



March 4, 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:

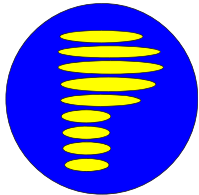
In compliance with Section 17.1(b) and Section 17.3 of the Securities Regulation Code, we submit herewith a press release entitled "2007 Core Net Income up 28% to ₱8.8 Billion".

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

2007 Core Net Income up 28% to ₱8.8 Billion

Reported Net Income at ₱8.3 Billion

Pre-Tax Income up 83% to ₱12.4 Billion

Subscriber Base over 10 million

- Core Net Income up 28% to ₱8.76 billion for 2007 versus ₱6.85 billion last year
- Reported Net Income for 2007 lower at ₱8.3 billion due to higher provision for income tax and additional depreciation charges relating to Piltel's fixed line assets
- Income before Tax up 83% to ₱12.41 billion from ₱6.78 billion last year
- EBITDA higher by 24% at ₱12.81 billion from ₱10.36 billion in 2006
- Core Earnings Per Share up by 31% from ₱0.54 to ₱0.71
- Service revenues increase 23% to ₱14.28 billion compared with ₱11.62 billion in 2006
- Subscriber base now over 10 million; net additions of over 2.73 million for 2007

Manila, Philippines, 4th March 2008 - Pilipino Telephone Corporation ("Piltel") (PSE: PLTL) today announced its audited financial results for 2007, with Core Net Income, before exceptional items, up 28% to ₱8.76 billion in 2007 from ₱6.85 billion recorded in 2006. Reported Net Income stood at ₱8.3 billion compared with a net income of ₱10.08 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 of ₱796 million relating to Piltel's fixed line assets in 2007 which further reduced the level of reported net income.

Pre-tax earnings increased by 83% to ₱12.41 billion for 2007. The Company's retained earnings were a positive ₱447 million compared to a deficit of ₱22.2 billion at the end of 2006 while stockholders' equity was a positive ₱15 billion as at 31st December 2007.

Operating Results

Piltel's total revenues in 2007 grew 21% to ₱15.31 billion, compared with ₱12.69 billion 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 Talk 'N Text recording approximately 2.73 million net subscriber additions in 2007 to end the year with 9.7 million subscribers. In January 2008, the Talk 'N Text subscriber base surpassed the 10 million mark.

Service revenues grew 23% to ₱14.28 billion while GSM net service revenues increased by 26% to ₱13.69 billion in 2007, from ₱10.87 billion in 2006. GSM service revenues make up 96% of Piltel's net service revenues with fixed line service revenues of ₱591 million accounting for the balance of 4%.

In November 2007, the Board of Directors approved the sale of the Company's fixed line business to PLDT. Pursuant to this approval, Piltel and PLDT executed an Asset Sale and Purchase Agreement dated 4th December 2007 covering the sale and purchase of assets relating to Piltel's fixed line business. The sale is still subject to the fulfillment of certain closing conditions, including the procurement of the requisite regulatory approvals. As a result of this transaction, certain adjustments have been made to comply with Philippine Financial Reporting Standard 5 whereby the fixed line assets identified in the agreement have been classified as "assets held for sale and discontinued operations". Please refer to the table at the end of Page 3 of this press release for a breakdown of financial highlights relating to both continuing and discontinued operations.

Data revenues increased by 25%, from ₱6.97 billion in 2006 to ₱8.68 billion in 2007. Voice revenues were up as well by 28%, from ₱3.9 billion in 2006 to ₱5.0 billion in 2007, as a result of higher international long distance revenues.

Piltel's total expenses decreased by 51%, from ₱5.91 billion during 2006 to ₱2.9 billion in 2007 due mainly to the financing gain 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's interest and other debt-related expenses have been significantly reduced.

Cash operating expenses rose by 52% from ₱0.89 billion in 2006 to ₱1.35 billion in 2007. Selling and promotions increased by 74%, 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 declined by ₱25 million, or 4%, to ₱683 million, due mainly to a lower average cost of SIM cards. Non-service revenues, comprised of proceeds from the sale of handsets and SIM packs, decreased correspondingly by 4% - from ₱625 million in 2006 to ₱598 million in 2007.

Non-cash operating expenses increased by 77%, from ₱797 million in 2006 to ₱1.4 billion in 2007, driven by the 168% increase in depreciation expense. An additional depreciation expense of ₱796 million was recognized in 2007 as 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 ₱523 million in 2007, derived principally from interest-bearing receivables from Smart Communications, Inc ("Smart"), a decrease compared with an interest income of ₱999 million in 2006. Piltel had collected a substantial portion of its receivables from Smart to fund Piltel's debt

prepayment in 2006. Piltel's net receivable from Smart was ₱6.2 billion as at 31st December 2007.

Earnings before tax for the period increased to ₱12.41 billion compared with ₱6.78 billion for 2006. However, in 2007, Piltel recorded a provision for income tax of ₱4.0 billion compared with an income tax benefit of ₱3.3 billion in 2006 when Piltel then recognized certain deferred tax benefits. The Company's effective tax rate of 33% now approximates the statutory corporate income tax rate of 35%.

As a result of the increased income tax provision, the Company's Reported Net Income for the year ended 31st December 2007 was lower at ₱8.3 billion compared with ₱10.1 billion for 2006. However, Core Net Income was higher at ₱8.76 billion, compared with ₱6.85 billion last year, an improvement of 28%.

Conclusion and Outlook

Piltel President and Chief Executive Officer Napoleon L Nazareno said: "2007 proved to be an excellent year for Piltel as it recorded significant gains across all operating metrics. Our subscriber base surpassed the 10 million mark at the end of January this year, an encouraging sign of continued growth despite the high penetration rates. We continue to pursue measures to strengthen our core business and increase retained earnings such that we can declare dividend payments to common shareholders later this year. Piltel has ceased to be a "turnaround" story – we are now about sustaining strength and growth."

Pilipino Telephone Corporation							
Audited Financial Highlights for the Year ended December 31							
<i>(In million pesos except EPS)</i>	2007			2006			% Change on Total
	Continuing operations	Discontinued operations^(a)	Total	Continuing operations	Discontinued operations^(b)	Total	
Service revenues	13,687	591	14,278	10,876	742	11,618	23
Non-Service revenues	598	–	598	625	–	625	(4)
Other income	433	2	435	436	9	445	(2)
Total Revenues	14,718	593	15,311	11,937	751	12,688	21
Expenses	1,811	1,087	2,898	5,497	410	5,907	(51)
Income (loss) before tax	12,907	(494)	12,413	6,440	341	6,781	83
Core Net Income ^(c)			8,755			6,851	28
Reported Net Income			8,298			10,079	(18)
EBITDA			12,810			10,361	24
Core Earnings Per Share			0.71			0.54	31

(a) Represents the results of operations of the fixed line business.

(b) For comparative purposes only.

(c) 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

PILIPINO TELEPHONE CORPORATION AND SUBSIDIARIES

(A Subsidiary of Smart Communications, Inc.)

CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2007 AND 2006

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

	2007	2006
ASSETS		
Noncurrent Assets		
Property and equipment - net	1,559.5	3,400.1
Investment properties	444.7	445.9
Deferred income tax assets - net	1,426.6	5,538.0
Prepayments - net of current portion	25.6	33.6
Investments and other noncurrent assets	13.9	13.5
Total Noncurrent Assets	3,470.3	9,431.1
Current Assets		
Cash and cash equivalents	605.9	556.6
Short-term investments	5,555.3	465.0
Trade and other receivables - net	6,312.4	6,234.7
Inventories and supplies - at net realizable value	28.6	56.4
Current portion of prepayments	54.7	262.0
	12,556.9	7,574.7
Fixed line assets classified as held-for-sale	802.9	-
Total Current Assets	13,359.8	7,574.7
	16,830.1	17,005.8
EQUITY AND LIABILITIES		
Equity (Note 16)		
Preferred stock, Class I, ₱2 par value, authorized 120,000,000 shares; issued and outstanding 7,218,270 shares in 2007 and 12,145,363 shares in 2006; Class II, ₱1 par value, authorized 500,000,000 shares; no shares issued and outstanding	14.4	24.3
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	25,051.1
Retained earnings (deficit)	447.0	(22,241.0)
Cost of treasury stock held	(36.0)	(36.0)
Cumulative translation adjustment	0.3	-
Total Equity	14,998.0	14,570.1
Noncurrent Liabilities		
Asset retirement obligations	1.3	-
Unearned revenue on co-location - net of current portion	-	402.1
Total Noncurrent Liabilities	1.3	402.1
Current Liabilities		
Trade and other payables	1,060.7	1,054.1
Current portion of unearned revenue on co-location	402.1	402.1
Unearned revenue on sale of prepaid cards	321.6	249.9
Interest-bearing financial liabilities	42.5	87.7
Income tax payable	3.3	239.8
	1,830.2	2,033.6
Liability directly associated with fixed line assets classified as held-for-sale	0.6	-
Total Current Liabilities	1,830.8	2,033.6
	16,830.1	17,005.8

See accompanying Notes to Consolidated Financial Statements.

PILIPINO TELEPHONE CORPORATION AND SUBSIDIARIES*(A Subsidiary of Smart Communications, Inc.)***CONSOLIDATED STATEMENTS OF INCOME****FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005***(In Million Pesos, Except Per Share Amounts)*

	2007	2006	2005
CONTINUING OPERATIONS			
Revenues			
Service revenues	13,686.9	10,875.7	9,685.4
Sale of handsets and SIM packs	597.8	625.3	600.0
Other income	433.7	436.1	1,371.3
	14,718.4	11,937.1	11,656.7
Expenses			
Selling and promotions	753.8	433.1	564.3
Cost of handsets and SIM packs sold	682.9	708.3	937.1
Depreciation and amortization	513.0	347.8	271.9
Taxes and licenses	116.0	111.8	256.5
Professional and other service fees	108.8	6.8	12.8
Maintenance	49.2	50.7	27.5
Insurance and security services	16.2	13.9	7.0
Rent	6.1	3.9	21.4
Loss on fair value adjustments	1.2	247.3	–
Write-down of inventories at net realizable value	0.7	7.4	45.4
Financing costs (gains)	(528.3)	3,516.7	(1,202.7)
Other expenses	92.2	49.7	71.0
	1,811.8	5,497.4	1,012.2
INCOME BEFORE INCOME TAX	12,906.6	6,439.7	10,644.5
PROVISION FOR (BENEFIT FROM) INCOME TAX	4,114.6	(3,297.6)	(2,430.3)
NET INCOME FROM CONTINUING OPERATIONS	8,792.0	9,737.3	13,074.8
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS	(494.0)	341.7	383.9
NET INCOME FOR THE YEAR	8,298.0	10,079.0	13,458.7
Earnings Per Common Share			
Basic	0.67	0.82	1.11
Diluted	0.67	0.81	1.10
Earnings Per Common Share For Continuing Operations			
Basic	0.71	0.79	1.07
Diluted	0.71	0.79	1.07
Earnings Per Common Share For Discontinued Operations			
Basic	(0.04)	0.03	0.04
Diluted	(0.04)	0.02	0.03

See accompanying Notes to Consolidated Financial Statements.

PILIPINO TELEPHONE CORPORATION AND SUBSIDIARIES

(A Subsidiary of Smart Communications, Inc.)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005

(In Million Pesos)

	Preferred Stock Class I	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Treasury Stock	Cumulative Translation Adjustment	Total
Balances at December 31, 2004	24.3	11,771.7	25,051.1	(45,778.7)	(36.0)	–	(8,967.6)
Net income for the year	–	–	–	13,458.7	–	–	13,458.7
Balances at December 31, 2005	24.3	11,771.7	25,051.1	(32,320.0)	(36.0)	–	4,491.1
Balances at December 31, 2005	24.3	11,771.7	25,051.1	(32,320.0)	(36.0)	–	4,491.1
Net income for the year	–	–	–	10,079.0	–	–	10,079.0
Balances at December 31, 2006	24.3	11,771.7	25,051.1	(22,241.0)	(36.0)	–	14,570.1
Balances at December 31, 2006	24.3	11,771.7	25,051.1	(22,241.0)	(36.0)	–	14,570.1
Equity restructuring <i>(Note 16)</i>	–	–	(22,250.5)	22,250.5	–	–	–
Redemption of Series J shares <i>(Note 16)</i>	(9.9)	–	–	(4,917.2)	–	–	(4,927.1)
Cash dividends declared <i>(Note 16)</i>	–	–	–	(2,943.3)	–	–	(2,943.3)
Net income for the year	–	–	–	8,298.0	–	–	8,298.0
Net gains recognized directly in equity	–	–	–	–	–	0.3	0.3
Balances at December 31, 2007	14.4	11,771.7	2,800.6	447.0	(36.0)	0.3	14,998.0

See accompanying Notes to Consolidated Financial Statements.

PILIPINO TELEPHONE CORPORATION AND SUBSIDIARIES*(A Subsidiary of Smart Communications, Inc.)***CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007, 2006 AND 2005
(In Million Pesos)**

	2007	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	12,412.6	6,781.4	11,028.4
Adjustments:			
Depreciation and amortization	1,361.2	507.8	461.4
Provision for doubtful accounts	34.9	34.1	39.2
Write-down of inventories at net realizable value	0.7	7.4	45.4
Loss (gain) on sale of property and equipment	27.1	(12.8)	(34.7)
Interest expense	5.4	732.0	942.2
Loss on fair value adjustments	1.2	247.3	–
Asset retirement obligation	0.5	–	–
Amortization of debt discount and debt prepayment cost	–	4,119.6	686.5
Dividend income	–	(0.6)	–
Charges to cost of sales	(1.9)	(19.4)	(65.0)
Foreign exchange gain	(11.7)	(336.7)	(1,842.3)
Interest income	(522.6)	(998.8)	(989.8)
Operating income before working capital changes	13,307.4	11,061.3	10,271.3
Decrease (increase) in:			
Trade and other receivables	76.6	13,058.2	(7,169.1)
Inventories and supplies	28.9	98.4	52.2
Prepayments	19.1	206.5	78.8
Increase (decrease) in:			
Trade and other payables	15.2	(1,066.5)	(1,017.4)
Unearned revenue on co-location	(402.1)	(402.1)	(402.1)
Unearned revenue on sale of prepaid cards	71.7	94.1	(72.0)
Net cash generated from operations	13,116.8	23,049.9	1,741.7
Income taxes paid	(43.6)	(214.8)	(297.2)
Net cash provided by operating activities	13,073.2	22,835.1	1,444.5
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to short-term investments	(5,090.3)	(465.0)	–
Additions to property and equipment	(290.5)	(354.2)	(911.6)
Interest received	248.2	96.6	7.4
Proceeds from sale of property and equipment	26.0	60.9	32.2
Decrease (increase) in investments and other noncurrent assets	(0.1)	64.4	0.7
Dividends received	–	0.6	–
Net cash used in investing activities	(5,106.7)	(596.7)	(871.3)

(Forward)

	2007	2006	2005
CASH FLOWS FROM FINANCING ACTIVITIES			
Redemption of preferred shares	(4,927.1)	–	–
Cash dividends paid	(2,941.5)	–	–
Payments of long-term debt	(44.6)	(21,215.5)	(23.1)
Interest paid	(4.7)	(821.3)	(924.1)
Cash used in financing activities	(7,917.9)	(22,036.8)	(947.2)
EFFECT OF FOREIGN EXCHANGE RATE			
CHANGES ON CASH AND CASH EQUIVALENTS	0.7	10.7	(5.1)
NET INCREASE (DECREASE) IN CASH			
AND CASH EQUIVALENTS	49.3	212.3	(379.1)
CASH AND CASH EQUIVALENTS			
AT BEGINNING OF YEAR	556.6	344.3	723.4
CASH AND CASH EQUIVALENTS			
AT END OF YEAR	605.9	556.6	344.3

See accompanying Notes to Consolidated Financial Statements.ass.s.s..