

FIRST PACIFIC COMPANY LIMITED
PRESS RELEASE

Friday, 2 July 2004

**PILTEL DEBT EXCHANGE TRANSACTION CLOSES;
SMART PURCHASES PLDT'S SERIES K PREFERRED SHARES IN PILTEL**

The attached press release was distributed today by Smart Communications, Inc., a wholly-owned subsidiary of Philippine Long Distance Telephone Company (PLDT). First Pacific has a 24.3 per cent economic interest and a 31.4 per cent voting interest in PLDT.

PLDT is a telecommunications provider in the Philippines. It is based in Manila, and has common shares listed on the Philippine Stock Exchange and ADRs listed on the New York Stock Exchange and on the Pacific Exchange located in San Francisco, California. Through its three principal business groups – Wireless; Fixed Line; and Information and Communications Technology – PLDT offers a wide range of telecommunications services across the Philippines' most extensive fiber optic backbone, cellular, fixed line, internet and satellite networks.

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



Press release

PILTEL DEBT EXCHANGE TRANSACTION CLOSES; SMART PURCHASES PLDT'S SERIES K PREFERRED SHARES IN PILTEL

Manila, Philippines, July 2, 2004 – Smart Communications, Inc (“Smart”), a wholly-owned subsidiary of Philippine Long Distance Telephone Company (“PLDT”) (PSE:TEL) (NYSE:PHI), announced today that it has successfully closed the Pilipino Telephone Corporation (“Piltel”) debt exchange transaction. This concludes the process begun in March this year when Smart invited various creditors of Piltel to exchange their indebtedness for various types of Smart debt and/or cash. By the end of the offer period, Smart had received offers from Piltel’s creditors representing approximately 69.4* per cent in aggregate of the outstanding restructured Piltel debt. In addition, it had received, from a significant portion of the Piltel creditors who did not participate in the transaction, waivers to certain provisions of the agreements governing Piltel’s restructured indebtedness, allowing Smart to close the transaction.

As a result, Smart is now Piltel's largest creditor, holding US\$289* million of Piltel's US\$417* million restructured debt. Based on the options chosen by the participating creditors, Smart has issued to them US\$283* million in new debt and paid US\$1.5 million in cash.

Further, in line with the previously announced intention of Smart to acquire PLDT's equity holdings in Piltel, Smart today entered into a Sale and Purchase Agreement with PLDT to acquire the latter's 59.3 million Series K convertible preferred shares in Piltel for ₱2.066 billion. At a later stage, Smart intends to acquire the common shares held by PLDT in Piltel, thereby consolidating PLDT's wireless holdings.

Each of the Series K preferred shares is convertible into 170 shares of the common stock of Piltel. Smart intends to convert, as an initial step, 4.825 million of these 59.3 million preferred shares into 820.25 million common shares of Piltel. Such initial conversion will result in Smart owning 32.7 per cent of Piltel's expanded common shares and diluting PLDT's ownership to 30.5 per cent of Piltel. In aggregate therefore, ownership of Piltel by PLDT and Smart will be 63.2 per cent. The balance of 54.468 million preferred shares will be converted into common shares after Piltel has increased its authorized capital stock. On full conversion, PLDT and Smart together would own 92.1 per cent of the common stock of Piltel.

As disclosed by Piltel on June 30, 2004, Piltel's Board of Directors has scheduled a special stockholders' meeting on September 3, 2004 to consider the proposed increase in Piltel's authorized capital stock.

**Any variations to amounts disclosed in previous statements are a result of changes in foreign exchange rates. The final foreign exchange rates (Japanese Yen to US Dollar and US Dollar to Philippine Peso) were fixed, based on market rates, on June 30, 2004.*

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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, action or events.

About PLDT

PLDT is the leading telecommunications provider in the Philippines. Through its three principal business groups – fixed line, wireless and information and 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 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.

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

About Smart

Smart is the Philippines' largest wireless services provider with over 15 million subscribers on its GSM network. A wholly-owned subsidiary of PLDT, Smart has introduced award-winning, world-first wireless services such as Smart Money and Smart Load. It is a founding member of the Asian Mobility Initiative which promotes cooperation in the development of wireless services among its seven member operators.

Further information can be obtained by visiting the web at www.smart.com.ph.

About Piltel

Piltel is the third largest wireless service operator in the Philippines. Starting out as the operator of a lone telephone exchange in 1968, the company is listed on the Philippine Stock Exchange (PSE:PLTL).

Piltel services over 3 million subscribers on its prepaid GSM service, *Talk 'N Text*, which operates under a reseller arrangement with Smart. The Company also operates local exchange services in selected Luzon and Mindanao areas.