

FIRST PACIFIC COMPANY LIMITED
PRESS RELEASE

Thursday, 5 May 2005

**PLDT GROUP CONSOLIDATED NET INCOME UP 65%;
EARNINGS REACH P9.4 BILLION FOR FIRST QUARTER 2005
DIVIDEND OF P21/SHARE DECLARED**

The attached press release was distributed today in Manila by Philippine Long Distance Telephone Company (PLDT), in which First Pacific Group has a 24.2 per cent economic interest, and a 31.3 per cent voting interest.

PLDT is the leading telecommunications service provider in the Philippines. It is based in Manila, and has common shares listed on the Philippine Stock Exchange and ADRs listed on the New York Stock Exchange and on the Pacific Exchange located in San Francisco, California. Through its three principal business groups – Wireless; Fixed Line; and Information and Communications Technology – PLDT offers a wide range of telecommunications services across the Philippines' most extensive fiber optic backbone, cellular, fixed line and satellite networks.

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PLDT GROUP CONSOLIDATED NET INCOME UP 65%;
EARNINGS REACH ₱9.4 BILLION FOR FIRST QUARTER 2005
DIVIDEND OF ₱21/SHARE DECLARED

- PLDT reports consolidated net income of ₱9.4 billion for the first quarter 2005; adjusted net income at ₱7.0 billion, taking into account effects of foreign exchange gains and derivative transactions
- PLDT declares initial 2005 dividend to common shareholders of ₱21/share
- Cellular service revenues increase 11% as combined subscriber base surpasses 20 million
- Consolidated EBITDA reaches ₱18.5 billion; consolidated EBITDA margin improves to 63% of revenues
- Consolidated free cash flow surges to ₱11.3 billion, up from ₱9.7 billion in the same period in 2004
- PLDT Fixed Line reduces debt by US\$155 million; consolidated debt declines by US\$165 million
- Smart to distribute ₱20.0 billion to PLDT in 2005

MANILA, Philippines, 5th May 2005 — Philippine Long Distance Telephone Company (“PLDT”) (PSE: TEL) (NYSE: PHI) today announced its financial results for the first quarter of 2005, reporting a consolidated net profit of ₱9.4 billion. In addition, the Company’s Board of Directors also approved the payment of a ₱21/share initial 2005 dividend to common shareholders with the target of achieving a 30% payout level of 2005 EPS. Payment will be made on 14th July 2005 to shareholders of record as of 3rd June 2005. This follows the dividend of ₱14/share declared in respect of 2004 which is scheduled to be paid on 12th May 2005.

Cellular subsidiaries, Smart Communications, Inc. (“Smart”) and Pilipino Telephone Corporation (“Piltel”), contributed significantly to the rise in PLDT’s consolidated net income. Without the impact of the peso’s appreciation on foreign exchange translation and derivative transactions, adjusted consolidated net income rose to ₱7.0 billion in the first quarter of 2005, 14% over the adjusted and restated net income of ₱6.1 billion reported in the first quarter of 2004. Service revenues for the PLDT Group increased by 4% to ₱29.4 billion while consolidated EBITDA improved to ₱18.5 billion.

Consolidated free cash flow grew by 17%, from ₱9.7 billion in the first quarter of 2004 to ₱11.3 billion in the same period in 2005, enabling the Group to declare an initial 2005 dividend as well as reduce debts by US\$165 million and remaining well on track to meet the 2005 debt reduction target of US\$500 million.

Cellular: Adapting to Market Changes

Consolidated cellular service revenues increased to ₱17.4 billion in the first quarter of 2005, 11% higher than the ₱15.7 billion realized in the first quarter last year.

Consolidated cellular EBITDA grew by 7% to ₱11.1 billion from ₱10.3 billion. The EBITDA margin stood at 64% in the first quarter of 2005 from 66% in the same period in 2004. Net income, as adjusted for the effects of the Peso's appreciation on foreign exchange movements and derivative transactions, increased to ₱5.8 billion from ₱5.2 billion in the same period last year.

Net cellular activations totaled 1.04 million subscribers in the first quarter of 2005, bringing the PLDT Group's total cellular subscriber base to just over 20 million and maintaining its market share of about 58%. Smart added approximately 915,000 subscribers while *Talk 'N Text* added approximately 130,000 subscribers to end the quarter with 15.5 and 4.7 million subscribers, respectively. Net activations in the first quarter of 2004 were 26% higher at 1.4 million and it is expected that subscriber growth will decelerate compared to prior years' growth.

On 11th March 2005, Smart launched, for thirty days, the *Smart 25⁸ Unlimited Call and Text* promo wherein Smart and *Talk 'N Text* prepaid subscribers could avail of unlimited on-network calls or text. The promotion was reinstated on 21st April for another 30 days with some modifications.

Smart's cellular network has expanded to 36 switches and over 5,400 base stations covering 97% of the country's population. Capital expenditures were ₱1.8 billion in the first quarter of 2005.

Free cash flow nearly doubled to ₱9.0 billion in the first quarter of 2005 from ₱4.6 billion in the first quarter of 2004. Smart intends to make a total distribution of ₱20 billion to PLDT for 2005 - - Smart paid a cash dividend of ₱6.0 billion to PLDT in the first quarter of 2005; in addition, it will pay another ₱8 billion in June and the balance in the second half of the year.

"As we had previously indicated, we have begun to see a slowing down of subscriber growth and we expect this trend to continue; a reflection, we believe of changing market dynamics as well as the effects of SIM-swap activities. Smart has in fact commenced winding down its SIM-swap activities and it is anticipated that although the industry will experience a temporary correction phase in terms of subscriber count, this should not, however, impact usage and our underlying revenues. It should, in fact, result in cost savings. Our mandate, therefore, as the industry leader, is to be responsive to these evolving conditions and find ways to actively develop new market segments whilst controlling costs. Our competitive advantage, in addition to our strong cash flows, is that we can do so not just within the wireless sphere but also in conjunction with the fixed and ICT businesses," explained **Napoleon L. Nazareno, President and CEO of PLDT and Smart.**

PLDT Fixed Line: Looking Ahead

Fixed Line service revenues decreased by 2% to ₱11.8 billion in the first quarter of 2005, as the appreciation of the peso dampened local exchange and ILD revenues and the introduction of the "₱10 per call promotion" adversely affected NLD revenues. Launched in February 2005, the promotion offered a rate of ₱10 per call to any PLDT landline number nationwide as well as to all Smart and *Talk 'N Text* subscribers. The declines in these segments were partially offset, however, by an increase in data revenues with the continued growth of broadband services and the introduction of new service offerings. On 10th March 2005, PLDT Fixed launched *PLDT WeRoam*, a wireless broadband service running on Smart's nationwide wireless network and utilizing GPRS/EDGE/Wi-Fi technologies. Aimed at the corporate market, *PLDT WeRoam* provides laptop-carrying employees with wireless data connectivity to their corporate Intranets and to the global Internet. DSL subscribers jumped to 72,700 at the end of the period, from 28,000 a year ago while other relatively new offerings such as *High Bandwidth Optical Service* and *Shops.work* have started to make headway and are expected to register a strong performance for the rest of the year.

Cash operating expenses were down 2% reflecting the continued focus on various cash control initiatives. EBITDA was stable at ₱6.8 billion as the decline in revenues was matched by a corresponding decline in cash operating expenses. EBITDA margin improved slightly to 58% in the first quarter this year from 57% in the same period last year.

Capital expenditures for the first quarter of 2005 were at ₱2.4 billion with the ongoing upgrade to an IP-based core network.

PLDT's free cash flow in the first three months of 2005 increased significantly by 61% to ₱8.0 billion, mainly on account of the ₱6.0 billion dividend from Smart. Accordingly, PLDT Fixed Line reduced its debts by US\$155 million during the period, thus lowering its debt balance to US\$1.8 billion as of the end of the first quarter of 2005. PLDT Fixed Line will continue to deleverage aggressively in 2005, thus saving on interest and financing costs and reducing its risk profile as well.

"Given the geographic coverage and bandwidth capabilities of our various networks, we feel we are well positioned to deploy the resources of the Group in a well-coordinated manner. We are looking to a new generation of services for PLDT, services such as *PLDT WeRoam* that bring together the strong corporate business of PLDT Fixed and the superior network capability of Smart," concluded **Nazareno**.

ePLDT: Holding Its Own

ePLDT, the Group's information and communications technology arm, reported a profit of ₱40 million for the first quarter of 2005.

Consolidated call center revenues grew by 53% to ₱408 million as a result of continued growth in transaction volumes and increased capacity utilization. Combined call center seats grew to 2,870, an 81% increase over the same period last year. A third center call center in Iloilo commenced commercial operations in April 2005 with 400 seats.

Aside from the call centers, ePLDT's other business segments, which include *Netopia*[™], *Vitro*[™] Data Center and other Internet-related services, registered significant revenue improvements resulting in consolidated service revenues of ₱652 million, a 50% increase compared to ₱435 million in the same period last year.

"The significant revenue growth across all our business segments is extremely encouraging and we foresee this positive trend continuing for the rest of the year. We also expect ePLDT to play a strategic role not only in content development and aggregation for the Group but in the Group's transition to next generation services as well", said **Ray C. Espinosa, ePLDT Managing Director**.

PLDT Group: Transformation Underway

"At the end of 2004, the PLDT Group set for itself a number of financial and operational objectives – this early, I am pleased that we are well on our way to achieving a number of these goals. We have just announced an initial dividend to our common shareholders of ₱21/share which should allow us to achieve our revised target of a 30% dividend payout level of 2005 EPS. The debt reduction of US\$165 million in the first quarter of 2005 is a good start to achieving our goal of paying down US\$500 million for the year. Most importantly, the transformation of the PLDT Group into a functionally integrated communications business has begun. Among other initiatives, the upgrading of our copper and fiber optic network into an IP-based one is underway as we prepare ourselves for the next wave of so-called "disruptive technologies". Certainly, we at PLDT have no intention of allowing these technologies to be self-fulfilling and disrupt our plans – the future is arriving fast and we are determined to be at the center of it," said **Manuel V. Pangilinan, PLDT Chairman**.

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<i>(in million pesos, except EPS)</i>	PLDT Consolidated	
	For the first quarter ended March 31,	
	2005	2004^(a)
Service revenues	29,361	28,107
Non-service revenues	815	2,631
Other income	75	85
	30,251	30,823
Expenses	17,325	23,107
Income before income tax	12,926	7,716
Provision for income tax	3,543	2,036
Net income - As Reported	9,361	5,686
Net income before FX and derivatives^(b)	6,997	6,145
EPS, Basic	52.78	31.30
EPS, Diluted	47.57	31.30

(a) As restated to reflect adoption of International Accounting Standards

(b) Net income excluding the net impact of gains/losses on FX and derivative transactions

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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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) and the Pacific Exchange. 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.ph.