



PILTEL

May 7, 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:

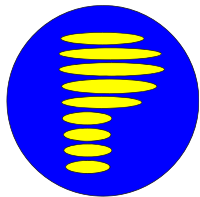
In compliance with Section 17.1(b) and Section 17.3 of the Securities Regulation Code, we submit herewith a press release entitled "1Q10 Core Net Income at ₱470 Million".

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

1Q10 Core Net Income at ₱470 Million **Reported Net Income at ₱458 Million**

Manila, Philippines, 7th May 2010 - Pilipino Telephone Corporation (“Piltel”) (PSE: PLTL) today announced that Core Net Income, before exceptional, one-time items, declined to ₱470 million in the first quarter of 2010 from ₱3.2 billion recorded in the same period in 2009, mainly comprised of Piltel’s equity share in the net income of Manila Electric Company (“Meralco”). Piltel acquired its 20% investment in Meralco in July 2009. The ₱3.2 billion recorded in the first quarter of 2009 primarily represents Piltel’s net income relating to its cellular business which was sold and transferred to Smart Communications, Inc. (“Smart”) in August 2009. Reported Net Income stood at ₱458 million for the first three months of 2010.

Beginning with the second quarter of 2010, Piltel’s financial results will reflect the equity accounting of the following assets:

- Piltel’s 50% share in Beacon Electric Asset Holdings, Inc (“Beacon Electric”). Beacon Electric is a special purpose company jointly owned by Piltel and Metro Pacific Investments Corporation (“MPIC”) whose sole purpose is to hold Piltel’s and MPIC’s shares in Meralco, which amount to 392.5 million shares, equivalent to 34.8% of Meralco’s outstanding common shares; and,
- Piltel’s share of Meralco’s earnings arising from the 68.8 million Meralco common shares (approximately 6% interest) retained by Piltel after the transfer of its 154.2 million shares to Beacon Electric.

Core Earnings per share for the first quarter of 2010 stood at ₱0.04 compared with ₱0.28 for the first quarter of 2009.

Meralco

Meralco’s consolidated Reported Net Income for the first quarter of 2010 increased to ₱2.01 billion, 115% higher than the ₱970 million realized for the same period in 2009. Consolidated Core Net Income, which excludes one-time, exceptional charges, stood at ₱1.98 billion, which was 135% better than the Core Net Income in 2009 of ₱843 million. The improvement is attributable mainly to higher volume of energy sold and to an adjustment in distribution rates, which took effect in May 2009.

Meralco's consolidated revenues, in which electricity sales account for approximately 98% of the total, increased by 34% to ₱61.1 billion largely due to higher energy sales, an increase in customer count and higher average pass-through generation and termination costs.

Total cost and expenses amounted to ₱58.1 billion in the first three months of 2010, 32% higher compared with ₱44.2 billion for the same period in 2009. Cost of purchased power accounted for 89% of total cost and expenses in 2010.

Discontinued Operations

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

Balance Sheet

Total stockholders' equity declined to ₱23.0 billion compared with ₱32.4 billion at the end of 2009 mainly as a result of the cash dividends declared to common shareholders amounting to ₱9.93 billion. Piltel is 99.5% owned by Smart.

Conclusion

"Piltel, which will be renamed PLDT Communications and Energy Ventures, Inc., is now a significant player in the energy industry as a result of its holding in Meralco. Piltel's investment should ensure that the PLDT Group will be in the best position to harness both operational and strategic synergies with Meralco," said **Napoleon L Nazareno**, President and CEO of Piltel.

Pilipino Telephone Corporation
Financial Highlights for the Quarter Ended March 31,

(In million pesos except EPS)

	2010	2009	Increase / (Decrease)	% Change
Continuing Operations				
Equity Share in Meralco Net Income	393	-	393	100
Other Income	65	153	(88)	(58)
Net Income from Continuing Operations	458	153	305	199
Net Income from Discontinued Operations	-	3,096	(3,096)	(100)
Reported Net Income	458	3,249	(2,791)	(86)
Core Net Income	470	3,249	(2,779)	(86)
Core Earnings Per Share	0.04	0.28	(0.24)	(86)

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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 and Number of Shares)*

	March 31, 2010	December 31, 2009
	(Unaudited)	(Audited)
ASSETS		
Noncurrent Assets		
Investments in associates	21,813.3	21,420.0
Investments and other noncurrent assets	11.9	13.0
Total Noncurrent Assets	21,825.2	21,433.0
Current Assets		
Cash and cash equivalents	2,061.1	8,862.9
Trade and other receivables - net	63.9	108.5
Prepayments	31.8	34.5
Short-term investments	–	3,055.4
Total Current Assets	2,156.8	12,061.3
	23,982.0	33,494.3
EQUITY AND LIABILITIES		
Equity		
Common stock, ₱1 par value, authorized - 12,060,000,000 shares; issued - 11,771,748,431 shares; issued and outstanding - 11,683,156,455 shares as at March 31, 2010 and 11,683,920,455 shares as at December 31, 2009	11,771.7	11,771.7
Additional paid-in capital	2,800.6	2,800.6
Retained earnings	9,037.0	18,509.9
Treasury stock - 88,591,976 shares as at March 31, 2010 and 87,827,976 shares as at December 31, 2009	(656.1)	(649.7)
Other comprehensive income	(0.4)	(0.6)
Total Equity	22,952.8	32,431.9
Current Liabilities		
Trade and other payables	956.3	989.6
Finance lease obligation	42.5	42.5
Income tax payable	30.4	30.3
Total Current Liabilities	1,029.2	1,062.4
	23,982.0	33,494.3

PILIPINO TELEPHONE CORPORATION AND SUBSIDIARIES*(A Subsidiary of Smart Communications, Inc.)***CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME***(In Million Pesos, Except Earnings Per Common Share Amounts)*

	Three Months Ended March 31,	
	2010	2009
	<i>(Unaudited)</i>	
CONTINUING OPERATIONS		
Revenue		
Equity share in Meralco net income	393.3	–
Other Income - Net		
Interest income	90.6	149.7
Foreign exchange gains (losses) - net	(22.7)	0.1
Others - net	(3.3)	3.0
	64.6	152.8
INCOME BEFORE INCOME TAX	457.9	152.8
PROVISION FOR INCOME TAX	0.1	–
NET INCOME FROM CONTINUING OPERATIONS	457.8	152.8
NET INCOME FROM DISCONTINUED OPERATIONS	–	3,096.0
NET INCOME FOR THE PERIOD	457.8	3,248.8
OTHER COMPREHENSIVE INCOME		
Net gains (losses) on available-for-sale financial assets	0.2	(0.2)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	458.0	3,248.6
Earnings Per Common Share For The Period		
Basic	0.04	0.28
Diluted	0.04	0.28
Earnings Per Common Share For The Period From Continuing Operations		
Basic	0.04	0.01
Diluted	0.04	0.01
Earnings Per Common Share For the Period From Discontinued Operations		
Basic	–	0.27
Diluted	–	0.27

PILIPINO TELEPHONE CORPORATION AND SUBSIDIARIES

(A Subsidiary of Smart Communications, Inc.)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Million Pesos)

	Preferred Stock Class I	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Other Comprehensive Income	Total Equity
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 period	-	-	-	3,248.8	-	(0.2)	3,248.6
Dividends declared - Common	-	-	-	(6,077.1)	-	-	(6,077.1)
Shares buyback	-	-	-	-	(282.2)	-	(282.2)
Balances at March 31, 2009 (Unaudited)	14.4	11,771.7	2,800.6	3,902.5	(626.3)	(0.5)	17,862.4
Balances at January 1, 2010	-	11,771.7	2,800.6	18,509.9	(649.7)	(0.6)	32,431.9
Total comprehensive income for the period	-	-	-	457.8	-	0.2	458.0
Dividends declared - Common	-	-	-	(9,930.7)	-	-	(9,930.7)
Shares buyback	-	-	-	-	(6.4)	-	(6.4)
Balances at March 31, 2010 (Unaudited)	-	11,771.7	2,800.6	9,037.0	(656.1)	(0.4)	22,952.8

PILIPINO TELEPHONE CORPORATION AND SUBSIDIARIES

(A Subsidiary of Smart Communications, Inc.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Million Pesos)

	Three Months Ended March 31,	
	2010	2009
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax from continuing operations	457.9	152.8
Income before income tax from discontinued operations	–	3,842.7
Income before income tax	457.9	3,995.5
Adjustments for:		
Foreign exchange losses (gains)	22.7	(0.1)
Interest expense on finance lease obligation	1.6	1.4
Interest income	(90.6)	(263.7)
Equity share in Meralco net income	(393.3)	–
Depreciation and amortization	–	92.9
Gain on sale of property and equipment	–	(0.5)
Operating income (loss) before changes in assets and liabilities	(1.7)	3,825.5
Decrease (increase) in:		
Trade and other receivables	(4.9)	(704.1)
Inventories	–	3.0
Prepayments	3.2	(7.3)
Increase (decrease) in:		
Trade and other payables	(34.8)	59.1
Unearned revenue on sale of prepaid cards	–	(10.7)
Net cash generated from (used in) operations	(38.2)	3,165.5
Income taxes paid	(0.6)	(3.9)
Net cash provided by (used in) operating activities	(38.8)	3,161.6
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturity of short-term investments	3,071.3	5,668.1
Interest received	140.1	235.1
Proceeds from disposal of available-for-sale investments	1.2	–
Payments for short term investments	(28.9)	(1,100.6)
Proceeds from disposal of investment in debt securities	–	1,602.8
Proceeds from disposal of property and equipment	–	0.9
Additions to property and equipment	–	(22.0)
Payments for investment in debt securities	–	(605.5)
Net cash provided by investing activities	3,183.7	5,778.8
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends paid	(9,930.7)	(6,078.2)
Shares buyback	(6.4)	(282.2)
Cash used in financing activities	(9,937.1)	(6,360.4)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	(9.6)	–
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	(6,801.8)	2,580.0
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		
	8,862.9	5,240.8
CASH AND CASH EQUIVALENTS AT END OF PERIOD		
	2,061.1	7,820.8