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PLDT's NET INCOME TRIPLES IN 2001

The attached press release was distributed today by PLDT, in which First Pacific has a 24.4 per cent economic interest, and a 31.5 per cent voting interest.

Philippine Long Distance Telephone Company ("PLDT") is the leading telecommunications provider in the Philippines. Through its three principal business groups – fixed line, wireless and information and communications technology – PLDT offers a wide range of telecommunications services across the country's most extensive fiber optic backbone and fixed line, cellular and satellite network.

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 Stock Exchange. PLDT has one of the largest market capitalizations among Philippine listed companies.

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PLDT's NET INCOME TRIPLES IN 2001

- **Net income increases to ₱3.4 billion in 2001 from ₱1.1 billion in 2000**
- **Consolidated EBITDA Margin Remain Strong at 53 percent**
- **PLDT Wireless Cements Its Market Leadership**
- **Cost Containment, Liability Management Efforts Prioritized**

MANILA, Philippines, 26th February 2002 – Philippine Long Distance Telephone Company ("PLDT") (PSE: TEL) (NYSE: PHI) today announced that its net income tripled to ₱3.4 billion in 2001 from ₱1.1 billion in 2000. Consolidated revenues and EBITDA for the year ending 31st December 2001 both grew by 17 percent, marking a year of solid performance for the country's leading telecommunications company.

Growth was driven largely by the continuing success of Smart Communications, Inc. ("Smart") which experienced a dramatic turnaround in net income for 2001. Pilipino Telephone Corporation's ("Piltel") Talk N' Text service also contributed to the growth of Smart. Together, Smart and Talk N' Text more than doubled their combined GSM subscriber base to almost 6 million, capturing a 57 percent share of the total GSM market. The PLDT Group added 3.3 million new GSM subscribers in 2001, making it the fastest growing cellular business for the second consecutive year.

PLDT's fixed line business, with 2.2 million subscribers and a market share of almost 70 percent, remained a key strength of the Group and provided strong and stable cash flows for PLDT.

Consolidated net income for 2001 stood at ₱3.4 billion, representing a 208 percent improvement over 2000 consolidated net income of ₱1.1 billion. Consolidated EBITDA rose 17 percent to ₱39 billion from ₱33.3 billion last year. Consolidated EBITDA margin remained strong at 53 percent.

Consolidated revenues for the Group increased to ₱73.6 billion for the year, representing an improvement of 17 percent over revenues of ₱62.9 billion last year. Consolidated net operating income similarly improved to ₱17.1 billion from ₱12 billion in 2000. Earnings per common share grew to ₱11.35 from a loss per common share of ₱0.85 in 2000.

“Our strategy to transform PLDT from a traditional telephone company to a world-class communications provider offering varied and rich platforms of communication is starting to show through in our 2001 performance,” commented PLDT President and CEO, Manuel V. Pangilinan.

Strong Wireless Performance Underscores Business Vision, Strategy

PLDT’s strategic acquisition of Smart in 2000 allowed PLDT to strengthen its position in the fast growing wireless business. The wireless subsidiary outperformed the industry and recorded a significant turnaround from a net loss of ₱406 million in 2000 to a net income of ₱3.9 billion in 2001. Smart’s EBITDA posted a dramatic increase of 164 percent, from ₱4.3 billion in 2000 to ₱11.3 billion in 2001.

The combined GSM subscriber base of Smart and Piltel’s Talk N’ Text service more than doubled during the year, rising from 2.7 million subscribers as of 31st December 2000 to end 2001 with almost 6 million subscribers.

Smart added 2.3 million new GSM subscribers during the year and had 4.6 million GSM subscribers at year-end. Together with its analog subscriber base, Smart had total subscribers of 4.9 million as of 31st December 2001, translating into a market share of 44.1 percent.

Piltel’s GSM subscriber take-up during the year hit almost one million net additions resulting in 1.3 million Talk N’ Text users at year-end. When combined with its analog subscribers, Piltel had 13.3 percent market share at year-end.

Smart and Piltel posted record-breaking subscriber take-up in December, 2001; together, they posted combined net activations of over 400,000 subscribers in that month compared to an average of 275,000 net activations per month for 2001.

The surge in subscriber numbers was complemented by Smart’s launching of innovative and interactive value-added services such as Smart zedtm and Smart Money. These value-added services have started to contribute revenues for Smart and have enhanced ARPUs. Smart Money received the “Most Innovative GSM Service” award at the recently concluded 3rd GSM Congress held in Cannes, France last March 2001.

Texting (SMS) proved to be a strong source of revenue for Smart in 2001. An average of 39 million text messages per day were sent in 2001 compared to an average of 18 million messages a day in 2000. Text revenues more than doubled to ₱6.6 billion in 2001 from ₱2.2 billion in 2000.

Mr. Napoleon Nazareno, Smart’s President and CEO noted that Smart is well positioned to maintain its market leadership in the wireless sector.

“Our leadership position in the wireless GSM market has definitely given Smart the momentum towards continued growth. We shall build on the gains we have achieved in 2001 to ensure that Smart fulfills its commitment to provide a broad range of world-class wireless products and services at affordable prices to the Filipino people,” said Mr. Nazareno.

Fixed Line - Platform for Stable Revenues and Growing Data Business; Optimizing Efficiencies and Liability Management Initiatives Progressing

PLDT’s core fixed line business maintained its leading market position in 2001. Fixed line subscribers for the PLDT Group grew to 2.2 million representing a market share of nearly 70 percent. Of the incremental additions of 178,044, 130,597 subscribers were on the prepaid service.

The fixed line business for 2001 exhibited moderate yet stable growth. Revenues grew to ₱46.9 billion while EBITDA levels were maintained at ₱27.3 billion. EBITDA margins remained high at 58 percent.

Local exchange revenues increased by 15 percent, reaching ₱21.9 billion in 2001. PLDT’s strategy to offer a prepaid fixed line service helped to reduce churn, maximize the utilization of excess capacity, and develop a growing client base from a larger segment of the market.

International long distance revenues decreased by 13 percent to ₱11.5 billion due to lower settlement rates despite a significant increase in traffic. Similarly, national long distance revenues declined by 20 percent to ₱8.4 billion on account of lower NDD rates and lower volumes, the latter being affected by the lower cost of communicating via text and e-mail.

However, revenues from data and other network services jumped by 61 percent to ₱4.8 billion, driven by increasing demand for higher bandwidth and packet-based services. Data and other network services now account for almost 7 percent of PLDT’s consolidated revenues.

“Part of our strategy moving forward is to lead the data services business which we believe is the next source of revenue growth for our fixed line business,” said Pangilinan. “We foresee demand for data and network services to continue increasing in the near future.”

During the year, efforts were initiated, focusing on reducing capital expenditure and operating expenses as well as improving operational efficiencies. From a high of ₱23.7 billion in 1997 representing 67 percent of revenues, PLDT’s capex for 2001 was reduced to ₱9.4 billion, representing 20 percent of revenues. Furthermore, capex was focused primarily on the expansion of high growth areas such as data services.

Cash operating expenses have also been consistently declining quarter on quarter since the start of 2001. Operating efficiency has improved as demonstrated by the number of fixed lines in service per PLDT employee, which increased from 144 in 2000 to 161 in 2001.

The reduction in capital expenditure and the Company's focus on containing cash operating expenses have also contributed towards PLDT's liability management initiatives designed to address its maturing debts. Between the periods 2002-2004, PLDT has maturing debt obligations of approximately US\$1.3 billion of which 50 percent is targeted to be serviced by internally generated cash flows.

As part of its liability management efforts, a US\$149 million facility was obtained by PLDT from Kreditanstalt fur Wiederaufbau (KfW) of Germany. The facility granted to PLDT is a 9-year loan to be disbursed over three years and has a two year grace period. In addition, discussions with other traditional lenders for new facilities are on-going.

"Addressing our debt maturities is a major priority of PLDT," commented Pangilinan "and the agreement with KfW represents a key milestone in the on-going liability management efforts of PLDT."

Accelerated Transformation

Pangilinan noted that the year 2001 was the year PLDT accelerated its transformation from a predominantly fixed line telephone company into an integrated telecommunications service provider. ePLDT, a subsidiary of PLDT has started to move from a start-up pioneering venture into one of the leading information, communications and technology companies in the Philippines. ePLDT is building its operations and is expected to generate stronger revenues from its investments in its Vitro data center, its call centers and its Internet services through Infocom Technologies.

"Optimizing the largest landline infrastructure in the Philippines and combining it with strategic investments in cellular, satellite, and internet over the past three years has enabled us to begin realizing our vision for PLDT. Our strong performance in 2001 is clear evidence of this," Pangilinan stressed. "It is our expectation that PLDT will continue to broaden and diversify its revenue base, lowering our dependence on the mature fixed line business and ensuring continued revenue growth moving forward."

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Consolidated Operating Results for the Year Ended December 31, 2001.

| <i>(In Million Pesos)</i> | PLDT | | PLDT Consolidated | |
|--|---------------|---------------|--------------------------|----------------|
| | 2001 | 2000 | 2001 | 2000 |
| Revenues | 46,064 | 44,270 | 73,573 | 62,903 |
| Expenses | <u>32,220</u> | <u>29,871</u> | <u>56,428</u> | <u>50,860</u> |
| Operating income | 13,844 | 14,399 | 17,145 | 12,043 |
| Other expenses - net | <u>10,317</u> | <u>7,415</u> | <u>14,268</u> | <u>11,247</u> |
| Income before tax | 3,527 | 6,984 | 2,877 | 796 |
| Provision for tax | <u>834</u> | <u>2,069</u> | <u>1,220</u> | <u>1,822</u> |
| Income (Loss) before minority interests | 2,693 | 4,915 | 1,657 | (1,026) |
| Minority interests | <u>-</u> | <u>-</u> | <u>(1,761)</u> | <u>(2,134)</u> |
| Net income | <u>2,693</u> | <u>4,915</u> | <u>3,418</u> | <u>1,108</u> |
| EBITDA | <u>27,029</u> | <u>26,848</u> | <u>39,028</u> | <u>33,255</u> |

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, actions or events.

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