

**18th May 1999**

**PLDT'S FIRST QUARTER REVENUE UP 3%, NET INCOME DECLINED 55%**

First Pacific's PLDT affiliate, the Philippines' largest telecommunications company, issued the following press release today in Manila:

Philippine Long Distance Telephone Company announced today that consolidated operating revenue rose 3.0% in the first quarter from a year earlier, while net income declined 55.2%. Accordingly, basic and diluted earnings per share dropped from 16.63 pesos to 6.29 pesos.

With the consolidation of cellular-operator Pilipino Telephone Corporation (Piltel), PLDT categorizes consolidated operating revenues into five groupings: fixed-line service, cellular service, international long distance service, national long distance service, and miscellaneous.

Fixed-line service revenues, which include Piltel's fixed-line revenues, declined 6.8% and accounted for 33.5% of consolidated operating revenues. The decline was mainly due to the decrease in the Company's average number of lines in service as a result of high disconnection rates in the second half of 1998, principally brought about by the economic downturn.

Cellular service revenues, as generated by Piltel, accounted for 6.4% of consolidated operating revenues.

International long distance service revenues decreased 14.0% and accounted for 37.8% of consolidated operating revenues, reflecting the continuing decline in international accounting rates and the 3.4% appreciation of the Philippine peso against the U.S. dollar, which offset modest growth in international call volumes. The average peso-dollar exchange rate during the first quarter was P38.783 to US\$1.00, compared with P40.137 to US\$1.00 a year earlier.

National long distance service revenue, which accounted for 20.6% of consolidated operating revenues, increased by 28.0%, reflecting higher revenue share from interconnecting carriers for calls passing through the Company's backbone network and higher call volumes.

*Operating revenues for the quarter compared with a year earlier.*

Consolidated operating expenses increased 32.4%, largely reflecting higher depreciation and amortization charges due to the increase in the value of depreciable assets, higher provisions for doubtful accounts, and increased maintenance costs associated with an expanding network.

Despite lower earnings, PLDT continued to generate strong cash flows. Net cash provided by operating activities declined by only 7.5%. Strong control was also exercised over capital investments, as capital expenditures declined 42.7% in the first quarter. Net cash increased by P1,039.5 million, or 19.5%, in the first quarter of 1999, against a decrease of P264.3 million, or 3.3%, in the first quarter of 1998.

*Consolidated operating results for the quarter compared with a year earlier.*

### **Other information**

PLDT has previously announced a number of strategic business initiatives intended to meet the challenges of competition and enhance long-term growth with the aim of positioning the Company as the Philippines' preferred full-service telecommunications provider. The Company is able to report on the following progress with respect to these strategic business initiatives:

#### *Potential Acquisition of SMART Communications, Inc.*

PLDT has conducted due diligence on SMART and has begun preliminary discussions with the current stockholders of SMART on the potential acquisition of SMART. PLDT has not made a decision whether to pursue such a transaction and would acquire SMART or any interest in SMART only if the acquisition can be made on terms satisfactory to the Company and its shareholders and subject to obtaining the necessary regulatory and other approvals.

#### *Strategic Partner Initiative*

PLDT has appointed a financial advisor to assist it in evaluating a potential acquisition of SMART and to seek and evaluate a potential alliance with a strategic investor. PLDT, with the assistance of its financial advisor, has begun informal talks with a number of international telecommunications providers. These discussions are ongoing and PLDT is evaluating a list of potential candidates with a view to entering into detailed negotiations with a smaller group of potential partners. No terms for a strategic alliance have been agreed upon nor has PLDT decided whether to proceed with such a transaction.

#### *Potential Piltel Restructuring*

The implementation of Piltel's business recovery plan is under way. In addition,

discussions with Piltel's creditors to agree upon a restructuring plan are ongoing. Piltel and PLDT are exploring a number of options with respect to the restructuring plan but whether the terms of any proposed restructuring plan can be agreed upon is not definite.

**Operating revenues for the quarter compared with a year earlier**

<i>In Million Pesos</i>	<b>Three Months Ended March 31</b>	
	<b>1999</b>	<b>1998</b>
Fixed line service .....	3,733.9	4,005.8
Cellular service .....	713.9	--
International long distance service .....	4,220.0	4,909.2
National long distance service .....	2,292.5	1,791.2
Miscellaneous .....	190.4	118.5
Total operating revenues .....	<u>11,150.7</u>	<u>10,824.7</u>

**Consolidated operating results for the quarter compared with a year earlier**

<i>In Million Pesos, Except Per Share Amounts</i>	<b>Three Months Ended March 31</b>		
	<b>1999*</b> With Piltel (Equity Method)	<b>1999</b> With Piltel (Consoli- dated)	<b>1998</b> With Piltel (Equity Method)
Operating revenues .....	10,300.9	<b>11,150.7</b>	<b>10,824.7</b>
Operating expenses .....	6,404.8	<b>7,628.2</b>	<b>5,760.3</b>
Net operating income .....	3,896.1	<b>3,522.5</b>	<b>5,064.4</b>
Other expenses, net .....	2,215.7	<b>2,190.0</b>	<b>1,167.0</b>
Income before income tax and minority interest in net income (loss) of consolidated subsidiaries	1,680.4	<b>1,332.5</b>	<b>3,897.4</b>
Net income .....	1,019.7	<b>1,019.7</b>	<b>2,278.3</b>
Net cash provided by operating activities .....	3,362.4	<b>3,972.0</b>	<b>4,292.1</b>
Earnings per common share			
Basic .....	6.29	<b>6.29</b>	<b>16.63</b>
Diluted .....	6.29	<b>6.29</b>	<b>16.63</b>

\* *Pro forma presentation to reflect equity accounting for Piltel for comparative purposes only.*