



FIRST PACIFIC COMPANY LIMITED

第一太平有限公司

(Incorporated with limited liability under the laws of Bermuda)

Press Release

Monday, 29 February 2016

PLDT FY2015 Results

Consolidated revenues for FY2015 stable at P171.1 billion
Consolidated service revenues of P162.9 billion
1% lower than FY2014

FY2015 core net income at P35.2 billion, down 6%,
exceeds guidance of P35.0 billion
FY2015 reported net income at P22.1 billion

Consolidated EBITDA at P70.2 billion
EBITDA margin at 43%

CAPEX spend for 2015 at P43.2 billion
Aggregate CAPEX spend from 2006-2015 at P302 billion
CAPEX for 2016 estimated at P43.0 billion

Final regular dividend of P57 per share declared
Total regular dividends of P122 per share for 2015,
representing 75% of 2015 core earnings

The attached press release was distributed today in Manila by Philippine Long Distance Telephone Company ("PLDT"), in which First Pacific Group holds an economic interest of approximately 25.6%.

PLDT is the leading telecommunications provider in the Philippines. Its shares are listed on the Philippine Stock Exchange and its American Depositary Receipts are listed on the New York Stock Exchange. It has one of the largest market capitalizations among Philippine listed companies. Through its principal business groups – fixed line and wireless – PLDT offers a wide range of telecommunications services across the Philippines' most extensive fiber optic backbone and fixed line, and cellular network.

Further information on PLDT can be found at www.pldt.com

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For further information, please contact:

John Ryan
Head of Investor Relations
Executive Vice President
Group Corporate Communications

Tel: +852 2842 4355
Mobile: +852 6336 1411

Sara Cheung
Vice President
Group Corporate Communications

Tel: +852 2842 4336

CONSOLIDATED REVENUES FOR FY2015 STABLE AT ₱171.1 BILLION
CONSOLIDATED SERVICE REVENUES OF ₱162.9 BILLION
1% LOWER THAN FY2014

FY2015 CORE NET INCOME AT ₱35.2 BILLION, DOWN 6%,
EXCEEDS GUIDANCE OF ₱35.0 BILLION
FY2015 REPORTED NET INCOME AT ₱22.1 BILLION

CONSOLIDATED EBITDA AT ₱70.2 BILLION
EBITDA MARGIN AT 43%

CAPEX SPEND FOR 2015 AT ₱43.2 BILLION
AGGREGATE CAPEX SPEND FROM 2006-2015 AT ₱302 BILLION
CAPEX FOR 2016 ESTIMATED AT ₱43.0 BILLION

FINAL REGULAR DIVIDEND OF ₱57 PER SHARE DECLARED
TOTAL REGULAR DIVIDENDS OF ₱122 PER SHARE FOR 2015,
REPRESENTING 75% OF 2015 CORE EARNINGS

- Consolidated revenues were stable at ₱171.1 billion
- Excluding ILD/NLD revenues of ₱19.7 billion, consolidated service revenues grew by 2% year-on-year, from ₱140.3 billion to ₱143.2 billion; otherwise, consolidated service revenues declined by 1% to ₱162.9 billion
- Consolidated EBITDA down by 9% to ₱70.2 billion; consolidated EBITDA margin at 43% of service revenues
- Consolidated Core Net Income of ₱35.2 billion for FY2015, 6% or ₱2.2 billion lower than ₱37.4 billion in FY2014, exceeds guidance of ₱35.0 billion
- Reported Net Income for FY2015 of ₱22.1 billion, 35% lower than ₱34.1 billion in FY2014
- Consolidated free cash flow at ₱27.8 billion for FY2015
- Final regular dividend of ₱57 per share declared; total dividends of ₱122 per share for 2015 or 75% payout

MANILA, Philippines, 29th February 2016 — Philippine Long Distance Telephone Company (“PLDT”) (PSE: TEL) (NYSE: PHI) today announced its audited financial and operating results for 2015 with Consolidated Core Net Income, before exceptional items, amounting to ₱35.2 billion, 6% or ₱2.2 billion lower than the ₱37.4 billion recorded last year. The decrease was due mainly to lower EBITDA reflecting the impact of expenses relating to the manpower reduction program, higher financing costs, offset by lower provisions for income tax.

Reported Net Income, after reflecting exceptional transactions for the period, declined 35% to ₱22.1 billion, from ₱34.1 billion in 2014, as a result of the dip in core net income, higher foreign exchange and derivative losses and a rise in impairment charges relating to both fixed assets and investments.

Consolidated Service Revenues

(Php in millions)

Growing Revenues
Mature Revenues
Declining Revenues
Total Consolidated service revenues

Full Year		
2015	2014	% Change
49,545	42,952	15%
93,649	97,379	-4%
19,736	24,612	-20%
162,930	164,943	-1%

Three months ended December		
4Q2015	4Q2014	% Change
13,032	11,224	16%
23,194	24,582	-6%
4,703	6,176	-24%
40,929	41,982	-3%

Excluding revenues from the international and national long distance (ILD/NLD) segments of ₱19.7 billion, consolidated service revenues grew by 2% year-on-year, from ₱140.3 billion to ₱143.2 billion at the end of 2015.

EBITDA margin for the period was at 43%. Consolidated EBITDA for 2015 was 9% lower at ₱70.2 billion compared with the same period last year due to lower service revenues from the wireless business, higher cash operating expenses, which include the costs arising from the manpower reduction program, and higher provisions.

EBITDA and profitability continue to be impacted by the ongoing structural change in revenue mix and heightened competition. Reported Net Income was significantly affected by the depreciation of the peso relative to the U.S. dollar, compounded by the impairment charges on Sun Cellular assets rendered obsolete by the ongoing network upgrade and our investment in Rocket Internet, affected by its lower share price at the end of 2015 and the depreciation of the Euro relative to the peso.

Consolidated free cash flow for year stood at ₱27.8 billion. Consolidated capital expenditures for the period amounted to ₱43.2 billion, ₱8.4 billion higher than the capital expenditures in 2014. These investments resulted in:

- Significantly upgraded 2G (9% more sites), 3G (53% more sites) and 4G (16% more sites) coverage through new rollouts, the integration of the Sun network, and optimization
- Expanded FTTH network by 160,000 lines
- Improved Internet browsing experience through capacity expansion, caching and direct interconnections
- Enhanced customer experience as verified by independent studies
- Innovative converged fixed and mobile products and services such as the shared data plans

The Group's consolidated net debt increased to US\$2.4 billion as at 31st December 2015, with net debt to EBITDA higher at 1.6x. Gross debt amounted to US\$3.4 billion. The Group's debt maturities continue to be well spread out, with over 60% due after 2018. The percentage of U. S. dollar-denominated debt to the Group's total debt portfolio is at 42%. Taking into account our peso borrowings, our hedges and our US dollar cash holdings, only 17% of total debt remains unhedged, down from 34% in 2014. The Group's cash and short-term securities are invested primarily in bank placements and Government securities. PLDT continues to be rated "investment grade" by the three major international ratings agencies, namely Fitch Ratings, Moody's and Standard and Poor's.

Earlier today, the Company's Board of Directors declared a final regular dividend of ₱57 per share. Together with the interim regular dividend of ₱65 per share declared in August 2015, the total dividend of ₱122 represents 75% of 2015 core earnings. Payment date will be on 1st April 2016. "For 2015, we will pay out 75% of our earnings as regular dividends but will not pay a special dividend. Our elevated capex levels and investment plans deem it necessary that we

conserve cash and maintain debt at prudent levels whilst we are transitioning,” said **Manuel V Pangilinan, PLDT Chairman and CEO.**

As the leader in digital services, our offerings are premised on providing our consumers entertainment at home or on the go, urban comfort/convenience, and peace-of-mind.

Data and broadband revenues continued their strong revenue growth, growing 16% to ₱48.5 billion in 2015. Data and broadband revenues now account for about 30% of consolidated service revenues with the goal of accelerating these revenues such that they make up more than 40% of consolidated service revenues in the next three years. Mobile Internet usage grew 106% to close to about 100,000 terabytes while related revenues grew 26% to ₱10.4 billion. Smartphone penetration is now about 40% of our cellular subscriber base and we expect the success of our Smart888 phone to raise this even further. Other efforts to enable and accelerate data adoption to drive usage include the bundling of popular apps and video platforms with various load and plan denominations. The introduction of shared data plans, whereby fixed data plan subscribers can share up to 6GB of data to registered beneficiaries, is also expected to increase usage.

Data and Broadband Revenues

(Php in millions)

	Full Year			Three months ended December		
	2015	2014	% Change	4Q2015	4Q2014	% Change
Wireless broadband	10,906	9,922	10%	2,925	2,465	19%
Fixed broadband	16,116	14,065	15%	4,240	3,720	14%
Mobile internet	10,421	8,253	26%	2,772	2,147	29%
Corp. Data and Data Center	11,054	9,656	14%	2,905	2,522	15%
Total Data and broadband revenues	48,497	41,896	16%	12,842	10,854	18%

The Group’s combined broadband subscriber base reached about 5.2 million at the end of 2015, over 3.9 million of whom use wireless broadband. Another 1.3 million users subscribe to PLDT’s fixed broadband service, a 14% increase from YE2014.

Meanwhile, PLDT continues to strengthen its leadership with more digital services via a “Connected Home.” This value proposition is facilitated via devices such as the Telpad, TVolution stick, and the FamCam while usage is driven by various video platforms (iflix, Fox and Cignal over Fibr and Disney Kids Channel) and the aforementioned data-sharing plans. Fixed Broadband revenues grew by 15%, or ₱2.1 billion, to ₱16.1 billion, following the 14% jump in subscriber base. The fixed line subscriber base rose to 2.3 million at the end of 2015, 55% of whom have fixed broadband subscriptions.

Fixed Line service revenues, net of interconnection costs

(Php in millions)

	Full Year			Three months ended December		
	2015	2014	% Change	4Q2015	4Q2014	% Change
Fixed line voice - domestic	17,074	16,584	3%	4,326	4,213	3%
Fixed Line - International and NLD	6,578	7,827	-16%	1,585	2,059	-23%
Fixed Broadband	16,141	14,076	15%	4,254	3,723	14%
Corp. Data and Data center	17,542	16,171	8%	4,618	4,210	10%
Miscellaneous	1,474	1,419	4%	376	399	-6%
Total Fixed Line service revenues	58,809	56,077	5%	15,159	14,604	4%

Wireless Service Revenues

(Php in millions)

	Full Year			Three months ended December		
	2015	2014	% Change	4Q2015	4Q2014	% Change
SMS and VAS	39,552	41,459	-5%	9,638	10,286	-6%
Cellular voice	45,481	51,065	-11%	10,972	12,926	-15%
Broadband and internet	21,412	18,272	17%	5,717	4,634	23%
Digital	1,051	1,056	-	190	370	-49%
Others	3,220	3,185	1%	965	701	38%
Total Wireless service revenues	110,716	115,037	-4%	27,482	28,917	-5%

Postpaid revenues now account for 24% of total cellular revenues, having improved by 9% to ₱23.7 billion for 2015. The Group's combined postpaid cellular subscriber base grew by over 192,000 from the end of 2014, rising to 3.0 million at the end of the period, while the combined prepaid base stood at 62.0 million.

The PLDT Group's total wireless subscriber base at the end of the period stood at 68.9 million, consisting of over 3.9 million wireless broadband subscribers, and about 65.0 million cellular subscribers broken down as follows: Smart had 24.1 million subscribers under its mainstream *Smart* brands; value brand *TNT* ended with 28.1 million subscribers; and there were 12.8 million *Sun Cellular* subscribers.

"The goal for our Consumer group is to be the preferred digital services provider – to achieve this, we need to establish data leadership by improving not only data usage but monetization as well. Note that higher data usage by mobile subscribers drove the 26% in mobile Internet revenues. Data traffic grew 4x more than revenues, providing us with much scope for monetization. We will also ramp up our converged offers, leveraging on the combined strengths of our businesses," stated **Ariel P Fermin, Head of Consumer Group, Wireless and Home**.

The PLDT Group is also uniquely positioned to serve the Enterprise sectors with six data centers that offer co-location, server hosting/outsourcing, disaster recovery, connectivity and data scrubbing. These centers are telco-grade, carrier-neutral and vendor-agnostic with an aggregate rack capacity that is the largest in the country. We are also actively enabling the digital capability of our customers by expanding our mobile and data-driven solutions portfolio, introducing innovative e-commerce platforms and fostering ICT leadership and expertise.

PLDT Enterprise's corporate data/other network services and data centers generated revenues of ₱11.1 billion, growing 14% from 2014. Corporate data and other network services were higher by 12% at ₱9.2 billion while data center revenues jumped by 26% to ₱1.9 billion.

"While our Enterprise business remains in front, we need to assert this leadership by moving further up the value chain. We will therefore be offering more business solutions and enhancing our access/connectivity offerings anchored on our robust network," said **Eric R Alberto, Head of Enterprise Group**.

Conclusion

"Data remains the key growth engine for the PLDT Group. Our Consumer and Enterprise Groups therefore need to focus their efforts on providing an excellent customer experience in this area. To achieve this, we need network dominance and reliability, ease of use and a superior portfolio of content, applications and solutions.

The entire organization, both structure and people, are being oriented to turn on this digital pivot. We expect it to be a long and difficult process with many critical adjustments to be made along the way. We certainly don't expect results overnight; in fact, we estimate it will take three

years before we make a complete turn. PLDT's profitability will therefore have to be "reset" to a lower baseline in 2016 - ₱28.0 billion in Core Earnings, arising from the following factors:

- Single-digit revenue growth due to the transition to data;
- Continued decline in EBITDA margin due to structural change in revenue mix where higher-margin legacy businesses such as ILD/NLD and SMS are replaced;
- PLDT's efforts to maintain a fair share of the market will hurt in the short-term;
- Competition will remain intense; our working assumptions anticipate the entry of a third player; and,
- Capex levels will remain elevated resulting in higher depreciation and financing costs with no special dividends.

All that said, I can say that we are off to a good start – with encouraging signs from sequential revenue trends and test results of network quality that are showing sustained improvements. We have a number of promising initiatives in digital platforms and mobile financial services as well as significant strategic partnerships in the making. Yet much needs to be done and much can be achieved with hard work, perseverance, and focus. The digital world is vast, dynamic, and complex but we've done it before and we can do it again," concluded **Pangilinan**.

PLDT Consolidated

<i>(audited)</i>	Year ended December 31			Three months ended December 31		
	2015	2014	% Change	2015	2014	% Change
Total revenues	171,103	170,835	-	43,232	43,514	(1%)
<i>Service revenues</i>	162,930	164,943	(1%)	40,929	41,982	(3%)
Expenses	144,434	130,457	11%	48,637	37,085	31%
Income (loss) before income tax	26,638	44,148	(40%)	(6,055)	7,445	(181%)
Provision (benefit from) for income tax	4,563	10,058	(55%)	(2,775)	1,292	(315%)
Net income - attributable to equity holders of PLDT	22,065	34,091	(35%)	(3,274)	6,134	(153%)
Core net income ^(a)	35,212	37,410	(6%)	8,135	8,849	(8%)
EPS (based on net income - attributable to equity holders of PLDT)						
EPS, Basic	101.85	157.51	(35%)	(15.22)	28.32	(154%)
EPS, Diluted	101.85	157.51	(35%)	(15.22)	28.32	(154%)
EPS (based on Core Net Income)						
EPS, Basic	162.70	172.88	(6%)	37.59	40.89	(8%)
EPS, Diluted	162.70	172.88	(6%)	37.59	40.89	(8%)

^(a) Net income as adjusted for the net effect of gain/loss on FX, derivative transactions, asset impairment and other non-recurring gain/loss.

PHILIPPINE LONG DISTANCE TELEPHONE COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31, 2015 and 2014

(in million pesos)

	2015	2014
<u>ASSETS</u>		
Noncurrent Assets		
Property and equipment	195,782	191,984
Investments in associates, joint ventures and deposits	48,703	42,046
Available-for-sale financial investments	15,711	28,086
Investment in debt securities and other long-term investments – net of current portion	952	960
Investment properties	1,825	1,816
Goodwill and intangible assets	72,117	72,842
Deferred income tax assets – net	21,941	17,131
Derivative financial assets – net of current portion	145	94
Prepayments – net of current portion	3,475	2,924
Advances and other noncurrent assets – net of current portion	3,003	3,218
Total Noncurrent Assets	363,654	361,101
Current Assets		
Cash and cash equivalents	46,455	26,659
Short-term investments	1,429	643
Trade and other receivables	24,898	29,151
Inventories and supplies	4,614	3,706
Current portion of derivative financial assets	26	2
Current portion of investment in debt securities and other long-term investments	51	295
Current portion of prepayments	5,798	6,406
Current portion of advances and other noncurrent assets	8,170	8,332
Total Current Assets	91,441	75,194
TOTAL ASSETS	455,095	436,295
<u>EQUITY AND LIABILITIES</u>		
Equity		
Non-voting serial preferred stock	360	360
Voting preferred stock	150	150
Common stock	1,093	1,093
Treasury stock	(6,505)	(6,505)
Capital in excess of par value	130,517	130,521
Retained earnings	6,195	17,030
Other comprehensive loss	(18,202)	(8,285)
Total Equity Attributable to Equity Holders of PLDT	113,608	134,364
Noncontrolling interests	290	304
TOTAL EQUITY	113,898	134,668

PHILIPPINE LONG DISTANCE TELEPHONE COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION*(continued)*

As at December 31, 2015 and 2014

(in million pesos)

	2015	2014
Noncurrent Liabilities		
Interest-bearing financial liabilities – net of current portion	143,982	115,400
Deferred income tax liabilities – net	3,704	4,427
Derivative financial liabilities – net of current portion	736	1,460
Customers’ deposits	2,430	2,438
Pension and other employee benefits	10,197	13,131
Deferred credits and other noncurrent liabilities	21,482	21,924
Total Noncurrent Liabilities	182,531	158,780
Current Liabilities		
Accounts payable	52,679	40,923
Accrued expenses and other current liabilities	84,286	82,678
Current portion of interest-bearing financial liabilities	16,911	14,729
Provision for claims and assessments	897	897
Dividends payable	1,461	1,070
Current portion of derivative financial liabilities	306	254
Income tax payable	2,126	2,296
Total Current Liabilities	158,666	142,847
TOTAL LIABILITIES	341,197	301,627
TOTAL EQUITY AND LIABILITIES	455,095	436,295

PHILIPPINE LONG DISTANCE TELEPHONE COMPANY AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS

For the Years Ended December 31, 2015, 2014 and 2013

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

	2015	2014	2013
REVENUES			
Service revenues	162,930	164,943	163,932
Non-service revenues	8,173	5,892	4,279
	171,103	170,835	168,211
EXPENSES			
Depreciation and amortization	31,519	31,379	30,304
Compensation and employee benefits	21,606	18,749	21,369
Cost of sales	16,614	13,512	11,806
Repairs and maintenance	15,035	14,988	13,107
Asset impairment	14,856	6,046	5,543
Interconnection costs	10,317	10,420	10,610
Selling and promotions	9,747	10,619	9,776
Professional and other contracted services	8,234	7,748	7,173
Rent	6,376	6,692	6,041
Taxes and licenses	4,592	4,563	3,925
Insurance and security services	1,797	1,884	1,815
Communication, training and travel	1,349	1,552	1,417
Amortization of intangible assets	1,076	1,149	1,020
Other expenses	1,316	1,156	1,609
	144,434	130,457	125,515
	26,669	40,378	42,696
OTHER INCOME (EXPENSES)			
Equity share in net earnings of associates and joint ventures	3,241	3,841	2,742
Interest income	799	752	932
Gains (losses) on derivative financial instruments – net	420	(101)	511
Foreign exchange losses – net	(3,036)	(382)	(2,893)
Financing costs – net	(6,259)	(5,320)	(6,589)
Other income – net	4,804	4,980	4,233
	(31)	3,770	(1,064)
INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS	26,638	44,148	41,632
PROVISION FOR INCOME TAX	4,563	10,058	8,248
NET INCOME FROM CONTINUING OPERATIONS	22,075	34,090	33,384
NET INCOME FROM DISCONTINUED OPERATIONS	–	–	2,069
NET INCOME	22,075	34,090	35,453
ATTRIBUTABLE TO:			
Equity holders of PLDT	22,065	34,091	35,420
Noncontrolling interests	10	(1)	33
	22,075	34,090	35,453
Earnings Per Share Attributable to Common Equity Holders of PLDT			
Basic	101.85	157.51	163.67
Diluted	101.85	157.51	163.67

This press release may contain some statements which constitute “forward-looking statements” that are subject to a number of risks and uncertainties that could affect PLDT’s business and results of operations. Although PLDT believes that expectations reflected in any forward-looking statements are reasonable, it can give no guarantee of future performance, action or events.

For further information, please contact:

Anabelle L. Chua
Tel No: 816-8213
Fax No: 844-9099

Melissa V. Vergel de Dios
Tel No: 816-8024
Fax No: 810-7138

Ramon R. Isberto
Tel No: 511-3101
Fax No: 893-5174

About PLDT

PLDT is the leading telecommunications provider in the Philippines. Through its principal business groups – fixed line and wireless – PLDT offers a wide range of telecommunications services across the Philippines’ most extensive fiber optic backbone and fixed line, and cellular network.

PLDT is listed on the Philippine Stock Exchange (PSE:TEL) and its American Depositary Shares are listed on the New York Stock Exchange (NYSE:PHI). PLDT has one of the largest market capitalizations among Philippine listed companies.

Further information can be obtained by visiting the web at www.pldt.com.