

**2010 CONSOLIDATED CORE NET INCOME UP 2% TO ₱42 BILLION  
REPORTED NET INCOME UP 1% TO ₱40.2 BILLION  
EBITDA AT ₱83.7 BILLION  
TOTAL DIVIDEND OF ₱222 PER SHARE WITH DECLARATION OF FINAL AND  
SPECIAL DIVIDENDS  
CELLULAR SUBSCRIBER BASE AT 45.6 MILLION  
TOTAL BROADBAND SUBSCRIBERS OVER 2 MILLION**

- Consolidated core net income of ₱42.0 billion for 2010, 2% higher than the ₱41.1 billion net income in 2009
- Consolidated reported net income for 2010 at ₱40.2 billion, an increase of 1% from the ₱39.8 billion recorded in 2009
- Consolidated service revenues decline 2% year-on-year to ₱142.2 billion.
- Consolidated EBITDA 3% lower at ₱83.7 billion; consolidated EBITDA margin remains stable at 59% of service revenues
- Consolidated free cash flow at ₱43.7 billion for 2010
- Cellular subscriber base at 45.6 million, net additions of 4.3 million
- Total broadband subscribers over 2 million; aggregate revenue contribution from broadband and internet services of ₱17.4 billion for 2010, 16% higher than last year

**MANILA, Philippines, 1<sup>st</sup> March 2011** — Philippine Long Distance Telephone Company (“PLDT”) (PSE: TEL) (NYSE: PHI) today announced its audited financial and operating results for 2010 with consolidated Reported Net Income increasing by 1% to ₱40.2 billion, from the ₱39.8 billion recorded last year. Core Net Income for 2010, net of exceptional items, rose 2% to ₱42.0 billion, from ₱41.1 billion in 2009.

A closer look at the underlying revenue mix will show the ongoing transition of revenue streams with the lower traditional sources being replaced by the growth of new revenue streams. Overall consolidated service revenues decreased by 2% to ₱142.2 billion, reflecting the combined effect of:

- a 16% increase in combined fixed and wireless broadband and Internet revenues;
- a 9% growth in cellular voice revenues, which includes a 19% increase in domestic voice revenues offset by a 5% decline in international voice revenues;
- a 16% rise in revenues from fixed data and other network services to third parties;
- a 12% reduction in cellular text revenues;
- a 25% decline in National Long Distance revenues; and
- a 17% decrease in Fixed Line International Long Distance revenues.

In addition, our service revenues were impacted by:

- the strengthening of the peso during the year which resulted in reduced service revenues of ₱2.2 billion; as well as

- the sale of Mabuhay's satellite business, which reduced revenues by ₱900 million .

Consolidated EBITDA was lower at ₱83.7 billion while EBITDA margin was at 59%, the same level as 2009.

Approximately 26% of consolidated service revenues are linked to the US Dollar. Had the peso remained stable, service revenues and EBITDA for 2010 would have each declined by 1% relative to 2009.

Consolidated free cash flow for the year was at ₱43.7 billion. Consolidated capital expenditures stood at ₱28.8 billion for 2010, or 20% of service revenues. Capital expenditures were utilized to improve the Group's broadband and cellular coverage and capacity and included as well the modernization and upgrade of both our mobile and fixed networks.

The Group's consolidated debt balance as at the end of 2010 was US\$ 2.1 billion with net debt at approximately US\$1.3 billion. Net debt to EBITDA remained at 0.7x. The Company's debt maturities continue to be well spread out, with more than 50% due in and after 2014. The percentage of US Dollar-denominated debt to the Group's total debt portfolio further declined to 45%, down from 48% at the end of 2009. Taking into account our peso borrowings, our hedges and our U. S. Dollar cash holdings, only 25% of total debt remains unhedged. The Group's cash and short-term securities are invested primarily in bank placements and Government securities.

Earlier today, the Company's Board of Directors declared a final dividend of ₱78 per share, fulfilling the Company's commitment to pay out a minimum ratio of 70% of core earnings. In addition, the Board, consistent with its year-end "look back" approach, approved a special dividend of ₱66 per share. Added to the interim dividend of ₱78 per share paid in September 2010, total dividends for the year will amount to ₱222 per share, representing a payout of 100% of 2010 core earnings, similar to the payout ratio of the last three years. Total dividend payments for 2010 will total ₱41.4 billion.

"We are immensely pleased to have been able to fulfill our regular dividend commitment but more so, to have been able to declare a special dividend despite higher capex and the tough competition. This is the fourth consecutive year that we have paid out 100% of Core EPS, an achievement made even more impressive when taken in the backdrop of the maturing market and aggressive pricing environment," stated **Manuel V. Pangilinan, PLDT Chairman**.

### **Wireless: Managing the Transformation**

Wireless service revenues dipped 2% to ₱93.8 billion for 2010, compared with the ₱95.8 billion recognized last year. Excluding the impact of our satellite operations and the peso appreciation, wireless service revenues would have been stable year-on-year. Cellular subsidiary Smart Communications, Inc. ("Smart") continues to lead the industry in terms of both revenues and subscribers.

Wireless EBITDA for 2010 declined 1% to ₱58.9 billion. EBITDA margin improved however to 63% from 62% in 2009.

The PLDT Group's total cellular subscriber base for 2010 grew to 45.6 million subscribers, a 10% growth year-on-year. Smart Buddy recorded net additions of 1.5 million subscribers to end

2010 with 25.3 million subscribers while *Talk 'N Text* added approximately 1.9 million subscribers to end with 19.0 million subscribers. *Red Mobile*, the brand owned by Smart subsidiary, CURE, had about 954,000 subscribers at the end of 2010. *Red Mobile* was relaunched in March 2010 and positioned to meet market demand for unlimited services, particularly for “second SIM” holders.

Cellular voice revenues improved by 9% to ₱42.3 billion and now constitute 49% of total cellular service revenues from 44% last year. On the other hand, cellular data/text revenues fell 12% to ₱41.5 billion, despite a 19% 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.

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 over 1.35 million at the end of 2010, over 925,000 of whom were on *SmartBro*’s prepaid service. Wireless broadband revenues continued to grow strongly, up 17% to ₱6.3 billion, compared with the ₱5.4 billion recorded in 2009. Moreover, mobile Internet browsing usage has been growing at a fast clip, with revenues increasing by 37%, from ₱530 million in 2009 to ₱725 million in 2010. Wireless broadband revenues now account for 7% of wireless service revenues.

To further spur mobile Internet browsing, Smart recently unveiled a new initiative designed to help put the Internet in the hands of more Filipinos. At the recently held Mobile World Congress in Barcelona, Smart introduced the “Netphone”, a pioneering smart phone specially designed to serve a broad market of users. Promising true mobility, the Netphone enables users to call, text, chat, do social media and access the Internet with ease while on the go.

“With the Netphone, Smart can rapidly deploy new widgets, applications and services over the air, continually enhance the Netphone’s value to our subscribers, and in the process create healthy revenue streams,” said **Napoleon L. Nazareno, President and CEO of PLDT and Smart.**

**Orlando B. Vea, Smart Chief Wireless Adviser**, said, “By providing easy, bite-sized access to the web, the Netphone perfectly complements our ‘*Internet for All*’ advocacy. Designed for emerging-market mobile phone users, this device further democratizes access to the Internet just as Smart led in putting cell phones in the hands of millions of Filipinos.”

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 fixed wireless broadband networks now cover 52% and 62% of the country’s population, respectively.

### **PLDT Fixed Line: Declining traditional revenues muting growth**

Fixed line service revenues decreased by 5% to ₱48.6 billion in 2010 from ₱51.1 billion in 2009 as the strong Peso impacted the business unfavorably. Had the peso remained stable, service revenues would have been higher by ₱0.7 billion.

Data and DSL revenues generated from third parties continued to post strong growth of 16%. Data service revenues contributed 45% of the fixed line’s service revenues as compared with

42% in the same period last year, but this increased contribution was not enough to offset the decline in ILD and NLD revenues.

Fixed Line broadband subscribers grew by 83,000 to over 640,000 at the end 2010 from 560,000 at the end of 2009. PLDT DSL generated ₱8.3 billion in revenues in 2010, up 17% from ₱7.1 billion in 2009.

Despite an increase in the number of postpaid billed lines, revenues from our local exchange or LEC services were down 2% as a result of LEC voice revenues being re-allocated to bundled voice and data services. National Long Distance revenues decreased 21% as a result of lower 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 the impact of the peso appreciation vis-à-vis the US Dollar.

Fixed line EBITDA margin was lower at 47% for 2010 compared with 49% in 2009 margin, mainly due to the changes in revenue mix and higher operating expenses, particularly the one-time charge of ₱1.6 billion relating to the latest manpower reduction program.

"Our Fixed Line business reflects what is being experienced by other operators around the world, where both revenues and margins are being squeezed by the ubiquity of alternative means of communications. Our goal is to maximize our broadband and corporate data networks and platforms such that we can still extract value," declared **Nazareno**.

### **ICT: Pushing ahead**

The Group's information and communications technology ("ICT") business reported service revenues of ₱10.7 billion in 2010, a decline of 2% from 2009. With 70% of their revenues being dollar-denominated, the ICT business' results were particularly hard hit by the appreciation of the peso. Had the peso remained stable, service revenues for the period would have increased by 2% year-on-year.

EBITDA for the ICT business increased by 30% to ₱1.7 billion in 2010 as compared with ₱1.3 billion in 2009, with a 5% decrease in cash operating expenses, largely due to a reduction in headcount. EBITDA margin at 16% was higher than the 12% recorded in 2009. ICT's revenues account for 7% of PLDT's consolidated revenues.

Prospects for the reorganized SPi Global Holdings, Inc. are particularly encouraging with the projected expansion of both its new and existing customer base.

"Now that we have recalibrated the focus of ePLDT and SPi, we are looking forward to a banner year from both entities," stated **Nazareno**.

### **Meralco: Registering strong results**

Our 2010 financial results reflect the equity accounting of our share in Meralco's earnings through PLDT Communications and Energy Ventures, Inc. (PCEV), formerly Piltel. PCEV's income is 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 ("MPIC").

Meralco's consolidated Reported Net Income for 2010 increased to ₱9.7 billion, 61% higher than the ₱6.0 billion realized in 2009. Consolidated Core Net Income, which excludes one-time, exceptional charges, stood at ₱12.2 billion, 74% better than the Core Net Income in 2009 of ₱7.0 billion. Core Earnings per Share for 2010 reached ₱10.78. Reported Earnings per Share amounted to ₱8.59.

The 2010 full year results reflect higher recurring net income compared with 2009 as a result of increased volume of energy sold. The unprecedented 10% growth in demand was the result of unusually high temperatures, higher consumption brought about by election spending in the first half of 2010 and the upturn in business expansions within the franchise area throughout the year. In addition, the combined effect of the 3% increase in the number of billed customers to 4.8 million, the recent, albeit delayed, implementation of the distribution rate adjustment and the notably lower interest charge as a result of the refinancing concluded in 2009 resulted in a record performance for the year.

Meralco's consolidated revenues, of which electricity sales accounted for 97% of the total, increased by 33% to ₱245.5 billion in 2010. The year-to-date system loss rate was at an all-time low of 7.94%, well below the 8.5% cap of the ERC.

Consolidated EBITDA for 2010 was higher at ₱18.2 billion, translating into an EBITDA margin of 7% on consolidated revenues. EBITDA margin for pure distribution revenues stood at 40%, reflecting the combined effect of the increase in energy sold and the distribution rate adjustment although return on assets for pure distribution was only 6% for 2010.

Consolidated capital expenditures in 2010 amounted to ₱10.1 billion, with electric capital projects accounting for 51% of the total.

At a meeting held on 28<sup>th</sup> February 2011, Meralco's Board of Directors approved the declaration of a final cash dividend of ₱2.65 per share, payable on 20<sup>th</sup> April 2011. Added to the previously paid interim dividends of ₱3.80 per share paid in 2010, total dividends for the year will amount to ₱6.45 per share, representing a payout of 60% of 2010 core earnings, a record level for Meralco.

### **Conclusion and Outlook**

"At about this time last year, we had indicated that 2010-2012 would be a critical period in the PLDT Group's transformation, as it was being undertaken at a time when the operating environment was becoming increasingly price-competitive and market-share sensitive. Our 2010 performance has underscored our views and indeed reinforced our position that in order to survive and prosper, we must be prepared to make changes now.

We aim for nothing less than undisputed market leadership. Not only in terms of subscribers, but in profitability, service quality and innovation. To achieve this lofty goal, we will need to invest heavily in the next two years. Given market dynamics and the anticipated explosion in the demand for data, PLDT will step up the implementation of its technology roadmap. The acceleration will take into account both commercial and technical objectives such as a

seamless nationwide 2G service and an expanded 3G/HSPA/WiMax/DSL rollout to support mobile Internet and broadband growth. From a technical perspective, we are looking to continue the modernization/upgrade of our wireless networks to improve quality of service as well as adapt them to a more voice- and data-centric environment. We will also undertake projects focusing on resiliency and protection and we will pursue further investments in additional international cable systems. These initiatives should enable PLDT to roll out an expanded suite of services in new areas as well as achieve operating and cost efficiencies.

As a result, we expect our capital expenditures for the two-year period of 2011-2012 to reach ₱ 67 billion but will settle down to levels comparable with those realized in the years immediately before 2011. The incremental investments will be funded by debt, given our favorable debt profile and strong cash flows.

Consequently, we expect our Core Net Income to be in the region of ₱40.5 billion each of the years 2011 and 2012 due to incremental depreciation and interest expense. This reflects a modest reduction in Core Net Income for each of these two years of approximately 4% from our 2010 core results. We project to return to our growth path in profitability, starting 2013 onwards. Finally, despite this anticipated decline in profits, we stand by and maintain our current dividend policy – a committed 70% payout of Core EPS with our normal “look back approach” which we do not expect to be significantly impacted by the higher capex plan,” **concluded Manuel V. Pangilinan, PLDT Chairman.**

**####**

PLDT Consolidated

|                                | Year ended December 31 |               |           | Three months ended December 31 |               |             |
|--------------------------------|------------------------|---------------|-----------|--------------------------------|---------------|-------------|
|                                | 2010                   | 2009          | % Change  | 2010                           | 2009          | % Change    |
|                                | (Audited)              |               |           | (Audited)                      |               |             |
| Service revenues               | 142,242                | 145,567       | -2%       | 35,526                         | 37,290        | -5%         |
| Total revenues                 | 144,459                | 147,993       | -2%       | 36,187                         | 38,023        | -5%         |
| Expenses                       | 88,903                 | 90,111        | -1%       | 23,987                         | 24,596        | -2%         |
| Income before income tax       | 53,685                 | 54,839        | -2%       | 10,653                         | 12,936        | -18%        |
| Provision for income tax       | 13,426                 | 14,744        | -9%       | 2,452                          | 3,525         | -30%        |
| Net income - As Reported       | <u>40,217</u>          | <u>39,781</u> | <u>1%</u> | <u>8,229</u>                   | <u>9,763</u>  | <u>-16%</u> |
| EPS, Basic <sup>(a)</sup>      | 212.85                 | 210.38        | 1%        | 43.47                          | 51.68         | -16%        |
| EPS, Diluted <sup>(a)</sup>    | 212.85                 | 210.36        | 1%        | 43.47                          | 51.68         | -16%        |
| Core net income <sup>(b)</sup> | <u>42,028</u>          | <u>41,138</u> | <u>2%</u> | <u>10,605</u>                  | <u>10,187</u> | <u>4%</u>   |
| EPS, Basic <sup>(c)</sup>      | 222.55                 | 217.65        | 2%        | 56.19                          | 53.95         | 4%          |
| EPS, Diluted <sup>(c)</sup>    | 222.55                 | 217.62        | 2%        | 56.16                          | 53.94         | 4%          |

<sup>(a)</sup> EPS based on reported net income

<sup>(b)</sup> 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

<sup>(c)</sup> 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**

**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, and cellular 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](http://www.pldt.com).**