of Digitel's common shares. Listed below were the top 20 common shareholders, including their nationalities, the number of shares held, the amount of their holdings, and the approximate percentages of their respective shareholdings to Digitel's total outstanding common stocks:

	Name of Holder of Record	Nationality	Number of Shares Held	Amount of Holding	Approximate % to Total Outstanding Common Stock
1.	PLDT	Filipino	26,043,279,329	₱2,604,327,933	99.62
2.	Thorton Horton Holdings, Inc.	British	26,680,810	2,668,081	0.10
3.	Chak Ching Chan	Filipino	11,614,000	1,161,400	0.04
4.	Seven (7) R. Port Services, Inc.	Filipino	5,000,000	500,000	0.02
5.	PCD Nominee Corporation	Filipino	2,395,411	239,541	
		Various	682,000	68,200	0.01
6.	BPI Sec Corp Fao Charlie D. Misaghi	Filipino	2,759,000	275,900	0.01
7.	Margarita Oppen	Filipino	1,830,000	183,000	0.01
8.	De Tuazon Paz A.	Filipino	1,663,500	166,350	0.01
9.	Michael S. Chua	Filipino	1,406,000	140,600	0.01
10.	Alvin Rey C. Sia	Filipino	1,000,000	100,000	0.00
11.	Lawrence C. Sia	Filipino	1,000,000	100,000	0.00
12.	Anthony U. Que	Filipino	940,000	94,000	0.00
13.	Ilene V. Acuna	Filipino	937,000	93,700	0.00
14.	CBC as Investment Agent for IMA	Filipino	815,600	81,560	0.00
15.	Ronald Arellano Vallar	Filipino	800,000	80,000	0.00
16.	BPI Securities Corporation Fao Reynaldo C.	Filipino	609,000	60,900	0.00
17.	Citibank Na Fao 1100050018	Filipino	600,000	60,000	0.00
18.	Leoncio Chungunco	Filipino	588,900	58,890	0.00
19.	Choa Siu Tin	Filipino	500,000	50,000	0.00
20.	Manuel Chua Co Kiong / Judy Chua Co Kiong	Filipino	500,000	50,000	0.00
			26,105,600,550	**₱2,610,560,055**	

Dividends

On December 5, 2023, the BOD of the Parent Company declared cash dividends amounting to ₱2,259 million (₱0.0864 per share) to all common shareholders of record as at December 15, 2023. The cash dividends to the minority shareholders was paid on January 5, 2024, while the cash dividends to the majority shareholder, PLDT Inc shall be paid on or before December 5, 2024.

On December 15, 2022, the BOD of the Parent Company declared cash dividends amounting to ₱3,137 million (₱0.12 per share) to all common shareholders of record as at December 31, 2022. The cash dividends to the minority shareholders was paid on January 13, 2023, while the cash dividends to the majority shareholder, PLDT Inc was fully paid on December 13, 2023.

On November 4, 2021, the BOD of the Parent Company declared cash dividends of ₱0.0192 per share to all common shareholders of record as of November 15, 2021 which was paid on Novemver 29, 2021 amounting to ₱502 million.

Item 6. Management's Discussion and Analysis or Plan of Operation

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our audited consolidated financial statements and the related notes as at December 31, 2023 and 2022 and for the three years ended December 31, 2023 included elsewhere in this Annual Report. This discussion contains forward-looking statements that reflect our current views with respect to future events and our future financial performance. These statements involve risks and uncertainties, and our actual results may differ materially from those anticipated in these forward-looking statements.

Selected Financial Data and Key Performance Indicators

(In millions, except EBITDA margin, basic/dilutive earnings per share and net debt-to-equity ratio)

	Years ended December 31,		
	2023	**2022**	2021
Income Statement Data:			
Revenues	₱7,106	₱7,203	₱7,612
Expenses	3,634	3,874	4,223
Other income	1,037	3,063	1,997
Income before income tax	4,509	6,392	5,386
Net income	3,777	5,195	4,577
Core income	3,215	2,213	4,636
EBITDA	4,134	3,996	4,366
EBITDA margin [1]	58%	55%	57%
Basic/dilutive earnings per common share	0.14	0.20	0.18
Other Data:			
Net cash provided by (used in) operating activities	2,675	(4,968)	405
Net cash provided by (used in) investing activities	825	5,272	549
Capital expenditures	–	–	–
Net cash used in financing activities	(3,500)	(359)	(1,030)
Operational Data:			
Number of employees	1	1	1
Wireless	–	–	–
Fixed line	*1*	*1*	*1*

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

Overview

Digitel was one of the major providers of wireline communication systems in Luzon Island. In September 2001, Digitel established a wholly owned subsidiary, DMPI, to provide wireless telecommunication services in the Philippines. DMPI is one of the Philippines' leading mobile telecommunications companies. We have organized our business into business units based on our products and services and have two reportable operating segments which serve as the basis for management's decision to allocate resources and evaluate operating performance:

- *Wireless* - wireless telecommunications services provided by DMPI, which operates prepaid business under the *Sun* brand; and

- *Fixed Line* - fixed line segment is carried by the Parent Company. As at January 1, 2018, Digitel fully migrated its subscribers to PLDT network.

Key performance indicators and drivers that our management uses to monitor and direct the operation of our businesses include, among others, the general economic conditions in the Philippines, market trends including customer demands, behavior and satisfaction parameters; technological developments, network performance (speed, coverage, capacity); market share and profitability.

Performance Indicators

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

EBITDA

EBITDA for the year is measured as net income excluding depreciation, impairment non-financial asset, financing costs – net, foreign exchange gains (losses) – net, equity in net earnings (losses) of associates, gains (losses) on disposal of fixed assets, interest income, rental income, provision for (benefit from) income tax and other income – net. EBITDA is monitored by the management for each business unit separately for purposes of making decisions about resource allocation and performance assessment. EBITDA is presented because our management believes that it is widely used by investors in their analysis of the performance of Digitel and can assist them in their comparison of

Digitel’s performance with those of other companies in the 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 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, nor should EBITDA be considered 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 or 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.

The following table shows the reconciliation of our consolidated EBITDA to our consolidated net income for the years ended December 31, 2023, 2022 and 2021:

	December 31,		
	2023	2022	2021
		(In millions)	
Consolidated net income	₱3,777	₱5,195	₱4,577
Add (deduct) adjustments:			
Provision for income tax	732	1,197	809
Royalty expense	353	354	370
Depreciation	309	288	607
Financing costs – net	60	55	94
Gains on disposal of fixed assets	(1)	(1)	(1)
Interest income	(2)	(3)	(1)
Rental income	(5)	(13)	(66)
Distribution income on perpetual notes	(191)	(258)	(281)
Losses (gains) on fair value change on perpetual notes	(230)	2,098	358
Gain on sale of telecom towers	(661)	(3,508)	–
Impairment on creditable withholding tax	–	25	–
Reversal of long outstanding accruals	–	(1,144)	(1,667)
Other income (expenses) – net	(7)	(289)	(433)
Total adjustments	357	(1,199)	(211)
Consolidated EBITDA	**₱4,134**	**₱3,996**	**₱4,366**

Consolidated Core Income

Core income for the year is measured as net income, excluding gain on sale of telecom towers, foreign exchange gains (losses) – net, manpower rightsizing program (MRP), impairment of property and equipment, and net tax effect of aforementioned adjustments, as applicable. Core income results are monitored by the management for each business unit separately for purposes of making decisions about resource allocation and performance assessment. Core income should not be considered as an alternative to income before income tax or net income determined in accordance with PFRS as an indicator of our performance. Unlike net income, core income does not include foreign exchange gains and losses, gains and losses on derivative financial instruments, asset impairments and other non-recurring gains and losses. We compensate for these limitations by using core income as only one of several comparative tools, together with PFRS-based measurements, to assist in the evaluation of operating performance. Such PFRS-based measurements include income before income tax and net income. Our calculation of core income may be different from the calculation methods used by other companies and, therefore, comparability may be limited.

The following table shows the reconciliation of our consolidated core income to our consolidated net income for the years ended December 31, 2023, 2022 and 2021:

	December 31,		
	2023	**2022**	2021
		(In millions)	
Consolidated net income	₱3,777	₱5,195	₱4,577
Add (deduct) adjustments:			
Gain on sale of telecom towers	(661)	(3,508)	–
MRP	–	–	72
Foreign exchange gains – net	(1)	–	(4)
CREATE impact	–	–	(10)
Net tax effect of aforementioned adjustments	100	526	1
Total adjustments	(562)	(2,982)	59
Consolidated core income	**₱3,215**	**₱2,213**	**₱4,636**

The following table shows the reconciliation of our consolidated basic and diluted core earnings per share, or EPS, to our consolidated basic and diluted EPS attributable to common equity holders of Digitel for the years ended December 31, 2023, 2022 and 2021:

	December 31,		
	2023	**2022**	**2021**
Consolidated basic and diluted EPS attributable to common equity holders of Digitel	₱0.12	₱0.08	₱0.18
Add (deduct) adjustments:			
Gain on sale of telecom towers	0.03	0.14	–
Net tax effect of aforementioned adjustments	(0.01)	(0.02)	–
Consolidated basic and diluted core EPS	**₱0.14**	**₱0.20**	**₱0.18**

Results of Operations

The table shows the contribution by each of our business segments to our consolidated revenues, expenses, other income, income (loss) before income tax, net income (loss), EBITDA, EBITDA margin and core income for the years ended December 31, 2023, 2022 and 2021. In each of the years ended December 31, 2023, 2022 and 2021, a majority of our revenues are derived from our operations within the Philippines. Our revenues derived from outside the Philippines consist primarily of revenues from incoming international calls to the Philippines.

	Wireless	**Fixed Line**	**Inter-segment Transactions**	**Consolidated**
		(In millions)		
For the year ended December 31, 2023				
Revenues	₱7,106	–	–	₱7,106
Expenses	3,547	88	(1)	3,634
Other income	981	57	(1)	1,037
Income before income tax	4,540	(31)	–	4,509
Provision for (benefit from) income tax	733	(1)	–	732
Net income (loss)/ Segment profit (loss)	3,807	(30)	–	3,777
EBITDA	4,222	(88)	–	4,134
EBITDA margin [(1)]	59%	–	–	58%
Core income	3,245	(30)	–	3,215
For the year ended December 31, 2022				
Revenues	₱7,203	–	–	₱7,203
Expenses	3,760	114	–	3,874
Other income	2,319	744	–	3,063
Income before income tax	5,762	630	–	6,392
Provision for income tax	1,191	6	–	1,197
Net income / Segment profit	4,571	624	–	5,195
EBITDA	4,084	(88)	–	3,996
EBITDA margin [(1)]	57%	–	–	55%
Core income	1,588	625	–	2,213

	Wireless	Fixed Line	Inter-segment Transactions	Consolidated
		(In millions)		
For the year ended December 31, 2021				
Revenues	₱7,612	–	–	₱7,612
Expenses	4,053	172	(2)	4,223
Other income	1,760	239	(2)	1,997
Income before income tax	5,319	67	–	5,386
Provision for income tax	810	(1)	–	809
Net income / Segment profit	4,509	68	–	4,577
EBITDA	4,536	(172)	2	4,366
EBITDA margin [1]	60%	–	–	57%
Core income	4,574	62	–	4,636

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

Years ended December 31, 2023 and 2022

On a Consolidated Basis

Revenues

We reported consolidated revenues of ₱7,106 million in 2023, a decrease of ₱97 million, or 1%, as compared with ₱7,203 million in 2022, due to lower revenues from our wireless business.

Expenses

Consolidated expenses decreased by ₱240 million, or 6%, to ₱3,634 million in 2023 from ₱3,874 million in 2022, largely as a result of decrease in repairs and maintenance, rent, asset impairment, insurance and security services, and professional and other contracted services. This was partly offset by the increase in taxes and licenses and depreciation.

The following table shows the breakdown of our consolidated expenses by business segment for the years ended December 31, 2023 and 2022:

					Change	
	2023	%	2022	%	Amount	%
			(In millions)			
Wireless	₱3,547	98	₱3,760	97	(₱213)	(6)
Fixed line	88	2	114	3	(26)	(23)
Intersegment	(1)	–	–	–	(1)	100
Consolidated	₱3,634	100	₱3,874	100	(₱240)	(6)

Other Income

Consolidated other income decreased by ₱2,026 million, or 66%, to ₱1,037 million in 2023 from ₱ 3,063 million in 2022, primarily due to the combined effects of the following: (i) lower gain on sale of telecom towers by ₱2,847 million; (ii) gain on fair value change on perpetual notes of ₱230 million as against loss on fair value change on perpetual notes of ₱2,098 million in 2022; (iii) lower distribution income by ₱67 million; (iv) lower rental income by ₱8 million; (v) lower interest income by ₱1 million; (vi) foreign exchange gain of ₱1 million; (vii) gain on disposal of fixed assets of ₱1 million; (viii) higher financing costs by ₱5 million; (ix) lower reversal of long outstanding accruals by ₱1,144 million; and (x) lower other income by ₱283 million.

The following table shows the breakdown of our consolidated other income by business segment for the years ended December 31, 2023 and 2022:

	2023	%	2022	%	Change Amount	%
			(In millions)			
Wireless	₱981	95	₱2,319	76	(₱1,338)	(58)
Fixed line	57	5	744	24	(687)	(92)
Intersegment	(1)	–	–	–	(1)	100
Consolidated	₱1,037	100	₱3,063	100	(₱2,026)	(66)

Net Income

We reported a consolidated net income of ₱3,777 million in 2023, a decrease of ₱1,418 million, or 27%, from ₱5,195 million in 2022. The decrease was mainly due to the combined effects of the following: (i) lower consolidated revenues by ₱97 million; (ii) lower expenses by ₱239 million; (iii) lower provision for income tax by ₱465 million; and (iv) lower other income by ₱2,025 million. Our consolidated basic/dilutive earnings per share amounted to ₱0.14 and ₱0.20 in 2023 and 2022, respectively.

The following table shows the breakdown of our consolidated net income by business segment for the years ended December 31, 2023 and 2022:

	2023	%	2022	%	Change Amount	%
			(In millions)			
Wireless	₱3,807	101	₱4,571	88	(₱764)	(17)
Fixed line	(30)	(1)	624	12	(654)	(105)
Consolidated	₱3,777	100	₱5,195	100	(₱1,418)	(27)

EBITDA

We reported a consolidated EBITDA of ₱4,134 million in 2023, higher by ₱138 million, or 3%, from ₱3,996 million in 2022, primarily due to lower expenses excluding depreciation, partly offset by the decrease in revenues.

The following table shows the breakdown of our consolidated EBITDA by business segment for the years ended December 31, 2023 and 2022:

	2023	%	2022	%	Change Amount	%
			(In millions)			
Wireless	₱4,222	102	₱4,084	102	₱138	3
Fixed line	(88)	(2)	(88)	(2)	–	–
Intersegment	–	–	–	–	–	–
Consolidated	₱4,134	100	₱3,996	100	₱138	3

Core Income

Our consolidated core income increased by ₱1,002 million, or 45%, to ₱3,215 million in 2023 from ₱2,213 million in 2022 primarily due higher core income from our wireless business segment partly offset by core loss from our fixed line business segment.

The following table shows the breakdown of our consolidated core income by business segment for the years ended December 31, 2023 and 2022:

					Change	
	2023	**%**	**2022**	**%**	**Amount**	**%**
			(In millions)			
Wireless	₱3,245	101	₱1,588	72	₱1,657	104
Fixed line	(30)	(1)	625	28	(655)	(105)
Consolidated	₱3,215	100	₱2,213	100	₱1,002	45

On a Business Segment Basis

Wireless

Revenues

We generated revenues from our wireless business of ₱7,106 million in 2023, a decrease of ₱97 million, or 1%, from ₱7,203 million in 2022.

The following table summarizes our total revenues by service from our Wireless business segment for the years ended December 31, 2023 and 2022:

					Increase (Decrease)	
	2023	**%**	**2022**	**%**	**Amount**	**%**
			(In millions)			
Service Revenues:						
Distributed subscriber revenues	₱5,520	78	₱5,529	77	(₱9)	–
Others	1,586	22	1,674	23	(88)	(5)
Total Wireless Service Revenues	7,106	100	7,203	100	(97)	(1)

Service Revenues

Our wireless service revenues decreased by ₱97 million, or 1%, to ₱7,106 million in 2023 as compared with ₱7,203 million in 2022, mainly as a result of lower revenues from facility service fees.

Distributed Subscriber Revenues

In October 2020, Sun Prepaid subscribers were rebranded to Smart Prepaid. The brand consolidation under Smart aims to strengthen market position, achieve cost-efficiency and to provide superior mobile data service to all Sun subscribers. Post-rebranding, the ownership of Sun Prepaid subscribers remained under DMPI. Under the terms of the agreement, Smart settles a fixed fee representing our proportionate share on the distributed subscriber revenues.

Rebranded Sun subscribers now have access to a wider array of improved offers and services, previously available only to Smart prepaid subscribers, in addition to Sun Prepaid’s existing offers. Subscribers were also able to retain their existing mobile identification number (MIN) after the rebranding.

The subscriber rebranding agreement gives rise to the recognition of distributed subscriber revenues. Total share in the distributed subscriber revenues amounted to ₱5,520 million in 2023, lower by ₱9 million from ₱5,529 million in 2022.

Other Service Revenues

Other service revenues mainly facility service fees amounted ₱1,586 million in 2023, a decrease of ₱88 million, or 5%, from ₱1,674 million in 2022. Other service revenues accounted for 22% and 23% of our wireless service revenues in 2023 and 2022, respectively.

Expenses

Expenses associated with our wireless business in 2023 amounted to ₱3,194 million, a decrease of ₱212 million, or 6%, from ₱3,406 million in 2022. A significant portion of the decline was attributable to lower repairs and maintenance, rent, insurance and security services and professional and other contracted services and, partially offset by higher taxes and licenses and depreciation. As a percentage of our total wireless revenues, expenses associated with our wireless business accounted for 45% and 47% in 2023 and 2022, respectively.

The following table summarizes the breakdown of our total wireless-related expenses for the years ended December 31, 2023 and 2022 and the percentage of each expense item to the total:

					Increase (Decrease)	
	2023	**%**	**2022**	**%**	**Amount**	**%**
			(In millions)			
Professional and other contracted services	₱1,769	50	₱1,771	47	(₱2)	–
Repairs and maintenance	910	26	1,096	30	(186)	(17)
Royalty expense	353	9	354	9	(1)	–
Depreciation	309	9	288	7	21	7
Taxes and licenses	149	4	107	3	42	39
Rent	57	2	141	4	(84)	(60)
Insurance and security services	–	–	3	–	(3)	(100)
Total	₱3,547	100	₱3,760	100	(₱213)	(6)

(1) *Includes salaries and employee benefits, and pension costs.*

Professional and other contracted services decreased by ₱2 million, to ₱1,769 million due to UBS fees in 2022 relating to the sale of telecom towers, and lower legal and audit fees.

Repairs and maintenance expenses decreased by ₱186 million, or 17%, to ₱910 million mainly due to lower site electricity driven by lower average rate per kilowatt hour.

Royalty expenses decreased by ₱1 million, to ₱353 million from ₱354 million in 2023.

Depreciation charges increased by ₱21 million, or 7%, to ₱309 million in 2023 due to higher depreciation of right-of-use assets partially offset by lower regular depreciation.

Taxes and licenses increased by ₱42 million, or 39%, to ₱149 million primarily due to deficiency tax settlement in 2023.

Rent decreased by ₱84 million, or 60%, to ₱57 million primarily due to lower site rentals brought by the sale of telecom towers.

Other Income - Net

The following table summarizes the breakdown of our total wireless-related net other income for the years ended December 31, 2023 and 2022:

			Increase (Decrease)	
	2023	**2022**	**Amount**	**%**
		(In millions)		
Other Income (Expenses):				
Gain on sale of telecom towers	₱661	₱3,508	(₱2,847)	(81)
Gains (losses) of fair value change in perpetual notes	230	(2,098)	2,328	111
Distribution income on perpetual notes	191	258	(67)	(26)
Rental income	6	4	2	50
Interest income	2	2	–	–
Gain on sale on disposal of assets	1	1	–	–
Foreign exchange gains – net	1	1	–	–
Financing costs – net	(60)	(55)	(5)	9
Revesral of long outstanding accruals	–	498	(498)	(100)
Other income (expenses)	(51)	200	(251)	(126)
Total	₱981	₱2,319	(₱1,338)	(58)

Our wireless business' other income amounted to ₱981 million in 2023, a decrease by ₱ 1,338 million, or 58%, from ₱2,319 million in 2022 primarily due to the combined effects of the following: (i) lower gain on sale of telecom towers by ₱2,847 million; (ii) gain on fair value change in perpetual notes of ₱230 million as against loss on fair value change in perpetual notes of ₱2,098 million; (iii) lower distribution income by ₱67 million; (iv) higher rental income by ₱2 million; (v) interest income of ₱2 million; (vi) gain on sale of disposal of assets of ₱1 million; (vii) foreign exchange gains of ₱1 million; (viii) lower financing costs by ₱5 million; (ix) lower reversal of long outstanding accruals by ₱498 million; and (x) other expense of ₱51 million in 2023 as against other income of ₱200 million in 2022.

Provision for Income Tax

Our wireless business recorded a provision for income tax amounting to ₱733 million in 2023, a decrease of ₱458 million, or 38%, from ₱1,191 million in 2022 primarily due to lower provisioning on subsequent sale of telecom towers.

Net Income

As a result of the foregoing, our wireless business recorded a net income of ₱3,807 million in 2023, a decrease by ₱764 million, or 17% from ₱4,571 million in 2022.

EBITDA

Our wireless business recorded an EBITDA amounting to ₱4,222 million, an increase of ₱138 million, or 3%, from ₱4,084 million in 2022 due to lower expenses excluding depreciation by ₱233 million, partially offset by the decrease in revenues by ₱97 million. EBITDA margin increased to 59% in 2023 from 57% in 2022.

Core Income

Our wireless business segment's core income increased by ₱1,657 million, or 104%, to ₱3,245 million in 2023 from ₱1,588 million in 2022.

Fixed Line

Expenses

Expenses related to our fixed line business totaled ₱88 million in 2023, a decrease of ₱26 million, or 23%, as compared with ₱114 million in 2022. The decrease was primarily due to lower asset impairment, repairs and maintenance and rent, partially offset by higher taxes and licenses.

The following table shows the breakdown of our total fixed line-related expenses for the years ended December 31, 2023 and 2022 and the percentage of each expense item to the total:

	2023	%	2022	%	Decrease Amount	Decrease %
			(In millions)			
Repairs and maintenance	₱48	55	₱65	57	(₱17)	(26)
Taxes and licenses	25	29	–	–	25	100
Rent	10	11	15	13	(5)	(33)
Professional and other contracted services	3	3	3	3	–	–
Compensation and employee benefits	1	1	1	1	–	–
Asset impairment	–	–	29	25	(29)	(100)
Other expenses	1	1	1	1	–	–
Total	₱88	100	₱114	100	(₱26)	(23)

Repairs and maintenance expenses decreased by ₱17 million, or 26%, to ₱48 million primarily due to lower facility repairs and electricity consumption costs.

Taxes and licenses increased by ₱25 million, or 100%, due to deficiency tax settlement in 2023 and increase in real property tax.

Rent expenses decreased by ₱5 million, or 33%, to ₱10 million due to lower pole and building rentals.

Professional and other contracted services remained at ₱3 million, which represents audit fees and other professional fees.

Compensation and employee benefits expenses remained at ₱1 million which represents various payroll costs.

Other expenses for various remained at ₱1 million which represents various business and fixed line operational-related expenses.

Other Income - Net

The following table summarizes the breakdown of our total fixed line-related net other income for the years ended December 31, 2023 and 2022:

	2023	2022	Increase (Decrease) Amount	Increase (Decrease) %
		(In millions)		
Other Income (Expenses):				
Reversal of long outstanding accrual	₱–	₱646	(₱646)	(100)
Rental income	–	10	(10)	(100)
Interest income	–	1	(1)	(100)
Foreign exchange losses – net	–	(1)	1	100
Others	57	88	(31)	(35)
Total	₱57	₱744	(₱687)	(92)

Our fixed line business segment's other income amounted to ₱57 million in 2023, a decrease of ₱687 million, or 92%, from ₱744 million in 2022 primarily due to the combined effects of the following: (i) reversal of long outstanding accruals of ₱646 million in 2022 compared to none in

2023; (ii) rental income of ₱10 million in 2022 compared to none in 2023; (iii) interest income of ₱1 million in 2022 compared to none in 2023; (ix) net foreign exchange loss of ₱1 million in 2022 as compared to none in 2023; and (iv) lower other income by ₱31 million;

Provision for (Benefit from) Income Tax

Benefit from income tax amounted to ₱1 million in 2023 as against provision for income tax of ₱6 million in 2022.

Net Income

As a result of the foregoing, our fixed line business recorded a net loss amounting to ₱30 million, a decrease of ₱654 million, or 105%, from an income of ₱624 million in 2022.

EBITDA

Our fixed line business segment's negative EBITDA remained at ₱88 million in 2023.

Core Income

Our fixed line business segment's core loss in 2023 amounted to ₱30 million, as against core income of ₱625 million in 2022, primarily due to lower other income.

Years ended December 31, 2022 and 2021

On a Consolidated Basis

Revenues

We reported consolidated revenues of ₱7,203 million in 2022, a decrease of ₱409 million, or 5%, as compared with ₱7,612 million in 2021, primarily due to lower revenues from our wireless business.

Expenses

Consolidated expenses decreased by ₱349 million, or 8%, to ₱3,874 million in 2022 from ₱4,223 million in 2021, largely as a result of decrease in depreciation, professional and other contracted services, compensation and employee benefits, rent and insurance and security services. This was partly offset by the increase in repairs and maintenance, asset impairment and taxes and licenses.

The following table shows the breakdown of our consolidated expenses by business segment for the years ended December 31, 2022 and 2021:

					Change	
	2022	**%**	**2021**	**%**	**Amount**	**%**
			(In millions)			
Wireless	₱3,760	97	₱4,053	96	(₱293)	(7)
Fixed line	114	3	172	4	(58)	(34)
Intersegment	–	–	(2)	–	2	–
Consolidated	₱3,874	100	₱4,223	100	(₱349)	(8)

Other Income

Consolidated other income increased by ₱1,066 million, or 53%, to ₱3,063 million in 2022 from ₱1,997 million in 2021, primarily due to the combined effects of the following: (i) gain on sale of telecom towers of ₱3,508; (ii) lower financing cost by ₱39 millon; (iii) higher interest income by ₱2 million (iv) lower net foreign exchange gains by ₱4 million; (v) lower distribution income by ₱23 million; (vi) lower gain on sale of investment in associates by ₱32 million (vii) lower equity share in net earnings of affiliates by ₱33 million; (viii) lower rental income by ₱53 million; (ix) lower reversal of long outstanding accruals by ₱523 million; (x) higher loss on fair value change on perpetual notes by ₱1,740 million; and (xi) lower other income by ₱75 million.

The following table shows the breakdown of our consolidated other income by business segment for the years ended December 31, 2022 and 2021:

					Change	
	2022	**%**	**2021**	**%**	**Amount**	**%**
			(In millions)			
Wireless	₱2,319	76	₱1,760	88	₱559	32
Fixed line	744	24	239	12	505	211
Intersegment	–	–	(2)	–	2	–
Consolidated	₱3,063	100	₱1,997	100	₱1,066	53

Net Income

We reported a consolidated net income of ₱5,195 million in 2022, an increase of ₱618 million, or 14%, from ₱4,577 million in 2021. The increase was mainly due to the combined effects of the following: (i) lower consolidated revenues by ₱409 million; (ii) lower expenses by ₱333 million; (iii) higher provision for income tax by ₱388 million; and (iv) higher other income by ₱1,082 million. Our consolidated basic/dilutive earnings per share amounted to ₱0.20 and ₱0.18 in 2022 and 2021, respectively.

The following table shows the breakdown of our consolidated net income by business segment for the years ended December 31, 2022 and 2021:

					Change	
	2022	**%**	**2021**	**%**	**Amount**	**%**
			(In millions)			
Wireless	₱4,571	88	₱4,509	99	₱62	1
Fixed line	624	12	68	1	556	818
Consolidated	₱5,195	100	₱4,577	100	₱618	14

EBITDA

We reported a consolidated EBITDA of ₱3,996 million in 2022, lower by ₱370 million, or 8%, from ₱4,366 million in 2021, primarily due to lower revenues, partly offset by the decrease in expenses excluding depreciation.

The following table shows the breakdown of our consolidated EBITDA by business segment for the years ended December 31, 2022 and 2021:

	2022	%	2021	%	Change Amount	Change %
			(In millions)			
Wireless	₱4,084	102	₱4,536	104	(₱452)	(10)
Fixed line	(88)	(2)	(172)	(4)	84	(49)
Intersegment	–	–	2	–	(2)	(100)
Consolidated	₱3,996	100	₱4,366	100	(₱370)	(8)

Core Income

Our consolidated core income decreased by ₱2,423 million, or 52%, to ₱2,213 million in 2022 from ₱4,636 million in 2021 primarily due higher core income from our wireless business segment partly offset by lower core income from our fixed line business segment.

The following table shows the breakdown of our consolidated core income by business segment for the years ended December 31, 2022 and 2021:

	2022	%	2021	%	Change Amount	Change %
			(In millions)			
Wireless	₱1,588	72	₱4,574	99	(₱2,986)	(65)
Fixed line	625	28	62	1	563	908
Consolidated	₱2,213	100	₱4,636	100	(₱2,423)	(52)

On a Business Segment Basis

<u>Wireless</u>

Revenues

We generated revenues from our wireless business of ₱7,203 million in 2022, a decrease of ₱409 million, or 5%, from ₱7,612 million in 2021.

The following table summarizes our total revenues by service from our Wireless business segment for the years ended December 31, 2022 and 2021:

	2022	%	2021	%	Increase (Decrease) Amount	Increase (Decrease) %
			(In millions)			
Service Revenues:						
Distributed subscriber revenues	₱5,529	77	₱5,797	76	(₱268)	(5)
Others	1,674	23	1,815	24	(141)	(8)
Total Wireless Service Revenues	7,203	100	7,612	100	(409)	(5)

Service Revenues

Our wireless service revenues decreased by ₱409 million, or 5%, to ₱7,203 million in 2022 as compared with ₱7,612 million in 2021, mainly as a result of lower revenues from mobile revenues.

Distributed Subscriber Revenues

In October 21, 2020, Sun Prepaid subscribers were rebranded to Smart Prepaid. The brand consolidation under Smart aims to strengthen market position, achieve cost-efficiency and to provide superior mobile data service to all Sun subscribers.

Post-rebranding, the ownership of Sun Prepaid subscribers remained under DMPI. Under the terms of the agreement, Smart settles a fixed fee representing our proportionate share on the distributed subscriber revenues.

Rebranded Sun subscribers now have access to a wider array of improved offers and services, previously available only to Smart prepaid subscribers, in addition to Sun Prepaid's existing offers. Subscribers were also able to retain their existing mobile identification number (MIN) after the rebranding.

The subscriber rebranding agreement gives rise to the recognition of distributed subscriber revenues. Total share in the distributed subscriber revenues amounted to ₱5,529 million in 2022, lower by ₱268 million from ₱5,797 million in 2021.

Other Service Revenues

Other service revenues mainly facility service fees amounted ₱1,674 million in 2022, a decrease of ₱141 million, or 8%, from ₱1,815 million in 2021. Other service revenues accounted for 23% and 24% of our wireless service revenues in 2022 and 2021, respectively.

Expenses

Expenses associated with our wireless business in 2022 amounted to ₱3,760 million, a decrease of ₱293 million, or 7%, from ₱4,053 million in 2021. A significant portion of the decline was attributable to lower depreciation, professional and other contracted services, compensation and employee benefits and insurance and security services, partially offset by higher repairs and maintenance, rent and taxes and licenses. As a percentage of our total wireless revenues, expenses associated with our wireless business accounted for 52% and 53% in 2022 and 2021, respectively.

The following table summarizes the breakdown of our total wireless-related expenses for the years ended December 31, 2022 and 2021 and the percentage of each expense item to the total:

					Increase (Decrease)	
	2022	%	2021	%	Amount	%
			(In millions)			
Professional and other contracted services	₱1,771	47	₱1,867	46	(₱96)	(5)
Repairs and maintenance	1,096	29	916	23	180	20
Royalty expense	354	9	370	9	(16)	(4)
Depreciation	288	8	607	15	(319)	(53)
Rent	141	4	118	3	23	19
Taxes and licenses	107	3	93	3	14	15
Insurance and security services	3	–	7	–	(4)	(57)
Compensation and employee benefits [1]	–	–	75	2	(75)	(100)
Total	₱3,760	100	₱4,053	100	(₱293	(7)

[2] *Includes salaries and employee benefits, and pension costs.*

Professional and other contracted services decreased by ₱96 million, or 5%, to ₱1,771 million due to lower facilty usage cost, legal and audit fees, and management fees.

Repairs and maintenance expenses increased by ₱180 million, or 20%, to ₱1,096 million mainly due to higher site electricity driven by higher average rate per kilowatt hour.

Depreciation charges decreased by ₱319 million, or 53%, to ₱288 million in 2022 due to lower regular depreciation and lower depreciation on right-of-use assets.

Rent increased by ₱23 million, or 19%, to ₱141 million primarily due to higher site, office building and common usage service area rentals.

Taxes and licenses increased by ₱14 million, or 15%, to ₱107 million primarily due to higher imposition of local taxes.

Insurance and security services decreased by ₱4 million, or 57%, to ₱3 million due to lower group health insurance.

Compensation and employee benefits expenses decreased by ₱75 million, or 100%, primarily due to the transfer of all DMPI employees and its related liabilities since April 2021.

Other Income - Net

The following table summarizes the breakdown of our total wireless-related net other income for the years ended December 31, 2022 and 2021:

			Increase (Decrease)	
	2022	**2021**	**Amount**	**%**
		(In millions)		
Other Income (Expenses):				
Gain on sale of telecom towers	₱3,508	₱–	₱3,508	100
Revesral of long outstanding accruals	498	1,667	(1,169)	(70)
Distribution income on perpetual notes	258	281	(23)	(8)
Rental income	4	4	–	–
Interest income	2	–	2	100
Gain on sale on disposal of assets	1	1	–	–
Foreign exchange gains – net	1	–	1	100
Financing costs – net	(55)	(94)	39	(41)
Loss of fair value change in perpetual notes	(2,098)	(358)	(1,740)	486
Other income	200	259	(59)	(23)
Total	₱2,319	₱1,760	₱559	32

Our wireless business' other income amounted to ₱2,319 million in 2022, an increase by ₱559 million, or 32%, from ₱1,760 million in 2021 primarily due to the combined effects of the following: (i) gain on sale of telecom towers of ₱3,508 million; (ii) lower reversal of accrual by ₱1,169 million; (iii) lower distribution income by ₱23 million; (iv) interest income of ₱2 million; (v) net foreign exchange gains of ₱1 million; (vi) lower financing costs – net by ₱39 million; (vii) higher loss on fair value change in perpetual notes by ₱1,740 million; and (viii lower other income by ₱59 million.

Provision for Income Tax

Our wireless business recorded a provision for income tax amounting to ₱1,191 million in 2022, an increase of ₱382 million, or 47%, from ₱809 million in 2021 primarily due to higher taxable income.

Net Income

As a result of the foregoing, our wireless business recorded a net income of ₱4,571 million in 2022, an increase by ₱62 million, or 1% from ₱4,509 million in 2021.

EBITDA

Our wireless business recorded an EBITDA amounting to ₱4,084 million, a decrease of ₱452 million, or 10%, from ₱4,536 million in 2021 due to the decrease in revenues by ₱409 million, and higher expenses excluding depreciation by ₱42 million. EBITDA margin decreased to 57% in 2022 from 60% in 2021.

Core Income

Our wireless business segment's core income decreased by ₱2,986 million, or 65%, to ₱1,588 million in 2022 from ₱4,574 million in 2021.

<u>Fixed Line</u>

Expenses

Expenses related to our fixed line business totaled ₱114 million in 2022, a decrease of ₱58 million, or 34%, as compared with ₱172 million in 2021. The decrease was primarily due to lower rent, repairs and maintenance, taxes and licenses, professional and other contracted services, partially offset by higher asset impairment.

The following table shows the breakdown of our total fixed line-related expenses for the years ended December 31, 2022 and 2021 and the percentage of each expense item to the total:

					Decrease	
	2022	**%**	**2021**	**%**	**Amount**	**%**
			(In millions)			
Repairs and maintenance	₱65	57	₱84	49	(₱19)	(23)
Asset impairment	29	25	4	2	25	625
Rent	15	13	68	40	(53)	(78)
Professional and other contracted services	3	3	5	3	(2)	(40)
Compensation and employee benefits	1	1	1	1	–	–
Taxes and licenses	–	–	8	5	(8)	(100)
Communication, training ang travel	–	–	1	1	(1)	(100)
Other expenses	1	1	1	1	–	–
Total	₱114	100	₱172	100	(₱58)	(34)

Repairs and maintenance expenses decreased by ₱19 million, or 23%, to ₱65 million primarily due to lower facility repairs and electricity and water consumption costs.

Asset impairment increased by ₱25 million, or 625%, to ₱29 million mainly due to additional provision for uncollectible creditable withholding taxes and provision for refundable deposits.

Rent expenses decreased by ₱53 million, or 78%, to ₱15 million due to lower pole rentals, building rentals and lease circuits.

Professional and other contracted services decreased by ₱2 million, to ₱3 million mainly due to lower audit fees and other professional fees.

Compensation and employee benefits expenses remained at ₱1 million which represents various payroll costs.

Taxes and licenses decreased by ₱8 million, or 100%, to nil due to lower real property tax.

Commmunication, training and travel decreased by ₱1 million, or 100%, mainly due to lower freight and hauling expenses.

Other expenses for various remained at ₱1 million which represents various business and fixed line operational-related expenses.

Other Income - Net

The following table summarizes the breakdown of our total fixed line-related net other income for the years ended December 31, 2022 and 2021:

	2022	2021	Increase (Decrease) Amount	%
		(In millions)		
Other Income (Expenses):				
Reversal of long outstanding accrual	₱646	₱–	₱646	100
Rental income	10	62	(52)	(84)
Interest income	1	1	–	–
Foreign exchange gains (losses) – net	(1)	4	(5)	(125)
Equity share in net earnings (losses) of associate	–	33	(33)	(100)
Gain on sale of investment in associates	–	32	(32)	(100)
Others	88	107	(19)	(18)
Total	₱744	₱239	₱505	214

Our fixed line business segment's other income amounted to ₱744 million in 2022, an increase of ₱507 million, or 214%, from ₱237 million in 2021 primarily due to the combined effects of the following: (i) reversal of long outstanding accruals of ₱646 million; (ii) lower rental income by ₱52 million; (iii) net foreign exchange loss of ₱1 million in 2022 as against net foreign exchange gains of ₱4 million in 2021; (iv) lower other income by ₱17 million;

Provision for (Benefit from) Income Tax

Provision for income tax amounted to ₱6 million in 2022 as against benefit from income tax of ₱1 million in 2021 due to higher taxable income in 2022.

Net Income

As a result of the foregoing, our fixed line business recorded a net income amounting to ₱624 million, an increase of ₱556 million, or 818%, from ₱68 million in 2021.

EBITDA

Our fixed line business segment's negative EBITDA amounted to ₱88 million in 2022, lower by ₱84 million, or 95%, from ₱172 million in 2021 due to lower expenses excluding depreciation.

Core Income

Our fixed line business segment's core income in 2022 amounted to ₱625 million, an increase of ₱563 million, or 908%, from ₱62 million in 2021 primarily due to higher other income and lower expenses.

Plans

We are part of one of the leading telecommunications and digital services provider in the Philippines, the PLDT Group. We intend to reinforce our leading position while offering a broader range and higher quality of products and services.

PLDT Group's capital expenditures in 2024 is expected to be substantially spent on network maintenance and expansion and IT projects, mainly to support delivery of diverse products and services and delivery of superior customer experience.

The Group plans to expand its LTE and 5G network in line with our desire to provide coverage to substantially all of the country's cities and municipalities by the end of 2024.

Furthermore, the company's capex investments, particularly in the transport network, aim to expand capacity and improve resiliency.

PLDT Group expects to fund incremental capital expenditures from internally generated funds and loan financing.

Liquidity and Capital Resources

The following table shows our consolidated cash flows for the years ended December 31, 2023, 2022 and 2021 as well as our consolidated capitalization and other consolidated selected financial data as at December 31, 2023 and 2022:

	Years ended December 31,		
	2023	2022	2021
		(In millions)	
Cash Flows			
Net cash provided by (used in) operating activities	₱2,675	(₱4,968)	₱405
Net cash provided by investing activities	825	5,272	549
Capital expenditures	–	–	–
Net cash used in financing activities	(3,500)	(359)	(1,030)
Net decrease in cash and cash equivalents	–	(54)	(76)

	2023	2022
	(In millions)	
Capitalization		
Total equity attributable to equity holders of Digitel	(12,469)	(13,987)
	(₱12,469)	(₱13,987)
Other Selected Financial Data		
Total assets	₱5,221	₱4,467
Property and equipment	–	1
Cash and cash equivalents	120	120

As at December 31, 2023, our consolidated cash and cash equivalents totaled ₱120 million. Principal sources of consolidated cash and cash equivalents in 2023 were cash flows provided from operations of ₱2,675 million, proceeds from the sale of telecom towers of ₱661, proceeds from distribution of perpetual notes of ₱191 million, interest received of ₱2 million and proceeds from disposal of fixed assets of ₱1 million. These funds were used principally for: (i) payment of cash dividends of ₱3,212 million; (ii) income tax payment of ₱612 million; (iii) payments for principal and interest of lease liability of ₱228 million and ₱60 million, respectively; and (iv) increase in advances and other noncurrent assets of ₱30 million.

As at December 31, 2022, our consolidated cash and cash equivalents totaled ₱120 million. Principal sources of consolidated cash and cash equivalents in 2022 were proceeds from the sale of telecom towers of ₱3,508, proceeds from partial redemption of perpetual notes of ₱1,500 million, proceeds from distribution of perpetual notes of ₱258 million, interest received of ₱3 million and proceeds from disposal of fixed assets of ₱1 million. These funds were used principally for: (i) income tax payment of ₱1,086 million; (ii) payments for principal and interest of lease liability of ₱304 million and ₱55 million, respectively; (iii) decrease in advances and other noncurrent assets of ₱2 million; and (iv) used in operating activities amounting to ₱4,968 million.

Operating Activities

Our consolidated net cash flows provided by operating activities amounted to ₱2,675 million in 2023 as against consolidated net cash flows used in operating activities amounting to ₱4,968 million in 2022 primarily due to higher collection of trade and other receivables, and lower income tax paid, partially offset by higher settlement of trade and other payables, higher other current assets, lower asset retirement obligation, and lower operating income.

Our consolidated net cash flows used in operating activities amounted to ₱4,968 million in 2022 as against consolidated net cash flows provided operating activities amounting to ₱405 million in 2021 primarily due to higher settlement of trade and other payables, and higher income tax paid partially offset by, lower collection of trade and other receivables, higher other current assets, lower asset retirement obligation, and lower operating income.

Investing Activities

Consolidated net cash provided by investing activities amounted to ₱825 million in 2023, lower by ₱4,447 million, or 84%, from ₱5,272 million in 2022 primarily due to lower proceeds from disposal of fixed assets by ₱2,847 million, lower interest received by ₱1 million, and lower proceeds from distribution of perpetual notes by ₱67 million.

Consolidated net cash provided by investing activities amounted to ₱5,272 million in 2022, higher by ₱4,723 million, or 860%, from ₱549 million in 2021 primarily due to higher proceeds from disposal of fixed assets by ₱3,507 million, proceeds from partial redemption of perpetual notes of ₱1,500 million and higher interest received by ₱2 million, partly offset by lower proceeds from distribution of perpetual notes.

Financing Activities

On a consolidated basis, net cash used in financing activities amounted to ₱3,500 million in 2023, higher by 875% from ₱359 million in 2022 due to cash dividends paid amounting to ₱3,212 million, higher payments for interest on lease liability by ₱5 million, partly offset by lower payments for principal of lease liability by ₱76 million.

On a consolidated basis, net cash used in financing activities amounted to ₱359 million in 2022, lower by 65% from ₱1,030 million in 2021 due to lower payments for principal and interest of lease liability by ₱130 million and ₱39 million, respectively.

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.

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.

Other Matters

a. Any known trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity.

   - We are not aware of any known trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity.
   - Digitel Group has not defaulted in paying its currently maturing obligations.
   - Digitel's current liabilities appear to be materially higher than its current assets, as indicated by the current ratio of 0.15:1 due to an outstanding payable to PLDT and other related parties amounting to ₱15.3 billion as at December 31, 2023. Without this portion in the current liabilities, the current ratio will improve to 1.42:1.

b. Any events that will trigger direct or contingent financial obligation that is material to Digitel, including any default or acceleration of an obligation.
   - We are not aware of any events that will trigger direct or contingent financial obligation that is material to Digitel Group, including any default or acceleration of an obligation.

c. Description of any material commitments for capital expenditures, general purpose of such commitments, expected sources of funds for such expenditures.
   - DMPI in synergy with Smart, has a commitment to construct, install, operate and maintain a nationwide CMTS using GSM technology.

d. Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.
   - We are not aware of any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.

e. Any significant elements of income or loss that arise from issuer's continuing operations.
   - We are not aware of any significant elements of income or loss that arises from the issuer's continuing operations.

f. Seasonal aspects that have material effect on the FS.
   - We are not aware of any seasonal aspects that have material effect on the FS.

Item 7. Financial Statements

The financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules are filed as part of this Form 17-A.

Item 8. Changes in and Disagreements with Independent Auditors on Accounting and Financial Disclosure

Digitel has not changed and has no disagreements with its independent auditor on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

<u>Audit and Audit-Related Fees</u>

The expenses incurred by Digitel Group for Sycip Gorres and Velayo & Co.'s (SGV) examination and audit of financial statements amounted to ₱1.2 million and ₱1.6 million for 2023 and 2022, respectively.

The fees presented above includes out-of-pocket expenses incidental to our independent auditors' work, amount of which do not exceed 5% of the agreed-upon engagement fees.

Our Audit Committee pre-approved all audit and non-audit services as these are proposed or endorsed before these services are performed by our independent auditor.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Registrant

The Board is principally responsible for Digitel's overall direction and governance. Digitel's Amended Articles of Incorporation provide for seven members of the Board, who shall be elected by the stockholders. At present, two of Digitel's seven directors are independent directors. The Board holds office for one year and until their successors are elected and qualified in accordance with the By-Laws.

The names, ages and periods of service, of each of the current directors, including independent directors, of Digitel as at March 27, 2024 are as follows:

Name	Age	Period during which individual has served as such
Manuel V. Pangilinan	77	October 26, 2011 to present
Alfredo S. Panlilio	60	June 12, 2019 to present
Danny Y. Yu	62	June 13, 2023 to present
Oscar J. Hilado (1)	85	May 6, 2013 to present
Emerlinda R. Roman (1)	74	March 4, 2013 to present
Lorenzo V. Tan	60	January 27, 2014 to present

(1) Independent director

The names, ages and periods of service, of each of the executive officers and all other officers of Digitel as at March 27, 2024 are as follows:

Name	Age	Position	Period during which individual has served as such
Manuel V. Pangilinan	77	Chairman of the Board – LEC/CMTS	October 26, 2011 to August 6, 2012 May 25, 2015 to present
Manuel V. Pangilinan	77	President and CEO – LEC/CMTS	January 1, 2024 to present
Jerone H. Tabanera	45	Chief Financial Officer – LEC	May 30, 2022 to present
Danny Y. Yu	62	Chief Financial Officer – CMTS	June 13, 2023 to present
Leo I. Posadas	57	Treasurer – LEC/CMTS	May 29, 2017 to present
Alex Erlito S. Fider	70	Corporate Secretary – LEC/CMTS	January 27, 2014 to present

The following is a brief description of the business experiences of each of our directors and executive officers for the last five years:

Mr. Manuel V. Pangilinan has been a director of Digitel since October 26, 2011 and is concurrently the Chairman of the Board of Directors and President and CEO since January 1, 2024. He is the Chairman of the Remuneration and Compensation Committee and Member of the Governance and Nomination Committee of the Board of Directors of Digitel. Mr. Pangilinan is currently the Chairman of the Board of Directors of PLDT, and held the position of President and Chief Executive Officer of PLDT from January 1, 2016 until June 7, 2021. He also serves as Chairman of Metro Pacific Investments Corporation ("MPIC"), Manila Electric Company ("Meralco"), PXP Energy Corporation and Philex Mining Corporation, and Vice Chairman of Roxas Holdings, Inc., all of which are PSE-listed companies, and of several subsidiaries or affiliates of PLDT or MPIC, including, among others, Smart, PLDT Communications & Energy Ventures, Inc., ePLDT, Inc. ("ePLDT"), Beacon Electric Assets Holdings Inc., Manila North Tollways Corporation, Maynilad Water Services Corporation, Landco Pacific Corporation, Metro Pacific Hospital Holdings, Inc., Medical Doctors Incorporated (Makati Medical Center), Colinas Verdes Corporation (Cardinal Santos Medical Center), 88 Davao Doctors Incorporated, Riverside Medical Center Incorporated, Our Lady of Lourdes Hospital and Asian Hospital Incorporated. He is also the Chairman of MediaQuest Holdings Inc., TV5 Network, Inc. and PLDT-Smart Foundation.

Mr. Pangilinan founded First Pacific Company Limited ("First Pacific"), a Hong Kong Stock Exchange-listed company, in 1981 and serves as its Executive Chairman, Managing Director and Chief Executive Officer. Within the First Pacific Group, he also holds the position of President Commissioner of P.T. Indofood Sukses Makmur Tbk, the largest food company in Indonesia.

Outside the First Pacific Group, Mr. Pangilinan is the Chairman of the Board of Trustees of San Beda College, and Amateur Boxing Association of the Philippines, a governing body of amateur boxers in the country, and the Chairman Emeritus of the Samahang Basketbol ng Pilipinas, Inc. ("SBP"). He is also the Chairman of Philippine Business for Social Progress, the largest private sector social action organization made up of the country's largest corporations. He is a Co-Chairman of the Philippine Disaster Resilience Foundation, Inc., a non-stock, non-profit foundation established to formulate and implement a reconstruction strategy to rehabilitate and rebuild areas devastated by floods and other calamities, and of the US Philippine Business Society, a non-profit society which seeks to broaden the relationship between the United States and the Philippines in the areas of trade, investment, education, foreign and security policies and culture.

Mr. Pangilinan has received numerous prestigious awards including the Business Icon Gold Award for having greatly contributed to the Philippine economy through achievements in business and society by Biz News Asia magazine (2008), Global Filipino Executive of the Year for 2010 by Asia CEO Awards, and Philippines Best CEO for 2012 by Finance Asia.

Mr. Pangilinan graduated cum laude from the Ateneo de Manila University, with a Bachelor of Arts Degree in Economics. He received his Master's Degree in Business Administration from Wharton School of Finance & Commerce at the University of Pennsylvania, where he was a Procter & Gamble Fellow. He was conferred a Doctor of Humanities Degree (Honoris Causa) by the San Beda College (2002), Xavier University (2007), Holy Angel University (2009) and Far Eastern University (2010).

Mr. Alfredo S. Panlilio has been a director of Digitel since June 12, 2019. Within the PLDT Group, Mr. Panlilio holds leadership positions as: Chairman, President and CEO of ePLDT, Inc., IP Converge Data Services, Inc., and Mabuhay Investments Corporation; Chairman and President of ABM Global Solutions, Inc., Curo Tecknika, Inc., ePDS, Inc., IPC Rack It Data Center, Inc., VITRO Inc., ACeS Philippines Cellular Satellite Corporation, and Smart Broadband, Inc.; Chairman of Maya Bank, Bonifacio Communications Corporation, Telesat, Inc., PLDT Clark Telecom, Inc., PLDT Subic Telecom, Inc., PLDT-Maratel, Inc., and PLDT-Philcom, Inc.; President and CEO of Talas Data Intelligence, Inc.; President of MVP Rewards and Loyalty Solutions, Inc. (MRSI), Airborne Access Corporation, PLDT Communications and Energy Ventures, Inc., and Primeworld Digital Systems, Inc.; director of international business unit PLDT Global; and trustee of social outreach arm PLDT-Smart Foundation (PSF) and Asian Carriers Conference Inc.

During Panlilio's previous tenure in PLDT before returning as its Chief Revenue Officer on July 1, 2019, he served as Senior Vice President from May 2001 to December 2010 and was the President of PLDT Global from June 2004 to December 2010.

Prior to returning to PLDT Group, Panlilio was the Senior Vice President and Head of Customer Retail Services and Corporate Communications at Manila Electric Company (Meralco) from September 10, 2010 to June 30, 2019. Within the Meralco Group, Panlilio served as Chairman of Radius Telecoms, Inc., e-Meralco Ventures Inc., Paragon Vertical Corporation, Powersource First Bulacan Solar, Inc. and Pure Meridian Hydropower Corporation. He was also a Vice Chairman of Aclara Meters Philippines, Inc., and Director of CIS Bayad Center Inc., Corporate Information Solutions, Inc., Customer Frontline Solutions, Inc., Meralco Energy, Inc., MRAIL Inc., Meralco Industrial Engineering Services Corporation, Comstech Integration Alliance, Inc. and MSpectrum, Inc. Panlilio was also a trustee of One Meralco Foundation, Inc. (OMFI) and Meralco Power Academy, and Associate Board Member of Semiconductor and Electronics Industries in the Philippines, Inc. (SEIPI).

A veteran executive who started his career with IBM Philippines and rose through the ranks, Panlilio also serves as Director of Cignal TV, Inc., Asean Telecom Holdings Sdn. Bhd. (ATH), Chikka Holdings Limited, Connectivity Unlimited Resources Enterprises, Inc., Wifun, Inc., and Vega Group of Companies; Independent Director of CEMEX Holdings Philippines, Inc.; Board Member of Makati Central Estate Association, Inc. (MACEA); and Trustee of Asian Carrier Conference, Inc., Kapampangan Development Foundation, and Philpop Musicfest Foundation, Inc.

An advocate of the value of sports in maintaining a strong republic, Panlilio sits as President of the MVP Sports Foundation, Second Vice President of FIBA Asia Central Board, First Vice President of the Philippine Olympic Committee and Chairman of the FIBA Basketball World Cup 2023 local organizing committee. He is also the Governor of the Meralco Bolts Team under the Philippine Basketball Association (PBA) and President of Samahang Basketbol ng Pilipinas (SBP). Panlilio is also the Treasurer of the National Golf Association of the Philippines (NGAP) and Manila Golf Country Club, Inc.

Bearing testament to his achievements as President and CEO of PLDT and Smart, Panlilio was among PeopleAsia's "Men Who Matter" awardees for 2021 and was cited by London-based award-giving body Total Telecom under the CEO of the Year category of the 2020 Asia Communication Awards. He was previously honored as CEO Excel Awardee of the International Association of Business Communicators Philippines in 2013, was one of seven finalists in the Rising Star (individual) category of the PLATTS Global Energy Awards 2015 held in New York, and has received multiple local and international awards for customer management and business communication excellence throughout his 37-year career.

A Member of the Management Association of the Philippines (MAP), Panlilio holds a Bachelor of Science Degree in Business Administration (Computer Information Systems) from San Francisco State University. He obtained his Master in Business Administration at J. L. Kellogg School of Management of Northwestern University and the Hongkong University of Science and Technology.

Mr. Danny Y. Yu, has been a director of Digitel since June 13, 2023. He is currently the PLDT Group Chief Financial Officer and Chief Risk Management Officer. He was a Financial Consultant of PXP Energy Corporation and served from November 2019 to February 2020. He also served as Senior Vice President and Chief Financial Officer, Chief Governance Officer and Chief Risk Officer of Philex Mining Corporation from September 2013 to August 2019, Chief Finance Officer of Digital Telecommunications Philippines, Inc. and Digitel Mobile Philippines, Inc. (Sun Cellular) from November 2011 to July 2013, Chief Financial Officer of ePLDT, Inc. from November 2010 to December 2011, Chief Financial Officer of PLDT Global Corporation from June 2004 to November 2010, Chief Financial Officer of Mabuhay Satellite Philippines Corporation & Aces Satellite Philippines Corporation from March 1999 to May 2004, and Vice President for Corporate Development of Fort Bonifacio Development Corporation from March 1997 to March 1999. Mr. Yu graduated Magna Cum Laude from the University of San Carlos with a Bachelor of Science in Commerce, Major in Accounting and holds a Master in Management from the Asian Institute of Management. He is also a Certified Public Accountant.

Mr. Oscar J. Hilado has been an independent director of Digitel since May 6, 2013. He is the Chairman of the Governance and Nomination Committee, and a Member of the Audit Committee and Remuneration and Compensation Committee of the Board of Directors of Digitel. He is currently the Chairman of the Board of PHINMA, Inc., Chairman Emeritus of Phinma Corporation, and Vice Chairman of Phinma Property Holdings Corp., and Union Galvasteel Corporation. He is a director of Philex Mining Corporation, Rockwell Land Corporation, A. Soriano Corporation, Roxas Holdings, Inc., Smart Communications Inc., Metro Pacific Investments Corporation, Phinma Solar Energy Corporation, Phil Cement Corp., Union Insulated Panel Corp., Phinma Education Holdings, Inc., Araullo University, Cagayan de Oro College, University of Iloilo, Inc., University of Pangasinan, Inc., Southwestern University, Phinma Hospitality Inc., United Pulp and Paper Company Inc., Seven Seas Resorts & Leisure, Inc., Beacon Property Ventures, Inc., Cebu Light Industries Phils., Inc., Pueblo de Oro Development Corporation, and Manila Cordage Company. Mr. Hilado is a Certified Public Accountant with a Bachelor of Science Degree in Commerce from De La Salle College in Bacolod and a Master's Degree in Business Administration from Harvard Business School.

Dr. Emerlinda R. Roman has been an independent director of Digitel since March 4, 2013. She is the Chairman of the Audit Committee and a Member of the Governance and Nomination Committee and Remuneration and Compensation Committee of the Board of Directors of Digitel. She is currently the Chair of the Board of Advisers of Manila Tytana Colleges. She is also an independent director of Philex Petroleum Corporation and Smart Communications, Inc. and a director of One Meralco Foundation and Redondo Peninsula Energy. Dr. Roman was not only UP's Centennial president, serving from 2005 to 2011, but also its first woman president. She also served as chancellor of the UP Diliman campus from 1991 to 1993 and from 1999 to 2004, vice chancellor for administration, secretary of the university and of the Board of Regents, vice president for administration, and member of the Board of Regents representing the faculty. Dr. Roman obtained her Bachelor of Science Degree in Agriculture from the University of the Philippines, Los Baños in 1972 and her Master's Degree in Agribusiness Management and PhD in Business Administration from UP Diliman in 1977 and 1989, respectively.

Mr. Lorenzo V. Tan has been a director of Digitel since January 27, 2014. He is a Member of the Audit Committee of the Board of Directors of Digitel. Mr. Tan is currently the Vice-Chairman of Pan Malayan Management Inc., Director, President and Chief Executive Officer of House of Investments, Inc., Chairman and President of Honda Cars Kolookan Inc., and Director and President of RCBC Realty Corporation. He is also a Director at Smart Communications, iPeople inc., Malayan Insurance Company Inc., Sunlife Grepa, Manila Memorial Park Cemetery Inc., Hi-Eisai Pharmaceutical Inc., and Board of Trustees at De La Salle Zobel, and Vice Chairman TOYM Foundation.

His past experiences include: Managing Director of Primeiro Partners. He was the Chief Executive Officer and President of Rizal Commercial Banking Corp. until May 2016. He served as Chairman of the Asian Bankers Association from 2012 to 2014, President of the Bankers Association of the Philippines (BAP) from 2013 to March 14, 2016. As BAP President, he leads the Association in representing the BAP in the ASEAN Bankers Association (ABA), composed of the national banking associations from the 10-member countries in the Association of Southeast Asian Nations (ASEAN). He was a former Director of Philrealty Holdings and Investment Corp.

Mr. Tan is a Certified Public Accountant in Pennsylvania, USA and in the Philippines. He graduated from De La Salle University with a Bachelor of Science degree in Accounting and Commerce, and holds a Master in Management degree from the J.L. Kellogg Graduate School of Management, Northwestern University.

(b) Executive Officers

The other officers of Digitel including their business experiences for the last five years are the following:

Mr. Jerone H. Tabanera is the Chief Financial Officer of LEC Business Unit since May 30, 2022 and is concurrently the Head of Financial Reporting of PLDT. Prior to joining PLDT in June 2011, he was a Manager at Punongbayan & Araullo (the Philippine member firm of Grant Thornton International Ltd.). Mr. Tabanera is a Certified Public Accountant and also passed the examination for Certified Internal Audit (CIA) and for Certified Information Systems Audit (CISA). He received his Bachelor of Science Degree in Accountancy from Holy Name University of Tagbilaran.

Mr. Leo I. Posadas is the Treasurer of LEC and CMTS Business Units since May 29, 2017 and is concurrently the Treasurer of the PLDT Group and Treasury Head of PLDT and Smart. He also handles the treasury management and treasury operations of several companies under the PLDT Group. He is a director and Treasurer of PLDT Global Investments Holdings, a director and Vice President for Treasury of Mabuhay Investments Corporation, and the Treasurer of the Vega Telecom group. He is also the Treasurer of Smart, ePLDT, and several other subsidiaries of PLDT and Smart. Prior to joining PLDT in September 2000, he served as Treasury Manager of Total Petroleum Philippines, and as Manager for Foreign Exchange Management of San Miguel Corporation. Mr. Posadas received his Bachelor of Arts Degree in Economics and Bachelor of Science Degree in Commerce Major in Management of Financial Institutions from the De La Salle University.

Alex Erlito S. Fider is the Corporate Secretary of LEC and CMTS Business Units since January 27, 2014. He is currently a senior partner of Picazo Buyco Tan Fider & Santos Law Offices. Atty. Fider is a corporate legal practitioner with expertise in the fields of telecommunications, real estate, corporate finance and investments. He is a director of Roxas Holdings, Inc. and a member of the Audit & Risk Committee. He is the Corporate Secretary of Metro Pacific Tollways Corporation, Metro Pacific Tollways Development Corporation, Manila North Tollways Corporation, Tollways Management Corporation, Smart and Maynilad. He is actively involved in the Financial Executive Institute of the Philippines and the Institute of the Corporate Directors of which he is a Fellow. Atty. Fider graduated from the University of the Philippines with Degrees in Economics and Law.

Significant Employees

Digitel has no employee who is not an executive officer but is expected to make a significant contribution to the business.

Family Relationships

None of the Directors, key officers and advisors of Digitel has any family relationship up to the fourth civil degree either by consanguinity or affinity.

Legal Proceedings

Digitel is not aware, and none of the directors/independent directors and officers or persons nominated for election to such positions has informed the company, of any of the following events that occurred during the past five years:

(a) any bankruptcy petition filed by or against any business of which a director/independent director or officer or person nominated for election as a director/independent director or officer was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

(b) any conviction by final judgment in a criminal proceeding, domestic or foreign, or any criminal proceeding, domestic or foreign, pending against any director/independent director or officer or person nominated for election as a director/independent director or officer, except as noted below;

(c) any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any director/independent director or officer or person nominated for election as a director/independent director or officer in any type of business, securities, commodities or banking activities; and

(d) any finding by a domestic or foreign court of competent jurisdiction (in a civil action), the Securities and Exchange Commission or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, that any director/independent director or officer or person nominated for election as a director/independent director or officer, has violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

Audit, Governance and Nomination, and Remuneration & Compensation Committees

Our board of directors is authorized under the by-laws to create committees, as it may deem necessary. We currently have three board committees, namely, the audit, governance and nomination and remuneration & compensation committees, the purpose of which is to assist our board of directors. Each of these committees has a board-approved written charter that provides for such committee's composition, membership qualifications, functions and responsibilities, conduct of meetings, and reporting procedure to the board of directors.

Audit Committee (AC)

Our AC is composed of three members, majority of whom, including the chairperson are independent directors, namely, Dr. Emerlinda R. Roman (independent director) who chairs the committee, Mr. Oscar J. Hilado (independent director) and Mr. Lorenzo Tan. All of the members of our AC are financially literate. On April 4, 2023, the Board adopted a New Audit Committee Charter.

Further to our compliance with applicable corporate governance laws and rules, our AC confirmed in its report for 2023 that:

- Each voting member of the Audit Committee is an independent director as determined by the Board of Directors;

- The Audit Committee had nine (9) regular joint meetings with the Audit Committees of PLDT Inc. (PLDT) and Smart Communications, Inc. (Smart) during the year;

- The Audit Committee has reviewed and approved for retention the Audit Committee Charter, amended and adopted by the Board on March 21, 2022, until the next review in 2024;

- The Audit Committee has reviewed and approved the Internal Audit Group's risk-based annual plan for their regular audits, including updates thereto, and discussed the results of their examinations;

- Based on a review of SGV & Co.'s performance and qualifications, including consideration of Management's recommendation, the Audit Committee approved the appointment of SGV & Co. as the independent auditor;

- The Audit Committee have discussed with SGV & Co. the overall scope and plan for their integrated audit of Digitel Group's financial statements and internal controls over external financial reporting, and the results of their examinations;

- The Audit Committee have discussed with SGV & Co. the matters required to be discussed by the prevailing applicable Auditing Standard, and have received written disclosures and the letter from SGV & Co. as required by the prevailing applicable Independence Standards (Statement as to Independence) and have discussed with SGV & Co. its independence from the Digitel Group's Management;

- The Audit Committee were apprised of updates on enterprise risk management and major risk exposures and mitigations through their attendance to meetings of the Risk Committee, from which they are also members.

- The Audit Committee have discussed with the Chief Legal Counsel, Regulatory and Tax Management Heads on the significant legal matters and updates on the Company's compliance with regulations and applicable laws.

- The Audit Committee have discussed with relevant Business Unit heads the status of their initiatives to address key audit observations and other significant updates on their areas.

- In the performance of oversight responsibilities, the Audit Committee reviewed and discussed the unaudited quarterly financial statements and reports in the first three quarters of 2023 and the audited financial statements as of and for the year ended December 31, 2023 with Management, which has the primary responsibility for the financial statements, and with SGV & Co., the Digitel Group's independent auditor, who is responsible for expressing an opinion on the conformity of the Digitel Group's audited financial statements with Philippine Financial Reporting Standards (PFRS).

Governance and Nomination Committee (GNC)

Our GNC is composed of three members, namely, Mr. Oscar J. Hilado (independent director) who is the chairman of the committee and Mr. Manuel V. Pangilinan and Dr. Emerlinda R. Roman (independent director), as members.

The principal functions and responsibilities of our GNC are:

1. To review and evaluate the qualifications of the persons nominated for election as directors (including independent directors) or other positions requiring board appointment;

2. To identify the qualified nominees and recommend that the board select and recommend such qualified nominees for election as directors/independent directors at the annual meeting of shareholders; and

3. To provide an assessment on our board's effectiveness in the process of replacing or appointing new directors or members of the board committees.

Remuneration & Compensation Committee (RCC)

Our RCC is composed of three members, namely Mr. Manuel V. Pangilinan who is the chairman of this committee and Mr. Oscar J. Hilado and Dr. Emerlinda R. Roman (both independent directors) as members.

The principal functions and responsibilities of our RCC are:

1. To provide guidance to and assist our board of directors in developing a compensation philosophy or policy consistent with our culture, strategy and control environment;

2. To oversee the development and administration of our compensation programs; and

3. To review and approve corporate goals and objectives relevant to the compensation of our CEO, evaluate the performance of our CEO in light of those goals and objectives, and set the compensation level of our CEO based on such evaluation.

Item 10. Executive Compensation

The following table is the list of the key officers, including the chief executive officer, and directors of Digitel as at March 27, 2024:

Name	Position
Manuel V. Pangilinan	Chairman of the Board – CMTS/LEC
Alfredo S. Panlilio	Director – CMTS/LEC
Danny Y. Yu	Director – CMTS/LEC; Chief Financial Officer - CMTS
Oscar J. Hilado	Director – Independent - LEC
Emerlinda R. Roman	Director – Independent - LEC
Lorenzo V. Tan	Director – CMTS/LEC
Jerone H. Tabanera	Chief Financial Officer –LEC
Leo I. Posadas	Treasurer – CMTS/LEC
Alex Erlito S. Fider	Corporate Secretary – CMTS/LEC

Each of the independent and non-management directors of the Parent Company is entitled to a director's fee of ₱50,000 for each meeting of the Board of Directors attended. In addition, the independent directors and non-management directors who serve in the Audit Committee of the Board of Directors are entitled to a fee of ₱30,000 for each meeting attended. Regular directors are not entitled to a director's fee.

There are no special arrangements for officers of the registrant. Officers are given the same compensation package as rank-and-file employees such as monthly salary and 13th month bonus.

There are no special employment contracts with executive officers. Hiring of corporate officers are conducted based on general policies on recruitment.

There is no compensatory act other than the legally mandated retirement plan under the Social Security Act.

Item 11. Security Ownership of Certain Record and Beneficial Owners and Security Ownership of Management

A. Security Ownership of Certain Record and Beneficial Owners

Owner of more than 5% of Digitel's securities, as of March 27, 2024 is as follows:

Title of Class	Name and Address of Record Owner and Relationship with the Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares Held Record	Percentage of Class
Common	PLDT Inc. [1] 12th Floor Ramon Cojuangco Bldg. Makati Avenue, Makati City	PLDT Inc.	Filipino	26,043,279,329	99.62

[1] *PLDT is the parent company of Digitel. PLDT is the leading telecommunications provider in the Philippines. Through its three principal business segments – wireless, fixed line and others - PLDT offers a large and diverse range of telecommunications services across the Philippines' most extensive fiber optic backbone and wireless and fixed line networks.*

B. Security Ownership of Management

As of March 27, 2024, the security ownership of Directors and Executive officers of Digitel follows:

Name of Record and Address	Citizenship	Title of Class	Number of shares	Amount of Holdings (Based on par value)	Percentage of Class
Manuel V. Pangilinan Chairman of the Board	Filipino	Common	10	₱1	0.000000

Name of Record and Address	Citizenship	Title of Class	Number of shares	Amount of Holdings	Percentage of Class
7/F Ramon Cojuangco Bldg., Makati Avenue, Makati City					
Alfredo S. Panlilio Director 7/F Ramon Cojuangco Bldg., Makati Avenue, Makati City	Filipino	Common	10	1	0.000000
Danny Y. Yu Director St. Francis Shangri-la Place Tower 2 St. Francis, Mandaluyong City	Filipino	Common	10	1	0.000000
Oscar J. Hilado Director Phinma Building Rockwell, Makati City	Filipino	Common	10	1	0.000000
Emerlinda R. Roman Director 41 Kalaw St. Manila Homes Congressional Ave., Quezon City	Filipino	Common	10	1	0.000000
Lorenzo V. Tan Director 46/F Yuchengco Tower, RCBC Plaza, Sen G.J. Puyat Ave., Makati City	Filipino	Common	10	1	0.000000

Item 12. Certain Relationships and Related Transactions

Parties are considered to be related if one party has the ability, directly and indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. Transactions with related parties are on an arm's length basis, similar to transactions with third parties.

Settlement of outstanding balances of related party transactions at year-end are expected to be settled with cash. The Digitel Group has not recorded any impairment of receivables relating to amounts owed by related parties as at December 31, 2023 and 2022. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

For a detailed discussion of material related party transactions, refer to *Note 21 – Related Party Transactions* to the accompanying audited consolidated financial statements in Item 7. "Financial Statements".

PART IV- CORPORATE GOVERNANCE

Item 13. Corporate Governance

The level of compliance of Digitel to the provisions of the Code of Corporate Governance for Public Companies and Registered Issuers for the period beginning January 1 to December 31, 2023 will be reported in the Certification to be submitted to the SEC on or before June 29, 2024.

To improve the corporate governance of Digitel, the Company adopted a new Manual on Corporate Governance on June 9, 2020 which substantially adopted all of the recommendations under SEC Memorandum Circular No. 24, series of 2019, otherwise known as the Code of Corporate Governance for Public Companies and Registered Issuers ("CG Code for PCs and RIs"). A copy of the new Manual on Corporate Governance was submitted to the SEC on September 29, 2020. The Board of Directors also approved the following corporate governance policies: (a) Code of Business Conduct and Ethics; (b) Conflict of Interest Policy; (c) Whistleblowing Policy; (d) Gifts, Entertainment and Sponsored Travel Policy; (e) Supplier/Contractor Relations Policy; and (f) Third-party Business Partners Corporate Governance Guidelines.

On November 9, 2018, the Board of Directors also approved the Policy on Gift-Giving Activities.

Digitel, through its Compliance Officer, continues to periodically benchmark its corporate governance with its peers in the industry.

PART V- EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits - See accompanying Index to Exhibits.

(b) Reports on SEC Form 17-C

We reported the following items on SEC Form 17-C in 2023:

Items Reported	Date Filed
I. Board meeting held on March 23, 2023 • Approved to hold its Annual Meeting of Stockholders on May 29, 2023 via remote communication through Microsoft Teams (MS Teams) and set March 31, 2023 as the record date for the determination of stockholders entitled to notice and to vote during the Annual Meeting	March 24, 2023
II. Board meeting held on May 29, 2023 • Results of Annual Meeting of Shareholders • Results of Organizational Meeting of the Board of Directors including appointment of Chairpersons and Members of Board Committees and officers of the Company	May 30, 2023

III. Board Meeting held on June 13, 2023	June 14, 2023
• Accepted the resignation of Ms. Anabelle L. Chua as director of DTPI and DMPI and elected Mr. Danny Y. Yu as director of DTPI and DMPI, to serve the unexpired terms of Ms. Chua.	
IV. Board Meeting held on December 5, 2023	December 7, 2023
• Approved the declaration of cash dividends amounting to ₱0.0864 per share of DTPI's common stock to holders of record as at December 15, 2023, payable to minority shareholders on January 5, 2024 and to its majority shareholder, PLDT Inc. on or before December 5, 2024	
• Accepted the retirement of Mr. Alfredo S. Panlilio as President and CEO of the Company effective December 31, 2023. The Board thereafter appointed Mr. Manuel V. Pangilinan as President and CEO of the Company effective January 1, 2024.	

Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 141 of the Corporation Code, this report is signed in behalf of the issuer by the undersigned, thereunto duly authorized, in Makati City on March 27, 2024.

DIGITAL TELECOMMUNICATIONS PHILS., INC.
Registrant

By:

Manuel V. Pangilinan
Chairman/President and Chief Executive Officer

Jerone H. Tabanera
Chief Financial Officer

Atty. Alex Erlito S. Fider
Corporate Secretary

SUBSCRIBED AND SWORN TO before me in this APR 1 2 2024 day of ______ 2024, affiants exhibiting to me their Passports, as follows:

Name	Passport No.	Date of Expiry	Place of Issue
Manuel V. Pangilinan	P9969361A	December 17, 2028	DFA, NCR East
Jerone H. Tabanera	P8437236B	December 12, 2031	DFA, Manila
Atty. Alex Erlito S. Fider	P5654887A	January 16, 2028	DFA, Manila

Doc. No. 411
Page No. 84
Book No. 25
Series of 2024.

ATTY. POMPEYO R. MAYNIGO
Commission No. M-339
Notary Public for Makati City
Until December 31, 2024
LG-04 Cityland Herrera Tower, V.A. Rufino St.,
Corner Valero St., Salcedo Village, Makati City
Roll of Attorney's No. 37891
IBP No. 387967; 1/02/2024 Manila
PTR No. 10074177; 1/02/2024 Makati
MCLE Compliance No. VII-0026220

DIGITAL TELECOMMUNICATIONS PHILS., INC. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

FINANCIAL STATEMENTS

Statement of Management's Responsibility for Financial Statements
Independent Auditors Report
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(With Comparative Figures as at December 31, 2022)
Statement of Comprehensive Income for the Year Ended December 31, 2023
(With Comparative Figures for the Years Ended December 31, 2022 and 2021)
Statement of Changes in Equity for the Year Ended December 31, 2023
(With Comparative Figures for the Years Ended December 31, 2022 and 2021)
Statement of Cash Flows for the Year Ended December 31, 2023
(With Comparative Figures for the Years Ended December 31, 2022 and 2021)
Notes to Consolidated Financial Statements

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C. Amounts Receivable from Related Parties which are eliminated during the consolidation of Financial Statements
D. Intangible Assets (not applicable)
E. Long-Term Debt (not applicable)
F. Indebtedness to Related Parties
G. Capital Stock
H. Reconciliation of Retained Earnings Available for Dividend Declaration
I. Map of Relationships of the Companies within the Group
J. Financial Soundness Indicator

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0	0	0	0	1	4	5	1	1	1	

C O M P A N Y   N A M E

DIGITAL TELECOMMUNICATIONS PHILS., INC. AND SUBSIDIARIES (A Subsidiary of PLDT INC.)

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

8003-A MATALINO ST.
DILIMAN, QUEZON CITY
METRO MANILA

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	SEC	NA

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
Digitel_phil@pldt.com.ph	–	09285590433

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
4,928	Last Monday of May	12/31

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
Jerone H. Tabanera	jhtabanera@pldt.com.ph	–	0908-8867630

CONTACT PERSON's ADDRESS

19^{th} Floor, Smart Tower, Ayala Avenue, Makati City

NOTE 1 : *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.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

DIGITEL

DIGITAL TELECOMMUNICATIONS PHILIPPINES INC.

"STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS"

The management of Digital Telecommunications Phils., Inc. and Subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2023 and 2022, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

Sycip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signed under oath by the following:

Manuel V. Pangilinan
Chairman/President and Chief Executive Officer

Jerone H. Tabanera
Chief Financial Officer

Signed this 27th day of March 2024

APR 12 2024

SUBSCRIBED AND SWORN to before me this ____ of _______ 2024 affiants exhibiting to me their Passport, as follows:

Name	Passport No.	Date of Expiry	Place of Issue
Manuel V. Pangilinan	P9969361A	December 17, 2028	DFA, NCR East
Jerone H. Tabanera	P8437236B	December 12, 2031	DFA, Manila

Doc. No. 408;
Page No. 83;
Book No. 25;
Series of 2024

ATTY. POMPEYO P. MAYNIGO
Commission No. M-339
Notary Public for Makati City
Until December 31, 2024
LG-04 Cityland Herrera Tower, V.A. Rufino St., Corner Valero St., Salcedo Village, Makati City
Roll of Attorney's No. 37891
IBP No. 387967; 1/02/2024 Manila
PTR No. 10074177; 1/02/2024 Makati
MCLE Compliance No. VII-0026220

SGV
Building a better
working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Digital Telecommunications Phils., Inc.
Ground Floor, Universal Tower Building
1487 Quezon Avenue, West Triangle, Quezon City

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Digital Telecommunications Phils., Inc. and its subsidiaries (a subsidiary of PLDT Inc.) (the Group), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of comprehensive income, consolidated statements of changes in capital deficiency and consolidated statements of cash flows for each of the three years in the period ended December 31, 2023, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and 2022, and its consolidated financial performance and its cash flows for each of the three years in the period ended December 31, 2023 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The other information obtained at the date of the auditor's report is the SEC Form 17-A for the year ended December 31, 2023. Management is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audits, or otherwise appears to be materiality misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinion on the consolidated financial statements. We are responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

The engagement partner on the audit resulting in this independent auditor's report is Jay Loren C. Malig-Castañeda.

SYCIP GORRES VELAYO & CO.

Jay Loren M. Castañeda

Jay Loren C. Malig-Castañeda
Partner
CPA Certificate No. 116355
Tax Identification No. 238-767-502
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-152-2024, February 27, 2024, valid until February 26, 2027
PTR No. 10079915, January 5, 2024, Makati City

March 27, 2024

DIGITAL TELECOMMUNICATIONS PHILS., INC. AND SUBSIDIARIES
(A Subsidiary of PLDT Inc.)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2023	2022
	(In millions)	
ASSETS		
Noncurrent Assets		
Investment properties *(Note 23)*	**₱55**	₱55
Property and equipment *(Note 7)*	**–**	1
Right-of-use (ROU) assets *(Note 8)*	**560**	345
Investment in perpetual notes *(Notes 10, 21, 22 and 23)*	**1,523**	1,293
Deferred income tax assets – net *(Note 5)*	**1**	15
Other noncurrent assets *(Notes 11, 22 and 23)*	**424**	395
Total Noncurrent Assets	**2,563**	2,104
Current Assets		
Cash and cash equivalents *(Notes 12, 22 and 23)*	**120**	120
Trade and other receivables *(Notes 13, 21, 22 and 23)*	**2,272**	1,965
Inventories *(Note 14)*	**–**	–
Other current assets *(Note 15)*	**99**	148
	2,491	2,233
Assets classified as held-for-sale *(Notes 8)*	**167**	130
Total Current Assets	**2,658**	2,363
TOTAL ASSETS	**₱5,221**	₱4,467
CAPITAL DEFICIENCY AND LIABILITIES		
Capital Deficiency		
Capital stock	**₱2,614**	₱2,614
Additional paid-in capital	**2,201**	2,201
Equity reserve	**(1,831)**	(1,831)
Deficit	**(15,453)**	(16,971)
Total Capital Deficiency *(Notes 1 and 16)*	**(12,469)**	(13,987)
Noncurrent Liabilities		
Deferred income tax liabilities – net *(Note 5)*	**2**	3
Lease liabilities – net of current portion *(Note 8)*	**323**	339
Asset retirement obligation *(Note 17)*	**210**	226
Total Noncurrent Liabilities	**535**	568
Current Liabilities		
Trade and other payables *(Notes 18, 21, 22 and 23)*	**16,511**	17,505
Lease liabilities *(Note 8)*	**282**	42
Income tax payable	**199**	192
	16,992	17,739
Liabilities associated with assets classified as held-for-sale *(Notes 8)*	**163**	147
Total Current Liabilities	**17,155**	17,886
Total Liabilities	**17,690**	18,454
TOTAL CAPITAL DEFICIENCY AND LIABILITIES	**₱5,221**	₱4,467

See accompanying Notes to Consolidated Financial Statements.

DIGITAL TELECOMMUNICATIONS PHILS., INC. AND SUBSIDIARIES
(A Subsidiary of PLDT Inc.)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the Years Ended December 31		
	2023	2022	2021
	(In millions, except earnings per share amounts)		
REVENUES			
Revenues from contracts with customers *(Notes 19 and 21)*	**₱7,106**	₱7,203	₱7,612
Nonservice revenues *(Note 19)*	**–**	–	–
	7,106	7,203	7,612
COSTS AND EXPENSES			
Professional and other contracted services *(Note 21)*	**1,772**	1,774	1,872
Repairs and maintenance	**958**	1,161	998
Royalty expense *(Note 21)*	**353**	354	370
Depreciation *(Notes 7 and 8)*	**309**	288	607
Taxes and licenses	**174**	108	101
Rent *(Notes 8, 21 and 24)*	**66**	155	185
Compensation and employee benefits *(Notes 19 and 20)*	**1**	1	76
Other expenses	**1**	33	14
	3,634	3,874	4,223
	3,472	3,329	3,389
OTHER INCOME (EXPENSES)			
Gain on sale of telecom towers *(Note 7)*	**661**	3,508	–
Gains (losses) on fair value change on perpetual notes *(Note 10)*	**230**	(2,098)	(358)
Distribution income on perpetual notes *(Notes 10 and 21)*	**191**	258	281
Rental income	**5**	13	66
Interest income *(Note 12)*	**2**	3	1
Gains on disposal of fixed assets	**1**	1	1
Financing costs – net *(Notes 4, 8, 19 and 25)*	**(60)**	(55)	(94)
Reversal of long outstanding accruals *(Note 18)*	**–**	1,144	1,667
Other income – net *(Note 19)*	**7**	289	433
	1,037	3,063	1,997
INCOME BEFORE INCOME TAX	**4,509**	6,392	5,386
PROVISION FOR INCOME TAX *(Note 5)*	**732**	1,197	809
NET INCOME *(Notes 1, 4 and 6)*	**3,777**	5,195	4,577
OTHER COMPREHENSIVE INCOME (LOSS)			
Items not to be reclassified to profit or loss in subsequent years:			
Remeasurement gain on defined benefit obligation – net of tax *(Notes 16 and 20)*	**–**	–	27
TOTAL COMPREHENSIVE INCOME	**₱3,777**	₱5,195	₱4,604
Earnings per Share *(Notes 4* and *6)*	**₱0.14**	₱0.20	₱0.18

See accompanying Notes to Consolidated Financial Statements.

DIGITAL TELECOMMUNICATIONS PHILS., INC. AND SUBSIDIARIES
(A Subsidiary of PLDT Inc.)

CONSOLIDATED STATEMENTS OF CHANGES IN CAPITAL DEFICIENCY
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021

	Capital Stock *(Note 16)*	Additional Paid-in Capital *(Note 16)*	Equity Reserve *(Note 16)*	Other Comprehensive Income (Loss) *(Note 16)*	Retained Earnings (Deficit) *(Note 16)*		Total Capital Deficiency *(Note 1)*
					Appropriated	Unappropriated	
				(In millions, except per share amounts)			
Balances as at January 1, 2023	**₱2,614**	**₱2,201**	**(₱1,831)**	**₱–**	**₱5,000**	**(₱21,971)**	**(₱13,987)**
Net income	–	–	–	–	–	**3,777**	**3,777**
Other comprehensive gain	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	–	**3,777**	**3,777**
Cash dividends declared – ₱0.0864 per share *(Note 16)*	–	–	–	–	–	**(2,259)**	**(2,259)**
Balances as at December 31, 2023	**₱2,614**	**₱2,201**	**(₱1,831)**	**₱–**	**₱5,000**	**(₱20,453)**	**(₱12,469)**
Balances as at January 1, 2022	₱2,614	₱2,201	(₱1,831)	₱–	₱5,000	(₱24,029)	(₱16,045)
Net income	–	–	–	–	–	5,195	5,195
Other comprehensive gain	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	–	5,195	5,195
Cash dividends declared – ₱0.12 per share *(Note 16)*	–	–	–	–	–	(3,137)	(3,137)
Balances as at December 31, 2022	₱2,614	₱2,201	(₱1,831)	₱–	₱5,000	(₱21,971)	(₱13,987)
Balances as at January 1, 2021	₱2,614	₱2,201	(₱1,831)	(₱89)	₱5,000	(₱28,022)	(₱20,127)
Net income	–	–	–	–	–	4,577	4,577
Other comprehensive gain	–	–	–	27	–	–	27
Total comprehensive income	–	–	–	27	–	4,577	4,604
Transfer of pension	–	–	–	62	–	(82)	(20)
Cash dividends declared – ₱0.0192 per share *(Note 16)*	–	–	–	–	–	(502)	(502)
Balances as at December 31, 2021	₱2,614	₱2,201	(₱1,831)	₱–	₱5,000	(₱24,029)	(₱16,045)

See accompanying Notes to Consolidated Financial Statements.

DIGITAL TELECOMMUNICATIONS PHILS., INC. AND SUBSIDIARIES
(A Subsidiary of PLDT Inc.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31		
	2023	2022	2021
		(In millions)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱4,509**	₱6,392	₱5,386
Adjustments for:			
Depreciation *(Notes 7 and 8)*	**309**	288	607
Accretion on:			
Lease liabilities *(Notes 8, 19 and 25)*	**60**	55	94
Asset retirement obligation *(Note 17)*	**5**	4	7
Losses (gains) on lease modification *(Note 19)*	**8**	(59)	–
Interest income *(Note 12)*	**(2)**	(3)	(1)
Gain on:			
Disposal of fixed assets	**(1)**	(1)	(1)
Foreign exchange *(Note 22)*	**(1)**	–	(4)
Adjustment of asset retirement obligation *(Notes 17 and 19)*	**(33)**	(93)	(28)
Sale of telecom towers	**(661)**	(3,508)	–
Sale of investment in associates *(Note 9)*	–	–	(32)
Distribution income on perpetual notes *(Note 10)*	**(191)**	(258)	(281)
Losses (gains) on fair value change on perpetual notes *(Note 10)*	**(230)**	2,098	358
Reversal of long outstanding accruals *(Note 18)*	–	(1,144)	(1,667)
Asset impairment *(Notes 13, 14, 15 and 19)*	–	29	4
Reversal of prior year provision	–	–	(1)
Pension benefit costs (savings) *(Notes 19 and 20)*	–	–	(17)
Equity share in net earnings of associates *(Note 9)*	–	–	(33)
Others	**(10)**	1	(2)
Operating income before changes in assets and liabilities	**3,762**	3,801	4,389
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Trade and other receivables	**3,103**	1,797	(1,286)
Other current assets	**(314)**	(286)	(86)
Increase (decrease) in:			
Trade and other payables	**(3,248)**	(9,194)	(2,116)
Other noncurrent liabilities	**(16)**	–	–
Net cash flows generated from (used in) operations	**3,287**	(3,882)	901
Income taxes paid	**(612)**	(1,086)	(482)
Contribution / benefits paid *(Note 20)*	–	–	(14)
Net cash flows from provided by (used in) operating activities	**2,675**	(4,968)	405
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from:			
Disposal of fixed assets *(Note 7)*	**662**	3,509	2
Distribution of perpetual notes *(Note 10)*	**191**	258	281
Interest received	**2**	3	1
Partial redemption of perpetual notes *(Note 10)*	–	1,500	–
Sale of investment in associates	–	–	307
Payments for:			
Settlement of asset retirement obligation	–	–	(20)
Decrease (increase) in advances and other noncurrent assets	**(30)**	2	(22)
Net cash flows provided by investing activities	**825**	5,272	549

(Forward)

	For the Years Ended December 31		
	2023	2022	2021
		(In millions)	
CASH FLOWS USED IN FINANCING ACTIVITIES			
Payments for:			
Interest charged on lease liabilities *(Notes 4, 8, 19 and 25)*	**(₱60)**	(₱55)	(₱94)
Principal portion of lease liabilities *(Note 8)*	**(228)**	(304)	(434)
Cash dividends *(Note 16)*	**(3,212)**	–	(502)
Cash flows used in financing activities	**(3,500)**	(359)	(1,030)
NET EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**–**	1	–
NET DECREASE IN CASH AND CASH EQUIVALENTS	**–**	(54)	(76)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**120**	174	250
CASH AND CASH EQUIVALENTS AT END OF THE YEAR *(Note 12)*	**₱120**	₱120	₱174

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Company Background
Digital Telecommunications Phils., Inc. ("Digitel" or the "Parent Company") was incorporated in the Philippines on August 31, 1987 and registered with the Philippine Securities and Exchange Commission (Philippine SEC) and was enfranchised to provide domestic and international telecommunications services nationwide.

The Parent Company was granted a legislative franchise under Republic Act (RA) No. 7678 to install, operate and maintain telecommunications systems throughout the Philippines and for other purposes. The franchise expired on February 17, 2019 and was not renewed.

The Parent Company's registered office address is located at 8003-A Matalino Street, Diliman, Quezon City.

The consolidated financial statements include the accounts of the Parent Company and the following wholly-owned subsidiaries (collectively referred to as the "Group"):

- Digitel Mobile Phils., Inc. (DMPI), which was incorporated in the Philippines and enfranchised under Republic Act (RA) No. 9180 to construct, install, establish, operate and maintain wire and/or wireless telecommunications systems throughout the Philippines.

- Digitel Information Technology Services, Inc. (DITSI), which was incorporated in the Philippines to provide internet access and high-speed data transmission to corporate and individual customers. DITSI, however, became dormant following the decision of the Board of Directors (BOD) on March 12, 2002 to integrate its operations into the Parent Company. On March 5, 2012, the BOD approved the closure of DITSI through the shortening of its corporate life until June 30, 2013. The final dissolution will take place after the approval of DITSI's application with the Philippine SEC. As at March 27, 2024, DITSI has yet to file with the Philippine SEC its application for dissolution.

On December 11, 2002, R.A. No. 9180 was signed into law, and it granted DMPI a franchise to construct, install, establish, operate and maintain wired and/or wireless telecommunications systems throughout the Philippines.

On August 28, 2003, the National Telecommunications Commission (NTC) approved the assignment and transfer to DMPI of the Provisional Authorities (PAs) granted to the Parent Company to construct, install, operate and maintain a nationwide Cellular Mobile Telephone System (CMTS) using Global System for Mobile (GSM) technology. On June 4, 2008, NTC granted DMPI a Certificates of Public Convenience and Necessity (CPCN) to operate and maintain a nationwide CMTS, for a period coterminous with the life of DMPI's existing franchise under RA No. 9180.

On December 28, 2005, the NTC awarded a third generation (3G) frequency assignment to DMPI after finding it legally, financially and technically qualified to undertake 3G services. On January 3, 2006, DMPI confirmed its 3G bandwidth allocation with the NTC.

<u>Sun Prepaid Rebranding to Smart Prepaid</u>
On October 21, 2020, DMPI and Smart Communications, Inc. (Smart) entered into a Rebranding Agreement wherein the Sun Prepaid subscribers were rebranded as Smart Prepaid subscribers. The brand consolidation under Smart aims to strengthen market position, achieve cost-efficiency and capitalize on Smart's robust mobile data network to provide superior mobile data to all Sun subscribers.

Post-rebranding, the ownership of Sun Prepaid subscribers remains under DMPI. Under the terms of the agreement, Smart settles a fixed fee representing DMPI's proportionate share on the distributed subscriber revenues. Other intercompany arrangements as a result of this arrangement are disclosed in *Note 21 – Related Party Transactions.*

<u>Status of Operations</u>
The Parent Company's legislative franchise to install, operate and maintain telecommunications systems throughout the Philippines and for other purposes has expired on February 17, 2019 and was not renewed due to the full migration of its subscribers to PLDT in January 2018 by virtue of the terms of the sale of subscription assets executed with PLDT on July 1, 2013. The Financial Lease Agreement (FLA) which was also executed to cover PLDT's use of the Parent Company's network was terminated in November 2018. Management is currently assessing the business direction of the Parent Company moving forward. Meanwhile, PLDT has committed to provide financial support to Parent Company to discharge its liabilities and as the need arises. On the other hand, DMPI's legislative franchise is still in effect up to April 1, 2028. The Group will continue to operate its Wireless business under DMPI.

The Group has incurred capital deficiency of ₱12,469 million and ₱13,987 million as at December 31, 2023 and 2022, respectively (see *Note 16 – Equity*). The Group's capital deficiency is the result of the following noncash and one-off events, which have no material adverse impact on the underlying business and prospects of the Group:

a. Net loss amounting to ₱64,829 million in 2011 due to the effect of one-time, nonrecurring charges amounting to ₱59,947 million comprised of the following: (i) the impairment of network assets arising from the impact of fast-paced technology advances on current replacement costs; (ii) accelerated depreciation for certain specific network assets for decommissioning and for upgrade to newer technology; (iii) provisions; and (iv) losses arising from the modification of convertible and exchangeable bonds.

b. Net loss amounting to ₱1,945 million in 2015 due to the effect of the impairment of property and equipment amounting to ₱5,789 million, which pertains to the net book value of network assets affected by the network convergence program between DMPI and Smart.

The Group is working together with PLDT and Smart, to extend the network coverage and improve operating efficiencies that would translate into more relevant and cost-effective service offerings to the Group's wireless subscribers.

In 2023, 2022 and 2021, the Group also reported net income amounting to ₱3,777 million, ₱5,195 million and ₱4,577 million, respectively, arising primarily from the prepaid cellular operations of the Wireless business. Management continues to adopt the following measures to address the capital deficiency: (i) review of business portfolio to enhance earnings streams, (ii) application of cost-saving measures to reduce operating costs; and (iii) implementation of operating synergy with Smart.

Notwithstanding the Group's capital deficiency as at December 31, 2023 and 2022, the Group's current liabilities exceeded its current assets by ₱14,497 million and ₱15,523 million as at December 31, 2023 and 2022, respectively. The major existing liabilities as at December 31, 2023 and 2022 are the advances due to PLDT amounting to ₱13,114 million and ₱13,160 million, respectively. PLDT has committed to provide financial support to the Parent Company to discharge its liabilities as the need arises.

The accompanying consolidated financial statements have been prepared on a going concern basis on the assumption that the assets can be realized, and liabilities can be settled in the normal course of business.

Authorization to Issue Consolidated Financial Statements
The accompanying consolidated financial statements as at December 31, 2023 and 2022, and for the years ended December 31, 2023, 2022 and 2021 were approved and authorized for issuance by the BOD on March 27, 2024.

2. Summary of Material Accounting Policies

Statement of Compliance and Basis of Preparation
The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The Parent Company files its separate financial statements with the Philippine SEC and Bureau of Internal Revenue (BIR). The consolidated financial statements of the Group have been prepared under the historical cost basis except for the financial instruments at fair value through profit or loss, or FVPL.

The financial statements of the Group are presented in Philippine Peso (₱) and all values are rounded to the nearest million, except when otherwise indicated. The functional and presentation currency of the Parent Company and its subsidiaries is the Philippine Peso (₱).

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported total consolidated comprehensive income for the year ended December 31, 2022.

The financial statements of the Group are presented in Philippine Peso (₱) and all values are rounded to the nearest million, except when otherwise indicated. The functional and presentation currency of the Parent Company and its subsidiaries is the Philippine Peso (₱).

The consolidated financial statements provide comparative information in respect of the previous periods, except as permitted by the transitional provisions of the new standards and amendments, effective January 1, 2023.

Basis of Consolidation
The consolidated financial statements include the financial statements of the Parent Company and its wholly-owned subsidiaries as at December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtained control, and continue to be consolidated until the date that such control ceases. The Group controls an investee when the Group is exposed, or has rights, to variable returns from their involvement with the investee and when the Group has the ability to affect those returns through the Group's power over the investee.

Amended Standards

The accounting policies adopted are consistent with those of the previous financial year, except the Group have adopted the following new and amended standards starting January 1, 2023. The adoption of these new and amended standards did not have significant impact on the Group's financial position or performance.

- Amendments to PAS 1, *Presentation of Financial Statements* and PFRS Practice Statement 2, *Making Materiality Judgments – Disclosure of Accounting Policies*

  The amendments provide guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

  a) Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies; and

  b) Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

  The amendments to the Practice Statement provide non-mandatory guidance.

  The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the consolidated financial statements.

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*

  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

  The amendments have no significant impact on the Group's consolidated financial statements.

- Amendments to PAS 12, *Income Taxes, Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction*

  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

  The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgment (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the consolidated financial statements (and interest expense) or to the related asset component (and interest expense).

  The amendments have no significant impact on the Group's consolidated financial statements.

- Amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules*

  The amendments to PAS 12 have been introduced in response to the Organization for Economic Cooperation and Development's (OECD) Based Erosion Profit Shifting (BEPS) Pillar Two rules and include:

  - A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

  The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception, applies immediately and retrospectively upon adoption of the amendments in June 2023.

  Meanwhile, the disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after 1 January 2023.

  The Pillar Two Model Rules apply to multinationals enterprises (MNEs) with annual consolidated revenues in excess of Euro 750 million. The Group is in scope for Pillar Two Model Rules. However, it has yet to apply the temporary exception in PAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes in 2023 because the Group's entities are operating in jurisdictions in which the Pillar Two legislation has not yet been enacted or substantially enacted. The Group is monitoring developments in the enactment of these legislations. The Group will disclose known or reasonably estimable information that will help users of the Group's financial statements understand the Group's exposure to Pillar Two income taxes in which Pillar Two legislation has been enacted or substantially enacted, and will disclose separately Pillar Two current tax expense or income, when it is in effect.

Summary of Material Accounting Policies
The following is the summary of material accounting policies the group applied in preparing the group's consolidated financial statements. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Foreign Currency Transactions and Translations
The functional and presentation currency of the Group is the Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which the Group operates. This is also the currency that mainly influences the revenue from and cost of rendering products and services. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by entities under the Group at the respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rate of exchange prevailing at the end of the reporting period. All differences arising on settlement or translation of monetary items are recognized in the consolidated statement of comprehensive income except for foreign exchange differences that qualify as capitalizable borrowing costs for qualifying assets.

Foreign exchange gains or losses of the Parent Company and its Philippine-based subsidiaries are treated as taxable income or deductible expenses in the period such exchange gains or losses are realized.

Investment Properties
Investment properties are measured initially at cost, including direct transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time the cost is incurred, if the recognition are met, and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at cost less any impairment in value.

Property and Equipment
Property and equipment, is stated at cost less accumulated depreciation and any accumulated impairment losses. The initial cost of property and equipment comprises of its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the property and equipment to its working condition and location for its intended use. Such cost includes the cost of replacing component parts of the property and equipment, if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, the cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied.

Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally recognized as expense in the year such costs are incurred. In situations when it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of the property and equipment.

Depreciation commences once the property and equipment are available for use and are calculated on a straight-line basis over the estimated useful lives of the assets. As at December 31, 2023 and 2022 the estimated useful lives used in depreciating property and equipment are estimated as follow:

Asset Class	Useful Lives
Cable and wire facilities	10-15 years
Cellular facilities	3-10 years
Buildings and improvements	25 years
Vehicles, furniture and work equipment	3-5 years

Leasehold improvements (included in “Buildings and improvements” account above) are amortized over three years or the corresponding lease term, whichever is shorter.

The residual values estimated useful lives, and methods of depreciation are reviewed at least at each financial year-end to ensure that the periods and methods of depreciation are consistent with the expected pattern of transfer of economic benefits from the items of property and equipment and adjusted prospectively, if appropriate.

Fully depreciated assets are retained in the accounts until these are no longer in use and no further depreciation is credited or charged to operations. The residual values estimated useful lives, and methods of depreciation are reviewed at least at each financial year-end and adjusted prospectively, if appropriate.

An item of property and equipment and any significant part initially recognized are derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is derecognized.

Property under construction is stated at cost less any accumulated impairment losses. This includes cost of construction, capitalizable borrowing costs, and other direct costs associated to construction. Property under construction is not depreciated until such time that the relevant property and equipment are completed and available for their intended use.

Property under construction is transferred to the related property and equipment when the construction or installation and related activities necessary to prepare the property and equipment for their intended use have been completed, and the property and equipment are ready for commercial service.

Leases

The Group assesses at contract inception whether the contract is or contains a lease that is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration.

As a Lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and ROU assets representing the right to use the underlying assets.

ROU assets

The Group recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received. Unless it is reasonably certain that the Group obtains ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. ROU assets are subject to impairment. Refer to the accounting policies in impairment of non-financial assets section.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised and payments of penalties for terminating a lease, if the lease term reflects exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate (IBR) at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term ending within 12 months or less from the commencement date and do not contain a purchase option). The Group also applies the lease of low-value assets recognition exemption to leases that are considered of low value (i.e., below ₱250 thousand). Lease payments on short-term leases and leases of low-value assets are recognized as expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

As a lessor
Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income is accounted for on a straight-line basis over the least term and is included in revenue in the statement of comprehensive income due to its operating nature. Initial direct cost incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the bases as rental income.

Asset Retirement Obligations
The Group is legally required under various lease agreements to dismantle the installation in the leased sites and restore such sites to their original condition at the end of the lease contract term. The Group recognizes the liability measured at the present value of the estimated costs of these obligations and capitalizes such costs as part of the balance of the related item of property and equipment. The amount of asset retirement obligation is accreted, and such accretion is recognized as expense. The estimated future costs of dismantling are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the costs of the related item of property and equipment, provided that the amount deducted from the cost of the asset shall not exceed its carrying amount, otherwise the excess shall be recognized in the Group's consolidated statement of comprehensive income.

The present value of the estimated costs of these obligations for new lease agreements were capitalized as part of the balance of the related ROU assets. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the costs of the related ROU asset, provided that the amount deducted from the cost of the asset shall not exceed its carrying amount, otherwise the excess shall be recognized in the Group's consolidated statement of comprehensive income

Other Noncurrent Assets
Other noncurrent assets comprise mostly of refundable security deposits, which represent deposits made on leases arising from normal business activities of the Group that are refundable at the end of the lease term.

Impairment of Non-financial Assets
The Group assesses at each reporting period whether there is an indication that an asset may be impaired. If any such indication exists, or when the annual impairment testing for an asset is required, the Group makes an estimate of the assets' recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. Impairment losses are recognized in the consolidated statement of comprehensive income.

For assets excluding goodwill and other intangible asset with indefinite useful life, an assessment is made at each reporting period to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group makes an estimate of the asset's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income. After such reversal, the depreciation charges are adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining economic useful life.

The following assets have specific characteristics for impairment testing:

Investment properties, property and equipment and ROU assets
The Group assesses for impairment on the basis of impairment indicators such as evidence of internal obsolescence or physical damage and significant changes with an adverse effect on the Group in the extent to which, or manner in which, an item of investment properties and property and equipment is used or is expected to be used (see *Note 3 – Management's Use of Accounting Judgments, Estimates and Assumptions – Impairment of Non-financial Assets*, *Note 7 – Property and Equipment* and *Note 8 – Leases* for further disclosures).

Investments in Associates
The Group determines at the end of each reporting period whether there is any objective evidence that the investments in associates are impaired. If this is the case, the amount of impairment is calculated as the difference between the recoverable amount of the investment in associate and its carrying amount. The amount of impairment loss is recognized in the Group's consolidated statement of comprehensive income (see *Note 9 – Investments in Associates*).

<u>Assets classified as Held-for-Sale</u>
The Group classify assets as assets classified as held-for-sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Assets classified as held-for-sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense. The criteria for held-for-sale classification is regarded as met only when the sale is highly probable, and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification. Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held-or-sale. Assets and liabilities classified

as held for sale are presented separately as current items in the consolidated statement of financial position. Additional disclosures are provided in *Note 7 – Property and Equipment – Sale of Telecom Towers* and *Note 8 – Leases*. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

Financial Instruments

Financial Instruments – Initial recognition and subsequent measurement

Classification of financial assets
Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Group business model for managing the financial assets.

The Group classifies financial assets into the following measurement categories:

- financial assets measured at amortized cost;
- financial assets measured at FVPL;
- financial assets measured at fair value through other comprehensive income (FVOCI), where cumulative gains or losses previously recognized are reclassified to profit or loss; and
- financial assets measured at FVOCI, where cumulative gains or losses previously recognized are not reclassified to profit or loss.

Contractual cash flows characteristics
In order for the Group to identify the measurement of its debt financial assets, a solely payments of principal and interest (SPPI) test needs to be initially performed in order to determine whether the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Once a debt financial asset passed the SPPI test, business model assessment, which identifies the Group's objective of holding the financial assets – hold to collect or hold to collect and sell, will be performed. Otherwise, if the debt financial asset failed the test, such will be measured at FVPL.

In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

Business model
The Group's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument.

The Group's business model refers to how it manages its financial assets in order to generate cash flows. The Group's business model determines whether cash flows will result from collecting contractual cash flows, collecting contractual cash flows and selling financial assets or neither.

Financial assets at amortized cost
A financial asset is measured at amortized cost if: (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the effective interest rate (EIR) method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in "Interest income" account in the Group's consolidated statement of comprehensive income and is calculated by applying the EIR to the gross carrying amount of the financial asset, except for (i) purchased or originated credit-impaired financial assets and (ii) financial assets that have subsequently become credit-impaired, where, in both cases, the EIR is applied to the amortized cost of the financial asset. Losses arising from impairment are recognized in "Asset impairment" account in the Group's consolidated statements of comprehensive income.

The Group's financial assets at amortized cost include cash and cash equivalents, trade and other receivables and refundable security deposits as at December 31, 2023 and 2022 (see *Note 11 – Other Noncurrent Assets, Note 12 – Cash and Cash Equivalents, Note 13 – Trade and Other Receivables, Note 15 – Other Current Assets* and *Note 21 – Related Party Transactions*).

Financial assets at FVPL
A financial asset at FVPL is measured at fair value. Included in this classification are derivative financial assets, equity investments held for trading and debt instruments with contractual terms that do not represent solely payments of principal and interest. Financial assets held at FVPL are initially recognized at fair value, with transaction costs recognized in the consolidated statement of comprehensive income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the consolidated statement of comprehensive income.

Additionally, even if the asset meets the amortized cost or the FVOCI criteria, the Group may choose at initial recognition to designate the financial asset at FVPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets on a different basis.

The Group's investment in perpetual notes is classified under this category (see *Note 10 – Investment in Perpetual Notes*).

Classification of financial liabilities
Financial liabilities are measured at amortized cost, except for the following:

- financial liabilities measured at FVPL;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Group retains continuing involvement;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in accordance with PFRS 3.

A financial liability may be designated at FVPL if it eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) or:

- if a host contract contains one or more embedded derivatives; or

- if a group of financial liabilities or financial assets and liabilities is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at FVPL, the movement in fair value attributable to changes in the Group's credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income.

The Group has no financial liability at FVPL as at December 31, 2023 and 2022.

Other Financial Liabilities
Financial liabilities are classified in this category if they are not held for trading or not designated at FVPL upon the inception of the liability. Other financial liabilities are initially recognized at fair value of the consideration received less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any related issue costs, discount or premium. Gains and losses are recognized in profit or loss when the liabilities are derecognized, as well as through the amortization process.

The Group's other financial liabilities include trade and other payables (except for accrued taxes and licenses, unearned income and statutory payables), and lease liabilities as at December 31, 2023 and 2022 (see *Note 8 – Leases, Note 18 – Trade and Other Payables* and *Note 21 – Related Party Transactions*).

Reclassifications of financial instruments
The Group reclassifies financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Group and any previously recognized gains, losses or interest shall not be restated. The Group does not reclassify its financial liabilities.

The Group does not reclassify its financial assets when:

- A financial asset that was previously designated and as effective hedging instrument in a cash flow hedge or net investment hedge no longer qualifies as such;
- A financial asset becomes a designated and effective hedging instrument in a cash flow hedge or net investment hedge; and
- There is a change in measurement on credit exposures measured at FVPL.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset, and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Amortized cost of financial instruments
Amortized cost is computed using the EIR method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of EIR.

"Day 1" Difference
When the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique in which variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the consolidated statement of comprehensive income unless it qualifies for recognition as some other type of asset or liability. In cases where data used are not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference amount.

Impairment of Financial Assets
The Group recognizes ECL for debt instruments that are measured at amortized cost and FVOCI. No ECL is recognized on equity investments.

ECLs are measured in a way that reflects the following:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

Stage 1: 12-month ECL – not credit-impaired
For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.

Stage 2: Lifetime ECL – not credit-impaired
For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

Stage 3: Lifetime ECL – credit-impaired
Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted EIR to the amortized cost of the financial asset.

Loss allowances
Loss allowances are recognized based on 12-month ECL for debt investment securities that are assessed to have low credit risk at the reporting date. A financial asset is considered to have low credit risk if:

- the financial instrument has a low risk of default;
- the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term; and

- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the counterparty to fulfill its contractual cash flow obligations.

The Group considers a debt instruments to have a low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade', or when the exposure is less than 30 days past due.

The loss allowance recognized in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stage 2 and 3 due to the financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and lifetime ECL;
- Additional allowances for new financial instruments recognized during the period, as well as releases for financial instruments derecognized in the period;
- Impact on the measurement of ECL due to changes in probability of defaults, or PDs, loss given defaults, or LGDs, and exposure at defaults, or EADs, in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Unwinding of discount within ECL due to passage of time, as ECL is measured on a present value basis; and
- Financial assets derecognized during the period and write-offs of allowances related to assets that were written off during the period.

Write-off policy
The Group writes-off a financial asset measured at amortized cost, in whole or in part, when the asset is considered uncollectible, it has exhausted all practical recovery efforts and has concluded that it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. The Group writes off an account when all of the following conditions are met:

- the asset is in past due for over 90 days, or is already an item-in-litigation with any of the following:

    a. no properties of the counterparty could be attached
    b. the whereabouts of the client cannot be located
    c. it would be more expensive for the Group to follow-up and collect the amount, hence the Group have ceased enforcement activity, and
    d. collections can no longer be made due to insolvency or bankruptcy of the counterparty

- expanded credit arrangement is no longer possible;
- filing of legal case is not possible; and
- the account has been classified as "Loss".

Simplified approach
The simplified approach, where changes in credit risk are not tracked and loss allowances are measured at amounts equal to lifetime ECL, is applied to trade and other receivables. The Group has established a provision matrix for billed trade receivables and a vintage analysis for contract assets and unbilled trade receivables that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Derecognition of Financial Assets and Liabilities

Financial Assets
A financial asset (or where applicable, as part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- the rights to receive cash flows from the asset has expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either: (i) the Group has transferred substantially all the risks and rewards of the asset; or (ii) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a "pass-through" arrangement and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, a new asset is recognized to the extent of the Group's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of the consideration that the Group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of comprehensive income.

The financial liability is also derecognized when equity instruments are issued to extinguish all or part of the financial liability. The equity instruments issued are recognized at fair value if it can be reliably measured, otherwise, it is recognized at the fair value of the financial liability extinguished. Any difference between the fair value of the equity instruments issued and the carrying value of the financial liability extinguished is recognized in the consolidated statement of comprehensive income.

Fair Value Measurement
The fair values of financial instruments measured at amortized cost are disclosed in *Note 23 – Fair Value Measurement.*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (i) in the principal market for the asset or liability, or (ii) in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above (see *Note 23 – Fair Value Measurement*).

The Group recognizes transfers into and transfers out of fair value hierarchy levels as at the date of the event or change in circumstances that caused the transfer.

<u>Inventories</u>
Inventories, which include handsets, devices, terminal units and accessories, materials and spare parts, are valued at the lower of cost and net realizable value taking into account expected revenues from the sale of inventories and supplies.

Cost is determined using the weighted average method. Net realizable value is determined by either estimating the selling price in the ordinary course of the business, less the estimated cost to sell or determining the prevailing replacement costs.

Other Current Assets
This account includes input value-added tax (VAT) recognized on ordinary purchases of the Group. It also includes prepayments of various expenditures such as taxes, fees and licenses, rent, insurance, advertisements and promotions, and other expenses related to normal business activities of the Group. Prepayments are initially recognized at cost and amortized over the expected period of utilization.

Capital Stock
Capital stock is measured at par value for all shares issued.

Additional Paid-in Capital (APIC)
When the Parent Company issues shares in excess of par, the excess is recognized as APIC. Incremental costs incurred directly attributable to the issuance of new shares are treated as reduction of APIC.

Equity Reserve
Intercompany balances that are in the nature of equity are accounted for as equity transactions. Adjustments in the carrying amount of these equity advances resulting from common contract transactions are recognized under “Equity reserve” account in the consolidated statements of financial position.

Other Comprehensive Income (Loss)
Other comprehensive income (loss) comprises income and expense, including reclassification adjustments that are not recognized in profit or loss as required or permitted by other PFRS.

Deficit
Deficit represents cumulative net income (loss) less cumulative dividends declared, if any.

Earnings per Share (EPS)
Basic earnings per share amounts are calculated by dividing net income (loss) for the period by the weighted average number of common shares issued and outstanding during the period and adjusted to give retroactive effect to any stock dividends declared during the period.

For the purpose of computing diluted EPS, the net income (loss) for the period and the weighted average number of issued and outstanding common shares are adjusted for the effects of all dilutive potential common shares, if any.

The Group has no material dilutive potential common shares outstanding for the years ended December 31, 2023, 2022 and 2021; therefore, basic EPS is equal to the diluted EPS.

Provisions
Provisions are recognized when the Group has a present obligation, legal or constructive, as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of comprehensive income, net of any reimbursements. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Revenue Recognition
Revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration which the Group expects to be entitled to in exchange for those goods or services. PFRS 15, *Revenue from Contracts with Customers*, prescribes a five-step model to be followed in the recognition of revenue, wherein the Group takes into consideration the performance obligations which need to perform in the agreements the Group has entered into with the customers. Revenue is measured by allocating the transaction price, which includes variable considerations, to each performance obligation on a relative stand-alone selling price basis, taking into account contractually defined terms of payment and excluding VAT, or overseas communication tax, or OCT, where applicable. Transaction prices are adjusted for the effects of a significant component if the Group expects, at contract inception, that the period between the transfer of the promised goods or services to the customer and when the customer pays for that good or service will be more than one year.

When allocating the total contract transaction price to the identified performance obligations, a portion of the total transaction price may relate to service performance obligations which were not satisfied or are partially satisfied as of the end of the reporting period.

When determining the performance obligations, the Group assesses its revenue arrangements against specific criteria to determine if the Group is acting as principal or agent. The Group considers both the legal form and the substance of its agreement, to determine each party's respective roles in the agreement. The Group is acting as a principal when the Group has control over the specified goods or services before transferring or rendering those to customers. The Group is a principal and record revenue on a gross basis if it controls the promised goods or services before transferring them to the customer. However, if the Group's role is only to arrange for another entity to provide the goods or services, then the Group is an agent and will need to record revenue at the net amount that it retains for its agency services.

The disclosures of material accounting judgments, estimates and assumptions relating to revenue from contracts with customers are provided in *Note 3 – Management's Use of Accounting Judgments, Estimates and Assumptions*.

Service revenues
The Group's service revenues will be derived from settlement of a share in subscriber revenues of Smart. These are recognized monthly and are based on a fixed amount agreed upon by both parties. Such amount is presented as "Revenues from contracts with customers" in the consolidated statement of comprehensive income.

- Contract Balances

Trade receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Unearned income
The Group's unearned income represents its obligation to transfer goods and services to a customer for which the Group has already received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before transfer of goods or services, the Group recognized unearned income when the payment is made or when the payment is due, whichever is earlier. Unearned income is recognized as revenue when the Group performs the obligation stated in the contract.

Nonservice Revenues
Proceeds from sale of mobile devices, SIM cards/packs and other accessories are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. The related cost or NRV of mobile devices, SIM cards/packs and other accessories sold to customers is presented under "Cost of sales" account in the consolidated statement of comprehensive income.

Other Income

Rental Income
Revenue is recognized on a straight-line-basis over the lease term.

Interest Income
Interest income is recognized as it accrues on a time proportion basis taking into account the principal amount outstanding and the EIR.

Other Income
Other income is recognized when there is an incidental economic benefit, outside the normal course of business that will flow to the Group and can be measured reliably. This includes reversal of accruals, reimbursements from related parties, reversal of impairment on investment, gain on adjustment of asset retirement obligation and other miscellaneous income.

Cost and Expense Recognition
Costs and expenses are recognized in the period these are incurred.

VAT
Revenues, expenses and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statement of financial position. When input VAT exceeds output VAT, the excess is recognized as an asset in the consolidated statement of financial position to the extent of the recoverable amount.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of "Other current assets" or "Trade and other payables" account in the consolidated statement of financial position, as applicable.

Income Taxes

Current Income Tax
Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the end of the reporting period where the Group operates and generates taxable income.

Deferred Income Tax
Deferred income tax is provided using the balance sheet liability method on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the end of the reporting period.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

Segment Information
The Parent Company and its subsidiaries are organized into two business segments. Such business segments are the bases upon which Digitel Group reports its primary segment information. Financial information on business segments is presented in *Note 4 – Operating Segment Information*.

Events after the end of the Reporting Period
Post year-end events up to the date of approval of the BOD that provide additional information about the Group's financial position as at the end of the reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements if material.

Standards Issued But Not Yet Effective
The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the consolidated financial statements are listed below. The Group will adopt these new standards, and amendments to existing standards which are relevant to the Group when these become effective.

Effective beginning on or after January 1, 2024

- Amendments to PAS 7, *Statement of Cash Flows* and PFRS 7 *Financial Instruments: Disclosures, Supplier Finance Arrangements*

  The amendments clarified the characteristics of supplier finance arrangements which involve one or more finance providers paying amounts an entity owes to its suppliers. Different terms are used to describe these arrangements, such as supply chain finance, payables finance and reverse factoring arrangements. Arrangements that are solely credit enhancements for the entity. Similarly, instruments used to settle the amounts owed directly with a supplier, for example, credit cards, are not supplier finance arrangements on liabilities and cash flows, including:

  a. Terms and conditions

  b. Carrying amount of supplier finance arrangement financial liabilities and the line items in which those liabilities are presented

  c. Carrying amounts of financial liabilities and the line items, for which the finance providers have already settled the corresponding trade payables

  d. The range of payment due dates for financial liabilities owed to the finance providers and for comparable trade payables that are not part of those arrangements

  e. The type and effect of non-cash changes in the carrying amounts of supplier finance arrangement financial liabilities, which prevent the carrying amounts of the financial liabilities from being comparable

  The amendments are effective for annual reporting period beginning on or after January 1, 2024. The Group is currently assessing the impact the amendments will have on current practice.

- Amendments to PAS 1, Classification of Liabilities as Current or Noncurrent

  The amendments clarify paragraphs 69 to 76 of PAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

  - That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.

  - That classification is unaffected by the likelihood that an entity will exercise its deferral right.

  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively.

  The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- Amendments to PFRS 16*, Lease Liability in a Sale and Leaseback*

  The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.

  The amendments will have no significant impact on the Group's consolidated financial statements.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  1. A specific adaptation for contracts with participation features (the variable fee approach); and

  2. A simplified approach (the premium allocation approach) mainly for short-duration contracts.

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

The standard will have no significant impact on the Group's consolidated financial statements since the Group does not have insurance contracts.

3. Management's Use of Accounting Judgments, Estimates and Assumptions

The preparation of the accompanying consolidated financial statements in conformity with PFRS requires the Group to make certain judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent assets and contingent liabilities at the end of each reporting period. The uncertainties inherent in these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets or liabilities affected in the future years.

Judgments and estimate are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments, key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are consistent with those applied in the most recent annual consolidated financial statements.

<u>Judgments</u>
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Assessing existence of significant influence
PAS 28 provides that where an entity holds 20% or more of the voting power (directly or through subsidiaries) on an investee, it will be presumed that the investor has significant influence, unless it can be clearly demonstrated that this is not the case. If the ownership interest is less than 20%, the entity will be presumed not to have significant influence unless such influence can be clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an entity from having significant influence.

The existence of significant influence by an entity is usually evidenced in one or more of the following ways:

- Representation on the BOD or equivalent governing body of the investee;
- Participation in the policy-making process, including participation in decisions about dividends or other distributions;
- Material transactions between the entity and the investee;
- Interchange of managerial personnel; or
- Provision of essential technical information.

As at December 31, 2020, the Group assessed that it has significant influence over Asia Netcom Philippines Corporation (ANPC) and Digitel Crossing, Inc. (DCI) and has accounted these investments as investments in associates (see *Note 9 – Investments in Associates*). The Group is represented in the BOD and participates in the policy-making processes of the investee companies.

The Group has no control over ANPC despite owning more than half of the voting interest due to certain governance matters agreed with ANPC's other shareholders by which Digitel cannot unilaterally govern the financial and operating policies of ANPC.

On June 2, 2021, Digitel has fully divested from DCI and ANPC.

Determining whether the Group has joint control of an arrangement
A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group's investment in DCI does not qualify as an investment in joint venture as there is no provision for joint control in the joint venture agreement (JVA) among the Parent Company, Pacnet Network (Philippines), Inc. (PNPI), formerly Asia Global Crossing Ltd., and ANPC (see *Note 9 – Investments in Associates*).

Determining the lease term of contracts with renewal and termination options – Company as a Lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group, as the lessee, has the option, under some of the lease agreements to lease the assets for additional terms. The Group apply judgment in evaluating whether it is reasonably certain to exercise the option to renew. That is, the Group consider all relevant factors that create an economic incentive for us to exercise the renewal. After the commencement date, the Group reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., a change in business strategy).

The Group entered into several lease contracts that include an initial non-cancellable lease period of 10 years plus automatic extension options from year to year unless modified in writing by both the lessor and the Group. However, management did not impute the renewal period in the assessment of the lease terms of these contracts since said renewal period is not yet reasonably estimable at the time of transition or commencement date of the lease due to the relatively long-time horizon until the expiration of the initial non-cancellable lease period.

Assets classified as held-for-sale
The criteria for held-for-sale classification is regarded as met only when the sale is highly probable, and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. DMPI entered into sale and purchase agreements with certain tower companies in connection with the sale of telecom towers and related passive telecom infrastructure. The closing of the agreements will be on a staggered basis depending on the satisfaction of closing conditions based on the number of towers transferred and is expected to be completed in 2023 and 2024. With this agreement, management believes that certain conditions were

met that qualified the related assets to be reclassified as held-for-sale (see *Note 7 – Property and Equipment and Note 8 – Leases*).

Determination of whether the Group is acting as a principal or an agent
The Group assesses its revenue arrangements against specific criteria to determine whether it is acting as a principal or an agent. The Group considers both the legal form and substance of the agreement between the Group and its business partners to determine each party's respective roles in the agreement.

In evaluating whether the Group acts as a principal in a transaction, the Group determines whether it controls the services before they are transferred to customers, and that it has the ability to direct the use of the service. The following factors indicate that the Group has control over the service before they are transferred to customers. Therefore, the Group determined that it is a principal in these contracts.

- The Group has primary responsibility for fulfilling the promise to provide the specified service;
- The Group has inventory risk before the service has been transferred to the customer;
- The Group has discretion in establishing prices for the other party's services and, therefore, the benefit that the Group can receive from those services is not limited. It is incumbent upon the Group to establish the price of the services to be offered to its customers; and
- The Group's consideration in these contracts is the entire consideration billed to the customer.

If the Group has determined that it is acting as a principal, the Group recognizes revenue on a gross basis with the amount remitted to the other party being accounted for as part of costs and expenses.

If the Group has determined that it is acting as an agent, only the net amount retained is recognized as revenue.

Interconnection revenues are reported gross of the amounts due to other telecommunications operators. Interconnection charges billed to the Group are presented under "Interconnection costs" account in the consolidated statement of comprehensive income. This presentation is based on the Group's assessment that it is acting as a principal in all of its interconnection agreements with domestic and international carriers and roaming partners.

VAS revenues are reported net of content providers' share in revenue. This presentation is based on the Group's assessment that it is acting as an agent in all of its VAS agreements with content providers.

Financial Instruments

Definition of default and credit-impaired financial assets
The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- *Quantitative criteria*

  For trade receivables and all other financial assets subject to impairment, default occurs when the receivable becomes 90 days past due, except for trade receivables from subscribers, which are determined to be in default when the receivables become 120 days past due.

- *Qualitative criteria*

  The counterparty meets unlikeliness to pay criteria, which indicates the counterparty is in significant financial difficulty. These are instances where:

  a. The counterparty is experiencing financial difficulty or is insolvent;
  b. The counterparty is in breach of financial covenant(s);
  c. An active market for that financial assets has disappeared because of financial difficulties;
  d. Concessions have been granted by the Group, for economic or contractual reasons relating to the counterparty's financial difficulty;
  e. It is becoming probable that the counterparty will enter bankruptcy or other financial reorganization; and
  f. Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments, except FVPL, held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to the ECL models throughout the Group's expected loss calculation.

Significant increase in credit risk
At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

Using management's judgment and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that the Group considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the counterparty.

Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the Group's investment grade criteria, or which are less than 30 days past due, are considered to have a low credit risk. The provision for credit losses for these financial assets is based on a 12-month ECL.

Determining Taxable Profit, Tax Bases, Unused Tax Losses, Unused Tax Credits and Tax Rates
The Group assessed whether it has any uncertain tax positions and applies significant judgment in identifying uncertainties over its income tax treatments. The Group determined based on its assessment that it is probable that its income tax treatments (including those for the subsidiaries) will

be accepted by the taxation authorities. Accordingly, the interpretation did not have an impact on the consolidated financial statement of the Group.

Estimates and Assumptions
The key estimates and assumptions concerning the future and other key sources of estimation uncertainties at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are discussed below. The estimates and assumptions are based on the parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Leases – Estimating the IBR
In calculating the present value of lease payments, the Group uses the IBR at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The IBR is the rate of interest that a lessee would have to pay to borrow over a similar term, similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The Group estimates the IBR using observable inputs when available such as market interest rates based on the term of the Group's lease agreements plus a spread adjustment based on the Group's credit worthiness using benchmark rates from partner banks.

Total lease obligations amounted to ₱605 million and ₱380 million as at December 31, 2023 and 2022, respectively (see *Note 8 – Leases*).

Estimating allowance for ECLs

Measurement of ECLs
ECLs are derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:

- *Financial assets that are not credit-impaired at the reporting date*: as the present value of all cash shortfalls over the expected life of the financial asset discounted by the EIR. The cash shortfall is the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive; and

- *Financial assets that are credit-impaired at the reporting date*: as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the EIR.

The Group leverages existing risk management indicators (e.g. internal credit risk classification and restructuring triggers), credit risk rating changes and reasonable and supportable information which allow the Group to identify whether the credit risk of financial assets has significantly increased.

Inputs, assumptions and estimation techniques

- *General approach for cash and cash equivalents, due from related parties, receivable from connecting carriers, and refundable security deposits*

  The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition. The Group consider the probability of our counterparty to default its obligation and the expected loss at default after considering the effects of collateral, any potential value when realized and time value of money.

The assumptions underlying the ECL calculation are monitored and reviewed on a quarterly basis.

- *Simplified approach for trade and other receivables (except due form related parties and receivable from connecting carriers)*

  The Group uses a simplified approach for calculating ECL on trade and other receivables (except due from related parties and receivable from connecting carriers). The Group considers historical days past due for groupings of various customer segments that have similar loss patterns and remaining time to maturities.

  The Group uses historically observed default rates and adjusted these historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

  There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

- *Incorporation of forward-looking information*

  The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

  To do this, the Group considered a range of relevant forward-looking macro-economic assumptions and probability weights for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs.

  The macroeconomic factors are aligned with information used by the Group for other purposes such as strategic planning and budgeting.

  The Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

  Predicted relationship between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 3 to 8 years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

  The Group has not identified any uncertain event that it has assessed to be relevant to the risk of default occurring but where it is not able to estimate the impact on ECL due to lack of reasonable and supportable information.

- *Grouping of instruments for losses measured on collective basis*

  A broad range of forward-looking information were considered as economic inputs such as the gross domestic product, inflation rate, unemployment rates and other economic indicators. For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous. In performing this grouping, there must be sufficient information for the Group to be statistically credible. Where sufficient information is not available internally, the Group has considered benchmarking internal/external supplementary data to use for modelling purposes. The Group segmented its trade and other receivables based on the type of customer (e.g., subscribers and dealers, agents, and others).

The following credit exposures are assessed individually:

- All stage 3 assets, regardless of the class of financial assets; and
- Cash and cash equivalents, refundable security deposits, connecting carriers and due from related parties.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The total provision for ECLs for cash and cash equivalents and due from related parties amounted to nil for each of the years ended December 31, 2023, 2022 and 2021. Provision for ECLs for trade receivables amounted to nil for the years ended December 31, 2023 and 2022, and ₱4 million for the year ended December 31, 2021. Provision for ECLs for refundable security deposits amounted to nil, ₱4 million and nil for the years ended December 31, 2023, 2022 and 2021, respectively.

The carrying amount of refundable security deposits, cash and cash equivalents, and trade and other receivables amounted to ₱323 million, ₱120 million, and ₱2,272 million, respectively, as at December 31, 2023 and ₱294 million, ₱120 million, and ₱1,965 million, respectively, as at December 31, 2022 (see *Note 11 – Other Noncurrent Assets, Note 12 – Cash and Cash Equivalents, Note 13 – Trade and Other Receivables, Note 15 – Other Current Assets, Note 21 – Related Party Transactions,* and *Note 22 – Financial Risk Management Objective and Policies*).

Impairment of non-financial assets
PFRS requires that an impairment review be performed when certain impairment indicators are present.

Determining the recoverable amount of investment properties, property and equipment, ROU assets and other current and noncurrent assets requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets. This requires the Group to make estimates and assumptions that can materially affect its consolidated financial statements. Future events could cause the Group to conclude that investments in associates and other noncurrent assets with an acquired business are impaired. Any resulting impairment loss could have a material adverse impact on the Group's financial condition and financial performance. The preparation of estimated future cash flows involves significant estimations and assumptions of future market conditions. While the Group believes that its assumptions are appropriate and reasonable, significant changes in its assumptions may materially affect its assessment of recoverable values and may lead to future additional impairment charges under PFRS.

For property and equipment, the Group undertakes impairment reviews when internal and external impairment indicators such as evidence of obsolescence or physical damage exist.

No impairment loss for property and equipment was recognized for each of the years ended December 31, 2023, 2022 and 2021 (see *Note 7 – Property and Equipment*).

In 2022, the Group impaired its creditable withholding taxes amounting to ₱25 million. Based on the Group's assessment, it will not be able to utilize its tax credits. The Group will re-assess the recoverability of these tax credits in the next reporting period. No impairment on creditable withholding taxes was recognized for each of the years ended December 31, 2023 and 2021 (see *Note 4 – Operating Segment Information*, *Note 5 – Income Tax, Note 15 – Other Current Assets,* and *Note 19 – Income and Expenses*).

The balances of the Group's non-financial assets, net of accumulated depreciation and accumulated provisions for impairment losses as at December 31, 2023 and 2022 are as follows:

	2023	2022
	(In millions)	
ROU assets (*Note 8*)	**₱560**	₱345
Other current assets (*Note 15*)	**91**	140
Investment properties	**55**	55
Advances to suppliers and contractors *(Note 11)*	**9**	9
Property and equipment (*Note 7*)	**–**	1
Deferred input VAT – net of current portion *(Note 11)*	**–**	1

Provision for asset retirement obligation
Asset retirement obligation is recognized in the period in which it is incurred, if a reasonable estimate of fair value can be made. This requires an estimation of the cost to restore/dismantle on a per square meter basis, depending on the location, and is based on the best estimate of the expenditure required to settle the obligation at the future restoration or dismantlement date, discounted using a pre-tax rate that reflects the current market assessment of the time value of money and, where appropriate, the risk specific to the liability. Assumptions used to compute provision for asset retirement obligation are reviewed and updated at each financial year end.

The Group updated its assumptions on the timing of settlement and estimated cash outflows arising from provision for asset retirement obligation on its leased premises. As a result of the changes in estimates, the Group recorded a favorable adjustment in its amounting to ₱33 million, ₱93 million and ₱28 million for the years ended December 31, 2023, 2022 and 2021, respectively, presented as "Gain on adjustment of asset retirement obligation" under "Other income – net" account in the consolidated statements of comprehensive income (see *Note 17 – Asset Retirement Obligation* and *Note 19 – Income and Expenses*).

The carrying amount of the Group's asset retirement obligation amounted to ₱210 million and ₱226 million as at December 31, 2023 and 2022, respectively, presented as asset retirement obligation in the consolidated statements of financial position (see *Note 17 – Asset Retirement Obligation*).

Estimating useful lives of property and equipment
The Group estimates the useful lives of its property and equipment based on the period over which the assets are expected to be available for use. The Group reviews the estimated useful lives of property and equipment annually based on factors which include asset utilization, internal technical evaluation, technological changes and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by

changes brought about by changes in the factors mentioned. A reduction in the estimated useful life of property and equipment would increase recorded depreciation and decrease the carrying amount of the Group's property and equipment.

There were no changes in the estimated useful lives as at December 31, 2023 and 2022.

The carrying amount of the Group's depreciable property and equipment amounted to ₱0.3 million and ₱1 million as at December 31, 2023 and 2022, respectively. The depreciation expense amounted to ₱1 million, ₱3 million and ₱182 million for the years ended December 31, 2023, 2022 and 2021, respectively (see *Note 4 – Operating Segment Information* and *Note 7 – Property and Equipment*).

Recognition of deferred income tax assets
The Group reviews the carrying amounts of deferred income tax assets at the end of each reporting period and reduces the deferred income tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized. The Group's assessment on the recognition of deferred income tax assets on deductible temporary differences is based on the level and timing of forecasted taxable income of the subsequent reporting periods. This forecast is based on past results and future expectations on revenues and expenses.

The Group recognized deferred income tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. The Group's deferred income tax assets that were recognized as at December 31, 2023 and 2022 amounted to ₱123 million and ₱98 million, respectively (see *Note 5 – Income Tax*).

The amount of deductible temporary differences, net operating loss carry over (NOLCO) and minimum corporate income tax (MCIT) for which no deferred income tax assets were recognized, amounted to ₱2,196 million and ₱3,553 million as at December 31, 2023 and 2022, respectively (see *Note 5 – Income Tax*).

Legal contingencies and tax assessments
The Group is currently involved in various legal proceedings and tax assessments. The estimate of the probable costs for the resolution of these claims and assessments have been developed in consultation with the counsels handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe these proceedings will have a material adverse effect on its consolidated financial statements. It is possible, however, that future financial performance could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings and assessments (see *Note 24 – Commitments and Contingencies*).

Based on management's assessment, appropriate provisions were made; however, management has decided not to disclose further details of these provisions as they may prejudice the Group's position in certain legal proceedings.

Determination of fair values of financial assets and financial liabilities
When the fair value of financial assets and financial liabilities disclosed in the consolidated statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets if possible, but if this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Other than those whose carrying amounts are reasonable approximations of fair values, total fair values of noncurrent financial assets as at December 31, 2023 and 2022 amounted to ₱1,793 million and ₱1,538 million, respectively (see *Note 23 – Fair Value Measurement*).

4. Operating Segment Information

Operating segments are components of the Group that engage in business activities from which they may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components within the Group). The operating results of these operating segments are regularly reviewed by the chief operating decision maker, referred to by the Group as the Management Committee, to make decisions about how resources are to be allocated to each of the segments and to assess their performances, for which discrete financial information is available.

For management's purposes, the Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group's reportable segments are as follows:

- Wireless

  Wireless communication services is composed of distributed subscriber revenues and facility service fees. This consists of the Rebranding Agreement with Smart for fees representing DMPI's proportionate share on the distributed subscriber revenues and reimbursement by Smart for certain network related charges.

- Fixed Line

  Fixed line segment is carried by the Parent Company. As at January 1, 2018, Digitel fully migrated its subscribers to PLDT network.

Transfer prices between operating segments are on an arm's length basis similar to transactions with third parties. Segment revenues, segment expenses and segment results include transfers between operating segments. These transfers are eliminated in full upon consolidation.

The amounts of segment assets and liabilities, and segment profit or loss are based on the measurement principles that are similar to those used in measuring the assets, liabilities and profit or loss in the consolidated financial statements, which are in accordance with PFRS.

The assets and liabilities, segment revenues, net income, and other segment information of the Group's reportable segments as at December 31, 2023 and 2022, and for the years ended December 31, 2023, 2022 and 2021 are as follows:

	December 31, 2023			
	Wireless	**Fixed Line**	**Inter-segment Transactions**	**Consolidated**
		(In millions)		
Revenues				
External customers:				
Revenues from contracts with customers (*Note 19)*	**₱7,106**	**₱–**	**₱–**	**₱7,106**
Nonservice revenues	**–**	**–**	**–**	**–**
Total revenues	**₱7,106**	**₱–**	**₱–**	**₱7,106**
Results				
Provision for income tax (*Note 5*)	**₱733**	**(₱1)**	**₱–**	**₱732**
Depreciation (*Notes 7 and 8*)	**309**	**–**	**–**	**309**
Financing costs – net *(Notes 8 and 19)*	**60**	**–**	**–**	**60**
Net income/segment profit	**3,807**	**(30)**	**–**	**3,777**
Assets and Liabilities				
Operating assets	**₱3,580**	**₱38,861**	**(₱38,799)**	**₱3,642**
Investment in perpetual notes *(Note 10)*	**1,523**	**–**	**–**	**1,523**
Deferred income tax assets *(Note 5)*	**1**	**–**	**–**	**1**
Investment properties	**–**	**55**	**–**	**55**
Total assets	**₱5,104**	**₱38,916**	**(₱38,799)**	**₱5,221**
Operating liabilities	**₱2,233**	**₱15,454**	**₱–**	**₱17,688**
Deferred income tax liabilities – net (*Note 5)*	**–**	**2**	**–**	**2**
Total liabilities	**₱2,233**	**₱15,456**	**₱–**	**₱17,690**
Other Segment Information				
Capital expenditure	**₱–**	**₱–**	**₱–**	**₱–**

	December 31, 2022			
	Wireless	Fixed Line	Inter-segment Transactions	Consolidated
		(In millions)		
Revenues				
External customers:				
Revenues from contracts with customers (*Note 19)*	₱7,203	₱–	₱–	₱7,203
Nonservice revenues	–	–	–	–
Total revenues	₱7,203	₱–	₱–	₱7,203
Results				
Provision for income tax (*Note 5*)	₱1,191	₱6	₱–	₱1,197
Depreciation (*Notes 7 and 8*)	288	–	–	288
Financing costs – net *(Notes 8 and 19)*	55	–	–	55
Asset impairment (*Note 19*)	–	29	–	29
Net income/segment profit	4,571	624	–	5,195
Assets and Liabilities				
Operating assets	₱3,017	₱38,888	(₱38,801)	₱3,104
Investment in perpetual notes *(Note 10)*	1,293	–	–	1,293
Deferred income tax assets *(Note 5)*	15	–	–	15
Investment properties	–	55	–	55
Total assets	₱4,325	₱38,943	(₱38,801)	₱4,467
Operating liabilities	₱2,010	₱16,442	₱–	₱18,452
Deferred income tax liabilities – net (*Note 5)*	–	3	–	3
Total liabilities	₱2,010	₱16,445	₱–	₱18,455
Other Segment Information				
Capital expenditure	₱–	₱–	₱–	₱–

	December 31, 2021			
	Wireless	Fixed Line	Inter-segment Transactions	Consolidated
		(In millions)		
Revenues				
External customers:				
Revenues from contracts with customers (*Note 19)*	₱7,612	₱–	₱–	₱7,612
Nonservice revenues	–*	–	–	–
Total revenues	₱7,612	₱–	–	₱7,612
Results				
Provision for income tax (*Note 5*)	₱809	₱–	₱–	₱809
Depreciation (*Notes 7 and 8*)	607	–	–	607
Financing costs – net *(Notes 8 and 19)*	94	–	–	94
Equity share in net earnings of associates *(Note 9)*	–	33	–	33
Asset impairment (*Note 19*)	–	4	–	4
Net income/segment profit	4,509	68	–	4,577
Assets and Liabilities				
Operating assets	₱5,383	₱38,973	(₱38,800)	₱5,556
Investment in perpetual notes *(Note 10)*	4,891	–	–	4,891
Deferred income tax assets *(Note 5)*	3	–	–	3
Investment properties	–	55	–	55
Total assets	₱10,277	₱39,028	(₱38,800)	₱10,505
Operating liabilities	₱3,534	₱23,012	₱–	₱26,546
Deferred income tax liabilities – net (*Note 5)*	–	4	–	4
Total liabilities	₱3,534	₱23,016	₱–	₱26,550
Other Segment Information				
Capital expenditure	₱–	₱–	₱–	₱–

**No amounts extended due to rounding off of amounts in millions.*

The revenue of the Group consists mainly of sales to external customers. No operating segments have been aggregated to form the above reportable segments.

Capital expenditures consist of additions to property and equipment of the wireless segment.

The Group does not report its results based on geographical segments since most of the Group's revenues are derived from operations within the Philippines. Revenue from distributed subscriber revenues and facility service fees from Smart amounted to ₱7,106 million, ₱7,203 million and ₱7,612 million in 2023, 2022 and 2021, respectively, which accounted to 10% or more of the Group's revenue (see *Note 19 – Income and Expenses* and *Note 21 – Related Party Transactions*).

5. Income Tax

Provision for (benefit from) income tax for the years ended December 31, 2023, 2022 and 2021 consist of:

	2023	2022	2021
		(In millions)	
Current	**₱720**	₱1,209	₱855
Deferred	**12**	(12)	(46)
	₱732	₱1,197	₱809

Reconciliation between provision for income tax at the applicable statutory tax rate and effective income tax of the Group for the years ended December 31, 2023, 2022 and 2021 are as follows:

	2023	2022	2021
		(In millions)	
Income before income tax (*Note 4*)	**₱4,509**	₱6,392	₱5,386
Provision at statutory income tax rate	**1,127**	1,598	1,347
Adjustments from the tax effects of:			
Difference between OSD and itemized deduction	**(331)**	(677)	(441)
Net movement in deferred income tax assets not recognized due to OSD	**(70)**	429	(32)
Changes in unrecognized deferred income tax assets	**4**	(157)	1
Nondeductible expenses and others	**3**	5	(18)
Income subject to final tax	**(1)**	(1)	–
Tax adjustment due to Corporate Recovery and Tax Incentives for Enterprise Act (CREATE)	**–**	–	(48)
Provision for income tax (*Note 4*)	**₱732**	₱1,197	₱809

The Group recognized deferred income tax assets to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. The Group's deferred income tax assets that were recognized as at December 31, 2023 and 2022 amounted to ₱123 million and ₱98 million, respectively.

Components of the Group's consolidated net deferred income tax assets as at December 31, 2023 and 2022 are as follows:

	2023	2022
	(In millions)	
Deferred income tax assets – net:		
Deferred income tax assets:		
Lease liability	**₱115**	₱84
Asset impairment	**6**	12
Interest on perpetual note	**2**	2
	123	98
Deferred income tax liabilities:		
Pension and other employee benefits	**(13)**	(12)
ROU assets	**(109)**	(71)
Financial instruments	**–**	–
	(122)	(83)
	₱1	₱15
Deferred income tax liability – net:		
Deferred income liability:		
Pension assets	**(₱2)**	(₱3)

DMPI opted to use the OSD method in computing its taxable income. DMPI's assessment is based on projected taxable profits which is at a level where it is favorable to use OSD method and DMPI is expected to avail of the OSD method in the foreseeable future. Thus, deferred income tax assets and liabilities, that do not have future tax consequences, were not recognized.

The following re the deductible temporary differences and OSD related expenses from DMPI as at December 31, 2023 and 2022, for which no deferred income tax assets were recognized in the consolidated statements of financial position as it is not probable that the future taxable income will be sufficient against which these can be utilized:

	2023	2022
	(In millions)	
Fair valuation adjustment on perpetual notes	**₱1,677**	₱1,907
Lease liability	**307**	225
Asset retirement obligation (*Note 17*)	**211**	226
Asset impairment	**209**	1,267
Allowance for refundable security deposits	**117**	144
NOLCO	**18**	–
Interest on perpetual notes	**4**	4
Allowance for inventory obsolescence (*Note 14*)	**2**	2
Unrealized foreign exchange loss	**1**	1
Accrued expenses	**1**	–
Pension liability	**(36)**	(33)
ROU assets	**(291)**	(190)
MCIT	**–***	–
	₱2,220	₱3,553

** No amounts extended due to rounding-off of amounts in millions.*

Other comprehensive loss included a temporary difference on pension liability for which the related deferred income tax assets of nil and ₱3 million have not been recognized as at December 31, 2023 and 2022, respectively.

NOLCO and MCIT incurred as at December 31, 2023, with expiry date of December 31, 2026, amounted to ₱18 million and ₱103 thousand, respectively.

Changes in the consolidated net deferred income tax assets (liabilities) as at December 31, 2023 and 2022 are as follows:

	2023	2022
	(In millions)	
Net deferred income tax assets – balances at beginning of the year	**₱15**	₱3
Net deferred income tax liabilities – balances at beginning of the year	**(3)**	(4)
Net balances at beginning of the year	**12**	(1)
Benefit from (provision for) deferred income tax	**(12)**	12
Movement charged directly to other comprehensive income	**(1)**	1
Net balances at end of the year	**(1)**	12
Net deferred income tax assets – balances at end of the year	**1**	15
Net deferred income tax liabilities – balances at end of the year	**(₱2)**	(₱3)

6. Earnings per Share

Basic EPS amounts are calculated by dividing the consolidated net income for the year by the weighted average number of common shares issued and outstanding during the year.

The Group's consolidated net income and weighted average number of common shares used in the basic EPS computation for the years ended December 31, 2023, 2022 and 2021 are as follows:

	2023	2022	2021
	(In millions, except earnings per share amounts)		
Consolidated net income *(Notes 1 and 4)*	**₱3,777**	₱5,195	₱4,577
Weighted average number of common shares (*Note 16*)	**26,142**	26,142	26,142
Earnings per share *(Note 4)*	**₱0.14**	₱0.20	₱0.18

The Group has no material dilutive potential common shares outstanding as at December 31, 2023 and 2022; therefore, basic EPS is equal to diluted EPS.

7. Property and Equipment

Changes in property and equipment account as at December 31, 2023 and 2022 are as follows:

	Cable and Wire Facilities	**Cellular Facilities**	**Buildings and Improvements**	**Vehicles, Furniture and Work Equipment**	**Total**
Cost					
As at January 1, 2023	**₱6,255**	**₱18,496**	**₱196**	**₱1,691**	**₱26,638**
Disposals	**–**	**(404)**	**–**	**(3)**	**(407)**
As at December 31, 2023	**6,255**	**18,092**	**196**	**1,688**	**26,231**
Accumulated Depreciation and Impairment					
As at January 1, 2023	**6,255**	**18,496**	**196**	**1,690**	**26,637**
Depreciation (*Notes 3 and 4*)	**–**	**–**	**–**	**1**	**1**
Disposals	**–**	**(404)**	**–**	**(3)**	**(407)**
As at December 31, 2023	**6,255**	**18,092**	**196**	**1,688**	**26,231**
Net Book Value at end of the year (*Note 3*)	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**

	Cable and Wire Facilities	Cellular Facilities	Buildings and Improvements	Vehicles, Furniture and Work Equipment	Total
Cost					
As at January 1, 2022	₱6,288	₱24,450	₱196	₱1,694	₱32,628
Disposals	(33)	(5,954)	–	(3)	(5,990)
As at December 31, 2022	6,255	18,496	196	1,691	26,638
Accumulated Depreciation and Impairment					
As at January 1, 2022	6,288	24,450	196	1,690	32,624
Depreciation (*Notes 3 and 4*)	–	–	–	3	3
Disposals	(33)	(5,954)	–	(3)	(5,990)
As at December 31, 2022	6,255	18,496	196	1,690	26,637
Net Book Value at end of the year (*Note 3*)	₱–	₱–	₱–	₱1	₱1

Sale of Telecom Towers

On April 19, 2022, Smart and DMPI signed Sale and Purchase Agreements, or SPAs, with a subsidiary of edotco Group and a subsidiary of EdgePoint, or the TowerCos, in connection with the sale of 5,907 telecom towers and related passive telecommunication infrastructure for ₱77 billion.

Out of the total towers, 2,973 towers located primarily in Luzon, Visayas and Mindanao were acquired by ISOC edotco Towers, Inc., a subsidiary of edotco Group, and 2,934 towers located in Luzon were acquired by Comworks Infratech Corp., subsidiary of EdgePoint. As at December 31, 2023 and 2022, DMPI has completed the sale of 66 and 559 telecom towers, respectively.

On December 15, 2022 and March 16, 2023, Smart and DMPI signed a new set of SPAs with Unity, and Frontier Tower Associates Philippines Inc., or Frontier, respectively, in connection with the sale of 1,662 telecom towers and related passive telecom infrastructure for a total of ₱21,309 million. Out of the total towers, 650 towers located primarily in Visayas and Mindanao were acquired by Unity, and 1,012 towers located in Luzon were acquired by Frontier. In 2023, DMPI completed the sale of 20 telecom towers to Unity and Frontier.

DMPI shall recognize the sale of its tower assets as an ordinary sale in its separate financial statements, following the guidelines of PFRS 15. The closing of the agreements will be on a staggered basis depending on the satisfaction of closing conditions, according to the number of towers transferred.

The following summarizes the completed sale as at December 31, 2023.

	Number of Telecom Towers Sold	Cash Consideration
		(In Million Pesos)
For the year ended 2022	559	₱3,508
For the year ended 2023	**86**	**661**
	645	₱4,169

Telecom equipment subject to this sale agreement subsequent to December 31, 2023 and 2022 were reclassified from "Property and equipment" to "Assets classified as held-for-sale under current assets in the consolidated statements of financial position with a net book value of nil as at December 31, 2023 and 2022.

Impairment of Property and Equipment
No impairment loss for property and equipment was recognized for each of the years ended December 31, 2023 and 2022.

Total accumulated impairment loss on property and equipment amounted to ₱11,135 million as at December 31, 2023 and 2022.

Collaterals
The Group has no property and equipment that were used as collateral for loans as at December 31, 2023 and 2022.

Disposals and Retirement
The Group disposed and retired fully depreciated assets amounting to ₱407 million and ₱5,990 million for the years ended December 31, 2023 and 2022, respectively.

8. **Leases**

Group as a lessee
The Group has lease contracts for various items of sites, office space, poles and other equipment used in its operations. The Group considered in the lease term the non-cancellable period of the lease together with the periods covered by an option to extend and option to terminate the lease.

ROU assets
The estimated useful life of the Group's ROU assets as at December 31, 2023 and 2022 are estimated as follows:

Site	1 – 20 years
Domestic leased circuits	7 years
Office buildings	1 – 7 years

Changes in the ROU assets as at December 31, 2023 and 2022 are as follows:

	Site	**Domestic Leased Circuits**	**Office Buildings**	**Total**
		(In millions)		
Cost				
At January 1, 2023	**₱1,058**	**₱36**	**₱144**	**₱1,238**
Additions	**632**	–	–	**632**
Termination	**(120)**	–	**(13)**	**(133)**
Lease modification	**(5)**	–	–	**(5)**
Asset retirement obligation[(1)]	**19**	–	–	**19**
Reclassification to assets classified as held-for-sale	**(292)**	–	–	**(292)**
As at December 31, 2023	**1,292**	**36**	**131**	**1,459**
Accumulated Depreciation				
At January 1, 2023	**729**	**20**	**144**	**893**
Depreciation	**303**	**5**	–	**308**
Termination[(1)]	**(157)**	–	**(13)**	**(170)**
Charges from asset retirement obligation	**(7)**	–	–	**(7)**
Reclassification to assets classified as held-for-sale	**(125)**	–	–	**(125)**
As at December 31, 2023	**743**	**25**	**131**	**899**
Net book value at end of the year	**₱549**	**₱11**	**₱–**	**₱560**

	Site	Domestic Leased Circuits	Office Buildings	Total
		(In millions)		
Cost				
At January 1, 2022	₱2,860	₱36	₱184	₱3,080
Additions	80	–	–	80
Termination	(990)	–	–	(990)
Lease modification	(1)	–	–	(1)
Asset retirement obligation[(1)]	(575)	–	(40)	(615)
Reclassification to assets classified as held-for-sale	(316)	–	–	(316)
As at December 31, 2022	1,058	36	144	1,238
Accumulated Depreciation				
At January 1, 2022	1,860	15	175	2,050
Depreciation	226	5	–	231

(Forward)

	Site	Domestic Leased Circuits	Office Buildings	Total
		(In millions)		
Termination[(1)]	(₱1,216)	₱–	(₱40)	(₱1,256)
Charges from asset retirement obligation	45	–	9	54
Reclassification to assets classified as held-for-sale	(186)	–	–	(186)
As at December 31, 2022	729	20	144	893
Net book value at end of the year	₱329	₱16	₱–	₱345

[(1)] *Includes retirement of asset retirement obligation*

The following amounts are recognized in the statement of comprehensive income for the years ended December 31, 2023, 2022 and 2021:

	2023	2022	2021
		(In millions)	
Depreciation expense of ROU assets*	**₱308**	₱231	₱402
Expenses relating to short-term leases**	**66**	155	185
Interest expense on lease liabilities (*Note 19*)	**60**	55	94
Charges from ARO assets	–	54	23
Total amount recognized in the statement of comprehensive income	**₱429**	₱495	₱704

**Total depreciation in the statement of comprehensive income includes depreciation and charges from ARO*
***Presented as part of "Rent" account under "Cost and Expenses" in the consolidated statements of comprehensive income*

Lease Liabilities
The following table summarizes all changes to lease liabilities as at December 31, 2023 and 2022:

	2023	2022
	(In millions)	
Lease liabilities at the beginning of the year	**₱381**	₱1,163
Additional lease liabilities recognized during the year	**632**	80
Accretion expenses *(Notes 4, 19 and 25)*	**60**	55
Lease modifications	**(4)**	(2)
Reclassification to liabilities associated with the assets classified as held-for-sale	**(16)**	(119)
Termination	**(159)**	(438)
Settlement of obligations and others	**(289)**	(358)
Lease liabilities at the end of the year	**605**	381
Less current portion of lease liabilities	**282**	42
Noncurrent portion of lease liabilities	**₱323**	₱339

The maturity analysis of undiscounted lease payments is disclosed in *Note 22 – Financial Risk Management Objectives and Policies*.

The Group has several lease contracts that include extension and termination options. These options are negotiated to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs, see *Note 3 – Management's Use of Accounting Judgments, Estimates and Assumptions – Determining the lease term of contracts with renewal and termination options – Company as a Lessee.*

Assets and Liabilities Held-for-Sale
In relation to the sale of telecom towers discussed in the *Note 7 – Property and Equipment*, the related ROU assets, lease liabilities, and asset retirement obligation of the remaining telecom towers subject to sale and purchase agreement until 2023 were reclassified to "Assets classified as held-for-sale" and "Liabilities associated with assets classified as held-for-sale" under current assets, and current liabilities, respectively, in the statement of financial position as at December 31, 2023 and 2022.

Details of accounts assets classified as held-for-sale and its related liabilities are as follows:

	2023	2022
	(In Millions)	
Assets classified as held-for-sale -		
ROU assets	**167**	₱130
Liabilities associated with the assets classified as held-for-sale:		
Lease liabilities	**163**	₱119
Asset retirement obligation *(Note 17)*	**–**	28
	163	₱147

9. **Investments in Associates**

In December 2000, the Parent Company, PNPI and BT Group O/B Broadband Infrastructure Group Ltd. (BIG), entered into a JVA, under which the parties agreed to form DCI with each party owning 40%, 40% and 20%, respectively. DCI was incorporated to develop, provide and market backhaul network services, among others.

On April 19, 2001, after BIG withdrew from the proposed joint venture, the Parent Company and PNPI formed ANPC to replace BIG. The Parent Company contributed US$2 million (₱69 million), for a 60% equity interest in ANPC while PNPI owned the remaining 40% equity interest.

The Group has 40% and 60% interest in DCI and ANPC as at December 31, 2020.

Following PLDT's acquisition of a controlling stake in Digitel, PNPI, on November 4, 2011, sent a notice to exercise its Call Right under Section 6.3 of the JVA, which provides for a Call Right exercisable by PNPI following the occurrence of a Digitel change in control.

On June 2, 2021, Digitel fully divested its investment in DCI and ANPC. Following the divestment, the JVA dated December 2000, as amended, between and among the Company, DCI, ANPC and PNPI was mutually terminated. As a result, the Group recognized a gain on sale of investment amounting to ₱32 million, presented as "Gain on sale of investment in associates" account in the consolidated statements of comprehensive income.

The Group's share in net profits of its associates amounted to ₱33 million for the year ended December 31, 2021, presented as "Equity share in net earnings of associates" in the consolidated statements of comprehensive income (see *Note 4 – Operating Segment Information*).

10. **Investment in Perpetual Notes**

On September 19, 2019, Smart issued perpetual notes to DMPI amounting to ₱4,700 million to partially finance Smart's capital expenditure requirements for 2019. The perpetual note is classified as FVPL and is subject to 5.97% interest. Any subsequent fair value changes will be recognized in profit or loss. Gain on fair value adjustment on its investment in perpetual notes amounting to ₱230 million for the year ended December 31, 2023 and loss from changes in fair value of its investment in perpetual notes amounting to ₱2,098 million and ₱358 million for the years ended December 31, 2022 and 2021, respectively, and distribution income amounting to ₱191 million, ₱258 million, and ₱281 million for the years ended December 31, 2023, 2022 and 2021, respectively, is recorded under "Other income (expenses)" account in the consolidated statements of comprehensive income.

On September 19, 2022, Smart made a partial redemption amounting to ₱1,500 million at an optional redemption price of 101.2% of the principal amount of the Perpetual Notes redeemed, with a prepayment penalty of ₱18 million.

The carrying amount of investment in perpetual notes amounted to ₱1,523 million and ₱1,293 million as at December 31, 2023 and 2022, respectively (See *Notes 21 – Related Party Transactions, Note 22 – Financial Risk Management Policies and Objectives and Note 23 – Fair Value Measurement).*

11. **Other Noncurrent Assets**

As at December 31, 2023 and 2022, this account consists of:

	2023	2022
	(In millions)	
Refundable security deposits – net *(Notes 22 and 23)*	**₱315**	₱286
Pension asset *(Note 20)*	**100**	99
Advances to suppliers and contractors	**9**	9
Deferred input VAT – net of current portion	**–**	1
	₱424	₱395

<u>Refundable Security Deposits – Net</u>
Refundable security deposits relate to the Group's deposits on its leased buildings, cell site lots and commercial spaces. These will be collected in full at the end of each respective lease term subject to adjustments by the lessor to cover any damages incurred on the properties.

The components of refundable security deposits and others – net as at December 31, 2023 and 2022 are as follows:

	2023	2022
	(In millions)	
Refundable security deposits *(Notes 22 and 23)*	**₱432**	₱403
Less allowance	**117**	117
Refundable security deposits – net	**₱315**	₱286

12. Cash and Cash Equivalents

As at December 31, 2023 and 2022, this account consists of:

	2023	2022
	(In millions)	
Cash on hand and in banks	**₱120**	₱90
Temporary cash investments	–	30
	₱120	₱120

Cash in banks earn interest at the prevailing bank deposit rates. Temporary cash investments are made for varying periods of up to three months depending on the Group's immediate cash requirements and earn interest at the prevailing temporary cash investment rates (see *Note 22 – Financial Risk Management Objectives and Policies*).

Interest income earned from cash in banks and temporary cash investments amounted to ₱2 million, ₱3 million and ₱1 million for the years ended December 31, 2023, 2022 and 2021, respectively, presented under "Interest income" account in the consolidated statements of comprehensive income (see *Note 4 – Operating Segment Information*).

13. Trade and Other Receivables

As at December 31, 2023 and 2022, this account consists of:

	2023	2022
	(In millions)	
Trade receivables (*Note 22)*		
Due from related parties	**₱2,265**	₱1,946
Dealers, agents and others	**7**	19
Total	**2,272**	1,965
Less allowance for impairment losses:		
Trade receivables (*Note 22*)		
Dealers, agents and others	–	–
	–	–
	₱2,272	₱1,965

Trade receivables from subscribers are noninterest-bearing and are generally on terms of 30 days.

Receivables from connecting carriers represent unsecured, noninterest-bearing receivables arising from interconnection agreements with other telecommunications carriers. The amounts of receivables are presented net of related payables to the same telecommunications carriers based on a currently enforceable legal right to offset the recognized amounts, and an intention to settle on a net basis, and to realize the asset and settle the liability simultaneously. Net receivables from connecting carriers are settled over a 90-day credit term.

Receivables from dealers, agents and others consist mainly of receivables from dealers and distributors, and credit card companies having collection arrangements with the Group, which are generally on terms of 30 days. It also includes down payment, advances to suppliers and contractors, and receivables from officers and employees, which are generally settled over a 30 to 120-day credit term.

There are no changes in allowance for impairment losses on trade and other receivables for the years ended December 31, 2023 and 2022. The Group wrote-off an aggregate of ₱2,178 million worth of long outstanding receivables from subscribers, connecting carriers and dealers, agents and others for the years ended December 31, 2021.

There are no receivables pledged as collateral for liabilities as at December 31, 2023 and 2022.

14. Inventories

As at December 31, 2023 and 2022, this account consists of:

	2023	2022
	(In millions)	
Spare parts and supplies		
At NRV	**₱–**	₱–
At cost	**2**	2
Total inventories at lower of cost or NRV	**₱–**	₱–

Inventories recognized as expense and included as part of "Cost of sales" account in the consolidated statements of comprehensive income amounted to nil for the years ended December 31, 2023 and 2022, and ₱0.1 million 2021.

Impairment losses on inventory arising from obsolescence and write-down of inventories to NRV amounted to nil, ₱0.2 million and ₱0.1 million for the years ended December 31, 2023, 2022 and 2021, respectively.

15. Other Current Assets

As at December 31, 2023 and 2022, this account consists of:

	2023	2022
	(In millions)	
Prepaid taxes	**₱82**	₱67
Prepayments for:		
Fees and licenses	**8**	9
Refundable security deposits – net *(Notes 22 and 23)*	**8**	8
Rent	**1**	64
	₱99	₱148

Prepaid Taxes

This account consists of input VAT, creditable withholding taxes and excess corporate income tax paid.

Input VAT comprises deferred input VAT arising from purchase of capital assets in excess of ₱1 million in a calendar month, which are credited against output VAT due within 12 months. As provided in RA No. 9337 (EVAT Law), said portion of VAT shall be deferred and credited evenly over estimated useful life of the related capital assets or 60 months, whichever is shorter, against the output VAT due. Input VAT which is expected to be credited beyond 12 months are presented under "Other noncurrent assets" account in the consolidated statements of financial position.

Input VAT is an indirect tax on the goods and services which the Group uses in its operations. The Group recovers input VAT by offsetting it against available output VAT as at the reporting period. Management believes that the amount is fully realizable in the future.

In 2022, the Group impaired its creditable withholding taxes amounting to ₱25 million. Based on the Group's assessment, it will not be able to utilize its tax credits. The Group will re-assess the recoverability of these tax credits in the next reporting period (see *Note 3 – Management's Use of Accounting Judgments, Estimates and Assumptions*).

The allowance for impairment losses of creditable withholding taxes amounted to ₱164 million and ₱164 million as at December 31, 2023 and 2022, respectively.

Prepaid Fees and Licenses

This account consists of unamortized prepayments for Spectrum Users' Fee, Radio Station Licenses and NTC supervisory and regulatory fees which normally cover one-year period.

Prepaid Rent

This account represents two to three months of advance rental that can be applied against future billings.

Refundable Security Deposits
Total Provision for ECL recognized amounted to ₱4 million for the year ended December 31, 2022. The Group did not recognize any provision for impairment for each of the years ended December 31, 2023 and 2021.

16. **Equity**

Capital Stock
The Parent Company's capital stock as at December 31, 2023 and 2022 is as follows:

	2023	2022
	Number of Shares	
	(In millions except par values per share)	
Authorized shares	**29,500**	29,500
Shares issued and outstanding *(Note 6)*	**26,142**	26,142
Par value per share	**₱0.10**	₱0.10

Other Comprehensive Loss
The Group's other comprehensive loss pertaining to net cumulative actuarial losses from defined benefit plan amounted to nil as at December 31, 2023 and 2022.

Deficit
On December 5, 2023, the BOD of the Parent Company declared cash dividends amounting to ₱2,259 million (₱0.0864 per share) to all common shareholders of record as at December 15, 2023. The cash dividends to the minority shareholders was paid on January 5, 2024, while the cash dividends to the majority shareholder, PLDT Inc., shall be paid on or before December 5, 2024. Dividends payable (net of final withholding taxes) to PLDT and minority shareholders as at December 31, 2023 amounted to ₱2,175 million and ₱7 million, respectively, presented in "Trade and other payables" account in the statement of financial position (see *Note 18 – Trade and Other Payables* and *Note 21 – Related Party Transactions*).

On December 15, 2022, the BOD of the Parent Company declared cash dividends amounting to ₱3,137 million (₱0.12 per share) to all common shareholders of record as at December 31, 2022. The cash dividends to the minority shareholders was paid on January 13, 2023, while the cash dividends to the majority shareholder, PLDT Inc., was fully paid on December 13, 2023. Dividends payable (net of final withholding taxes) to PLDT and minority shareholders as at December 31, 2022 amounted to ₱3,125 million and ₱10 million, respectively, presented in "Trade and other payables" account in the statement of financial position (see *Note 18 – Trade and Other Payables* and *Note 21 – Related Party Transactions*).

On November 4, 2021, the BOD of the Parent Company declared cash dividends amounting to ₱502 million (₱0.0192 per share) to all common shareholders of record as at November 15, 2021, which was paid on November 29, 2021.

On November 7, 2019, the BOD of the Parent Company approved appropriation of retained earnings amounting to ₱5,000 million intended for the partial settlement of its outstanding shareholders advances from PLDT.

The Parent Company's retained earnings available for dividend declaration as at December 31, 2023 based on the guidelines set forth in the Memorandum Circular 11 issued by the Philippine SEC on December 5, 2008 is ₱13,645 million. The Parent Company plans to declare cash dividends out of the remaining retained earnings as funds become available.

The following table shows the reconciliation of the Parent Company's retained earnings available for dividend declaration as at December 31, 2023 (amount presented in millions):

Parent Company's unappropriated retained earnings available for dividend declaration as at January 1, 2023		₱12,684
Add net income actually earned/realized during 2023		
Net income	3,220	
Less unrealized foreign exchange gain – net (except cash and cash equivalents)	–	3,220
Less dividends declared		(2,259)
Parent Company's unappropriated retained earnings available for dividend declaration as at December 31, 2023		₱13,645

Capital Management Risk

The Group aims to achieve an optimal capital structure in pursuit of the business objectives which includes maintaining healthy capital ratios and strong credit ratings and maximizing shareholder value. The Group manages its capital structure and makes adjustments to these ratios in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of advances from the ultimate Parent Company through deposits for future stock subscription or issue capital securities. No changes have been made in the objective, policies and processes as they have been applied In previous periods.

The table below provides information regarding the net consolidated cash-to-equity ratio as at December 31, 2023 and 2022:

	2023	2022
	(In millions)	
Cash and cash equivalents *(Notes 12, 22 and 23)*	**₱120**	₱120
Capital deficiency *(Note 1)*	**(12,469)**	(13,987)
Net cash-to-equity ratio	**(0.01:1)**	(0.01:1)

The Group will continue to adopt measures to address the capital deficiency which include: (i) review of business portfolio to enhance earnings streams; (ii) application of cost-saving measures to reduce operating costs; and (iii) implementation of operating synergy with Smart.

17. Asset Retirement Obligation

The rollforward analysis of the Group's provision for asset retirement obligation for the years ended December 31, 2023 and 2022 are as follows:

	2023	2022
	(In millions)	
Balance at beginning of the year	**₱226**	₱341
Capitalized to ROU assets	**24**	26
Accretion expenses	**5**	4
Gain on adjustment of asset retirement obligation	**(45)**	(117)
Reclassification to liabilities associated with assets classified as held-for-sale *(Note 8)*	**–**	(28)
Balance at end of the year	**₱210**	₱226

18. Trade and Other Payables

As at December 31, 2023 and 2022, this account consists of:

	2023	2022
	(In millions)	
Due to related parties	**₱15,289**	₱16,285
Accrued expenses	**690**	842
Trade payables	**494**	338
Payables to connecting carriers – net (*Note 22*)	**28**	28
Dividends payable (Note 16)	**7**	10
Others	**3**	2
	₱16,511	₱17,505

Due to related parties

Terms and conditions of transactions with related parties are disclosed in *Note 21 – Related Party Transactions*.

Accrued Expenses

Accrued expenses are non-interest bearing and are normally settled within a year. These refer to operation-related expenses pending receipt of billings and statement of accounts from suppliers.

As at December 31, 2023 and 2022, this account consists of:

	2023	2022
	(In millions)	
Maintenance and others	**₱326**	₱244
Rent	**152**	385
Taxes and licenses	**124**	124
Selling and promotions	**32**	33
Insurance and security services	**22**	22
Professional and other contracted services	**21**	21
Other operating costs	**12**	12
Salaries and other employee benefits	**1**	1
	₱690	₱842

The Company recognized reversal of long outstanding accruals amounting to nil, ₱1,144 million and ₱1,667 million for the years ended December 31, 2023, 2022 and 2021, respectively. This was presented as part of "Other income (expenses)" account in the consolidated statements of comprehensive income.

Trade Payables
This account mainly includes unpaid billings from various suppliers and contractors which are noninterest bearing and are normally settled within one year.

Payables to Connecting Carriers – net
This account pertains to interconnection charges due to other carriers and roaming partners for voice and/or data transmission of the Group's subscribers to the subscribers of other carriers and roaming partners. Payables to connecting carriers and roaming partners are presented net of the receivables from the same carrier and roaming partner due to the presence of currently enforceable right to offset the recognized amounts and the intention to settle on a net basis.

19. Income and Expenses

Disaggregation of Revenue
The Group derived its revenue from contracts with customers from the transfer of goods and services over time and at a point in time. Set out is the disaggregation of the Group's revenue from contracts with customers for the years ended December 31, 2023, 2022 and 2021:

	2023	2022	2021
		(In millions)	
Type of good or service:			
Service revenues:			
Distributed subscriber revenues (*Note 21*)	**₱5,520**	₱5,529	₱5,797
Revenues from facility service fees *(Note 21)*	**1,586**	1,674	1,815
Non-service revenues	**–**	–	–*
Total revenues from contracts with customers	**₱7,106**	₱7,203	₱7,612

(Forward)

	2023	2022	2021
		(In millions)	
Timing of revenue recognition:			
Transferred over time	**₱7,106**	₱7,203	₱7,612
Transferred at a point time	**–**	–	–*
Total revenues from contracts with customers	**₱7,106**	₱7,203	₱7,612

**No amounts extended due to rounding off of amounts in millions.*

<u>Contract Balances</u>
Contract balances as at December 31, 2023 and 2022 consist of the following:

	2023	2022
	(In millions)	
Trade receivables, including due from Smart *(Notes 13 and 21)*	**₱2,270**	₱1,962

The amount being charged by Smart is being offset against the amount demandable by the Group to Smart in relation to facility services. The decrease in trade receivables, including amounts due from Smart for unpaid facility service fees, was due to collection of carrier and related party receivables (See *Note 21 – Related Party Transactions*).

<u>Compensation and Employee Benefits</u>
Compensation and employee benefits for the years ended December 31, 2023, 2022 and 2021 consist of the following:

	2023	2022	2021
		(In millions)	
Salaries and other employee benefits	**₱1**	₱1	₱21
MRP	**–**	–	72
Pension benefit savings (*Note 20*)	**–**	–	(17)
	₱1	₱1	₱76

<u>MRP</u>
The Group has been implementing its MRP in line with its continuing effort to reduce its cost base. The objective of the continuing MRP is to enable the Group to evolve into an organization better positioned in the future when telecommunications companies' business imperatives will have to include the development of new business streams, the move towards internet protocol for more customer-centric services and the renewed emphasis on cost efficiency. The Group implements its MRP in compliance with the Labor Code of the Philippines and all other relevant labor laws and regulations in the Philippines. As at March 31, 2021, all DMPI's employees and related liabilities were transferred to Smart.

Asset Impairment
Asset impairment for the years ended December 31, 2023, 2022 and 2021 consist of the following:

	2023	2022	2021
		(In millions)	
Creditable withholding tax (*Notes 3 and 15*)	**₱–**	₱25	₱–
Refundable security deposits	**–**	4	–
Trade and other receivables (*Notes 3 and 13*)	**–**	–	4
	₱–	₱29	₱4

Financing Costs – net
Financing costs – net is composed of accretion on lease liabilities amounted to ₱60 million, ₱55 million and ₱94 million for the years ended December 31, 2023, 2022 and 2021, respectively (see *Note 4 – Operating Segment Information, Note 8 – Leases* and *Note 25 – Notes to Statement of Cash Flows*).

Other Income – net
Other income – net for the years ended December 31, 2023, 2022 and 2021 consists of the following:

	2023	2022	2021
		(In millions)	
Reimbursements from related parties (*Note 21*)	**₱74**	₱88	₱191
Gain on adjustment of asset retirement obligation	**33**	93	28
Foreign exchange gains – net (*Note 22*)	**1**	–	4
Gain (loss) on lease modification	**(8)**	59	–
Equity share in net earnings of associates (*Note 9*)	**–**	–	33
Gain on sale of investment in associates (*Note 9*)	**–**	–	32
Others	**(93)**	49	145
	₱7	₱289	₱433

Reimbursements from related parties pertain to charges by the Group for network related expenditures such as rent, maintenance and depreciation (see *Note 21 – Related Party Transactions*).

20. Employee Benefits

Pension Liability
The Parent Company and DMPI, prior to its conversion to defined contribution plan effective January 1, 2018, have separate and distinct funded, noncontributory, defined benefit retirement plan covering substantially all of its regular employees. The benefits are based on years of service and compensation on the last year of employment.

Effective January 1, 2018, DMPI transitioned its defined benefit plan to a defined contribution format wherein the DMPI's obligation is limited to specified contributions to the Plan.

Although the Plan has a defined contribution format, DMPI monitors compliance with RA No. 7641. As at December 31, 2020, DMPI is in compliance with the minimum requirements of RA No. 7641. All DMPI's employees have been transferred to Smart effective March 31, 2021.

As discussed in *Note 2 – Summary of Material Accounting Policies*, PIC Q&A No. 2013-03 requires DMPI's defined contribution plan to be accounted for as a defined benefit plan due to the minimum retirement benefits mandated under RA No. 7641.

The rollforward of present value of defined benefit obligation, fair value of plan assets, and reconciliation of consolidated net unfunded status as at December 31, 2023 and 2022 are as follows:

	2023	2022
	(In millions)	
Present value of defined benefit obligations:		
Balances at end of the year	**₱2**	₱2
Fair value of plan assets:		
Balances at beginning of the year	**₱101**	₱170
Benefits paid from plan assets	**–**	(69)
Balances at end of the year	**₱101**	₱101
Pension liability *(Notes 3 and 17)*	**₱–**	₱–
Pension asset *(Notes 3 and 11)*	**100**	99
Consolidated net funded status	**₱100**	₱99

The components of pension benefit cost presented under "Compensation and employee benefits" account in the consolidated statements of comprehensive income for the years ended December 31, 2023, 2022 and 2021 are as follows:

	2023	2022	2021
		(In millions)	
Current service costs	**₱–**	₱–	₱2
Net interest cost (income)	**–**	–	(9)
Effect of curtailment	**–**	–	(10)
Pension benefit savings *(Note 19)*	**₱–**	₱–	(₱17)

Actual net gain on plan assets amounted to nil for the years ended December 31, 2023 and 2022, respectively.

As at March 31, 2021, all DMPI's employees and related liabilities were transferred to Smart. Hence, DMPI has no outstanding defined benefit obligation as at December 31, 2023 and 2022.

Under the existing regulatory framework, RA No. 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The major categories of the Group's plan assets are as follows:

	2023	2022
	(In millions)	
Noncurrent financial assets:		
Investments in:		
Domestic fixed income	**₱39**	₱45
Domestic equities	**8**	8
Total noncurrent financial assets	**47**	53
Current financial assets		
Cash and cash equivalents	**53**	46
Total plan assets of defined contribution plan	**₱100**	₱99
Plan assets attributable to:		
Company's share	**₱100**	₱99
Employee's share	**–**	–
Total plan assets of defined contribution	**₱100**	₱99

Domestic Fixed Income
Investments in domestic fixed income include Philippine Peso denominated bonds, such as government securities and corporate debt securities, with fixed interest rates from 2.1% to 8.125% per annum. Total investments in domestic fixed income amounted to ₱39 million and ₱45 million as at December 31, 2023 and 2022, respectively.

International Equities
Investments in international equities include exchange traded funds, mutual funds and unit investment trust funds managed by BlackRock, Wellington Management and BPI Asset Management and Trust Corporation. Total investments in international equities amounted to nil as at December 31, 2023 and 2022, respectively.

Domestic Equities
Investments in domestic equities include direct equity investments in common shares listed in the Philippine Stock Exchange (PSE). These investments earn on stock price appreciation and dividend payments. Total investment in domestic equities amounted to ₱8 million as at December 31, 2023 and 2022. This includes investment in PLDT shares with fair value of ₱115 thousand and ₱118 thousand as at December 31, 2023 and 2022, respectively.

Philippine Foreign Currency Bonds
Investments in Philippine foreign currency bonds include unit investment trust funds managed by BPI Asset Management and Trust Corporation. Total investment in Philippine foreign currency bonds amounted to nil as at December 31, 2023 and 2022.

International Fixed Income
Investments in international fixed income include exchange traded funds, mutual funds and unit investment trust funds managed by Pacific Investment Management. Total investments in international fixed income amounted to nil as at December 31, 2023 and 2022.

Cash and Cash Equivalents
This pertains to the fund's excess liquidity in Philippine Peso and U.S. Dollars including investments in time deposits, money market funds and other deposit products of banks with duration or tenor less than a year.

The asset allocation of the Plan is set and reviewed from time to time by the Plan Trustees taking into account the membership profile, the liquidity requirements of the Plan and risk appetite of the Plan sponsor. This considers the expected benefit cash flows to be matched with asset durations.

The plan assets are primarily exposed to financial risks such as liquidity risk and price risk.

Liquidity risk pertains to the plan's ability to meet its obligation to the employees upon retirement. To effectively manage liquidity risk, the Plan Trustees invest a portion of the fund in readily tradeable and liquid investments which can be sold at any given time to fund liquidity requirements.

Price risk pertains mainly to fluctuations in market prices of equity securities listed in the PSE. In order to effectively manage price risk, the Plan Trustees continuously assess these risks by closely monitoring the market value of the securities and implementing prudent investment strategies.

The principal actuarial assumptions used in determining pension benefit obligations for the Group's pension plan for the years ended December 31, 2023, 2022 and 2021 are shown below:

	2023	2022	2021
Discount rate	–	–	5.00%
Future salary increases	–	–	5.00%

The Retirement Plan Trustee has no specific matching strategy between the plan assets and the defined benefit obligation under the Plan. The Group is not required to pre-fund the future defined benefits payable under the retirement plan before they become due. For this reason, the amount and timing of contributions to the retirement fund are at the Group's discretion.

21. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly to control the other party or exercise significant influence over the other party in making financial and operating decisions and the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Terms and Conditions of Transactions with Related Parties
The services provided to and by related parties are made at terms equivalent to those that prevail in arms' length transactions. Outstanding balances at year-end are unsecured, interest-free, settlement occurs in cash and receivables/payables are on demand. There have been no guarantees provided or received for any related party receivables or payables. For the years ended December 31, 2023 and 2022, the Group has not recorded any impairment of receivables relating to amounts owed by the related parties. This assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

The following table provides the outstanding balances as at December 31, 2023 and 2022:

Category	Classifications	2023	2022
		(In millions)	
Ultimate Parent Company			
PLDT	Due to related parties	**₱13,114**	₱13,160
	Dividends payable	**2,175**	3,125
Subsidiaries of PLDT			
Smart	Due from related parties	**2,263**	1,944
	Investment in perpetual notes	**1,523**	1,293
ePDS, Inc. (ePDS)	Due from related parties	**2**	2

The following table provides the summary of transactions that have been entered into with related parties for the years ended December 31, 2023, 2022 and 2021 in relation with the table above:

Category	Classifications	2023	2022	2021
			(In millions)	
Ultimate Parent Company				
PLDT	Rent and other expenses	**₱60**	₱85	₱150
	Intercompany charges	**47**	69	137
Subsidiaries of PLDT				
Smart	Distributed subscriber's revenue	**₱5,520**	₱5,529	₱5,797
	Professional and other contracted services	**1,766**	1,769	1,841
	Revenues from facility service fees	**1,586**	1,674	1,815
	Royalty expense	**353**	354	370
	Distribution income on perpetual notes	**191**	258	281
	Repairs and maintenance	**12**	15	26
	Intercompany charges	**27**	7	160
	Rent and other expense	**–**	–	2

<u>Transactions with PLDT</u>

a) The Group has an outstanding payable to PLDT amounting to ₱13,114 million and ₱13,160 million as at December 31, 2023 and 2022, respectively, which were presented as "Trade and other payables account in the consolidated statements of financial position and was significantly part of the Enterprise Assets acquired by PLDT from JGSHI in 2011 (see *Note 1 – Corporate Information*).

b) The Group entered into agreements with PLDT whereby the latter will provide services such as rental, professional and communications among others. Expenses under these services, which are presented in the consolidated statements of comprehensive income, amounted to ₱60 million, ₱85 million and ₱150 million for the years ended December 31, 2023, 2022 and 2021, respectively.

c) The Group has outstanding dividends payable to PLDT amounting to ₱2,175 million and ₱3,125 million as at December 31, 2023 and 2022, respectively.

Transactions with Smart

a) The Group was reimbursed by Smart for certain network related charges which amounted to ₱1,586 million, ₱1,674 million and ₱1,815 million for the years ended December 31, 2023, 2022 and 2021, respectively, included under "Revenues from contracts with customers" account in the consolidated statements of comprehensive income.

   Furthermore, additional reimbursements were received from Smart for compensation and benefits to support the group's network transformation and long-term sustainability strategy amounting to ₱27 million, ₱7 million and ₱160 million for the years ended December 31, 2023, 2022 and 2021, respectively, included under "Other income – net" account in the consolidated statements of comprehensive income.

b) In October 2013, DMPI entered into a Management and Services Agreement (MSA) with Smart whereby Smart will provide various management support services relating to network facilities, marketing and sales distribution, retail, corporate and administrative support. In 2016, DMPI and Smart agreed to revise the existing charging rates to consider the transfer of postpaid cellular and broadband subscribers to Smart. In 2018, the charging rates for facility services were updated and benchmarked on observed actual traffic and network cost. Relative to the rebranding in October 2020, DMPI updated the charging rates taking into consideration the latest cost to deliver and traffic data for the network costs.

   Total expenses under this agreement amounted to ₱1,766 million, ₱1,769 million and ₱1,841 million for the years ended December 31, 2023, 2022 and 2021, respectively, which was presented as part of "Professional and other contracted services" account in the consolidated statements of comprehensive income.

c) Rent, repairs and maintenance and other expenses charged by Smart to the Group amounted to ₱12 million, ₱15 million and ₱28 million for the years ended December 31, 2022, 2021 and 2020, respectively.

d) Terms and conditions of investment in perpetual notes issued by Smart are disclosed in *Note 10 – Investment in Perpetual Notes*.

   The distribution income amounting to ₱191 million, ₱258 million and ₱281 million for the years ended December 31, 2023, 2022 and 2021, respectively are recorded as "Distribution income on perpetual notes" account in the consolidated statements of comprehensive income.

e) In October 2020, Sun Prepaid subscribers were rebranded as Smart Prepaid subscribers. Under the terms of the agreement, Smart will settle a fixed fee representing the DMPI's proportionate share on the distributed subscriber revenues.

   Total share in distributed subscribers' revenues recognized for this agreement amounted to ₱5,520 million ₱5,529 and ₱5,797 million for the years ended December 31, 2023, 2022, and 2021, respectively, which was presented as part of "Revenues from contracts with customers" account in the consolidated statements of comprehensive income.

   Under the terms of the rebranding agreement, DMPI entered into a trademark license agreement with Smart to cover the use of Smart's owned marks. By virtue of the agreement, DMPI will recognize royalty expense while Smart will recognize royalty income.

Total royalty expense recognized under this agreement amounted to ₱353 million, ₱354 million and ₱370 million for the years ended December 31, 2023 2022 and 2021, respectively, which was presented as part of "Costs and Expenses" account in the consolidated statements of comprehensive income.

Transactions with Other Related Parties

a) Various related parties such as ePDS provide services to the Group. The services include bill printing and enveloping services, ancillary services and other professional services.

Compensation of Key Management Personnel
The short-term employee benefits of the Group's key management personnel (included under "Compensation and employee benefits" account in the consolidated statements of comprehensive income) is nil for each of the years ended December 31, 2023, 2022 and 2021 since the Group's management and administrative functions are being handled by PLDT and Smart.

There are no agreements between the Group and any of its directors and key officers providing for benefits upon termination of employment.

22. **Financial Risk Management Objectives and Policies**

The Group's principal financial instruments comprise cash and cash equivalents, trade and other receivables/payables, and investment in perpetual notes. The main purpose of these financial instruments is to finance the Group's operations and capital expenditures. The Group has various other financial assets and financial liabilities such as trade and other receivables, trade and other payables (excluding statutory payables) and refundable security deposits which arise directly from its operations.

Financial Risk Management Objectives and Policies
The main risks arising from the use of financial instruments are foreign currency exchange risk, interest rate risk, credit risk and liquidity risk. The Group's policies for managing the aforementioned risks are summarized below.

The BOD of the Group and the ultimate Parent Company, review and approve policies for managing each of these risks.

There were no changes in the financial risk management objectives and policies of the Group as at December 31, 2023 and 2022.

Foreign Currency Exchange Risk
Foreign currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign currency exchange rates. Foreign currency risk arises on financial instruments that are denominated in a foreign currency other than the functional currency in which they are measured.

The Group does not have any foreign currency hedging arrangements. The table below summarizes the Group's exposure to foreign currency-denominated monetary financial assets and liabilities and its Philippine Peso equivalents as at December 31, 2023 and 2022:

	2023		2022	
	U.S. Dollar	**Philippine Peso Equivalent**	U.S. Dollar	Philippine Peso Equivalent
		(In millions)		
Asset				
Cash and cash equivalents	**US$–***	**₱5**	US$–*	₱15
Liability				
Trade and other payables	**US$–***	**₱16**	US$–*	₱15
Net Foreign Currency-Denominated Liabilities	**US$–***	**₱11**	US$–*	₱–

The exchange rates used to restate the Group's U.S. Dollar-denominated assets and liabilities were ₱55.418 to US$1.00 and ₱55.815 to US$1.00 as at December 31, 2023 and 2022, respectively.
**No amounts extended due to rounding off of amounts in millions*

The table below shows the changes in the Philippine Peso against the U.S. Dollar resulting to net foreign exchange gains :

	Current Year Exchange Rate	**Previous Year Exchange Rate**	**Difference**	**Increase (decrease)**	**Net Foreign Exchange Gains**
		(In Pesos)		*(In %)*	*(In millions)*
For the years ended					
2023	**55.418**	**55.815**	**(0.397)**	**(0.01)**	**₱1**
2022	55.815	50.974	4.841	9.5	₱–
2021	50.974	48.021	2.953	6.1	₱4

Management conducted a survey among the Group's banks to determine the outlook of the Philippine Peso-U.S. dollar exchange rate until March 31, 2024. The Group's outlook is that the Philippine Peso-U.S. dollar exchange rate may strengthen/weaken by 1.95% as compared to the exchange rate of ₱55.82 to US$1.00 as at December 31, 2022.

The table below demonstrates the sensitivity to a reasonable change in foreign exchange rate, with all other variables held constant, of the Group's income after tax as at December 31, 2023 and 2022. There is no other impact on the Group's equity other than those already affecting the profit or loss. The Group does not expect the impact of the volatility on other currencies to be material.

2023		2022	
Increase (Decrease) in Php to US$ Rate	**Effect on Income after Tax**	Increase (Decrease) in Php to US$ Rate	Effect on Income after Tax
(In %)	*(In millions)*	*(In %)*	*(In millions)*
1.95	**₱0.16**	0.33	₱–
(1.95)	**(0.16)**	(0.33)	–

Credit Risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis to reduce the Group's exposure to bad debts.

The Group established a credit quality review process to provide regular identification of changes in the creditworthiness of counterparties. Counterparty limits are established and reviewed periodically based on latest available financial data on the Group's counterparties' credit ratings, capitalization, asset quality and liquidity. The Group's credit quality review process allows the management to assess the potential loss as a result of the risks to which the Group is exposed and allow the management to take corrective actions.

The table below shows the analysis of the maximum exposure to credit risk for the components of the consolidated statements of financial position as at December 31, 2023 and 2022.

	2023			2022		
	Gross Maximum Exposure	**Collateral and Other Credit Enhancements**	**Net Maximum Exposure**	Gross Maximum Exposure	Collateral and Other Credit Enhancements	Net Maximum Exposure
			(In millions)			
Cash and cash equivalents*	**₱120**	**₱2**	**₱118**	₱120	₱6	₱114
Trade and other receivables:						
Trade receivables:						
Due from related parties	**2,265**	**–**	**2,265**	1,946	–	1,946
Dealers, agents and others	**7**	**–**	**7**	19	–	19
Refundable security deposits	**439**	**–**	**439**	294	–	294
Investment in perpetual notes	**1,523**	**–**	**1,523**	1,293	–	1,293
	₱4,354	**₱2**	**₱4,352**	₱3,672	₱6	₱3,666

**Excluding cash on hand amounting ₱.3 for both years as at December 31, 2023 and 2022.*

The maximum exposure is shown gross before both the effect of mitigation through use of master netting and collateral arrangements. The extent to which collateral and other credit enhancements mitigate the maximum exposure to credit risk is described in the footnotes to the table.

Collateral held as security for financial assets depends on the nature of the instrument. Debt investment securities are generally unsecured. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and are regularly updated according to internal lending policies and regulatory guidelines. Generally, collateral is not held over loans and advances to the Group except for reverse repurchase agreements. Collateral usually is not held against investment securities, and no such collateral was held as at December 31, 2023 and 2022.

The Group's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Group during the year.

The Group has not identified significant risk concentrations arising from the nature, type or location of collateral and other credit enhancements held against the Group's credit exposures.

For financial assets recognized on the consolidated statements of financial position, the Group's gross exposure to credit risk equals their carrying amount as at December 31, 2023 and 2022.

The table below provides information regarding the credit quality by class of the Group's financial assets according to credit ratings of counterparties as at December 31, 2023 and 2022:

	2023			
		Lifetime ECL		
	Stage 1	**Stage 2**	**Stage 3**	**Total**
		(In millions)		
High grade	**₱120**	**₱2,264**	**₱–**	**₱2,384**
Standard grade	**315**	**11**	**–**	**326**
Substandard grade	**–**	**3**	**–**	**3**
Default	**–**	**144**	**–**	**144**
Gross Carrying Amount	**435**	**2,422**	**–**	**2,857**
Less allowance	**–**	**144**	**–**	**144**
Carrying Amount	**₱435**	**₱2,278**	**₱–**	**₱2,713**

	2022			
		Lifetime ECL		
	Stage 1	Stage 2	Stage 3	Total
		(In millions)		
High grade	₱117	₱1,949	₱–	₱2,066
Standard grade		298	–	298
Substandard grade	–	15	–	15
Default	–	144	–	144
Gross Carrying Amount	117	2,406	–	2,523
Less allowance	–	144	–	144
Carrying Amount	₱117	₱2,262	₱–	₱2,379

High Grade. Pertains to counterparty who is not expected by the Group to default in settling its obligations, thus, credit risk exposure is minimal. This counterparty normally includes banks, related parties and customers who pay on or before due date.

Standard Grade. Pertains to counterparty with tolerable delays in settling its obligations to the Group and new clients for which sufficient credit history has not been established.

Substandard Grade. This includes medium risk and average paying customer accounts with no overdue accounts as at report date, and new customer accounts for which sufficient credit history has not been established; and deposits or placements to counterparties not classified as High/Standard Grade; and non-listed shares of stock.

Set out below is the information about the credit risk exposure on the Group's trade and other receivables using a provision matrix as at December 31, 2023 and 2022:

	2023					
			Days past due			
	Total	**Current**	**1 to 60 Days**	**61 to 90 Days**	**Over 90 Days**	**Impaired**
			(In millions)			
December 31, 2023						
Financial Instruments at Amortized Cost:						
Expected credit loss rate (%)	–	–	–	–	–	–
Trade and other receivables:						
Due from related parties	**₱2,265**	**₱2,265**	**₱–**	**₱–**	**₱–**	**₱–**
Dealers, agents and others	**7**	–	–	–	**7**	–
Expected credit loss	–	–	–	–	–	–
	₱2,272	**₱2,265**	**₱–**	**₱–**	**₱7**	**₱–**

	2022					
			Days past due			
	Total	Current	1 to 60 Days	61 to 90 Days	Over 90 Days	Impaired
			(In millions)			
December 31, 2022						
Financial Instruments at Amortized Cost:						
Expected credit loss rate (%)	–	–	–	–	–	–
Trade and other receivables:						
Due from related parties	₱1,946	₱1,946	₱–	₱–	₱–	₱–
Dealers, agents and others	19	–	–	–	19	–
Expected credit loss	–	–	–	–	–	–
	₱1,965	₱1,946	₱–	₱–	₱19	₱–

Liquidity Risk

The Group's exposure to liquidity risk refers to the risk that its financial liabilities are not reviewed in a timely manner and that its working capital requirements and planned capital expenditures are not met.

The Group seeks to manage its liquidity profile to be able to finance the Group's operations and capital expenditures, and service its maturing debts and other financial obligations. The Group maintains a level of cash and cash equivalents deemed sufficient to finance operations.

As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund-raising activities. Fund-raising activities may include bank loans and capital market issues (i.e., bond offerings) both onshore and offshore.

Any excess funds are primarily invested in short-term and principal-protected bank products that provide flexibility of withdrawing the funds anytime.

The table below summarizes the maturity profile of the Group's financial assets and liabilities based on undiscounted contractual obligations outstanding as at December 31, 2023 and 2022.

	2023				
	Total	**Less than 1 Year**	**1 to 3 Years**	**3 to 5 Years**	**More than 5 Years**
			(In millions)		
December 31, 2023					
Financial Instruments at Amortized Cost:					
Cash equivalents	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
Trade and other receivables:					
Due from related parties	**2,265**	**2,265**	**–**	**–**	**–**
Dealers, agents and others	**7**	**7**	**–**	**–**	**–**
Refundable security deposits	**467**	**35**	**–**	**432**	**–**
Financial Instruments at FVPL –					
Investment in perpetual notes	**1,523**	**–**	**–**	**–**	**1,523**
	₱4,262	**₱2,307**	**₱–**	**₱432**	**₱1,523**
Accounts payable [(1)]**:**					
Suppliers and contractors	**₱291**	**₱291**	**₱–**	**₱–**	**₱–**
Due to related parties	**13,114**	**13,114**	**–**	**–**	**–**
Carriers	**28**	**28**	**–**	**–**	**–**
Others	**4**	**4**	**–**	**–**	**–**
Accrued expenses[(2)]	**599**	**599**	**–**	**–**	**–**
Long-term lease obligations – operating lease	**863**	**340**	**397**	**78**	**48**
	₱14,899	**₱14,376**	**₱397**	**₱78**	**₱48**

[(1)] *Excluding statutory payables which are not considered financial liabilities.*
[(2)] *Excluding accrued rent, accrued taxes and licenses and provisions. which are not considered financial liabilities.*

	2022				
	Total	Less than 1 Year	1 to 3 Years	3 to 5 Years	More than 5 Years
			(In millions)		
December 31, 2022					
Financial Instruments at Amortized Cost:					
Cash equivalents	₱30	₱30	₱–	₱–	₱–
Trade and other receivables:					
Due from related parties	1,946	1,946	–	–	–
Dealers, agents and others	19	19	–	–	–
Refundable security deposits	438	35	–	403	–
Financial Instruments at FVPL –					
Investment in perpetual notes	1,293	–	–	–	1,293
	3,726	2,030	–	403	1,293
Accounts payable [(1)]:					
Suppliers and contractors	235	235	–	–	–
Due to related parties	16,285	16,285	–	–	–
Carriers	28	28	–	–	–
Others	11	11	–	–	–
Accrued expenses[(2)]	333	333	–	–	–
Long-term lease obligations – operating lease	414	111	194	75	34
	₱17,306	₱17,003	₱194	₱75	₱34

[(1)] *Excluding statutory payables which are not considered financial liabilities.*
[(2)] *Excluding accrued rent, accrued taxes and licenses and provisions. which are not considered financial liabilities.*

23. **Fair Value Measurement**

Investment Properties
In 2018, the Parent Company reclassified its land amounting to ₱55 million from property and equipment to investment properties due to the completion of the migration of postpaid subscribers to PLDT network in the same year. The land is currently held for undetermined future use and qualifies as investment properties.

The fair value of investment properties based on the valuation prepared as at December 31, 2019 amounted to ₱83 million. The fair value represents the amount at which the assets can be exchanged between a knowledgeable, willing seller and a knowledgeable, willing buyer in an arm's length transaction at the date of valuation.

The valuation for land was based on Market Data Approach using price per square meter.

Market Data Approach is an appraisal method which involves the comparison of the land to those that are subject to recent sales and offerings. The comparison is based on such factors as location, size, shape, utility, desirability and time element.

The fair value of investment properties is categorized under Level 3 since the valuation is based on unobservable inputs.

The Group has no restriction on the realizability of its investment properties, and no obligation to either purchase, construct or develop or for repairs, maintenance and enhancements.

Financial Instruments
The table below presents the comparison of the carrying amount and fair value of the Group's financial assets and liabilities, other than those with carrying amounts that are reasonable approximation of fair value, as at December 31, 2023 and 2022:

	2023		2022	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
		(In millions)		
Financial Assets				
Financial assets at FVPL –				
Investment in perpetual notes	**₱1,523**	**₱1,523**	₱1,293	₱1,293
Financial Instruments at Amortized Cost –				
Refundable security deposits	**323**	**270**	294	245
Total Financial Asset – Net	**₱1,846**	**₱1,793**	₱1,587	₱1,538

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Cash and Cash Equivalents, Short Term Investments, Trade and Other Receivables, and Trade and Other Payables.
Carrying amounts approximate their fair values due to the relatively short-term maturity of these financial instruments.

Long-term Financial Assets and Liabilities

Type	Fair Value Assumptions	Fair Value Hierarchy
Refundable security deposits	Estimated fair value is based on the discounted values of future cash flows using the applicable zero-coupon rates plus counterparties' credit spread.	Level 3
Investment in perpetual notes	Estimated fair value is based on the discounted values of future cash flows using the applicable zero-coupon rates plus counterparties' credit spread.	Level 3

The following table sets forth the consolidated offsetting of financial assets and liabilities recognized as at December 31, 2023 and 2022.

		2023	
	Gross Amounts of Recognized Financial Assets and Liabilities	**Gross Amounts of Recognized Financial Assets and Liabilities Set-off in the Consolidated Statement of Financial Position**	**Net Amount Presented in the Consolidated Statement of Financial Position**
		(In millions)	
Current Financial Liabilities			
Payables to connecting carriers (*Note 18*)	**₱186**	**₱158**	**₱28**

		2022	
	Gross Amounts of Recognized Financial Assets and Liabilities	Gross Amounts of Recognized Financial Assets and Liabilities Set-off in the Consolidated Statement of Financial Position	Net Amount Presented in the Consolidated Statement of Financial Position
		(In millions)	
Current Financial Liabilities			
Payables to connecting carriers (*Note 18*)	₱186	₱158	₱28

There were no financial instruments subject to an enforceable master netting arrangement that were not set-off in the consolidated statements of financial position.

24. Commitments and Contingencies

Lease Commitments

Lease Commitments - Group as a Lessee
The Group leases certain premises for some of its telecommunication facilities and equipment and for most of its business centers and cell sites. The lease agreements are for periods ranging from 1 to 30 years from the date of the contracts and are renewable under certain terms and conditions. Certain leases include a clause to enable upward revision of the annual rental charge ranging from 2% to 20%.

The agreements generally require certain amounts of deposit and advance rentals, which are shown as part of "Other noncurrent assets" account and "Other current assets" accounts in the consolidated statements of financial position as at December 31, 2023 and 2022 (see *Note 11 – Other Noncurrent Assets* and *Note 15 – Other Current Assets*). The Group's rentals incurred on these leases amounted to ₱66 million, ₱155 million and ₱185 million for the years ended December 31, 2023, 2022 and 2021, respectively, which were presented as "Rent" account in the consolidated statements of comprehensive income (see *Note 3 – Management's Use of Accounting Judgments, Estimates and Assumptions – Operating Leases*, *Note 8 – Leases* and *Note 21 – Related Party Transactions*).

The future minimum lease commitments payable with non-cancellable operating leases as at December 31, 2023 and 2022 are as follows:

	2023	2022
	(In millions)	
Within one year	**₱340**	₱111
More than one year but less than five years	**475**	269
More than five years	**48**	34
	₱863	₱414

Smart and DMPI
In December 2017, Smart prepaid the reimbursable network charges amounting to ₱1,645 million exclusive of VAT to partially cover the Group's lease commitment and depreciation of network related assets in 2018 (see *Note 18 – Trade and Other Payables* and *Note 21 –Related Party Transactions*).

On October 21, 2020, DMPI and Smart entered into a Rebranding Agreement wherein the Sun Prepaid subscribers were rebranded as Smart Prepaid subscribers. Under the terms of the agreement, Smart will settle a fixed fee representing DMPI's proportionate share on the distributed subscriber revenues. Other intercompany agreements as a result of this arrangement are disclosed in *Note 21 – Related Party Transactions*.

PLDT and Digitel
On July 1, 2013, the Parent Company entered into an agreement to sell its subscription assets to PLDT for a total cost of approximately ₱5.3 billion. The agreement covers the transfer, assignment and conveyance of the Parent Company's subscription agreements and subscriber list and includes a transmission mechanism to ensure uninterrupted availability of services to Parent Company subscribers, until their migration to PLDT network is completed. This transaction is in line with the commitment to increase the level of quality service for Parent Company's subscribers and to achieve synergies and operating efficiencies within PLDT Group. Accordingly, an FLA was executed to cover PLDT's use of Parent Company's network and facilities to ensure uninterrupted provision of LEC services to subscribers who are already migrated and yet to be migrated to PLDT network (see *Note 21 – Related Party Transactions*). The Parent Company fully migrated its subscribers to PLDT network in January 2018.

Contingencies
Except as disclosed in the following paragraphs, the Group is not a party to, and no property of the Group is subject to, any other pending material legal proceedings.

Local Tower Fee Assessments
Local tower fee ordinance is being imposed by Local Governments upon all telecommunication companies with sites located in their area.

DMPI vs. City of Trece Martires
In 2010, DMPI petitioned to declare void the City of Trece Martires ordinance of imposing tower fee of ₱150 thousand for each cell site annually. Application for the issuance of a preliminary injunction by DMPI is pending resolution as of date.

Franchise Tax Assessment and Real Property Tax Assessment
As at March 27, 2024, the Parent Company is currently in discussions with various local government units for the settlement of its franchise tax and real property tax liabilities within their respective jurisdiction pursuant to the above decision of the Supreme Court.

Others
The Group has other contingent liabilities arising in the ordinary conduct of business which are either pending decision by the courts, under arbitration or being contested, the outcome of which are not presently determinable.

The information normally required by PAS 37, *Provisions, Contingent Liabilities, and Contingent Assets* is not disclosed in accordance with the provisions of this standard, on the ground that it may prejudice the outcome of these ongoing lawsuits, claims, arbitration and assessments.

25. Notes to Statement of Cash Flows

Changes in Liabilities Arising from Financing Activities
Details of the movements in cash flows from financing activities in 2023, 2022 and 2021 are as follows:

			Non-cash changes				
	January 1, 2023	Cash flows	Dividends declared	Addition to ROU assets	Interest	Others	December 31, 2023
Lease liabilities (*Notes 2 and 8*)	**₱381**	**(₱288)**	**₱–**	**₱632**	**₱60**	**(₱180)**	**₱605**
Dividends payable (*Note 16*)	**3,137**	**(3,212)**	**2,257**	**–**	**–**	**–**	**2,182**
Total liabilities from financing activities	**₱3,518**	**(₱3,500)**	**₱2,257**	**₱632**	**₱60**	**(₱180)**	**₱2,787**

			Non-cash changes				
	January 1, 2022	Cash flows	Dividends declared	Addition to ROU assets	Interest	Others	December 31, 2022
Lease liabilities (*Notes 2 and 8*)	**₱1,163**	**(₱359)**	**₱–**	**₱80**	**₱55**	**(₱558)**	**₱381**
Dividends payable (*Note 16*)	**–**	**–**	**3,137**	**–**	**–**	**–**	**3,137**
Total liabilities from financing activities	**₱1,163**	**(₱360)**	**₱3,137**	**₱80**	**₱55**	**(₱558)**	**₱3,518**

			Non-cash changes				
	January 1, 2021	Cash flows	Dividends declared	Addition to ROU assets	Interest	Others	December 31, 2021
Lease liabilities (*Notes 2 and 8*)	₱1,509	(₱528)	₱–	₱97	₱94	(₱9)	₱1,163
Dividends payable (*Note 16*)	–	(502)	502	–	–	–	–
Total liabilities from financing activities	₱1,509	(₱1,030)	₱502	₱97	₱94	(₱9)	₱1,163

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INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Digital Telecommunications Phils., Inc.
Ground Floor, Universal Tower Building
1487 Quezon Avenue, West Triangle, Quezon City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Digital Telecommunications Phils., Inc. and its subsidiaries (a subsidiary of PLDT Inc.) (the Group) as at December 31, 2023 and 2022, and have issued our report thereon dated March 27, 2024. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for the purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jay Loren M. Castañeda

Jay Loren C. Malig-Castañeda
Partner
CPA Certificate No. 116355
Tax Identification No. 238-767-502
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-152-2024, February 27, 2024, valid until February 26, 2027
PTR No. 10079915, January 5, 2024, Makati City

March 27, 2024

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INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
Digital Telecommunications Phils., Inc.
Ground Floor, Universal Tower Building
1487 Quezon Avenue, West Triangle, Quezon City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Digital Telecommunications Phils., Inc. and its subsidiaries (the Group) as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated March 27, 2024. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Company's consolidated financial statements as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Jay Loren M. Castañeda

Jay Loren C. Malig-Castañeda
Partner
CPA Certificate No. 116355
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PTR No. 10079915, January 5, 2024, Makati City

March 27, 2024

DIGITAL TELECOMMUNICATIONS PHILS., INC. AND SUBSIDIARIES
Schedule A. Financial Assets
December 31, 2023

Name of Issuing Entity and Associaton on each issue	Number of Shares	Amount Shown in the Balance Sheet	Value based on Market Quotation at Balance Sheet Date	Income received and accrued
			(In millions)	
Smart	N/A	₱1,523	N/A	₱191
		₱1,523		**₱191**

DIGITAL TELECOMMUNICATIONS PHILS., INC. AND SUBSIDIARIES
Schedule B. Amounts Receivable from Directors, Officers, Employees, Principal Stockholders (other than Related Parties)
December 31, 2023

	Balance at Beginning of Period	Additions	Amounts Collected	Balance at End of Period
			(In millions)	
Dalipe, S.	₱1.1	₱0.2	₱-	**₱1.3**
	₱1.1	**₱0.2**	**₱-**	**₱1.3**

DIGITAL TELECOMMUNICATIONS PHILS., INC. AND SUBSIDIARIES
Schedule C. Amounts Receivable from Related Parties which are eliminated during the consolidation of Financial Statements
December 31, 2023

	Balance at Beginning of Period	Additions	Amounts Collected	Balance at End of Period
			(In millions)	
Digitel Mobile Philippines., Inc.	₱1	₱-	₱1	₱-

DIGITAL TELECOMMUNICATIONS PHILS., INC. AND SUBSIDIARIES
Schedule F. Indebtedness to Related Parties
December 31, 2023

	Balance at Beginning of Period	Balance at End of Period
	(In millions)	
PLDT Inc.	₱16,285	₱15,289
Smart Communications Inc.	-	-
ePDS, Inc.	-	-
	₱16,285	**₱15,289**

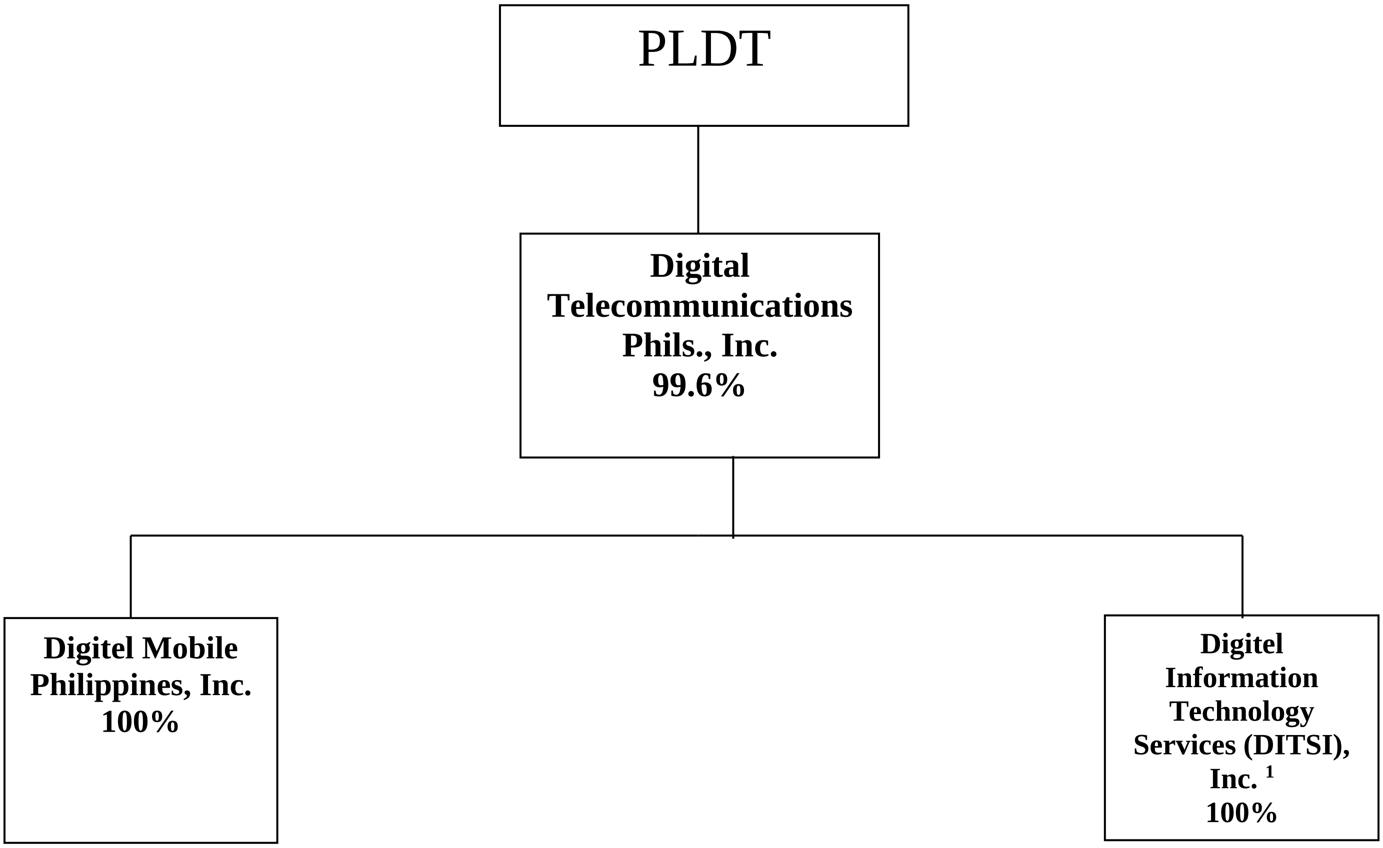
DIGITAL TELECOMMUNICATIONS PHILS., INC. AND SUBSIDIARIES
Schedule G. Capital Stock
December 31, 2023

			Number of Shares Held By		
Title of Issue	**Number of Shares Authorized**	**Shares Issued and Outstanding**	**Related Parties**	**Directors, Officers and Employees**	**Others**
			(In millions)		
Common Shares	29,500	26,142	26,043	–	99

DIGITAL TELECOMMUNICATIONS PHILS., INC. AND SUBSIDIARIES
Schedule H. Reconciliation of Retained Earnings Available for Dividend Declaration
December 31, 2023

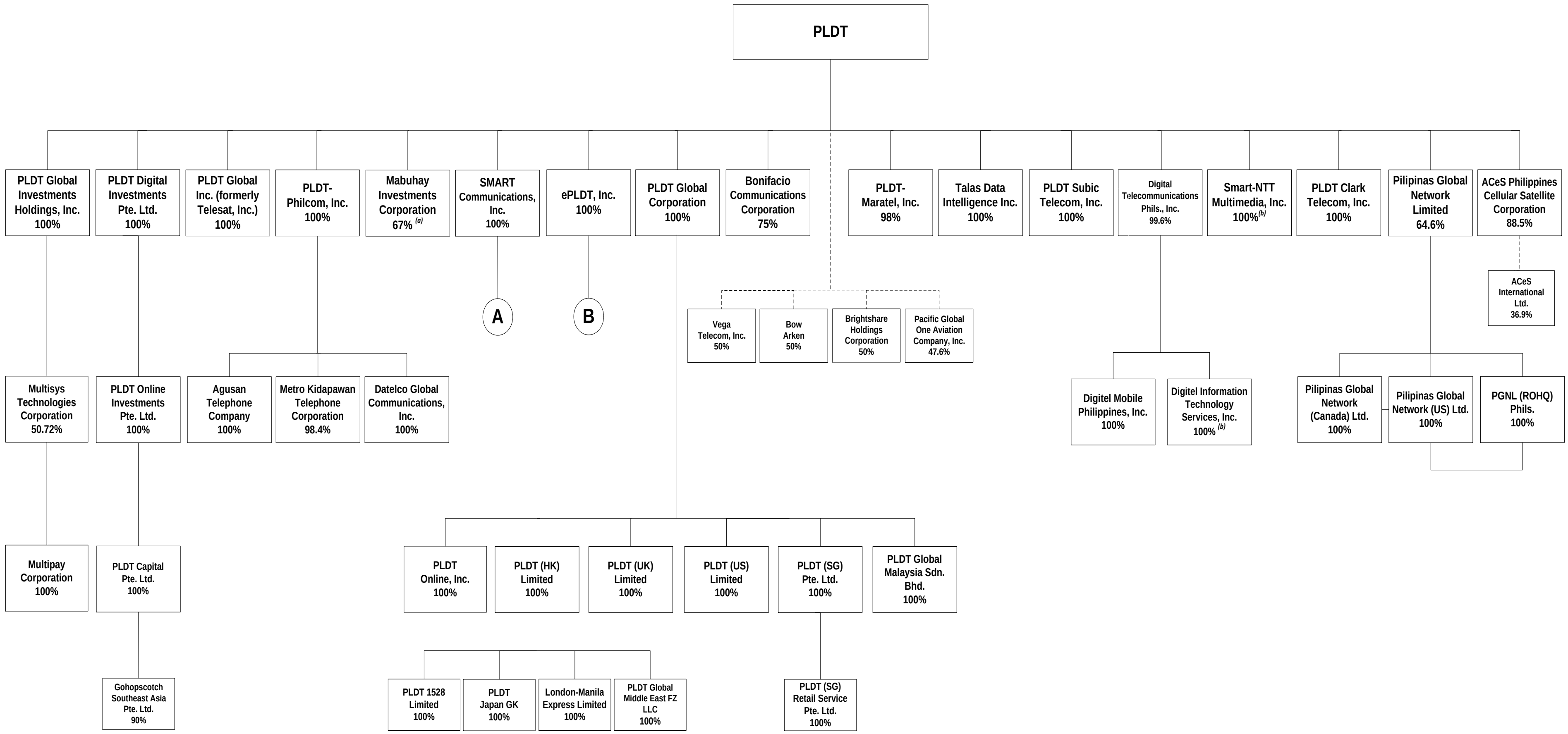
		Amounts *(In millions)*
Parent Company's unappropriated retained earnings available for dividend declaration as at January 1, 2023		₱12,684
Add: Net income actually earned/realized in 2023		
Net income	₱3,220	
Less: Unrealized foreign exchange gain – net (except cash and cash equivalents)	–	3,220
Less: Dividends declared during the year		(2,259)
Parent Company's unappropriated retained earnings available for declaration as at December 31, 2023		₱13,645

DIGITAL TELECOMMUNICATIONS PHILS., INC. AND SUBSIDIARIES
Schedule I. Map of Relationships of the Companies within the Group
December 31, 2023



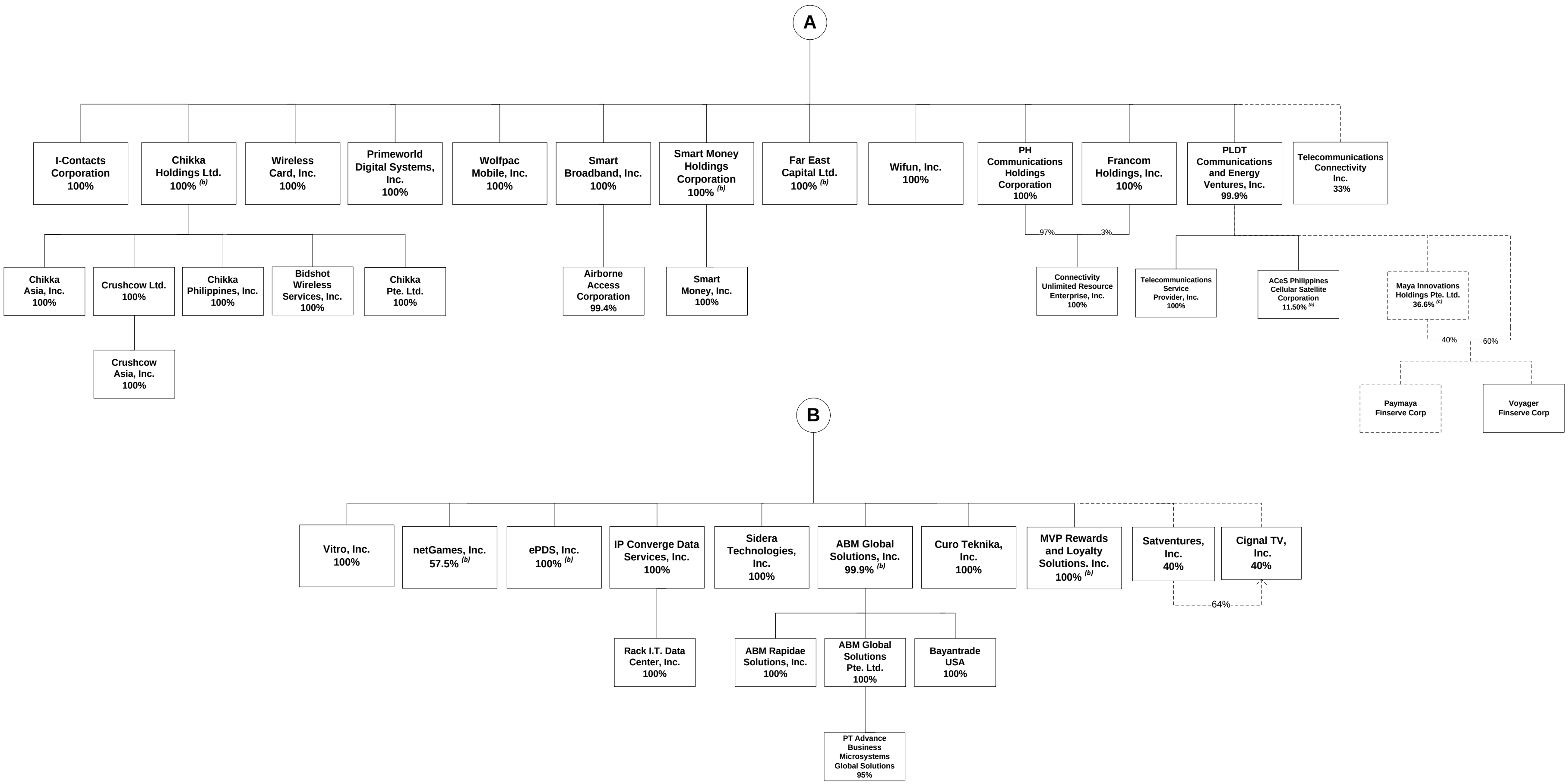
[1] On March 5, 2012, the BOD approved the closure of DITSI through the shortening of its corporate life until June 30, 2013.

Map of Relationships of the Companies within the PLDT Group (Ultimate Parent)
December 31, 2023



Legend:

------------- Joint Ventures and Associates



Legend:

Joint Ventures and Associates

(a) Ceased commercial operations. On August 9, 2022, the Philippine SEC approved MIC's application for amendment of its Articles of Incorporation to shorten its corporate term until September 30, 2023.
(b) Ceased commercial operations.
(c) On May 16, 2023, Accounting and Corporate Regulatory Authority (ACRA) Singapore approved the change in business name of Voyager Innovations Holdings Pte. Ltd. to Maya Innovations Holdings Pte. Ltd.

DIGITAL TELECOMMUNICATIONS PHILS., INC. AND SUBSIDIARIES
Schedule J. Financial Soundness Indicators
December 31, 2023 and 2022

	2023	**2022**
Current Ratio(1)	0.15:1.0	0.13:1.0
Net Cash to Equity Ratio(2)	0.01:1.0	0.01:1.0
Asset to Equity Ratio(3)	(0.42):1.0	(0.32):1.0
Interest Coverage Ratio(4)	76.15:1.0	117.22:1.0
Profit Margin Ratio(5)	53%	72%
Return on Assets(6)	72%	116%
EBITDA Margin(7)	58%	55%

(1) Current ratio is measured as current assets divided by current liabilities.
(2) Net cash to equity ratio is measured as total debt (long–term debt, including current portion and notes payable) less cash and cash equivalent and short–term investments divided by total equity.
(3) Asset to equity ratio is measured as total assets divided by total equity.
(4) Interest coverage ratio is measured by EBIT, or earnings before interest and taxes, divided by total financing cost
(5) Profit margin ratio is derived by dividing net income with total revenues.
(6) Return on assets is derived by dividing net income with total assets.
(7) EBITDA margin is measured as EBITDA divided by service revenues. EBITDA is measured as net income excluding depreciation,, financing cost, interest income, equity share in net earnings of associates, foreign exchange gains (losses) – net, provision for (benefit from) income tax and other income – net.

May 9, 2024

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

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

Gentlemen:

In accordance with Section 17.1(b) of the Securities Regulation Code and SRC Rule 17.1.1.1.2, we are submitting herewith two (2) copies of SEC Form 17-Q with Management's Discussion and Analysis and accompanying unaudited consolidated financial statements for the three months ended March 31, 2024.

Very truly yours,

DIGITAL TELECOMMUNICATIONS PHILS., INC.

ATTY. JOEL D. PENEYRA
Assistant Corporate Secretary

COVER SHEET

SEC Registration Number

1	4	5	1	1	1					

Company Name

DIGITAL TELECOMMUNICATIONS PHILS., INC. AND SUBSIDIARIES (A Subsidiary of PLDT Inc.)

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

8003-A MATALINO STREET, DILIMAN, QUEZON CITY, METRO MANILA

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
digitel_phil@pldt.com.ph	-	09285590433

No. of Stockholders	Annual Meeting Month/Day	Calendar Year Month/Day
4,928 (as at March 31, 2024)	Last Monday of May	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
Jerone H. Tabanera	jhtabanera@pldt.com.ph	-	09088867630

Contact Person's Address

19/F Smart Tower, Ayala Avenue, 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.

SEC Number **145111**
File Number

DIGITAL TELECOMMUNICATIONS PHILS., INC.

(Company's Full Name)

8003-A Matalino Street, Diliman,
Quezon City, Metro Manila

(Company's Address)

09088867630

(Telephone Number)

Not Applicable

(Fiscal Year Ending)
(month & day)

SEC Form 17-Q

Form Type

Not Applicable

Amendment Designation (if applicable)

March 31, 2024

Period Ended Date

Not Applicable

(Secondary License Type and File Number)

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, 2024

2. SEC Identification Number 145111   3. BIR Tax Identification No. 000-449-918-000

4. Exact name of registrant as specified in its charter: DIGITAL TELECOMMUNICATIONS PHILS., INC.

5. Republic of the Philippines
   Province, Country or other jurisdiction of incorporation or organization

6. _________ (SEC Use Only)
   Industry Classification Code:

7. 8003-A Matalino Street, Diliman, Quezon City, Metro Manila   1104
   Address of principal office   Postal Code

8. 09285590433
   Registrant's telephone number, including area code

9. N/A
   Former Name, former address, and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation code, or Sec. 4 and 8 of the then Revised Securities Act.

Title of Each Class	Number of Shares of Common Stock Outstanding
Common stock, ₱0.10 par value	26,142,671,992 shares as at March 31, 2024

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

    Yes [ ]   No [✓]

12. Check whether the registrant:

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

    Yes [✓]   No [ ]

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

    Yes [✓]   No [ ]

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PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Consolidated Financial Statements

Our consolidated financial statements as at March 31, 2024 (unaudited), December 31, 2023 (audited) and for the three months ended March 31, 2024 and 2023 (unaudited) and related notes 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," "Digitel Group" mean the Digital Telecommunications Phils., Inc. and its consolidated subsidiaries and reference to "Digitel" mean the Digital Telecommunications Phils., Inc., not including its consolidated subsidiaries, (see Note 1 – Corporate Information to the accompanying unaudited consolidated financial statements for the list of these subsidiaries, including a description of their respective principal business activities).

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.

The financial information appearing in this report and in the accompanying unaudited consolidated financial statements are stated in Philippine peso. 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 ₱56.26 to US$1.00, the exchange rate as at March 31, 2024 quoted through the Bankers Association of the Philippines.

Financial Highlights and Key Performance Indicators

(In millions, except EBITDA margin, basic earnings per share and net cash to equity ratio)

	Three months ended March 31,		Increase (Decrease)	
	2024	2023	Amount	%
	(Unaudited)			
Consolidated Income Statement				
Revenues	₱1,257	₱1,790	(₱533)	(30)
Expenses	674	1,031	(357)	(35)
Other income (expense)	(11)	556	(567)	(102)
Income before income tax	572	1,315	(743)	(57)
Net income	457	1,118	(661)	(59)
Core income	445	836	(391)	(47)
EBITDA	659	801	(142)	(18)
EBITDA margin (1)	52%	45%	–	–
Basic/dilutive earnings per common share (2)	0.02	0.04	–	–

	March 31,	December 31,	Increase (Decrease)	
	2024	2023	Amount	%
	(Unaudited)	(Audited)		
Consolidated Statements of Financial Position				
Total assets	₱4,696	₱5,221	(₱525)	(10)
Property and equipment	–	–	–	–
Cash and cash equivalents	162	120	42	35
Total capital deficiency	(12,012)	(12,469)	457	4
Net cash(3) to equity ratio	0.01	0.01	–	–

	Three months ended March 31,		Increase (Decrease)	
	2024	2023	Amount	%
	(Unaudited)			
Consolidated Statements of Cash Flows				
Net cash provided by (used in) operating activities	1,090	(23)	1,113	4,839
Net cash provided by investing activities	59	379	(320)	(84)
Net cash used in financing activities	(1,107)	(307)	(800)	261
Operational Data:				
Number of employees	1	1	–	–
Wireless	–	–	–	–
Fixed line	*1*	*1*	–	–

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

(2) *Basic earnings per common share is derived by dividing net income by the weighted average number of outstanding common shares for the period.*

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

Exchange rates – per US$	Month-end rates	Weighted average During the year
March 31, 2024	56.26	56.28
December 31, 2023	55.42	55.59
March 31, 2023	54.32	54.82
December 31, 2022	55.82	54.52

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 (Earnings before Interest, Taxes, Depreciation and Amortization)

EBITDA for the period is measured as net income excluding depreciation, equity share in net earnings of associates, foreign exchange gains – net, rental income, interest income, financing costs – net, losses on disposal of fixed assets, provision for income tax and other income – net. EBITDA is monitored by the management for each business unit separately for purposes of making decisions about resource allocation and performance assessment. EBITDA is presented because our management believes that it is widely used by investors in their analysis of the performance of Digitel and can assist them in their comparison of Digitel's performance with those of other companies in the 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 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, nor should EBITDA be considered 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 or 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 dividend payments, lease payments, 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 excluding foreign exchange gains – net, net of tax effect of aforementioned adjustments, as applicable. Core income results are monitored by the management for each business unit separately for purposes of making decisions about resource allocation and performance assessment. 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 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

Digitel was one of the major providers of wireline communication systems in Luzon Island. In September 2001, Digitel established a wholly-owned subsidiary, DMPI, to provide wireless telecommunication services in the Philippines. DMPI is one of the Philippines' leading mobile telecommunications companies. We have organized our business into business units based on our products and services and have two reportable operating segments which serve as the basis for management's decision to allocate resources and evaluate operating performance:

- *Wireless* - wireless telecommunications services provided by DMPI, which owns the *Sun* subscribers brand; and

- *Fixed Line* - fixed line telecommunications services primarily provided by Digitel. As of January 1, 2018, Digitel fully migrated its subscribers to PLDT network.

Digitel ceased operating as a public telecommunications entity effective February 17, 2019, the expiration of its franchise, Republic Act No. 7678, entitled "An Act Granting The Digital Telecommunications Phils, Inc., A Franchise To Install, Operate And Maintain Telecommunications Systems Throughout The Philippines And For Other Purposes".

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, 2024 and 2023 are set forth in the following page.

The following table shows the reconciliation of our consolidated EBITDA to our consolidated net income for the three months ended March 31, 2024 and 2023:

	2024	2023
	(In millions) (Unaudited)	
Consolidated net income	₱457	₱1,118
Add (deduct) adjustments:		
Provision for income tax	115	197
Depreciation	76	42
Losses (gains) on fair value change of perpetual notes	48	(180)
Financing costs – net	13	10
Foreign exchange gains – net	(1)	(1)
Rental income	(1)	(2)
Distribution income on perpetual notes	(48)	(48)
Gain on sale of telecom towers	(12)	(330)
Interest income	–	(1)
Other income – net	12	(4)
Total adjustments	202	(317)
Consolidated EBITDA	₱659	₱801

The following table shows the reconciliation of our consolidated core income to our consolidated net income for the three months ended March 31, 2024 and 2023:

	2024	2023
	(In millions) (Unaudited)	
Consolidated net income	₱457	₱1,118
Add (deduct) adjustments:		
Foreign exchange gains – net	(1)	(1)
Gain on sale of telecom towers	(12)	(330)
Net tax effect of aforementioned adjustments	1	49
Consolidated core income	**₱445**	₱836

Results of Operations

The table below shows the contribution by each of our business segments to our consolidated revenues, expenses, other income – net, income before income tax, provision for income tax, net income/segment profit, EBITDA, EBITDA margin and core income for the three months ended March 31, 2024 and 2023. In each of the three months ended March 31, 2024 and 2023, our revenues are derived from our operations within the Philippines.

	Wireless	Fixed Line	Inter-segment Transactions	Consolidated
		(In millions) (Unaudited)		
For the three months ended March 31, 2024				
Revenues	₱1,257	₱–	₱–	₱1,257
Expenses	659	15	–	674
Other income (expenses)	(13)	2	–	(11)
Income before income tax	585	(13)	–	572
Provision for income tax	115	–	–	115
Net income / Segment profit	470	(13)	–	457
EBITDA	674	(15)	–	659
EBITDA margin [1]	54%	–	–	52%
Core income	459	(14)	–	445

(Forward)

	Wireless	Fixed Line	Inter-segment Transactions	Consolidated
		(In millions)		
		(Unaudited)		
For the three months ended March 31, 2023				
Revenues	₱1,790	₱–	₱–	₱1,790
Expenses	990	41	–	1,031
Other income (expenses)	541	15	–	556
Income before income tax	1,341	(26)	–	1,315
Provision for income tax	200	(3)	–	197
Net income / Segment profit	1,141	(23)	–	1,118
EBITDA	842	(41)	–	801
EBITDA margin [(1)]	47%	–	–	45%
Core income	860	(24)	–	836
Increase (Decrease)				
Revenues	(₱533)	₱–	₱–	(₱533)
Expenses	(331)	(26)	–	(357)
Other income (expense)	(554)	(13)	–	(567)
Income before income tax	(756)	13	–	(743)
Provision for income tax	(85)	3	–	(82)
Net income / Segment profit	(671)	10	–	(661)
EBITDA	(168)	26	–	(142)
Core income	(401)	10	–	(391)

[(1)] *EBITDA margin is measured as EBITDA divided by service revenues.*

On a Consolidated Basis

Revenues

We reported consolidated revenues of ₱1,257 million for the three months ended March 31, 2024, a decrease of ₱533 million, or 30%, as compared with ₱1,790 million in the same period in 2023. Revenues are solely from Wireless service as Fixed Line services ceased operations upon expiration of franchise in 2019.

Expenses

Consolidated expenses decreased by ₱357 million, or 35%, to ₱674 million for the three months ended March 31, 2024 from ₱1,031 million in the same period in 2023 due to lower professional and other contracted services, repairs and maintenance, royalty expenses, rent and taxes and lincenses, partially offset by higher depreciation expense.

The following table shows the breakdown of our consolidated expenses by business segment for the three months ended March 31, 2024 and 2023:

	2024	%	2023	%	Change Amount	Change %
			(In millions)			
Wireless	₱659	98	₱990	96	(₱331)	(33)
Fixed line	15	2	41	4	(26)	(63)
Inter-segment transactions	–	–	–	–	–	–
Consolidated	₱674	100	₱1,031	100	(₱357)	(35)

Other Income (Expenses) - net

Consolidated net other expense for the three months ended March 31, 2024 amounted to ₱11 million as against consolidated net other income of ₱556 million in the same period in 2023 primarily due to the combined effects of the following: (i) lower gain on sale of telecom towers by ₱318 million (ii) loss on fair value change on perpetual notes of ₱48 million for the three months ended March 31, 2024 as against gain on fair value change on perpetual notes of ₱180 million in the same period in 2023 (iii) lower rental income by ₱1 million (iv) lower interest income by ₱1 million (v) higher financing costs by ₱3 million (vi) net other expense of ₱12 million for the three months ended March 31, 2024, as against net other income of ₱4 million for the three months ended March 31, 2023.

The following table shows the breakdown of our consolidated other income (expenses) - net by business segment for the three months ended March 31, 2024 and 2023:

	2024	%	2023	%	Change Amount	Change %
			(In millions)			
Wireless	(₱13)	118	₱541	97	(₱554)	(102)
Fixed line	2	(18)	15	3	(13)	(87)
Inter-segment transactions	–	–	–	–	–	–
Consolidated	(₱11)	100	₱556	100	(₱567)	(102)

Net Income

As a result of the foregoing, our consolidated net income amounted to ₱457 million for the three months ended March 31, 2024, a decrease of ₱661 million, or 59%, from ₱1,118 million in the same period in 2023. The decrease was mainly due to the combined effects of the following: (i) lower revenues by ₱533 million; (ii) lower net other income by ₱567 million; (iii) lower provision for income tax by ₱82 million; partly offset by (iv) lower operating expenses by ₱269 million.

The following table shows the breakdown of our consolidated net income by business segment for the three months ended March 31, 2024 and 2023:

	2024	%	2023	%	Change Amount	Change %
			(In millions)			
Wireless	₱470	103	₱1,141	102	(₱671)	(59)
Fixed line	(13)	(3)	(23)	(2)	10	43
Consolidated	₱457	100	₱1,118	100	(₱661)	(59)

EBITDA

Our consolidated EBITDA amounted to ₱659 million for the three months ended March 31, 2024, a decrease of ₱142 million, or 18%, from ₱801 million in the same period in 2023 primarily due to lower revenues.

The following table shows the breakdown of our consolidated EBITDA by business segment for the three months ended March 31, 2024 and 2023:

	2024	%	2023	%	Change Amount	Change %
			(In millions)			
Wireless	₱674	102	₱842	105	(₱168)	(20)
Fixed line	(15)	(2)	(41)	(5)	26	63
Inter-segment transactions	–	–	–	–	–	–
Consolidated	₱659	100	₱801	100	(₱142)	(18)

Core Income

Our consolidated core income amounted to ₱445 million for the three months ended March 31, 2024, a decrease of ₱391 million, or 47%, from ₱836 million in the same period in 2023, primarily due to lower revenues, partly offset by lower operating expenses and lower provision for income tax for the three months ended March 31, 2024.

The following table shows the breakdown of our consolidated core income by business segment for the three months ended March 31, 2024 and 2023:

	2024	%	2023	%	Change Amount	%
			(In millions)			
Wireless	₱459	103	₱860	103	(₱401)	(47)
Fixed line	(14)	(3)	(24)	(3)	10	42
Consolidated	₱445	100	₱836	100	(₱391)	(47)

On a Business Segment Basis

<u>Wireless</u>

Revenues

We generated revenues from our wireless business of ₱1,257 million for the three months ended March 31, 2024, a decrease of ₱533 million, or 30%, from ₱1,790 million in the same period in 2023.

The following table summarizes our total revenues from our wireless business for the three months ended March 31, 2024 and 2023 by service segment:

	2024	%	2023	%	Decrease Amount	%
			(In millions)			
Service Revenues:						
Distributed subscriber revenues	₱1,034	82	₱1,380	76	(₱346)	(25)
Others	223	18	410	24	(187)	(46)
Total Wireless Revenues	₱1,257	100	₱1,790	100	(₱533)	(30)

Distributed Subscriber Revenues

In October 21, 2020, Sun Prepaid subscribers were rebranded to Smart Prepaid. The brand consolidation under Smart aims to strengthen market position, achieve cost-efficiency and to provide superior mobile data service to all Sun subscribers.

Post-rebranding, the ownership of Sun Prepaid subscribers remained under DMPI. Under the terms of the agreement, Smart will settle a fixed fee representing our proportionate share on the distributed subscriber revenues.

Rebranded Sun subscribers now have access to a wider array of improved offers and services, previously available only to Smart prepaid subscribers, in addition to Sun Prepaid's existing offers. Subscribers were also able to retain their existing mobile numbers after the rebranding.

The subscriber rebranding agreement gives rise to the recognition of distributed subscriber revenues. Total share in the distributed subscriber revenues amounted to ₱1,034 million for the three months ended March 31, 2024, lower by ₱346 million from ₱1,380 million in the same period in 2023.

Other Service Revenues

Other service revenues mainly facility service revenues decreased by 46% to ₱223 million for the three months March 31, 2024 from ₱410 million in the same period in 2023.

Expenses

Expenses associated with our wireless business for the three months ended March 31, 2024 amounted to ₱659 million, a increase of ₱331 million, or 33%, from ₱990 million in the same period in 2023. A significant portion of the decrease was attributable to lower expenses related repairs and maintenance, professional and other contracted services, taxes and licenses, royalty expense and rent, partially offset by higher depreciation. As a percentage of our total wireless revenues, expenses associated with our wireless business accounted for 52% and 55% for the three months ended March 31, 2024 and 2023, respectively.

The following table summarizes the breakdown of our total wireless-related expenses for the three months ended March 31, 2024 and 2023 and the percentage of each expense item to the total:

					Increase (Decrease)	
	2024	%	2023	%	Amount	%
			(In millions)			
Professional and other contracted services	₱331	50	₱442	45	(₱111)	(25)
Repairs and maintenance	134	20	291	29	(157)	(54)
Depreciation	76	12	42	4	34	81
Royalty expense	66	10	88	9	(22)	(25)
Taxes and licenses	21	3	83	8	(62)	(75)
Rent	31	5	44	5	(13)	(30)
Total	₱659	100	₱990	100	(₱331)	(33)

Professional and other contracted services decreased by ₱111 million, to ₱331 million primarily due to UBS fees relating to sale of towers.

Repairs and maintenance expenses decreased by ₱157 million, or 54%, to ₱134 million mainly due to lower site electricity driven by lower average rate/kwh.

Taxes and licenses decreased by ₱62 million, or 75%, to ₱21 million primarily due to deficiency tax settlement in 2023.

Rent expenses decreased by ₱13 million, or 30%, to ₱31 million primarily due to lower site rentals.

Depreciation increased by ₱34 million, or 81%, to ₱76 million due to higher depreciation of right-of-use assets.

There were no recognition of costs related to selling and promotions, cost of sales and services, asset impairment and other provisions consequent to the subscriber rebranding agreement.

Other Income (Expenses) - Net

The following table summarizes the breakdown of our total wireless-related other income (expenses) for the three months ended March 31, 2024 and 2023:

	2024	2023	Increase (Decrease) Amount	%
		(In millions)		
Other Income (Expenses):				
Gain on sale of telecom towers	₱12	₱330	(₱318)	(96)
Distribution income on perpetual notes	48	48	–	–
Rental income	1	1	–	–
Financing costs – net	(13)	(10)	(3)	(30)
Gain (loss) on fair value change on perpetual notes	(48)	180	(228)	(127)
Foreign exchange gain	–	1	(1)	(100)
Interest income	–	1	(1)	(100)
Others	(13)	(10)	(3)	(30)
Total	(₱13)	₱541	₱836	(102)

Our wireless business' net other expense for the three months ended March 31, 2024 amounted to ₱13 million, as against net other income of ₱541 million in the same period in 2023 primarily due to the combined effects of the following: (i) lower gain on sale of telecom towers by ₱318 million (ii) loss on fair value change on perpetual notes of ₱48 million for the three months ended March 31, 2023 as against gain on fair value change on perpetual notes of ₱180 million in the same period in 2023; (iii) lower foreign exchange gain of ₱1 million (iv) interest income of ₱1 million in 2023 while none in 2024 (v) higher financing cost by ₱3 million, and (vi) higher net other expenses by ₱3 million.

Provision for Income Tax

Provision for income tax decreased by ₱85 million, or 43%, to ₱115 million for the three months ended March 31, 2024, from ₱200 million in the same period in 2023.

Net Income

As a result of the foregoing, our wireless business recorded a net income of ₱470 million for the three months ended March 31, 2024, an decrease of ₱671 million, or 59%, from ₱1,141 million recorded in the same period in 2023.

EBITDA

Our wireless business' registered an EBITDA amounting to ₱674 million for the three months ended March 31, 2024, a decrease of ₱168 million, or 20%, from ₱842 million in the same period in 2023 due to lower revenues.

Core Income

Our wireless business' core income amounted to ₱459 million for the three months ended March 31, 2024, a decrease of ₱401 million, or 47%, from ₱860 million in the same period in 2023.

Fixed Line

Expenses

Expenses related to our fixed line business totaled ₱15 million for the three months ended March 31, 2024, a decrease of ₱26 million, or 63%, as compared to ₱41 million in the same period in

2023. The decrease was primarily due to lower taxes and licenses and repairs and maintenance expense.

The following table shows the breakdown of our total fixed line-related expenses for the three months ended March 31, 2024 and 2023 and the percentage of each expense item to the total:

					Increase (Decrease)	
	2024	%	2023	%	Amount	%
			(In millions)			
Taxes and licenses	₱2	13	₱24	59	(₱22)	(92)
Repairs and maintenance	9	60	13	32	(4)	(31)
Rent	3	20	3	7	–	–
Professional and other contracted services	1	7	1	2	–	–
Total	₱15	100	₱41	100	(₱26)	(63)

Taxes and licenses decreased by ₱22 million, or 92%, from ₱24 million in the same period in 2023, due primarily to deficiency tax settlement in 2023.

Repairs and maintenance expenses decreased by ₱4 million, or 31%, to ₱9 million due to lower cable and wire facility repairs.

Other Income - Net

The following table summarizes the breakdown of our total fixed line-related other income for the three months ended March 31, 2024 and 2023:

			Increase (Decrease)	
	2024	2023	Amount	%
		(In millions)		
Other Income:				
Foreign exchange gains – net	₱1	–	₱1	100
Rental income	–	₱1	(1)	(100)
Others	1	14	(13)	(93)
Total	₱2	₱15	(₱13)	(87)

Our fixed line business' other income amounted to ₱2 million for the three months ended March 31, 2024, a decrease of ₱13 million, or 87%, from ₱15 million in the same period in 2023, primarily due to the combined effects of the following: (i) foreign exchange gains – net of ₱1 million; (ii) lower rental income by ₱1 million and (iii) lower net other income by ₱13 million;

Provision for Income Tax

Benefit from income tax amounted to nil for the three months ended March 31, 2024, from ₱3 million in the same period in 2023.

Net Income

As a result of the foregoing, our fixed line business recorded a net loss of ₱13 million for the three months ended March 31, 2024, a decrease of ₱10 million, or 43%, from ₱23 million in the same period in 2023.

EBITDA

Our fixed line business reported a negative EBITDA of ₱15 million for the three months ended March 31, 2024, an improvement by ₱26 million, or 63%, from ₱41 million negative EBITDA in the same period in 2023.

Core Income

Our fixed line business' core loss for the three months ended March 31, 2024 amounted to ₱14 million, an improvement by ₱10 million, or 42%, from ₱24 million in the same period in 2023.

Liquidity and Capital Resources

The following table shows our consolidated cash flows for the three months ended March 31, 2024 and 2023, as well as our consolidated capitalization and other consolidated selected financial data as at March 31, 2024 and December 31, 2023:

	For the three months ended March 31,	
	2024	**2023**
	(Unaudited)	
(in millions)		
Cash Flows		
Net cash flows provided by (used in) operating activities	₱1,090	(₱23)
Net cash flows provided by investing activities	59	379
Net cash flows used in financing activities	(1,107)	(307)
Net increase in cash and cash equivalents	42	49
	March 31,	**December 31,**
	2024	**2023**
	(Unaudited)	(Audited)
Capitalization		
Total capital deficiency attributable to equity holders of Digitel	(₱12,012)	(₱12,469)
Other Selected Financial Data		
Total assets	₱4,696	₱5,221
Cash and cash equivalents	162	120

As at March 31, 2024 our consolidated cash and cash equivalents totaled ₱162 million. Principal source of consolidated cash and cash equivalents for the three months ended March 31, 2022 were cashflow from operating activities, proceeds from sale of telecom towers of ₱12 million and distribution of perpetual notes of ₱48 million. These funds were used principally for payments for principal of lease liabilities and interest charges amounting to ₱87 million and ₱13 million, respectively, payments of cash dividends and used in operating activities.

As at March 31, 2023 our consolidated cash and cash equivalents totaled ₱169 million. Principal source of consolidated cash and cash equivalents for the three months ended March 31, 2022 were proceeds from sale of telecom towers of ₱330 million and distribution of perpetual notes of ₱48 million. These funds were used principally for payments for principal of lease liabilities and interest charges amounting to ₱52 million and ₱10 million, respectively, payments of cash dividends and used in operating activities.

Operating Activities

Our consolidated net cash flows provided by operating activties amounted to ₱1,090 million for the three months ended March 31, 2024, as against net cash flows used in operating activities amounting to ₱23 million in the same period in 2023 primarily due to higher collection of trade and other receivables, partly offset by lower operating income and higher level of other current assets, higher settlement of trade and other payables, and higher level of other noncurrent liabilities.

Investing Activities

Our consolidated net cash flows provided by investing activities amounted to ₱59 million for the three months ended March 31, 2024, lower by ₱320 million from ₱379 million in the same period in 2023 primarily due to lower proceeds from sale of telecom towers.

Financing Activities

Our consolidated net cash flows used in financing activities amounted to ₱1,107 million for the three months ended March 31, 2024 higher by ₱800 million, or 261% from ₱307 million in the same period in 2023 primarily due to higher payments of cash dividends, as well as for interest and principal charges related to lease liabilities amounting to ₱100 million.

Debt Financing

As of March 31, 2024, we have no outstanding long-term debt, including current portion.

Debt Covenants

All loans from foreign banks are guaranteed up to a certain extent by PLDT, being the ultimate parent company. In addition, the covering loan agreements of such liabilities contain covenants which, among others, restrict the incurrence of additional long-term indebtedness not in the ordinary course of business, merger or disposition of any substantial portion of Digitel's assets, distribution of capital or profits and redemption of any of its issued shares.

The loan agreements with certain banks and other financial institutions provide for certain restrictions and requirements with respect to, among others, maintenance of percentage of ownership of specific shareholders, incurrence of additional long-term indebtedness or guarantees and creation of property encumbrances.

Financing Requirements

We believe that our available cash, including cash flow from operations, will provide sufficient liquidity to fund our projected operating, investment and capital expenditures for the next 12 months.

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

Digitel pays 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, Digitel may, at any time, declare and pay such dividends depending upon the results of operations and future projects and plans, cash flow, financial condition, capital investment requirements and other factors.

Contractual Obligations

For a discussion of our consolidated contractual undiscounted obligations as at March 31, 2024 and December 31, 2023, see *Note 20 – Financial Risk Management Objectives and Policies* to the accompanying unaudited consolidated financial statements.

Quantitative and Qualitative Disclosures about Market Risks

Our operations are exposed to various risks, including liquidity risk, foreign currency exchange risk, interest rate risk and credit 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. The BOD of the Group and the ultimate parent review and approve policies for managing each of these risks.

For further discussions of these risks, see *Note 20 – Financial Risk Management Objectives and Policies* 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, 2024 and December 31, 2023 other than those whose carrying amounts are reasonable approximations of fair values:

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
Noncurrent Financial Assets		
Financial assets at FVP:		
Investment in perpetual notes	₱1,475	₱1,523
Loans and receivables:		
Refundable security deposits	270	270
Total Financial Asset – Net	₱1,745	₱1,793

For further discussions of the fair values of our financial assets and liabilities, see *Note 21 – Fair Value Measurement* to the accompanying unaudited consolidated financial statements.

Other Matters

a. Any known trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity.
   - We are not aware of any known trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity.
   - Digitel Group has not defaulted in paying its currently maturing obligations. In addition, all dollar-denominated obligations of DMPI are guaranteed by its ultimate parent, PLDT.
   - Digitel Group's current liabilities appear to be materially higher than its current assets, as indicated by the current ratio of 0.14:1 due to an outstanding payable to PLDT and other related parties amounting to ₱14 billion as of March 31, 2024. Without this portion in the current liabilities, the current ratio will improve to 1:1.

b. Any events that will trigger direct or contingent financial obligation that is material to Digitel Group, including any default or acceleration of an obligation.
   - We are not aware of any events that will trigger direct or contingent financial obligation that is material to Digitel Group, including any default or acceleration of an obligation.

c. Description of any material commitments for capital expenditures, general purpose of such commitments, expected sources of funds for such expenditures
   - We have no material commitment for capital expenditures.

d. Any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.
   - We are not aware of any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

e. Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.
   - We are not aware of any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.

f. Any significant elements of income or loss that arise from issuer's continuing operations.
   - We are not aware of any significant elements of income or loss that arises from the issuer's continuing operations.

g. Seasonal aspects that have material effect on the financial statements.
   - We are not aware of any seasonal aspects that have material effect on the financial statements.

DIGITEL

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the registrant has duly caused this report for the three months ended March 31, 2024 to be signed on its behalf by the undersigned thereunto duly authorized.

DIGITAL TELECOMMUNICATIONS PHILS., INC.
Registrant

By:

Manuel V. Pangilinan
Chairman/President and Chief Executive Officer

Jerome H. Tabanera
Chief Financial Officer

ANNEX 1 – FINANCIAL SOUNDNESS INDICATOR

The following table shows our financial soundness indicators as at March 31, 2024 and 2023:

	2024	**2023**
Current Ratio[(1)]	0.14:1.0	0.19:1.0
Net Cash to Equity Ratio[(2)]	(0.01):1.0	(0.01):1.0
Asset to Equity Ratio[(3)]	(0.39):1.0	(0.44):1.0
Interest Coverage Ratio[(4)]	45:1.0	132.50:1.0
Profit Margin Ratio[(5)]	36%	62%
Return on Assets[(6)]	10%	20%
EBITDA Margin[(7)]	58%	50%

(1) Current ratio is measured as current assets divided by current liabilities

(2) Net cash to equity ratio is measured as cash and cash equivalents and short-term investments less total debt (long-term debt, including current portion and notes payable, if any) divided by total equity.

(3) Asset to equity ratio is measured as total assets divided by total equity.

(4) Interest coverage ratio is measured by EBIT, or earnings before interest and taxes, divided by total financing costs

(5) Profit margin ratio is derived by dividing net income with total revenues.

(6) Return on assets is derived by dividing net income with total assets.

(7) EBITDA margin is measured as EBITDA divided by service revenues. EBITDA is measured as net income excluding depreciation, asset impairment on noncurrent assets, financing costs, interest income, equity share in net earnings of associated and joint ventures, foreign exchange gains - net, provision for income tax, and other income (expenses).

Digital Telecommunications Phils., Inc. and Subsidiaries

(A Subsidiary of PLDT Inc.)

Consolidated Financial Statements
March 31, 2024 (Unaudited) and December 31, 2023 (Audited)

And for the three months ended March 31, 2024 and 2023 (Unaudited)

C O V E R S H E E T

for

FINANCIAL STATEMENTS

SEC Registration Number

0	0	0	0	1	4	5	1	1	1	

COMPANY NAME

DIGITAL TELECOMMUNICATIONS PHILS., INC. AND SUBSIDIARIES (A Subsidiary of PLDT INC.)

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

8003-A MATALINO ST.
DILIMAN, QUEZON CITY
METRO MANILA

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	SEC	NA

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
Digitel_phil@pldt.com.ph	**09285590433**	–

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
4,928	**Last Monday of May**	**12/31**

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
Jerone H. Tabanera	**jhtabanera@pldt.com.ph**	–	**0908-8867630**

CONTACT PERSON's ADDRESS

19/F Smart Tower, Ayala Avenue, Makati City

NOTE 1 : *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.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

DIGITAL TELECOMMUNICATIONS PHILS., INC. AND SUBSIDIARIES
(A Subsidiary of PLDT Inc.)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31, 2024 (Unaudited)	December 31, 2023 (Audited)
	(In millions)	
ASSETS		
Noncurrent Assets		
Investment properties *(Note 21)*	**₱55**	₱55
Property and equipment *(Note 7)*	**–**	–
Right-of-use (ROU) assets *(Note 8)*	**545**	560
Investment in perpetual notes *(Notes 9, 19, 20 and 21)*	**1,475**	1,523
Deferred income tax assets – net *(Note 5)*	**–**	1
Other noncurrent assets *(Notes 10, 20 and 21)*	**425**	424
Total Noncurrent Assets	**2,500**	2,563
Current Assets		
Cash and cash equivalents *(Notes 11, 20 and 21)*	**162**	120
Trade and other receivables *(Notes 12, 19, 20 and 21)*	**1,701**	2,272
Inventories *(Note 13)*	**–**	–
Other current assets *(Note 14)*	**167**	99
	2,030	2,491
Assets classified as held-for-sale *(Note 8)*	**166**	167
Total Current Assets	**2,196**	2,658
TOTAL ASSETS	**₱4,696**	₱5,221
CAPITAL DEFICIENCY AND LIABILITIES		
Capital Deficiency		
Capital stock	**₱2,614**	₱2,614
Additional paid-in capital	**2,201**	2,201
Equity reserve	**(1,831)**	(1,831)
Deficit	**(14,996)**	(15,453)
Total Capital Deficiency *(Notes 1 and 15)*	**(12,012)**	(12,469)
Noncurrent Liabilities		
Deferred income tax liabilities – net *(Note 5)*	**3**	2
Lease liabilities – net of current portion *(Note 8)*	**293**	323
Asset retirement obligation *(Note 16)*	**216**	210
Total Noncurrent Liabilities	**512**	535
Current Liabilities		
Trade and other payables *(Notes 17, 19, 20 and 21)*	**15,441**	16,511
Lease liabilities *(Note 8)*	**283**	282
Income tax payable	**311**	199
	16,035	16,992
Liabilities associated with assets classified as held-for-sale *(Note 8)*	**161**	163
Total Current Liabilities	**16,196**	17,155
Total Liabilities	**16,708**	17,690
TOTAL CAPITAL DEFICIENCY AND LIABILITIES	**₱4,696**	₱5,221

See accompanying Notes to Consolidated Financial Statements.

DIGITAL TELECOMMUNICATIONS PHILS., INC. AND SUBSIDIARIES
(A Subsidiary of PLDT Inc.)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the Three Months Ended March 31,	
	2024	2023
	(Unaudited)	
	(In millions, except earnings per share amounts)	
REVENUES		
Revenues from contracts with customers *(Notes 18 and 19)*	**₱1,257**	₱1,790
	1,257	1,790
COSTS AND EXPENSES		
Professional and other contracted services *(Note 19)*	**332**	443
Repairs and maintenance	**143**	304
Depreciation *(Notes 7 and 8)*	**76**	42
Royalty expense *(Note 19)*	**66**	88
Rent *(Notes 8, 19 and 22)*	**34**	47
Taxes and licenses	**23**	107
	674	1,031
	583	759
OTHER INCOME (EXPENSES)		
Distribution income on perpetual notes *(Notes 9 and 19)*	**48**	48
Gain on sale of telecom towers *(Note 7)*	**12**	330
Rental income	**1**	2
Foreign exchange gain – net	**1**	1
Financing costs – net *(Notes 4, 8, 18 and 23)*	**(13)**	(10)
Gains (losses) on fair value change on perpetual notes *(Note 9)*	**(48)**	180
Interest income *(Note 11)*	**–**	1
Other income (expense) – net *(Note 18)*	**(12)**	4
	(11)	556
INCOME BEFORE INCOME TAX	**572**	1,315
PROVISION FOR INCOME TAX *(Note 5)*	**115**	197
NET INCOME *(Notes 1, 4 and 6)*	**457**	1,118
OTHER COMPREHENSIVE INCOME	**–**	–
TOTAL COMPREHENSIVE INCOME	**₱457**	₱1,118
Earnings per Share *(Notes 4 and 6)*	**₱0.02**	₱0.04

See accompanying Notes to Consolidated Financial Statements.

DIGITAL TELECOMMUNICATIONS PHILS., INC. AND SUBSIDIARIES
(A Subsidiary of PLDT Inc.)

CONSOLIDATED STATEMENTS OF CHANGES IN CAPITAL DEFICIENCY
FOR THE THREE MONTHS ENDED MARCH 31, 2024 AND 2023

	Capital Stock *(Note 15)*	Additional Paid-in Capital *(Note 15)*	Equity Reserve *(Note 15)*	Other Comprehensive Income *(Note 15)*	Retained Earnings (Deficit) *(Note 15)*		Total Capital Deficiency *(Note 1)*
					Appropriated	Unappropriated	
				(In millions, except per share amounts)			
Balances as at January 1, 2024	**₱2,614**	**₱2,201**	**(₱1,831)**	**₱–**	**₱5,000**	**(₱20,453)**	**(₱12,469)**
Net income	**–**	**–**	**–**	**–**	**–**	**457**	**457**
Balances as at March 31, 2024 (Unaudited)	**₱2,614**	**₱2,201**	**(₱1,831)**	**₱–**	**₱5,000**	**(₱19,996)**	**(₱12,012)**
Balances as at January 1, 2023	₱2,614	₱2,201	(₱1,831)	₱–	₱5,000	(₱21,971)	(₱13,987)
Net income	–	–	–	–	–	1,118	1,118
Balances as at March 31, 2023 (Unaudited)	₱2,614	₱2,201	(₱1,831)	₱–	₱5,000	(₱20,853)	(₱12,869)

See accompanying Notes to Consolidated Financial Statements.

DIGITAL TELECOMMUNICATIONS PHILS., INC. AND SUBSIDIARIES
(A Subsidiary of PLDT Inc.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Three Months Ended March 31,	
	2024	2023
	(Unaudited)	
	(In millions)	
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Income before income tax	**₱572**	₱1,315
Adjustments for:		
Depreciation *(Notes 7 and 8)*	**76**	42
Losses (gains) on fair value change on perpetual notes *(Note 9)*	**48**	(180)
Accretion on:		
Lease liabilities *(Notes 8, 18 and 23)*	**13**	10
Asset retirement obligation *(Note 16)*	**1**	(7)
Losses on lease modification *(Note 18)*	**3**	3
Gain on:		
Foreign exchange *(Note 20)*	**(1)**	(1)
Adjustment of asset retirement obligation *(Notes 16 and 18)*	**(3)**	(8)
Sale of telecom towers	**(12)**	(330)
Distribution income on perpetual notes *(Note 9)*	**(48)**	(48)
Interest income *(Note 11)*	**–**	(1)
Others	**(13)**	(3)
Operating income before changes in assets and liabilities	**636**	792
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Trade and other receivables	**1,067**	(829)
Other current assets	**(236)**	(92)
Increase (decrease) in:		
Trade and other payables	**(378)**	117
Other noncurrent liabilities	**1**	(21)
Net cash flows generated from (used in) operations	**1,090**	(33)
Income taxes paid	**–**	10
Net cash flows from (used in) operating activities	**1,090**	(23)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Proceeds from:		
Distribution of perpetual notes *(Note 9)*	**48**	48
Disposal of fixed assets *(Note 7)*	**12**	330
Interest received	**–**	1
Increase in advances and other noncurrent assets	**(1)**	–
Net cash flows from investing activities	**59**	379

(Forward)

	For the Three Months Ended March 31,	
	2024	2023
	(Unaudited)	
	(In millions)	
CASH FLOWS USED IN FINANCING ACTIVITIES		
Payments for:		
Interest charged on lease liabilities *(Notes 4, 8, 18 and 23)*	**(₱13)**	(₱10)
Principal portion of lease liabilities *(Note 8)*	**(87)**	(52)
Cash dividends *(Note 15)*	**(1,007)**	(245)
Cash flows used in financing activities	**(1,107)**	(307)
NET EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**–**	–
NET INCREASE IN CASH AND CASH EQUIVALENTS	**42**	49
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**120**	120
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD *(Note 11)*	**₱162**	₱169

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Company Background

Digital Telecommunications Phils., Inc. ("Digitel" or the "Parent Company") was incorporated in the Philippines on August 31, 1987 and registered with the Philippine Securities and Exchange Commission (Philippine SEC) and was enfranchised to provide domestic and international telecommunications services nationwide.

The Parent Company was granted a legislative franchise under Republic Act (RA) No. 7678 to install, operate and maintain telecommunications systems throughout the Philippines and for other purposes. The franchise expired on February 17, 2019 and was not renewed.

The Parent Company's registered office address is located at 8003-A Matalino Street, Diliman, Quezon City.

The consolidated financial statements include the accounts of the Parent Company and the following wholly-owned subsidiaries (collectively referred to as the "Group"):

- Digitel Mobile Phils., Inc. (DMPI), which was incorporated in the Philippines and enfranchised under Republic Act (RA) No. 9180 to construct, install, establish, operate and maintain wire and/or wireless telecommunications systems throughout the Philippines.

- Digitel Information Technology Services, Inc. (DITSI), which was incorporated in the Philippines to provide internet access and high-speed data transmission to corporate and individual customers. DITSI, however, became dormant following the decision of the Board of Directors (BOD) on March 12, 2002 to integrate its operations into the Parent Company. On March 5, 2012, the BOD approved the closure of DITSI through the shortening of its corporate life until June 30, 2013. The final dissolution will take place after the approval of DITSI's application with the Philippine SEC. As at May 9, 2024, DITSI has yet to file with the Philippine SEC its application for dissolution.

On December 11, 2002, R.A. No. 9180 was signed into law, and it granted DMPI a franchise to construct, install, establish, operate and maintain wired and/or wireless telecommunications systems throughout the Philippines.

On August 28, 2003, the National Telecommunications Commission (NTC) approved the assignment and transfer to DMPI of the Provisional Authorities (PAs) granted to the Parent Company to construct, install, operate and maintain a nationwide Cellular Mobile Telephone System (CMTS) using Global System for Mobile (GSM) technology. On June 4, 2008, NTC granted DMPI a Certificates of Public Convenience and Necessity (CPCN) to operate and maintain a nationwide CMTS, for a period coterminous with the life of DMPI's existing franchise under RA No. 9180.

On December 28, 2005, the NTC awarded a third generation (3G) frequency assignment to DMPI after finding it legally, financially and technically qualified to undertake 3G services. On January 3, 2006, DMPI confirmed its 3G bandwidth allocation with the NTC.

Sun Prepaid Rebranding to Smart Prepaid
On October 21, 2020, DMPI and Smart Communications, Inc. (Smart) entered into a Rebranding Agreement wherein the Sun Prepaid subscribers were rebranded as Smart Prepaid subscribers. The brand consolidation under Smart aims to strengthen market position, achieve cost-efficiency and capitalize on Smart's robust mobile data network to provide superior mobile data to all Sun subscribers.

Post-rebranding, the ownership of Sun Prepaid subscribers remains under DMPI. Under the terms of the agreement, Smart settles a fixed fee representing DMPI's proportionate share on the distributed subscriber revenues. Other intercompany arrangements as a result of this arrangement are disclosed in *Note 19 – Related Party Transactions*.

Status of Operations
The Parent Company's legislative franchise to install, operate and maintain telecommunications systems throughout the Philippines and for other purposes has expired on February 17, 2019 and was not renewed due to the full migration of its subscribers to PLDT in January 2018 by virtue of the terms of the sale of subscription assets executed with PLDT on July 1, 2013. The Financial Lease Agreement (FLA) which was also executed to cover PLDT's use of the Parent Company's network was terminated in November 2018. Management is currently assessing the business direction of the Parent Company moving forward. Meanwhile, PLDT has committed to provide financial support to Parent Company to discharge its liabilities and as the need arises. On the other hand, DMPI's legislative franchise is still in effect up to April 1, 2028. The Group will continue to operate its Wireless business under DMPI.

The Group has incurred capital deficiency of ₱12,012 million and ₱12,469 million as at March 31, 2024 and December 31, 2023, respectively (see *Note 15 – Equity*). The Group's capital deficiency is the result of the following noncash and one-off events, which have no material adverse impact on the underlying business and prospects of the Group:

a. Net loss amounting to ₱64,829 million in 2011 due to the effect of one-time, nonrecurring charges amounting to ₱59,947 million comprised of the following: (i) the impairment of network assets arising from the impact of fast-paced technology advances on current replacement costs; (ii) accelerated depreciation for certain specific network assets for decommissioning and for upgrade to newer technology; (iii) provisions; and (iv) losses arising from the modification of convertible and exchangeable bonds.

b. Net loss amounting to ₱1,945 million in 2015 due to the effect of the impairment of property and equipment amounting to ₱5,789 million, which pertains to the net book value of network assets affected by the network convergence program between DMPI and Smart.

The Group is working together with PLDT and Smart, to extend the network coverage and improve operating efficiencies that would translate into more relevant and cost-effective service offerings to the Group's wireless subscribers.

The Group reported net income amounting to ₱457 million and ₱1,118 million for the three months ended March 31, 2024 and 2023, respectively, arising primarily from the prepaid cellular operations of the Wireless business. Management continues to adopt the following measures to address the capital deficiency: (i) review of business portfolio to enhance earnings streams, (ii) application of cost-saving measures to reduce operating costs; and (iii) implementation of operating synergy with Smart.

The Group's current liabilities exceeded its current assets by ₱14,000 million and ₱14,497 million as at March 31, 2024 and December 31, 2023, respectively. The major existing liabilities as at March 31, 2024 and December 31, 2023 are the advances due to PLDT amounting to ₱13,127 million and ₱13,114 million, respectively. PLDT has committed to provide financial support to the Parent Company to discharge its liabilities as the need arises.

The accompanying consolidated financial statements have been prepared on a going concern basis on the assumption that the assets can be realized, and liabilities can be settled in the normal course of business.

Authorization to Issue Consolidated Financial Statements
The accompanying consolidated financial statements as at March 31, 2024 and December 31, 2023, and for the three months ended March 31, 2024 and 2023 were approved and authorized for issuance by the BOD on May 9, 2024.

2. Summary of Material Accounting Policies

Statement of Compliance and Basis of Preparation
The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The Parent Company files its separate financial statements with the Philippine SEC and Bureau of Internal Revenue (BIR). The consolidated financial statements of the Group have been prepared under the historical cost basis except for the financial instruments at fair value through profit or loss, or FVPL.

The financial statements of the Group are presented in Philippine Peso (₱) and all values are rounded to the nearest million, except when otherwise indicated. The functional and presentation currency of the Parent Company and its subsidiaries is the Philippine Peso (₱).

The consolidated financial statements provide comparative information in respect of the previous periods, except as permitted by the transitional provisions of the new standards and amendments, effective January 1, 2024.

Basis of Consolidation
The consolidated financial statements include the financial statements of the Parent Company and its wholly-owned subsidiaries as at March 31, 2024 and December 31, 2023 and for the three months ended March 31, 2024 and 2023. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtained control, and continue to be consolidated until the date that such control ceases. The Group controls an investee when the Group is exposed, or has rights, to variable returns from their involvement with the investee and when the Group has the ability to affect those returns through the Group's power over the investee.

Amended Standards
The accounting policies adopted are consistent with those of the previous financial year, except the Group have adopted the following new and amended standards starting January 1, 2024. The adoption of these new and amended standards did not have significant impact on the Group's financial position or performance.

- Amendments to PAS 7, *Statement of Cash Flows* and PFRS 7 *Financial Instruments: Disclosures, Supplier Finance Arrangements*

  The amendments clarified the characteristics of supplier finance arrangements which involve one or more finance providers paying amounts an entity owes to its suppliers. Different terms are used to describe these arrangements, such as supply chain finance, payables finance and reverse factoring arrangements. Arrangements that are solely credit enhancements for the entity. Similarly, instruments used to settle the amounts owed directly with a supplier, for example, credit cards, are not supplier finance arrangements on liabilities and cash flows, including:

  a. Terms and conditions

  b. Carrying amount of supplier finance arrangement financial liabilities and the line items in which those liabilities are presented

  c. Carrying amounts of financial liabilities and the line items, for which the finance providers have already settled the corresponding trade payables

  d. The range of payment due dates for financial liabilities owed to the finance providers and for comparable trade payables that are not part of those arrangements

  e. The type and effect of non-cash changes in the carrying amounts of supplier finance arrangement financial liabilities, which prevent the carrying amounts of the financial liabilities from being comparable

- Amendments to PAS 1, Classification of Liabilities as Current or Noncurrent

  The amendments clarify paragraphs 69 to 76 of PAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

  - That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.

  - That classification is unaffected by the likelihood that an entity will exercise its deferral right.

  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

- Amendments to PFRS 16*, Lease Liability in a Sale and Leaseback*

  The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

Summary of Material Accounting Policies
The following is the summary of material accounting policies the Group applied in preparing it's consolidated financial statements. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Foreign Currency Transactions and Translations
The functional and presentation currency of the Group is the Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which the Group operates. This is also the currency that mainly influences the revenue from and cost of rendering products and services. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by entities under the Group at the respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rate of exchange prevailing at the end of the reporting period. All differences arising on settlement or translation of monetary items are recognized in the consolidated statement of comprehensive income except for foreign exchange differences that qualify as capitalizable borrowing costs for qualifying assets.

Foreign exchange gains or losses of the Parent Company and its Philippine-based subsidiaries are treated as taxable income or deductible expenses in the period such exchange gains or losses are realized.

Investment Properties
Investment properties are measured initially at cost, including direct transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time the cost is incurred, if the recognition are met, and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at cost less any impairment in value.

Property and Equipment
Property and equipment, is stated at cost less accumulated depreciation and any accumulated impairment losses. The initial cost of property and equipment comprises of its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the property and equipment to its working condition and location for its intended use. Such cost includes the cost of replacing component parts of the property and equipment, if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, the cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied.

Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally recognized as expense in the year such costs are incurred. In situations when it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of the property and equipment.

Depreciation commences once the property and equipment are available for use and are calculated on a straight-line basis over the estimated useful lives of the assets. As at March 31, 2024 and

December 31, 2023 the estimated useful lives used in depreciating property and equipment are estimated as follow:

Asset Class	Useful Lives
Cable and wire facilities	10-15 years
Cellular facilities	3-10 years
Buildings and improvements	25 years
Vehicles, furniture and work equipment	3-5 years

Leasehold improvements (included in "Buildings and improvements" account above) are amortized over three years or the corresponding lease term, whichever is shorter.

The residual values estimated useful lives, and methods of depreciation are reviewed at least at each financial year-end to ensure that the periods and methods of depreciation are consistent with the expected pattern of transfer of economic benefits from the items of property and equipment and adjusted prospectively, if appropriate.

Fully depreciated assets are retained in the accounts until these are no longer in use and no further depreciation is credited or charged to operations. The residual values estimated useful lives, and methods of depreciation are reviewed at least at each financial year-end and adjusted prospectively, if appropriate.

An item of property and equipment and any significant part initially recognized are derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is derecognized.

Property under construction is stated at cost less any accumulated impairment losses. This includes cost of construction, capitalizable borrowing costs, and other direct costs associated to construction. Property under construction is not depreciated until such time that the relevant property and equipment are completed and available for their intended use.

Property under construction is transferred to the related property and equipment when the construction or installation and related activities necessary to prepare the property and equipment for their intended use have been completed, and the property and equipment are ready for commercial service.

Leases

The Group assesses at contract inception whether the contract is or contains a lease that is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration.

As a Lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and ROU assets representing the right to use the underlying assets.

ROU assets

The Group recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received. Unless it is reasonably certain that the Group obtains ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. ROU assets are subject to impairment. Refer to the accounting policies in impairment of non-financial assets section.

Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised and payments of penalties for terminating a lease, if the lease term reflects exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate (IBR) at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term ending within 12 months or less from the commencement date and do not contain a purchase option). The Group also applies the lease of low-value assets recognition exemption to leases that are considered of low value (i.e., below ₱250 thousand). Lease payments on short-term leases and leases of low-value assets are recognized as expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

As a lessor
Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income is accounted for on a straight-line basis over the least term and is included in revenue in the statement of comprehensive income due to its operating nature. Initial direct cost incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the bases as rental income.

<u>Asset Retirement Obligations</u>
The Group is legally required under various lease agreements to dismantle the installation in the leased sites and restore such sites to their original condition at the end of the lease contract term. The Group recognizes the liability measured at the present value of the estimated costs of these obligations and capitalizes such costs as part of the balance of the related item of property and equipment. The amount of asset retirement obligation is accreted, and such accretion is recognized as expense. The estimated future costs of dismantling are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the costs of the related item of property and equipment, provided that the amount deducted from the cost of the asset shall not exceed its carrying amount, otherwise the excess shall be recognized in the Group’s consolidated statement of comprehensive income.

The present value of the estimated costs of these obligations for new lease agreements were capitalized as part of the balance of the related ROU assets. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the costs of the related ROU asset, provided that the amount deducted from the cost of the asset shall not exceed its carrying amount, otherwise the excess shall be recognized in the Group's consolidated statement of comprehensive income

Other Noncurrent Assets
Other noncurrent assets comprise mostly of refundable security deposits, which represent deposits made on leases arising from normal business activities of the Group that are refundable at the end of the lease term.

Impairment of Non-financial Assets
The Group assesses at each reporting period whether there is an indication that an asset may be impaired. If any such indication exists, or when the annual impairment testing for an asset is required, the Group makes an estimate of the assets' recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. Impairment losses are recognized in the consolidated statement of comprehensive income.

For assets excluding goodwill and other intangible asset with indefinite useful life, an assessment is made at each reporting period to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group makes an estimate of the asset's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income. After such reversal, the depreciation charges are adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining economic useful life.

The following assets have specific characteristics for impairment testing:

Investment properties, property and equipment and ROU assets
The Group assesses for impairment on the basis of impairment indicators such as evidence of internal obsolescence or physical damage and significant changes with an adverse effect on the Group in the extent to which, or manner in which, an item of investment properties and property and equipment is used or is expected to be used (see *Note 3 – Management's Use of Accounting Judgments, Estimates and Assumptions – Impairment of Non-financial Assets*, *Note 7 – Property and Equipment* and *Note 8 – Leases* for further disclosures).

<u>Assets classified as Held-for-Sale</u>
The Group classify assets as assets classified as held-for-sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Assets classified as held-for-sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense. The criteria for held-for-sale classification is regarded as met only when the sale is highly probable, and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification. Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held-or-sale. Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position. Additional disclosures are provided in *Note 7 – Property and Equipment – Sale of Telecom Towers* and *Note 8 – Leases*. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

<u>Financial Instruments</u>

<u>*Financial Instruments – Initial recognition and subsequent measurement*</u>

Classification of financial assets
Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Group business model for managing the financial assets.

The Group classifies financial assets into the following measurement categories:

- financial assets measured at amortized cost;
- financial assets measured at FVPL;
- financial assets measured at fair value through other comprehensive income (FVOCI), where cumulative gains or losses previously recognized are reclassified to profit or loss; and
- financial assets measured at FVOCI, where cumulative gains or losses previously recognized are not reclassified to profit or loss.

Contractual cash flows characteristics
In order for the Group to identify the measurement of its debt financial assets, a solely payments of principal and interest (SPPI) test needs to be initially performed in order to determine whether the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Once a debt financial asset passed the SPPI test, business model assessment, which identifies the Group's objective of holding the financial assets – hold to collect or hold to collect and sell, will be performed. Otherwise, if the debt financial asset failed the test, such will be measured at FVPL.

In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

Business model
The Group's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument.

The Group's business model refers to how it manages its financial assets in order to generate cash flows. The Group's business model determines whether cash flows will result from collecting contractual cash flows, collecting contractual cash flows and selling financial assets or neither.

Financial assets at amortized cost
A financial asset is measured at amortized cost if: (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the effective interest rate (EIR) method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in "Interest income" account in the Group's consolidated statement of comprehensive income and is calculated by applying the EIR to the gross carrying amount of the financial asset, except for (i) purchased or originated credit-impaired financial assets and (ii) financial assets that have subsequently become credit-impaired, where, in both cases, the EIR is applied to the amortized cost of the financial asset. Losses arising from impairment are recognized in "Asset impairment" account in the Group's consolidated statements of comprehensive income.

The Group's financial assets at amortized cost include cash and cash equivalents, trade and other receivables and refundable security deposits as at March 31, 2024 and December 31, 2023 (see *Note 10 – Other Noncurrent Assets, Note 11 – Cash and Cash Equivalents, Note 12 – Trade and Other Receivables, Note 14 – Other Current Assets* and *Note 19 – Related Party Transactions*).

Financial assets at FVPL
A financial asset at FVPL is measured at fair value. Included in this classification are derivative financial assets, equity investments held for trading and debt instruments with contractual terms that do not represent solely payments of principal and interest. Financial assets held at FVPL are initially recognized at fair value, with transaction costs recognized in the consolidated statement of comprehensive income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the consolidated statement of comprehensive income.

Additionally, even if the asset meets the amortized cost or the FVOCI criteria, the Group may choose at initial recognition to designate the financial asset at FVPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets on a different basis.

The Group's investment in perpetual notes is classified under this category (see *Note 9 – Investment in Perpetual Notes*).

Classification of financial liabilities
Financial liabilities are measured at amortized cost, except for the following:

- financial liabilities measured at FVPL;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Group retains continuing involvement;

- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in accordance with PFRS 3.

A financial liability may be designated at FVPL if it eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) or:

- if a host contract contains one or more embedded derivatives; or
- if a group of financial liabilities or financial assets and liabilities is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at FVPL, the movement in fair value attributable to changes in the Group's credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income.

The Group has no financial liability at FVPL as at March 31, 2024 and December 31, 2023.

Other Financial Liabilities
Financial liabilities are classified in this category if they are not held for trading or not designated at FVPL upon the inception of the liability. Other financial liabilities are initially recognized at fair value of the consideration received less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any related issue costs, discount or premium. Gains and losses are recognized in profit or loss when the liabilities are derecognized, as well as through the amortization process.

The Group's other financial liabilities include trade and other payables (except for accrued taxes and licenses, unearned income and statutory payables), and lease liabilities as at March 31, 2024 and December 31, 2023 (see *Note 8 – Leases, Note 17 – Trade and Other Payables* and *Note 19 – Related Party Transactions*).

Reclassifications of financial instruments
The Group reclassifies financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Group and any previously recognized gains, losses or interest shall not be restated. The Group does not reclassify its financial liabilities.

The Group does not reclassify its financial assets when:

- A financial asset that was previously designated and as effective hedging instrument in a cash flow hedge or net investment hedge no longer qualifies as such;
- A financial asset becomes a designated and effective hedging instrument in a cash flow hedge or net investment hedge; and
- There is a change in measurement on credit exposures measured at FVPL.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset, and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event and is legally enforceable in the normal course of

business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Amortized cost of financial instruments
Amortized cost is computed using the EIR method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of EIR.

"Day 1" Difference
When the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique in which variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a "Day 1" difference) in the consolidated statement of comprehensive income unless it qualifies for recognition as some other type of asset or liability. In cases where data used are not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference amount.

Impairment of Financial Assets
The Group recognizes ECL for debt instruments that are measured at amortized cost and FVOCI. No ECL is recognized on equity investments.

ECLs are measured in a way that reflects the following:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

Stage 1: 12-month ECL – not credit-impaired
For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.

Stage 2: Lifetime ECL – not credit-impaired
For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

Stage 3: Lifetime ECL – credit-impaired
Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted EIR to the amortized cost of the financial asset.

Loss allowances
Loss allowances are recognized based on 12-month ECL for debt investment securities that are assessed to have low credit risk at the reporting date. A financial asset is considered to have low credit risk if:

- the financial instrument has a low risk of default;
- the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the counterparty to fulfill its contractual cash flow obligations.

The Group considers debt instruments to have a low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade', or when the exposure is less than 30 days past due.

The loss allowance recognized in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stage 2 and 3 due to the financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and lifetime ECL;
- Additional allowances for new financial instruments recognized during the period, as well as releases for financial instruments derecognized in the period;
- Impact on the measurement of ECL due to changes in probability of defaults, or PDs, loss given defaults, or LGDs, and exposure at defaults, or EADs, in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Unwinding of discount within ECL due to passage of time, as ECL is measured on a present value basis; and
- Financial assets derecognized during the period and write-offs of allowances related to assets that were written off during the period.

Write-off policy
The Group writes-off a financial asset measured at amortized cost, in whole or in part, when the asset is considered uncollectible, it has exhausted all practical recovery efforts and has concluded that it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. The Group writes off an account when all of the following conditions are met:

- the asset is in past due for over 90 days, or is already an item-in-litigation with any of the following:

   a. no properties of the counterparty could be attached
   b. the whereabouts of the client cannot be located
   c. it would be more expensive for the Group to follow-up and collect the amount, hence the Group have ceased enforcement activity, and
   d. collections can no longer be made due to insolvency or bankruptcy of the counterparty

- expanded credit arrangement is no longer possible;
- filing of legal case is not possible; and
- the account has been classified as "Loss".

Simplified approach
The simplified approach, where changes in credit risk are not tracked and loss allowances are measured at amounts equal to lifetime ECL, is applied to trade and other receivables. The Group has established a provision matrix for billed trade receivables and a vintage analysis for contract assets and unbilled trade receivables that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

<u>Derecognition of Financial Assets and Liabilities</u>

Financial Assets
A financial asset (or where applicable, as part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- the rights to receive cash flows from the asset has expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either: (i) the Group has transferred substantially all the risks and rewards of the asset; or (ii) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a "pass-through" arrangement and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, a new asset is recognized to the extent of the Group's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of the consideration that the Group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of comprehensive income.

The financial liability is also derecognized when equity instruments are issued to extinguish all or part of the financial liability. The equity instruments issued are recognized at fair value if it can be reliably measured, otherwise, it is recognized at the fair value of the financial liability extinguished. Any difference between the fair value of the equity instruments issued and the carrying value of the financial liability extinguished is recognized in the consolidated statement of comprehensive income.

Fair Value Measurement
The fair values of financial instruments measured at amortized cost are disclosed in *Note 21 – Fair Value Measurement.*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (i) in the principal market for the asset or liability, or (ii) in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above (see *Note 21 – Fair Value Measurement*).

The Group recognizes transfers into and transfers out of fair value hierarchy levels as at the date of the event or change in circumstances that caused the transfer.

Inventories
Inventories, which include handsets, devices, terminal units and accessories, materials and spare parts, are valued at the lower of cost and net realizable value taking into account expected revenues from the sale of inventories and supplies.

Cost is determined using the weighted average method. Net realizable value is determined by either estimating the selling price in the ordinary course of the business, less the estimated cost to sell or determining the prevailing replacement costs.

Other Current Assets
This account includes input value-added tax (VAT) recognized on ordinary purchases of the Group. It also includes prepayments of various expenditures such as taxes, fees and licenses, rent, insurance, advertisements and promotions, and other expenses related to normal business activities of the Group. Prepayments are initially recognized at cost and amortized over the expected period of utilization.

Capital Stock
Capital stock is measured at par value for all shares issued.

Additional Paid-in Capital (APIC)
When the Parent Company issues shares in excess of par, the excess is recognized as APIC. Incremental costs incurred directly attributable to the issuance of new shares are treated as reduction of APIC.

Equity Reserve
Intercompany balances that are in the nature of equity are accounted for as equity transactions. Adjustments in the carrying amount of these equity advances resulting from common contract transactions are recognized under "Equity reserve" account in the consolidated statements of financial position.

Other Comprehensive Income (Loss)
Other comprehensive income (loss) comprises income and expense, including reclassification adjustments that are not recognized in profit or loss as required or permitted by other PFRS.

Deficit
Deficit represents cumulative net income (loss) less cumulative dividends declared, if any.

Earnings per Share (EPS)
Basic earnings per share amounts are calculated by dividing net income (loss) for the period by the weighted average number of common shares issued and outstanding during the period and adjusted to give retroactive effect to any stock dividends declared during the period.

For the purpose of computing diluted EPS, the net income (loss) for the period and the weighted average number of issued and outstanding common shares are adjusted for the effects of all dilutive potential common shares, if any.

The Group has no material dilutive potential common shares outstanding for the three months ended March 31, 2024 and 2023; therefore, basic EPS is equal to the diluted EPS.

Provisions
Provisions are recognized when the Group has a present obligation, legal or constructive, as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of comprehensive income, net of any reimbursements. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Revenue Recognition
Revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration which the Group expects to be entitled to in exchange for those goods or services. PFRS 15, *Revenue from Contracts with Customers*, prescribes a five-step model to be followed in the recognition of revenue, wherein the Group takes into consideration the performance obligations which need to perform in the agreements the Group has entered into with the customers. Revenue is measured by allocating the transaction price, which includes variable considerations, to each performance obligation on a relative stand-alone selling price basis, taking into account contractually defined terms of payment and excluding VAT, or overseas communication tax, or OCT, where applicable. Transaction prices are adjusted for the effects of a significant component if the Group expects, at contract inception, that the period between the transfer of the promised goods or services to the customer and when the customer pays for that good or service will be more than one year.

When allocating the total contract transaction price to the identified performance obligations, a portion of the total transaction price may relate to service performance obligations which were not satisfied or are partially satisfied as of the end of the reporting period.

When determining the performance obligations, the Group assesses its revenue arrangements against specific criteria to determine if the Group is acting as principal or agent. The Group considers both the legal form and the substance of its agreement, to determine each party's respective roles in the agreement. The Group is acting as a principal when the Group has control over the specified goods or services before transferring or rendering those to customers. The Group is a principal and record revenue on a gross basis if it controls the promised goods or services before transferring them to the customer. However, if the Group's role is only to arrange for another entity to provide the goods or services, then the Group is an agent and will need to record revenue at the net amount that it retains for its agency services.

The disclosures of material accounting judgments, estimates and assumptions relating to revenue from contracts with customers are provided in *Note 3 – Management's Use of Accounting Judgments, Estimates and Assumptions*.

Service revenues
The Group's service revenues will be derived from settlement of a share in subscriber revenues of Smart. These are recognized monthly and are based on a fixed amount agreed upon by both parties. Such amount is presented as "Revenues from contracts with customers" in the consolidated statements of comprehensive income.

- Contract Balances

Trade receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Unearned income
The Group's unearned income represents its obligation to transfer goods and services to a customer for which the Group has already received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before transfer of goods or services, the Group recognized unearned income when the payment is made or when the payment is due, whichever is earlier. Unearned income is recognized as revenue when the Group performs the obligation stated in the contract.

Nonservice Revenues
Proceeds from sale of mobile devices, SIM cards/packs and other accessories are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. The related cost or net realizable value (NRV) of mobile devices, SIM cards/packs and other accessories sold to customers is presented under “Cost of sales” account in the consolidated statement of comprehensive income.

Other Income

Rental Income
Revenue is recognized on a straight-line-basis over the lease term.

Interest Income
Interest income is recognized as it accrues on a time proportion basis taking into account the principal amount outstanding and the EIR.

Other Income
Other income is recognized when there is an incidental economic benefit, outside the normal course of business that will flow to the Group and can be measured reliably. This includes reversal of accruals, reimbursements from related parties, reversal of impairment on investment, gain on adjustment of asset retirement obligation and other miscellaneous income.

Cost and Expense Recognition
Costs and expenses are recognized in the period these are incurred.

VAT
Revenues, expenses and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statement of financial position. When input VAT exceeds output VAT, the excess is recognized as an asset in the consolidated statement of financial position to the extent of the recoverable amount.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of “Other current assets” or “Trade and other payables” account in the consolidated statement of financial position, as applicable.

Income Taxes

Current Income Tax
Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the end of the reporting period where the Group operates and generates taxable income.

Deferred Income Tax
Deferred income tax is provided using the balance sheet liability method on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the end of the reporting period.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources

embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

Segment Information

The Parent Company and its subsidiaries are organized into two business segments. Such business segments are the bases upon which Digitel Group reports its primary segment information. Financial information on business segments is presented in *Note 4 – Operating Segment Information*.

Events after the end of the Reporting Period

Post year-end events up to the date of approval of the BOD that provide additional information about the Group's financial position as at the end of the reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements if material.

Standards Issued But Not Yet Effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the consolidated financial statements are listed below. The Group will adopt these new standards, and amendments to existing standards which are relevant to the Group when these become effective.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  1. A specific adaptation for contracts with participation features (the variable fee approach); and

  2. A simplified approach (the premium allocation approach) mainly for short-duration contracts.

  On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two years after its effective date as decided by the IASB.

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

  The standard will have no significant impact on the Group's consolidated financial statements since the Group does not have insurance contracts.

3. Management's Use of Accounting Judgments, Estimates and Assumptions

The preparation of the accompanying consolidated financial statements in conformity with PFRS requires the Group to make certain judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent assets and contingent liabilities at the end of each reporting period. The uncertainties inherent in these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets or liabilities affected in the future years.

Judgments and estimate are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments, key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are consistent with those applied in the most recent annual consolidated financial statements.

<u>Judgments</u>
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Assessing existence of significant influence
PAS 28 provides that where an entity holds 20% or more of the voting power (directly or through subsidiaries) on an investee, it will be presumed that the investor has significant influence, unless it can be clearly demonstrated that this is not the case. If the ownership interest is less than 20%, the entity will be presumed not to have significant influence unless such influence can be clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an entity from having significant influence.

The existence of significant influence by an entity is usually evidenced in one or more of the following ways:

- Representation on the BOD or equivalent governing body of the investee;
- Participation in the policy-making process, including participation in decisions about dividends or other distributions;
- Material transactions between the entity and the investee;
- Interchange of managerial personnel; or
- Provision of essential technical information.

Determining whether the Group has joint control of an arrangement
A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Determining the lease term of contracts with renewal and termination options – Company as a Lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group, as the lessee, has the option, under some of the lease agreements to lease the assets for additional terms. The Group apply judgment in evaluating whether it is reasonably certain to exercise the option to renew. That is, the Group consider all relevant factors that create an economic incentive for us to exercise the renewal. After the commencement date, the Group reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., a change in business strategy).

The Group entered into several lease contracts that include an initial non-cancellable lease period of 10 years plus automatic extension options from year to year unless modified in writing by both the lessor and the Group. However, management did not impute the renewal period in the assessment of the lease terms of these contracts since said renewal period is not yet reasonably estimable at the time of transition or commencement date of the lease due to the relatively long-time horizon until the expiration of the initial non-cancellable lease period.

Assets classified as held-for-sale
The criteria for held-for-sale classification are regarded as met only when the sale is highly probable, and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. DMPI entered into sale and purchase agreements with certain tower companies in connection with the sale of telecom towers and related passive telecom infrastructure. The closing of the agreements will be on a staggered basis depending on the satisfaction of closing conditions based on the number of towers transferred and is expected to be completed in 2024. With this agreement, management believes that certain conditions were met that qualified the related assets to be reclassified as held-for-sale (see *Note 7 – Property and Equipment* and *Note 8 – Leases*).

Determination of whether the Group is acting as a principal or an agent
The Group assesses its revenue arrangements against specific criteria to determine whether it is acting as a principal or an agent. The Group considers both the legal form and substance of the agreement between the Group and its business partners to determine each party's respective roles in the agreement.

In evaluating whether the Group acts as a principal in a transaction, the Group determines whether it controls the services before they are transferred to customers, and that it has the ability to direct the use of the service. The following factors indicate that the Group has control over the service before they are transferred to customers. Therefore, the Group determined that it is a principal in these contracts.

- The Group has primary responsibility for fulfilling the promise to provide the specified service;
- The Group has inventory risk before the service has been transferred to the customer;
- The Group has discretion in establishing prices for the other party's services and, therefore, the benefit that the Group can receive from those services is not limited. It is incumbent upon the Group to establish the price of the services to be offered to its customers; and
- The Group's consideration in these contracts is the entire consideration billed to the customer.

If the Group has determined that it is acting as a principal, the Group recognizes revenue on a gross basis with the amount remitted to the other party being accounted for as part of costs and expenses.

If the Group has determined that it is acting as an agent, only the net amount retained is recognized as revenue.

Interconnection revenues are reported gross of the amounts due to other telecommunications operators. Interconnection charges billed to the Group are presented under "Interconnection costs" account in the consolidated statement of comprehensive income. This presentation is based on the Group's assessment that it is acting as a principal in all of its interconnection agreements with domestic and international carriers and roaming partners.

VAS revenues are reported net of content providers' share in revenue. This presentation is based on the Group's assessment that it is acting as an agent in all of its VAS agreements with content providers.

Financial Instruments

Definition of default and credit-impaired financial assets
The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- *Quantitative criteria*

  For trade receivables and all other financial assets subject to impairment, default occurs when the receivable becomes 90 days past due, except for trade receivables from subscribers, which are determined to be in default when the receivables become 120 days past due.

- *Qualitative criteria*

  The counterparty meets unlikeliness to pay criteria, which indicates the counterparty is in significant financial difficulty. These are instances where:

  a. The counterparty is experiencing financial difficulty or is insolvent;
  b. The counterparty is in breach of financial covenant(s);
  c. An active market for that financial assets has disappeared because of financial difficulties;
  d. Concessions have been granted by the Group, for economic or contractual reasons relating to the counterparty's financial difficulty;
  e. It is becoming probable that the counterparty will enter bankruptcy or other financial reorganization; and
  f. Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments, except FVPL, held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to the ECL models throughout the Group's expected loss calculation.

Significant increase in credit risk
At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

Using management's judgment and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that the Group considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the counterparty.

Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the Group's investment grade criteria, or which are less than 30 days past due, are considered to have a low credit risk. The provision for credit losses for these financial assets is based on a 12-month ECL.

Determining Taxable Profit, Tax Bases, Unused Tax Losses, Unused Tax Credits and Tax Rates
The Group assessed whether it has any uncertain tax positions and applies significant judgment in identifying uncertainties over its income tax treatments. The Group determined based on its assessment that it is probable that its income tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. Accordingly, the interpretation did not have an impact on the consolidated financial statement of the Group.

<u>Estimates and Assumptions</u>
The key estimates and assumptions concerning the future and other key sources of estimation uncertainties at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are discussed below. The estimates and assumptions are based on the parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Leases – Estimating the IBR
In calculating the present value of lease payments, the Group uses the IBR at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The IBR is the rate of interest that a lessee would have to pay to borrow over a similar term, similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The Group estimates the IBR using observable inputs when available such as market interest rates based on the term of the Group's lease agreements plus a spread adjustment based on the Group's credit worthiness using benchmark rates from partner banks.

Total lease obligations amounted to ₱576 million and ₱605 million as at March 31, 2024 and December 31, 2023, respectively (see *Note 8 – Leases*).

Estimating allowance for ECLs

<u>Measurement of ECLs</u>
ECLs are derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:

- *Financial assets that are not credit-impaired at the reporting date*: as the present value of all cash shortfalls over the expected life of the financial asset discounted by the EIR. The cash shortfall is the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive; and

- *Financial assets that are credit-impaired at the reporting date*: as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the EIR.

The Group leverages existing risk management indicators (e.g. internal credit risk classification and restructuring triggers), credit risk rating changes and reasonable and supportable information which allow the Group to identify whether the credit risk of financial assets has significantly increased.

<u>*Inputs, assumptions and estimation techniques*</u>

- *General approach for cash and cash equivalents, due from related parties, receivable from connecting carriers, and refundable security deposits*

  The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition. The Group consider the probability of our counterparty to default its obligation and the expected loss at default after considering the effects of collateral, any potential value when realized and time value of money.

  The assumptions underlying the ECL calculation are monitored and reviewed on a quarterly basis.

- *Simplified approach for trade and other receivables (except due form related parties and receivable from connecting carriers)*

  The Group uses a simplified approach for calculating ECL on trade and other receivables (except due from related parties and receivable from connecting carriers). The Group considers historical days past due for groupings of various customer segments that have similar loss patterns and remaining time to maturities.

  The Group uses historically observed default rates and adjusted these historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

  There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

- *Incorporation of forward-looking information*

  The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

  To do this, the Group considered a range of relevant forward-looking macro-economic assumptions and probability weights for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs.

  The macroeconomic factors are aligned with information used by the Group for other purposes such as strategic planning and budgeting.

The Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Predicted relationship between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 3 to 8 years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The Group has not identified any uncertain event that it has assessed to be relevant to the risk of default occurring but where it is not able to estimate the impact on ECL due to lack of reasonable and supportable information.

- *Grouping of instruments for losses measured on collective basis*

  A broad range of forward-looking information were considered as economic inputs such as the gross domestic product, inflation rate, unemployment rates and other economic indicators. For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous. In performing this grouping, there must be sufficient information for the Group to be statistically credible. Where sufficient information is not available internally, the Group has considered benchmarking internal/external supplementary data to use for modelling purposes. The Group segmented its trade and other receivables based on the type of customer (e.g., subscribers and dealers, agents, and others).

  The following credit exposures are assessed individually:

  - All stage 3 assets, regardless of the class of financial assets; and
  - Cash and cash equivalents, refundable security deposits, connecting carriers and due from related parties.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The total provision for ECLs for cash and cash equivalents, trade and other receivables and refundable security deposits amounted to nil for each of the three months ended March 31, 2024 and 2023.

The carrying amount of refundable security deposits, cash and cash equivalents, and trade and other receivables amounted to ₱323 million, ₱162 million, and ₱1,701 million, respectively, as at March 31, 2024 and ₱323 million, ₱120 million, and ₱2,272 million, respectively, as at December 31, 2023 (see *Note 10 – Other Noncurrent Assets, Note 11 – Cash and Cash Equivalents, Note 12 – Trade and Other Receivables, Note 14 – Other Current Assets, Note 19 – Related Party Transactions,* and *Note 20 – Financial Risk Management Objective and Policies*).

Impairment of non-financial assets
PFRS requires that an impairment review be performed when certain impairment indicators are present.

Determining the recoverable amount of investment properties, property and equipment, ROU assets and other current and noncurrent assets requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets. This requires the Group to make estimates and assumptions that can materially affect its consolidated financial statements. Future events could cause the Group to conclude that investments in associates and other noncurrent assets with an acquired business are impaired. Any resulting impairment loss could have a material adverse impact on the Group's financial condition and financial performance. The preparation of estimated future cash flows involves significant estimations and assumptions of future market conditions. While the Group believes that its assumptions are appropriate and reasonable, significant changes in its assumptions may materially affect its assessment of recoverable values and may lead to future additional impairment charges under PFRS.

For property and equipment, the Group undertakes impairment reviews when internal and external impairment indicators such as evidence of obsolescence or physical damage exist.

No impairment loss for property and equipment was recognized for each of the three months ended March 31, 2024 and 2023 (see *Note 7 – Property and Equipment*).

No impairment on creditable withholding taxes was recognized for each of the three months ended March 31, 2024 and 2023 (see *Note 4 – Operating Segment Information, Note 5 – Income Tax, Note 14 – Other Current Assets,* and *Note 18 – Income and Expenses*).

The balances of the Group's non-financial assets, net of accumulated depreciation and accumulated provisions for impairment losses as at March 31, 2024 and December 31, 2023 are as follows:

	2024 (Unaudited)	2023 (Audited)
	(In millions)	
ROU assets (*Note 8*)	**₱545**	₱560
Other current assets (*Note 14*)	**158**	91
Investment properties	**55**	55
Advances to suppliers and contractors *(Note 10)*	**10**	9

Provision for asset retirement obligation
Asset retirement obligation is recognized in the period in which it is incurred, if a reasonable estimate of fair value can be made. This requires an estimation of the cost to restore/dismantle on a per square meter basis, depending on the location, and is based on the best estimate of the expenditure required to settle the obligation at the future restoration or dismantlement date, discounted using a pre-tax rate that reflects the current market assessment of the time value of money and, where appropriate, the risk specific to the liability. Assumptions used to compute provision for asset retirement obligation are reviewed and updated at each financial year end.

The Group updated its assumptions on the timing of settlement and estimated cash outflows arising from provision for asset retirement obligation on its leased premises. As a result of the changes in estimates, the Group recorded a favorable adjustment in its amounting to ₱3 million and ₱8 million for the three months ended March 31, 2024 and 2023, respectively, presented as "Gain on adjustment of asset retirement obligation" under "Other income (expense) – net" account in the consolidated statements of comprehensive income (see *Note 16 – Asset Retirement Obligation* and *Note 18 – Income and Expenses*).

The carrying amount of the Group's asset retirement obligation amounted to ₱216 million and ₱210 million as at March 31, 2024 and December 31, 2023, respectively, presented as asset retirement obligation in the consolidated statements of financial position (see *Note 16 – Asset Retirement Obligation*).

Estimating useful lives of property and equipment
The Group estimates the useful lives of its property and equipment based on the period over which the assets are expected to be available for use. The Group reviews the estimated useful lives of property and equipment annually based on factors which include asset utilization, internal technical evaluation, technological changes and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes brought about by changes in the factors mentioned. A reduction in the estimated useful life of property and equipment would increase recorded depreciation and decrease the carrying amount of the Group's property and equipment.

There were no changes in the estimated useful lives as at March 31, 2024 and December 31, 2023.

The carrying amount of the Group's depreciable property and equipment amounted to ₱0.1 million and ₱0.3 million as at March 31, 2024 and December 31, 2023, respectively. The depreciation expense amounted to nil and ₱0.3 million for the three months ended March 31, 2024 and December 31, 2023, respectively (see *Note 4 – Operating Segment Information* and *Note 7 – Property and Equipment*).

Recognition of deferred income tax assets
The Group reviews the carrying amounts of deferred income tax assets at the end of each reporting period and reduces the deferred income tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax assets to be utilized. The Group's assessment on the recognition of deferred income tax assets on deductible temporary differences is based on the level and timing of forecasted taxable income of the subsequent reporting periods. This forecast is based on past results and future expectations on revenues and expenses.

The Group recognized deferred income tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. The Group's deferred income tax assets that were recognized as at March 31, 2024 and December 31, 2023 amounted to ₱119 million and ₱123 million, respectively (see *Note 5 – Income Tax*).

The amount of deductible temporary differences, net operating loss carry over (NOLCO) and minimum corporate income tax (MCIT) for which no deferred income tax assets were recognized, amounted to ₱2,281 million and ₱2,220 million as at March 31, 2024 and December 31, 2023, respectively (see *Note 5 – Income Tax*).

Legal contingencies and tax assessments
The Group is currently involved in various legal proceedings and tax assessments. The estimate of the probable costs for the resolution of these claims and assessments have been developed in consultation with the counsels handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe these proceedings will have a material adverse effect on its consolidated financial statements. It is possible, however, that future financial performance could be materially affected by changes in the estimates or in the effectiveness of the

strategies relating to these proceedings and assessments (see *Note 22 – Commitments and Contingencies*).

Based on management's assessment, appropriate provisions were made; however, management has decided not to disclose further details of these provisions as they may prejudice the Group's position in certain legal proceedings.

Determination of fair values of financial assets and financial liabilities
When the fair value of financial assets and financial liabilities disclosed in the consolidated statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets if possible, but if this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Other than those whose carrying amounts are reasonable approximations of fair values, total fair values of noncurrent financial assets as at March 31, 2024 and December 31, 2023 and amounted to ₱1,745 million and ₱1,793 million, respectively (see *Note 21 – Fair Value Measurement*).

4. Operating Segment Information

Operating segments are components of the Group that engage in business activities from which they may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components within the Group). The operating results of these operating segments are regularly reviewed by the chief operating decision maker, referred to by the Group as the Management Committee, to make decisions about how resources are to be allocated to each of the segments and to assess their performances, for which discrete financial information is available.

For management's purposes, the Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group's reportable segments are as follows:

- Wireless

  Wireless communication services is composed of distributed subscriber revenues and facility service fees. This consists of the Rebranding Agreement with Smart for fees representing DMPI's proportionate share on the distributed subscriber revenues and reimbursement by Smart for certain network related charges.

- Fixed Line

  Fixed line segment is carried by the Parent Company. As at January 1, 2018, Digitel fully migrated its subscribers to PLDT network.

Transfer prices between operating segments are on an arm's length basis similar to transactions with third parties. Segment revenues, segment expenses and segment results include transfers between operating segments. These transfers are eliminated in full upon consolidation.

The amounts of segment assets and liabilities, and segment profit or loss are based on the measurement principles that are similar to those used in measuring the assets, liabilities and profit or loss in the consolidated financial statements, which are in accordance with PFRS.

The assets and liabilities, segment revenues, net income, and other segment information of the Group's reportable segments as at March 31, 2024 and December 31, 2023, and for the three months ended March 31, 2024 and 2023 are as follows:

	March 31, 2024 (Unaudited)			
	Wireless	**Fixed Line**	**Inter-segment Transactions**	**Consolidated**
		(In millions)		
Revenues				
External customers:				
Revenues from contracts with customers (*Note 18)*	**₱1,257**	**₱–**	**₱–**	**₱1,257**
Nonservice revenues	**–**	**–**	**–**	**–**
Total revenues	**₱1,257**	**₱–**	**₱–**	**₱1,257**
Results				
Provision for income tax (*Note 5*)	**₱115**	**₱–**	**₱–**	**₱115**
Depreciation (*Notes 7 and 8*)	**76**	**–**	**–**	**76**
Financing costs – net *(Notes 8 and 18)*	**13**	**–**	**–**	**13**
Net income (loss)/segment profit (loss)	**470**	**(13)**	**–**	**457**
Assets and Liabilities				
Operating assets	**₱3,110**	**₱38,856**	**(₱38,800)**	**₱3,166**
Investment in perpetual notes *(Note 9)*	**1,475**	**–**	**–**	**1,475**
Deferred income tax assets *(Note 5)*	**–**	**–**	**–**	**–**
Investment properties	**–**	**55**	**–**	**55**
Total assets	**₱4,585**	**₱38,911**	**(₱38,800)**	**₱4,696**
Operating liabilities	**₱2,243**	**₱14,462**	**₱–**	**₱16,705**
Deferred income tax liabilities – net (*Note 5)*	**1**	**2**	**–**	**3**
Total liabilities	**₱2,244**	**₱14,464**	**₱–**	**₱16,708**
Other Segment Information				
Capital expenditure	**₱–**	**₱–**	**₱–**	**₱–**

	March 31, 2023 (Unaudited)			
	Wireless	Fixed Line	Inter-segment Transactions	Consolidated
		(In millions)		
Revenues				
External customers:				
Revenues from contracts with customers (*Note 18)*	₱1,790	₱–	₱–	₱1,790
Nonservice revenues	–	–	–	–
Total revenues	₱1,790	₱–	₱–	₱1,790
Results				
Provision for (benefit from) income tax (*Note 5*)	₱200	(₱3)	₱–	₱197
Depreciation (*Notes 7 and 8*)	42	–	–	42
Financing costs – net *(Notes 8 and 18)*	10	–	–	10
Net income/segment profit	1,141	227	–	1,118
December 31, 2023 (Audited)				
Assets and Liabilities				
Operating assets	₱3,580	₱38,861	(₱38,799)	₱3,642
Investment in perpetual notes *(Note 9)*	1,523	–	–	1,523
Deferred income tax assets *(Note 5)*	1	–	–	1
Investment properties	–	55	–	55
Total assets	₱5,104	₱38,916	(₱38,799)	₱5,221
Operating liabilities	₱2,233	₱15,454	₱–	₱17,688
Deferred income tax liabilities – net (*Note 5)*	–	2	–	2
Total liabilities	₱2,233	₱15,456	₱–	₱17,690
Other Segment Information				
Capital expenditure	₱–	₱–	₱–	₱–

The revenue of the Group consists mainly of sales to external customers. No operating segments have been aggregated to form the above reportable segments.

Capital expenditures consist of additions to property and equipment of the wireless segment.

The Group does not report its results based on geographical segments since most of the Group's revenues are derived from operations within the Philippines. Revenue from distributed subscriber revenues and facility service fees from Smart amounted to ₱1,257 million and ₱1,790 million for the three months ended March 31, 2024 and 2023, respectively, which accounted to 10% or more of the Group's revenue (see *Note 18 – Income and Expenses* and *Note 19 – Related Party Transactions*).

5. Income Tax

Provision for (benefit from) income tax for the three months ended March 31, 2024 and 2023 consist of:

	2024	2023
	(Unaudited)	
	(In millions)	
Current	**₱112**	₱198
Deferred	**3**	(1)
	₱115	₱197

Reconciliation between provision for income tax at the applicable statutory tax rate and effective income tax of the Group for the three months ended March 31, 2024 and 2023 are as follows:

	2023	2023
	(Unaudited)	
	(In millions)	
Income before income tax (*Note 4*)	**₱571**	₱1,315
Provision at statutory income tax rate	**143**	329
Adjustments from the tax effects of:		
Net movement in deferred income tax assets not recognized due to OSD	**12**	(51)
Changes in unrecognized deferred income tax assets	**3**	(274)
Difference between OSD and itemized deduction	**(43)**	(84)
Loss (income) not subject to income tax	**–**	277
Provision for income tax (*Note 4*)	**₱115**	₱197

The Group recognized deferred income tax assets to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. The Group's deferred income tax assets that were recognized as at March 31, 2024 and December 31, 2023 amounted to ₱119 million and ₱123 million, respectively.

Components of the Group's consolidated net deferred income tax assets as at March 31, 2024 and December 31, 2023 are as follows:

	2024 (Unaudited)	2023 (Audited)
	(In millions)	
Deferred income tax assets – net:		
Deferred income tax assets:		
Lease liability	**₱111**	₱115
Asset impairment	**6**	6
Interest on perpetual note	**2**	2
	119	123
Deferred income tax liabilities:		
Pension and other employee benefits	**(14)**	(13)
ROU assets	**(106)**	(109)
	(120)	(122)
	(₱1)	₱1
Deferred income tax liability – net:		
Deferred income liability:		
Pension assets	**(₱2)**	(₱2)

DMPI opted to use the OSD method in computing its taxable income. DMPI's assessment is based on projected taxable profits which is at a level where it is favorable to use OSD method and DMPI is expected to avail of the OSD method in the foreseeable future. Thus, deferred income tax assets and liabilities, that do not have future tax consequences, were not recognized.

The following are the deductible temporary differences and OSD related expenses from DMPI as at March 31, 2024 and December 31, 2023, for which no deferred income tax assets were recognized in the consolidated statements of financial position as it is not probable that the future taxable income will be sufficient against which these can be utilized:

	2024 (Unaudited)	2023 (Audited)
	(In millions)	
Fair valuation adjustment on perpetual notes	**₱1,724**	₱1,677
Lease liability	**295**	307
Asset retirement obligation (*Note 16*)	**216**	211
Asset impairment	**208**	209
Allowance for refundable security deposits	**117**	117
NOLCO	**34**	18
Interest on perpetual notes	**4**	4
Allowance for inventory obsolescence (*Note 13*)	**2**	2
Accrued expenses	**1**	1
Pension liability	**(36)**	(36)
ROU assets	**(284)**	(291)
Unrealized foreign exchange loss	**–**	1
MCIT	**–***	–*
	₱2,281	₱2,220

** No amounts extended due to rounding-off of amounts in millions.*

NOLCO and MCIT incurred as at December 31, 2023, with expiry date of December 31, 2026, amounted to ₱18 million and ₱103 thousand, respectively.

Changes in the consolidated net deferred income tax assets (liabilities) as at March 31, 2024 and December 31, 2023 are as follows:

	2024 (Unaudited)	2023 (Audited)
	(In millions)	
Net deferred income tax assets – balances at beginning of the period	**₱1**	₱15
Net deferred income tax liabilities – balances at beginning of the period	**(2)**	(3)
Net balances at beginning of the period	**(1)**	12
Provision for deferred income tax	**(2)**	(12)
Movement charged directly to other comprehensive income	**–**	(1)
Net balances at end of the period	**(3)**	(1)
Net deferred income tax assets – balances at end of the period	**–**	1
Net deferred income tax liabilities – balances at end of the period	**(₱3)**	(₱2)

6. **Earnings per Share**

Basic EPS amounts are calculated by dividing the consolidated net income for the period by the weighted average number of common shares issued and outstanding during the period.

The Group's consolidated net income and weighted average number of common shares used in the basic EPS computation for the three months ended March 31, 2024 and 2023 are as follows:

	2024	2023
	(Unaudited)	
	(In millions, except earnings per share amounts)	
Consolidated net income *(Notes 1 and 4)*	**₱457**	₱1,118
Weighted average number of common shares (*Note 15*)	**26,142**	26,142
Earnings per share *(Note 4)*	**₱0.02**	₱0.04

The Group has no material dilutive potential common shares outstanding as at March 31, 2024 and December 31, 2023; therefore, basic EPS is equal to diluted EPS.

7. Property and Equipment

Changes in property and equipment account as at March 31, 2024 and December 31, 2023 are as follows:

	2024 (Unaudited)				
	Cable and Wire Facilities	**Cellular Facilities**	**Buildings and Improvements**	**Vehicles, Furniture and Work Equipment**	**Total**
			(In millions)		
Cost					
As at January 1, 2024	**₱6,255**	**₱18,092**	**₱196**	**₱1,688**	**₱26,231**
Disposals	**–**	**(5)**	**–**	**–**	**(5)**
As at March 31, 2024	**6,255**	**18,087**	**196**	**1,688**	**26,226**
Accumulated Depreciation and Impairment					
As at January 1, 2024	**6,255**	**18,092**	**196**	**1,688**	**26,231**
Depreciation (*Notes 3 and 4*)	**–**	**–**	**–**	**–**	**–**
Disposals	**–**	**(5)**	**–**	**–**	**(5)**
As at March 31, 2024	**6,255**	**18,087**	**196**	**1,688**	**26,226**
Net Book Value at end of the period (*Note 3*)	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**

	2023 (Audited)				
	Cable and Wire Facilities	Cellular Facilities	Buildings and Improvements	Vehicles, Furniture and Work Equipment	Total
			(In millions)		
Cost					
As at January 1, 2023	₱6,255	₱18,496	₱196	₱1,691	₱26,638
Disposals	–	(404)	–	(3)	(407)
As at December 31, 2023	6,255	18,092	196	1,688	26,231
Accumulated Depreciation and Impairment					
As at January 1, 2023	6,255	18,496	196	1,690	26,637
Depreciation (*Notes 3 and 4*)	–	–	–	1	1
Disposals	–	(404)	–	(3)	(407)
As at December 31, 2023	6,255	18,092	196	1,688	26,231
Net Book Value at end of the period (*Note 3*)	₱–	₱–	₱–	₱–	₱–

Sale of Telecom Towers

On April 19, 2022, Smart and DMPI signed Sale and Purchase Agreements, or SPAs, with a subsidiary of edotco Group and a subsidiary of EdgePoint, or the TowerCos, in connection with the sale of 5,907 telecom towers and related passive telecommunication infrastructure for ₱77 billion. Out of the total towers, 2,973 towers located primarily in Luzon, Visayas and Mindanao were acquired by ISOC edotco Towers, Inc., a subsidiary of edotco Group, and 2,934 towers located in Luzon were acquired by Comworks Infratech Corp., subsidiary of EdgePoint. As at December 31, 2023 and 2022, DMPI has completed the sale of 86 and 559 telecom towers, respectively.

On December 15, 2022 and March 16, 2023, Smart and DMPI signed a new set of SPAs with Unity, and Frontier Tower Associates Philippines Inc., or Frontier, respectively, in connection with the sale of 1,662 telecom towers and related passive telecom infrastructure for a total of ₱21,309 million. Out of the total towers, 650 towers located primarily in Visayas and Mindanao were acquired by Unity, and 1,012 towers located in Luzon were acquired by Frontier. In 2023, DMPI completed the sale of 20 telecom towers to Unity and Frontier. In March 18, 2024, DMPI completed the sale of 6 telecom towers to Frontier.

DMPI recognizes the sale of its tower assets as an ordinary sale in its separate financial statements, following the guidelines of PFRS 15. The closing of the agreements are on a staggered basis depending on the satisfaction of closing conditions, according to the number of towers transferred.

The following summarizes the completed sale as at March 31, 2024.

	Number of Telecom Towers Sold	Cash Consideration
		(In Million Pesos)
For the year ended December 31, 2022	559	₱3,508
For the year ended December 31, 2023	86	661
For the quarter ended March 31, 2024	**6**	**12**
	651	₱4,181

Telecom equipment subject to this sale agreement subsequent to December 31, 2023 and 2022 were reclassified from "Property and equipment" to "Assets classified as held-for-sale under current assets in the consolidated statements of financial position with a net book value of nil as at March 31, 2024 and December 31, 2023.

Impairment of Property and Equipment
No impairment loss for property and equipment was recognized for each of the three months ended March 31, 2024 and 2023.

Total accumulated impairment loss on property and equipment amounted to ₱11,135 million as at March 31, 2024 and December 31, 2023.

Collaterals
The Group has no property and equipment that were used as collateral for loans as at March 31, 2024 and December 31, 2023.

Disposals and Retirement
The Group disposed and retired fully depreciated assets amounting to ₱5 million and ₱407 million as at March 31, 2024 and December 31, 2023, respectively.

8. Leases

Group as a lessee
The Group has lease contracts for various items of sites, office space, poles and other equipment used in its operations. The Group considered in the lease term the non-cancellable period of the lease together with the periods covered by an option to extend and option to terminate the lease.

ROU assets
The estimated useful life of the Group's ROU assets as at March 31, 2024 and December 31, 2023 are estimated as follows:

Site	1 – 20 years
Domestic leased circuits	7 years
Office buildings	1 – 7 years

Changes in the ROU assets as at March 31, 2024 and December 31, 2023 are as follows:

	Site	**Domestic Leased Circuits**	**Office Buildings**	**Total**
		(In millions)		
Cost				
At January 1, 2024	**₱1,292**	**₱36**	**₱131**	**₱1,459**
Additions	**66**	**–**	**–**	**66**
Termination	**(15)**	**–**	**–**	**(15)**
Asset retirement obligation	**6**	**–**	**–**	**6**
As at March 31, 2024 (Unaudited)	**1,349**	**36**	**131**	**1,516**
Accumulated Depreciation				
At January 1, 2024	**743**	**25**	**131**	**899**
Depreciation	**75**	**1**	**–**	**76**
Termination	**(4)**	**–**	**–**	**(4)**
As at March 31, 2024 (Unaudited)	**814**	**26**	**131**	**971**
Net book value at end of the period	**₱535**	**₱10**	**₱–**	**₱545**

	Site	Domestic Leased Circuits	Office Buildings	Total
		(In millions)		
Cost				
At January 1, 2023	₱1,058	₱36	₱144	₱1,238
Additions	632	–	–	632
Termination	(120)	–	(13)	(133)
Lease modification	(5)	–	–	(5)
Asset retirement obligation*(1)*	19	–	–	19
Reclassification to assets classified as held-for-sale	(292)	–	–	(292)
As at December 31, 2023	1,292	36	131	1,459
Accumulated Depreciation				
At January 1, 2023	729	20	144	893
Depreciation	303	5	–	308
Termination*(1)*	(157)	–	(13)	(170)
Charges from asset retirement obligation	(7)	–	–	(7)
Reclassification to assets classified as held-for-sale	(125)	–	–	(125)
As at December 31, 2023	743	25	131	899
Net book value at end of the year	₱549	₱11	₱–	₱560

The following amounts are recognized in the statement of comprehensive income for the three months ended March 31, 2024 and 2023:

	2024	2023
	(Unaudited)	
	(In millions)	
Depreciation expense of ROU assets*	**₱76**	₱42
Expenses relating to short-term leases**	**34**	44
Interest expense on lease liabilities (*Note 18*)	**13**	10
Total amount recognized in the statement of comprehensive income	**₱123**	₱96

**Total depreciation in the statement of comprehensive income includes depreciation and charges from ARO*

***Presented as part of "Rent" account under "Cost and Expenses" in the consolidated statements of comprehensive income*

Lease Liabilities

The following table summarizes all changes to lease liabilities as at March 31, 2024 and December 31, 2023:

	2024 (Unaudited)	2023 (Audited)
	(In millions)	
Lease liabilities at the beginning of the period	**₱605**	₱381
Additional lease liabilities recognized during the period	**66**	632
Accretion expenses *(Notes 4, 18 and 23)*	**13**	60
Termination	**(9)**	(159)
Settlement of obligations and others	**(99)**	(289)
Lease modifications	**–**	(4)
Reclassification to liabilities associated with the assets classified as held-for-sale	–	(16)
Lease liabilities at the end of the period	**576**	605
Less current portion of lease liabilities	**283**	282
Noncurrent portion of lease liabilities	**₱293**	₱323

The maturity analysis of undiscounted lease payments is disclosed in *Note 20 – Financial Risk Management Objectives and Policies*.

The Group has several lease contracts that include extension and termination options. These options are negotiated to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs, see *Note 3 – Management's Use of Accounting Judgments, Estimates and Assumptions – Determining the lease term of contracts with renewal and termination options – Company as a Lessee.*

Assets and Liabilities Held-for-Sale

In relation to the sale of telecom towers discussed in the *Note 7 – Property and Equipment*, the related ROU assets, lease liabilities, and asset retirement obligation of the remaining telecom towers subject to sale and purchase agreement until 2023 were reclassified to "Assets classified as held-for-sale" and "Liabilities associated with assets classified as held-for-sale" under current assets, and current liabilities, respectively, in the statements of financial position as at March 31, 2024 and December 31, 2023.

Details of accounts assets classified as held-for-sale and its related liabilities are as follows:

	2024 (Unaudited)	2023 (Audited)
	(In Millions)	
Assets classified as held-for-sale - ROU assets	**166**	167
Liabilities associated with the assets classified as held-for-sale:		
Lease liabilities	**161**	163
Asset retirement obligation *(Note 16)*	**–**	–
	161	163

9. Investment in Perpetual Notes

On September 19, 2019, Smart issued perpetual notes to DMPI amounting to ₱4,700 million to partially finance Smart's capital expenditure requirements for 2019. The perpetual note is classified as FVPL and is subject to 5.97% interest. Any subsequent fair value changes will be recognized in profit or loss. Loss on fair value adjustment on its investment in perpetual notes amounting to ₱48 million for the three months ended March 31, 2024 and gain from changes in fair value of its investment in perpetual notes amounting to ₱180 million for the three months ended March 31, 2023. Distribution income amounting to ₱48 million for each of the three months ended March 31, 2024 and 2023, was recorded under "Other income (expenses)" account in the consolidated statements of comprehensive income.

The carrying amount of investment in perpetual notes amounted to ₱1,475 million and ₱1,523 million as at March 31, 2024 and December 31, 2023, respectively (See *Notes 19 – Related Party Transactions, Note 20 – Financial Risk Management Policies* and *Objectives and Note 21 – Fair Value Measurement).*

10. Other Noncurrent Assets

As at March 31, 2024 and December 31, 2023, this account consists of:

	2024 (Unaudited)	2023 (Audited)
	(In millions)	
Refundable security deposits* *(Notes 20 and 21)*	**₱315**	₱315
Pension asset	**100**	100
Advances to suppliers and contractors	**10**	9
	₱425	₱424

**net of current portion*

Refundable Security Deposits – Net

Refundable security deposits relate to the Group's deposits on its leased buildings, cell site lots and commercial spaces. These will be collected in full at the end of each respective lease term subject to adjustments by the lessor to cover any damages incurred on the properties.

The components of refundable security deposits and others – net as at March 31, 2024 and December 31, 2023 are as follows:

	2024 (Unaudited)	2023 (Audited)
	(In millions)	
Refundable security deposits* *(Notes 20 and 21)*	**₱432**	₱432
Less allowance	**117**	117
Refundable security deposits – net	**₱315**	₱315

**net of current portion*

11. Cash and Cash Equivalents

As at March 31, 2024 and December 31, 2023, this account consists of:

	2024 (Unaudited)	2023 (Audited)
	(In millions)	
Cash on hand and in banks	**₱137**	₱120
Temporary cash investments	**25**	–
	₱162	₱120

Cash in banks earn interest at the prevailing bank deposit rates. Temporary cash investments are made for varying periods of up to three months depending on the Group's immediate cash requirements and earn interest at the prevailing temporary cash investment rates (see *Note 20 – Financial Risk Management Objectives and Policies*).

Interest income earned from cash in banks and temporary cash investments amounted to ₱0.1million and ₱1 million for the three months ended March 31, 2024 and 2023, respectively, presented under "Interest income" account in the consolidated statements of comprehensive income (see *Note 4 – Operating Segment Information*).

12. Trade and Other Receivables

As at March 31, 2024 and December 31, 2023, this account consists of:

	2024 (Unaudited)	2023 (Audited)
	(In millions)	
Trade receivables (*Note 20)*		
Due from related parties	**₱1,697**	₱2,265
Dealers, agents and others	**4**	7
Total	**1,701**	2,272
Less allowance for impairment losses:		
Trade receivables (*Note 20*)		
Dealers, agents and others	**–**	–
	–	–
	₱1,701	₱2,272

Receivables from dealers, agents and others consist mainly of receivables from dealers and distributors, and credit card companies having collection arrangements with the Group, which are generally on terms of 30 days. It also includes down payment, advances to suppliers and contractors, and receivables from officers and employees, which are generally settled over a 30 to 120-day credit term.

There are no changes in allowance for impairment losses on trade and other receivables for the three months ended March 31, 2024 and 2023.

There are no receivables pledged as collateral for liabilities as at March 31, 2024 and December 31, 2023.

13. Inventories

As at March 31, 2024 and December 31, 2023, this account consists of:

	2024 (Unaudited)	2023 (Audited)
	(In millions)	
Spare parts and supplies		
At NRV	**₱–**	₱–
At cost	**2**	2
Total inventories at lower of cost or NRV	**₱–**	₱–

Inventories recognized as expense and included as part of "Cost of sales" account in the consolidated statements of comprehensive income amounted to nil for the three months ended March 31, 2024 and 2023.

Impairment losses on inventory arising from obsolescence and write-down of inventories to NRV amounted to nil for the three months ended March 31, 2024 and 2023.

14. Other Current Assets

As at March 31, 2024 and December 31, 2023, this account consists of:

	2024 (Unaudited)	2023 (Audited)
	(In millions)	
Prepaid taxes	**₱94**	₱82
Prepayments for:		
Fees and licenses	**61**	8
Refundable security deposits – net *(Notes 20 and 21)*	**8**	8
Rent	**4**	1
	₱167	₱99

Prepaid Taxes

This account consists of input VAT, creditable withholding taxes and excess corporate income tax paid.

Input VAT comprises deferred input VAT arising from purchase of capital assets in excess of ₱1 million in a calendar month, which are credited against output VAT due within 12 months. As provided in RA No. 9337 (EVAT Law), said portion of VAT shall be deferred and credited evenly over estimated useful life of the related capital assets or 60 months, whichever is shorter, against the output VAT due. Input VAT which is expected to be credited beyond 12 months are presented under "Other noncurrent assets" account in the consolidated statements of financial position.

Input VAT is an indirect tax on the goods and services which the Group uses in its operations. The Group recovers input VAT by offsetting it against available output VAT as at the reporting period. Management believes that the amount is fully realizable in the future.

No impairment on creditable withholding taxes was recognized for the three months ended March 31, 2024 and 2023.

The allowance for impairment losses of creditable withholding taxes amounted to ₱164 million as at March 31, 2024 and December 31, 2023.

Prepaid Fees and Licenses

This account consists of unamortized prepayments for Spectrum Users' Fee, Radio Station Licenses and NTC supervisory and regulatory fees which normally cover one-year period.

Prepaid Rent

This account represents two to three months of advance rental that can be applied against future billings.

Refundable Security Deposits

The Group did not recognize any provision for impairment for each of the three months ended March 31, 2024 and 2023.

15. Equity

Capital Stock

The Parent Company's capital stock as at March 31, 2024 and December 31, 2023 is as follows:

	2024 (Unaudited)	2023 (Audited)
	Number of Shares	
	(In millions except par values per share)	
Authorized shares	**29,500**	29,500
Shares issued and outstanding *(Note 6)*	**26,142**	26,142
Par value per share	**₱0.10**	₱0.10

Other Comprehensive Loss

The Group's other comprehensive loss pertaining to net cumulative actuarial losses from defined benefit plan amounted to nil as at March 31, 2024 and December 31, 2023.

Deficit

On December 5, 2023, the BOD of the Parent Company declared cash dividends amounting to ₱2,259 million (₱0.0864 per share) to all common shareholders of record as at December 15, 2023. The cash dividends to the minority shareholders was paid on January 5, 2024, while the cash dividends to the majority shareholder, PLDT Inc., shall be paid on or before December 5, 2024. Dividends payable (net of final withholding taxes) to PLDT and minority shareholders amounted to ₱1,175 million and nil as at March 31, 2024, respectively, and ₱2,175 million and ₱7 million, as at December 31, 2023, respectively, presented in "Trade and other payables" account in the statements of financial position (see *Note 17 – Trade and Other Payables* and *Note 19 – Related Party Transactions*).

The Parent Company's retained earnings available for dividend declaration as at December 31, 2023 based on the guidelines set forth in the Memorandum Circular 11 issued by the Philippine SEC on December 5, 2008 is ₱13,645 million. The Parent Company plans to declare cash dividends out of the remaining retained earnings as funds become available.

The following table shows the reconciliation of the Parent Company's retained earnings available for dividend declaration as at December 31, 2023 (amount presented in millions):

Parent Company's unappropriated retained earnings available for dividend declaration as at January 1, 2023		₱12,684
Add net income actually earned/realized during 2023		
Net income	3,220	
Less unrealized foreign exchange gain – net (except cash and cash equivalents)	–	3,220
Less dividends declared		(2,259)
Parent Company's unappropriated retained earnings available for dividend declaration as at December 31, 2023		₱13,645

Capital Management Risk

The Group aims to achieve an optimal capital structure in pursuit of the business objectives which includes maintaining healthy capital ratios and strong credit ratings and maximizing shareholder value. The Group manages its capital structure and makes adjustments to these ratios in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of advances from the ultimate Parent Company through deposits for future stock subscription or issue capital securities. No changes have been made in the objective, policies and processes as they have been applied In previous periods.

The table below provides information regarding the net consolidated cash-to-equity ratio as at March 31, 2024 and December 31, 2023:

	2024 (Unaudited)	2023 (Audited)
	(In millions)	
Cash and cash equivalents *(Notes 11, 20 and 21)*	**₱162**	₱120
Capital deficiency *(Note 1)*	**(12,012)**	(12,469)
Net cash-to-equity ratio	**(0.01:1)**	(0.01:1)

The Group will continue to adopt measures to address the capital deficiency which include: (i) review of business portfolio to enhance earnings streams; (ii) application of cost-saving measures to reduce operating costs; and (iii) implementation of operating synergy with Smart.

16. Asset Retirement Obligation

The rollforward analysis of the Group's provision for asset retirement obligation for the three months ended March 31, 2024 and the year ended December 31, 2023 are as follows:

	2024 (Unaudited)	2023 (Audited)
	(In millions)	
Balance at beginning of the period	**₱210**	₱226
Capitalized to ROU assets	**6**	24
Change in assumption	**2**	–
Accretion expenses	**1**	5
Gain on adjustment of asset retirement obligation	**(3)**	(45)
Balance at end of the period	**₱216**	₱210

17. Trade and Other Payables

As at March 31, 2024 and December 31, 2023, this account consists of:

	2024 (Unaudited)	2023 (Audited)
	(In millions)	
Due to related parties	**₱14,302**	₱15,289
Accrued expenses	**671**	690
Trade payables	**439**	494
Payables to connecting carriers – net (*Note 20*)	**26**	28
Dividends payable (Note 15)	–	7
Others	**3**	3
	₱15,441	₱16,511

<u>Due to related parties</u>
Terms and conditions of transactions with related parties are disclosed in *Note 19 – Related Party Transactions*.

<u>Accrued Expenses</u>
Accrued expenses are non-interest bearing and are normally settled within a year. These refer to operation-related expenses pending receipt of billings and statement of accounts from suppliers.

As at March 31, 2024 and December 31, 2023, this account consists of:

	2024 (Unaudited)	2023 (Audited)
	(In millions)	
Maintenance and others	**₱299**	₱326
Rent	**159**	152
Taxes and licenses	**125**	124
Selling and promotions	**32**	32
Insurance and security services	**22**	22
Professional and other contracted services	**21**	21
Other operating costs	**12**	12
Salaries and other employee benefits	**1**	1
	₱671	₱690

Trade Payables
This account mainly includes unpaid billings from various suppliers and contractors which are noninterest bearing and are normally settled within one year.

Payables to Connecting Carriers – net
This account pertains to interconnection charges due to other carriers and roaming partners for voice and/or data transmission of the Group's subscribers to the subscribers of other carriers and roaming partners. Payables to connecting carriers and roaming partners are presented net of the receivables from the same carrier and roaming partner due to the presence of currently enforceable right to offset the recognized amounts and the intention to settle on a net basis.

18. Income and Expenses

Disaggregation of Revenue
The Group derived its revenue from contracts with customers from the transfer of goods and services over time and at a point in time. Set out is the disaggregation of the Group's revenue from contracts with customers for the three months ended March 31, 2024 and 2023:

	2024	2023
	(Unaudited)	
	(In millions)	
Type of good or service:		
Service revenues:		
Distributed subscriber revenues (*Note 19*)	**₱1,034**	₱1,380
Revenues from facility service fees *(Note 19)*	**223**	410
Total revenues from contracts with customers	**₱1,257**	₱1,790
Timing of revenue recognition:		
Transferred over time	**₱1,257**	₱1,790
Transferred at a point time	**–**	–
Total revenues from contracts with customers	**₱1,257**	₱1,790

Contract Balances
Contract balances as at March 31, 2024 and December 31, 2023 consist of the following:

	2024	2023
	(Unaudited)	(Audited)
	(In millions)	
Trade receivables, including due from Smart *(Notes 12 and 19)*	**₱1,701**	₱2,272

The amount being charged by Smart is being offset against the amount demandable by the Group to Smart in relation to facility services. The decrease in trade receivables, including amounts due from Smart for unpaid facility service fees, was due to collection of carrier and related party receivables (See *Note 19 – Related Party Transactions*).

Compensation and Employee Benefits
Compensation and employee benefits includes salaries and other employee benefits amounting ₱0.3 million for each of the three months ended March 31, 2024 and 2023.

Asset Impairment
Asset impairment for the three months ended March 31, 2024 and 2023 amounted to nil.

Financing Costs
Financing costs is composed of accretion on lease liabilities amounted to ₱13 million and ₱10 million for the three months ended March 31, 2024 and 2023, respectively (see *Note 4 – Operating Segment Information, Note 8 – Leases* and *Note 23 – Notes to Statement of Cash Flows*).

Other Income – net
Other income – net for the three months ended March 31, 2024 and 2023 consists of the following:

	2024	2023
	(Unaudited)	
	(In millions)	
Reimbursements from related parties (*Note 19*)	**₱7**	₱21
Gain on adjustment of asset retirement obligation	**3**	8
Loss on lease modification	**(3)**	(3)
Others	**(19)**	(22)
	(₱12)	₱4

Reimbursements from related parties pertain to charges by the Group for network related expenditures such as rent, maintenance and depreciation (see *Note 19 – Related Party Transactions*).

19. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly to control the other party or exercise significant influence over the other party in making financial and operating decisions and the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Terms and Conditions of Transactions with Related Parties
The services provided to and by related parties are made at terms equivalent to those that prevail in arms' length transactions. Outstanding balances at year-end are unsecured, interest-free, settlement occurs in cash and receivables/payables are on demand. There have been no guarantees provided or received for any related party receivables or payables. For the three months ended March 31, 2024 and 2023, the Group has not recorded any impairment of receivables relating to amounts owed by the related parties. This assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

The following table provides the outstanding balances as at March 31, 2024 and December 31, 2023:

Category	**Classifications**	**2024**	2023
		(Unaudited)	(Audited)
		(In millions)	
Ultimate Parent Company			
PLDT	Due to related parties	**₱13,127**	₱13,114
	Dividends payable	**1,175**	2,175
Subsidiaries of PLDT			
Smart	Due from related parties	**1,694**	2,263
	Investment in perpetual notes	**1,475**	1,523

Category	Classifications	**2024 (Unaudited)**	2023 (Audited)
		(In millions)	
	Due to related parties	**1**	–
ePDS, Inc. (ePDS)	Due from related parties	**2**	2

The following table provides the summary of transactions that have been entered into with related parties for the three months ended March 31, 2024 and 2023 in relation with the table above:

Category	Classifications	**2024**	2023
		(Unaudited)	
		(In millions)	
Ultimate Parent Company			
PLDT	Rent and other expenses	**₱12**	₱17
	Intercompany charges	**6**	13
Subsidiaries of PLDT			
Smart	Distributed subscriber's revenue	**₱1,034**	₱1,380
	Professional and other contracted services	**331**	442
	Revenues from facility service fees	**223**	410
	Royalty expense	**66**	88
	Distribution income on perpetual notes	**48**	48
	Repairs and maintenance	**2**	3
	Intercompany charges	**–**	9

Transactions with PLDT

a) The Group has an outstanding payable to PLDT amounting to ₱13,127 million and ₱13,114 million as at March 31, 2024 and December 31, 2023, respectively, which were presented as "Trade and other payables" account in the consolidated statements of financial position and was significantly part of the Enterprise Assets acquired by PLDT from JGSHI in 2011 (see *Note 1 – Corporate Information*).

b) The Group entered into agreements with PLDT whereby the latter will provide services such as rental, professional and communications among others. Expenses under these services, which are presented in the consolidated statements of comprehensive income, amounted to ₱12 million and ₱17 million for the three months ended March 31, 2024 and 2023, respectively.

c) The Group has outstanding dividends payable to PLDT amounting to ₱1,175 million and ₱2,175 million as at March 31, 2024 and December 31, 2023, respectively.

Transactions with Smart

a) The Group was reimbursed by Smart for certain network related charges which amounted to ₱223 million and ₱410 million for the three months ended March 31, 2024 and 2023, respectively, included under "Revenues from contracts with customers" account in the consolidated statements of comprehensive income.

b) In October 2013, DMPI entered into a Management and Services Agreement (MSA) with Smart whereby Smart will provide various management support services relating to network facilities, marketing and sales distribution, retail, corporate and administrative support. In 2016, DMPI and Smart agreed to revise the existing charging rates to consider the transfer of postpaid cellular and broadband subscribers to Smart. In 2018, the charging rates for facility services were updated and benchmarked on observed actual traffic and network cost. Relative to the rebranding in

October 2020, DMPI updated the charging rates taking into consideration the latest cost to deliver and traffic data for the network costs.

Total expenses under this agreement amounted to ₱331 million and ₱442 million for the three months ended March 31, 2024 and 2023, respectively, which was presented as part of "Professional and other contracted services" account in the consolidated statements of comprehensive income.

c) Rent, repairs and maintenance and other expenses charged by Smart to the Group amounted to ₱2 million and ₱3 million for the three months ended March 31, 2024 and 2023, respectively.

d) Terms and conditions of investment in perpetual notes issued by Smart are disclosed in *Note 9 – Investment in Perpetual Notes*.

The distribution income amounting to ₱48 million for each of the three months ended March 31, 2024 and 2023, are recorded as "Distribution income on perpetual notes" account in the consolidated statements of comprehensive income.

e) In October 2020, Sun Prepaid subscribers were rebranded as Smart Prepaid subscribers. Under the terms of the agreement, Smart will settle a fixed fee representing the DMPI's proportionate share on the distributed subscriber revenues.

Total share in distributed subscribers' revenues recognized for this agreement amounted to ₱1,034 million and ₱1,380 million for the three months ended March 31, 2024 and 2023, respectively, included as part of "Revenues from contracts with customers" account in the consolidated statements of comprehensive income.

Under the terms of the rebranding agreement, DMPI entered into a trademark license agreement with Smart to cover the use of Smart's owned marks. By virtue of the agreement, DMPI will recognize royalty expense while Smart will recognize royalty income.

Total royalty expense recognized under this agreement amounted to ₱66 million and ₱88 million for the three months ended March 31, 2024 and 2023, respectively.

Transactions with Other Related Parties

a) Various related parties such as ePDS provide services to the Group. The services include bill printing and enveloping services, ancillary services and other professional services.

Compensation of Key Management Personnel

The short-term employee benefits of the Group's key management personnel (included under "Compensation and employee benefits" account in the consolidated statements of comprehensive income) is nil for each of the three months ended March 31, 2024 and 2023 since the Group's management and administrative functions are being handled by PLDT and Smart.

There are no agreements between the Group and any of its directors and key officers providing for benefits upon termination of employment.

20. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents, trade and other receivables/payables, and investment in perpetual notes. The main purpose of these financial instruments is to finance the Group's operations and capital expenditures. The Group has various other financial assets and financial liabilities such as trade and other receivables, trade and other payables (excluding statutory payables) and refundable security deposits which arise directly from its operations.

Financial Risk Management Objectives and Policies
The main risks arising from the use of financial instruments are foreign currency exchange risk, interest rate risk, credit risk and liquidity risk. The Group's policies for managing the aforementioned risks are summarized below.

The BOD of the Group and the ultimate Parent Company, review and approve policies for managing each of these risks.

There were no changes in the financial risk management objectives and policies of the Group as at March 31, 2024 and December 31, 2023.

Foreign Currency Exchange Risk
Foreign currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign currency exchange rates. Foreign currency risk arises on financial instruments that are denominated in a foreign currency other than the functional currency in which they are measured.

The Group does not have any foreign currency hedging arrangements. The table below summarizes the Group's exposure to foreign currency-denominated monetary financial assets and liabilities and its Philippine Peso equivalents as at March 31, 2024 and December 31, 2023:

	2024 (Unaudited)		2023 (Audited)	
	U.S. Dollar	**Philippine Peso Equivalent**	U.S. Dollar	Philippine Peso Equivalent
		(In millions)		
Asset				
Cash and cash equivalents	**US$–***	**₱5**	US$–*	₱5
Liability				
Trade and other payables	**US$–***	**₱16**	US$–*	₱16
Net Foreign Currency-Denominated Liabilities	**US$–***	**₱11**	US$–*	₱11

The exchange rates used to restate the Group's U.S. Dollar-denominated assets and liabilities were ₱56.260 to US$1.00 and ₱55.418 to US$1.00 as at March 31, 2024 and December 31, 2023, respectively.
**No amounts extended due to rounding off of amounts in millions*

The table below shows the changes in the Philippine Peso against the U.S. Dollar resulting to net foreign exchange gains :

	Current Year Exchange Rate	**Previous Year Exchange Rate**	**Difference**	**Increase (decrease)**	**Net Foreign Exchange Gains**
		(In Pesos)		*(In %)*	*(In millions)*
For the period ended					
2024 (Unaudited)	**56.260**	**55.418**	**(0.842)**	**(0.02)**	**₱1**
2023 (Audited)	55.418	55.815	(0.397)	(0.01)	₱1

Management conducted a survey among the Group's banks to determine the outlook of the Philippine Peso-U.S. dollar exchange rate until June 30, 2024. The Group's outlook is that the Philippine Peso-U.S. dollar exchange rate may strengthen/weaken by 3.09% as compared to the exchange rate of ₱56.260 to US$1.00 as at March 31, 2024.

The table below demonstrates the sensitivity to a reasonable change in foreign exchange rate, with all other variables held constant, of the Group's income after tax as at March 31, 2024 and December 31, 2023. There is no other impact on the Group's equity other than those already affecting the profit or loss. The Group does not expect the impact of the volatility on other currencies to be material.

2024 (Unaudited)		2023 (Audited)	
Increase (Decrease) in Php to US$ Rate	**Effect on Income after Tax**	Increase (Decrease) in Php to US$ Rate	Effect on Income after Tax
(In %)	*(In millions)*	*(In %)*	*(In millions)*
3.09	**₱0.25**	1.95	₱0.16
(3.09)	**(0.25)**	(1.95)	(0.16)

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis to reduce the Group's exposure to bad debts.

The Group established a credit quality review process to provide regular identification of changes in the creditworthiness of counterparties. Counterparty limits are established and reviewed periodically based on latest available financial data on the Group's counterparties' credit ratings, capitalization, asset quality and liquidity. The Group's credit quality review process allows the management to assess the potential loss as a result of the risks to which the Group is exposed and allow the management to take corrective actions.

The table below shows the analysis of the maximum exposure to credit risk for the components of the consolidated statements of financial position as at March 31, 2024 and December 31, 2023.

	2024 (Unaudited)			2023 (Audited)		
	Gross Maximum Exposure	**Collateral and Other Credit Enhancements**	**Net Maximum Exposure**	Gross Maximum Exposure	Collateral and Other Credit Enhancements	Net Maximum Exposure
			(In millions)			
Cash and cash equivalents*	**₱162**	**₱2**	**₱160**	₱120	₱2	₱118
Trade and other receivables:						
Trade receivables:						
Due from related parties	**1,696**	**–**	**1,696**	2,265	–	2,265
Dealers, agents and others	**4**	**–**	**4**	7	–	7
Refundable security deposits	**440**	**–**	**440**	439	–	439
Investment in perpetual notes	**1,475**	**–**	**1,475**	1,523	–	1,523
	₱3,777	**₱2**	**₱3,775**	₱4,354	₱2	₱4,352

**Excluding cash on hand amounting ₱.3 for both years as at March 31, 2024 and December 31, 2023.*

The maximum exposure is shown gross before both the effect of mitigation through use of master netting and collateral arrangements. The extent to which collateral and other credit enhancements mitigate the maximum exposure to credit risk is described in the footnotes to the table.

Collateral held as security for financial assets depends on the nature of the instrument. Debt investment securities are generally unsecured. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and are regularly updated according to internal lending policies and regulatory guidelines. Generally, collateral is not held over loans and advances to the

Group except for reverse repurchase agreements. Collateral usually is not held against investment securities, and no such collateral was held as at March 31, 2024 and December 31, 2023.

The Group's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Group during the year.

The Group has not identified significant risk concentrations arising from the nature, type or location of collateral and other credit enhancements held against the Group's credit exposures.

For financial assets recognized on the consolidated statements of financial position, the Group's gross exposure to credit risk equals their carrying amount as at March 31, 2024 and December 31, 2023.

The table below provides information regarding the credit quality by class of the Group's financial assets according to credit ratings of counterparties as at March 31, 2024 and December 31, 2023:

	2024 (Unaudited)			
	Lifetime ECL			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	(In millions)			
High grade	**₱162**	**₱1,695**	**₱–**	**₱1,857**
Standard grade	**315**	**12**	**–**	**327**
Substandard grade	**–**	**1**	**–**	**1**
Default	**–**	**144**	**–**	**144**
Gross Carrying Amount	**477**	**1,852**	**–**	**2,329**
Less allowance	**–**	**144**	**–**	**144**
Carrying Amount	**₱477**	**₱1,708**	**₱–**	**₱2,185**

	2023 (Audited)			
	Lifetime ECL			
	Stage 1	Stage 2	Stage 3	Total
	(In millions)			
High grade	₱120	₱2,264	₱–	₱2,384
Standard grade	315	11	–	326
Substandard grade	–	3	–	3
Default	–	144	–	144
Gross Carrying Amount	435	2,422	–	2,857
Less allowance	–	144	–	144
Carrying Amount	₱435	₱2,278	₱–	₱2,713

High Grade. Pertains to counterparty who is not expected by the Group to default in settling its obligations, thus, credit risk exposure is minimal. This counterparty normally includes banks, related parties and customers who pay on or before due date.

Standard Grade. Pertains to counterparty with tolerable delays in settling its obligations to the Group and new clients for which sufficient credit history has not been established.

Substandard Grade. This includes medium risk and average paying customer accounts with no overdue accounts as at report date, and new customer accounts for which sufficient credit history has not been established; and deposits or placements to counterparties not classified as High/Standard Grade; and non-listed shares of stock.

Set out below is the information about the credit risk exposure on the Group's trade and other receivables using a provision matrix as at March 31, 2024 and December 31, 2023:

	2024 (Unaudited)					
			Days past due			
	Total	**Current**	**1 to 60 Days**	**61 to 90 Days**	**Over 90 Days**	**Impaired**
			(In millions)			
March 31, 2024						
Financial Instruments at Amortized Cost:						
Expected credit loss rate (%)	**–**	**–**	**–**	**–**	**–**	**–**
Trade and other receivables:						
Due from related parties	**₱1,696**	**₱1,696**	**₱–**	**₱–**	**₱–**	**₱–**
Dealers, agents and others	**4**	**–**	**–**	**–**	**4**	**–**
Expected credit loss	**–**	**–**	**–**	**–**	**–**	**–**
	₱1,701	**₱1,696**	**₱–**	**₱–**	**₱4**	**₱–**

	2023 (Audited)					
			Days past due			
	Total	Current	1 to 60 Days	61 to 90 Days	Over 90 Days	Impaired
			(In millions)			
December 31, 2023						
Financial Instruments at Amortized Cost:						
Expected credit loss rate (%)	–	–	–	–	–	–
Trade and other receivables:						
Due from related parties	₱2,265	₱2,265	₱–	₱–	₱–	₱–
Dealers, agents and others	7	–	–	–	7	–
Expected credit loss	–	–	–	–	–	–
	₱2,272	₱2,265	₱–	₱–	₱7	₱–

Liquidity Risk

The Group's exposure to liquidity risk refers to the risk that its financial liabilities are not reviewed in a timely manner and that its working capital requirements and planned capital expenditures are not met.

The Group seeks to manage its liquidity profile to be able to finance the Group's operations and capital expenditures, and service its maturing debts and other financial obligations. The Group maintains a level of cash and cash equivalents deemed sufficient to finance operations.

As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund-raising activities. Fund-raising activities may include bank loans and capital market issues (i.e., bond offerings) both onshore and offshore.

Any excess funds are primarily invested in short-term and principal-protected bank products that provide flexibility of withdrawing the funds anytime.

The table below summarizes the maturity profile of the Group's financial assets and liabilities based on undiscounted contractual obligations outstanding as at March 31, 2024 and December 31, 2023.

	2024 (Unaudited)				
	Total	**Less than 1 Year**	**1 to 3 Years**	**3 to 5 Years**	**More than 5 Years**
			(In millions)		
March 31, 2024					
Financial Instruments at Amortized Cost:					
Cash equivalents	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
Trade and other receivables:					
Due from related parties	**1,696**	**1,696**	**–**	**–**	**–**
Dealers, agents and others	**4**	**4**	**–**	**–**	**–**
Refundable security deposits	**467**	**35**	**–**	**432**	**–**
Financial Instruments at FVPL –					
Investment in perpetual notes	**1,475**	**–**	**–**	**–**	**1,475**
	₱3,642	**₱1,735**	**₱–**	**₱432**	**₱1,475**
Accounts payable [(1)]**:**					
Suppliers and contractors	**₱255**	**₱255**	**₱–**	**₱–**	**₱–**
Due to related parties	**13,128**	**13,128**	**–**	**–**	**–**
Carriers	**26**	**26**	**–**	**–**	**–**
Others	**8**	**8**	**–**	**–**	**–**
Accrued expenses[(2)]	**579**	**579**	**–**	**–**	**–**
Long-term lease obligations – operating lease	**817**	**330**	**368**	**71**	**48**
	₱14,813	**₱14,326**	**₱368**	**₱71**	**₱48**

[(1)] *Excluding statutory payables which are not considered financial liabilities.*
[(2)] *Excluding accrued rent, accrued taxes and licenses and provisions. which are not considered financial liabilities.*

	2023 (Audited)				
	Total	Less than 1 Year	1 to 3 Years	3 to 5 Years	More than 5 Years
			(In millions)		
December 31, 2023					
Financial Instruments at Amortized Cost:					
Cash equivalents	₱–	₱–	₱–	₱–	₱–
Trade and other receivables:					
Due from related parties	2,265	2,265	–	–	–
Dealers, agents and others	7	7	–	–	–
Refundable security deposits	467	35	–	432	–
Financial Instruments at FVPL –					
Investment in perpetual notes	1,523	–	–	–	1,523
	₱4,262	₱2,307	₱–	₱432	₱1,523
Accounts payable [(1)]:					
Suppliers and contractors	₱291	₱291	₱–	₱–	₱–
Due to related parties	13,114	13,114	–	–	–
Carriers	28	28	–	–	–
Others	4	4	–	–	–
Accrued expenses[(2)]	599	599	–	–	–
Long-term lease obligations – operating lease	863	340	397	78	48
	₱14,899	₱14,376	₱397	₱78	₱48

[(1)] *Excluding statutory payables which are not considered financial liabilities.*
[(2)] *Excluding accrued rent, accrued taxes and licenses and provisions. which are not considered financial liabilities.*

21. **Fair Value Measurement**

<u>Investment Properties</u>
In 2018, the Parent Company reclassified its land amounting to ₱55 million from property and equipment to investment properties due to the completion of the migration of postpaid subscribers to PLDT network in the same year. The land is currently held for undetermined future use and qualifies as investment properties.

The fair value of investment properties based on the valuation prepared as at December 31, 2019 amounted to ₱83 million. The fair value represents the amount at which the assets can be exchanged between a knowledgeable, willing seller and a knowledgeable, willing buyer in an arm's length transaction at the date of valuation.

The valuation for land was based on Market Data Approach using price per square meter.

Market Data Approach is an appraisal method which involves the comparison of the land to those that are subject to recent sales and offerings. The comparison is based on such factors as location, size, shape, utility, desirability and time element.

The fair value of investment properties is categorized under Level 3 since the valuation is based on unobservable inputs.

The Group has no restriction on the realizability of its investment properties, and no obligation to either purchase, construct or develop or for repairs, maintenance and enhancements.

Financial Instruments

The table below presents the comparison of the carrying amount and fair value of the Group's financial assets and liabilities, other than those with carrying amounts that are reasonable approximation of fair value, as at March 31, 2024 and December 31, 2023:

	2024 (Unaudited)		2023 (Audited)	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
		(In millions)		
Financial Assets				
Financial assets at FVPL –				
Investment in perpetual notes	**₱1,475**	**₱1,475**	₱1,523	₱1,523
Financial Instruments at Amortized Cost –				
Refundable security deposits	**323**	**270**	323	270
Total Financial Asset – Net	**₱1,798**	**₱1,745**	₱1,846	₱1,793

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Cash and Cash Equivalents, Short Term Investments, Trade and Other Receivables, and Trade and Other Payables.

Carrying amounts approximate their fair values due to the relatively short-term maturity of these financial instruments.

Long-term Financial Assets and Liabilities

Type	**Fair Value Assumptions**	**Fair Value Hierarchy**
Refundable security deposits	Estimated fair value is based on the discounted values of future cash flows using the applicable zero-coupon rates plus counterparties' credit spread.	Level 3
Investment in perpetual notes	Estimated fair value is based on the discounted values of future cash flows using the applicable	Level 3

Type	Fair Value Assumptions	Fair Value Hierarchy
	zero-coupon rates plus counterparties' credit spread.	

The following table sets forth the consolidated offsetting of financial assets and liabilities recognized as at March 31, 2024 and December 31, 2023.

		2024 (Unaudited)	
	Gross Amounts of Recognized Financial Assets and Liabilities	**Gross Amounts of Recognized Financial Assets and Liabilities Set-off in the Consolidated Statement of Financial Position**	**Net Amount Presented in the Consolidated Statement of Financial Position**
		(In millions)	
Current Financial Liabilities			
Payables to connecting carriers (*Note 17*)	**₱184**	**₱158**	**₱26**

		2023 (Audited)	
	Gross Amounts of Recognized Financial Assets and Liabilities	Gross Amounts of Recognized Financial Assets and Liabilities Set-off in the Consolidated Statement of Financial Position	Net Amount Presented in the Consolidated Statement of Financial Position
		(In millions)	
Current Financial Liabilities			
Payables to connecting carriers (*Note 17*)	₱186	₱158	₱28

There were no financial instruments subject to an enforceable master netting arrangement that were not set-off in the consolidated statements of financial position.

22. Commitments and Contingencies

Lease Commitments

Lease Commitments - Group as a Lessee
The Group leases certain premises for some of its telecommunication facilities and equipment and for most of its business centers and cell sites. The lease agreements are for periods ranging from 1 to 30 years from the date of the contracts and are renewable under certain terms and conditions. Certain leases include a clause to enable upward revision of the annual rental charge ranging from 2% to 20%.

The agreements generally require certain amounts of deposit and advance rentals, which are shown as part of "Other noncurrent assets" account and "Other current assets" accounts in the consolidated statements of financial position as at March 31, 2024 and December 31, 2023 (see *Note 10 – Other Noncurrent Assets* and *Note 14 – Other Current Assets*). The Group's rentals incurred on these leases amounted to ₱34 million and ₱47 million for the three months ended March 31, 2024 and 2023, respectively, which were presented as "Rent" account in the consolidated statements of comprehensive income (see *Note 3 – Management's Use of Accounting Judgments, Estimates and Assumptions – Operating Leases, Note 8 – Leases* and *Note 19 – Related Party Transactions*).

The future minimum lease commitments payable with non-cancellable operating leases as at March 31, 2024 and December 31, 2023 are as follows:

	2024 (Unaudited)	2023 (Audited)
	(In millions)	
Within one year	**₱323**	₱340
More than one year but less than five years	**434**	475
More than five years	**48**	48
	₱805	₱863

Smart and DMPI

In December 2017, Smart prepaid the reimbursable network charges amounting to ₱1,645 million exclusive of VAT to partially cover the Group's lease commitment and depreciation of network related assets in 2018 (see *Note 17 – Trade and Other Payables* and *Note 19 –Related Party Transactions*).

On October 21, 2020, DMPI and Smart entered into a Rebranding Agreement wherein the Sun Prepaid subscribers were rebranded as Smart Prepaid subscribers. Under the terms of the agreement, Smart will settle a fixed fee representing DMPI's proportionate share on the distributed subscriber revenues. Other intercompany agreements as a result of this arrangement are disclosed in *Note 19 – Related Party Transactions*.

Contingencies

Except as disclosed in the following paragraphs, the Group is not a party to, and no property of the Group is subject to, any other pending material legal proceedings.

Local Tower Fee Assessments

Local tower fee ordinance is being imposed by Local Governments upon all telecommunication companies with sites located in their area.

DMPI vs. City of Trece Martires

In 2010, DMPI petitioned to declare void the City of Trece Martires ordinance of imposing tower fee of ₱150 thousand for each cell site annually. Application for the issuance of a preliminary injunction by DMPI is pending resolution as of date.

Franchise Tax Assessment and Real Property Tax Assessment

As at May 9, 2024, the Parent Company is currently in discussions with various local government units for the settlement of its franchise tax and real property tax liabilities within their respective jurisdiction pursuant to the above decision of the Supreme Court.

Others

The Group has other contingent liabilities arising in the ordinary conduct of business which are either pending decision by the courts, under arbitration or being contested, the outcome of which are not presently determinable.

The information normally required by PAS 37, *Provisions, Contingent Liabilities, and Contingent Assets* is not disclosed in accordance with the provisions of this standard, on the ground that it may prejudice the outcome of these ongoing lawsuits, claims, arbitration and assessments.

23. Notes to Statement of Cash Flows

Changes in Liabilities Arising from Financing Activities

Details of the movements in cash flows from financing activities in 204 and 2023 are as follows:

	January 1, 2024 (Unaudited)	Cash flows	Non-cash changes Dividends declared	Addition to ROU assets	Interest	Others	March 31, 2024 (Unaudited)
Lease liabilities (*Notes 2 and 8*)	**₱605**	**(₱100)**	**₱–**	**₱66**	**₱13**	**(₱8)**	**₱576**
Dividends payable (*Note 15*)	**2,182**	**(1,007)**	**–**	**–**	**–**	**–**	**1,175**
Total liabilities from financing activities	**₱2,787**	**(₱1,107)**	**₱–**	**₱66**	**₱13**	**(₱8)**	**₱1,751**

	January 1, 2023 (Audited)	Cash flows	Non-cash changes Dividends declared	Addition to ROU assets	Interest	Others	December 31, 2023 (Audited)
Lease liabilities (*Notes 2 and 8*)	₱381	(₱288)	₱–	₱632	₱60	(₱180)	₱605
Dividends payable (*Note 15*)	3,137	(3,212)	2,257	–	–	–	2,182
Total liabilities from financing activities	₱3,518	(₱3,500)	₱2,257	₱632	₱60	(₱180)	₱2,787