

**26th February 1999**

**PLDT'S PILTEL UNIT REPORTS 1998 LOSS OF P4.1 BILLION,  
REFLECTING OPERATING LOSSES AND PROVISIONING**

Pilipino Telephone Corporation (Piltel) announced today that its loss widened to P4.1 billion in 1998 from P620 million in the previous year, reflecting a net operating loss of P2.0 billion, as well as P2.1 billion of charges for depreciation and amortization, as well as provisions.

In the face of difficult operating conditions, the Company's net operating revenues dropped 8 per cent to P4.5 billion from P4.9 billion, while operating expenses rose 14 per cent to P6.5 billion from P5.7 billion.

Piltel's cellular subscriber base rose 53 per cent to 377,000 at year-end 1998 from 247,000 in 1997, bolstered by the number of prepaid card customers rising nearly fourfold to 177,000 from 47,000. Subscribers to its paging network increased 7 per cent to 52,000 from 48,000, while fixed-line customers grew 11 per cent to 76,000 from 68,500. Some 23,000 fixed-line subscribers are in the Company's service area in Mindanao, which was opened in the second quarter of 1998, with balance distributed among its other regional exchanges.

Following PLDT's injection of P3.3 billion into Piltel in 1998, which increased its holding to 58 per cent from approximately 38 per cent, the Company's indebtedness stood at P21.8 billion at year-end 1998 - down from P22.9 billion at year-end 1997. With a further US\$280 million (approximately P11 billion) falling due in January 1999, in connection with its Build/Transfer contract with Marubeni Corp. for its fixed-line network in Mindanao, it became clear that the Company would be unable to meet certain of its obligations as they fell due.

On 6th January 1999, Piltel's Board of Directors directed management to undertake a comprehensive review of its operational and financial position, including discussions with creditors and other parties regarding debt-repayment plans. In this regard, Piltel appointed Lehman Brothers as financial advisor, and the firms of Linklaters and Alliances, as well as Romulo, Mabanta, Buenaventura, Sayoc and De Los Angeles as legal advisors. The Company also subsequently appointed Buenaventura, Filamor and Echauz as local financial advisors. On 19th February, after a series of meetings, the Company presented its creditors with various proposals for its business recovery and financial restructuring.

Napoleon Nazareno, who was named Piltel's President and CEO in late November 1998, said: "Now that we have presented our business and restructuring plans, we hope to be able to come to an agreement with our creditors as soon as practicable, so that we can move forward with rehabilitating the Company. In the meantime, Piltel continues to operate as a going concern, without disruption of service to its many valued customers."

Piltel is 58 per cent owned by Philippine Long Distance Telephone Company (PLDT) affiliate. PLDT is, in turn, 17.2 per cent held by First Pacific, which has a 27.4 per cent voting interest in the company.

Financial data

**PILIPINO TELEPHONE CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(In Pesos)

	<b>Years Ended December 31</b>		
	<b>1998</b>	<b>1997</b>	<b>1996</b>
<b>OPERATING REVENUES</b>	<b>4,552,442,642</b>	4,936,843,027	5,046,169,241
<b>OPERATING EXPENSES</b>			
Depreciation and amortization	2,297,744,790	1,474,893,213	1,482,238,904
Provision for Doubtful Accounts	835,887,016	1,447,013,441	886,351,830
Rent	469,407,715	579,633,764	381,120,694
Compensation & Benefits	806,041,078	577,464,111	401,772,192
Commission and Advertising	577,138,755	540,140,393	503,126,270
Utilities & Maintenance	336,580,611	266,181,205	159,561,055
Provision for inventory losses	350,000,000	220,000,000	-
Insurance and related security services	149,141,634	175,861,169	140,213,677
Others	691,083,087	450,861,689	291,568,195
	<b>6,513,024,686</b>	5,732,048,985	4,245,952,817
<b>OPERATING INCOME (LOSS)</b>	<b>(1,960,582,044)</b>	(795,205,958)	800,216,424
<b>OTHER INCOME (EXPENSES) - Net</b>	<b>(2,157,344,208)</b>	(221,237,833)	239,606,770
<b>INCOME (LOSS) BEFORE INCOME TAX AND MINORITY INTEREST IN NET INCOME OF CONSOLIDATED SUBSIDIARY</b>	<b>(4,117,926,252)</b>	<b>(1,016,443,791)</b>	<b>1,039,823,194</b>
<b>INCOME TAX BENEFIT (PROVISION)</b>	<b>(2,386,002)</b>	401,285,007	(323,967,464)
<b>INCOME (LOSS) BEFORE MINORITY INTEREST IN NET INCOME OF CONSOLIDATED SUBSIDIARY</b>	<b>(4,120,312,254)</b>	<b>(615,158,784)</b>	<b>715,855,730</b>
<b>MINORITY INTEREST IN NET INCOME OF CONSOLIDATED SUBSIDIARY</b>	<b>(764,487)</b>	(5,667,740)	(5,387,122)
<b>NET INCOME (LOSS)</b>	<b>(4,121,076,741)</b>	<b>(620,826,524)</b>	<b>710,468,608</b>
<b>EARNINGS (LOSS) PER COMMON SHARE</b>			
<b>BASIC</b>	<b>(P3.43)</b>	(P0.56)	P0.63
<b>DILUTED</b>	<b>(P3.05)</b>	(P0.50)	P0.59

**PILIPINO TELEPHONE CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(In Pesos)

	<b>December 31</b>	
	<b>1998</b>	<b>1997</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	<b>690,574,873</b>	1,558,991,704
Accounts Receivable - net	<b>1,835,702,459</b>	1,654,433,309
Inventories and supplies - net	<b>875,264,498</b>	1,447,860,496
Prepaid Expenses and other current assets	<b>333,249,092</b>	1,418,603,084
Total Current Assets	<b>3,734,790,922</b>	6,079,888,593
<b>Property, Plant &amp; Equipment - net</b>	<b>29,019,866,225</b>	28,518,039,629
<b>Investments and Advances</b>	<b>846,100,592</b>	490,231,760
<b>Other Assets</b>	<b>188,670,460</b>	217,854,229
	<b>33,789,428,199</b>	35,306,014,211
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	<b>3,100,905,453</b>	2,133,370,352
Notes payable	<b>4,797,070,000</b>	5,391,680,582
Current portion of long-term debt	<b>1,233,822,205</b>	1,138,523,890
Total Current Liabilities	<b>9,131,797,658</b>	8,663,574,824
<b>Long-term Debt - net of current portion</b>	<b>15,837,310,357</b>	16,532,544,353
<b>Other Liabilities</b>	<b>28,641,439</b>	439,325,516
<b>Minority Interest in Consolidate Subsidiary</b>	<b>42,617,172</b>	43,450,417
<b>Stockholders' Equity</b>	<b>8,749,061,573</b>	9,627,119,101
	<b>33,789,428,199</b>	35,306,014,211