



PILTEL

March 1, 2010

THE PHILIPPINE STOCK EXCHANGE
Listing and Disclosure Group
4th Floor Philippine Stock Exchange Centre
Exchange Road, Ortigas Center
Pasig City

Attention: **Ms. Janet A. Encarnacion**
Head, Disclosure Department

Gentlemen:

In compliance with Section 17.1(b) and Section 17.3 of the Securities Regulation Code, we submit herewith a press release entitled "FY09 Core Net Income at ₱8.7 Billion".

This shall serve as our disclosure for the purpose of complying with Section 6 of the Revised Disclosure Rules of the Philippine Stock Exchange.

Thank you.

Very truly yours,

AILEEN M. MALTO
Controller



Press release

PILTEL

FY09 Core Net Income at ₱8.7 Billion

Reported Net Income Up to ₱17.9 Billion

Cash Dividend of ₱0.85/share declared

Meralco shareholding to be consolidated with MPIC's in new holding company

- Reported Net Income increases to ₱17.9 billion, 57% higher than ₱11.3 billion in 2008 primarily as a result of:
 - Gain on sale of the GSM business of ₱7.6 billion (net of tax)
 - Gain on derivative asset of ₱1.2 billion
- Core Net Income down 23% to ₱8.7 billion versus ₱11.3 billion last year
 - Core Earnings from Continuing Operations at ₱975 million, up 138% from ₱409 million in 2008
 - Core Earnings from Discontinued Operations at ₱7.7 billion, down 29% from ₱10.9 billion in 2008

Manila, Philippines, 1st March 2010 - Pilipino Telephone Corporation ("Piltel") (PSE: PLTL) today announced that Core Net Income, before exceptional items, declined by 23% to ₱8.7 billion in 2009 from ₱11.3 billion recorded in 2008, before the effect of the gains arising from the sale of the GSM business and derivative transactions. The decline in Core Net Income is attributable to the GSM business having been sold in August 2009 and resulting in only 7.5 months of operations reflected in 2009's financial results versus the full year take-up in 2008.

Reported Net Income improved by 57% to ₱17.9 billion compared with a Reported Net Income of ₱11.3 billion in 2008, due to the one-time net gain of ₱7.6 billion from the sale of the GSM business and the mark-to-market gain of ₱1.2 billion recognized on the derivative asset linked to the Exchangeable Note related to Piltel's acquisition of Meralco.

Reported Net Income benefited as well from the reduction in the statutory tax rate from 35% in 2008 to 30% in 2009 and the application of the optional standard deduction method in computing Piltel's net taxable income.

Core Earnings per Share was at ₱0.74 compared with ₱0.96 in 2008.

Earlier today, the Company's Board of Directors declared a cash dividend of ₱0.85 per share to common shareholders of record as of 15th March 2010. Payment date is set for 30th March 2009.

Meralco

Meralco's consolidated Reported Net Income for 2009 increased to ₱6.0 billion, 114% higher than the ₱2.8 billion realized in 2008 while its Consolidated Core Net Income, which excludes one-time, exceptional charges, stood at ₱7.0 billion, which is 169% better than the Core Net Income in 2008 of ₱ 2.6 billion. The improvement is attributable mainly to a slightly higher volume of energy sold and to an adjustment in distribution rates, which took effect in May 2009.

Meralco's earnings for the period 15th July to 31st December 2009 approximated ₱2.5 billion. Having acquired the Meralco shares on 15th July 2009, Piltel's 20% equity share in that period's earnings, net of acquisition-related adjustments aggregating ₱100.2 million, amounted to ₱398.1 million. Piltel received dividends from Meralco amounting to ₱334.5 million, accounted for as a reduction of Piltel's investment in Meralco.

Meralco's consolidated revenues, in which electricity accounts for 97% of the total, decreased slightly by 3.6% due primarily to a ₱0.69 per kWh decrease in average generation and transmission charges, partially offset by the increase in kilowatthour-consumption for the year and the implementation of the PBR (Performance-Based Regulation)-based rate of ₱0.257 per kWh-adjustment starting May 2009, Meralco's first distribution rate adjustment after almost six (6) years.

Total cost and expenses amounted to ₱175.6 billion in 2009 or 5.9% lower, compared with ₱186.6 billion in 2008.

Discontinued Operations

Piltel's financial report for 2009 reflects the results of its GSM cellular business only until 16th August 2009 as the sale and transfer of that business to Smart was finalized on that date. Accordingly, net income from that business is reported as "Net income from discontinued operations".

Balance Sheet

Total stockholders' equity rose to ₱32.4 billion compared with ₱21.0 billion at the end of 2008. Piltel is now 99.5% owned by Smart.

Consolidation of Meralco stake in Beacon Electric

In a separate but related disclosure, Piltel also announced that it has executed an Omnibus Agreement with Metro Pacific Investments Corporation ("MPIC") and Rightlight Holdings, Inc ("RHI"), a newly organized special purpose company with the sole purpose of holding Piltel and MPIC's shares in Meralco, and which will be renamed Beacon Electric Asset Holdings, Inc ("Beacon Electric"), pursuant to

which Piltel and MPIC have agreed to restructure their current shareholdings in Meralco. Please see the attached joint announcement of MPIC and Piltel for more details.

Conclusion

"As disclosed in a separate document, we have undertaken to strengthen our ownership in Meralco by joining forces with Metro Pacific Investment Corporation in consolidating our Meralco holdings in Beacon Electric. The combined holdings will make Beacon Electric one of Meralco's largest shareholders and ensure that we have a stronger voice in the strategic and operational decisions of Meralco," stated **Napoleon L. Nazareno**, President and CEO of Piltel.

Pilipino Telephone Corporation				
Financial Highlights for the Year Ended December 31,				
<i>(In million pesos except EPS)</i>	2009	2008	Increase / (Decrease)	% Change
Continuing Operations				
Equity Share in Meralco Net Income	398	-	398	100
Other Income	1,564	501	1,063	212
Income before income tax	1,962	501	1,461	292
Provision for income tax	58	93	(35)	(38)
Net Income from Continuing Operations	1,904	408	1,496	367
Net Income from Discontinued Operations	15,953	10,938	5,015	46
Reported Net Income	17,857	11,346	6,511	57
Core Net Income	8,703	11,285	(2,582)	(23)
Core Earnings Per Share	0.74	0.96	(0.22)	(22)
CEPS – continuing operations	0.08	0.07	0.01	23
CEPS – discontinued operations	0.66	0.89	(0.23)	-26

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PILIPINO TELEPHONE CORPORATION AND SUBSIDIARIES
(A Subsidiary of Smart Communications, Inc.)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(In Million Pesos, Except Par Value Per Share Amounts and Number of Shares)

	December 31	
	2009	2008
ASSETS		
Noncurrent Assets		
Investment in Meralco	21,420.0	-
Investments and other noncurrent assets	13.0	13.2
Property and equipment - net	-	2,071.5
Investment properties	-	416.7
Deferred income tax assets - net	-	85.5
Prepayments - net of current portion	-	83.4
Total Noncurrent Assets	21,433.0	2,670.3
Current Assets		
Cash and cash equivalents	8,862.9	5,240.8
Short-term investments	3,055.4	5,668.1
Trade and other receivables - net	108.5	8,642.3
Current portion of prepayments	34.5	89.8
Investment in debt securities	-	1,655.7
Inventories - at net realizable value	-	77.3
Total Current Assets	12,061.3	21,374.0
	33,494.3	24,044.3
EQUITY AND LIABILITIES		
Equity		
Preferred stock, Class I, ₱2 par value, authorized - 120,000,000 shares; issued and outstanding - nil in 2009 and 7,218,270 shares in 2008	-	14.4
Common stock, ₱1 par value, authorized - 12,060,000,000 shares; issued - 11,771,748,431 shares; issued and outstanding - 11,683,920,455 shares in 2009 and 11,725,155,390 shares in 2008	11,771.7	11,771.7
Additional paid-in capital	2,800.6	2,800.6
Retained earnings	18,509.9	6,730.8
Treasury stock - 87,827,976 shares in 2009 and 46,593,041 shares in 2008	(649.7)	(344.1)
Other comprehensive loss	(0.6)	(0.3)
Total Equity	32,431.9	20,973.1
Noncurrent Liability		
Asset retirement obligations	-	1.4
Current Liabilities		
Trade and other payables	989.6	1,183.2
Finance lease obligation	42.5	42.5
Income tax payable	30.3	1,643.1
Unearned revenue on sale of prepaid cards	-	201.0
Total Current Liabilities	1,062.4	3,069.8
	33,494.3	24,044.3

PILIPINO TELEPHONE CORPORATION AND SUBSIDIARIES
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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007
(In Million Pesos, Except Earnings Per Common Share Amounts)

	2009	2008	2007
CONTINUING OPERATIONS			
Revenue			
Equity share in Meralco net income	398.1	-	-
Other Income – Net			
Gain on derivative financial instrument	1,170.5	-	-
Interest income	501.0	510.0	288.0
Foreign exchange gains (losses) - net	(129.6)	(1.5)	11.7
Others – net	21.5	(7.2)	3.5
	1,563.4	501.3	303.2
INCOME BEFORE INCOME TAX	1,961.5	501.3	303.2
PROVISION FOR INCOME TAX	58.2	92.7	82.1
NET INCOME FROM CONTINUING OPERATIONS	1,903.3	408.6	221.1
NET INCOME FROM DISCONTINUED OPERATIONS	15,953.3	10,937.5	8,076.9
NET INCOME FOR THE YEAR	17,856.6	11,346.1	8,298.0
OTHER COMPREHENSIVE LOSS			
Allowance for decline in fair market value of available-for-sale investments	(0.3)	(0.6)	0.3
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	17,856.3	11,345.5	8,298.3
Earnings Per Common Share			
Basic	1.53	0.96	0.67
Diluted	1.53	0.96	0.67
Earnings Per Common Share From Continuing Operations			
Basic	0.16	0.03	(0.02)
Diluted	0.16	0.03	(0.01)
Earnings (Loss) Per Common Share From Discontinued Operations			
Basic	1.37	0.93	0.69
Diluted	1.37	0.93	0.68

PILIPINO TELEPHONE CORPORATION AND SUBSIDIARIES

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007

(In Million Pesos)

	Preferred Stock Class I	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Treasury Stock	Other Comprehensive Income (Loss)	Total
Balances at January 1, 2007	24.3	11,771.7	25,051.1	(22,241.0)	(36.0)	-	14,570.1
Total comprehensive income for the year	-	-	-	8,298.0	-	0.3	8,298.3
Equity restructuring	-	-	(22,250.5)	22,250.5	-	-	-
Redemption of series J shares	(9.9)	-	-	(4,917.2)	-	-	(4,927.1)
Dividends declared	-	-	-	(2,943.3)	-	-	(2,943.3)
Balances at December 31, 2007	14.4	11,771.7	2,800.6	447.0	(36.0)	0.3	14,998.0
Balances at January 1, 2008	14.4	11,771.7	2,800.6	447.0	(36.0)	0.3	14,998.0
Total comprehensive income for the year	-	-	-	11,346.1	-	(0.6)	11,345.5
Dividends declared - Common	-	-	-	(5,061.1)	-	-	(5,061.1)
Dividends declared - Preferred	-	-	-	(1.2)	-	-	(1.2)
Shares buyback	-	-	-	-	(308.1)	-	(308.1)
Balances at December 31, 2008	14.4	11,771.7	2,800.6	6,730.8	(344.1)	(0.3)	20,973.1
Balances at January 1, 2009	14.4	11,771.7	2,800.6	6,730.8	(344.1)	(0.3)	20,973.1
Total comprehensive income for the year	-	-	-	17,856.6	-	(0.3)	17,856.3
Dividends declared - Common	-	-	-	(6,077.1)	-	-	(6,077.1)
Dividends declared - Preferred	-	-	-	(0.4)	-	-	(0.4)
Redemption of preferred shares	(14.4)	-	-	-	-	-	(14.4)
Share buyback	-	-	-	-	(305.6)	-	(305.6)
Balances at December 31, 2009	-	11,771.7	2,800.6	18,509.9	(649.7)	(0.6)	32,431.9

PILIPINO TELEPHONE CORPORATION AND SUBSIDIARIES
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CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007
(In Million Pesos)

	2009	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax from continuing operations	1,961.5	501.3	303.2
Income before income tax from discontinued operations	18,841.8	16,694.6	12,109.5
Income before income tax	20,803.3	17,195.9	12,412.7
Adjustments:			
Depreciation and amortization	215.2	457.0	1,361.2
Foreign exchange losses (gains)	129.6	1.5	(11.7)
Interest expense on finance lease obligation	8.4	12.8	5.4
Provision for doubtful accounts	6.9	2.8	34.9
Write-down of inventories to net realizable values	0.2	15.4	0.7
Asset retirement obligations	0.1	0.1	0.5
Dividend income	(0.1)	(0.1)	-
Charges to cost of sales	(0.1)	(7.1)	(2.0)
Loss (gain) on sale of property and equipment	(0.9)	(3.1)	27.1
Equity share in Meralco net income	(398.1)	-	-
Interest income	(824.2)	(896.2)	(522.6)
Gain on derivative financial instrument	(1,170.5)	-	-
Loss (gain) on fair value adjustments	-	(14.0)	1.2
Operating income before working capital changes	18,769.8	16,765.0	13,307.4
Decrease (increase) in:			
Trade and other receivables	8,781.7	(1,863.6)	76.6
Inventories	77.5	(57.0)	28.9
Prepayments	168.0	(100.9)	19.1
Increase (decrease) in:			
Trade and other payables	(202.0)	150.3	15.2
Unearned revenue on co-location	-	(402.1)	(402.1)
Unearned revenue on sale of prepaid cards	(201.0)	(120.6)	71.7
Net cash generated from operations	27,394.0	14,371.1	13,116.8
Income taxes paid	(4,503.3)	(2,860.9)	(43.6)
Net cash provided by operating activities	22,890.7	11,510.2	13,073.2
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from short-term investments	7,598.7	12,282.6	10,976.4
Proceeds from disposal of investment in debt securities	2,276.1	150.0	-
Proceeds from sale of property and equipment	1,899.1	30.0	26.0
Interest received	433.9	412.0	248.2
Proceeds from disposal of investment properties	398.2	-	-
Dividends received	334.5	0.1	-
Increase in investments and other noncurrent assets	-	-	(0.1)
Additions to property and equipment	(23.3)	(980.9)	(290.5)
Payments for investment in debt securities	(2,042.7)	(1,795.3)	-
Payments for short term investments	(5,001.9)	(12,395.4)	(16,066.7)
Payments for purchase of investment in Meralco	(18,070.0)	-	-
Proceeds from sale of fixed line assets classified as held-for-sale	-	791.6	-
Net cash used in investing activities	(12,197.4)	(1,505.3)	(5,106.7)

(Forward)

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	2009	2008	2007
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash dividends paid	(6,075.3)	(5,062.0)	(2,941.5)
Settlement of derivatives	(562.8)	-	-
Shares buyback	(305.6)	(308.1)	-
Redemption of preferred shares	(14.4)	-	(4,927.1)
Interest paid	-	-	(4.7)
Payments of long-term debt	-	-	(44.6)
Cash used in financing activities	(6,958.1)	(5,370.1)	(7,917.9)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(113.1)	0.1	0.7
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,622.1	4,634.9	49.3
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,240.8	605.9	556.6
CASH AND CASH EQUIVALENTS AT END OF YEAR	8,862.9	5,240.8	605.9