

**2012 CONSOLIDATED CORE NET INCOME AT ₱37.3 BILLION
REPORTED NET INCOME AT ₱35.5 BILLION, 12% HIGHER
FINAL AND SPECIAL DIVIDENDS TOTALING ₱112/SHARE DECLARED,
BRINGING DIVIDEND PAYOUT TO 100% OF CORE INCOME FOR 6TH STRAIGHT
YEAR**

**CONSOLIDATED SERVICE REVENUES UP 10% TO ₱169.3 BILLION
COMBINED CELLULAR SUBSCRIBER BASE AT 69.9 MILLION,
UP 10% FROM YE2011 – OVER 72.5 MILLION END FEBRUARY 2013
TOTAL BROADBAND SUBSCRIBERS AT 3.3 MILLION, 11% HIGHER
TWO-YEAR ₱67 BILLION NETWORK TRANSFORMATION COMPLETED
2013 FORECAST CAPEX OF ₱29.0 BILLION, LOWER BY ₱7.4 BILLION FROM
₱36.4 BILLION IN 2012**

- Consolidated Reported Net Income for 2012 at ₱35.5 billion, 12% higher from ₱31.7 billion in 2011
- Consolidated Core Net Income of ₱37.3 billion for 2012
- Final and special dividends of ₱60 and ₱52, respectively, per share declared; total dividend payout for 2012 equivalent to 100% of Core Net Income
- Consolidated service revenues up 10% year-on-year to ₱169.3 billion
- Consolidated EBITDA margin at 46% of service revenues; consolidated EBITDA down 3% to ₱77.3 billion
- Consolidated free cash flow at ₱37.8 billion for 2012
- Cellular subscriber base at 69.9 million, net additions of 6.2 million for the year
- Total broadband subscribers at 3.3 million; aggregate revenue contribution from broadband and internet services of ₱23.7 billion for 2012, 26% higher than last year
- Two-year ₱67 billion network transformation completed
- 2013 forecast capex of ₱29.0 billion, lower by ₱7.4 billion from ₱36.4 billion in 2012

MANILA, Philippines, 5th March 2013 — Philippine Long Distance Telephone Company (“PLDT”) (PSE: TEL) (NYSE: PHI) today announced its audited financial and operating results for 2012 with Reported Net Income, after reflecting exceptional transactions for the period, rose 12% to ₱35.5 billion, from ₱31.7 billion in 2011. These results reflect the consolidation of the operating performance of Digital Telecommunications Philippines, Inc. (“Digitel”) from its acquisition on 26th October 2011.

Consolidated Core Net Income, before exceptional items, amounted to ₱37.3 billion. While the full year Core Net Income was 4% lower than the ₱39 billion recorded in 2011, the second semester core profit of ₱18.7 billion was flat to the first semester and improved 4% over the second semester of 2011, when much of the decline was incurred. Despite higher service revenues, Core Net Income declined as a result of higher operating expenses relating mainly to the manpower reduction programs at PLDT, Smart and Digitel and selling and promotions initiatives.

Reported Net Income was impacted by the decline in Core Net Income, higher net foreign exchange and derivative gains and lower asset impairment charges.

EBITDA margin for 2012 dipped to 46%, from 52% in 2011, partly reflecting Digitel's lower margins in addition to the manpower right-sizing expenses and higher selling and promotion expenses. Consolidated EBITDA for 2012 was lower by 3% at ₱77.3 billion compared with ₱80.0 billion in 2011. Without the ₱3.8 billion charge relating to the manpower right-sizing programs, EBITDA would have been ₱81.1 billion, or ₱1.1 billion higher than 2011, and EBITDA margin would have been 48%.

Overall consolidated service revenues for 2012 increased by 10% to ₱169.3 billion, reflecting the combined effect of a 15% increase in wireless revenues, 4% increase in fixed line revenues, and a 15% rise in BPO revenues.

Earlier today, the Company's Board of Directors declared a final dividend of ₱60 per share as well as a special dividend of ₱52 per share. This brings the 2012 total dividend payout to ₱172 per share, equivalent to 100% of Core Income. "This is the sixth straight year that we have paid out 100% of our core earnings. Despite increased capex levels, we have continued to generate strong free cash flows and sustained our commitment to our shareholders," stated **Manuel V. Pangilinan, PLDT Chairman**.

"Our financials for 2012 reflect full year results of Digitel for the first time, as well as our successful navigation of the various challenges we faced during the year – the intense competition in the wireless space, the integration of Digitel and Sun operations into the group, the continued push for the growth of broadband, the completion of our network transformation, the rationalization of our business portfolio leading to the sale of our BPO businesses, and the beginning of our involvement in the media space," remarked **Napoleon L. Nazareno, President and CEO of PLDT and Smart**.

Consolidated free cash flow reached ₱37.8 billion, or ₱9.4 billion lower compared with 2011. Consolidated capital expenditures for 2012 amounted to ₱36.4 billion as the PLDT Group completed its two-year network transformation program ahead of schedule. Capital expenditures are expected to return to below 20% of revenues beginning in 2013. The Group's super-charged network, unrivalled in terms of coverage, capacity and resiliency, now encompasses:

- 3G population coverage of 71%
- 1,000 operational LTE sites with contiguous coverage in major CBDs as well as all of Metro Manila and other major cities
- 54,000 kilometers of fiber assets in place, and 14,000 kilometers of fiber-to-the home rolled out
- Fiber and IP-readiness for close to 100% of Metro Manila sites
- Four international cable landing stations
- Double internet gateway capacity

The Group's consolidated net debt stood at US\$1.9 billion as at 31st December 2012. Gross debt amounted to US\$2.9 billion, with the inclusion of Digitel's debt amounting to US\$0.5 billion. Net debt to EBITDA was at 1.0x. The Company's debt maturities continue to be well spread out, with over 70% due in and after 2015. The percentage of US dollar-denominated debt to the Group's total debt portfolio is at 46%. Taking into account our peso borrowings, our hedges and our U. S. Dollar cash holdings, only 34% of total debt remains unhedged. The Group's cash and short-term securities are invested primarily in bank placements and Government securities. PLDT is the first Philippine company to be rated "investment grade" by all three major international ratings agencies.

Subscriber Base

The PLDT Group's total cellular subscriber base as at 31st December 2012 was 69.9 million subscribers, broken down as follows: Wireless subsidiary Smart Communications, Inc ("Smart") had 25.5 million subscribers under its mainstream *Smart* brands, while value brand *Talk 'N Text* ended with 28.4 million subscribers as a result of 8.0 million net additions for the year. Digitel had 15.7 million *Sun Cellular* subscribers. The Group's combined postpaid cellular subscriber base, inclusive of *Sun Cellular's* 1.6 million postpaid customer count, soared to 2.3 million at the end of 2012, the highest in the industry. Smart's postpaid additions of 133,000 for the year are an all-time high. As of February 2013, our cellular subscriber base rose to over 72.5 million.

On the other hand, the Group's combined broadband subscriber base hit 3.3 million at the end of 2012, double that of competition, and representing net additions of about 335,000 for the PLDT Group's various broadband services. *SmartBro*, Smart's wireless broadband service offered through its wholly-owned subsidiary Smart Broadband, Inc., had a wireless broadband subscriber base of about 1.73 million at the end of the period, over 1.2 million of whom were on *SmartBro's* prepaid service. Meanwhile, PLDT's DSL subscribers increased by over 68,000 for 2012, bringing the total subscriber base to 829,000, while Digitel had a total of 75,000 DSL subscribers.

For the fixed line businesses of both PLDT and Digitel, the subscriber base totaled 2.1 million at the end of 2012, nearly three times that of competition.

Service Revenues

Smart/Sun continues to lead the industry in terms of both revenues and subscribers. With the addition of Sun Cellular, wireless service revenues increased by 15% to ₱117.4 billion for 2012, compared with the ₱102.1 billion recognized last year.

Total broadband and internet revenues for 2012 totaled ₱23.7 billion, a 26% growth rate year-on-year; broadband and internet now account for 13% of total group service revenues. Smart wireless broadband revenues, exclusive of mobile internet revenues, increased by 4% to ₱6.7 billion, compared with the ₱6.5 billion recorded last year. Moreover, mobile internet usage continues to grow strongly, with Smart's mobile internet revenues increasing by 56%, from ₱1.6 billion at the end of 2011 to ₱2.6 billion at the end of 2012, and Sun Broadband revenues of ₱0.6 billion. PLDT DSL generated ₱10.6 billion in revenues for 2012, up 12% from ₱9.5 billion in 2011.

"With our network now super-charged, we have proceeded to the next phase of enhancing quality of service. With four times more fiber assets than the competition, we are more than ready to take on the data explosion, especially as we expect the advent of smartphones in the US\$50 range in the near future," said **Orlando B. Vea, Smart Chief Wireless Adviser**.

Fixed line service revenues increased by ₱2.5 billion or 4% to ₱61.3 billion in 2012 from ₱58.8 billion in 2011. Digitel contributed ₱3.3 billion to total fixed line revenues. PLDT enterprise data and DSL revenues continued on their growth path on the back of a 12% increase in DSL revenues and a 2% increase in third party corporate data revenues. On the other hand, the ILD and NLD businesses of PLDT posted a 10% decline in revenues.

"We are excited to see the market accepting the new services on the Fixed Line side, both for Home and Enterprise," declared **Napoleon L. Nazareno**.

The Group's BPO operations were consolidated in 2011 under SPi Global Holdings, Inc ("SPi"). Last February 2013, it was announced that PLDT had agreed to sell the SPi businesses to Asia Outsourcing Gamma Ltd ("AOG"), a company controlled by CVC Capital Partners. PLDT also announced its intention to take a 20% stake in AOG. The transactions are expected to conclude early April 2013. SPi generated revenues of ₱9.9 billion in 2012, an increase of 15% over the previous year.

Investment in PDRs of MediaQuest

Last May 2012, PLDT announced the financial investment of ₱6 billion by ePLDT, a wholly-owned PLDT subsidiary, in Philippine Depositary Receipts (PDRs) to be issued by MediaQuest Holdings, Inc. MediaQuest is a wholly-owned entity of the PLDT Beneficial Trust Fund, and has investments in media assets that include TV5 and CignalTV, among others. The ₱6 billion has been advanced as deposit on future PDR subscription.

The PLDT Board has confirmed that the ₱6 billion investment in MediaQuest PDRs will give PLDT a 40% economic interest in MediaScape, the wholly owned subsidiary of MediaQuest that operates a direct-to-home (DTH) pay-TV business under the brand name CignalTV.

Investments in MediaScape will be equity accounted in ePLDT's financials as soon as the PDRs are issued.

Earlier today, the PLDT Board approved additional investments by ePLDT:

- ₱3.6 billion for 40% economic interest in SatVentures, which in turn holds the residual 60% economic interest in MediaScape.
- ₱1.95 billion for 100% economic interest in Hastings Holdings, which holds print-related investments including minority positions in the Philippine Star, the Philippine Daily Inquirer, and BusinessWorld

These investments are consistent with the overall strategy of broadening the PLDT Group's distribution platforms and increasing PLDT's ability to deliver multi-media content to its customers across the group's broadband and mobile networks.

Conclusion

"We are happy to note our improved performance in the second half of 2012, which was 4% higher than the second half of 2011. Even more encouraging was our fourth quarter profit of ₱9.3 billion, 10% higher than the fourth quarter of 2011. Both indicators would have shown increases relative to the first half and third quarter of 2012, respectively, if not for the various manpower reduction programs which reduced fourth quarter profits by ₱2 billion. While I believe the bottom is likely to be behind us and we have successfully defended our market share in the last few quarters, much still has to be done. Accordingly, we are guiding our Core Net Profit towards ₱38.3 billion in 2013, a gain of about ₱1 billion over 2012, an improvement after two years of decline. Capital expenditures are expected to reduce from 2012 by ₱7.4 billion to ₱29 billion with the successful completion of our network transformation program," **concluded Manuel V. Pangilinan.**

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PLDT Consolidated

| | Year ended December 31 | | | Three months ended December 31 | | |
|---|------------------------|----------------|------------|--------------------------------|---------------|-------------|
| | 2012 | 2011 | % Change | 2012 | 2011 | % Change |
| | (Audited) | | | (Audited) | | |
| Service revenues^(a) | <u>169,331</u> | <u>153,958</u> | <u>10%</u> | <u>43,087</u> | <u>41,690</u> | <u>3%</u> |
| Total revenues | 172,626 | 156,603 | 10% | 44,069 | 42,554 | 4% |
| Expenses | 132,185 | 113,382 | 17% | 37,744 | 40,014 | -6% |
| Income before income tax | 43,841 | 42,677 | 3% | 6,519 | 2,351 | 177% |
| Provision for income tax | 8,440 | 11,040 | -24% | (193) | 1,321 | -115% |
| Net income - As Reported | <u>35,454</u> | <u>31,697</u> | <u>12%</u> | <u>6,740</u> | <u>1,079</u> | <u>525%</u> |
| Continued Operations | 34,794 | 30,866 | 13% | 6,531 | 904 | 622% |
| Discontinued Operations | 660 | 831 | -21% | 209 | 175 | 19% |
| Core net income^(b) | <u>37,333</u> | <u>39,035</u> | <u>-4%</u> | <u>9,313</u> | <u>8,433</u> | <u>10%</u> |
| Continued Operations | 36,665 | 38,282 | -4% | 9,091 | 8,248 | 10% |
| Discontinued Operations | 668 | 753 | -11% | 222 | 185 | 20% |
| EPS (based on Reported Net Income) | | | | | | |
| Basic | 163.86 | 163.24 | - | 31.13 | 1.13 | 2655% |
| Diluted | 163.86 | 163.10 | - | 31.13 | 1.04 | 2893% |
| EPS (based on Core Net Income) | | | | | | |
| Basic | 172.56 | 201.58 | -14% | 43.04 | 39.56 | 9% |
| Diluted | 172.56 | 201.41 | -14% | 43.04 | 39.43 | 9% |

^(a) 2011 Service Revenues restated to reflect the change in the presentation of outbound revenues

^(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

PHILIPPINE LONG DISTANCE TELEPHONE COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31, 2012 and 2011

(in million pesos, except par value per share amounts and number of shares)

| | 2012 | 2011 (As Adjusted*) |
|--|----------------|------------------------|
| <u>ASSETS</u> | | |
| Noncurrent Assets | | |
| Property, plant and equipment | 200,078 | 200,142 |
| Investments in associates and joint ventures and deposit | 27,077 | 17,865 |
| Available-for-sale financial investments | 5,651 | 7,181 |
| Investment in debt securities and other long-term investments – net of current portion | 205 | 150 |
| Investment properties | 712 | 1,115 |
| Goodwill and intangible assets | 74,250 | 83,303 |
| Deferred income tax assets – net | 5,483 | 5,975 |
| Prepayments – net of current portion | 10,893 | 8,869 |
| Advances and other noncurrent assets – net of current portion | 1,376 | 1,340 |
| Total Noncurrent Assets | 325,725 | 325,940 |
| Current Assets | | |
| Cash and cash equivalents | 37,161 | 46,057 |
| Short-term investments | 574 | 558 |
| Trade and other receivables | 16,379 | 16,245 |
| Inventories and supplies | 3,467 | 3,827 |
| Derivative financial assets | – | 366 |
| Current portion of investment in debt securities and other long-term investments | 150 | 358 |
| Current portion of prepayments | 5,144 | 6,345 |
| Current portion of advances and other noncurrent assets | 8,116 | 126 |
| Total Current Assets | 70,991 | 73,882 |
| Assets classified as held-for-sale | 13,752 | – |
| Total Current Assets | 84,743 | 73,882 |
| TOTAL ASSETS | 410,468 | 399,822 |

EQUITY AND LIABILITIES

Equity

| | | |
|---|----------------|----------------|
| Non-voting serial preferred stock, Php10 par value per share, authorized - 807,500,000 shares; issued and outstanding - 36,002,970 shares as at December 31, 2012 and 441,912,370 shares as at December 31, 2011 | 360 | 4,419 |
| Voting preferred stock, Php1 par value per share, authorized, issued and outstanding - 150,000,000 shares as at December 31, 2012 | 150 | – |
| Common stock, Php5 par value per share, authorized - 234,000,000 shares; issued - 218,779,886 shares and outstanding - 216,055,775 shares as at December 31, 2012; and issued - 217,160,444 shares and outstanding - 214,436,333 shares as at December 31, 2011 | 1,093 | 1,085 |
| Treasury stock - 2,724,111 shares as at December 31, 2012 and 2011 | (6,505) | (6,505) |
| Capital in excess of par value | 130,566 | 127,246 |
| Retained earnings | 24,794 | 26,232 |
| Other comprehensive income | 790 | (644) |
| Reserves of a disposal group classified as held-for-sale | (2,188) | – |
| Total Equity Attributable to Equity Holders of PLDT | 149,060 | 151,833 |
| Noncontrolling interests | 182 | 386 |
| TOTAL EQUITY | 149,242 | 152,219 |

* Certain amounts shown here do not correspond to the 2011 consolidated financial statements and reflect adjustments made as detailed in Note 13 – Business Combinations and Acquisition of Noncontrolling Interests – PLDT's Acquisition of Digitel.

PHILIPPINE LONG DISTANCE TELEPHONE COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION *(continued)*

As at December 31, 2012 and 2011

(in million pesos)

| | 2012 | 2011 (As Adjusted *) |
|---|----------------|-------------------------|
| Noncurrent Liabilities | | |
| Interest-bearing financial liabilities – net of current portion | 102,821 | 91,280 |
| Deferred income tax liabilities – net | 5,713 | 7,078 |
| Derivative financial liabilities | 2,802 | 2,235 |
| Customers' deposits | 2,529 | 2,272 |
| Pension and other employee benefits | 1,822 | 609 |
| Deferred credits and other noncurrent liabilities | 21,950 | 22,642 |
| Total Noncurrent Liabilities | 137,637 | 126,116 |
| Current Liabilities | | |
| Accounts payable | 30,451 | 29,554 |
| Accrued expenses and other current liabilities | 72,911 | 58,271 |
| Current portion of interest-bearing financial liabilities | 12,989 | 26,009 |
| Provision for claims and assessments | 1,555 | 1,555 |
| Dividends payable | 827 | 2,583 |
| Derivative financial liabilities | 418 | 924 |
| Income tax payable | 1,809 | 2,591 |
| Liabilities directly associated with assets classified as held-for-sale | 2,629 | – |
| Total Current Liabilities | 123,589 | 121,487 |
| TOTAL LIABILITIES | 261,226 | 247,603 |
| TOTAL EQUITY AND LIABILITIES | 410,468 | 399,822 |

* Certain amounts shown here do not correspond to the 2011 consolidated financial statements and reflect adjustments made as detailed in Note 13 – Business Combinations and Acquisition of Noncontrolling Interests – PLDT's Acquisition of Digitel. See accompanying Notes to Consolidated Financial Statements.

PHILIPPINE LONG DISTANCE TELEPHONE COMPANY AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS For the Years Ended December 31, 2012, 2011 and 2010 (in million pesos, except earnings per common share amounts)

| | 2012 | 2011 | 2010 |
|---|----------------|-----------------|----------------|
| | | (As Adjusted *) | |
| REVENUES | | | |
| Service revenues | 160,189 | 145,834 | 148,597 |
| Non-service revenues | 3,295 | 2,645 | 2,217 |
| | 163,484 | 148,479 | 150,814 |
| EXPENSES | | | |
| Depreciation and amortization | 32,354 | 27,539 | 25,881 |
| Compensation and employee benefits | 23,042 | 15,089 | 19,148 |
| Repairs and maintenance | 12,604 | 10,053 | 9,087 |
| Interconnection costs | 11,556 | 12,586 | 13,928 |
| Selling and promotions | 9,708 | 7,807 | 5,244 |
| Cost of sales | 8,747 | 5,443 | 4,771 |
| Rent | 5,860 | 3,938 | 3,699 |
| Professional and other contracted services | 5,361 | 5,143 | 4,462 |
| Asset impairment | 5,286 | 10,200 | 1,420 |
| Taxes and licenses | 3,506 | 3,554 | 2,508 |
| Communication, training and travel | 2,042 | 1,645 | 1,535 |
| Insurance and security services | 1,564 | 1,326 | 1,193 |
| Amortization of intangible assets | 921 | 117 | 163 |
| Other expenses | 1,472 | 1,662 | 1,637 |
| | 124,023 | 106,102 | 94,676 |
| | 39,461 | 42,377 | 56,138 |
| OTHER INCOME (EXPENSES) | | | |
| Foreign exchange gains (losses) – net | 3,282 | (735) | 1,850 |
| Equity share in net earnings of associates and joint ventures | 1,538 | 2,035 | 1,408 |
| Interest income | 1,354 | 1,357 | 1,180 |
| Gains (losses) on derivative financial instruments – net | (2,009) | 201 | (1,741) |
| Financing costs – net | (6,876) | (6,454) | (6,530) |
| Other income | 6,003 | 2,947 | 1,929 |
| | 3,292 | (649) | (1,904) |
| INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS | 42,753 | 41,728 | 54,234 |
| PROVISION FOR INCOME TAX | 8,012 | 10,922 | 13,490 |
| NET INCOME FROM CONTINUING OPERATIONS | 34,741 | 30,806 | 40,744 |
| INCOME (LOSS) AFTER TAX FROM DISCONTINUED OPERATIONS | 660 | 831 | (485) |
| NET INCOME | 35,401 | 31,637 | 40,259 |
| ATTRIBUTABLE TO: | | | |
| Equity holders of PLDT | 35,454 | 31,697 | 40,217 |
| Noncontrolling interests | (53) | (60) | 42 |
| | 35,401 | 31,637 | 40,259 |
| Earnings Per Share Attributable to Common Equity Holders of PLDT | | | |
| Basic | 163.86 | 163.24 | 212.85 |
| Diluted | 163.86 | 163.10 | 212.85 |
| Earnings Per Share for Continuing Operations Attributable to Common Equity Holders of PLDT | | | |
| Basic | 160.80 | 158.90 | 215.45 |
| Diluted | 160.80 | 158.77 | 215.45 |

* Certain amounts shown here do not correspond to the 2011 and 2010 consolidated financial statements and reflect adjustments made as detailed in Note 2 – Summary of Significant Accounting Policies – Discontinued Operations. See accompanying Notes to Consolidated Financial Statements.

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 business process outsourcing – 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.