

15th November 1999

PLDT REPORTS INCREASED SUBSCRIBER BASE, IMPROVED THIRD QUARTER PROFITS AND STRONGER CASH FLOWS

Philippine Long Distance Telephone Company announced today that it added 52,645 net subscribers for the third quarter 1999. This compares well with the net additions of 30,416 and 42,266 subscribers for the first and second quarters of 1999, respectively. The improvement reflects increased marketing and sales activities by PLDT's marketing group, faster provisioning of new lines, and improved network service levels. During the first nine months of 1999, PLDT added 332,824 subscribers gross to its fixed line network, compared with gross additions of 262,083 for the whole of 1998. On a net basis, PLDT achieved an increase of 125,327 subscribers in the first nine months of 1999, as against a net decrease of 65,775 subscribers for the full year 1998. With this performance, PLDT is on track to meet its 1999 full year target of 150,000 net additional subscribers.

On a quarter-by-quarter basis, PLDT's net income before losses of subsidiaries for the third quarter of 1999 was Pesos 1.3 billion or 23 per cent higher compared with that of the second quarter 1999. Consolidated net income for the third quarter of 1999 reflecting losses of subsidiaries reached Pesos 776 million compared with Pesos 588 million in the second quarter.

Net income before equity losses of subsidiaries for the first nine months of 1999 amounted to Pesos 3.9 billion, down 52 per cent from the same period in 1998 as a result of lower revenues and higher operating expenses. The increase in operating expenses was largely due to significantly higher non-cash charges, namely, depreciation and amortization and provision for doubtful accounts.

On a consolidated basis, net income for the first nine months this year fell 63 per cent to Pesos 2.4 billion, taking into account losses of subsidiaries totaling Pesos 1.5 billion. Pilipino Telephone Corporation ("Piltel"), the Company's 57.6 per cent-owned cellular operator, contributed a loss of Pesos 1.3 billion; Mabuhay Philippines Satellite Corporation ("Mabuhay Satellite"), a 61 per cent-owned satellite company owning and operating the country's only communications satellite, contributed a loss of Pesos 169 million; and ACeS Philippines Cellular Corporation, an 88.5 per cent-owned subsidiary that aims to provide a satellite-based regional mobile communications system, contributed a loss of Pesos 114 million.

The Company further reported that it generated stronger cash flows from operations. Net cash from operating activities for the first nine months of the current year rose 63 per cent to Pesos 13.4 billion versus Pesos 8.2 billion last year. For the third consecutive quarter, PLDT realized positive free cash flow aggregating Pesos 2.1 billion, on account of improved working capital management and a Pesos 5 billion, or 30 per cent, reduction in its capital expenditures during the first nine months of 1999 to the level of Pesos 11.8 billion, compared with last year's capital outlay of Pesos 16.9 billion. Net cash and cash equivalents as at 30th September 1999 stood at Pesos 9.2 billion. With continued tight control over capital spending, PLDT expects capital expenditures to decline further in the year 2000.

Consolidated operating revenues for the first nine months of 1999, which includes Piltel's revenues of Pesos 2.8 billion, dropped 13 per cent to Pesos 34.4 billion. Piltel contributed 8 per cent to consolidated operating revenues.

Fixed line service revenues, which accounted for 35 per cent of consolidated operating revenues, declined 11 per cent to Pesos 11.9 billion. The decline was due mainly to lower average number of lines billed relative to last year's billed subscribers and downward foreign currency adjustments, partly offset by the effect of an increase of Pesos 30 and Pesos 45 in fixed line service rates per month for residential and business customers, respectively, as part of the Company's rate rebalancing.

International long distance service revenues, which also accounted for 35 per cent of consolidated operating revenues, fell 21 per cent to Pesos 12 billion, reflecting the continued decline in international accounting rates, the 6 per cent appreciation of the Philippine Peso relative to the U.S. Dollar, and lower outbound call volumes. During the first nine months of 1999, PLDT registered 700.4 million billed minutes from both incoming and outgoing international long distance calls or a decrease of 3 per cent from last year. A number of marketing initiatives are currently being introduced to stimulate outbound call volumes including the recently launched promotion "PLDT TipIDD Calls" addressed to the consumer market and a more focused effort on the corporate and institutional market. The Company has also intensified its efforts to identify and control International Simple Resale ("ISR") operators, whose operations are considered illegal in the Philippines and deprive the Company of valuable international revenues.

National long distance service revenues, on the other hand, rose 9 per cent to Pesos 8.1 billion due to a higher volume of national long distance traffic and increased contributions from carriers interconnected with PLDT's network. These revenues

comprised 23 per cent of consolidated operating revenues. During the first nine months of 1999, PLDT registered 2,084.8 million billed minutes of national long distance calls, representing an increase of 5 per cent from 1,989.4 million billed minutes during the corresponding period of last year.

Cellular service revenues generated by Piltel, which accounted for 6 per cent of consolidated operating revenues, decreased 31 per cent to Pesos 1.9 billion despite an overall increase in its cellular subscriber base from 303,467 as at 30th September last year to 433,376 as at 30th September this year. The decrease in revenues was largely due to the shift in Piltel's cellular subscriber base from billed or postpaid to prepaid, resulting in lower average revenue per subscriber. This shift, however, has improved the credit profile of Piltel's subscriber base.

Consolidated operating expenses for the first nine months of 1999, which includes Piltel's expenses of Pesos 4.5 billion, rose 16 per cent to Pesos 25.1 billion. The largest component of operating expenses was depreciation and amortization, which increased 35 per cent to Pesos 9.6 billion. Approximately 41 per cent of this increase was attributable to the consolidation of Piltel's accounts, while the balance was due to the retirement of obsolete switching equipment, and an increase in the Company's depreciable asset base. Provision for doubtful accounts was up 38 per cent to Pesos 1.8 billion because of higher levels of estimated uncollectible accounts. Except for employee-related expenses and rent expense, all cash operating costs increased, principally selling and promotions and insurance expense. Selling and promotions increased 34 per cent to Pesos 1.4 billion due to higher advertising expense, while insurance expense was up 55 per cent to Pesos 506 million primarily because of an increase in insurance expenses incurred by consolidated subsidiaries, specifically Mabuhay Satellite and Piltel.

PLDT's President and CEO Manuel V. Pangilinan said: "To improve PLDT's profitability and cash flow, we need to increase the utilization of our network, representing our largest investment, by adding more customers and increasing their usage. We are also broadening our revenue base at a time when our traditional source of earnings, International Long Distance, is under pressure. The acquisition of SMART will further assist PLDT in diversifying its revenue base by giving it increased exposure to the fast growing cellular sector. Our increased investments in Infocom, our Internet service provider; Clark Telecom; Subic Telecom and Home Cable will likewise help diversify and lift profit streams in the future. 1999 is year of transition for PLDT, a year to establish a new base for operations, profits, balance

sheets and cash flows. There is a lot to do, there is much ahead of us, but we're on track."

PLDT's unaudited operating results for the nine months ended 30th September 1999, as compared with the nine months ended 30th September 1998

PLDT's unaudited operating results for the nine months ended 30th September 1999, as compared with the nine months ended 30th September 1998, were as follows:

In Million Pesos, Except Per Share Amounts	Parent Company*		Consolidated	
	Nine Months Ended 30 th September		1999	1998
	1999	1998	1999	1998
Operating revenues	31,311.8	35,577.5	34,433.	39,376.8
Operating expenses	20,496.0	18,569.9	25,172.	21,657.2
Net operating income	10,815.8	17,007.6	9,305.9	17,719.6
Other expenses, net	5,132.5	4,852.4	6,545.8	7,648.8
Income before income tax and minority interest in net loss of consolidated subsidiaries	5,683.3	12,155.2	2,760.1	10,070.8
Net income	3,902.5	8,146.3	2,384.2	6,481.5
Net cash provided by operating activities	12,847.8	9,122.0	13,355.	8,183.5
Earnings per common share (basic and diluted)	25.50	60.38	12.97	46.63

**Pro forma presentation to reflect operating results of PLDT on a stand-alone basis.*

At 30th September 1999, the exchange rate of Philippine Pesos into U.S. Dollars was 40.858 pesos to the dollar, as quoted through the Philippine Dealing System.