

February 27, 2006

**The Philippine Stock Exchange
Listing and Disclosure Group
4th Floor Philippine Stock Exchange Centre
Exchange Road, Ortigas Center
Pasig City**

Attention: **Ms. Jurisita Quintos
Senior Vice President**

Ladies and Gentlemen:

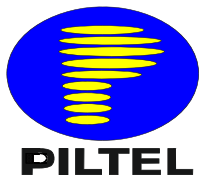
In connection with Piltel's earlier submission of the press release entitled "PILTEL Posts Record Profit of ₱13.5 Billion", we would like to inform the PSE that the accompanying Consolidated Balance Sheets as of December 31, 2005 and 2004, Consolidated Statements of Income for the years ended December 31, 2005 and 2004 and 2003, Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2005, 2004 and 2003, and Consolidated Statements of Cash Flows for the years ended December 31, 2005, 2004 and 2003 have been duly audited by Piltel's external auditors, SyCip Gorres Velayo & Co.

Thank you.

Very truly yours,

(original signed)

**AILEEN M. MALTO
Controller**



PILTEL POSTS RECORD PROFIT OF ₱13.5 BILLION

Stockholders' equity now positive

- Net income reaches ₱13.5 billion, 38% higher than 2004
- Service revenues up 11% year-on year to ₱10.4 billion
- EBITDA at ₱8.9 billion with EBITDA margin increasing to 86% of service revenues
- Stockholders' equity reverts to positive ₱4.5 billion

Manila, Philippines, 27th February 2006 - Pilipino Telephone Corporation ("Piltel") (PSE: PLTL) today announced its financial results for 2005, recording a net income of ₱13.5 billion compared with a profit of ₱9.8 billion in 2004. Net income, as adjusted for the effects of foreign exchange revaluation and changes in management agreements (concluded in 2004), stood at ₱11.6 billion and ₱6.7 billion for 2005 and 2004, respectively.

Operating Results

Piltel's service revenues in 2005 grew 11% to ₱10.4 billion, compared to ₱9.4 billion in 2004, 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 approximately 5 million subscribers on *Talk 'N Text*, the Company's prepaid GSM service. *Talk 'N Text* recorded net additions of about 372,000 in 2005 despite heightened competition and the termination of SIM-swapping activities in May of last year. As was expected and earlier indicated, Piltel experienced net disconnections of 22,734 in the fourth quarter, resulting in an ending subscriber base of 4,984,425 for 2005. Piltel also had 46,202 landline subscribers as of the end of 2005.

Net GSM service revenues, after deducting Smart's share of ₱2.6 billion, interconnection expenses and costs of pre-loaded airtime, increased by 13%, to ₱9.7 billion in 2005 from ₱8.6 billion in 2004. GSM revenues now make up 91% of Piltel's net revenues.

Total expenses decreased by 81%, from ₱6.9 billion during 2004 to ₱1.3 billion in 2005, mainly due to the significant decline in cost of handsets and SIM packs sold and a foreign exchange gain for 2005 as opposed to a foreign exchange loss in 2004. The ₱2.5 billion decrease in cost of handsets and SIM packs sold is mainly a result of the termination of SIM-swapping activities in May 2005.

The Company recorded a financing gain of ₱1.2 billion in 2005 compared to an expense of ₱1.9 billion in 2004. A foreign exchange gain of ₱1.8 billion was recorded as the Peso appreciated against both the US Dollar and Japanese Yen, as compared to 2004 when a ₱517 million foreign exchange loss was taken.

Pursuant to PAS 12 - Income Taxes, Piltel recognized certain deferred tax assets (“DTAs”) representing future tax credits arising from future tax deductions such as unrealized foreign exchange losses. Piltel recognized the DTAs as it has now established a history of taxable profits and it is probable that it will continue to be in such taxable position in the future so as to allow the DTAs to be recovered. As a result, Piltel recorded a net benefit from income tax of ₱2.4 billion for 2005.

Capex for 2005 was at ₱1.2 billion compared to ₱1.1 billion in 2004, as the Company continued to acquire GSM network assets.

As of 31st December 2005, Piltel’s total long-term debts stood at ₱17.7 billion, 79% of which were denominated in foreign currencies (US Dollars and Japanese Yen).

Piltel’s continued profitability has allowed it to return to a positive stockholders’ equity, after three years of a negative position. The capital deficit has also been substantially reduced to ₱32.3 billion, from ₱45.8 billion in 2004.

As a result of the improved operating results, the recognition of DTAs and foreign exchange gains, the Company posted a net income of ₱13.5 billion.

Piltel President and Chief Executive Officer Napoleon L Nazareno said: “Piltel’s turn-around is a source of much pride for us at the PLDT Group. I look back at what the Company faced just seven years ago - the seemingly insurmountable debt, the outmoded service and the dwindling subscriber base - and I remember asking myself if we could really rehabilitate this company. Well, it took a lot of hard work and pain but we did it. *Talk ‘N Text* today is the country’s third largest mobile operator with a strong brand equity in the lower income markets. As a result of this sustained profitability and continued prospects for growth, we are seriously considering a capital reorganization to enable us to return to positive retained earnings at the soonest possible time.”

<i>(In million pesos,)</i>	Pilipino Telephone Corporation	
	For the year ended Dec 31,	
	2005	2004
Service revenues	10,447	9,373
Non-service revenues	570	2,158
Other income	1,346	4,158
Total Revenues	12,363	15,689
Expenses	1,335	6,946
Income before tax	11,028	8,743
Net income as reported	13,459	9,750
Net income before FX ^(a)	11,616	6,560

(a) Net income excluding the net impact of FX gains/losses and changes in management agreements

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.

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

Consolidated Financial Statements

As of December 31, 2005 and 2004

And For The Years Ended December 31, 2005, 2004 and 2003

and

Report of Independent Auditors

PILIPINO TELEPHONE CORPORATION AND SUBSIDIARIES

(A Subsidiary of Smart Communications, Inc.)

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2005 AND 2004 (In Million Pesos, Except Par Value Per Share Amounts)

	2005	2004
<i>ASSETS</i>		
Noncurrent Assets		
Property, plant and equipment - net	3,623.6	3,145.9
Investment properties	693.2	693.2
Long-term receivable from Smart	10,355.8	-
Deferred income tax assets	2,000.6	-
Investments and refundable deposits	77.9	78.7
Total Noncurrent Assets	16,751.1	3,917.8
Current Assets		
Cash and cash equivalents	344.3	723.4
Trade and other receivables - net	7,971.7	10,745.9
Inventories - at net realizable value	121.1	178.7
Prepayments	282.4	161.7
Total Current Assets	8,719.5	11,809.7
	25,470.6	15,727.5
STOCKHOLDERS' EQUITY (CAPITAL DEFICIENCY) AND LIABILITIES		
Stockholders' Equity (Capital Deficiency)		
Preferred stock, Class I, ₱2 par value, authorized 120,000,000 shares; issued and outstanding 12,145,363 shares; Class II, ₱1 par value, authorized 500,000,000 shares; no shares issued and outstanding	24.3	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	25,051.1	25,051.1
Deficit	(32,320.0)	(45,778.7)
Cost of treasury stock held	(36.0)	(36.0)
Stockholders' Equity (Capital Deficiency)	4,491.1	(8,967.6)
Noncurrent Liabilities		
Unearned revenue on co-location - net of current portion	804.2	1,206.4
Interest-bearing financial liabilities - net of current portion	17,432.8	18,767.9
Deferred income tax liabilities	-	648.8
Total Noncurrent Liabilities	18,237.0	20,623.1
Current Liabilities		
Trade and other payables	1,728.4	3,141.6
Income tax payable	219.1	225.5
Current portion of unearned revenue on co-	402.1	402.1

location		
Unearned revenue on sale of prepaid cards	155.8	227.8
Current portion of Interest-bearing financial liabilities	237.1	75.0
Total Current Liabilities	2,742.5	4,072.0
	25,470.6	15,727.5

PILIPINO TELEPHONE CORPORATION AND SUBSIDIARIES

(A Subsidiary of Smart Communications, Inc.)

CONSOLIDATED STATEMENTS OF INCOME FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003 (In Million Pesos, Except Per Share Amounts)

	2005	2004	2003
REVENUES			
Service revenues	10,447.2	9,372.6	4,293.1
Sale of handsets and SIM packs	569.6	2,158.0	1,706.7
Other income	1,346.5	4,158.1	264.8
	12,363.3	15,688.7	6,264.6
EXPENSES			
Cost of handsets and SIM packs sold	916.2	3,132.2	2,744.9
Selling and promotions	511.9	653.3	504.7
Depreciation and amortization	461.4	225.9	376.8
Taxes and licenses	261.4	627.7	664.4
Maintenance	90.6	92.9	90.3
Provisions	84.6	25.9	40.7
Professional and other service fees	76.6	94.8	796.2
Rent	21.3	27.0	28.3
Insurance and security services	14.7	18.7	21.4
Financing cost (gain)	(1,203.4)	1,953.6	2,572.0
Asset impairment	-	-	1,718.6
Other expenses	99.6	94.2	78.7
	1,334.9	6,946.2	9,637.0
INCOME (LOSS) BEFORE INCOME TAX	11,028.4	8,742.5	(3,372.4)
PROVISION FOR (BENEFIT FROM) INCOME TAX	(2,430.3)	(1,007.6)	11.8
NET INCOME (LOSS)	13,458.7	9,750.1	(3,384.2)

Earnings (Loss) Per Common Share

Basic	1.11	3.91(2.79)
Diluted	1.10	3.71(2.79)*

* Anti-dilutive.

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

CONSOLIDATED STATEMENTS OF CHANGES IN
STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(In Million Pesos)

	Preferred Stock Class I	Common Stock	Addition Paid-in Capital	Deposit for Future Stock Subscript ion	Deficit	Treasury Stock	Total
Balances at December 31, 2002	141.4	1,692.0	34,596.7	209.1	(52,144.6)	(36.0)	(15,541.4)
Changes in equity:							
Net loss for the year	-	-	-	-	(3,384.2)	-	(3,384.2)
PLDT subscription	0.4	-	208.7	(209.1)	-	-	-
Debt restructuring	1.1	-	206.8	-	-	-	207.9
Balances at December 31, 2003	142.9	1,692.0	35,012.2	-	(55,528.8)	(36.0)	(18,717.7)
Balances at December 31, 2003	142.9	1,692.0	35,012.2	-	(55,528.8)	(36.0)	(18,717.7)
Changes in equity:							
Net income for the year	-	-	-	-	9,750.1	-	9,750.1
Exchange of capital stock	(118.6)	10,079.7	(9,961.1)	-	-	-	-
Balances at December 31, 2004	24.3	11,771.7	25,051.1	-	(45,778.7)	(36.0)	(8,967.6)
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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003
(In Million Pesos)

	2005	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	11,028.4	8,742.5	(3,372.4)
Adjustments:			
Interest expense	942.2	769.2	707.0
Amortization of debt discount	686.5	673.3	619.6
Foreign exchange losses (gains)	(1,842.3)	516.6	1,249.0
Depreciation and amortization	461.4	225.9	376.8
Provisions	84.6	25.9	40.7
Gain on:			
Sale of property, plant and equipment	(34.7)	(5.5)	(6.1)
Fair value adjustment of investment property	-	(16.5)	(9.2)
Debt restructuring	-	-	(80.4)
Interest income	(989.8)	(5.5)	(3.6)
Asset impairment on:			
Property, plant and equipment	-	-	1,438.2
Investments	-	-	280.4
Operating income before working capital changes	10,336.3	10,925.9	1,240.0
Decrease (increase) in:			
Trade and other receivables	(7,040.3)	(7,386.8)	(1,448.0)
Inventories	12.2	60.0	(168.7)
Prepayments	(120.7)	(26.4)	342.5
Increase (decrease) in:			
Trade and other payables	(1,421.6)	(116.7)	103.3
Unearned revenue on sale of prepaid cards	(72.0)	(872.4)	674.0
Cash provided by operating activities	1,693.9	2,583.6	743.1
Income taxes paid	(235.4)	(79.3)	-
Net cash provided by operating activities	1,458.5	2,504.3	743.1
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	(936.6)	(1,135.7)	(61.0)
Proceeds from sale of property, plant and equipment	32.2	11.9	29.0
Interest received	7.4	5.4	3.6
Decrease (increase) in investments and refundable deposits	0.7	16.5	(1.9)
Net cash used in investing activities	(896.3)	(1,101.9)	(30.3)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Long-term debt	(23.1)	(23.3)	-

	2005	2004	2003
Interest	(924.1)	(760.7)	(705.0)
Cash used in financing activities	(947.2)	(784.0)	(705.0)
(Forward)			
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	5.9	(3.8)	2.8
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(379.1)	614.6	10.6
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	723.4	108.8	98.2
CASH AND CASH EQUIVALENTS AT END OF YEAR	344.3	723.4	108.8