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, 2024

(Fiscal Year Ending)
(month & day)

SEC Form 20-IS
(Definitive)

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 26, 2025, 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 27, 2024;
4. President's Report;
5. Approval of the audited financial statements for the calendar year ended December 31, 2024;
6. Election of Directors including Independent Directors;
7. Election of External Auditors;
8. Amendment of Section 1, Article II, of the Company's By-Laws – changing the day of when to hold the Annual Meeting of Stockholders to "**last Monday of <u>June</u>** of every year"
9. Other Matters; and
10. Adjournment.

Only stockholders as of record date, March 31, 2025, 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 21, 2025. 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 16, 2025. Stockholders who were not able to register as of May 16, 2025 can no longer avail of online voting but may still participate by remote communication, provided such stockholder shall register not later than May 21, 2025. 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 14, 2025.

FOR THE BOARD OF DIRECTORS

ATTY. ALEX ERLITO S. FIDER
Corporate Secretary

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 26, 2025 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 March 12, 2025: May 2, 2025

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, 2025)

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 26, 2025, 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, 2025 (the “Record Date”).

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

Pursuant to SEC Notice dated March 12, 2025, 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 2 and 3, 2025. 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 5, 2025. 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 March 31, 2025, 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, 2025, 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, 2025, 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, 2025.

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, 2025:

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	78	Filipino	October 26, 2011 to present
Alfredo S. Panlilio	61	Filipino	June 12, 2019 to present
Danny Y. Yu	63	Filipino	June 13, 2023 to present
Oscar J. Hilado (1)	86	Filipino	May 6, 2013 to present
Emerlinda R. Roman (1)	75	Filipino	March 4, 2013 to present
Lorenzo V. Tan	61	Filipino	January 27, 2014 to present

(1) Independent director

The nominees for election as independent directors of the Board of Directors on May 26, 2025 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 is a female director 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 February 27, 2025 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.

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 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 and President and Chief Executive Officer of PLDT, and has been a director of PLDT since November 24, 2998. He also serves as Chairman of Metro Pacific Investments Corporation ("MPIC"), Chairman and CEO of Manila Electric Company ("Meralco"), and Chairman of PXP Energy Corporation and Philex Mining Corporation, and of several subsidiaries or affiliates of PLDT or MPIC, including, among others, Smart, Digitel Mobile Philippines, Inc. ("DMPI"), PLDT Communications & Energy Ventures, Inc., ePLDT, Inc. ("ePLDT"), Beacon Electric Assets Holdings Inc., Philex Petroleum Corporation, Manila North Tollways Corporation, Maynilad Water Services Corporation, Landco Pacific Corporation, Metro Pacific Hospital Holdings, Inc., Medical Doctors Incorporated (Makati Medical Center), and Colinas Verdes Corporation (Cardinal Santos Medical Center). 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 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 and 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.

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. He served as President and CEO of PLDT from June 8, 2021 and of Smart from August 8, 2019, and held leadership positions in the various subsidiaries of PLDT and Smart, until his retirement as President and CEO of PLDT and Smart on December 31, 2023. Despite his retirement as President and CEO of PLDT and Smart, Mr. Panlilio has remained as a Director of PLDT and Smart, and has continued to hold various leadership positions within the PLDT Group as Chairman of Maya Bank, Inc.; and Director of Multisys Technologies Corporation and Multipay Corporation. Mr. Panlilio was the Senior Vice President and Head of Customer Retail Services and Corporate Communications at Meralco from

September 10, 2010 to June 30, 2019. He also held several leadership positions within the Meralco Group.

Mr. Panlilio is a Trustee of the Kapampangan Development Foundation and Philpop Musicfest Foundation. With PLDT as a longtime supporter of the Philippines' digital transformation, Mr. Panlilio is among the founding members under the Digital Infrastructure pillar of the Private Sector Advisory Council (PSAC), formed in July 2022. Mr. Panlilio sits as President of the MVP Sports Foundation, a Member of the FIBA Central Board, Second Vice President of FIBA Asia Central Board, First Vice President of the Philippine Olympic Committee and headed the FIBA Basketball World Cup 2023 local organizing committee. He is also the President of the Samahang Basketbol ng Pilipinas (SBP), the country's governing basketball federation, and is the Chairman of the National Golf Association of the Philippines (NGAP) and Director of the Philippine Badminton Association.

Mr. 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 served as the PLDT Group Controller from November 17, 2022 to May 3, 2023 and 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. He started his career at SGV & Co. where he was a senior auditor. 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. In 2016, he was awarded the ING-FINEX CFO of the Year.

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, 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., 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, 2025, 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	78	Chairman of the Board – LEC/CMTS	October 26, 2011 to August 6, 2012 May 25, 2015 to present
Manuel V. Pangilinan	78	President and CEO –LEC/CMTS	January 1, 2024 to present
Jerone H. Tabanera	46	Chief Financial Officer – LEC	May 30, 2022 to present
Danny Y. Yu	63	Chief Financial Officer – CMTS	June 13, 2023 to present
Leo I. Posadas	58	Treasurer – LEC/CMTS	May 29, 2017 to present
Alex Erlito S. Fider	71	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 concurrent 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 Chief Financial Officer of PLDT Global Corporation, a director and Treasurer of PLDT Global Investments Holdings, a director of PLDT Communication and Energy Ventures, a director of Philstar and Businessworld, 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, Digitel Mobile, PLDT-Smart Foundation 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, 2025, 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 20 – 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 27, 2024 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 2024, the Board of Directors of the Company conducted seven (7) meetings, with the following directors in attendance, to wit:
.

Name of Director	Mar 21	May 9	May 27*	Aug 13	Nov 12	Dec 3	Dec 12	Total
Oscar J. Hilado [1]	/	/	/	/	/	/	/	7/7
Manuel V. Pangilinan	/	/	X	/	/	/	/	6/7
Alfredo S. Panlilio	/	/	/	/	/	/	/	7/7
Emerlinda R. Roman [1]	/	/	/	/	/	/	/	7/7
Lorenzo V. Tan	/	X	/	/	/	/	/	6/7
Danny Y. Yu	/	/	/	/	/	/	/	7/7

[1] *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, 2024 will be disclosed in its Annual Corporate Governance Report to be submitted to the Commission on or before June 30, 2025, 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 – MTS and LEC			
	Actual 2023 Actual 2024 Projected 2025	₱- - -	₱- - -

* *All officers do not receive compensation from the Company. They receive compensation from the ultimate parent, PLDT.*

Compensation of Directors

Only the independent and non-management directors of the Company are entitled to a director's fee of Php50,000 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 Php30,000 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 ₱620,000, ₱510,000 and ₱570,000, 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

All officers do not receive compensation from the Company. They receive compensation from the ultimate parent, PLDT.

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 each for 2024 and 2023.

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 2024, 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, 2024 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 27, 2024:

   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, 2024:

   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.

5. For the approval of the amendment of Section 1, Article II, of the Company's By-Laws – changing the day of when to hold the Annual Meeting of Stockholders to **"last Monday of <u>June</u> of every year"**

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

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. 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 16, 2025 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 16, 2025 can no longer avail online voiting but may still participate by remote communication, provided such stockholder shall register not later than May 21, 2025. 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 27, 2024.

2. Approval of the financial statements for the calendar year ended December 31, 2024.

Regular Meeting of Stockholders

The matters approved and recorded in the Minutes of the Annual Meeting of the Shareholders last May 27, 2024 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, 2024)

2. Approval of the Minutes of the Annual Meeting of Stockholders held on May 29, 2023;

3. Approval of the Audited Financial Statements for the year ended December 31, 2023;

4. Election of Board of Directors, including Independent Directors; Manuel V. Pangilinan, Alfredo S. Panlilio, Lorenzo V. Tan, Danny Y. Yu, 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 27, 2024 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 27, 2024 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 27, 2024 is attached.

Brief description of material matters approved by the Board of Directors and Management in 2024 are as follows:

Date of Board Approval	Description
March 21, 2024	• Approved the following audited financial statements for the year ended December 31, 2023, to wit: (1) Audited Consolidated Financial Statements of Digital Telecommunications Phils., Inc. and subsidiaries, (2) Audited Financial Statements of Digital Telecommunications Phils., Inc.; and (3) Audited Financial Statements of Digitel Mobile Phils., Inc. • Approved the Audit Committee's Report of Activities for Q4 2023 • DMPI Board approved the declaration of cash dividends to DTPI in the amount of Php1,000mn payable on or before April 20, 2024 Approved to conduct the Company's Annual Stockholders' Meeting ("Annual Meeting") on May 27, 2024, Monday at 2:00 P.M. by way of remote communication through Microsoft Teams (MS Teams) and set the Record Date as March 31, 2024
May 9, 2024	• Approved the Audit Committee's Report of Activities for Q1 2024. DMPI Board approved the declaration of cash dividends to DTPI in the amount of Php4000mn payable on or before August 9, 2024
May 27, 2024	• 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
August 13, 2024	Approved the Audit Committee's Report of Activities for 2Q 2024. DMPI Board approved the declaration of cash dividends to DTPI in the amount of Php425mn payable on or before November 13, 2024
November 12, 2024	• Approved the Audit Committee Report of Activities for Q3 2024 • DMPI Board of Directors approved to declare cash dividends to DTPI in the amount of Php400mn, payable on or before November 12, 2025. • DTPI and DMPI Boards approved the Amended Code of Business Conduct and Ethics which was based on PLDT Inc.'s Amended Code of Business Conduct and Ethics (approved by the PLDT Board on Sep. 17, 2024). • DMPI Board approved the renewal of rebranding agreements between DMPI and Smart Communications Inc., and execution of the necessary Management Service Agreement and Trademark License Agreement
December 3, 2024	• Update of signatories for DTPI and DMPI
December 12, 2024	• Approved the budgets of Digital Telecommunications Phils., Inc. and Digitel Mobile Phils., Inc. for the year 2025

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 April 30, 2025.

DIGITAL TELECOMMUNICATIONS PHILS., INC.

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 meeting of the Board of Directors of the Corporation held on February 27, 2025, 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 26, 2025, 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, 2025, 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 0 8 APR 2025 at Makati City, Metro Manila, Philippines.

JOEL D. PENEYRA
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me in Makati City this 0 8 APR 2025 by Joel D. Peneyra who has satisfactorily proven to me his identity through his Driver's License No. N06-81-016919 valid until 09-24-2034 that he is the person who personally signed before me the foregoing Secretary's Certificate and acknowledged that he executed the same.

Doc. No. 387;
Page No. 79;
Book No. VI;
Series of 2025.

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APR 2025

DIANA JEAN M. TUAZON-CRUZ
Notary Public of the City of Makati
Notarial Commission valid until December 31, 202
Appointment No. M-502
Roll of Attorneys No. 66532
PTR OR No. MKT 10465739 - 01/03/2025 Makati City
IBP OR No. 330281 – 12/18/2023
MCLE Compliance No. VII-0022284 (valid until 04/14/20
9/F MGO Bldg., Legazpi St., Legazpi Village, Makati Ci

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 30, 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
Philcement Corporation	Director	Sept 22, 2017 - Present
Philcement Mindanao Corporation	Director	March 15, 2024 - Present
Union Insulated Panel Corporation	Director	June 30, 2022 – Present
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 Property Ventures, 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 08 APR 2025 at Makati City.

OSCAR J. HILADO

SUBSCRIBED AND SWORN to before me this 08 APR 2025 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. 396;
Page No. 79;
Book No. 11;
Series of 2025.

08 APR 2025

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DIANA JEAN M. TIAZON-CRUZ
Notary Public of the City of Makati
Notarial Commission valid until December 31, 2025
Appointment No. M-502
Roll of Attorneys No. 66532
PTR OR No. MKT 10465739 - 01/03/2025 Makati City
IBP OR No. 330281 – 12/18/2023
MCLE Compliance No. VII-0022284 (valid until 04/14/202
9/F MSO Bldg., Legazpi St., Legazpi Village, Makati Cit

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 0 8 APR 2025 at Makati City.

ERRoman

EMERLINDA R. ROMAN

SUBSCRIBED AND SWORN to before me this 0 8 APR 2025 at MAKATI CITY affiant personally appeared before me and exhibited to me her TIN No. 110833070.

Doc. No. 389
Page No. 79;
Book No. VI;
Series of 2025.

DSK2023 29154280 30 30 08 APR 2025

DIANA JEAN M. TUAZON-CRUZ
Notary Public of the City of Makati
Notarial Commission valid until December 31, 2025
Appointment No. M-502
Roll of Attorneys No. 66532
PTR OR No. MKT 10465739 - 01/03/2025 Makati City
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9/F MSO Bldg., Legazpi St., Legazpi Village, Makati City

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 0 8 APR 2025 in Makati City, Philippines.

JOEL D. PENEYRA
Assistant Corporate Secretary

SUBSCRIBED AND SWORN TO before me in Makati City this 0 8 APR 2025 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, 2034, that he is the person who personally signed before me the foregoing Certificate and acknowledged that he executed the same.

Doc. No. 391;
Page No. 80;
Book No. VI;
Series of 2025.

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DIANA JEAN M. TUAZON-CRUZ
Notary Public of the City of Makati
Notarial Commission valid until December 31, 2025
Appointment No. M-502
Roll of Attorneys No. 66532
PTR OR No. MKT 10465739 - 01/03/2025 Makati City
IBP OR No. 330281 – 12/18/2023
MCLE Compliance No. VII-0022284 (valid until 04/14/2025
9/F MSO Bldg., Legazpi St., Legazpi Village, Makati City

MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING
OF DIGITAL TELECOMMUNICATIONS PHILS., INC.
by way of remote communication
through Microsoft Teams (MS Teams)
May 27, 2024, Monday at 2:00 P.M.

I. CALL TO ORDER

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

Mr. Tan welcomed the shareholders of the Company to the Meeting held via remote communication to provide shareholders with a safe, accessible, and convenient means to participate in the Annual Meeting. 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. Alfredo S. Panlilio;
Mr. Oscar J. Hilado;
Dr. Emerlinda R. Roman; and
Mr. Danny Y. Yu

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 SENDING OF NOTICE AND EXISTENCE OF QUORUM

The Chairperson 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, The Philippine Star and The Manila

Times, both in print and online editions, for two consecutive days on May 3 and 4, 2024. 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, 2023 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, 2024, 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 6 and May 22, 2024 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 17, 2024.
>
> 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 29, 2023

The next item on the agenda was the "Approval of the Minutes of the Annual Meeting of Stockholders held on May 29, 2023" contained in the Company's Information Statement (SEC Form 20-IS).

The Chairperson 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 29, 2023. 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 (99.62%)	0	0

Having obtained the required votes, the Minutes of the Annual Meeting of Stockholders held on May 29, 2023 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 29, 2023 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 2023 was at Php7.1 billion, a decrease of 1% from Php7.2 billion in 2022, which primarily came from our wireless subsidiary, Digitel Mobile Philippines, Inc., otherwise known under its tradename "Sun". 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 2023 amounted to Php4.1 billion and 58%, respectively, an increase of 3% from last year's EBITDA and EBITDA Margin amounting to Php4.0 billion and 55%, respectively.

Consolidated net income in 2023 amounted to Php3.8 billion, a 27% decrease from last year's Php5.2 billion.

Mobile service revenues from our wireless business decreased by 1% to Php7.1 billion versus Php7.2 billion in 2022. 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, 2023, Sun's prepaid subscriber base decreased by 6%, to 1.7 million from 1.8 million in 2022.

Cash flows generated from operations in 2023 amounted to Php2.7 billion, an increase of 154%, from Php5.0 billion cash flows used in operations in 2022. Cash flows from investing activities in 2023 amounted to Php0.8 billion, a decrease of 84%, from Php5.3 billion in 2022. In 2023, we were able to settle our lease liabilities amounting to Php288 million and pay dividends amounting to Php3.2 billion.

On behalf of Digitel Management, 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 unwavering dedication to their work, and you, my fellow shareholders, for your continued trust and confidence.

The Chairperson 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, 2023

The next item on the agenda was the "Approval of the audited financial statements for the fiscal year ended December 31, 2023" contained in the Company's Information Statement (SEC Form 20-IS).

The Chairperson 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, 2023. 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 (99.62%)	0	0

Having obtained the required votes, the Company's audited financial statements for the year ended December 31, 2023 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, 2023 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:

Mr. Manuel V. Pangilinan;
Mr. Alfredo S. Panlilio;
Mr. Lorenzo V. Tan; and
Mr. Danny Y. Yu

And the persons nominated for election as independent directors were:

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

The Chairperson 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: there is a combination of 2 independent, 2 non-executive, and 2 executive director-nominees.

The Chairperson 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
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. Danny Y. Yu	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 Chairperson 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:

Mr. Oscar J. Hilado
Mr. Manuel V. Pangilinan
Mr. Alfredo S. Panlilio
Dr. Emerlinda R. Roman
Mr. Lorenzo V. Tan
Mr. Danny Y. Yu

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 Chairperson 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 (99.62%)	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 2024-2025."
>
> "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 Chairperson 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 Chairperson then inquired if there were other matters to discuss and there being none, the Meeting was adjourned on motion duly made by Mr. Alfredo S. Panlilio and seconded by Mr. Oscar J. Hilado.

Prepared by:

JOEL D. PENEYRA
Secretary of the Meeting

Attested by:

LORENZO V. TAN
Chairperson 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, 2024, 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 effective November 1, 2018 with the effectivity date 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 a better experience, access to Smart's robust 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 are primarily used to provide coverage whilst higher spectrum bands 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 2024

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, 2024 and 2023 and for the four years ended December 31, 2024 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,		
	2024	**2023**	2022
Income Statement Data:			
Revenues	₱6,333	₱7,106	₱7,203
Expenses	3,275	3,634	3,874
Other income	131	1,037	3,063
Income before income tax	3,189	4,509	6,392
Net income	2,628	3,777	5,195
Core income	2,593	3,215	2,213
EBITDA	3,359	3,781	3,642
EBITDA margin (1)	53%	53%	51%
Basic/dilutive earnings per common share	0.10	0.14	0.20
Other Data:			
Net cash provided by (used in) operating activities	2,341	2,676	(4,967)
Net cash provided by investing activities	220	824	5,271
Capital expenditures	–	–	–
Net cash used in financing activities	(2,604)	(3,500)	(359)

	Years ended December 31,		
	2024	**2023**	2022
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 communication services are 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.; and

- *Fixed Line* - fixed line segment is carried by the Parent Company. As at January 1, 2018, Digitel fully migrated its subscribers to the 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, accretion expense of lease liabilities, foreign exchange gains (losses) – net, 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, 2024, 2023 and 2022:

	December 31,		
	2024	2023	2022
		(In millions)	
Consolidated net income	₱2,628	₱3,777	₱5,195
Add (deduct) adjustments:			
Provision for income tax	561	732	1,197
Depreciation	301	309	288
Accretion expense on lease liabilities	51	60	55
Losses (gains) on fair value change on perpetual notes	24	(230)	2,098
Impairment on creditable withholding tax	1	–	25
Gains on disposal of fixed assets	(1)	(1)	(1)
Rental income	(4)	(5)	(13)
Reversal of long outstanding accruals	(32)	–	(1,144)
Gain on sale of telecom towers	(41)	(661)	(3,508)
Distribution income on perpetual notes	(191)	(191)	(258)
Interest income	–	(2)	(3)
Other income (expenses) – net	62	(7)	(289)
Total adjustments	731	4	(1,553)
Consolidated EBITDA	**₱3,359**	**₱3,781**	**₱3,642**

Core Income

Core income for the year is measured as net income, excluding gain on sale of telecom towers, foreign exchange gains (losses) – net, 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, 2024, 2023 and 2022:

	December 31,		
	2023	2023	2022
		(In millions)	
Consolidated net income	₱2,628	₱3,777	₱5,195
Add (deduct) adjustments:			
Gain on sale of telecom towers	(41)	(661)	(3,508)
Foreign exchange gains – net	–	(1)	–
Net tax effect of aforementioned adjustments	6	100	526
Total adjustments	(35)	(562)	(2,982)
Consolidated core income	**₱2,593**	**₱3,215**	**₱2,213**

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, 2024, 2023 and 2022:

	December 31,		
	2024	2023	2022
Consolidated basic and diluted EPS attributable to common equity holders of Digitel	₱0.10	₱0.12	₱0.08
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	**₱0.10**	**₱0.14**	**₱0.20**

Financial Condition and Changes in Financial Condition

2024 Compared to 2023

Cash and cash equivalents decreased by ₱43 million to ₱77 million as at December 31, 2023, from ₱120 million as at December 31, 2020. Our consolidated net cash flows provided by operating activities amounted to ₱2,341 million in 2024, lower by ₱334 million, or 12%, from ₱2,675 million in 2023 primarily due to lower collection of trade and other receivables, higher level of other current assets, lower income taxes paid, lower settlement of trade and other payables, and lower operating income. Consolidated net cash provided by investing activities amounted to ₱220 million in 2024, lower by ₱604 million, or 73%, from ₱824 million in 2023 primarily due to lower proceeds from disposal of fixed assets by ₱620 million, and lower interest received by ₱2 million. On a consolidated basis, net cash used in financing activities amounted to ₱2,604 million in 2024, lower by ₱896 million, or 26% from ₱3,500 million in 2023 due primarily to lower cash dividends paid by ₱1,029 million, and lower payments for interest on lease liability by ₱9 million, partly offset by higher payments for principal of lease liability by ₱142 million.

Trade and other receivables increased by ₱547 million, or 24%, due mainly from additional receivables from related parties.

Inventories amounted to nil as at December 31, 2024 and 2023.

Other current assets decreased by ₱21 million, or 23%, primarily due to the higher prepaid fees and licenses and prepaid rent.

Investment properties amounted to ₱55 million each as at December 31, 2024 and 2023, which represent land that is currently held for undetermined future use.

Right-of-use (ROU) assets decreased by ₱93 million, or 17%, due to depreciation and termination of ROU sites, partly offset by additional ROU sites during the period.

Investment in perpetual notes decreased by ₱24 million, or 2%, primarily due to loss on fair value change on perpetual notes.

Net deferred income tax asset amounted to ₱2 milliom as at December 31, 2024.

Other noncurrent assets increased by ₱12 million, or 3%, primarily due to higher refundable security deposits.

Trade and other payables decreased by ₱2,146 million, or 13%, due to settlement to related parties, partly offset by higher trade payables and accrued expenses.

Net deferred income tax liabilities increased by ₱15 million, or 750%, due to lower deferred income tax asset on lease liability.

Other noncurrent portion liabilities decreased by ₱70 million, or 13%, due to lower lease liabilities – net of current portion, partly offset by increase in asset retirement obligation.

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.

Results of Operations

The table shows the contribution by each of our business segments to our consolidated revenues, expenses, other income (expenses) – net, income (loss) before income tax, net income (loss), EBITDA, EBITDA margin and core income for the years ended December 31, 2024, 2023 and 2022. In each of the years ended December 31, 2024, 2023 and 2022, 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, 2024				
Revenues	₱6,333	–	–	₱6,333
Expenses	3,218	57	–	3,275
Other income	66	65	–	131
Income before income tax	3,181	8	–	3,189
Provision for income tax	563	1	(3)	561
Net income / Segment profit	2,618	7	3	2,628
EBITDA	3,415	(56)	–	3,359
EBITDA margin [(1)]	54%	–	–	53%
Core income	2,583	7	3	2,593
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	3,869	(88)	–	3,781
EBITDA margin [(1)]	54%	–	–	53%
Core income	3,245	(30)	–	3,215

	Wireless	Fixed Line	Inter-segment Transactions	Consolidated
		(In millions)		
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	3,730	(88)	–	3,642
EBITDA margin [(1)]	52%	–	–	51%
Core income	1,588	625	–	2,213

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

Years ended December 31, 2024 and 2023

On a Consolidated Basis

Revenues

We reported consolidated revenues of ₱6,333 million in 2024, a decrease of ₱773 million, or 11%, as compared with ₱7,106 million in 2023, due to lower revenues from our wireless business.

Expenses

Consolidated expenses decreased by ₱359 million, or 10%, to ₱3,275 million in 2024 from ₱3,634 million in 2023, largely as a result of lower repairs and maintenance, taxes and licenses, royalty expense, depreciation, and professional and other contracted services. This was partly offset by higher rent and other expenses.

The following table shows the breakdown of our consolidated expenses by business segment for the years ended December 31, 2024 and 2023:

	2024	%	2023	%	Change Amount	Change %
			(In millions)			
Wireless	₱3,218	98	₱3,547	98	(₱329)	(9)
Fixed line	57	2	88	2	(31)	(35)
Intersegment	–	–	(1)	–	1	(100)
Consolidated	₱3,275	100	₱3,634	100	(₱359)	(10)

Other Income

Consolidated other income decreased by ₱906 million, or 87%, to ₱131 million in 2024 from ₱1,037 million in 2023, primarily due to the combined effects of the following: (i) loss on fair value change on perpetual notes of ₱24 million as against gain on fair value change on perpetual notes of ₱230 million in 2023 (ii) lower gain on sale of telecom towers by ₱620 million; (iii) lower rental income by ₱1 million; (iv) lower interest income by ₱2 million; (v) lower financing costs by ₱9 million; (vi) reversal of long outstanding accruals of ₱32 million as compared to nil in 2023; and (vii) other expenses – net of ₱62 million as against other income – net of ₱7 million in 2023.

The following table shows the breakdown of our consolidated other income by business segment for the years ended December 31, 2024 and 2023:

	2024	%	2023	%	Change Amount	Change %
			(In millions)			
Wireless	₱66	50	₱981	95	(₱915)	(93)
Fixed line	65	50	57	5	8	14
Intersegment	–	–	(1)	–	1	100
Consolidated	₱131	100	₱1,037	100	(₱906)	(87)

Net Income

We reported a consolidated net income of ₱2,628 million in 2024, a decrease of ₱1,149 million, or 30%, from ₱3,777 million in 2023. The decrease was mainly due to the combined effects of the following: (i) lower consolidated revenues by ₱773 million; (ii) lower expenses by ₱359 million; (iii) lower provision for income tax by ₱171 million; and (iv) lower other income by ₱906 million. Our consolidated basic/dilutive earnings per share amounted to ₱0.10 and ₱0.14 in 2024 and 2023, respectively.

The following table shows the breakdown of our consolidated net income by business segment for the years ended December 31, 2024 and 2023:

	2024	%	2023	%	Change Amount	Change %
			(In millions)			
Wireless	₱2,618	100	₱3,807	101	(₱1,189)	(31)
Fixed line	7	–	(30)	(1)	37	(123)
Intersegment	3	–	–	–	3	100
Consolidated	₱2,628	100	₱3,777	100	(₱1,149)	(30)

EBITDA

We reported a consolidated EBITDA of ₱3,359 million in 2024, lower by ₱422 million, or 11%, from ₱3,781 million in 2023, primarily due to lower revenues, partly offset by the decrease in expenses.

The following table shows the breakdown of our consolidated EBITDA by business segment for the years ended December 31, 2024 and 2023:

					Change	
	2024	**%**	**2023**	**%**	**Amount**	**%**
			(In millions)			
Wireless	₱3,415	102	₱3,869	102	(₱454)	(12)
Fixed line	(56)	(2)	(88)	(2)	32	(36)
Consolidated	₱3,359	100	₱3,781	100	(₱422)	(11)

Core Income

Our consolidated core income decreased by ₱622 million, or 19%, to ₱2,593 million in 2024 from ₱3,215 million in 2023 primarily due to lower core income from our wireless business segment partly offset by higher 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, 2024 and 2023:

					Change	
	2024	**%**	**2023**	**%**	**Amount**	**%**
			(In millions)			
Wireless	₱2,583	100	₱3,245	101	(₱662)	(20)
Fixed line	7	–	(30)	(1)	37	123
Intersegment	3	–	–	–	3	100
Consolidated	₱2,593	100	₱3,215	100	(₱622)	(19)

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:

	2023	%	2022	%	Change Amount	Change %
			(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	Change %
			(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	Change %
			(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 ₱3,781 million in 2023, higher by ₱139 million, or 4%, from ₱3,642 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	₱3,869	102	₱3,730	102	₱139	4
Fixed line	(88)	(2)	(88)	(2)	–	–
Consolidated	₱3,781	100	₱3,642	100	₱139	4

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 increased by ₱21 million, or 1%, to ₱3,874 million in 2022 from ₱3,853 million in 2021, largely as a result of the increase in repairs and maintenance, asset impairment, and taxes and licenses. This was partly offset by the decrease in depreciation, professional and other contracted services, compensation and employee benefits, rent and insurance and security services.

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

	2022	%	2021	%	Change Amount	%
			(In millions)			
Wireless	₱3,760	97	₱3,683	96	₱77	2
Fixed line	114	3	172	4	(58)	(34)
Intersegment	–	–	(2)	–	2	–
Consolidated	₱3,874	100	₱3,853	100	₱21	1

Other Income

Consolidated other income increased by ₱1,436 million, or 88%, to ₱3,063 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	₱2,319	73	₱1,390	85	₱929	67
Fixed line	744	27	239	15	505	211
Intersegment	–	–	(2)	–	2	–
Consolidated	₱3,063	100	₱1,627	100	₱1,436	88

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:

					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)

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 0.21:1 due to an outstanding payable to PLDT and other related parties amounting to ₱13.1 billion as at December 31, 2024. Without this portion in the current liabilities, the current ratio will improve to 1.67:1.

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 commitments 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. Management's Discussion and Analysis of Financial Condition and Results of Operations for the first three months ended March 31, 2025

As of current date, April 8, 2025, 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 26, 2025.

D. Market Information Holders and Dividends

Stock Prices

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, 2025, 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

The Parent Company did not declare cash dividends in 2024.

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 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.

On November 12, 2024, DTPI and DMPI Boards approved the Amended Code of Business Conduct and Ethics

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 September 27, 2024.

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

On June 27, 2024, 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, 2023 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, 2024 will be reported in its ACGR to be submitted to the SEC on or before June 30, 2025, as provided for in SEC MC 13 series of 2021.

F. Undertaking to Provide Annual Report and 1Q 2025 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 2025 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 26, 2025

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

General Instructions

1. Stockholders as of March 31, 2025 have the option to vote via online voting in absentia on the proposed corporate actions set out in items 3, 5, 6, 7 and 8 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 5, 2025 until May 16, 2025. After the May 16, 2025 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 16, 2025 registration deadline can also participate in the Annual Meeting by remote communication.

3. A stockholder who was not able to register until May 16, 2025 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 21, 2025,

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.

<u>Registration</u>

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 5, 2025 up to May 16, 2025. 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 16, 2025. Stockholders who were not able to register as of May 16, 2025 can no longer avail of online voting but may still participate by remote communication, provided such stockholders shall register not later than May 21, 2025.

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 16, 2025, 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 16, 2025 and until May 21, 2025, 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 16, 2025, 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 27, 2024, 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, 2024, 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. For the approval of the Amendment of Section 1, Article II, of the Company's By-Laws – changing the day of when to hold the Annual Meeting of Stockholders to "**last Monday of <u>June</u>** of every year", select "FOR" or "AGAINST" or "ABSTAIN" to indicate your vote

7. 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 21, 2025.

8. A stockholder may cast his vote during the period beginning May 5, 2025 until 10 A.M. on May 21, 2025.

Participation by Remote Communication

1. A stockholder who has successfully registered on or before May 21, 2025 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 16, 2025 may still participate in the Annual Meeting provided he is able to register via email at jdpeneyra@pldt.com.ph not later than May 21, 2025. 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 26, 2025

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 26, 2025 (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, 7 and 8, and "FOR ALL" with respect to Proposal 6.

PROPOSALS AND VOTING INSTRUCTIONS

Management recommends a "FOR" vote for Proposals 3, 5, 7 and 8 and a "FOR ALL" vote for Proposal 6.

1. Approval of the Minutes of the Annual Meeting of the Stockholders held on May 27, 2024.
   FOR ☐ AGAINST ☐ ABSTAIN ☐

2. Approval of the audited financial statements for the fiscal year ending December 31, 2024 contained in the Company's 2024 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 ☐

5. Approval of the Amendment of Section 1, Article II, of the Company's By-Laws-changing the day of when to hold the Annual Meeting of Stockholders to "last Monday of June of every year"

   FOR ☐ AGAINST ☐ ABSTAIN ☐

____
(Signature Over Printed Name)
Stockholder
Authorized Representative of Stockholder
Date: ___________________, 2025

(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 21, 2025. 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 26, 2025 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 21, 2025. 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 23, 2025. 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

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

FINANCIAL STATEMENTS

SUPPLEMENTARY SCHEDULES

April 15, 2025

Securities and Exchange Commission
7907 Makati Avenue, Salcedo Village
Barangay Bel-Air, Makati City

Attention: Atty. Oliver O. Leonardo
Director – Markets and Securities Regulation Department

Gentlemen:

In accordance with Section 17.1 (b) of the Securities Regulation Code (SRC) and SRC Rule 17.3, we submit herewith 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, 2024.

This submission shall also serve as our compliance with Section 17.1 of the SRC regarding the filing of reports on significant developments.

Very truly yours,

DIGITAL TELECOMMUNICATIONS PHILS., INC. and SUBSIDIARIES

ATTY. ALEX ERLITO S. FIDER
Corporate Secretary

COVER SHEET
for
AUDITED 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 Street, Diliman, Quezon City, Metro Manila

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-A	**MSRD**	**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 (as at December 31, 2024)	**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.*

SEC Number **0000145111**
File Number

DIGITAL TELECOMMUNICATIONS PHILS., INC.
and SUBSIDIARIES

(Company's Full Name)

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

(Company's Address)

09285590433

(Telephone Number)

December 31, 2024

(Fiscal Year Ending)
(month & day)

SEC Form 17-A
(Annual Report)

Form Type

Not Applicable

Amendment Designation (if applicable)

December 31, 2024

Period Ended Date

Not Applicable

(Secondary License Type and File Number)

TABLE OF CONTENTS

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, 2024

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. 09285590433
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, 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 [ ]

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Overview

Established in the Philippines on August 31, 1987, Digital Telecommunications Phils., Inc. ("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, 2024, PLDT owned approximately 99.6% of the outstanding common stock of Digitel.

Digitel ceased operating as a public telecommunications entity effective February 17, 2019 upon the expiration of its franchise 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".

Digital Telecommunications Phils., Inc and Subsidiaries (Digitel Group) 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. For a more detailed discussion, see *Note 4 – Operating Segment Information* to the accompanying audited consolidated financial statements in Item 7. "Financial Statements".

Wireless

Our wireless arm, Digitel Mobile Phils., Inc. (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 effective November 1, 2018 with 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 the Smart App, Smart notifications and billing, and other Smart add-ons and features. The subscribers may also avail of the Signature plan which provides a better experience, access to Smart's robust 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 are primarily used to provide coverage whilst higher spectrum bands 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, 2024, 2023 and 2022:

	December 31,		
	2024	**2023**	**2022**
Mobile service revenues (in millions)	₱6,333	₱7,106	₱7,203
Distributed subscriber revenues	5,301	5,520	5,529
Others	1,032	1,586	1,674
Percentage of wireless service revenues to total service revenues	100%	100%	100%

Mobile Services

Through Smart, we offer 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 a wide array of data-centric offers. Following this development, rebranded subscribers can avail of Data bundles, including the newest offers, *Power All, All Data and Magic Data* to cater to the different lifestyles of subscribers, using Smart's LTE and 5G network. *Sun Prepaid*'s top offers include *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 robust Smart 5G speeds with Smart 5G network, simpler account management with the Smart 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 available are sold in denominations of ₱100, ₱300 and ₱500.

Smart's over-the-air reloads called Smart eLoad, which ranges from ₱10 to ₱1,000 are available through the Smart 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").

Smart also provides open-access data offers with its Magic Data, All Data and Power All services. These data packages provide access to any app or website and are priced from ₱50 to ₱499.

In view of the SIM Registration Act, we recognize a prepaid mobile subscriber as active upon registration of the SIM card. Beginning in the fourth quarter of 2023, we consider a prepaid mobile subscriber as churned if the subscriber does not reload within 180 days after the full usage or expiry of the last reload and does not latch to the network within 180 days. 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, 2024, 2023, 2022 and 2021:

	December 31,			
	2024	**2023**	**2022**	**2021**
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 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.

Through Smart, DMPI has been continually extending its LTE capacity and rolling 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.

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 Telecom Inc (Globe) and Dito Telecommunity Corporation (DITO). Mobile market penetration in the Philippines was approximately 123% 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.

Data Services

The market for data services has been 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 and Converge ICT Solutions, Inc.. The principal bases of competition in the data services market are coverage, price, content, value for money, bundles or free gifts, user experience and customer service. PLDT, the Parent Company, remains committed to compete in this segment by leveraging on its overall strategy to focus on customeer centricity, maintain network leadership, broaden its distribution paltform and increas 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, 2024.

	December 31,			
	2024	**2023**	**2022**	**2021**
Digitel Group	1	1	1	1
Wireless	–	–	–	–
Fixed	*1*	*1*	*1*	*1*

See *Note 18 - 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 22 – 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 23 – Commitments and Contingencies* to the accompanying audited consolidated financial statements in Item 7 "Financial Statements", 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 2024 covered by this annual report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

Common Capital Stock

Stock Prices

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.

Top 20 Stockholders

As at December 31, 2024, 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., was fully paid on 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 of Financial Condition and Results of Operations

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, 2024 and 2023 and for each of the three years ended December 31, 2024, 2023 and 2022 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,		
	2024	**2023**	2022
Income Statement Data:			
Revenues	₱6,333	₱7,106	₱7,203
Expenses	3,275	3,634	3,874
Other income	131	1,037	3,063
Income before income tax	3,189	4,509	6,392
Net income	2,628	3,777	5,195
Core income	2,593	3,215	2,213
EBITDA	3,359	3,781	3,642
EBITDA margin [(1)]	53%	53%	51%
Basic/dilutive earnings per common share	0.10	0.14	0.20
Other Data:			
Net cash provided by (used in) operating activities	2,341	2,676	(4,967)
Net cash provided by investing activities	220	824	5,271
Capital expenditures	–	–	–
Net cash used in financing activities	(2,604)	(3,500)	(359)
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 communication services are 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.; and

- *Fixed Line* - fixed line segment is carried by the Parent Company. As at January 1, 2018, Digitel fully migrated its subscribers to the 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, accretion expense of lease liabilities, foreign exchange gains (losses) – net, 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, 2024, 2023 and 2022:

	December 31,		
	2024	2023	2022
		(In millions)	
Consolidated net income	₱2,628	₱3,777	₱5,195
Add (deduct) adjustments:			
Provision for income tax	561	732	1,197
Depreciation	301	309	288
Accretion expense on lease liabilities	51	60	55
Losses (gains) on fair value change on perpetual notes	24	(230)	2,098
Impairment on creditable withholding tax	1	–	25
Gains on disposal of fixed assets	(1)	(1)	(1)
Rental income	(4)	(5)	(13)
Reversal of long outstanding accruals	(32)	–	(1,144)
Gain on sale of telecom towers	(41)	(661)	(3,508)
Distribution income on perpetual notes	(191)	(191)	(258)
Interest income	–	(2)	(3)
Other income (expenses) – net	62	(7)	(289)
Total adjustments	731	4	(1,553)
Consolidated EBITDA	**₱3,359**	**₱3,781**	**₱3,642**

Core Income

Core income for the year is measured as net income, excluding gain on sale of telecom towers, foreign exchange gains (losses) – net, 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, 2024, 2023 and 2022:

	December 31,		
	2023	2023	2022
		(In millions)	
Consolidated net income	₱2,628	₱3,777	₱5,195
Add (deduct) adjustments:			
Gain on sale of telecom towers	(41)	(661)	(3,508)
Foreign exchange gains – net	–	(1)	–
Net tax effect of aforementioned adjustments	6	100	526
Total adjustments	(35)	(562)	(2,982)
Consolidated core income	**₱2,593**	**₱3,215**	**₱2,213**

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, 2024, 2023 and 2022:

	December 31,		
	2024	2023	2022
Consolidated basic and diluted EPS attributable to common equity holders of Digitel	₱0.10	₱0.12	₱0.08
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	**₱0.10**	**₱0.14**	**₱0.20**

Results of Operations

The table shows the contribution by each of our business segments to our consolidated revenues, expenses, other income (expenses) – net, income (loss) before income tax, net income (loss), EBITDA, EBITDA margin and core income for the years ended December 31, 2024, 2023 and 2022. In each of the years ended December 31, 2024, 2023 and 2022, 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, 2024				
Revenues	₱6,333	–	–	₱6,333
Expenses	3,218	57	–	3,275
Other income	66	65	–	131
Income before income tax	3,181	8	–	3,189
Provision for income tax	563	1	(3)	561
Net income / Segment profit	2,618	7	3	2,628
EBITDA	3,415	(56)	–	3,359
EBITDA margin [(1)]	54%	–	–	53%
Core income	2,583	7	3	2,593
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	3,869	(88)	–	3,781
EBITDA margin [(1)]	54%	–	–	53%
Core income	3,245	(30)	–	3,215

	Wireless	Fixed Line	Inter-segment Transactions	Consolidated
		(In millions)		
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	3,730	(88)	–	3,642
EBITDA margin [(1)]	52%	–	–	51%
Core income	1,588	625	–	2,213

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

Years ended December 31, 2024 and 2023

On a Consolidated Basis

Revenues

We reported consolidated revenues of ₱6,333 million in 2024, a decrease of ₱773 million, or 11%, as compared with ₱7,106 million in 2023, due to lower revenues from our wireless business.

Expenses

Consolidated expenses decreased by ₱359 million, or 10%, to ₱3,275 million in 2024 from ₱3,634 million in 2023, largely as a result of lower repairs and maintenance, taxes and licenses, royalty expense, depreciation, and professional and other contracted services. This was partly offset by higher rent and other expenses.

The following table shows the breakdown of our consolidated expenses by business segment for the years ended December 31, 2024 and 2023:

					Change	
	2024	%	2023	%	Amount	%
			(In millions)			
Wireless	₱3,218	98	₱3,547	98	(₱329)	(9)
Fixed line	57	2	88	2	(31)	(35)
Intersegment	–	–	(1)	–	1	(100)
Consolidated	₱3,275	100	₱3,634	100	(₱359)	(10)

Other Income

Consolidated other income decreased by ₱906 million, or 87%, to ₱131 million in 2024 from ₱1,037 million in 2023, primarily due to the combined effects of the following: (i) loss on fair value change on perpetual notes of ₱24 million as against gain on fair value change on perpetual notes of ₱230 million in 2023 (ii) lower gain on sale of telecom towers by ₱620 million; (iii) lower rental income by ₱1 million; (iv) lower interest income by ₱2 million; (v) lower financing costs by ₱9 million; (vi) reversal of long outstanding accruals of ₱32 million as compared to nil in 2023; and (vii) other expenses – net of ₱62 million as against other income – net of ₱7 million in 2023.

The following table shows the breakdown of our consolidated other income by business segment for the years ended December 31, 2024 and 2023:

					Change	
	2024	%	2023	%	Amount	%
			(In millions)			
Wireless	₱66	50	₱981	95	(₱915)	(93)
Fixed line	65	50	57	5	8	14
Intersegment	–	–	(1)	–	1	100
Consolidated	₱131	100	₱1,037	100	(₱906)	(87)

Net Income

We reported a consolidated net income of ₱2,628 million in 2024, a decrease of ₱1,149 million, or 30%, from ₱3,777 million in 2023. The decrease was mainly due to the combined effects of the following: (i) lower consolidated revenues by ₱773 million; (ii) lower expenses by ₱359 million; (iii) lower provision for income tax by ₱171 million; and (iv) lower other income by ₱906 million. Our consolidated basic/dilutive earnings per share amounted to ₱0.10 and ₱0.14 in 2024 and 2023, respectively.

The following table shows the breakdown of our consolidated net income by business segment for the years ended December 31, 2024 and 2023:

	2024	%	2023	%	Change Amount	%
			(In millions)			
Wireless	₱2,618	100	₱3,807	101	(₱1,189)	(31)
Fixed line	7	–	(30)	(1)	37	(123)
Intersegment	3	–	–	–	3	100
Consolidated	₱2,628	100	₱3,777	100	(₱1,149)	(30)

EBITDA

We reported a consolidated EBITDA of ₱3,359 million in 2024, lower by ₱422 million, or 11%, from ₱3,781 million in 2023, primarily due to lower revenues, partly offset by the decrease in expenses.

The following table shows the breakdown of our consolidated EBITDA by business segment for the years ended December 31, 2024 and 2023:

	2024	%	2023	%	Change Amount	%
			(In millions)			
Wireless	₱3,415	102	₱3,869	102	(₱454)	(12)
Fixed line	(56)	(2)	(88)	(2)	32	(36)
Consolidated	₱3,359	100	₱3,781	100	(₱422)	(11)

Core Income

Our consolidated core income decreased by ₱622 million, or 19%, to ₱2,593 million in 2024 from ₱3,215 million in 2023 primarily due to lower core income from our wireless business segment partly offset by higher 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, 2024 and 2023:

	2024	%	2023	%	Change Amount	%
			(In millions)			
Wireless	₱2,583	100	₱3,245	101	(₱662)	(20)
Fixed line	7	–	(30)	(1)	37	123
Intersegment	3	–	–	–	3	100
Consolidated	₱2,593	100	₱3,215	100	(₱622)	(19)

On a Business Segment Basis

<u>Wireless</u>

Revenues

We generated revenues from our wireless business of ₱6,333 million in 2024, a decrease of ₱773 million, or 11%, from ₱7,106 million in 2023.

The following table summarizes our total revenues by service from our Wireless business segment for the years ended December 31, 2024 and 2023:

	2024	%	2023	%	Increase (Decrease) Amount	%
			(In millions)			
Service Revenues:						
Distributed subscriber revenues	₱5,301	84	₱5,520	78	(₱219)	(4)
Others	1,032	16	1,586	22	(554)	(35)
Total Wireless Service Revenues	6,333	100	7,106	100	(773)	(11)

Service Revenues

Our wireless service revenues decreased by ₱773 million, or 11%, to ₱6,333 million in 2024 as compared with ₱7,106 million in 2023, 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 ₱5,301 million in 2024, lower by ₱219 million from ₱5,520 million in 2023.

Other Service Revenues

Other service revenues mainly facility service fees amounted ₱1,032 million in 2024, a decrease of ₱554 million, or 35%, from ₱1,586 million in 2023. Other service revenues accounted for 16% and 22% of our wireless service revenues in 2024 and 2023, respectively.

Expenses

Expenses associated with our wireless business in 2024 amounted to ₱3,218 million, a decrease of ₱329 million, or 9%, from ₱3,547 million in 2023. A significant portion of the decline was attributable to lower repairs and maintenance, taxes and licenses, royalty expense, depreciation, and professional and other contracted services and, partially offset by higher rent expense. As a percentage of our total wireless revenues, expenses associated with our wireless business accounted for 51% and 50% in 2024 and 2023, respectively.

The following table summarizes the breakdown of our total wireless-related expenses for the years ended December 31, 2024 and 2023 and the percentage of each expense item to the total:

	2024	%	2023	%	Increase (Decrease) Amount	%
			(In millions)			
Professional and other contracted services	₱1,751	54	₱1,769	50	(₱18)	(1)
Repairs and maintenance	643	20	910	26	(267)	(29)
Royalty expense	339	11	353	9	(14)	(4)
Depreciation	301	9	309	9	(8)	(3)
Taxes and licenses	118	4	149	4	(31)	(21)
Rent	66	2	57	2	9	16
Total	₱3,218	100	₱3,547	100	(₱329)	(9)

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

Professional and other contracted services decreased by ₱18 million, to ₱1,751 million due to UBS fees in 2023 relating to the sale of telecom towers.

Repairs and maintenance expenses decreased by ₱267 million, or 29%, to ₱643 million mainly due to lower site electricity driven by lower average rate per kilowatt hour.

Royalty expenses decreased by ₱14 million, to ₱339 million from ₱353 million in 2023.

Depreciation charges decreased by ₱8 million, or 3%, to ₱301 million in 2024 due to lower depreciation of right-of-use assets.

Taxes and licenses decreased by ₱31 million, or 21%, to ₱118 million primarily due to deficiency tax settlement in 2023.

Rent increased by ₱9 million, or 16%, to ₱66 million primarily due to higher accrual on site rentals.

Other Income - Net

The following table summarizes the breakdown of our total wireless-related net other income for the years ended December 31, 2024 and 2023:

	2024	2023	Increase (Decrease) Amount	%
		(In millions)		
Other Income (Expenses):				
Distribution income on perpetual notes	₱191	₱191	₱–	–
Gain on sale of telecom towers	41	661	(620)	(94)
Rental income	4	6	(2)	(33)
Gain on sale on disposal of assets	1	1	–	–
Gains (losses) of fair value change in perpetual notes	(24)	230	(254)	(110)
Accretion expense on lease liabilities	(51)	(60)	(9)	(15)
Interest income	–	2	(2)	(100)
Foreign exchange gains – net	–	1	(1)	(100)
Other income (expenses)	(96)	(51)	45	88
Total	₱66	₱981	(₱915)	(93)

Our wireless business' other income amounted to ₱66 million in 2024, a decrease by ₱915 million, or 93%, from ₱981 million in 2023 primarily due to the combined effects of the following: (i) lower gain on sale of telecom towers by ₱620 million; (ii) loss on fair value change in perpetual notes of ₱24 million as against gain on fair value change in perpetual notes of ₱230 million; (iii) lower rental income by ₱2 million; (iv) lower interest income by ₱2 million; (v) lower financing costs by ₱9 million; (vi) foreign exchange gains of ₱1 million in 2023; and (vii) higher other expenses – net by ₱45 million.

Provision for Income Tax

Our wireless business recorded a provision for income tax amounting to ₱563 million in 2024, a decrease of ₱170 million, or 23%, from ₱733 million in 2023 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 ₱2,618 million in 2024, a decrease by ₱1,189 million, or 31% from ₱3,807 million in 2023.

EBITDA

Our wireless business recorded an EBITDA amounting to ₱3,415 million, a decrease of ₱454 million, or 12%, from ₱3,869 million in 2023 due to decrease in revenues by ₱773 million, partially offset by lower expenses excluding depreciation by ₱321 million. EBITDA margin remains at 54% in 2024.

Core Income

Our wireless business segment's core income decreased by ₱662 million, or 20%, to ₱2,583 million in 2024 from ₱3,245 million in 2023.

Fixed Line

Expenses

Expenses related to our fixed line business totaled ₱57 million in 2024, a decrease of ₱31 million, or 35%, as compared with ₱88 million in 2023. The decrease was primarily due to lower taxes and licenses, repairs and maintenance and rent, 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, 2024 and 2023 and the percentage of each expense item to the total:

					Decrease	
	2024	**%**	**2023**	**%**	**Amount**	**%**
			(In millions)			
Repairs and maintenance	₱40	70	₱48	55	(₱8)	(17)
Rent	9	16	10	11	(1)	(10)
Professional and other contracted services	3	5	3	3	–	–
Taxes and licenses	2	3	25	29	(23)	(92)
Compensation and employee benefits	1	2	1	1	–	–
Asset impairment	1	2	–	–	1	100
Other expenses	1	2	1	1	–	–
Total	₱57	100	₱88	100	(₱31)	(35)

Repairs and maintenance expenses decreased by ₱8 million, or 17%, to ₱40 million primarily due to lower facility repairs and electricity consumption costs.

Rent expenses decreased by ₱1 million, or 10%, to ₱9 million due to lower building rentals.

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

Taxes and licenses decreased by ₱23 million, or 92%, due to deficiency tax settlement in 2023.

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

Asset impairment increased by ₱1 million, or 100%, mainly due to additional provision for uncollectible creditable withholding taxes.

Other expenses 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, 2024 and 2023:

			Increase (Decrease)	
	2024	**2023**	**Amount**	**%**
		(In millions)		
Other Income:				
Reversal of long outstanding accrual	₱32	₱–	₱32	100
Others	33	57	(24)	(42)
Total	₱65	₱57	₱8	14

Our fixed line business segment's other income amounted to ₱65 million in 2024, an increase of ₱8 million, or 14%, from ₱57 million in 2023 primarily due to the combined effects of the following: (i) reversal of long outstanding accruals of ₱32 million in 2024 compared to none in 2023; and (iv) lower other income by ₱24 million;

Provision for (Benefit from) Income Tax

Provision for income tax amounted to ₱1 million in 2024 as against benefit from income of ₱1 million in 2023.

Net Income

As a result of the foregoing, our fixed line business recorded a net income amounting to ₱8 million, a change of ₱38 million, or 127%, from a net loss of ₱30 million in 2023.

EBITDA

Our fixed line business segment's negative EBITDA amounted to ₱56 million in 2024, lower by ₱32 million, or 36%, from ₱88 million in 2023 due to lower expenses excluding depreciation.

Core Income

Our fixed line business segment's core income in 2024 amounted to ₱8 million, as against core loss of ₱30 million in 2023, primarily due to higher other income.

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 ₱3,781 million in 2023, higher by ₱139 million, or 4%, from ₱3,642 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	₱3,869	102	₱3,730	102	₱139	4
Fixed line	(88)	(2)	(88)	(2)	–	–
Consolidated	₱3,781	100	₱3,642	100	₱139	4

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

On a Business Segment Basis

<u>Wireless</u>

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:

	2023	%	2022	%	Increase (Decrease) 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:

	2023	%	2022	%	Increase (Decrease) 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)

(2) *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:

	2023	2022	Increase (Decrease) 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 ₱3,869 million, an increase of ₱139 million, or 4%, from ₱3,730 million in 2022 due to lower expenses excluding depreciation by ₱234 million, partially offset by the decrease in revenues by ₱97 million. EBITDA margin increased to 54% in 2023 from 52% 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.

<u>Fixed Line</u>

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:

					Decrease	
	2023	**%**	**2022**	**%**	**Amount**	**%**
			(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:

			Increase (Decrease)	
	2023	**2022**	**Amount**	**%**
		(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; (iv) net foreign exchange loss of ₱1 million in 2022 as compared to none in 2023; and (v) 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.

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 2025 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 2025.

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, 2024, 2023 and 2022 as well as our consolidated capitalization and other consolidated selected financial data as at December 31, 2024 and 2023:

	Years ended December 31,		
	2024	**2023**	**2022**
		(In millions)	
Cash Flows			
Net cash provided by (used in) operating activities	₱2,341	₱2,676	(₱4,967)
Net cash provided by investing activities	220	824	5,271
Capital expenditures	–	–	–
Net cash used in financing activities	(2,604)	(3,500)	(359)
Net decrease in cash and cash equivalents	(43)	–	(54)

	2024	**2023**
	(In millions)	
Capitalization		
Total equity attributable to equity holders of Digitel	(9,841)	(12,469)
	(₱9,841)	(₱12,469)
Other Selected Financial Data		
Total assets	₱5,660	₱5,221
Cash and cash equivalents	77	120

As at December 31, 2024, our consolidated cash and cash equivalents totaled ₱77 million. Principal sources of consolidated cash and cash equivalents in 2024 were cash flows provided from operations of ₱2,341 million, proceeds from the sale of telecom towers of ₱41 million, and proceeds from distribution of perpetual notes of ₱191 million. These funds were used principally for: (i) payment of cash dividends of ₱2,183 million; (ii) income tax payment of ₱457 million; (iii) payments for principal and interest of lease liability of ₱370 million and ₱51 million, respectively; and (iv) increase in advances and other noncurrent assets of ₱12 million

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 ₱2,676 million, proceeds from the sale of telecom towers of ₱661, proceeds from distribution of perpetual notes of ₱191 million, and interest received of ₱2 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

Operating Activities

Our consolidated net cash flows provided by operating activities amounted to ₱2,341 million in 2024, lower by ₱335 million, or 13%, from ₱2,676 million in 2023 primarily due to lower collection of trade and other receivables, higher level of other current assets, lower income taxes paid, lower settlement of trade and other payables, and lower operating income.

Our consolidated net cash flows provided by operating activities amounted to ₱2,676 million in 2023 as against consolidated net cash flows used in operating activities amounting to ₱4,967 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.

Investing Activities

Consolidated net cash provided by investing activities amounted to ₱220 million in 2024, lower by ₱604 million, or 73%, from ₱824 million in 2023 primarily due to lower proceeds from disposal of fixed assets by ₱620 million, and lower interest received by ₱2 million.

Consolidated net cash provided by investing activities amounted to ₱824 million in 2023, lower by ₱4,447 million, or 84%, from ₱5,271 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.

Financing Activities

On a consolidated basis, net cash used in financing activities amounted to ₱2,604 million in 2024, lower by ₱896 million, or 26% from ₱3,500 million in 2023 due primarily to lower cash dividends paid by ₱1,029 million, and lower payments for interest on lease liability by ₱9 million, partly offset by higher payments for principal of lease liability by ₱142 million.

On a consolidated basis, net cash used in financing activities amounted to ₱3,500 million in 2023, 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.

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.

Changes in Financial Conditions

Assets

Our total assets amounted to ₱5,660 million as at December 31, 2024, an increase of ₱439 million, or 8%, from ₱5,221 million as at December 31, 2023, primarily due to higher current assets by ₱543 million, or 20%, and lower noncurrent assets by ₱104 million, or 4%.

Our total assets amounted to ₱5,221 million as at December 31, 2023, an increase of ₱754 million, or 17%, from ₱4,467 million as at December 31, 2022, primarily due to higher current assets by ₱295 million, or 12%, and higher noncurrent assets by ₱459 million, or 22%.

Noncurrent Assets

Our noncurrent assets decreased by ₱104 million or 4%, to ₱2,459 million in 2024 from ₱2,563 million in 2023 primarily due to the combined effects of the following:

Investment properties amounted to ₱55 million each as at December 31, 2024 and 2023, which represent land that is currently held for undetermined future use.

Right-of-use (ROU) assets decreased by ₱93 million, or 17%, due to depreciation and termination of ROU sites, partly offset by additional ROU sites during the period.

Investment in perpetual notes decreased by ₱24 million, or 2%, primarily due to loss on fair value change on perpetual notes.

Net deferred income tax asset amounted to ₱2 milliom as at December 31, 2024.

Other noncurrent assets increased by ₱12 million, or 3%, primarily due to higher refundable security deposits.

Our noncurrent assets increased by ₱459 million or 22%, to ₱2,563 million in 2023 from ₱2,104 million in 2022 primarily due to the combined effects of the following:

Investment properties amounted to ₱55 million each as at December 31, 2023 and 2024, which represent land that is currently held for undetermined future use.

Right-of-use assets (ROU) increased by ₱215 million, or 62%, due to additional ROU sites during the period, partly offset by depreciation and termination of ROU sites.

Investment in perpetual notes increased by ₱230 million, or 18%, primarily due to gain on fair value change on perpetual notes.

Net deferred income tax asset decreased by ₱14 million, or 93%, mainly due to lower deferred tax on asset impairment and lease liability and ROU assets.

Other noncurrent assets increased by ₱29 million, or 7%, primarily due to higher refundable security deposits.

Current Assets

Our current assets increased by ₱543 million or 20%, to ₱3,201 million in 2024 from ₱2,658 million in 2023 primarily due to the combined effects of the following:

Cash and cash equivalents decreased by ₱43 million, or 36%, mainly due to the combined effects of cash flows from operating activities of ₱2,341 million, cash flows from investing activities of ₱220 million, and cash flows used in financing activities of ₱2,604 million.

Trade and other receivables increased by ₱547 million, or 24%, due mainly from additional receivables from related parties.

Inventories amounted to nil as at December 31, 2024 and 2023.

Other current assets decreased by ₱21 million, or 23%, primarily due to the higher prepaid fees and licenses and prepaid rent.

Our current assets increased by ₱295 million or 12%, to ₱2,658 million in 2023 from ₱2,363 million in 2022 primarily due to the combined effects of the following:

Cash and cash equivalents remained flat at ₱120 million in 2023, mainly due to the combined effects of cash flows from operating activities of ₱2,676 million, cash flows from investing activities of ₱824 million, and cash flows used in financing activities of ₱3,500 million.

Trade and other receivables increased by ₱307 million, or 16%, due mainly from additional receivables from related parties.

Inventories amounted to nil as at December 31, 2023 and 2022.

Other current assets decreased by ₱49 million, or 33%, primarily due to the lower prepaid rent and prepaid fees and licenses.

Liabilities

Our total liabilities amounted to ₱15,501 million as at December 31, 2024, a decrease of ₱2,189 million, or 12%, from ₱17,690 million as at December 31, 2023, due to lower noncurrent liabilities by ₱55 million, or 10%, and lower current liabilities by ₱2,134 million, or 12%.

Net deferred income tax liabilities increased by ₱15 million, or 750%, due to lower deferred income tax asset on lease liability.

Other noncurrent portion liabilities decreased by ₱70 million, or 13%, due to lower lease liabilities – net of current portion, partly offset by increase in asset retirement obligation.

Trade and other payables decreased by ₱2,146 million, or 13%, due to settlement to related parties, partly offset by higher trade payables and accrued expenses.

Our total liabilities amounted to ₱17,690 million as at December 31, 2023, a decrease of ₱764 million, or 4%, from ₱18,454 million as at December 31, 2022, due to lower noncurrent liabilities by ₱33 million, or 6%, and lower current liabilities by ₱731 million, or 4%.

Net deferred income tax liabilities decreased by ₱1 million, or 33%, due to lower deferred income tax liability on pension and other employee benefits.

Other noncurrent portion liabilities decreased by ₱32 million, or 6%, due to lower lease liabilities – net of current portion and lower asset retirement obligation.

Trade and other payables decreased by ₱994 million, or 6%, due to settlement to related parties, lower accrued expenses and dividends payable, partly offset by higher trade payables.

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 0.21:1 due to an outstanding payable to PLDT and other related parties amounting to ₱13.1 billion as at December 31, 2024. Without this portion in the current liabilities, the current ratio will improve to 1.67:1.

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 commitments 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.

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.

Audit and Audit-Related Fees

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 for 2024 and 2023.

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'six 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 25, 2025 are as follows:

Name	Age	Period during which individual has served as such
Manuel V. Pangilinan	78	October 26, 2011 to present
Alfredo S. Panlilio	61	June 12, 2019 to present
Danny Y. Yu	63	June 13, 2023 to present
Oscar J. Hilado (1)	86	May 6, 2013 to present
Emerlinda R. Roman (1)	75	March 4, 2013 to present
Lorenzo V. Tan	61	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 25, 2025 are as follows:

Name	Age	Position	Period during which individual has served as such
Manuel V. Pangilinan	78	Chairman of the Board – LEC/CMTS	October 26, 2011 to August 6, 2012 May 25, 2015 to present
		President and CEO – LEC/CMTS	January 1, 2024 to present
Jerone H. Tabanera	46	Chief Financial Officer – LEC	May 30, 2022 to present
Danny Y. Yu	63	Chief Financial Officer – CMTS	June 13, 2023 to present
Leo I. Posadas	58	Treasurer – LEC/CMTS	May 29, 2017 to present
Alex Erlito S. Fider	71	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 and President and Chief Executive Officer of PLDT, and has been a director of PLDT since November 24, 1998. He also serves as Chairman of Metro Pacific Investments Corporation ("MPIC"), Chairman and CEO of Manila Electric Company ("Meralco"), and Chairman of PXP Energy Corporation and Philex Mining Corporation, and of several subsidiaries or affiliates of PLDT or MPIC, including, among others, Smart, Digitel Mobile Philippines, Inc. ("DMPI"), PLDT

Communications & Energy Ventures, Inc., ePLDT, Inc. ("ePLDT"), Beacon Electric Assets Holdings Inc., Philex Petroleum Corporation, Manila North Tollways Corporation, Maynilad Water Services Corporation, Landco Pacific Corporation, Metro Pacific Hospital Holdings, Inc., Medical Doctors Incorporated (Makati Medical Center), and Colinas Verdes Corporation (Cardinal Santos Medical Center). 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 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 and 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.

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. He served as President and CEO of PLDT from June 8, 2021 and of Smart from August 8, 2019, and held leadership positions in the various subsidiaries of PLDT and Smart, until his retirement as President and CEO of PLDT and Smart on December 31, 2023. Despite his retirement as President and CEO of PLDT and Smart, Mr. Panlilio has remained as a Director of PLDT and Smart, and has continued to hold various leadership positions within the PLDT Group as Chairman of Maya Bank, Inc.; and Director of Multisys Technologies Corporation and Multipay Corporation. Mr. Panlilio was the Senior Vice President and Head of Customer Retail Services and Corporate Communications at Meralco from September 10, 2010 to June 30, 2019. He also held several leadership positions within the Meralco Group.

Mr. Panlilio is a Trustee of the Kapampangan Development Foundation and Philpop Musicfest Foundation. With PLDT as a longtime supporter of the Philippines' digital transformation, Mr. Panlilio is among the founding members under the Digital Infrastructure pillar of the Private Sector Advisory Council (PSAC), formed in July 2022. Mr. Panlilio sits as President of the MVP Sports Foundation, a Member of the FIBA Central Board, Second Vice President of FIBA Asia Central Board, First Vice President of the Philippine Olympic Committee and headed the FIBA Basketball World Cup 2023 local organizing committee. He is also the President of the Samahang Basketbol ng Pilipinas (SBP), the country's governing basketball federation, and is the Chairman of the National Golf Association of the Philippines (NGAP) and Director of the Philippine Badminton Association.

Mr. 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 served as the PLDT Group Controller from November 17, 2022 to May 3, and 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. He started his career at SGV & Co. where he was a senior auditor. 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. In 2016, he was awarded the ING-FINEX CFO of the Year.

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, 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., 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. 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 Kalookan 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 concurrent 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 Chief Financial Officer of PLDT Global Corporation, a director and Treasurer of PLDT Global Investments Holdings, a director of PLDT Communication and Energy Ventures, a director of Philstar and Businessworld, 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, Digitel Mobile, PLDT-Smart Foundation 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 2024 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 the revised Audit Committee Charter, subject to final approval and adoption by the Board;

- 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 under the applicable Auditing Standard. It has received written disclosures and the letter from SGV & Co. as required by the applicable Independence Standards (Statement as to Independence) and has 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 in the meetings of the Risk Committee, from which they are also members.

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

- The Audit Committee has 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 2024 and the audited financial statements as of and for the year ended December 31, 2024 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 Accounting Standards).

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 25, 2025:

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 25, 2025 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 25, 2025, 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 7/F Ramon Cojuangco Bldg., Makati Avenue, Makati City	Filipino	Common	10	₱1	0.000000
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, 2024 and 2023. 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 20 – 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, 2024 will be reported in the Certification to be submitted to the SEC on or before June 30, 2025.

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 (2024); (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 2024:

Items Reported	Date Filed
I. Board meeting held on March 21, 2024 • Approved to hold its Annual Meeting of Stockholders on May 27, 2024 via remote communication through Microsoft Teams (MS Teams) and set March 31, 2024 as the record date for the determination of stockholders entitled to notice and to vote during the Annual Meeting	March 22, 2024
II. Annual Stockholders meeting held on May 27, 2024 • 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 28, 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 25, 2025.

DIGITAL TELECOMMUNICATIONS PHILS., INC.
Registrant

By:

Manuel V. Pangilinan
Chairman/President and Chief Executive Officer

Jerone H. Tabanera
Chief Finance Officer

Atty. Alex Erlito S. Fider
Corporate Secretary

15 APR 2025

SUBSCRIBED AND SWORN TO before me in this ______ day of _______ 2025, 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. 191
Page No. 40
Book No. XXVII
Series of 2025.

MA. ESMERALDA R. CUNANAN
Notary Public for and in Makati City
Until December 31, 2025
Appt. No. M-013 (2024-2025) Makati City
Attorney's Roll No. 34562
MCLE Compliance No. VIII-0009662/valid until 4-14-202
PTR No. 10467303/1-2-2025/Makati City
IBP Lifetime Member No. 05413
G/F Dela Rosa Carpark I, Dela Rosa St.
Legaspi Village, Makati City

DIGITAL TELECOMMUNICATIONS PHILS., INC. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

FINANCIAL STATEMENTS

SUPPLEMENTARY SCHEDULES

COVER SHEET
for
AUDITED 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

19th 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, 2024 and 2023, 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 Finance Officer

Signed this 25th day of March 2025

SUBSCRIBED AND SWORN to before me this 14 APR 2025 MAKATI CITY 2025 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. 502 ;
Page No. 102 ;
Book No. XXVI ;
Series of 2025

MA. ESMERALDA R. CUNANAN
Notary Public for and in Makati City
Until December 31, 2025
Appt. No. M-013 (2024-2025) Makati City
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PTR No. 10467303/1 2.2025/Makati City
IBP Lifetime Member No. 05413
G/F Dela Rosa Carpark I, Dela Rosa St.
Legaspi Village, Makati City

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
sgv.ph

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Digital Telecommunications Phils., Inc. and Subsidiaries
8003-A Matalino St., Diliman
Quezon City, Metro Manila

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Digital Telecommunications Phils., Inc. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2024 and 2023, 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, 2024, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2024 in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

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 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, 2024. 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 materially 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.

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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 PFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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.

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- 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.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and review of the audit work performed for purposes of the group audit. We remain solely 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 will 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, April 16, 2024, valid until August 23, 2026
BIR Accreditation No. 08-001998-152-2024, February 27, 2024, valid until February 26, 2027
PTR No. 10465280, January 2, 2025, Makati City

March 25, 2025

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2024	2023
	(In millions)	
ASSETS		
Noncurrent Assets		
Investment properties *(Note 22)*	**₱55**	₱55
Property and equipment *(Note 7)*	**–**	–
Right-of-use (ROU) assets *(Note 8)*	**467**	560
Investment in perpetual notes *(Notes 9, 20, 21 and 22)*	**1,499**	1,523
Deferred income tax assets – net *(Note 5)*	**2**	1
Other noncurrent assets *(Notes 10, 21 and 22)*	**436**	424
Total Noncurrent Assets	**2,459**	2,563
Current Assets		
Cash and cash equivalents *(Notes 11, 21 and 22)*	**77**	120
Trade and other receivables *(Notes 12, 20, 21 and 22)*	**2,819**	2,272
Inventories *(Note 13)*	**–**	–
Other current assets *(Note 14)*	**78**	99
	2,974	2,491
Assets classified as held-for-sale *(Note 8)*	**227**	167
Total Current Assets	**3,201**	2,658
TOTAL ASSETS	**₱5,660**	₱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	**(12,825)**	(15,453)
Total Capital Deficiency *(Notes 1 and 15)*	**(9,841)**	(12,469)
Noncurrent Liabilities		
Deferred income tax liabilities – net *(Note 5)*	**17**	2
Lease liabilities – net of current portion *(Note 8)*	**193**	323
Asset retirement obligation *(Note 16)*	**270**	210
Total Noncurrent Liabilities	**480**	535
Current Liabilities		
Trade and other payables *(Notes 17, 20, 21 and 22)*	**14,365**	16,511
Lease liabilities *(Note 8)*	**268**	282
Income tax payable	**217**	199
	14,850	16,992
Liabilities associated with assets classified as held-for-sale *(Note 8)*	**171**	163
Total Current Liabilities	**15,021**	17,155
Total Liabilities	**15,501**	17,690
TOTAL CAPITAL DEFICIENCY AND LIABILITIES	**₱5,660**	₱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 Years Ended December 31		
	2024	2023	2022
	(In millions, except earnings per share amounts)		
REVENUES			
Revenues from contracts with customers *(Notes 18 and 20)*	**₱6,333**	₱7,106	₱7,203
	6,333	7,106	7,203
COSTS AND EXPENSES			
Professional and other contracted services *(Note 20)*	**1,754**	1,772	1,774
Repairs and maintenance	**683**	958	1,161
Royalty expense *(Note 20)*	**339**	353	354
Depreciation *(Notes 7 and 8)*	**301**	309	288
Taxes and licenses	**120**	174	108
Rent *(Notes 8, 20 and 23)*	**75**	66	155
Compensation and employee benefits *(Notes 18 and 19)*	**1**	1	1
Asset impairment	**1**	–	29
Insurance and security services	**–**	–	3
Other expenses	**1**	1	1
	3,275	3,634	3,874
	3,058	3,472	3,329
OTHER INCOME (EXPENSES)			
Distribution income on perpetual notes *(Notes 9 and 20)*	**191**	191	258
Gain on sale of telecom towers *(Note 7)*	**41**	661	3,508
Reversal of long outstanding accruals *(Note 17)*	**32**	–	1,144
Rental income	**4**	5	13
Gains on disposal of fixed assets	**1**	1	1
Gains (losses) on fair value change on perpetual notes *(Note 9)*	**(24)**	230	(2,098)
Accretion expense on lease liabilities *(Notes 4 and 8)*	**(51)**	(60)	(55)
Interest income *(Note 11)*	**–**	2	3
Other income – net *(Note 18)*	**(63)**	7	289
	131	1,037	3,063
INCOME BEFORE INCOME TAX	**3,189**	4,509	6,392
PROVISION FOR INCOME TAX *(Note 5)*	**561**	732	1,197
NET INCOME *(Notes 1, 4 and 6)*	**2,628**	3,777	5,195
OTHER COMPREHENSIVE INCOME			
Items not to be reclassified to profit or loss in subsequent years –			
Remeasurement gain on defined benefit obligation – net of tax *(Notes 15 and 19)*	**–**	–	–
TOTAL COMPREHENSIVE INCOME	**₱2,628**	₱3,777	₱5,195
Earnings per Share *(Note 6)*	**₱0.10**	₱0.14	₱0.20

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, 2024, 2023 AND 2022

	Capital Stock *(Note 15)*	Additional Paid-in Capital *(Note 15)*	Equity Reserve *(Note 15)*	Deficit *(Note 15)* Appropriated	Deficit *(Note 15)* Unappropriated	Total Capital Deficiency *(Note 1)*
			(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	–	–	–	–	**2,628**	**2,628**
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	**2,628**	**2,628**
Balances as at December 31, 2024	**₱2,614**	**₱2,201**	**(₱1,831)**	**₱5,000**	**(₱17,825)**	**(₱9,841)**
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 income	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	3,777	3,777
Cash dividends declared – ₱0.0864 per share *(Note 15)*	–	–	–	–	(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 15)*	–	–	–	–	(3,137)	(3,137)
Balances as at December 31, 2022	₱2,614	₱2,201	(₱1,831)	₱5,000	(₱21,971)	(₱13,987)

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		
	2024	2023	2022
		(In millions)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱3,189**	₱4,509	₱6,392
Adjustments for:			
Depreciation *(Notes 7 and 8)*	**301**	309	288
Accretion on:			
Lease liabilities *(Notes 4, 8, 18 and 24)*	**51**	60	55
Asset retirement obligation *(Note 16)*	**5**	5	4
Losses (gains) on lease modification *(Note 18)*	**29**	8	(59)
Losses (gains) on fair value change on perpetual notes *(Note 9)*	**24**	(230)	2,098
Asset impairment *(Notes 12, 13, 14 and 18)*	**1**	–	29
Gain on:			
Disposal of fixed assets	**(1)**	(1)	(1)
Adjustment of asset retirement obligation *(Notes 16 and 18)*	**(13)**	(33)	(93)
Sale of telecom towers	**(41)**	(661)	(3,508)
Foreign exchange	**–**	(1)	–
Reversal of long outstanding accruals *(Note 17)*	**(32)**	–	(1,144)
Distribution income on perpetual notes *(Note 9)*	**(191)**	(191)	(258)
Interest income *(Note 11)*	**–**	(2)	(3)
Others	**2**	(9)	2
Operating income before changes in assets and liabilities	**3,324**	3,763	3,802
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Trade and other receivables	**(543)**	3,103	1,797
Other current assets	**(52)**	(314)	(286)
Increase (decrease) in:			
Trade and other payables	**69**	(3,248)	(9,194)
Other noncurrent liabilities	**–**	(16)	–
Net cash flows generated from (used in) operations	**2,798**	3,288	(3,881)
Income taxes paid	**(457)**	(612)	(1,086)
Net cash flows provided by (used in) operating activities	**2,341**	2,676	(4,967)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from:			
Distribution of perpetual notes *(Note 9)*	**191**	191	258
Disposal of fixed assets *(Note 7)*	**41**	661	3,508
Interest received	**–**	2	3
Partial redemption of perpetual notes *(Note 9)*	**–**	–	1,500
Decrease (increase) in advances and other noncurrent assets	**(12)**	(30)	2
Net cash flows provided by investing activities	**220**	824	5,271

(Forward)

	For the Years Ended December 31		
	2024	2023	2022
		(In millions)	
CASH FLOWS USED IN FINANCING ACTIVITIES			
Payments for:			
Interest charged on lease liabilities *(Notes 4, 8, 18 and 24)*	**(₱51)**	(₱60)	(₱55)
Principal portion of lease liabilities *(Note 8)*	**(370)**	(228)	(304)
Cash dividends *(Note 15)*	**(2,183)**	(3,212)	–
Cash flows used in financing activities	**(2,604)**	(3,500)	(359)
NET EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**–**	–	1
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(43)**	–	(54)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**120**	120	174
CASH AND CASH EQUIVALENTS AT END OF THE YEAR *(Note 11)*	**₱77**	₱120	₱120

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 Parent Company's ultimate parent is PLDT, Inc. with 99.62% of ownership.

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 25, 2025, 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. This agreement has been renewed for a period of three years from January 1, 2024, until December 31, 2026, thereby continuing the objectives set forth in the original agreement.

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 20 – 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 ₱9,841 million and ₱12,469 million as at December 31, 2024 and 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.

In 2024, 2023 and 2022, the Group also reported net income amounting to ₱2,628 million, ₱3,777 million and ₱5,195 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, 2024 and 2023, the Group's current liabilities exceeded its current assets by ₱11,820 million and ₱14,497 million as at December 31, 2024 and 2023, respectively. The major existing liabilities as at December 31, 2024 and 2023 are the advances due to PLDT amounting to ₱13,102 million and ₱13,114 million, respectively (see *Note 20 – Related Party Transactions*). In addition, the Parent Company's dividends payable to PLDT amounted to nil and ₱2,175 million as at December 31, 2024 and 2023, 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, 2024 and 2023, and for the years ended December 31, 2024, 2023 and 2022 were approved and authorized for issuance by the BOD on March 25, 2025.

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 Accounting Standards, or PFRS Accounting Standards. 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.

Basis of Consolidation
The consolidated financial statements include the financial statements of the Parent Company and its wholly-owned subsidiaries as at December 31, 2024 and 2023 and for the years ended December 31, 2024, 2023 and 2022. 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.

New Standards, Interpretations and Amendments
The accounting policies adopted are consistent with those of the previous financial year, except the Group has adopted the following new and amended standards starting January 1, 2024. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, the adoption of these new and amended standards did not have material impact on the Group's financial position or performance.

- Amendments to PAS 1, Classification of Liabilities as Current or Noncurrent

  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.

- Amendments to PAS 7, *Statement of Cash Flows* and PFRS 7 *Financial Instruments: Disclosures, Supplier Finance Arrangements*

  The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

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, 2024 and 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 over the contract period). 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

<u>Other Noncurrent Assets</u>
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.

<u>Impairment of Non-financial Assets</u>
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.

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, 2024 and 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 20 – 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*).

The Group has no financial assets at FVOCI as at December 31, 2024 and 2023.

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, 2024 and 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 December 31, 2024 and 2023 (see *Note 8 – Leases, Note 17 – Trade and Other Payables* and *Note 20 – 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.

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 based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash and cash equivalents and refundable security deposits, the Group applies a general approach which measures ECL on either a 12-month or lifetime basis depending on whether a significant increase in credit risks has occurred once initial recognition on whether an asset is considered to be credit-impaired, adjusted for the effects of collateral, forward-looking factors and time value of money.

For trade and other receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 30 to 120 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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 22 – 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 22 – 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
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 less cumulative dividends declared, if any.

Earnings per Share (EPS)
Basic earnings per share amounts are calculated by dividing net income 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 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, 2024, 2023 and 2022; 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).

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, loss on lease modifications, foreign exchange gain 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
Pronouncements issued but not yet effective are listed below. The Group intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Group's consolidated financial statements.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

- Amendments to PAS 21, *Lack of Exchangeability*

Effective beginning on or after January 1, 2026

- Amendments to PFRS 9 and PFRS 7, *Classification and Measurement of Financial Instruments*
- Annual Improvements to PFRS Accounting Standards—Volume 11
  - Amendments to PFRS 1, *Hedge Accounting by a First-time Adopter*
  - Amendments to PFRS 7, *Gain or Loss on Derecognition*
  - Amendments to PFRS 9, *Lessee Derecognition of Lease Liabilities and Transaction Price*
  - Amendments to PFRS 10, *Determination of a 'De Facto Agent'*
  - Amendments to PAS 7, *Cost Method*

Effective beginning on or after January 1, 2027

- PFRS 18, *Presentation and Disclosure in Financial Statements*
- PFRS 19, *Subsidiaries without Public Accountability*

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements, and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

3. Management's Use of Accounting Judgments, Estimates and Assumptions

The preparation of the accompanying consolidated financial statements in conformity with PFRS Accounting Standards 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.

Judgments
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:

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 17 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 within the year. 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.

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. .

- *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 ₱461 million and ₱605 million as at December 31, 2024 and 2023, respectively (see *Note 8 – Leases*).

Impairment of non-financial assets
PFRS Accounting Standards 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 Accounting Standards.

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, 2024, 2023 and 2022 (see *Note 7 – Property and Equipment*).

The Group impaired its creditable withholding taxes amounting to ₱1 million and ₱25 million for the years ended December 31, 2024 and 2022, respectively. 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 the year ended December 31, 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 December 31, 2024 and 2023 are as follows:

	2024	2023
	(In millions)	
ROU assets (*Note 8*)	**₱467**	₱560
Other current assets (*Note 14*)	**70**	91
Investment properties *(Note 22)*	**55**	55
Advances to suppliers and contractors *(Note 10)*	**9**	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 the end of each financial year.

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 provision for asset retirement obligation amounting to ₱13 million, ₱33 million and ₱93 million for the years ended December 31, 2024, 2023 and 2022, respectively, presented as "Gain on adjustment of asset retirement obligation" under "Other income – 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 ₱270 million and ₱210 million as at December 31, 2024 and 2023, respectively, presented as asset retirement obligation in the consolidated statements of financial position (see *Note 16 – Asset Retirement Obligation*).

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, 2024 and 2023 amounted to ₱102 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 ₱2,242 million and ₱2,222 million as at December 31, 2024 and 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 23 – 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, 2024 and 2023 amounted to ₱1,779 million and ₱1,793 million, respectively (see *Note 22 – 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 are 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 Accounting Standards.

The assets and liabilities, segment revenues, net income, and other segment information of the Group's reportable segments as at December 31, 2024 and 2023, and for the years ended December 31, 2024, 2023 and 2022 are as follows:

	December 31, 2024			
	Wireless	**Fixed Line**	**Inter-segment Transactions**	**Consolidated**
		(In millions)		
Revenues				
Revenues from contracts with external customers (*Note 18*)	**₱6,333**	**₱–**	**₱–**	**₱6,333**
Total revenues	**₱6,333**	**₱–**	**₱–**	**₱6,333**
Results				
Provision for income tax (*Note 5*)	**₱563**	**₱1**	**₱(3)**	**₱561**
Depreciation (*Notes 7 and 8*)	**301**	**–**	**–**	**301**
Accretion expense on lease liabilities *(Notes 8 and 18)*	**51**	**–**	**–**	**51**
Asset impairment	**–**	**1**	**–**	**1**
Net income/segment profit	**2,618**	**7**	**3**	**2,628**
Assets and Liabilities				
Operating assets	**4,048**	**38,881**	**(38,825)**	**4,104**
Investment in perpetual notes *(Note 9)*	**1,499**	**–**	**–**	**1,499**
Deferred income tax assets *(Note 5)*	**–**	**–**	**2**	**2**
Investment properties *(Note 22)*	**–**	**55**	**–**	**55**
Total assets	**₱5,547**	**₱38,936**	**(₱38,823)**	**₱5,660**
Operating liabilities	**₱2,267**	**₱13,241**	**(₱24)**	**₱15,484**
Deferred income tax liabilities – net (*Note 5*)	**15**	**2**	**–**	**17**
Total liabilities	**₱2,282**	**₱13,243**	**(₱24)**	**₱15,501**
Other Segment Information				
Capital expenditure	**₱–**	**₱–**	**₱–**	**₱–**

	December 31, 2023			
	Wireless	Fixed Line	Inter-segment Transactions	Consolidated
		(In millions)		
Revenues				
External customers:				
Revenues from contracts with customers (*Note 18*)	₱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
Accretion expense on lease liabilities *(Notes 8 and 18)*	60	–	–	60
Asset impairment	–	–	–	–
Net income/segment profit	3,807	(30)	–	3,777

(Forward)

	December 31, 2023			
	Wireless	Fixed Line	Inter-segment Transactions	Consolidated
		(In millions)		
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 *(Note 22)*	–	55	–	55
Total assets	₱5,104	₱38,916	(₱38,799)	₱5,221
Operating liabilities	₱2,233	₱15,455	₱–	₱17,688
Deferred income tax liabilities – net (*Note 5)*	–	2	–	2
Total liabilities	₱2,233	₱15,457	₱–	₱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 18)*	₱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
Accretion expense on lease liabilities *(Notes 8 and 18)*	55	–	–	55
Asset impairment (*Note 18*)	–	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 9)*	1,293	–	–	1,293
Deferred income tax assets *(Note 5)*	15	–	–	15
Investment properties *(Note 22)*	–	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	₱–	₱–	₱–	₱–

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 ₱6,333 million, ₱7,106 million and ₱7,203 million in 2024, 2023 and 2022, respectively, which accounted to 10% or more of the Group's revenue (see *Note 18 – Income and Expenses* and *Note 20 – Related Party Transactions*).

5. Income Tax

Provision for (benefit from) income tax for the years ended December 31, 2024, 2023 and 2022 consist of:

	2024	2023	2022
		(In millions)	
Current	**₱547**	₱720	₱1,209
Deferred	**14**	12	(12)
	₱561	₱732	₱1,197

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, 2024, 2023 and 2022 are as follows:

	2024	2023	2022
		(In millions)	
Income before income tax (*Note 4*)	**₱3,189**	₱4,509	₱6,392
Provision at statutory income tax rate	**797**	1,127	1,598
Adjustments from the tax effects of:			
Net movement in deferred income tax assets not recognized due to OSD	**10**	(70)	429
Changes in unrecognized deferred income tax assets	**(4)**	4	(157)
Difference between OSD and itemized deduction	**(242)**	(331)	(677)
Nondeductible expenses and others	**–**	3	5
Income subject to final tax	**–***	(1)	(1)
Provision for income tax (*Note 4*)	**₱561**	₱732	₱1,197

**No amounts extended due to rounding off amounts in millions*

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, 2024 and 2023 amounted to ₱102 million and ₱123 million, respectively.

Components of the Group's consolidated net deferred income tax assets as at December 31, 2024 and 2023 are as follows:

	2024	2023
	(In millions)	
Deferred income tax assets – net:		
Deferred income tax assets:		
Lease liability	**₱95**	₱115
Asset impairment	**6**	6
Interest on perpetual note	**1**	2
	102	123

(Forward)

	2024	2023
	(In millions)	
Deferred income tax liabilities:		
Pension and other employee benefits	**(₱13)**	(₱13)
ROU assets	**(104)**	(109)
	(117)	(122)
	(₱15)	₱1

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 December 31, 2024 and 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	2023
	(In millions)	
Fair valuation adjustment on perpetual notes	**₱1,701**	₱1,677
Asset retirement obligation (*Note 16*)	**270**	211
Lease liability	**253**	307
Asset impairment	**209**	209
Allowance for refundable security deposits	**116**	117
NOLCO	**11**	18
Interest on perpetual notes	**2**	4
Allowance for inventory obsolescence (*Note 13*)	**2**	2
Unrealized foreign exchange loss	**2**	1
Accrued expenses	**1**	1
Pension liability	**(49)**	(34)
ROU assets	**(277)**	(291)
MCIT	**1**	–*
	₱2,242	₱2,222

** No amounts extended due to rounding-off of amounts in millions.*

No NOLCO incurred in 2024. MCIT incurred in December 31, 2024, with expiry date of December 31, 2027, amounted to ₱1 million.

NOLCO and MCIT incurred as at December 31, 2023, with expiry date of December 31, 2026, amounted to ₱11 million and ₱51 thousand, respectively.

Changes in the consolidated net deferred income tax assets (liabilities) as at December 31, 2024 and 2023 are as follows:

	2024	2023
	(In millions)	
Net deferred income tax assets – balances at beginning of the year	**₱1**	₱15
Net deferred income tax liabilities – balances at beginning of the year	**(2)**	(3)
Net balances at beginning of the year	**(1)**	12
Provision for deferred income tax	**(14)**	(12)
Movement charged directly to other comprehensive income	**–**	(1)
Net balances at end of the year	**(15)**	(1)
Net deferred income tax assets – balances at end of the year	**2**	1
Net deferred income tax liabilities – balances at end of the year	**(₱17)**	(₱2)

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, 2024, 2023 and 2022 are as follows:

	2024	2023	2022
	(In millions, except earnings per share amounts)		
Consolidated net income *(Notes 1 and 4)*	**₱2,628**	₱3,777	₱5,195
Weighted average number of common shares (*Note 15*)	**26,142**	26,142	26,142
Earnings per share	**₱0.10**	₱0.14	₱0.20

The Group has no material dilutive potential common shares outstanding as at December 31, 2024 and 2023; therefore, basic EPS is equal to diluted EPS.

7. **Property and Equipment**

Changes in property and equipment account as at December 31, 2024 and 2023 are as follows:

	2024				
	Cable and Wire Facilities	**Cellular Facilities**	**Buildings and Improvements**	**Vehicles, Furniture and Work Equipment**	**Total**
Cost					
As at January 1, 2024	**₱6,255**	**₱15,773**	**₱196**	**₱1,688**	**₱23,912**
Disposals	**(3)**	**(8,303)**	**(2)**	**(2)**	**(8,310)**
As at December 31, 2024	**6,252**	**7,470**	**194**	**1,686**	**15,602**

(Forward)

	2024				
	Cable and Wire Facilities	**Cellular Facilities**	**Buildings and Improvements**	**Vehicles, Furniture and Work Equipment**	**Total**
Accumulated Depreciation and Impairment					
As at January 1, 2024	**₱6,255**	**₱15,773**	**₱196**	**₱1,688**	**₱23,912**
Depreciation (*Notes 3 and 4*)	–	–	–	–	–
Disposals	**(3)**	**(8,303)**	**(2)**	**(2)**	**(8,310)**
As at December 31, 2024	**6,252**	**7,470**	**194**	**1,686**	**15,602**
Net Book Value at end of the year (*Note 3*)	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**

	2023				
	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)
Reclassifications to assets classified as held-for sale		(2,319)			(2,319)
As at December 31, 2023	6,255	15,773	196	1,688	23,912
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)
Reclassifications to assets classified as held-for sale		(2,319)			(2,319)
As at December 31, 2023	6,255	15,773	196	1,688	23,912
Net Book Value at end of the year (*Note 3*)	₱–	₱–	₱–	₱–	₱–

Sale of Telecom Towers

On various dates in 2023 and 2022, Smart and DMPI signed Sale and Purchase Agreements, or SPAs, with Edotco Towers, Inc, EdgePoint, Towers, Inc., Unity Digital Infrastructure and Frontier Tower Associates Philippines, Inc. (the TowerCos), in connection with the sale of 7,569 telecom towers and related passive telecommunication infrastructure for ₱98,309 million.

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 of telecom towers as at December 31, 2024.

	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
For the year ended 2024	**25**	**41**
	670	₱4,210

Telecom equipment subject to this sale agreement subsequent to December 31, 2024 and 2023 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, 2024 and 2023.

Impairment of Property and Equipment
No impairment loss for property and equipment was recognized for each of the years ended December 31, 2024 and 2023.

Total accumulated impairment loss on property and equipment amounted to ₱9,978 million and ₱11,135 million as at December 31, 2024 and 2023.

Collaterals
The Group has no property and equipment that were used as collateral for loans as at December 31, 2024 and 2023.

Disposals and Retirement
The Group disposed, retired or reclassified to assets held for sale fully depreciated assets amounting to ₱8,310 million and ₱407 million for the years ended December 31, 2024 and 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 December 31, 2024 and 2023 are estimated as follows:

Site	1 – 17 years
Domestic leased circuits	7 years
Office buildings	1 – 7 years

Changes in the ROU assets as at December 31, 2024 and 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	**393**	–	–	**393**
Termination	**(345)**	–	–	**(345)**
Lease modification	**6**	–	–	**6**
Asset retirement obligation[(1)]	**59**	–	–	**59**
Reclassification to assets classified as held-for sale[(2)]	**(31)**			**(31)**
As at December 31, 2024	**1,374**	**36**	**131**	**1,541**
Accumulated Depreciation				
At January 1, 2024	**743**	**25**	**131**	**899**
Depreciation[(3)]	**279**	**5**	–	**284**
Termination[(1)]	**(157)**	–	–	**(157)**
Charges from asset retirement obligation[(3)]	**17**	–	–	**17**
Reclassification to assets classified as held-for sale[(2)]	**31**	–	–	**31**
As at December 31, 2024	**913**	**30**	**131**	**1,074**
Net book value at end of the year	**₱461**	**₱6**	**₱–**	**₱467**

[(1)]*Includes retirement of asset retirement obligation.*
[(2)]*Netted by reclassifications to ROU assets when held for sale criteria were ceased to be met.*
[(3)]*Total depreciation expense in the statements of income includes depreciation and charges from asset retirement obligation.*

	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[(2)]	280	5	–	285
Termination[(1)]	(164)	–	(13)	(177)
Charges from asset retirement obligation[(2)]	23	–	–	23
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

[(1)] Includes retirement of asset retirement obligation
[(2)] Total depreciation expense in the statements of income includes depreciation and charges from asset retirement obligation

The following amounts are recognized in the statement of comprehensive income for the years ended December 31, 2024, 2023 and 2022:

	2024	2023	2022
		(In millions)	
Depreciation expense of ROU assets	**₱301**	₱308	₱285
Expenses relating to short-term leases	**66**	58	155
Accretion of lease liabilities	**51**	60	55
Losses (gains) on lease modification	**29**	8	(59)
Accretion of asset retirement obligation*	**5**	5	4
Total amount recognized in the statement of comprehensive income	**₱452**	₱439	₱440

**Amount included under "Repairs and maintenance" in the statements of comprehensive income.*

Lease Liabilities

The following table summarizes all changes to lease liabilities as at December 31, 2024 and 2023:

	2024	2023
	(In millions)	
Lease liabilities at the beginning of the year	**₱605**	₱381
Additional lease liabilities recognized during the year	**393**	632
Accretion expenses *(Notes 4, 18 and 24)*	**51**	60
Reclassification to liabilities associated with the assets classified as held-for-sale	**(8)**	(16)
Termination	**(64)**	(159)
Lease modifications	**(95)**	(4)
Settlement of obligations and others	**(421)**	(289)
Lease liabilities at the end of the year	**461**	605
Less current portion of lease liabilities	**268**	282
Noncurrent portion of lease liabilities	**₱193**	₱323

The maturity analysis of undiscounted lease payments is disclosed in *Note 21 – 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 within one year 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, 2024 and 2023.

Details of accounts assets classified as held-for-sale and its related liabilities are as follows:

	2024	2023
	(In Millions)	
Assets classified as held-for-sale -		
ROU assets	**₱227**	₱167
Liabilities associated with the assets classified as held-for-sale:		
Lease liabilities	**171**	163
Asset retirement obligation *(Note 16)*	**–**	–
	₱171	₱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 ₱24 million and ₱2,098 million for the years ended December 31, 2024 and 2022, respectively and gain from changes in fair value of its investment in perpetual notes amounting to ₱230 million for the year ended December 31, 2023, and distribution income amounting to ₱191 million each for the years ended December 31, 2024 and 2023, and ₱258 million for the year ended December 31, 2022, 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 ₱1,499 million and ₱1,523 million as at December 31, 2024 and 2023, respectively (See *Notes 20 – Related Party Transactions, Note 21 – Financial Risk Management Policies and Objectives and Note 22 – Fair Value Measurement).*

10. Other Noncurrent Assets

As at December 31, 2024 and 2023, this account consists of:

	2024	2023
	(In millions)	
Refundable security deposits – net *(Notes 21 and 22)*	**₱327**	₱315
Pension asset *(Note 19)*	**100**	100
Advances to suppliers and contractors	**9**	9
	₱436	₱424

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 December 31, 2024 and 2023 are as follows:

	2024	2023
	(In millions)	
Refundable security deposits *(Notes 21 and 22)*	**₱444**	₱432
Less allowance	**117**	117
Refundable security deposits – net	**₱327**	₱315

11. Cash and Cash Equivalents

As at December 31, 2024 and 2023, this account consists of:

	2024	2023
	(In millions)	
Cash on hand and in banks	**₱77**	₱120
Temporary cash investments	**–**	–
	₱77	₱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 21 – Financial Risk Management Objectives and Policies*).

Interest income earned from cash in banks and temporary cash investments amounted to ₱0.3 million, ₱2 million and ₱3 million for the years ended December 31, 2024, 2023 and 2022, respectively, presented under "Interest income" account in the consolidated statements of comprehensive income.

12. **Trade and Other Receivables**

As at December 31, 2024 and 2023, this account consists of:

	2024	2023
	(In millions)	
Trade receivables (*Note 21)*		
Due from related parties	**₱2,812**	₱2,265
Dealers, agents and others	**7**	7
Total	**2,819**	2,272
Less allowance for impairment losses:		
Trade receivables (*Note 21*)		
Dealers, agents and others	–	–
	–	–
	₱2,819	₱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.

The Group's allowance for impairment losses on trade and other receivables amounted to nil as at December 31, 2024 and 2023, respectively.

There are no receivables pledged as collateral for liabilities as at December 31, 2024 and 2023.

13. **Inventories**

As at December 31, 2024 and 2023, this account consists of:

	2024	2023
	(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, 2024, 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, 2024 and 2023 and ₱0.2 million for the year ended December 31, 2022.

14. **Other Current Assets**

As at December 31, 2024 and 2023, this account consists of:

	2024	2023
	(In millions)	
Prepaid taxes	**₱59**	₱82
Prepayments for:		
Refundable security deposits – net *(Notes 21 and 22)*	**8**	8
Fees and licenses	**7**	8
Rent	**3**	1
Repairs and maintenance	**1**	–
	₱78	₱99

<u>Prepaid Taxes</u>
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. 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.

The Group impaired its creditable withholding taxes amounting to ₱1 million and ₱25 million for the years ended December 31, 2024 and 2022, respectively. Based on the Group's assessment, it will not be able to utilize its tax credits. No impairment losses on creditable withholding taxes were recognized for the year ended December 31, 2023. 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 ₱165 million for both years ended December 31, 2024 and 2023, respectively.

<u>Refundable Security Deposits</u>
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, 2024 and 2023.

The allowance for impairment losses on refundable security deposits amounted to ₱27 million as at December 31, 2024 and 2023.

<u>Prepaid Fees and Licenses</u>

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.

<u>Prepaid Rent</u>
This account represents two to three months of advance rental that can be applied against future billings.

15. **Equity**

Capital Stock
The Parent Company's capital stock as at December 31, 2024 and 2023 is as follows:

	2024	2023
	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, 2024 and 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., was paid on 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 ₱8 million, respectively, presented in "Trade and other payables" account in the statement of financial position (see *Note 17 – Trade and Other Payables* and *Note 20 – 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

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, 2024 based on the guidelines set forth in the Memorandum Circular 11 issued by the Philippine SEC on December 5, 2008 is ₱15,878 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, 2024 (amount presented in millions):

Parent Company's unappropriated retained earnings available for dividend declaration as at January 1, 2024		₱13,645
Add net income actually earned/realized during 2024		
Net income	2,232	
Less unrealized foreign exchange gain – net (except cash and cash equivalents)	–	2,232
Less dividends declared		–
Parent Company's unappropriated retained earnings available for dividend declaration as at December 31, 2024		₱15,877

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, 2024 and 2023:

	2024	2023
	(In millions)	
Cash and Cash Equivalents *(Notes 11, 21 and 22)*	**₱77**	₱120
Capital deficiency *(Note 1)*	**(9,841)**	(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 years ended December 31, 2024 and 2023 are as follows:

	2024	2023
	(In millions)	
Balance at beginning of the year	**₱210**	₱226
Change in assumptions	**58**	(12)
Capitalized to ROU assets	**10**	24
Accretion expenses	**5**	5
Gain on adjustment of asset retirement obligation	**(13)**	(33)
Balance at end of the year	**₱270**	₱210

17. **Trade and Other Payables**

As at December 31, 2024 and 2023, this account consists of:

	2024	2023
	(In millions)	
Due to related parties *(Note 20)*	**₱13,102**	₱15,289
Accrued expenses	**700**	690
Trade payables	**534**	494
Payables to connecting carriers – net (*Note 21*)	**28**	28
Dividends payable *(Note 15)*	–	8
Others	**1**	2
	₱14,365	₱16,511

Due to related parties
Terms and conditions of transactions with related parties are disclosed in *Note 20 – 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, 2024 and 2023, this account consists of:

	2024	2023
	(In millions)	
Maintenance and others	**₱405**	₱326
Taxes and licenses	**125**	124
Rent	**83**	152
Selling and promotions	**31**	32
Insurance and security services	**22**	22
Professional and other contracted services	**21**	21
Salaries and other employee benefits	**1**	1
Other operating costs	**12**	12
	₱700	₱690

The Company recognized reversal of long outstanding accruals amounting to ₱32 million, nil and ₱1,144 million for the years ended December 31, 2024, 2023 and 2022, 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.

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 years ended December 31, 2024, 2023 and 2022:

	2024	2023	2022
		(In millions)	
Type of good or service:			
Service revenues:			
Distributed subscriber revenues (*Note 20*)	**₱5,301**	₱5,520	₱5,529
Revenues from facility service fees *(Note 20)*	**₱1,032**	₱1,586	₱1,674
Total revenues from contracts with customers	**₱6,333**	₱7,106	₱7,203
Timing of revenue recognition:			
Transferred over time	**₱6,333**	₱7,106	₱7,203
Total revenues from contracts with customers	**₱6,333**	₱7,106	₱7,203

Contract Balances
Contract balances as at December 31, 2024 and 2023 consist of the following:

	2024	2023
	(In millions)	
Trade receivables, including due from Smart *(Notes 12 and 20)*	**₱2,817**	₱2,270

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 20 – Related Party Transactions*).

Compensation and Employee Benefits
This account consists of Salaries and other employee benefits amounting to ₱1 million for each of the years ended December 31, 2024, 2023 and 2022.

Asset Impairment
Asset impairment for the years ended December 31, 2024, 2023 and 2022 consist of the following:

	2024	2023	2022
		(In millions)	
Creditable withholding tax (*Notes 3 and 14*)	**₱1**	₱–	₱25
Refundable security deposits (*Note 14*)	**–**	–	4
	₱1	₱–	₱29

Other Income – net

Other income – net for the years ended December 31, 2024, 2023 and 2022 consists of the following:

	2024	2023	2022
		(In millions)	
Reimbursements from related parties (*Note 20*)	**₱39**	₱74	₱88
Gain on adjustment of asset retirement obligation	**13**	33	93
Foreign exchange gains – net (*Note 21*)	**–**	1	–
Gain (loss) on lease modification	**(29)**	(8)	59
Others	**(86)**	(93)	49
	(₱63)	₱7	₱289

Reimbursements from related parties pertain to charges by the Group for network related expenditures such as rent, maintenance and depreciation (see *Note 20 – Related Party Transactions*).

19. 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.

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, 2024 and 2023 are as follows:

	2024	2023
	(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	**₱102**	₱102
Benefits paid from plan assets	**–**	–
Balances at end of the year	**₱102**	₱102
Pension liability *(Notes 3 and 17)*	**₱2**	₱2
Pension asset *(Notes 3 and 10)*	**102**	102
Consolidated net funded status	**₱100**	₱100

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, 2024 and 2023.

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:

	2024	2023
	(In millions)	
Noncurrent financial assets:		
Investments in:		
Domestic fixed income	**₱40**	₱40
Domestic equities	**9**	9
Total noncurrent financial assets	**49**	49
Current financial assets		
Cash and cash equivalents	**53**	53
Total plan assets of defined contribution plan	**₱102**	₱102

Plan assets attributable to:

	2024	2023
Company's share	**₱102**	₱102
Employee's share	–	–
Total plan assets of defined contribution	**₱102**	₱102

20. 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, 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 December 31, 2024 and 2023:

Category	**Classifications**	**2024**	2023
		(In millions)	
Ultimate Parent Company			
PLDT	Due to related parties	**₱13,102**	₱15,289

Category	**Classifications**	**2024**	2023
		(In millions)	
Subsidiaries of PLDT			
Smart	Due from related parties	**2,810**	2,263
	Investment in perpetual notes	**1,499**	1,523
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, 2024, 2023 and 2022 in relation with the table above:

Category	**Classifications**	**2024**	2023	2022
			(In millions)	
Ultimate Parent Company				
PLDT	Rent and other expenses	**₱55**	₱60	₱85
	Intercompany charges	**32**	47	69
Subsidiaries of PLDT				
Smart	Distributed subscriber's revenue	**₱5,301**	₱5,520	₱5,529
	Professional and other contracted services	**1,749**	1,766	1,769
	Revenues from facility service fees	**1,032**	1,586	1,674
	Royalty expense	**339**	353	354
	Distribution income on perpetual notes	**191**	191	258
	Repairs and maintenance	**11**	12	15
	Intercompany charges	**7**	27	7

<u>Transactions with PLDT</u>

a) The Group has an outstanding payable to PLDT amounting to ₱13,102 million and ₱13,114 million as at December 31, 2024 and 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 JG Summit Holdings, Inc. 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 ₱83 million, ₱103 million and ₱150 million for the years ended December 31, 2024, 2023 and 2022, respectively.

   Another agreement was entered into with PLDT allowing the ultimate parent company to co-locate with the Group's base station facilities. Rental income recognized under this agreement amounting to ₱4 million each for the years ended December 31, 2024, 2023 and 2022, included under "Rental income" account in the statements on comprehensive income.

c) The Group has outstanding dividends payable to PLDT amounting to nil and ₱2,175 million as at December 31, 2024 and 2023, respectively. This is presented as Due to Related Parties under Trade and Other Payables account.

<u>Transactions with Smart</u>

a. The Group was reimbursed by Smart for certain network related charges which amounted to ₱1,032 million, ₱1,586 million and ₱1,674 million for the years ended December 31, 2024, 2023 and 2022, 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 ₱7 million, ₱27 million and ₱7 million for the years ended December 31, 2024, 2023 and 2022, respectively, included under "Other income – net" account in the consolidated statements of comprehensive income.

   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. An amendment to this agreement was executed, effective from January 1, 2024, and may be reviewed depending on the applicability of the charging rates. In, 2024, with the renewed rebranding agreement, 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 ₱1,749 million, ₱1,766 million and ₱1,769 million for the years ended December 31, 2024, 2023 and 2022, respectively, which was presented as part of "Professional and other contracted services" account in the consolidated statements of comprehensive income.

b. Additional reimbursements were received from Smart for compensation and benefits to support the group's network transformation and long-term sustainability strategy amounting to ₱3 million and ₱14 million for the years ended December 31, 2024 and 2023, respectively, included under "Other income – net" in the statements of comprehensive income.

   The outstanding receivable of the Company from Smart amounted to Php2,810 million and Php2,263 million arising from reimbursable network related charges as at December 31, 2024 and 2023, respectively, included under "Trade and other receivables" in the statements of financial position.

c. Rent, repairs and maintenance and other expenses charged by Smart to the Group amounted to ₱11 million, ₱12 million and ₱15 million for the years ended December 31, 2024, 2023 and 2022, 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 ₱191 million each for the years ended December 31, 2024 and 2023, and ₱258 million for the year ended December 31, 2022 are recorded as "Distribution income on perpetual notes" account in the consolidated statements of comprehensive income.

e. In October 2020, DMPI entered into a rebranding agreement with Smart whereby Sun Prepaid subscribers were rebranded as Smart Prepaid subscribers. Under the terms of the agreement, Smart settles a fixed fee representing DMPI's proportionate share on the distributed subscriber revenues. The agreement was renewed for another three years from January 1, 2024 to December 31, 2026.

Total share in distributed subscribers' revenues recognized for this agreement amounted to ₱5,301 million, ₱5,520 million and ₱5,529 million for the years ended December 31, 2024, 2023, and 2022, 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 recognizes royalty expense while Smart will recognize royalty income. Royalty expense is based on 8% of distributed service revenue per rebrand agreement. Similar to the amendment of the Management Service Agreement, the amended trademark license agreement will take effect from January 1, 2024, and will be periodically reviewed to assess its applicability.

Total royalty expense recognized under this agreement amounted to ₱339 million, ₱353 million and ₱354 million for the years ended December 31, 2024, 2023 and 2022, 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, 2024, 2023 and 2022 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.

21. 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, 2024 and 2023.

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, 2024 and 2023.

	2024			2023		
	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*	**₱77**	**₱2**	**₱75**	₱120	₱2	₱118
Trade and other receivables:						
Trade receivables:						
Due from related parties	**2,812**	**–**	**2,812**	2,265	–	2,265
Dealers, agents and others	**7**	**–**	**7**	7	–	7
Refundable security deposits	**479**	**–**	**479**	467	–	467
Investment in perpetual notes	**1,499**	**–**	**1,499**	1,523	–	1,523
	₱4,874	**₱2**	**₱4,872**	₱4,382	₱2	₱4,380

**Excluding cash on hand amounting ₱.3 for both years as at December 31, 2024 and 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 December 31, 2024 and 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 December 31, 2024 and 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 December 31, 2024 and 2023:

	2024			
		Lifetime ECL		
	Stage 1	**Stage 2**	**Stage 3**	**Total**
		(In millions)		
High grade	**₱77**	**₱2,810**	**₱–**	**₱2,887**
Standard grade	**327**	**11**	**–**	**338**
Substandard grade	**–**	**3**	**–**	**3**
Default	**117**	**27**	**–**	**144**
Gross Carrying Amount	**521**	**2,851**	**–**	**3,372**
Less allowance	**117**	**27**	**–**	**144**
Carrying Amount	**₱404**	**₱2,824**	**₱–**	**₱3,228**

	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	117	27	–	144
Gross Carrying Amount	552	2,305	–	2,857
Less allowance	117	27	–	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 December 31, 2024 and 2023:

	2024					
			Days past due			
	Total	**Current**	**1 to 60 Days**	**61 to 90 Days**	**Over 90 Days**	**Impaired**
			(In millions)			
December 31, 2024						
Financial Instruments at Amortized Cost:						
Expected credit loss rate (%)	–	–	–	–	–	–
Trade and other receivables:						
Due from related parties	**₱2,812**	**₱2,812**	**₱–**	**₱–**	**₱–**	**₱–**
Dealers, agents and others	**7**	**–**	**–**	**–**	**7**	**–**
Expected credit loss	–	–	–	–	–	–
	₱2,819	**₱2,812**	**₱–**	**₱–**	**₱7**	**₱–**

	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	₱–

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. PLDT has committed to provide financial support to the Parent Company to discharge its liabilities as the need arises.

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, 2024 and 2023.

	2024				
	Total	**Less than 1 Year**	**1 to 3 Years**	**3 to 5 Years**	**More than 5 Years**
			(In millions)		
December 31, 2024					
Financial Instruments at Amortized Cost:					
Cash equivalents	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
Trade and other receivables:					
Due from related parties	**2,812**	**2,812**	**–**	**–**	**–**
Dealers, agents and others	**7**	**7**	**–**	**–**	**–**
Refundable security deposits	**479**	**35**	**–**	**444**	**–**
Financial Instruments at FVPL –					
Investment in perpetual notes	**1,499**	**–**	**–**	**–**	**1,499**
	₱4,797	**₱2,854**	**₱–**	**₱444**	**₱1,499**
Accounts payable [(1)]:					
Suppliers and contractors	**₱254**	**₱254**	**₱–**	**₱–**	**₱–**
Due to related parties	**13,102**	**13,102**	**–**	**–**	**–**
Carriers	**28**	**28**	**–**	**–**	**–**
Others	**271**	**271**	**–**	**–**	**–**
Accrued expenses[(2)]	**696**	**696**	**–**	**–**	**–**
Long-term lease obligations – operating lease	**685**	**301**	**259**	**59**	**65**
	₱15,036	**₱14,652**	**₱259**	**₱59**	**₱65**

[(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				
	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.*

22. 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, 2024 amounted to ₱89 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, 2024 and 2023:

	2024		2023	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
		(In millions)		
Financial Assets				
Financial assets at FVPL –				
Investment in perpetual notes	**₱1,499**	**₱1,499**	₱1,523	₱1,523
Financial Instruments at Amortized Cost –				
Refundable security deposits	**335**	**280**	323	270
Total Financial Asset – Net	**₱1,834**	**₱1,779**	₱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 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, 2024 and 2023.

		2024	
	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**

	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 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.

23. 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 10 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, 2024 and 2023 (see *Note 10 – Other Noncurrent Assets* and *Note 14 – Other Current Assets*). The Group’s rentals incurred on these leases amounted to ₱75 million, ₱66 million and ₱155 million for the years ended December 31, 2024, 2023 and 2022, 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 20 – Related Party Transactions*).

The future minimum lease commitments payable with non-cancellable operating leases as at December 31, 2024 and 2023 are as follows:

	2024	2023
	(In millions)	
Within one year	**₱301**	₱340
More than one year but less than five years	**319**	475
More than five years	**65**	48
	₱685	₱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 20 –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 20 – 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 201 – 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 25, 2025, 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.

24. **Notes to Statement of Cash Flows**

Changes in Liabilities Arising from Financing Activities

Details of the movements in cash flows from financing activities in 2024, 2023 and 2022 are as follows:

			Non-cash changes				
	January 1, 2024	Cash flows	Dividends declared	Addition to ROU assets	Interest	Others	December 31, 2024
Lease liabilities (*Notes 2 and 8*)	**₱605**	**(₱421)**	**₱–**	**₱393**	**₱51**	**(₱167)**	**₱461**
Dividends payable (*Note 17*)	**2,183**	**(2,183)**	**–**	**–**	**–**	**–**	**–**
Total liabilities from financing activities	**₱2,788**	**(₱2,604)**	**₱–**	**₱393**	**₱51**	**(₱167)**	**₱461**

			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 17*)	3,137	(3,212)	2,258	–	–	–	2,183
Total liabilities from financing activities	₱3,518	(₱3,500)	₱2,258	₱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 17*)	–	–	3,137	–	–	–	3,137
Total liabilities from financing activities	₱1,163	(₱359)	₱3,137	₱80	₱55	(₱558)	₱3,518

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6760 Ayala Avenue
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INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
Digital Telecommunications Phils., Inc.
8003-A Matalino St., Diliman
Quezon City, Metro Manila

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, 2024 and 2023, and have issued our report thereon dated March 25, 2025. 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 Group'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, April 16, 2024, valid until August 23, 2026
BIR Accreditation No. 08-001998-152-2024, February 27, 2024, valid until February 26, 2027
PTR No. 10465280, January 2, 2025, Makati City

March 25, 2025

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INDEPENDENT AUDITOR'S REPORT
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
Digital Telecommunications Phils., Inc.
8003-A Matalino St., Diliman
Quezon City, Metro Manila

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, 2024 and 2023 and for each of the three years in the period ended December 31, 2024, 2023 and 2022, and have issued our report thereon dated March 25, 2025. Our audits were made for the purpose of forming an opinion on the basic 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 Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) Accounting Standards 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 PFRS Accounting Standards. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2024 and 2023, and for each of the three years in the period ended December 31, 2024 and no material exceptions were noted.

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, April 16, 2024, valid until August 23, 2026
BIR Accreditation No. 08-001998-152-2024, February 27, 2024, valid until February 26, 2027
PTR No. 10465280, January 2, 2025, Makati City

March 25, 2025

DIGITAL TELECOMMUNICATIONS PHILS., INC. AND SUBSIDIARIES
Schedule A. Financial Assets
December 31, 2024

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	₱1,499	N/A	₱191
		₱1,499		**₱191**

DIGITAL TELECOMMUNICATIONS PHILS., INC. AND SUBSIDIARIES
Schedule B. Amounts Receivable from Directors, Officers, Employees, Principal Stockholders (other than Related Parties) December 31, 2024

	Balance at Beginning of Period	Additions	Amounts Collected	Balance at End of Period
			(In millions)	
Dalipe, S.	₱1.3	₱-	₱-	**₱1.3**
	₱1.3	**₱-**	**₱-**	**₱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, 2024

	Balance at Beginning of Period	Additions	Amounts Collected	Balance at End of Period
			(In millions)	
Digitel Mobile Philippines., Inc.	₱-	₱-	₱-	₱-

DIGITAL TELECOMMUNICATIONS PHILS., INC. AND SUBSIDIARIES
Schedule F. Indebtedness to Related Parties
December 31, 2024

	Balance at Beginning of Period	Balance at End of Period
	(In millions)	
PLDT Inc.	₱15,289	₱13,102
Smart Communications Inc.	-	-
ePDS, Inc.	-	-
	₱15,289	**₱13,102**

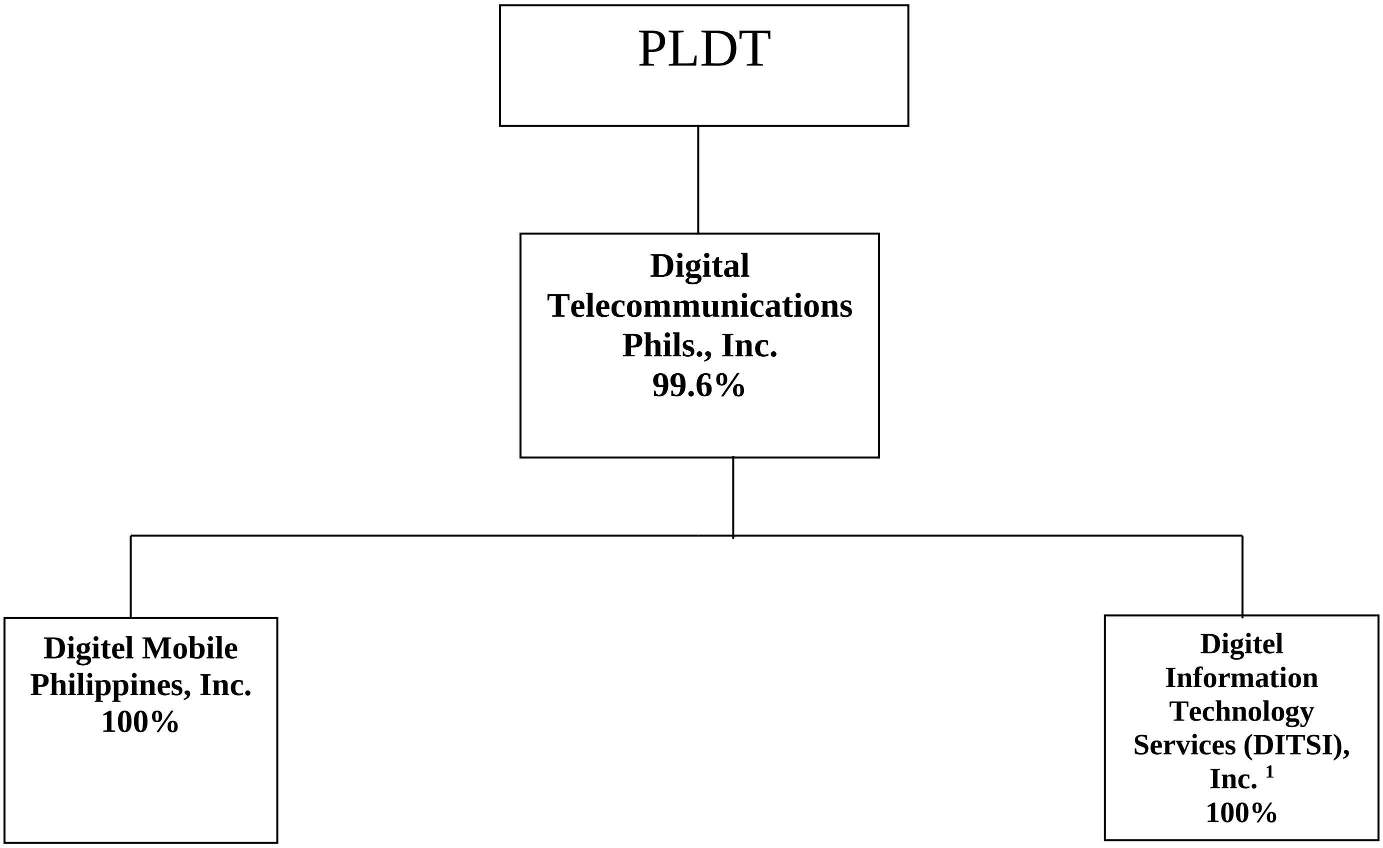
DIGITAL TELECOMMUNICATIONS PHILS., INC. AND SUBSIDIARIES
Schedule G. Capital Stock
December 31, 2024

Title of Issue	Number of Shares Authorized	Shares Issued and Outstanding	Number of Shares Held By 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, 2024

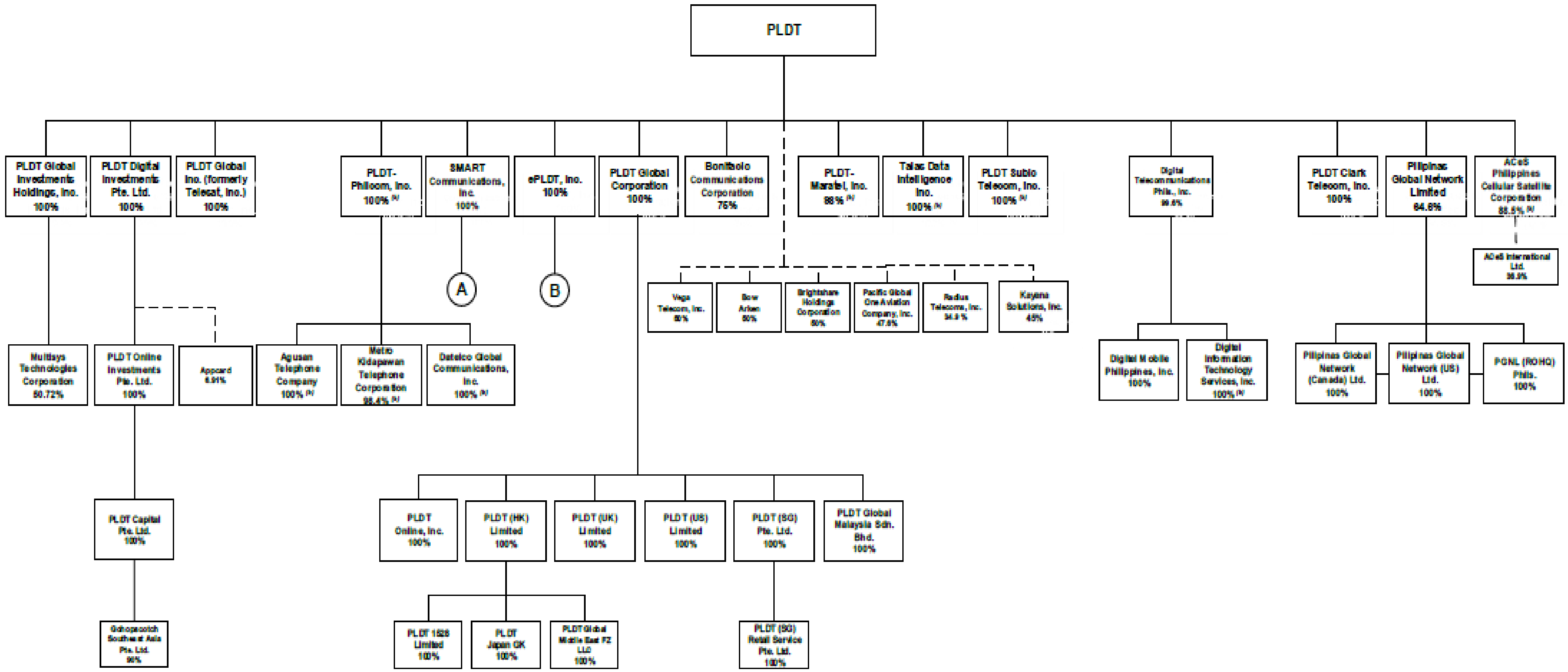
		Amounts
		(In millions)
Parent Company's unappropriated retained earnings available for dividend declaration as at January 1, 2024		₱13,645
Add: Net income actually earned/realized in 2024		
Net income	₱2,232	
Less: Unrealized foreign exchange gain – net (except cash and cash equivalents)	–	2,232
Less: Dividends declared during the year		–
Parent Company's unappropriated retained earnings available for declaration as at December 31, 2024		₱15,877

DIGITAL TELECOMMUNICATIONS PHILS., INC. AND SUBSIDIARIES
Schedule I. Map of Relationships of the Companies within the Group
December 31, 2024



[1] *On March 5, 2012, the BOD approved the closure of DITSI through the shortening of its corporate life until June 30, 2013.*

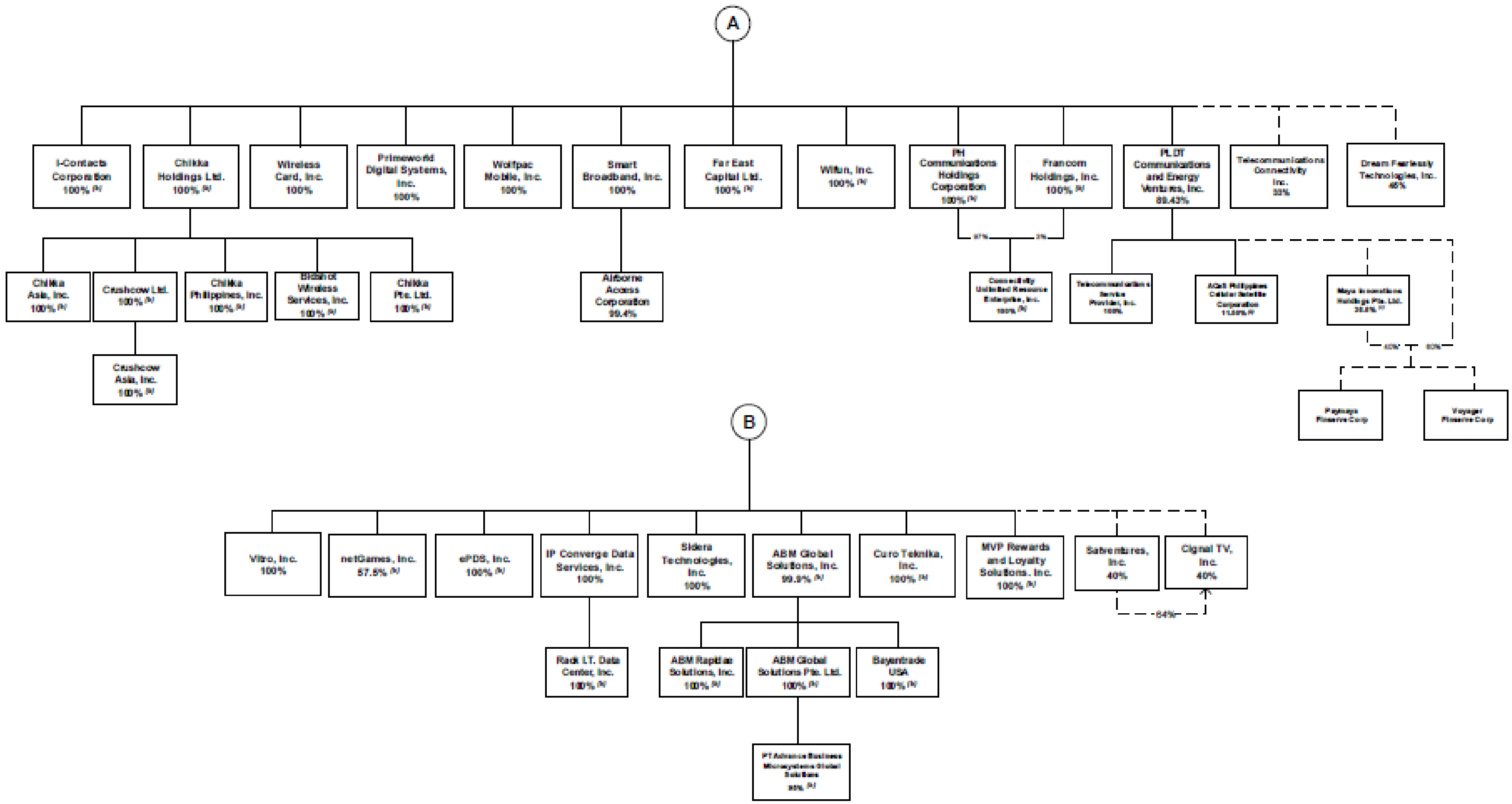
Map of Relationships of the Companies within the PLDT Group (Ultimate Parent)
December 31, 2024



Legend:

– – – – Joint Ventures and Associates

(a) *Date of incorporation for Kayana Solutions, Inc. - November 23, 2023.*
(b) *Ceased commercial operations.*



Legend:

- - - - Joint Ventures and Associates

[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, 2024 and 2023

	2024	**2023**
Current Ratio(1)	0.21:1.0	0.15:1.0
Net Cash to Equity Ratio(2)	0.01:1.0	0.01:1.0
Asset to Equity Ratio(3)	(0.57):1.0	(0.42):1.0
Interest Coverage Ratio(4)	63.55:1.0	76.15:1.0
Profit Margin Ratio(5)	41%	53%
Return on Assets(6)	46%	72%
EBITDA Margin(7)	53%	58%

(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, foreign exchange gains (losses) – net, provision for (benefit from) income tax and other income – net.

DIGITAL TELECOMMUNICATIONS PHILS., INC. AND SUBSIDIARIES
Schedule K. Supplementary Schedule of External Auditor-Fee Related Information
December 31, 2024 and 2023

	2024	**2023**
	(In millions)	
Total Audit Fees	₱1.2	₱1.2
	-	-
Non audit service fees:		
Other Assurance Services	-	-
Tax Services	-	-
All other services	-	-
Total Non-audit fees	-	-
Total Audit and Non-audit fees	**₱1.2**	**₱1.2**

COVER SHEET
for
AUDITED 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

19th 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, 2024 and 2023, 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 Finance Officer

Signed this 25th day of March 2025

SUBSCRIBED AND SWORN to before me this 14 APR 2025 MAKATI CITY 2025 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. 502 ;
Page No. 102 ;
Book No. XXVI ;
Series of 2025

MA. ESMERALDA R. CUNANAN
Notary Public for and in Makati City
Until December 31, 2025
Appt. No. M-013 (2024-2025) Makati City
Attorney's Roll No. 34562
MCLE Compliance No. VIII-0001862/valid until 4-14-2028
PTR No. 10467303/1 2.2025/Makati City
IBP Lifetime Member No. 05413
G/F Dela Rosa Carpark I, Dela Rosa St.
Legaspi Village, Makati City

DOKUMENTARYO 30 DSK2022 26786835

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Digital Telecommunications Phils., Inc. and Subsidiaries
8003-A Matalino St., Diliman
Quezon City, Metro Manila

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Digital Telecommunications Phils., Inc. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2024 and 2023, 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, 2024, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2024 in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

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 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, 2024. 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 materially 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 PFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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.

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- 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.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and review of the audit work performed for purposes of the group audit. We remain solely 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 will 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, April 16, 2024, valid until August 23, 2026
BIR Accreditation No. 08-001998-152-2024, February 27, 2024, valid until February 26, 2027
PTR No. 10465280, January 2, 2025, Makati City

March 25, 2025

DIGITAL TELECOMMUNICATIONS PHILS., INC. AND SUBSIDIARIES
(A Subsidiary of PLDT Inc.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2024	2023
	(In millions)	
ASSETS		
Noncurrent Assets		
Investment properties *(Note 22)*	**₱55**	₱55
Property and equipment *(Note 7)*	**–**	–
Right-of-use (ROU) assets *(Note 8)*	**467**	560
Investment in perpetual notes *(Notes 9, 20, 21 and 22)*	**1,499**	1,523
Deferred income tax assets – net *(Note 5)*	**2**	1
Other noncurrent assets *(Notes 10, 21 and 22)*	**436**	424
Total Noncurrent Assets	**2,459**	2,563
Current Assets		
Cash and cash equivalents *(Notes 11, 21 and 22)*	**77**	120
Trade and other receivables *(Notes 12, 20, 21 and 22)*	**2,819**	2,272
Inventories *(Note 13)*	**–**	–
Other current assets *(Note 14)*	**78**	99
	2,974	2,491
Assets classified as held-for-sale *(Note 8)*	**227**	167
Total Current Assets	**3,201**	2,658
TOTAL ASSETS	**₱5,660**	₱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	**(12,825)**	(15,453)
Total Capital Deficiency *(Notes 1 and 15)*	**(9,841)**	(12,469)
Noncurrent Liabilities		
Deferred income tax liabilities – net *(Note 5)*	**17**	2
Lease liabilities – net of current portion *(Note 8)*	**193**	323
Asset retirement obligation *(Note 16)*	**270**	210
Total Noncurrent Liabilities	**480**	535
Current Liabilities		
Trade and other payables *(Notes 17, 20, 21 and 22)*	**14,365**	16,511
Lease liabilities *(Note 8)*	**268**	282
Income tax payable	**217**	199
	14,850	16,992
Liabilities associated with assets classified as held-for-sale *(Note 8)*	**171**	163
Total Current Liabilities	**15,021**	17,155
Total Liabilities	**15,501**	17,690
TOTAL CAPITAL DEFICIENCY AND LIABILITIES	**₱5,660**	₱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 Years Ended December 31		
	2024	2023	2022
	(In millions, except earnings per share amounts)		
REVENUES			
Revenues from contracts with customers *(Notes 18 and 20)*	**₱6,333**	₱7,106	₱7,203
	6,333	7,106	7,203
COSTS AND EXPENSES			
Professional and other contracted services *(Note 20)*	**1,754**	1,772	1,774
Repairs and maintenance	**683**	958	1,161
Royalty expense *(Note 20)*	**339**	353	354
Depreciation *(Notes 7 and 8)*	**301**	309	288
Taxes and licenses	**120**	174	108
Rent *(Notes 8, 20 and 23)*	**75**	66	155
Compensation and employee benefits *(Notes 18 and 19)*	**1**	1	1
Asset impairment	**1**	–	29
Insurance and security services	**–**	–	3
Other expenses	**1**	1	1
	3,275	3,634	3,874
	3,058	3,472	3,329
OTHER INCOME (EXPENSES)			
Distribution income on perpetual notes *(Notes 9 and 20)*	**191**	191	258
Gain on sale of telecom towers *(Note 7)*	**41**	661	3,508
Reversal of long outstanding accruals *(Note 17)*	**32**	–	1,144
Rental income	**4**	5	13
Gains on disposal of fixed assets	**1**	1	1
Gains (losses) on fair value change on perpetual notes *(Note 9)*	**(24)**	230	(2,098)
Accretion expense on lease liabilities *(Notes 4 and 8)*	**(51)**	(60)	(55)
Interest income *(Note 11)*	**–**	2	3
Other income – net *(Note 18)*	**(63)**	7	289
	131	1,037	3,063
INCOME BEFORE INCOME TAX	**3,189**	4,509	6,392
PROVISION FOR INCOME TAX *(Note 5)*	**561**	732	1,197
NET INCOME *(Notes 1, 4 and 6)*	**2,628**	3,777	5,195
OTHER COMPREHENSIVE INCOME			
Items not to be reclassified to profit or loss in subsequent years –			
Remeasurement gain on defined benefit obligation – net of tax *(Notes 15 and 19)*	**–**	–	–
TOTAL COMPREHENSIVE INCOME	**₱2,628**	₱3,777	₱5,195
Earnings per Share *(Note 6)*	**₱0.10**	₱0.14	₱0.20

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, 2024, 2023 AND 2022

	Capital Stock *(Note 15)*	**Additional Paid-in Capital** *(Note 15)*	**Equity Reserve** *(Note 15)*	**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	–	–	–	–	**2,628**	**2,628**
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	**2,628**	**2,628**
Balances as at December 31, 2024	**₱2,614**	**₱2,201**	**(₱1,831)**	**₱5,000**	**(₱17,825)**	**(₱9,841)**
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 income	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	3,777	3,777
Cash dividends declared – ₱0.0864 per share *(Note 15)*	–	–	–	–	(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 15)*	–	–	–	–	(3,137)	(3,137)
Balances as at December 31, 2022	₱2,614	₱2,201	(₱1,831)	₱5,000	(₱21,971)	(₱13,987)

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		
	2024	2023	2022
		(In millions)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱3,189**	₱4,509	₱6,392
Adjustments for:			
Depreciation *(Notes 7 and 8)*	**301**	309	288
Accretion on:			
Lease liabilities *(Notes 4, 8, 18 and 24)*	**51**	60	55
Asset retirement obligation *(Note 16)*	**5**	5	4
Losses (gains) on lease modification *(Note 18)*	**29**	8	(59)
Losses (gains) on fair value change on perpetual notes *(Note 9)*	**24**	(230)	2,098
Asset impairment *(Notes 12, 13, 14 and 18)*	**1**	–	29
Gain on:			
Disposal of fixed assets	**(1)**	(1)	(1)
Adjustment of asset retirement obligation *(Notes 16 and 18)*	**(13)**	(33)	(93)
Sale of telecom towers	**(41)**	(661)	(3,508)
Foreign exchange	**–**	(1)	–
Reversal of long outstanding accruals *(Note 17)*	**(32)**	–	(1,144)
Distribution income on perpetual notes *(Note 9)*	**(191)**	(191)	(258)
Interest income *(Note 11)*	**–**	(2)	(3)
Others	**2**	(9)	2
Operating income before changes in assets and liabilities	**3,324**	3,763	3,802
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Trade and other receivables	**(543)**	3,103	1,797
Other current assets	**(52)**	(314)	(286)
Increase (decrease) in:			
Trade and other payables	**69**	(3,248)	(9,194)
Other noncurrent liabilities	**–**	(16)	–
Net cash flows generated from (used in) operations	**2,798**	3,288	(3,881)
Income taxes paid	**(457)**	(612)	(1,086)
Net cash flows provided by (used in) operating activities	**2,341**	2,676	(4,967)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from:			
Distribution of perpetual notes *(Note 9)*	**191**	191	258
Disposal of fixed assets *(Note 7)*	**41**	661	3,508
Interest received	**–**	2	3
Partial redemption of perpetual notes *(Note 9)*	**–**	–	1,500
Decrease (increase) in advances and other noncurrent assets	**(12)**	(30)	2
Net cash flows provided by investing activities	**220**	824	5,271

(Forward)

	For the Years Ended December 31		
	2024	2023	2022
		(In millions)	
CASH FLOWS USED IN FINANCING ACTIVITIES			
Payments for:			
Interest charged on lease liabilities *(Notes 4, 8, 18 and 24)*	**(₱51)**	(₱60)	(₱55)
Principal portion of lease liabilities *(Note 8)*	**(370)**	(228)	(304)
Cash dividends *(Note 15)*	**(2,183)**	(3,212)	–
Cash flows used in financing activities	**(2,604)**	(3,500)	(359)
NET EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**–**	–	1
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(43)**	–	(54)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**120**	120	174
CASH AND CASH EQUIVALENTS AT END OF THE YEAR *(Note 11)*	**₱77**	₱120	₱120

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 Parent Company's ultimate parent is PLDT, Inc. with 99.62% of ownership.

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 25, 2025, 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. This agreement has been renewed for a period of three years from January 1, 2024, until December 31, 2026, thereby continuing the objectives set forth in the original agreement.

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 20 – 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 ₱9,841 million and ₱12,469 million as at December 31, 2024 and 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.

In 2024, 2023 and 2022, the Group also reported net income amounting to ₱2,628 million, ₱3,777 million and ₱5,195 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, 2024 and 2023, the Group's current liabilities exceeded its current assets by ₱11,820 million and ₱14,497 million as at December 31, 2024 and 2023, respectively. The major existing liabilities as at December 31, 2024 and 2023 are the advances due to PLDT amounting to ₱13,102 million and ₱13,114 million, respectively (see *Note 20 – Related Party Transactions*). In addition, the Parent Company's dividends payable to PLDT amounted to nil and ₱2,175 million as at December 31, 2024 and 2023, 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, 2024 and 2023, and for the years ended December 31, 2024, 2023 and 2022 were approved and authorized for issuance by the BOD on March 25, 2025.

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 Accounting Standards, or PFRS Accounting Standards. 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.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and its wholly-owned subsidiaries as at December 31, 2024 and 2023 and for the years ended December 31, 2024, 2023 and 2022. 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.

New Standards, Interpretations and Amendments

The accounting policies adopted are consistent with those of the previous financial year, except the Group has adopted the following new and amended standards starting January 1, 2024. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, the adoption of these new and amended standards did not have material impact on the Group's financial position or performance.

- Amendments to PAS 1, Classification of Liabilities as Current or Noncurrent

  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.

- Amendments to PAS 7, *Statement of Cash Flows* and PFRS 7 *Financial Instruments: Disclosures, Supplier Finance Arrangements*

  The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

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, 2024 and 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 over the contract period). 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).

<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, 2024 and 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 20 – 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*).

The Group has no financial assets at FVOCI as at December 31, 2024 and 2023.

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, 2024 and 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 December 31, 2024 and 2023 (see *Note 8 – Leases, Note 17 – Trade and Other Payables* and *Note 20 – 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.

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 based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash and cash equivalents and refundable security deposits, the Group applies a general approach which measures ECL on either a 12-month or lifetime basis depending on whether a significant increase in credit risks has occurred once initial recognition on whether an asset is considered to be credit-impaired, adjusted for the effects of collateral, forward-looking factors and time value of money.

For trade and other receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 30 to 120 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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 22 – 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 22 – 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.

<u>Other Current Assets</u>
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.

<u>Capital Stock</u>
Capital stock is measured at par value for all shares issued.

<u>Additional Paid-in Capital (APIC)</u>
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.

<u>Equity Reserve</u>
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.

<u>Other Comprehensive Income</u>
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.

<u>Deficit</u>
Deficit represents cumulative net income less cumulative dividends declared, if any.

<u>Earnings per Share (EPS)</u>
Basic earnings per share amounts are calculated by dividing net income 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 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, 2024, 2023 and 2022; 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).

<u>Other Income</u>

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, loss on lease modifications, foreign exchange gain and other miscellaneous income.

<u>Cost and Expense Recognition</u>
Costs and expenses are recognized in the period these are incurred.

<u>VAT</u>
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.

<u>Income Taxes</u>

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
Pronouncements issued but not yet effective are listed below. The Group intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Group's consolidated financial statements.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*
- Amendments to PAS 21, *Lack of Exchangeability*

Effective beginning on or after January 1, 2026

- Amendments to PFRS 9 and PFRS 7, *Classification and Measurement of Financial Instruments*
- Annual Improvements to PFRS Accounting Standards—Volume 11
  - Amendments to PFRS 1, *Hedge Accounting by a First-time Adopter*
  - Amendments to PFRS 7, *Gain or Loss on Derecognition*
  - Amendments to PFRS 9, *Lessee Derecognition of Lease Liabilities and Transaction Price*
  - Amendments to PFRS 10, *Determination of a 'De Facto Agent'*
  - Amendments to PAS 7, *Cost Method*

Effective beginning on or after January 1, 2027

- PFRS 18, *Presentation and Disclosure in Financial Statements*
- PFRS 19, *Subsidiaries without Public Accountability*

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements, and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

3. Management's Use of Accounting Judgments, Estimates and Assumptions

The preparation of the accompanying consolidated financial statements in conformity with PFRS Accounting Standards 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.

Judgments
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:

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 17 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 within the year. 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.

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. .

- *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 ₱461 million and ₱605 million as at December 31, 2024 and 2023, respectively (see *Note 8 – Leases*).

Impairment of non-financial assets
PFRS Accounting Standards 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 Accounting Standards.

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, 2024, 2023 and 2022 (see *Note 7 – Property and Equipment*).

The Group impaired its creditable withholding taxes amounting to ₱1 million and ₱25 million for the years ended December 31, 2024 and 2022, respectively. 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 the year ended December 31, 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 December 31, 2024 and 2023 are as follows:

	2024	2023
	(In millions)	
ROU assets (*Note 8*)	**₱467**	₱560
Other current assets (*Note 14*)	**70**	91
Investment properties *(Note 22)*	**55**	55
Advances to suppliers and contractors *(Note 10)*	**9**	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 the end of each financial year.

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 provision for asset retirement obligation amounting to ₱13 million, ₱33 million and ₱93 million for the years ended December 31, 2024, 2023 and 2022, respectively, presented as "Gain on adjustment of asset retirement obligation" under "Other income – 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 ₱270 million and ₱210 million as at December 31, 2024 and 2023, respectively, presented as asset retirement obligation in the consolidated statements of financial position (see *Note 16 – Asset Retirement Obligation*).

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, 2024 and 2023 amounted to ₱102 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 ₱2,242 million and ₱2,222 million as at December 31, 2024 and 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 23 – 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, 2024 and 2023 amounted to ₱1,779 million and ₱1,793 million, respectively (see *Note 22 – Fair Value Measurement*).

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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 are 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 Accounting Standards.

The assets and liabilities, segment revenues, net income, and other segment information of the Group's reportable segments as at December 31, 2024 and 2023, and for the years ended December 31, 2024, 2023 and 2022 are as follows:

	December 31, 2024			
	Wireless	**Fixed Line**	**Inter-segment Transactions**	**Consolidated**
	(In millions)			
Revenues				
Revenues from contracts with external customers (*Note 18*)	**₱6,333**	**₱–**	**₱–**	**₱6,333**
Total revenues	**₱6,333**	**₱–**	**₱–**	**₱6,333**
Results				
Provision for income tax (*Note 5*)	**₱563**	**₱1**	**₱(3)**	**₱561**
Depreciation (*Notes 7 and 8*)	**301**	**–**	**–**	**301**
Accretion expense on lease liabilities *(Notes 8 and 18)*	**51**	**–**	**–**	**51**
Asset impairment	**–**	**1**	**–**	**1**
Net income/segment profit	**2,618**	**7**	**3**	**2,628**
Assets and Liabilities				
Operating assets	**4,048**	**38,881**	**(38,825)**	**4,104**
Investment in perpetual notes *(Note 9)*	**1,499**	**–**	**–**	**1,499**
Deferred income tax assets *(Note 5)*	**–**	**–**	**2**	**2**
Investment properties *(Note 22)*	**–**	**55**	**–**	**55**
Total assets	**₱5,547**	**₱38,936**	**(₱38,823)**	**₱5,660**
Operating liabilities	**₱2,267**	**₱13,241**	**(₱24)**	**₱15,484**
Deferred income tax liabilities – net (*Note 5*)	**15**	**2**	**–**	**17**
Total liabilities	**₱2,282**	**₱13,243**	**(₱24)**	**₱15,501**
Other Segment Information				
Capital expenditure	**₱–**	**₱–**	**₱–**	**₱–**

	December 31, 2023			
	Wireless	Fixed Line	Inter-segment Transactions	Consolidated
	(In millions)			
Revenues				
External customers:				
Revenues from contracts with customers (*Note 18*)	₱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
Accretion expense on lease liabilities *(Notes 8 and 18)*	60	–	–	60
Asset impairment	–	–	–	–
Net income/segment profit	3,807	(30)	–	3,777

(Forward)

	December 31, 2023			
	Wireless	Fixed Line	Inter-segment Transactions	Consolidated
		(In millions)		
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 *(Note 22)*	–	55	–	55
Total assets	₱5,104	₱38,916	(₱38,799)	₱5,221
Operating liabilities	₱2,233	₱15,455	₱–	₱17,688
Deferred income tax liabilities – net (*Note 5)*	–	2	–	2
Total liabilities	₱2,233	₱15,457	₱–	₱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 18)*	₱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
Accretion expense on lease liabilities *(Notes 8 and 18)*	55	–	–	55
Asset impairment (*Note 18*)	–	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 9)*	1,293	–	–	1,293
Deferred income tax assets *(Note 5)*	15	–	–	15
Investment properties *(Note 22)*	–	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	₱–	₱–	₱–	₱–

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 ₱6,333 million, ₱7,106 million and ₱7,203 million in 2024, 2023 and 2022, respectively, which accounted to 10% or more of the Group's revenue (see *Note 18 – Income and Expenses* and *Note 20 – Related Party Transactions*).

5. **Income Tax**

Provision for (benefit from) income tax for the years ended December 31, 2024, 2023 and 2022 consist of:

	2024	2023	2022
		(In millions)	
Current	**₱547**	₱720	₱1,209
Deferred	**14**	12	(12)
	₱561	₱732	₱1,197

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, 2024, 2023 and 2022 are as follows:

	2024	2023	2022
		(In millions)	
Income before income tax (*Note 4*)	**₱3,189**	₱4,509	₱6,392
Provision at statutory income tax rate	**797**	1,127	1,598
Adjustments from the tax effects of:			
Net movement in deferred income tax assets not recognized due to OSD	**10**	(70)	429
Changes in unrecognized deferred income tax assets	**(4)**	4	(157)
Difference between OSD and itemized deduction	**(242)**	(331)	(677)
Nondeductible expenses and others	**–**	3	5
Income subject to final tax	**–***	(1)	(1)
Provision for income tax (*Note 4*)	**₱561**	₱732	₱1,197

**No amounts extended due to rounding off amounts in millions*

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, 2024 and 2023 amounted to ₱102 million and ₱123 million, respectively.

Components of the Group's consolidated net deferred income tax assets as at December 31, 2024 and 2023 are as follows:

	2024	2023
	(In millions)	
Deferred income tax assets – net:		
Deferred income tax assets:		
Lease liability	**₱95**	₱115
Asset impairment	**6**	6
Interest on perpetual note	**1**	2
	102	123

(Forward)

	2024	2023
	(In millions)	
Deferred income tax liabilities:		
Pension and other employee benefits	**(₱13)**	(₱13)
ROU assets	**(104)**	(109)
	(117)	(122)
	(₱15)	₱1

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 December 31, 2024 and 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	2023
	(In millions)	
Fair valuation adjustment on perpetual notes	**₱1,701**	₱1,677
Asset retirement obligation (*Note 16*)	**270**	211
Lease liability	**253**	307
Asset impairment	**209**	209
Allowance for refundable security deposits	**116**	117
NOLCO	**11**	18
Interest on perpetual notes	**2**	4
Allowance for inventory obsolescence (*Note 13*)	**2**	2
Unrealized foreign exchange loss	**2**	1
Accrued expenses	**1**	1
Pension liability	**(49)**	(34)
ROU assets	**(277)**	(291)
MCIT	**1**	–*
	₱2,242	₱2,222

** No amounts extended due to rounding-off of amounts in millions.*

No NOLCO incurred in 2024. MCIT incurred in December 31, 2024, with expiry date of December 31, 2027, amounted to ₱1 million.

NOLCO and MCIT incurred as at December 31, 2023, with expiry date of December 31, 2026, amounted to ₱11 million and ₱51 thousand, respectively.

Changes in the consolidated net deferred income tax assets (liabilities) as at December 31, 2024 and 2023 are as follows:

	2024	2023
	(In millions)	
Net deferred income tax assets – balances at beginning of the year	**₱1**	₱15
Net deferred income tax liabilities – balances at beginning of the year	**(2)**	(3)
Net balances at beginning of the year	**(1)**	12
Provision for deferred income tax	**(14)**	(12)
Movement charged directly to other comprehensive income	**–**	(1)
Net balances at end of the year	**(15)**	(1)
Net deferred income tax assets – balances at end of the year	**2**	1
Net deferred income tax liabilities – balances at end of the year	**(₱17)**	(₱2)

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, 2024, 2023 and 2022 are as follows:

	2024	2023	2022
	(In millions, except earnings per share amounts)		
Consolidated net income *(Notes 1 and 4)*	**₱2,628**	₱3,777	₱5,195
Weighted average number of common shares (*Note 15*)	**26,142**	26,142	26,142
Earnings per share	**₱0.10**	₱0.14	₱0.20

The Group has no material dilutive potential common shares outstanding as at December 31, 2024 and 2023; therefore, basic EPS is equal to diluted EPS.

7. Property and Equipment

Changes in property and equipment account as at December 31, 2024 and 2023 are as follows:

	2024				
	Cable and Wire Facilities	**Cellular Facilities**	**Buildings and Improvements**	**Vehicles, Furniture and Work Equipment**	**Total**
Cost					
As at January 1, 2024	**₱6,255**	**₱15,773**	**₱196**	**₱1,688**	**₱23,912**
Disposals	**(3)**	**(8,303)**	**(2)**	**(2)**	**(8,310)**
As at December 31, 2024	**6,252**	**7,470**	**194**	**1,686**	**15,602**

(Forward)

	2024				
	Cable and Wire Facilities	**Cellular Facilities**	**Buildings and Improvements**	**Vehicles, Furniture and Work Equipment**	**Total**
Accumulated Depreciation and Impairment					
As at January 1, 2024	**₱6,255**	**₱15,773**	**₱196**	**₱1,688**	**₱23,912**
Depreciation (*Notes 3 and 4*)	**–**	**–**	**–**	**–**	**–**
Disposals	**(3)**	**(8,303)**	**(2)**	**(2)**	**(8,310)**
As at December 31, 2024	**6,252**	**7,470**	**194**	**1,686**	**15,602**
Net Book Value at end of the year (*Note 3*)	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**

	2023				
	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)
Reclassifications to assets classified as held-for sale		(2,319)			(2,319)
As at December 31, 2023	6,255	15,773	196	1,688	23,912
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)
Reclassifications to assets classified as held-for sale		(2,319)			(2,319)
As at December 31, 2023	6,255	15,773	196	1,688	23,912
Net Book Value at end of the year (*Note 3*)	₱–	₱–	₱–	₱–	₱–

Sale of Telecom Towers

On various dates in 2023 and 2022, Smart and DMPI signed Sale and Purchase Agreements, or SPAs, with Edotco Towers, Inc, EdgePoint, Towers, Inc., Unity Digital Infrastructure and Frontier Tower Associates Philippines, Inc. (the TowerCos), in connection with the sale of 7,569 telecom towers and related passive telecommunication infrastructure for ₱98,309 million.

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 of telecom towers as at December 31, 2024.

	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
For the year ended 2024	**25**	**41**
	670	₱4,210

Telecom equipment subject to this sale agreement subsequent to December 31, 2024 and 2023 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, 2024 and 2023.

Impairment of Property and Equipment
No impairment loss for property and equipment was recognized for each of the years ended December 31, 2024 and 2023.

Total accumulated impairment loss on property and equipment amounted to ₱9,978 million and ₱11,135 million as at December 31, 2024 and 2023.

Collaterals
The Group has no property and equipment that were used as collateral for loans as at December 31, 2024 and 2023.

Disposals and Retirement
The Group disposed, retired or reclassified to assets held for sale fully depreciated assets amounting to ₱8,310 million and ₱407 million for the years ended December 31, 2024 and 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 December 31, 2024 and 2023 are estimated as follows:

Site	1 – 17 years
Domestic leased circuits	7 years
Office buildings	1 – 7 years

Changes in the ROU assets as at December 31, 2024 and 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	**393**	–	–	**393**
Termination	**(345)**	–	–	**(345)**
Lease modification	**6**	–	–	**6**
Asset retirement obligation[1]	**59**	–	–	**59**
Reclassification to assets classified as held-for sale[2]	**(31)**			**(31)**
As at December 31, 2024	**1,374**	**36**	**131**	**1,541**
Accumulated Depreciation				
At January 1, 2024	**743**	**25**	**131**	**899**
Depreciation[3]	**279**	**5**	–	**284**
Termination[1]	**(157)**	–	–	**(157)**
Charges from asset retirement obligation[3]	**17**	–	–	**17**
Reclassification to assets classified as held-for sale[2]	**31**	–	–	**31**
As at December 31, 2024	**913**	**30**	**131**	**1,074**
Net book value at end of the year	**₱461**	**₱6**	**₱–**	**₱467**

[1] Includes retirement of asset retirement obligation.
[2] Netted by reclassifications to ROU assets when held for sale criteria were ceased to be met.
[3] Total depreciation expense in the statements of income includes depreciation and charges from asset retirement obligation.

	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[(2)]	280	5	–	285
Termination[(1)]	(164)	–	(13)	(177)
Charges from asset retirement obligation[(2)]	23	–	–	23
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

(1) Includes retirement of asset retirement obligation
(2) Total depreciation expense in the statements of income includes depreciation and charges from asset retirement obligation

The following amounts are recognized in the statement of comprehensive income for the years ended December 31, 2024, 2023 and 2022:

	2024	2023	2022
		(In millions)	
Depreciation expense of ROU assets	**₱301**	₱308	₱285
Expenses relating to short-term leases	**66**	58	155
Accretion of lease liabilities	**51**	60	55
Losses (gains) on lease modification	**29**	8	(59)
Accretion of asset retirement obligation*	**5**	5	4
Total amount recognized in the statement of comprehensive income	**₱452**	₱439	₱440

**Amount included under "Repairs and maintenance" in the statements of comprehensive income.*

Lease Liabilities

The following table summarizes all changes to lease liabilities as at December 31, 2024 and 2023:

	2024	2023
	(In millions)	
Lease liabilities at the beginning of the year	**₱605**	₱381
Additional lease liabilities recognized during the year	**393**	632
Accretion expenses *(Notes 4, 18 and 24)*	**51**	60
Reclassification to liabilities associated with the assets classified as held-for-sale	**(8)**	(16)
Termination	**(64)**	(159)
Lease modifications	**(95)**	(4)
Settlement of obligations and others	**(421)**	(289)
Lease liabilities at the end of the year	**461**	605
Less current portion of lease liabilities	**268**	282
Noncurrent portion of lease liabilities	**₱193**	₱323

The maturity analysis of undiscounted lease payments is disclosed in *Note 21 – 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 within one year 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, 2024 and 2023.

Details of accounts assets classified as held-for-sale and its related liabilities are as follows:

	2024	2023
	(In Millions)	
Assets classified as held-for-sale -		
ROU assets	**₱227**	₱167
Liabilities associated with the assets classified as held-for-sale:		
Lease liabilities	**171**	163
Asset retirement obligation *(Note 16)*	–	–
	₱171	₱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 ₱24 million and ₱2,098 million for the years ended December 31, 2024 and 2022, respectively and gain from changes in fair value of its investment in perpetual notes amounting to ₱230 million for the year ended December 31, 2023, and distribution income amounting to ₱191 million each for the years ended December 31, 2024 and 2023, and ₱258 million for the year ended December 31, 2022, 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 ₱1,499 million and ₱1,523 million as at December 31, 2024 and 2023, respectively (See *Notes 20 – Related Party Transactions, Note 21 – Financial Risk Management Policies and Objectives and Note 22 – Fair Value Measurement).*

10. Other Noncurrent Assets

As at December 31, 2024 and 2023, this account consists of:

	2024	2023
	(In millions)	
Refundable security deposits – net *(Notes 21 and 22)*	**₱327**	₱315
Pension asset *(Note 19)*	**100**	100
Advances to suppliers and contractors	**9**	9
	₱436	₱424

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 December 31, 2024 and 2023 are as follows:

	2024	2023
	(In millions)	
Refundable security deposits *(Notes 21 and 22)*	**₱444**	₱432
Less allowance	**117**	117
Refundable security deposits – net	**₱327**	₱315

11. Cash and Cash Equivalents

As at December 31, 2024 and 2023, this account consists of:

	2024	2023
	(In millions)	
Cash on hand and in banks	**₱77**	₱120
Temporary cash investments	**–**	–
	₱77	₱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 21 – Financial Risk Management Objectives and Policies*).

Interest income earned from cash in banks and temporary cash investments amounted to ₱0.3 million, ₱2 million and ₱3 million for the years ended December 31, 2024, 2023 and 2022, respectively, presented under "Interest income" account in the consolidated statements of comprehensive income.

12. **Trade and Other Receivables**

As at December 31, 2024 and 2023, this account consists of:

	2024	2023
	(In millions)	
Trade receivables (*Note 21)*		
Due from related parties	**₱2,812**	₱2,265
Dealers, agents and others	**7**	7
Total	**2,819**	2,272
Less allowance for impairment losses:		
Trade receivables (*Note 21*)		
Dealers, agents and others	–	–
	–	–
	₱2,819	₱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.

The Group's allowance for impairment losses on trade and other receivables amounted to nil as at December 31, 2024 and 2023, respectively.

There are no receivables pledged as collateral for liabilities as at December 31, 2024 and 2023.

13. **Inventories**

As at December 31, 2024 and 2023, this account consists of:

	2024	2023
	(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, 2024, 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, 2024 and 2023 and ₱0.2 million for the year ended December 31, 2022.

14. **Other Current Assets**

As at December 31, 2024 and 2023, this account consists of:

	2024	2023
	(In millions)	
Prepaid taxes	**₱59**	₱82
Prepayments for:		
Refundable security deposits – net *(Notes 21 and 22)*	**8**	8
Fees and licenses	**7**	8
Rent	**3**	1
Repairs and maintenance	**1**	–
	₱78	₱99

<u>Prepaid Taxes</u>
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. 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.

The Group impaired its creditable withholding taxes amounting to ₱1 million and ₱25 million for the years ended December 31, 2024 and 2022, respectively. Based on the Group’s assessment, it will not be able to utilize its tax credits. No impairment losses on creditable withholding taxes were recognized for the year ended December 31, 2023. 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 ₱165 million for both years ended December 31, 2024 and 2023, respectively.

<u>Refundable Security Deposits</u>
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, 2024 and 2023.

The allowance for impairment losses on refundable security deposits amounted to ₱27 million as at December 31, 2024 and 2023.

<u>Prepaid Fees and Licenses</u>

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.

<u>Prepaid Rent</u>
This account represents two to three months of advance rental that can be applied against future billings.

15. **Equity**

Capital Stock
The Parent Company's capital stock as at December 31, 2024 and 2023 is as follows:

	2024	2023
	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, 2024 and 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., was paid on 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 ₱8 million, respectively, presented in "Trade and other payables" account in the statement of financial position (see *Note 17 – Trade and Other Payables* and *Note 20 – 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

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, 2024 based on the guidelines set forth in the Memorandum Circular 11 issued by the Philippine SEC on December 5, 2008 is ₱15,878 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, 2024 (amount presented in millions):

Parent Company's unappropriated retained earnings available for dividend declaration as at January 1, 2024		₱13,645
Add net income actually earned/realized during 2024		
Net income	2,232	
Less unrealized foreign exchange gain – net (except cash and cash equivalents)	–	2,232
Less dividends declared		–
Parent Company's unappropriated retained earnings available for dividend declaration as at December 31, 2024		₱15,877

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, 2024 and 2023:

	2024	2023
	(In millions)	
Cash and Cash Equivalents *(Notes 11, 21 and 22)*	**₱77**	₱120
Capital deficiency *(Note 1)*	**(9,841)**	(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 years ended December 31, 2024 and 2023 are as follows:

	2024	2023
	(In millions)	
Balance at beginning of the year	**₱210**	₱226
Change in assumptions	**58**	(12)
Capitalized to ROU assets	**10**	24
Accretion expenses	**5**	5
Gain on adjustment of asset retirement obligation	**(13)**	(33)
Balance at end of the year	**₱270**	₱210

17. **Trade and Other Payables**

As at December 31, 2024 and 2023, this account consists of:

	2024	2023
	(In millions)	
Due to related parties *(Note 20)*	**₱13,102**	₱15,289
Accrued expenses	**700**	690
Trade payables	**534**	494
Payables to connecting carriers – net (*Note 21*)	**28**	28
Dividends payable *(Note 15)*	**–**	8
Others	**1**	2
	₱14,365	₱16,511

Due to related parties
Terms and conditions of transactions with related parties are disclosed in *Note 20 – 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, 2024 and 2023, this account consists of:

	2024	2023
	(In millions)	
Maintenance and others	**₱405**	₱326
Taxes and licenses	**125**	124
Rent	**83**	152
Selling and promotions	**31**	32
Insurance and security services	**22**	22
Professional and other contracted services	**21**	21
Salaries and other employee benefits	**1**	1
Other operating costs	**12**	12
	₱700	₱690

The Company recognized reversal of long outstanding accruals amounting to ₱32 million, nil and ₱1,144 million for the years ended December 31, 2024, 2023 and 2022, 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.

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 years ended December 31, 2024, 2023 and 2022:

	2024	2023	2022
		(In millions)	
Type of good or service:			
Service revenues:			
Distributed subscriber revenues (*Note 20*)	**₱5,301**	₱5,520	₱5,529
Revenues from facility service fees *(Note 20)*	**₱1,032**	₱1,586	₱1,674
Total revenues from contracts with customers	**₱6,333**	₱7,106	₱7,203
Timing of revenue recognition:			
Transferred over time	**₱6,333**	₱7,106	₱7,203
Total revenues from contracts with customers	**₱6,333**	₱7,106	₱7,203

Contract Balances

Contract balances as at December 31, 2024 and 2023 consist of the following:

	2024	2023
	(In millions)	
Trade receivables, including due from Smart *(Notes 12 and 20)*	**₱2,817**	₱2,270

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 20 – Related Party Transactions*).

Compensation and Employee Benefits

This account consists of Salaries and other employee benefits amounting to ₱1 million for each of the years ended December 31, 2024, 2023 and 2022.

Asset Impairment

Asset impairment for the years ended December 31, 2024, 2023 and 2022 consist of the following:

	2024	2023	2022
		(In millions)	
Creditable withholding tax (*Notes 3 and 14*)	**₱1**	₱–	₱25
Refundable security deposits (*Note 14*)	**–**	–	4
	₱1	₱–	₱29

Other Income – net

Other income – net for the years ended December 31, 2024, 2023 and 2022 consists of the following:

	2024	2023	2022
		(In millions)	
Reimbursements from related parties (*Note 20*)	**₱39**	₱74	₱88
Gain on adjustment of asset retirement obligation	**13**	33	93
Foreign exchange gains – net (*Note 21*)	**–**	1	–
Gain (loss) on lease modification	**(29)**	(8)	59
Others	**(86)**	(93)	49
	(₱63)	₱7	₱289

Reimbursements from related parties pertain to charges by the Group for network related expenditures such as rent, maintenance and depreciation (see *Note 20 – Related Party Transactions*).

19. 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.

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, 2024 and 2023 are as follows:

	2024	2023
	(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	**₱102**	₱102
Benefits paid from plan assets	**–**	–
Balances at end of the year	**₱102**	₱102
Pension liability *(Notes 3 and 17)*	**₱2**	₱2
Pension asset *(Notes 3 and 10)*	**102**	102
Consolidated net funded status	**₱100**	₱100

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, 2024 and 2023.

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:

	2024	2023
	(In millions)	
Noncurrent financial assets:		
Investments in:		
Domestic fixed income	**₱40**	₱40
Domestic equities	**9**	9
Total noncurrent financial assets	**49**	49
Current financial assets		
Cash and cash equivalents	**53**	53
Total plan assets of defined contribution plan	**₱102**	₱102

Plan assets attributable to:

	2024	2023
Company's share	**₱102**	₱102
Employee's share	**–**	–
Total plan assets of defined contribution	**₱102**	₱102

20. 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, 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 December 31, 2024 and 2023:

Category	**Classifications**	**2024**	2023
		(In millions)	
Ultimate Parent Company			
PLDT	Due to related parties	**₱13,102**	₱15,289

Category	**Classifications**	**2024**	2023
		(In millions)	
Subsidiaries of PLDT			
Smart	Due from related parties	**2,810**	2,263
	Investment in perpetual notes	**1,499**	1,523
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, 2024, 2023 and 2022 in relation with the table above:

Category	**Classifications**	**2024**	2023	2022
			(In millions)	
Ultimate Parent Company				
PLDT	Rent and other expenses	**₱55**	₱60	₱85
	Intercompany charges	**32**	47	69
Subsidiaries of PLDT				
Smart	Distributed subscriber's revenue	**₱5,301**	₱5,520	₱5,529
	Professional and other contracted services	**1,749**	1,766	1,769
	Revenues from facility service fees	**1,032**	1,586	1,674
	Royalty expense	**339**	353	354
	Distribution income on perpetual notes	**191**	191	258
	Repairs and maintenance	**11**	12	15
	Intercompany charges	**7**	27	7

<u>Transactions with PLDT</u>

a) The Group has an outstanding payable to PLDT amounting to ₱13,102 million and ₱13,114 million as at December 31, 2024 and 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 JG Summit Holdings, Inc. 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 ₱83 million, ₱103 million and ₱150 million for the years ended December 31, 2024, 2023 and 2022, respectively.

   Another agreement was entered into with PLDT allowing the ultimate parent company to co-locate with the Group's base station facilities. Rental income recognized under this agreement amounting to ₱4 million each for the years ended December 31, 2024, 2023 and 2022, included under "Rental income" account in the statements on comprehensive income.

c) The Group has outstanding dividends payable to PLDT amounting to nil and ₱2,175 million as at December 31, 2024 and 2023, respectively. This is presented as Due to Related Parties under Trade and Other Payables account.

Transactions with Smart

a. The Group was reimbursed by Smart for certain network related charges which amounted to ₱1,032 million, ₱1,586 million and ₱1,674 million for the years ended December 31, 2024, 2023 and 2022, 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 ₱7 million, ₱27 million and ₱7 million for the years ended December 31, 2024, 2023 and 2022, respectively, included under "Other income – net" account in the consolidated statements of comprehensive income.

   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. An amendment to this agreement was executed, effective from January 1, 2024, and may be reviewed depending on the applicability of the charging rates. In, 2024, with the renewed rebranding agreement, 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 ₱1,749 million, ₱1,766 million and ₱1,769 million for the years ended December 31, 2024, 2023 and 2022, respectively, which was presented as part of "Professional and other contracted services" account in the consolidated statements of comprehensive income.

b. Additional reimbursements were received from Smart for compensation and benefits to support the group's network transformation and long-term sustainability strategy amounting to ₱3 million and ₱14 million for the years ended December 31, 2024 and 2023, respectively, included under "Other income – net" in the statements of comprehensive income.

   The outstanding receivable of the Company from Smart amounted to Php2,810 million and Php2,263 million arising from reimbursable network related charges as at December 31, 2024 and 2023, respectively, included under "Trade and other receivables" in the statements of financial position.

c. Rent, repairs and maintenance and other expenses charged by Smart to the Group amounted to ₱11 million, ₱12 million and ₱15 million for the years ended December 31, 2024, 2023 and 2022, 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 ₱191 million each for the years ended December 31, 2024 and 2023, and ₱258 million for the year ended December 31, 2022 are recorded as "Distribution income on perpetual notes" account in the consolidated statements of comprehensive income.

e. In October 2020, DMPI entered into a rebranding agreement with Smart whereby Sun Prepaid subscribers were rebranded as Smart Prepaid subscribers. Under the terms of the agreement, Smart settles a fixed fee representing DMPI's proportionate share on the distributed subscriber revenues. The agreement was renewed for another three years from January 1, 2024 to December 31, 2026.

Total share in distributed subscribers' revenues recognized for this agreement amounted to ₱5,301 million, ₱5,520 million and ₱5,529 million for the years ended December 31, 2024, 2023, and 2022, 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 recognizes royalty expense while Smart will recognize royalty income. Royalty expense is based on 8% of distributed service revenue per rebrand agreement. Similar to the amendment of the Management Service Agreement, the amended trademark license agreement will take effect from January 1, 2024, and will be periodically reviewed to assess its applicability.

Total royalty expense recognized under this agreement amounted to ₱339 million, ₱353 million and ₱354 million for the years ended December 31, 2024, 2023 and 2022, 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, 2024, 2023 and 2022 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.

21. 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, 2024 and 2023.

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, 2024 and 2023.

	2024			2023		
	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*	**₱77**	**₱2**	**₱75**	₱120	₱2	₱118
Trade and other receivables:						
Trade receivables:						
Due from related parties	**2,812**	**–**	**2,812**	2,265	–	2,265
Dealers, agents and others	**7**	**–**	**7**	7	–	7
Refundable security deposits	**479**	**–**	**479**	467	–	467
Investment in perpetual notes	**1,499**	**–**	**1,499**	1,523	–	1,523
	₱4,874	**₱2**	**₱4,872**	₱4,382	₱2	₱4,380

**Excluding cash on hand amounting ₱.3 for both years as at December 31, 2024 and 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 December 31, 2024 and 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 December 31, 2024 and 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 December 31, 2024 and 2023:

	2024			
	Lifetime ECL			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
		(In millions)		
High grade	**₱77**	**₱2,810**	**₱–**	**₱2,887**
Standard grade	**327**	**11**	**–**	**338**
Substandard grade	**–**	**3**	**–**	**3**
Default	**117**	**27**	**–**	**144**
Gross Carrying Amount	**521**	**2,851**	**–**	**3,372**
Less allowance	**117**	**27**	**–**	**144**
Carrying Amount	**₱404**	**₱2,824**	**₱–**	**₱3,228**

	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	117	27	–	144
Gross Carrying Amount	552	2,305	–	2,857
Less allowance	117	27	–	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 December 31, 2024 and 2023:

	2024					
			Days past due			
	Total	**Current**	**1 to 60 Days**	**61 to 90 Days**	**Over 90 Days**	**Impaired**
			(In millions)			
December 31, 2024						
Financial Instruments at Amortized Cost:						
Expected credit loss rate (%)	–	–	–	–	–	–
Trade and other receivables:						
Due from related parties	**₱2,812**	**₱2,812**	**₱–**	**₱–**	**₱–**	**₱–**
Dealers, agents and others	**7**	–	–	–	**7**	–
Expected credit loss	–	–	–	–	–	–
	₱2,819	**₱2,812**	**₱–**	**₱–**	**₱7**	**₱–**

	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	₱–

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. PLDT has committed to provide financial support to the Parent Company to discharge its liabilities as the need arises.

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, 2024 and 2023.

	2024				
	Total	**Less than 1 Year**	**1 to 3 Years**	**3 to 5 Years**	**More than 5 Years**
			(In millions)		
December 31, 2024					
Financial Instruments at Amortized Cost:					
Cash equivalents	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
Trade and other receivables:					
Due from related parties	**2,812**	**2,812**	**–**	**–**	**–**
Dealers, agents and others	**7**	**7**	**–**	**–**	**–**
Refundable security deposits	**479**	**35**	**–**	**444**	**–**
Financial Instruments at FVPL –					
Investment in perpetual notes	**1,499**	**–**	**–**	**–**	**1,499**
	₱4,797	**₱2,854**	**₱–**	**₱444**	**₱1,499**
Accounts payable [(1)]:					
Suppliers and contractors	**₱254**	**₱254**	**₱–**	**₱–**	**₱–**
Due to related parties	**13,102**	**13,102**	**–**	**–**	**–**
Carriers	**28**	**28**	**–**	**–**	**–**
Others	**271**	**271**	**–**	**–**	**–**
Accrued expenses[(2)]	**696**	**696**	**–**	**–**	**–**
Long-term lease obligations – operating lease	**685**	**301**	**259**	**59**	**65**
	₱15,036	**₱14,652**	**₱259**	**₱59**	**₱65**

[(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				
	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.*

22. **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, 2024 amounted to ₱89 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, 2024 and 2023:

	2024		2023	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
		(In millions)		
Financial Assets				
Financial assets at FVPL –				
Investment in perpetual notes	**₱1,499**	**₱1,499**	₱1,523	₱1,523
Financial Instruments at Amortized Cost –				
Refundable security deposits	**335**	**280**	323	270
Total Financial Asset – Net	**₱1,834**	**₱1,779**	₱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 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, 2024 and 2023.

		2024	
	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**

	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 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.

23. 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 10 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, 2024 and 2023 (see *Note 10 – Other Noncurrent Assets* and *Note 14 – Other Current Assets*). The Group's rentals incurred on these leases amounted to ₱75 million, ₱66 million and ₱155 million for the years ended December 31, 2024, 2023 and 2022, 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 20 – Related Party Transactions*).

The future minimum lease commitments payable with non-cancellable operating leases as at December 31, 2024 and 2023 are as follows:

	2024	2023
	(In millions)	
Within one year	**₱301**	₱340
More than one year but less than five years	**319**	475
More than five years	**65**	48
	₱685	₱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 20 –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 20 – 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 201 – 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 25, 2025, 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.

24. **Notes to Statement of Cash Flows**

Changes in Liabilities Arising from Financing Activities
Details of the movements in cash flows from financing activities in 2024, 2023 and 2022 are as follows:

			Non-cash changes				
	January 1, 2024	Cash flows	Dividends declared	Addition to ROU assets	Interest	Others	December 31, 2024
Lease liabilities (*Notes 2 and 8*)	**₱605**	**(₱421)**	**₱–**	**₱393**	**₱51**	**(₱167)**	**₱461**
Dividends payable (*Note 17*)	**2,183**	**(2,183)**	**–**	**–**	**–**	**–**	**–**
Total liabilities from financing activities	**₱2,788**	**(₱2,604)**	**₱–**	**₱393**	**₱51**	**(₱167)**	**₱461**

			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 17*)	3,137	(3,212)	2,258	–	–	–	2,183
Total liabilities from financing activities	₱3,518	(₱3,500)	₱2,258	₱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 17*)	–	–	3,137	–	–	–	3,137
Total liabilities from financing activities	₱1,163	(₱359)	₱3,137	₱80	₱55	(₱558)	₱3,518

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INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
Digital Telecommunications Phils., Inc.
8003-A Matalino St., Diliman
Quezon City, Metro Manila

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, 2024 and 2023, and have issued our report thereon dated March 25, 2025. 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 Group'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, April 16, 2024, valid until August 23, 2026
BIR Accreditation No. 08-001998-152-2024, February 27, 2024, valid until February 26, 2027
PTR No. 10465280, January 2, 2025, Makati City

March 25, 2025

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INDEPENDENT AUDITOR'S REPORT
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
Digital Telecommunications Phils., Inc.
8003-A Matalino St., Diliman
Quezon City, Metro Manila

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, 2024 and 2023 and for each of the three years in the period ended December 31, 2024, 2023 and 2022, and have issued our report thereon dated March 25, 2025. Our audits were made for the purpose of forming an opinion on the basic 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 Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) Accounting Standards 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 PFRS Accounting Standards. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2024 and 2023, and for each of the three years in the period ended December 31, 2024 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Jay Loren M. Castañeda

Jay Loren C. Malig-Castañeda
Partner
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BIR Accreditation No. 08-001998-152-2024, February 27, 2024, valid until February 26, 2027
PTR No. 10465280, January 2, 2025, Makati City

March 25, 2025

From: PADIZ, Ofelia O.
To: BABAN, Jennifer B.; CASTUERA, Catherine M.
Subject: FW: Your BIR AFS eSubmission uploads were received
Date: Friday, April 25, 2025 3:26:30 PM

Fyirp
Thank you

From: eafs@bir.gov.ph <eafs@bir.gov.ph>
Sent: Friday, April 25, 2025 9:01 AM
To: PADIZ, Ofelia O. <oportiz@pldt.com.ph>
Cc: PADIZ, Ofelia O. <oportiz@pldt.com.ph>
Subject: Your BIR AFS eSubmission uploads were received

Hi DIGITAL TELECOMMUNICATIONS PHILS., INC.,

Valid files

- EAFS000449918OTHTY122024.pdf
- EAFS000449918AFSTY122024.pdf
- EAFS000449918ITRTY122024.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-B6EHGLB07DE797JFMRX4SZSM09LGLJFC5**
Submission Date/Time: **Apr 25, 2025 09:00 AM**
Company TIN: **000-449-918**

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