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PLDT's NET INCOME DOUBLES IN 1ST QUARTER OF 2002

The attached press release was distributed today by PLDT, in which First Pacific has a 24.4 per cent economic interest, and a 31.5 per cent voting interest.

Philippine Long Distance Telephone Company ("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, wireless, cable and satellite networks.

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.

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PLDT's NET INCOME DOUBLES IN 1st Quarter of 2002

- Consolidated net income surges 107 percent to ₱1.3 billion
- Consolidated EBITDA rises to ₱10.7 billion and EBITDA Margin Strengthens to 56 percent
- PLDT Wireless Group breaks 7 million subscriber mark
- US\$350 million bond offering successfully completed

MANILA, Philippines, 16th May 2002 – Philippine Long Distance Telephone Company (“PLDT”) (PSE: TEL) (NYSE: PHI) today announced that its net income doubled to ₱1.3 billion during the first quarter of 2002 from ₱629 million during the same period in 2001. Consolidated revenues for the 1st quarter of 2002 grew by 6 percent to ₱19.1 billion from ₱18.0 billion during the same period last year. EBITDA margins strengthened to 56 percent this year compared with 55 percent last year. PLDT’s wireless group broke the 7 million subscriber mark, led by the growing GSM subscriber base of Smart Communications, Inc.’s (“Smart”) and Pilipino Telephone Corporation’s (“Piltel”), marking an impressive first quarter performance for the country’s leading telecommunications company.

Growth was driven largely by the strong performance of Smart, which continued to experience robust subscriber take-up as well as significant growth in revenues, EBITDA and net income. Piltel’s Talk 'N Text service also sustained its subscriber growth, which contributed to the total growth of Smart. Together, Smart and Piltel's Talk 'N Text increased their GSM market share from 15 percent as of December 1999 to 57 percent at the end of the 1st quarter of 2002. This makes PLDT’s Wireless Group not only the leading but also the fastest growing wireless business in the Philippines since 2001.

PLDT’s fixed line business maintained its dominant position with over 2.1 million subscribers and a market share of almost 70 percent. PLDT’s core fixed line business remains a key strength of the Group and provided strong and stable cash flows for PLDT during the 1st quarter of 2002.

Consolidated revenues for the Group increased to ₱19.1 billion for the first quarter of 2002, representing a 6 percent improvement over revenues of ₱18.0 billion during the first quarter of 2001. Consolidated net operating income rose by 34 percent to ₱4.9 billion in the 1st quarter of 2002 from ₱3.7 billion last year. Consolidated EBITDA rose 9 percent to ₱10.7 billion from ₱9.9 billion during the same period last year.

“Our strong first quarter performance confirms that the strategy to diversify PLDT’s business, to control our expenses and manage our capital expenditures while continuing to raise revenues were steps in the right direction. As we move to complete our liability management exercise before the year is over, I am confident that the Group’s overall risk profile should improve further,” stressed PLDT President and CEO, Manuel V. Pangilinan.

Strong Cellular Performance

PLDT’s cellular subsidiary, Smart, remained the main driver of PLDT’s robust growth during the first quarter of 2002. Smart showed a solid performance during the 1st quarter of 2002 compared with the 1st quarter of 2001 in terms of revenues, net income, EBITDA and subscriber base.

Smart’s revenues grew by 41 percent in the 1st quarter of 2002 to ₱7.5 billion from ₱5.3 billion during the same period. EBITDA rose to ₱3.9 billion during the 1st quarter of 2002 from ₱2.5 billion last year or a growth of 56 percent while EBITDA margins passed the 50 percent mark. Net income surged 35 percent from ₱837 million during the 1st quarter of 2001 to ₱1.1 billion this year.

The combined GSM subscriber base of Smart and Piltel’s Talk 'N Text service grew to more than 6.6 million subscribers for the period ended March 31, 2002, giving it a significant 57 percent share of the GSM market. Smart alone added over 415,000 subscribers during the 1st quarter of 2002, continuously demonstrating its market leadership on a stand-alone basis, with 44 percent share of the total GSM market.

Together with its analog subscriber base, PLDT’s Wireless Group had an aggregate of 7 million subscribers for the 1st quarter of 2002.

The growth in subscriber numbers was complemented by aggressive and innovative value-added services through Smart zedtm, Smart Money and interactive tie-ups with multi-media providers. These value-added services have started to contribute revenues for Smart and have helped enhance and stabilize ARPUs.

Texting (SMS) remained a substantial source of revenue for Smart during the 1st quarter of 2002. Over 3.8 billion text messages were handled by the Smart network during the 1st quarter of 2002, representing a 56 percent increase from the 2.5 billion text messages handled during the same period in 2001. Similarly, revenues from wireless data services grew from ₱1.6 billion in the 1st quarter of 2001 representing 31 percent of total GSM revenues to nearly ₱2.9 billion this year accounting for about 39 percent of total GSM revenues.

“Our goals are quite simple - to extend our market share leadership while delivering strong profits. Smart’s first quarter results clearly shows we can deliver on both counts,” commented Mr. Napoleon Nazareno, Smart’s President and CEO.

Fixed Line: Stable Revenues and Growing Data Business

PLDT’s core fixed line business maintained its leading market position for the period ended March 31, 2002 with over 2.1 million subscribers, representing a market share of nearly 70 percent.

Net income from the fixed line business grew by 20 percent to ₱612 million in the 1st quarter of 2002 from ₱511 million during the same period last year even as revenues declined slightly. EBITDA rose to ₱6.6 billion this year while EBITDA margins improved from 56 percent during the 1st quarter of 2001 to 59 percent during the 1st quarter of 2002.

Local Exchange Revenues increased by 2 percent, reaching ₱5.5 billion for the 1st quarter of 2002. To further stimulate the usage of the local exchange service, PLDT launched various campaigns and bundled value-added services such as Caller ID, call waiting, and TxT 135. PLDT has also tied up with interactive and multi-media providers to offer premium phone services. “Teletipid” or the prepaid variant of the fixed line service has been successful in helping to reduce churn, maximize the utilization of excess capacity, and increase subscriber numbers.

International Long Distance revenues showed a slight increase quarter-on-quarter while National Long Distance revenues stabilized due to more favorable interconnection arrangements with cellular operators.

Revenues from data and other network services continued to show robust growth for the fixed line business. A 33 percent growth in revenue to almost ₱1.3 billion was experienced from data and other network services during the first quarter of 2002 as compared with ₱975 million during the same period last year. More importantly, due to PLDT’s advanced and extensive fixed line infrastructure, PLDT’s data and network products and services are expected to lead the industry in this fast growing field.

“ We see revenues from data and network services to be a key component in growing our revenues from the fixed line business,” commented Pangilinan. “And with PLDT’s nationwide fixed line platform, we will be in the best position to deliver this service as demand of corporations and consumers countrywide grows.”

ePLDT : Meeting the Challenges of the ICT Industry

ePLDT, a subsidiary of PLDT and the leading information, communications and technology company, (ICT) in the Philippines has started to generate increasingly stronger revenues from its various investments. Infocom, the Group's Internet Service Provider (ISP) performed well during the 1st quarter of 2002 registering a positive net income versus a loss last year.

ePLDT recently launched Parlance Systems Inc. and Vocativ Systems Inc., two of the biggest call centers in the country, making ePLDT the largest outsourcing center catering to US customers. "Our call centers are expected to generate significant inbound call traffic through PLDT's international network," explained Ray Espinosa, co-managing director of ePLDT.

Milestones in Liability Management Initiatives

Management continued to implement its plan to contain costs and improve operating efficiencies during the 1st quarter of 2002. Cash operating expenses for the 1st quarter of 2002 were reduced by 12 percent to ₱4.0 billion compared to over ₱4.6 billion last year. Capital expenditure for the fixed line business during the 1st quarter of 2002 remained well within the full year budget of approximately ₱8.5 billion. Furthermore, capital expenditures were primarily focused on high growth areas such as data network services.

With respect to PLDT's ongoing liability management initiatives, key milestones were successfully completed during the period:

- a US\$149 million facility was obtained by PLDT from Kreditanstalt fur Wiederaufbau (KfW) of Germany. The refinancing facility granted to PLDT is a 9-year loan to be disbursed over three years and has a two-year grace period.
- A US\$350 million bond issue in two tranches of 5-years (US\$100 million) and 10-years (US\$250 million).

The successful execution of these important components of PLDT's liability management programs immediately improved PLDT's debt maturity profile prompting Standard and Poor's to upgrade PLDT's credit rating from "BB-" to "BB" and Moody's to change its outlook on PLDT from "negative" to "stable".

“Management has applied intense focus in addressing our debt issues,” said Pangilinan. “The successful completion of our recent milestones should help assuage concerns about PLDT’s ability to service its debts on an on-going basis.”

Positive Outlook for 2002

Pangilinan noted that the 1st quarter 2002 performance of PLDT was encouraging. With the transformation of the company from a predominantly fixed line telephone company into an integrated telecommunications service provider, a positive growth outlook for 2002 is envisaged as additional revenues are expected from other subsidiaries in the near-term.

“Our performance during the first quarter of 2002 sets the tone for the PLDT Group’s full year results,” Pangilinan concluded. “We will continue to broaden and strengthen our revenue base, fill up the capacity of our nationwide infrastructure, build upon our leadership position in the various markets we serve, and fulfill our financial commitments. As always, PLDT remains strongly committed to delivering shareholder value and achieving a better risk profile.”

Operating Results for the Three Months ended March 31, 2002 and 2001

<i>(In Million Pesos)</i>	PLDT		PLDT Consolidated	
	1Q02	1Q01	1Q02	1Q01
Revenues	11,195	11,621	19,077	18,036
Expenses	<u>7,965</u>	<u>8,380</u>	<u>14,154</u>	<u>14,353</u>
Operating income	3,230	3,241	4,923	3,683
Other expenses - net	<u>2,371</u>	<u>2,543</u>	<u>3,166</u>	<u>3,088</u>
Income before tax	859	698	1,757	595
Provision for tax	<u>247</u>	<u>187</u>	<u>458</u>	<u>474</u>
Income (Loss) before minority interests	612	511	1,299	121
Minority interests	<u>-</u>	<u>-</u>	<u>(3)</u>	<u>(508)</u>
Net income	<u>612</u>	<u>511</u>	<u>1,302</u>	<u>629</u>
EBITDA	<u>6,608</u>	<u>6,498</u>	<u>10,750</u>	<u>9,869</u>