FIRST PACIFIC COMPANY LIMITED
PRESS RELEASE

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PLDT NINE MONTHS' CONSOLIDATED NET INCOME REACHES ₱25 BILLION; ADDITIONAL DIVIDEND OF ₱21 PER SHARE DECLARED; DEBTS REDUCED BY US$552 MILLION

The attached press release was distributed today in Manila by Philippine Long Distance Telephone Company (PLDT), in which First Pacific Group has a 25 per cent economic interest, and a 32 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 Archipelago Exchange. Through its three principal business groups, PLDT offers a wide range of telecommunications services: Wireless (principally through wholly-owned subsidiary company Smart Communications, Inc.); Fixed Line (principally through PLDT); and Information and Communications Technology (principally through wholly-owned subsidiary company ePLDT). PLDT has developed the Philippines' most extensive fiber optic backbone, cellular, fixed line and satellite networks.

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For more information, please contact:

Anabelle L. Chua	**Anna V. Bengzon**	**Ramon R. Isberto**
Tel: (632) 816-8213	Tel No: (632) 816-8024	Tel: (632) 511-3101
Fax: (632) 844-9099	Fax No: (632) 810-7138	Fax: (632) 893-5174

Further information on PLDT can be obtained by visiting the web at www.pldt.com.ph.

PLDT Press release

<u>NINE MONTHS' CONSOLIDATED NET INCOME REACHES ₱25 BILLION; ADDITIONAL DIVIDEND OF ₱21 PER SHARE DECLARED; DEBTS REDUCED BY US$552 MILLION</u>

- PLDT reports consolidated net income of ₱25 billion for the first nine months of 2005, 13% higher than ₱22.2 billion in the same period in 2004
- Core net income at ₱23.2 billion, before gains from foreign exchange and derivative transactions, an increase of 14% from previous year
- Core earnings for third quarter improves to ₱8.2 billion
- Consolidated service revenues up 4% year-on year to P89.7 billion; wireless service revenues increase 8% to ₱55 billion
- Consolidated EBITDA reaches ₱57 billion; consolidated EBITDA margin improves to 64% of service revenues
- Consolidated free cash flow expands to ₱41.5 billion, up from ₱27.5 billion in the same period in 2004
- PLDT reduces consolidated debt by US$552 million; debt reduction for FY05 to reach US$700 million

MANILA, Philippines, 8th November 2005 — Philippine Long Distance Telephone Company ("PLDT") (PSE: TEL) (NYSE: PHI) today announced its financial results for the first nine months of 2005, reporting a consolidated net profit of ₱25 billion, an increase of 13% from the ₱22.2 billion net profit reported in the same period last year. Last year's results benefited from a ₱4.4 billion gain realized from the Piltel debt exchange transaction. Consolidated net income, before gains from foreign exchange, the Piltel debt exchange and derivative transactions, rose to ₱23.2 billion in the first nine months of 2005, 14% over the adjusted and restated net income of ₱20.4 billion in the first nine months of 2004. Service revenues for the PLDT Group increased by 4% to ₱89.7 billion while consolidated EBITDA improved to ₱57 billion.

Consolidated free cash flow surged 51%, from ₱27.5 billion in the first nine months of 2004 to ₱41.5 billion in the same period in 2005. The PLDT Group now expects its aggregate debt reduction for the year to reach US$700 million, significantly ahead of the earlier stated target of US$600 million set at the end of the first half. These strong cash flows have allowed PLDT to also declare another interim dividend of ₱21 per share and increase the dividend payout target for 2005 to 40% of core earnings. The final dividend will be declared with the announcement of PLDT's full year 2005 audited financial results early next year.

The increased debt reduction target resulted frrom PLDT's acceptance of cash tender offers on its 2007 Notes amounting to US$50.9 million, which amount has been fully settled today. Simultaneous with the cash tender, PLDT obtained the necessary consents from holders of its 2007 and 2012 Notes to amend its restricted payments capacity while tightening its leverage ratio test. The amendments, which became operative from July 1, 2005 onwards, will give PLDT greater flexibility to make restricted payments, including the payment of dividends to common shareholders.

Wireless: Powering Along

Consolidated wireless service revenues increased to ₱55 billion in the first nine months of 2005, 8% higher than the ₱50.7 billion realized in the first nine months last year, with cellular subsidiaries, Smart Communications, Inc. ("Smart") and Pilipino Telephone Corporation ("Piltel") leading the way. Service revenues of ₱18.5 billion in the third quarter were 1% lower than second quarter revenues due to a more difficult macro-economic situation and various promotional activities, but were 4% higher than first quarter revenues.

Consolidated wireless EBITDA improved by 7% to ₱36.2 billion from ₱33.8 billion. Quarter-on-quarter EBITDA for the wireless business remained stable at ₱12.3 billion mainly due to lower marketing expenses. The EBITDA margin of 67% in the third quarter of 2005 bettered the full year 2004 EBITDA margin of 63% and improved on the second quarter 2005 margin of 66%.

The PLDT Group's total cellular subscriber base remained at 20.8 million. The effect of the termination of SIM-swapping activities in May 2005 manifested itself in the third quarter as the PLDT Group reported net disconnections of 724 subscribers for the period compared to net activations of 1.0 million and 537,000in the first and second quarters of 2005, respectively. Smart recorded net disconnections of approximately 43,500 subscribers while *Talk 'N Text* added about 42,700 subscribers to end the nine months of 2005 with 15.8 and 5.0 million subscribers, respectively. This downward trend in the subscriber base is expected to continue for the balance of the year.

On October 20, Smart launched an enhanced version of *Smart 258 Unlimited Text*. The past few months have demonstrated that there is a segment of the market which continues to have an appetite for unlimited pricing packages. Accordingly, Smart's unlimited offering has been refined to the point that network quality for all subscribers is preserved while encouraging a steady level of top-ups.

Smart's cellular network has expanded to 38 switches and over 5,800 base stations covering 98% of the country's population. In addition, approximately 1,400 of these base stations are equipped with wireless broadband capability. As of today, only 28 out of the 1,610 municipalities in the Philippines are not covered by Smart's extensive network. Capital expenditures were ₱4.9 billion in the first nine months of 2005 with full year capex expected to be between ₱7.5 to ₱8.0 billion.

With the reduced capex spending, free cash flow swelled to ₱29.6 billion in the first nine months of 2005 from ₱16 billion in the first nine months of 2004. Smart has already distributed ₱20 billion to PLDT in the first nine months of 2005, of which ₱6 billion was paid in the third quarter. Smart expects to pay an additional ₱5 billion to PLDT in December 2005.

"We are constantly fine-tuning our service offerings to meet market demand in our effort to continue growing our revenues. Top line growth becomes even more challenging in light of the added pressure on disposable income on the part of consumers and on profits on the part of corporations, caused by rising prices of oil and other basic commodities. But, we are confident we will grow revenues in the fourth quarter," explained **Napoleon L. Nazareno, President and CEO of PLDT and Smart**.

PLDT Fixed Line: Looking Ahead

Fixed Line service revenues improved to ₱36.7 billion in the first nine months of 2005 from P35.9 billion in the same period last year due to a significant increase in data revenues. Quarter-on-quarter, fixed line revenues also grew to ₱12.5 billion, as a result of a recovery in the national long distance and local exchange sectors.

Retail DSL continued its strong growth as broadband subscribers surpassed 75,000 while another 370,000 subscribers are using our *Vibe* dial-up Internet service. This subscriber base is expected to increase even further as network coverage expands and new bundling schemes are introduced.

EBITDA in the third quarter of 2005 was stable at ₱6.7 billion despite manpower rightsizing charges of ₱226 million booked during the period. EBITDA in the first nine months of 2005 increased by 4% to ₱20.3 billion and EBITDA margin improved slightly to 55% compared with 54% in the same period last year.

Capital expenditures for the first nine months of 2005 were ₱4.2 billion, which represented mainly the upgrade to the Next Generation Network, principally in respect of the IP core, transmission and access facilities. Full year capex is anticipated to reach no more than ₱5.5 billion compared to our earlier guidance of ₱7 billion.

PLDT's free cash flow in the first nine months of 2005 remained healthy at ₱31.6 billion, supplemented by the ₱20 billion distributed by Smart. Accordingly, PLDT Fixed Line reduced its debts by US$472 million during the period, thus bringing its debt balance to about US$1.5 billion as of the end of September 2005, with another US$50.9 million of 2007 PLDT bonds paid down today. Interest costs decreased by over ₱1 billion to ₱7 billion during the period, reflecting the benefits of PLDT Fixed Line's aggressive deleveraging strategy.

On October 24, 2005, PLDT issued to the holders of its Series III Convertible Preferred Shares a mandatory notice to convert the preferred shares into common shares by December 19, 2005. As a result of this conversion, the number of outstanding common shares will increase by 4.6% to approximately 180 million shares from 171.9 million shares. The dilutive effect on earnings is lower at approximately 1% as preferred dividends paid by PLDT will be reduced by ₱1 billion per annum upon conversion.

"We believe the pace and level of PLDT's debt repayments are unprecedented in Philippine corporate history and we are determined to see this deleveraging program through to completion. As debts are reduced further, dividends to our shareholders can be raised, and our ability to continue investing in projects like our Next Generation Network, our fixed and wireless broadband initiatives and other opportunities that will add value to the Group is enhanced," concluded **Nazareno.**

ePLDT: Making Its Presence Felt

ePLDT, the Group's information and communications technology arm, reported a profit of ₱109 million for the first nine months of 2005. Service revenues grew 37% to ₱2.1 billion from ₱1.5

billion in the same period last year as its various business segments continued to post improved results.

Consolidated call center revenues continued to lead the way, growing 51% to ₱1.4 billion as a result of increased capacity utilization and upward price adjustments for additional programs being handled. Combined call center seats reached 3,315, making ePLDT one of the largest call center operators in the country. Ongoing expansion will increase capacity to 4,800 seats by next year.

ePLDT's other business segments, which include *Netopia*™, the *Vitro*™ Data Center and other Internet-related services, registered significant revenue improvements as well, as their combined service revenues increased by 17% to ₱739 million for the first nine months of 2005, compared to ₱633 million in the same period last year.

"We are buoyed by our continued profitability for the year and look forward to making a more meaningful contribution to the Group, both financially and strategically", said **Ray C. Espinosa, ePLDT President and CEO**.

PLDT Group: Transformation Underway

"We are pleased to announce the declaration of a second interim dividend for 2005 of ₱21 per share, an indication of the Group's excellent cash flow position and growing profits. However, we are not sitting still and are taking measures in anticipation of more challenging times, especially in the next year or so. We continue to build our Next Generation Network and invest in other new technologies in order to better position PLDT to develop new revenue streams while achieving greater efficiencies," said **Manuel V. Pangilinan, PLDT Chairman**.

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	PLDT Consolidated	
	For the nine months ended September 30,	
	2005	2004[(a)]
Service revenues	**89,687**	**86,044**
Non-service revenues	**2,153**	**5,168**
Other income	**723**	**4,713**
	92,563	**95,925**
Expenses	**59,427**	**67,656**
Income before income tax	**33,136**	**28,269**
Provision for (benefit from) income tax	**8,111**	**6,073**
Net income - As Reported	**25,025**	**22,196**
EPS, Basic [(b)]	**139.57**	**123.80**
EPS, Diluted [(b)]	**132.91**	**121.11**
Net income before FX and derivatives[(c)]	**23,237**	**20,434**
EPS, Basic [(d)]	**129.11**	**113.40**
EPS, Diluted [(d)]	**126.66**	**112.16**

(a) As restated to reflect adoption of International Accounting Standards
(b) EPS based on reported net income
(c) Net income excluding the net impact of gains/losses on FX and derivative transactions and certain adjusting items
(d) EPS based on net income excluding the net impact of gains/losses on FX and derivative transactions and certain adjusting items

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.

For further information, please contact:

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Tel No: 816-8213
Fax No: 844-9099

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Tel No: 816-8024
Fax No: 810-7138

Ramon R. Isberto
Tel No: 511-3101
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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 Archipelago 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.