



Press Release

Wednesday, 7 August 2013

**PLDT 1H2013 core net income at P19.4 billion, 5% or P1.0 billion higher;
1H2013 reported net income at P19.7 billion, 2% up;
Consolidated service revenues at P81.1billion, 2% higher;
Combined cellular subscriber base at 73.4 million, 5% higher from ye2012;
Total broadband subscribers at 3.2 million;
Interim cash dividend of P63/share declared**

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 (PSE: TEL; NYSE: PHI) is the leading telecommunications service 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, PLDT offers a wide range of telecommunications services: Wireless (principally through subsidiary companies, Smart Communications, Inc. and Digital Telecommunications Philippines, Inc. ("Digitel")) and fixed Line (principally through PLDT). PLDT has developed the Philippines' most extensive fiber optic backbone, and cellular and fixed line networks.

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

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1H2013 CORE NET INCOME AT ₱19.4 BILLION, 5% OR ₱1.0 BILLION HIGHER
1H2013 REPORTED NET INCOME AT ₱19.7 BILLION, 2% UP
CONSOLIDATED SERVICE REVENUES AT ₱81.1BILLION, 2% HIGHER
COMBINED CELLULAR SUBSCRIBER BASE AT 73.4 MILLION,
5% HIGHER FROM YE2012
TOTAL BROADBAND SUBSCRIBERS AT 3.2 MILLION
INTERIM CASH DIVIDEND OF ₱63/SHARE DECLARED

- Consolidated Core Net Income of ₱19.4 billion for 1H2013, 5% or ₱1.0 billion higher than ₱18.4 billion in 1H2012
- Consolidated Reported Net Income for 1H2013 at ₱19.7 billion, 2% up from the ₱19.3 billion in 1H2012
- Consolidated service revenues increase 2% to ₱81.1 billion
- Consolidated EBITDA margin stable at 49% of service revenues; consolidated EBITDA higher by 2% at ₱40 billion
- Consolidated free cash flow at ₱20.7 billion for 1H2013
- Cellular subscriber base at 73.4 million, net additions of 3.5 million for the half
- Total broadband subscribers at 3.2 million; aggregate revenue contribution from broadband and internet services of ₱12.7 billion for 1H2013, 14% higher than last year
- Interim dividend of ₱63 per share, representing 70% payout of 1H2013 core earnings

MANILA, Philippines, 7th August 2013 — Philippine Long Distance Telephone Company (“PLDT”) (PSE: TEL) (NYSE: PHI) today announced its unaudited financial and operating results for the first six months of 2013 with Consolidated Core Net Income, before exceptional items and including discontinued operations, amounting to ₱19.4 billion, 5% or ₱1.0 billion higher than the ₱18.4 billion recorded in the first half of 2012. The increase was due mainly to higher service revenues and EBITDA, as well as lower depreciation.

Reported Net Income, after reflecting exceptional transactions for the period, was up 2% to ₱19.7 billion, from ₱19.3 billion in the same period in 2012. The increase was a result of the combined impact of higher core income, the gain from the sale of the BPO business, higher foreign exchange and derivative losses and the retroactive effect of the adoption of revised Philippine Accounting Standard (“PAS”) 19. The revised PAS 19 relates to the recognition of termination benefits arising from our manpower reduction programs (“MRP”) which resulted in a reversal of ₱1.3 billion of MRP expenses accrued in the fourth quarter of 2012 and the recognition of ₱0.9 billion of those expenses in the first half of 2013.

EBITDA margin for the period was at 49%, a similar level to the same period last year and an improvement over the second half of 2012. Consolidated EBITDA for the first half of 2013 was 2% higher at ₱40.0 billion compared with the same period last year and up 6% over the second half of 2012. EBITDA excludes the retroactive effect of the revised PAS 19 described above.

Consolidated service revenues for the first six months of 2013 grew 2% to ₱81.1 billion, as revenues from the data and internet business more than offset the declines from international and national long distance streams.

Earlier today, the Company's Board of Directors declared an interim dividend of ₱63 per share, in keeping with the Company's commitment to payout a minimum ratio of 70% of core earnings.

Consolidated free cash flow remained robust at ₱20.7 billion. Consolidated capital expenditures for the period amounted to ₱4.8 billion as the PLDT Group continues to fortify its network despite having completed its two-year network transformation program ahead of schedule. At the end of June, PLDT's total fiber footprint stood at more than 71,000 kilometers, inclusive of 7,200 kilometers of international submarine fiber, and over 4,000 kilometers of domestic submarine fiber. Capital expenditures are expected to reach ₱29.0 billion for the year, ₱7.4 billion lower than the capex spend for 2012.

The Group's consolidated net debt stood at US\$1.7 billion as at 30th June 2013. Gross debt amounted to US\$2.7 billion. Net debt to EBITDA was at 0.98x. The Company's debt maturities continue to be well spread out, with over 70% due in and after 2015. The percentage of US dollar-denominated debt to the Group's total debt portfolio is at 51%. Taking into account our peso borrowings, our hedges and our U. S. Dollar cash holdings, only 36% of total debt remains unhedged. The Group's cash and short-term securities are invested primarily in bank placements and Government securities. PLDT is the first Philippine company to be rated "investment grade" by all three (3) major international ratings agencies.

Subscriber Base

The PLDT Group's total cellular subscriber base as at 30th June 2013 was 73.4 million subscribers, broken down as follows: Wireless subsidiary Smart Communications, Inc ("Smart") had 25.5 million subscribers under its mainstream *Smart* brands, while value brand *Talk 'N Text* ended with 31.8 million subscribers as a result of 1.3 million net additions for the second quarter. Digitel had 16.1 million *Sun Cellular* subscribers. The Group's combined postpaid cellular subscriber base grew by nearly 115,000 in the second quarter, and stood at 2.2 million at the end of the period, inclusive of *Sun Cellular's* 1.4 million postpaid customer count.

On the other hand, the Group's combined broadband subscriber base was 3.2 million at the end of the first half of 2013. *SmartBro*, Smart's wireless broadband service offered through its wholly-owned subsidiary Smart Broadband, Inc., had a wireless broadband subscriber base of about 1.8 million at the end of the period, over 1.25 million of whom were on *SmartBro's* prepaid service. Meanwhile, PLDT's DSL subscribers increased by about 60,000 for the first six months of 2013, bringing the total subscriber base to 920,000, representing 45% of the fixed line subscriber base.

For the fixed line businesses of both PLDT and Digitel, the subscriber base remained at 2.1 million at the end of the first half of 2013.

Service Revenues

Smart and Sun Cellular together continue to lead the industry in terms of both revenues and subscribers. Wireless service revenues rose 2% to ₱57.7 billion for the first half of 2013, compared with the ₱56.7 billion recognized in the same period last year, reflecting the continued growth of non-SMS data and modest increases in cellular voice and data revenues.

Total broadband and internet revenues for the first six months of 2013 totaled ₱12.7 billion, a 14% growth rate year-on-year; broadband and internet now account for 16% of total group service revenues. Wireless broadband revenues, exclusive of mobile internet revenues, increased by 11% to ₱4.7 billion, compared with the ₱4.2 billion recorded last year. Moreover,

mobile internet usage continues to grow strongly, with mobile internet revenues increasing by 49%, from ₱1.4 billion at the end of the first half of 2012 to ₱2.1 billion at the end of the first half of 2013. PLDT DSL generated ₱6.0 billion in revenues for the first six months of 2013, up 7% from ₱5.6 billion in the same period in 2012.

“Smartphone penetration continues to grow, especially in the postpaid sector where just over to 50% of subscribers now own a smartphone. We believe that postpaid will lead the way in mobile internet usage, hence our short-term strategy of offering attractive packages in order to entice ownership. We will back this up within the year with content that is engaging and compelling such that our subscribers’ smartphones will be their preferred option when it comes to accessing the web,” said **Orlando B. Vea, Smart Chief Wireless Adviser**. “In fact, we have jump started this with the launch of *Smart Music* and *Signal TV-to-Go* last July”, he added.

Smart Music is Smart’s ‘game-changing’ online music service. Developed in partnership with MCA Music, Inc, *Smart Music* is an online portal that will make available more than three million tracks from MCA Music’s global catalog to *Smart*, *Talk ‘N Text* and *Sun* subscribers, at prices that are roughly half of other online music stores. *Signal TV-to-Go* is an over-the-top (“OTT”) service that allows mobiles subscribers to watch real-time broadcast feeds of *Signal TV* on their smartphones or tablets. Currently in beta phase, the service runs on devices with the Android operating system, Jellybean, but will eventually become available, as well, on other operating systems.

Fixed line service revenues for the first six months of 2013, net of interconnection costs, increased to ₱26.5 billion, or 3%, from ₱25.8 billion in 2012. PLDT enterprise data and DSL revenues continued to grow on the back of a 7% increase in DSL revenues and a 10% increase in third party corporate data revenues. Combined ILD, LEC and NLD businesses of PLDT registered a decline of 3% from last year.

“2013 is proving to be an exciting year for the Fixed Line business, especially with the launch of our first true triple play service, *Signal over Fibr* which we launched recently. PLDT is the access provider of landline and high-speed broadband, while *Signal* provides the TV and content portion. This only goes to show that while our legacy businesses continue to be challenged, we are compensating by building other revenue sources by capitalizing on our network and content strengths,” declared **Napoleon L. Nazareno, President and CEO of PLDT and Smart**.

Conclusion

“It is encouraging that we are beginning to show signs of growth. We continue to pursue growth in data, while maintaining the equilibrium of our core businesses and managing the long-tail of our legacy services. But more than anything, I am excited to see the beginnings of the synergy between our traditional and new businesses. *Smart Music*, *Signal over Fibr*, *Signal TV-to-Go* are services made possible by our investments in new network platforms, content creation and aggregation, and media and have the potential to be game-changers. I believe we’re beginning to see the combined impact of multi-media and the internet on our mainstream telco business,” **concluded Manuel V. Pangilinan, PLDT Chairman**.

PLDT Consolidated

	Six months ended June 30			Three months ended June 30		
	2013	2012	% Change	2013	2012	% Change
	(as adjusted)			(as adjusted)		
(unaudited)						
Service revenues ^(a)	81,135	79,729	2%	41,167	39,699	4%
Total revenues ^(a)	83,099	81,236	2%	42,139	40,410	4%
Expenses ^(a)	59,203	58,873	1%	30,163	30,649	(2%)
Income before income tax ^(a)	22,538	25,240	(11%)	10,807	11,790	(8%)
Provision for income tax ^(a)	4,677	6,235	(25%)	2,008	2,564	(22%)
Net income - attributable to equity holders of PLDT	19,707	19,282	2%	10,529	9,313	13%
Continued Operations	17,844	19,036	(6%)	8,791	9,248	(5%)
Discontinued Operations	1,863	246	657%	1,738	65	2,574%
Core net income ^(b)	19,395	18,441	5%	9,815	9,243	6%
Continued Operations	19,494	18,190	7%	10,038	9,149	10%
Discontinued Operations	(99)	251	(139%)	(223)	94	(337%)
EPS (based on net income - attributable to equity holders of PLDT)						
EPS, Basic	91.09	89.13	2%	48.67	43.05	13%
EPS, Diluted	91.09	89.13	2%	48.67	43.05	13%
EPS (based on Core Net Income)						
EPS, Basic	89.64	85.24	5%	45.36	42.72	6%
EPS, Diluted	89.64	85.24	5%	45.36	42.72	6%

^(a) Excluding Discontinued operations

^(b) Net income as adjusted for the net effect of gain/loss on FX and derivative transactions, additional depreciation charges and recognition of deferred tax assets

PHILIPPINE LONG DISTANCE TELEPHONE COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in million pesos)

	As at June 30, 2013	As at December 31, 2012	As at January 1, 2012
	(Unaudited)	(As Adjusted*)	
<u>ASSETS</u>			
Noncurrent Assets			
Property, plant and equipment	189,164	200,078	200,142
Investments in associates and joint ventures and deposit	32,893	27,077	17,865
Available-for-sale financial investments	5,693	5,651	7,181
Investment in debt securities and other long-term investments – net of current portion	673	205	150
Investment properties	712	712	1,115
Goodwill and intangible assets	74,356	74,250	83,303
Deferred income tax assets – net	7,672	7,225	5,117
Derivative financial assets	38	–	–
Prepayments – net of current portion	5,733	4,500	11,697
Advances and other noncurrent assets – net of current portion	1,819	1,376	1,340
Total Noncurrent Assets	318,753	321,074	327,910
Current Assets			
Cash and cash equivalents	40,133	37,161	46,057
Short-term investments	3,385	574	558
Trade and other receivables	17,234	16,379	16,245
Inventories and supplies	2,801	3,467	3,827
Current portion of investment in debt securities and other long-term investments	91	150	358
Current portion of prepayments	4,868	5,144	6,345
Current portion of advances and other noncurrent assets	7,991	8,116	492
Total Current Assets	76,503	70,991	73,882
Assets classified as held-for-sale	355	13,750	–
Total Current Assets	76,858	84,741	73,882
TOTAL ASSETS	395,611	405,815	401,792
<u>EQUITY AND LIABILITIES</u>			
Equity			
Non-voting serial preferred stock	360	360	4,419
Voting preferred stock	150	150	–
Common stock	1,093	1,093	1,085
Treasury stock	(6,505)	(6,505)	(6,505)
Capital in excess of par value	130,564	130,566	127,246
Retained earnings	20,894	25,416	26,160
Other comprehensive income	(2,956)	(3,387)	1,456
Reserves of a disposal group classified as held-for-sale	–	(2,143)	–
Total Equity Attributable to Equity Holders of PLDT	143,600	145,550	153,861
Noncontrolling interests	186	184	386
TOTAL EQUITY	143,786	145,734	154,247

* The December 31, 2012 comparative information was adjusted to reflect the adjustments on the adoption of the Revised PAS 19 – Employee Benefits.

PHILIPPINE LONG DISTANCE TELEPHONE COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION *(continued)*
(in million pesos)

	As at June 30, 2013	As at December 31, 2012	As at January 1, 2012
	(Unaudited)	(As Adjusted*)	
Noncurrent Liabilities			
Interest-bearing financial liabilities – net of current portion	87,271	102,821	91,280
Deferred income tax liabilities – net	4,542	5,713	7,078
Derivative financial liabilities	2,114	2,802	2,235
Customers' deposits	2,550	2,529	2,272
Pension and other employee benefits	2,797	1,982	551
Deferred credits and other noncurrent liabilities	19,201	21,950	22,642
Total Noncurrent Liabilities	118,475	137,797	126,058
Current Liabilities			
Accounts payable	25,801	30,451	29,554
Accrued expenses and other current liabilities	71,124	71,624	58,271
Current portion of interest-bearing financial liabilities	30,639	12,989	26,009
Provision for claims and assessments	1,555	1,555	1,555
Dividends payable	899	827	2,583
Derivative financial liabilities	554	418	924
Income tax payable	2,778	1,809	2,591
	133,350	119,673	121,487
Liabilities directly associated with assets classified as held-for-sale	–	2,611	–
Total Current Liabilities	133,350	122,284	121,487
TOTAL LIABILITIES	251,825	260,081	247,545
TOTAL EQUITY AND LIABILITIES	395,611	405,815	401,792

* The December 31, 2012 comparative information was adjusted to reflect the adjustments on the adoption of the Revised PAS 19 – Employee Benefits.

PHILIPPINE LONG DISTANCE TELEPHONE COMPANY AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS

For the Six Months Ended June 30, 2013 and 2012

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

	Six Months Ended June 30,		Three Months Ended June 30,	
	2013	2012	2013	2012
	(Unaudited)	(As Adjusted*)	(Unaudited)	(As Adjusted*)
REVENUES				
Service revenues	81,135	79,729	41,167	39,699
Non-service revenues	1,964	1,507	972	711
	83,099	81,236	42,139	40,410
EXPENSES				
Depreciation and amortization	14,532	15,289	7,304	7,940
Compensation and employee benefits	10,999	11,347	5,175	6,569
Repairs and maintenance	6,534	6,407	3,233	3,218
Cost of sales	5,538	4,483	3,127	1,875
Interconnection costs	5,454	5,559	2,877	2,656
Selling and promotions	4,285	4,313	2,363	2,654
Rent	2,851	2,718	1,374	1,285
Professional and other contracted services	2,832	2,610	1,429	1,169
Taxes and licenses	1,716	1,866	817	895
Asset impairment	1,391	1,184	789	563
Communication, training and travel	1,063	1,025	551	522
Insurance and security services	755	707	377	336
Amortization of intangible assets	453	712	251	685
Other expenses	800	653	496	282
	59,203	58,873	30,163	30,649
	23,896	22,363	11,976	9,761
OTHER INCOME (EXPENSES)				
Equity share in net earnings of associates and joint ventures	1,100	1,311	952	1,037
Interest income	485	619	189	265
Gains (losses) on derivative financial instruments – net	448	(437)	425	(303)
Foreign exchange gains (losses) – net	(1,922)	1,606	(2,135)	366
Financing costs – net	(3,327)	(3,364)	(1,723)	(1,689)
Other income	1,858	3,142	1,123	2,353
	(1,358)	2,877	(1,169)	2,029
INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS				
	22,538	25,240	10,807	11,790
PROVISION FOR INCOME TAX	4,677	6,235	2,008	2,564
NET INCOME FROM CONTINUING OPERATIONS	17,861	19,005	8,799	9,226
INCOME FROM DISCONTINUED OPERATIONS	1,863	246	1,738	65
NET INCOME	19,724	19,251	10,537	9,291
ATTRIBUTABLE TO:				
Equity holders of PLDT	19,707	19,282	10,529	9,313
Noncontrolling interests	17	(31)	8	(22)
	19,724	19,251	10,537	9,291
Earnings Per Share Attributable to Common Equity Holders of PLDT				
Basic	91.09	89.13	48.67	43.05
Diluted	91.09	89.13	48.67	43.05
Earnings Per Share for Continuing Operations Attributable to Common Equity Holders of PLDT				
Basic	82.47	88.00	40.63	42.76
Diluted	82.47	88.00	40.63	42.76

* The June 30, 2012 comparative information was adjusted to reflect the discontinued operations of the Business Process Outsourcing segment and the adjustments on the adoption of the Revised PAS 19 – Employee Benefits.

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.

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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.

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