Philippine Long Distance Telephone Company

Presentation to Investors and Analysts

Financial and Operating Results
Nine Months 2004

November 4, 2004

1. Financial and Operating Results
Nine Months Ending September 2004

Nine Months 2004: Financial Highlights

The PLDT Group's financial results continue to demonstrate the Group's commitment to improve its financial profile while sustaining growth momentum

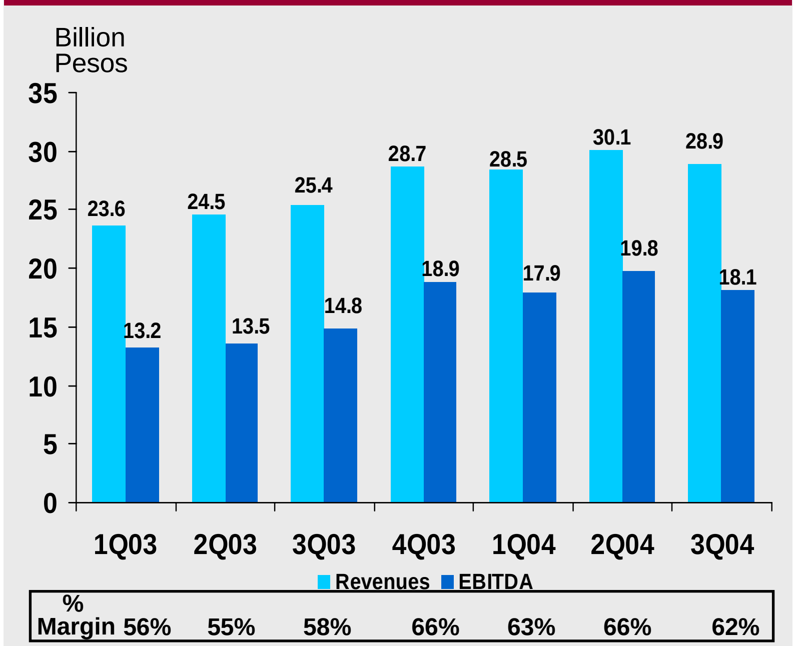
(in million pesos)	Nine Months 2004			Nine Months 2003	%
	Fixed Line	Cellular	Consolidated	Consolidated	Change
No. of Subscribers					
Fixed Line	2,184,411	-	2,184,411	2,172,793	1%
Cellular (Smart and TNT)	-	17,472,516	17,472,516	11,550,792	51%
Revenues	35,319	50,195	87,519	73,524	19%
Operating Expenses	24,665	25,749	52,154	50,079	4%
Cash operating expenses	11,796	16,519	29,173	28,653	2%
Non-cash operating expenses	12,869	9,230	22,981	21,426	7%
Operating Income	10,654	24,446	35,365	23,445	51%
EBITDA(1)	21,418	33,364	55,811	41,587	34%
EBITDA Margin	*61%*	*66%*	*64%*	*57%*	
Net Income, as reported			20,007	593	3275%
EPS - Basic			111.22		
- Fully Diluted			104.89		
Net Income, recurring(2)	192	18,239	18,267	9,238	98%
Capex	3,175	12,792	16,238	11,232	45%
Free Cash Flow(3)	22,848	15,438	27,474	14,208	93%
Debt Reduction (in US$ millions)	$272	$ 67	$ 361	$ 247	46%
Outstanding Debt Balance	$ 2,199	$ 718 (4)	$ 2,994	$ 2,937(5)	2%

(1) EBITDA defined as net operating income plus depreciation
(2) Net income as adjusted for early adoption of IAS 27, 32, 39 and other non-recurring items
(3) Cash flow from operations, including changes in working capital less tax payments, capex, investments, interest paid plus dividends received
(4) Cellular debt balance of US$718 million consists of Smart's debt of US$590 million and Piltel's US$128 million
(5) 2003 consolidated debt excluded Piltel; including Piltel, it will be US$3,355

PLDT Group: Firing on All Cylinders

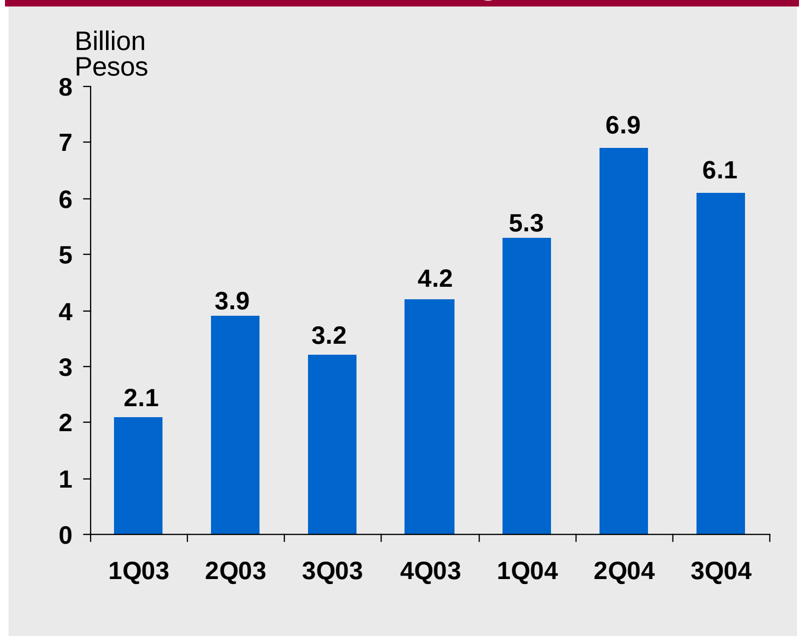
- Consolidated revenues up by 19% to P87.5 billion (9M03: P73.5 billion) and EBITDA increased 34% to P55.8 billion (9M03: P41.6 billion) largely driven by the continued strong growth in our cellular business
- Consolidated net income grew to P20.0 billion in 9M04 resulting from higher earnings of Smart. Net income reflects early adoption of IAS 27, 32 and 39 including gain on debt exchange in relation to Smart's acquisition of Piltel's debt.
- Recurring net income in 9M04 is P18.3 billion (9M03: P9.2 billion) and P6.1 billion for the third quarter 2004

Consolidated Revenues and EBITDA*



* *EBITDA defined as net operating income plus depreciation*

Consolidated Recurring Net Income*

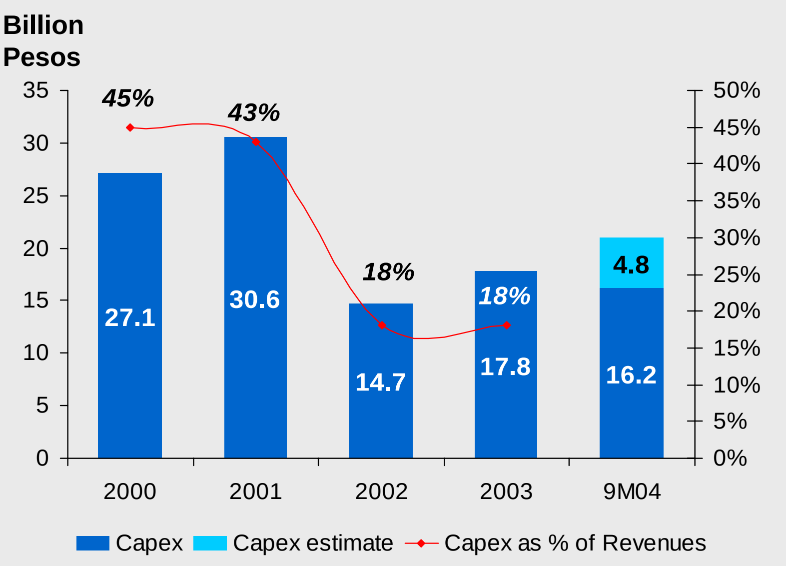


* *Net income as adjusted for early adoption of IAS 27, 32, 39 and other non-recurring items*

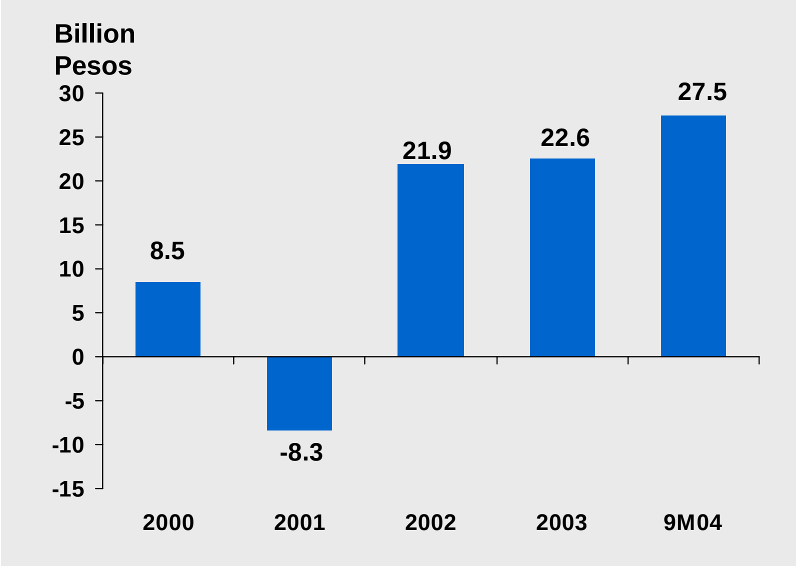
PLDT Group: Maximizing Cash Flows

- Consolidated capex spending in 9M04 of P16.2 billion was mainly due to the continued expansion of Smart's GSM network
- Consolidated free cash flow in 9M04 reached P27.5 billion (9M03: P14.2 billion) as a result of the continued strong cash flow generation from Smart and Fixed Line
- Free cash flow has been utilized to reduce PLDT debt by approximately US$272 million in 9M04 (9M03: US$150 million). Total consolidated debt balance of US$2,994 million reflects a net increase in Smart's indebtedness of US$220 million on account of the Piltel debt exchange, and the consolidation of Piltel's US$128 million debt owed to third parties
- 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; remaining 30% (P4.8 billion) will be paid in December 2004.

Consolidated Capital Expenditures



Consolidated Free Cash Flow



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2. Cellular

Cellular: Nine Months 2004 Financial Highlights

Cellular performance strengthened by consolidation as Smart and Piltel combined post healthy margins as a result of sustained revenue growth and efficient cost management

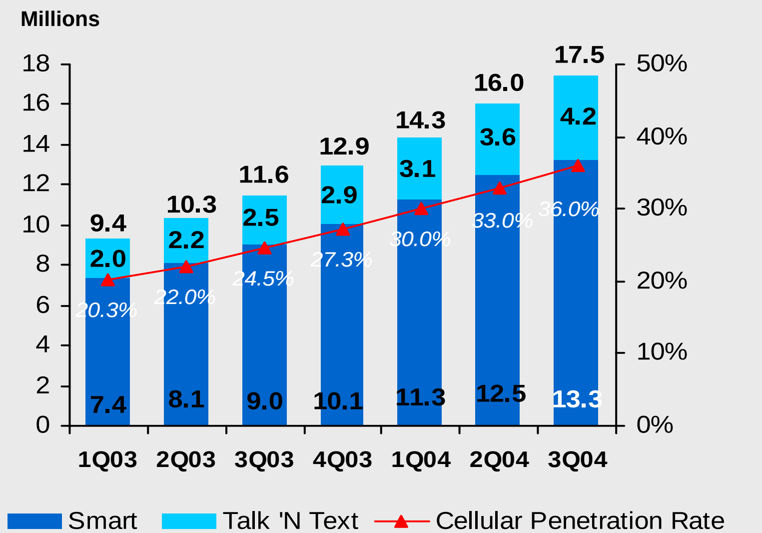
	9M04	9M03	% Change
Revenues	50,195	37,070	35%
Operating Expenses	25,749	23,331	10%
Cash operating expenses	16,519	15,559	6%
Non-cash operating expenses	9,230	7,772	19%
Operating Income	24,446	13,739	78%
EBITDA(1)	33,364	20,915	60%
EBITDA Margin	*66%*	*56%*	
Recurring Net Income	18,239	9,654	89%
Capex	12,792	6,901	85%
Free Cash Flow	15,438	10,867	42%
Net Debt/EBITDA	0.59x	1.31x	

(1) EBITDA defined as net operating income plus depreciation

Cellular: Sustaining Momentum

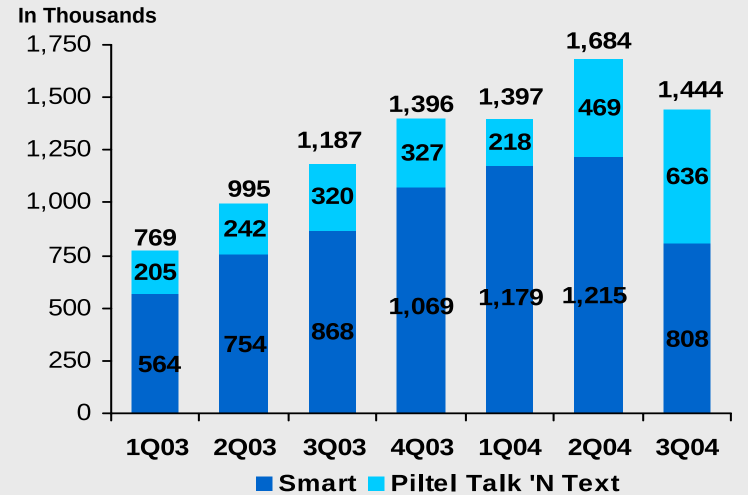
- Smart and Talk 'N Text added 1.4 million subscribers in 3Q04 and over 4.5 million subscriber for 9M04
- Cellular subscribers at 17.5 million as of 3Q04 (Smart 13.3 million, Talk 'N Text 4.2 million), representing an estimated combined market share of 58%
- Cellular penetration rate estimated to be 36%; Further market growth to come from under-penetrated market segments as well as "greenfield" coverage areas

Smart and Talk 'N Text Subscribers



Systemwide Subscribers as of September 30, 2004:
Prepaid = 17,188,537 (98%)   Postpaid = 283,979 (2%)

Smart and Talk 'N Text Quarterly Net Additions

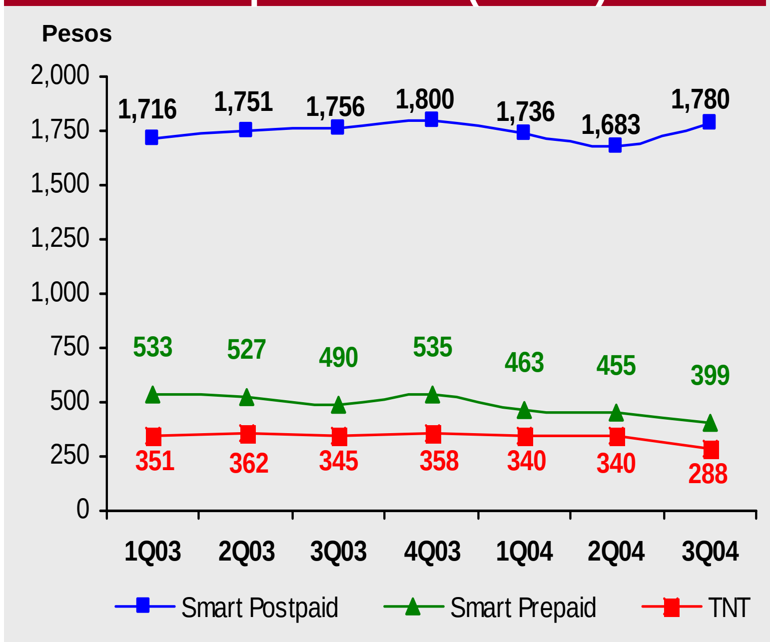


Total Net Additions 9M04:
Prepaid = 4,490,317   Postpaid = 35,002

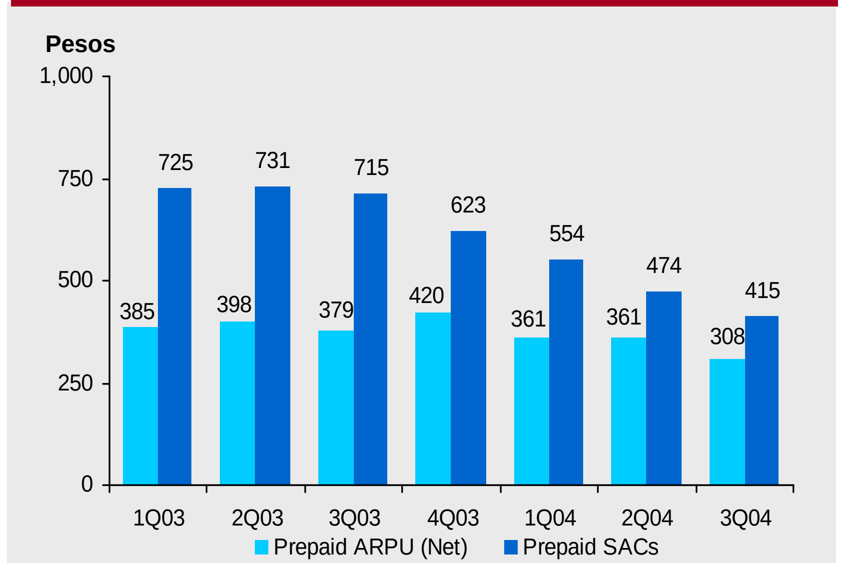
Cellular: Staying Ahead of Costs

- Continued reduction in prepaid subscriber acquisition costs and incremental capex/subscriber more than offset the decline in ARPU
- Payback period on prepaid subscribers has been reduced to 1.4 months in 9M04 compared to 1.9 months in 9M03
- Prepaid churn rates now below 3%
- Postpaid subscriber acquisition costs continue to rise due to heightened competition but are still recovered within the "lock-in" period; postpaid subscribers increased by 35 thousand during 9M04

Cellular Prepaid and Postpaid ARPU (Gross)



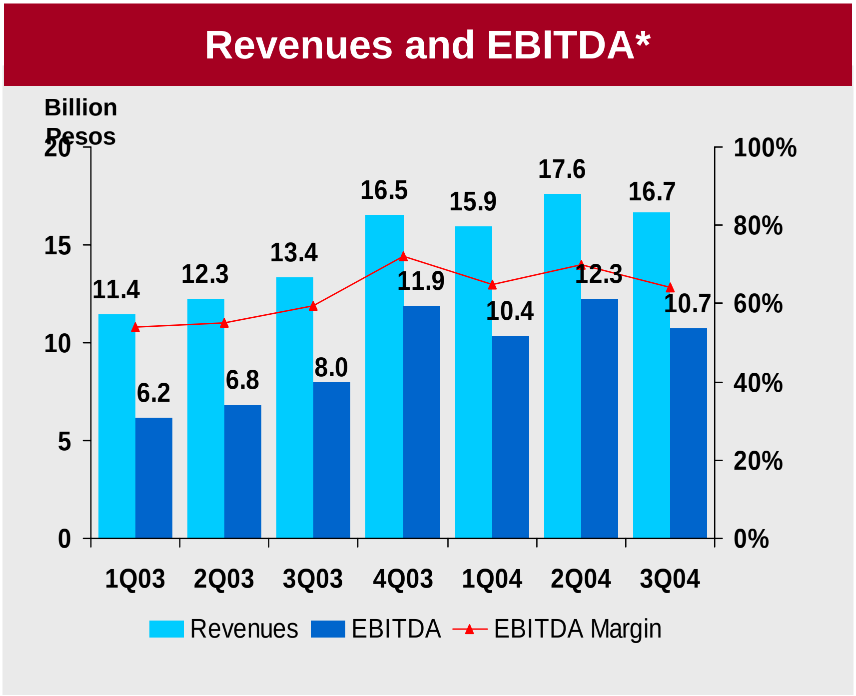
Blended Prepaid ARPU (Net) and SACs



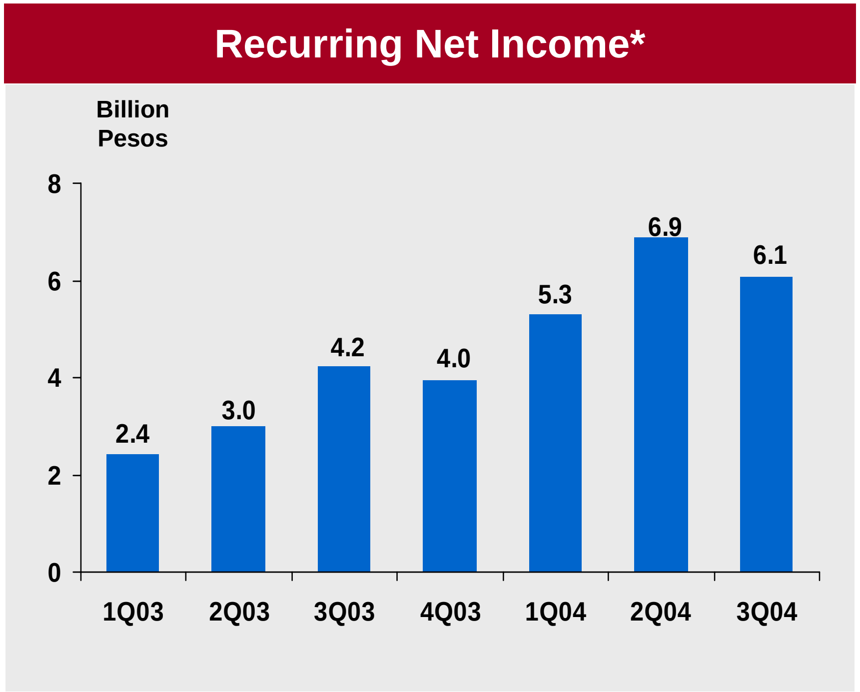
Payback Period	1.9	1.8	1.9	1.5	1.5	1.3	1.3

Cellular: Translating Growth into Profitability

- Growth in subscribers has translated to a 35% year-on-year increase in revenues to P50.2 billion (9M03: P37.1 billion) while cash operating expenses grew only 6% to P16.5 billion (9M03: P15.6 billion)
- EBITDA (before non-recurring items) grew significantly to P33.4 billion (9M03: P21.0 billion) as margins improved to 66% (9M03: 56%)
- Recurring net income reached P18.2 billion, an 89% improvement year-on-year (9M03: P9.7 billion)



* *EBITDA defined as net operating income plus depreciation*

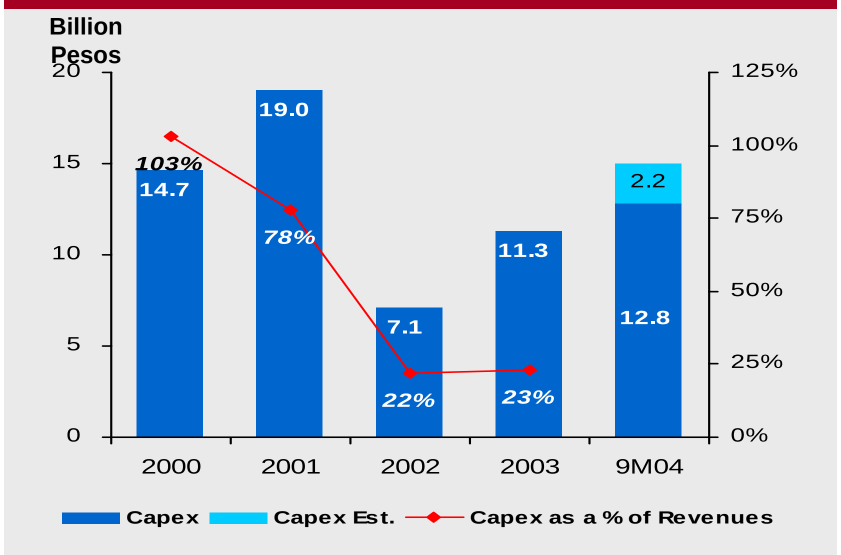


* *Net income as adjusted for early adoption of IAS 27, 32, 39 and other non-recurring items*

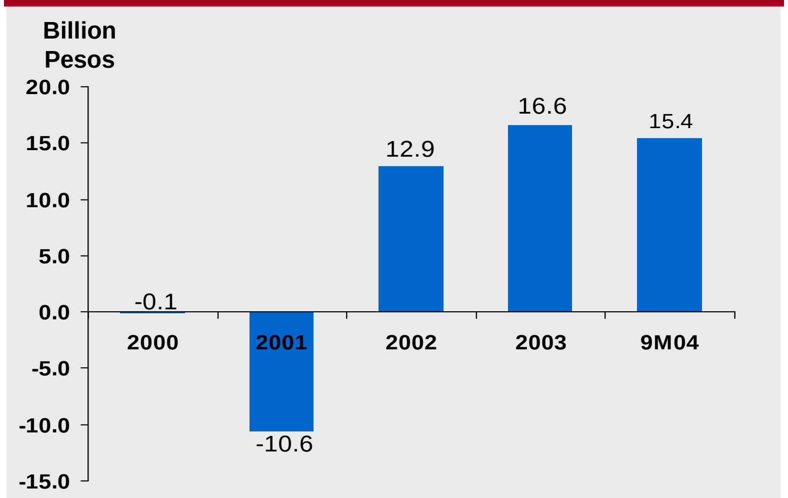
Cellular: Generating Significant Cash Flows

- Capex spending for 9M04 was P12.8 billion and is estimated to reach approximatelyP15 billion for FY04
- Smart's network currently consists of 36 switching centers and over 5,000 base stations covering 95% of the country's total population; capital expenditures to decline substantially in 2005 as we achieve geographic coverage targets and enhance cost-effectiveness of network build-out
- Free cash flow remained strong at P15.4 billion (9M04: P10.9 billion)
- In addition to cash dividends of P11.3 billion paid to PLDT in 2Q04, Smart will pay an additional P4.8 billion in December 2004, bringing its 2004 dividend payments to 100% of 2003 net income

Smart - Capital Expenditures

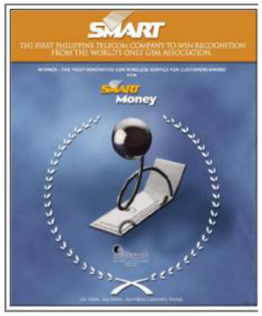


Smart - Free Cash Flow*



* *Cash flow available for principal repayments and dividends*

Smart Money: Pioneering the Mobile Wallet Concept



- Introduced in December 2000
- Cash Card linked to and controlled by the mobile phone
- Approximately 1 million active cards with average trade volumes of P2.5 billion/month
- Tie-up with MasterCard Electronic provides access to over 20,000 retail outlets locally and 20 million outlets globally
- Applications include:
  - Self-loading of airtime
  - ATM withdrawals
  - Payroll/Commissions
  - Remittance
  - Airtime Trade
- "Virtual Card" recently introduced

Smart Load/Pasa Load : Sweeping the Market

- **Over 600,000 retailers – and still growing**
  - **Traditional phone card sales outlets; Individual agents; Corner stores**
- **Over 3 million Smart Load and 2.5 million Pasa Load transactions daily; 98% of prepaid subs now reloading electronically**
- **Top-up revenues of more than US$2.5 million per day with 63% of top up sales coming from e-load**
- **Beginning to leverage off Smart Money as payment medium for airtime trade ecosystem**

Smart Padala/1528 Smart: Breaking through Barriers

- Smart Padala is a remittance service by text that taps into the US$8 billion being sent back to the Philippines by 6 million overseas Filipinos
- Smart Padala is quicker and cheaper than the traditional door-to-door services currently in use; system is triple encrypted for utmost security
- Smart Padala is available in 9 countries through established remittance companies and already has over 10,000 encashment centers nationwide
- Since launch in August 1, 2004, Smart Padala has generated over 45,000 transactions with average transaction values ranging between P5,000-P10,000
- Smart will generate revenues from the SMS clicks (P2.50/SMS) as well as fixed fees from the remittance companies

- PLDT Global-Smart has become a Mobile Services Reseller in Hong Kong with HK-CSL as our Operator partner
- 1528 Smart is a prepaid GSM mobile phone service designed to replicate Smart service offerings - MVAS content, Smart Load, Pasa Load, Padala - to the expatriate Filipino community
- Lowest SMS and IDD rates to the Philippines compared to other HK operators

3. Fixed Line

Fixed Line: Nine Months 2004 Financial Highlights

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

(in million pesos)	9M04	9M03	% Change
Revenues	35,319	34,830	1%
Operating Expenses	24,665	24,894	-1%
Cash operating expenses	11,796	12,025	-2%
Non-cash operating expenses	12,869	12,869	0%
Operating Income	10,654	9,936	7%
EBITDA(1)	21,418	20,144	6%
EBITDA Margin	*61%*	*58%*	
Net Income/(Loss), recurring(2)	192	189	
Capex	3,175	4,098	-23%
Free Cash Flow (3)	22,848	7,418	208%
Debt Reduction (in US$ millions)	$ 272	$ 150	81%
Net Debt/Adjusted EBITDA(1)	2.69x	3.39x	

(1) EBITDA defined as net operating income plus depreciation

(2) Net income as adjusted for the early adoption of IAS 27, 32, 39 and other non-recurring items

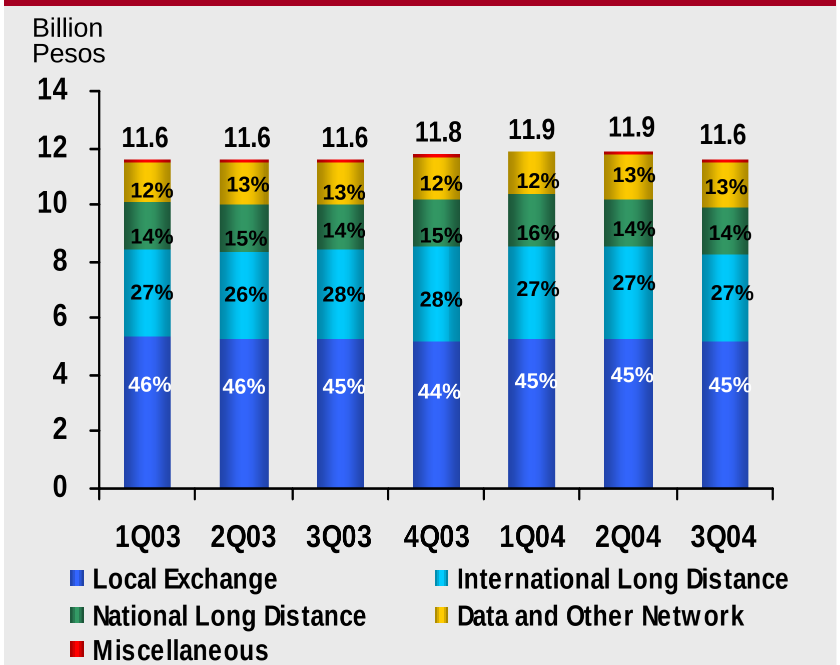
(3) Cash flow from operations, including changes in working capital less tax payments, capex, investments, interest paid and dividends paid plus dividends received

(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

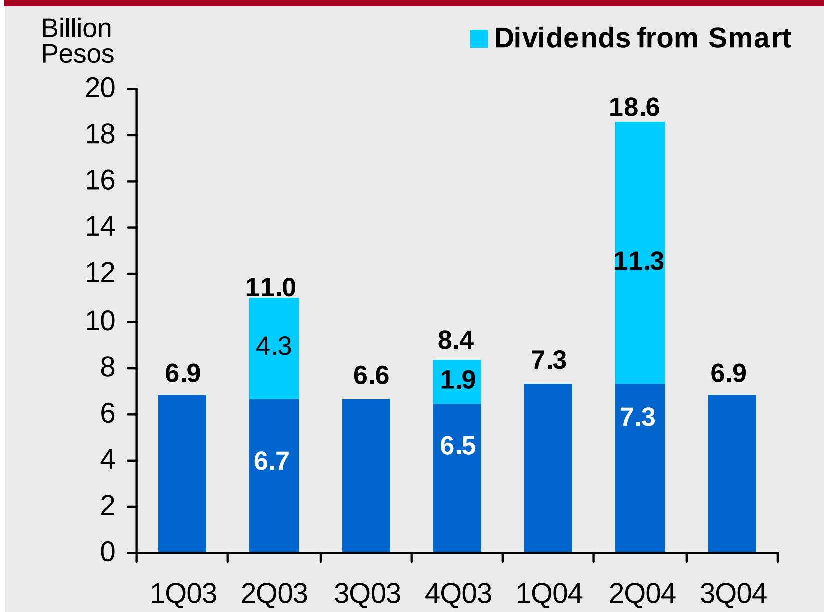
Fixed Line: Staying the Course

- Fixed Line revenues increased by 1% to P35.3 billion (9M03: P34.8 billion) mainly due to positive impact of rate and interconnect changes on NLD and ILD revenues and higher data revenues
- PLDT Fixed lines per employee improved from 203 as of September 2003 to 218 as of September 2004 as a result of PLDT's ongoing manpower rightsizing program
- EBITDA improved to P21.4 billion (9M03: P20.1 billion) as the increase in revenues were further enhanced by a 2% decline in cash operating expenses; EBITDA margin increased to 61% (9M03: 58%)

Fixed Line Revenues



Fixed Line EBITDA(1)



% Margin(2)	59%	58%	57%	55%	61%	61%	59%

(1) EBITDA defined as net operating income plus depreciation and dividends from Smart

(2) EBITDA margin excluding dividends from Smart

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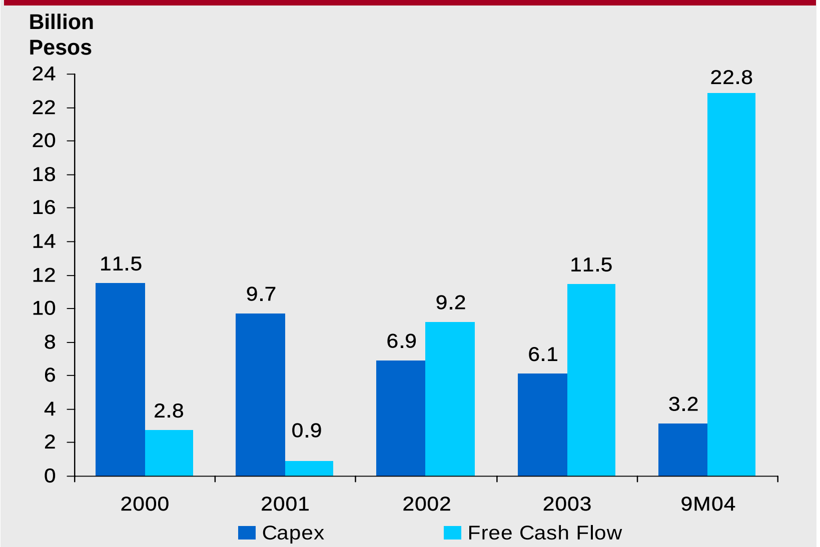
Fixed Line: Lightening Our Debt Load

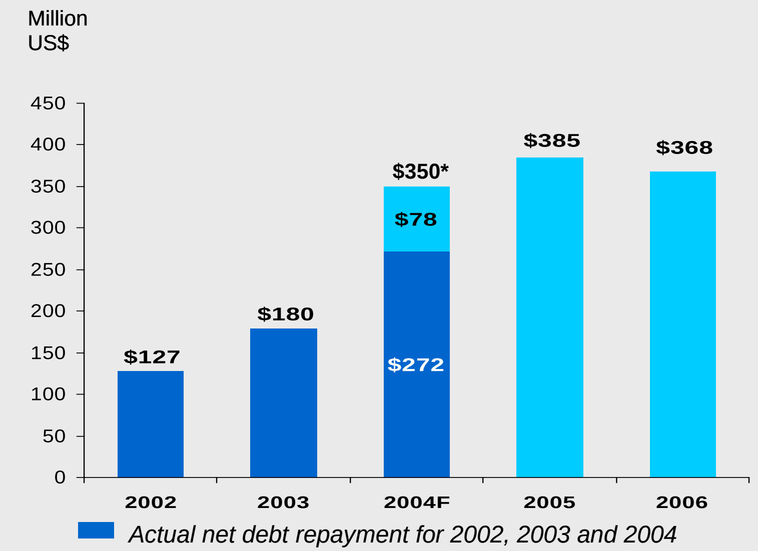
- PLDT incurred capital expenditures of P3.2 billion in 9M04 versus full year estimate of P6 billion to finance the expansion of its fixed line data and network services
- Free cash flow reached P22.8 billion (9M03: P7.4 billion) on account of higher dividends from Smart, improved fixed line EBITDA and a positive change in working capital
- PLDT reduced total debts by US$272 million for 9M04 and had in place hedges and US$ cash balances covering 50% of its total debt. Full year 2004 debt reduction estimated to be over US$350 million, higher than original target of US$300 million

PLDT – Capex and Free Cash Flow *



***** *Cash flow from operations less tax payments, capex, investments, interest paid, dividends paid, plus dividends received*

PLDT Debt Maturity Profile*



** After taking into account impact of undrawn committed long-term facilities*

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Fixed Line: Preparing to Ride the Next Wave

<u>My *DSL*</u> is an advanced modem technology that converts an ordinary residential phone lines into an ultra-fast dedicated Internet access. 100,000 lines of DSL capacity in place; over 41,000 DSL subscribers as of September 30, 2004

<u>PLDT Vibe</u> is a residential internet service package targeted for light to medium internet users. It is available on both prepaid and postpaid basis with over 340,0000 dial-up subscribers as of end September 2004

<u>ON-CALL</u> is an off-the-shelf contact center service for new entrants and existing contact centers or corporate clients with heavy customer support requirements

<u>CONTINUUM</u> is a business continuity/ disaster recovery solution specifically tailored for banks and other large local and MNC enterprises

Acquisition of Meridian Telekoms will enable roll-out of wireless broadband initiatives in 2005 to complement DSL

4. Information and Communications Technology: ePLDT

ePLDT: Making Strides

ePLDT is well-positioned to enhance its leadership in the ICT market by maximizing resources and opportunities available to it as the ICT arm of the PLDT Group.

in pesos millions	9M04	9M03	% Change
Revenues	1,788	1,322	35%
Call Centers	855	677	26%
Internet	416	299	39%
Vitro/Others	517	346	49%
Operating Income	140	(83)	
EBITDA[1]	372	163	128%
EBITDA Margin	21%	12%	
Recurring net income/(loss)	131	(9)	
Call Center Operating Statistics			
Parlance/Vocativ			
No. of Seats	1,499	1,244	20%
No. of CSRs	1,724	1,313	31%
Infocom Subscribers	42,464	29,375	45%

ePLDT: Aiming for the Next Level

- ePLDT's call center businesses now contribute 55% of total ICT revenues
  - Parlance and Vocativ are expanding capacity to accommodate increased demand from existing and new clients; Parlance was adjudged as "Best Offshore Call Center" in Mitial Research International's first annual Best Call Center Workplaces Awards
  - ePLDT call centers expected to ramp up operations from 1,500 seats to 2,000 seats before YE04; at least two or more call centers will be established within the year
- Digital Paradise, ePLDT's 68%-owned subsidiary, carries the "Netopia" brand of internet cafés.
  - Netopia is the country's leading internet café chain, with 108 stores carrying over 4,000 terminals nationwide and nearly 2 million customers per month
  - Digital Paradise has begun expanding overseas, having just opened 3 branches in Thailand
- Vitro's occupancy rate increased to 73% as of September 2004 from 65% in the same period last year
- netGames, a 63%-owned subsidiary, is ePLDT's corporate vehicle into the fast-growing interactive online PC gaming industry

PLDT: Outlook For The Year 2004

Sustaining Earnings Growth Momentum

- Cellular's strong performance will continue to drive the earnings of PLDT Group. Piltel now consolidated
- 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 product and service innovation as a competitive tool and to maintain its position as industry / market leader

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 track in 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
- PLDT Group targets consolidated Debt/EBITDA ratio of 2.0x by 2006
- 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, with objective to raise pay-out in future years

Appendix

Earnings Highlights

(in million pesos)	Nine Months 2004			Nine Months 2003	%
	Fixed Line	Cellular	Consolidated	Consolidated	Change
Revenues	35,319	50,195	87,519	73,524	19%
Expenses	24,665	25,749	52,154	50,079	4%
Operating income	10,654	24,446	35,365	23,445	51%
Other expenses	11,478	2,473	10,061	22,706	-56%
Income before tax	(824)	26,919	25,304	739	3326%
Provision for tax	(50)	5,367	5,332	64	8231%
Income before minority	(774)	21,552	19,972	675	2860%
Minority income (loss)	(22)	-	35	(82)	-143%
Net income, recurring[(1)]	192	18,239	18,267	9,238	98%
Net income, reported			20,007	593	3274%
EBITDA [(2)]	21,418	33,364	55,811	41,587	34%
Margin	61%	66%	64%	57%	

(1) Net income as adjusted for early adoption of IAS 27, 32, 39 and other non-recurring items
(2) EBITDA defined as net operating income plus depreciation

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Reconciliation of Net Income

(in PhP millions)	1Q04	2Q04	1H04	3Q04	9M04	FY03	9M03
	Net Income						
Net income as reported/restated	**5,708**	**5,519**	**11,227**	**8,780**	**20,007**	**3,909**	**593**
Non recurring charges	**(372)**	**1,337**	**965**	**(2,705)**	**(1,740)**	**9,532**	**8,645**
Gain on Piltel debt exchange				(3,407)	(3,407)	-	
Manpower rightsizing costs	105	82	187	549	736	1,904	1,955
Asset impairments/writedowns	85		85	927	1,012	4,461	4,444
Foreign exchange (gain) losses	1,087	(484)	603	42	645	5,398	2,886
Loss (gain) on derivative transactions	(1,863)	2,368	505	(922)	(417)	525	1,706
Tax effect*	214	(629)	(415)	106	(309)	(2,756)	(2,346)
Recurring Net Income	**5,336**	**6,856**	**12,192**	**6,075**	**18,267**	**13,441**	**9,238**

	1Q04	2Q04	1H04	3Q04	9M04	FY03	9M03
Amounts before application of new IAS	**5,240**	**6,767**	**12,007**	**4,674**	**16,681**	**11,182**	**5,794**
IAS Adjustments	468	(1,248)	(780)	4,106	3,326	(7,273)	(5,201)
Leases (SFAS17/IAS17)	-					(17)	(3)
Piltel Consolidation (IAS27)	41	799	840	302	1,142	(3,445)	(1,491)
PLDT CPS (IAS 32)	(478)	(169)	(647)	(330)	(977)	(1,775)	(1,240)
Debt discount (IAS 39)	(82)	(217)	(299)	(129)	(428)	(232)	(238)
Debt exchange gain (IAS 39)			-	3,407	3,407	-	-
Derivative instruments (IAS 39)	987	(1,661)	(674)	856	182	(1,804)	(2,229)
Net income as reported/restated	**5,708**	**5,519**	**11,227**	**8,780**	**20,007**	**3,909**	**593**

** Tax effect on MRP, FX and Derivatives*

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Operating Revenues

(in million pesos)	Nine Months Consolidated 2004	Nine Months Consolidated 2003	% Change
Fixed line services			
Local exchange	15,752	15,930	-1%
International long distance	9,532	9,300	3%
National long distance	5,260	4,957	6%
Data and other network	4,549	4,381	4%
Miscellaneous	226	263	-14%
	35,319	34,830	1%
Wireless services	50,648	37,436	35%
Information and communications technology services	1,552	1,258	23%
	87,519	73,524	19%

Operating Expenses

(in million pesos)	Nine Months 2004 Fixed Line	Nine Months 2004 Cellular	Nine Months 2004 Consolidated	Nine Months 2003 Consolidated	% Change
Cash					
Compensation	5,200	2,657	8,483	8,198	3%
Selling and promotions	964	6,730	7,951	8,746	-9%
Maintenance	2,331	1,803	4,298	3,950	9%
Rent	594	1,898	2,279	2,245	2%
Professional and other service fees	873	764	1,681	1,226	37%
Insurance and security	535	571	1,231	1,131	9%
Taxes and licenses	468	661	1,148	1,238	-7%
Others	831	1,435	2,103	1,920	10%
	11,796	16,519	29,173	28,652	2%
Non-Cash					
Depreciation	10,764	8,918	20,446	18,143	13%
Provision for D/A	2,105	83	2,206	3,090	-29%
Provision for inventory obsolescence	-	229	329	194	70%
	12,869	9,230	22,981	21,427	7%
Total operating expenses	24,665	25,749	52,154	50,079	4%

Cash Flow Highlights

(in million pesos)	Nine Months 2004 Fixed Line	Nine Months 2004 Cellular	Nine Months 2004 Consolidated	Nine Months 2003 Consolidated	% Change
Net cash from operations	23,348	29,912	54,541	37,353	46%
Less: Capital expenditures	(3,175)	(12,792)	(16,238)	(11,232)	45%
Investments	-	(746)	(999)	40	-
Interest, net	(7,326)	(533)	(8,097)	(8,578)	-6%
Dividends from Smart	11,280	-	-	-	-
Preferred share dividends	(1,040)	-	(1,040)	(1,017)	2%
Others	(239)	(403)	(693)	(2,358)	-71%
Free cash flow	22,848	15,438	27,474	14,208	93%
Dividends paid to PLDT	-	(11,280)	-	-	
Net cash used in financing activities	(14,939)	(3,667)	(19,330)	(13,646)	42%
Change in cash	7,909	491	8,144	562	-
Cash balance, beginning	5,278	12,823	19,372	10,975	77%
Cash balance, end	13,187	13,314	27,516	11,537	139%

Balance Sheet Highlights

(in millions)	Sept. 30, 2004	Dec. 31, 2003
Total Assets	305,978	301,042
Total Condolidated Debt	168,644	186,493
*in US $ **	*$2,994*	*$3,355*
Less: Unamortized debt discount	(9,519)	(5,881)
As reported	159,125	180,612
Net debt	141,128	167,121
Equity	80,968	61,869
Net Debt/Equity	1.74x	2.70x
Gross Debt/EBITDA	2.22x	3.08x
Net Debt/EBITDA	1.86x	2.76x

* Total Debt

(in millions)	Sept. 30, 2004	Dec. 30, 2003	Change
PLDT	$2,199	$2,471	($272)
Smart	590	370	$220
Piltel	128	424	($296)
Others	77	90	($13)
Total Debt	$2,994	$3,355	($361)

Piltel: Nine Months 2004 Financial Highlights

Combined 63.2% ownership of Smart and PLDT in Piltel has resulted in consolidation of Piltel's financial results beginning this period; Talk 'N Text remains the key to improving Piltel's financial position

(in million pesos)	9M04	9M03	% Change
Talk 'N Text subscribers	4,189,873	2,539,864	65%
Talk 'N Text ARPU (Gross)	323	353	-8%
Talk 'N Text ARPU (Net)	272	288	-6%
Operating Revenues, net	4,554	3,128	46%
Operating Expenses	2,856	2,752	4%
Operating Income	1,697	376	351%
EBITDA	2,032	749	171%
EBITDA Margin	45%	24%	
Net Income (loss)	743	(1,567)	
Total Assets	5,414	6,171	-12%
Total Debt	18,146	23,086	-21%
Stockholder's Equity (Capital Deficiency)	(15,700)	(20,394)	-23%

IAS Changes

IAS 27 – Consolidation of Piltel

- IAS 27 supersedes previous SFAS 28/IAS 28 and removes basis for exclusion of Piltel from consolidation due to severe long-term restrictions that significantly impair Piltel's ability to transfer funds to PLDT
- As a result of the adoption of IAS 27, Piltel has been included in our consolidated financial statements retrospectively
- Highlights of Piltel's restated financials with early adoption of IAS 39:

Piltel Financial Summary in PHP millions	9M 2004	9M 2003
Net income/(loss), as previously reported	1,219	(1,330)
IAS 39 adjustments	(476)	(238)
Net income/(loss), as restated	743	(1,568)

	Sept. 30, 2004	Dec. 30, 2003
Total Debt, as restated		
As previously reported	23,465	23,475
Unamortized debt discount	(5,320)	(5,795)
As restated	18,145	17,680
Capital Deficiency, as restated		
As previously reported	(21,020)	(22,239)
IAS 39 adjustments	5,320	5,795
As restated	(15,700)	(16,444)

IAS 39 - Piltel Debt Restructuring – June 2001

- As a result of the adoption of IAS 39, Piltel's restructured debt issued in June 2001 has been recorded based on fair market values

(in millions)	**2001**	
	in PHP	in USD
Face Value of Restructured Piltel Debt (50% of original face value)	20,527	397
Discount on Restructured Piltel Debt (0.32)	6,577	127
Fair Value of Restructured Piltel Debt (0.68) at initial recognition	**13,950**	**270**

- Piltel accretes the discount on restructured debt as a non-cash interest expense using the effective interest method
  - Accretion of debt discount recognized by Piltel in 9M 2004 – P 476 million (with FX adjustment)
  - Unamortized long-term debt discount as of September 30, 2004 - P5,320 million (as of December 31, 2003 – P5,796 million)

IAS 32 and 39 – Piltel Debt Exchange by Smart – July 2004

- Smart issued new debt of US$283.3 million (2007/2008/2014 Facilities) and paid cash of US$1.5 million to Piltel creditors in exchange for approximately US$289 million or 69.4% of Piltel debt

Consideration paid (in millions)	
Face Value of Smart new debt - US$283.3 million	P15,854
Less: Debt discount (.47)	7,464
Fair Value of Smart new debt (.53) - US$150 million	P8,390
Cash Payment - US$1.5 million	84
Total Consideration Paid	P8,474

Carrying value of exchanged Piltel debt (in millions)	
Face Value of Piltel debt exchanged	P16,252
Less: Unamortized Debt discount	3,359
Carrying Value of Piltel debt exchanged	P12,893

Gain on Debt exchange (Pre-tax) - P4,419 million

- Aggregate debt balance of Smart and Piltel after the debt exchange transactions and debt discount to be accreted as non-cash interest expense are as follows:

(in millions)	Face Value	Carrying Value	Debt Discount to be Accreted
Smart debt balance - as of September 30, 2004			
New Smart 2007/2008/2014 debt	$ 283	$ 152	$ 131
Other Smart debts	$ 307	$ 307	-
Total Smart debt balance	$ 590*	$ 459	$ 131
Residual Piltel debt (31% of restructured debts)	$ 128	$ 91	$ 37
Total Smart and Piltel consolidated debt balance	**$ 718**	**$ 550**	**$ 168**

** Estimated year-end 2004 balance at $655 million, after drawing US$104 million loan*

IAS 32 and 39 – PLDT Series V, VI, VII CPS

- As a result of the adoption of IAS 39, PLDT has recognized on its balance sheet the Series V, VI and VII CPS issued in June 2001
  - Debt portion representing the put option liability on Series V, VI and VII CPS recorded as Preferred Stock Subject to Mandatory Redemption at its fair value of P8.6 billion initially
  - Equity portion representing fair value of the option the holders have to convert the CPS to common shares recorded as equity at P1.6 billion

(in millions)	**2001**	
	in PHP	in USD
Face Value of PLDT Series V, VI and VII CPS	20,530	397
Discount on PLDT Series V, VI and VII CPS	10,379	201
Fair Value of PLDT Series V, VI and VII CPS	**10,151**	**196**
Fair Value of Debt Portion of PLDT Series V, VI and VII CPS	8,553	165
Fair Value of Equity Portion of PLDT Series V, VI and VII CPS	1,598	31

- Difference between fair value of CPS at issue date and the aggregate redemption value is accreted using the effective interest rate method over the period up to June 2008/2009 or until the shares are converted into common shares

(in PhP millions)		**Sept. 30, 2004**
Carrying Value of Series V, VI, VII CPS		
Debt Portion	P 13,863	
Equity Portion	1,530	P 15,393
Aggregate redemption value of put option		P 22,020

- Dividends on Series V, VI VII CPS charged as interest expense

Impact of Piltel Transaction under IAS 27 and 39

in PHP millions		9M 2004
Piltel EBIT (Jan to September 2004)		**1,840**
Cash items:		
Interest expense on new Smart debt (from July 2)		(99)
Interest expense on total Piltel debt (from Jan 1)	(551)	
- Interest due to Smart (from July 2)	66	
Interest expense on Piltel debt owed to other parties (from Jan1)		(485)
		(584)
Total cash impact		**1,256**
Non-cash items:		
Accretion and FX impact on Financial Instruments (Smart and Piltel)		
- Accretion of discount on new Smart debt of US$133m (from July 2)	*(136)*	
- Accretion of discount on Piltel debt owed to other parties (from Jan 1)	*(396)*	
- FX gain/(loss) on new Smart debt (from July 2)	*(47)*	
- FX gain/(loss) on new Piltel debt to other parties (from Jan 1)	*(81)*	(660)
Impact on Pre-Tax Profit and Loss Account of Smart-Consolidated		**596**
Cash item:		
- Dividends on PLDT Series V, VI, VII CPS	*(210)*	
Non-cash items:		
Accretion and FX impact on Financial Instruments (PLDT)		
- Accretion of discount on debt portion of PLDT Series V, VI and VII CPS	*(1,145)*	
- Forex gain/(loss) on PLDT Series V, VI, VII CPS	*17*	
	(1,128)	
Less: Tax	*361*	(977)
Impact on Profit and Loss Account of PLDT-Consolidated		**(381)**