



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 November 2015

PLDT 3Q15 and 9M15 Results

3Q2015 consolidated service revenues post 1% growth QoQ and YoY

Consolidated revenues for 9M2015 stable at P127.9 billion

Consolidated service revenues of P122.0 billion

1% lower than 9M2014

9M2015 core net income at P27.1 billion, down 5%

9M2015 reported net income at P25.3 billion, lower by 9%

Consolidated EBITDA at P54.1 billion

EBITDA margin at 44%

CAPEX guidance raised to P43 billion

CAPEX spend from 2010-2015 at P203 billion

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 networks.

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

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3Q2015 CONSOLIDATED SERVICE REVENUES POST 1% GROWTH QoQ and YoY
CONSOLIDATED REVENUES FOR 9M2015 STABLE AT ₱127.9 BILLION
CONSOLIDATED SERVICE REVENUES OF ₱122.0 BILLION
1% LOWER THAN 9M2014

9M2015 CORE NET INCOME AT ₱27.1 BILLION, DOWN 5%
9M2015 REPORTED NET INCOME AT ₱25.3 BILLION, LOWER BY 9%

CONSOLIDATED EBITDA AT ₱54.1 BILLION
EBITDA MARGIN AT 44%

CAPEX GUIDANCE RAISED TO ₱43 BILLION
CAPEX SPEND FROM 2010-2015 AT ₱203 BILLION

- 3Q2015 consolidated service revenues up 1% quarter-on-quarter and year-on-year
- Excluding ILD/NLD revenues of ₱15.0 billion, year-to-date consolidated service revenues grew by 2% year-on-year, from ₱104.5 billion to ₱107.0 billion; otherwise, consolidated service revenues declined 1% to ₱122.0 billion
- Consolidated revenues were stable at ₱127.9 billion
- Consolidated EBITDA down by 5% at ₱54.1 billion; consolidated EBITDA margin at 44% of service revenues
- Consolidated Core Net Income of ₱27.1 billion for 9M2015, 5% or ₱1.5 billion lower than ₱28.6 billion in 9M2014
- Reported Net Income for 9M2015 of ₱25.3 billion, ₱2.6 billion or 9% lower than ₱28.0 billion in 9M2014
- Consolidated free cash flow at ₱23.9 billion for 9M2015

MANILA, Philippines, 3rd November 2015 — Philippine Long Distance Telephone Company (“PLDT”) (PSE: TEL) (NYSE: PHI) today announced its unaudited financial and operating results for the first nine months of 2015 with Consolidated Core Net Income, before exceptional items, amounting to ₱27.1 billion, 5% or ₱1.5 billion lower than the ₱28.6 billion recorded in the same period last year. The decrease was due mainly to lower EBITDA reflecting the impact of expenses relating to the manpower reduction program, and higher financing costs, offset by lower provisions for income tax and a decrease in depreciation and amortization.

Reported Net Income, after reflecting exceptional transactions for the period, declined 9% to ₱25.3 billion, from ₱28.0 billion in the first nine months of 2014, as a result of the dip in core net income and higher foreign exchange losses.

EBITDA margin for the period was at 44%. Consolidated EBITDA for the first nine months of 2015 was 5% lower at ₱54.1 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.

Excluding revenues from the international and national long distance (ILD/NLD) segments of ₱15.0 billion, consolidated service revenues grew by 2% year-on-year, from ₱104.5 billion to ₱107.0 billion at the end of September 2015. Consolidated service revenues for 3Q2015 posted a positive 1% growth both quarter-on-quarter and year-on-year. The improvements in 3Q2015 become even more pronounced without the drag of ILD/NLD, with 3Q2015 consolidated service revenues growing by 4% and fixed line service revenues increasing by 9%. Wireless service revenues rose by 1%, both quarter-on-quarter and year-on-year, bucking the negative levels of 1Q2015 and 2Q2015. With the drag of ILD/NLD, consolidated service revenues for the first nine months of 2015 dipped by 1% to ₱122.0 billion.

Consolidated free cash flow for year stood at ₱23.9 billion. Consolidated capital expenditures for the period amounted to ₱23.3 billion, ₱7.3 billion higher than the capital expenditures in the same period last year as investments were made in support of:

- Improved 3G and 4G access networks
- Increased fiber reach and capacity
- Enhanced indoor and outdoor coverage
- Continued network optimization
- Augmented network resiliency and redundancy
- Expansion of international connectivity and caching to improve internet speed and customer experience
- Increased data center capacity
- Unified Smart-Sun network project to build operational efficiency

The Group's consolidated net debt increased to US\$2.5 billion as at 30th September 2015, with net debt to EBITDA higher at 1.57x. Gross debt amounted to US\$3.2 billion. The Group's debt maturities continue to be well spread out, with over 60% due after 2017. 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 US dollar cash holdings, only 30% of total debt remains unhedged. 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.

Consumer

As the leader in digital services, all our offerings are premised on providing our consumers entertainment at home or on the go, urban comfort/convenience, and peace-of-mind. We therefore continue to partner with major players in the digital space – iFlix and Fox in the first part of the year followed by Zalora, Uber and Airbnb in recent months – that will enable and encourage data usage and thereby fuel revenue growth.

Data and broadband revenues continued their strong revenue growth, with wireless broadband and mobile Internet in particular posting record highs during the third quarter of 2015.

Data and Broadband Revenues

(Php in millions)

	Year-to-date			Three months ended September		
	9M2015	9M2014	% Change	3Q2015	3Q2014	% Change
Fixed Broadband	11,876	10,345	15%	4,109	3,504	17%
Corporate Data and Data Center	8,149	7,134	14%	2,836	2,471	15%
Wireless Broadband	7,981	7,457	7%	2,820	2,519	12%
Mobile Internet	7,649	6,107	25%	2,871	2,146	34%
Total Data and Broadband Revenues	35,655	31,043	15%	12,636	10,640	19%

The Group's combined broadband subscriber base reached 5.0 million at the end of September 2015, 3.8 million of whom use wireless broadband mainly from *Smart Broadband*, Smart's wireless broadband service. Another 1.2 million users subscribe to PLDT's fixed broadband service.

Meanwhile, PLDT continues to strengthen its leadership with more digital services via Connected Home.

Fixed Line Service Revenues, net of interconnection costs

(Php in millions)	Year-to-date			Three months ended September		
	9M2015	9M2014	% Change	3Q2015	3Q2014	% Change
Corp. Data and Data Center	12,924	11,961	8%	4,397	4,078	8%
Fixed Line Voice - Domestic	12,748	12,371	3%	4,303	4,130	4%
Fixed Broadband	11,887	10,353	15%	4,113	3,507	17%
Fixed Line - International and NLD	4,993	5,768	-13%	1,699	1,884	-10%
Miscellaneous	1,098	1,020	8%	343	352	-3%
Total Fixed Line Service Revenues	43,650	41,473	5%	14,855	13,951	6%

The fixed line subscriber base reached about 2.3 million at the end of the third quarter of 2015, 54% of whom have fixed broadband subscriptions.

Wireless Service Revenues

(Php in millions)	Year-to-date			Three months ended September		
	9M2015	9M2014	% Change	3Q2015	3Q2014	% Change
Cellular Voice	34,509	38,139	-10%	10,995	12,382	-11%
SMS and VAS	29,914	31,173	-4%	9,871	9,932	-1%
Broadband and Internet	15,695	13,639	15%	5,712	4,689	22%
Others	2,255	2,483	-9%	712	775	-8%
Voyager	861	686	26%	351	267	31%
Total Wireless Service Revenues	83,234	86,120	-3%	27,641	28,045	-1%

Postpaid revenues now account for 24% of total cellular revenues, having improved by 11% to ₱17.6 billion for the first nine months of 2015.

The PLDT Group's total cellular subscriber base at the end of the period stood at 67.0 million, broken down as follows: Smart had 24.6 million subscribers under its mainstream *Smart* brands; value brand *TNT* ended with 27.7 million subscribers; and there were 14.7 million *Sun Cellular* subscribers.

The Group's combined postpaid cellular subscriber base grew by over 263,000 from the end of September 2014 or over 154,000 from the end of 2014, rising to just over 2.9 million at the end of the period, while the combined prepaid base stood at 64.1 million.

"The PLDT Group is leading digital innovation with strategic partnerships that deliver entertainment, peace of mind and urban comfort. With the digital age blurring the traditional separation between wireless and fixed line subscribers, we are where "Connected Home" meets "Smart Life", " stated **Napoleon L Nazareno, PLDT President and CEO.**

Enterprise

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.

Consolidated corporate data and other network services were higher by 14% at ₱8.1 billion, riding on the 12% growth in corporate data and a 25% jump in data center revenues,

“Our Enterprise segment continues to grow strongly, accelerating its market leadership by digitally enabling businesses,” added **Nazareno**.

Digital

The innovation teams at Voyager Innovations, Inc. (Voyager) and PayMaya (formerly Smart e-Money) continue to produce pioneering services in the digital space. Voyager generated consolidated revenues of about ₱900 million in the first nine months of 2015, up by 25% from the same period last year.

On the mobile financial solutions side, Voyager launched PayMaya *Visa* card with *Beep*, an all-in-one product – a *Beep* card with stored NFC/value for use in Metro Manila’s light rail system, a virtual *Visa* card which can be used to pay for online/e-commerce transactions and a physical *Visa* debit card.

Voyager also unveiled *SafeZone*, a groundbreaking platform that allows brands and businesses to easily reach their customers nationwide through their mobile phones. The service aims to bring businesses closer to customers by offering access to their mobile apps and sites for free. For its launch in the Philippines, *SafeZone* partnered with the biggest names in local and global entertainment, online commerce, travel, transportation, and news.

On the investment side, the PLDT Group announced the formation of PLDT Capital, an innovation gateway between Los Angeles, Silicon Valley and Southeast Asia that will support PLDT business units in growing their digital services portfolio not only here in the Philippines but globally as well. Further to this, the Group also disclosed a US\$10 million investment in a joint venture with Phunware, a US-based mobile platform leader for next-generation customer engagement solutions. ePLDT will be the exclusive distributor and marketing arm of Phunware in Southeast Asia.

"We continue to work closely with the mainstream businesses to ensure they keep pace with digital developments and that the products and services we develop add value to our customer propositions," stated **Orlando B Vea, Voyager President and CEO**.

Conclusion

“We are seeing some encouraging signs of progress as we execute the strategy we outlined in previous presentations. The third quarter is seasonally “soft” yet our revenues have shown a general improvement, both quarter-on-quarter and year-on-year. This is even more evident if we strip out the “drag” of our legacy NLD/ILD businesses.

That said, there remains much to be done. We are proceeding briskly with our network enhancements as evidenced by our capex levels. We are talking approximately US\$3.7 billion in the last five years, ending 2014, and over US\$900 million this year. Our capex spend for the last six years including 2015 will therefore sum up to about US\$4.6 billion. That is no small change. We believe these expenditures are vital in order to provide the level of service required by the market and for PLDT to be robustly competitive for the future. These investments, as well as our growing portfolio of partnerships with the best in the global digital space, will serve

to fortify our position as the country's leading digital services provider and enable us in the emerging digital landscape," concluded **Manuel V Pangilinan, PLDT Chairman.**

<i>(unaudited)</i>	PLDT Consolidated					
	Nine months ended September 30			Three months ended September 30		
	2015	2014	% Change	2015	2014	% Change
Total revenues	127,871	127,321	-	42,680	41,860	2%
<i>Service revenues</i>	122,001	122,961	-1%	40,842	40,398	1%
Expenses	95,797	93,372	3%	31,639	30,949	2%
Income before income tax	32,693	36,703	(11%)	8,520	10,467	(19%)
Provision for income tax	7,338	8,766	(16%)	1,914	2,531	(24%)
Net income - attributable to equity holders of PLDT	25,339	27,957	(9%)	6,610	7,934	(17%)
Core net income ^(a)	27,077	28,561	(5%)	8,149	8,727	(7%)
EPS (based on net income - attributable to equity holders of PLDT)						
EPS, Basic	117.07	129.19	(9%)	30.52	36.65	(17%)
EPS, Diluted	117.07	129.19	(9%)	30.52	36.65	(17%)
EPS (based on Core Net Income)						
EPS, Basic	125.11	131.99	(5%)	37.63	40.33	(7%)
EPS, Diluted	125.11	131.99	(5%)	37.63	40.33	(7%)

^(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 September 30, 2015 (Unaudited)	As at December 31, 2014 (Audited)
<u>ASSETS</u>		
Noncurrent Assets		
Property, plant and equipment	192,696	191,984
Investments in associates, joint ventures and deposits	46,649	42,046
Available-for-sale financial investments	15,438	28,086
Investment in debt securities and other long-term investments – net of current portion	1,230	960
Investment properties	1,810	1,816
Goodwill and intangible assets	72,795	72,842
Deferred income tax assets – net	18,575	17,131
Derivative financial assets – net of current portion	38	94
Prepayments – net of current portion	3,168	2,924
Advances and other noncurrent assets – net of current portion	3,194	3,218
Total Noncurrent Assets	355,593	361,101
Current Assets		
Cash and cash equivalents	33,902	26,659
Short-term investments	1,161	643
Trade and other receivables	24,187	29,151
Inventories and supplies	4,072	3,706
Current portion of derivative financial assets	7	2
Current portion of investment in debt securities and other long-term investments	–	295
Current portion of prepayments	6,589	6,406
Current portion of advances and other noncurrent assets	8,198	8,332
Total Current Assets	78,116	75,194
TOTAL ASSETS	433,709	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	130,521	130,521
Retained earnings	9,484	17,030
Other comprehensive income	(24,714)	(8,285)
Total Equity Attributable to Equity Holders of PLDT	110,389	134,364
Noncontrolling interests	309	304
TOTAL EQUITY	110,698	134,668

PHILIPPINE LONG DISTANCE TELEPHONE COMPANY AND SUBSIDIARIES

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

	As at September 30, 2015 (Unaudited)	As at December 31, 2014 (Audited)
Noncurrent Liabilities		
Interest-bearing financial liabilities – net of current portion	133,580	115,400
Deferred income tax liabilities – net	4,384	4,427
Derivative financial liabilities – net of current portion	1,018	1,460
Customers' deposits	2,445	2,438
Pension and other employee benefits	12,460	13,131
Deferred credits and other noncurrent liabilities	19,048	21,924
Total Noncurrent Liabilities	172,935	158,780
Current Liabilities		
Accounts payable	46,445	40,923
Accrued expenses and other current liabilities	82,281	82,678
Current portion of interest-bearing financial liabilities	16,957	14,729
Provision for claims and assessments	897	897
Dividends payable	1,325	1,070
Current portion of derivative financial liabilities	378	254
Income tax payable	1,793	2,296
Total Current Liabilities	150,076	142,847
TOTAL LIABILITIES	323,011	301,627
TOTAL EQUITY AND LIABILITIES	433,709	436,295

PHILIPPINE LONG DISTANCE TELEPHONE COMPANY AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS

For the Nine Months Ended September 30, 2015 and 2014

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

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2015	2014*	2015	2014*
	(Unaudited)			
REVENUES				
Service revenues	122,001	122,961	40,842	40,398
Non-service revenues	5,870	4,360	1,838	1,462
	127,871	127,321	42,680	41,860
EXPENSES				
Depreciation and amortization	21,187	21,897	7,242	7,407
Compensation and employee benefits	16,376	15,777	5,061	5,334
Cost of sales	11,709	10,180	4,021	3,255
Repairs and maintenance	11,271	10,952	3,819	3,841
Interconnection costs	7,637	7,737	2,448	2,542
Selling and promotions	7,379	7,905	2,322	2,977
Professional and other contracted services	6,049	5,404	2,076	1,645
Rent	4,704	4,749	1,685	1,516
Taxes and licenses	2,843	2,485	667	538
Asset impairment	2,662	1,816	955	395
Insurance and security services	1,349	1,360	435	454
Communication, training and travel	995	1,144	349	385
Amortization of intangible assets	805	862	263	288
Other expenses	831	1,104	296	372
	95,797	93,372	31,639	30,949
	32,074	33,949	11,041	10,911
OTHER INCOME (EXPENSES)				
Equity share in net earnings of associates and joint ventures	2,668	2,687	434	604
Interest income	590	567	226	172
Gains on derivative financial instruments – net	447	13	358	177
Foreign exchange losses – net	(2,523)	(741)	(2,084)	(1,200)
Financing costs – net	(4,550)	(3,855)	(1,613)	(1,357)
Other income – net	3,987	4,083	158	1,160
	619	2,754	(2,521)	(444)
INCOME BEFORE INCOME TAX	32,693	36,703	8,520	10,467
PROVISION FOR INCOME TAX	7,338	8,766	1,914	2,531
NET INCOME	25,355	27,937	6,606	7,936
ATTRIBUTABLE TO:				
Equity holders of PLDT	25,339	27,957	6,610	7,934
Noncontrolling interests	16	(20)	(4)	2
	25,355	27,937	6,606	7,936
Earnings Per Share Attributable to Common Equity Holders of PLDT				
Basic	117.07	129.19	30.52	36.65
Diluted	117.07	129.19	30.52	36.65

* Certain comparative information for the nine months ended September 30, 2014 were reclassified to conform with the current presentation.

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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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.