

Philippine Long Distance Telephone Company

First Half 2005 Financial and Operating Results

August 4, 2005



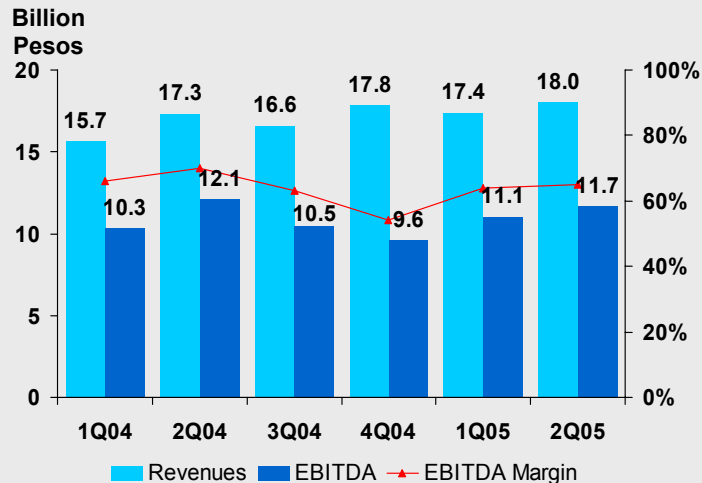
1H05: Consolidated Financial Highlights

- Consolidated net income increased by 35% to P16.8 billion from P12.4 billion in 1H04
- Core earnings before FX/derivative gains grew by 9% to P15 billion in 1H05 from P13.8 billion last year
- Core earnings reached P8 billion in 2Q05, 15% higher than 1Q05 and 4% better than 2Q04 when elections were held
- Consolidated service revenues up by 3% year-on year to P59.5 billion, mainly due to the 8% growth in cellular service revenues to P35.4 billion
- EBITDA reached P37.5 billion and margins maintained at 63%
- Consolidated free cash flow surged by 52% to P27.4 billion in 1H05 from P18 billion in 1H04 as capex spending declined by 39% to P7 billion; consolidated capex guidance for FY05 lowered to P15 billion from P18 billion
- PLDT Group reduced debts by US\$312 million in 1H05 as consolidated net debt levels declined to US\$1.9 billion; another US\$110 million 2005 PLDT bonds paid on August 1

Smart: Focusing on Service Revenues

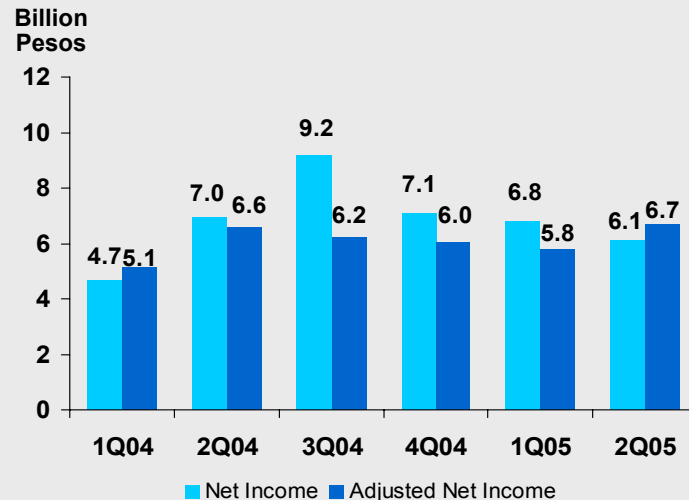
- Service revenues grew by 8% Y-o-Y to P35.4 billion (1H04: P33.0 billion) while 2Q05 revenues increased by 4% Q-o-Q to P18.0 billion (1Q05: P17.4 billion)
- EBITDA in 2Q05 grew to P11.7 billion compared to the average quarterly EBITDA in 2004 of P10.6 billion; EBITDA margin in 2Q05 improved to 65% from 63% in FY04 and 64% in 1Q05
- 1H05 net income without FX gains increased by 6% to P12.5 billion (1H04: P11.7 billion)
- Core earnings improved 16% Q-o-Q to P6.7 billion, a record high, (1Q05: P5.8 billion) besting the core earnings recorded in 2Q04 of P6.6 billion which were boosted by election related spending

Service Revenues and EBITDA*



* EBITDA calculation provided in appendix

Net Income*



* 2004 net income restated to reflect the adoption of IAS. Adjusted net income excludes the impact of gains/losses on FX and derivatives (after tax) and other non-recurring items

Cellular: Financial Highlights

<i>(in million pesos)</i>	1H05	1H04 <i>(As Restated)</i>	% Change
Service Revenues	35,448	32,973	8%
Non-service Revenues	1,279	4,235	-70%
Less: Cost of Sales	<u>3,130</u>	<u>6,478</u>	-52%
	1,851	2,243	-17%
Other cash operating expenses	<u>10,383</u>	<u>7,755</u>	34%
Total Cash operating expenses	12,235	9,998	22%
Non-cash operating expenses	<u>5,060</u>	<u>5,929</u>	-15%
	17,295	15,927	9%
Operating Income	18,153	17,047	6%
EBITDA⁽¹⁾	22,773	22,479	1%
EBITDA Margin	64%	68%	
Other income	55	62	-11%
Other expenses			
Interest on loans and related items	803	794	1%
FX and derivatives (gains)/loss	(624)	136	-559%
Others	<u>934</u>	<u>1,017</u>	-8%
	1,113	1,947	-43%
Income before tax	17,095	15,162	13%
Provision for income tax	4,209	3,518	20%
Net Income	12,877	11,643	11%
Net Income before FX & derivatives ⁽²⁾	12,452	11,736	6%
Capex	3,569	8,827	-60%
Free Cash Flow ⁽³⁾	19,927	10,180	96%
Total Debt (US\$ millions)	730	751	-3%
Net Debt/EBITDA ⁽⁴⁾	0.35x	0.80x	

(1) EBITDA calculation provided in appendix

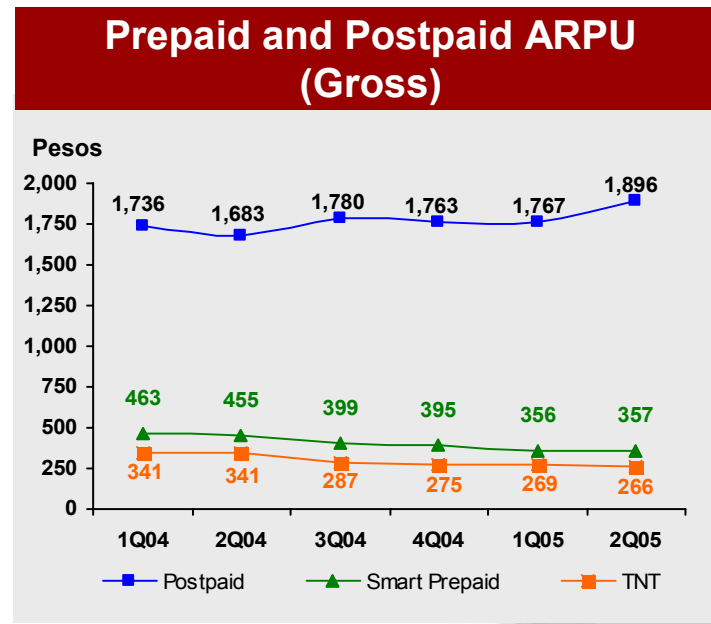
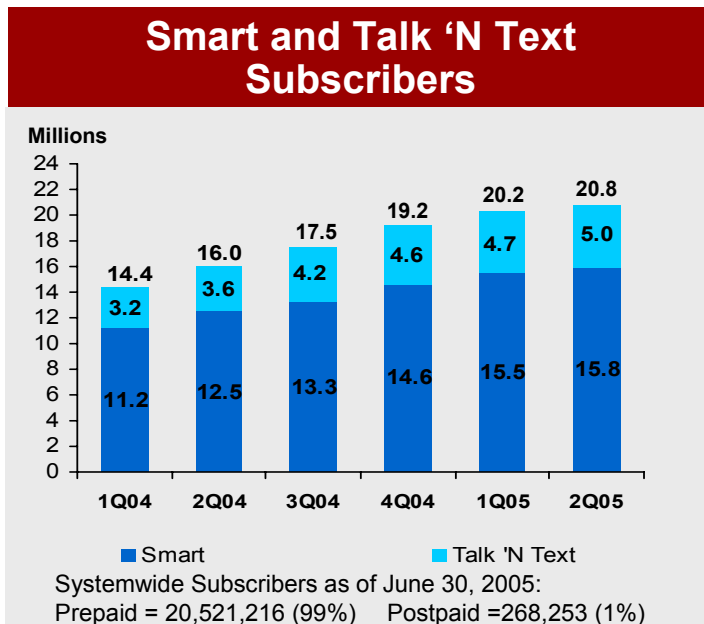
(2) Net income before certain adjusting items incurred in 2004 and excluding gains/losses on foreign exchange/derivatives (after tax)

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

(4) Calculated based on carrying value of debt, less cash balance over last twelve month EBITDA

Smart: Still Leading the Market

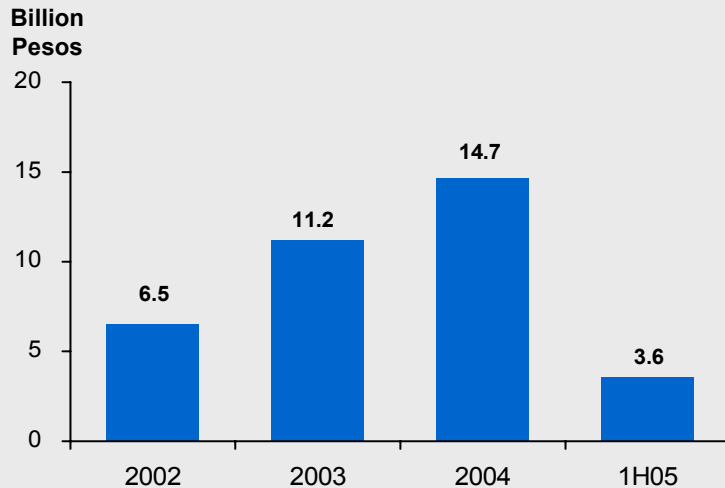
- Cellular subscribers at 20.8 million as of end-1H05 (Smart 15.8 million, Talk 'N Text 5 million), representing an estimated combined market share of 58%
- Net adds for Smart and Talk 'N Text in 2Q05 lower at almost 537,000 as a result of terminating SIM-swapping activities in May 2005
 - Churn rate expected to increase during the balance of the year and could lead to net disconnections in some months
 - Despite anticipated downward trend in subscribers, underlying revenues should be unaffected while cost savings are realized
- Blended subscriber acquisition cost decreased by 9% to P596 in 1H05 (1H04: P653)
- Smart 258 Unlimited Text has 1.4 million registered users as of the end-1H05



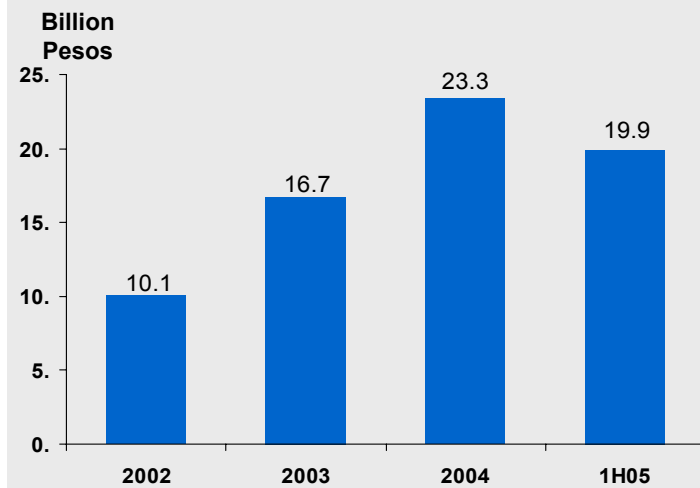
Smart: Maximizing Cash and Returns

- Capex spending for 1H05 was P3.6 billion (1H04: P8.8 billion) as capex guidance for FY05 is lowered to P8 billion from P10 billion
- Smart's network currently consists of 36 switching centers and over 5,600 base stations, covering 98% of the population
- Free cash flow improved significantly to P19.9 billion (1H04: P10.2 billion) as capex spending declined
- Smart to distribute at least P20 billion in cash to PLDT in 2005, P14 billion of which was paid in 1H05

Smart - Capital Expenditures



Smart - Free Cash Flow*

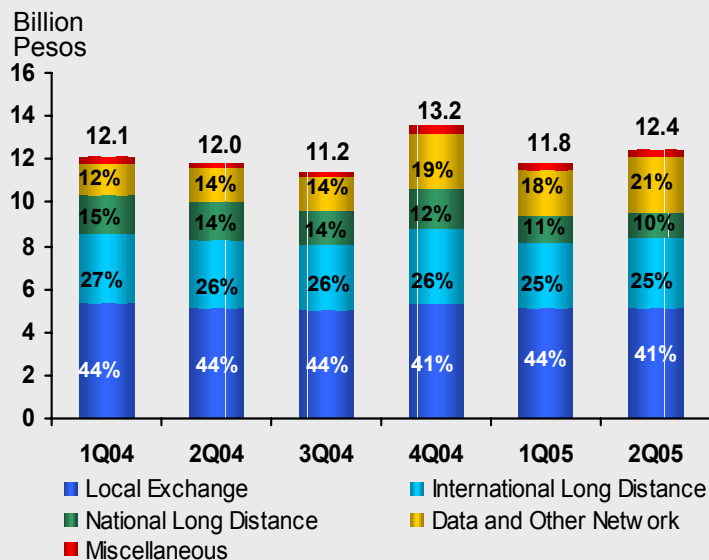


* Cash flow available for principal repayments and dividends

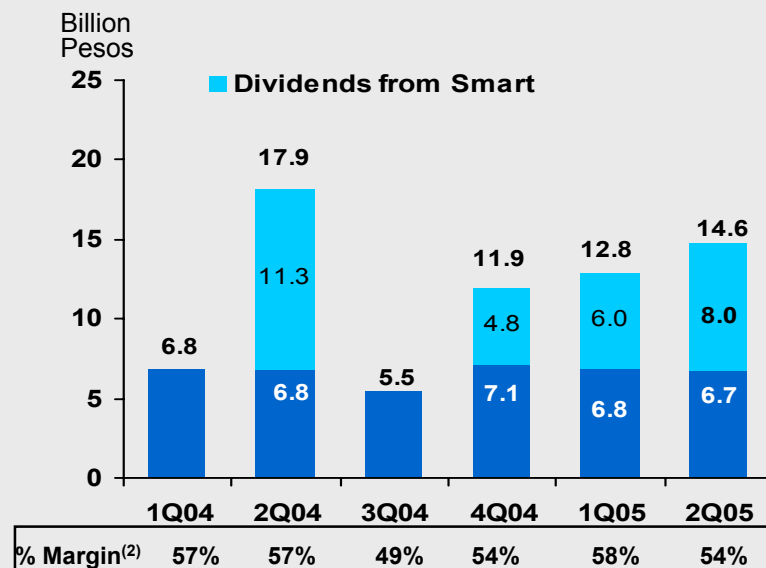
Fixed Line: Staying the Course

- Fixed Line revenues improved Q-o-Q by 5% to P12.4 billion (1Q05: P11.8 billion) as the increase in data and ILD revenues was offset by declines in NLD and Local Exchange
- EBITDA decreased by 1% Q-o-Q to P6.7 billion (1Q05: P6.8 billion) mainly due to higher selling and promotion expenses associated with NLD and DSL marketing initiatives
- PLDT Fixed Line postpaid subscribers increased by almost 12,000 in 2Q05 from an average net disconnections per quarter of 11,300 in 2004
- DSL subscribers were 68,827 as of 1H05 from 49,500 as of YE04 (1Q05: 60,257)

Fixed Line Service Revenues



Fixed Line EBITDA⁽¹⁾



(1) EBITDA calculation provided in Appendix

(2) EBITDA margin excluding dividends from Smart



Fixed Line: Financial Highlights

<i>(in million pesos)</i>	1H05	1H04 <i>(As Restated)</i>	% Change
Service Revenues	24,214	24,108	-
Operating Expenses	16,359	15,423	6%
Cash operating expenses	9,124	8,855	3%
Non-cash operating expenses	7,235	6,568	10%
Operating Income	7,855	8,685	-10%
EBITDA ⁽¹⁾	13,559	13,685	-1%
EBITDA Margin	56%	57%	
Other income	122	107	14%
Other expenses			
Interest on loans and related items	4,737	5,574	-15%
FX and derivatives (gain)/loss	(1,938)	1,766	-210%
Others	328	544	-40%
	3,127	7,884	-60%
Net Income	3,378	638	429%
Net Income before FX & derivatives ⁽²⁾	2,060	1,924	-
Capex	3,129	2,673	17%
Free Cash Flow ⁽³⁾	21,100	18,831	12%
Debt Reduction (in US\$ millions)	\$ 251	\$ 222	13%
Net Debt/EBITDA	2.99x	4.52x	

(1) EBITDA calculation provided in appendix

(2) Net income before certain adjusting items incurred in 2004 and excluding gains/losses on foreign exchange/derivatives (after tax)

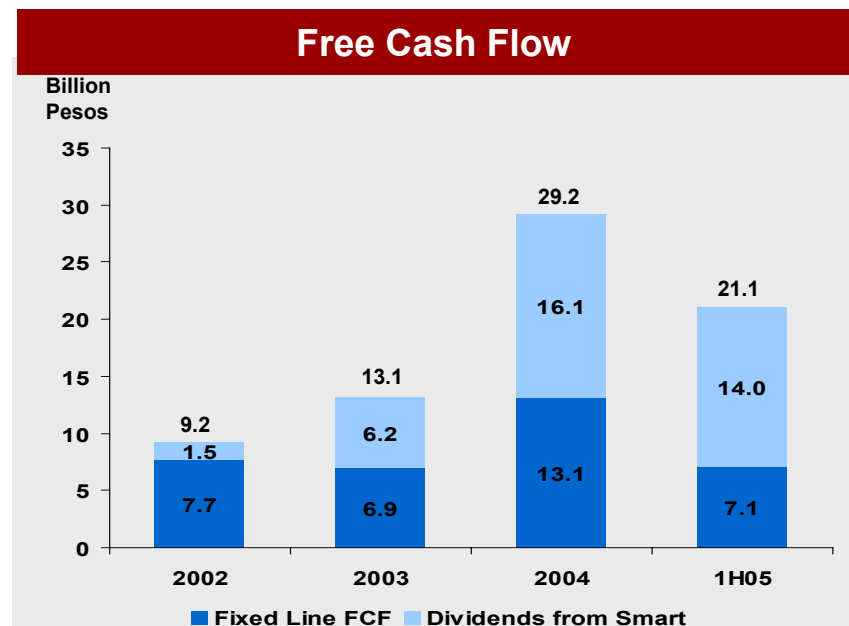
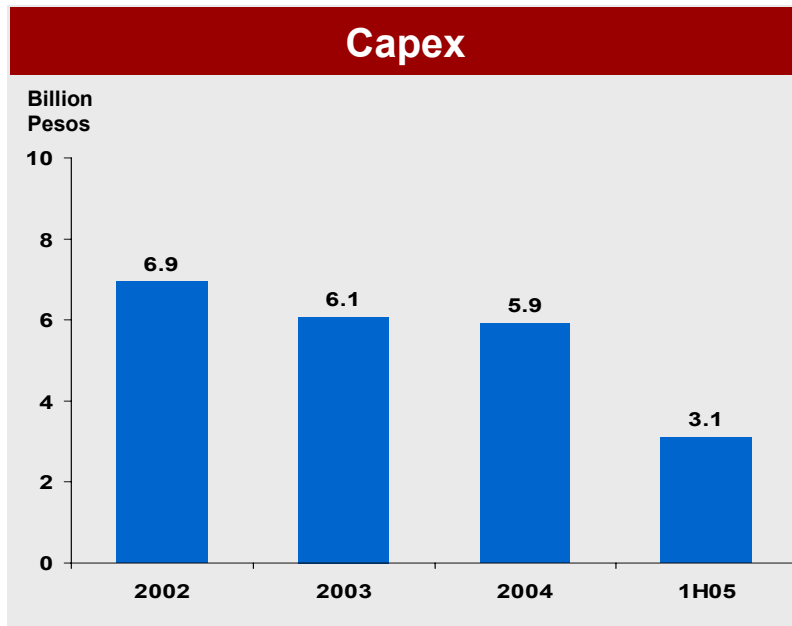
(3) Cash flow from operations, including changes in working capital and dividends from Smart less tax payments, capex, investments, interest paid, preferred dividends paid

(4) Calculated based on carrying value of debt, less cash balance over last twelve month EBITDA



Fixed Line: Renewing Capabilities

- PLDT incurred capex of P3.1 billion in 1H05 (1H04: P2.7 billion), in line with the ongoing upgrade of our existing facilities to a Next Generation Network; Capex is expected to reach P7 billion this year
- Fixed Line capex over the next 2-3 years is dedicated to extend existing transmission network, expand DSL capable lines and implement next generation network (“NGN”)
- Free cash flow grew to P21.1 billion in 1H05 (1H04: P18.8 billion) notwithstanding the increase in capex, mainly due to higher cash dividends from Smart of P14 billion in 1H05 (1H04: P11.3 billion)



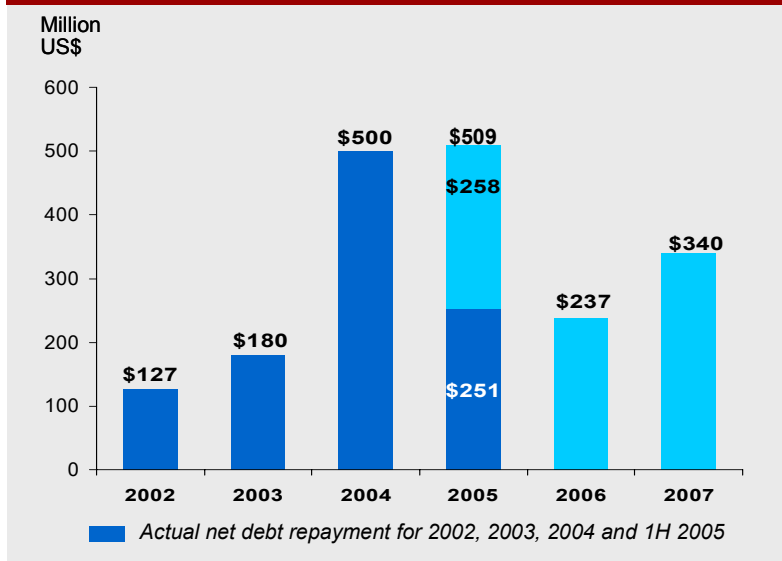
* Cash flow from operations less tax payments, capex, investments, interest paid, preferred dividends paid, plus dividends received



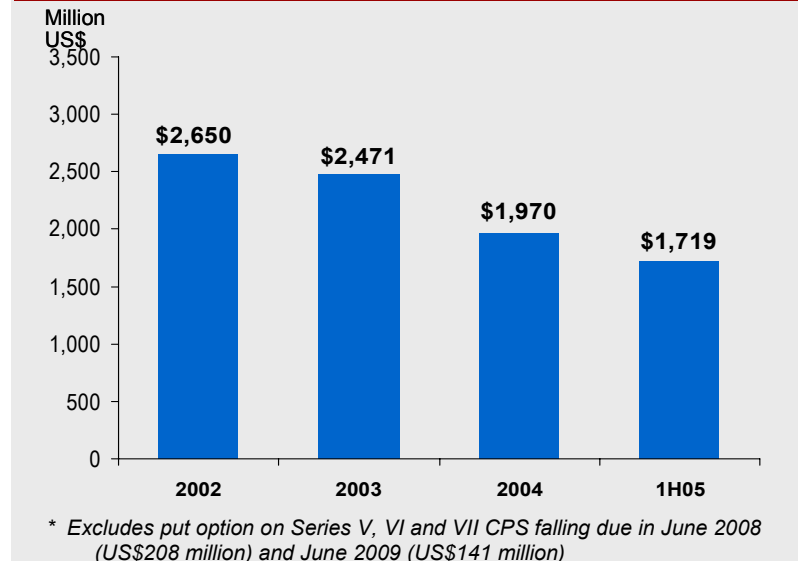
Fixed Line: Stepping Up Debt Reduction

- PLDT reduced debts by US\$251 million in 1H05, resulting in stand-alone debt balance declining to US\$1.7 billion; an additional US\$110 million of 2005 PLDT bonds were paid on August 1
- Interest on loans decreased by 15% to P4.7 billion (1H04: P5.6 billion) as PLDT Fixed Line continued to reduce debts
- PLDT had in place hedges and US\$ cash balances covering 66% of its total debt as of June 30, 2005
- Voluntary conversions of Series V and VI convertible preferred shares resulted in the issuance of 1 million new common shares in 1H05 and reduced potential put option liability due in 2008 by P2.4 billion
 - Total amount of potential put option liability due in 2008 and 2009 stood at US\$208 million and US\$141 million, respectively, as of June 2005 (YE04: US\$391 million)

PLDT Debt Maturity Profile



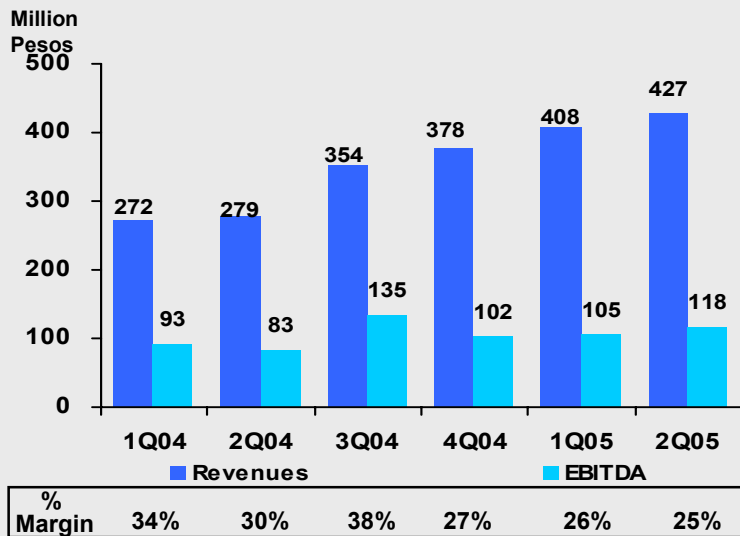
PLDT Debt Balance



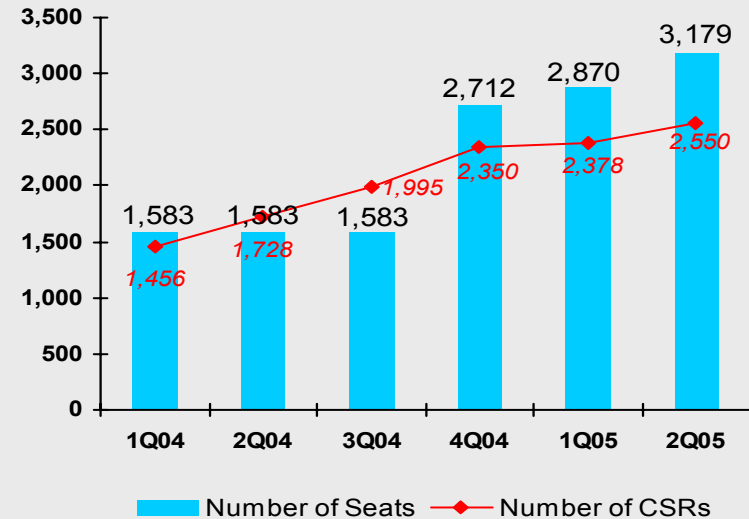
ePLDT Call Centers: Growing Market Presence

- Consolidated call center revenues grew by 52% to P836 million (1H04: P551 million) as a result of increased capacity utilization
- ePLDT's combined call center businesses reached 3,179 seats as of 1H05 (1H04: 1,583 seats) making ePLDT one of the largest outsourced call center operators in the country. Ongoing expansion will increase seating capacity to 4,800 seats by YE05

Call Center Revenues and EBITDA



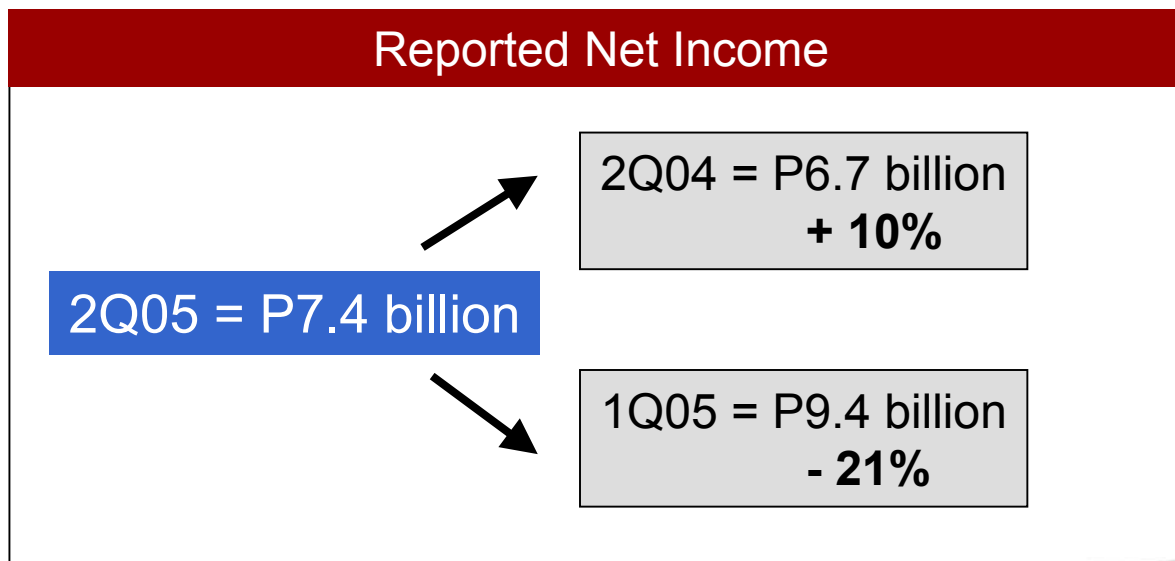
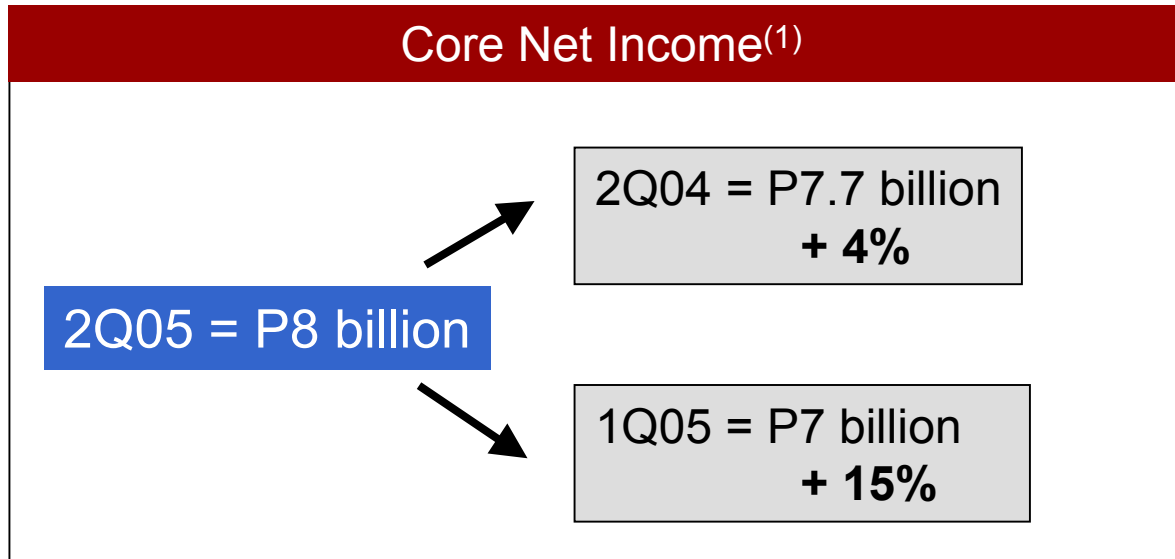
Call Center Number of Seats and CSRs



ePLDT: Financial Highlights

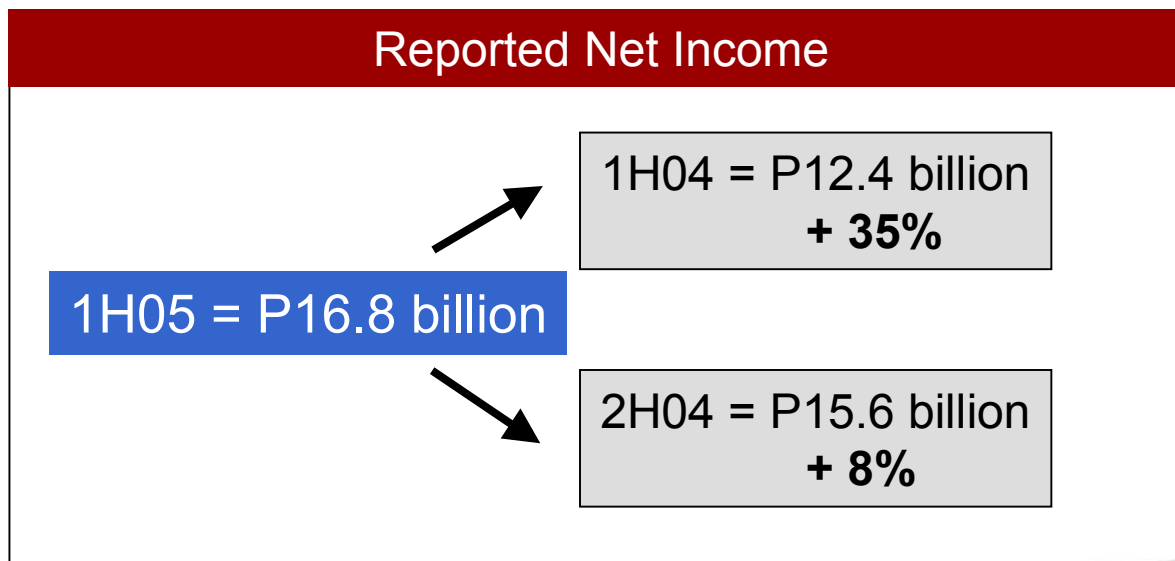
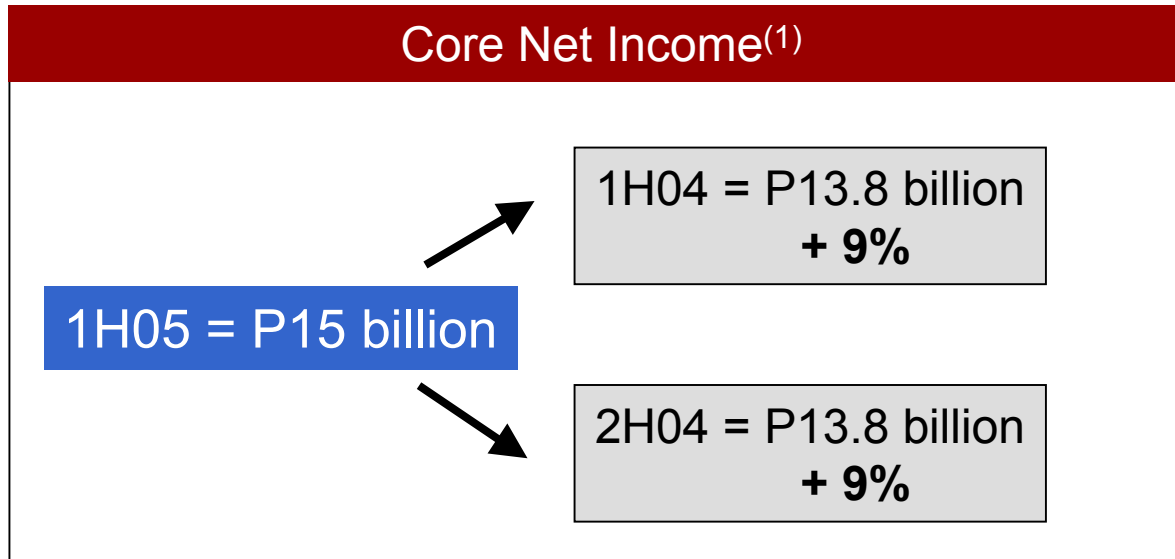
<i>in pesos millions</i>	1H05	1H04 <i>(As Restated)</i>	% Change
Service Revenues	1,328	953	39%
Call Centers	836	551	52%
Internet	287	276	4%
Data Center	173	100	73%
Others	32	26	23%
Non-Service Revenues	215	161	34%
Operating Expenses			
Cash operating expenses	1,323	903	47%
Non-cash operating expenses	187	148	26%
	1,510	1,051	44%
Net Income	83	50	66%

Quarterly Comparative Earnings



(1) Net income before certain adjusting items incurred in 2004 and excluding gains/losses on foreign exchange/derivatives (after tax)

Six Month Comparative Earnings



(1) Net income before certain adjusting items incurred in 2004 and excluding gains/losses on foreign exchange/derivatives (after tax)

1H05: Consolidated Financial Highlights

(in million pesos)	1H 2005			1H 2004	% Change
	Wireless	Fixed Line	Consolidated	Consolidated (As Restated)	
Cash flow from Operations	20,540	13,846	34,619	38,080	-9%
Capex	3,577	3,129	7,012	11,575	-39%
Free Cash Flow ⁽³⁾	20,206	21,100	27,399	18,039	52%
Debt Reduction (in US\$ millions)	\$ 59	\$251	\$ 312	\$ 279	12%
Outstanding Debt Balance	\$ 794 ⁽⁴⁾	\$1,719	\$ 2,518	\$ 3,085	-18%
Net Debt	\$ 484	\$ 1,404	\$ 1,884	\$ 2,679	-30%
Cash and short-term investments	17,406	17,693	35,656	22,799	56%
Total Assets	92,168	210,029	263,189	261,455	1%
Total Debt	35,612	95,736	131,611	166,161	-21%
Net Debt	18,206	78,043	95,955	143,362	-33%
Stockholders' Equity			59,304	33,321	78%
Total Debt to EBITDA (LTM)	0.80	3.66	1.86	2.48	
Net Debt to EBITDA (LTM)	0.41	2.99	1.35	2.14	
Net Debt to Free Cash Flow (LTM)	0.65	2.56	2.06	3.69	

(3) Cash flow from operations, including changes in working capital less tax payments, capex, investments, interest paid, preferred dividends paid; Fixed Line free cash flow includes dividends received from Smart in 1H05 of P14 billion

(4) Wireless debt balance consists of Smart's debt of US\$602 million, Piltel's third party debts of US\$127 million and Mabuhay's debt of US\$65 million

(5) Php:USD rate as at the end of: 2Q05 – P56.177; 1Q05 – P54.747; YE04 – P56.341; and 2Q04 - P56.176



PLDT Group: Financial Targets and Outlook for 2005

	Target for FY 2005	Accomplished as of 1H 2005
Debt reduction	US\$600 million	US\$312 million
Leverage ratio (Total Debt/EBITDA)	Below 1.5x by 2006	2.0x
Dividend Payout	30% of 2005 EPS	P21 initial dividend paid in July 2005

This presentation 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.

Appendix



1H05: Consolidated Financial Highlights

<i>(in million pesos)</i>	1H 2005			1H 2004	% Change
	Wireless	Fixed Line	Consolidated	Consolidated <i>(As Restated)</i>	
No. of Subscribers					
Cellular (Smart and TNT)	20,789,469	-	20,789,469	16,028,407	30%
Fixed Line	-	2,137,813	2,137,813	2,201,257	-3%
Service Revenues	36,703	24,214	59,522	57,841	3%
Non-service Revenues	1,291	-	1,422	4,311	-67%
Less: Cost of sales	3,271	-	3,271	6,599	-50%
Operating Expenses					
Cash operating expenses	10,567	9,124	18,178	16,352	11%
Non-cash operating expenses	5,407	7,235	12,829	13,103	-2%
	15,974	16,359	31,007	29,455	5%
Operating Income	18,749	7,855	26,666	26,098	2%
EBITDA ⁽¹⁾	23,719	13,559	37,527	37,025	1%
EBITDA Margin	65%	56%	63%	64%	
Other Income	57	122	194	147	32%
Other Expenses:					
Interest on loans and related items	905	4,737	5,656	6,503	-13%
FX and derivatives (gain)/loss	(624)	(1,938)	(2,563)	1,902	-235%
Others	933	328	1,256	1,581	-21%
	1,214	3,127	4,349	9,986	-56%
Income before income tax	17,592	4,850	22,511	16,259	38%
Provision for income tax	4,217	1,471	5,694	3,811	49%
Net income, as reported	13,324	3,378	16,785	12,423	35%
Net income before FX and derivatives⁽²⁾	12,900	2,060	15,042	13,801	9%
Earnings per Share, Basic ⁽³⁾			83.77	76.91	9%
Earnings per Share, Diluted ⁽³⁾			79.43	75.42	5%

(1) EBITDA calculation provided in appendix

(2) Net income before certain adjusting items incurred in 2004 and excluding gains/losses on foreign exchange/derivatives (after tax)

(3) Based on net income before FX and derivatives, EPS calculation provided in appendix



Revenues

<i>(in million pesos)</i>	1H 2005				1H 2004	% Change
	Wireless	Fixed Line	ICT	Consolidated	Consolidated <i>(As Restated)</i>	
Service Revenues						
Wireless services						
Cellular	35,448			35,448	32,973	8%
Others	1,255			1,255	1,010	24%
Fixed line services						
Local exchange		10,227		10,227	10,591	-3%
International long distance		6,253		6,253	6,454	-3%
National long distance		2,538		2,538	3,554	-29%
Data and other network		4,589		4,589	3,036	51%
Miscellaneous		607		607	473	28%
ICT			1,328	1,328	953	39%
Inter-segment transaction				(2,723)	(1,203)	126%
Total Service Revenues	36,703	24,214	1,328	59,522	57,841	3%
Non-Service Revenues	1,291	-	215	1,506	4,396	-66%
Inter-segment transaction				(84)	(85)	-1%
	1,291	-	215	1,422	4,311	-67%
Other Income	57	122	44	223	255	-13%
Inter-segment transaction				(29)	(108)	-73%
	57	122	44	194	147	(1)
Total Revenues and Other Income	<u>38,051</u>	<u>24,336</u>	<u>1,587</u>	<u>61,138</u>	<u>62,299</u>	<u>-2%</u>

Expenses

<i>(in million pesos)</i>	1H 2005			1H 2004	% Change
	Wireless	Fixed Line	Consolidated	Consolidated <i>(As Restated)</i>	
Operating expenses					
Compensation	1,890	3,977	6,492	5,996	8%
Maintenance	1,617	1,718	3,320	2,776	20%
Selling and promotions	1,702	866	2,770	2,386	16%
Rent	2,255	860	954	1,060	-10%
Taxes and licenses	667	349	1,034	771	34%
Professional and other service fees	595	464	1,043	1,005	4%
Insurance and security	492	329	825	810	2%
Other operating expenses	1,349	561	1,740	1,548	12%
Cash operating expenses	10,567	9,124	18,178	16,352	11%
Depreciation	4,970	5,704	10,861	10,927	-1%
Provisions	437	1,531	1,968	2,176	-10%
Non-Cash operating expenses	5,407	7,235	12,829	13,103	-2%
Total operating expenses	15,974	16,359	31,007	29,455	5%
Cost of sales	3,271	-	3,271	6,599	-50%
Other expenses					
Financing cost	1,214	3,127	4,349	9,901	-56%
Asset impairment	-	-	-	85	-100%
Other expenses	1,214	3,127	4,349	9,986	-56%
Total Expenses	20,459	19,486	38,627	46,040	-16%

EBITDA Calculation

<i>(in million pesos)</i>	1H 2005			1H 2004	% Change
	Wireless	Fixed Line	Consolidated	Consolidated <i>(As Restated)</i>	
Income before tax	17,592	4,850	22,511	16,259	38%
Add back:					
Financing costs	1,214	3,127	4,349	9,901	-56%
Other income	(57)	(122)	(194)	(147)	32%
Depreciation	4,970	5,704	10,861	10,927	-1%
Asset impairment	-	-	-	85	-100%
EBITDA	23,719	13,559	37,527	37,025	1%

Financing Costs

<i>(in million pesos)</i>	1H 2005			1H 2004	% Change
	Wireless	Fixed Line	Consolidated	Consolidated <i>(As Restated)</i>	
Interest on Loans and related items	905	4,737	5,656	6,503	-13%
Accretion on financial liabilities	1,303	134	1,437	1,496	-4%
Hedge cost	-	557	557	567	-2%
Dividends on CPS	132	-	132	117	13%
Financing charges	48	26	74	86	-14%
Capitalized interest	(7)	(196)	(203)	(302)	-33%
Interest income	(543)	(193)	(741)	(468)	58%
Loss (gain) on derivative transactions, net	148	(1,335)	(1,187)	505	-335%
Foreign exchange losses (gains)	(772)	(603)	(1,376)	1,397	-198%
Total	1,214	3,127	4,349	9,901	-56%

EPS Computation

	2005		2004	
	Basic	Diluted	Basic	Diluted
Net Income	16,785	16,785	12,423	12,423
Dividends on preferred shares	(756)	(24)	(765)	(25)
Adjustments for preferred shares deemed dilutive				
Dividends on preferred stock subject to mandatory redemption charged to expense for the period	-	44	-	41
Accretion of preferred stock subject to mandatory redemption	-	152	-	223
Foreign exchange gain on preferred stock subject to mandatory redemptic	-	(474)	-	(32)
Net Income applicable to common shares	16,029	16,483	11,658	12,630
Outstanding common shares, beginning	170,214	170,214	169,476	169,476
Effect of issuance of common shares during the period	318	318	28	28
Weighted average number of shares under ESOP during the period	-	66	-	49
Common shares equivalent of preferred shares deemed dilutive:				
Preferred stock series A to FF	-	3,218	-	4,432
Global depository Stock Series III	-	7,908	-	7,907
Preferred stock series VII	-	3,842	-	3,842
Weighted average number of shares, end	170,532	185,566	169,504	185,734
EPS (based on reported net income)	94.00	88.83	68.78	68.00
EPS (based on net income before FX/derivative gains/losses)	83.77	79.43	76.91	75.42
Net income before FX and derivatives	15,042	15,042	13,801	13,801
Adjustments	(756)	(302)	(765)	207
Net Income applicable to common shares	14,286	14,740	13,036	14,008
Weighted average number of shares, end	170,532	185,566	169,504	185,734
EPS (based on net income before FX/derivative gains/losses)	83.77	79.43	76.91	75.42

Statement of Cash Flow

	1H 2005			1H 2004	% Change
	Wireless	Fixed Line	Consolidated	Consolidated <i>(As Restated)</i>	
<i>(in million pesos)</i>					
Net cash from operations	20,540	13,846	34,619	38,080	-9%
Less: Capital expenditures	(3,577)	(3,129)	(7,012)	(11,575)	-39%
Investments	(238)	-	(238)	(147)	62%
Interest, net	(364)	(4,556)	(4,924)	(5,871)	-16%
Dividends from Smart	-	14,000	-	-	-
Preferred share dividends	-	(591)	(591)	(601)	-2%
Others	3,846	1,530	5,545	(1,847)	-
Free cash flow	20,206	21,100	27,399	18,039	52%
Common share dividends	(14,000)	(2,372)	(2,372)	-	-
Principal repayments, net	(3,248)	(13,385)	(16,719)	(14,612)	14%
Change in cash	2,957	5,342	8,308	3,427	142%
Cash balance, beginning	14,422	12,350	27,321	19,372	41%
Cash balance, end	17,379	17,693	35,629	22,799	56%

Balance Sheet

<i>(in million pesos)</i>	Consolidated	
	June 30 2005	December 31 2004
Total Assets	<u>263,189</u>	<u>265,473</u>
Nominal Value of Total Debt	141,524	159,528
<i>in US\$*</i>	\$2,518	\$2,829
Less: Unamortized Debt Discount	<u>9,913</u>	<u>10,440</u>
Total Debt	<u>131,611</u>	<u>149,088</u>
Cash and short-term investments	35,656	31,194
Net Debt	<u>95,955</u>	<u>117,894</u>
Equity	<u>59,304</u>	<u>48,515</u>
Total Debt/Equity	<u>2.22x</u>	<u>3.07x</u>
Net Debt/Equity	<u>1.62x</u>	<u>2.43x</u>
Total Debt/EBITDA	<u>2.00x</u>	<u>2.27x</u>
Net Debt /EBITDA	<u>1.49x</u>	<u>1.82x</u>

(1) Leverage ratios are calculated based on nominal value of debts less cash and short-term investments



Interest-Bearing Liabilities

(in millions)	as of June 30, 2005			December 31, 2004	Change
	Carrying Value	Unamortized Debt Discount	Face Value	Face Value	
Debt					
PLDT	\$1,704	\$15	\$1,719	\$1,970	(\$251)
Smart	\$479	\$123	\$602	\$654	(\$52)
2014 Debt	\$157	\$123	\$280	280	\$0
Others	\$322	-	\$322	374	(\$52)
Piltel	\$94	\$33	\$127	\$127	\$0
Others	\$70	-	\$70	\$78	(\$8)
Total Debt	\$2,347	\$171	\$2,518	\$2,829	(\$311)
Preferred Stocks Subject to Mandatory Redemption					
Series V, VI & VII	\$261	\$85	\$346	\$391	(\$46)