

**Tuesday, 6 November 2001**

**PLDT PROFIT AND REVENUES SURGE FOR FIRST NINE MONTHS OF 2001**  
**Smart Turnaround Continues**  
**PLDT Cost-Containment Initiatives Begin to Show Results**  
**Liability Management Program Underway**  
**PLDT Investment in GMA-7 Postponed**

The attached press release was distributed today by PLDT, in which First Pacific has a 24.5 per cent economic interest, and a 31.6 per cent voting interest.

Philippine Long Distance Telephone Company (“PLDT”) is the leading supplier of domestic and international telecommunications services in the Philippines. PLDT is based in Manila and listed on the Philippine Stock Exchange (PSE:TEL), and has ADRs listed on the New York Stock Exchange (NYSE:PHI) and the Pacific Exchange (PE:PHI). Its three principal business groups – fixed line, wireless and Internet/multimedia – provide a comprehensive menu of products and services across the most extensive broadband and integrated networks in the Philippines.

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FOR IMMEDIATE RELEASE

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Manila, Philippines, November 6, 2001 -- Philippine Long Distance Telephone Company ("PLDT" or the "Company") (PSE:TEL) (NYSE:PHI) today announced significant increases in consolidated net income and revenues for the first nine months of 2001 compared with the same period last year, driven primarily by the continuing turnaround of its wireless subsidiary, Smart Communications, Inc.

The Company also said that cost-containment initiatives implemented earlier this year have begun to show results, with cash operating costs down by approximately P500 million in the third quarter of 2001 compared with the third quarter of 2000. The Company also said that its ongoing liability management program, aimed at reducing its overall indebtedness and providing a better match between projected cash flows and maturing liabilities, is progressing.

In other news, PLDT announced that it has decided to postpone its investment in GMA Network, Inc. as the Company focuses on its core business and debt-related matters, given the uncertain economic climate.

PLDT said its consolidated net income for the first nine months of 2001 rose by 369 per cent to P2.4 billion from P508.1 million for the same period in 2000. Smart, which reported a loss of P1.6 billion for the first nine months of 2000, improved to a net income of P2.8 billion for the first nine months of 2001.

Consolidated operating income for PLDT surged 43 per cent to P12.1 billion this year from P8.5 billion last year. Consolidated revenues climbed to P55.2 billion this year from P45.3 billion last year, an improvement of approximately P10.0 billion or 22 per cent.

Consolidated EBITDA, a key indicator of cash flows, rose by 22 per cent, or P5.3 billion, for the first nine months of 2001 to P29.4 billion, from P24.1 billion for the first nine months of 2000. PLDT has kept its EBITDA margin steady at 53 per cent despite a more difficult operating environment.

## **A Strong Company with Strong Businesses**

“PLDT continues to perform strongly with robust businesses that generate substantial cash flows. Our revenue mix is increasingly broadening and diversifying. The wireless business and data services on both fixed and wireless platforms are becoming important engines of future growth, leaving us less reliant on international and national long distance revenues,” said Manuel V. Pangilinan, President and CEO of PLDT. “In the meantime, subscriber take-up has been encouraging this year, with wireless subscriber net gains in front of last year’s record results and fixed line subscriber growth significantly ahead of last year.”

## **A Challenging Operating Environment**

Mr. Pangilinan added that, “Overall economic conditions are increasingly showing signs of weakness externally and domestically, making this year and the next a very challenging operating environment. Our assessment is that the fixed line business will experience only moderate growth and this growth is likely to be further affected by slowing economic conditions. In that light, our efforts at improving revenues must be combined with steps that will put a cap on our capital expenditures, reduce our cash operating expenses, and improve overall operating efficiencies.”

“PLDT’s wireless business should experience continuing growth in subscribers and revenues while improving its profitability by expanding value-added services such as Smart zed and Smart Money and managing subscriber acquisition costs. As for e-PLDT, we will concentrate on managing its existing operations and investments,” Mr. Pangilinan said.

## **Cost-containment Initiatives; 2002 Capex Set at Under P10 Billion**

Mr. Pangilinan stated that PLDT has undertaken a number of major initiatives to limit the Group’s capital expenditure while improving efficiencies and reducing costs.

“Capital expenditures as a percentage of revenues have declined from a high of 67 per cent in 1997, or P23.7 billion, to 24 per cent for the past 12 months, or P11.1 billion,” said Mr. Pangilinan. “This percentage should continue to decrease in the coming years as our fixed line revenues show modest growth and our capex is maintained at a steady level. We expect next year’s capex to be below P10 billion. Our fixed line business will make new investments only in growth areas such as data services.”

The Company said that it had recently implemented other cost-containment measures limiting certain discretionary costs such as overtime pay and foreign travel expenses. Officers of the Company have agreed to waive salary increases this year and next, and until such time as the broader economic outlook improves.

The number of PLDT fixed line employees as of the end of September 2001 decreased by 2.3 per cent to 12,940, from 13,251 last year, primarily due to the Company’s voluntary manpower reduction program. An increase in the number of fixed lines together with the reduction in headcount improved the ratio of fixed lines per PLDT employee from 149 to 167.

## **Liability Management Program**

“PLDT’s ongoing liability management program is designed to reduce its overall indebtedness and establish a better match between maturing liabilities and projected cash flows. To accomplish these objectives, we will preserve cash flow from operations to service principal and interest payments, sell a 15-20 percent direct or indirect interest in Smart to reduce debts in the aggregate, a process that is currently underway, and pursue refinancing opportunities to extend residual debts as capital markets improve,” Mr. Pangilinan elaborated.

“The market dislocation caused by the September 11 events in the United States resulted in the Company’s having to reassess the elements of its liability management program. However, the Company remains fully committed to this important initiative and we will keep investors informed as to the progress of these efforts,” Mr. Pangilinan said.

## **Operational Highlights**

### **Smart Net Income Up Sharply**

Strong growth in the wireless subscriber base boosted the profits and revenues of PLDT’s wireless group. Net income at Smart for the first nine months of 2001 reached P2.8 billion compared with a loss of P1.6 billion for the first nine months of 2000. Revenues of the wireless group soared to P19.1 billion from P11.4 billion for the same period in 2000, an increment of P7.7 billion or 67.8 per cent.

Revenues from the wireless business accounted for a growing proportion of the Company’s consolidated revenues. Wireless revenues now comprise 34.5 per cent of consolidated operating revenues for the first nine months of 2001 versus 25.1 per cent for the comparable period in 2000.

### **Continuing Growth in Wireless Subscribers**

Smart continued to capture an increasing share of the GSM wireless market. As of September 30, 2001, the number of Smart’s cellular subscribers rose by 78.8 per cent to 4.3 million from 2.4 million in September 30, 2000, a net gain of 1.9 million (or about 160,000 net subscribers on average per month). Piltel’s cellular subscribers, predominantly on the Talk ‘N Text brand, increased by 111.4 per cent to 1.3 million as of the end of September this year from 604,895 last year, an improvement of approximately 670,000 customers, (or about 55,000 per month on average). Smart has a revenue-sharing interest in Talk ‘N Text.

The wireless group’s extremely popular Short Messaging Service continued to grow during the period in review. Volumes for the first nine months of 2001 increased by 310 per cent to 8.6 billion messages from 2.1 billion messages for the same period in 2000.

Smart is beginning to see growing contributions from its enhanced, value-added services such as Smart zed and Smart Money. These services now make up 19 per cent of the data revenues of the wireless business and are prime examples of how Smart provides 3G-like services on a 2G platform.

### **Increase in Fixed Line Revenues and Subscribers**

Revenues from PLDT's fixed line network increased by 6 per cent to P35.8 billion for the first nine months of 2001 from P33.8 billion for the first nine months of 2000. The number of fixed lines in service increased by 187,961 subscribers (net of disconnections) or 9.4 percent to 2,177,445 this year from 1,989,484 last year.

PLDT's local exchange service revenues improved by 20.6 per cent to P16.4 billion for the period ending September 2001 from P13.6 billion for the same period in 2000. Currency-related adjustments in monthly local service rates and a higher average number of fixed lines in service accounted for the increase.

Revenues from data and other network services for the first nine months of 2001 rose by 66.4 per cent to P3.5 billion from P2.1 billion for the first nine months of 2000. The Company is continuing to expand the introduction of DSL (Digital Subscriber Line) service, which enables high speed data movement over regular copper telephone lines, to a growing number of corporate and individual subscribers.

The Company's aggregate international long distance call volumes grew by 26.5 per cent in the first three quarters this year (1.9 billion minutes) compared with the same period last year. However, international long distance revenues this year fell by 8.8 per cent to P9.0 billion from P9.9 billion for the same period in 2000. The decrease was primarily due to the continued decline in international settlement rates for inbound international calls and the substantial reduction in the Group's international direct dialing rates for outbound international calls.

PLDT's national long distance service revenues for the period ending September 2001 fell by 18.8 percent to P6.6 billion from P8.1 billion for the same period in 2000. The decline was due to lower call volumes, an increasing proportion of calls subject to revenue sharing with other carriers, integration of PLDT's local exchanges into a single local calling area and reduced national direct dialing (NDD) rates.

### **Conclusion**

"PLDT's nine-month results, despite a challenging macro-economic environment, reinforce the Company's leadership position in Philippine telecommunications. We remain the country's largest, most diversified telecommunications group. We have broadened our revenue base by finding new revenue streams. We are also making good progress at reducing expenses at PLDT and creating a culture that is lean, customer-oriented and flexible enough to meet the challenges of the market," Mr. Pangilinan concluded.

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**Consolidated Operating Results for the Nine Months ended September 30, 2001.**

<i>(In Million Pesos)</i>	<b>PLDT</b>		<b>PLDT Consolidated</b>	
	<b>2001</b>	<b>2000</b>	<b>2001</b>	<b>2000</b>
<b>Revenues</b>	35,017	32,501	55,245	45,345
<b>Expenses</b>	<u>24,533</u>	<u>21,326</u>	<u>43,108</u>	<u>36,877</u>
<b>Operating income</b>	10,484	11,175	12,137	8,468
<b>Other expenses - net</b>	<u>7,608</u>	<u>4,900</u>	<u>10,339</u>	<u>7,723</u>
<b>Income before tax</b>	2,876	6,275	1,798	745
<b>Provision for tax</b>	<u>718</u>	<u>1,889</u>	<u>1,121</u>	<u>1,906</u>
<b>Income (Loss) before minority interests</b>	2,158	4,386	677	(1,161)
<b>Minority interests</b>	<u>-</u>	<u>-</u>	<u>(1,705)</u>	<u>(1,669)</u>
<b>Net income</b>	<u>2,158</u>	<u>4,386</u>	<u>2,382</u>	<u>508</u>
<b>EBITDA</b>	<u>20,543</u>	<u>20,486</u>	<u>29,351</u>	<u>24,112</u>

PLDT is the leading telecommunications provider in the Philippines. Through its three principal business groups -- fixed line, wireless, and Internet and multimedia -- PLDT offers a wide range of telecommunications services across the Philippines' most extensive fiber optic backbone and fixed line, cellular and satellite networks.

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.

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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, actions or events.*