



FIRST PACIFIC COMPANY LIMITED
第一太平有限公司

Press Release

Tuesday, 6 May 2014

**1Q14 core net income at P9.8 billion, up P0.2 billion or 2%
reported net income higher by P0.2 billion at P9.4 billion**

**Consolidated service revenues in 1Q14 of P41.2 billion, up 3%
consolidated broadband revenues rise 24% to P7.6 billion**

**Consolidated EBITDA for first quarter of 2014 at P19.7 billion,
EBITA margin at 48%**

Free cash flow rose P2.9 billion to P10.8 billion in 1Q14

**PLDT group subscriber base now at 76.2 million
Cellular subscriber base reached 70.5 million,
Postpaid subscriber base up 19% to 2.5 million**

**Total broadband subscribers at 3.6 million,
Fixed broadband subscribers cross 1 million mark**

2014 CAPEX of P31-P32 billion, to remain below 20% of service 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 service 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

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**1Q14 CORE NET INCOME AT ₱9.8 BILLION, UP ₱0.2 BILLION OR 2%
REPORTED NET INCOME HIGHER BY ₱0.2 BILLION AT ₱9.4 BILLION**

**CONSOLIDATED SERVICE REVENUES IN 1Q14 OF ₱41.2 BILLION, UP 3%
CONSOLIDATED BROADBAND REVENUES RISE 24% TO ₱7.6 BILLION**

**CONSOLIDATED EBITDA FOR FIRST QUARTER OF 2014 AT ₱19.7 BILLION,
EBITDA MARGIN AT 48%
FREE CASH FLOW ROSE ₱2.9 BILLION TO ₱10.8 BILLION IN 1Q14**

**PLDT GROUP SUBSCRIBER BASE NOW AT 76.2 MILLION
CELLULAR SUBSCRIBER BASE REACHED 70.5 MILLION,
POSTPAID SUBSCRIBER BASE UP 19% TO 2.5 MILLION**

**TOTAL BROADBAND SUBSCRIBERS AT 3.6 MILLION,
FIXED BROADBAND SUBSCRIBERS CROSS 1 MILLION MARK**

**2014 CAPEX OF ₱31-₱32 BILLION, TO REMAIN
BELOW 20% OF SERVICE REVENUES**

- Consolidated Core Net Income of ₱9.8 billion for the first quarter of 2014, up ₱0.2 billion or 2% from ₱9.6 billion in 2013
- Reported Net Income for 1Q14 higher by 2% or ₱0.2 billion year-on-year at ₱9.4 billion
- Consolidated service revenues at the end of March 2014 rose 3% or ₱1.2 billion to ₱41.2 billion
- Consolidated EBITDA for 1Q14 dipped 2% to ₱19.7 billion; consolidated EBITDA margin at 48% of service revenues
- Consolidated free cash flow grew ₱2.9 billion to ₱10.8 billion for 1Q14
- PLDT Group subscriber base now at 76.2 million
- Cellular subscriber base at 70.5 million, postpaid subscriber base up 19% to 2.5 million
- Total broadband subscribers at 3.6 million; aggregate revenue contribution from broadband, data and internet services grew 24% to ₱7.6 billion in 1Q14
- Data revenues for fixed line now account for over 50% of total fixed line revenues, and exceed revenues from fixed legacy; for wireless, now at 15% of total wireless service revenues and overtook wireless legacy revenues
- 2014 capex of ₱31-₱32 billion, to remain below 20% of service revenues

MANILA, Philippines, 6th May 2014 — Philippine Long Distance Telephone Company (“PLDT”) (PSE: TEL) (NYSE: PHI) today announced its unaudited financial and operating results for the first three months of 2014 with Consolidated Core Net Income, before exceptional items, amounting to ₱9.8 billion, 2% or ₱0.2 billion higher than the ₱9.6 billion registered in the same period last year. 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 by 2% to ₱9.4 billion, from ₱9.2 billion last year, as a result of the rise in core income and the increase in manpower rightsizing program (MRP) expenses in the first quarter of 2013 following the application of Revised Philippine Accounting Standard (PAS) 19, which offset higher foreign exchange and derivative losses.

Consolidated service revenues for the first quarter of the year improved by 3% to ₱41.2 billion, as revenues increases from the data and internet business exceeded declines from international and national long distance streams.

EBITDA margin for the period stood at 48%. Consolidated EBITDA dipped by 2% year-on-year to ₱19.7 billion as increases in service revenues were offset by higher cash operating expenses and a rise in subsidies.

The PLDT Group's subscriber base reached 76.2 million.

"The structural shift in our revenue mix continues, wherein growing revenues from our data businesses replace those from our legacy businesses such as NLD, and fixed and wireless international voice. While this transition takes place, revenue growth and EBITDA margins will be tempered. In the first quarter of 2014, consolidated revenues grew 3% year-on-year on the back of a 22% rise in broadband and data revenues, muted by a 2% decline in legacy revenues and a similar decline in combined LEC, cellular domestic voice and SMS revenues," explained **Manuel V. Pangilinan, PLDT Chairman.**

Consolidated free cash flow for the first three months of 2014 remained robust at ₱10.8 billion, higher by ₱2.9 billion year-on-year. Consolidated capital expenditures for the period amounted to ₱2.2 billion compared with ₱3.1 billion in the same period last year. On-going network initiatives, include expanding 3G and 4G/LTE coverage; increasing the group's fiber footprint which now stands at nearly 85,000 kilometers; continued integration of the Smart and Sun networks, as well as projects to enhance the group's multi-media capabilities. Following the completion of the two-year network modernization program in 2012, PLDT expects capex to normalize at less than 20% of service revenues. For 2014, capital expenditures are projected to be in the range of ₱31 - ₱32 billion or about 18-20% of service revenues.

"Even as PLDT's network remains unrivalled, we continue to invest in our network in order to provide quality of experience to our customers. As part of our vision of "broadbanding the nation", we are deploying the latest digital, all-IP technologies that will enable us to deliver products and services that respond to various speed and volume requirements to our subscribers. Moreover, we are building up scale in order to achieve efficiencies that will lower the cost of providing our services and help strengthen the international competitiveness of the country," stated **Napoleon L. Nazareno, President and CEO of PLDT and Smart.**

The Group's consolidated net debt stood at US\$1.4 billion at the end of March 2014, with net debt to EBITDA at 0.8x. 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 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 US 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 the three major international ratings agencies, namely Fitch, Moody's, and Standard and Poor's.

Cellular

Wireless subsidiaries Smart Communications, Inc. (“Smart”) and Digitel Mobile (“DMPI”) together continue to lead the industry in terms of both revenues and subscribers. Wireless service revenues grew by 2% year-on-year to ₱28.9 billion in the first quarter of 2014, buoyed by the continued rise in both non-SMS data and cellular voice revenues.

Postpaid revenues, now accounting for 20% of total cellular revenues, registered a 17% increase to P5.1 billion in the first three months of 2014.

The PLDT Group’s total cellular subscriber base at the end of March 2014 was 70.5 million subscribers, broken down as follows: Smart had 25.9 million subscribers under its mainstream *Smart* brands; value brand *Talk ‘N Text* ended with 29.5 million subscribers; and there were 15.1 million *Sun Cellular* subscribers.

The Group’s combined postpaid cellular subscriber base grew by 19% or about 394,000 from the first quarter of 2013 to 2.5 million at the end of March 2014, while the combined prepaid cellular subscriber base reached 68.0 million.

Broadband

Total broadband, data and internet revenues for the first three months of 2014 rose by ₱1.5 billion or 24% year-on-year to ₱7.6 billion, and now account for 18% of total group service revenues. Wireless broadband revenues, exclusive of mobile internet revenues, increased by 7% to ₱2.4 billion from ₱2.3 billion last year. On the other hand, mobile internet revenues grew by 81% to P1.8 billion as the upward momentum in usage continued.

PLDT Group fixed broadband businesses registered revenues of ₱3.4 billion in the first quarter of 2014, higher by 18% from the same period in 2013.

The Group’s combined broadband subscriber base was 3.6 million at the end of March 2014. Smart’s wireless broadband subscriber base reached 2.0 million at the end of the period, over 1.4 million of whom were prepaid customers. In addition, *Sun Cellular* had a wireless broadband subscriber base of more than 548,000. Meanwhile, PLDT’s fixed broadband subscribers crossed the 1-million mark having increased by 10% in the first quarter of 2014, and now represent 48% of the fixed line subscriber base.

“We are excited about the numerous opportunities that data and broadband present as these remain largely untapped; and we believe we have established an early foothold in the market. Smartphone ownership within our subscriber base continues to grow strongly, now at 18% from 10% at the end of the first quarter of 2013. During the period, data usage rose by over 150%.

“Even as we have seen significant growth in our postpaid business in terms of revenues and subscribers, we have directed our efforts towards how we could monetize nascent prepaid data. This includes providing an “always-on” experience via low-denomination sachet apps, and getting our customers comfortable with using data without fear of bill shock or background charging.

“With our unparalleled network advantage, we believe that we are well positioned to command leadership in this space” said **Orlando B. Ve**a, **Smart Chief Wireless Adviser**.

Fixed Line

Fixed line service revenues at the end of March 2014, net of interconnection costs, increased by 6% or ₱0.8 billion year-on-year to ₱14.0 billion. Data and fixed broadband revenues, now contributing 53% to total fixed line revenues, continued to grow following an 18% improvement in fixed broadband revenues, a 6% rise in corporate data and other network services, and a 14% increase in data center revenues. Combined ILD and NLD businesses of PLDT, accounting for 14% of fixed line revenues or ₱2.0 billion, were lower by 6%. LEC revenues representing a third of total fixed line revenues were higher by 2% at ₱4.1 billion.

The fixed line subscriber base remained at 2.1 million at the end of the first quarter of 2014.

"PLDT's fixed line business is one of the few in the world registering year-on-year growth. Demand for data and broadband services from both retail and corporate clients remains robust and is expected to remain so given the improvement in overall economic conditions in the Philippines, as well as the unabated growth of the BPO sector and remittances from overseas Filipino workers. In response, our HOME and ENTERPRISE teams continue to leverage on the strength of our integrated network to make available various products and services relevant to the market," declared **Nazareno**.

Conclusion

"Our revenue mix remains dynamic. Our task is to manage the interplay among our businesses by pushing those sectors which are growing and stable, while maximizing the long-tail of our legacy segments. Given the Company's performance in the first quarter of 2014 and the outlook for the rest of the year, I can say that PLDT is firmly back on the growth path, and on track to meet our Core Net Income guidance of ₱39.5 billion for the full year 2014," **concluded Pangilinan**.

| PLDT Consolidated | | | |
|---|---------------|---------------|-----------------|
| Three months ended March 31 | | | |
| | 2014 | 2013 | % Change |
| | (unaudited) | | |
| Service revenues | 41,217 | 39,968 | 3% |
| Total revenues | 42,543 | 40,960 | 4% |
| Expenses | 30,377 | 29,040 | 5% |
| Income before income tax | 12,137 | 11,731 | 3% |
| Provision for income tax | 2,745 | 2,669 | 3% |
| Net income - attributable to equity holders of PLDT | 9,379 | 9,178 | 2% |
| Continuing Operations | 9,379 | 9,053 | 4% |
| Discontinued Operations | - | 125 | (100%) |
| Core net income ^(a) | 9,762 | 9,580 | 2% |
| Continuing Operations | 9,762 | 9,456 | 3% |
| Discontinued Operations | - | 124 | (100%) |
| EPS (based on net income - attributable to equity holders of PLDT) | | | |
| EPS, Basic | 43.34 | 42.42 | 2% |
| EPS, Diluted | 43.34 | 42.42 | 2% |
| EPS (based on Core Net Income) | | | |
| EPS, Basic | 45.12 | 44.28 | 2% |
| EPS, Diluted | 45.12 | 44.28 | 2% |

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

PHILIPPINE LONG DISTANCE TELEPHONE COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in million pesos)

| | As at March 31, 2014 (Unaudited) | As at December 31, 2013 (Audited) |
|--|--|---|
| <u>ASSETS</u> | | |
| Noncurrent Assets | | |
| Property, plant and equipment | 188,105 | 192,665 |
| Investments in associates, joint ventures and deposits | 41,732 | 41,310 |
| Available-for-sale financial investments | 221 | 220 |
| Investment in debt securities and other long-term investments – net of current portion | 2,877 | 2,643 |
| Investment properties | 1,216 | 1,222 |
| Goodwill and intangible assets | 73,791 | 73,918 |
| Deferred income tax assets – net | 14,789 | 14,181 |
| Derivative financial assets | 36 | 24 |
| Prepayments – net of current portion | 2,976 | 3,031 |
| Advances and other noncurrent assets – net of current portion | 4,284 | 2,761 |
| Total Noncurrent Assets | 330,027 | 331,975 |
| Current Assets | | |
| Cash and cash equivalents | 60,453 | 31,905 |
| Short-term investments | 623 | 718 |
| Trade and other receivables | 17,384 | 17,564 |
| Inventories and supplies | 2,867 | 3,164 |
| Derivative financial assets | – | 10 |
| Current portion of investment in debt securities and other long-term investments | 389 | – |
| Current portion of prepayments | 6,933 | 6,054 |
| Current portion of advances and other noncurrent assets | 8,172 | 8,248 |
| Total Current Assets | 96,821 | 67,663 |
| TOTAL ASSETS | 426,848 | 399,638 |
| <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 | 130,562 | 130,562 |
| Retained earnings | 7,270 | 22,968 |
| Other comprehensive income | (12,729) | (11,481) |
| Total Equity Attributable to Equity Holders of PLDT | 120,201 | 137,147 |
| Noncontrolling interests | 249 | 179 |
| TOTAL EQUITY | 120,450 | 137,326 |
| Noncurrent Liabilities | | |
| Interest-bearing financial liabilities – net of current portion | 109,145 | 88,930 |
| Deferred income tax liabilities – net | 4,352 | 4,437 |
| Derivative financial liabilities | 1,606 | 1,869 |
| Customers' deposits | 2,551 | 2,545 |
| Pension and other employee benefits | 14,570 | 13,439 |
| Deferred credits and other noncurrent liabilities | 20,520 | 22,045 |
| Total Noncurrent Liabilities | 152,744 | 133,265 |
| Current Liabilities | | |
| Accounts payable | 31,185 | 34,882 |
| Accrued expenses and other current liabilities | 75,831 | 74,256 |
| Current portion of interest-bearing financial liabilities | 14,122 | 15,171 |
| Provision for claims and assessments | 897 | 897 |
| Dividends payable | 25,984 | 932 |
| Derivative financial liabilities | 109 | 105 |
| Income tax payable | 5,526 | 2,804 |
| Total Current Liabilities | 153,654 | 129,047 |
| TOTAL LIABILITIES | 306,398 | 262,312 |
| TOTAL EQUITY AND LIABILITIES | 426,848 | 399,638 |

PHILIPPINE LONG DISTANCE TELEPHONE COMPANY AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS

For the Three Months Ended March 31, 2014 and 2013

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

| | 2014 | 2013 |
|--|---------------|---------------|
| | (Unaudited) | |
| REVENUES | | |
| Service revenues | 41,217 | 39,968 |
| Non-service revenues | 1,326 | 992 |
| | 42,543 | 40,960 |
| EXPENSES | | |
| Depreciation and amortization | 7,205 | 7,228 |
| Compensation and employee benefits | 5,160 | 5,756 |
| Repairs and maintenance | 3,484 | 3,301 |
| Cost of sales | 3,449 | 2,411 |
| Interconnection costs | 2,663 | 2,577 |
| Selling and promotions | 2,113 | 1,922 |
| Professional and other contracted services | 1,618 | 1,403 |
| Rent | 1,538 | 1,477 |
| Taxes and licenses | 921 | 912 |
| Asset impairment | 637 | 602 |
| Communication, training and travel | 562 | 512 |
| Insurance and security services | 448 | 422 |
| Amortization of intangible assets | 286 | 202 |
| Other expenses | 293 | 315 |
| | 30,377 | 29,040 |
| | 12,166 | 11,920 |
| OTHER INCOME (EXPENSES) | | |
| Equity share in net earnings of associates and joint ventures | 716 | 553 |
| Interest income | 192 | 296 |
| Gains on derivative financial instruments – net | 187 | 23 |
| Foreign exchange gains (losses) – net | (735) | 213 |
| Financing costs – net | (1,324) | (1,604) |
| Other income – net | 935 | 330 |
| | (29) | (189) |
| INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS | 12,137 | 11,731 |
| PROVISION FOR INCOME TAX | 2,745 | 2,669 |
| NET INCOME FROM CONTINUING OPERATIONS | 9,392 | 9,062 |
| NET INCOME FROM DISCONTINUED OPERATIONS | – | 125 |
| NET INCOME | 9,392 | 9,187 |
| ATTRIBUTABLE TO: | | |
| Equity holders of PLDT | 9,379 | 9,178 |
| Noncontrolling interests | 13 | 9 |
| | 9,392 | 9,187 |
| Earnings Per Share Attributable to Common Equity Holders of PLDT | | |
| Basic | 43.34 | 42.42 |
| Diluted | 43.34 | 42.42 |
| Earnings Per Share from Continuing Operations Attributable to Common Equity Holders of PLDT | | |
| Basic | 43.34 | 41.84 |
| Diluted | 43.34 | 41.84 |

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

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.

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