



FIRST PACIFIC COMPANY LIMITED

第一太平有限公司

(Incorporated with limited liability under the laws of Bermuda)

Press Release

Tuesday, 5 May 2015

PLDT 1Q2015 Results

Consolidated revenues stable at P42.6 billion
Consolidated service revenues of P40.5 billion, 2% lower than 1Q2014
Consolidated data and broadband revenues rise 11% to P11.2 billion

1Q2015 reported net income at P9.4 billion
1Q2015 core net income at P9.3 billion

Consolidated EBITDA at P19.3 billion
EBITDA margin steady at 48%

PLDT group subscriber base at 76.4 million
Total broadband subscribers at over 4.5 million, up 27% from 1Q2014
Wireless subscriber base at 73.0 million
Postpaid cellular subscriber base rises 18% to 2.9 million
Postpaid revenues 23% of wireless revenues

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 operates the Philippines' most extensive fiber optic backbone, and fixed line and cellular networks.

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

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CONSOLIDATED REVENUES STABLE AT ₱42.6 BILLION
CONSOLIDATED SERVICE REVENUES OF ₱40.5 BILLION,
2% LOWER THAN 1Q2014
CONSOLIDATED DATA AND BROADBAND REVENUES RISE 11%
TO ₱11.2 BILLION

1Q2015 REPORTED NET INCOME AT ₱9.4 BILLION
1Q2015 CORE NET INCOME AT ₱9.3 BILLION

CONSOLIDATED EBITDA AT ₱19.3 BILLION
EBITDA MARGIN STEADY AT 48%

PLDT GROUP SUBSCRIBER BASE AT 76.4 MILLION
TOTAL BROADBAND SUBSCRIBERS AT OVER 4.5 MILLION,
UP 27% FROM 1Q2014
WIRELESS SUBSCRIBER BASE AT 73.0 MILLION
POSTPAID CELLULAR SUBSCRIBER BASE RISES 18% TO 2.9 MILLION;
POSTPAID REVENUES 23% OF WIRELESS REVENUES

- Consolidated revenues were stable at ₱42.6 billion
- Consolidated service revenues declined by 2% or ₱0.7 billion to ₱40.5 billion
- Consolidated EBITDA down 2% to ₱19.3 billion; consolidated EBITDA margin steady at 48% of service revenues
- Reported Net Income of ₱9.4 billion, equivalent to 1Q14
- Consolidated Core Net Income of ₱9.3 billion for 1Q15, 5% or ₱0.5 billion lower than ₱9.8 billion in 1Q15, in line with guidance of ₱35.0 billion for 2015
- Consolidated free cash flow at ₱14.6 billion for 1Q15
- Total broadband subscribers at over 4.5 million; aggregate revenue contribution from broadband, data and internet services at ₱11.2 billion for 1Q15, 11% higher than last year
- 56% of fixed line service revenues and 17% of wireless service revenues are derived from data and broadband
- Wireless subscriber base at 73.0 million

MANILA, Philippines, 5th May 2015 — Philippine Long Distance Telephone Company (“PLDT”) (PSE: TEL) (NYSE: PHI) today announced its unaudited financial and operating results for the first three (3) months of 2015 with Reported Net Income stable at ₱9.4 billion.

Consolidated Core Net Income, before exceptional items, amounted to ₱9.3 billion, ₱0.5 billion lower than the ₱9.8 billion recorded in the same period in 2014 and in line with core income guidance of ₱35.0 billion for 2015. The decrease was due mainly to lower EBITDA and higher financing costs.

EBITDA margin for the period was at 48%, identical to the same period last year and higher than the 47% margin for fourth quarter of 2014. Consolidated EBITDA for the first quarter of 2015 was 2% lower at ₱19.3 billion compared with the same period last year, as the decrease in cash operating expenses was offset by lower service revenues and higher provisions.

Consolidated revenues, which include non-service revenues primarily relating to the sales of PLDT Home solutions, were stable at ₱42.6 billion. Consolidated service revenues for the period declined by 2% to ₱40.5 billion, as the declines in SMS revenues and the international and national long distance streams offset increases in revenues from the data and broadband businesses.

Consolidated free cash flow for the first quarter grew by 36% to ₱14.6 billion, mainly due to the ₱5.1 billion in dividends from Beacon in connection with the sale of the 5% Meralco stake in June 2014. Consolidated capital expenditures for the period amounted to ₱3.0 billion, ₱0.7 billion higher than the capex level in the same period last year, in support of:

- Expanded 3G and 4G access networks
- Increased fiber reach and capacity
- Enhanced indoor and outdoor coverage
- Augmented network resiliency and redundancy
- Increased data center capacity
- 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 data traffic resulting from the continued growth in smartphone ownership and our own initiatives to stimulate data adoption and usage.

The Group's consolidated net debt declined to US\$2.0 billion as at 31st March 2015, with net debt to EBITDA at 1.16x. Excluding approximately ₱18.8 billion of cash for dividend payments in April 2015, net debt and net debt to EBITDA is US\$2.4 billion and 1.40x, respectively. Gross debt amounted to US\$3.0 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 U. S. 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 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 three major international ratings agencies, namely Fitch Ratings, Moody's and Standard and Poor's.

Data and Broadband

Total data revenues for first three (3) months of 2015 totaled ₱11.2 billion, an 11% growth year-on-year; data and broadband now account for 27% of total Group service revenues. PLDT Group fixed broadband businesses generated ₱3.8 billion in revenues for the period, up by 10% from ₱3.5 billion in 2014.

Wireless broadband revenues, exclusive of mobile Internet revenues, increased by 2% to ₱2.5 billion, compared with the ₱2.4 billion recorded last year. Corporate data, inclusive of data center revenues, rose by 15% to ₱2.6 billion from the same period in 2014. Moreover, mobile Internet usage continues to grow strongly, with mobile Internet revenues increasing by 19% to ₱2.2 billion in the first quarter of 2015 from ₱1.9 billion for the same period in 2014.

The Group's combined broadband subscriber base was over 4.5 million at the end of the first quarter of 2015. *Smart Broadband*, Smart's wireless broadband service offered through its wholly-owned subsidiary Smart Broadband, Inc., had a wireless broadband subscriber base of over 2.6 million at the end of the period, about 2.1 million of whom were on *Smart Broadband's* prepaid service. In addition, *Sun Cellular's* wireless broadband subscriber base rose to 778,000. Meanwhile, PLDT's fixed broadband subscribers increased by 3% from the end of 2014, bringing the PLDT Group's total fixed broadband subscriber base to over 1.1 million for the first three months of 2015, and now represent 51% of the fixed line subscriber base.

From September 2014 till February 2015, *Smart*, *Sun Cellular*, and *Talk 'N Text* ran a "Free Internet" campaign to great success. Despite giving subscribers 30MB of data usage per day, free of charge, mobile Internet revenues continued to register quarter-on-quarter growth during the promo period. Six million subscribers signed up for the promotion, of which about 70% had not accessed data services previously. While we continue to stimulate data usage such as through our partnership with Internet.org, we have also started to monetize data by requiring purchase to avail of the free Internet.

"We continue to lead in the broadband space where our subscriber count and revenues are growing at a healthy rate. Moreover, the unqualified success of our Free Internet promotion just underscores our premise that once exposed to the ease and relevance of being "on", consumers will pay for data," said **Napoleon L. Nazareno, Smart President and CEO**.

Cellular

Wireless subsidiaries Smart Communications, Inc. ("Smart") and Digital Mobile Philippines, Inc. ("DMPPI") together continue to lead the industry in terms of both revenues and subscribers. Wireless service revenues of ₱27.9 billion for the first quarter of 2015 were 4% lower than the ₱29.0 billion recognized last year, reflecting the pressure on SMS and inbound international revenues.

Postpaid revenues now account for 23% of total cellular revenues, having improved 11% to ₱5.7 billion for the first three months of 2015.

The PLDT Group's total cellular subscriber base at the end of the year stood at 69.6 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 15.7 million *Sun Cellular* subscribers.

The Group's combined postpaid cellular subscriber base grew by over 135,000 from the end of 2014, rising to 2.9 million at the end of the period, while the combined prepaid base stood at 66.7 million.

Fixed Line

Fixed line service revenues for the first three (3) months of 2015, net of interconnection costs, increased to ₱14.3 billion, or 4%, from ₱13.7 billion last year. PLDT data and fixed broadband revenues, representing 56% of total fixed line revenues, continued to grow on the back of a 10% increase in fixed broadband revenues, a 7% rise in corporate data and other network services, and a 23% increase in data center revenues. Combined ILD and NLD businesses of PLDT, representing 12% of fixed line revenues, declined by 17%. Fixed domestic voice revenues, which now account for only 28% of total fixed line revenues, were higher by 2% at ₱4.2 billion.

The fixed line subscriber base reached over 2.2 million at the end of the period, over 50% of which have fixed broadband subscriptions.

The PLDT Group leads in enabling infrastructure for the Enterprise sector with six (6) data centers at the moment and another two on the way. These data centers 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.

“PLDT is uniquely positioned to offer a unified customer experience – that of a Connected Individual and a Connected Home. This “boundary-less” environment allows us to fuse our consumer and home businesses into one that is symbiotic and complementary,” declared **Nazareno**.

Multimedia/Content

TV5 boosted its digital presence with Digital5, its full service content unit designed to deliver full 360-degree services to advertisers. Digital5 will provide digital content ideation, creation and curation across different genres, target consumers and screens.

In the pay TV business, Cignal TV continues to lead the industry with over 868,000 subscribers at the end of the first quarter of 2015, a 28% growth versus the same period last year and maintaining its lead over the 20-year incumbent. Revenues grew 41% compared with the first quarter of 2014. In April 2015, Cignal signed up with Bloomberg TV to launch Bloomberg Television Philippines, which will become the first 24-hour business channel in late 2015.

Digital

The innovation teams at Voyager Innovations, Inc. (Voyager) and Smart e-Money, continue to churn out pioneering products in the digital space.

Bannered by *SafeZone* and *PowerApp*, Voyager is looking to bring sustainable and affordable “Free Internet Access for All” via their respective globally exportable platforms. Global online retailers such as *Zalora*, *Carmudi* and *Lamudi* are among the prominent companies participating in *SafeZone*. Meanwhile, 70% of the Group’s mobile Internet users have downloaded *PowerApp*, ensuring easy access. Moreover, *PowerApp* is now embedded in a major telecommunications vendor’s equipment.

On the mobile financial solutions side, *LockByMobile*, an app which allows a mobile user to protect his credit card accounts from widespread fraud using one’s mobile phone, is under evaluation by a number of global financial service providers with a potential addressable market of 13 billion credit cards.

Smart e-Money, for its part, continues to extend its reach. With a throughput of ₱250 billion, it is the biggest domestic remittance platform in the Philippines. In addition, its payment gateway is being used by companies such as *Zalora* and *Easy Taxi*, with further launches in four Asian countries in the pipeline.

And finally on the e-commerce side, *TackThis* has a community of over 20,000 merchants who use its online store front services while Takatak, an online centralized marketplace, already features over 100,000 products.

"The pieces are there and we are weaving them together to create a digital web that will underpin our strategic thrust of becoming the leading provider of digital services to the consumer and the enterprise," stated **Orlando B. Vea, Voyager President and CEO**.

Conclusion

"While our core revenue sources undergo this transition phase where the erosion of our high-margin legacy businesses still outpaces the growth of our newer initiatives for now, we are taking significant steps to ensure that we are ready and prepared for the digital future. This future will require looking at our customers from a different set of lenses, as both Individuals and Enterprises embrace a digital life. On the Enterprise side, we are looking to data center infrastructure, big data and the Cloud as our digital enablers; for the Individual, digital commerce, mobile money and entertainment. In both instances – Enterprise and Individuals – our major task is to deliver and ensure that the digital experience is enriching.

To achieve this, we need to invest in a transformative infrastructure that will provide the "digital spine" for our networks, engage in strategic partnerships with the Internet community that will bring value beyond connectivity, invest in ventures that will transform our local verticals into global horizontals of which Rocket Internet is a clear investment case, and develop our own applications and initiatives – of which LockbyMobile represents an outstanding example. We also need to refresh our leadership team and, accordingly, we have just announced a major reorganization of some of our senior executives. We also welcome two new members with exemplary credentials - Winston Damarillo, our new Chief Strategy Officer, and Joachim Horn, our Chief Technology and Integration Advisor," concluded **Manuel V. Pangilinan, PLDT Chairman**.

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	PLDT Consolidated		
	Three months ended March 31		
	2015	2014	% Change
	(unaudited)		
Service revenues	<u>40,548</u>	<u>41,238</u>	<u>(2%)</u>
Total revenues	42,553	42,564	-
Expenses	30,435	30,333	-
Income before income tax	12,256	12,137	1%
Provision for income tax	2,858	2,745	4%
Net income - attributable to equity holders of PLDT	<u>9,387</u>	<u>9,379</u>	<u>-</u>
Core net income ^(a)	<u>9,280</u>	<u>9,762</u>	<u>(5%)</u>
EPS (based on net income - attributable to equity holders of PLDT)			
EPS, Basic	43.38	43.34	-
EPS, Diluted	43.38	43.34	-
EPS (based on Core Net Income)			
EPS, Basic	42.88	45.12	(5%)
EPS, Diluted	42.88	45.12	(5%)

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

PHILIPPINE LONG DISTANCE TELEPHONE COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in million pesos)

	As at March 31, 2015 (Unaudited)	As at December 31, 2014 (Audited)
ASSETS		
Noncurrent Assets		
Property, plant and equipment	188,058	191,984
Investments in associates, joint ventures and deposits	40,072	42,046
Available-for-sale financial investments	22,584	28,086
Investment in debt securities and other long-term investments – net of current portion	963	960
Investment properties	1,810	1,816
Goodwill and intangible assets	72,681	72,842
Deferred income tax assets – net	16,731	17,131
Derivative financial assets – net of current portion	97	94
Prepayments – net of current portion	2,854	2,924
Advances and other noncurrent assets – net of current portion	3,294	3,218
Total Noncurrent Assets	349,144	361,101
Current Assets		
Cash and cash equivalents	45,218	26,659
Short-term investments	1,772	643
Trade and other receivables	23,964	29,151
Inventories and supplies	3,936	3,706
Current portion of derivative financial assets	2	2
Current portion of investment in debt securities and other long-term investments	193	295
Current portion of prepayments	7,969	6,406
Current portion of advances and other noncurrent assets	8,333	8,332
Total Current Assets	91,387	75,194
TOTAL ASSETS	440,531	436,295
EQUITY AND LIABILITIES		
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	130,521
Retained earnings	7,606	17,030
Other comprehensive income	(14,737)	(8,285)
Total Equity Attributable to Equity Holders of PLDT	118,488	134,364
Noncontrolling interests	301	304
TOTAL EQUITY	118,789	134,668
Noncurrent Liabilities		
Interest-bearing financial liabilities – net of current portion	119,586	115,400
Deferred income tax liabilities – net	4,414	4,427
Derivative financial liabilities – net of current portion	1,418	1,460
Customers' deposits	2,441	2,438
Pension and other employee benefits	13,309	13,131

Deferred credits and other noncurrent liabilities	19,944	21,924
Total Noncurrent Liabilities	161,112	158,780
Current Liabilities		
Accounts payable	39,839	40,923
Accrued expenses and other current liabilities	79,914	82,678
Current portion of interest-bearing financial liabilities	15,623	14,729
Provision for claims and assessments	897	897
Dividends payable	19,875	1,070
Current portion of derivative financial liabilities	289	254
Income tax payable	4,193	2,296
Total Current Liabilities	160,630	142,847
TOTAL LIABILITIES	321,742	301,627
TOTAL EQUITY AND LIABILITIES	440,531	436,295

PHILIPPINE LONG DISTANCE TELEPHONE COMPANY AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENTS
For the Three Months Ended March 31, 2015 and 2014
(in million pesos, except earnings per common share amounts which are in pesos)

	2015	2014
	(Unaudited)	
REVENUES		
Service revenues	40,548	41,238
Non-service revenues	2,005	1,326
	42,553	42,564
EXPENSES		
Depreciation and amortization	6,896	7,205
Compensation and employee benefits	4,981	5,160
Cost of sales	3,704	3,449
Repairs and maintenance	3,667	3,484
Interconnection costs	2,583	2,623
Selling and promotions	2,017	2,113
Professional and other contracted services	1,926	1,792
Rent	1,458	1,534
Taxes and licenses	1,051	921
Asset impairment	866	637
Insurance and security services	460	448
Communication, training and travel	311	388
Amortization of intangible assets	268	286
Other expenses	247	293
	30,435	30,333
	12,118	12,231
OTHER INCOME (EXPENSES)		
Equity share in net earnings of associates and joint ventures	653	716
Interest income	184	192
Foreign exchange gains (losses) – net	43	(735)
Gains on derivative financial instruments – net	30	187
Financing costs – net	(1,535)	(1,324)
Other income – net	763	870
	138	(94)
INCOME BEFORE INCOME TAX	12,256	12,137
PROVISION FOR INCOME TAX	2,858	2,745
NET INCOME	9,398	9,392
ATTRIBUTABLE TO:		
Equity holders of PLDT	9,387	9,379
Noncontrolling interests	11	13
	9,398	9,392

Earnings Per Share Attributable to Common Equity Holders of PLDT

Basic	43.38	43.34
Diluted	43.38	43.34

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

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