



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 9M2009 CORE NET INCOME GREW 11% TO P31.0 BILLION
9M2009 CONSOLIDATED NET INCOME UP 15% TO P30 BILLION
EBITDA AT P65.7 BILLION; FREE CASH FLOW AT P43.3 BILLION
CELLULAR SUBSCRIBER BASE REACHES 39.1 MILLION, UP 15%
TOTAL BROADBAND SUBSCRIBERS AT 1.37 MILLION, A 37% INCREASE**

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

Tel: (632) 816 8213

Fax: (632) 844 9099

Melissa V. Vergel de Dios

Tel: (632) 816 8024

Fax: (632) 810 7138

Ramon R. Isberto

Tel: (632) 511 3101

Fax: (632) 893 5174

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



PRESS RELEASE

9M 2009 CORE NET INCOME GREW 11% TO ₱31.0 BILLION
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TOTAL BROADBAND SUBSCRIBERS AT 1.37 MILLION, A 37% INCREASE

- Consolidated core net income for the first nine months of 2009 at ₱31.0 billion, an increase of 11% from the ₱27.8 billion recorded in the same period in 2008
- Consolidated net income of ₱30 billion for the same period, 15% higher than the ₱26.2 billion net income in 2008
- Consolidated service revenues grew 3% year-on-year to ₱108.3 billion. Wireless service revenues increase 3% to ₱71.2 billion; fixed line service revenues up 4% to ₱38.2 billion; and ICT service revenues improve 5% to ₱8 billion
- Consolidated EBITDA stable at ₱65.7 billion; consolidated EBITDA margin at 61% of service revenues
- Consolidated free cash flow improves to ₱43.3 billion for the first nine months of 2009, up 11%
- Cellular subscriber base reaches 39.1 million; net subscriber additions of 3.9 million for first nine months of 2009; growth year-on-year of 15%
- Total broadband subscribers at 1.37 million, with aggregate revenue contribution from broadband and internet services of ₱10 billion for the first nine months of 2009, 26% higher than last year

MANILA, Philippines, 3rd November 2009 — Philippine Long Distance Telephone Company (“PLDT”) (PSE: TEL) (NYSE: PHI) today announced its financial results for the first nine months of 2009 with Core Net Income, net of exceptional items, rising 11% to ₱31.0 billion, from ₱27.8 billion in the same period in 2008. Consolidated Reported Net Income of ₱30 billion increased by 15% from ₱26.2 billion in the same period last year. This period’s results reflect the higher recurring net income, lower net losses from the foreign exchange revaluation of our financial assets and liabilities and derivatives, and the lower statutory tax rate. This period’s results also recognize the equity share of Pilipino Telephone Corporation (“Piltel”) in the earnings of the Manila Electric Company (“Meralco”). Consolidated service revenues increased by 3% to ₱108.3 billion, fueled mainly by the 4% growth in data and broadband revenues. Consolidated EBITDA remained stable at ₱65.7 billion while EBITDA margin was 61%.

Consolidated free cash flow remained strong at ₱43.3 billion in the first nine months of 2009. Consolidated capital expenditures stood at ₱18.1 billion for the period. Capital expenditures for 2009 are estimated to reach ₱27.0 billion.

The Group’s consolidated gross debt balance as at 30th September 2009 stood at US\$2.1 billion, with net debt at approximately US\$1.5 billion. Net debt to EBITDA increased moderately to 0.8x.

The Company's debt maturities continue to be well spread out, with more than 50% due in and after 2013. The percentage of U. S. dollar-denominated debt to the Group's total debt portfolio declined further to 55%, down from 79% at the end of 2008. Taking into account our peso borrowings, our hedges and our U. S. dollar cash holdings, only 24% of total debt remains unhedged. Of the Group's ₱38 billion planned gross borrowings for 2009, ₱34 billion have already been drawn. This year's additional debt, mainly denominated in Pesos, has been used to fund capital expenditures and support various investments, including the 20% stake in Meralco. The Group's cash and short-term securities are invested primarily in bank placements and Government securities.

Wireless: Pushing Ahead

Wireless service revenues rose to ₱71.2 billion for the first nine months of 2009, 3% higher than the ₱68.8 billion recognized in the same period last year. Cellular subsidiary Smart Communications, Inc. continues to lead the industry in terms of both revenues and subscribers.

Wireless EBITDA was steady at ₱44.5 billion in the first nine months of this year. As expected, EBITDA margin decreased slightly to 63% due primarily to higher selling and promotions expense as well as rent expenses for international leased circuits associated with the growth of the wireless broadband business.

The PLDT Group's total cellular subscriber base for the first nine months of 2009 grew to 39.1 million subscribers, a 15% growth year-on-year. For the first nine months of 2009, Smart added 3.9 million subscribers, compared with 4.1 million in the same period of 2008. Smart recorded net additions of over 1.6 million subscribers to end the period with 22.5 million subscribers while *Talk 'N Text* added 2.2 million subscribers to end the period with 16.6 million subscribers.

Cellular voice revenues improved by 4% to ₱28.5 billion while cellular data revenues were flat at ₱35.5 billion. Wireless broadband revenues grew 26% to ₱4.1 billion, a significant improvement over the ₱3.2 billion recorded in the first nine months of 2008.

SmartBro, Smart's wireless broadband service – through its wholly-owned subsidiary Smart Broadband, Inc. - continued to expand as its wireless broadband subscriber base grew 70% to reach approximately 802,000 as at end-September 2009, 372,500 of which were on *SmartBro's* prepaid service.

"We are determined to propagate broadband usage by facilitating the availability and wider adoption of access devices and riding the social networking wave. We recognize that social networking has changed the rules of the communications game and we are adapting our service to take advantage of that," added **Orlando B. Vea, Chief Wireless Adviser of Smart**.

Earlier in June, Smart launched *Smartalk*, an unlimited voice offering available to all *Smart Buddy* and *Smart Gold* subscribers nationwide. The new service enables *Smart Buddy* and *Smart Gold* subscribers to make unlimited calls to over the 39 million mobile phone users on the Smart network. Buoyed by the widespread acceptance of the service, Smart has since launched a variant - *Smartalk Plus*, which offers unlimited calling and on-net texting during off-peak hours and reduced rates during peak hours.

"The growing popularity of unlimited voice packages indicates a shift in consumer preferences and we have taken note of that in our recent service offerings. Moreover, the competitive landscape is heating up as operators intensify their efforts to offer the best value to consumers at

a time when tough economic conditions and regulatory changes are changing subscriber behavior. We need to adapt, as we have in the past, with the same innovative spirit that Smart has been known for," stated **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.

"The third quarter saw a number of events that produced a negative impact on our business – there were natural calamities and even a pandemic that resulted in an unusually high number of holidays and class suspensions. And in our business, no school or work means lower usage. That said, I am extremely proud that in the midst of all the infrastructure damage brought about by the recent storms, Smart's networks withstood the tempest and continued to provide vital communication services to the nation in its hour of need," added **Nazareno**.

PLDT Fixed Line: Continuing to Improve

Fixed line service revenues increased by 4% to ₱38.2 billion in the first nine months of 2009 from ₱36.7 billion in the same period last year as the 17% increase in data revenues, both from corporate data and residential DSL services, was somewhat attenuated by declines in other segments of the business. National long distance revenues decreased while international long distance revenues continued to weaken due to the shifting of traffic to cellular and other means of communications. Local exchange revenues declined 1% due to the bundling of voice and data services, though somewhat mitigated by the increase in postpaid billed lines. Data service revenues contributed 42% of the fixed line's service revenues as compared with 37% 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.

In the third quarter alone, we introduced several services that include: the *PLDT Budget Card* which allows low rate IDD calls to the US and Canada; postpaid landline bundled with wireless landline SIMs; an enhanced *myDSLbiz* which now offers faster speeds, LAN networking and WiFi connectivity; and *SUKI*, a business networking site. We also launched *SWUP All Card Access* and, in partnership with Tata Communications a public studio called *Telepresence* which allows virtual meetings.

PLDT DSL continued its strong performance as broadband subscribers grew by nearly 116,000 to 548,000 at the end of September 2009 from 433,000 at the end of 2008. PLDT DSL generated ₱5.1 billion in revenues in the first nine months of 2009, up 29% from ₱4.0 billion in the same period in 2008.

As expected, with the growth of broadband, which raises revenue and profitability but at lower margin, fixed line EBITDA margin is lower at 53% for the first nine months of 2009 as compared with 56% in the same period last year. However, the 53% margin is slightly higher than the full year EBITDA margin reported in 2008.

"The Fixed line business has produced three straight quarters of revenue growth – no mean feat

in this age when communications is accessible through numerous channels. We are encouraged by this progress and look to remain focused and sustain this transformation and this improvement," declared **Nazareno**.

ePLDT: Showing Respectable Gains

ePLDT, the Group's information and communications technology arm, reported service revenues of ₱8.0 billion in the first nine months of 2009, an increase of 5% from the same period last year. ePLDT's EBITDA increased to ₱846 million in the first nine months of 2009 compared with ₱690 million in the same period last year, mainly due to the favorable impact of the depreciation of the peso to the U. S. dollar offset by higher cash operating expenses, specifically compensation and employee benefits expenses relating to salary adjustments and provision for incentive plans and a manpower rightsizing program. EBITDA margin at 11% was higher than the 9% recorded in the same period last year. ICT revenues account for 7% of PLDT's total service revenues.

The Company's data center, *Vitro*, continued its strong showing, with revenues growing 57% to ₱816 million as a result of increased number of contracts for co-location and server hosting, disaster recovery and business continuity services.

In contrast, both ePLDT Ventus, which handles customer interaction solutions (more commonly known as "call center") and SPi Technologies, Inc. ("SPi"), the knowledge processing solutions arm (also known as business process outsourcing or "BPO"), each experienced slight revenue declines of 1% as international clients continue to defer new and expansion decisions due to economic uncertainties. ePLDT Ventus recorded revenues of ₱2.5 billion in the first nine months of 2009, slightly under last year's level, while SPi generated revenues of ₱3.8 billion compared with ₱3.9 billion in 2008.

"It would seem that uncertainties in the global markets continue to slow down key business decisions thus stunting somewhat the revenue growth of our outsourcing businesses this year. In the meantime, we have been targeting the domestic markets and growing that clientele base. We are also pleased to note that our EBITDA has risen with the improvement in various operating metrics," said **Ray C. Espinosa, ePLDT President and CEO**.

Meralco: Improving Prospects

With Piltel having acquired 223 million shares in Meralco, equivalent to approximately 20% of Meralco's total outstanding common shares on July 14, 2009, PLDT's financial reports now include Meralco's financial results under the equity accounting method. For the period 14th July to 30th September 2009, our share in Meralco's net earnings amounted to ₱361 million.

Meralco's revenues consist primarily of income from the transmission, generation and distribution of electricity, the first two of which are "pass-through" charges. Meralco's Electricity revenues for the first nine months of 2009 totaled ₱139.2 billion, a 1% decline from the ₱141.1 billion from the same period in 2008. Net of transmission and generation charges however, Meralco's gross distribution income registered an 18% growth, from ₱21.5 billion in the first nine months in 2008 to ₱25.3 billion in 2009. This increase in distribution income arose from a 1% growth in sales volume to approximately 20.4 billion kilowatt-hours, a 2.8% increase in customer base, now at 4.7 million, and the approval of the performance-based regulation ("PBR") rate setting mechanism in May 2009 which allowed Meralco to increase the distribution rate it charges to its customers.

As a result, core net income grew 67% to ₱5.9 billion, while reported net income improved by 42% to ₱5.3 billion for the period.

With the approval of the PBR, Meralco's financial standing and prospects look to improve. On this basis, Standard and Poor's recently upgraded Meralco's rating from a "B minus" to a "B" with a positive outlook.

In addition to the financial contribution from the investment, PLDT and Meralco also expect to generate a number of operational synergies. Teams have already been formed by both companies and have begun to meet with the objective of determining how to implement identified synergies. Last 29th October, Meralco, in cooperation with Smart, announced the imminent launch of Meralco Mobile Services. The project will have a pilot run in selected areas and will be made available to customers in the entire franchise area of Meralco in 2010. Services to be made available for the pilot run are broadcast of pre-determined power interruption schedules, emergency interruptions, typhoon-related safety tips, business center locations and a customer feedback facility. Once fully operational, other services to be offered include meter reading notification, billing details, bill due date reminders, power outage restoration feedback, among others. The services are made possible through a Meralco Mobile Services SIM card which will be sold starting 16th November. Existing Smart subscribers will be able to download the Meralco Mobile Services menu to their current SIMs.

Conclusion

"As we had previously indicated, our third quarter performance was adversely impacted by the lagged effect of the global recession on our economy, compounded by the delay in school openings as a result of the "swine flu" outbreak in the Philippines. The slowdown in economic and business activity was further exacerbated by successive natural calamities that battered the country, weakening what is already the slowest quarter of the year historically.

While we anticipate the usual boost in the fourth quarter from holiday spending, we expect that this may be somewhat dampened as the recent typhoons caused extensive damage all around. Even with OFW remittances holding up, we may see consumers adjusting their budgets and rethinking their spending priorities. As a result, we are taking a cautious stance and revising our revenue and EBITDA guidance to ₱146 billion and ₱88-88.5 billion, respectively, or a reduction of 1% and 2% from our previous guidance of ₱148 billion and ₱90 billion. Our core profit guidance however remains at ₱41 billion for the full year. Based on the nine-month results, and barring unforeseen circumstances, reported net income for the year is likely to exceed last year's number.

Let me end by commenting on Meralco and the positive contribution we expect to generate from this investment. We recognized ₱361 million in earnings from 14th July when the PLDT Group acquired its shares. If Meralco achieves its full year targets, then we should be able to record a significant contribution for the Group starting this year – delivering on our commitment to increase shareholder value," concluded **Manuel V. Pangilinan, PLDT Chairman.**

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	PLDT Consolidated					
	Nine months ended			Three months ended		
	September 30			September 30		
	2009	2008	% Change	2009	2008	% Change
	(Unaudited)			(Unaudited)		
Service revenues	<u>108,277</u>	<u>105,588</u>	3%	<u>35,637</u>	<u>35,238</u>	1%
Total revenues	109,970	107,503	2%	36,123	35,899	1%
Expenses	65,515	61,003	7%	22,428	20,116	11%
Income before income tax	42,949	41,354	4%	14,632	11,285	30%
Provision for income tax	12,265	14,612	-16%	4,219	4,175	1%
Net income - As Reported	<u>30,018</u>	<u>26,179</u>	15%	<u>10,298</u>	<u>6,909</u>	49%
EPS, Basic ^(a)	158.70	137.15	16%	53.22	34.86	53%
EPS, Diluted ^(a)	158.68	137.14	16%	53.22	34.86	53%
Core net income ^(b)	<u>30,951</u>	<u>27,790</u>	11%	<u>10,113</u>	<u>9,083</u>	11%
EPS, Basic ^(c)	163.70	145.70	12%	52.24	46.40	13%
EPS, Diluted ^(c)	163.68	145.69	12%	52.23	46.40	13%

^(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

Tel No: 816-8213
Fax No: 844-9099

Melissa V. Vergel de Dios

Tel No: 816-8024
Fax No: 810-7138

Ramon R. Isberto

Tel No: 511-3101
Fax No: 893-5174

About PLDT

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

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