

FIRST PACIFIC COMPANY LIMITED
PRESS RELEASE

Tuesday, 3 August 2004

PLDT PROFIT REACHES NEW HEIGHTS IN THE SECOND QUARTER OF 2004

The attached press release was distributed today by Philippine Long Distance Telephone Company (PLDT), in which First Pacific has a 24.3 per cent economic interest, and a 31.4 per cent voting interest.

PLDT is a telecommunications 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, internet and satellite networks.

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For more information, please contact:

Anabelle L. Chua

Tel: (632) 816-8213

Fax: (632) 844-9099

Anna V. Bengzon

Tel: (632) 816-8024

Fax: (632) 810-7138

Ramon R. Isberto

Tel: (632) 816-8468

Fax: (632) 893-5174

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

PLDT PROFIT REACHES NEW HEIGHTS IN THE SECOND QUARTER OF 2004

- PLDT's consolidated net income surpasses the ₱12 billion mark for first six months of 2004, exceeding FY2003 reported net income
- Smart's net income of ₱11.6 billion already at 72% of FY2003 profit
- Smart and *Talk 'N Text* 2Q04 subscriber net additions of almost 1.7 million eclipse previous highs; combined subscriber base goes past 16 million mark
- PLDT Fixed Line records net income of ₱397 million
- ePLDT posts profit of ₱70 million
- Consolidated EBITDA rises 35% to ₱34.7 billion; EBITDA margin improves to 62% of revenues
- Consolidated free cash flow reaches ₱17.7 billion
- PLDT Group reduces debt by a total of US\$279 million
- Smart pays cash dividend of ₱11.3 billion to PLDT in May 2004

MANILA, Philippines, August 3, 2004 — Philippine Long Distance Telephone Company ("PLDT") (PSE: TEL) (NYSE: PHI) today announced its preliminary and unaudited financial results for the first six months of 2004. With fully-owned subsidiary Smart Communications, Inc. ("Smart") exhibiting continued strength, PLDT's consolidated net income rose to ₱12 billion, 73% over the recurring net income of ₱6.9 billion and 573% higher than the ₱1.8 billion reported net income in the first half of 2003. Net income in the second quarter alone was ₱6.8 billion, buoyed partially by election-related spending. Revenues for the PLDT Group likewise increased by 20% to ₱55.6 billion in the first six months of 2004 while consolidated EBITDA improved to ₱34.7 billion as a result of higher revenues and lower cash operating expenses. Consolidated free cash flow grew significantly from ₱9.3 billion in the first half of 2003 to ₱17.7 billion in the same period in 2004 allowing the group to reduce total debt by US\$279 million in the first six months of 2004.

Smart: Forging Ahead

Smart added just over 1.2 million subscribers in the second quarter of 2004, ending the period with 12.5 million subscribers. *Talk 'N Text* added close to 470,000 subscribers and ended the first half of 2004 with 3.5 million subscribers, bringing the PLDT Group's total cellular subscribers to 16.0 million. Net subscriber additions in the first half of 2004 increased by 75%, from 1.8 million last year to over 3 million during the first six months of this year. Cellular penetration rates continue to exceed expectations, reaching approximately 33% at the end of June 2004.

The growth in revenues, EBITDA, and net income remained strong, partially helped by increased subscriber take-up and usage in the second quarter relating to national election activities. In the first six months of 2004, Smart increased its revenues to ₱30.9 billion, 40% higher than the ₱22.1 billion realized in the same period last year. EBITDA surged by 69% to ₱21.2 billion from ₱12.5 billion mainly due to higher revenues and lower selling and promotion expenses. EBITDA margin improved to 69% in the first half of 2004 from 57% in the same period last year. Net income nearly doubled to ₱11.6 billion from ₱6.1 billion last year.

Smart has pursued its innovative thrust with the recent introduction of *Smart Padala*, the first and only international and domestic cash remittance service via text. This breakthrough service will allow Smart's subscribers, particularly overseas Filipino workers, to provide assistance to their relatives by enabling the encashment of values sent to them via their mobile phones.

"*SMART Padala* is another "world's first" service from Smart, but it is more than just an innovative commercial service. It's innovation with a positive social impact. It's about keeping Filipino families together, here and abroad." explained **Napoleon L. Nazareno, President and CEO of PLDT and Smart.**

Smart continues to extend its network of 34 switches and over 4,500 base stations to cover 91% of the country's population. Capital expenditures reached ₱8.8 billion during the first six months of 2004 and remains pegged at ₱15.0 billion for the full year.

Smart's free cash flow remained strong in the first half of 2004 at ₱9.8 billion, enabling Smart to pay down debts by US\$36 million. In addition, in May 2004, Smart paid dividends to PLDT of ₱11.3 billion, representing 70% of its net income in 2003.

Pilipino Telephone Corporation, in which Smart and PLDT currently have an aggregate common share ownership of 62.3%, also announced its 2004 first half results today, ending the period with a net income of ₱810 million, resulting mainly from continued strong cellular subscriber growth and inclusive of foreign exchange losses of ₱79 million. This marks a turnaround from the loss of ₱535 million posted in the same period in 2003 and comes after the attainment of a critical mass of subscribers and the elimination of one-time impairment provisions booked in previous years.

PLDT Fixed Line: Keeping its Focus

On the Fixed Line side of the business, total revenues increased by 3%, from ₱22.5 billion in the first six months of 2003 to ₱23.2 billion in the 2004, mainly derived from the increase in data service revenues. DSL subscribers increased to over 33,000 at the end of June 2004 from less than 15,000 one year ago.

Cash operating expenses declined by 2% and EBITDA improved by 7%, from ₱12.3 billion in the first half of 2003 to ₱13.1 billion in the first half of 2004. EBITDA margin likewise improved to 57% this year from 55% last year.

Capital expenditures were under control at ₱2.7 billion for the first six months of 2004. Full year capital expenditures of the fixed line business are now expected to reach ₱6 billion which have been mainly earmarked for the expansion of PLDT's DSL service.

As of June 30, 2004, PLDT Fixed Line had 9,992 employees compared with 11,237 employees as of the same date last year. PLDT Fixed Line reduced headcount by 238 in the first six months of the year in line with its objective to right size the organization.

Including dividends from Smart of ₱11.3 billion paid in the second quarter of 2004, PLDT's free cash flow in the first six months increased to ₱19 billion. As such, PLDT Fixed Line was able to reduce debts by US\$222 million during the period. Total debt reduction for the year is estimated at approximately US\$300 million. As of the end of June 2004, PLDT Fixed Line's debt balance was US\$2.2 billion.

"The Fixed Line business remains stable and focused. Cost containment and debt reduction are still its priorities but Fixed is also actively exploring additional revenue streams. Much of this will result from the functional coordination efforts now being implemented across the PLDT Group," concluded **Nazareno**.

ePLDT: Growing Profitably

ePLDT, the Group's information and communications technology arm, posted a net profit of ₱70 million for the first half of 2004 compared to a net loss of ₱454 million in the same period last year. ePLDT's financial performance was boosted the increase in the revenues of its call centers, Vocativ and Parlance. The call centers generated revenues of ₱519 million, or 47% of ePLDT's total revenues, while Vitro's data center business increased its revenue contribution to ₱314 million. Consolidated revenues of ePLDT jumped by 27% in the first six months of 2004 to ₱1.1 billion compared with ₱878 million in the same period last year.

With a third call center on its way, ePLDT expects to increase the capacity of all its call centers to approximately 2,000 seats by the end of 2004. Netopia, ePLDT's 52%-owned subsidiary and the country's leading internet café chain, now has 100 outlets across key cities in the Philippines and has just opened its first branch in Thailand.

"ePLDT is expanding its operations, and it is doing so in a profitable manner", said Atty. Ray C. Espinosa, ePLDT Managing Director.

PLDT Group: Harnessing Our Forces

"I think we've moved beyond the phase of consolidating the strengths of our individual businesses. We are now in the process of harnessing these strengths and transforming them into tangible synergies. This will significantly enhance our ability to contribute to the various communities we serve - our customers, our shareholders, and ultimately, our nation as well. Our position as the most profitable, listed company in the Philippines validates the substantial investments made by PLDT, Smart and the other members of the Group over the last few years in people, in networks, in innovation of products and services," said **Manuel V. Pangilinan, PLDT Chairman**.

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(in million pesos)	For the period ended 30th June		
	2004	2003	% change
Revenues	55,597	46,219	20%
Expenses	33,055	31,919	4%
Cash	17,817	18,178	-2%
Non-Cash	15,238	13,741	11%
Operating income	22,542	14,300	58%
Adjusted EBITDA ^(a)	34,694	25,611	35%
Net income - As Reported	12,008	1,785	573%
Earnings per Share (Basic)	65.62	5.54	1084%
Earnings per Share (Dilutive)	61.81	5.54	1016%

(a) EBITDA in 1H03 is presented before deducting MRP-related costs and other non-recurring charges booked in 1H03

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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Tel No: 816-8213
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About PLDT

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PLDT is listed on the Philippine Stock Exchange (PSE:TEL) and its American depository 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.

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