



August 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:

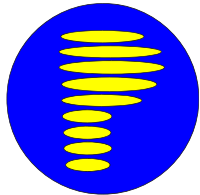
In compliance with Section 17.1(b) and Section 17.3 of the Securities Regulation Code, we submit herewith a press release entitled "1H08 Core Net Income rises to ₱5.14 Billion".

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

1H08 Core Net Income rises to ₱5.14 Billion

Historic First Dividend Declaration

Reported Net Income at ₱5.2 Billion, up 46%

Pre-Tax Income up 24% to ₱7.8 Billion

Subscriber Base at 12.5 million

- Core Net Income up 15% to ₱5.14 billion for 1H08 versus ₱4.49 billion last year
- Reported Net Income increases to ₱5.2 billion for 1H08, up 46% versus 1H07
- Income before tax up 24% to ₱7.83 billion from ₱6.29 billion last year
- EBITDA higher by 22% at ₱7.5 billion from ₱6.16 billion in 2007
- Core Earnings Per Share up 21% to ₱0.4369 from ₱0.3624 in the first half of 2007
- Service revenues increase 22% to ₱8.17 billion compared with ₱6.72 billion in the first half of 2007
- Subscriber base now over 12.5 million; net additions of over 1.5 million for the second quarter
- Interim dividend represents approximately 100% of 1H08 core earnings

Manila, Philippines, 4th August 2008 - Pilipino Telephone Corporation (“Piltel”) (PSE: PLTL) today announced its unaudited financial results for the first half of 2008, with Core Net Income, before exceptional items, up 15% to ₱5.14 billion in 2008 from ₱4.49 billion recorded in the same period in 2007. Reported Net Income stood at ₱5.2 billion compared with net income of ₱3.56 billion in the first six months of 2007, an improvement of 46%.

Earnings before income tax increased by 24% to ₱7.83 billion for the first half of 2008. The Company’s retained earnings were ₱5.65 billion compared with ₱447 million at the end of 2007. Stockholders’ equity further grew to ₱20.2 billion as at 30th June 2008.

Earlier today, the Company’s Board of Directors declared an interim cash dividend of ₱0.43 per share to common shareholders of record as of 15th August 2008. Payment date is set for 12th September 2008. “I am extremely pleased to reward the patience of our common shareholders with Piltel’s first ever cash dividend. This interim payout represents approximately 100% of Piltel’s first half earnings and should translate into a healthy return after the declaration of the final dividend early next year. It should be noted that this dividend payout will not just benefit Piltel’s minority shareholders but PLDT’s as well, as the dividends flow through Smart Communications Inc. (“Smart”) and on to PLDT,” declared **Manuel V. Pangilinan, Piltel Chairman**.

Operating Results

With the sale and transfer of Piltel's fixed line business to PLDT having been completed on 4th June 2008, the Company's operating results now consist solely of its cellular business.

Piltel is the Philippines' third largest cellular operator. Talk 'N Text recorded approximately 1.5 million net subscriber additions in the second quarter of 2008 to end the period with 12.5 million subscribers. Net activations for the first half of 2008 reached 2.78 million compared with 985,000 for the same period in 2007.

Service revenues grew 22% to ₱8.17 billion in 2008 from ₱6.72 billion in 2007. Data revenues increased by 28%, from ₱4.25 billion last year to ₱5.44 billion this year as bucket-priced text messaging revenues grew by 86% from last year's level, partly offset by the decrease in standard text messaging revenues. Data revenues make up 65% of GSM service revenues. Voice revenues were up as well by 11%, from ₱2.47 billion in 2007 to ₱2.73 billion in 2008 as a result of higher revenues on both local and international calls.

Piltel also recognized interest income of ₱343 million in 2008, derived from higher levels of short-term investments and interest-bearing receivables from Smart - an increase of 84% compared with an interest income of ₱186 million in 2007.

Piltel's total expenses decreased by 16%, from ₱1.25 billion last year to ₱1.05 billion this year. Cash operating expenses rose by 17% from ₱502 million in 2007 to ₱587 million in 2008 due mainly to higher levels of rent, taxes and licenses as well as professional and other service fees. Selling and promotions decreased by 7% from ₱371 million to ₱346 million as the Company reduced its television advertising efforts.

The cost of cellular handsets and SIM packs declined by ₱213 million, or 48%, to ₱234 million in the first half of 2008 from ₱447 million for the same period 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 59% from ₱398 million in 2007 to ₱162 million in 2008.

Non-cash operating expenses decreased by 25%, from ₱303 million to ₱226 million due to a reduction in depreciation expense.

Earnings before tax for the period increased to ₱7.83 billion compared with ₱6.29 billion last year. However, Piltel recorded a higher provision for income tax - ₱2.69 billion compared with ₱1.8 billion in 2007 due to higher earnings.

Net income from continuing operations for the period increased to ₱5.14 billion compared with ₱4.5 billion, as a result of higher revenues and lower expenses.

Net income from discontinued operations increased to ₱62 million in 2008 compared with a loss of ₱941 million in 2007 due mainly to lower depreciation expense.

Conclusion and Outlook

Piltel President and Chief Executive Officer Napoleon L Nazareno said: “Despite the tough economic times, Piltel has proven to be resilient with sustained growth both in subscriber and revenue terms. Bearing in mind that the markets we serve are those hardest hit by price increases, we are striving to make the situation easier for our customers by continuing to offer increasingly affordable load packages. Our Gaan Txt packages offer SMS rates of as low as ₱0.20 per text while our Gaan Talk allows voice calls for ₱1.00 per minute. Finally, to echo our Chairman’s comment, I am very pleased that we are finally able to pay dividends to our common shareholders. The total dividend payout amount of ₱5.1 billion is substantial and indicative of Piltel’s financial strength.”

<i>(In million pesos except EPS)</i>	Pilipino Telephone Corporation			
	Financial Highlights for the Six Months Ended June 30,			
	2008	2007	Increase / (Decrease)	% Change
Service revenues	8,171	6,719	1,452	22
Interest income	343	186	157	84
Non-Service revenues	162	398	(236)	(59)
Other income	202	242	(40)	(16)
Total Revenues	8,878	7,545	1,333	18
Expenses	1,047	1,252	(205)	(16)
Income before income tax	7,831	6,293	1,537	24
Provision for income tax	2,689	1,797	892	50
Net Income from Continuing Operations	5,143	4,497	646	14
Net Income (Loss) from Discontinued Operations	62	(941)	1,003	107
Reported Net Income	5,205	3,556	1,648	46
EBITDA ^(a)	7,502	6,161	1,341	22
Core Net Income ^(a)	5,144	4,489	655	15
Core Earnings Per Share	0.4388	0.3344	0.1049	31

(a) Pertains to the cellular business.

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PILIPINO TELEPHONE CORPORATION AND SUBSIDIARIES

(A Subsidiary of Smart Communications, Inc.)

CONSOLIDATED BALANCE SHEETS

AS AT JUNE 30, 2008 AND DECEMBER 31, 2007

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

	June 30, 2008 (Unaudited)	December 31, 2007 (Audited)
ASSETS		
Noncurrent Assets		
Property and equipment - net	2,129.7	1,559.5
Investment properties	402.7	444.7
Deferred income tax assets - net	243.6	1,426.6
Prepayments - net of current portion	98.4	25.6
Investments and other noncurrent assets	13.8	13.9
Total Noncurrent Assets	2,888.2	3,470.3
Current Assets		
Cash and cash equivalents	5,990.3	605.9
Short-term investments	6,585.3	5,555.3
Investment in debt securities	538.5	-
Trade and other receivables - net	7,007.6	6,312.4
Inventories and supplies - at net realizable value	94.1	28.6
Current portion of prepayments	86.0	54.7
	20,301.8	12,556.9
Fixed line assets classified as held-for-sale	-	802.9
Total Current Assets	20,301.8	13,359.8
	23,190.0	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	5,651.5	447.0
Cost of treasury stock held	(36.0)	(36.0)
Cumulative translation adjustment	0.3	0.3
Total Equity	20,202.5	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	1,174.4	1,060.7
Unearned revenue on co-location	201.0	402.1
Unearned revenue on sale of prepaid cards	291.1	321.6
Finance lease obligation	42.5	42.5
Income tax payable	1,277.2	3.3
	2,986.2	1,830.2
Liability directly associated with fixed line assets classified as held-for-sale	-	0.6
Total Current Liabilities	2,986.2	1,830.8
	23,190.0	16,830.1

PILIPINO TELEPHONE CORPORATION AND SUBSIDIARIES

(A Subsidiary of Smart Communications, Inc.)

CONSOLIDATED STATEMENTS OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2008 AND 2007

(In Million Pesos, Except Per Share Amounts)

	Six months ended June 30, 2008	2007	Three months ended June 30, 2008	2007
			(Unaudited)	
CONTINUING OPERATIONS				
Revenues				
Service revenues	8,171.0	6,719.1	4,302.3	3,587.8
Interest income	343.0	186.0	188.9	99.6
Rent	200.6	199.2	99.5	99.2
Sale of cellular handsets and SIM packs	162.0	398.0	90.6	179.7
Other income	1.5	42.8	0.5	6.9
	8,878.1	7,545.1	4,681.8	3,973.2
Expenses				
Selling and promotions	346.1	371.0	112.6	207.5
Cost of cellular handsets and SIM packs sold	234.0	447.1	124.7	208.2
Depreciation and amortization	211.4	302.1	111.1	180.0
Taxes and licenses	83.9	56.6	40.0	25.6
Rent	62.6	2.5	60.3	1.8
Professional and other service fees	38.9	2.0	24.7	0.5
Maintenance	26.3	29.4	15.4	14.2
Write-down of inventories to net realizable values	14.9	0.7	14.9	0.7
Other expenses	29.0	40.2	13.9	27.4
	1,047.1	1,251.6	517.6	665.9
INCOME BEFORE INCOME TAX	7,831.0	6,293.5	4,164.2	3,307.3
PROVISION FOR INCOME TAX	2,688.5	1,796.8	1,412.2	739.6
NET INCOME FROM CONTINUING OPERATIONS	5,142.5	4,496.7	2,752.0	2,567.7
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS	62.0	(940.7)	(5.1)	(997.0)
NET INCOME FOR THE PERIOD	5,204.5	3,556.0	2,746.9	1,570.7
Earnings Per Common Share				
Basic	0.4421	0.2832	0.2334	0.1240
Diluted	0.4410	0.2823	0.2328	0.1236
Earnings Per Common Share From Continuing Operations				
Basic	0.4368	0.3631	0.2338	0.2087
Diluted	0.4358	0.3619	0.2332	0.2080
Earnings Per Common Share From Discontinued Operations				
Basic	0.0053	(0.0799)	(0.0004)	(0.0847)
Diluted	0.0052	(0.0796)	(0.0004)	(0.0844)

PILIPINO TELEPHONE CORPORATION AND SUBSIDIARIES

(A Subsidiary of Smart Communications, Inc.)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 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	–	–	–	3,556.0	–	–	3,556.0
Balances at June 30, 2007 (Unaudited)	24.3	11,771.7	2,800.6	3,565.5	(36.0)	–	18,126.1
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	–	–	–	5,204.5	–	–	5,204.5
Balances at June 30, 2008 (Unaudited)	14.4	11,771.7	2,800.6	5,651.5	(36.0)	0.3	20,202.5

PILIPINO TELEPHONE CORPORATION*(A Subsidiary of Smart Communications, Inc.)***CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE SIX MONTHS ENDED JUNE 30, 2008 AND 2007***(In Million Pesos)*

	<u>2008</u>	<u>2007</u>
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	7,893.0	5,352.8
Adjustments:		
Depreciation and amortization	230.7	1,434.1
Provision for doubtful accounts	2.8	14.9
Write-down of inventories to net realizable values	14.9	0.7
Interest expense	2.8	3.6
Foreign exchange loss (gain)	2.2	(10.4)
Loss (gain) on sale of property and equipment	(0.6)	5.6
Interest income	(343.0)	(186.0)
Charges to cost of sales	(9.9)	(0.2)
Gain on derivative transactions	–	(0.3)
Operating income before changes in assets and liabilities	7,792.9	6,614.8
Decrease (increase) in:		
Trade and other receivables	(489.2)	1,186.8
Inventories and supplies	(70.5)	(42.0)
Prepayments	(101.7)	14.5
Increase (decrease) in:		
Trade and other payables	148.2	(107.7)
Unearned revenue on co-location	(200.1)	(200.1)
Unearned revenue on sale of prepaid cards	(31.6)	(78.8)
Net cash generated from operations	7,048.0	7,387.5
Income taxes paid	(233.8)	(36.2)
Net cash provided by operating activities	6,814.2	7,351.3
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of short-term investments	5,555.3	5,450.4
Interest received	137.0	55.7
Proceeds from sale of property and equipment	4.1	10.8
Increase in investments and refundable deposits	–	(0.1)
Purchase of investment in debt securities	(538.3)	–
Proceeds from sale of fixed line assets classified as held-for-sale	791.6	–
Additions to property and equipment	(793.1)	(114.4)
Additions to short-term investments	(6,585.3)	(12,923.0)
Net cash used in investing activities	(1,428.7)	(7,520.6)

(Forward)

	2008	2007
	(Unaudited)	
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends paid	(1.1)	–
Proceeds from derivative transactions	–	0.3
Payments of long-term debt	–	(44.6)
Interest paid	–	(4.8)
Cash used in financing activities	(1.1)	(49.1)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	–	3.6
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	5,384.4	(214.8)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		
	605.9	556.6
CASH AND CASH EQUIVALENTS AT END OF PERIOD		
	5,990.3	341.8