NEWS
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FIRST PACIFIC
FIRST PACIFIC COMPANY LIMITED
(Incorporated in Bermuda with limited liability)

GROUP CORPORATE COMMUNICATIONS

24th Floor, Two Exchange Square, 8 Connaught Place, Hong Kong
Tel: (852) 2842 4388 Email: info@firstpacific.com Fax: (852) 2845 9243
http://www.firstpacific.com

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PLDT FIRST QUARTER 2010 CONSOLIDATED NET INCOME UP 19% TO P11.4 BILLION
CORE NET INCOME UP 3% TO P10.5 BILLION
EBITDA AT P21.2 BILLION; FREE CASH FLOW 22% HIGHER AT P12.8 BILLION
CELLULAR SUBSCRIBER BASE REACHES 43.2 MILLION, UP 17%
TOTAL BROADBAND SUBSCRIBERS AT 1.85 MILLION, UP 69%

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 26.5 per cent.

PLDT is the leading telecommunications service provider in the Philippines. It has common shares listed on the Philippine Stock Exchange and ADRs listed on the New York Stock Exchange. It has one of the largest market capitalizations among Philippine listed companies. Through its three principal business groups, PLDT offers a wide range of telecommunications services: Wireless (principally through wholly-owned subsidiary company, Smart Communications, Inc.); Fixed Line (principally through PLDT); and Information and Communications Technology (principally through wholly-owned subsidiary company, ePLDT). PLDT has developed the Philippines' most extensive fiber optic backbone, cellular, fixed line and satellite networks.

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For further information, please contact:

PLDT

Anabelle L. Chua	**Melissa V. Vergel de Dios**	**Ramon R. Isberto**
Tel: (632) 816 8213	Tel: (632) 816 8024	Tel: (632) 511 3101
Fax: (632) 844 9099	Fax: (632) 810 7138	Fax: (632) 893 5174

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

PLDT press release

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- **Consolidated net income of ₱11.4 billion for 1Q2010, 19% higher than the ₱9.6 billion net income in 1Q2009**
- **Consolidated core net income for 1Q2010 at ₱10.5 billion, an increase of 3% from the ₱10.2 billion recorded in 1Q2009**
- **Consolidated service revenues declined 1% year-on-year to ₱36.0 billion. Wireless service revenues down 1% to ₱23.7 billion; fixed line service revenues up 1% to ₱12.9 billion; and ePLDT service revenues improve 1% to ₱2.6 billion**
- **Consolidated EBITDA lower at ₱21.2 billion; consolidated EBITDA margin at 59% of service revenues**
- **Consolidated free cash flow was 22% higher at ₱12.8 billion for 1Q2010**
- **Cellular subscriber base reaches 43.2 million; net subscriber additions of 1.9 million for the quarter, 10% higher year-on-year**
- **Total broadband subscribers at 1.85 million, with wireless alone over 1.2 million; aggregate revenue contribution from broadband and internet services of ₱3.9 billion for 1Q2010, 22% higher than last year**

MANILA, Philippines, 13th May 2010 — Philippine Long Distance Telephone Company (“PLDT”) (PSE: TEL) (NYSE: PHI) today announced its unaudited financial and operating results for the first three months of 2010 with consolidated Reported Net Income increasing by 19% to ₱11.4 billion, from the ₱9.6 billion recorded in the same period last year. Core Net Income for the first quarter of 2010, net of exceptional items, rose 3% to ₱10.5 billion, from ₱10.2 billion in the same period in 2009. This year’s results reflect higher recurring net income and a net gain from foreign exchange revaluation of our financial assets and liabilities and derivatives compared to a net loss last year.

Consolidated service revenues decreased by 1% to ₱36.0 billion, as the 3% growth in voice revenues was offset by the 4% decline in data and ICT revenues. Approximately 28% of consolidated service revenues are directly or indirectly linked to the US Dollar. Had the peso remained stable, service revenues for the first quarter of 2010 would have increased by 1% compared with last year.

Consolidated EBITDA was lower at ₱21.2 billion while EBITDA margin was at 59%, similar to the full year 2009 margin. Reflecting results of initiatives on cost control, cash operating expenses in the first quarter of the year increased by only 1% versus last year.

Consolidated free cash flow remained strong at ₱12.8 billion for the quarter, reflecting a 22% increase compared to the same period last year. Consolidated capital expenditures stood at ₱5.2 billion for the first three months of 2010, as the Group continues to improve both broadband and cellular coverage and capacity. Capex for 2010 is estimated at ₱28.6 billion.

The Group's consolidated debt balance as at the end of the first quarter 2010 was US Dollar 2.2 billion with net debt at approximately US Dollar 1.6 billion adjusted for ₱26.3 billion cash utilized for the common dividends paid in April 2010. Net debt to EBITDA on that basis increased to 0.9x. The Company's debt maturities continue to be well spread out, with more than 50% due in and after 2013. The percentage of US Dollar-denominated debt to the Group's total debt portfolio further declined to 46%, down from 48% at the end of 2009. Taking into account our peso borrowings, our hedges and our U. S. Dollar cash holdings, only 22% of total debt remains unhedged. The Group's cash and short-term securities are invested primarily in bank placements and Government securities.

Wireless: Surging ahead in Broadband

Wireless service revenues dipped 1% to ₱23.7 billion for the first quarter of 2010, compared with the ₱23.9 billion recognized last year. Excluding the impact of our satellite operations where revenues declined due to the disposal of our satellite transponders, wireless service revenues would have been flat year-on-year at ₱23.3 billion. Cellular subsidiary Smart Communications, Inc. ("Smart") continues to lead the industry in terms of both revenues and subscribers.

Wireless EBITDA was lower at ₱14.4 billion in the first three months of 2010 and EBITDA margin accordingly decreased to 61%.

The PLDT Group's total cellular subscriber base for the first three months of 2010 grew to 43.2 million subscribers, a 17% growth year-on-year. Smart added 1.9 million subscribers for the period, as compared with 1.7 million in 2009. Smart Buddy recorded net additions of almost 1.3 million subscribers to end the quarter with 25.5 million subscribers while *Talk 'N Text* added approximately 400,000 subscribers to end the quarter with 17.4 million subscribers. *Red Mobile*, the brand owned by Smart subsidiary, CURE, had about 280,000 subscribers at the end of March 2010. *Red Mobile* was relaunched in March 2010 and positioned to meet market demand for unlimited services, particularly for "second SIM" holders. In order to support the traffic requirements for unlimited voice and text without degrading the service quality of other subscribers, Smart built a secondary network that caters exclusively to *Red Mobile* subscribers.

Cellular voice revenues improved by 13% to ₱10.7 billion and now contribute 49% of total cellular service revenues from 43% for the same period last year. On the other hand, cellular data/text revenues fell 14% to ₱10.4 billion, despite a 24% increase in text volumes, as they remain under pressure from the proliferation of lower yield offerings, multiple-SIM ownership and regulator-mandated load validity extensions. For the first time since the first quarter of 2005, cellular voice revenues were higher than cellular data/text revenues.

On the broadband front, *SmartBro*, Smart's wireless broadband service offered through its wholly-owned subsidiary Smart Broadband, Inc. ("SBI") - continued to expand as its wireless broadband subscriber base grew to 1.2 million at the end of the first quarter of 2010, close to 770,000 of whom were on *SmartBro's* prepaid service. Wireless broadband revenues continued to grow strongly, up 23% to ₱1.6 billion, compared with the ₱1.3 billion recorded in the first quarter of 2009. Wireless broadband revenues now make up 7% of wireless service revenues.

"With the cellular market maturing, we are more determined than ever to continue developing broadband as our growth sector – accordingly, the bulk of our investments will be made in this space, be it infrastructure, platforms, access devices or content," stated **Orlando B. Vea, Chief Wireless Adviser of Smart**.

“Despite a maturing market, we were able to grow our subscriber base by 17% year-on-year. Text volumes continue to climb while voice minutes are increasing significantly. However, declining yields and alternative means of communication have combined to put pressure on revenues and margins. We recognize the challenges that we face in the cellular industry, and we also know that we can meet these challenges head on, by coming up with innovative solutions and aggressively managing our costs," added **Napoleon L. Nazareno, President and CEO of PLDT and Smart.**

Smart continues to invest in its cellular and multi-platform broadband networks while upgrading its existing transmission, core and access facilities. Smart’s 3G and HSPA networks now cover 50% and 44% of the country’s population, respectively.

PLDT Fixed Line: Rising from new foundations

Fixed line service revenues increased by 1% to ₱12.9 billion in the first quarter of 2010 from ₱12.8 billion in 2009 as the 13% increase in data revenues, both from corporate data and residential DSL services, was somewhat attenuated by declines in other segments of the business. Despite an increase in the number of postpaid billed lines, revenues from our local exchange or LEC services were flat as a result of LEC voice revenues being re-allocated to bundled voice and data services. National long distance revenues decreased with the decline in call volumes, while international long distance revenues continued to weaken due to the shifting of traffic to cellular and other means of communications, as well as due to the impact of the peso appreciation vis-à-vis the US Dollar. Data service revenues contributed 45% of the fixed line’s service revenues as compared with 40% in the same period last year.

The Fixed line business continues to pursue initiatives aimed at tapping new markets and generating new and higher ARPUs. These were enabled by leveraging both the fixed and wireless networks and creating new products for different market segments.

PLDT DSL continued its strong performance as broadband subscribers grew by 30,000 to 590,000 at the end of March 2010 from 560,000 at the end of 2009. PLDT DSL generated ₱2.0 billion in revenues in 2010, up 24% from ₱1.6 billion in the same period in 2009.

Fixed line EBITDA margin was lower at 49% for the first quarter of 2010, in line with the full year 2009 margin, but lower as compared with 52% in the same period last year. The decline was the result of higher cash operating expenses, mainly relating to maintenance, professional and other contracted services, and rent.

"We are pleased by the sustained resilience of the Fixed line business as it builds on the continued strength of corporate data and broadband revenues," declared **Nazareno**.

ePLDT: Rebuilding the Base

ePLDT, the Group’s information and communications technology arm, reported service revenues of ₱2.6 billion in the first quarter of 2010, an increase of 1% from the same period in 2009. ePLDT’s EBITDA increased by 82% to ₱369 million in 2010 as compared with ₱203 million in 2009, mainly due to a 1% increase in service revenues and a 7% decrease in cash operating expenses, largely due to a reduction in headcount by almost 1,000. EBITDA margin at 14% was higher than the 8% recorded in the same period in 2009 and the 12% margin for 2009. ePLDT’s revenues account for 7% of PLDT’s consolidated revenues.

ePLDT recently reorganized its businesses to create better focus and maximize scale. ePLDT Ventus, which handles customer interaction services (more commonly known as “call center”) and SPi Technologies, Inc., the knowledge processing arm (also known as business process outsourcing or “BPO”) have combined their operations and will be known as SPi Global Solutions, Inc. while Vitro Data Center and internet and on-line gaming operations will remain housed under ePLDT.

“I am pleased to announce the appointment of Maulik Parekh and Beth Liu as President and CEO of SPi Global Solutions and ePLDT, respectively. We believe that both Maulik and Beth have the experience and credentials - Maulik was the GM for Asia of Teletech while Beth was the Country Managing Director for Accenture Philippines – to lead SPi Global and ePLDT to the next level,” stated **Nazareno**.

Meralco: Improving Prospects

Our first quarter financial results reflect the equity accounting of our 20% share in Meralco’s earnings.

Meralco’s consolidated Reported Net Income for the first quarter of 2010 increased to ₱2.01 billion, 127% higher than the ₱884 million realized for the same period in 2009 while its Consolidated Core Net Income, which excludes one-time, exceptional charges, stood at ₱1.98 billion, which was 135% better than the Core Net Income in 2009 of ₱843 million. The improvement is attributable mainly to a slightly higher volume of energy sold and to an adjustment in distribution rates, which took effect in May 2009.

Meralco’s consolidated revenues, in which electricity accounts for approximately 98% of the total, increased by 34% to ₱61.1 billion largely due to higher energy sales, an increase in customer count and higher average pass-through costs.

Total cost and expenses amounted to ₱58.1 billion in the first three months of 2010, 32% higher compared with ₱44.2 billion for the same period in 2009 with cost of purchased power accounting for 89% of total costs and expenses in 2010.

On May 7, 2010, Piltel formally secured approval from its stockholders to transfer 154.2 million of its shares in Meralco and subscribe to a 50% equity share in Beacon Electric Holdings, Inc. (“Beacon Electric”) which is co-owned with Metro Pacific Investments Corporation (“MPIC”). Piltel continues to directly own approximately 68.8 million shares in Meralco.

Conclusion

“When we presented our financial results for 2009 last March, I indicated then that 2010 would be somewhat of a bridge year for the Group. Capital investments would remain on the high side at ₱28.6 billion as we further expand and improve our infrastructure and platforms, both operationally and strategically. We will continue to deal with the challenges ahead of us in typical PLDT fashion – with a spirit grounded in innovation, a discipline towards cost, a selective eye for growth opportunities and always with the goal of improving shareholder value,**” concluded Manuel V. Pangilinan, PLDT Chairman.**

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	PLDT Consolidated		
	Three Months Ended March 31		
	2010	2009	% Change
Service revenues	**36,014**	**36,362**	**-1%**
Total revenues	**36,514**	**36,927**	**-1%**
Expenses	**21,796**	**21,876**	**-**
Income before income tax	**15,041**	**13,287**	**13%**
Provision for income tax	**3,667**	**3,455**	**6%**
Net income - As Reported	**11,421**	**9,580**	**19%**
EPS, Basic [(a)]	**60.53**	**50.55**	**20%**
EPS, Diluted [(a)]	**60.51**	**50.55**	**20%**
Core net income[(b)]	**10,485**	**10,220**	**3%**
EPS, Basic [(c)]	**55.52**	**53.98**	**3%**
EPS, Diluted [(c)]	**55.55**	**53.97**	**3%**

[(a)] *EPS based on reported net income*

[(b)] *Net income as adjusted for the net effect of gain/loss on FX and derivative transactions, additional depreciation charges and recognition of deferred tax assets*

[(c)] *EPS based on core net income*

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.

For further information, please contact:

Anabelle L. Chua	***Melissa V. Vergel de Dios***	***Ramon R. Isberto***
Tel No: 816-8213	**Tel No: 816-8024**	**Tel No: 511-3101**
Fax No: 844-9099	**Fax No: 810-7138**	**Fax No: 893-5174**

About PLDT

PLDT is the leading telecommunications provider in the Philippines. Through its three principal business groups – fixed line, wireless, and information and communications technology – PLDT offers a wide range of telecommunications services across the Philippines' most extensive fiber optic backbone and fixed line, cellular and satellite network.

PLDT is listed on the Philippine Stock Exchange (PSE:TEL) and its American Depositary Shares are listed on the New York Stock Exchange (NYSE:PHI). PLDT has one of the largest market capitalizations among Philippine listed companies.

Further information can be obtained by visiting the web at www.pldt.com.