



## FIRST PACIFIC COMPANY LIMITED

### 第一太平有限公司

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

# Press Release

Tuesday, 3 March 2015

### PLDT FY14 Results

**Consolidated service revenues of P165.1 billion, 1% higher over 2013**  
**Consolidated data and broadband revenues rise 20% to P31.9 billion**

**FY2014 core net income at P37.4 billion**  
**FY2014 reported net income at P34.1 billion**

**Consolidated EBITDA at P76.9 billion**  
**EBITDA margin steady at 47%**

**PLDT group subscriber base now over 76.0 million**  
**Cellular subscriber base at 70.0 million**  
**Postpaid cellular subscriber base rises 16% from YE2013 to 2.8 million**

**Total broadband subscribers at over 4.0 million, up 19% from YE2013**

**Dividend payout of P156 per share, representing 90% of 2014 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, PLDT offers a wide range of telecommunications services: Wireless (principally through subsidiary companies, Smart Communications, Inc. and Digitel Mobile Philippines, Inc. ("Sun")) and Fixed Line (principally through PLDT, ePLDT and Digital Telecommunications Philippines, Inc. ("Digitel")). 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](http://www.pldt.com)

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**For further information, please contact:**

John Ryan  
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 SERVICE REVENUES OF ₱165.1 BILLION,  
1% HIGHER OVER 2013**  
**CONSOLIDATED DATA AND BROADBAND REVENUES RISE 20%  
TO ₱31.9 BILLION**

**FY2014 CORE NET INCOME AT ₱37.4 BILLION**  
**FY2014 REPORTED NET INCOME AT ₱34.1 BILLION**

**CONSOLIDATED EBITDA AT ₱76.9 BILLION**  
**EBITDA MARGIN STEADY AT 47%**

**PLDT GROUP SUBSCRIBER BASE NOW OVER 76.0 MILLION**  
**CELLULAR SUBSCRIBER BASE AT 70.0 MILLION**  
**POSTPAID CELLULAR SUBSCRIBER BASE RISES 16% FROM YE2013  
TO 2.8 MILLION**

**TOTAL BROADBAND SUBSCRIBERS AT OVER 4.0 MILLION,  
UP 19% FROM YE2013**

**DIVIDEND PAYOUT OF P156 PER SHARE, REPRESENTING 90% OF 2014 CORE  
EARNINGS**

- Consolidated service revenues rose by 1% or ₱1.0 billion to ₱165.1 billion
- Consolidated EBITDA margin steady at 47% of service revenues; consolidated EBITDA down 1% at ₱76.9 billion
- Consolidated Core Net Income of ₱37.4 billion for FY14, 3% or ₱1.3 billion lower than ₱38.7 billion in 2013
- Reported Net Income for FY14 of ₱34.1 billion, ₱1.3 billion or 4% lower than ₱35.4 billion in 2013
- Consolidated free cash flow at ₱27.7 billion for FY14
- Cellular subscriber base at 70.0 million
- Total broadband subscribers at over 4.0 million; aggregate revenue contribution from broadband, data and internet services at ₱31.9 billion for FY14, 20% higher than last year
- 53% of fixed line service revenues and 16% of wireless service revenues are derived from data and broadband
- 2014 capex rose to ₱34.8 billion

**MANILA, Philippines, 3<sup>rd</sup> March 2015** — Philippine Long Distance Telephone Company (“PLDT”) (PSE: TEL) (NYSE: PHI) today announced its audited financial and operating results for 2014 with Consolidated Core Net Income, before exceptional items, amounting to ₱37.4 billion, 3% or ₱1.3 billion lower than the ₱38.7 billion recorded in 2013. The decrease was due mainly to the rise in cash operating expenses, an increase in product subsidies and a higher provision for income tax.

Reported Net Income, after reflecting exceptional transactions for the period, declined 4% to ₱34.1 billion, from ₱35.4 billion in 2013, mainly due to the dip in core net income.

EBITDA margin for the period was at 47%. Consolidated EBITDA for 2014 was 1% lower at ₱76.9 billion compared with the same period last year, as the increase in service revenues was offset by higher cash operating expenses and subsidies. EBITDA in the second half of 2014 was 2% higher than the second half of 2013 and stable compared with the first half of 2014; EBITDA in 4Q14 was 10% higher than the 4Q13 level and 6% up vs 3Q14.

Consolidated service revenues for the period grew by 1% to ₱165.1 billion, as revenues from the data and broadband and domestic voice businesses offset the declines in SMS revenues and the international and national long distance streams.

Consolidated free cash flow for the year remained robust at ₱27.7 billion. Consolidated capital expenditures for the period amounted to ₱34.8 billion, ₱6.0 billion higher than the capex level in 2013, in support of:

- Improved coverage
- Increased fiber reach and capacity
- Modernized and fortified fixed line network
- Expanded capacity of fixed and mobile broadband network components
- Unified Smart-Sun network project to build operational efficiency

Capital expenditures are expected to remain elevated for 2015 in light of the anticipated exponential growth in network traffic resulting from the continued growth in smartphone ownership and our own initiatives to stimulate data usage.

The Group's consolidated net debt rose to US\$2.3 billion as at 31<sup>st</sup> December 2014, with net debt to EBITDA at 1.34x. Gross debt amounted to US\$2.9 billion. The Group's debt maturities continue to be well spread out, with over 50% due after 2018, 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 47%. Taking into account our peso borrowings, our hedges and our U. S. dollar cash holdings, only 34% 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 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 ₱61 per share as well as a special dividend of ₱26 per share. This brings the 2014 total dividend payout to ₱156 per share, equivalent to 90% of Core Income.

"In addition to our committed 75% dividend payout, we announced today a special dividend of 15% of our core earnings for a total dividend payout ratio of 90% of core net earnings; this takes into consideration the elevated capital expenditures we incurred in 2014 and which we expect to continue in 2015, as well as our plans to make investments in adjacent digital spaces similar to our recent investment in Rocket Internet. Not quite the 100% we paid out for an unprecedented seven consecutive years but still a significant return nonetheless to our shareholders," stated **Manuel V. Pangilinan, PLDT Chairman.**

"We are also pleased to note the appreciation of our recent strategic investment in Rocket Internet. Our €333 million investment, representing 6.1% of the Company, is currently valued at €515 million, or 55% higher than our original outlay," added Pangilinan.

## **Broadband**

Total broadband and Internet revenues for 2014 totaled ₱31.9 billion, a 20% growth year-on-year; broadband and internet now account for 19% of total Group service revenues. PLDT Group fixed broadband businesses generated ₱13.9 billion in revenues for the year, up by 13% from ₱12.3 billion in 2013.

Wireless broadband revenues, exclusive of mobile Internet revenues, increased by 6% to ₱9.9 billion, compared with the ₱9.3 billion recorded last year. Moreover, mobile Internet usage continues to grow strongly, with mobile Internet revenues increasing by 63% to ₱8.1 billion in 2014 from ₱5.0 billion in 2013.

The Group's combined broadband subscriber base crossed the 4.0 million mark at the end of 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 2.3 million at the end of the period, about 1.8 million of whom were on *Smart Broadband's* prepaid service. In addition, *Sun Cellular's* wireless broadband subscriber base rose to more than 676,000. Meanwhile, PLDT's fixed broadband subscribers increased by 16% from the end of 2013, bringing the PLDT Group's total fixed broadband subscriber base to about 1.1 million for 2014, and now represent 49% of the fixed line subscriber base.

Given the success of their "Free Internet" campaign which was launched in September 2014, *Smart*, *Sun Cellular*, and *Talk 'N Text* extended the promotion to 28<sup>th</sup> February 2015. The promo allows subscribers to avail of 30MB of data usage per day, free of charge.

"The suite of services under our "Internet for All" campaign is expanding rapidly. They run the gamut from collaboration with the likes of Google for Android One handsets to partnerships with consumer giants such as McDonald's for free coupons and global media players such as Disney for unique interactive content," said **Orlando B. Vea, Smart Chief Wireless Adviser**.

## **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 ₱115.0 billion for 2014 were 1% lower than the ₱116.7 billion recognized last year, reflecting the pressure on SMS and inbound international revenues.

Postpaid revenues now account for 21% of total cellular revenues, having grown 14% to ₱21.7 billion at the end of 2014.

The PLDT Group's total cellular subscriber base at the end of the year stood at 69.9 million, broken down as follows: Smart had 25.9 million subscribers under its mainstream *Smart* brands; value brand *Talk 'N Text* ended with 28.1 million subscribers; and there were 15.8 million *Sun Cellular* subscribers.

The Group's combined postpaid cellular subscriber base grew by over 387,000 from the end of 2013, rising to just under 2.8 million at the end of the period, while the combined prepaid base stood at 67.1 million.

## **Fixed Line**

Fixed line service revenues for 2014, net of interconnection costs, increased to ₱57.0 billion, or 6%, from ₱53.7 billion last year. PLDT data and fixed broadband revenues, representing 53% of total fixed line revenues, continued to grow on the back of a 13% increase in fixed broadband revenues, an 8% rise in corporate data and other network services, and a 17% increase in data center revenues. Combined ILD and NLD businesses of PLDT, representing 14% of fixed line revenues, declined by 3%. Fixed domestic voice revenues, which now only account for 29% of total fixed line revenues, were higher by 2% at ₱16.6 billion.

The fixed line subscriber base reached over 2.2 million at the end of 2014, about 49% of whom have fixed broadband subscriptions.

The PLDT Group is also uniquely positioned to serve the Enterprise sector 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.

## **Multimedia/Content**

In line with transforming the company into a multimedia services organization, a number of initiatives integrating various forms of content into our products and services offerings were recently introduced. One of the most notable ones is the multi-year, multi-platform partnership with The Walt Disney Company Southeast Asia, through its digital arm, Disney Interactive. Subscribers of Smart and PLDT Home Telpad will be able to access the growing portfolio of Disney's on-line games and e-books using their smartphones, tablets, laptops and computers.

In the pay TV business, Signal TV now leads the industry with over 844,000 subscribers at the end of 2014, surpassing the 20-year incumbent.

## **Digital**

With the increasing pervasiveness of data, it is incumbent to complement the telecommunications access business by participating in the digital world beyond connectivity. In particular, monetizing both domestic and global digital opportunities to deliver new income streams is at the top of the PLDT Group's priorities. The innovation teams at Voyager, Inc. and Smart e-Money, are in fact already very active in developing pioneering products in this space.

For instance, *SafeZone* was launched just last February – *SafeZone* is a digital platform that allows brands and businesses to easily reach their customers through their mobile phones by offering access to mobile apps and sites for free. Initially available to Smart subscribers and forming part of the Group's "Internet for all" crusade, *SafeZone* also facilitates e-commerce transactions.

*SafeZone* came on the heels of another groundbreaker - *LockByMobile*, an app which allows a mobile user to protect their credit card accounts from widespread fraud using one's mobile phone. *LockByMobile* is telco and bank agnostic, with granular settings that make possible real-time locking by account, by transaction and by channel, among other options.

Our partnership with Rocket Internet has also opened many doors in transforming what were previously local verticals into global horizontals. One such opportunity is the 50-50 global joint venture for mobile-first payment solutions with a focus on the unbanked, uncarded and unconnected in emerging markets. This joint venture will leverage Rocket's network of online

companies in more than 100 countries, as well as PLDT/Smart e-Money's pioneering mobile payments platform.

"In step with the rapid, dynamic nature of our industry, we at PLDT are always ready to transform ourselves. We have done so in the past - from a pure fixed line company, we added a mobile arm and subsequently, jumped into the broadband space. And now we are reshaping PLDT once again into a converged, digital communications business, one that not only encompasses our current Individual, Home, Enterprise and Multimedia pillars but welcomes the new kid on the block – Digital. We plan to expand our footprint in the digital space organically, through our various units such as Voyager and Smart e-Money, and in partnership with global players, typified by our recent investment and partnership with Rocket Internet," declared **Napoleon L. Nazareno, PLDT President and CEO.**

### **Conclusion**

"Our 2014 performance reflects the combined effect of the intense domestic competitive situation and the changing global landscape – where OTT players are disintermediating the traditional telcos, and data services and social media are overtaking legacy services. Taking these into consideration as we chart our future growth, PLDT recognizes the need to complement its present business by participating in the digital world beyond providing access and connectivity. While we can maximize our strengths as an infrastructure company, we also need to act as a mediator/enabler, as well as a service provider. To this end, we are focusing on adjacent businesses which have links to or which have the ability to enhance our access business. Some of these areas we are already well entrenched in mobile remittances and payments for one – and in others, we are just getting our feet wet.

This transition is expected to carry on for the near-term and will likely involve an investment phase in both capital expenditures and corporate assets. As a result, we project higher depreciation costs and financing charges which, along with ongoing efforts to defend our market share, will impact our bottom line which we expect to be in the vicinity of ₱35.0 billion for 2015. Beyond 2015, we see brighter prospects for PLDT," concluded **Pangilinan.**

**PLDT Consolidated**

	Year ended December 31			Three months ended December 31		
	2014	2013	% Change	2014	2013	% Change
	(audited)			(unaudited)		
<b>Service revenues</b>	<b>165,070</b>	<b>164,052</b>	<b>1%</b>	<b>42,016</b>	<b>42,448</b>	<b>(1%)</b>
<b>Total revenues</b>	<b>170,962</b>	<b>168,331</b>	<b>2%</b>	<b>43,548</b>	<b>43,746</b>	<b>-</b>
<b>Expenses</b>	<b>130,457</b>	<b>125,515</b>	<b>4%</b>	<b>37,085</b>	<b>36,297</b>	<b>2%</b>
<b>Income before income tax</b>	<b>44,148</b>	<b>41,632</b>	<b>6%</b>	<b>7,445</b>	<b>8,435</b>	<b>(12%)</b>
<b>Provision for income tax</b>	<b>10,058</b>	<b>8,248</b>	<b>22%</b>	<b>1,292</b>	<b>1,977</b>	<b>(35%)</b>
<b>Net income - attributable to equity holders of PLDT</b>	<b>34,091</b>	<b>35,420</b>	<b>(4%)</b>	<b>6,134</b>	<b>6,466</b>	<b>(5%)</b>
Continuing Operations	34,091	33,351	2%	6,134	6,466	(5%)
Discontinued Operations	-	2,069	(100%)	-	-	-
<b>Core net income <sup>(a)</sup></b>	<b>37,410</b>	<b>38,717</b>	<b>(3%)</b>	<b>8,849</b>	<b>9,931</b>	<b>(11%)</b>
Continuing Operations	37,410	38,816	(4%)	8,849	9,931	(11%)
Discontinued Operations	-	(99)	100%	-	-	-
<b>EPS (based on net income - attributable to equity holders of PLDT)</b>						
EPS, Basic	157.51	163.67	(4%)	28.32	29.86	(5%)
EPS, Diluted	157.51	163.67	(4%)	28.32	29.86	(5%)
<b>EPS (based on Core Net Income)</b>						
EPS, Basic	172.88	178.93	(3%)	40.89	45.90	(11%)
EPS, Diluted	172.88	178.93	(3%)	40.89	45.90	(11%)

<sup>(a)</sup> Net income as adjusted for the net effect of gain/loss on FX, derivative transactions, retroactive effect of adoption of Revised PAS 19, asset impairment on noncurrent assets

PHILIPPINE LONG DISTANCE TELEPHONE COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31, 2014 and 2013

(in million pesos)

	2014	2013
<u>ASSETS</u>		
Noncurrent Assets		
Property, plant and equipment	191,984	192,665
Investments in associates, joint ventures and deposits	42,046	41,310
Available-for-sale financial investments	28,086	220
Investment in debt securities and other long-term investments – net of current portion	960	2,643
Investment properties	1,816	1,222
Goodwill and intangible assets	72,842	73,918
Deferred income tax assets – net	17,131	14,181
Derivative financial assets – net of current portion	94	24
Prepayments – net of current portion	2,924	3,031
Advances and other noncurrent assets – net of current portion	3,218	2,761
<b>Total Noncurrent Assets</b>	<b>361,101</b>	<b>331,975</b>
Current Assets		
Cash and cash equivalents	26,659	31,905
Short-term investments	643	718
Trade and other receivables	29,151	17,564
Inventories and supplies	3,706	3,164
Current portion of derivative financial assets	2	10
Current portion of investment in debt securities and other long-term investments	295	–
Current portion of prepayments	6,406	6,054
Current portion of advances and other noncurrent assets	8,332	8,248
<b>Total Current Assets</b>	<b>75,194</b>	<b>67,663</b>
<b>TOTAL ASSETS</b>	<b>436,295</b>	<b>399,638</b>
<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	130,521	130,562
Retained earnings	17,030	22,968
Other comprehensive income	(8,285)	(11,481)
<b>Total Equity Attributable to Equity Holders of PLDT</b>	<b>134,364</b>	<b>137,147</b>
Noncontrolling interests	304	179
<b>TOTAL EQUITY</b>	<b>134,668</b>	<b>137,326</b>
Noncurrent Liabilities		
Interest-bearing financial liabilities – net of current portion	115,400	88,930
Deferred income tax liabilities – net	4,427	4,437
Derivative financial liabilities – net of current portion	1,460	1,869
Customers' deposits	2,438	2,545
Pension and other employee benefits	13,131	13,439



Deferred credits and other noncurrent liabilities	21,924	22,045
<b>Total Noncurrent Liabilities</b>	<b>158,780</b>	<b>133,265</b>
<b>Current Liabilities</b>		
Accounts payable	40,923	34,882
Accrued expenses and other current liabilities	82,678	74,256
Current portion of interest-bearing financial liabilities	14,729	15,171
Provision for claims and assessments	897	897
Dividends payable	1,070	932
Current portion of derivative financial liabilities	254	105
Income tax payable	2,296	2,804
<b>Total Current Liabilities</b>	<b>142,847</b>	<b>129,047</b>
<b>TOTAL LIABILITIES</b>	<b>301,627</b>	<b>262,312</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>436,295</b>	<b>399,638</b>

PHILIPPINE LONG DISTANCE TELEPHONE COMPANY AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS

For the Years Ended December 31, 2014, 2013 and 2012

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

	2014	2013	2012
<b>REVENUES</b>			
Service revenues	165,070	164,052	159,738
Non-service revenues	5,892	4,279	3,295
	170,962	168,331	163,033
<b>EXPENSES</b>			
Depreciation and amortization	31,379	30,304	32,354
Compensation and employee benefits	18,749	21,369	21,999
Repairs and maintenance	14,988	13,107	12,604
Cost of sales	13,512	11,806	8,747
Selling and promotions	10,619	9,776	9,708
Interconnection costs	10,507	10,610	11,105
Professional and other contracted services	7,748	7,173	6,050
Rent	6,605	6,041	5,860
Asset impairment	6,046	5,543	5,286
Taxes and licenses	4,563	3,925	3,506
Insurance and security services	1,884	1,815	1,564
Communication, training and travel	1,552	1,417	1,353
Amortization of intangible assets	1,149	1,020	921
Other expenses	1,156	1,609	1,472
	130,457	125,515	122,529
	40,505	42,816	40,504
<b>OTHER INCOME (EXPENSES)</b>			
Equity share in net earnings of associates and joint ventures	3,841	2,742	1,538
Interest income	752	932	1,354
Gains (losses) on derivative financial instruments – net	(101)	511	(2,009)
Foreign exchange gains (losses) – net	(382)	(2,893)	3,282
Financing costs – net	(5,320)	(6,589)	(6,876)
Other income – net	4,853	4,113	5,813
	3,643	(1,184)	3,102
<b>INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS</b>	44,148	41,632	43,606
<b>PROVISION FOR INCOME TAX</b>	10,058	8,248	8,050
<b>NET INCOME FROM CONTINUING OPERATIONS</b>	34,090	33,384	35,556
<b>NET INCOME FROM DISCONTINUED OPERATIONS</b>	–	2,069	543
<b>NET INCOME</b>	34,090	35,453	36,099
<b>ATTRIBUTABLE TO:</b>			
Equity holders of PLDT	34,091	35,420	36,148
Noncontrolling interests	(1)	33	(49)
	34,090	35,453	36,099

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Earnings Per Share Attributable to Common Equity Holders of PLDT			
Basic	157.51	163.67	167.07
Diluted	157.51	163.67	167.07

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Earnings Per Share from Continuing Operations Attributable to Common Equity Holders of PLDT			
Basic	157.51	154.09	164.55
Diluted	157.51	154.09	164.55

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