

Philippine Long Distance Telephone Company

Presentation to Investors and Analysts

Financial and Operating Results First Half 2004

August 3, 2004



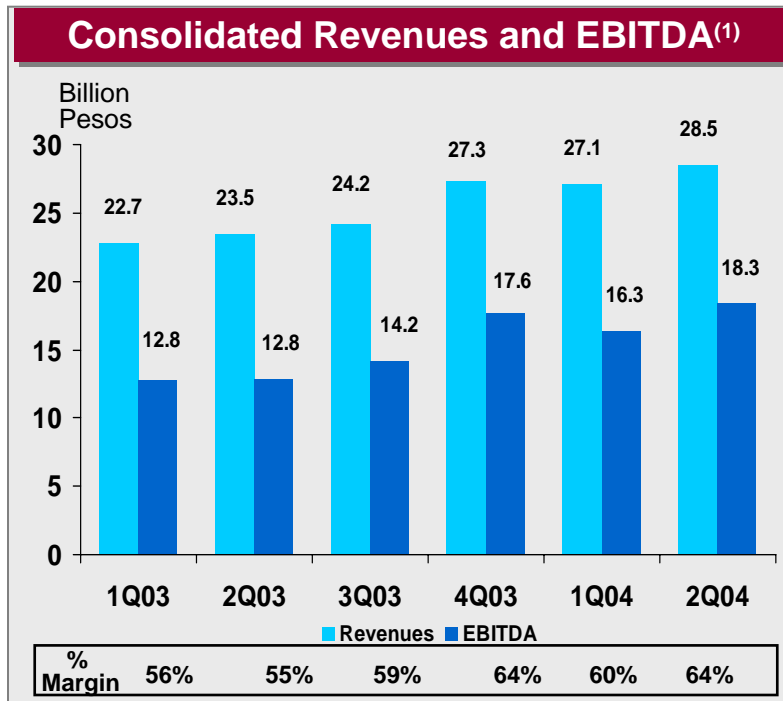
75 YEARS OF PROVIDING COMMUNICATIONS SOLUTIONS TO ALL FILIPINOS

1. Financial and Operating Results Six Months Ending June 2004

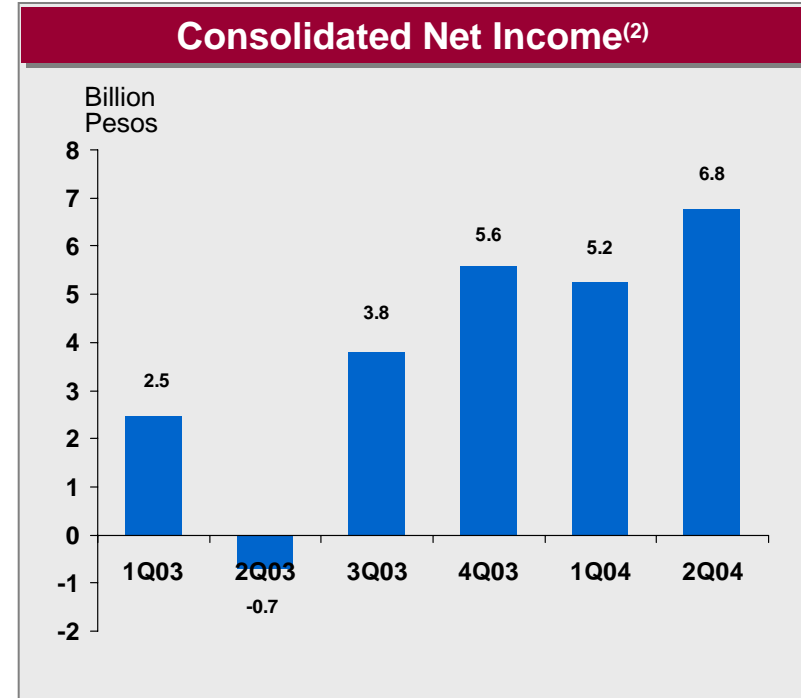


PLDT Group: Reaching New Levels

- Consolidated revenues up 20% to P55.6 billion (1H03: P46.2 billion) and EBITDA increased 35% to P34.7 billion (1H03: P25.6 billion) as EBITDA margins reached 62%
- Consolidated net income grew 573% to P12 billion in 1H04 (1H03: P1.8 billion) driven by higher earnings of Smart and increased contribution from PLDT Fixed Line and ePLDT
- Consolidated net income in 2Q04 of P6.8 billion increased by 29% quarter-on-quarter (1Q04: P5.2 billion) boosted by election related spending



(1) EBITDA without deducting MRP-related costs, other non-recurring charges booked in 2003



(2) Reported net income after deducting MRP-related costs and other non-recurring charges booked in 2003



First Half 2004: Financial Highlights

PLDT Group's financial results demonstrate the Group's commitment to increase earnings and improve cash flows for debt reduction.

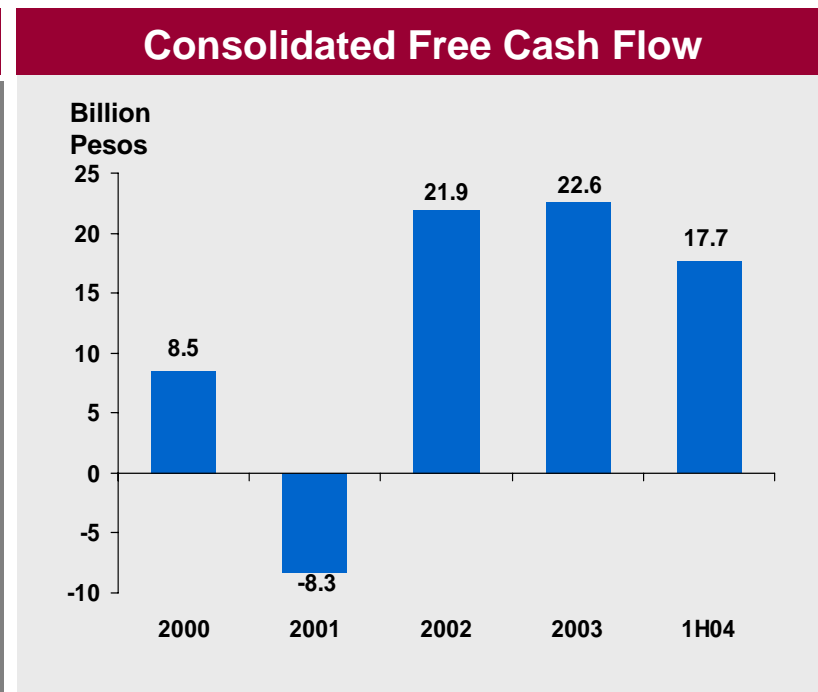
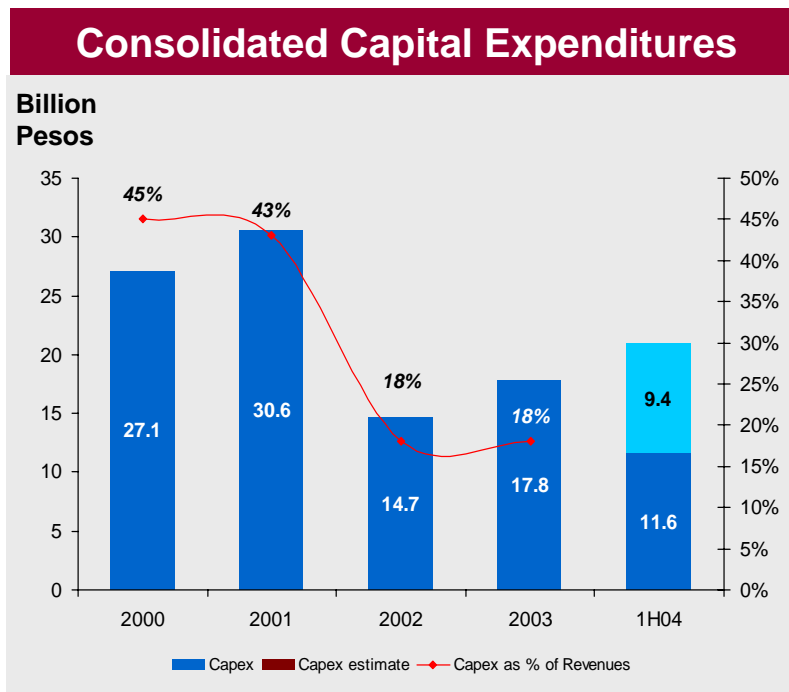
<i>(in million pesos)</i>	First Half 2004			First Half 2003	% Change
	PLDT-Fixed	Smart	Consolidated	Consolidated	
No. of Subscribers					
Fixed Line	2,132,404	-	2,132,404	2,060,437	3%
Cellular (Smart and TNT)	-	16,028,407	16,028,407	10,363,725	55%
Revenues	23,206	30,903	55,597	46,219	20%
Operating Expenses	16,285	15,629	33,055	31,919	4%
Cash operating expenses	8,047	9,369	17,817	18,178	-2%
Non-cash operating expenses	8,238	6,260	15,238	13,741	11%
Operating Income	6,921	15,274	22,542	14,300	58%
EBITDA	13,147	21,205	34,694	25,611 ⁽¹⁾	35%
<i>EBITDA Margin</i>	57%	69%	62%	55%	
Net Income (as reported)	397	11,635	12,008	1,785	573%
Net Income (recurring)	397	11,635	12,008	6,938 ⁽¹⁾	73%
Capex	2,667	8,813	11,576	5,340	117%
Free Cash Flow	18,973 ⁽²⁾	9,839	17,699	9,256	91%
Debt Reduction (in US\$ millions)	\$ 222	\$ 36	\$ 279	\$ 170	64%

(1) EBITDA and Net Income without deducting MRP-related costs and other non-recurring charges aggregating P5.4 billion booked in 1H03

(2) Includes dividends paid by Smart in 2Q04 of P11.3 billion

PLDT Group: Maximizing Cash Flows

- Consolidated capex spending in 1H04 of P11.6 billion was mainly due to the continued expansion of Smart's GSM network
- Consolidated free cash flow in 1H04 reached P17.7 billion (1H03: 9.3 billion) due mainly to the continued strong cash flow generation from Smart and PLDT Fixed Line
- Free cash flow has been utilized to reduce debt by approximately US\$279 million in 1H04 (1H03: US\$170 million)
- Smart paid cash dividends of P11.3 billion to PLDT in the second quarter of 2004, representing 70% of Smart's net income in 2003



2. Cellular



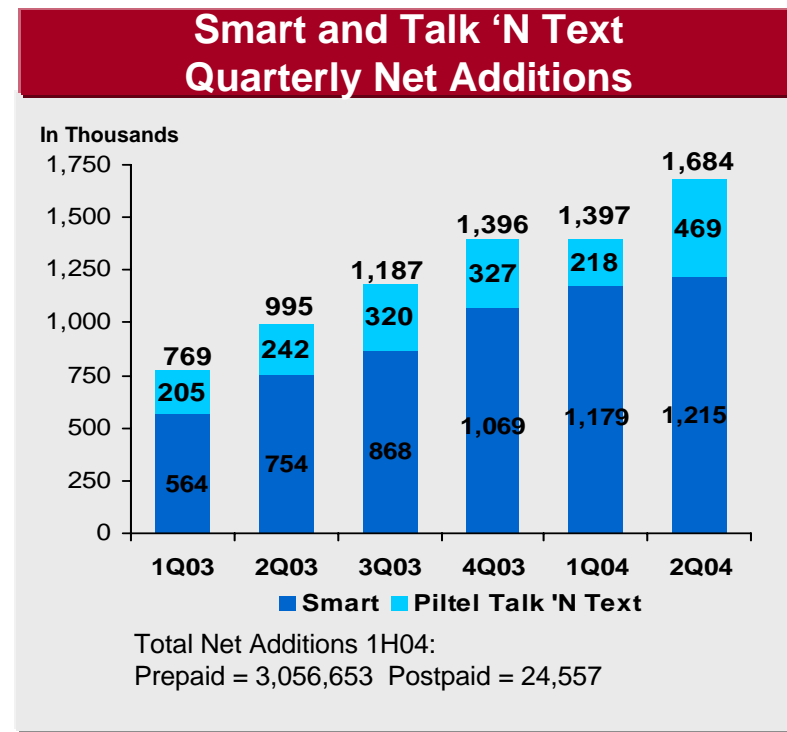
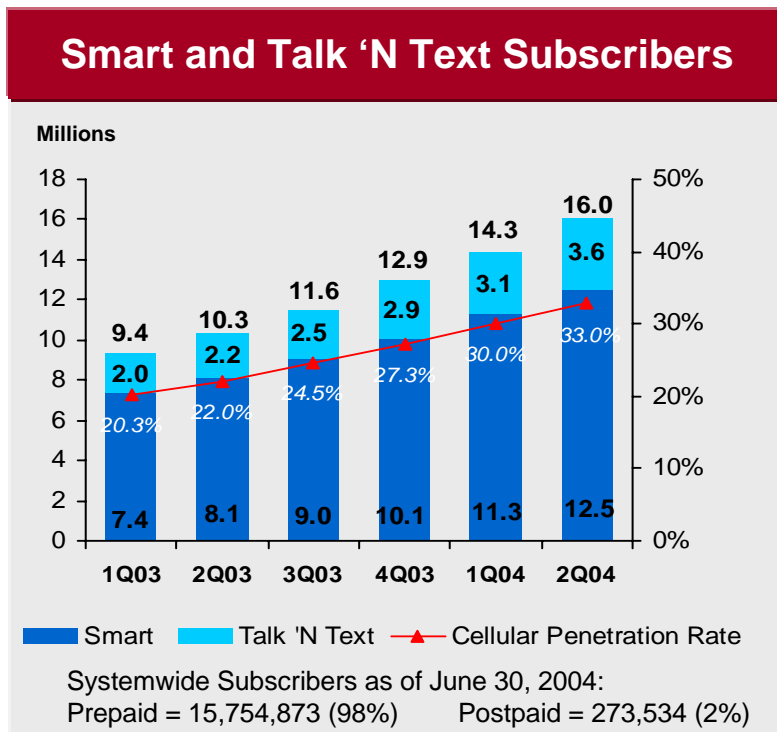
Smart: First Half 2004 Financial Highlights

Smart's robust performance remains anchored on its strategy of tailoring innovative products for various market segments to grow its subscriber base while efficiently managing costs and cash flows.

<i>(in million pesos)</i>	1H04	1H03	% Change
Revenues	30,903	22,117	40%
Operating Expenses	15,629	14,125	11%
Cash operating expenses	9,369	9,212	2%
Non-cash operating expenses	6,260	4,913	27%
Operating Income	15,274	7,992	91%
EBITDA	21,205	12,528	69%
EBITDA Margin	69%	57%	
Net Income	11,635	6,124	90%
Capex	8,813	3,740	136%
Free Cash Flow	9,839	7,482	32%
Net Debt/EBITDA	0.24x	0.64x	

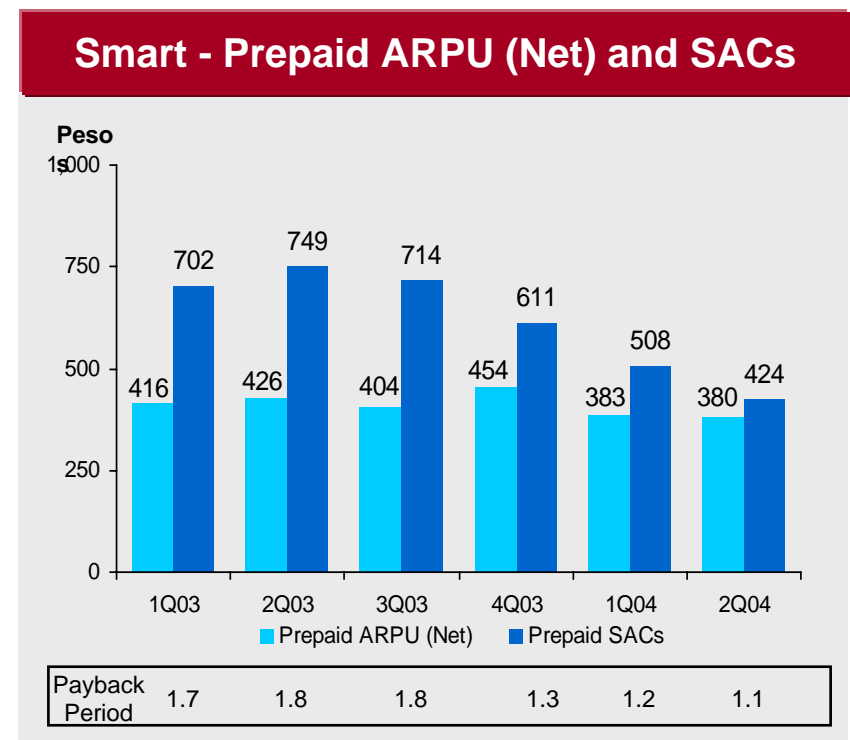
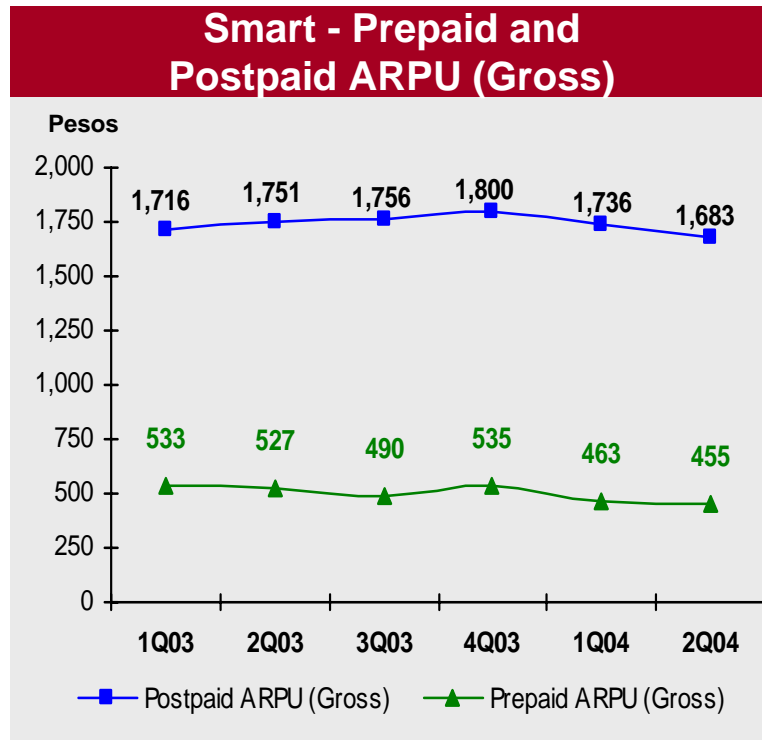
Smart: Capitalizing on Positive Momentum

- Smart and Talk 'N Text, together, added almost 1.7 million subscribers in 2Q04 – setting another historic high for the group
- Smart's network had 16 million system-wide subscribers as at 1H04, representing an estimated market share of 46% for Smart and 13% for Talk 'N Text
- Approximately 91% of Smart Buddy subscribers were using Smart Load as their reloading mechanism, accounting for about 61% of reload sales values



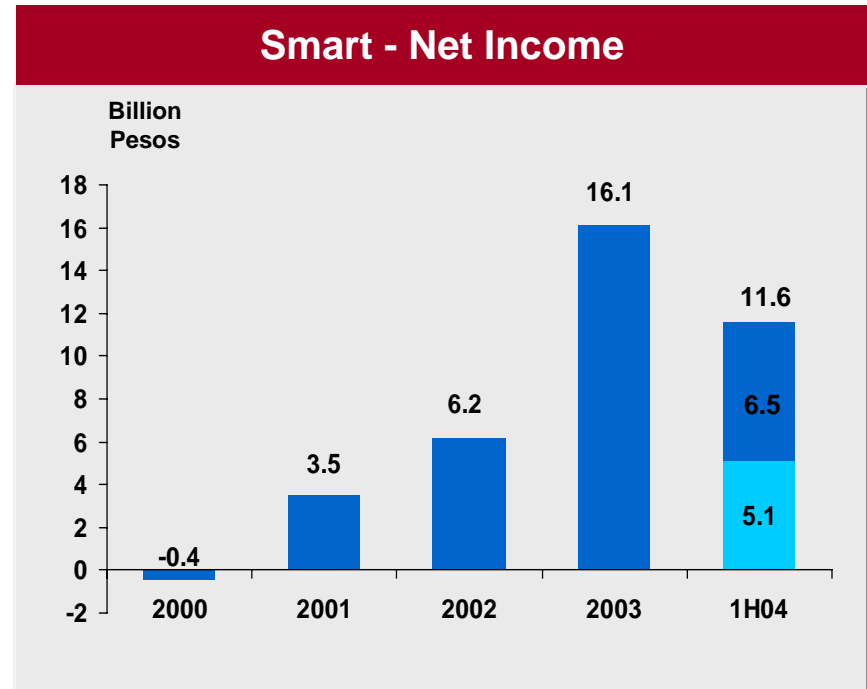
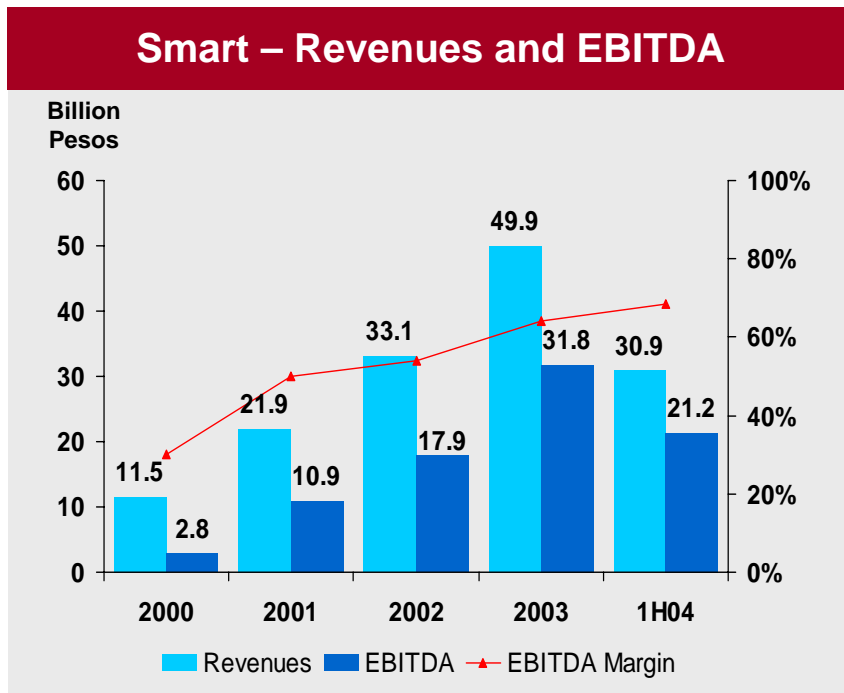
Smart: Balancing ARPU and SACs

- Prepaid ARPU decline was complemented by a more significant decline in prepaid subscriber acquisition cost, improving payback period to 1.2 months in 1H04 (1H03: 1.7 months)
- Based on current blended ARPU and subscriber acquisition costs, payback period has been reduced to 1.6 months in 1H04 compared to 2.4 months in 1H03



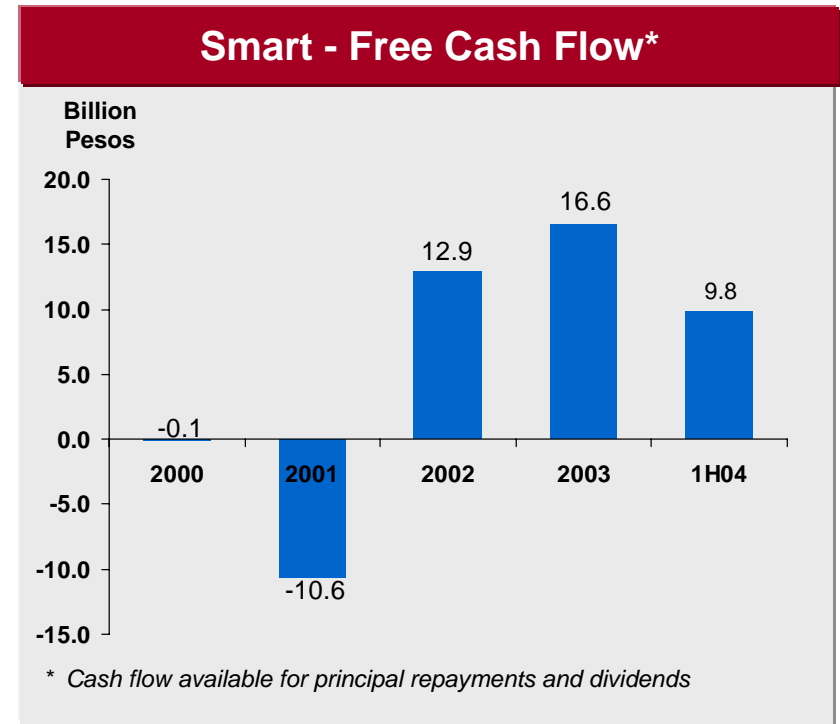
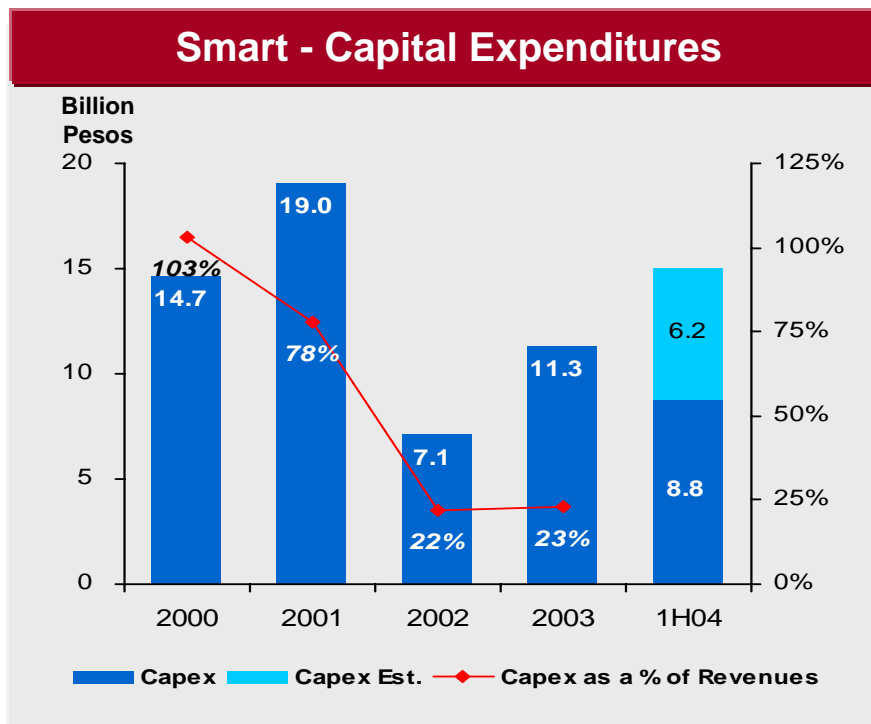
Smart: Translating Growth into Profitability

- Growth in subscribers has translated to a 40% year-on-year increase in revenues to P30.9 billion (1H03: P22.1 billion) while cash operating expenses grew by 2% to P9.4 billion (1H03: P9.2 billion)
- EBITDA grew significantly to P21.2 billion (1H03: P12.5 billion) as margins improved to 69% (1H03: 57%)
- Net income reached P11.6 billion, a 90% improvement year-on-year (1H03: P6.1 billion)



Smart: Building for the Next Wave

- Capex spending 1H04 stood at P8.8 billion and is expected to reach P15 billion for FY04
- Smart's network currently consists of 34 switching centers and 4,565 base stations covering 91% of the country's total population
- Free cash flow remained strong at P9.8 billion (1H03: P7.5 billion) and was partly used to pay down debts of US\$36 million
- After paying cash dividends of P11.3 billion to PLDT in the second quarter of 2004, Smart still had a cash balance of P9.3 billion as of the end of June 2004



Pitel: First Half 2004 Financial Highlights

Talk 'N Text has become the major revenue source of Pitel and is key to the continued improvement in Pitel's overall financial position.

<i>(in million pesos)</i>	1H04	1H03	% Change
Talk 'N Text subscribers	3,553,895	2,220,336	60%
Talk 'N Text ARPU (Gross)	341	357	-4%
Talk 'N Text ARPU (Net)	299	312	-4%
Operating Revenues, net	2,987	1,957	53%
Operating Expenses	1,837	1,903	-3%
Cash operating expenses	1,614	1,611	-
Non-cash operating expenses	223	292	-24%
Operating Income	1,150	54	2018%
Other Expenses/(Income)	341	589	-42%
Interest Expense, net	352	347	1%
Forex Loss	79	27	193%
Impairment loss on investment	-	280	-100%
Other Expenses	(90)	(65)	38%
EBITDA Before Forex Loss and Other Non-recurring Items	1,462	370	295%
EBITDA	1,383	63	2095%
EBITDA Margin	46.3%	3.2%	
Net Income (loss)	810	(535)	
Total Assets	6,043	6,158	-2%
Total Debt	23,523	22,151	6%
Stockholder's Equity (Capital Deficiency)	(21,430)	(19,635)	9%

Smart : Breaking through Another Barrier



- Padala or Remittance is a Filipino household word that represents a means of financial support
- Smart Padala aims to be :
 - MABILIS (fast)–Remittance is sent at the speed of text vs. 1-3 days for door-to-door service
 - MATIPID (affordable)–20%-50% cheaper vs. door-to-door courier fees and other service fees; can be sent in tranches to match budgetted expenses of the family
 - MAAASAHAN (reliable) –Beneficiary is sure to receive the cash remittance confirmed by a text notification; Money is received securely and confidentially
- Smart Padala is ideally suited for the D/E market where cash remittances have the highest need and appreciation
- Smart Padala will have over 9,000 encashment centers nationwide

Smart : Breaking through Another Barrier



- Strategic Objectives
 - Generate activations
 - Combat Churn
 - Increase Usage
 - Strengthen leadership

Smart will generate revenues from the SMS clicks (P2.50/SMS) as well as fixed fees from the remittance companies

Smart Padala Encashment Centers:



3. Fixed Line



PLDT Fixed Line: First Half 2004 Financial Highlights

PLDT Fixed Line remains focused on maintaining the stability of its revenues while rationalizing expenditures, improving operating efficiencies and reducing debt.

<i>(in million pesos)</i>	1H04	1H03	% Change
Revenues	23,206	22,520	3%
Operating Expenses	16,285	16,144	1%
Cash operating expenses	8,047	8,213	-2%
Non-cash operating expenses	8,238	7,931	4%
Operating Income	6,921	6,376	9%
EBITDA⁽¹⁾	13,147	12,309	7%
EBITDA Margin	57%	55%	
Net Income (as reported)⁽²⁾	397	(1,416)	
Capex	(2,667)	1,496	-278%
Free Cash Flow⁽³⁾	18,973	5,254	261%
Debt Reduction (in US\$ millions)	\$ 222	\$ 105	111%
Net Debt/Adjusted EBITDA⁽⁴⁾	2.87x	4.18x	

(1) EBITDA in 2003 is presented without deducting MRP-related costs and other non-cash provisions

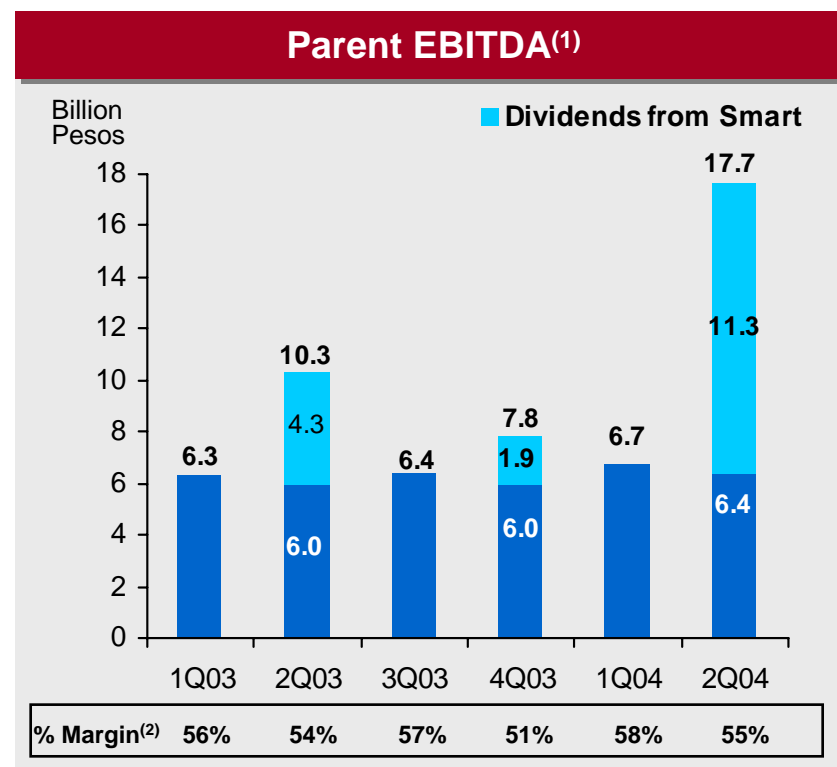
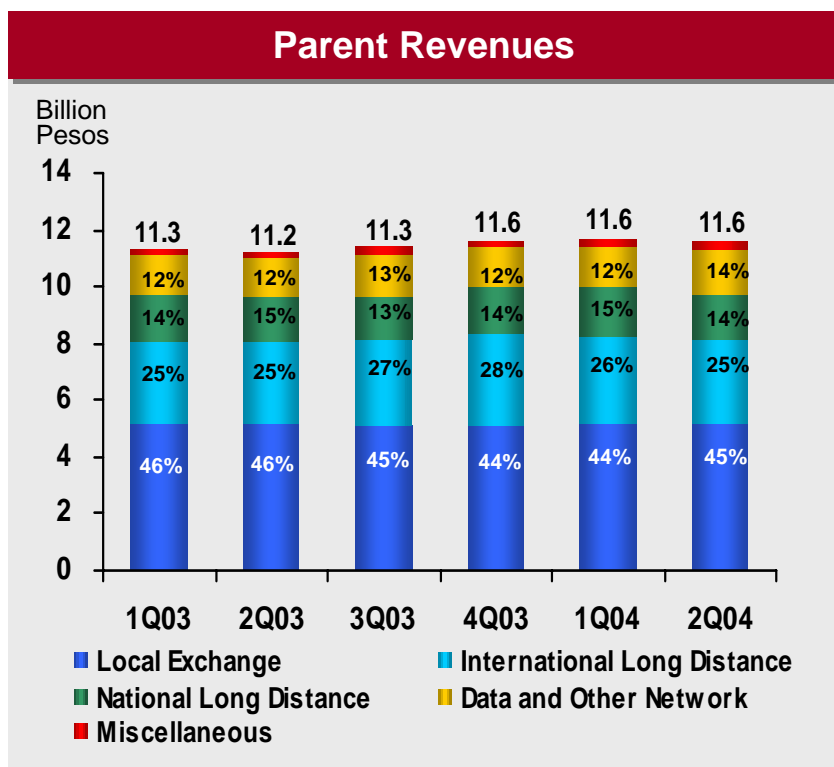
(2) Net income in 1H03 after deducting MRP-related costs and other non-cash provisions aggregating P2.2 billion

(3) Cash flow from operations, including changes in working capital less tax payments, capex, investments, interest paid and dividends paid plus dividends received

(4) Adjusted EBITDA represents EBITDA over the last twelve months including dividends from Smart of P1.9 billion paid in 4Q03 and P11.3 billion paid in 2Q04

Fixed Line: Staying the Course

- Fixed Line revenues increased by 3% to P23.2 billion (1H03: P22.5 billion) mainly due to higher data revenues and positive impact of rate and interconnect changes on ILD and NLD revenues
- EBITDA improved to P13.1 billion (1H03: P12.3 billion) as the increase in revenues were further enhanced by a 2% decline in cash operating expenses; EBITDA margin increased to 57% (1H03: 55%)



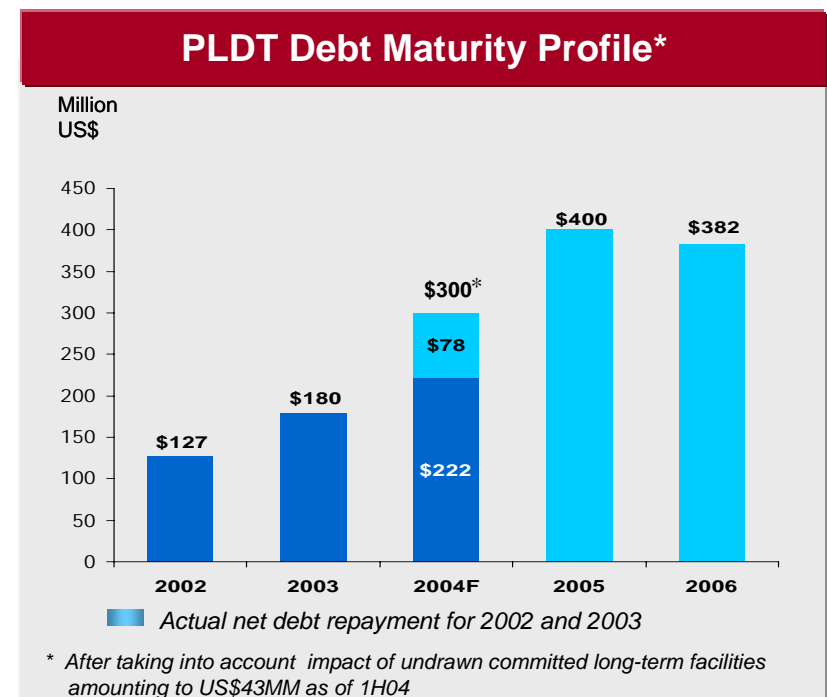
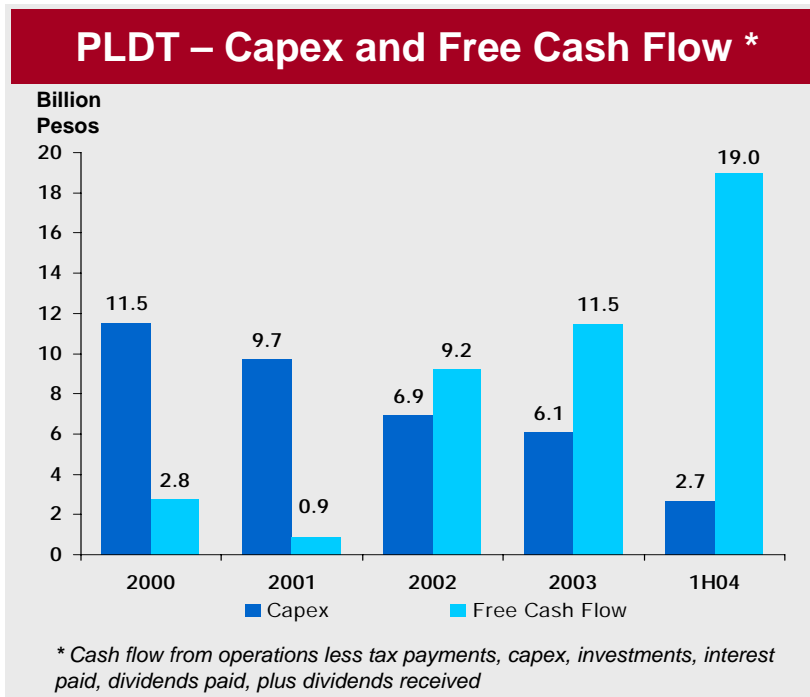
(1) EBITDA including dividends from Smart without deducting MRP-related costs and other non-recurring charges booked in 2003

(2) EBITDA margin excluding dividends from Smart



Fixed Line: Increasing Free Cash Flow for Debt Reduction

- PLDT incurred capital expenditures of P2.7 billion in 1H04 versus full year estimate of P6 billion
- PLDT's free cash flow reached P19.0 billion (1H03: P5.3 billion) on account of higher dividends from Smart, improved fixed line EBITDA and a positive change in working capital
- PLDT reduced total debts by US\$222 million for 1H04 and had in place hedges and USD cash balances covering 50% of its total debt



4. Information and Communications Technology: ePLDT



ePLDT: Making Strides

ePLDT is in a strong position to enhance its position in the ICT market by maximizing resources and opportunities available to it as the ICT arm of the PLDT Group.

<i>in million pesos</i>	1H04	1H03	% Change
Revenues	1,114	878	27%
Operating Expenses	1,029	1,020	1%
Cash operating expenses	890	817	9%
Non-cash operating expenses	139	203	-32%
Operating Income	85	(142)	
Adjusted EBITDA ⁽¹⁾	245	121	102%
EBTIDA Margin	22%	14%	
Reported Net Income/(loss) ⁽²⁾	70	(454)	

(1) EBITDA in 1H03 is adjusted for non-cash charges amounting to P387 million booked in 1Q03

(2) Reported net income in 1H03 includes non-cash charges amounting to P387 million booked in 1Q03

ePLDT: Expanding Operations



- ePLDT's call center businesses now contribute 47% of ePLDT's total revenues
 - Parlance and Vocativ are expanding capacity to accommodate increased demand from existing and new clients
 - ePLDT currently establishing a third call center
 - ePLDT call centers expected to ramp up operations from 1,500 seats to 2,000 seats before YE04
- Netopia, ePLDT's 52%-owned subsidiary, is the country's leading internet café chain, which services about 50,000 internet users per day
 - Netopia opened its 1st outlet in Thailand in June and now has 100 outlets across key cities in the Philippines

PLDT: Outlook For The Year 2004

Sustaining Earnings Growth Momentum

- Smart's strong performance will continue to drive the earnings of PLDT Group
- PLDT Fixed Line expected to deliver stable earnings and cash flows
- ePLDT to further strengthen operations and generate increased profits
- PLDT Group to continue focusing intently on products and services innovation as a competitive tool and to maintain its position as industry / market leader
- Enhanced profit outlook for the year 2004

Deleveraging to Increase Equity Value

- PLDT Group to remain focused on opex controls, particularly cash opex
- PLDT Group to continue maximizing free cash flows for debt reduction
- PLDT Fixed line on schedule in terms of its debt reduction plans and targets to reduce debts to below US\$1.5 billion level by 2006, which will enhance profitability of the Fixed line business
- Reduced debt levels will result in higher value accruing to shareholders

Restoring Common Dividends in 2005

- Growth of Smart and deleveraging of Fixed Line improve the Group's financial position
- PLDT on track to restore dividends to common shareholders by the first half of 2005 based on 2004 earnings

PLDT: Outlook For The Year 2004

Consolidating Piltel into the PLDT Wireless Group

- Debt exchange transaction closed
- First leg of equity transaction completed. Second leg expected to close by September 2004. Smart will own 92% of Piltel.
- No requirement for a General Offer to the minority shareholders of Piltel

New Increased Tax Measures

- PLDT is already a significant taxpayer. Tax payments to Government by PLDT Group likely to increase, as profits rise and Smart's tax holiday has ended

Appendix



Earnings Highlights

<i>(in million pesos)</i>	First Half 2004			First Half 2003	% Change
	PLDT-Fixed	Smart	Consolidated	Consolidated	
Revenues	23,206	30,903	55,597	46,219	20%
Expenses	16,285	15,629	33,055	31,919	4%
Operating income	6,921	15,274	22,542	14,300	58%
Other expenses	6,309	(146)	6,496	11,587	-44%
Income before tax	612	15,420	16,046	2,713	491%
Provision for tax	215	3,777	4,020	1,146	251%
Income before minority	397	11,643	12,026	1,567	667%
Minority (income) loss	-	(8)	(18)	218	-108%
Net income (as reported)	397	11,635	12,008	1,785	573%
Net income (recurring)	397	11,635	12,008	6,938	73%
EBITDA ⁽¹⁾	13,147	21,205	34,694	25,611	35%
Margin	57%	69%	62%	55%	

(1) Recurring Net Income and EBITDA in 2003 is presented before deducting MRP-related costs, other non-recurring charges booked in FY03

Operating Revenues

<i>(in million pesos)</i>	First Half 2004			First Half 2003	% Change
	PLDT-Fixed	Smart	Consolidated	Consolidated	
Fixed line services					
Local exchange	10,318	-	10,379	10,465	-1%
International long distance	6,035	-	6,356	6,049	5%
National long distance	3,410	-	3,487	3,292	6%
Data and other network	2,995	-	3,018	2,876	5%
Miscellaneous	448	-	144	180	-20%
	<u>23,206</u>	<u>-</u>	<u>23,384</u>	<u>22,862</u>	<u>2%</u>
Wireless services	-	30,903	31,231	22,493	39%
ICT	-	-	982	864	14%
	<u>23,206</u>	<u>30,903</u>	<u>55,597</u>	<u>46,219</u>	<u>20%</u>

Operating Expenses

<i>(in million pesos)</i>	First Half 2004			First Half 2003	% Change
	PLDT-Fixed	Smart	Consolidated	Consolidated	
Cash					
Compensation	3,445	1,747	5,660	5,582	1%
Selling and promotions	622	3,329	4,015	4,808	-16%
Maintenance	1,611	1,109	2,716	2,832	-4%
Rent	737	1,127	1,469	1,488	-1%
Professional and other service fees	471	458	996	826	21%
Insurance and security	355	353	802	733	9%
Taxes and licenses	328	298	641	635	1%
Others	478	948	1,518	1,274	19%
	<u>8,047</u>	<u>9,369</u>	<u>17,817</u>	<u>18,178</u>	<u>-2%</u>
Non-Cash					
Depreciation	6,851	5,763	13,245	11,696	13%
Provision for D/A	1,387	470	1,865	1,902	-2%
Provision for inventory obsolescence	-	27	128	143	-10%
	<u>8,238</u>	<u>6,260</u>	<u>15,238</u>	<u>13,741</u>	<u>11%</u>
Total operating expenses	<u>16,285</u>	<u>15,629</u>	<u>33,055</u>	<u>31,919</u>	<u>4%</u>

Cash Flow Highlights

<i>(in million pesos)</i>	First Half 2004			First Half 2003	% Change
	PLDT-Fixed	Smart	Consolidated	Consolidated	
Net income before tax	12,223	15,420	16,046	2,713	491%
Add (Deduct:)					
Non-cash charges	2,376	6,659	21,702	23,947	-9%
Changes in working capital	122	(2,377)	(2,738)	(3,579)	-23%
Net cash from operations	14,721	19,702	35,010	23,081	52%
Less: Capital expenditures	(2,667)	(8,813)	(11,576)	(5,340)	117%
Investments	-	(3)	(61)	(153)	-60%
Interest, net	(5,226)	(53)	(5,443)	(5,688)	-4%
Dividends from Smart	11,280	-	-	-	-
Preferred share dividends	(718)	-	(718)	(694)	3%
Others	1,583	(994)	487	(1,950)	-125%
Free cash flow	18,973	9,839	17,699	9,256	91%
Dividends paid to PLDT	-	(11,280)	-	-	
Net cash used in financing activities	(12,238)	(2,006)	(14,589)	(9,016)	62%
Change in cash	6,735	(3,447)	3,110	240	-
Cash balance, beginning	5,278	12,714	19,263	10,876	77%
Cash balance, end	12,013	9,267	22,373	11,116	101%

Balance Sheet Highlights

<i>(in million pesos)</i>	June 30, 2004			December 31, 2003
	PLDT-Fixed	Smart	Consolidated	Consolidated
Total Assets	<u>263,047</u>	<u>77,574</u>	<u>300,899</u>	<u>297,626</u>
Short-term Debt	-	-	150	2,133
Long-term Debt	<u>122,717</u>	<u>18,790</u>	<u>146,113</u>	<u>157,681</u>
Total Debt	<u>122,717</u>	<u>18,790</u>	<u>146,263</u>	<u>159,814</u>
	<u>\$2,249</u>	<u>\$335</u>	<u>\$2,668</u>	<u>\$2,932</u>
Net Debt	<u>110,704</u>	<u>9,523</u>	<u>123,890</u>	<u>140,551</u>
Equity	<u>104,830</u>	<u>42,373</u>	<u>104,830</u>	<u>93,578</u>
Debt/Equity	<u>1.17x</u>	<u>0.44x</u>	<u>1.40x</u>	<u>1.71x</u>
Net Debt/Equity	<u>1.06x</u>	<u>0.22x</u>	<u>1.18x</u>	<u>1.50x</u>
Net Debt/Adjusted EBITDA⁽¹⁾	<u>2.87x</u>	<u>0.24x</u>	<u>1.88x</u>	<u>2.45x</u>
Adjusted EBITDA⁽¹⁾/Interest expense, net	<u>3.64x</u>	<u>45.66x</u>	<u>5.59x</u>	<u>4.98x</u>

(1) EBITDA before deducting MRP-related costs, other non-recurring charges booked in FY03

How does Smart Padala work?



- OFW/Sender goes to REMCO to remit.
- REMCO assigns a Smart Money Account to the Beneficiary using a Smart celfone (via SMS)
- REMCO buys the foreign currency of OFW and converts it to PHP.
- REMCO charges a cheaper service fee to OFW.

REMCO transfers money from its pre-funded (PHP) Smart Money mother account, to beneficiary's Smart Money, via a wallet-to-wallet transfer (via SMS).

Note: BDO holds the funds of the REMCO's Smart Money Mother Account.

- Beneficiary receives text message that his Smart Money account has been credited.
- Beneficiary's account balance limit is P50K



At end of day, Smart sweeps the Smart Money account of McDo, and credits the cash in their Banco de Oro Account.



- Beneficiary goes to an encashment center or ATM (if with card) to get cash
- To get cash from an encashment center (eg. McDo), McDo frontline assists beneficiary in transferring the value from his Smart Money account to the Smart Money account of McDo (via SMS).
- McDo, using cash from his day-to-day operations, gives the cash to the beneficiary in return for the value transferred; McDo's account gets credited and benef's account gets debited.

