



May 5, 2008

**The Philippine Stock Exchange
Listing and Disclosure Group
4th Floor Philippine Stock Exchange Centre
Exchange Road, Ortigas Center
Pasig City**

Attention: **Mr. Pete M. Malabanan
Head, Disclosure Department**

Ladies and Gentlemen:

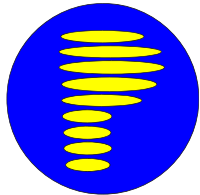
In compliance with Section 17.1(b) and Section 17.3 of the Securities Regulation Code, we submit herewith a press release entitled "1Q08 Core Net Income Rises 24% to ₱2.4 Billion".

This shall also serve as our disclosure letter for the purpose of complying with PSE Revised Disclosure Rules.

Thank you.

Very truly yours,

**DEBORAH ANNE N. TAN
Corporate Information/Investor Relations Officer**



Press release

PILTEL

1Q08 Core Net Income rises 24% to ₱2.4 Billion

Reported Net Income at ₱2.5 Billion, up 24%

Pre-Tax Income up 23% to ₱3.7 Billion

Subscriber Base at 11.5 million

- Core Net Income up 24% to ₱2.39 billion for 1Q08 versus ₱1.92 billion last year
- Reported Net Income also up 24% to ₱2.46 billion for the quarter
- Income before tax up 23% to ₱3.67 billion from ₱2.99 billion last year
- EBITDA higher by 22% at ₱3.51 billion from ₱2.89 billion in 2007
- Core Earnings Per Share up 33%, from ₱0.15 to ₱0.20
- Service revenues increase 24% to ₱3.87 billion compared with ₱3.13 billion in the first quarter of 2007
- Subscriber base now over 11.5 million; net additions of over 1.25 million for the quarter
- Board approves historic first dividend policy to common shareholders

Manila, Philippines, 5th May 2008 - Pilipino Telephone Corporation (“Piltel”) (PSE: PLTL) today announced its unaudited financial results for the first quarter of 2008, with Core Net Income, before exceptional items, up 24% to ₱2.39 billion in 2008 from ₱1.92 billion recorded in the same period in 2007. Reported Net Income stood at ₱2.46 billion compared with net income of ₱1.99 billion in the first three months of 2007, an improvement of 24% as well.

Earnings before income tax increased by 23% to ₱3.67 billion for the first three months of 2008. The Company’s retained earnings were ₱2.9 billion compared with ₱447 million at the end of 2007. Stockholders’ equity further grew to ₱17.5 billion as at 31st March 2008.

Operating Results

Piltel’s operating results are broken down into continuing operations, which pertain to the cellular business and discontinued operations, which relate to the fixed line business, the subject of a LEC Assets Sale and Purchase Agreement dated 4th December 2007 between Piltel and PLDT.

Results from Continuing Operations

Piltel’s total revenues for the first three months of 2008 grew 17% to ₱4.20 billion, compared with ₱3.57 billion for the same period in 2007, as a result of the substantial growth of the Talk ‘N Text subscriber base. Piltel is the Philippines’ third largest cellular operator. Talk ‘N Text recorded approximately 1.25 million

net subscriber additions in the first quarter of 2008 to end the period with 11.0 million subscribers. In April, its subscriber base surpassed the 11.5 million mark.

Service revenues grew 24% to ₱3.87 billion in 2008 from ₱3.13 billion in 2007. Data revenues increased by 31%, from ₱1.98 billion last year to ₱2.59 billion this year. Voice revenues were up as well by 11%, from ₱1.15 billion in 2007 to ₱1.28 billion in 2008 as a result of higher revenues on local calls.

Piltel also recognized interest income of ₱154 million in 2008, derived from higher levels of short-term investments and interest-bearing receivables from Smart Communications, Inc (“Smart”) - an increase of 79% compared with an interest income of ₱86 million in 2007.

Piltel’s total expenses decreased by 10%, from ₱586 million last year to ₱529 million this year. Cash operating expenses rose by 42% from ₱225 million in 2007 to ₱320 million in 2008 due mainly to higher selling and promotions, which increased by 44% from ₱163 million to ₱234 million as the Company continued to utilize more of television advertising to fortify its brand equity and introduce the latest product offerings.

The cost of cellular handsets and SIM packs declined by ₱130 million, or 54%, to ₱109 million in 2008 from ₱239 million in 2007 due mainly to the lower average cost of handsets and SIM cards. Non-service revenues, comprised of proceeds from the sale of cellular handsets and SIM packs, decreased correspondingly by 67% from ₱218 million in 2007 to ₱71 million in 2008.

Non-cash operating expenses decreased by 18%, from ₱122 million to ₱100 million due to a reduction in depreciation expense.

Earnings before tax for the period increased to ₱3.67 billion compared with ₱2.99 billion last year. However, Piltel recorded a higher provision for income tax - ₱1.28 billion compared with ₱1.06 billion in 2007 due to higher earnings.

Net income from continuing operations for the period increased to ₱2.39 billion compared with ₱1.93 billion, as a result of higher revenues and lower expenses.

Results from Discontinued Operations

Net income from discontinued operations increased by 20% to ₱67 million in 2008 compared with ₱56 million in 2007 due mainly to lower depreciation expense.

Conclusion and Outlook

Piltel President and Chief Executive Officer Napoleon L Nazareno said: “Piltel has demonstrated outstanding strength thus far in 2008 – our net additions of

close to 1.8 million for the first four months of the year are already 70% of our net additions for the whole of 2007. We will aim to sustain this strong performance for the balance of the year.

We are also pleased to announce that Piltel intends to declare an interim dividend to its common shareholders keyed off 2008 first half core earnings. As this dividend will be a historic first, the Company's Board of Directors has decided to mark this milestone by paying out approximately 100% of Piltel's core earnings for the first half of 2008. The relevant record and payment dates will be announced after the Company announces its 2008 first half financial results in early August.

The Board has also approved, as a matter of policy, regular dividend payments to its common shareholders with subsequent payout ratios subject to further evaluation based on the Company's cashflow requirements."

Pilipino Telephone Corporation				
Financial Highlights for the Quarter Ended March 31,				
<i>(In million pesos except EPS)</i>	2008	2007	Increase / (Decrease)	% Change
Service revenues	3,869	3,132	737	24
Interest income	154	86	68	79
Non-Service revenues	71	218	(147)	(67)
Other income	102	136	(34)	(25)
Total Revenues	4,196	3,572	624	17
Expenses	529	586	(57)	(10)
Income before income tax	3,667	2,986	681	23
Provision for income tax	1,276	1,057	219	21
Net Income from Continuing Operations	2,391	1,929	462	24
Net Income from Discontinued Operations	67	56	11	20
Reported Net Income	2,458	1,985	473	24
EBITDA ^(a)	3,513	2,889	624	22
Core Net Income ^(b)	2,392	1,923	469	24
Core Earnings Per Share	0.20	0.15	0.05	33

(a) Pertains to the cellular business.

(b) Reported net income excluding net income from discontinued operations and the net impact of foreign exchange losses.

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.

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PILIPINO TELEPHONE CORPORATION AND SUBSIDIARIES

(A Subsidiary of Smart Communications, Inc.)

CONSOLIDATED BALANCE SHEETS

AS AT MARCH 31, 2008 AND DECEMBER 31, 2007

(In Million Pesos, Except Par Value and Per Share Amounts)

	March 31, 2008 (Unaudited)	December 31, 2007 (Audited)
ASSETS		
Noncurrent Assets		
Property and equipment - net	2,185.8	1,559.5
Investment properties	444.7	444.7
Deferred income tax assets - net	378.5	1,426.6
Prepayments - net of current portion	93.6	25.6
Investments and other noncurrent assets	13.9	13.9
Total Noncurrent Assets	3,116.5	3,470.3
Current Assets		
Cash and cash equivalents	432.0	605.9
Short-term investments	9,532.5	5,555.3
Trade and other receivables - net	5,371.9	6,312.4
Inventories and supplies - at net realizable value	82.9	28.6
Current portion of prepayments	97.4	54.7
	15,516.7	12,556.9
Fixed line assets classified as held-for-sale	815.3	802.9
Total Current Assets	16,332.0	13,359.8
	19,448.5	16,830.1
EQUITY AND LIABILITIES		
Equity		
Preferred stock, Class I, ₱2 par value, authorized 120,000,000 shares; issued and outstanding 7,218,270 shares in 2008 and 2007; Class II, ₱1 par value, authorized 500,000,000 shares; no shares issued and outstanding	14.4	14.4
Common stock, ₱1 par value, authorized 12,060,000,000 shares; issued and outstanding 11,771,748,431 shares	11,771.7	11,771.7
Additional paid-in capital	2,800.6	2,800.6
Retained earnings	2,904.6	447.0
Cost of treasury stock held	(36.0)	(36.0)
Cumulative translation adjustment	0.3	0.3
Total Equity	17,455.6	14,998.0
Noncurrent Liabilities		
Asset retirement obligations	1.3	1.3
Total Noncurrent Liabilities	1.3	1.3
Current Liabilities		
Trade and other payables	1,093.8	1,060.7
Unearned revenue on co-location	301.6	402.1
Unearned revenue on sale of prepaid cards	321.6	321.6
Finance lease obligation	42.5	42.5
Income tax payable	231.5	3.3
	1,991.0	1,830.2
Liability directly associated with fixed line assets classified as held-for-sale	0.6	0.6
Total Current Liabilities	1,991.6	1,830.8
	19,448.5	16,830.1

PILIPINO TELEPHONE CORPORATION AND SUBSIDIARIES

(A Subsidiary of Smart Communications, Inc.)

CONSOLIDATED STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007

(In Million Pesos, Except Per Share Amounts)

	2008	2007
	(Unaudited)	
CONTINUING OPERATIONS		
Revenues		
Service revenues	3,868.7	3,131.3
Interest income	154.1	86.4
Sale of cellular handsets and SIM packs	71.4	218.3
Rent	101.1	100.0
Other income	1.0	35.9
	4,196.3	3,571.9
Expenses		
Selling and promotions	233.5	163.5
Cost of cellular handsets and SIM packs sold	109.3	238.9
Depreciation and amortization	100.3	122.1
Taxes and licenses	43.9	31.0
Professional and other service fees	14.2	1.5
Maintenance	10.9	15.2
Other expenses	17.4	13.5
	529.5	585.7
INCOME BEFORE INCOME TAX	3,666.8	2,986.2
PROVISION FOR INCOME TAX	1,276.3	1,057.2
NET INCOME FROM CONTINUING OPERATIONS	2,390.5	1,929.0
NET INCOME FROM DISCONTINUED OPERATIONS	67.1	56.3
NET INCOME FOR THE PERIOD	2,457.6	1,985.3
Earnings Per Common Share		
Basic	0.2087	0.1592
Diluted	0.2083	0.1587
Earnings Per Common Share From Continuing Operations		
Basic	0.2030	0.1544
Diluted	0.2026	0.1539
Earnings Per Common Share From Discontinued Operations		
Basic	0.0057	0.0048
Diluted	0.0057	0.0048

PILIPINO TELEPHONE CORPORATION AND SUBSIDIARIES

(A Subsidiary of Smart Communications, Inc.)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007

(In Million Pesos)

	Preferred Stock Class I	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Cumulative Translation Adjustment	Total
Balances at December 31, 2006	24.3	11,771.7	25,051.1	(22,241.0)	(36.0)	–	14,570.1
Equity restructuring	–	–	(22,250.5)	22,250.5	–	–	–
Net income for the period	–	–	–	1,985.3	–	–	1,985.3
Balances at March 31, 2007 (Unaudited)	24.3	11,771.7	2,800.6	1,994.8	(36.0)	–	16,555.4
Balances at December 31, 2007	14.4	11,771.7	2,800.6	447.0	(36.0)	0.3	14,998.0
Net income for the period	–	–	–	2,457.6	–	–	2,457.6
Balances at March 31, 2008 (Unaudited)	14.4	11,771.7	2,800.6	2,904.6	(36.0)	0.3	17,455.6

PILIPINO TELEPHONE CORPORATION

(A Subsidiary of Smart Communications, Inc.)

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007 (In Million Pesos)

	2008	2007
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	3,733.9	3,042.5
Adjustments:		
Depreciation and amortization	111.6	162.7
Provision for doubtful accounts	3.6	8.6
Interest expense	1.2	2.6
Foreign exchange loss (gain)	0.9	(7.9)
Gain on sale of property and equipment	(0.2)	(8.1)
Interest income	(154.1)	(86.4)
Charges to cost of sales	-	(0.1)
Gain on derivative transactions	-	(0.2)
Operating income before changes in assets and liabilities	3,696.9	3,113.7
Decrease (increase) in:		
Trade and other receivables	1,056.8	3,317.4
Inventories and supplies	(54.3)	(50.3)
Prepayments	(107.2)	(7.6)
Increase (decrease) in:		
Trade and other payables	32.1	(101.4)
Unearned revenue on co-location	(100.5)	(100.5)
Unearned revenue on sale of prepaid cards	-	106.2
Net cash generated from operations	4,523.8	6,277.5
Income taxes paid	(3.4)	(33.6)
Net cash provided by operating activities	4,520.4	6,243.9
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	28.3	8.7
Proceeds from sale of property and equipment	1.7	8.8
Additions to property and equipment	(746.0)	(109.1)
Additions to short-term investments	(3,977.2)	(6,133.6)
Net cash used in investing activities	(4,693.2)	(6,225.2)

(Forward)

	2008	2007
	(Unaudited)	
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends paid	(1.1)	–
Payments of long-term debt	–	(44.5)
Interest paid	–	(3.9)
Cash used in financing activities	(1.1)	(48.4)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	–	0.1
NET DECREASE IN CASH AND CASH EQUIVALENTS	(173.9)	(29.6)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	605.9	556.6
CASH AND CASH EQUIVALENTS AT END OF PERIOD	432.0	527.0