



PHILIPPINE LONG DISTANCE TELEPHONE COMPANY

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For Immediate Release

**PLDT ANNOUNCES SURGE IN MOBILE SUBSCRIBERS
AND RELEASES FIRST QUARTER RESULTS**

MANILA, Philippines, May 16, 2000 – Philippine Long Distance Telephone Company (NYSE: PHI) released today its unaudited operating results for the three months ended March 31, 2000, and announced details of a highly successful marketing drive by its subsidiaries that has seen the number of subscribers to their mobile services surge past the two-million mark.

- The Company's results, which include the full results of SMART's operations for the first quarter and in the comparatives last year, show significant changes in the quality and diversity of its revenue base. National long distance revenues increased by 37.4% to just under ₱3 billion (US\$72.9 million), contributing more than 20% to total revenues. Fixed line service revenues, fuelled by a growing fixed line subscriber base, increased by 9.6% to ₱4.25 billion (US\$103.3 million). Cellular service revenues increased by 16.4% to ₱2.9 billion (US\$70.5 million) and revenues from Data and Other Network Services rose by 44.6%. International long distance call volumes grew by 62.6% but a sharp reduction in settlement rates led to a 17.3% decrease in revenues.

Core earnings for the parent company (PLDT) continued to be strong, rising by 14% from the ₱1.6 billion (US\$38.9 million) in the first quarter of 1999 to ₱1.8 billion (US\$43.8 million) in 2000. The improvement in net income came principally as a result of a 5% increase in revenues to ₱10.7 billion (US\$260.1 million) and a 34% reduction in interest and other expenses.

Revenues for the Company, after consolidation of its subsidiaries, rose by 8% to ₱ 14.4 billion (US\$350.1 million) but a 30% increase in expenses, arising principally from marketing and sales costs associated with growing cellular market share by SMART and Piltel, cut into profits. Net income for the quarter fell by 91% to ₱110 million (US\$2.7 million).

- The Company continues to enjoy robust cash flows from operations. Consolidated net cash flows from operations increased by 38% from just over ₱4.6 billion (US\$111.8 million) in the first quarter of 1999 to ₱6.4 billion (US\$155.6 million) in the three months ended March 31, 2000.

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Tighter management control held capital expenditure in the first quarter to ₱4 billion (US\$97.3 million), a decrease of 22.5 % compared to a year earlier. The reduced capital expenditure together with the equity infusion of ₱14.7 billion (US\$357.4 million) from NTT on March 24 led to a ₱13.6 billion (US\$330.7 million) increase in cash balances to ₱22.8 billion (US\$554.3 million) at the end of the quarter.

- The combined cellular subscriber base of mobile subsidiaries SMART and Piltel has already exceeded 2.2 million. The Company continues to be the largest cellular provider in the Philippines with the fastest growing GSM subscriber base, establishing more than a 30% share of the GSM market in just one year of commercial operations.

Aggressive marketing and new product launches by SMART and Piltel has also resulted in the number of mobile customers exceeding the total of fixed line subscribers for the first time in the Company's history. This places the Philippines among a handful of nations where the predominance of wireless telephony has been achieved.

SMART's total mobile subscriber base now numbers more than 1.6 million with approximately half of its customers using the GSM digital network. Meanwhile, increasing demand for prepaid services has left SMART's analog subscriber base virtually untouched.

SMART is already enjoying clear benefits after becoming a wholly-owned subsidiary of the Company. Rapid build-out of network has been made possible through co-location at PLDT facilities and, at the same time, SMART's capital expenditure requirement for infrastructure has been optimized.

Talk 'N Text, a new GSM service launched on April 1 by Piltel using SMART's infrastructure, has helped to push Piltel's total mobile subscriber base past 600,000 – a year-to-date increase of more than 140,000. Piltel has signed up 90,000 GSM subscribers in just over six weeks.

- A number of challenges for the Company lie ahead in the coming months. Strong growth in cellular subscriber numbers has continued into the second quarter and the fixed line subscriber base, which increased by more than 20,000 in the first quarter to about 1.8 million, is expected to benefit from new promotional campaigns. Revenues from national long distance and data and other services, both areas of substantial growth in the first three months of 2000, are also areas of strength.

Expenses arising from the marketing and sales costs associated with growing cellular market share by SMART and Piltel along with continued pressure on international long distance revenues will, however, continue to impact net income in the near-term.

Comments by President & CEO, Manuel V. Pangilinan

“There was a time when telephone companies talked about the challenges and opportunities of the future. That time is past. The challenges and opportunities are happening now and PLDT is demonstrating both its resilience and its ability to take advantage of the new technologies and their market potential as they arise.

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“Today, for instance, PLDT has substantially more cellular subscribers than fixed line subscribers. This situation has arisen not because the latter is declining – indeed, we continue to enjoy a net increase in fixed line subscribers each quarter - but because mobile services are supplementing rather than replacing fixed line.

“Even within the cellular sector, there are significant changes taking place. SMART launched its first GSM digital cellular service a year ago. Today, the digital subscriber base already outnumbers that of its well-established and still highly-popular analog service.

“Changes of this magnitude are manifesting themselves in the revenues raised and expenses borne by PLDT and its subsidiaries. While there will be focus on the 8.4% increase in total revenues reported for the first quarter of 2000 compared to the same period in 1999, it should also be noted how the quality and diversity of the revenue base is improving.

- More than one fifth of PLDT’s revenues now come from cellular services – and the amount is growing daily. Another fifth of our revenues come from national long distance calls, the volume of which continues to rise strongly as our fixed line subscriber base increases and cellular operators interconnect with our nationwide backbone.
- Data and Other Network Services, an area with enormous potential and one in which the Company is devoting much of its capital expenditure, is another impressive growth area for PLDT. Revenues from this segment of our business are up 44.6% compared to the same quarter last year and now account for almost 5% of the total.
- On the other hand, international long distance service revenues, once a mainstay of PLDT’s business, account now for less than a quarter of the revenue pie. PLDT is still committed to this important business but the expanded scope of our other services means we are less reliant on it.

“This is a time of major transition for PLDT. We are investing in the development of new products and new services for new customers and new markets. Recently, for instance, we launched our ‘Brains’ multi-technology networking service and we are now pioneering the deployment of asymmetric digital subscriber line (ADSL) technology for the corporate market.

“In the near future, we will also be starting trials of a new cable telephony service – a venture linking PLDT with Home Cable. SMART too will be announcing a number of new partnerships. It has already signed a Memorandum of Understanding with Sonera Zed, a world leader in adapting Internet services for mobile phones, and will have more news soon.

“Of course, there are costs to be met. SMART and Piltel, in particular, have been investing heavily in market share through the aggressive marketing of their GSM cellular services. Under our accounting system, those costs are carried as an operating expense in the financial statements – and that impacts immediately on the Company’s bottom line.

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“We view those expenses, however, as an important investment in a market that offers enormous potential as mobile data services are progressively introduced. The returns will follow.

“PLDT and its subsidiaries are in an investment phase but we are benefiting from strong cash flows and through better management of our resources, we are improving our productivity significantly and reducing our capital expenditure requirements.”

Consolidated unaudited operating results of the Company for the first three months of 2000, as compared to the first three months of 1999, were as follows:

In Million Pesos, Except Per Share Amounts	Three Months Ended March 31,	
	2000	1999
Operating revenues	14,380.2	13,271.1
Operating expenses	12,041.1	9,276.4
Net operating income	2,339.1	3,994.7
Other expenses, net	1,920.2	2,486.1
Income before income tax and minority interest in net loss of consolidated subsidiaries	418.9	1,508.6
Net income	110.0	1,195.8
Net cash provided by operating activities	6,390.8	4,634.1
Capital expenditures	4,012.6	5,178.7
Earnings (loss) per common share (basic and diluted) ...	(1.11)	6.00

The Company’s consolidated unaudited operating results as of and for the three months ended March 31, 2000 include the financial results of operations of SMART, which was acquired by PLDT in a share swap transaction completed on March 24, 2000.

The consolidated income includes the income of PLDT and SMART as if the transaction occurred at the beginning of the periods presented. Accordingly, SMART’s financial results of operations as of and for the three months ended March 31, 1999 are also included for the purposes of comparison.

Note: US\$ equivalents are for illustrative purposes only, and are translated at the 31st March 2000 peso closing rate of Pesos 41.13 = US\$1.

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