



FIRST PACIFIC COMPANY LIMITED

第一太平有限公司

(Incorporated with limited liability under the laws of Bermuda)

Press Release

Tuesday, 4 November 2014

PLDT 9M14 Results

**Consolidated service revenues of P122.9 billion, 1% higher over 2013
Consolidated data and broadband revenues rise 19% to P30.8 billion**

**9M14 core net income at P28.6 billion, down 1% or P0.2 billion
Reported net income at P28.0 billion, lower by 3% or P1.0 billion**

**Consolidated EBITDA at P56.8 billion
EBITDA margin at 46%
Free cash flow at P24.1 billion**

**PLDT group subscriber base now 75.0 million
Cellular subscriber base at 69.0 million
Postpaid cellular subscriber base rises 12% from YE13 to 2.7 million**

Total broadband subscribers at 3.7 million, up 10% from end 2013

**PLDT group updates profit guidance for FY2014 to P37.0 billion
and capex forecast to P34.5 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, 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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**CONSOLIDATED SERVICE REVENUES OF ₱122.9 BILLION,
1% HIGHER OVER 2013**
**CONSOLIDATED DATA AND BROADBAND REVENUES RISE 19%
TO ₱30.8 BILLION**

**9M14 CORE NET INCOME AT ₱28.6 BILLION, DOWN 1% OR ₱0.2 BILLION
REPORTED NET INCOME AT ₱28.0 BILLION, LOWER BY 3% OR ₱1.0 BILLION**

CONSOLIDATED EBITDA AT ₱56.8 BILLION
EBITDA MARGIN AT 46%
FREE CASH FLOW AT ₱24.1 BILLION

PLDT GROUP SUBSCRIBER BASE NOW 75.0 MILLION
CELLULAR SUBSCRIBER BASE AT 69.0 MILLION
**POSTPAID CELLULAR SUBSCRIBER BASE RISES 12% FROM YE13
TO 2.7 MILLION**

**TOTAL BROADBAND SUBSCRIBERS AT 3.7 MILLION, UP 10%
FROM END 2013**

**PLDT GROUP UPDATES PROFIT GUIDANCE FOR FY2014 TO ₱37.0 BILLION
AND CAPEX FORECAST TO ₱34.5 BILLION**

- Consolidated Core Net Income of ₱28.6 billion for 9M14, 1% or ₱0.2 billion lower than ₱28.8 billion in 2013
- Reported Net Income for 9M14 of ₱28.0 billion, ₱1.0 billion or 3% lower than ₱29.0 billion in 2013
- Consolidated service revenues rose 1% or ₱1.3 billion to ₱122.9 billion
- Consolidated EBITDA down 5% at ₱56.8 billion; consolidated EBITDA margin at 46% of service revenues
- Consolidated free cash flow at ₱24.1 billion for 9M14
- Cellular subscriber base at 69.0 million
- Total broadband subscribers at 3.7 million; aggregate revenue contribution from broadband, data and internet services at ₱30.8 billion for 9M14, 19% higher than last year
- 53% of fixed line service revenues and 15% of wireless service revenues are derived from data and broadband
- 2014 capex expected to rise to about ₱34.5 billion

MANILA, Philippines, 4th November 2014 — Philippine Long Distance Telephone Company (“PLDT”) (PSE: TEL) (NYSE: PHI) today announced its unaudited financial and operating results for the first nine (9) months of 2014 with Consolidated Core Net Income, before exceptional items, amounting to ₱28.6 billion, 1% or ₱0.2 billion lower than the ₱28.8 billion recorded in the same period in 2013. The decrease was due mainly to the rise in cash

operating expenses, particularly rent and maintenance costs, an increase in product subsidies and a higher provision for income tax.

Reported Net Income, after reflecting exceptional transactions for the period, declined 3% to ₱28.0 billion, from ₱29.0 billion in the same period in 2013, as a result of:

- the dip in core net income;
- the absence of the contribution from discontinued operations recorded in 9M2013;
- the retroactive effect of the adoption of revised Philippine Accounting Standard 19 which affected cash operating expenses in 9M2013;
- lower foreign exchange and derivative losses; and
- the impairment of transport network assets resulting from the recent network upgrade.

EBITDA margin for the period was at 46%. Consolidated EBITDA for the first nine (9) months of 2014 was 5% lower at ₱56.8 billion compared with the same period last year, as the increase in service revenues was offset by higher cash operating expenses and subsidies.

Consolidated service revenues for the period grew 1% to ₱122.9 billion, as revenues from the data and broadband and domestic voice businesses offset the declines from international and national long distance streams.

Consolidated free cash flow for the first three (3) quarters of the year remained robust at ₱24.1 billion. Consolidated capital expenditures for the period amounted to ₱16.0 billion, ₱1.1 billion higher than the capex for the same period in 2013. We expect higher capex levels for 2014, to be carried over into 2015 in light of the market's continued appetite for data services. While we have already modernized and expanded our networks, we are accelerating our data capacity build-out due to the free internet promo as well as our TD-LTE build-out to meet increasing fixed wireless data demand. Capital expenditures for 2014 are projected to be approximately ₱34.5 billion compared to an earlier projected number of ₱32 billion..

The Group's consolidated net debt stood at US\$2.4 billion as at 30th September 2014, with net debt to EBITDA at 1.46x. Gross debt amounted to US\$3.0 billion. The Group's debt maturities continue to be well spread out, with over 75% due in and after 2017, 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 36% 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.

In August 2014, PLDT invested €333 million in Rocket Internet AG which is equivalent to a 6.6% stake in Rocket, post-IPO. At Rocket's closing share price on 3rd November 2014 of €41.50, PLDT's stake is worth €419 million. PLDT is represented by its President and CEO, Napoleon L. Nazareno, on Rocket's nine-seat Supervisory Board. PLDT and Rocket are presently developing a "proof of concept" that integrates Smart Money's payment platform in selected Rocket e-commerce businesses in the Philippines (i.e., Zalora, EasyTaxi and foodpanda) with a target launch before year end. The model is also expected to be adopted in other international markets where Rocket operates.

Broadband

Total broadband and internet revenues for the first nine(9) months of 2014 totaled ₱23.4billion, a 20% growth year-on-year; broadband and internet now account for 19% of total Group service revenues. Wireless broadband revenues, exclusive of mobile Internet revenues, increased by 7% to ₱7.5billion, compared with the ₱7.0 billion recorded last year. Moreover, mobile Internet usage continues to grow strongly, with mobile Internet revenues increasing by 69% to ₱5.7 billion in the period under review from ₱3.4 billion in 2013.

PLDT Group fixed broadband businesses generated ₱10.2billion in revenues for the first three (3) quarters of the year, up by 12% from ₱9.1billion in the same period in 2013.

The Group's combined broadband subscriber base stood at 3.7 million at the end of September 2014. *Smart Broadband*, Smart's wireless broadband service offered through its wholly-owned subsidiary Smart Broadband, Inc., had a wireless broadband subscriber base of nearly 2.1 million at the end of the period, about 1.6 million of whom were on *Smart Broadband's* prepaid service. In addition, *Sun Cellular* had a wireless broadband subscriber base of close to 600,000. Meanwhile, PLDT's fixed broadband subscribers increased by 11% from the end of 2013, bringing the total fixed broadband subscriber base to 1.1 million for the first nine months of 2014, and now represent 48% of the fixed line subscriber base.

On 26th September, *Smart*, *Sun Cellular*, and *Talk 'N Text* launched a free Internet promo whereby subscribers can avail of 30MB of data usage per day, excluding video streaming, VoIP and chat applications, free of charge. The promo runs until 5th January 2015.

"We are heartened by the encouraging response to our free Internet promo, more so when we note the significant number of first-time users. We have always believed in the Filipino's propensity for data usage and we are more than happy to provide them access to it. After all, we made 'Internet for All' our battle cry as far back as 2011," 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 ₱85.8 billion for the first nine (9) months of 2014 were slightly behind the ₱86.4 billion recognized in the same period last year, reflecting the pressure on SMS and inbound international revenues.

Postpaid revenues now account for 20% of total cellular revenues, having grown 14% to ₱15.8 billion at the end of September 2014.

The PLDT Group's total cellular subscriber base at the end of September 2014 stood at 69.0 million, broken down as follows: Smart had 25.7 million subscribers under its mainstream *Smart* brands; value brand *Talk 'N Text* ended with 27.8 million subscribers; and there were 15.5 million *Sun Cellular* subscribers.

The Group's combined postpaid cellular subscriber base grew by over 278,000 from the end of 2013, rising to just under 2.7 million at the end of the period, while the combined prepaid base stood at 66.4 million.

Fixed Line

Fixed line service revenues for the first nine (9) months of 2014, net of interconnection costs, increased to ₱42.3 billion, or 6%, from ₱40.0 billion in the same period last year. PLDT data and fixed broadband revenues, representing 53% of total fixed line revenues, continued to grow on the back of a 12% increase in fixed broadband revenues, an 8% rise in corporate data and other network services, and a 20% increase in data center revenues. Combined ILD and NLD businesses of PLDT, representing 14% of fixed line revenues, declined by 6%. Fixed domestic voice revenues, which now only accounts for 29% of total fixed line revenues, were higher by 1% at ₱12.4 billion.

The fixed line subscriber base reached about 2.2 million at the end of September 2014, about 48% of whom have fixed broadband subscriptions.

"Competition has been escalating on all fronts and we have responded to protect market share. In addition, we are fast tracking our data capacity build-out due to the positive response to our free Internet promo as well as our TD-LTE build-out to meet increasing fixed wireless data demand. In light of the market's continued appetite for data services, we expect higher capex levels for 2014 and 2015," declared **Nazareno**.

Conclusion

"Our third quarter results reflect intensifying competition in the cellular space of our business, to which we have taken measures to respond to competition and stabilize our share of market. *Smart, Sun and Talk 'N Text* undertook to match or neutralize price aggression on the prepaid front, effectively lowering price points for the same level of activity. This overall "discounting" of the market, coupled with the continued decline in inbound international business, weakened service revenues. Furthermore, in order to increase and monetize data usage, we supported the rise in smartphone penetration which however presents a double-edged situation – even as mobile Internet revenues continue their double-digit growth rate, SMS usage continues to be adversely affected by the spreading popularity of messaging apps. We also saw an increase in cash operating expenses, mainly from higher than expected rent and utility costs and higher cellular product subsidies, which taken with the lower wireless revenues, resulted in reduced EBITDA and profits for the quarter.

In contrast, our Fixed Line business continues to grow and remain strong – with higher revenues and EBITDA.

We expect competition to remain keen in the fourth quarter of the year, and possibly beyond 2014 as well. Based on this market assessment and on information currently available to the Company, PLDT is revising its profit guidance for the full year to ₱37.0 billion, from the ₱39.5 billion previously disclosed," concluded **Manuel V. Pangilinan, PLDT Chairman**.

PLDT Consolidated

	Nine months ended September 30			Three months ended September 30		
	2014	2013	% Change	2014	2013	% Change
	(unaudited)			(unaudited)		
Service revenues	<u>122,910</u>	<u>121,604</u>	<u>1%</u>	<u>40,380</u>	<u>40,567</u>	<u>-</u>
Total revenues	127,270	124,585	2%	41,842	41,584	1%
Expenses	93,506	89,218	5%	30,991	30,113	3%
Income before income tax	36,703	33,197	11%	10,467	10,659	(2%)
Provision for income tax	8,766	6,271	40%	2,531	1,594	59%
Net income - attributable to equity holders of PLDT	<u>27,957</u>	<u>28,954</u>	<u>(3%)</u>	<u>7,934</u>	<u>9,247</u>	<u>(14%)</u>
Continuing Operations	27,957	26,885	4%	7,934	9,041	(12%)
Discontinued Operations	-	2,069	(100%)	-	206	(100%)
Core net income ^(a)	<u>28,561</u>	<u>28,786</u>	<u>(1%)</u>	<u>8,727</u>	<u>9,391</u>	<u>(7%)</u>
Continuing Operations	28,561	28,885	(1%)	8,727	9,391	(7%)
Discontinued Operations	-	(99)	100%	-	-	-
EPS (based on net income - attributable to equity holders of PLDT)						
EPS, Basic	129.19	133.81	(3%)	36.65	42.72	(14%)
EPS, Diluted	129.19	133.81	(3%)	36.65	42.72	(14%)
EPS (based on Core Net Income)						
EPS, Basic	131.99	133.03	(1%)	40.33	43.39	(7%)
EPS, Diluted	131.99	133.03	(1%)	40.33	43.39	(7%)

^(a) 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
(in million pesos)

	As at September 30,	As at December 31,
	2014	2013
	(Unaudited)	(Audited)
<u>ASSETS</u>		
Noncurrent Assets		
Property, plant and equipment	186,988	192,665
Investments in associates, joint ventures and deposits	44,135	41,310
Available-for-sale financial investments	19,804	220
Investment in debt securities and other long-term investments – net of current portion	2,639	2,643
Investment properties	1,814	1,222
Goodwill and intangible assets	73,095	73,918
Deferred income tax assets – net	15,350	14,181
Derivative financial assets	178	24
Prepayments – net of current portion	2,922	3,031
Advances and other noncurrent assets – net of current portion	4,981	2,761
Total Noncurrent Assets	351,906	331,975
Current Assets		
Cash and cash equivalents	23,694	31,905
Short-term investments	640	718
Trade and other receivables	21,787	17,564
Inventories and supplies	3,389	3,164
Derivative financial assets	–	10
Current portion of investment in debt securities and other long-term investments	371	–
Current portion of prepayments	6,141	6,054
Current portion of advances and other noncurrent assets	8,209	8,248
Total Current Assets	64,231	67,663
TOTAL ASSETS	416,137	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	130,522	130,562
Retained earnings	10,910	22,968
Other comprehensive income	(14,103)	(11,481)
Total Equity Attributable to Equity Holders of PLDT	122,427	137,147
Noncontrolling interests	326	179
TOTAL EQUITY	122,753	137,326
Noncurrent Liabilities		
Interest-bearing financial liabilities – net of current portion	117,930	88,930
Deferred income tax liabilities – net	4,400	4,437
Derivative financial liabilities	1,503	1,869
Customers' deposits	2,480	2,545

Pension and other employee benefits	11,555	13,439
Deferred credits and other noncurrent liabilities	19,710	22,045
Total Noncurrent Liabilities	157,578	133,265
Current Liabilities		
Accounts payable	32,288	34,882
Accrued expenses and other current liabilities	83,769	74,256
Current portion of interest-bearing financial liabilities	14,779	15,171
Provision for claims and assessments	897	897
Dividends payable	1,065	932
Derivative financial liabilities	209	105
Income tax payable	2,799	2,804
Total Current Liabilities	135,806	129,047
TOTAL LIABILITIES	293,384	262,312
TOTAL EQUITY AND LIABILITIES	416,137	399,638

PHILIPPINE LONG DISTANCE TELEPHONE COMPANY AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS

For the Nine Months and Three Months Ended September 30, 2014 and 2013
(in million pesos, except earnings per common share amounts which are in pesos)

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2014	2013	2014	2013
	(Unaudited)			
REVENUES				
Service revenues	122,910	121,604	40,380	40,567
Non-service revenues	4,360	2,981	1,462	1,017
	127,270	124,585	41,842	41,584
EXPENSES				
Depreciation and amortization	21,897	22,180	7,407	7,648
Compensation and employee benefits	15,777	16,307	5,334	5,449
Repairs and maintenance	10,952	9,524	3,841	2,990
Cost of sales	10,180	8,532	3,255	2,994
Selling and promotions	7,905	6,598	2,977	2,313
Interconnection costs	7,866	7,865	2,589	2,509
Professional and other contracted services	4,824	4,544	1,441	1,712
Rent	4,754	4,224	1,511	1,373
Taxes and licenses	2,485	2,625	538	884
Asset impairment	1,816	2,120	395	729
Communication, training and travel	1,724	1,570	589	507
Insurance and security services	1,360	1,252	454	409
Amortization of intangible assets	862	736	288	283
Other expenses	1,104	1,141	372	313
	93,506	89,218	30,991	30,113
	33,764	35,367	10,851	11,471
OTHER INCOME (EXPENSES)				
Equity share in net earnings of associates and joint ventures	2,687	2,308	604	803
Interest income	567	680	172	195
Gains on derivative financial instruments – net	13	492	177	44
Foreign exchange losses – net	(741)	(2,004)	(1,200)	(82)
Financing costs – net	(3,855)	(5,245)	(1,357)	(1,918)
Other income – net	4,268	1,599	1,220	146
	2,939	(2,170)	(384)	(812)
INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS	36,703	33,197	10,467	10,659
PROVISION FOR INCOME TAX	8,766	6,271	2,531	1,594
NET INCOME FROM CONTINUING OPERATIONS	27,937	26,926	7,936	9,065
NET INCOME FROM DISCONTINUED OPERATIONS	–	2,069	–	206

NET INCOME	27,937	28,995	7,936	9,271
ATTRIBUTABLE TO:				
Equity holders of PLDT	27,957	28,954	7,934	9,247
Noncontrolling interests	(20)	41	2	24
	27,937	28,995	7,936	9,271
Earnings Per Share Attributable to Common Equity Holders of PLDT				
Basic	129.19	133.81	36.65	42.72
Diluted	129.19	133.81	36.65	42.72
Earnings Per Share from Continuing Operations Attributable to Common Equity Holders of PLDT				
Basic	129.19	124.23	36.65	41.76
Diluted	129.19	124.23	36.65	41.76

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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