

May 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 and SRC Rule 17.1.1.1.2, we are submitting herewith two (2) copies of SEC Form 17-Q with Management's Discussion and Analysis and accompanying unaudited consolidated financial statements for the three months ended March 31, 2025.

Very truly yours,

DIGITAL TELECOMMUNICATIONS PHILS., INC.


ATTY. JOEL D. PENEYRA
Assistant Corporate Secretary

COVER SHEET

SEC Registration Number

1	4	5	1	1	1				
---	---	---	---	---	---	--	--	--	--

Company Name

D	I	G	I	T	A	L		T	E	L	E	C	O	M	M	U	N	I	C	A	T	I	O	N	S		P	H	I
L	S	.	,		I	N	C	.		A	N	D		S	U	B	S	I	D	I	A	R	I	E	S		(A	
S	u	b	s	i	d	i	a	R	y		o	f		P	L	D	T		I	n	c	.)						

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

8	0	0	3	-	A		M	A	T	A	L	I	N	O		S	T	R	E	E	T	,						
D	I	L	I	M	A	N	,		Q	U	E	Z	O	N		C	I	T	Y	,								
M	E	T	R	O		M	A	N	I	L	A																	

Form Type

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

Department requiring the report

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

Secondary License Type, If Applicable

--	--	--	--

COMPANY INFORMATION

Company's Email Address

<u>digitel_phil@pldt.com.ph</u>

Company's Telephone Number/s

-

Mobile Number

09285590433

No. of Stockholders

4,928 (as at March 31, 2025)

Annual Meeting
Month/Day

Last Monday of May

Calendar Year
Month/Day

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Jerone H. Tabanera

Email Address

jhtabanera@pldt.com.ph

Telephone Number/s

-

Mobile Number

09088867630

Contact Person's Address

19/F Smart Tower, Ayala Avenue, Makati City

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

SEC Number 145111
File Number

DIGITAL TELECOMMUNICATIONS PHILS., INC.

(Company's Full Name)

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

(Company's Address)

09285590433

(Telephone Number)

Not Applicable

(Fiscal Year Ending)
(month & day)

SEC Form 17-Q

Form Type

Not Applicable

Amendment Designation (if applicable)

March 31, 2025

Period Ended Date

Not Applicable

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE (SRC) AND
SRC 17 (2) (b) THEREUNDER

1. For the quarterly period ended March 31, 2025
2. SEC Identification Number 145111 3. BIR Tax Identification No. 000-449-918-000
4. Exact name of registrant as specified in its charter: DIGITAL TELECOMMUNICATIONS PHILS., INC.
5. Republic of the Philippines
Province, Country or other jurisdiction of
incorporation or organization
6. _____ (SEC Use Only)
Industry Classification Code:
7. 8003-A Matalino Street, Diliman, Quezon City, Metro Manila
Address of principal office
- _____ 1104
Postal Code
8. 09285590433
Registrant's telephone number, including area code
9. N/A
Former Name, former address, and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation code, or Sec. 4 and 8 of the then Revised Securities Act.

<u>Title of Each Class</u>	<u>Number of Shares of Common Stock Outstanding</u>
----------------------------	-----------------------------------------------------

Common stock, ₱0.10 par value	26,142,671,992 shares as at March 31, 2025
-------------------------------	--------------------------------------------

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 [☐]

TABLE OF CONTENTS

	<u>Page No.</u>
PART I – BUSINESS AND GENERAL INFORMATION	1
Item 1. Consolidated Financial Statements	1
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	1
Financial Highlights and Key Performance Indicators	1
Performance Indicators	2
Overview.....	3
Management’s Financial Review	3
Results of Operations	4
Consolidated	5
Revenues	5
Expenses	5
Other Income – Net	5
Net Income.....	6
EBITDA	6
Core Income.....	6
Wireless.....	7
Revenues	7
Expenses	8
Other Income – Net	9
Provision for Income Tax.....	9
Net Income.....	9
EBITDA	9
Core Income.....	9
Fixed Line	9
Expenses	9
Other Income – Net.....	10
Provision for Income Tax.....	10
Net Income.....	10
EBITDA	10
Core Income.....	11
Liquidity and Capital Resources	11
Operating Activities	11
Investing Activities	12
Financing Activities	12
Changes in Financial Conditions	12
Assets	12
Noncurrent Assets	12
Current Assets	13
Liabilities	13
Off-Balance Sheet Arrangements	13
Equity Financing.....	13
Contractual Obligations	13
Quantitative and Qualitative Disclosure about Market Risks	13
Other Matters	14
SIGNATURES	S-1
ANNEX 1 – FINANCIAL SOUNDNESS INDICATOR.....	A-1

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Consolidated Financial Statements

Our consolidated financial statements as at March 31, 2025 (unaudited), and December 31, 2024 (audited), and for the three months ended March 31, 2025 and 2024 (unaudited) and related notes are filed as part of this report on Form 17-Q.

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

In the following discussion and analysis of our financial condition and results of operations, unless the context indicates or otherwise requires, references to "we," "us," "our," "Digitel Group" mean the Digital Telecommunications Phils., Inc. and its consolidated subsidiaries and reference to "Digitel" mean the Digital Telecommunications Phils., Inc., not including its consolidated subsidiaries, (see Note 1 – Corporate Information to the accompanying unaudited consolidated financial statements for the list of these subsidiaries, including a description of their respective principal business activities).

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the accompanying unaudited consolidated financial statements and the related notes. Our unaudited consolidated financial statements, and the financial information discussed below, have been prepared in accordance with Philippine Financial Reporting Standards, or PFRS.

The financial information appearing in this report and in the accompanying unaudited consolidated financial statements are stated in Philippine peso. Unless otherwise indicated, translations of Philippine peso amounts into U.S. dollars in this report and in the accompanying unaudited consolidated financial statements were made based on the exchange rate of ₱57.28 to US\$1.00, the exchange rate as at March 31, 2025 quoted through the Bankers Association of the Philippines.

Financial Highlights and Key Performance Indicators

(In millions, except EBITDA margin, basic earnings per share and net cash to equity ratio)

	Three Months ended March 31.		Decrease	
	2025	2024	Amount	%
	(Unaudited)			
Consolidated Income Statements				
Revenues	₱1,538	₱1,257	₱281	22
Expenses	792	674	118	18
Other income (expenses)	45	(11)	56	509
Income before income tax	791	572	219	38
Net income	655	457	198	43
Core income	655	445	210	47
EBITDA	836	659	177	27
EBITDA margin ⁽¹⁾	54%	52%	—	—
Basic/dilutive earnings per common share ⁽²⁾	0.03	0.02	—	—
	March 31.	December 31.	Increase (Decrease)	
	2025	2024	Amount	%
	(Unaudited)		(Audited)	
Consolidated Statements of Financial Position				
Total assets	₱6,399	₱5,660	₱739	13
Property and equipment	—	—	—	—
Cash and cash equivalents	127	77	50	65
Total capital deficiency	(9,186)	(9,841)	655	7
Net cash ⁽³⁾ to equity ratio	0.01	0.01	—	—

	Three months ended March 31.		Increase (Decrease)	
	2025	2024	Amount	%
	(Unaudited)			
Consolidated Statements of Cash Flows				
Net cash flows from operating activities	110	1,090	(980)	(90)
Net cash flows from investing activities	45	59	(14)	(24)
Net cash flows used in financing activities	(105)	(1,107)	1,002	91
Operational Data:				
Number of employees	1	1	—	—
Fixed line	1	1	—	—

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

(2) Basic earnings per common share is derived by dividing net income by the weighted average number of outstanding common shares for the period.

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

Exchange rates – per US\$	Month-end rates	Weighted average During the year
March 31, 2025	57.28	57.95
December 31, 2024	57.85	57.28
March 31, 2024	56.26	55.98
December 31, 2023	55.42	55.62

Performance Indicators

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

EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization)

EBITDA for the period is measured as net income excluding depreciation, 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.

Core Income

Core income for the period 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.

Overview

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

- *Wireless* - wireless telecommunications services provided by DMPI, which owns the *Sun* subscribers brand; and
- *Fixed Line* - fixed line telecommunications services primarily provided by Digitel. As of January 1, 2018, Digitel fully migrated its subscribers to PLDT network.

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

Management's Financial Review

In addition to consolidated net income, we use EBITDA and core income to assess our operating performance. The reconciliation of our consolidated EBITDA and our consolidated core income to our consolidated net income for the three months ended March 31, 2025 and 2024 are set forth in the following page.

The following table shows the reconciliation of our consolidated EBITDA to our consolidated net income for the three months ended March 31, 2025 and 2024:

	2024	2024
	(In millions)	
	(Unaudited)	
Consolidated net income	₱655	₱457
Add (deduct) adjustments:		
Provision for income tax	136	115
Depreciation	90	76
Accretion expense on lease liabilities	12	13
Rental income	(1)	(1)
Losses (gains) on fair value change of perpetual notes	(13)	48
Distribution income on perpetual notes	(48)	(48)
Foreign exchange gains – net	–	(1)
Gain on sale of telecom towers	–	(12)
Other income – net	5	12
Total adjustments	181	202
Consolidated EBITDA	₱836	₱659

The following table shows the reconciliation of our consolidated net income to our consolidated core income for the three months ended March 31, 2025 and 2024:

	2025	2024
	(In millions)	
	(Unaudited)	
Consolidated net income	₱655	₱457
Add (deduct) adjustments:		
Foreign exchange gains – net	–	(1)
Gain on sale of telecom towers	–	(12)
Net tax effect of aforementioned adjustments	–	1
Consolidated core income	₱655	₱445

Results of Operations

The table below shows the contribution by each of our business segments to our consolidated revenues, expenses, other income – net, income before income tax, provision for income tax, net income/segment profit, EBITDA, EBITDA margin and core income for the three months ended March 31, 2025 and 2024. In each of the periods ended March 31, 2025 and 2024, our revenues are derived from our operations within the Philippines.

	Wireless	Fixed Line	Inter-segment Transactions	Consolidated
			(In millions)	
			(Unaudited)	
Three months ended March 31, 2025				
Revenues	₱1,538	₱–	₱–	₱1,538
Expenses	778	14	–	792
Other income	32	13	–	45
Income (loss) before income tax	792	(1)	–	791
Provision for income tax	136	–	–	136
Net income (loss)/ Segment profit (loss)	656	(1)	–	655
EBITDA	850	(14)	–	836
EBITDA margin ⁽¹⁾	55%	–	–	54%
Core income	656	(1)	–	655

(Forward)

	Wireless	Fixed Line	Inter-segment Transactions (In millions) (Unaudited)	Consolidated
For the three months ended March 31, 2024				
Revenues	₱1,257	₱–	₱–	₱1,257
Expenses	659	15	–	674
Other income (expenses)	(13)	2	–	(11)
Income (loss) before income tax	585	(13)	–	572
Provision for income tax	115	–	–	115
Net income (loss)/ Segment profit (loss)	470	(13)	–	457
EBITDA	674	(15)	–	659
EBITDA margin ⁽¹⁾	54%	–	–	52%
Core income	459	(14)	–	445
Increase (Decrease)				
Revenues	₱281	₱–	₱–	₱281
Expenses	119	(1)	–	118
Other income (expense)	45	11	–	56
Income (loss) before income tax	207	12	–	219
Provision for (Benefit from) income tax	21	–	–	21
Net income (loss)/ Segment profit (loss)	186	12	–	198
EBITDA	176	1	–	177
Core income (loss)	197	13	–	210

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

On a Consolidated Basis

Revenues

We reported consolidated revenues of ₱1,538 million for the three months ended March 31, 2025, an increase of ₱281 million, or 22%, as compared with ₱1,257 million in the same period in 2024. Revenues are solely from Wireless service as Fixed Line services ceased operations upon expiration of franchise in 2019.

Expenses

Consolidated expenses increased by ₱118 million, or 18%, to ₱792 million for the three months ended March 31, 2025 from ₱674 million in the same period in 2024 primarily due to higher professional and other contracted services, royalty expense, depreciation and taxes and licenses, partially offset by lower rent and repairs and maintenance.

The following table shows the breakdown of our consolidated expenses by business segment for the three months ended March 31, 2025 and 2024:

	2025	%	2024	%	Change	
					Amount	%
(In millions)						
Wireless	₱778	98	₱659	98	₱119	18
Fixed line	14	2	15	2	(1)	(7)
Consolidated	₱792	100	₱674	100	₱118	18

Other Income - net

Consolidated other income - net increased by ₱56 million, or 509%, to ₱45 million for the three months ended March 31, 2025 from other expenses – net of ₱11 million in the same period in 2024 primarily due to the combined effects of the following: (i) gain on fair value change on perpetual notes of ₱13 million for the three months ended March 31, 2025 as against loss on fair value change on perpetual notes of ₱48 million in the same period in 2024; (ii) gain on sale of telecom towers by ₱12 million in 2024 while nil in 2025; (iii) lower accretion on lease liabilities by ₱1 million; and (iv) higher other expenses - net by ₱7 million.

The following table shows the breakdown of our consolidated other income - net by business segment for the three months ended March 31, 2025 and 2024:

	2025	%	2024	%	Change	
					Amount	%
(In millions)						
Wireless	₱32	71	(₱13)	118	₱45	346
Fixed line	13	29	2	(18)	11	550
Consolidated	₱45	100	(₱11)	100	₱56	509

Net Income

As a result of the foregoing, our consolidated net income amounted to ₱655 million for the three months ended March 31, 2025, an increase of ₱198 million, or 43%, from ₱457 million in the same period in 2024. The decrease was mainly due to the combined effects of the following: (i) higher revenues by ₱281 million; (ii) higher other income - net by ₱56 million; (iii) higher provision for income tax by ₱21 million; and (iv) higher operating expenses by ₱118 million.

The following table shows the breakdown of our consolidated net income by business segment for the three months ended March 31, 2025 and 2024:

	2025	%	2024	%	Change	
					Amount	%
(In millions)						
Wireless	₱656	100	₱470	103	₱186	40
Fixed line	(1)	—	(13)	(3)	12	(92)
Consolidated	₱655	100	₱457	100	₱198	43

EBITDA

Our consolidated EBITDA amounted to ₱836 million for the three months ended March 31, 2025, an increase of ₱177 million, or 27%, from ₱659 million in the same period in 2024 primarily due to higher revenues.

The following table shows the breakdown of our consolidated EBITDA by business segment for the three months ended March 31, 2025 and 2024:

	2025	%	2024	%	Change	
					Amount	%
(In millions)						
Wireless	₱850	102	₱674	102	₱176	26
Fixed line	(14)	(2)	(15)	(2)	1	7
Consolidated	₱836	100	₱659	100	₱177	27

Core Income

Our consolidated core income amounted to ₱655 million for the three months ended March 31, 2025, an increase of ₱210 million, or 47%, from ₱445 million in the same period in 2024, primarily due to higher EBITDA and other income – net, partially offset by higher provision for income tax.

The following table shows the breakdown of our consolidated core income by business segment for the three months ended March 31, 2025 and 2024:

	2025	%	2024	%	Change	
					Amount	%
	(In millions)					
Wireless	₱656	100	₱459	103	₱197	43
Fixed line	(1)	—	(14)	(3)	13	(93)
Consolidated	₱655	100	₱445	100	₱210	47

On a Business Segment Basis

Wireless

Revenues

We generated revenues from our wireless business of ₱1,538 million for the three months ended March 31, 2025, an increase of ₱281 million, or 22%, from ₱1,257 million in the same period in 2024.

The following table summarizes our total revenues from our wireless business for the three months ended March 31, 2025 and 2024 by service segment:

	2025	%	2024	%	Decrease	
					Amount	%
	(In millions)					
Service Revenues:						
Distributed subscriber revenues	₱1,325	86	₱1,034	82	₱291	28
Others	213	14	223	18	(10)	(4)
Total Wireless Revenues	₱1,538	100	₱1,257	100	₱281	22

Distributed Subscriber Revenues

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

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

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

The subscriber rebranding agreement gives rise to the recognition of distributed subscriber revenues. Total share in the distributed subscriber revenues amounted to ₱1,325 million for the three months ended March 31, 2025, higher by ₱291 million, or 28%, from ₱1,034 million in the same period in 2024.

Other Service Revenues

Other service revenues, mainly facility service revenues decreased by ₱10 million, or 4%, to ₱213 million for the three months ended March 31, 2025 from ₱223 million in the same period in 2024.

Expenses

Expenses associated with our wireless business for the three months ended March 31, 2025 amounted to ₱778 million, an increase of ₱119 million, or 18%, from ₱659 million in the same period in 2024. The increase was attributable to higher expenses related to professional and other contracted services, royalty expense, depreciation and taxes and licenses, partially offset by lower rent and repairs and maintenance. As a percentage of our total wireless revenues, expenses associated with our wireless business were at 51% and 52% for the three months ended March 31, 2025 and 2024, respectively.

The following table summarizes the breakdown of our total wireless-related expenses for the three months ended March 31, 2025 and 2024 and the percentage of each expense item to the total:

	2025	%	2024	%	Increase (Decrease)	
					Amount	%
	(In millions)					
Professional and other contracted services	₱438	56	₱331	50	₱107	32
Repairs and maintenance	131	17	134	20	(3)	(2)
Depreciation	90	12	76	12	14	18
Royalty expense	85	11	66	10	19	29
Taxes and licenses	22	3	21	3	1	5
Rent	12	1	31	5	(19)	(61)
Total	₱778	100	₱659	100	₱119	18

Professional and other contracted services increased by ₱107 million, or 32%, to ₱438 million for the three months ended March 31, 2025 from ₱331 million in the same period in 2024 primarily due to higher facility usage cost.

Repairs and maintenance expenses decreased by ₱3 million, or 2%, to ₱131 million for the three months ended March 31, 2025, from ₱134 million in the same period in 2024 mainly due to lower site electricity driven by lower average rate/kwh.

Depreciation increased by ₱14 million, or 18%, to ₱90 million for the three months ended March 31, 2025, from ₱76 million in the same period in 2024 due to higher depreciation of right-of-use assets.

Royalty expense increased by ₱19 million, or 29%, to ₱85 million for the three months ended March 31, 2025, from ₱66 million in the same period in 2024 due to higher distributed subscriber revenues.

Taxes and licenses increased by ₱1 million, or 5%, to ₱22 million for the three months ended March 31, 2025, from ₱21 million in the same period in 2024 primarily due to higher NTC fees.

Rent expenses decreased by ₱19 million, or 61%, to ₱12 million for the three months ended March 31, 2025, from ₱31 million in the same period in 2024 primarily due to lower site rentals.

There were no recognition of costs related to selling and promotions, cost of sales and services, asset impairment and other provisions consequent to the subscriber rebranding agreement.

Other Income - Net

The following table summarizes the breakdown of our total wireless-related other income for the three months ended March 31, 2025 and 2024:

	2025	2024 (In millions)	Increase (Decrease)	
			Amount	%
Other Income (Expenses):				
Distribution income on perpetual notes	₱48	₱48	₱–	–
Gain (loss) on fair value change on perpetual notes	13	(48)	61	127
Rental income	1	1	–	–
Accretion expense on lease liabilities	(12)	(13)	1	8
Gain on sale of telecom towers	–	12	(12)	(100)
Others	(18)	(13)	(5)	(38)
Total	₱32	(₱13)	₱45	346

Our wireless business' other income - net for the three months ended March 31, 2025 amounted to ₱32 million, an increase of ₱45 million, or 346%, from other expenses – net of ₱13 million in the same period in 2024 primarily due to the combined effects of the following: (i) gain on fair value change on perpetual notes of ₱13 million for the three months ended March 31, 2025 as against to loss on fair value change on perpetual notes of ₱48 million in the same period in 2024 ; (ii) gain on sale of telecom towers by ₱12 million in 2024 as against nil in 2025; (iii) lower accretion expense on lease liabilities of ₱1 million; and (iv) lower net other expenses by ₱5 million.

Provision for Income Tax

Provision for income tax increased by ₱21 million, or 18%, to ₱136 million for the three months ended March 31, 2025, from ₱115 million in the same period in 2024.

Net Income

As a result of the foregoing, our wireless business recorded a net income of ₱656 million for the three months ended March 31, 2025, an increase of ₱186 million, or 40%, from ₱470 million recorded in the same period in 2024.

EBITDA

Our wireless business' registered an EBITDA amounted to ₱850 million for the three months ended March 31, 2025, an increase of ₱176 million, or 26%, from ₱674 million in the same period in 2024.

Core Income

Our wireless business' core income amounted to ₱656 million for the three months ended March 31, 2025, an increase of ₱197 million, or 43%, from ₱459 million in the same period in 2024.

Fixed Line

Expenses

Expenses related to our fixed line business totaled ₱14 million for the three months ended March 31, 2025, a decrease of ₱1 million, or 7%, as compared to ₱15 million in the same period in 2024. The decrease was primarily due to lower rent and repairs and maintenance expenses, partly offset by higher other expense.

The following table shows the breakdown of our total fixed line-related expenses for the three months ended March 31, 2025 and 2024 and the percentage of each expense item to the total:

	2025	%	2024	%	Decrease	
					Amount	%
			(In millions)			
Repairs and maintenance	₱8	58	₱9	60	(₱1)	(11)
Rent	2	14	3	20	(1)	(33)
Taxes and licenses	2	14	2	13	—	—
Professional and other contracted services	1	7	1	7	—	—
Other expenses	1	7	—	—	1	100
Total	₱14	100	₱15	100	(₱1)	(7)

Repairs and maintenance expenses decreased by ₱1 million, or 11%, to ₱8 million for the three months ended March 31, 2025, from ₱9 million in the same period in 2024 due to lower cable and wire facility repairs.

Rent expense decreased by ₱1 million, or 33%, to ₱2 million for the three months ended March 31, 2025, from ₱3 million in the same period in 2024 due to lower pole rental.

Taxes and licenses and professional and other contracted services remain flat at ₱2 million and ₱1 million, respectively, for the three months ended March 31, 2025.

Other expenses increased by ₱1 million, or 100% for the three months ended March 31, 2025.

Other Income - Net

The following table summarizes the breakdown of our total fixed line-related other income for the three months ended March 31, 2025 and 2024:

	2025	2024	Increase (Decrease)	
			Amount	%
			(In millions)	
Other Income:				
Foreign exchange gains – net	₱—	1	(₱1)	(100)
Others	13	1	12	1,200
Total	₱13	₱2	₱11	550

Our fixed line business' other income amounted to ₱13 million for the three months ended March 31, 2025, an increase of ₱11 million, or 550%, from ₱2 million in the same period in 2024, primarily due to the combined effects of the following: (i) decrease in foreign exchange gains – net of ₱1 million; and (ii) higher other income – net by ₱11 million.

Provision for Income Tax

Provision for income tax amounted to nil for the three months ended March 31, 2025 and 2024.

Net Income

As a result of the foregoing, our fixed line business recorded a net loss of ₱1 million for the three months ended March 31, 2025.

EBITDA

Our fixed line business reported a negative EBITDA of ₱14 million for the three months ended March 31, 2025, an improvement by ₱1 million, or 7%, from ₱15 million negative EBITDA in the same period in 2024.

Core Income

Our fixed line business' core loss for the three months ended March 31, 2025 amounted to ₱1 million.

Liquidity and Capital Resources

The following table shows our consolidated cash flows for the three months ended March 31, 2025 and 2024, as well as our consolidated capitalization and other consolidated selected financial data as at March 31, 2025 and December 31, 2024:

	Three months ended March 31,	
	2025	2024
	(Unaudited)	
(in millions)		
Cash Flows		
Net cash flows from operating activities	₱110	₱1,090
Net cash flows from investing activities	45	59
Net cash flows used in financing activities	(105)	(1,107)
Net increase in cash and cash equivalents	50	42
	March 31,	December 31,
	2025	2024
	(Unaudited)	(Audited)
Capitalization		
Total capital deficiency attributable to equity holders of Digitel	(₱9,186)	(₱9,841)
Other Selected Financial Data		
Total assets	₱6,399	₱5,660
Cash and cash equivalents	127	77

As at March 31, 2025, our consolidated cash and cash equivalents totaled ₱127 million. Principal source of consolidated cash and cash equivalents for the three months ended March 31, 2025 was cash flows from operating activities of ₱110 million, and distribution of perpetual notes of ₱48 million. These funds were used principally for payments for principal and interest charges of lease liabilities amounting to ₱93 million and ₱12 million, respectively.

As at March 31, 2024 our consolidated cash and cash equivalents totaled ₱162 million. Principal source of consolidated cash and cash equivalents for the three months ended March 31, 2022 were cashflow from operating activities, proceeds from sale of telecom towers of ₱12 million and distribution of perpetual notes of ₱48 million. These funds were used principally for payments for principal of lease liabilities and interest charges amounting to ₱87 million and ₱13 million, respectively and payments of cash dividends.

Operating Activities

Our consolidated net cash flows from operating activities amounted to ₱110 million for the three months ended March 31, 2025, lower by ₱980 million, or 90%, from ₱1,090 million in the same period in 2024 primarily due to lower collection of trade and other receivables, higher income taxes paid, partly offset by higher operating income, lower level of other current assets and lower settlement of trade and other payables.

Investing Activities

Our consolidated net cash flows from investing activities amounted to ₱45 million for the three months ended March 31, 2025, lower by ₱14 million, or 24%, from ₱59 million in the same period in 2024 primarily due to lower proceeds from sale of telecom towers.

Financing Activities

Our consolidated net cash flows used in financing activities amounted to ₱105 million for the three months ended March 31, 2025, lower by ₱1,002 million, or 91%, from ₱1,107 million in the same period in 2024 primarily due to cash dividend payments by ₱1,007 million in 2024 compared to none in 2025, partly offset by higher payments for principal and interest charges related to lease liabilities by ₱6 million.

Debt Financing

As at March 31, 2025, we have no outstanding long-term debt, including current portion.

Debt Covenants

All loans from foreign banks are guaranteed up to a certain extent by PLDT, being the ultimate parent company. In addition, the covering loan agreements of such liabilities contain covenants which, among others, restrict the incurrence of additional long-term indebtedness not in the ordinary course of business, merger or disposition of any substantial portion of Digitel's assets, distribution of capital or profits and redemption of any of its issued shares.

Financing Requirements

We believe that our available cash, including cash flow from operations, will provide sufficient liquidity to fund our projected operating, investment and capital expenditures for the next 12 months.

Changes in Financial Conditions

Assets

Our total assets amounted to ₱6,399 million as at March 31, 2025, an increase of ₱739 million, or 13%, from ₱5,660 million as at December 31, 2024, due to higher current assets by ₱731 million, or 23%, and higher noncurrent assets by ₱8 million.

Noncurrent Assets

Investment properties amounted to ₱55 million each as at March 31, 2025 and December 31, 2024, which represent land that is currently held for undetermined future use.

Right-of-use assets (ROU) decreased by ₱8 million, or 2%, due to depreciation and termination of ROU sites, partly offset by additional ROU sites during the period.

Investment in perpetual notes increased by ₱13 million, or 0.1%, primarily due to gain on fair value change on perpetual notes.

Net deferred income tax asset remained flat at ₱2 million.

Other noncurrent assets increased by ₱3 million, or 1%, primarily due to higher refundable security deposits.

Current Assets

Cash and cash equivalents increased by ₱50 million, or 65%, mainly due to the combined effects of cash flows from operating activities of ₱110 million, cash flows from investing activities of ₱45 million, and cash flows used in financing activities of ₱105 million.

Trade and other receivables increased by ₱612 million, or 22%, due mainly from additional receivables from related parties.

Inventories amounted to nil as at March 31, 2025 and December 31, 2024.

Other current assets increased by ₱39 million, or 50%, primarily due to the higher prepaid fees and licenses, partly offset by lower prepaid taxes.

Liabilities

Our total liabilities amounted to ₱15,585 million as at March 31, 2025, an increase of ₱84 million, or 0.5%, from ₱15,501 million as at December 31, 2024, due to higher current liabilities by ₱99 million, or 0.7%, partially offset by lower noncurrent liabilities by ₱15 million, or 3%.

Net deferred income tax liabilities increased by ₱2 million, or 12%, due to higher deferred income tax asset on lease liability.

Noncurrent portion liabilities decreased by ₱15 million, or 3%, due to lower lease liabilities recognized during the year, partly offset by increase in asset retirement obligation.

Trade and other payables decreased by ₱45 million, or 0.3%, due to settlement to related parties, and lower 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.

Equity Financing

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

Contractual Obligations

For a discussion of our consolidated contractual undiscounted obligations as at March 31, 2025 and December 31, 2024, see *Note 20 – Financial Risk Management Objectives and Policies* to the accompanying unaudited consolidated financial statements.

Quantitative and Qualitative Disclosures about Market Risks

Our operations are exposed to various risks, including liquidity risk, foreign currency exchange risk, interest rate risk and credit risk. The importance of managing these risks has significantly increased in

light of considerable change and continuing volatility in both the Philippine and international financial markets. The BOD of the Group and the ultimate parent review and approve policies for managing each of these risks.

For further discussions of these risks, see *Note 20 – Financial Risk Management Objectives and Policies* to the accompanying unaudited consolidated financial statements.

The following table sets forth the estimated consolidated fair values of our financial assets and liabilities recognized as at March 31, 2025 and December 31, 2024 other than those whose carrying amounts are reasonable approximations of fair values:

	March 31, 2025 (Unaudited)	December 31, 2024 (Audited)
Noncurrent Financial Assets		
Financial assets at FVP:		
Investment in perpetual notes	₱1,512	₱1,499
Loans and receivables:		
Refundable security deposits	329	327
Total Financial Asset – Net	₱1,841	₱1,826

For further discussions of the fair values of our financial assets and liabilities, see *Note 21 – Fair Value Measurement* to the accompanying unaudited consolidated financial statements.

Other Matters

- a. Any known trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity.
 - We are not aware of any known trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity.
 - Digitel Group has not defaulted in paying its currently maturing obligations. In addition, all dollar-denominated obligations of DMPI are guaranteed by its ultimate parent, PLDT.
 - Digitel Group's current liabilities appear to be materially higher than its current assets, as indicated by the current ratio of 0.26:1 due to an outstanding payable to PLDT and other related parties amounting to ₱13 billion as at March 31, 2025. Without this portion in the current liabilities, the current ratio will improve to 2:1.
- b. Any events that will trigger direct or contingent financial obligation that is material to Digitel Group, including any default or acceleration of an obligation.
 - We are not aware of any events that will trigger direct or contingent financial obligation that is material to Digitel Group, including any default or acceleration of an obligation.
- c. Description of any material commitments for capital expenditures, general purpose of such commitments, expected sources of funds for such expenditures
 - We have no material commitment for capital expenditures.
- d. Any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.
 - We are not aware of any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

- e. Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.
 - We are not aware of any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.
- f. Any significant elements of income or loss that arise from issuer's continuing operations.
 - We are not aware of any significant elements of income or loss that arises from the issuer's continuing operations.
- g. Seasonal aspects that have material effect on the unaudited consolidated financial statements.
 - We are not aware of any seasonal aspects that have material effect on the financial statements.



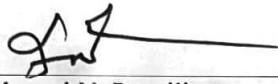
SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the registrant has duly caused this report for the three months ended March 31, 2025 to be signed on its behalf by the undersigned thereunto duly authorized.


DIGITAL TELECOMMUNICATIONS PHILS., INC.

Registrant

By:



Manuel V. Pangilinan
Chairman/President and Chief Executive Officer



Jerone H. Tabanera
Chief Financial Officer

ANNEX 1 – FINANCIAL SOUNDNESS INDICATOR

The following table shows our financial soundness indicators as at March 31, 2025 and December 31, 2024:

	<u>2025</u>	<u>2024</u>
Current Ratio ⁽¹⁾	0.26:1.0	0.21:1.0
Net Cash to Equity Ratio ⁽²⁾	(0.01):1.0	(0.01):1.0
Asset to Equity Ratio ⁽³⁾	(0.70):1.0	(0.57):1.0
Interest Coverage Ratio ⁽⁴⁾	66.92:1.0	63.53:1.0
Profit Margin Ratio ⁽⁵⁾	43%	41%
Return on Assets ⁽⁶⁾	10%	46%
EBITDA Margin ⁽⁷⁾	54%	53%

⁽¹⁾ Current ratio is measured as current assets divided by current liabilities

⁽²⁾ Net cash to equity ratio is measured as cash and cash equivalents and short-term investments less total debt (long-term debt, including current portion and notes payable, if any) divided by total equity.

⁽³⁾ Asset to equity ratio is measured as total assets divided by total equity.

⁽⁴⁾ Interest coverage ratio is measured by EBIT, or earnings before interest and taxes, divided by total financing costs

⁽⁵⁾ Profit margin ratio is derived by dividing net income with total revenues.

⁽⁶⁾ Return on assets is derived by dividing net income with total assets.

⁽⁷⁾ EBITDA margin is measured as EBITDA divided by service revenues. EBITDA is measured as net income excluding depreciation, asset impairment on noncurrent assets, financing costs, interest income, equity share in net earnings of associated and joint ventures, foreign exchange gains - net, provision for income tax, and other income (expenses).

Digital Telecommunications Phils., Inc. and
Subsidiaries
(A Subsidiary of PLDT Inc.)

Consolidated Financial Statements
March 31, 2025 (Unaudited) and December 31, 2024 (Audited)

And for the three months ended March 31, 2025 and 2024
(Unaudited)

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0	0	0	0	1	4	5	1	1	1	
---	---	---	---	---	---	---	---	---	---	--

COMPANY NAME

D	I	G	I	T	A	L		T	E	L	E	C	O	M	M	U	N	I	C	A	T	I	O	N	S		P	H	I
L	S	.	,		I	N	C	.		A	N	D		S	U	B	S	I	D	I	A	R	I	E	S		(A	
S	u	b	s	i	d	i	a	r	y		o	f		P	L	D	T		I	N	C	.)						

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

8	0	0	3	-	A		M	A	T	A	L	I	N	O		S	T	.											
D	I	L	I	M	A	N	,		Q	U	E	Z	O	N		C	I	T	Y										
M	E	T	R	O		M	A	N	I	L	A																		

Form Type

A	A	F	S
---	---	---	---

Department requiring the report

S	E	C	
---	---	---	--

Secondary License Type, If Applicable

N	A		
---	---	--	--

COMPANY INFORMATION

Company's Email Address

Digitel_phil@pldt.com.ph

Company's Telephone Number

—

Mobile Number

09285590433

No. of Stockholders

4,928

Annual Meeting (Month / Day)

Last Monday of May

Fiscal Year (Month / Day)

12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Jerone H. Tabanera

Email Address

jhtabanera@pldt.com.ph

Telephone Number/s

—

Mobile Number

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.

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31, 2025	December 31, 2024
	(Unaudited)	(Audited)
	<i>(In millions)</i>	
ASSETS		
Noncurrent Assets		
Investment properties <i>(Note 21)</i>	₱55	₱55
Property and equipment <i>(Note 7)</i>	—	—
Right-of-use (ROU) assets <i>(Note 8)</i>	459	467
Investment in perpetual notes <i>(Notes 9, 19, 20 and 21)</i>	1,512	1,499
Deferred income tax assets – net <i>(Note 5)</i>	2	2
Other noncurrent assets <i>(Notes 10, 20 and 21)</i>	439	436
Total Noncurrent Assets	2,467	2,459
Current Assets		
Cash and cash equivalents <i>(Notes 11, 20 and 21)</i>	127	77
Trade and other receivables <i>(Notes 12, 19, 20 and 21)</i>	3,431	2,819
Inventories <i>(Note 13)</i>	—	—
Other current assets <i>(Note 14)</i>	117	78
	3,675	2,974
Assets classified as held-for-sale <i>(Note 8)</i>	257	227
Total Current Assets	3,932	3,201
TOTAL ASSETS	₱6,399	₱5,660
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	(12,170)	(12,825)
Total Capital Deficiency <i>(Notes 1 and 15)</i>	(9,186)	(9,841)
Noncurrent Liabilities		
Deferred income tax liabilities – net <i>(Note 5)</i>	19	17
Lease liabilities – net of current portion <i>(Note 8)</i>	172	193
Asset retirement obligation <i>(Note 16)</i>	274	270
Total Noncurrent Liabilities	465	480
Current Liabilities		
Trade and other payables <i>(Notes 17, 19, 20 and 21)</i>	14,321	14,365
Lease liabilities <i>(Note 8)</i>	291	268
Income tax payable	326	217
	14,938	14,850
Liabilities associated with assets classified as held-for-sale <i>(Note 8)</i>	182	171
Total Current Liabilities	15,120	15,021
Total Liabilities	15,585	15,501
TOTAL CAPITAL DEFICIENCY AND LIABILITIES	₱6,399	₱5,660

See accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the Three Months Ended March 31	
	2025	2024
	<i>(In millions, except earnings per share amount)</i>	
REVENUES		
Revenues from contracts with customers <i>(Notes 18 and 19)</i>	₱1,538	₱1,257
COSTS AND EXPENSES		
Professional and other contracted services <i>(Note 19)</i>	438	332
Repairs and maintenance	140	143
Royalty expense <i>(Note 19)</i>	85	66
Depreciation <i>(Notes 7 and 8)</i>	90	76
Taxes and licenses	24	23
Rent <i>(Notes 8, 19 and 22)</i>	14	34
Other expenses	1	—
	792	674
	746	583
OTHER INCOME (EXPENSES)		
Distribution income on perpetual notes <i>(Notes 9 and 19)</i>	48	48
Gains (losses) on fair value change on perpetual notes <i>(Note 9)</i>	13	(48)
Rental income	1	1
Accretion expense on lease liabilities <i>(Notes 4 and 8)</i>	(12)	(13)
Gain on sale of telecom towers <i>(Note 7)</i>	—	12
Foreign exchange gain – net	—	1
Other income (expenses) – net <i>(Note 18)</i>	(5)	(12)
	45	(11)
INCOME BEFORE INCOME TAX	791	572
PROVISION FOR INCOME TAX <i>(Note 5)</i>	136	115
NET INCOME <i>(Notes 1, 4 and 6)</i>	655	457
OTHER COMPREHENSIVE INCOME	—	—
TOTAL COMPREHENSIVE INCOME	₱655	₱457
Earnings per Share <i>(Note 6)</i>	₱0.03	₱0.02

See accompanying Notes to Consolidated Financial Statements.

DIGITAL TELECOMMUNICATIONS PHILS., INC. AND SUBSIDIARIES

(A Subsidiary of PLDT Inc.)

CONSOLIDATED STATEMENTS OF CHANGES IN CAPITAL DEFICIENCY FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024

	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, 2025	₱2,614	₱2,201	(₱1,831)	₱5,000	(₱17,825)	(₱9,841)
Net income	—	—	—	—	655	655
Balances as at March 31, 2025 (Unaudited)	₱2,614	₱2,201	(₱1,831)	₱5,000	(₱17,170)	(₱9,186)
Balances as at January 1, 2024	₱2,614	₱2,201	(₱1,831)	₱5,000	(₱20,453)	(₱12,469)
Net income	—	—	—	—	457	457
Balances as at March 31, 2024 (Unaudited)	₱2,614	₱2,201	(₱1,831)	₱5,000	(₱19,996)	(₱12,012)

See accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Three Months Ended March 31	
	2025	2024
	<i>(In millions)</i>	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱791	₱572
Adjustments for:		
Depreciation <i>(Notes 7 and 8)</i>	90	76
Accretion on:		
Lease liabilities <i>(Notes 4, 8, 18 and 23)</i>	12	13
Asset retirement obligation <i>(Note 16)</i>	2	1
Losses (gains) on fair value change on perpetual notes <i>(Note 9)</i>	(13)	48
Distribution income on perpetual notes <i>(Note 9)</i>	(48)	(48)
Loss on lease modification <i>(Note 18)</i>	—	3
Gain on:		
Adjustment of asset retirement obligation <i>(Notes 16 and 18)</i>	(2)	(3)
Foreign exchange	—	(1)
Sale of telecom towers	—	(12)
Others	(2)	(13)
Operating income before changes in assets and liabilities	830	636
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Trade and other receivables	(612)	1,067
Other current assets	(39)	(236)
Increase (decrease) in:		
Trade and other payables	(69)	(378)
Other noncurrent liabilities	—	1
Net cash flows generated from operations	110	1,090
Income taxes paid	—	—
Net cash flows provided by operating activities	110	1,090
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from:		
Distribution of perpetual notes <i>(Note 9)</i>	48	48
Disposal of fixed assets <i>(Note 7)</i>	—	12
Increase in advances and other noncurrent assets	(3)	(1)
Net cash flows provided by investing activities	45	59

(Forward)

	For the Three Months Ended March 31	
	2025	2024
	<i>(In millions)</i>	
CASH FLOWS USED IN FINANCING ACTIVITIES		
Payments for:		
Interest charged on lease liabilities <i>(Notes 4, 8, 18 and 23)</i>	(P12)	(P13)
Principal portion of lease liabilities <i>(Note 8)</i>	(93)	(87)
Cash dividends <i>(Note 15)</i>	—	(1,007)
Cash flows used in financing activities	(105)	(1,107)
NET EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	—	—
NET INCREASE IN CASH AND CASH EQUIVALENTS	50	42
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	77	120
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD <i>(Note 11)</i>	P127	P162

See accompanying Notes to Consolidated Financial Statements.

DIGITAL TELECOMMUNICATIONS PHILS., INC. AND SUBSIDIARIES

(A Subsidiary of PLDT Inc.)

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 RA No. 9180 to construct, install, establish, operate and maintain wire and/or wireless telecommunications systems throughout the Philippines.
- Digitel Information Technology Services, Inc. (DITSI), which was incorporated in the Philippines to provide internet access and high-speed data transmission to corporate and individual customers. DITSI, however, became dormant following the decision of the Board of Directors (BOD) on March 12, 2002 to integrate its operations into the Parent Company. On March 5, 2012, the BOD approved the closure of DITSI through the shortening of its corporate life until June 30, 2013. The final dissolution will take place after the approval of DITSI’s application with the Philippine SEC. As at May 15, 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 Philippine 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 19 – Related Party Transactions*.

Status of Operations

The Parent Company's legislative franchise to install, operate and maintain telecommunications systems throughout the Philippines and for other purposes has expired on February 17, 2019 and was not renewed due to the full migration of its subscribers to PLDT in January 2018 by virtue of the terms of the sale of subscription assets executed with PLDT on July 1, 2013. The Financial Lease Agreement (FLA) which was also executed to cover PLDT's use of the Parent Company's network was terminated in November 2018. Management is currently assessing the business direction of the Parent Company moving forward. Meanwhile, PLDT has committed to provide financial support to Parent Company to discharge its liabilities and as the need arises. On the other hand, DMPI's legislative franchise is still in effect up to April 1, 2028. The Group will continue to operate its Wireless business under DMPI.

The Group has incurred capital deficiency of ₱9,186 million and ₱9,841 million as at March 31, 2025 and December 31, 2024, respectively (see *Note 15 – Equity*). The Group's capital deficiency is the result of the following noncash and one-off events, which have no material adverse impact on the underlying business and prospects of the Group:

- a. Net loss amounting to ₱64,829 million in 2011 due to the effect of one-time, nonrecurring charges amounting to ₱59,947 million comprised of the following: (i) the impairment of network assets arising from the impact of fast-paced technology advances on current replacement costs; (ii) accelerated depreciation for certain specific network assets for decommissioning and for upgrade to newer technology; (iii) provisions; and (iv) losses arising from the modification of convertible and exchangeable bonds.
- b. Net loss amounting to ₱1,945 million in 2015 due to the effect of the impairment of property and equipment amounting to ₱5,789 million, which pertains to the net book value of network assets affected by the network convergence program between DMPI and Smart.

The Group is working together with PLDT and Smart, to extend the network coverage and improve operating efficiencies that would translate into more relevant and cost-effective service offerings to the Group's wireless subscribers.

The Group reported net income amounting to ₱655 million and ₱457 million for the three months ended March 31, 2025 and 2024, respectively, arising primarily from the prepaid cellular operations of the Wireless business. Management continues to adopt the following measures to address the capital deficiency: (i) review of business portfolio to enhance earnings streams, (ii) application of cost-saving measures to reduce operating costs; and (iii) implementation of operating synergy with Smart.

The Group's capital deficiency as at March 31, 2025 and December 31, 2024, the Group's current liabilities exceeded its current assets by ₱11,187 million and ₱11,820 million as at March 31, 2025 and December 31, 2024, respectively. The major existing liabilities as at March 31, 2025 and December 31, 2024 are the advances due to PLDT amounting to ₱13,094 million and ₱13,102 million, respectively (see *Note 19 – Related Party Transactions*). In addition, the Parent Company's dividends payable to PLDT amounted to nil as at March 31, 2025 and December 31, 2024. PLDT has committed to provide financial support to the Parent Company to discharge its liabilities as the need arises.

The accompanying consolidated financial statements have been prepared on a going concern basis on the assumption that the assets can be realized, and liabilities can be settled in the normal course of business.

Authorization to Issue Consolidated Financial Statements

The accompanying consolidated financial statements as at March 31, 2025 and December 31, 2024, and for the three months ended March 31, 2025 and 2024 were approved and authorized for issuance by the BOD on May 15, 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 March 31, 2025 and December 31, 2024, and for the three months ended March 31, 2025 and 2024. 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, 2025. 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 21, *Lack of Exchangeability*

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 March 31, 2025 and December 31, 2024, 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).

Assets classified as Held-for-Sale

The Group classifies 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-for-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 March 31, 2025 and December 31, 2024 (see *Note 10 – Other Noncurrent Assets*, *Note 11 – Cash and Cash Equivalents*, *Note 12 – Trade and Other Receivables*, *Note 14 – Other Current Assets* and *Note 19 – Related Party Transactions*).

Financial assets at FVPL

A financial asset at FVPL is measured at fair value. Included in this classification are derivative financial assets, equity investments held for trading and debt instruments with contractual terms that do not represent solely payments of principal and interest. Financial assets held at FVPL are initially recognized at fair value, with transaction costs recognized in the consolidated statement of comprehensive income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the consolidated statement of comprehensive income.

Additionally, even if the asset meets the amortized cost or the FVOCI criteria, the Group may choose at initial recognition to designate the financial asset at FVPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets on a different basis.

The Group's investment in perpetual notes is classified under this category (see *Note 9 – Investment in Perpetual Notes*).

The Group has no financial assets at FVOCI as at March 31, 2025 and December 31, 2024.

Classification of financial liabilities

Financial liabilities are measured at amortized cost, except for the following:

- financial liabilities measured at FVPL;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Group retains continuing involvement;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in accordance with PFRS 3.

A financial liability may be designated at FVPL if it eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) or:

- if a host contract contains one or more embedded derivatives; or
- if a group of financial liabilities or financial assets and liabilities is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at FVPL, the movement in fair value attributable to changes in the Group's credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income.

The Group has no financial liability at FVPL as at March 31, 2025 and December 31, 2024.

Other Financial Liabilities

Financial liabilities are classified in this category if they are not held for trading or not designated at FVPL upon the inception of the liability. Other financial liabilities are initially recognized at fair value of the consideration received less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any related issue costs, discount or premium. Gains and losses are recognized in profit or loss when the liabilities are derecognized, as well as through the amortization process.

The Group's other financial liabilities include trade and other payables (except for accrued taxes and licenses, unearned income and statutory payables), and lease liabilities as at March 31, 2025 and December 31, 2024 (see *Note 8 – Leases*, *Note 17 – Trade and Other Payables* and *Note 19 – Related Party Transactions*).

Reclassifications of financial instruments

The Group reclassifies financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Group and

any previously recognized gains, losses or interest shall not be restated. The Group does not reclassify its financial liabilities.

The Group does not reclassify its financial assets when:

- A financial asset that was previously designated and as effective hedging instrument in a cash flow hedge or net investment hedge no longer qualifies as such;
- A financial asset becomes a designated and effective hedging instrument in a cash flow hedge or net investment hedge; and
- There is a change in measurement on credit exposures measured at FVPL.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

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 21 – Fair Value Measurement*.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (i) in the principal market for the asset or liability, or (ii) in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above (see *Note 21 – Fair Value Measurement*).

The Group recognizes transfers into and transfers out of fair value hierarchy levels as at the date of the event or change in circumstances that caused the transfer.

Inventories

Inventories, which include handsets, devices, terminal units and accessories, materials and spare parts, are valued at the lower of cost and net realizable value (NRV) taking into account expected revenues from the sale of inventories and supplies.

Cost is determined using the weighted average method. NRV 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 three months ended March 31, 2025 and 2024; 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.

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, 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 17, *Insurance Contracts*
- 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 unlikelihood 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 ₱463 million and ₱461 million as at March 31, 2025 and December 31, 2024, 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 three months ended March 31, 2025 and 2024 (see *Note 7 – Property and Equipment*).

No impairment on creditable withholding taxes was recognized for the three months ended March 31, 2025 and 2024 (see *Note 4 – Operating Segment Information*, *Note 5 – Income Tax*, *Note 14 – Other Current Assets*, and *Note 18 – Income and Expenses*).

The balances of the Group's non-financial assets, net of accumulated depreciation and accumulated provisions for impairment losses, as at March 31, 2025 and December 31, 2024 are as follows:

	2025	2024
	<i>(In millions)</i>	
ROU assets (<i>Note 8</i>)	₱459	₱467
Other current assets (<i>Note 14</i>)	110	70
Investment properties (<i>Note 21</i>)	55	55
Advances to suppliers and contractors (<i>Note 10</i>)	10	9

Provision for asset retirement obligation

Asset retirement obligation is recognized in the period in which it is incurred, if a reasonable estimate of fair value can be made. This requires an estimation of the cost to restore/dismantle on a per square meter basis, depending on the location, and is based on the best estimate of the expenditure required to settle the obligation at the future restoration or dismantlement date, discounted using a pre-tax rate that reflects the current market assessment of the time value of money and, where appropriate, the risk specific to the liability. Assumptions used to compute provision for asset retirement obligation are reviewed and updated at 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 ₱2 million and ₱3 million for the three months ended March 31, 2025 and 2024, 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 ₱274 million and ₱270 million as at March 31, 2025 and December 31, 2024, 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 March 31, 2025 and December 31, 2024 amounted to ₱103 million and ₱102 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 ₱2,394 million and ₱2,242 million as at March 31, 2025 and December 31, 2024, respectively (see *Note 5 – Income Tax*).

Legal contingencies and tax assessments

The Group is currently involved in various legal proceedings and tax assessments. The estimate of the probable costs for the resolution of these claims and assessments have been developed in consultation with the counsels handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe these proceedings will have a material adverse effect on its consolidated financial statements. It is possible, however, that future financial performance could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings and assessments (see *Note 22 – Commitments and Contingencies*).

Based on management's assessment, appropriate provisions were made; however, management has decided not to disclose further details of these provisions as they may prejudice the Group's position in certain legal proceedings.

Determination of fair values of financial assets and financial liabilities

When the fair value of financial assets and financial liabilities disclosed in the consolidated statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets if possible, but if this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Other than those whose carrying amounts are reasonable approximations of fair values, total fair values of noncurrent financial assets as at March 31, 2025 and December 31, 2024 amounted to ₱1,807 million and ₱1,779 million, respectively (see *Note 21 – Fair Value Measurement*).

4. Operating Segment Information

Operating segments are components of the Group that engage in business activities from which they may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components within the Group). The operating results of these operating segments are regularly reviewed by the chief operating decision maker, referred to by the Group as the Management Committee, to make decisions about how resources are to be allocated to each of the segments and to assess their performances, for which discrete financial information is available.

For management's purposes, the Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group's reportable segments are as follows:

▪ Wireless

Wireless communication services 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 March 31, 2025 and December 31, 2024, and for the three months ended March 31, 2025 and 2024 are as follows:

	March 31, 2025 (Unaudited)			
	Wireless	Fixed Line	Inter-segment Transactions	Consolidated
	(In millions)			
Revenues				
Revenues from contracts with external customers (Note 18)	₱1,538	₱—	₱—	₱1,538
Results				
Provision for income tax (Note 5)	₱136	₱—	₱—	₱136
Depreciation (Notes 7 and 8)	90	—	—	90
Accretion expense on lease liabilities (Note 8)	12	—	—	12
Net income/segment profit	656	(1)	—	655
Assets and Liabilities				
Operating assets	4,764	38,866	(38,800)	4,830
Investment in perpetual notes (Note 9)	1,512	—	—	1,512
Deferred income tax assets (Note 5)	—	—	2	2
Investment properties (Note 21)	—	55	—	55
Total assets	₱6,276	₱38,921	(₱38,798)	₱6,399
Operating liabilities	₱2,339	₱13,227	₱—	₱15,566
Deferred income tax liabilities – net (Note 5)	17	—	2	19
Total liabilities	₱2,356	₱13,227	₱2	₱15,585
Other Segment Information				
Capital expenditure	₱—	₱—	₱—	₱—

	March 31, 2024 (Unaudited)			
	Wireless	Fixed Line	Inter-segment Transactions	Consolidated
	(In millions)			
Revenues				
Revenues from contracts with external customers (Note 18)	₱1,257	₱—	₱—	₱1,257
Results				
Provision for income tax (Note 5)	₱115	₱—	₱—	₱115
Depreciation (Notes 7 and 8)	76	—	—	76
Accretion expense on lease liabilities (Note 8)	13	—	—	13
Net income (loss)/segment profit (loss)	470	(13)	—	457
December 31, 2024 (Audited)				
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 21)	—	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	₱—	₱—	₱—	₱—

The revenue of the Group consists mainly of sales to external customers. No operating segments have been aggregated to form the above reportable segments.

Capital expenditures consist of additions to property and equipment of the wireless segment.

The Group does not report its results based on geographical segments since most of the Group's revenues are derived from operations within the Philippines. Revenue from distributed subscriber revenues and facility service fees from Smart amounted to ₱1,538 million and ₱1,257 million for the three months ended March 31, 2025 and 2024, respectively, which accounted to 10% or more of the Group's revenue (see Note 18 – Income and Expenses and Note 19 – Related Party Transactions).

5. Income Tax

Provision for income tax for the three months ended March 31, 2025 and 2024 consist of:

	2025	2024
	(Unaudited)	
	(In millions)	
Current	₱134	₱112
Deferred	2	3
	₱136	₱115

Reconciliation between provision for income tax at the applicable statutory tax rate and effective income tax of the Group for the three months ended March 31, 2025 and 2024 are as follows:

	2025 (Unaudited)	2024 (Unaudited)
	(In millions)	(In millions)
Income before income tax (<i>Note 4</i>)	₱791	₱571
Provision at statutory income tax rate	198	143
Adjustments from the tax effects of:		
Net movement in deferred income tax assets not recognized due to OSD	(4)	12
Difference between OSD and itemized deduction	(58)	(43)
Changes in unrecognized deferred income tax assets	—	3
Income subject to final tax	—*	—
Provision for income tax (<i>Note 4</i>)	₱136	₱115

*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 March 31, 2025 and December 31, 2024 amounted to ₱103 million and ₱102 million, respectively.

Components of the Group's consolidated net deferred income tax assets as at March 31, 2025 and December 31, 2024 are as follows:

	2025 (Unaudited)	2024 (Audited)
	(In millions)	(In millions)
Deferred income tax assets – net:		
Deferred income tax assets:		
Lease liability	₱97	₱95
Asset impairment	6	6
Interest on perpetual note	—*	1
	103	102
Deferred income tax liabilities:		
Pension and other employee benefits	(₱13)	(₱13)
ROU assets	(107)	(104)
	(120)	(117)
	(₱17)	(₱15)

DMPI opted to use the OSD method in computing its taxable income. DMPI's assessment is based on projected taxable profits which is at a level where it is favorable to use OSD method and DMPI is expected to avail of the OSD method in the foreseeable future. Thus, deferred income tax assets and liabilities, that do not have future tax consequences, were not recognized.

The following are the deductible temporary differences and OSD related expenses from DMPI as at March 31, 2025 and December 31, 2024, 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:

	2025 (Unaudited)	2024 (Audited)
	<i>(In millions)</i>	
Fair valuation adjustment on perpetual notes	₱1,688	₱1,701
Asset retirement obligation (<i>Note 16</i>)	274	270
Lease liability	258	253
Asset impairment	208	209
NOLCO	178	11
Allowance for refundable security deposits	117	116
Allowance for inventory obsolescence (<i>Note 13</i>)	2	2
Unrealized foreign exchange loss	2	2
Interest on perpetual notes	1	2
Accrued expenses	1	1
Pension liability	(49)	(49)
ROU assets	(286)	(277)
MCIT	—*	1
	₱2,394	₱2,242

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

NOLCO incurred as of March 31, 2025 amounted to ₱167 million. 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 March 31, 2025 and December 31, 2024 are as follows:

	2025 (Unaudited)	2024 (Audited)
	<i>(In millions)</i>	
Net deferred income tax assets – balances at beginning of the period	₱2	₱1
Net deferred income tax liabilities – balances at beginning of the period	(17)	(2)
Net balances at beginning of the period	(15)	(1)
Provision for deferred income tax	(2)	(14)
Net balances at end of the period	(17)	(15)
Net deferred income tax assets – balances at end of the period	2	2
Net deferred income tax liabilities – balances at end of the period	(₱19)	(₱17)

6. Earnings per Share

Basic EPS amounts are calculated by dividing the consolidated net income for the period by the weighted average number of common shares issued and outstanding during the period.

The Group's consolidated net income and weighted average number of common shares used in the basic EPS computation for the three months ended March 31, 2025 and 2024 are as follows:

	2025	2024
	(Unaudited)	
	<i>(In millions, except earnings per share amounts)</i>	
Consolidated net income (Notes 1 and 4)	₱655	₱457
Weighted average number of common shares (Note 15)	26,142	26,142
Earnings per share	₱0.03	₱0.02

The Group has no material dilutive potential common shares outstanding as at March 31, 2025 and December 31, 2024; therefore, basic EPS is equal to diluted EPS.

7. Property and Equipment

Changes in property and equipment account as at March 31, 2025 and December 31, 2024 are as follows:

	2025 (Unaudited)				
	Cable and Wire Facilities	Cellular Facilities	Buildings and Improvements	Vehicles, Furniture and Work Equipment	Total
Cost					
As at January 1, 2025	₱6,252	₱7,470	₱194	₱1,686	₱15,602
Disposals	(1)	(13)	—	(2)	(16)
As at March 31, 2025	6,251	7,457	194	1,684	15,586
Accumulated Depreciation and Impairment					
As at January 1, 2025	₱6,252	₱7,470	₱194	₱1,686	₱15,602
Disposals	(1)	(13)	—	(2)	(16)
As at March 31, 2025	6,251	7,457	194	1,684	15,586
Net Book Value at end of the period (Note 3)	₱—	₱—	₱—	₱—	₱—

	2024 (Audited)				
	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
Accumulated Depreciation and Impairment					
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
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 March 31, 2025.

	Number of Telecom Towers Sold	Cash Consideration <i>(In Million Pesos)</i>
For the year ended 2022	559	₱3,508
For the year ended 2023	86	661
For the year ended 2024	25	41
For the three months ended March 31, 2025	—	—
	670	₱4,210

Telecom equipment subject to this sale agreement subsequent to March 31, 2025 and December 31, 2024 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 three months ended March 31, 2025 and 2024.

Total accumulated impairment loss on property and equipment amounted to ₱9,978 million as at March 31, 2025 and December 31, 2024.

Collaterals

The Group has no property and equipment that were used as collateral for loans as at March 31, 2025 and December 31, 2024.

Disposals and Retirement

The Group disposed, retired or reclassified to assets held for sale fully depreciated assets amounting to ₱16 million and ₱8,310 million for the three months ended March 31, 2025 and the year ended December 31, 2024, respectively.

8. Leases

Group as a lessee

The Group has lease contracts for various items of sites, office space, poles and other equipment used in its operations. The Group considered in the lease term the non-cancellable period of the lease together with the periods covered by an option to extend and option to terminate the lease.

ROU assets

The estimated useful life of the Group's ROU assets as at March 31, 2025 and December 31, 2024 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 March 31, 2025 and December 31, 2024 are as follows:

	Site	Domestic Leased Circuits	Office Buildings	Total
	<i>(In millions)</i>			
Cost				
At January 1, 2025	₱1,374	₱36	₱131	₱1,541
Additions	111	—	—	111
Termination	(105)	—	—	(105)
Lease modification	—	—	—	—
Asset retirement obligation ⁽¹⁾	4	—	—	4
As at March 31, 2025 (Unaudited)	1,384	36	131	1,551
Accumulated Depreciation				
At January 1, 2025	913	30	131	1,074
Depreciation ⁽³⁾	88	2	—	90
Termination ⁽¹⁾	(71)	—	—	(71)
Charges from asset retirement obligation ⁽²⁾	(1)	—	—	(1)
As at March 31, 2025 (Unaudited)	929	32	131	1,092
Net book value at end of the period	₱455	₱4	₱—	₱459

⁽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
	<i>(In millions)</i>			
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 (Audited)	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 ⁽²⁾	17	—	—	17
Reclassification to assets classified as held-for sale ⁽²⁾	31	—	—	31
As at December 31, 2024 (Audited)	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.

The following amounts are recognized in the statement of comprehensive income for the three months ended March 31, 2025 and 2024:

	2025	2024
	(Unaudited)	
	(In millions)	
Depreciation expense of ROU assets	₱90	₱76
Expenses relating to short-term leases	14	34
Accretion of lease liabilities	12	13
Total amount recognized in the statement of comprehensive income	₱116	₱123

Lease Liabilities

The following table summarizes all changes to lease liabilities as at March 31, 2025 and December 31, 2024:

	2025	2024
	(Unaudited)	(Audited)
	(In millions)	
Lease liabilities at the beginning of the period	₱461	₱605
Additional lease liabilities recognized during the period	111	393
Accretion expenses (Notes 4 and 23)	12	51
Termination	(16)	(64)
Settlement of obligations and others	(105)	(421)
Reclassification to liabilities associated with the assets classified as held-for-sale	—	(8)
Lease modifications	—	(95)
Lease liabilities at the end of the period	463	461
Less current portion of lease liabilities	291	268
Noncurrent portion of lease liabilities	₱172	₱193

The maturity analysis of undiscounted lease payments is disclosed in *Note 20 – Financial Risk Management Objectives and Policies*.

The Group has several lease contracts that include extension and termination options. These options are negotiated to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs, see *Note 3 – Management's Use of Accounting Judgments, Estimates and Assumptions – Determining the lease term of contracts with renewal and termination options – Company as a Lessee*.

Assets and Liabilities Held-for-Sale

In relation to the sale of telecom towers discussed in the *Note 7 – Property and Equipment*, the related ROU assets, lease liabilities, and asset retirement obligation of the remaining telecom towers subject to sale and purchase agreement 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 statements of financial position as at March 31, 2025 and December 31, 2024.

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

	2025 (Unaudited)	2024 (Audited)
	<i>(In Millions)</i>	
Assets classified as held-for-sale - ROU assets	₱257	₱227
Liabilities associated with the assets classified as held-for-sale:		
Lease liabilities	182	171
Asset retirement obligation <i>(Note 16)</i>	—	—
	₱182	₱171

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. Gain on fair value adjustment on its investment in perpetual notes amounting to ₱13 million for the three months ended March 31, 2025 and loss on changes in fair value of its investment in perpetual notes amounting to ₱48 million for the three months ended March 31, 2024 and distribution income amounting to ₱48 million each for the three months ended March 31, 2025 and 2024 is recorded under "Other income (expenses) – net" 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 ₱1,512 million and ₱1,499 million as at March 31, 2025 and December 31, 2024, respectively (See *Note 19 – Related Party Transactions*, *Note 20 – Financial Risk Management Policies and Objectives* and *Note 21 – Fair Value Measurement*).

10. Other Noncurrent Assets

As at March 31, 2025 and December 31, 2024, this account consists of:

	2025 (Unaudited)	2024 (Audited)
	<i>(In millions)</i>	
Refundable security deposits – net <i>(Notes 20 and 21)</i>	₱329	₱327
Pension asset	100	100
Advances to suppliers and contractors	10	9
	₱439	₱436

Refundable Security Deposits – Net

Refundable security deposits relate to the Group's deposits on its leased buildings, cell site lots and

commercial spaces. These will be collected in full at the end of each respective lease term subject to adjustments by the lessor to cover any damages incurred on the properties.

The components of refundable security deposits and others – net as at March 31, 2025 and December 31, 2024 are as follows:

	2025 (Unaudited)	2024 (Audited)
	<i>(In millions)</i>	
Refundable security deposits (<i>Notes 20 and 21</i>)	P446	P444
Less allowance	117	117
Refundable security deposits – net	P329	P327

11. Cash and Cash Equivalents

As at March 31, 2025 and December 31, 2024, this account consists of:

	2025 (Unaudited)	2024 (Audited)
	<i>(In millions)</i>	
Cash on hand and in banks	P127	P77
Temporary cash investments	–	–
	P127	P77

Cash in banks earn interest at the prevailing bank deposit rates. Temporary cash investments are made for varying periods of up to three months depending on the Group's immediate cash requirements and earn interest at the prevailing temporary cash investment rates (see *Note 20 – Financial Risk Management Objectives and Policies*).

Interest income earned from cash in banks and temporary cash investments amounted to P24 thousand and P0.3 million, for the three months ended March 31, 2025 and 2024, respectively, presented under “Interest income” account in the consolidated statements of comprehensive income.

12. Trade and Other Receivables

As at March 31, 2025 and December 31, 2024, this account consists of:

	2025 (Unaudited)	2024 (Audited)
	<i>(In millions)</i>	
Trade receivables (<i>Note 20</i>)		
Due from related parties	P3,424	P2,812
Dealers, agents and others	7	7
Total	3,431	2,819
Less allowance for impairment losses:		
Trade receivables (<i>Note 20</i>)		
Dealers, agents and others	–	–
	–	–
	P3,431	P2,819

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 March 31, 2025 and December 31, 2024.

There are no receivables pledged as collateral for liabilities as at March 31, 2025 and December 31, 2024.

13. Inventories

As at March 31, 2025 and December 31, 2024, this account consists of:

	2025	2024
	(Unaudited)	(Audited)
	<i>(In millions)</i>	
Spare parts and supplies		
At NRV	₱—	₱—
At cost	2	2
Total inventories at lower of cost or NRV	₱—	₱—

Inventories recognized as expense and included as part of "Cost of sales" account in the consolidated statements of comprehensive income amounted to nil for the three months ended March 31, 2025 and 2024.

Impairment losses on inventory arising from obsolescence and write-down of inventories to NRV amounted to nil for the three months ended March 31, 2025 and 2024.

14. Other Current Assets

As at March 31, 2025 and December 31, 2024, this account consists of:

	2025	2024
	(Unaudited)	(Audited)
	<i>(In millions)</i>	
Prepayments for:		
Fees and licenses	₱61	₱7
Refundable security deposits – net		
<i>(Notes 20 and 21)</i>	8	8
Rent	3	3
Repairs and maintenance	—	1
Prepaid taxes	45	59
	₱117	₱78

Refundable Security Deposits

The Group did not recognize any provision for impairment for each of the three months ended March 31, 2025 and 2024.

The allowance for impairment losses on refundable security deposits amounted to ₱27 million as at March 31, 2025 and December 31, 2024.

Prepaid Fees and Licenses

This account consists of unamortized prepayments for Spectrum Users' Fee, Radio Station Licenses and NTC supervisory and regulatory fees which normally cover one-year period.

Prepaid Rent

This account represents two to three months of advance rental that can be applied against future billings.

Prepaid Taxes

This account consists of input VAT, creditable withholding taxes and excess corporate income tax paid.

Input VAT comprises deferred input VAT arising from purchase of capital assets in excess of ₱1 million in a calendar month, which are credited against output VAT due within 12 months. Input VAT which is expected to be credited beyond 12 months are presented under "Other noncurrent assets" account in the consolidated statements of financial position.

Input VAT is an indirect tax on the goods and services which the Group uses in its operations. The Group recovers input VAT by offsetting it against available output VAT as at the reporting period. Management believes that the amount is fully realizable in the future.

No impairment losses on creditable withholding taxes were recognized for the three months ended March 31, 2025 and 2024 (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 as at March 31, 2025 and December 31, 2024.

15. Equity

Capital Stock

The Parent Company's capital stock as at March 31, 2025 and December 31, 2024 is as follows:

	2025	2024
	(Unaudited)	(Audited)
	Number of Shares	
	<i>(In millions except par values per share)</i>	
Authorized shares	29,500	29,500
Shares issued and outstanding <i>(Note 6)</i>	26,142	26,142
Par value per share	₱0.10	₱0.10

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 March 31, 2025 amounted to nil (see *Note 17 – Trade and Other Payables* and *Note 19 – Related Party Transactions*).

The Parent Company's retained earnings available for dividend declaration as at December 31, 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 March 31, 2025 and December 31, 2024:

	2025 (Unaudited)	2024 (Audited)
	(In millions)	
Cash and cash equivalents (<i>Notes 11, 20 and 21</i>)	₱127	₱77
Capital deficiency (<i>Note 1</i>)	(9,186)	(9,841)
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 period ended March 31, 2025 and December 31, 2024 are as follows:

	2025 (Unaudited)	2024 (Audited)
	<i>(In millions)</i>	
Balance at beginning of the period	₱270	₱210
Capitalized to ROU assets	5	10
Accretion expenses	2	5
Settlement of obligation	(1)	—
Gain on adjustment of asset retirement obligation	(2)	(13)
Change in assumptions	—	58
Balance at end of the period	₱274	₱270

17. Trade and Other Payables

As at March 31, 2025 and December 31, 2024, this account consists of:

	2025 (Unaudited)	2024 (Audited)
	<i>(In millions)</i>	
Due to related parties <i>(Note 19)</i>	₱13,094	₱13,102
Accrued expenses	728	700
Trade payables	469	534
Payables to connecting carriers – net <i>(Note 20)</i>	28	28
Others	2	1
	₱14,321	₱14,365

Due to related parties

Terms and conditions of transactions with related parties are disclosed in *Note 19 – 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 March 31, 2025 and December 31, 2024, this account consists of:

	2025 (Unaudited)	2024 (Audited)
	<i>(In millions)</i>	
Maintenance and others	₱433	₱405
Taxes and licenses	125	125
Rent	82	83
Selling and promotions	32	31
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
	₱728	₱700

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. Set out is the disaggregation of the Group's revenue from contracts with customers for the three months ended March 31, 2025 and 2024:

	2025	2024
	(Unaudited)	
	<i>(In millions)</i>	
Type of good or service:		
Service revenues:		
Distributed subscriber revenues <i>(Note 19)</i>	₱1,325	₱1,034
Revenues from facility service fees <i>(Note 19)</i>	213	223
Total revenues from contracts with customers	₱1,538	₱1,257
Timing of revenue recognition:		
Transferred over time	₱1,538	₱1,257

Contract Balances

Contract balances as at March 31, 2025 and December 31, 2024 consist of the following:

	2025	2024
	(Unaudited)	(Audited)
	<i>(In millions)</i>	
Trade receivables, including due from Smart <i>(Notes 12 and 19)</i>	₱3,429	₱2,817

The amount being charged by Smart is being offset against the amount demandable by the Group to Smart in relation to facility services. The decrease in trade receivables, including amounts due from Smart for unpaid facility service fees, was due to collection of carrier and related party receivables (See *Note 19 – Related Party Transactions*).

Compensation and Employee Benefits

This account consists of salaries and other employee benefits amounting to ₱424 thousand and ₱302 thousand for the three months ended March 31, 2025 and 2024, respectively.

Asset Impairment

Asset impairment for the three months ended March 31, 2025 and 2024 amounted to nil.

Other Income – net

Other income – net for the three months ended March 31, 2025 and 2024 consists of the following:

	2025	2024
	(Unaudited)	
	(In millions)	
Reimbursements from related parties (<i>Note 19</i>)	₱14	₱7
Gain on adjustment of asset retirement obligation	2	3
Loss on lease modification	–	(3)
Others	(21)	(19)
	(₱5)	(₱12)

Reimbursements from related parties pertain to charges by the Group for network related expenditures such as rent, maintenance and depreciation (see *Note 19 – Related Party Transactions*).

19. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly to control the other party or exercise significant influence over the other party in making financial and operating decisions and the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Terms and Conditions of Transactions with Related Parties

The services provided to and by related parties are made at terms equivalent to those that prevail in arms' length transactions. Outstanding balances at year-end are unsecured, interest-free, settlement occurs in cash and receivables/payables are on demand. There have been no guarantees provided or received for any related party receivables or payables. For the three months ended March 31, 2025 and 2024, the Group has not recorded any impairment of receivables relating to amounts owed by the related parties. This assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

The following table provides the outstanding balances as at March 31, 2025 and December 31, 2024:

Category	Classifications	2025	2024
		(Unaudited)	(Audited)
		(In millions)	
<i>Ultimate Parent Company</i>			
PLDT	Due to related parties	₱13,094	₱13,102
<i>Subsidiaries of PLDT</i>			
Smart	Due from related parties	3,422	2,810
	Investment in perpetual notes	1,512	1,499
ePDS, Inc. (ePDS)	Due from related parties	2	2

The following table provides the summary of transactions that have been entered into with related parties for the three months ended March 31, 2025 and 2024 in relation with the table above:

Category	Classifications	2025 (Unaudited) (In millions)	2024
Ultimate Parent Company			
PLDT	Rent and other expenses	₱12	₱12
	Intercompany charges	11	6
Subsidiaries of PLDT			
Smart	Distributed subscriber's revenue	₱1,325	₱1,034
	Professional and other contracted services	437	331
	Revenues from facility service fees	213	223
	Royalty expense	85	66
	Distribution income on perpetual notes	48	48
	Repairs and maintenance	3	3
	Intercompany charges	3	—

Transactions with PLDT

- a) The Group has an outstanding payable to PLDT amounting to ₱13,094 million and ₱13,102 million as at March 31, 2025 and December 31, 2024, 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 ₱12 million for each of the three months ended March 31, 2025 and 2024.

Another agreement was entered into with PLDT allowing the ultimate parent company to co-locate with the Group's base station facilities. Income recognized under this agreement amounting to ₱11 million and ₱6 million for the three months ended March 31, 2025 and 2024, included under "Other income - net" account in the statements on comprehensive income.

Transactions with Smart

- a. The Group was reimbursed by Smart for certain network related charges which amounted to ₱213 million and ₱223 million for the three months ended March 31, 2025 and 2024, respectively, included under "Revenues from contracts with customers" 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 ₱437 million and ₱331 million for the three months ended March 31, 2025 and 2024, respectively, which was presented as part of

“Professional and other contracted services” account in the consolidated statements of comprehensive income.

- b. The outstanding receivable of the Company from Smart amounted to ₱3,422 million and ₱2,810 million arising from reimbursable network related charges as at March 31, 2025 and December 31, 2024, 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 ₱3 million each for the three months ended March 31, 2025 and 2024.
- d. Terms and conditions of investment in perpetual notes issued by Smart are disclosed in *Note 9 – Investment in Perpetual Notes*.

The distribution income amounting to ₱48 million each for the three months ended March 31, 2025 and 2024 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 ₱1,325 million and ₱1,034 million for the three months ended March 31, 2025 and 2024, 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 ₱85 million and ₱66 million for the three months ended March 31, 2025 and 2024, 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 three months ended March 31, 2025 and 2024 since the Group’s management and administrative functions are being handled by PLDT and Smart.

There are no agreements between the Group and any of its directors and key officers providing for benefits upon termination of employment.

20. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents, trade and other receivables/payables, and investment in perpetual notes. The main purpose of these financial instruments is to finance the Group's operations and capital expenditures. The Group has various other financial assets and financial liabilities such as trade and other receivables, trade and other payables (excluding statutory payables) and refundable security deposits which arise directly from its operations.

Financial Risk Management Objectives and Policies

The main risks arising from the use of financial instruments are foreign currency exchange risk, interest rate risk, credit risk and liquidity risk. The Group's policies for managing the aforementioned risks are summarized below.

The BOD of the Group and the ultimate Parent Company, review and approve policies for managing each of these risks.

There were no changes in the financial risk management objectives and policies of the Group as at March 31, 2025 and December 31, 2024.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis to reduce the Group's exposure to bad debts.

The Group established a credit quality review process to provide regular identification of changes in the creditworthiness of counterparties. Counterparty limits are established and reviewed periodically based on latest available financial data on the Group's counterparties' credit ratings, capitalization, asset quality and liquidity. The Group's credit quality review process allows the management to assess the potential loss as a result of the risks to which the Group is exposed and allow the management to take corrective actions.

The table below shows the analysis of the maximum exposure to credit risk for the components of the consolidated statements of financial position as at March 31, 2025 and December 31, 2024.

	2025 (Unaudited)			2024 (Audited)		
	Gross Maximum Exposure	Collateral and Other Credit Enhancements	Net Maximum Exposure	Gross Maximum Exposure	Collateral and Other Credit Enhancements	Net Maximum Exposure
	<i>(In millions)</i>					
Cash and cash equivalents*	₱127	₱2	₱125	₱77	₱2	₱75
Trade and other receivables:						
Trade receivables:						
Due from related parties	3,424	—	3,424	2,812	—	2,812
Dealers, agents and others	7	—	7	7	—	7
Refundable security deposits	481	—	481	479	—	479
Investment in perpetual notes	1,512	—	1,512	1,499	—	1,499
	₱5,551	₱2	₱5,549	₱4,874	₱2	₱4,872

*Excluding cash on hand amounting ₱.3 million as at March 31, 2025 and December 31, 2024.

The maximum exposure is shown gross before both the effect of mitigation through use of master netting and collateral arrangements. The extent to which collateral and other credit enhancements mitigate the maximum exposure to credit risk is described in the footnotes to the table.

Collateral held as security for financial assets depends on the nature of the instrument. Debt investment securities are generally unsecured. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and are regularly updated according to internal lending policies and regulatory guidelines. Generally, collateral is not held over loans and advances to the Group except for reverse repurchase agreements. Collateral usually is not held against investment securities, and no such collateral was held as at March 31, 2025 and December 31, 2024.

The Group's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Group during the year.

The Group has not identified significant risk concentrations arising from the nature, type or location of collateral and other credit enhancements held against the Group's credit exposures.

For financial assets recognized on the consolidated statements of financial position, the Group's gross exposure to credit risk equals their carrying amount as at March 31, 2025 and December 31, 2024.

The table below provides information regarding the credit quality by class of the Group's financial assets according to credit ratings of counterparties as at March 31, 2025 and December 31, 2024:

	2025 (Unaudited)			
	Lifetime ECL			
	Stage 1	Stage 2	Stage 3	Total
	(In millions)			
High grade	₱127	₱3,422	₱—	₱3,549
Standard grade	329	11	—	340
Substandard grade	—	3	—	3
Default	117	27	—	144
Gross Carrying Amount	573	3,463	—	4,036
Less allowance	117	27	—	144
Carrying Amount	₱456	₱3,436	₱—	₱3,892

	2024 (Audited)			
	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

High Grade. Pertains to counterparty who is not expected by the Group to default in settling its obligations, thus, credit risk exposure is minimal. This counterparty normally includes banks, related parties and customers who pay on or before due date.

Standard Grade. Pertains to counterparty with tolerable delays in settling its obligations to the Group and new clients for which sufficient credit history has not been established.

Substandard Grade. This includes medium risk and average paying customer accounts with no overdue accounts as at report date, and new customer accounts for which sufficient credit history has not been established; and deposits or placements to counterparties not classified as High/Standard Grade; and non-listed shares of stock.

Set out below is the information about the credit risk exposure on the Group's trade and other receivables using a provision matrix as at March 31, 2025 and December 31, 2024:

	2025 (Unaudited)					
	Total	Current	Days past due			Impaired
			1 to 60 Days	61 to 90 Days	Over 90 Days	
			(In millions)			
March 31, 2025						
Financial Instruments at Amortized Cost:						
Expected credit loss rate (%)	—	—	—	—	—	—
Trade and other receivables:						
Due from related parties	₱3,424	₱3,424	₱—	₱—	₱—	₱—
Dealers, agents and others	7	—	—	—	7	—
Expected credit loss	—	—	—	—	—	—
	₱3,431	₱3,424	₱—	₱—	₱7	₱—
	2024 (Audited)					
	Total	Current	Days past due			Impaired
			1 to 60 Days	61 to 90 Days	Over 90 Days	
			(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	₱—

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 March 31, 2025 and December 31, 2024.

	2025 (Unaudited)				
	Total	Less than 1 Year	1 to 3 Years	3 to 5 Years	More than 5 Years
	(In millions)				
March 31, 2025					
Financial Instruments at Amortized Cost:					
Cash equivalents	P—	P—	P—	P—	P—
Trade and other receivables:					
Due from related parties	3,424	3,424	—	—	—
Dealers, agents and others	7	7	—	—	—
Refundable security deposits	481	35	—	446	—

	2025 (Unaudited)				
	Total	Less than 1 Year	1 to 3 Years	3 to 5 Years	More than 5 Years
<i>(In millions)</i>					
<i>Financial Instruments at FVPL –</i>					
Investment in perpetual notes	1,512	–	–	–	1,512
	₱5,424	₱3,466	₱–	₱446	₱1,512
Accounts payable ⁽¹⁾ :					
Suppliers and contractors	₱260	₱260	₱–	₱–	₱–
Due to related parties	13,094	13,094	–	–	–
Carriers	28	28	–	–	–
Others	8	8	–	–	–
Accrued expenses ⁽²⁾	592	592	–	–	–
Long-term lease obligations – operating lease	701	336	232	62	71
	₱14,683	₱14,318	₱232	₱62	₱71
<i>2024 (Audited)</i>					
	Total	Less than 1 Year	1 to 3 Years	3 to 5 Years	More than 5 Years
	<i>(In millions)</i>				
December 31, 2024					
<i>Financial Instruments at Amortized Cost:</i>					
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	–
<i>Financial Instruments at FVPL –</i>					
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	302	259	59	65
	₱15,036	₱14,653	₱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.

21. 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 March 31, 2025 and 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 March 31, 2025 and December 31, 2024:

	2025 (Unaudited)		2024 (Audited)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<i>(In millions)</i>				
Financial Assets				
Financial assets at FVPL –				
Investment in perpetual notes	₱1,512	₱1,512	₱1,499	₱1,499
Financial Instruments at Amortized Cost –				
Refundable security deposits	337	295	335	280
Total Financial Asset – Net	₱1,849	₱1,807	₱1,834	₱1,779

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 March 31, 2025 and December 31, 2024.

	2025 (Unaudited)		
	Gross Amounts of Recognized Financial Assets and Liabilities	Gross Amounts of Recognized Financial Assets and Liabilities Set-off in the Consolidated Statement of Financial Position	Net Amount Presented in the Consolidated Statement of Financial Position
	(In millions)		
Current Financial Liabilities			
Payables to connecting carriers (Note 17)	₱186	₱158	₱28
	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

There were no financial instruments subject to an enforceable master netting arrangement that were not set-off in the consolidated statements of financial position.

22. Commitments and Contingencies

Lease Commitments

Lease Commitments - Group as a Lessee

The Group leases certain premises for some of its telecommunication facilities and equipment and for most of its business centers and cell sites. The lease agreements are for periods ranging from 1 to 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 March 31, 2025 and December 31, 2024 (see *Note 10 – Other Noncurrent Assets* and *Note 14 – Other Current Assets*). The Group’s rentals incurred on these leases amounted to ₱14 million and ₱34 million for the three months ended March 31, 2025 and December 31, 2024, respectively, which were presented as “Rent” account in the consolidated statements of comprehensive income (see *Note 3 – Management’s Use of Accounting Judgments, Estimates and Assumptions – Operating Leases*, *Note 8 – Leases* and *Note 19 – Related Party Transactions*).

The future minimum lease commitments payable with non-cancellable operating leases as at March 31, 2025 and December 31, 2024 are as follows:

	2025 (Unaudited)	2024 (Audited)
	<i>(In millions)</i>	
Within one year	₱335	₱301
More than one year but less than five years	295	319
More than five years	71	65
	₱701	₱685

Smart and DMPI

In December 2017, Smart prepaid the reimbursable network charges amounting to ₱1,645 million exclusive of VAT to partially cover the Group's lease commitment and depreciation of network related assets in 2018 (see *Note 17 – Trade and Other Payables* and *Note 19 – Related Party Transactions*).

On October 21, 2020, DMPI and Smart entered into a Rebranding Agreement wherein the Sun Prepaid subscribers were rebranded as Smart Prepaid subscribers. Under the terms of the agreement, Smart will settle a fixed fee representing DMPI's proportionate share on the distributed subscriber revenues. Other intercompany agreements as a result of this arrangement are disclosed in *Note 19 – Related Party Transactions*.

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 19 – 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 May 15, 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.

23. Notes to Statement of Cash Flows

Changes in Liabilities Arising from Financing Activities

Details of the movements in cash flows from financing activities as at March 31, 2025 and December 31, 2024 are as follows:

	January 1, 2025 (Unaudited)	Cash flows	Dividends declared	Non-cash changes			March 31, 2025 (Unaudited)
				Addition to ROU assets	Interest	Others	
Lease liabilities (Notes 2 and 8)	₱461	(₱105)	₱—	₱111	₱12	(₱16)	₱463
Total liabilities from financing activities	₱461	(₱105)	₱—	₱111	₱12	(₱16)	₱463

	January 1, 2024 (Audited)	Cash flows	Dividends declared	Non-cash changes			December 31, 2024 (Audited)
				Addition to ROU assets	Interest	Others	
Lease liabilities (Notes 2 and 8)	₱605	(₱421)	₱—	₱393	₱51	(₱167)	₱461
Dividends payable (Note 15)	2,183	(2,183)	—	—	—	—	—
Total liabilities from financing activities	₱2,788	(₱2,604)	₱—	₱393	₱51	(₱167)	₱461