

# COVER SHEET

# A

SEC Registration Number

0 0 0 0 0 1 1 1 6 3

**COMPANY NAME**

PHILCOMSAT HOLDINGS CORPORATION AND SUB  
SIDIARIES

**PRINCIPAL OFFICE** (No./Street/Barangay/City/Town/Province)

12th Floor, Telecom Plaza Building, 316  
Sen. Gil Puyat Avenue, Makati City

Form Type

**AMENDED**

17 - Q

Department requiring the report

CRMD

Secondary License Type, If Applicable

N/A

## COMPANY INFORMATION

Company's Email Address

postmaster@phc.com.ph

Company's Telephone Number/s

(02)815-8406

Mobile Number

(02)816-2517

No. of Stockholders

1,176

Annual Meeting (Month / Day)

3rd Monday of November

Fiscal Year (Month / Day)

December 31

## CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Ms. Erlinda I. Bildner

Email Address

N/A

Telephone Number/s

(02)815-8406

Mobile Number

(02)815-2517

## CONTACT PERSON'S ADDRESS

12th Floor, Telecom Plaza Building, 316 Sen. Gil Puyat Avenue, Makati City

**NOTE 1:** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

**2:** All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt shall not excuse the corporation from liability for its deficiencies.

# PHILCOMSAT HOLDINGS CORPORATION

12F Telecom Plaza Bldg., Sen. Gil Puyat Ave. 1200 City of Makati, Manila, Philippines  
Tel. No., 815-8406 ; Fax No. : 816-2517

16 May 2016

**SECURITIES AND EXCHANGE COMMISSION**  
SEC Building, EDSA, Greenhills  
Mandaluyong City

**Gentlemen:**

We transmit herewith a copy of the Amended SEC Form 17-Q of our Corporation for the period ending 31 March 2016.

The amendment includes a correction of the clerical error on page 3 that indicates that the submission is for the quarterly period ended March 31, 2016 and the inclusion of page 16-A that was inadvertently omitted.

Thank you.

Very truly yours,

  
**JOHN BENEDICT L. SIOSON**  
Assistant Corporate Secretary

**PHILCOMSAT HOLDINGS CORPORATION AND SUBSIDIARIES**  
 FOR THE QUARTERS ENDED OF MARCH 31, 2016 AND 2015

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## SECURITIES AND EXCHANGE COMMISSION

### SEC FORM 17-Q

#### QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

#### GENERAL INSTRUCTIONS

##### **(a) Use of Form 17-Q**

This SEC Form 17-Q shall be used for quarterly reports under Section 17 of the Code, filed pursuant to paragraph (2)(b) of SRC Rule 17 thereunder and shall be filed within 45 calendar days after the end of each of the first three fiscal quarters of each fiscal year. The first quarterly report of the issuer shall be filed either within 45 calendar days after the effective date of the registration statement or on or before the date on which such report would have been required to be filed if the issuer had been required previously to file reports on SEC Form 17-Q, whichever is later. No report need be filed for the fourth quarter of any fiscal year.

##### **(b) Application of SRC Rule 72.1: Requirements for Filing Forms**

SRC Rule 72.1 contains general rules and regulations which are applicable to reports on forms to be filed with the Commission. SRC Rule 68 contains requirements for the content of financial statements to be filed with the Commission as part of this report. These Rules should be carefully read and observed in the preparation and filing of reports on this Form.

##### **(c) Preparation of Report**

(1) This is not a blank form to be filled in. It is a guide to be used in preparing the report in accordance with SRC Rule 72.1. The Commission does not furnish blank copies of this Form to be filled in for filing.

(2) These general instructions are not to be filed with the report. The instructions to the various captions of the form are also to be omitted from the report as filed. The report shall contain the numbers and captions of all applicable items, but the text of such items may be omitted, provided the answers thereto are prepared in the manner specified in SRC Rule 72.1. All items that are not required to be answered in a particular report may be omitted and no reference thereto need be made in the report. All instructions should also be omitted.

##### **(d) Incorporation by Reference**

In accordance with the provisions of SRC Rule 12-2, if the issuer makes available to its stockholders or otherwise publishes, within the period prescribed for filing the report, a document or statement containing information meeting some or all of the requirements of Part I of this Form, the information called for may be incorporated by reference from such published document or statement, in answer or partial answer to any item or items of Part I of this Form, provided copies thereof are filed as an exhibit to Part I, and all information called for in this Form is supplied.

##### **(e) Integrated Reports to Security Holders**

Quarterly reports to security holders may be combined with the required information of Form 17-Q and will be suitable for filing with the Commission if the combined report contains full and complete answers to all items required by this Form. When responses to a certain item of required disclosure are separated within the combined report, an appropriate cross-reference should be made.

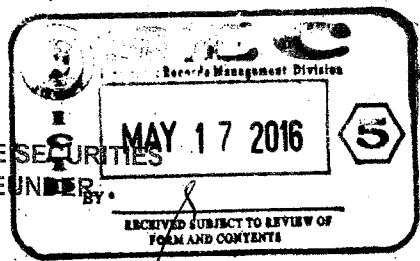
**(f) Signature and Filing of Report**

(1) Five complete copies of the report, including any financial statements, exhibit or other paper or document filed as a part thereof shall be filed with the Commission. At least one complete copy of the report, including any financial statements, exhibit or other paper or document filed as a part thereof, shall, if any class of the issuer's securities are listed in a stock exchange, be filed with that Exchange.

(2) At least one complete copy of the report filed with the Commission and, when applicable, one copy filed with the Exchange shall be manually signed on the issuer's behalf by a duly authorized officer of the issuer and by the principal financial or chief accounting officer of the issuer. Copies not manually signed shall bear typed or printed signatures. In the case where the principal financial officer or chief accounting officer is also duly authorized to sign on behalf of the issuer, one signature is acceptable provided the issuer clearly indicates the dual responsibilities of the signatory. See also paragraph (2) and (3) of SRC Rule 72.1 concerning copies, binding, signatures, paper, printing, language, and pagination.

## SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES  
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER.

1. For the quarterly period ended March 31, 2016
2. Commission identification number 11163
3. BIR Tax Identification No. 000-471-497-000
4. Exact name of issuer as specified in its charter

PHILCOMSAT HOLDINGS CORPORATION

5. Province, country or other jurisdiction of incorporation or organization Philippines
6. Industry Classification Code:  (SEC Use Only)
7. Address of issuer's principal office 316 Sen. Gil Puyat Avenue, Makati City Postal Code 1200
8. Issuer's telephone number, including area code (632) 815 9556
9. Former name, former address and former fiscal year, if changed since last report Not Applicable
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of Each Class

Number of Shares of Common  
Stock Outstanding and Amount  
of Debt Outstanding

Common Shares 996,391,254

11. Are any or all of the securities listed on a Stock Exchange?

Yes  No

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange

Common Shares

12. Indicate by check mark whether the registrant:

- (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes  No

- (b) has been subject to such filing requirements for the past ninety (90) days.

Yes  No

#### **PART I--FINANCIAL INFORMATION**

##### **Item 1. Financial Statements.**

Financial Statements and, if applicable, Pro Forma Financial Statements meeting the requirements of SRC Rule 68, Form and Content of Financial Statements, shall be furnished as specified therein.

##### **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

Furnish the information required by Part III, Paragraph (A)(2)(b) of "Annex C".

#### **PART II--OTHER INFORMATION**

The issuer may, at its option, report under this item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such information or in a subsequent report on Form 17-Q.

#### **SIGNATURES**

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer.....PHILCOMSAT HOLDINGS CORPORATION



ERLINDA I. BILDNER  
Treasurer & CFO

## **BUSINESS OVERVIEW**

Philcomsat Holdings Corporation, formerly Liberty Mines, Inc. was incorporated on May 10, 1956. On January 10, 1997, the Corporation approved amendments of its Articles of Incorporation, changing its primary purpose from embarking in the discovery, exploration, development and exploration of mineral oils, petroleum in its natural state, rock or carbon oils and other volatile mineral substances to a holding company and changing its name and declassifying its shares. These changes were filed with the Securities and Exchange Commission (SEC) on April 14, 1997, respectively. The authorized capital of the Corporation is One Billion Pesos (P1,000,000,000) divided into one billion (1,000,000,000) common shares with a par value of P1.00 per share. Of the total authorized capital stock, sixty million (60,000,000) shares are listed at the Philippine Stock Exchange (PSE).

**PHILCOMSAT HOLDINGS CORPORATION**  
 (A Subsidiary of Philippine Communications Satellite Corporation)

**AND SUBSIDIARIES**

**INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

|   | Note | March 31              |                     | December 31,      |  |
|---|------|-----------------------|---------------------|-------------------|--|
|   |      | 2016<br>(Unaudited)   | 2015<br>(Unaudited) | 2015<br>(Audited) |  |
| <b>ASSETS</b>   |      |                       |                     |                   |  |
| <b>Current Assets</b>                                       |      |                       |                     |                   |  |
| Cash and cash equivalents                                   | 4    | ₱637,330,514          | ₱115,284,105        | ₱245,123,206      |  |
| Short-term investments                                      | 5    | 42,565,341            | 104,128,613         | 42,193,855        |  |
| Receivables - current                                       | 6    | 37,895,810            | 141,989,456         | 171,094,311       |  |
| Other current assets  | 7    | 578,303               | 3,332,946           | 4,432,646         |  |
| <b>Total Current Assets</b>                                 |      | <b>718,369,968</b>    | 364,735,120         | 462,844,018       |  |
| <b>Noncurrent Assets</b>                                    |      |                       |                     |                   |  |
| Receivables - noncurrent                                    | 6    | 39,000,000            | 39,000,000          | 39,000,000        |  |
| Available for sale (AFS) financial assets                   | 8    | 303,655,003           | 403,842,496         | 298,017,037       |  |
| Investment property   | 9    | 111,206,422           | 740,184             | 112,286,096       |  |
| Property and equipment                                      | 10   | 115,359               | 115,525,118         | 123,952           |  |
| Goodwill  | 11   | 1,319,429             | 2,570,346           | 1,319,429         |  |
| Deferred tax assets   | 20   | 277,417               | 161,837             | 1,121,368         |  |
| Other noncurrent assets                                     | 12   | -                     | 12,272,727          | 5,518,139         |  |
| <b>Total Noncurrent Assets</b>                              |      | <b>455,573,630</b>    | 574,112,708         | 457,386,021       |  |
|   |      | <b>₱1,173,943,598</b> | ₱938,847,828        | ₱920,230,039      |  |
| <b>LIABILITIES AND EQUITY</b>                               |      |                       |                     |                   |  |
| <b>Current Liabilities</b>                                  |      |                       |                     |                   |  |
| Trade and other payables                                    | 13   | ₱17,048,135           | ₱677,592            | ₱1,065,503        |  |
| Customers' deposits   |      | 1,237,874             | 1,237,874           | 1,237,874         |  |
| Income tax payable  |      | 19,114,298            | -                   | -                 |  |
| <b>Total Current Liabilities</b>                            |      | <b>37,400,307</b>     | 1,915,466           | 2,303,377         |  |
| <b>Noncurrent Liabilities</b>                               |      |                       |                     |                   |  |
| Deposit for future stock subscription                       |      | 18,894,000            | 18,894,000          | 18,894,000        |  |
| Net deferred tax liability                                  | 20   | 205,225               | 409,249             | 236,666           |  |
| <b>Total Noncurrent Liabilities</b>                         |      | <b>19,099,225</b>     | 19,303,249          | 19,130,666        |  |
| <b>Equity</b>   |      |                       |                     |                   |  |
| Capital stock   |      | 996,391,254           | 996,391,254         | 996,391,254       |  |
| Retained earnings (Deficit)                                 |      | 113,922,744           | 21,843,508          | (100,258,978)     |  |
| Net unrealized gain on AFS financial assets                 |      | 7,130,068             | (101,372,901)       | 2,663,720         |  |
| Equity attributable to equity holders of the Parent Company |      | 1,117,444,066         | 916,861,861         | 898,795,996       |  |
| Non-controlling interest                                    |      | -                     | 767,252             | -                 |  |
| <b>Total Equity</b>   |      | <b>1,117,444,066</b>  | 917,629,113         | 898,795,996       |  |
|   |      | <b>₱1,173,943,598</b> | ₱938,847,828        | ₱920,230,039      |  |

*See accompanying Notes to Interim Consolidated Financial Statements.*

**PHILCOMSAT HOLDINGS CORPORATION**  
 (A Subsidiary of Philippine Communications Satellite Corporation)  
 AND SUBSIDIARIES

**INTERIM CONSOLIDATED STATEMENTS OF INCOME**  
 FOR THE QUARTERS ENDED MARCH 31, 2016 AND 2015

|  | Note | 2016<br>(Unaudited) | 2015<br>(Unaudited) |
|--|------|---------------------|---------------------|
| <b>REVENUE</b>                                 | 14   | <b>₱188,485,930</b> | ₱7,268,176          |
| <b>COST OF SERVICES</b>                        | 15   | <b>(61,472,489)</b> | (498,944)           |
| <b>GROSS PROFIT</b>                            |      | <b>127,013,441</b>  | 6,769,232           |
| <b>GENERAL AND ADMINISTRATIVE EXPENSES</b>     | 16   | <b>(11,950,915)</b> | (7,345,382)         |
| <b>OTHER INCOME – Net</b>                      | 17   | <b>121,315,277</b>  | 86                  |
| <b>INCOME (LOSS) BEFORE INCOME TAX</b>         |      | <b>236,377,803</b>  | (576,064)           |
| <b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b> | 20   |                     |                     |
| Current  |      | <b>22,234,797</b>   | 47,520              |
| Deferred                                       |      | <b>(38,716)</b>     | –                   |
|  |      | <b>22,196,081</b>   | 47,520              |
| <b>NET INCOME (LOSS)</b>                       |      | <b>₱214,181,722</b> | (₱623,584)          |
| <b>NET INCOME (LOSS) ATTRIBUTABLE TO:</b>      |      |                     |                     |
| Equity holders of the Parent Company           |      | <b>₱214,181,722</b> | (₱633,915)          |
| Non-controlling interest                       |      | –                   | 10,331              |
|  |      | <b>₱214,181,722</b> | (₱623,584)          |
| <b>BASIC/DILUTED EARNINGS (LOSS) PER SHARE</b> |      | <b>₱0.2150</b>      | (₱0.0006)           |

*See accompanying Notes to Interim Consolidated Financial Statements.*

**PHILCOMSAT HOLDINGS CORPORATION**  
 (A Subsidiary of Philippine Communications Satellite Corporation)  
**AND SUBSIDIARIES**

**INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE QUARTERS ENDED MARCH 31, 2016 AND 2015**

|  | 2016<br>(Unaudited) | 2015<br>(Unaudited) |
|--|---------------------|---------------------|
| <b>NET INCOME (LOSS)</b>                               | <b>₱214,181,722</b> | <b>(₱623,584)</b>   |
| <b>OTHER COMPREHENSIVE INCOME</b>                      |                     |                     |
| <i>Item that may be reclassified to profit or loss</i> |                     |                     |
| Unrealized gain on AFS financial assets                | 4,466,348           | 11,419,539          |
| <b>TOTAL COMPREHENSIVE INCOME</b>                      | <b>₱218,648,070</b> | <b>₱10,795,955</b>  |
| <b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>     |                     |                     |
| Equity holders of the Parent Company                   | ₱218,648,070        | ₱10,785,624         |
| Non-controlling interest                               | -                   | 10,331              |
|  | <b>₱218,648,070</b> | <b>₱10,795,955</b>  |

*See accompanying Notes to Interim Consolidated Financial Statements.*

**PHILCOMSAT HOLDINGS CORPORATION**  
 (A Subsidiary of Philippine Communications Satellite Corporation)  
**AND SUBSIDIARIES**

**INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE QUARTERS ENDED MARCH 31, 2016 AND 2015**

|   | 2016<br>(Unaudited)   | 2015<br>(Unaudited) |
|---|-----------------------|---------------------|
| <b>CAPITAL STOCK - ₱1 par value</b>                       |                       |                     |
| Authorized - 1,000,000,000 shares                         |                       |                     |
| Issued - 996,391,254 shares                               | ₱996,391,254          | ₱996,391,254        |
| <b>RETAINED EARNINGS (DEFICIT)</b>                        |                       |                     |
| Balance at beginning of quarter                           | (100,258,978)         | (100,738,986)       |
| Net income (loss)   | 214,181,722           | (633,915)           |
| Balance at end of quarter                                 | 113,922,744           | (101,372,901)       |
| <b>CUMULATIVE UNREALIZED GAIN ON AFS FINANCIAL ASSETS</b> |                       |                     |
| Balance at beginning of quarter                           | 2,663,720             | 13,008,240          |
| Unrealized gain   | 4,466,348             | 11,419,539          |
| Reversal of fair value changes of AFS sold                | -                     | (2,584,271)         |
| Balance at end of quarter                                 | 7,130,068             | 21,843,508          |
| <b>NON-CONTROLLING INTEREST</b>                           |                       |                     |
| Balance at beginning of quarter                           | -                     | 756,921             |
| Share in net income                                       | -                     | 10,331              |
| Balance at end of quarter                                 | -                     | 767,252             |
|   | <b>₱1,117,444,066</b> | <b>₱917,629,113</b> |

*See accompanying Notes to Interim Consolidated Financial Statements.*

**PHILCOMSAT HOLDINGS CORPORATION**  
 (A Subsidiary of Philippine Communications Satellite Corporation)  
 AND SUBSIDIARIES

**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
 FOR THE QUARTERS ENDED MARCH 31, 2016 AND 2015

|   | Note | 2016<br>(Unaudited) | 2015<br>(Unaudited) |
|---|------|---------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                 |      |                     |                     |
| Income (loss) before income tax                             |      | ₱236,377,803        | (₱576,064)          |
| Adjustments for:  |      |                     |                     |
| Reversal of allowance for impairment of receivables         | 6    | (125,000,000)       | —                   |
| Provision for impairment of input VAT                       |      | 2,218,578           | —                   |
| Write-off of time deposit with BPI                          |      | 1,458,225           | —                   |
| Depreciation and amortization                               | 9    | 1,093,501           | 1,108,554           |
| Gain on sale of AFS financial assets                        | 8    | (44,131)            | (2,428,325)         |
| Unrealized loss on financial assets at FVPL                 |      | 7,920               | —                   |
| Operating income (loss) before working capital changes      |      | 116,111,896         | (1,895,835)         |
| Decrease (increase) in:                                     |      |                     |                     |
| Receivables   |      | 143,232,403         | (47,460,015)        |
| Other current assets  |      | 5,687,759           | 247,956             |
| Other noncurrent assets                                     |      | —                   | (242,696)           |
| Increase (decrease) in trade and other payables             |      | 15,982,632          | (491,258)           |
| Net cash provided by (used for) operations                  |      | 281,014,690         | (49,841,848)        |
| Income tax paid   |      | (2,269,272)         | —                   |
| Net cash provided by (used in) operating activities         |      | 278,745,418         | (49,841,848)        |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                 |      |                     |                     |
| Decrease in due from related parties                        | 18   | 114,966,097         | —                   |
| Proceeds from sale and retirement of AFS financial assets   |      |                     |                     |
| Acquisitions of:  |      |                     |                     |
| AFS financial assets  |      | (11,450,000)        | (100,435,674)       |
| Short-term investments                                      |      | (371,486)           | —                   |
| Property and equipment                                      |      | (5,234)             | —                   |
| Notes and loans   |      | —                   | (5,000,000)         |
| Net cash provided by (used in) investing activities         |      | 113,461,890         | (53,993,005)        |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b> |      |                     |                     |
|   |      | 392,207,308         | (103,834,853)       |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF QUARTER</b>    |      |                     |                     |
|   |      | 245,123,206         | 219,118,958         |
| <b>CASH AND CASH EQUIVALENTS AT END OF QUARTER</b>          |      |                     |                     |
|   |      | ₱637,330,514        | ₱115,284,105        |

See accompanying Notes to Interim Consolidated Financial Statements.

**PHILCOMSAT HOLDINGS CORPORATION**  
(A Subsidiary of Philippine Communications Satellite Corporation)  
**AND SUBSIDIARIES**

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT MARCH 31, 2016 AND DECEMBER 31, 2015**  
**AND FOR THE QUARTERS ENDED MARCH 31, 2016 AND 2015**

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**1. Corporate Information**

**General Information**

Philcomsat Holdings Corporation (the Parent Company) was incorporated on May 10, 1956 with the primary purpose of embarking in the discovery, exploration, development and exploitation of mineral oils, petroleum in its natural state, rock or carbon oils and other volatile mineral substance and with secondary purpose of engaging in the business of mining in general. The Company ceased oil and mining operations in 1992.

On July 23, 1997, the Securities and Exchange Commission (SEC) approved the amended Articles of Incorporation of the Company consisting of a) change in its primary purpose from a mining company to a holding company and revision of its secondary purpose clauses; and b) change of the corporate name from Liberty Mines, Inc. to Philcomsat Holdings Corporation. On May 9, 2006, the SEC approved the extension of corporate life for another fifty (50) years.

The Parent Company started operations as a holding company on January 1, 2000. Its operations consist primarily of leasing its condominium unit and its motor vehicles in connection with the company-financed car assistance program provided by Philcomsat for its officers and directors. The Company also derives income from money market placements and bank deposits.

The Parent Company is 79.65% owned by Philippine Communications Satellite Corporation (Philcomsat), a company incorporated in the Philippines. The ultimate holding company is Philippine Overseas Telecommunications Corporation (POTC), a company also incorporated in the Philippines.

The Parent Company and all subsidiaries (collectively referred to as "the Group") were incorporated in the Philippines. The following are the subsidiaries and the respective percentages of ownership and principal activities as at March 31, 2016 and December 31, 2015:

|   | Principal Activities  | Percentage of Ownership |          |
|---|-----------------------|-------------------------|----------|
|   |                       | Direct                  | Indirect |
| Philcomsat Management Enterprises Inc. (PMEI) | Management services   | 100.00                  | —        |
| Professional Stock Transfer Inc. (PSTI)       | Stock transfer agency | —                       | 100.00   |

The registered address of the Parent Company is at 12th floor, Telecom Plaza Building, 316 Sen. Gil Puyat Avenue, Makati City. The Company does not have any regular employees.

#### Listing of Shares in PSE

The Parent Company's original 60 million shares are listed and traded in the Philippine Stock Exchange (PSE). The remaining 940 million shares were registered with SEC on August 31, 2000 but deemed abandoned for listing by the PSE on August 31, 2001. Any reapplication filed by the Company for the unlisted shares shall be treated as new application.

On May 3, 2007, the PSE suspended the trading of PHC's shares pending compliance with certain structured reportorial requirements. On December 3, 2008, the SEC ordered the suspension of the Parent Company's registration of securities from the date of the receipt of the Order until the Parent Company is able to submit the reportorial requirements and fully pay the corresponding penalties.

On April 1, 2014, the Parent Company, through its legal counsel, submitted to the SEC a letter of request for the lifting of the order of suspension on the trading of the Parent Company's shares and for a compromise on the payment of penalties on certain grounds. The SEC, on December 29, 2015, finally decided to lift the order of suspension of the registration of the 60 million listed shares and to direct the Parent Company to file an updated Registration Statement considering the extended time since its shares were last traded.

As at the date of the report, the Parent Company is still in the process of preparing the updated Registration Statement.

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## **2. Basis of Preparation and Statement of Compliance**

#### Basis of Preparation

The unaudited interim consolidated financial statements of the Group have been prepared on a historical cost basis, except for AFS financial assets and financial assets through FVPL, which are carried at fair value. The unaudited interim consolidated financial statements are presented in Philippine Peso (Peso) which is the Group's functional and presentation currency. All values are rounded to the nearest Peso except as otherwise indicated.

The unaudited interim consolidated financial statements have been prepared using the same accounting policies and methods of computation as compared with the Group's annual consolidated financial statements. Furthermore, the unaudited interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements.

#### Statement of Compliance

The unaudited interim consolidated financial statements of the Group have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting* and in compliance with the Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council (FRSC) and adopted by the SEC, including SEC pronouncements. This financial reporting framework includes PFRS, PAS and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC).

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### 3. Summary of Changes in PFRS

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#### Adoption of New and Revised PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and revised PFRS which the Company adopted effective for annual periods beginning on or after January 1, 2015:

- Amendment to PAS 24, *Related Party Disclosures - Key Management Personnel* - The amendment clarified how payments to entities providing key management personnel services are to be disclosed.
- Amendment to PAS 40, *Investment Property - Clarifying the Interrelationship between PFRS 3, Business Combination, and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property* - The amendment clarified the application of PFRS 3 and PAS 40 in respect of acquisitions of investment property. PAS 40 assists preparers to distinguish between investment property and owner-occupied property and PFRS 3 determines whether the acquisition of an investment property is a business combination.
- Amendment to PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets* - The amendment required the disclosure of judgments made by management in applying the aggregation criteria to operating segments, and clarifies that reconciliations of the total of the reportable segments' assets to the entity's assets are required only if the segment assets are reported regularly.
- Amendment to PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables and Portfolio Exception* - The amendment clarified that the portfolio exception in PFRS 13 - allowing an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis - applies to all contracts (including non-financial) within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* or PFRS 9, *Financial Instruments*.

The adoption of the foregoing new and revised PFRS did not have any material effect on the unaudited interim consolidated financial statements. Additional disclosures have been included in the notes to unaudited interim consolidated financial statements, as applicable.

#### New and Revised PFRS Not Yet Adopted

Relevant new and revised PFRS which are not yet effective for the year ending December 31, 2015 and have not been applied in preparing the unaudited interim consolidated financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2016:

- Amendments to PAS 1, *Presentation of Financial Statements* - The amendments clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

- Amendments to PAS 16, *Property, Plant and Equipment – Clarification of Acceptable Methods of Depreciation*, and PAS 38, *Intangible Assets – Clarification of Acceptable Methods of Amortisation* – The amendments add guidance and clarify that (i) the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, and (ii) revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset; however, this presumption can be rebutted in certain limited circumstances.
- Amendment to PFRS 7, *Financial Instruments: Disclosures* - The amendment adds guidance to clarify whether a servicing contract is continuing involvement in a transferred asset.
- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* – The amendments address a current conflict between the two standards and clarify that gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business.
- Amendments to PFRS 10, IFRS 12, *Disclosure of Interests in Other Entities*, and PAS 28 - *Investment Entities: Applying the Consolidation Exception* – The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

Effective for annual periods beginning on or after January 1, 2018:

- PFRS 9, *Financial Instruments* – This standard will replace PAS 39 (and all the previous versions of IFRS 9). It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition.
- PFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.

For financial liabilities, the most significant effect of IFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

For the impairment of financial assets, IFRS 9 introduces an “expected credit loss” model based on the concept of providing for expected losses at inception of a contract; it will no longer be necessary for there to be objective evidence of impairment before a credit loss is recognized.

For hedge accounting, PFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

The derecognition provisions are carried over almost unchanged from PAS 39.

Under prevailing circumstances, the adoption of the foregoing new and revised PFRS is not expected to have any material effect on the unaudited interim consolidated financial statements of the Group except for PFRS 9. Additional disclosures will be included in the unaudited interim consolidated financial statements, as applicable.

#### 4. Cash and Cash Equivalents

This account consists of:

|                  | March 31,<br>2016<br>(Unaudited) | December 31,<br>2015<br>(Audited) |
|------------------|----------------------------------|-----------------------------------|
| Cash on hand     | ₱15,000                          | ₱15,000                           |
| Cash in banks    | 379,381,498                      | 9,557,547                         |
| Cash equivalents | 257,934,016                      | 235,550,659                       |
|                  | <b>₱637,330,514</b>              | <b>₱245,123,206</b>               |

Cash in banks earn interest at the prevailing bank deposit rates.

Cash equivalents pertain to special savings and time deposits, with maturity of varying periods of up to three months depending on the immediate cash requirements of the Group, and earn interest at the prevailing special savings and time deposits rates.

Interest income earned from cash in banks and cash equivalents amounted to ₱1.6 million and ₱0.5 million for the quarters ended March 31, 2016 and 2015, respectively.

Interest income included in revenue (see Note 15) as shown in the interim consolidated statements of comprehensive income is earned from the following:

|                           | Note | 2016<br>(Unaudited) | 2015<br>(Unaudited) |
|---------------------------|------|---------------------|---------------------|
| Cash and cash equivalents |      | ₱1,628,125          | ₱506,003            |
| Short-term investments    | 5    | 152,196             | 609,427             |
| Receivables               | 6    | 184,719,427         | 887,406             |
| AFS financial assets      | 8    | 774,506             | 1,103,904           |
|                           |      | <b>₱187,274,254</b> | <b>₱3,106,740</b>   |

#### 5. Short-term Investments

This account amounting to ₱42.6 million and ₱42.2 million as at March 31, 2016 and December 31, 2015, respectively, pertains to time deposits with term of more than three months to one year and earns interest at the prevailing time deposit rates.

Interest income earned from short-term investments amounted to ₱0.2 million and ₱0.6 million for the quarters ended March 31, 2016 and 2015, respectively (see Note 4).

## 6. Receivables

This account consists of:

|   | Note | March 31,<br>2016<br>(Unaudited) | December 31,<br>2015<br>(Audited) |
|---|------|----------------------------------|-----------------------------------|
| Trade                                       |      | ₱1,179,820                       | ₱1,080,467                        |
| Notes and loans                             |      | 39,000,000                       | 164,000,000                       |
| Due from related parties                    | 18   | 32,039,931                       | 147,006,028                       |
| Interest receivable                         |      | 1,687,917                        | 1,687,917                         |
| Dividend receivable                         |      | 299,091                          | 299,091                           |
| Others                                      |      | 2,747,051                        | 21,078,808                        |
| <b>Less allowance for doubtful accounts</b> |      | <b>76,953,810</b>                | <b>335,152,311</b>                |
|   |      | (58,000)                         | (125,058,000)                     |
| <b>Less noncurrent portion</b>              |      | <b>76,895,810</b>                | <b>210,094,311</b>                |
| <b>Current portion of receivables</b>       |      | <b>₱37,895,810</b>               | <b>₱171,094,311</b>               |

Movements in the allowance for doubtful accounts are summarized below:

|                                | March 31,<br>2016<br>(Unaudited) | December 31,<br>2015<br>(Audited) |
|--------------------------------|----------------------------------|-----------------------------------|
| Balance at beginning of period | ₱125,058,000                     | ₱125,000,000                      |
| Provision (reversal)           | (125,000,000)                    | 58,000                            |
| Balance at end of period       | ₱58,000                          | ₱125,058,000                      |

Notes and loans receivable consists of noncurrent unsecured promissory notes amounting to ₱39.0 million as at March 31, 2016 and December 31, 2015, issued by various banks with terms ranging from two to ten years and earn interest ranging from 3% to 7% per annum.

Note receivable amounting to nil and ₱125.0 million as at March 31, 2016 and December 31, 2015, respectively, pertains to an unsecured loan to Araneta as guaranteed by Araneta's company, Ansear Realty and Development Corporation (Ansear). The note has long been past its due date and has been provided a full valuation allowance since 2008. Interest on the loan was not recognized in the books. The Company filed a complaint for the collection of the note (Araneta case).

In its decision dated November 2015, the Regional Trial Court ordered Araneta and Ansear to pay the full amount of the loan plus the stipulated interest of 9% per annum, penalty interest of 12% per annum and attorney's fees and costs of litigation.

The lots of Ansear, which are subject to a writ of attachment as ordered by the Court, were sold in January 2016 to settle the loan and the interest. Broker's commission amounting to ₱61.1 million was shouldered by the Parent Company and thus, was recognized as an expense in 2016 (see Note 15).

The table below shows analysis of age of financial assets that are past due but are not impaired as of March 31, 2016 and 2015 and December 31, 2015.

|                                     | March 31, 2016                   |                |                           | Total            |  |
|-------------------------------------|----------------------------------|----------------|---------------------------|------------------|--|
|                                     | Neither past due<br>nor impaired |                | Past due but not impaired |                  |  |
|                                     | 31 to 90 days                    | 91 to 180 days | More than 180 days        |                  |  |
| Cash and cash equivalents           | 637,330,514.00                   |                |                           | 637,330,514.00   |  |
| short term investments              | 42,565,341.00                    |                |                           | 42,565,341.00    |  |
| Receivables                         |                                  |                |                           |                  |  |
| Trade                               | 1,179,820.00                     |                |                           | 1,179,820.00     |  |
| Notes and loans                     | 39,000,000.00                    |                |                           | 39,000,000.00    |  |
| Interest receivable                 | 1,687,917.00                     |                |                           | 1,687,917.00     |  |
| Dividend Receivable                 | 299,091.00                       |                |                           | 299,091.00       |  |
| Due from related parties            | 32,039,931.00                    |                |                           | 32,039,931.00    |  |
| Others                              | 2,747,051.00                     |                |                           | 2,747,051.00     |  |
| Available for sale Financial Assets | 303,895,810.00                   |                |                           | 303,895,810.00   |  |
|                                     | 1,060,745,475.00                 |                |                           | 1,060,745,475.00 |  |

The Parent Company received ₦350.0 million, inclusive of VAT, in January 2016 as settlement of the loan and interest. Due to the settlement, the full valuation allowance on the note amounting to ₦125.0 million was reversed in 2016 (see Note 18). Proceeds in excess of the loan and interest receivable amounting to ₦184.3 million in 2016 were recorded as interest income. The Parent Company expects to receive ₦175.0 million each in the second half of 2016 and in the first half of 2017, respectively.

Interest income earned from receivables amounted to ₦184.7 million and ₦0.9 million for the quarters ended March 31, 2016 and 2015, respectively (see Note 4).

## 7. Other Current Assets

This account consists of:

|  | March 31,<br>2016<br>(Unaudited) | December 31,<br>2015<br>(Audited) |
|--|----------------------------------|-----------------------------------|
| CWTs                                       | ₦454,699                         | ₦2,695,974                        |
| Financial assets at FVPL                   | 91,872                           | 99,792                            |
| Prepaid insurance and legal fees           | 16,935                           | 1,636,880                         |
| Input VAT, net of allowance for impairment | 2,233,375                        | —                                 |
| Less allowance for impairment              | 2,796,881<br>(2,218,578)         | 4,432,646<br>—                    |
|  | ₦578,303                         | ₦4,432,646                        |

## 8. AFS Financial Assets

This account consists of:

|                        | March 31,<br>2016<br>(Unaudited) | December 31,<br>2015<br>(Audited) |
|------------------------|----------------------------------|-----------------------------------|
| Investments in:        |                                  |                                   |
| Managed funds          | ₦180,167,311                     | ₦176,025,067                      |
| Quoted bonds           | 92,955,941                       | 91,354,868                        |
| Quoted shares of stock | 29,806,751                       | 29,912,102                        |
| Club memberships       | 725,000                          | 725,000                           |
|                        | ₦303,655,003                     | ₦298,017,037                      |

Interest income earned from AFS financial assets amounted to ₦0.8 million and ₦1.1 million for the quarters ended March 31, 2016 and 2015, respectively (see Note 4).

Dividend income earned from AFS financial assets amounted to ₦0.2 million and ₦0.6 million for the quarters ended March 31, 2016 and 2015, respectively (see Note 14).

Gain on sale of AFS financial assets amounted to ₦0.04 million and ₦2.4 million for the quarters ended March 31, 2016 and 2015, respectively (see Note 14).

The fair value of these financial assets are determined in reference to quoted market bid prices at the close of business on the reporting date since these are mostly active traded in an organized financial market. The fair value measurement of the AFS financial assets is classified as Level 1 (Quoted market prices).

No impairment loss was recognized in 2016 and 2015.

#### 9. Investment Property

The Company has a condominium unit located at 2<sup>nd</sup> Floor Pacific Star Building, Sen. Gil Puyat Avenue, Makati City. This is accounted for as an investment property, being held for the purpose of generating rental revenue and for capital appreciation.

Movements of the Company's investment property are as follows:

|  | March 31,<br>2016<br>(Unaudited) | December 31,<br>2015<br>(Audited) |
|--|----------------------------------|-----------------------------------|
| <b>Cost</b>                            |                                  |                                   |
| Balance at beginning and end of period | ₱164,772,000                     | ₱164,772,000                      |
| <b>Accumulated Depreciation</b>        |                                  |                                   |
| Balance at beginning of period         | 52,485,904                       | 48,167,208                        |
| Depreciation                           | 1,079,674                        | 4,318,696                         |
| Balance at end of period               | 53,565,578                       | 52,485,904                        |
| <b>Carrying Amount</b>                 | ₱111,206,422                     | ₱112,286,096                      |

The fair value of the condominium unit amounted to ₱114.9 million based on statutory zonal valuation (Level 2 – Directly or Indirectly Observable Input).

Depreciation for the quarters ended March 31, 2016 and 2015 are recognized from the following:

|                        | Note | 2016<br>(Unaudited) | 2015<br>(Unaudited) |
|------------------------|------|---------------------|---------------------|
| Investment property    |      | ₱1,079,674          | ₱1,079,674          |
| Property and equipment | 10   | 13,827              | 28,880              |
|                        |      | ₱1,093,501          | ₱1,108,554          |

Depreciation is recognized under general and administrative expenses in the interim consolidated statements of income.

## 10. Property and Equipment

This account consists of:

|  | March 31, 2016 (Unaudited) |                        |                  |                    |            |
|--|----------------------------|------------------------|------------------|--------------------|------------|
|  | Transportation Equipment   | Furniture and Fixtures | Office Equipment | Office Improvement | Total      |
| <b>Cost</b>                                      |                            |                        |                  |                    |            |
| Balance at beginning of quarter                  | ₱4,950,745                 | ₱3,528,775             | ₱937,569         | ₱39,325            | ₱9,456,414 |
| Additions  | 600                        | —                      | 4,634            | —                  | 5,234      |
| Balance at end of quarter                        | 4,951,345                  | 3,528,775              | 942,203          | 39,325             | 9,461,648  |
| <b>Accumulated Depreciation and Amortization</b> |                            |                        |                  |                    |            |
| Balance at beginning of quarter                  | 4,915,825                  | 3,528,775              | 848,537          | 39,325             | 9,332,462  |
| Depreciation and amortization                    | —                          | —                      | 13,827           | —                  | 13,827     |
| Balance at end of quarter                        | 4,915,825                  | 3,528,775              | 862,364          | 39,325             | 9,346,289  |
| <b>Carrying Amount</b>                           | ₱35,520                    | ₱—                     | ₱79,839          | ₱—                 | ₱115,359   |

|  | December 31, 2015 (Audited) |                          |                        |                  |                    |
|--|-----------------------------|--------------------------|------------------------|------------------|--------------------|
|  | Condominium Unit            | Transportation Equipment | Furniture and Fixtures | Office Equipment | Office Improvement |
| <b>Cost</b>                                      |                             |                          |                        |                  |                    |
| Balance at beginning of year                     | ₱1,205,078                  | ₱4,950,745               | ₱3,528,775             | ₱937,569         | ₱39,325            |
| Disposals  | (1,205,078)                 | —                        | —                      | —                | —                  |
| Balance at end of year                           | —                           | 4,950,745                | 3,528,775              | 937,569          | 39,325             |
| <b>Accumulated Depreciation and Amortization</b> |                             |                          |                        |                  |                    |
| Balance at beginning of year                     | 650,742                     | 4,904,185                | 3,528,766              | 769,410          | 39,325             |
| Depreciation and amortization                    | 28,119                      | 11,640                   | 9                      | 79,127           | —                  |
| Disposals  | (678,861)                   | —                        | —                      | —                | —                  |
| Balance at end of year                           | —                           | 4,915,825                | 3,528,775              | 848,537          | 39,325             |
| <b>Carrying Amount</b>                           | ₱—                          | ₱34,920                  | ₱—                     | ₱89,032          | ₱—                 |
|  |                             |                          |                        |                  | ₱123,952           |

Depreciation on property and equipment is recognized under the following:

|  | Note | 2016<br>(Unaudited) | 2015<br>(Audited) |
|--|------|---------------------|-------------------|
| <b>Cost of services</b>                    | 15   | ₱13,827             | ₱22,134           |
| <b>General and administrative expenses</b> | 16   | —                   | 6,746             |
|  |      | <b>₱13,827</b>      | <b>₱28,880</b>    |

Fully-depreciated property and equipment still in use amounted to ₱8.7 million as at March 31, 2016 and December 31, 2015.

## 11. Goodwill

On June 30, 2014, the Parent Company, through its subsidiary PMEI, obtained control of PSTI, a stock transfer agency, by acquiring 70.56 percent of the shares and voting interest in PSTI for a total cash consideration of ₱3.1 million. Goodwill amounting to ₱1.3 million was recognized as a result of the acquisition.

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## 12. Other Noncurrent Assets

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This account consists of:

|                       | March 31,<br>2016<br>(Unaudited) | December 31,<br>2015<br>(Audited) |
|-----------------------|----------------------------------|-----------------------------------|
| Deferred input VAT    | ₱—                               | ₱4,059,914                        |
| Time deposit with BPI | —                                | 1,458,225                         |
|                       | ₱—                               | ₱5,518,139                        |

The time deposit with BPI has an initial period of 35 days earning an interest rate of 2.5% p.a. subject to automatic renewal and interest rate resetting by BPI upon maturity.

Included in this account are the Peso and US Dollar time deposits with BPI which were frozen on December 13, 2007 upon the issuance of a writ of preliminary injunction against BPI, following a complaint filed by the current officers of the Parent Company against the bank. In August 19, 2008, BPI filed an interpleader case with respect to the said accounts but only after allowing unauthorized disbursements in the approximate amount of ₱102.0 million. The case was docketed as Civil Case No. 07-840 and was heard and tried by RTC-62 Makati City, which issued a Decision finding BPI liable to pay the Parent Company ₱102.0 million in actual damages. By way of amicable settlement, the Parent Company and BPI executed a Compromise Agreement dated November 20, 2013 whereby BPI paid the Company ₱86.0 million. The outstanding balance of ₱1.5 million as at December 31, 2015, which was part of the settlement, was written off in 2016 (see Note 17).

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## 13. Trade and Other Payables

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This account consists of:

|                                       | March 31,<br>2016<br>(Unaudited) | December 31,<br>2015<br>(Audited) |
|---------------------------------------|----------------------------------|-----------------------------------|
| Statutory payables                    | ₱13,396,467                      | ₱778,893                          |
| Accounts payable and accrued expenses | 3,651,668                        | 286,610                           |
|                                       | ₱17,048,135                      | ₱1,065,503                        |

Statutory payables pertain to expanded withholding taxes and output VAT payable.

Accounts payable and accrued expenses pertain primarily to accrued trust and brokers' fees and dues and subscriptions.

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#### 14. Revenue

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This account consists of:

|                                      | Note | 2016<br>(Unaudited) | 2015<br>(Unaudited) |
|--------------------------------------|------|---------------------|---------------------|
| Interest income                      | 4    | ₱187,274,254        | ₱3,106,740          |
| Retainer fee                         |      | 908,946             | 903,946             |
| Dividend income                      | 8    | 191,910             | 572,895             |
| Gain on sale of AFS financial assets | 8    | 44,131              | 2,428,325           |
| Transfer fee                         |      | 16,690              | 13,595              |
| Miscellaneous                        |      | 49,999              | 242,675             |
|                                      |      | <b>₱188,485,930</b> | <b>₱7,268,176</b>   |

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#### 15. Cost of Services

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This account consists of:

|                                | Note | 2016<br>(Unaudited) | 2015<br>(Unaudited) |
|--------------------------------|------|---------------------|---------------------|
| Broker's commission            | 6    | ₱61,105,500         | ₱-                  |
| Salaries and other benefits    |      | 313,780             | 346,590             |
| Transportation                 |      | 39,382              | 32,110              |
| Depreciation                   | 9    | 13,827              | 22,134              |
| Rental                         |      | -                   | 55,580              |
| Communication, light and water |      | -                   | 42,530              |
|                                |      | <b>₱61,472,489</b>  | <b>₱498,944</b>     |

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#### 16. General and Administrative Expenses

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This account consists of:

|                                       | Note | 2016<br>(Unaudited) | 2015<br>(Unaudited) |
|---------------------------------------|------|---------------------|---------------------|
| Legal fee                             |      | ₱3,840,998          | ₱187,401            |
| Professional fee                      |      | 2,712,880           | 2,281,211           |
| Directors' fee                        | 18   | 1,620,000           | 1,695,000           |
| Depreciation                          |      | 1,079,674           | 1,086,420           |
| Taxes and licenses                    |      | 780,503             | 451,213             |
| Dues and subscription                 |      | 770,695             | 454,446             |
| Rent expense                          | 18   | 259,816             | 247,444             |
| Transportation and travel             |      | 221,972             | 20,649              |
| Repairs and maintenance               |      | 156,241             | 124,402             |
| Representation and entertainment      |      | 132,874             | 241,138             |
| Stationery, print and office supplies |      | 102,578             | 74,161              |
| Insurance                             |      | 86,427              | 324,312             |
| Communication, light and water        |      | 65,132              | 61,951              |
| Trainings and seminars                |      | 10,268              | 52,551              |
| Others                                |      | 110,857             | 43,083              |
|                                       |      | <b>₱11,950,915</b>  | <b>₱7,345,382</b>   |

## 17. Other Income - Net

This account consists of:

|   | Note | 2016<br>(Unaudited) | 2015<br>(Unaudited) |
|---|------|---------------------|---------------------|
| Reversal of allowance for impairment of receivables | 6    | ₱125,000,000        | ₱-                  |
| Provision for impairment of input VAT               |      | (2,218,578)         | -                   |
| Loss on settlement of BPI account                   | 12   | (1,458,225)         | -                   |
| Unrealized loss on financial assets at FVPL         |      | (7,920)             | -                   |
| Unrealized foreign exchange gain                    |      | -                   | 86                  |
|   |      | <b>₱121,315,277</b> | <b>₱86</b>          |

## 18. Related Party Transactions

In the normal course of business, the Group has transactions with related parties as follows:

| Relationship   | Nature of Transaction        | Amount of Transactions<br>(in millions) |                                   | Outstanding Balance<br>(in millions) |                                |
|--|------------------------------|---|-----------------------------------|--------------------------------------|--------------------------------|
|  |                              | Quarter ended 2016<br>(Unaudited)       | Quarter ended 2015<br>(Unaudited) | March 31, 2016<br>(Unaudited)        | December 31, 2015<br>(Audited) |
| <b><i>Included under "Receivables"</i></b>                           |                              |   |                                   |                                      |                                |
| Philcomsat   | Immediate parent             | Cash advances                           | (₱115.0)                          | ₱78.3                                | ₱1.5                           |
| POTC   |                              | Rent of office space                    | (0.3)                             | (0.3)                                | -                              |
| Montemar Beach Club, Inc. (MBCI)                                     | Ultimate parent              | Cash advances                           | -                                 | 10.8                                 | 10.8                           |
|  | Company under common control | Cash advances                           | -                                 | -                                    | 19.4                           |
|  |                              | Interest income                         | 0.2                               | 0.2                                  | 19.4                           |
| Montemar Resort Development Corp. (MRDC)                             | Company under common control | Cash advances                           | -                                 | -                                    | -                              |
|  |                              |   |                                   | 0.3                                  | 0.3                            |
|  |                              |   |                                   | <b>₱32.0</b>                         | <b>₱147.0</b>                  |
| <b><i>Included under "Deposit for Future Stock Subscription"</i></b> |                              |   |                                   |                                      |                                |
| Philcomsat   | Immediate parent             | Excess of subscription                  | ₱-                                | ₱-                                   | ₱18.9                          |
|  |                              |   |                                   |                                      | ₱18.9                          |

### Terms of Cash Advances to Related Parties

Cash advances to Philcomsat and MBCI bear interest at 4% and 5%, respectively, while cash advances to POTC and MRDC are noninterest-bearing. All cash advances are demandable at the instance of the Group.

### The Company as a Lessee

The Company has a lease agreement with Philcomsat for the rent of its office space located at the 12<sup>th</sup> Floor, Telecom Plaza Building, 316 Sen. Gil Puyat Ave., Makati City. The lease term is for one year and is renewable under mutual agreement of both parties. Rent expense amounted to ₱0.2 million for the quarters ended March 31, 2016 and 2015 (see Note 19).

### Compensation of Key Management Personnel

Compensation of the key management personnel of the Parent Company consists of directors' fees amounting to ₱1.6 million and ₱1.7 million for the quarters ended March 31, 2016 and 2015, respectively.

The Company does not have any regular employees. The accounting and management services are under the management of Philcomsat.

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#### 19. Leases

##### The Parent Company as a Lessee

Rent expense arising from rental of its office space. Rent expense amounted to ₦0.2 million for the quarters ended March 31, 2016 and 2015 (see Note 18). The lease has a term of one year subject to renewal under mutual agreement of both parties.

As at March 31, 2016 and December 31, 2015, the Group has no outstanding commitments under non-cancellable operating leases.

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#### 20. Income Tax

The composition of provision for current income tax is as follows:

|      | 2016<br>(Unaudited) | 2015<br>(Unaudited) |
|------|---------------------|---------------------|
| RCIT | ₦22,222,624         | ₦15,039             |
| MCIT | 12,173              | 32,481              |
|      | <b>₦22,234,797</b>  | <b>₦47,520</b>      |

The reconciliation of the income tax expense computed at statutory tax rate to actual income tax expense (benefit) as presented in the interim consolidated statement of income is summarized as follows:

|   | 2016<br>(Unaudited) | 2015<br>(Unaudited) |
|---|---------------------|---------------------|
| Income tax (benefit) at statutory rate            | ₦70,913,341         | (₦172,819)          |
| Change in unrecognized deferred tax assets        | (37,499,666)        | 1,169,272           |
| Difference between OSD and itemized deductions    | (11,436,573)        | -                   |
| Add (deduct) tax effects of:                      |                     |                     |
| Interest income already subjected<br>to final tax | (826,492)           | (849,406)           |
| Dividend income                                   | (57,573)            | (171,868)           |
| Nondeductible expenses                            | 1,103,044           | 72,341              |
|   | <b>₦22,196,081</b>  | <b>₦47,520</b>      |

The components of deferred tax assets of the Parent Company and PMEI are as follows:

|                                  | March 31,<br>2016 | December 31,<br>2015 |
|----------------------------------|-------------------|----------------------|
| Unrecognized:                    |                   |                      |
| NOLCO                            | ₱15,482,250       | ₱15,482,250          |
| Allowance for doubtful accounts  | —                 | 37,500,000           |
| Unrealized foreign exchange loss | —                 | (334)                |
|                                  | <b>15,482,250</b> | <b>52,981,916</b>    |
| Recognized:                      |                   |                      |
| NOLCO                            | ₱277,417          | ₱270,142             |
| MCIT                             | —                 | 851,226              |
|                                  | <b>₱277,417</b>   | <b>₱1,121,368</b>    |

The components of PSTI's net deferred tax liability are as follows:

|                                 | March 31,<br>2016 | December 31,<br>2015 |
|---------------------------------|-------------------|----------------------|
| Deferred tax liability:         |                   |                      |
| Accruals                        | ₱296,199          | ₱254,066             |
| Deferred tax assets:            |                   |                      |
| NOLCO                           | 61,401            | —                    |
| Allowance for doubtful accounts | 17,400            | 17,400               |
| MCIT                            | 12,173            | —                    |
|                                 | <b>90,974</b>     | <b>17,400</b>        |
|                                 | <b>₱205,225</b>   | <b>₱236,666</b>      |

## 21. Operating Segment Information

The Group's only reportable operating segment is that relating to the leasing of its condominium unit and investing of its funds to various financial assets. The Group aggregated both activities since these are both passive in nature and have the same economic characteristics.

|                                     | March 31, 2016 (Unaudited) |                      |                          |
|-------------------------------------|----------------------------|----------------------|--------------------------|
|                                     | Reportable<br>Segment      | Reconciling<br>Items | Consolidated<br>Balances |
| Revenue                             | ₱187,508,394               | ₱977,536             | ₱188,485,930             |
| Cost of service                     | (61,105,500)               | (366,989)            | (61,472,489)             |
| Gross profit                        | 187,508,394                | 610,547              | 127,013,441              |
| General and administrative expenses | —                          | (11,950,915)         | (11,950,915)             |
| Other income - net                  | 123,541,775                | (2,226,498)          | 121,315,277              |
| Income before income tax            | 249,944,669                | (13,566,866)         | 236,377,803              |
| Provision for income tax            | 22,214,681                 | (18,600)             | 22,196,081               |
| Net income                          | ₱227,729,988               | (₱13,548,266)        | ₱214,181,722             |

|                                     | March 31, 2015 (Unaudited) |                   |                       |
|-------------------------------------|----------------------------|-------------------|-----------------------|
|                                     | Reportable Segment         | Reconciling Items | Consolidated Balances |
| Revenue                             | ₱6,107,860                 | ₱1,160,316        | ₱7,268,176            |
| Cost of service                     | —                          | (498,944)         | (498,944)             |
| Gross profit                        | 6,107,860                  | 661,372           | 6,769,232             |
| General and administrative expenses | —                          | (7,345,382)       | (7,345,382)           |
| Other income                        | —                          | 86                | 86                    |
| Income (loss) before income tax     | 6,107,860                  | (6,683,924)       | (576,064)             |
| Provision for income tax            | 41,072                     | 6,448             | 47,520                |
| Net income (loss)                   | ₱6,066,788                 | (₱6,690,372)      | (₱623,584)            |

Differences between the reportable segment's gross profit and the Group's consolidated gross profit pertain primarily to PSTI's revenue from stock transfer agency, which segment has not reached the quantitative threshold set by PFRS 8. In addition to the Group's stock transfer agency segment, another contributor to the differences between the segment net profit and the Group's consolidated net profit are certain corporate expenses which cannot be attributed specifically to the reportable operating segment.

## 22. Civil Cases

An action was filed in the Sandiganbayan by a group claiming to be directors and officers of POTC and Philcomsat seeking to enjoin the present directors and officers of POTC and Philcomsat from representing themselves as such directors and officers and representative in the Parent Company. The Parent Company sought the dismissal of the complaint against it on the ground that it is not a real party-in-interest since the injunction being sought is not directed against it. The Sandiganbayan issued a Decision dismissing the case filed by the group alleging that they are the POTC and Philcomsat board of directors. They appealed to the Supreme Court on November 10, 2008. The Supreme Court consolidated this case with three other cases.

On July 3, 2013, the Supreme Court in GR Nos. 184622, 184712-14, 186066 and 186590 ruled in favor of the Bildner Group and declared the Bildner Group as the legitimate board of directors of the Parent Company. The July 3, 2013 Decision attained finality on October 23, 2013 when the Supreme Court issued a Resolution denying the Motions for Reconsideration filed by the opposing parties. On March 27, 2014, the July 23, 2013 Decision has become final and executory.

In the opinion of Management and its legal counsel, any adverse decision on this case against the Parent Company, if any, will not materially affect the consolidated financial statements. The Parent Company also filed cases for the recovery of advances made by former directors and officers of the Parent Company. These cases are now pending resolution with the Department of Justice (DOJ).

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### 23. Litigation

The following cases were filed by the Parent Company to recover assets allegedly withdrawn or misappropriated by the former officers:

- Criminal Complaint against Araneta for Non-Return of PHC Deposits

A criminal complaint for estafawas filed against Araneta for money market placements amounting to ₱65.0 million which allegedly were not returned to the Parent Company. The case was dismissed on February 9, 2009 for lack of probable cause. The appeal filed on March 4, 2009 is pending decision with the DOJ.

- Criminal Complaint against Brodett and Bankwise Officers Using Spurious Bank Accounts for Parent Company's Deposits

On May 8, 2008, the Parent Company filed a criminal complaint against Brodett, a former director of the Parent Company, and certain officers of Bankwise. The complaint alleged that the unauthorized deposits, withdrawals and transfers of the Parent Company's funds in the amount of ₱66.8 million was processed through spurious bank accounts and involved the commingling and transfer of funds between the Parent Company's accounts and certain personal accounts. The case was re-raffled to RTC Branch 59 on August 27, 2015 and is ongoing presentation of evidence.

- Criminal Complaint against Locsin, Brodett, Araneta, Lokin, Andal, Jalandoni and de Leon ("Respondents")

The case filed on May 23, 2008 alleged that the respondents caused the unauthorized disbursement and therefore, the misappropriation of the Parent Company's funds amounting to ₱122.0 million. The case was dismissed by the DOJ on July 21, 2010. A Petition for Certiorari was filed with the Court of Appeals on November 9, 2015 and is awaiting decision.

- Criminal Complaint Against Concepcion A. Poblador

A criminal complaint for estafa was filed against Ms. Poblador for allegedly receiving cash advances amounting to ₱14.5 million, which she failed to account for and return to the Parent Company after formal demands. On February 9, 2009, the DOJ issued a Resolution finding Ms. Poblador liable only for ₱0.2 million. On January 7, 2014, the Parent Company filed a Petition for Certiorari praying that the DOJ file new information against Ms. Poblador for estafa for the total amount of ₱16.7 million. The case is still awaiting decision.

- Complaint for Collection Against Araneta and Lokin

On May 26, 2010, a complaint for collection of sum of money and damages, with an application for a Writ of Preliminary Attachment dated May 24, 2010 was filed by the Parent Company against Araneta and Lokin. This complaint is based on the alleged personal back to back loans with Bankwise procured by Araneta using the Parent Company's funds as collateral, with the help of Lokin, in the amount of ₱35.3 million. On December 14, 2011, the Company filed a Motion to Set Case for Pre-trial. The case is currently ongoing trial and presentation of evidence.

- Criminal Complaint Against Lokin and Andal for Alleged Excessive Amounts of Salaries and Bonuses

On September 11, 2006, the Parent Company filed a complaint against Locsin and Andal with the office of the Ombudsman seeking for the latter to file criminal and administrative charges against them for alleged excessive amounts of salaries and bonuses from the Parent Company. The Ombudsman filed Informations for Violation of the Anti-Graft and Corrupt Practice Act on December 7, 2011 against both Andal and Locsin with the Sandiganbayan for receiving a total of ₱15.0 million and ₱11.0 million, respectively, from 2003 to 2005, from the Parent Company. The case is currently ongoing trial and presentation of evidence.

- Complaint Against Lokin for Alleged Exorbitant Legal Fees

On October 16, 2008, the Parent Company filed a case against Lokin by reason of the alleged exorbitant legal fees paid to the latter totaling ₱31.0 million for the period 2003 to 2007. The position papers of the respective parties have been filed. The case is awaiting resolution.

**Item 2. Management's Discussion and Analysis of Financial condition and Results of Operations**

**Key Performance Indicators (KPI)**

The Company's KPI for the quarters ended March 31, 2016 and March 31, 2015 are as follows:

| Performance Indicator        | Formula  | March 31, 2016 | March 31, 2015 |
|------------------------------|--|----------------|----------------|
| <i>Liquidity</i>             |  |                |                |
| Current Ratio                | <u>Current Assets</u><br><u>Current Liabilities</u>                          | 19.2:1         | 190.42:1       |
| <i>Leverage</i>              |  |                |                |
| Debt to Equity Ratio         | <u>Total Liabilities</u><br><u>Total Equity</u>                              | .05:1          | .02:1          |
| Asset to Equity Ratio        | <u>Total Assets</u><br><u>Total Equity</u>                                   | 1.05:1         | 1.02:1         |
| <i>Profitability</i>         |  |                |                |
| Gross Profit Ratio           | <u>Gross Profit</u><br><u>Revenue</u>  | 67.4%          | 93.1%          |
| Net Profit Ratio             | <u>Net Profit</u><br><u>Revenue</u>  | 125.4%         | NA             |
| Return on Assets             | <u>Net Income</u><br><u>Total Assets</u>                                     | 20.1%          | NA             |
| Return on Equity             | <u>Net Income</u><br><u>Total Equity</u>                                     | 19.2%          | NA             |
| <i>Efficiency</i>            |  |                |                |
| Operating Expense Ratio      | <u>Operating Expenses</u><br><u>Gross Operating Income</u>                   | 9.4%           | 110%           |
| Interest Rate Coverage Ratio | <u>Earnings before Interest Expense and Taxes</u><br><u>Interest Expense</u> | NA             | NA             |

***Liquidity***

The Company's current ratio of 19.2:1 reflects a highly liquid position although it is lower than the same ratio of same quarter in 2015 wherein the ratio was 190:1. The big decrease in the ratio is attributed to the increase in current tax liabilities related to the collection of receivables.

***Leverage***

The Company's leverage ratios in the first quarter of 2016 and 2015 show that the Company's assets are more than adequate to cover liabilities.

***Profitability***

Gross profit ratios for the quarters ending March 31, 2016 and March 31, 2015 as well as net profit margin for the first quarter of 2016 reflect high profitability levels at 67% and 78% respectively.

## ***Efficiency***

Operating expense ratio for the quarter ended March 31, 2016 decreased considerably to 9.4% from 110% for the same quarter in 2015 as operating income increased significantly in the first quarter of 2016.

## ***Results of Operations***

From 2000 to 2010, the Corporation was involved in an intra-corporate feud between the Brodett-Araneta-Lokin-Locsin-Poblador Group, who controlled the Corporation from 2000 to December 2007, and the present Management which assumed control in December 2007.

Due to the hostile takeover, the Brodett Group withdrew and held the corporate funds and transferred corporate property. Thus, for the period between December 2007 and May 2010, present Management was not able to focus on growing the business and operations of the Corporation as all efforts were focused on recovering corporate assets.

Presently, the Company's investments remain in money market placements and other liquid financial instruments. It also derives rental income from the company-owned real estate properties, specifically the 2/f Pacific Star Building on Senator Gil Puyat Avenue, Makati City.

| Results of Operations         | For the quarter ended March 31, 2016 | For the quarter ended March 31, 2015 | Increase/ (Decrease) | YoY Change (%) |
|-------------------------------|--------------------------------------|--------------------------------------|----------------------|----------------|
| Revenues                      | P188,485,930                         | P 7,268,176                          | P 181,217,754        | 2,493          |
| Expenses                      | 73,423,404                           | 7,844,326                            | 65,579,078           | 836            |
| Other Income                  | 121,315,277                          | 86                                   | 121,315,191          | 141,06,4176    |
| Income (loss) from operations | 236,377,803                          | (P 576,064)                          | 236,953,867          |                |

The Company recorded significantly higher revenues and income from operations in the first quarter of 2016 as the Company received P350 Million as partial settlement of a loan and interest receivable which has been provided a full valuation allowance since 2008.

## ***Discussion and Analysis of Material Events and Uncertainties***

|     |  |   |
|-----|--|---|
| i.  | Any unknown trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way.                | Collection of receivables arising from settlement of case will further increase liquidity and gross revenues during the year. |
| ii. | Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.  | None  |
| iii | All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period. | None  |

|       |   |  |
|-------|---|--|
| iv.   | Any material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures should be described.  | None   |
| v.    | Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations should be described. | None   |
| vi.   | Any significant elements of income or loss that did not arise from the registrant's continuing operations.  | Collection of the balance of receivable which was fully provided for since 2008 will significantly increase income.  |
| vii.  | The causes for any material change from period to period which shall include vertical and horizontal analyses of any material item.   | The material increases in assets, income tax payable and retained earnings were caused by the collection of the balance of receivable which was fully provided for since 2008. |
| viii. | Any seasonal aspects that had a material effect on the financial condition or results of operations.  | None   |

**List of Top 20 Stockholders as of December 31, 2015**

| Rank                       | Name  | Number of Common Shares   |
|----------------------------|---|---------------------------|
| 1                          | Philippine Communications Satellite Corporation | 796,590,033               |
| 2                          | Somera, Jr. Prudencio C.                        | 100,000,100               |
| 3                          | Laperal, Oliverio G.                            | 49,556,500                |
| 4                          | PCD Nominee Corporation (Filipino)              | 16,274,534                |
| 5                          | RCBC T/A 236-235 A/C Oliverio Laperal           | 4,802,413                 |
| 6                          | Yap, Enrique Raymond I.                         | 4,000,000                 |
| 7                          | Marino Olondriz Y Cia (Hold, per PSE)           | 2,985,600                 |
| 8                          | Ozamiz, Jose Ma.                                | 2,700,000                 |
| 9                          | RCBC T/A 36-250 A/C Oliverio Raperal            | 2,689,000                 |
| 10                         | Phil. Oil Development Corp.                     | 1,500,000                 |
| 11                         | Imperial Resources, Inc.                        | 800,000                   |
| 12                         | Laperal, Jr., Oliverio                          | 776,743                   |
| 13                         | Benjamin Co Ca & Co., Inc.                      | 504,300                   |
| 14                         | Concepcion, Regina L.                           | 481,000                   |
| 15                         | Laperal, Rosa Maria L.                          | 448,000                   |
| 16                         | Laperal, Alexandra L.                           | 440,000                   |
| 17                         | Ansaldo, Godinez & Co., Inc.                    | 332,500                   |
| 18                         | Dacillo, Nenita                                 | 320,000                   |
| 19                         | Bridgestone Securities Corporation              | 307,425                   |
| 20                         | RCBC T/A 138 A/C Oliverio Laperal               | <u>300,000</u>            |
| <b>TOTAL NO. OF SHARES</b> |   | <u><b>985,808,148</b></u> |

**As of March 31, 2016, the members of Board of Directors/Key Officers of Philcomsat Holdings Corporation are as follows:**

|                          |  |
|--------------------------|--|
| Katrina Ponce Enrile     | Director and Chair   |
| Daniel C. Gutierrez      | Director and Vice-Chair  |
| Ramon P. Jacinto         | Director and President   |
| Erlinda I. Bildner       | Director and CFO/Treasurer                                     |
| Pablo L. Lobregat        | Director   |
| Carlo A. Carag           | Director   |
| Marietta K. Ilusorio     | Director   |
| Jose Ramon Ozamiz        | Director   |
| Santiago J. Ranada, Jr.  | Director   |
| Prudencio C. Somera, Jr. | Director   |
| Julie Y. Daza            | Director   |
| Manolita L. Morales      | Assistant Treasurer  |
| Lorna Patajo-Kapunan     | Compliance Officer   |
| Victoria C. de los Reyes | Corporate Secretary  |
| John Benedict L. Sioson  | Assistant Corporate Secretary                                  |
| Javier Miguel T. Ibazeta | Assistant Compliance Officer/<br>Corporate Information Officer |