FIRST PACIFIC

FIRST PACIFIC COMPANY LIMITED

Press Release

Thursday, 3 November 2011

PLDT 9M2011 CONSOLIDATED CORE NET INCOME AT P30.6 BILLION, DOWN 3% Y-O-Y
REPORTED NET INCOME ALSO AT P30.6 BILLION, DOWN 4% Y-O-Y
EBITDA AT P61.1 BILLION, LOWER BY 4%
FREE CASH FLOW UP 11% TO P36.5 BILLION
CELLULAR SUBSCRIBER BASE AT 47.7 MILLION
TOTAL BROADBAND SUBSCRIBERS AT 2.3 MILLION
DIGITEL TRANSACTION APPROVED, ACQUISITION COMPLETED

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 23.1 per cent.

PLDT (PSE: TEL; NYSE: PHI) is the leading telecommunications service provider in the Philippines. Its shares are listed on the Philippine Stock Exchange and its Amercian Depositary Receipts (ADRs) are 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 its wholly-owned subsidiary ePLDT and ePLDT's wholly-owned subsidiary SPi Global Holdings, Inc.). PLDT has developed the Philippines' most extensive fiber optic backbone, and cellular and fixed line networks.

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PLDT pressrelease

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- **Consolidated core net income of ₱30.6 billion for 9M2011, 3% lower than the ₱31.4 billion net income in 9M10**
- **Consolidated reported net income for first nine months of 2011 at ₱30.6 billion, from the ₱32.0 billion recorded in the same period of 2010**
- **Consolidated service revenues decline 3% year-on-year to ₱103.2 billion**
- **Consolidated EBITDA margin dips to 59% of service revenues; consolidated EBITDA declines 4% to ₱61.1 billion**
- **Consolidated free cash flow at ₱36.5 billion for 9M2011, up 11% year-on-year**
- **Cellular subscriber base at 47.7 million, net additions of 2.1 million for the year**
- **Total broadband subscribers at 2.3 million; aggregate revenue contribution from broadband and internet services of ₱13.9 billion for 9M2011, 10% higher than last year**
- **Digitel transaction completed on 26th October**

MANILA, Philippines, 3rd November 2011 — Philippine Long Distance Telephone Company ("PLDT") (PSE: TEL) (NYSE: PHI) today announced its unaudited financial and operating results for the first nine months of 2011 with consolidated Reported Net Income declining to ₱30.6 billion, or 4%, from the ₱32.0 billion recorded in the same period last year. Core Net Income for the first nine months of 2011, net of exceptional items, declined 3% to ₱30.6 billion, from ₱31.4 billion in 2010, or partly because of a stronger peso. Had the peso remained stable, Core Net Income would have been higher by ₱700 million, or ₱31.3 billion, substantially similar with that of last year.

EBITDA margin dipped to 59%, from 60% in the same period in 2010 but similar to the EBITDA margin for FY2010. Consolidated EBITDA was lower by 4% at ₱61.1 billion compared with the first nine months of 2010, as lower cash operating expenses could not offset the 3% decline in revenues.

Consolidated free cash flow for the period reached ₱36.5 billion, a ₱3.8 billion or 11% improvement from last year. Consolidated capital expenditures for the period amounted to ₱14.5 billion for the first nine months of 2011. Capital expenditures will be utilized to improve the Group's broadband and cellular coverage and capacity and the modernization and upgrade of both our mobile and fixed networks.

A closer look at the underlying revenue mix shows the ongoing, secular transition of revenues coming from traditional businesses being gradually replaced by new revenue streams. Overall consolidated service revenues decreased by 3% to ₱103.2 billion, reflecting the combined effect of:

- a 13% rise in wireless broadband and mobile internet revenues, with the latter growing by 109%;
- a 13% increase in DSL revenues;
- a 4% improvement in corporate data revenues from fixed data and other network services to third parties;
- a 3% growth in ICT revenues primarily from BPO and data center operations
- a 7% decrease in combined cellular and fixed voice revenues; and
- a 4% reduction in cellular data/text revenues

In addition, approximately 26% of consolidated service revenues are directly or indirectly linked to the US Dollar, which weakened to the peso in the course of the year. Had the peso remained stable, service revenues would have been higher by ₱1.4 billion and the decline year-on-year would have been only 2%. Core net income would have reached ₱31.3 billion, comparable with the performance last year for the same period.

The Group's consolidated net debt remained at US$1.4 billion as at 30th September 2011. Gross debt at the end of September 2011 stood at US$2.1 billion. Net debt to EBITDA was stable at 0.7x. The Company's debt maturities continue to be well spread out, with over 60% due in and after 2014. The percentage of US Dollar-denominated debt to the Group's total debt portfolio is at 41%, down from 45% at the end of 2010. Taking into account our peso borrowings, our hedges and our U. S. Dollar cash holdings, only 21% of total debt remains unhedged. The Group's cash and short-term securities are invested primarily in bank placements and Government securities.

Broadband: Sustaining Momentum

The Group's combined broadband subscriber base increased by 14% from the end of 2010 to 2.3 million, representing net additions of 282,000 for PLDT group's various broadband services. Total broadband and internet revenues totaled ₱13.9 billion, a 10% growth rate year-on-year; they now account for 13% of consolidated service revenues.

SmartBro, Smart Communications Inc.'s ("Smart") wireless broadband service offered through its wholly-owned subsidiary Smart Broadband, Inc. - continued to expand as its wireless broadband subscriber base stood at over 1.5 million at the end of September 2011, over 1.1 million of whom were on *SmartBro's* prepaid service. Wireless broadband revenues, inclusive of mobile internet revenues, increased by 13% to ₱6.4 billion, compared with the ₱5.7 billion recorded in the first nine months of 2010. Moreover, mobile internet usage continues to grow strongly, with revenues increasing by 109%, from ₱0.5 million in the first nine months of 2010 to ₱1.1 billion in 2011. Mobile internet revenues in 3Q2011 were in fact 121% and 9% higher than revenues in 3Q2010 and 2Q2011, respectively. This upsurge is attributed to the increasing number of 3G/smartphones in the system and the availability of broadband packages and loads to suit specific customer preferences. In October 2011, Smart launched 2 Netphone models in the US$100-200 price range.

Wireless broadband revenues now account for 10% of Smart's wireless service revenues.

On the Fixed Line front, DSL subscribers increased by more than 82,000 from the end of 2010, bringing the total subscriber base to over 725,000 at the end of September 2011. Correspondingly, DSL revenues increased by 13% to ₱6.9 billion

Orlando B. Vea, Smart Chief Wireless Adviser, said, "The successful launch of Smart's Netphone – both the hardware device and its unique set of apps and services – and the exponential increase in mobile internet usage herald Smart's transformation to a "webtelco". As the market turns to smartphones, tablets and other smart screens, we will continue to be there with world-leading innovations for the Filipino consumers. The new Smart logo is part of that transformation story, reflecting the freedom, empowerment and richness in the digital experience that we enable."

Wireless: Managing the Transition

Wireless service revenues decreased by 5% to ₱67.3 billion for the first nine months of 2011, compared with the ₱70.4 billion recognized in the same period last year. Cellular voice revenues declined 7% to ₱29.3 billion, resulting from continuing intense competition and unlimited voice packages even as voice traffic increased by 50%. Cellular data/text revenues likewise fell 4% to ₱29.7 billion, with text volumes declining 6%. Smart continues to lead the industry in terms of both revenues and subscribers.

Wireless EBITDA for the first nine months fell 5% to ₱41.9 billion. EBITDA margin dropped to 62% from 63% in the same period in 2010 as a result of increased selling and promotions expenses, which were undertaken in order to protect market share and boost broadband usage.

The PLDT Group's total cellular subscriber base as at 30th September 2011 was 47.7 million subscribers, 5% or 2.1 million up from the end of 2010. Smart Buddy recorded net additions of 0.9 million subscribers to end with 26.6 million subscribers while *Talk 'N Text* likewise added approximately 0.6 million subscribers to end with 19.5 million subscribers. *Red Mobile*, the brand owned by Smart subsidiary, CURE, had about 1.6 million subscribers at the end of the period, having added 0.7 million new subscribers. Responding to renewed efforts, Smart's postpaid subscriber base rose to 476,000. The net addition of 55,000 post-paid subscribers for 3Q2011 alone is one of the highest in recent memory.

"We continue to manage the long tail of our traditional telco business, cognizant that revenues will continue to be pressured by declining yields brought about by the unlimited services. That said, we are elated with the growth of our broadband business and our massive investment in network modernization has already raised our network performance, with our subscribers enjoying a significantly enhanced customer experience," said **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 now has over 3,000 HSPA base stations and 1,200 HSPA+ base stations, more than double the 500 base stations in early September. As of mid-October, a total of 120 cities and municipalities nationwide now have HSPA+ coverage. Smart is also pursuing an aggressive roll-out of WiFi spots to augment its broadband coverage.

In a nationwide speed test conducted by an independent engineering firm, *SmartBro* was proven to be faster than the competition by an average of 0.74 Mbps.

The base station upgrades are only one part of the ₱67.0 billion system-wide network transformation program being undertaken by the PLDT Group. The program also involves the upgrading of other elements such as mobile switches, fiber optic backbone networks, and international cable systems, among others.

PLDT Fixed Line: Focusing on the Home and Enterprise

Fixed line service revenues decreased by 4% to ₱35.2 billion in the first nine months of 2011 from ₱36.8 billion in the same period in 2010 as the strong Peso impacted the business unfavorably. Had the peso remained stable, service revenues would have been higher by ₱400 million.

PLDT DSL generated ₱6.9 billion in revenues in the first nine months of 2011, up 13% from ₱6.1 billion in 2010. Third party corporate revenues grew 4% while domestic leased line and international leased line revenues were down 12% and 8%, respectively.

Anticipated declines in ILD, NLD and LEC continued with their combined revenues of ₱17.7 billion in the first nine months of 2011 lower by 6% compared with the ₱18.9 billion in the same period last year.

Fixed line EBITDA margin was stable at 49% for the first nine months of 2011 but higher than the 47% margin for the full year 2010. EBITDA margin for 3Q2011 stood at 51% compared with 48% in 3Q2010.

"We are pursuing our strategy of focusing on customer lines, such as the home and enterprise, and continue to roll-out various programs to serve these defined sectors. We are also nearing the completion of our NGN upgrade which should enable us to provide our customers with more advanced services in a more cost-efficient manner," declared **Nazareno**.

ICT: Registering Strong Results

The Group's information and communications technology ("ICT") business reported service revenues of ₱8.2 billion in the first nine months of 2011, an increase of 3% from the same period in 2010. Data center revenues continued to grow with a 20% improvement over the comparable period in 2010. Knowledge Processing Solutions increased 8% on the back of higher contributions from the medical billing and content solutions verticals. Revenues from the Customer Relationship Management, or call center, business declined 2%, having been negatively impacted by the Peso's appreciation. ICT also registered a 28% decline in internet and online gaming revenues with the sale of Digital Paradise and Level Up! as well as the transfer of Infocom's internet business to the Fixed Line.

68% of ICT's revenues are dollar-denominated - had the peso remained stable, service revenues for the period would have increased by ₱300 million.

EBITDA for the ICT business increased by 36% to ₱1.5 billion in the first nine months of 2011 as compared with ₱1.1 billion in 2010, as a result of the growth in service revenues and lower cash operating expenses. EBITDA margin at 19% was higher than the 14% recorded in the comparable period last year. ICT's revenues account for 7% of PLDT's consolidated revenues.

"SPi continues to streamline its operations while expanding its services which now includes a more comprehensive and integrated suite of solutions covering revenue cycle management, health information recovery management, clinical documentation improvement and education and ASP hosting," stated **Nazareno**.

Meralco: Maintaining Growth

Our financial results for the first nine months of 2011 reflect the equity accounting of our share in Meralco's earnings through PLDT Communications and Energy Ventures, Inc. ("PCEV"), formerly Piltel. For the first nine months of 2011, PCEV's income was derived mainly from its direct equity share in the net income of Manila Electric Company ("Meralco") and its holdings in Beacon Electric Asset Holdings, Inc. ("Beacon Electric"). PCEV owns 50% of Beacon Electric, a special purpose company jointly owned by PCEV and Metro Pacific Investments Corporation.

As of 30th September 2011, Beacon beneficially owned 442.4 million shares, equivalent to a 39.2% interest in Meralco. PCEV's direct holdings in Meralco consisted of 68.8 million Meralco common shares (approximately 6.1% interest), retained by PCEV after the transfer of its 154.2 million shares to Beacon in March 2010. PCEV acquired its original 20% investment in Meralco in July 2009.

On 19th October 2011, PCEV's Board of Directors approved the transfer to Beacon of PCEV's remaining investment in 68.8 million Meralco common shares for a total consideration of ₱ 15.14 billion. The transfer of the Meralco shares was implemented through a cross sale in the Philippine Stock Exchange on 25th October 2011. With the transfer, PCEV no longer directly holds any shares in Meralco while Beacon beneficially owns approximately 45.3% of Meralco's common shares.

PCEV's Board of Directors also approved on 19th October 2011 the subscription to 1.199 million Beacon preferred shares for a total cash consideration of₱15.14 billion. Beacon's preferred shares are entitled to liquidation preference and carry annual cumulative dividends of 7%. PCEV and Beacon entered into a Subscription Agreement on 20th October 2011 for said preferred shares.

Meralco's Consolidated Reported Net Income for the first nine months of 2011 of ₱10.0 billion increased by 25% against the same period in 2010. The higher Consolidated Reported Net Income was due to higher electricity sales and lower interest charges.

Consolidated Core Net Income for the first six months of 2011, which excludes one-time, exceptional charges, amounted to ₱11.7 billion, a 27% improvement over the Core Net Income for the same period in 2010 of ₱9.2 billion. Basic Earnings per share on reported net income amounted to ₱8.83 while Core Earnings per share was at ₱10.354.

Consolidated Core EBITDA amounted to ₱21.6 billion, representing a consolidated core EBITDA margin on gross revenues of 11%; calculated on distribution revenue alone which represents Meralco's business today, Core EBITDA margin for the period stood at 48%.

Consolidated revenues, of which electricity accounted for 97% of the total, increased by 2% to ₱192.9 billion. The improvement was due to higher volume of energy sold, increase in transmission charges and the distribution rate adjustment implemented in January 2011.

Total revenues from electricity sales for the nine months ended 30th September 2011 amounted to ₱187.0 billion, or 2% higher than the amount for the same period in 2010. Generation and transmission charges, which accounted for 72% of the total electric revenues, was lower with average generation and transmission charges of ₱6.10 per kWh in 2011 compared with ₱6.13 kWh or 0.5% lower than 2010. Distribution revenues, which accounted for 19% of the total, reflected an average distribution charge of ₱1.61 per kWh. The actual average distribution rate realized reflects the impact of lower sales to the residential sector and higher volume sold to commercial and industrial customers.

Total energy sold for the first nine months of 2011 was 22,725GWh, or 0.3% higher compared with 22,660GWh in the same period in 2010. Customer count grew by 3% to almost 5 million compared with September 2010, with the residential sector leading the growth in subscribers with a 4% increase, followed by commercial customers at 3%. Industrial customers and streetlights remained at the 2010 level. In terms of contribution to energy sold by value, the commercial, residential and industrial sectors accounted for 39%, 31% and 29%, respectively.

Total costs and expenses for the nine months ended 30th September 2011 amounted to ₱177.7 billion or 0.5% higher than the comparative period last year.

Consolidated free cash flow was ₱16.7 billion as of 30th September 2011, attributable to the higher net cash generated from operations as a result of the distribution adjustments and improved collection performance.

Digitel

Last 26th October 2011, the National Telecommunications Commission ("NTC") approved the acquisition by PLDT of JG Summit Holdings, Inc. ("JGS") and certain other parties' ownership interest in Digital Telecommunications Philippines, Inc. ("Digitel"). The acquisition covers 3.3 billion common shares, representing approximately 51.55% of Digitel, zero-coupon bonds issued by Digitel to JGS which are convertible into 18.6 billion Digitel common shares, and the assumption of ₱34.1 billion of advances made by JGS to Digitel. The 3.3 billion Digitel shares were crossed in the Philippine Stock Exchange on 26th October 2011. In return, PLDT issued 27.7 million new PLDT shares to JGS, representing approximately 12.9% of the expanded capital stock of PLDT.

With the closing of the transaction, Manuel V. Pangilinan, PLDT Chairman, was elected Chairman of Digitel, along with Mr. Vea, who was named President and CEO. 3 other PLDT representatives were likewise elected as directors to the Digitel Board in addition to 2 independent directors.

The transaction also requires PLDT to conduct a tender offer for the remaining 48.45% Digitel shares held by minority shareholders. Digitel minority shareholders can opt to be paid in cash at ₱1.6033 per share or swap Digitel shares for PLDT shares at a ratio of 1,599.28 Digitel shares for every one PLDT share. The timing of the tender offer is being finalized and it is PLDT's intention to delist Digitel upon completion of the tender offer exercise.

As part of the NTC's approval, PLDT has committed to the following:

- Retention of the Sun Cellular brand and the provision of "unlimited" types of services;
- Divestment by Smart of its ownership in CURE, including CURE's 10MHz of 3G frequency in the 2100 band; and
- Maintenance of high quality services to its subscribers/customers.

Conclusion and Outlook

"We are pleased to have concluded finally the acquisition of Digitel, and are eager to proceed with our plans to put the best of both companies together and pass the benefits of synergy on to our subscribers.

"In the meantime, we still have to contend with the bearish outlook of the industry as consumer behavior and technology continue to transform our business at a pace much faster than anticipated, intense competition expected to continue. Revenues from the legacy businesses of voice and text are now yielding to revenues from data and broadband services. This transformation process will (i) take some time before a 1-for-1 revenue substitution process can be achieved, and (ii) mean higher margins being replaced by lower ones, at least in the short-term. We are therefore faced with the sobering prospect that revenues are likely to continue declining for the foreseeable future, and costs rising in the near term -- as we need to follow through with improving and upgrading our networks, including Digitel's, and seeding the market with internet-based enabled devices.

"Clearly, PLDT is at another threshold," **said Manuel V. Pangilinan, PLDT Chairman**.

"In this light, and as the year draws to a close, our near-term outlook requires us to consider a guidance number lower than the ₱40.5 billion Core Net Income we provided in the early part of this year. For the full year 2011, we anticipate Core Net Income to be ₱39.0 billion. However, I am confident that with the requisite people, networks, products and quality of service in place, we can return to more profitable times as soon as practicable. We have been there before, we have done it," **concluded Mr. Pangilinan.**

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	PLDT Consolidated					
	Nine months ended September 30			Three months ended September 30		
	2011	2010	% Change	2011	2010	% Change
	(Unaudited)			(Unaudited)		
Service revenues	103,245	106,716	-3%	33,605	34,560	-3%
Total revenues	105,026	108,272	-3%	34,244	35,065	-2%
Expenses	64,345	64,916	-1%	21,810	21,615	1%
Income before income tax	40,326	43,032	-6%	12,232	13,655	-10%
Provision for income tax	9,719	10,974	-11%	2,921	3,218	-9%
Net income - As Reported	30,618	31,988	-4%	9,319	10,309	-10%
EPS, Basic [a]	162.11	169.38	-4%	49.28	54.54	-10%
EPS, Diluted [a]	162.06	169.38	-4%	49.28	54.54	-10%
Core net income[b]	30,602	31,423	-3%	9,579	10,193	-6%
EPS, Basic [c]	162.02	166.36	-3%	50.67	53.93	-6%
EPS, Diluted [c]	161.98	166.36	-3%	50.67	53.93	-6%

[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.

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About PLDT

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