



Nine Months 2009  
Financial and Operating Results

3 November 2009

# PLDT Group: 9M 2009 Financial Highlights



	9M 2009 (unaudited)	9M 2008 (unaudited)		% Y-o-Y
<b>Service Revenues</b>	<b>P108.3bn</b>	<b>P105.6bn</b>		<b>3%</b>
• Wireless	P71.2bn	P68.8bn		3%
• Fixed Line	P38.2bn	P36.7bn		4%
<b>EBITDA</b>	<b>P65.7bn</b>	<b>P65.7bn</b>		<b>-</b>
• Wireless	P44.5bn	P44.5bn		-
• Fixed Line	P20.3bn	P20.5bn		1%
<b>EBITDA Margin</b>	<b>61%</b>	<b>62%</b>		
<b>Reported Net Income</b>	<b>P30.0bn</b>	<b>P26.2bn</b>		<b>15%</b>
<b>Core Net Income</b>	<b>P31.0bn</b>	<b>P27.8bn</b>		<b>11%</b>
<b>Core EPS</b>	<b>P163.70</b>	<b>P145.71</b>		<b>12%</b>
<b>Period-end PhP:US\$1</b>	<b>P47.42</b>	<b>P47.26</b>		<b>-</b>
<b>Period-average PhP:US\$1</b>	<b>P47.93</b>	<b>P43.22</b>		<b>11%</b>

# PLDT Group: 3Q 2009 Financial Highlights



	3Q 2009 (unaudited)	3Q 2008 (unaudited)		% Y-o-Y
<b>Service Revenues</b>	<b>P35.6bn</b>	<b>P35.2bn</b>		<b>1%</b>
• Wireless	P23.1bn	P23.0bn		-
• Fixed Line	P12.8bn	P12.1bn		6%
<b>EBITDA</b>	<b>P21.7bn</b>	<b>P21.8bn</b>		<b>1%</b>
• Wireless	P14.3bn	P14.8bn		3%
• Fixed Line	P 7.0bn	P 6.8bn		2%
<b>EBITDA Margin</b>	<b>61%</b>	<b>62%</b>		
<b>Reported Net Income</b>	<b>P10.3bn</b>	<b>P 6.9bn</b>		<b>49%</b>
<b>Core Net Income</b>	<b>P10.1bn</b>	<b>P 9.1bn</b>		<b>11%</b>
<b>Core EPS</b>	<b>P 52.24</b>	<b>P 46.40</b>		<b>13%</b>

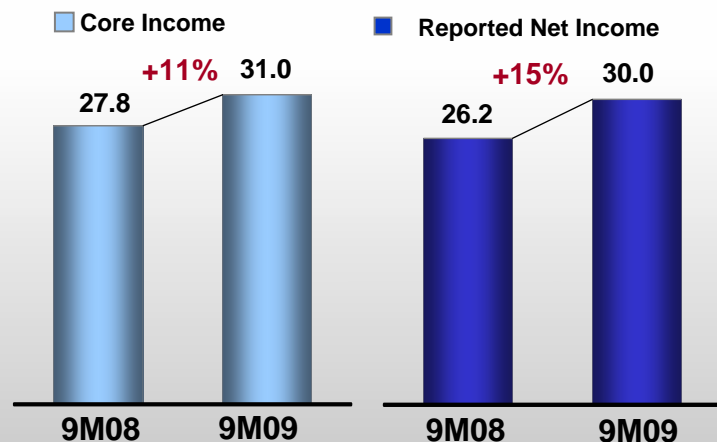
# PLDT Group: Core and Reported Income



- **Core income for 9M09 grew by 11% or P3.2bn to P31.0bn compared to 9M08 due to:**
  - + 3% rise in service revenues
  - + Lower provision for income tax largely due to the reduced corporate income tax rate
  - + Recognition of P361mn of equity share in earnings of Meralco
  - 5% increase in cash opex
- **Reported net income increased by 15% y-o-y or P3.8bn to P30.0bn largely on account of:**
  - + Higher recurring income by P3.2bn
  - P200mn net gain in net forex and derivative losses resulting from movements in the Peso-Dollar exchange rate and Peso- and Dollar-interest rates as at 9M09 compared with a P2.5bn net loss in the same period last year
  - Impairment of P1.7bn, P1.3bn of which pertains to the Mabuhay/Protostar transponder leases
- **3Q09 core income is 11% or P1.0bn higher than 3Q08 at P10.1bn; while reported net income is 49% higher at P10.3bn**

## Core and Reported Net Income

(Php in Billions)



## 9M09 vs 9M08 Core and Reported Income

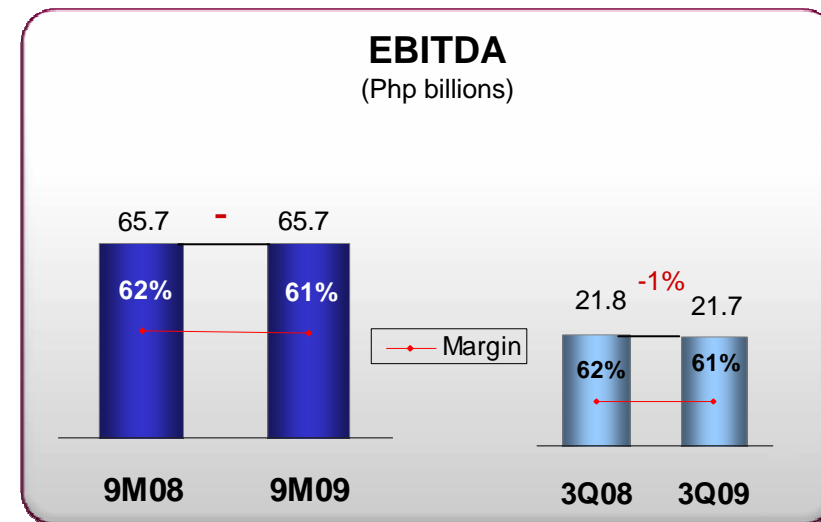
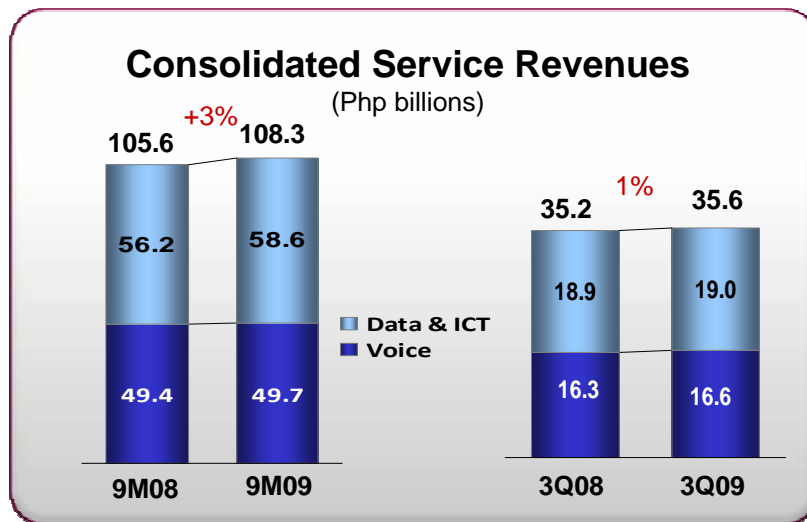
(Php in Billions)

	9M09	9M08	Diff
Core Income	31.0	27.8	3.2
Forex (Loss)/Gain	0.2	(6.0)	6.2
(Loss)/Gain on Derivatives	(0.1)	3.5	(3.6)
Asset impairment	(1.7)	-	(1.7)
Tax Effect	0.6	0.9	(0.3)
<b>Reported Net Income</b>	<b>30.0</b>	<b>26.2</b>	<b>3.8</b>

# PLDT Group: Service Revenues and EBITDA



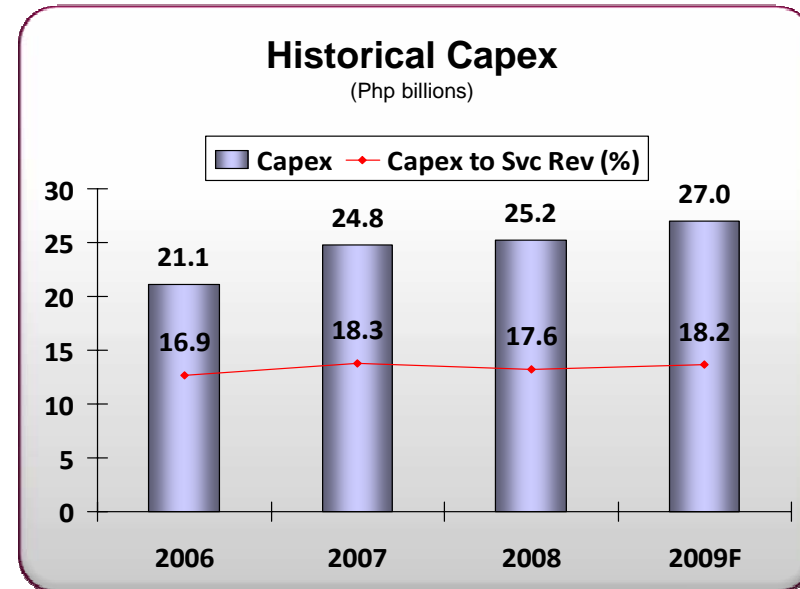
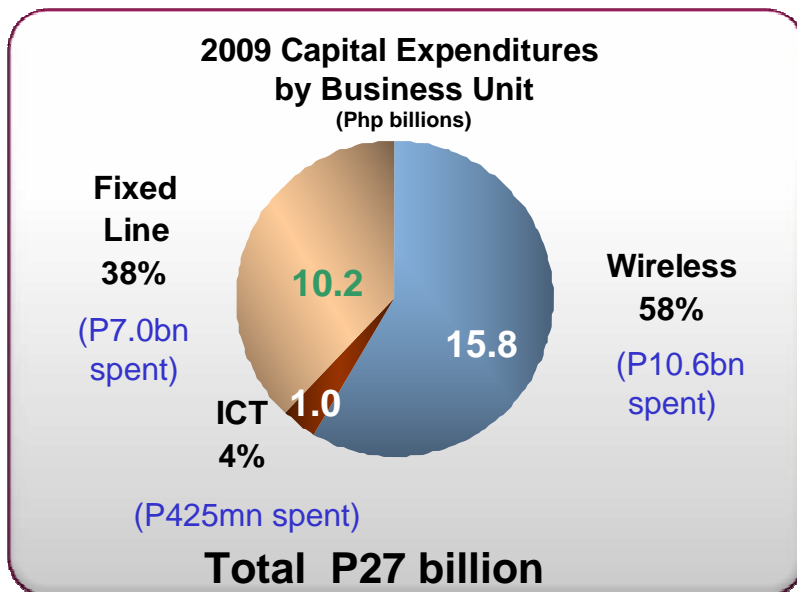
- **Consolidated service revenues increased by 3% to P108.3bn in 9M09 from P105.6bn in 9M08 on account of:**
  - + 4% increase in data and ICT revenues which included a 26% growth in broadband revenues
  - Steady voice revenues
- **Data and ICT revenues now account for 54% of total service revenues**
- **Consolidated EBITDA remained steady at P65.7bn in 9M09 resulting in a 61% EBITDA margin**
  - Wireless margin at 63%
  - Fixed line margin at 53%
  - ICT margin at 11%
- **3Q09 consolidated service revenues grew by 1% to P35.6bn compared to P35.2 bn in 3Q08**
- **EBITDA decreased by 1% to P21.7bn in 3Q09 compared to 3Q08**
- **Approximately 29% of 9M09 consolidated service revenues are US\$-linked or US\$-denominated**



# PLDT Group: Capex



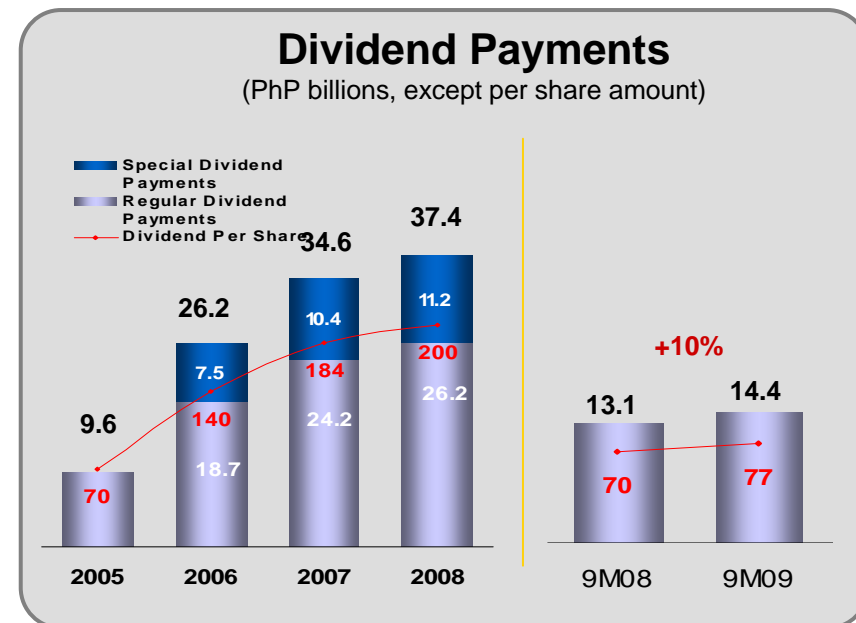
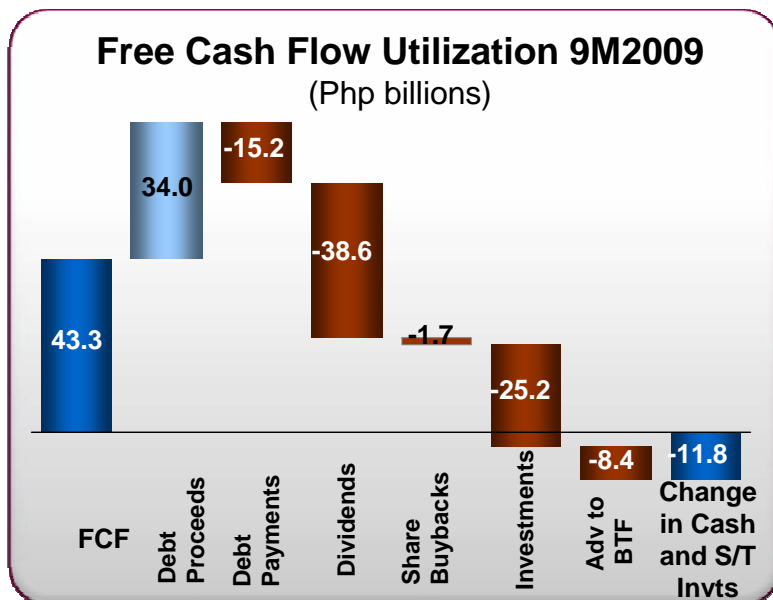
- **Capex at 9M09 increased by P1.2bn or 7% to P18.0bn, or about two-thirds of the P27bn total capex projected for the year**
  - Wireless capex of P10.6bn invested largely in the HSPA and multi-platform broadband networks as well as upgrade of the existing transmission, core and access networks
  - P7bn of capex was spent for the continued roll-out of NGN and the rehabilitation of the outside plant facilities of the fixed line
- **Total damage to network facilities from typhoons Ondoy and Pepeng is estimated at between P300-400mn, partly to be claimed against insurance**
- **Our network strategy aims to put in place infrastructure that will allow maximum flexibility in offering multiple products responsive to market demands and to maintain superior coverage:**
  - GSM network: capacity upgrade to cover incremental data/SMS and voice traffic
  - HSPA850 network: capacity and coverage for mobile broadband
  - 3G network: focus on blanketing coverage in urban areas for broadband and to take voice traffic
  - NGN network for the fixed line being positioned to expand offers beyond voice and data



# PLDT Group: Free Cash Flow



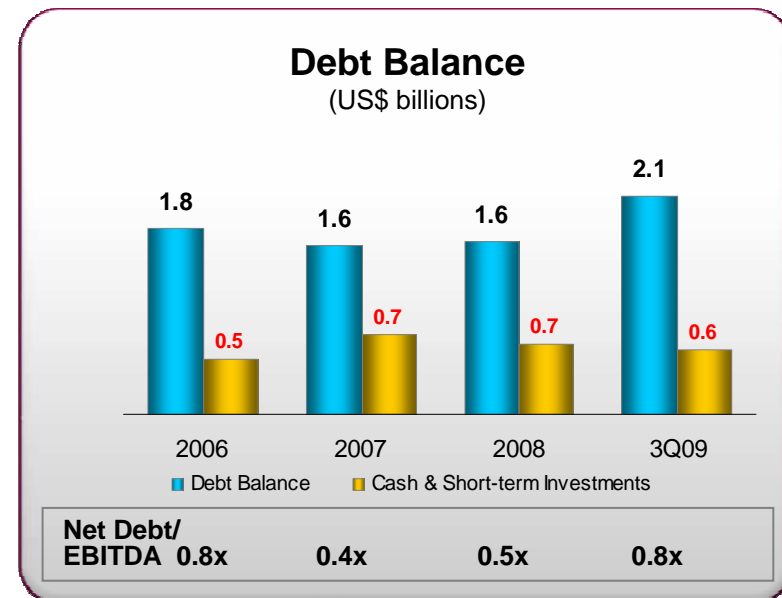
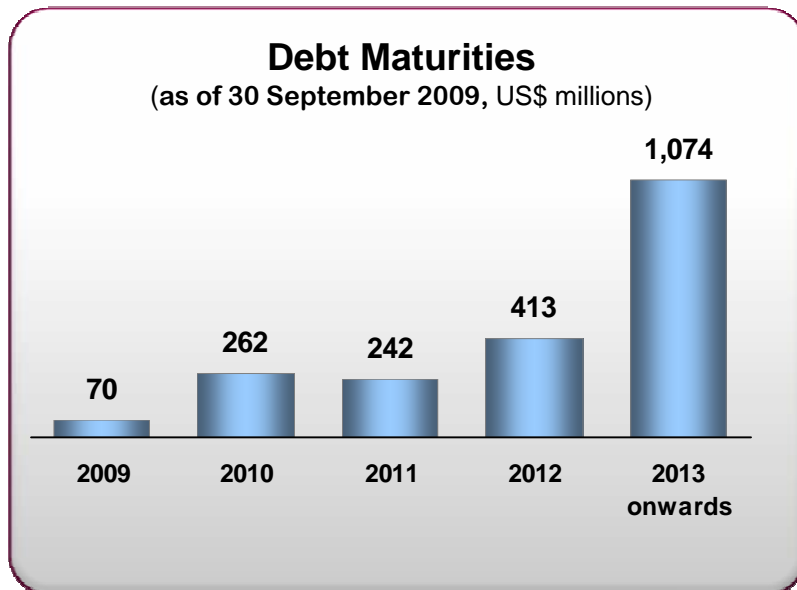
- **Free cash flow of P43.3bn generated in 9M09, P4.2bn or 11% more than P39.0bn in 9M08, and higher than the P38.1bn core income for FY08**
  - P18.8bn in additional funds provided by net proceeds from borrowings
  - P38.6bn in dividends were paid in April and September 2009
  - Shares amounting to P1.7bn were bought back into treasury
  - Of total net investments of P25.2bn, P20bn was for the 20% interest in Meralco and P6.6bn for the tender offer to Piltel minority shareholders
  - Advances of P8.4bn made to the PLDT Beneficial Trust Fund (BTF) for the Meralco share acquisition
- **Our dividend payout ratio remains: 70% of core EPS with a “look-back approach” at the end of the year for any special dividends**
- **We continue to buy back shares on an opportunistic basis, with a total of 2.7mn shares acquired to-date, out of 5mn shares approved for buyback**



# PLDT Group: Debt Profile



- At the end of September 2009, net debt stood at US\$1.5bn, an increase of US\$0.5bn from the end of 2008 as a result of the increased borrowing by the group to support capex and the investment in Meralco
- As of 9M09, total group debt amounted to US\$2.1bn compared to US\$1.5bn in 9M08
  - U. S. dollar debt has further declined to 55% of our total debt portfolio compared with 63% at 1H09
  - Outstanding hedge transactions of US\$412mn represent about 20% of total outstanding debt or 36% of total U. S. dollar denominated debt
  - Taking into account our our peso borrowing, hedges and our US\$ cash holdings, the unhedged portion of our total debt stood at 24% equivalent to US\$ 497mn
  - 65% of loans are fixed-rate, while 35% are floating-rate loans
- Net debt to EBITDA increased to 0.8x
- Of the total P38bn in borrowings planned for 2009:
  - Approx. P34bn has been drawn, P4bn fully committed as of October 2009
  - Debt repayments as at 9M09 totaled P15bn
- Debt maturities continue to be well-spread out





# PLDT Group: 9M2009 Segment Highlights



## ➤ **Wireless Business**

- Subscriber base at 39.1mn with 3.9mn net adds for 9M09
- Service revenues hit P71.2bn for the first nine months of 2009, a 3% increase compared to 9M08
- EBITDA steady at P44.5bn

## ➤ **Fixed Line**

- Service revenues of P38.2bn in 9M09 reflect a 4% increase
- 17% increase in corporate data and DSL revenues which now contribute 42% to total fixed line service revenues compared to 37% in 9M08

## ➤ **Broadband**

- Combined subscriber base now at about 1.4mn
- Service revenues of P10.0bn for 9M09 represent a 26% increase
- Broadband and internet service revenues now account for 9% of total Group service revenues

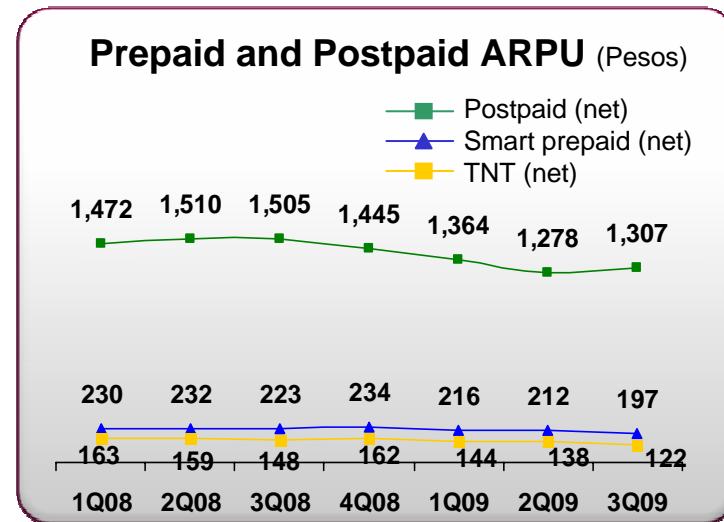
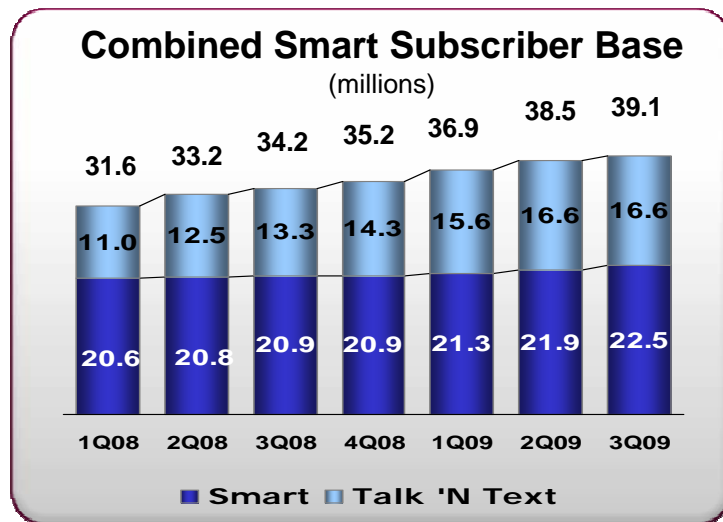
## ➤ **ePLDT**

- Service revenues increased by 5% to reach P8.0bn in 9M09
- EBITDA registered a 23% increase to P846mn

# SMART: Advancing steadily



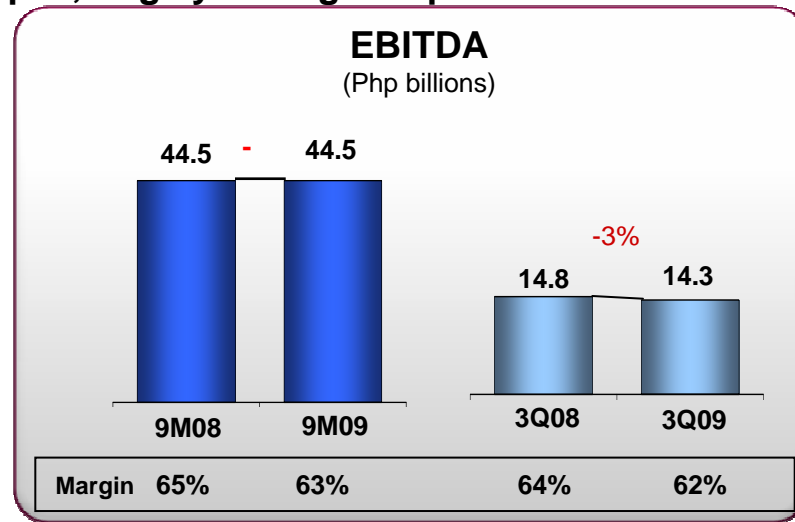
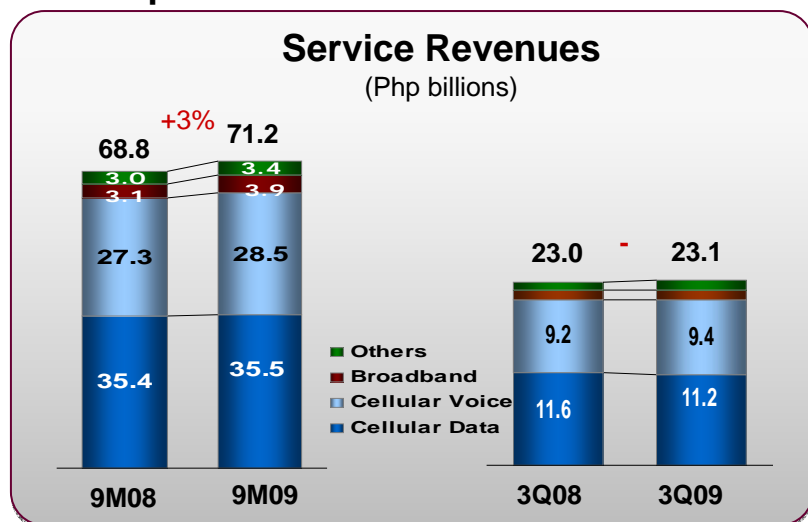
- **The combined Smart and TNT subscriber base grew to 39.1mn as at end September 2009 equivalent to a 15% growth year-on-year**
  - 3.9mn net adds for 9M09, 5% lower than the 4.1mn net adds for 9M08
  - Of the 3.9mn net adds, 2.3mn are TNT subscribers and 1.6mn are Buddy subscribers
- **Net blended ARPU decreased by 13% year-on-year to P189**
- **Prepaid subscriber acquisition costs are recovered in about a week's time, with SAC equivalent to approximately 25% of net blended prepaid ARPU of P177 in 9M09**
- **In addition to the third quarter being seasonally the weakest, 3Q09 was impacted by:**
  - Subtle changes in market dynamics observed where the subscribers reacted positively to lower cost voice packages – shift from TNT to Buddy to avail of voice packages
  - More holidays compared to last year, and several typhoons that caused suspension of work and school resulting in lower use of service



# SMART: Pushing ahead

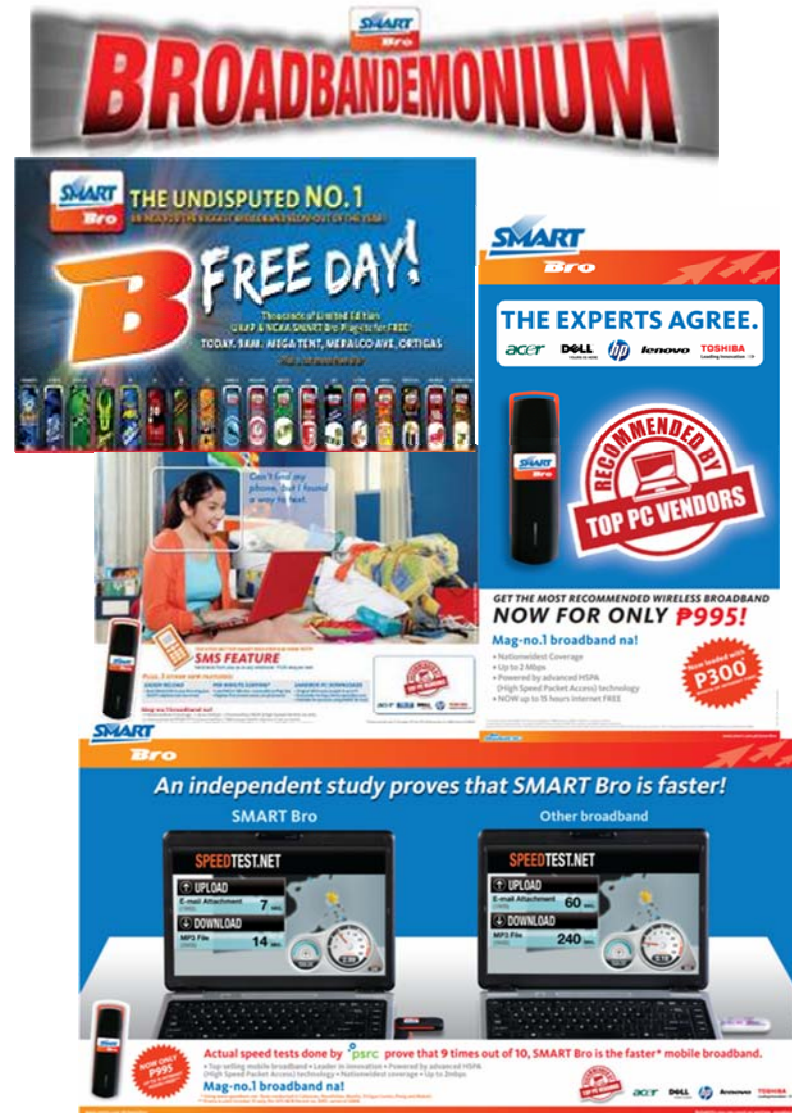


- **Wireless service revenues grew by 3% to P71.2bn and contributed 61% to total service revenues in 9M09 on account of:**
  - + 26% increase in wireless broadband revenues
  - + 4% growth in cellular voice revenues
  - Flat data revenues
- **Revenue increase attributable to a 15% y-o-y growth in cellular subscriber base and a 70% y-o-y increase in broadband subscriber base**
- **Data services contributed 54% to total 9M09 cellular service revenues, compared to 55% in 9M08 and FY08**
  - bucket-priced SMS packages accounted for 57% of cellular data revenues
- **EBITDA flat at P44.5bn**
- **With the growth in broadband contribution, EBITDA margin is expectedly lower at 63% from 65% in 9M08**
- **Wireless service revenues for 3Q09 steady y-o-y at P23.1bn, while EBITDA decreased 3% compared to 3Q08 due to a 5% increase in cash opex, largely selling and promo and rent**



# Smart: Broadbanding the nation

- 70% growth in broadband subscribers driven by aggressive activation programs
- Increased usage driven by added values:
  - SMS offered to Smart Bro subs in July
- Broadband seeding plan anchored on:
  - Reduced dongle prices
  - Aggressive distribution plan
    - Partnership with PC vendors (Broadbandemonium)
    - Targeted school campaigns
  - Superiority claim on speed
    - Smart Bro Challenge on Speed (conducted by an independent firm) shows that 9 out of 10 times, Smart Bro is the fastest mobile broadband service



**BROADBANDEMONIUM**

**THE UNDISPUTED NO. 1**  
IN THE COUNTRY'S MOST AGGRESSIVE BROADBAND SERVICE (BY THE YEAR)

**B FREE DAY!**  
Thousands of 10 WIRE TARIFFS, CUFF & NCAA, SHIRT & PANTS, FREE!  
TODAY, SAM, MEGA TENT, MERA COLORE, ORTIGAS

**THE EXPERTS AGREE.**  
acer dell hp lenovo toshiba

**RECOMMENDED BY TOP PC VENDORS**

**GET THE MOST RECOMMENDED WIRELESS BROADBAND NOW FOR ONLY P995!**  
Mag-no.1 broadband na!  
• Nationwide Coverage  
• Up to 2 Mbps  
• Powered by advanced HSPA  
• High Speed Packet Access technology  
• NOW up to 10 hours internet FREE!

**An independent study proves that SMART Bro is faster!**

Service	UPLOAD	DOWNLOAD
SMART Bro	7	14
Other broadband	60	240

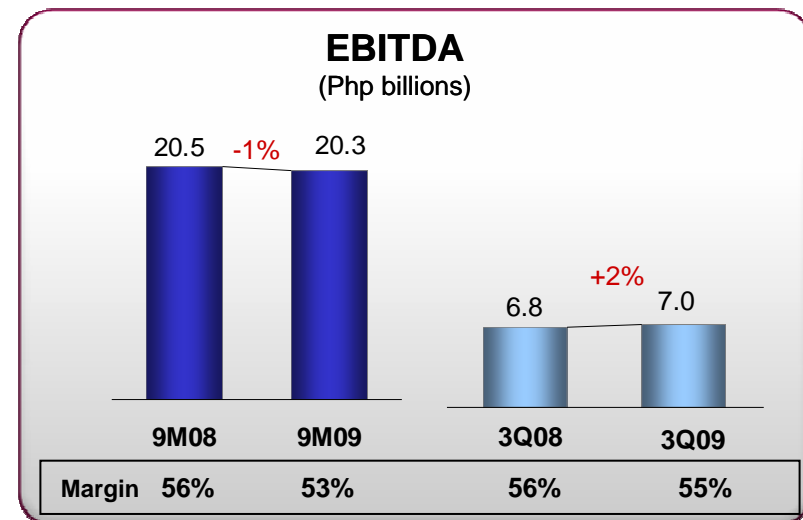
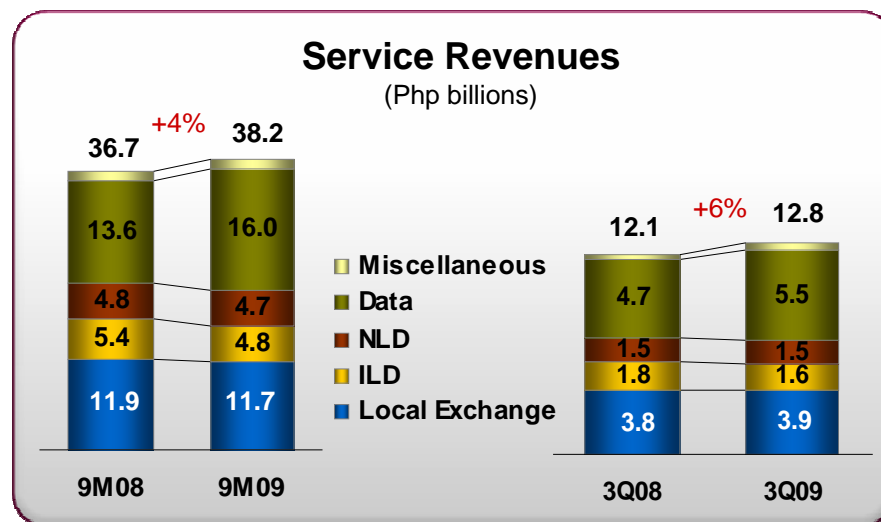
Actual speed tests done by psrc prove that 9 times out of 10, SMART Bro is the faster\* mobile broadband.  
\*Top mobile mobile broadband\* Leader in Innovation • Powered by advanced HSPA  
High Speed Packet Access technology • Nationwide coverage • Up to 2Mbps

**Mag-no.1 broadband na!**

# Fixed Line: Continuing to transform



- **Fixed line service revenues increased by 4% to P38.2bn in 9M09 due to the combined effect of:**
  - + Growth in corporate data and DSL service revenues
  - Net decline in LEC revenues where lower fixed charges resulting from bundling of voice and data services was offset by increase in the number of postpaid billed lines and higher demand for bundled services
  - Lower ILD revenues due to a drop in inbound traffic volume resulting from cellular substitution and the use of alternatives such as VOIP/email
  - Decline in NLD revenues due to lower call volumes
- **Data service revenues continue to take a larger share of total fixed line service revenues, now accounting for 42% compared to 37% in the same period last year**
- **3Q09 service revenues grew by 6% to P12.8bn compared to P12.1bn in 3Q08**
- **EBITDA decreased by 1% to P20.3bn in 9M09 due to an 11% increase in cash opex largely due to provisions for LTIP and pension costs, and rental expenses for international leased circuits in support of broadband/data growth**
- **EBITDA for 3Q09 grew by 2% at P7.0bn compared to P6.8bn in 3Q08 and by 4% vs. 2Q09**
- **EBITDA margin of 53% in 9M09 is higher compared to 52% at FY08, but lower than 56% in 9M08**



# Fixed Line: Introducing more services



- PLDT Budget Card: P1.50/minute to Canada and the USA
- Only available to fixed line users
- From launch (Sept 2009): increase in callers/users, minutes and revenues



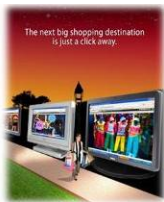
- Broadband solution, built for business
- Enhanced/upgraded to allow: faster speeds, LAN networking, WiFi
- ARPU: P4,200



- PLDT post-paid landline bundled with Call All wireless landline SIM
- ARPU: P 850/month



- ✓ Tapping new markets to gain new subscribers
- ✓ Generating new and higher ARPUs
- ✓ Leveraging on the fixed and wireless networks
- ✓ Creating new products for different market segments



- SME Business Networking site
- Enables SMEs to create their on-line presence and expand their market through social networking
- Integrates Smart payment facilities to enable cashless transactions and pave the way for pervasive online B2B and B2C financial exchanges

- Telepresence: public studio service (in partnership with Tata Communications) enabling virtual meetings
- ARPU: US\$550/hour (per use) or P80-600K/month

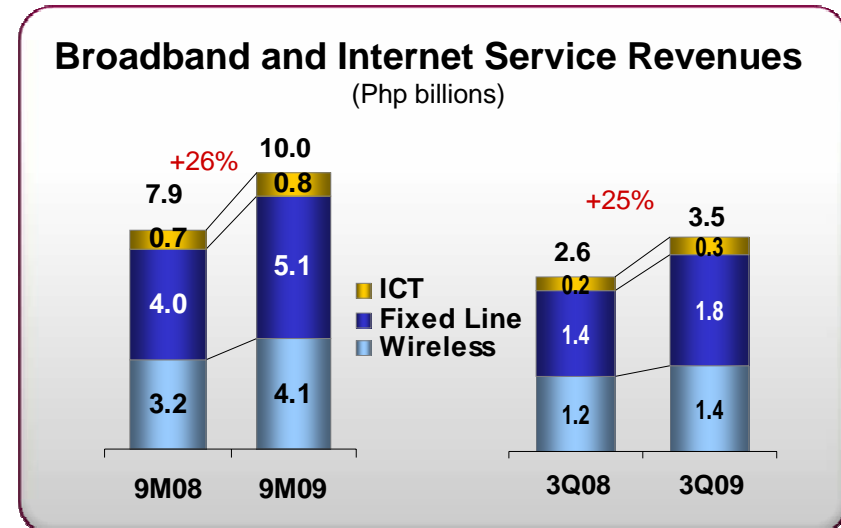
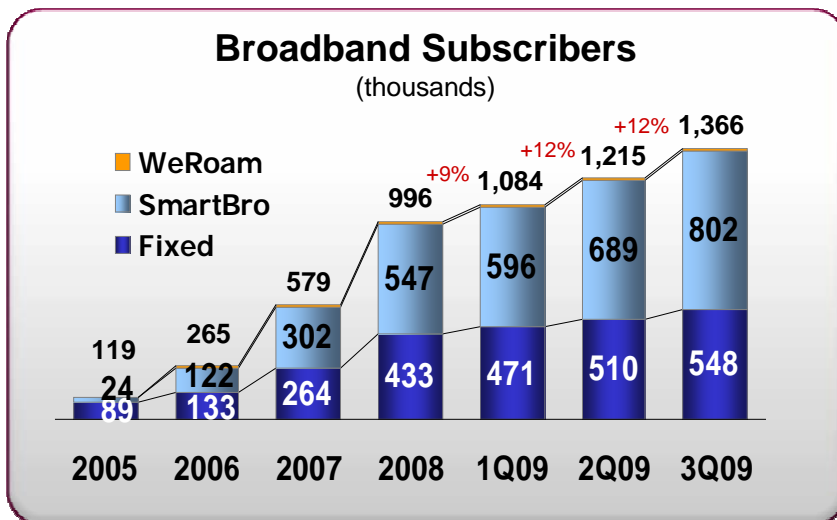


- SWUP Card All Access (Shops.Work UnPlugged)
- First and only service in the country that allows merchants to accept all 29 million ATM debit and credit cards using a wireless point-of-sale terminal
- ARPU: P1,200-2,900

# Broadband: Forging our lead



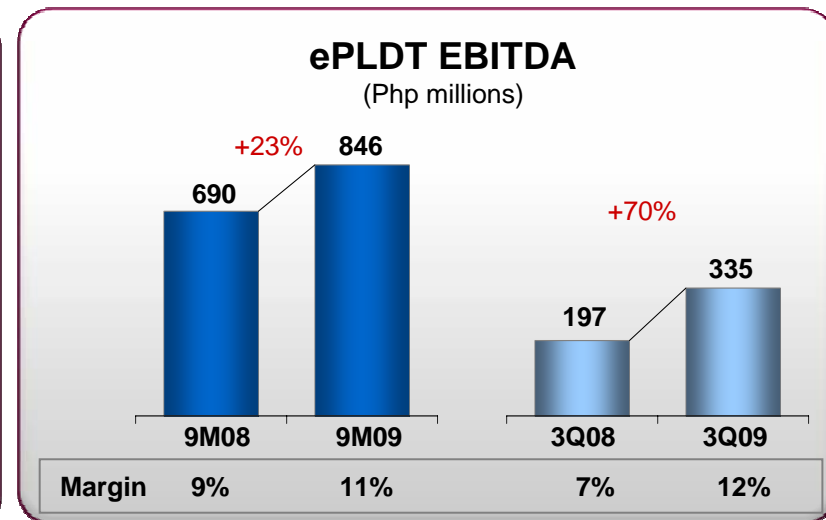
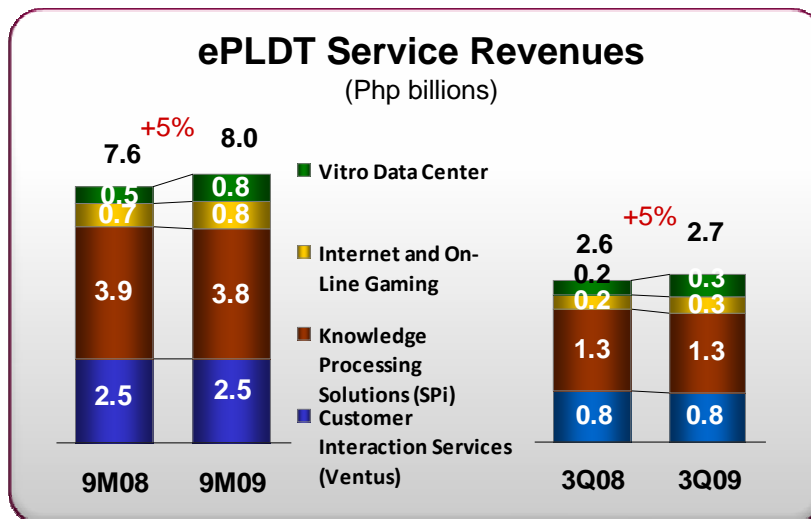
- **PLDT DSL, *SmartBro* and *WeRoam* added 370,000 subscribers during 9M09, representing a 37% growth from the end of 2008**
  - 3Q09 net adds of 150,858 accounts for 41% of total broadband net adds year-to-date and is 27% higher than 3Q08 net adds
  - *SmartBro*, today's most widely available broadband service provider in the country, recorded more than 254,000 subscribers in 9M09, resulting in a subscriber base of approximately 802,000; of this, 372,500 are prepaid while 429,000 are post-paid subscribers
  - DSL net adds at 9M09 of 116,000 brings total DSL subscriber base to 548,000
- **PLDT Group's total DSL, wireless broadband and internet service revenues increased by 26% to P10bn, accounting for 9% of service revenues in 9M09**
  - 3Q09 broadband revenues grew by 25% to P3.5bn compared with 3Q08
  - DSL ARPU at approx. P1,155 while net blended wireless ARPU at P677
- **PLDT offers an extensive range of broadband services enabled by our network infrastructure that includes copper, fiber/NGN, Canopy, WiMax, and HSPA850**



# ePLDT: Showing respectable gains



- ePLDT's service revenues, now 7% of PLDT group service revenues, increased by 5% to P8bn in 9M09 due to:
  - + 57% growth in **data center** revenues due to increased contracts for co-location/server hosting, disaster recovery and business continuity services
  - 1% decrease in **call center** (Ventus) revenues as international clients deferred new/expansion decisions due to uncertainty in global business conditions; while outsourced business from domestic clients continues to grow steadily
  - 1% decline in **KPS/BPO** (SPi) revenues:
    - ✓ medical billing continues its strong growth recording a 17% y-o-y increase
    - ✓ medical transcription and content recorded a 10% and 9% y-o-y decrease in service revenues
- ePLDT's EBITDA grew by 23% to P846mn and margin improved to 11% in 9M09 due to:
  - + the favorable effect of the depreciation of the peso on ePLDT's dollar service revenues
  - 3% increase in cash operating expenses particularly compensation and benefits, maintenance and cost of sales
- 3Q09 service revenues increased by 5% to P2.7bn compared to 3Q08, with EBITDA higher by 70% at P335mn

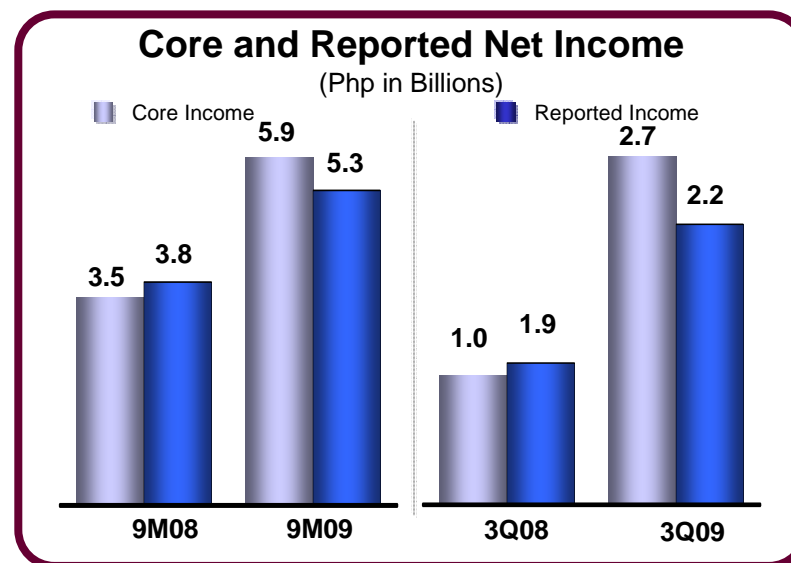
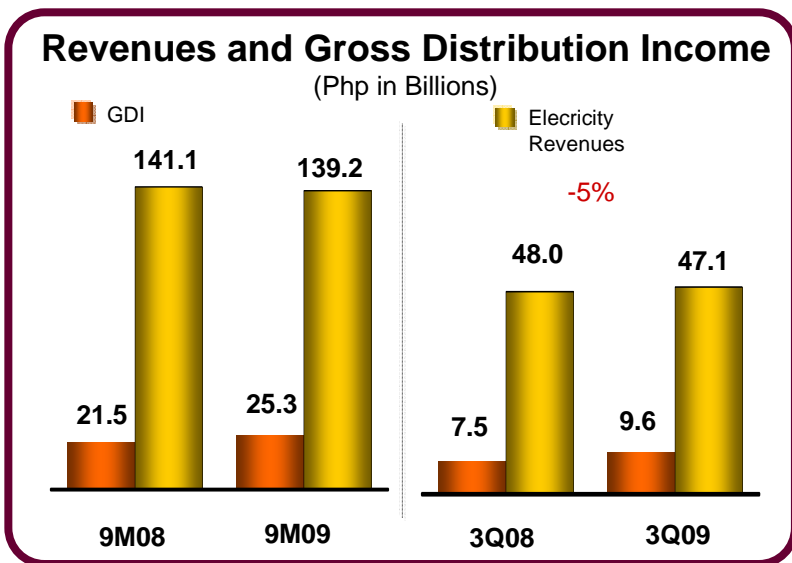




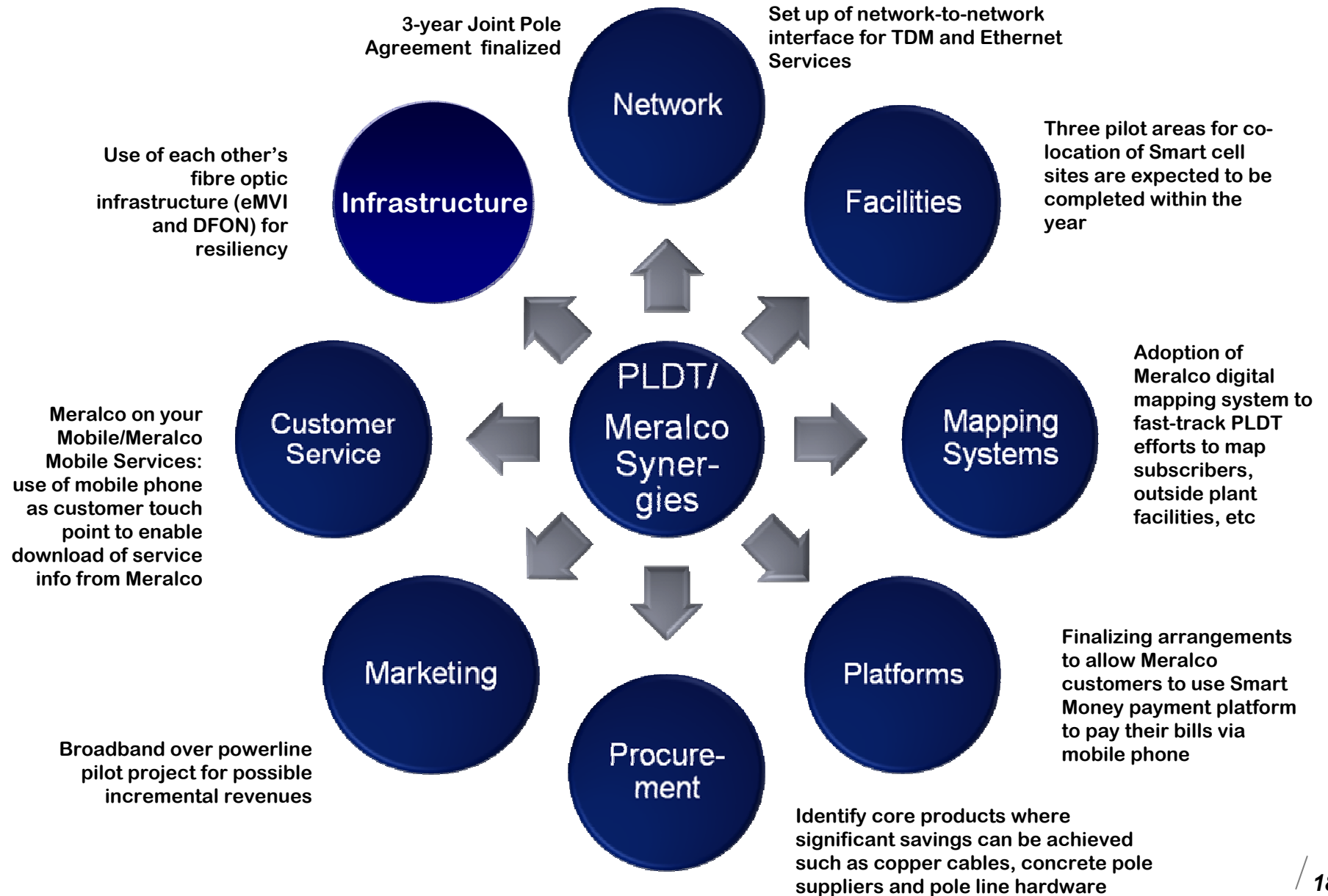
# Meralco: Highlights



- PLDT's 3Q09 results reflect P361mn equity share in the earnings of Meralco for the period 14 July to 30 September 2009, as well as a P1.2 billion derivative gain arising from the P2bn exchangeable note issued by First Philippine Utilities Corporation as part of Piltel's acquisition
- Compared with 9M08, Meralco's 9M09 Electricity revenues declined by 1% to P139.2bn but gross distribution income increased by 18% to P25.3bn
  - + Sales volumes grew by 219mn kWh or 1% to 20.4bn kWh compared to 9M08, with the highest increase in demand from residential customers
  - + 2.8% y-o-y increase of customers to 4.7mn
  - + Approval of performance-based regulation (PBR) rate setting mechanism effective May 2009
- Meralco's core income grew by 67% y-o-y to P5.9bn at 9M09 while reported income improved by P1.6bn or 42% to P5.3bn
- On October 29, Meralco declared a cash dividend of P1.50 per share, bringing total dividends declared in 2009 for 2008 income to P2.50/share
- Recent decisions from the Energy Regulatory Commission (ERC): net refund of P278mn – to be appealed by Meralco
  - Claim for P5.6bn in transmission under-recoveries: P5.3bn approved, inclusive of carrying costs
  - Refund of P4.5bn over-recoveries (fully provided by Meralco): P5.2bn approved
  - Refund to customers for over-collections in the implementation of deferred purchase power purchase agreement charges: P452mn approved
- S&P Rating upgraded to "B" from "B-" with outlook "positive"



# Broad areas where synergy is happening



# Factors to consider for 4Q09



- + Holiday spending
- ? Impact of the typhoons Ondoy and Pepeng on consumer budgets and spending patterns/priorities → uncertain
- ? Peso/dollar exchange rate → dependent on the inflow of OFW remittances and the level of intervention of the BSP
- ? Impact of per pulse billing → dependent on rate structure approved by the NTC and any changes to consumer behavior

# PLDT Group: Affirming Guidance for 2009



<b>Service Revenues</b>	<b>P146 billion</b>	<ul style="list-style-type: none"> <li>• 2% growth over 2008</li> <li>• P3 billion increase</li> </ul>
<b>EBITDA</b>	<b>P88-88.5 billion</b>	<ul style="list-style-type: none"> <li>• 0.5-1% growth over 2008</li> <li>• P400-900 million increase</li> </ul>
<b>Core Net Income</b>	<b>P41 billion</b>	<ul style="list-style-type: none"> <li>• 8% growth over 2008</li> <li>• P3 billion increase</li> </ul>
<b>Capital Management</b>	<p><b>Dividend Payout Ratio: 70% of Core EPS + “look back” approach</b></p> <p><b>Buyback of up to 2.3 million common shares*</b></p>	
<b>Capex</b>	<b>P27 billion</b>	<p><b>7% higher than 2008</b></p> <p><b>P1.8 billion increase</b></p>

\* remaining shares for buyback from total approved 5 million shares for buyback

*Except for historical financial and operating data and other information in respect of historical matters, the statements contained herein are “forward-looking statements” within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended. The words “believe”, “intend”, “plan”, “anticipate”, “continue”, “estimate”, “expect”, “may”, “will” or other similar words are frequently used to indicate these forward looking statements. Any such forward-looking statement is not a guarantee of future performance and involves a number of known and unknown risks, uncertainties and other factors that could cause the actual performance, financial condition or results of operation of PLDT to be materially different from any future performance, financial condition or results of operation implied by such forward-looking statement. Among the factors that could cause actual results to differ from the implied or expected results are those factors discussed under “Risk Factors” in Item 3 in PLDT’s annual report on Form 20-F.*

# Appendix

# 9M 2009: Consolidated Financial Highlights



<i>(in million pesos)</i>	9M 2009				9M 2008	% Change
	Wireless	Fixed Line	ICT	Consolidated	Consolidated	
<b>Service Revenues</b>	71,202	38,214	7,957	108,277	105,588	3%
<b>Cash operating expenses</b>	24,061	17,181	6,991	38,876	36,948	5%
<b>EBITDA<sup>(1)</sup></b>	44,521	20,254	846	65,745	65,722	-
<b><i>EBITDA Margin</i></b>	63%	53%	11%	61%	62%	
<b>Depreciation and amortization</b>	9,836	8,777	570	19,266	18,666	3%
<b>Financing costs, net</b>	(1,938)	(2,710)	(128)	(4,753)	(4,799)	-1%
<b>Income before income tax</b>	36,157	6,548	327	42,949	41,354	4%
<b>Provision for income tax</b>	10,299	1,829	162	12,265	14,612	-16%
<b>Core net income<sup>(2)</sup></b>	24,430	6,417	163	30,951	27,790	11%
<b>Reported net income (loss)</b>	25,198	4,713	165	30,018	26,179	15%

(1) EBITDA calculation provided in the appendix

(2) Consolidated net income before certain adjusting items and excluding gains/losses on foreign exchange/derivatives (after tax)

Foreign Exchange Rates:

	30-Sep-09	30-Sep-08	31-Dec-08
Php per US\$	47.42	47.26	Php47.65

# Revenues



<i>(in million pesos)</i>	9M 2009				9M 2008	%
	Wireless	Fixed Line	ICT	Consolidated	Consolidated	Change
<b>Service Revenues</b>						
<b>Wireless</b>						
Cellular	65,844			65,844	64,461	2%
Broadband	3,899			3,899	3,095	26%
Satellite and other services	1,459			1,459	1,248	17%
<b>Fixed line</b>						
Local exchange		11,739		11,739	11,876	-1%
International long distance		4,768		4,768	5,437	-12%
National long distance		4,686		4,686	4,750	-1%
Data and other network		15,965		15,965	13,627	17%
Miscellaneous		1,056		1,056	1,018	4%
<b>ICT</b>						
Knowledge processing solutions			3,837	3,837	3,890	-1%
Customer interaction solutions			2,474	2,474	2,494	-1%
Internet and online gaming			830	830	698	19%
<i>Vitro</i> <sup>TM</sup> data center			816	816	519	57%
Inter-segment transactions				(9,096)	(7,524)	21%
	<b>71,202</b>	<b>38,214</b>	<b>7,957</b>	<b>108,277</b>	<b>105,588</b>	<b>3%</b>
<b>Non-Service Revenues</b>						
Inter-segment transactions	1,266	174	429	1,869	2,002	-7%
	-	-	-	(176)	(87)	102%
	<b>1,266</b>	<b>174</b>	<b>429</b>	<b>1,693</b>	<b>1,915</b>	<b>-12%</b>
<b>Total Revenues</b>	<b>72,468</b>	<b>38,388</b>	<b>8,386</b>	<b>109,970</b>	<b>107,503</b>	<b>2%</b>



# Expenses



<i>(in million pesos)</i>	9M 2009				9M 2008	% Change
	Wireless	Fixed Line	ICT	Consolidated	Consolidated	
<b>Operating expenses</b>						
Compensation and employee benefits	4,629	7,683	4,848	17,149	14,744	16%
Repairs and maintenance	3,283	2,984	489	6,238	6,482	-4%
Selling and promotions	3,197	990	79	4,263	4,115	4%
Rent	7,782	2,169	541	3,011	2,496	21%
Professional and other contracted services	1,875	1,582	427	2,795	3,374	-17%
Taxes and licenses	1,313	600	81	1,994	2,070	-4%
Communication, training and travel	723	451	351	1,343	1,465	-8%
Insurance and security services	549	384	48	926	908	2%
Other operating expenses	710	338	127	1,157	1,294	-11%
<b>Cash operating expenses</b>	<b>24,061</b>	<b>17,181</b>	<b>6,991</b>	<b>38,876</b>	<b>36,948</b>	<b>5%</b>
Depreciation and amortization	9,836	8,777	570	19,266	18,666	3%
Asset impairment	1,133	2,060	28	3,221	1,295	149%
Amortization of intangible assets	99	-	182	281	274	2%
<b>Non-cash operating expenses</b>	<b>11,068</b>	<b>10,837</b>	<b>780</b>	<b>22,768</b>	<b>20,235</b>	<b>13%</b>
<b>Cost of sales</b>	<b>3,184</b>	<b>197</b>	<b>529</b>	<b>3,871</b>	<b>3,820</b>	<b>1%</b>
<b>Total Expenses</b>	<b><u>38,313</u></b>	<b><u>28,215</u></b>	<b><u>8,300</u></b>	<b><u>65,515</u></b>	<b><u>61,003</u></b>	<b><u>7%</u></b>

# EBITDA



<i>(in million pesos)</i>	9M 2009				9M 2008	%
	Wireless	Fixed Line	ICT	Consolidated	Consolidated	Change
Income before tax	36,157	6,548	327	42,949	41,354	4%
Add (deduct):						
Depreciation and amortization	9,836	8,777	570	19,266	18,666	3%
Financing costs, net	1,938	2,710	128	4,753	4,799	-1%
Asset impairment	431	1,304	8	1,743	282	518%
Amortization of intangible assets	99	-	182	281	274	3%
Equity share in net losses (earnings) of associates and joint ventures	(277)	72	(106)	(311)	74	-520%
Losses (gains) on derivative financial instruments, net	(1,166)	1,233	(5)	62	(3,507)	102%
Foreign exchange losses (gains), net	(118)	(102)	(10)	(232)	5,985	-104%
Interest income	(976)	(318)	(20)	(1,291)	(1,314)	-2%
Hedge costs	-	472	-	472	652	-28%
Other income	(1,403)	(442)	(228)	(1,947)	(1,543)	26%
<b>EBITDA</b>	<b>44,521</b>	<b>20,254</b>	<b>846</b>	<b>65,745</b>	<b>65,723</b>	<b>-</b>
<b>EBITDA Margin</b>	<b>63%</b>	<b>53%</b>	<b>11%</b>	<b>61%</b>	<b>62%</b>	

# Other Income (Expenses)



(in million pesos)	9M 2009				9M 2008	%
	Wireless	Fixed Line	ICT	Consolidated	Consolidated	Change
Gains (losses) on derivative financial instruments, net	1,166	(1,233)	5	(62)	3,507	-102%
Interest income	976	318	20	1,291	1,314	-2%
Equity share in net earnings (losses) of associates and joint ventures	277	(72)	106	311	(74)	520%
Foreign exchange gains (losses), net	118	102	10	232	(5,985)	104%
Hedge costs	-	(472)	-	(472)	(652)	-28%
Others	1,403	442	228	1,947	1,543	26%
<b>Total</b>	<b>3,940</b>	<b>(914)</b>	<b>369</b>	<b>3,247</b>	<b>(347)</b>	<b>1036%</b>
Financing costs, net						
Interest on loans and related items	(1,431)	(2,960)	(25)	(4,393)	(4,560)	-4%
Accretion on financial liabilities	(616)	(59)	(103)	(778)	(718)	8%
Dividends on CPS	-	-	-	-	(4)	100%
Financing charges	(3)	(107)	-	(110)	(43)	156%
Capitalized interest	112	416	-	528	526	-
<b>Total</b>	<b>(1,938)</b>	<b>(2,710)</b>	<b>(128)</b>	<b>(4,753)</b>	<b>(4,799)</b>	<b>-1%</b>
<b>Total other income (expenses)</b>	<b>2,002</b>	<b>(3,624)</b>	<b>241</b>	<b>(1,506)</b>	<b>(5,146)</b>	<b>-71%</b>

# Core Net Income



<i>(in million pesos)</i>	9M 2009				9M 2008	%
	Wireless	Fixed Line	ICT	Consolidated	Consolidated	Change
Reported net income	25,198	4,713	165	30,018	26,179	15%
Add (deduct):						
Foreign exchange losses (gains), net	(118)	(102)	(10)	(232)	5,985	-104%
Losses (gains) on derivatives financial instruments, net	(1,166)	1,233	(5)	62	(3,507)	102%
Asset impairment	431	1,304	8	1,743	-	100%
Adjustment in equity share in Meralco	66	-	-	66	-	100%
Tax effect	19	(731)	5	(706)	(867)	-19%
	<u>24,430</u>	<u>6,417</u>	<u>163</u>	<u>30,951</u>	<u>27,790</u>	<u>11%</u>

# Cash Flows



<i>(in million pesos)</i>	9M 2009				9M 2008	%
	Wireless	Fixed Line	ICT	Consolidated	Consolidated	Change
<b>Net cash from operations</b>	<b>44,026</b>	<b>19,521</b>	<b>1,156</b>	<b>64,706</b>	<b>60,076</b>	<b>8%</b>
<b>Add(Deduct):</b>						
<b>Capital expenditures</b>	<b>(10,592)</b>	<b>(7,047)</b>	<b>(425)</b>	<b>(18,064)</b>	<b>(16,841)</b>	<b>7%</b>
<b>Other investing activities</b>	<b>199</b>	<b>304</b>	<b>(90)</b>	<b>727</b>	<b>539</b>	<b>35%</b>
<b>Interest, net</b>	<b>(387)</b>	<b>(2,184)</b>	<b>(5)</b>	<b>(2,553)</b>	<b>(2,737)</b>	<b>-7%</b>
<b>Dividends from Smart</b>	<b>-</b>	<b>20,440</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Preferred share dividends</b>	<b>(2)</b>	<b>(196)</b>	<b>-</b>	<b>(198)</b>	<b>(206)</b>	<b>-4%</b>
<b>Piltel's dividends to third party</b>	<b>(433)</b>	<b>-</b>	<b>-</b>	<b>(433)</b>	<b>(397)</b>	<b>-100%</b>
<b>Others</b>	<b>(674)</b>	<b>(257)</b>	<b>7</b>	<b>(924)</b>	<b>(1,401)</b>	<b>-34%</b>
<b>Free cash flow</b>	<b>32,137</b>	<b>30,580</b>	<b>643</b>	<b>43,260</b>	<b>39,033</b>	<b>11%</b>
<b>Common share dividends</b>	<b>(20,440)</b>	<b>(38,563)</b>	<b>-</b>	<b>(38,563)</b>	<b>(36,441)</b>	<b>6%</b>
<b>Common share buyback</b>	<b>(282)</b>	<b>(1,432)</b>	<b>-</b>	<b>(1,714)</b>	<b>(4,493)</b>	<b>-62%</b>
<b>Investments</b>	<b>(24,838)</b>	<b>(25)</b>	<b>(347)</b>	<b>(25,209)</b>	<b>(1,029)</b>	<b>2350%</b>
<b>Advances to BTF</b>	<b>-</b>	<b>(8,380)</b>	<b>-</b>	<b>(8,380)</b>	<b>-</b>	<b>100%</b>
<b>Redemption of preferred shares</b>	<b>(14)</b>	<b>-</b>	<b>-</b>	<b>(14)</b>	<b>-</b>	<b>100%</b>
<b>Debt repayments, net</b>	<b>9,217</b>	<b>10,208</b>	<b>(297)</b>	<b>18,789</b>	<b>(725)</b>	<b>2694%</b>
<b>Change in cash</b>	<b>(4,221)</b>	<b>(7,611)</b>	<b>(0.3)</b>	<b>(11,831)</b>	<b>(3,655)</b>	<b>224%</b>
<b>Cash balance, beginning<sup>(1)</sup></b>	<b>23,171</b>	<b>15,938</b>	<b>1,245</b>	<b>40,354</b>	<b>30,862</b>	<b>31%</b>
<b>Cash balance, end<sup>(1)</sup></b>	<b>18,951</b>	<b>8,327</b>	<b>1,245</b>	<b>28,523</b>	<b>27,207</b>	<b>5%</b>

(1) Includes short-term investments

# Balance Sheet



<i>(in million pesos)</i>	Consolidated	
	September 30, 2009	December 31, 2008
<b>Total Assets</b>	<b>266,531</b>	<b>252,558</b>
<b>Nominal Value of Total Debt</b>	<b>97,731</b>	<b>78,487</b>
<i>in US\$</i>	<b>\$1,726</b>	<b>\$1,647</b>
Less: Unamortized Debt Discount	<b>4,122</b>	<b>4,576</b>
<b>Total Debt</b>	<b>93,609</b>	<b>73,911</b>
<b>Cash and short-term investments <sup>(1)</sup></b>	<b>28,523</b>	<b>40,354</b>
<b>Net Debt <sup>(3)</sup></b>	<b>69,208</b>	<b>38,133</b>
<b>Equity</b>	<b>90,171</b>	<b>106,969</b>
<b>Total Debt<sup>(2)</sup>/Equity</b>	<b><u>1.08x</u></b>	<b><u>0.73x</u></b>
<b>Net Debt<sup>(3)</sup>/Equity</b>	<b><u>0.77x</u></b>	<b><u>0.36x</u></b>
<b>Total Debt<sup>(2)</sup>/EBITDA</b>	<b><u>1.11x</u></b>	<b><u>0.90x</u></b>
<b>Net Debt <sup>(3)</sup>/EBITDA</b>	<b><u>0.79x</u></b>	<b><u>0.44x</u></b>

(1) Net of cash for common dividend payment

(2) Nominal value of total debt

(3) Net Debt calculated based on nominal value of debts less cash and short-term investments

# Earnings Per Share



	9M2009		9M 2008	
	Basic	Diluted	Basic	Diluted
Net Income attributable to equity holders of PLDT	30,018	30,018	26,179	26,179
Dividends on preferred shares	(347)	(347)	(341)	(341)
Net Income applicable to common shares	29,671	29,671	25,838	25,838
Outstanding common shares, beginning	187,484	187,484	188,741	188,741
Average incremental number of shares under ESOP during the period	-	20	-	14
Effect of issuance of common shares during the period	12	12	484	484
Effect of purchase of treasury shares during the period	(541)	(541)	(838)	(838)
Common shares equivalent of preferred shares deemed dilutive:				
Preferred Stock Series VI	-	4	-	-
Weighted average number of shares, end	186,955	186,979	188,387	188,401
<b>EPS (based on reported net income)</b>	<b>158.70</b>	<b>158.68</b>	<b>137.15</b>	<b>137.14</b>
Core Net Income	30,951	30,951	27,790	27,790
Adjustments for preferred shares deemed dilutive	(347)	(347)	(341)	(341)
Net Income applicable to common shares	30,604	30,604	27,449	27,449
Weighted average number of shares, end	186,955	186,979	188,387	188,401
<b>EPS (based on core net income)</b>	<b>163.70</b>	<b>163.68</b>	<b>145.70</b>	<b>145.69</b>

# Interest-bearing Liabilities



(in millions)	September 30, 2009			December 31, 2008	Change
	Carrying Value	Unamortized Debt Discount	Face Value	Face Value	
<b>Debt</b>					
PLDT	\$1,033	\$7	\$1,039	\$822	\$217
Smart	925	80	1,006	800	206
2014 Debt	206	74	280	280	-
Others	719	6	726	520	206
Others	16	-	16	25	(9)
<b>Total Debt*</b>	<b>\$1,974</b>	<b>\$87</b>	<b>\$2,061</b>	<b>\$1,647</b>	<b>\$414</b>
<b>Obligations under finance lease</b>	<b>\$1.06</b>	<b>\$0.06</b>	<b>\$1.12</b>	<b>\$0.2</b>	<b>\$0.9</b>
<b>Preferred Stocks Subject to Mandatory Redemption</b>					
Series V & VI	\$0.1	-	\$0.1	\$0.2	(\$0.1)

\*Includes notes payable amounting to Php2,284 million or US\$ 48.2 million



# Consolidated Quarterly Financial Highlights



<i>(in million pesos)</i>	2009			2008	% Change 3Q09 vs. 3Q08
	1Q	2Q	3Q	3Q	
Service Revenues	36,249	36,391	35,637	35,239	1%
Non-service Revenues	565	642	486	660	-26%
Less: Cost of sales	1,182	1,381	1,308	1,347	-3%
<b>Operating Expenses</b>					
Cash operating expenses	13,319	12,932	12,625	12,451	1%
Non-cash operating expenses	7,261	7,012	8,495	6,318	34%
	20,580	19,944	21,120	18,769	13%
<b>Operating Income</b>	15,052	15,708	13,695	15,783	-13%
<b>EBITDA</b>	21,852	22,228	21,665	21,821	-1%
<i>EBITDA Margin</i>	60%	61%	61%	62%	
Interest Income	533	367	391	426	-8%
Equity share in net earnings (losses) of associates and joint ventures	(45)	(19)	375	(31)	1307%
Financing costs	(1,584)	(1,533)	(1,636)	(1,577)	4%
FX and derivatives (gains)/losses	(1,098)	(825)	1,621	(3,576)	145%
Others	430	1,331	186	260	-29%
Income before income tax	13,288	15,029	14,632	11,285	30%
Provision for income tax	3,455	4,591	4,219	4,175	1%
<b>Net income, as reported</b>	9,833	10,140	10,298	6,909	49%
<b>Core net income</b>	10,221	10,617	10,113	9,083	11%

# Foreign Exchange Risk / Hedges



- For accounting purposes, at the end of each reporting period, the FCY assets and liabilities are revalued at the then current exchange rate:
  - Given our net FCY liability position, a weaker peso results in a revaluation loss; while a stronger peso translates to a revaluation gain
  - The gain or loss is booked to the P&L
- In 2001-2002, we entered into hedging products aimed at managing the adverse impact of the depreciation of peso on our long-dated bonds
  - As at September 30, 2009, PLDT's outstanding long-term derivatives amounted to US\$412 million

LT Hedges	Hedge Item	Notional Amount	Hedge FX Rate	Hedge Cost
Principal Only Currency Swaps	PLDT Notes 2012	US\$148 million	Php51.881	2.051%
	PLDT Notes 2017	US\$264 million	Php49.797	3.406%

- *As of Sept 2009, we repurchased \$10.2M of 2012 Bonds and \$30.8M of 2017 Bonds*
- At the end of each reporting period, the fair market values of the outstanding hedges are computed based on the then current foreign exchange and interest rates
- Until December 31, 2007, changes in the fair value of our long-term hedges and the foreign exchange revaluation on the hedged items were booked to equity/CTA (Currency Translation Account)
- Effective January 1, 2008, PLDT discontinued hedge accounting treatment for these derivative instruments. Thus, any change in the fair value of the derivative as well as the forex revaluation on the hedged items are recognized in the P&L

# Factors that affect MTM valuation

- **Due to the long term duration of our forex derivatives, changes in their MTM values affected by changes in US\$ and Php interest rates as well as movements in the peso/\$ exchange rate.**
  - Interest differentials between the Php and US\$ determine the cost of hedging; wider differentials result to higher cost of hedging.
  - Locking-in at a higher cost of hedging vs. prevailing hedge costs in a valuation period will result to a MTM loss
- **Exchange rate and interest rates may move in different directions and degrees relative to each other and will thus impact periodic MTM valuation. As a derivative approaches maturity:**
  - Impact of the interest differentials on the MTM is reduced
  - Changes in the peso / \$ exchange rate will have greater influence in the overall valuation of the derivative
  - MTM value of PO swaps for the 2012 and 2017 bonds comprise the present value of the remaining hedge cost payments and principal exchanges at maturity

Market Movements and Relative Impact to the P&L		Sensitivity Analysis
		PO Swaps
Peso Appreciation	Forex gain on underlying debt MTM Loss on derivatives	P1 change = P412m change in forex reval
Peso Depreciation	Forex loss on underlying debt MTM Gain on derivatives	P1 change = P277m change in MTM
US\$ Interest Rates ↓	MTM Gain	100 bps increase/decrease = P900m change in MTM
US\$ Interest Rates ↑	MTM Loss	
Peso Interest Rates ↓	MTM Loss	100 bps increase/decrease = P810m change in MTM
Peso Interest Rates ↑	MTM Gain	