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## **FIRST PACIFIC COMPANY LIMITED**

### **第一太平洋有限公司**

*(Incorporated with limited liability under the laws of Bermuda)*

Website: <http://www.firstpacific.com>

(Stock code: 00142)

### **OVERSEAS REGULATORY ANNOUNCEMENT**

*(This overseas regulatory announcement is issued pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.)*

**Please refer to the attached disclosure of Philippine Long Distance Telephone Company (“PLDT”), a major operating associate of First Pacific Company Limited, as filed with the Philippine Stock Exchange, in relation to the SEC Form 17-C attached with the press release relating to PLDT’s unaudited consolidated financial results for the six months ended 30 June 2014.**

**Dated this the 5<sup>th</sup> day of August, 2014**

As at the date of this announcement, the board of directors of First Pacific Company Limited comprises the following directors:

***Executive Directors:***

Manuel V. Pangilinan, *Managing Director and CEO*

Edward A. Tortorici

Robert C. Nicholson

***Non-executive Directors:***

Anthoni Salim, *Chairman*

Benny S. Santoso

Tedy Djuhar

Napoleon L. Nazareno

***Independent Non-executive Directors:***

Graham L. Pickles

Prof. Edward K.Y. Chen, *GBS, CBE, JP*

Margaret Leung Ko May Yee, *SBS, JP*

Philip Fan Yan Hok

COVER SHEET

P W - 5 5  
S.E.C. Registration No.

P H I L I P P I N E L O N G D I S T A N C E

T E L E P H O N E C O M P A N Y  
(Company's Full Name)

R A M O N C O J U A N G C O B L D G .

M A K A T I A V E . M A K A T I C I T Y  
(Business Address: No. Street City/Town/Province)

ATTY. MA. LOURDES C. RAUSA-CHAN  
Contact Person

816-8553  
Company Telephone Number

1 2 3 1  
Month Day  
Fiscal Year

PRESENTATION MATERIALS  
FORM TYPE

0 6 Every 2<sup>nd</sup> Tuesday  
Month Day Annual Meeting

C F D  
Dept. Requiring this Doc.

N/A  
Amended Articles  
Number/Section

11,946  
As of June 30, 2014  
Total No. of Stockholders

Total Amount of Borrowings  
N/A  
Domestic

N/A  
Foreign

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To be accomplished by SEC Personnel concerned

File Number

\_\_\_\_\_  
LCU

Document I.D.

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Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

CURRENT REPORT UNDER SECTION 17  
OF THE SECURITIES REGULATION CODE  
AND SRC RULE 17.1

1. August 5, 2014  
Date of Report (Date of earliest event reported)
2. SEC Identification Number PW-55
3. BIR Tax Identification No. 000-488-793
4. PHILIPPINE LONG DISTANCE TELEPHONE COMPANY  
Exact name of issuer as specified in its charter
5. PHILIPPINES  
Province, country or other jurisdiction  
of Incorporation
6. \_\_\_\_\_ (SEC Use Only)  
Industry Classification Code
7. Ramon Cojuangco Building, Makati Avenue, Makati City  
Address of principal office
- 1200  
Postal Code
8. (632) 816-8405  
Issuer's telephone number, including area code
9. Not Applicable  
Former name or former address, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code  
and Sections 4 and 8 of the Revised Securities Act

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
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**1H14 CORE NET INCOME AT ₱19.8 BILLION, UP ₱0.4 BILLION OR 2%  
REPORTED NET INCOME AT ₱20.0 BILLION, HIGHER BY ₱0.3 BILLION**

**REGULAR DIVIDEND PAYOUT RATE INCREASED TO 75% OF CORE INCOME  
INTERIM DIVIDEND OF ₱69 PER SHARE DECLARED**

**CONSOLIDATED SERVICE REVENUES OF ₱82.5 BILLION, 2% HIGHER  
CONSOLIDATED BROADBAND REVENUES RISE 22% TO ₱15.4 BILLION**

**CONSOLIDATED EBITDA AT ₱38.2 BILLION  
EBITDA MARGIN AT 46%  
FREE CASH FLOW AT ₱18.1 BILLION**

**PLDT GROUP SUBSCRIBER BASE NOW 74.7 MILLION  
CELLULAR SUBSCRIBER BASE AT 68.9 MILLION  
POSTPAID SUBSCRIBER BASE RISE 8% FROM YE13 TO 2.6 MILLION**

**TOTAL BROADBAND SUBSCRIBERS AT 3.6 MILLION, UP 6%  
FROM END 2013**

- Consolidated Core Net Income of ₱19.8 billion for 1H14, up 2% or ₱0.4 billion higher than ₱19.4 billion in 2013
- Reported Net Income for 1H14 of ₱20.0 billion, ₱0.3 billion or 2% higher than ₱19.7 billion in 2013
- Interim dividend of ₱69 per share declared representing 75% of Core EPS and reflecting increased regular dividend payout
- Consolidated service revenues rose 2% or ₱1.5 billion to ₱82.5 billion
- Consolidated EBITDA down 4% at ₱38.2 billion; consolidated EBITDA margin dips to 46% of service revenues
- Consolidated free cash flow declines to ₱18.1 billion for 1H14
- Cellular subscriber base at 68.9 million
- Total broadband subscribers at 3.6 million; aggregate revenue contribution from broadband, data and internet services at ₱15.4 billion for 1H14, 22% higher than last year
- Data revenues for fixed line now account for 53% of fixed line revenues and 15% for wireless
- 2014 capex of ₱31-32 billion, to remain below 20% of service revenues

**MANILA, Philippines, 5<sup>th</sup> August 2014** — Philippine Long Distance Telephone Company (“PLDT”) (PSE: TEL) (NYSE: PHI) today announced its unaudited financial and operating results for the first six months of 2014 with Consolidated Core Net Income, before exceptional items, amounting to ₱19.8 billion, 2% or ₱0.4 billion higher than the ₱19.4 billion recorded in the same period in 2013. The increase was due mainly to higher service revenues and equity share in earnings of subsidiaries, and lower financing costs.

Reported Net Income, after reflecting exceptional transactions for the period, grew 2% to ₱20.0 billion, from ₱19.7 billion in the same period in 2013, as a result of the rise in core net income, the increase in foreign exchange and derivative gains, and the retroactive effect of the adoption of revised Philippine Accounting Standard 19.

EBITDA margin for the period was at 46%, higher than 45% in the second half of 2013. Consolidated EBITDA for the first half of 2014 was 4% lower at ₱38.2 billion compared with the same period last year as the increase in service revenues was offset by higher cash operating expenses and subsidies.

Consolidated service revenues for the first six months of 2014 grew 2% to ₱82.5 billion, as revenues from the data and broadband business more than offset the declines from international and national long distance streams.

Earlier today, the Company's Board of Directors approved the amendment of the Company's dividend policy increasing the regular dividend payout from 70% to 75% of core earnings. Reflecting this change in policy, PLDT declared an interim dividend of ₱69 per share equivalent to 75% of 1H14 Core Income.

"For the past seven years, we have maintained an unprecedented dividend payout of 100% of our core earnings, based on a payout rate of 70% for regular dividends and an additional 30% in special dividends. The decision to increase our minimum dividend payout ratio to 75% attests to our confidence in the Company's ability to sustain strong free cash flows without affecting our ability to continue making the necessary investments to maintain and indeed grow PLDT's businesses," stated **Manuel V. Pangilinan, PLDT Chairman**.

Consolidated free cash flow for the first six months of the year remained robust at ₱18.1 billion. Consolidated capital expenditures for the period amounted to ₱8.1 billion, ₱3.3 billion higher than the capex for the same period in 2013. Ongoing network initiatives include the continued expansion of 3G and LTE coverage, as well as, the increase in fiber footprint. As well, our network infrastructure is being reconfigured and reinforced to better withstand severe weather disturbances. Capital expenditures for 2014 are projected to be in the range of ₱31 - ₱32 billion, or 18-20% of service revenues.

The Group's consolidated net debt stood at US\$1.8 billion as at 30<sup>th</sup> June 2014, with net debt to EBITDA at 1.05x. Gross debt amounted to US\$2.8 billion. The Company's debt maturities continue to be well spread out, with over 70% due in and after 2017, including ₱15.0 billion of fixed rate retail bonds issued in January 2014. The percentage of US dollar-denominated debt to the Group's total debt portfolio is at 44%. Taking into account our peso borrowings, our hedges and our U. S. dollar cash holdings, only 32% of total debt remains unhedged. The Group's cash and short-term securities are invested primarily in bank placements and Government securities. PLDT was the first Philippine company to be rated "investment grade" by all three major international ratings agencies.

"The ongoing structural shift in our revenue mix continues to impact our performance. Our "growing" revenues, or those from our data businesses, are now larger than those from our legacy businesses. In addition, SMS revenues continue to be pressured by the growth of OTT messaging services. We are also seeing the ascent of the postpaid business, which bodes well for data adoption, but generates lower margins vis-à-vis prepaid. These forces, expected to persist for the near-term, will likely moderate consolidated revenue growth and soften EBITDA margins," explained **Napoleon L Nazareno, President and CEO of PLDT and Smart**

## **Cellular**

Wireless subsidiaries Smart Communications, Inc (“Smart”) and Digitel Mobile (“Digitel”) together continue to lead the industry in terms of both revenues and subscribers. Wireless service revenues of ₱57.9 billion for the first half of 2014 were slightly ahead of the ₱57.6 billion recognized in the same period last year, reflecting the continued growth of non-SMS data and the growth in cellular voice revenues.

Postpaid revenues now account for 20% of total cellular revenues, having grown 14% to ₱10.4 billion at the end of June 2014.

The PLDT Group’s total cellular subscriber base at the end of June 2014 was 68.9 million subscribers, broken down as follows: Smart had 25.6 million subscribers under its mainstream *Smart* brands; value brand *Talk ‘N Text* ended with 28.1 million subscribers; and there were 15.3 million *Sun Cellular* subscribers.

The Group’s combined postpaid cellular subscriber base grew by over 179,000, rising to about 2.6 million at the end of the period, while the combined prepaid base stood at 66.3 million.

## **Broadband**

Total broadband, data and internet revenues for the first six months of 2014 totaled ₱15.4 billion, a 22% growth year-on-year; broadband and internet now account for 19% of total Group’s service revenues. Wireless broadband revenues, exclusive of mobile Internet revenues, increased by 7% to ₱4.9 billion, compared with the ₱4.6 billion recorded last year. Moreover, mobile Internet usage continues to grow strongly, with mobile Internet revenues increasing by 77% to ₱3.7 billion in the first half of 2014 from ₱2.1 billion in 2013.

PLDT Group fixed broadband businesses generated ₱6.7 billion in revenues for the first half of 2014, up 13% from ₱5.9 billion in the same period in 2013.

The Group’s combined broadband subscriber base was 3.6 million at the end of June 2014. *Smart Broadband*, Smart’s wireless broadband service offered through its wholly-owned subsidiary Smart Broadband, Inc., had a wireless broadband subscriber base of over 2.1 million at the end of the period, about 1.5 million of whom were on *Smart Broadband’s* prepaid service. In addition, *Sun Cellular* had a wireless broadband subscriber base of over 540,000. Meanwhile, PLDT’s fixed broadband subscribers increased by 7% from the end of 2013, bringing the total fixed broadband subscriber base to just over one million for the first half of 2014, and now represent 47% of the fixed line subscriber base.

“The market is beginning to see the influx of lower cost smartphones which can only increase penetration and data usage. Over 20% of our subscriber base now own a smartphone and mobile Internet usage surged 121% in the first half of the year to over 15,000 Terabytes. We are now directing our efforts to stimulating data usage amongst prepaid subscribers,” said **Orlando B. Vea, Smart Chief Wireless Adviser**.

## **Fixed Line**

Fixed line service revenues for the first six months of 2014, net of interconnection costs, increased to ₱28.1 billion, or 6%, from ₱26.5 billion in the same period last year. PLDT data and fixed broadband revenues, representing 53% of total fixed line revenues, continued to grow on the back of a 14% increase in fixed broadband revenues, a 7% rise in corporate data and other network services, and an 18% increase in data center revenues. Combined ILD and

NLD businesses of PLDT, representing 14% of fixed line revenues, declined by 6%. LEC revenues, which now only accounts for 29% of total fixed line revenues, were higher by 1% at ₱8.2 billion.

The fixed line subscriber base reached about 2.2 million at the end of June 2014, over 47% of whom have fixed broadband subscriptions.

"Our Fixed Line Business continues to be a star performer, bucking global trends, as business and revenues from our retail and corporate customers proceed to grow at a steady pace," declared **Nazareno**,

### **Conclusion**

"We recognize the present state of flux of our businesses and thus proceed to optimize efforts in pushing the growing segments, managing the stable ones, while long-tailing our legacy businesses. It is clear our future lies in the broadband/data and Internet space, evidenced in our numbers this year, and in recent past years. In this regard, we are reviewing a number of exciting opportunities in this space and would anticipate making an announcement soon," **concluded Pangilinan.**

**PLDT Consolidated**

	Six months ended June 30			Three months ended June 30		
	2014	2013	% Change	2014	2013	% Change
	(unaudited)			(unaudited)		
<b>Service revenues</b>	<b>82,530</b>	<b>81,037</b>	<b>2%</b>	<b>41,313</b>	<b>41,069</b>	<b>1%</b>
<b>Total revenues</b>	<b>85,428</b>	<b>83,001</b>	<b>3%</b>	<b>42,885</b>	<b>42,041</b>	<b>2%</b>
<b>Expenses</b>	<b>62,515</b>	<b>59,105</b>	<b>6%</b>	<b>32,138</b>	<b>30,065</b>	<b>7%</b>
<b>Income before income tax</b>	<b>26,236</b>	<b>22,538</b>	<b>16%</b>	<b>14,099</b>	<b>10,807</b>	<b>30%</b>
<b>Provision for income tax</b>	<b>6,235</b>	<b>4,677</b>	<b>33%</b>	<b>3,490</b>	<b>2,008</b>	<b>74%</b>
<b>Net income - attributable to equity holders of PLDT</b>	<b>20,023</b>	<b>19,707</b>	<b>2%</b>	<b>10,644</b>	<b>10,529</b>	<b>1%</b>
Continuing Operations	20,023	17,844	12%	10,644	8,791	21%
Discontinued Operations	-	1,863	(100%)	-	1,738	(100%)
<b>Core net income <sup>(a)</sup></b>	<b>19,834</b>	<b>19,395</b>	<b>2%</b>	<b>10,072</b>	<b>9,815</b>	<b>3%</b>
Continuing Operations	19,834	19,494	2%	10,072	10,038	0%
Discontinued Operations	-	(99)	(100%)	-	(223)	(100%)
<b>EPS (based on net income - attributable to equity holders of PLDT)</b>						
EPS, Basic	92.54	91.09	2%	49.20	48.67	1%
EPS, Diluted	92.54	91.09	2%	49.20	48.67	1%
<b>EPS (based on Core Net Income)</b>						
EPS, Basic	91.66	89.64	2%	46.54	45.36	3%
EPS, Diluted	91.66	89.64	2%	46.54	45.36	3%

<sup>(a)</sup> Net income as adjusted for the net effect of gain/loss on FX, derivative transactions, PAS 19 adjustments on MRP costs



PHILIPPINE LONG DISTANCE TELEPHONE COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
(in million pesos)

	As at June 30, 2014	As at December 31, 2013
	(Unaudited)	(Audited)
<u>ASSETS</u>		
<b>Noncurrent Assets</b>		
Property, plant and equipment	186,394	192,665
Investments in associates, joint ventures and deposits	43,451	41,310
Available-for-sale financial investments	222	220
Investment in debt securities and other long-term investments – net of current portion	2,576	2,643
Investment properties	1,216	1,222
Goodwill and intangible assets	73,490	73,918
Deferred income tax assets – net	14,487	14,181
Derivative financial assets	26	24
Prepayments – net of current portion	3,122	3,031
Advances and other noncurrent assets – net of current portion	4,881	2,761
<b>Total Noncurrent Assets</b>	<b>329,865</b>	<b>331,975</b>
<b>Current Assets</b>		
Cash and cash equivalents	42,867	31,905
Short-term investments	1,059	718
Trade and other receivables	19,040	17,564
Inventories and supplies	3,530	3,164
Derivative financial assets	–	10
Current portion of investment in debt securities and other long-term investments	1,043	–
Current portion of prepayments	5,633	6,054
Current portion of advances and other noncurrent assets	8,115	8,248
<b>Total Current Assets</b>	<b>81,287</b>	<b>67,663</b>
<b>TOTAL ASSETS</b>	<b>411,152</b>	<b>399,638</b>
<u>EQUITY AND LIABILITIES</u>		
<b>Equity</b>		
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	130,535	130,562
Retained earnings	17,899	22,968
Other comprehensive income	(13,432)	(11,481)
<b>Total Equity Attributable to Equity Holders of PLDT</b>	<b>130,100</b>	<b>137,147</b>
Noncontrolling interests	165	179
<b>TOTAL EQUITY</b>	<b>130,265</b>	<b>137,326</b>
<b>Noncurrent Liabilities</b>		
Interest-bearing financial liabilities – net of current portion	108,970	88,930
Deferred income tax liabilities – net	4,256	4,437
Derivative financial liabilities	1,820	1,869
Customers' deposits	2,475	2,545
Pension and other employee benefits	15,181	13,439

Deferred credits and other noncurrent liabilities	19,377	22,045
<b>Total Noncurrent Liabilities</b>	<b>152,079</b>	<b>133,265</b>
<b>Current Liabilities</b>		
Accounts payable	30,864	34,882
Accrued expenses and other current liabilities	79,259	74,256
Current portion of interest-bearing financial liabilities	14,031	15,171
Provision for claims and assessments	897	897
Dividends payable	1,015	932
Derivative financial liabilities	105	105
Income tax payable	2,637	2,804
<b>Total Current Liabilities</b>	<b>128,808</b>	<b>129,047</b>
<b>TOTAL LIABILITIES</b>	<b>280,887</b>	<b>262,312</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>411,152</b>	<b>399,638</b>

PHILIPPINE LONG DISTANCE TELEPHONE COMPANY AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS

For the Six Months and For the Three Months Ended June 30, 2014 and 2013  
(in million pesos, except earnings per common share amounts which are in pesos)

	Six Months Ended June 30,		Three Months Ended June 30,	
	2014	2013	2014	2013
	(Unaudited)			
<b>REVENUES</b>				
Service revenues	82,530	81,037	41,313	41,069
Non-service revenues	2,898	1,964	1,572	972
	85,428	83,001	42,885	42,041
<b>EXPENSES</b>				
Depreciation and amortization	14,490	14,532	7,285	7,304
Compensation and employee benefits	10,443	10,858	5,283	5,102
Repairs and maintenance	7,111	6,534	3,627	3,233
Cost of sales	6,925	5,538	3,476	3,127
Interconnection costs	5,277	5,356	2,614	2,779
Selling and promotions	4,928	4,285	2,815	2,363
Professional and other contracted services	3,383	2,832	1,765	1,429
Rent	3,243	2,851	1,705	1,374
Taxes and licenses	1,947	1,741	1,026	829
Asset impairment	1,421	1,391	784	789
Communication, training and travel	1,135	1,063	573	551
Insurance and security services	906	843	458	421
Amortization of intangible assets	574	453	288	251
Other expenses	732	828	439	513
	62,515	59,105	32,138	30,065
	22,913	23,896	10,747	11,976
<b>OTHER INCOME (EXPENSES)</b>				
Equity share in net earnings of associates and joint ventures	2,083	1,505	1,367	952
Foreign exchange gains (losses) – net	459	(1,922)	1,194	(2,135)
Interest income	395	485	203	189
Gains (losses) on derivative financial instruments – net	(164)	448	(351)	425
Financing costs – net	(2,498)	(3,327)	(1,174)	(1,723)
Other income – net	3,048	1,453	2,113	1,123
	3,323	(1,358)	3,352	(1,169)
<b>INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS</b>				
	26,236	22,538	14,099	10,807
<b>PROVISION FOR INCOME TAX</b>				
	6,235	4,677	3,490	2,008
<b>NET INCOME FROM CONTINUING OPERATIONS</b>				
	20,001	17,861	10,609	8,799
<b>NET INCOME FROM DISCONTINUED OPERATIONS</b>				
	–	1,863	–	1,738
<b>NET INCOME</b>				
	20,001	19,724	10,609	10,537

ATTRIBUTABLE TO:				
Equity holders of PLDT	20,023	19,707	10,644	10,529
Noncontrolling interests	(22)	17	(35)	8
	20,001	19,724	10,609	10,537
Earnings Per Share Attributable to Common Equity Holders of PLDT				
Basic	92.54	91.09	49.20	48.67
Diluted	92.54	91.09	49.20	48.67
Earnings Per Share from Continuing Operations Attributable to Common Equity Holders of PLDT				
Basic	92.54	82.47	49.20	40.63
Diluted	92.54	82.47	49.20	40.63

***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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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](http://www.pldt.com).**