26th February 1999

PLDT 1998 ANNUAL RESULTS

Philippine Long Distance Telephone Company (NYSE: PHI) announced today its consolidated results of operations for the year ended December 31, 1998. Consolidated operating revenues increased by 31.9%, but net income declined by 85.5% compared to 1997. Accordingly, basic and diluted earnings per share dropped to 0.12 peso in 1998 from 56.23 pesos in 1997.

Local network revenues, which accounted for 37.2% of consolidated operating revenues in 1998, rose by 68.6% compared to 1997, mainly due to the impact of the upward currency adjustments resulting from the depreciation of the Philippine peso relative to the U.S. dollar and the effect of the Company's rate rebalancing. National long distance revenues, which represented 22.3% of consolidated operating revenues in 1998, increased by 77.2% compared to 1997, reflecting the steady growth in call volumes and the effect of rate rebalancing, offset in part by adjustments in respect of unbilled toll charges. However, international long distance revenues, which comprised 38.7% of consolidated operating revenues in 1998, decreased by 4.0% compared to 1997. The modest growth in call volumes and the positive impact of the Philippine peso depreciation were offset by the combined effects of the reduction in international long distance rates as part of the rate rebalancing and decline in international accounting rates, resulting in the overall decline in international long distance revenues. The economic slowdown and competitive pressures hampered volume growth in international long distance calls.

Consolidated operating expenses increased by 86.3% in 1998 compared to 1997 largely due to a substantial increase in non-cash charges, particularly provision for doubtful accounts and depreciation charges. Provision for doubtful accounts on a consolidated basis rose by 566.3% owing to the increase in accounts receivables mainly due to high disconnection rates and a slowdown in collections as a result of the economic downturn. Depreciation charges increased by 103.3% resulting from certain changes in the Company's depreciation policy, an increase in depreciable assets as a result of continuing capital investments, and retirement of obsolete analog switches, which were replaced by modern digital switches as part of the Company's modernization and Year 2000 compliance program. Also contributing to the increase in operating expenses were higher compensation cost and benefits and an increase in other operating costs.

Other expenses, net of other income, on a consolidated basis likewise increased, rising by 87.8% principally due to higher interest charges attributable to the significant depreciation of the Philippine peso and a higher level of borrowings in 1998 compared to 1997. These expenses include provision for the Company's Manpower Reduction Program which was previously reported as an unusual item in the income statement.

Consolidated operating results in 1998 include the results of the operations of Pilipino Telephone Corporation ("Piltel"), which became a majority-owned cellular subsidiary of the Company as of July 30, 1998. The Company's share in the net loss of Piltel included in the 1998 net income amounted to ₱2,113.1 million. Operating results for the year ended December 31, 1998, as compared to the year ended December 31, 1997, were as follows:

Operating Results

In Million Pesos, Except Per Share Amounts	Consolidated Years Ended December 31, 1998	1997	Parent Company Years Ended December 31, 1998	1997
Operating revenues	**47,091.5**	35,709.3	**42,659.2**	35,621.8
Operating expenses	**38,453.2**	20,638.2	**31,045.1**	20,557.1
Net operating income	**8,638.3**	15,071.1	**11,614.1**	15,064.7
Other expenses, net	**8,582.9**	4,569.1	**9,007.4**	4,684.0
Net income	**1,106.7**	7,649.1	**1,106.7**	7,649.1
Earnings per common share				
Basic	**0.12**	56.23	**0.12**	56.23
Diluted	**0.12**	56.23	**0.12**	56.23

At December 31, 1998, the exchange rate of Philippine pesos into U.S. dollars was 39.145 pesos to the dollar, as quoted through the Philippine Dealing System.

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