



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 May 2016

PLDT 1Q2016 Results

Core income within guidance, digital pivot underway

**1Q2016 core net income at Php7.2 billion in line with full year guidance
1Q2016 reported net income at Php6.2 billion**

**Consolidated revenues up 1% at Php42.8 billion
Consolidated service revenues stable at Php40.6 billion
Total data and broadband revenues at Php13.7 billion, up 22%
Mobile internet revenues up 38%**

**Consolidated EBITDA lower by 14% at Php16.6 billion
EBITDA margin at 41%**

**PLDT group subscriber base at 72.1 million
Wireless subscriber base at 68.4 million
Total broadband subscribers 5.3 million**

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 network.

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

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CORE INCOME WITHIN GUIDANCE, DIGITAL PIVOT UNDERWAY

- **1Q2016 CORE NET INCOME AT Php7.2 BILLION IN LINE WITH FULL YEAR GUIDANCE
1Q2016 REPORTED NET INCOME AT Php6.2 BILLION**
 - **CONSOLIDATED REVENUES UP 1% AT Php42.8 BILLION
CONSOLIDATED SERVICE REVENUES STABLE AT Php40.6 BILLION
TOTAL DATA AND BROADBAND REVENUES AT Php13.7 BILLION, UP 22%
MOBILE INTERNET REVENUES UP 38%**
- **CONSOLIDATED EBITDA LOWER BY 14% AT Php16.6 BILLION
EBITDA MARGIN AT 41%**
 - **PLDT GROUP SUBSCRIBER BASE AT 72.1 MILLION
WIRELESS SUBSCRIBER BASE AT 68.4 MILLION
TOTAL BROADBAND SUBSCRIBERS 5.3 MILLION**

MANILA, Philippines, 3rd May 2016 – PLDT, Inc. (“PLDT”) (PSE: TEL) (NYSE: PHI) today announced its unaudited financial and operating results for the first three (3) months of 2016 with Consolidated Core Net Income, before exceptional items, at Php7.2 billion, Php2.1 billion lower than the amount recorded for the same period in 2015, and in line with the core income guidance of Php28 billion for the full year 2016. The reduction from prior year was due largely to lower EBITDA reflecting higher product subsidies, higher depreciation, and higher financing costs.

Reported Net Income, after including exceptional transactions for the period, declined 34% to Php6.2 billion – the result of a reduction in Core Income and a rise in impairment charges related to the investment in Rocket Internet, offset in part by a rise in net foreign exchange gains.

Consolidated revenues for the period were up by 1% at Php42.8 billion. Consolidated service revenues were stable at Php40.6 billion. Broadband, corporate data and data center revenues rose by Php2.5 billion or 22%; revenues from legacy businesses – cellular domestic voice, SMS, and international and national long distance (ILD/NLD) – dropped by Php2.5 billion, negating largely the gains in data revenues.

This revenue mix reflects the changing nature of PLDT as it shifts from legacy to digital. Excluding revenues from international and national distance (ILD/NLD) amounting to Php4.4 billion, consolidated service revenues rose by 3% year-on-year to Php36.2 billion.

Consolidated Service Revenues

(Php in millions)

| | Year-on-Year | | |
|--|---------------|---------------|-----------|
| | 1Q2016 | 1Q2015 | % Change |
| Data/broadband | 13,805 | 11,441 | 21% |
| Domestic Voice and Others | <u>22,417</u> | <u>23,893</u> | -6% |
| Sub-total | 36,222 | 35,334 | 3% |
| ILD/NLD | 4,376 | 5,214 | -16% |
| Total Consolidated service revenues | 40,598 | 40,548 | 0% |

Excluding ILD and NLD, revenues from data, broadband and digital services comprised 38% of these revenues, up from 32% a year ago. This shift has been led by the fixed line business, with 66% of its revenues now coming from data and digital services. The wireless business has followed suit and increased the share of data and digital services to 25% from 20% in 2015. Mobile Internet revenues set the pace, surging 38% to Php3.1 billion on the back of enhanced data service packages and compelling video and other digital service offers.

EBITDA and profitability continued to be affected by the shift in revenue mix from legacy and traditional businesses to data, and intense competition, particularly in the prepaid mobile business.

EBITDA margin for the period was at 41%, compared to the full year 2015 rate of 43%. Consolidated EBITDA declined 14% to Php16.6 billion due to higher product subsidy and content costs, higher provisions and cash opex.

Consolidated cash and cash equivalents and short-term investments at end-March 2016 rose to Php48.5 billion from Php47.9 billion at end-2015.

As of end-March 2016, the Group's consolidated net debt and net debt to EBITDA were higher at U.S.\$2.5 billion and 1.68x from end-2015, respectively. Gross debt stood at U.S.\$3.5 billion, 39% of which is U.S. \$ denominated. Taking into account our U.S.\$ cash holdings and hedges, only 13% of total debt is unhedged. The Group's debt maturities continue to be well spread out, with over 60% of total debt due beyond 2018. Maturing U.S. dollar loans, including the U.S.\$228 million dollar bonds due in 2017, will be refinanced mainly in Philippine pesos. PLDT's investment grade ratings remain unchanged from year-end 2015.

Capital expenditures

Consolidated capital expenditures for the first quarter amounted to Php14.6 billion, more than four times the capex for the same period in 2015. Capex in this quarter was used to further increase the coverage, speed, capacity and reliability of PLDT's fiber and DSL and Smart's mobile networks. Specific activities included the following:

- Continued expansion of 3G and 4G access networks
- Integration of Smart and Sun mobile networks to improve coverage and service quality for subscribers of both brands by anywhere from 50 to 100%
- Further deployment of fiber-to-the-home service and enhancement of DSL service
- Increased reach and capacity of the Group's fiber backbone network to support both fixed and mobile networks
- Strengthened network resiliency and redundancy
- Increased capacity of international fiber cable links and enlarged local caching of popular international internet content to improve customer experience

In April 2016, Smart introduced in the popular resort island of Boracay LTE-Advanced (LTE-A) which offers peak data speeds of over 200 Mbps. The next step in the development of Fourth Generation mobile technology, LTE-A (also known as 4.5G) will raise the level of Internet service in the country.

“Our significantly higher capex in the first quarter of 2016 underscores the seriousness of our efforts to strengthen our fixed and mobile networks as the first leg, indeed, the foundation of our digital pivot. Our subscribers will progressively feel the impact of this network transformation over the next several quarters. But this early, various network improvements are already enabling us to grow our data revenues more rapidly, and to position PLDT as the communications company uniquely positioned to give customers the total digital experience,” said Manuel V. Pangilinan, Chairman and CEO of PLDT and Smart Communications.

Digital Devices

The second leg of this digital pivot involves the propagation of more digital devices. Both PLDT and Smart have been promoting the adoption among its subscribers of web-connected devices in order to accelerate the shift from legacy to digital.

PLDT has deployed a growing array of web-connected devices for the home – such as its home security device *FamCam*; *Telpad*, a tablet that serves as the hub of digital services for the home; and TVolution Stick (in partnership with Microsoft), a device that turns TV sets into personal computers. In the first quarter of 2016 alone, revenues derived from the sale of these devices have reached about Php700 million – and are likely to exceed Php 2.0 billion for 2016.

Aside from its attractive smartphone offers for postpaid subscribers, Smart launched two compelling promos for prepaid subscribers – a MyPhone my28S with a Smart Prepaid SIM that comes with free 100MB of monthly data and load rebates, and the Smart Bro 4G Pocket WiFi – both devices for only Php888. Both offers have been received warmly by the market.

In this effort to populate its network with digital devices, Smart proactively raised the level of subsidy for these devices. Hence, the elevated subsidy costs recognized for the quarter.

As a result of these initiatives, smartphone penetration in the subscriber base of PLDT’s wireless subsidiaries is now at 45% compared with 30% last year. In addition, the percentage of paying data users has grown from about one-third last year to around 50% of smartphone owners this year.

Digital services and platforms

The third leg of this digital pivot is comprised of the highly differentiated services and platforms running on devices in PLDT’s fixed and mobile networks.

The Consumer Group has combined data connectivity with a growing array of compelling services for PLDT Home and Smart and Sun mobile subscribers under the themes of Entertainment Everywhere, Convenience Everywhere and Peace of Mind. The Group now offers, for example, the widest choice of video material available through all the windows of content – linear IPTV as in the case of Cignal TV, catch up TV in the case of Fox and video on demand as offered by *iflix*. These services are available at home and on mobile.

This approach has enabled the Consumer Group to grow its combined revenues slightly to Php26.6 billion, as strong gains in mobile Internet, fixed line data and wireless broadband plus fixed line voice more than compensated for declines in SMS, wireless voice and other revenues.

Revenues of the Enterprise Group on the other hand increased by 10% to Php7.6 billion also by combining connectivity and enterprise digital services. Fixed line data revenues rose by 17%, while other services grew by 41% and mobile internet revenues doubled.

While the growth of enterprise fixed and wireless services are solid, digital and IT solutions are setting the pace. These include Data Center, Big Data, Cloud and mobility solutions like *MarketBuilder*, the country's first mobile application that enables small and medium businesses to reach out to their customers using dynamic profiling through geo-fencing or location-based marketing. This feature enables entrepreneurs to target a specific group of potential customers depending on their predicted proximity to a store.

"Digital innovations such as these are significant not only for PLDT but also for business and industry in general. The growing acceptance of digital services coupled with data connectivity are boosting the efficiency, effectiveness and competitiveness of Philippine companies – large and small," said Ernesto R. Alberto, PLDT Executive Vice President and Head of the Enterprise Group.

In addition, the breakthrough digital services and platforms of Voyager Innovation and its recent spin-offs *PayMaya Philippines* (formerly Smart eMoney, Inc.) and *FINTQ* have gained traction.

PayMaya has taken the lead in the country's fast-growing mobile money business with a throughput of Php29 billion in the first quarter. Its prepaid mobile wallet, *PayMaya*, posted a 79% increase in users, making it the No. 1 financial app in Google Play Store in the country. *Smart Padala*, *PayMaya's* mobile money transfer service posted a 52% increase in revenues.

FINTQ's LANDBANK *Mobile Loansaver*, the Philippines' first fully electronic salary loan service which was initially offered to government employees, continued to grow robustly. A collaboration with the LANDBANK, the paperless service processed and released salary loans amounting to more than Php1.9 billion in the first three (3) months of 2016. In March 2016, the LANDBANK announced that it is expanding the loan facility to cover salary loans for private sector employees, loans for small and medium enterprises, farmers and fishermen, and, overseas Filipinos.

Meantime, *Lendr*, the country's first fully digital, end-to-end consumer loans marketplace, went live in March 2016 with China Bank Savings (CBS) as its inaugural partner initially offering automotive loans. Several other partner banks and financial institutions have also signed up and will soon offer auto, home, salary and other loans to their customers via the platform.

"We've turned our advantage of being the first mover in this fast-moving market into a dominant position in the mobile money space. We are gaining more momentum as industry adoption picks up," said Orlando B. Veja, President and CEO of Voyager.

Fixed line and wireless

PLDT's fixed line business continued its steady upward movement, raising revenues by 8% in the first quarter to Php15.4 billion. Data and broadband and domestic voice grew strongly, overcoming declines in international and national long distance. Data and broadband increased its share of total fixed line revenues to 59% from 56% in Q12105.

The wireless businesses of Smart and Digital Mobile Philippines posted revenues of Php26.7 billion, 4% lower year on year. Revenues of mobile data, broadband and digital services increased 23%

to Php6.2 billion. However, SMS, cellular domestic voice and other revenues went down 8% to Php18.2 billion while cellular voice international fell 23% to Php2.3 billion. Data, broadband and digital services now account for 23% of wireless revenues, up from 18% a year earlier.

The total subscriber count of the PLDT Group amounted to 72.1 million, with cellular and wireless broadband subscribers accounting for 68.4 million, down by only 0.6% from year-end 2015. Fixed line subscribers grew by 2% from year-end 2015 to 2.3 million, inclusive of fixed broadband subscribers of 1.3 million.

The Transition

The shift to data is evident in both fixed and wireless businesses, but the transition in the former started much earlier, in the early 2000s. The tipping point came in 2011-2012, when the fixed line business started on its current growth path, riding on the steady growth of consumer and enterprise data and broadband which crossed the 50%-mark in its share of total fixed revenues in 2013.

“A similar transition process is now underway in wireless, which is likely to be more rapid because of the fast-growing digital ecosystem in the mobile space where more and more compelling services such as social media, digital messaging, entertainment, news and information, payments and financial services are being accessed via mobile devices,” said Ariel P. Fermin, PLDT Executive Vice President and Head of the Consumer Group.

“We are accelerating that transition by assembling best-in-class digital services through partnerships and internal innovation, promoting the adoption of smart phones, and combining the reach and power of fixed line and mobile services to deliver the best and most complete digital experience,” he added.

Conclusion

“Our results for the first quarter confirm our view that the digital pivot will be a difficult and complicated process,” Pangilinan said.

“That said, PLDT has posted strong gains in data, broadband and digital services, compensating in large part for the continued declines in long distance and SMS revenues. But competition remains intense and the shift to lower-margin revenues continues. We are thus maintaining our guidance for Full Year Core Earnings at Php28.0 billion,” he added.

“Our experience in the fixed line business shows how growth can be restored by progressively building up our data and broadband revenues to critical mass. We aim to achieve that same critical mass in the wireless business by accelerating data adoption and usage, even at the price of renewed deceleration of our legacy revenues.

“To that end, we are investing heavily in our network to deliver the best quality service. We are working to make it much easier for our customers to use our services. We are propagating smartphones and web-connected devices for the Home. We are tapping internal innovation and forging partnerships with global tech leaders to deliver compelling digital services. Finally, by combining the strengths of our fixed and mobile networks, and the resources of our Consumer and Enterprise Groups, PLDT is uniquely positioned to deliver B2B2C services, and thus become the truly digital telco of everything – not just a digital mobile service provider,” Pangilinan concluded.

| <i>(unaudited)</i> | PLDT Consolidated | | |
|---|------------------------------------|--------------|-----------------|
| | Three months ended March 31 | | |
| | 2016 | 2015 | % Change |
| Total revenues | 42,779 | 42,553 | 1% |
| <i>Service revenues</i> | 40,598 | 40,548 | 0% |
| Expenses | 35,186 | 30,435 | 16% |
| Income before income tax | 8,962 | 12,256 | (27%) |
| Provision for income tax | 2,729 | 2,858 | (5%) |
| Net income - attributable to equity holders of PLDT | 6,217 | 9,387 | (34%) |
| Core net income ^(a) | 7,211 | 9,280 | (22%) |
| EPS (based on net income - attributable to equity holders of PLDT) | | | |
| EPS, Basic | 28.71 | 43.38 | (34%) |
| EPS, Diluted | 28.71 | 43.38 | (34%) |
| EPS (based on Core Net Income) | | | |
| EPS, Basic | 33.31 | 42.88 | (22%) |
| EPS, Diluted | 33.31 | 42.88 | (22%) |

^(a) *Net income as adjusted for the net effect of gain/loss on FX, derivative transactions, asset impairment 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, 2016 (Unaudited) | As at December 31, 2015 (Audited) |
|--|---|---|
| <u>ASSETS</u> | | |
| Noncurrent Assets | | |
| Property and equipment | 202,588 | 195,782 |
| Investments in associates and joint ventures | 49,454 | 48,703 |
| Available-for-sale financial investments | 14,126 | 15,711 |
| Investment in debt securities and other long-term investments – net of current portion | 942 | 952 |
| Investment properties | 1,825 | 1,825 |
| Goodwill and intangible assets | 71,908 | 72,117 |
| Deferred income tax assets – net | 22,011 | 21,941 |
| Derivative financial assets – net of current portion | 57 | 145 |
| Prepayments – net of current portion | 4,499 | 3,475 |
| Advances and other noncurrent assets – net of current portion | 3,020 | 3,003 |
| Total Noncurrent Assets | 370,430 | 363,654 |
| Current Assets | | |
| Cash and cash equivalents | 45,262 | 46,455 |
| Short-term investments | 3,228 | 1,429 |
| Trade and other receivables | 27,168 | 24,898 |
| Inventories and supplies | 5,704 | 4,614 |
| Current portion of derivative financial assets | 11 | 26 |
| Current portion of investment in debt securities and other long-term investments | 51 | 51 |
| Current portion of prepayments | 6,040 | 5,798 |
| Current portion of advances and other noncurrent assets | 8,208 | 8,170 |
| Total Current Assets | 95,672 | 91,441 |
| TOTAL ASSETS | 466,102 | 455,095 |
| <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 | 130,515 | 130,517 |
| Retained earnings | 82 | 6,195 |
| Other comprehensive loss | (20,373) | (18,202) |
| Total Equity Attributable to Equity Holders of PLDT | 105,322 | 113,608 |
| Noncontrolling interests | 281 | 290 |
| TOTAL EQUITY | 105,603 | 113,898 |

PHILIPPINE LONG DISTANCE TELEPHONE COMPANY AND SUBSIDIARIES

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

| | As at March 31, 2016 (Unaudited) | As at December 31, 2015 (Audited) |
|---|--|--|
| Noncurrent Liabilities | | |
| Interest-bearing financial liabilities – net of current portion | 130,974 | 143,982 |
| Deferred income tax liabilities – net | 3,599 | 3,704 |
| Derivative financial liabilities – net of current portion | 1,359 | 736 |
| Customers' deposits | 2,423 | 2,430 |
| Pension and other employee benefits | 10,941 | 10,197 |
| Deferred credits and other noncurrent liabilities | 19,335 | 21,482 |
| Total Noncurrent Liabilities | 168,631 | 182,531 |
| Current Liabilities | | |
| Accounts payable | 60,098 | 52,679 |
| Accrued expenses and other current liabilities | 83,572 | 84,286 |
| Current portion of interest-bearing financial liabilities | 30,217 | 16,911 |
| Provision for claims and assessments | 897 | 897 |
| Dividends payable | 13,795 | 1,461 |
| Current portion of derivative financial liabilities | 338 | 306 |
| Income tax payable | 2,951 | 2,126 |
| Total Current Liabilities | 191,868 | 158,666 |
| TOTAL LIABILITIES | 360,499 | 341,197 |
| TOTAL EQUITY AND LIABILITIES | 466,102 | 455,095 |

PHILIPPINE LONG DISTANCE TELEPHONE COMPANY AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS For the Three Months Ended March 31, 2016 and 2015

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

| | 2016 | 2015 |
|---|-------------|---------|
| | (Unaudited) | |
| REVENUES | | |
| Service revenues | 40,598 | 40,548 |
| Non-service revenues | 2,181 | 2,005 |
| | 42,779 | 42,553 |
| EXPENSES | | |
| Depreciation and amortization | 7,158 | 6,896 |
| Cost of sales | 5,233 | 3,704 |
| Compensation and employee benefits | 5,231 | 4,981 |
| Repairs and maintenance | 3,671 | 3,667 |
| Asset impairment | 3,228 | 866 |
| Interconnection costs | 2,436 | 2,583 |
| Professional and other contracted services | 2,174 | 1,926 |
| Selling and promotions | 1,718 | 2,017 |
| Rent | 1,670 | 1,458 |
| Taxes and licenses | 1,322 | 1,051 |
| Insurance and security services | 463 | 460 |
| Communication, training and travel | 301 | 311 |
| Amortization of intangible assets | 272 | 268 |
| Other expenses | 309 | 247 |
| | 35,186 | 30,435 |
| | 7,593 | 12,118 |
| OTHER INCOME | | |
| Foreign exchange gains – net | 970 | 43 |
| Equity share in net earnings of associates and joint ventures | 637 | 653 |
| Interest income | 255 | 184 |
| Gains (losses) on derivative financial instruments – net | (497) | 30 |
| Financing costs – net | (1,804) | (1,535) |
| Other income – net | 1,808 | 763 |
| | 1,369 | 138 |
| INCOME BEFORE INCOME TAX | 8,962 | 12,256 |
| PROVISION FOR INCOME TAX | 2,729 | 2,858 |
| NET INCOME | 6,233 | 9,398 |
| ATTRIBUTABLE TO: | | |
| Equity holders of PLDT | 6,217 | 9,387 |
| Noncontrolling interests | 16 | 11 |
| | 6,233 | 9,398 |
| Earnings Per Share Attributable to Common Equity Holders of PLDT | | |
| Basic | 28.71 | 43.38 |
| Diluted | 28.71 | 43.38 |

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.

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