



Press release

PILTEL

Nine Months' 2007 Core Net Income up 25% to ₱6.4 Billion

Reported Net Income at ₱5.7 Billion
Pre-Tax Income Doubles to ₱8.6 Billion
Subscriber Base at 8.3 million

- Core Net Income up 25% to ₱6.35 billion for the nine months this year versus ₱5.08 billion last year
- Reported Net Income for the first nine months lower at ₱5.7 billion due to higher provision for income tax and additional depreciation charges of ₱1.16 billion relating to Piltel's fixed line assets
- Income before Tax doubles to ₱8.59 billion from ₱4.27 billion last year
- EBITDA higher by 19% at ₱9.45 billion from ₱7.94 billion in same period 2006
- Core Earnings Per Share up by 27% from ₱0.41 to ₱0.52
- Service revenues increase 22% to ₱10.45 billion compared with ₱8.59 billion in first nine months of 2006
- Subscriber base now over 8.3 million; net additions of 1.37 million for first nine months of 2007
- Board approves redemption of Series J preferred shares and sale of fixed line business to PLDT, subject to regulatory approvals

Manila, Philippines, 5th November 2007 - Pilipino Telephone Corporation ("Piltel") (PSE: PLTL) today announced its financial results for the first nine months of 2007, with core net income, before exceptional items, up 25% to ₱6.35 billion in the first nine months of 2007 from ₱5.08 billion recorded for the same period in 2006. Reported net income stood at ₱5.7 billion compared with a net profit of ₱8.46 billion in 2006, due to higher provision for income tax this year (as opposed to an income tax benefit in 2006) and the additional depreciation relating to Piltel's fixed line assets in 2007 which further reduced the level of reported net income.

Pre-tax earnings more than doubled to ₱8.6 billion for the first nine months of 2007. The Company's stockholders' equity was a positive ₱17.5 billion as at 30th September 2007.

Earlier today, Piltel's Board of Directors approved the redemption of the Company's Series J preferred shares held by Philippine Long Distance Telephone Company ("PLDT"). These shares were issued at a price of ₱1,000 per share over the period 2000 to 2003 in relation to the Letter of Support

("LOS") executed by PLDT under the terms of Piltel's original debt restructuring and carry an effective dividend rate of 9% per annum. The shares will be redeemed at the original issue price for a total payment of ₱4.93 billion plus ₱ 195.9 million in accrued dividends up to the redemption date of 5th December 2007.

The Board also approved the sale of the Company's fixed line business to PLDT subject to the execution of a definitive agreement and fulfillment of certain closing conditions, including the procurement of the requisite regulatory approvals. The sale will allow Piltel to concentrate its resources on its wireless business and, at the same time, bring together the PLDT Group's local exchange carrier ("LEC") businesses to derive operating efficiencies, Piltel's 40,415 fixed line subscribers will benefit because of the upgrades being undertaken by PLDT on its own fixed line infrastructure. PLDT has been managing Piltel's fixed line business since July 2001 under a Facilities Management Agreement.

Operating Results

Piltel's total service and non-service revenues in the first nine months of 2007 grew 22% to ₱10.95 billion, compared with ₱8.98 billion for the same period in 2006, as a result of the continued growth in revenue contribution from the *Talk 'N Text* subscriber base. Piltel is the Philippines' third largest cellular operator with over 8.3 million subscribers. *Talk 'N Text* recorded approximately 1.37 million net subscriber additions in the first nine months of 2007.

GSM net service revenues increased by 25% to ₱10.0 billion in the first nine months of 2007, from ₱8.0 billion in 2006. GSM service revenues make up 96% of Piltel's net service revenues with fixed line service revenues of ₱445 million accounting for the balance of 4%.

SMS continues to be the main driver of the Company's revenues. Data revenues increased by 25%, from ₱5.1 billion in the first nine months of 2006 to ₱6.3 billion in 2007. Data revenues make up 63% of GSM service revenues.

Piltel's total expenses decreased by 47%, from ₱5.05 billion during the first nine months of 2006 to ₱2.69 billion in 2007 due mainly to the financing gain resulting from interest income recorded this year compared with last year's financing cost, which comprised interest expense and debt discount amortization. With the prepayment in full of restructured debts in December 2006 and the payment in full as well of its convertible bonds in March 2007, Piltel does not have any significant foreign currency-denominated liabilities which may be subject to revaluation. The debt payment also resulted in a significant reduction in interest and other debt-related expenses.

Cash operating expenses rose by 62% from ₱576 million in the first nine months of last year to ₱935 million this year. Selling and promotions increased by 126%, as the Company continued to utilize television advertising to solidify its brand equity and introduce its latest offerings.

The cost of handsets and SIM packs sold also rose by ₱114 million, or 26%, to ₱547 million, due mainly to a higher number of handsets and SIM packs sold. Non-service revenues, comprised of proceeds from the sale of handsets and SIM packs, grew correspondingly by 29% - from ₱390 million in the first nine months of 2006 to ₱501 million in 2007.

Non-cash operating expenses increased by 285%, from ₱407 million in the first nine months of 2006 to ₱1.57 billion in 2007, driven by the 309% increase in depreciation expense. The additional depreciation of ₱1.16 billion was a result of the change in the estimated useful lives of certain fixed line assets owing to the continuing upgrade and expansion of the fixed line network.

Piltel also recognized interest income of ₱350 million in the first nine months of 2007, derived principally from interest-bearing receivables from Smart Communications, Inc (“Smart”), a decrease compared with an interest income of ₱802 million for the same period in 2006. Piltel had collected a substantial portion of its receivables from Smart to fund Piltel’s debt prepayment. Piltel’s net receivables from Smart were reduced to ₱7.13 billion as at 30th September 2007 from ₱12.94 billion as at 30th September 2006.

Earnings before tax for the period doubled to ₱8.6 billion compared with ₱4.3 billion for 2006. However, for the first nine months of 2007, Piltel recorded a provision for income tax of ₱2.9 billion compared with an income tax benefit of ₱4.19 billion in 2006 when Piltel then possessed certain deferred tax benefits. The Company’s effective tax rate of 34% now approximates the statutory corporate income tax rate of 35%.

As a result of the increased tax rate, the Company’s Reported Net Income for the first nine months of 2007 was lower at ₱5.7 billion compared with ₱8.46 billion for 2006. However, core net income was higher at ₱6.35 billion, compared with ₱5.076 billion last year, an improvement of 25%.

Conclusion and Outlook

Piltel President and Chief Executive Officer Napoleon L Nazareno said: “Piltel continues to pursue measures to strengthen its core business. The redemption of the Series J preferred shares demonstrates the extent of Piltel’s turnaround – in addition to paying off all our debt, we are now able to return the Letter Of Support-related funds infused by PLDT during our debt restructuring period. This also effectively allows us to move into the next stage of Piltel’s transformation

which would be dividend payments to common shareholders which we expect to effect sometime next year. Moreover, the sale of the fixed line business will transform Piltel into a pure wireless operator and enable us to concentrate all our resources into making the Company even more profitable, focused, with strong cash flows being generated.”

<i>(In million pesos except EPS)</i>	Pilipino Telephone Corporation		
	For the Nine Months ended Sept 30,		
	2007	2006	% Change
Service revenues	10,453	8,589	22
Non-service revenues	501	390	29
Other income	335	340	(1)
Total Revenues	11,290	9,318	21
Expenses	2,695	5,046	(47)
Income before tax	8,595	4,272	101
Core Net income ^(a)	6,354	5,076	25
Reported Net income	5,698	8,458	(33)
EBITDA	9,448	7,941	19
Core Earnings Per Share	0.52	0.41	25

(a) *Net income excluding the net impact of FX gains/losses, deferred tax assets and additional depreciation*

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 Piltel’s business and results of operations. Although Piltel 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:

Deborah Anne Tan

Corporate Information Officer

Tel No: (632) 511-6121

Fax No: (632) 817-3345

dntan@smart.com.ph

www.piltel.com.ph