

**FIRST PACIFIC COMPANY LIMITED**  
**PRESS RELEASE**

**Tuesday, 4 May 2004**

**PLDT PROFIT LEVEL REACHES NEW HEIGHTS IN 1Q2004,  
SUSTAINS MOMENTUM OF 2003's STRONG RESULTS**

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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**PLDT PROFIT LEVEL REACHES NEW HEIGHTS IN 1Q2004,  
SUSTAINS MOMENTUM OF 2003's STRONG RESULTS**

- PLDT's consolidated net income jumps to ₱5.24 billion for first three months of 2004; consolidated revenues up by 19% to ₱27.1 billion
- Smart's net income soars to ₱5.15 billion
- Smart and *Talk 'N Text* set historic high anew with subscriber net additions of over 1.4 million during the first quarter 2004; combined subscriber base surpasses 14.4 million mark
- PLDT Fixed Line records net income of ₱217 million, an improvement of 14%
- ePLDT posts profit of ₱48 million, its third successive quarterly profit performance
- PLDT Group reduces debt by a total of US\$75 million
- Consolidated free cash flow reaches ₱9.3 billion
- Consolidated EBITDA rises 28% to ₱16.3 billion; EBITDA margin remains strong at 60% of revenues
- Smart to pay cash dividend of ₱11.3 billion to PLDT in May 2004

**MANILA, Philippines, May 4, 2004** — Philippine Long Distance Telephone Company ("PLDT") (PSE: TEL) (NYSE: PHI) today announced its preliminary and unaudited financial results for the first three months of 2004. With fully-owned subsidiary Smart Communications, Inc. ("SMART") continuing to exhibit robust growth, PLDT's consolidated net income rose to ₱5.24 billion, 111% higher than the ₱2.48 billion net income reported in the same period last year. Revenues for the PLDT Group likewise increased by 19% to ₱27.1 billion while consolidated EBITDA improved to ₱16.3 billion as a result of higher revenues and lower cash operating expenses. Consolidated free cash flow grew significantly from ₱6.4 billion in the first quarter of 2003 to ₱9.3 billion in the same period in 2004. As a result, consolidated cash balances as at the end of March 2004 reached the level of ₱24 billion, positioning the group to address maturing debt obligations of approximately US\$200 million in the second quarter of 2004 alone.

**Smart: Sustaining market leadership on all fronts**

Smart added over 1.1 million subscribers in the first three months of the year, ending the period with nearly 12 million subscribers. *Talk 'N Text* added over 300,000 subscribers, bringing the PLDT Group's total cellular subscribers to 14.4 million. Compared to the first quarter of 2003, net subscriber additions increased by 83%, from 769,000 in last year's first quarter to over 1.4 million during the first quarter this year. Cellular penetration rates continue to exceed expectations, reaching approximately 30% at the end of March 2004.

Smart's exceptional subscriber expansion to-date has translated to strong growth in revenues, EBITDA, and net income. In the first three months of 2004, Smart increased its revenues to ₱14.7 billion, 37% higher than the ₱10.7 billion realized in the same period last year. EBITDA surged by 59% to ₱9.7 billion from ₱6.1 billion as revenues grew at a higher rate than expenses. EBITDA margin improved to 66% in the first quarter of 2004 from 57% in the same period last year. Net income nearly doubled to ₱5.2 billion from ₱2.8 billion last year.

As anticipated, the popularity of lower denomination reloads via *Smart Load* and *Pasa Load* resulted in a 12% decline in blended ARPU of prepaid and postpaid subscribers. Over 85% of *Smart Buddy* subscribers now top up electronically via *Smart Load* while an even higher 94% of *Talk 'N Text* subscribers do the same. With *Pasa Load* transactions now averaging over 2 million per day, the contribution of data revenues to GSM revenues jumped to 46% in the first three months of 2004 compared with 42% for the same period in 2003.

The decline in ARPU did not affect Smart's margins as Smart continued to drive down its subscriber acquisition costs. The payback period for blended subscriber acquisition costs was reduced from 2.5 months in the first quarter of 2003 to 1.7 months in the first quarter of 2004. Blended subscriber acquisition costs for both prepaid and postpaid services declined by 42%, from ₱1,096 in the first quarter of 2003 to ₱635 for the same period this year.

With demand showing no signs of slowing down, Smart has extended its network of 32 switches and over 4,200 base stations to cover 92% of the country's population. Capital expenditures reached ₱3.5 billion during the first three months of 2004. However, capital expenditures remain scalable and are expected to reach ₱15.0 billion for the full year.

Smart's free cash flow remained strong in the first quarter of 2004 at ₱4.2 billion, enabling Smart to pay down debts by US\$25 million. Smart expects to pay dividends to PLDT of ₱11.3 billion, representing 70% of its net income in 2003, before the end of May 2004.

"I can only reaffirm our strong belief that we can break through the so-called ceiling to cellular market growth if we persevere in developing and offering innovative and affordable services to all segments of the market," explained **Napoleon L. Nazareno, President and CEO of PLDT and Smart**. "We are determined to maintain our margins and healthy bottom line at Smart by increasing revenues whilst controlling costs," added **Nazareno**.

### **PLDT Fixed Line: On the right track**

On the Fixed Line side, total revenues increased by 3%, from ₱11.3 billion in the first three months of 2003 to ₱11.6 billion in the 2004. Cash operating expenses declined by 2% and EBITDA improved by 7%, from ₱6.3 billion in the first quarter of 2003 to ₱6.7 billion in the first quarter of 2004. EBITDA margin likewise improved to 58% this year from 56% last year.

As a result of the increase in termination rates implemented in February 2003, international long distance revenues grew by 7% to ₱3.1 billion in the first three months of 2004. National long distance increased by 8% as a result of the changes in interconnection agreements. As of March 31, 2004, PLDT had 2.1 million fixed lines in service, of which 17% were prepaid subscribers.

Local exchange revenues were steady at ₱5.2 billion in the first quarter of the year, with postpaid churn abating significantly during the quarter. Data service revenues remained stable at ₱1.4 billion despite heightened competition and pricing pressures. DSL subscribers increased to 28,000 at the end of March 2004 from only 13,000 one year ago.

In response to the challenges being faced by the fixed line business, PLDT Fixed Line continues to focus on cost containment. Capital expenditures were under control at ₱800

million for the first quarter of 2004 and are pegged at ₱6 to ₱7 billion for the full year 2004. As of March 31, 2004, PLDT Fixed Line had 10,127 employees compared with 11,777 employees as of the same date last year.

In the first three months of 2004, PLDT Fixed Line reduced debt by US\$40 million. PLDT's free cash flow increased to ₱5.3 billion from ₱1.5 billion last year. This strong cash flow and the expected cash dividends from Smart should enable PLDT to pay down debt of approximately US\$160 million in the second quarter of 2004. Total debt principal paydown for the year is expected to be approximately US\$250 million. By the end of the year, PLDT Fixed Line's debt balance will reduce to US\$2.2 billion, from almost US\$2.5 billion at the start of 2004.

"PLDT's fixed line business is starting to experience gains from the measures that have been implemented over the past few years. Further improvements will strengthen the deleveraging process, heighten operational efficiencies and restore dividends to common shareholders in the near future," concluded **Nazareno**.

#### **ePLDT: On the path to profitability**

ePLDT, the Group's information and communications technology arm, has posted profits for the first three months of 2004 with strong contributions from its call centers, internet service provider and data center businesses. Net income for the period was ₱48 million, a turnaround from the loss of ₱441 million one year ago.

Revenues jumped by 24% to ₱442 million, with ₱241 million from Vocativ and Parlance, ePLDT's call centers, ₱97 million from Vitro's data center business and ₱90 million from Infocom, its Internet Service Provider. The call centers now have a combined 1,244 seats and plans are underway to expand this capacity to address increased demand from US-based clients. In addition, ePLDT is pursuing an expansion program over the next three years in order to become a major player in the global outsourcing market as the Philippines becomes increasingly a location of choice.

#### **PLDT Group: Gathering Strength**

"Our goal has always been to become the foremost telecommunications company in the Philippines and one of the best in the region as well, with world-class services and operations. In fact, our efforts in this area have been acknowledged by a number of leading financial surveys conducted earlier this year where we were recognized for our achievements in overall management, corporate governance, financial management and investor relations. I am pleased that 2004's first quarter results confirm that our transformation is well on its way to becoming a reality," said **Manuel V. Pangilinan, PLDT Chairman**.

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(in million pesos)	For the quarter ended 31st March		
	2004	2003	% change
Revenues	27,092	22,737	19%
Expenses	16,619	15,645	6%
Cash	8,873	8,696	2%
Non-Cash	7,746	6,949	11%
Operating Income	10,473	7,092	48%
Adjusted EBITDA <sup>(a)</sup>	16,346	12,761	28%
<b>Net income - As Reported</b>	<b>5,240</b>	<b>2,483</b>	111%
Earnings per Share (Basic)	28.32	12.15	133%
Earnings per Share (Dilutive)	26.74	11.31	136%

(a) EBITDA in 2003 is presented before deducting MRP-related costs and other non-recurring charges booked in 1Q03.

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*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 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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