



FIRST PACIFIC COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

GROUP CORPORATE COMMUNICATIONS

24th Floor, Two Exchange Square, 8 Connaught Place, Hong Kong
Tel: (852) 2842 4388 Email: info@firstpac.com.hk Fax: (852) 2845 9243
http: //www.firstpacco.com

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**PLDT'S CORE EARNINGS UP 11% TO P15.2 BILLION;
CASH FLOWS STRONG WITH EBITDA UP 7% TO P40 BILLION;
P50 INTERIM DIVIDEND PER SHARE DECLARED**

The attached press release was distributed today in Manila by Philippine Long Distance Telephone Company (PLDT), in which First Pacific Group has approximately 25.1 per cent economic interest and 31.7 per cent voting interest.

PLDT is the leading telecommunications service provider in the Philippines. It has common shares listed on the Philippine Stock Exchange and ADRs listed on the New York Stock Exchange. It has one of the largest market capitalizations among Philippine listed companies. Through its three principal business groups, PLDT offers a wide range of telecommunications services: Wireless (principally through wholly-owned subsidiary company Smart Communications, Inc.); Fixed Line (principally through PLDT); and Information and Communications Technology (principally through wholly-owned subsidiary company ePLDT). PLDT has developed the Philippines' most extensive fiber optic backbone, cellular, fixed line and satellite networks.

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For further information, please contact:

PLDT

Anabelle L. Chua

Tel: (632) 816 8213

Fax: (632) 844 9099

Anna V. Bengzon

Tel: (632) 816 8024

Fax: (632) 810 7138

Ramon R. Isberto

Tel: (632) 511 3101

Fax: (632) 893 5174

Further information on PLDT can be obtained by visiting the web at www.pldt.com.ph.

CORE EARNINGS UP 11% TO ₱15.2 BILLION;
CASH FLOWS STRONG WITH EBITDA UP 7% TO ₱40 BILLION;
₱50 INTERIM DIVIDEND PER SHARE DECLARED

- Core net income of ₱15.2 billion (before the effects of forex gains, deferred tax assets and additional depreciation), an increase of 11% from first half 2005
- Core earnings per share (“EPS”) up 9% to P82.48 per share
- ₱50 interim common dividend per share, representing a 60% dividend payout based on core EPS
- Reported consolidated net income of ₱15.3 billion for the first half 2006, 7% lower than ₱16.5 billion in first half of 2005 due to additional depreciation expenses, lower forex gains and higher statutory tax rate
- Consolidated EBITDA reaches ₱40.4 billion, up 7%; EBITDA margin improves to 67% of service revenues
- Consolidated net debt balance down 35% to below ₱70 billion equivalent (US\$1.3 billion)
- Piltel prepays US\$176 million of its debts, US\$56 million to third parties

MANILA, Philippines, 8th August 2006 — Philippine Long Distance Telephone Company (“PLDT”) (PSE: TEL) (NYSE: PHI) today announced its unaudited financial results for the first half of 2006, reporting consolidated core earnings of ₱15.2 billion, before the effects of foreign exchange, deferred tax assets and additional depreciation, 11% up compared with core earnings of ₱13.7 billion for the same period in 2005. As a result, the Company’s Board of Directors approved the declaration of an interim dividend of ₱50 per share. The record date for the dividend is 21st August 2006 with payment date on 21st September 2006. The dividend declaration is based on a 60% payout of core earnings per share.

Reported net income decreased by 7% to ₱15.3 billion compared with the ₱16.5 billion net profit reported in the same period last year. The decline is attributed to additional depreciation expenses, foreign exchange losses and a higher statutory tax rate – which were partly mitigated by lower interest expense due to lower net debt balances.

Consolidated service revenues rose by 2% to ₱60.6 billion. Consolidated EBITDA improved by 7% to ₱40.4 billion while EBITDA margins rose to 67% compared with 64% last year.

Consolidated capital expenditures increased to ₱12.4 billion as the Group stepped up the upgrading and expansion of its fixed line and wireless networks. PLDT is currently upgrading about 200,000 fixed lines to NGN while Smart has expanded its cellular network to support its ongoing initiatives and programs for 2G, wireless broadband and 3G. The Group expects total capital expenditures for 2006 to reach ₱20 billion.

The Group’s consolidated balance sheet continued to strengthen with the consolidated net debt balance down by 35% to US\$1.3 billion or about ₱70 billion equivalent. Net debt to EBITDA and net debt to free cash flow ratios improved to below 1.0 times and 1.7 times, respectively.

In June 2006, cellular subsidiary Pilipino Telephone Corporation (“Piltel”) voluntarily prepaid 45% of its outstanding debt or an aggregate amount of US\$176 million. The amount represented excess cash flows from Piltel’s operations and was applied proportionally to prepay US\$56 million to third party creditors and US\$120 million to Smart Communications, Inc. (“Smart”), Piltel’s largest creditor. As of 30th June 2006, Piltel’s debt balance owed to third party creditors was approximately US\$71 million.

Consolidated free cash flow remained strong at ₱17.4 billion despite increases in capital expenditures and working capital requirements. PLDT expects to pay out a total of approximately ₱9.1 billion of common dividends for this dividend declaration alone.

“We are pleased to announce a continued healthy growth of 11% in core earnings for the first half of 2006 and the declaration of an interim dividend for 2006 of ₱50 per share, based on a 60% payout of core EPS. The Group’s excellent cash flow position and profits allow us to invest in future growth while continuing to attend to the needs of our various stakeholder groups”, stated **Manuel V. Pangilinan, PLDT Chairman**.

Wireless: Moving Beyond Cellular

Consolidated wireless service revenues rose to ₱38.6 billion for the first half of 2006, 6% higher than the ₱36.5 billion realized in the same period last year. Consolidated wireless EBITDA grew by 8% to ₱25.8 billion for the first six months of 2006 versus ₱23.9 billion for the first half of 2005. EBITDA margins improved to 67%.

Smart and Piltel sustained their solid performances for the quarter, recording a 4% quarter-on-quarter growth in service revenues to ₱19.6 billion in the second quarter of the year. As a result of Smart’s continued focus on managing cash operating expenses, EBITDA increased by 8% in the second quarter to ₱13.4 billion, representing a 68% EBITDA margin.

The PLDT Group’s total cellular subscriber base for the first half of 2006 grew by over two million subscribers to 22.5 million. Smart recorded net additions of approximately 980,000 subscribers while *Talk ‘N Text* added about one million subscribers to end the first half of 2006 with 16.4 million and 6.1 million subscribers, respectively.

Smart also had 58,000 wireless broadband subscribers as of the end of June 2006 under its *Smart Bro* wireless broadband service. Smart now has over 2,200 wireless broadband-enabled base stations providing high-speed internet access in 386 cities and municipalities all over the country at very affordable rates. Through *Smart Bro*, Smart has also been able to roll out *Smart Click*, a series of mobile Internet cafés housed in an air-conditioned 40-foot container van and designed to provide remote communities with high-speed, wireless Internet access nationwide. The increased network coverage of *Smart Bro* allows the Group to gain “first mover” advantages in acquiring broadband subscribers in areas that are currently not covered by PLDT’s fixed line DSL network.

For the first half of 2006, Smart continued to offer products and services which provide value to its subscribers in a truly innovative fashion. In late June, Smart added *Unli* (short for unlimited) to its top-up repertoire - *Unli* allows for unlimited on-network texting without the need for registration. The *Unli 30* has a ₱30 load denomination and an expiration period of two days.

The *Unli 40* has a ₱40 load denomination and offers unlimited on-network texting plus five additional on-network/off-network SMS and two three-minute Smart-to-Smart calls and is also valid for two days. Along with *Smart 25⁸ Unlimited Text* and *Smart Load "All Text"*, these low denomination products address markets who need to maintain basic communications yet have limited spending capacity. In addition, the ₱10 and ₱15 flat rate call promotion has stimulated usage for voice by giving more value for longer duration calls while the *Smart 25⁸ Combo* promotion offers a voice feature for the heretofore "text only" market.

On 15th June 2006, Smart completely aligned its *Smart 3G* rates with existing 2G rates. Services include video calling, TV streaming of major television networks, downloads of full music tracks and video clips as well as international video calling to 13 countries. Smart's 3G network has over 830 cell sites covering 142 cities and municipalities nationwide representing the first and widest 3G network in the country.

"You will note that we have been segmenting our market into smaller slices through our various SMS and voice call packages. This ability to offer attractive unlimited packages that give real value to our subscribers has enabled us to effectively defend our leadership position. These are exciting times as we begin the process of transforming Smart from a cellular company into a multi-service wireless communications company," said **Napoleon L. Nazareno, President and CEO of PLDT and Smart.**

PLDT Fixed Line: Stepping up Broadband

Fixed Line service revenues decreased 1% to ₱24.1 billion in the first half of 2006 from ₱24.2 billion last year as the increase in data revenues, from both corporate data services and residential DSL, was offset by declines in revenues of local exchange and ILD services. The peso has appreciated year-on-year by 5%, which impacted the dollar-linked revenues arising from the local exchange and ILD businesses.

PLDT DSL continued its strong growth as broadband subscribers reached 109,000 while PLDT *WeRoam* had 6,600 subscribers as of the end of June 2006. Subscribers using our *Vibe* dial-up Internet service also grew by 43,000 in the first six months of 2006 to 425,000. PLDT DSL and *Vibe* contributed ₱1.7 billion in revenues for the first half of 2006, up 43% from last year.

EBITDA for the first half of 2006 rose by 4% to ₱14.2 billion and EBITDA margins improved to 59% compared with 56% for the same period last year. The increase in EBITDA takes into account the significant decline in the provision for doubtful accounts brought about by improved collections.

Additional depreciation expenses of ₱3.9 billion were taken up in the first six months of 2006 due to a change in the estimated useful lives of certain fixed assets as the migration to Next Generation Network (NGN) progresses. Without these additional charges, total operating expenses would have decreased by 1%.

In June 2006, PLDT introduced *Shops.Work UnPlugged*, or *SWUP*, a bundled solution that enables wireless cashier point-of-sale and wireless card terminals, to address the need of retailers and banks for real-time wireless data communication.

In addition, PLDT is also continuing to push the maximization of the network by re-launching a prepaid fixed line service called *Telepwede*. This prepaid fixed line service allows subscribers to have a fixed line phone for as low as ₱145 per month, inclusive of a ₱30 load for outgoing calls and a ₱115 access charge for incoming calls. *Telepwede* subscribers may also use the service for narrowband internet access for ₱5 per hour.

"The ongoing upgrade to NGN is expected to result in a simpler network architecture of fewer network elements but with a greater capability to provide data services at lower costs. The completion of the NGN upgrade will result in immediate reduction in power consumption and insurance costs as well as opportunities to do space rationalization," declared **Nazareno**.

ePLDT: Moving to the Forefront

ePLDT, the Group's information and communications technology arm, reported service revenues of ₱1.8 billion for the first six months of 2006, a 36% increase from ₱1.3 billion realized in the same period last year, mainly driven by the continued growth in the call center business (ePLDT Ventus).

Consolidated call center revenues continued its robust performance, growing 48% to ₱1.2 billion as a result of increases in capacity utilization and billable hours for new and existing clients. Call center revenues make up 68% of ePLDT's total revenues. ePLDT Ventus now operates seven sites with combined call center seats of 4,660 and an employee base of close to 4,700.

On 11th July 2006, ePLDT completed the acquisition of 100% of SPi Technologies, Inc. and its direct and indirect Philippine and offshore subsidiaries ("SPi"). SPi is the 2nd largest pure-play business process outsourcing ("BPO") company and the 9th largest independent BPO service provider worldwide. It has operations in 19 locations in North America, Europe and Asia. Its core capabilities include content editorial and production, litigation support coding and electronic discovery, medical transcription, and database structuring and management.

The acquisition of SPi, together with ePLDT's existing Ventus call center group, creates the industry's foremost BPO services provider with over 11,000 employees and about 8,300 seats in its combined BPO/call center operations.

"With SPi's well-established presence in the U.S. and its domain expertise in a variety of service verticals, we now have a unique opportunity to increase our participation in the growing base of the global outsourcing and offshoring market. We are also exploring the acquisition, through SPi, of a US-based medical transcription company to further SPi's goal of becoming a significant player in the growing health care outsourcing industry. The investment in SPi manifests our commitment to make the Philippines one of the leading BPO locations in the world and our abiding faith in the capabilities of the Filipino workers", said **Ray C. Espinosa**, **ePLDT President and CEO**.

Conclusion

"With the cellular industry moving past its rapid-growth phase, the need to shift into broadband and data services has become increasingly apparent. Management understands the

complexities and challenges of the changing market environment and we will manage new technologies in the context of our subscribers' needs", added Nazareno.

"Over the medium term, our goals are to continue achieving growth in our core businesses while establishing new revenue streams from recent investments, principally SPi. Our strong cash flows provide us with this "triple play" ability – new investments, sustained capital expenditures and increasing dividend yields. In this way, we address shareholder needs both for the present and for the longer term," concluded **Chairman Manuel V. Pangilinan**.

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	PLDT Consolidated			
	Six Months ended June 30		Three Months ended June 30	
	2006	2005	2006	2005
Service revenues	60,640	59,543	30,662	30,268
Non-service revenues	1,383	1,422	674	607
Other income	338	173	206	119
	<u>62,361</u>	<u>61,138</u>	<u>31,542</u>	<u>30,994</u>
Expenses	43,736	39,103	24,189	21,673
Income before income tax	18,625	22,035	7,353	9,321
Provision for income tax	2,986	5,483	477	2,008
Net income - As Reported	<u>15,306</u>	<u>16,520</u>	<u>6,725</u>	<u>7,303</u>
EPS, Basic ^(a)	83.02	92.44	36.28	40.51
EPS, Diluted ^(a)	83.00	87.88	36.28	40.51
Core net income ^(b)	<u>15,207</u>	<u>13,691</u>	<u>7,641</u>	<u>7,193</u>
EPS, Basic ^(c)	82.48	75.85	41.35	39.89
EPS, Diluted ^(c)	82.46	72.62	41.35	39.89

^(a) EPS based on reported net income

^(b) Net income as adjusted for the net effect of gain/loss on FX and derivative transactions, additional depreciation charges and recognition of deferred tax assets

^(c) EPS based on core net income

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, action or events.

For further information, please contact:

Anabelle L. Chua

Tel No: 816-8213

Fax No: 844-9099

Anna V. Bengzon

Tel No: 816-8024

Fax No: 810-7138

Ramon R. Isberto

Tel No: 511-3101

Fax No: 893-5174

About PLDT

PLDT is the leading telecommunications provider in the Philippines. Through its three principal business groups – fixed line, wireless and information communications technology – PLDT offers a wide range of telecommunications services across the Philippines' 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). PLDT has one of the largest market capitalizations among Philippine listed companies.

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