

Wednesday, 8 August 2001

**PLDT POSTS SHARP INCREASE IN PROFIT AND REVENUES
FOR FIRST HALF 2001**

Cellular Subscribers Double to 5 Million; Fixed Line Subscribers Exceed 2 Million

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. Listed on the Philippine Stock Exchange (PSE:TEL) and with ADRs listed on the New York Stock Exchange (NYSE:PHI) and the Pacific Exchange, Manila-based PLDT is actively pursuing a convergence strategy through its three principal business groups – fixed line, wireless and ePLDT. These businesses provide a comprehensive menu of products and services for over 7.3 million subscribers across the most extensive broadband and integrated networks in the country.

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Cellular Subscribers Double to 5 Million; Fixed Line Subscribers Exceed 2 Million

Manila, Philippines, August 8, 2001 – Philippine Long Distance Telephone Company (“PLDT”) (PSE:TEL) (NYSE:PHI) today announced robust increases in net income, revenues and subscriber numbers for the first half of 2001. Growth was driven primarily by the turnaround of its wireless subsidiary, Smart Communications, Inc. (“Smart”) which, together with Pilipino Telephone Corporation (“Piltel”), maintained their leadership in the rapidly growing GSM cellular market and in the overall wireless industry.

Consolidated net income for the first half of 2001 rose by 1,022 per cent to P1.4 billion from P122.5 million in the first half of 2000. Consolidated EBITDA this year rose by 27 per cent to P19.8 billion from P15.7 billion last year, indicating stronger cash flows for the first six months year on year. Consolidated EBITDA margin increased to 54 per cent of revenues.

Consolidated revenues increased by 25 per cent to P36.7 billion this year compared with P29.5 billion last year. Consolidated operating income for the first six months of 2001 rose by 46 per cent to P7.6 billion from P5.2 billion for the same period in 2000.

Commenting on the first half results, Manuel V. Pangilinan, President and CEO of PLDT said: “The dramatic rebound in PLDT’s performance underscores its ongoing transformation from a traditional telephone firm, heavily dependent on voice services, into a full-service telecommunications and multi-media group. Our revenue base has significantly diversified over the last few years with improved revenue streams coming from new businesses and new products.”

“The remarkable gains in our cellular subscriber base and its profitability give us every reason to believe that the wireless group will be an important engine to PLDT’s growth in the medium-term. Likewise, data and value-added services offered across PLDT’s broad range of delivery systems will enhance revenues. The fixed line network will continue to be the platform of many new products and services not only for fixed line subscribers but also for customers using cellular, cable television, free-to-air television and the internet. The inherent strengths of our fixed line infrastructure – bandwidth, high speed, robustness, reliability and extensive coverage – continue to underpin the core strengths of this group,” Mr. Pangilinan added.

Wireless Turnaround; Leadership Maintained in Total Cellular and GSM Market

In a dramatic turnaround, Smart posted net income of P1.8 billion for the first half of 2001 after recording a loss of P1.9 billion for the first half of 2000, a reversal of P3.7 billion. Smart's EBITDA this year rose to P5.2 billion compared with only P453 million last year, an increase of 1,053 per cent.

Smart and Piltel together had approximately 5 million digital and analog subscribers as of 30th June 2001, resulting in a combined market share of 58 per cent. Smart's subscriber base as of this date reached 3,982,386, an increase of 2,144,053 or 117 per cent, from 1,838,333 customers as of 30th June 2000. Piltel's subscriber base rose to 988,738 customers as of 30th June 2001, up by 412,912 subscribers or 72 per cent, from 575,826 subscribers as of the same date last year.

In the GSM market, Smart and Piltel maintained their leadership with a combined market share of 56 per cent. Smart and Piltel together generated an average 280,000 GSM net subscribers per month for the first six months of this year. Smart's GSM subscriber base at the end of June this year totaled 3.6 million customers, an increase of 222 per cent from the 1.1 million subscribers at the end of June last year.

Piltel's prepaid GSM service, Talk 'N Text, introduced in April 2000, has already captured over 10 per cent of the GSM market. Talk 'N Text had 784,672 subscribers as of 30th June 2001, with over 95,000 monthly net additions in the second quarter of 2001.

Smart and Piltel increased their combined wireless revenues for the first half to P11.5 billion from P6.7 billion for the first half of 2000, an increment of 73 per cent. The wireless business was the largest revenue contributor in the first six months of 2001, accounting for 31 per cent of consolidated revenues compared with 23 per cent for the same period in 2000.

Smart's revenues from data services such as text messaging and enhanced services from Smart zed, its new mobile portal service, surged to P3.3 billion in the first half of 2001, up by 371 per cent from P697.3 million in the first half of 2000.

Fixed Line Developments

PLDT's fixed line network increased by 90,903 new subscribers, net of churn, during the first half of 2001 compared with 57,717 new subscribers added during the same period in 2000, an increase of 57 per cent. The total number of PLDT Group's fixed line subscribers as of 30th June 2001 stood at 2,106,211, an increase of 142,500 or 7 per cent, from 1,963,711 subscribers as of 30th June 2000. This improvement reflected increases in subscriber base from organic growth and from acquisitions of other fixed line providers in the country.

To stimulate fixed line subscriber take-up, PLDT launched a number of new products and services during the year. Teletipid, the company's prepaid fixed line service - and the country's first prepaid service using a fixed infrastructure - was introduced in August 2000 and had 51,095 subscribers at the end of the first half of 2001 compared with 13,905 subscribers at the end of 2000. Through Teletipid, PLDT was better able to manage its churn by achieving higher reconnections of disconnected lines.

DSL, which provides broadband, high speed internet access, was successfully launched in April and June this year in Metro Manila and Cebu, respectively. PLDT also introduced additional features and value-added services such as TXT 135 landline texting, the first such service on a nationwide basis. International texting was added as a special service in June of this year.

New interconnection agreements with Smart, Globe Telecom, Inc., and PAPTELCO, the national association of private telephone companies, took effect on 1st July, 2001. This new – and more equitable – access charge regime will enable PLDT to capture a greater share of revenues from local and National Direct Dial (NDD) calls originating from PLDT.

In July 2001, PLDT implemented a voluntary Manpower Reduction Program that reduced the number of employees by 603. Number of lines per employee improved from 149 last year to 163 this year, as a result of a higher number of subscribed lines and lower employee headcount.

International Long Distance

PLDT's total international long distance call volume grew by 41 per cent to 1,266.5 million billed minutes in the first half of 2001 from 901.2 million billed minutes in the same period in 2000. Inbound call volume grew by 42 per cent to 1,185.9 million billed minutes from 837.4 million billed minutes.

PLDT reduced its outgoing international long distance rates to US\$0.49 cents per minute in June 2000 and then again to US\$0.40 cents per minute in February 2001. As a result, outbound traffic increased in the first half of 2001 by 26 percent to 80.6 million billed minutes from 63.8 million billed minutes in the first half of 2000.

The strong growth in volume, however, was not sufficient to offset the continued decline in international settlement rates for inbound calls and the rate reductions for outbound calls. As a result, international long distance service revenues for the first half of 2001 decreased by 4 per cent, to P6.4 billion from P6.7 billion for the same period of 2000.

National Long Distance

National long distance service revenues for the first half of 2001 decreased by 18 per cent to P4.5 billion from P5.5 billion for the same period in 2000, due to the widespread availability and growing popularity of alternative, economical, non-voice means of communications such as e-mail and text messaging.

During the first half of 2001, PLDT registered 1,488.7 million billed minutes of national long distance calls, down by 7 per cent from 1,594.6 million billed minutes registered during the same period in 2000.

Growth in Data and Other Services

Data and other network services recorded the highest percentage growth in revenue among PLDT's business streams. Revenue from data services for the first half of 2001 amounted to P2.3 billion, an increase of approximately 78 per cent, from P1.3 billion for the same period in 2000. Data revenues accounted for 6 per cent of the company's consolidated revenues this year compared with 4 per cent for the same period last year.

PLDT said that it expects future revenue and profit growth to come from data services and from ePLDT, the internet and multi-media vehicle of the group.

Piltel Restructuring A Key Accomplishment

"A key accomplishment during the first six months of this year was the successful financial restructuring of Piltel. It was the largest transaction of its kind in the country's corporate history, involving many of the major financial institutions both here and abroad. Completing this very complex process in the relatively short span of two and a half years, on a consensual basis and without litigation, is an achievement of which we can all be proud," said Mr. Pangilinan. "This should provide Piltel with a fresh chapter in its recovery story."

PLDT's ownership interest in Piltel decreased to 45.3 per cent in June 2001 and as such, Piltel is no longer treated as a consolidated subsidiary, but as an affiliate of PLDT.

Prospects

"For the remainder of the year, we will focus on stimulating the growth of our fixed line subscribers as well as our fixed line products and services. We will continue to emphasize the growth of our GSM cellular subscriber base and to maintain our leadership position, while developing more innovative data and internet services using the wireless platform. We will need to ensure that ePLDT is positioned for profitability as soon as practicable. Our continuing priority will be to improve operating efficiencies and reduce spending," Mr. Pangilinan concluded.

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Consolidated Operating Results for the Six Months ended June 30, 2001.

<i>(In Million Pesos)</i>	<u>PLDT</u>		<u>PLDT Consolidated</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Revenues	23,795	21,513	36,725	29,477
Expenses	<u>16,596</u>	<u>13,618</u>	<u>29,086</u>	<u>24,231</u>
Operating income	7,199	7,895	7,639	5,246
Other expenses - net	<u>4,646</u>	<u>2,738</u>	<u>6,944</u>	<u>4,666</u>
Income before tax	2,553	5,157	695	580
Provision for tax	<u>653</u>	<u>1,578</u>	<u>1,044</u>	<u>1,585</u>
Income (Loss) before minority interests	1,900	3,579	(349)	(1,005)
Minority interests	<u>-</u>	<u>-</u>	<u>1,723</u>	<u>1,127</u>
Net income	<u>1,900</u>	<u>3,579</u>	<u>1,374</u>	<u>122</u>
EBITDA	<u>14,342</u>	<u>14,263</u>	<u>19,834</u>	<u>15,651</u>

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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 the company's business and results of operations. Although the company believes that expectations reflected in any forward-looking statements are reasonable, it can give no guarantee of future performance.