FIRST PACIFIC COMPANY LIMITED
PRESS RELEASE

Thursday, 4 November 2004

PLDT GROUP RECORDS HIGHEST PROFIT EVER
NET INCOME BREAKS P20 BILLION FOR NINE MONTHS 2004

The attached press release was distributed today by Philippine Long Distance Telephone Company (PLDT), in which First Pacific has a 24.3 per cent economic interest, and a 31.4 per cent voting interest.

PLDT is the leading telecommunications service 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 and satellite networks.

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PLDT Press release

PLDT GROUP RECORDS HIGHEST PROFIT EVER
NET INCOME BREAKS ₱20 BILLION FOR NINE MONTHS 2004

- PLDT reports consolidated net income of ₱20 billion for the first nine months of 2004; recurring net income at ₱18 billion
- Smart's consolidated recurring net income of ₱18 billion almost doubles its recurring net income of ₱10 billion for the same period last year
- Cellular subscriber net additions of over 1.4 million and 4.5 million for the third quarter and nine months of 2004, respectively; combined Smart and Piltel subscriber base at 17.5 million
- Consolidated EBITDA rises 34% to ₱56 billion; EBITDA margin improves to 64% of revenues
- Consolidated free cash flow reaches ₱27 billion
- PLDT Fixed Line reduces debt by US$272 million
- Smart receives approvals to pay additional cash dividend of ₱4.8 billion to PLDT in December 2004

MANILA, Philippines, November 4, 2004 — Philippine Long Distance Telephone Company ("PLDT") (PSE: TEL) (NYSE: PHI) today announced its preliminary and unaudited financial results for the first nine months of 2004. With its cellular subsidiaries, Smart Communications, Inc. ("Smart") and Pilipino Telephone Corporation ("Piltel"), sustaining their strong performance, PLDT's consolidated net income rose to ₱20 billion, inclusive of exceptional gains and other non-recurring items. Recurring consolidated net income rose to ₱18 billion, 92% over the recurring net income of ₱9 billion reported in the first nine months of 2003. Revenues for the PLDT Group likewise increased by 19% to ₱88 billion while consolidated EBITDA improved to ₱56 billion as revenue growth outpaced that of cash operating expenses. Current reported financial results and comparative numbers reflect the impact of adjustments taken as a result of the early adoption of certain International Accounting Standards. Consolidated free cash flow nearly doubled from ₱14 billion in the first nine months of 2003 to ₱27 billion in the same period in 2004. The Group has increased its targeted Fixed Line debt reduction from US$300 million to over US$350 million for the year with PLDT Fixed Line reducing its debt by US$272 million in the first three quarters of 2004.

Cellular: Strength in Consolidation

With Smart and PLDT owning 63.2% of Piltel's common equity, Piltel was consolidated into the Group's wireless financial results beginning this quarter on a restated basis. Together, Smart and Piltel added over 1.4 million subscribers in the third quarter of 2004, bringing the PLDT Group's total cellular subscribers to 17.5 million. *Talk 'N Text* added close to 636,000 subscribers and ended the first nine months of 2004 with 4.3 million subscribers. Total net subscriber additions in the first nine months of 2004 increased by 75%, from 2.5 million last year to over 4.5 million during the same period this year. Cellular penetration rates continue to exceed expectations, reaching approximately 36% at the end of September 2004.

Consolidated cellular revenues, EBITDA, and net income continued to rise, with the consolidated operating revenues of Smart and Piltel increasing to ₱51 billion, 35% higher than the ₱38 billion realized in the same period last year. Consolidated cellular EBITDA surged by 59% to ₱34 billion from ₱21 billion mainly due to higher revenues and lower selling and promotion expenses. EBITDA margin improved to 67% in the first nine months of 2004 from 57% in the same period last year. Recurring net income almost doubled to ₱18 billion from ₱10 billion last year.

Smart Padala, the first international and domestic cash remittance service via text which Smart launched in August, has been expanded to nine countries, including the United Kingdom, the United States, Spain, Italy, Greece, Hong Kong, Japan, Australia and Brunei. This breakthrough service allows overseas Filipino workers to remit money to their relatives in a more economic and efficient manner. Over 45,000 remittances have been sent to date via *Smart Padala* with average transaction values ranging between ₱5,000 to ₱10,000.

Smart's network has expanded to 36 switches and over 5,000 base stations to cover 95% of the country's population. Capital expenditures reached ₱13 billion during the first nine months of 2004 and are estimated at ₱15 billion for the full year.

The cellular businesses' free cash flow remained strong in the first three quarters of 2004 at ₱15 billion. The consolidated debt position of the wireless group now takes into account the debts absorbed by Smart arising from the Piltel debt exchange transaction which closed on 2nd July 2004, as well as the residual third party debt remaining at Piltel.

In September 2004, Smart signed a US$104 million five-year amortizing commercial bank loan facility to finance its Phase 7 GSM expansion. Drawdown is expected to be made in November 2004.

Smart has also received approvals from its creditors to pay an additional cash dividend of ₱4.8 billion to PLDT in December 2004, bringing its 2004 total dividend payments to 100% of its 2003 net income.

"The consolidation of Piltel into Smart is proof that the whole can be bigger than the sum of its parts – Smart's ability to innovate and execute combined with *Talk 'N Text*'s strong presence in the under-penetrated lower income markets should serve PLDT well as we continue to mine the remaining growth in the market." explained **Napoleon L. Nazareno, President and CEO of PLDT and Smart**.

PLDT Fixed Line: Stability in Focus

The Fixed Line business remains focused on maintaining the stability of its revenues. Total revenues of ₱35 billion increased by 1% from same period last year, mainly due to the positive impact of favorable rate and interconnection changes on NLD and ILD revenues and higher data service revenues. DSL subscribers numbered over 41,000 at the end of September 2004 from less than 15,000 a year ago.

Cash operating expenses continued to remain under control, declining by 3%. EBITDA improved by 6%, from ₱20 billion in the first nine months of 2003 to ₱21 billion in the first nine months of 2004. EBITDA margin likewise improved to 61% this year from 58% last year.

Capital expenditures were at ₱3 billion for the first nine months of 2004. Full year capital expenditures of the fixed line business are anticipated to reach ₱6 billion, most of which will be spent to expand PLDT's DSL and corporate data services.

As of 30th September 2004, PLDT Fixed Line had 9,704 employees compared with 10,355 employees as of the same date last year.

Including dividends from Smart of ₱11.3 billion paid in the second quarter of 2004, PLDT's free cash flow in the first nine months increased to ₱23 billion. Accordingly, PLDT Fixed Line was able to reduce debts by US$272 million during the period. Total debt reduction for the year is estimated at over US$350 million, an increase from the earlier estimate of US$300 million, as a result of the Group's improving cash flow. As of the end of September 2004, PLDT Fixed Line's debt balance stood at US$2.2 billion.

"The Fixed Line business' strength lies in its steady cash flows. Cost containment and debt reduction remain its priorities but we are looking to revitalize our DSL and data businesses with new products and initiatives next year," concluded **Nazareno.**

ePLDT: Growth in Expansion

ePLDT, the Group's information and communications technology arm, posted a profit of ₱131 million for the first nine months of 2004 compared with a loss of ₱9 million in the same period last year.

ePLDT's financial performance is anchored on its flourishing call center business, through Vocativ and Parlance. Just last September, Parlance was adjudged the "Best Offshore Call Center" in Mitial Research International's first annual Best Call Center Workplaces Award. The call centers generated revenues of ₱855 million, or 55% of our total ICT revenues, while the Internet business increased its revenue contribution to ₱416 million or 23%. Consolidated revenues of ePLDT jumped by 35% in the first nine months of 2004 to just under ₱2 billion compared with ₱1 billion in the same period last year. At present, the call centers employ close to 2,000 personnel. With two more call centers being put up, ePLDT expects to increase the capacity of all its call centers to approximately 2,000 seats by the end of 2004.

Netopia, the country's leading internet café chain and the main business of Digital Paradise, ePLDT's 68%-owned subsidiary, now has 108 outlets across key cities in the Philippines and three branches operating in Thailand.

"In addition to being at the forefront of the flourishing call center business, we are also pleased with the performance of Netopia – with over 2 million visiting the chain monthly, we are opening up affordable internet access to Filipinos across the country", said Ray C. Espinosa, ePLDT Managing Director.

PLDT Group: Success in Solidarity

"As we note with satisfaction the highest profits ever recorded by PLDT, I want to thank all the people who have contributed to this milestone event. It has been a long, hard road and challenges remain ahead of us on that road. Despite the increasingly competitive environment, I am confident that we can continue to outperform and add value for our shareholders," said **Manuel V. Pangilinan, PLDT Chairman**.

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(in million pesos)	PLDT Consolidated For the nine month period ended 30-Sep-2004	30-Sep-2003 [c]
Revenues	87,519	73,524
Expenses	(52,154)	(50,079)
Cash	(29,173)	(28,653)
Non-Cash	(22,981)	(21,426)
Operating income	35,365	23,445
Other expenses - net	(10,061)	(22,706)
Income before tax	25,304	739
Provision for tax	(5,332)	(64)
Income before minority interests	19,972	675
Minority interests	(35)	82
Net income (as reported)	**20,007**	**593**
Net income (recurring)[a]	**18,267**	**9,238**
EBITDA[b]	**55,811**	**41,587**

(a) Net income as adjusted for early adoption of IAS27, 32,39 and other non-recurring items

(b) EBITDA is defined as net operating income adding back depreciation and amortization and is presented because it is generally accepted as providing useful information regarding a company's ability to service and/or incur debt. EBITDA should not be considered in isolation or as a substitute for operating income, net income, cash flows from operating activities and other income or cash flow statement data prepared in conformity with generally accepted accounting principles, or as a measure of profitability or liquidity

(c) As restated to reflect changes in accounting policies

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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.

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About PLDT

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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.

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