

PLDT Inc.  
Form 20-F  
April 05, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE  
ACT OF 1934  
OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 –  
For the fiscal year ended December 31, 2017  
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  
1934 – For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934 — Date of event requiring this shell company report \_\_\_\_\_  
Commission file number 1-03006

PLDT Inc.

(Exact name of Registrant as specified in its charter)

Republic of the Philippines

(Jurisdiction of incorporation or organization)

Ramon Cojuangco Building

Makati Avenue

Makati City, Philippines

(Address of principal executive offices)

Atty. Ma. Lourdes C. Rausa-Chan, telephone: +(632) 816-8556; lrchan@pldt.com.ph;  
Ramon Cojuangco Bldg., Makati Avenue, Makati City, Philippines

(Name, telephone, e-mail and/or facsimile number and address of Company contact person)

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Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
Common Capital Stock, Par Value Five Philippine Pesos Per Share	New York Stock Exchange*
American Depositary Shares, evidenced by American Depositary Receipts, each representing one share of Common Capital Stock	New York Stock Exchange

\*Registered on the New York Stock Exchange not for trading but only in connection with the registration of American Depositary Shares, or ADSs, pursuant to the requirements of such stock exchange.

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as at the close of the period covered by the annual report.

As at December 31, 2017:

216,055,775 shares of Common Capital Stock, Par Value Five Philippine Pesos Per Share

300,000,870 shares of Non-voting Preferred Stock, Par Value Ten Philippine Pesos Per Share

150,000,000 shares of Voting Preferred Stock, Par Value One Philippine Peso Per Share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act: Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934: Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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Large accelerated filer Accelerated filer Non-accelerated filer Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards<sup>1</sup> provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

<sup>1</sup> The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

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## TABLE OF CONTENTS

<u>CERTAIN CONVENTIONS AND TERMS USED IN THIS REPORT</u>	3
<u>FORWARD-LOOKING STATEMENTS</u>	4
<u>PRESENTATION OF FINANCIAL INFORMATION</u>	4
 <u>PART I</u>	 5
Item 1. <u>Identity of Directors, Senior Management and Advisors</u>	5
Item 2. <u>Offer Statistics and Expected Timetable</u>	5
Item 3. <u>Key Information</u>	5
<u>Performance Indicators</u>	5
<u>Selected Financial Data</u>	6
<u>Capital Stock</u>	7
<u>Dividends Declared</u>	7
<u>Dividends Paid</u>	7
<u>Exchange Rates</u>	8
<u>Capitalization and Indebtedness</u>	9
<u>Reasons for the Offer and Use of Proceeds</u>	9
<u>Risk Factors</u>	9
Item 4. <u>Information on the Company</u>	19
<u>Overview</u>	19
<u>Historical Background and Development</u>	20
<u>Recent Developments</u>	20
<u>Business Overview</u>	22
<u>Capital Expenditures and Divestitures</u>	24
<u>Organization</u>	24
<u>Strengths</u>	24
<u>Strategy</u>	25
<u>Business</u>	26
<u>Infrastructure</u>	38
<u>Interconnection Agreements</u>	42
<u>Licenses and Regulations</u>	42
<u>Material Effects of Regulation on our Business</u>	43
<u>Competition</u>	45
<u>Environmental Matters</u>	46
<u>Intellectual Property Rights</u>	47
<u>Properties</u>	47
Item 4A. <u>Unresolved Staff Comments</u>	48
Item 5. <u>Operating and Financial Review and Prospects</u>	48
<u>Overview</u>	48
<u>Management's Financial Review</u>	48
<u>Critical Accounting Policies</u>	49
<u>New Accounting Standards and Interpretations to Existing Standards Effective Subsequent to December 31, 2016</u>	56
<u>Results of Operations</u>	56
<u>Plans</u>	80
<u>Liquidity and Capital Resources</u>	81

	<u>Impact of Inflation and Changing Prices</u>	87
Item 6.	<u>Directors, Senior Management and Employees</u>	87
	<u>Directors and Executive Officers</u>	87
	<u>Terms of Office</u>	97
	<u>Family Relationships</u>	97
	<u>Compensation of Key Management Personnel</u>	97
	<u>Share Ownership</u>	98
	<u>Board Practices</u>	98
	<u>Audit, Governance and Nomination, Executive Compensation and Technology Strategy Committees</u>	99
	<u>Employees and Labor Relations</u>	101
	<u>Pension and Retirement Benefits</u>	102

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Item 7.	<u>Major Shareholders and Related Party Transactions</u>	102
	<u>Related Party Transactions</u>	104
Item 8.	<u>Financial Information</u>	104
	<u>Consolidated Financial Statements and Other Financial Information</u>	104
	<u>Legal Proceedings</u>	104
	<u>Dividend Distribution Policy</u>	105
Item 9.	<u>The Offer and Listing</u>	105
	<u>Common Capital Stock and American Depositary Shares</u>	105
Item 10.	<u>Additional Information</u>	105
	<u>Share Capital</u>	105
	<u>Amended Articles of Incorporation and By-Laws</u>	106
	<u>Issuance and Redemption of Preferred Stock</u>	106
	<u>Material Contracts</u>	106
	<u>Exchange Controls and Other Limitations Affecting Securities Holders</u>	107
	<u>Taxation</u>	107
	<u>Documents on Display</u>	113
Item 11.	<u>Quantitative and Qualitative Disclosures About Market Risks</u>	113
Item 12	<u>Description of Securities Other than Equity Securities</u>	113
	<u>PART II</u>	115
Item 13.	<u>Defaults, Dividend Arrearages and Delinquencies</u>	115
Item 14.	<u>Material Modifications to the Rights of Security Holders and Use of Proceeds</u>	115
Item 15.	<u>Controls and Procedures</u>	115
Item 16A.	<u>Audit Committee Financial Expert</u>	116
Item 16B.	<u>Code of Business Conduct and Ethics</u>	116
Item 16C.	<u>Principal Accountant Fees and Services</u>	116
Item 16D.	<u>Exemption from the Listing Standards for Audit Committees</u>	117
tem 16E.	<u>IPurchases of Equity Securities by the Issuer and Affiliated Purchaser</u>	117
Item 16F.	<u>Change in Registrant’s Certifying Accountant</u>	118
Item 16G.	<u>Corporate Governance</u>	118
Item 16H.	<u>Mine Safety Disclosure</u>	119
	<u>PART III</u>	120
Item 17.	<u>Financial Statements</u>	120
Item 18.	<u>Financial Statements</u>	120
Item 19.	<u>Exhibits</u>	123
	<u>Exhibit Index</u>	123
	<u>Certifications</u>	

## CERTAIN CONVENTIONS AND TERMS USED IN THIS REPORT

Unless the context indicates or otherwise requires, references to “we,” “us,” “our” or “PLDT Group” mean PLDT Inc. (formerly Philippine Long Distance Telephone Company) and its consolidated subsidiaries, and references to “PLDT” or “the Company” mean PLDT Inc., excluding its consolidated subsidiaries (see Note 2 – Summary of Significant Accounting Policies to the accompanying audited consolidated financial statements in Item 18. “Financial Statements” for a list of these subsidiaries, including a description of their respective principal business activities).

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

All references to the “Philippines” contained in this report mean the Republic of the Philippines and all references to the “U.S.” or the “United States” are to the United States of America.

In this report, unless otherwise specified or the context otherwise requires, all references to “pesos,” “Philippine pesos” or “Php” are to the lawful currency of the Philippines, all references to “dollars,” “U.S. dollars” or “US\$” are to the lawful currency of the United States and all references to “Japanese yen,” “JP¥” or “¥” are to the lawful currency of Japan. Unless otherwise indicated, conversion of peso amounts into U.S. dollars in this report were made based on the volume weighted average exchange rate quoted through the Philippine Dealing System, which was Php49.96 to US\$1.00 on December 31, 2017. On March 26, 2018, the volume weighted average exchange rate quoted was Php52.29 to US\$1.00.

In this annual report, each reference to:

- **ARPU** means average revenue per user;
- **BIR** means Bureau of Internal Revenue;
- **BSP** means Bangko Sentral ng Pilipinas;
- **CMTS** means cellular mobile telephone system;
- **CPCN** means Certificate of Public Convenience and Necessity;
- **DFON** means domestic fiber optic network;
- **Digitel** means Digital Telecommunications Phils., Inc.;
- **DMPI** means Digitel Mobile Philippines, Inc.;
- **DSL** means digital subscriber line;
- **First Pacific** means First Pacific Company Limited;
- **First Pacific Group** means First Pacific and its Philippine affiliates;
- **FP Parties** means First Pacific and certain Philippine affiliates and wholly-owned non-Philippine subsidiary;
- **FTTH** means Fiber-to-the-HOME;
- **GSM** means global system for mobile communications;
- **HSPA** means high-speed packet access;
- **IFRS** means International Financial Reporting Standards, as issued by the International Accounting Standards Board;
- **IGF** means international gateway facility;
- **IP** means internet protocol;
- **IT** means information technology;
- **LEC** means local exchange carrier;
- **LTE** means long-term evolution;
- **MVNO** means mobile virtual network operations;
- **NGN** means Next Generation Network;
- **NTC** means the National Telecommunications Commission of the Philippines;

NTT means Nippon Telegraph and Telephone Corporation;

3

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•NTT Communications means NTT Communications Corporation, a wholly-owned subsidiary of NTT;  
•NTT DOCOMO means NTT DOCOMO, Inc., a majority-owned and publicly traded subsidiary of NTT;  
•PAPTELCO means Philippine Association of Private Telephone Companies, Inc.;  
•PCEV means PLDT Communications and Energy Ventures, Inc.;  
•PDRs means Philippine Depositary Receipts;  
•Philippine SEC means the Philippine Securities and Exchange Commission;  
•PLDT Beneficial Trust Fund means the beneficial trust fund created by PLDT to pay the benefits under the PLDT Employees' Benefit Plan;  
•PLP means PLDT Landline Plus;  
•PSE means the Philippine Stock Exchange, Inc.;  
•R.A. means Republic Act of the Philippines;  
•SIM means Subscriber Identification Module;  
•Smart means Smart Communications, Inc.;  
•U.S. SEC means the United States Securities and Exchange Commission;  
•VAS means Value-Added Service;  
•VoIP means Voice over Internet Protocol;  
•VPN means virtual private network;  
•W-CDMA means Wideband-Code Division Multiple Access; and  
•WiMAX means Worldwide Interoperability for Microwave Access.

#### FORWARD-LOOKING STATEMENTS

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

A forward-looking statement may include a statement of the assumptions or bases underlying the forward-looking statement. We have chosen these assumptions or bases in good faith. These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond our control. In addition, these forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of factors, including, without limitation, the risk factors set forth in Item 3. “Key Information – Risk Factors.” When considering forward-looking statements, you should keep in mind the description of risks and other cautionary statements in this report.

You should also keep in mind that any forward-looking statement made by us in this report or elsewhere speaks only as at the date on which we made it. New risks and uncertainties come up from time to time, and it is impossible for us to predict these events or how they may affect us. We have no duty to, and do not intend to, update or revise the statements in this report after the date hereof. In light of these risks and uncertainties, you should keep in mind that actual results may differ materially from any forward-looking statement made in this report or elsewhere.

#### PRESENTATION OF FINANCIAL INFORMATION

Our consolidated financial statements as at December 31, 2017 and 2016 and for the three years in the period ended December 31, 2017 included in Item 18. “Financial Statements” of this annual report on Form 20-F have been prepared in conformity with IFRS.

As at December 31, 2017, our business activities were categorized into three business units: Wireless, Fixed Line and Others.

4

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## PART I

### Item 1. Identity of Directors, Senior Management and Advisors

Not applicable.

### Item 2. Offer Statistics and Expected Timetable

Not applicable.

### Item 3. Key Information

#### 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.

#### Adjusted EBITDA

Adjusted EBITDA is measured as net income excluding depreciation and amortization, amortization of intangible assets, asset impairment on noncurrent assets, financing costs, interest income, equity share in net earnings (losses) of associates and joint ventures, foreign exchange gains (losses) – net, gains (losses) on derivative financial instruments – net, provision for (benefit from) income tax and other income (expenses) – net. Adjusted EBITDA is monitored by the management for each business unit separately for purposes of making decisions about resource allocation and performance assessment. Adjusted EBITDA is presented because our management believes that it is widely used by investors in their analysis of the performance of PLDT and can assist them in their comparison of PLDT's performance with those of other companies in the technology, media and telecommunications sector. We also present Adjusted EBITDA because it is used by some investors as a way to measure a company's ability to incur and service debt, make capital expenditures and meet working capital requirements. Companies in the technology, media and telecommunications sector have historically reported Adjusted EBITDA as a supplement to financial measures in accordance with IFRS. Adjusted EBITDA should not be considered as an alternative to net income as an indicator of our performance, nor should Adjusted EBITDA be considered as an alternative to cash flows from operating activities as a measure of liquidity or as an alternative to any other measure determined in accordance with IFRS. Unlike net income, Adjusted EBITDA does not include depreciation and amortization 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 Adjusted EBITDA as only one of several comparative tools, together with IFRS-based measurements, to assist in the evaluation of operating performance. Such IFRS-based measurements include income before income tax, net income, and operating, investing and financing cash flows. 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 Adjusted EBITDA. Our calculation of Adjusted EBITDA may be different from the calculation methods used by other companies and, therefore, comparability may be limited. A reconciliation of our consolidated Adjusted EBITDA to our consolidated net income for the years ended December 31, 2017, 2016 and 2015 is presented in Item 5. "Operating and Financial Review and Prospects — Management's Financial Review" and Note 4 — Operating Segment Information to the accompanying audited consolidated financial statements in Item 18. "Financial Statements".

#### Core Income

Core income is measured as net income attributable to equity holders of PLDT (net income less net income attributable to non-controlling interests), excluding foreign exchange gains (losses) – net, gains (losses) on derivative financial instruments – net (excluding hedge costs), asset impairment on noncurrent assets, nonrecurring gains (losses), net of tax effect of aforementioned adjustments, as applicable, and similar adjustments to equity share in net earnings (losses) of associates and joint ventures. Core income results are monitored by the management for each business unit

separately for purposes of making decisions about resource allocation and performance assessment. Also, core income is used by the management as a basis for determining the level of dividend payouts to shareholders and a basis for granting incentives to employees. Core income should not be considered as an alternative to income before income tax or net income determined in accordance with IFRS as an indicator of our performance. Unlike income before income tax, core income does not include foreign exchange gains and losses, gains and losses on derivative financial instruments, asset impairments and nonrecurring gains and losses. We compensate for these limitations by using core income as only one of several comparative tools, together with IFRS-based measurements, to assist in the evaluation of operating performance. Such IFRS-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. A reconciliation of our consolidated core income to our consolidated net income for the years ended December 31, 2017, 2016 and 2015 is presented in Item 5. “Operating and Financial Review and Prospects – Management’s Financial Review” and Note 4 – Operating Segment Information to the accompanying audited consolidated financial statements in Item 18. “Financial Statements”.

#### Selected Financial Data

The selected consolidated financial information below as at December 31, 2017, 2016 and 2015 and for the financial years ended December 31, 2017, 2016 and 2015, should be read in conjunction with, and is qualified in its entirety by reference to, our audited consolidated financial statements, and the accompanying notes, included elsewhere in Item 18. “Financial Statements” of this annual report on Form 20-F. As disclosed under “Presentation of Financial Information,” our consolidated financial statements as at and for the years ended December 31, 2017, 2016 and 2015 have been prepared and presented in conformity with IFRS. The selected consolidated financial information as at December 31, 2014 and 2013 have been derived from our audited financial statements not included in this annual report.

2017 <sup>(1)</sup>	2017	2016	2015	2014	2013
(in millions, except earnings per common share amounts,					
weighted average number of common shares, ratio of earnings to fixed charges					
and dividends declared per common share amounts)					

#### Statements of Operations Data:

Revenues	US\$	
	3,201	Php 159,926