



SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

**CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.1**

1. March 1, 2005
Date of Report
2. SEC Identification Number 35815
3. BIR Tax Identification No. 000-489-462
4. PILIPINO TELEPHONE CORPORATION
Exact name of Issuer as specified in its charter
5. PHILIPPINES
Province, country or other jurisdiction
of Incorporation
6. _____ (SEC Use Only)
Industry Classification Code
7. 25th Floor Smart Tower
6799 Ayala Avenue
Makati City
Address of principal office
- 1200
Postal Code
8. (632) 511-6121/511-6241
Issuer's telephone number, including area code
9. Not Applicable
Former name or former address, if changed since last report
10. Securities registered pursuant to Sections 4 and 8 of the Revised Securities Act/Sections 8 and 12 of the Securities Regulation Code
- | Title of Each Class | Number of Outstanding Shares of Common Stock
Licensed and Amount of Outstanding Debt |
|---------------------|---|
| Common Shares | 11,771,748,431 shares ¹ |

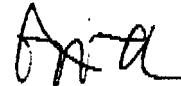
¹ Represents the total outstanding common shares of which 1,036,986,031 shares are registered and 10,734,762,400 shares were issued in transactions exempt from the registration requirement under Section 6 of the Revised Securities Act/Section 10 of the Securities Regulation Code.

We submit herewith a press release regarding the 2004 financial results of Pilipino Telephone Corporation entitled "Piltel returns to profit – normalized net income at ₱4.9 billion".

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the Company has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PILIPINO TELEPHONE CORPORATION



DEBORAH ANNE N. TAN
Corporate Governance Compliance Officer

Date: March 1, 2005

Distribution Copies: 5 copies - Securities & Exchange Commission
1 copy - Philippine Stock Exchange
1 copy - Corporate Secretary



Press release

PILTEL RETURNS TO PROFIT – NORMALIZED NET INCOME AT ₱4.9 BILLION

Reported net income of ₱9.8 billion; Subscriber base at 4.6 million

Manila, Philippines, 1st March 2005 - Pilipino Telephone Corporation ("Piltel") (PSE: PLTL) today announced its audited financial results for 2004, as it recorded a net income of ₱9.8 billion (inclusive of the impact of recent changes in management agreements) compared with a loss of ₱3.4 billion last year. Both numbers reflect as well the adoption by Piltel of various International Accounting Standards (IAS). Piltel's normalized net income for 2004 was ₱4.9 billion.

This marks the first time Piltel has reported a profit since 1996.

Subscriber Growth

Piltel's GSM brand, *Talk 'N Text*, recorded net additions of approximately 1.7 million subscribers in 2004, exceeding the 1.1 million net increase in subscribers recorded in 2003. This raised the total *Talk 'N Text* subscriber base to 4.6 million at the end of 2004 compared to 2.9 million subscribers at the end of 2003, an increase of 61%. The average monthly subscriber churn rate in 2004 fell to 3.5% from 4.2% in 2003. *Talk 'N Text* was launched in April 2000 under a reseller arrangement with Smart and is the country's third largest GSM service.

Piltel also had 45,992 landline subscribers as of the end of 2004.

Operating Results

Piltel's gross service revenues in 2004 grew 40% to ₱13.7 billion, compared to ₱9.8 billion in 2003, as a result of the continued growth in the *Talk 'N Text* subscriber base. Net service revenues in 2004 more than doubled to ₱9.4 billion however, compared to ₱4.3 billion in 2003, as Smart's share of revenues decreased from 50% to 20%. In December 2004, the Boards of Directors of Smart and Piltel, after extensive study and in consultation with an international telecommunications advisor, agreed to enter into a new omnibus agreement that would supersede and replace previous management agreements. The omnibus agreement covers the provision of all the services under the previous agreements, in consideration of a simpler revenue sharing arrangement of 80-20 in favor of Piltel. Net GSM service revenues, after deducting the ₱2.3 billion paid to Smart under the omnibus agreement, interconnection expenses and pre-loaded airtime, increased by 143%, to ₱8.6 billion in 2004 from ₱3.5 billion in 2003, when Smart's share was ₱4.3 billion. GSM revenues now make up 95% of Piltel's net revenues.

Total expenses decreased by 28%, from ₱9.6 billion during 2003 to ₱6.9 billion in 2004, mainly as a result of no provision for impairment losses in 2004 against an impairment loss of ₱1.7 billion in 2003, amendments in the management agreements with Smart (as set out in the terms and conditions of the omnibus agreement), and lower financing costs. The decrease in these expense items was partially offset by a 29% increase in selling and promotions expenses to ₱653 million due to the rise in Piltel's GSM subscriber base and a 14% increase in cost of handset and SIM packs.

Financing costs declined by 24%, to ₱1.9 billion in 2004 from ₱2.6 billion in 2003. Foreign exchange losses were down 59%, mainly as a result of a ₱1.2 billion foreign exchange loss taken in 2003 relating mainly to the revaluation of the Company's US Dollar and Japanese Yen debts, compared to a foreign exchange loss of ₱517 million in 2004.

In accordance with IAS 12 – Income Taxes, Piltel recognized a deferred tax asset of ₱1.2 billion in 2004 which resulted in an equivalent benefit in the provision for deferred income tax. The standard provides for the recognition of a deferred tax asset when it is probable that taxable income will be available against which the deferred tax asset can be used. Given Piltel's return to profitability, IAS 12 was applied accordingly.

As a result of the improved operating results and changes discussed earlier, the Company posted a net income of ₱9.8 billion.

Other Developments

On 9th July and 29th December 2004, Smart completed the conversion of 4.825 million and 54.468 million shares of Series K Class I Convertible Preferred Stock to 10.080 billion common shares, respectively, for a total ownership in Piltel of 85.6%. This followed the approval by Piltel's stockholders, at a special stockholders' meeting in September 2004, of an increase in the Company's authorized capital stock from 2.76 billion shares of common stock to 12.06 billion shares. In aggregate, Smart and PLDT currently own 92.1% of Piltel.

Piltel President and Chief Executive Officer Napoleon L Nazareno said: "I take quite a measure of pride in Piltel's return to profitability, after the struggles of the past few years. We must now ensure that Piltel sustains its profitability over the longer term so that it continues make a positive contribution to the PLDT Group."

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

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

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2004 AND 2003

	2004	2003*
		(As restated)
	<i>(In Million Pesos)</i>	
ASSETS		
Noncurrent Assets		
Property, plant and equipment - net	3,145.9	2,242.4
Investment property	693.2	676.7
Other noncurrent assets - net	78.7	95.2
Total Noncurrent Assets	3,917.8	3,014.3
Current Assets		
Cash and cash equivalents	723.4	108.8
Trade and other receivables - net	10,745.9	2,546.6
Inventories - net	178.7	251.6
Other current assets - net	161.7	135.3
Total Current Assets	11,809.7	3,042.3
	15,727.5	6,056.6
CAPITAL DEFICIENCY AND LIABILITIES		
Capital Deficiency		
Preferred stock, Class I, ₱2 par value, authorized 120,000,000 shares; issued and outstanding 12,145,363 shares as of December 31, 2004 and 71,438,083 shares as of December 31, 2003; Class II, ₱1 par value, authorized 500,000,000 shares; no shares issued and outstanding	24.3	142.9
Common stock, ₱1 par value, authorized 12,060,000,000 shares; issued and outstanding 11,771,748,431 shares as of December 31, 2004 and 1,691,986,031 as of December 31, 2003	11,771.7	1,692.0
Additional paid-in capital	25,051.1	35,012.2
Deficit	(45,778.7)	(55,528.8)
Cost of treasury stock held	(36.0)	(36.0)
Capital Deficiency	(8,967.6)	(18,717.7)
Noncurrent Liabilities		
Unearned revenue on co-location - net of current portion	1,206.4	626.3
Long-term debt - net of current portion	18,767.9	17,607.7
Deferred tax liability	648.8	1,882.2
Total Noncurrent Liabilities	20,623.1	20,116.2
Current Liabilities		
Trade and other payables	3,367.1	3,329.1
Current portion of unearned revenue on co-location	402.1	156.6
Unearned revenue on sale of prepaid cards	227.8	1,100.3
Current portion of long-term debt	75.0	72.1
Total Current Liabilities	4,072.0	4,658.1
	15,727.5	6,056.6

* Audited balances as of December 31, 2003 were restated to effect changes in accounting policies.

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

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003
(With Comparative Figures for 2002)

	2004	2003* (As restated)	2002* (As restated)
	<i>(In Million Pesos, Except Per Share Amounts)</i>		
REVENUES			
Service revenues	9,372.6	4,293.1	2,848.6
Sale of handsets and SIM packs - net	2,160.1	1,706.7	335.0
Other income	4,156.0	264.8	317.1
	15,688.7	6,264.6	3,500.7
EXPENSES			
Cost of handsets and SIM packs sold	3,132.2	2,744.9	1,363.5
Financing cost	1,953.6	2,572.0	2,708.0
Selling and promotions	653.3	504.7	315.9
Taxes and licenses	627.7	664.4	246.1
Depreciation and amortization	225.9	376.8	2,864.8
Professional and other service fees	94.8	796.2	740.0
Maintenance	92.9	90.3	287.1
Rent	27.0	28.3	216.1
Insurance and security services	18.7	21.4	122.2
Provisions	25.9	40.7	135.7
Asset write-offs and impairment losses	-	1,718.6	16,713.4
Other expenses	94.2	78.7	96.0
	6,946.2	9,637.0	25,808.8
INCOME (LOSS) BEFORE INCOME TAX	8,742.5	(3,372.4)	(22,308.1)
PROVISION FOR (BENEFIT FROM) INCOME TAX	(1,007.6)	11.8	(66.0)
NET INCOME (LOSS) FOR THE YEAR	9,750.1	(3,384.2)	(22,242.1)
Earnings (Loss) Per Common Share			
Basic	3.91	(2.79)	(13.91)
Diluted	3.79	(2.79)**	(13.91)**

* Audited balances in 2003 and 2002 were restated to effect changes in accounting policies.

** Anti-dilutive.

posted 10:41 am

PILIPINO TELEPHONE CORPORATION AND SUBSIDIARIES**(A Subsidiary of Smart Communications, Inc.)****CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED DECEMBER 31, 2004 AND 2003****(With Comparative Figures for 2002)**

	2004	2003*	2002*
		(As restated)	(As restated)
	<i>(In Million Pesos)</i>		
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	8,742.5	(3,372.4)	(22,308.1)
Adjustments:			
Interest expense	769.2	707.0	782.5
Amortization of debt discount	673.3	619.6	562.8
Foreign exchange losses	512.8	1,251.8	1,420.5
Depreciation and amortization	225.9	376.8	2,864.8
Provisions	25.9	40.7	85.9
Loss (gain) on:			
Fair value adjustment of investment property	(16.5)	(9.2)	5.0
Sale of property, plant and equipment	(5.5)	(6.1)	(4.5)
Debt restructuring	-	(80.4)	(103.6)
Interest income	(5.5)	(3.6)	(2.7)
Asset write-offs and impairment losses on:			
Property, plant and equipment	-	1,438.2	16,693.4
Investments	-	280.4	20.0
Operating income before working capital changes	10,922.1	1,242.8	16.0
Decrease (increase) in:			
Trade and other receivables	(7,466.1)	(1,448.0)	114.1
Inventories	60.0	(168.7)	42.8
Other current assets	(26.4)	342.5	(403.5)
Increase (decrease) in:			
Trade and other payables	(116.7)	103.3	87.1
Unearned revenue on sale of prepaid cards	(872.4)	674.0	249.9
Net cash provided by operating activities	2,500.5	745.9	106.4
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	(1,135.7)	(61.0)	(46.1)
Proceeds from sale of property, plant and equipment	11.9	29.0	103.2
Interest received	5.4	3.6	2.9
Decrease (increase) in other noncurrent assets	16.5	(1.9)	(3.6)
Net cash provided by (used in) investing activities	(1,101.9)	(30.3)	56.4

(Forward)

	2004	2003* (As restated)	2002* (As restated)
		<i>(In Million Pesos)</i>	
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid	(760.7)	(705.0)	(788.9)
Payment of long-term debt	(23.3)	-	-
Proceeds from issuance of stock	-	-	571.2
Net cash used in financing activities	(784.0)	(705.0)	(217.7)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	614.6	10.6	(54.9)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	108.8	98.2	153.1
CASH AND CASH EQUIVALENTS AT END OF YEAR	723.4	108.8	98.2

* Audited balances in 2003 and 2002 were restated to effect changes in accounting policies.