

BROADBANDING THE FUTURE

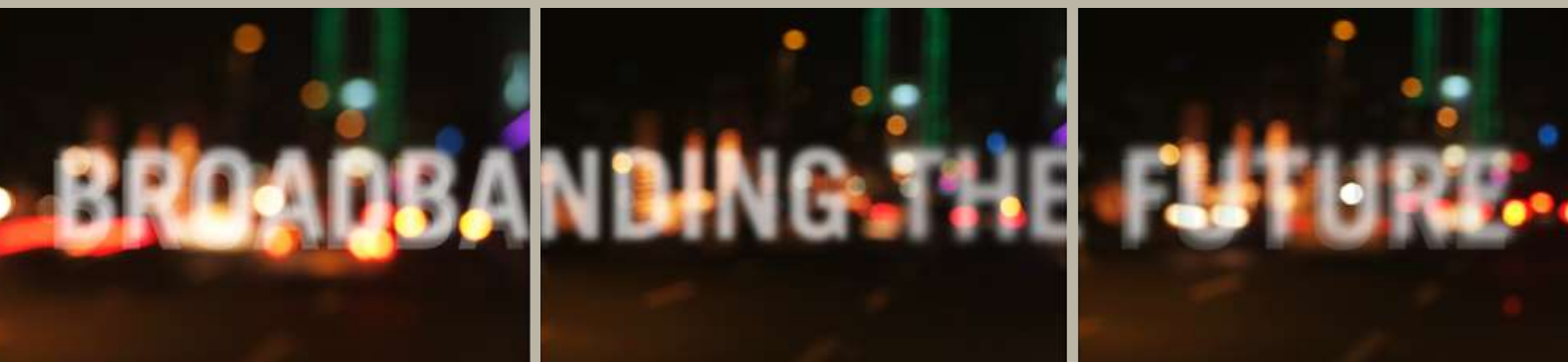
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PLDT is the leading telecommunications service provider in the Philippines. Through its three principal business groups—wireless, fixed line, and information and communications technology—PLDT offers the largest and most diversified range of telecommunications services across the Philippines' most extensive fiber optic backbone and wireless, fixed line and satellite networks.

PLDT is listed on the Philippine Stock Exchange (PSE:TEL) and its American Depositary Shares are listed on the New York Stock Exchange (NYSE:PHI). PLDT has one of the largest market capitalizations among Philippine-listed companies.



SUBSIDIARIES

Wireless

SMART COMMUNICATIONS, INC. AND SUBSIDIARIES
TELESAT, INC.

ACeS PHILIPPINES CELLULAR SATELLITE CORPORATION
MABUHAY SATELLITE CORPORATION

Fixed Line

PLDT CLARK TELECOM, INC.
SUBIC TELECOMMUNICATIONS COMPANY, INC.
SMART-NTT MULTIMEDIA, INC.
PLDT GLOBAL CORPORATION AND SUBSIDIARIES
PLDT-MARATEL, INC.
BONIFACIO COMMUNICATIONS CORPORATION

Information and Communications Technology

ePLDT, INC. AND SUBSIDIARIES

MISSION STATEMENT

PLDT will be the preferred full service provider of voice, video and data at the most attractive levels of price, service quality, content and coverage, thereby bringing maximum benefit to the Company's stakeholders.

COMPARATIVE HIGHLIGHTS

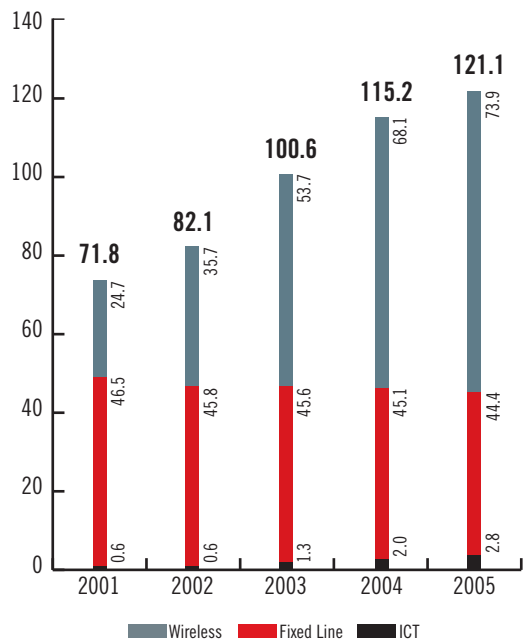
	2001	2002	2003	2004	2005
FINANCIAL INFORMATION (in millions, except cash dividends per share of common stock)					
Revenues and Other Income					
Service revenues	₱ 71,679	₱ 82,093	₱ 100,604	₱ 115,206	₱ 121,060
Non-service revenues	9,737	12,145	10,714	6,269	2,987
Other income	17,751	857	965	4,729	1,674
	99,167	95,095	112,283	126,204	125,721
Expenses					
Depreciation and Amortization	17,886	22,081	23,606	21,405	30,822
Compensation and Benefits	9,695	11,026	14,740	12,025	13,913
Financing Costs ¹	19,378	20,876	26,550	19,264	9,211
Maintenance	4,412	3,867	4,931	5,671	6,705
Cost of Sales	15,857	17,281	16,094	11,122	6,201
Selling and Promotions	3,046	3,648	4,394	5,708	5,068
All Others	20,112	30,759	21,421	18,077	15,186
	₱ 90,386	₱ 109,538	₱ 111,736	₱ 93,272	₱ 87,106
Net Income (Loss) Attributable to Equity Holders	₱ 2,561	(₱ 15,613)	₱ 1,363	₱ 28,031	₱ 34,112
Property, Plant and Equipment	₱ 297,128	₱ 290,743	₱ 306,862	₱ 324,991	₱ 330,387
Accumulated Depreciation, Amortization and Impairment	70,443	87,162	112,072	130,466	153,413
Net	₱ 226,685	₱ 203,581	₱ 194,790	₱ 194,525	₱ 176,974
Capital Expenditures	₱ 30,874	₱ 16,904	₱ 18,019	₱ 21,162	₱ 14,990
Debt²	₱ 188,494	₱ 183,145	₱ 178,589	₱ 149,088	₱ 103,544
Equity Attributable to Equity Holders	39,106	22,823	19,361	46,330	73,207
Cash Dividends Declared Per Share of Common Stock	₱ 1.20	₱ 1.20	₱ —	₱ —	₱ 56.00
OPERATING INFORMATION					
Number of Cellular Subscribers	6,368,850	8,599,306	12,947,197	19,208,232	20,408,621
Number of Fixed Lines in Service	2,174,082	2,188,612	2,185,951	2,152,027	2,113,799
Number of Stockholders	1,955,241	2,144,953	2,207,008	2,200,367	2,193,525
Number of Employees	18,039	18,704	17,653	18,433	18,926

¹ Includes net losses (gains) on foreign exchange and derivative transactions.

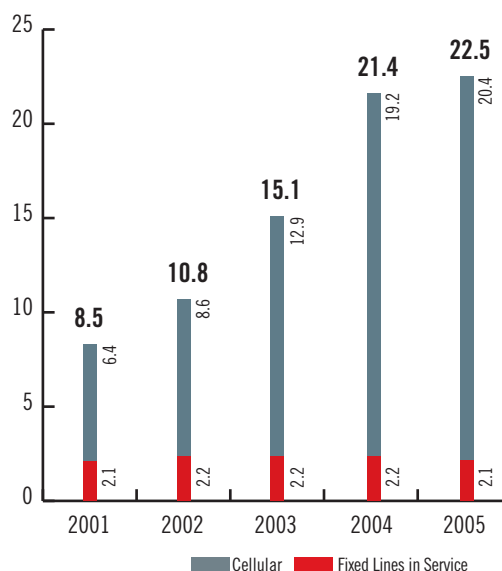
² Represents short-term and long-term debt.

CONSOLIDATED FINANCIAL PERFORMANCE HIGHLIGHTS

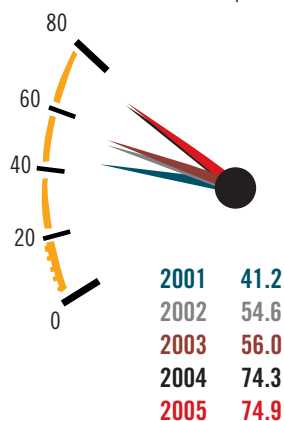
Service Revenues
(in billion pesos)



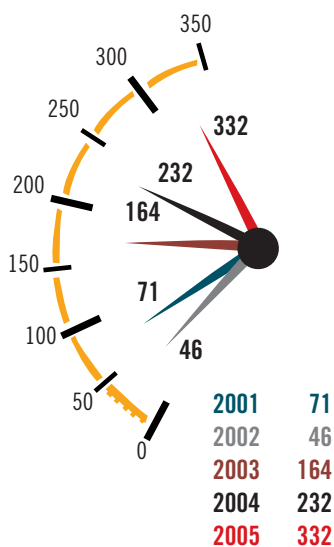
Subscriber Base
(in millions)



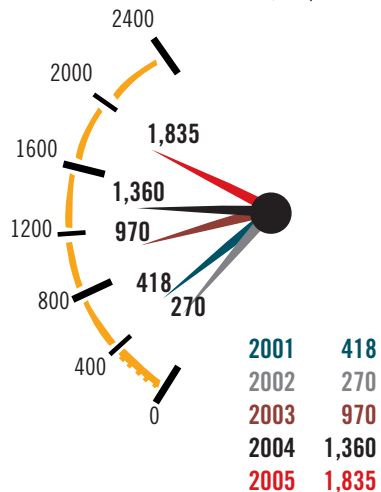
Cash Flows from Operations
(in billion pesos)



Market Capitalization
(Year-end, in billion pesos)



Share Price
(Year-end, in pesos)





MESSAGE
FROM THE
CHAIRMAN
05

BROADBANDING THE FUTURE

MANUEL V. PANGILINAN
CHAIRMAN OF THE BOARD

My Fellow Shareholders,

The year 2005 produced a new set of historic high results for our Company.

Net profit and cash flows recorded during the year reached historic levels. These financial results enabled us to exceed our key targets involving debt paydown and dividend payment restoration. But more importantly, these have placed PLDT in a strategic position to shape its future, and capitalize on the growth opportunities offered by an industry that is fast going broadband.

Our strong financial performance was driven by our robust wireless business, stable fixed line revenues and fast-growing ICT business. Consolidated service revenues grew 5% to Php121.1 billion; operating margins improved as costs were kept under control. Boosted by foreign exchange gains, reported net income surged 22% to Php34.1 billion. Core net income was up 9% to Php31.3 billion. All these financial metrics represent unprecedented highs for our Company.

Our cash flows proved to be robust during the year. EBITDA rose by 12% to Php78.9 billion, with EBITDA margin improving to 65% of service revenues. Free cash flow grew considerably to Php51.2 billion

from Php37.3 billion last year. This enabled us to pay down US\$713 million of debt, exceeding our stated target principal reduction of US\$500 million. At the same time, we restored – after a four year hiatus – common dividend payments this year. The final payout for the year amounted to Php70 per share, slightly over 40% of 2005 core earnings.

In 2005, approximately 80% of our free cash flow was utilized for debt reduction and 20% for dividend payments. This year, we are targeting to reduce about US\$300 million of debt and pay at least 50% of our core earnings as dividends.

We also saw our share price increase by 35% in 2005 to close at Php1,835, thus solidifying our position as the largest market capitalized company in the country at over Php330 billion as of year-end 2005. As a result of the continued strong performance of our share price, our Series III convertible preferred shares have been mandatorily converted while various holders of our Series V and VI convertible preferred shares have voluntarily converted their preferred shares into common shares. We expect the conversions of these shares to generate cash savings for the Company as well as improve earnings available to common shareholders.

As part of our commitment to improve shareholder returns, we also successfully undertook in October

SINCE 1998, WE HAVE RELENTLESSLY ENDEAVORED TO MAKE PLDT A WORLD-CLASS COMPANY, WITH OPERATING RESULTS AND GOVERNANCE PRACTICES THAT ARE AT PAR WITH THE BEST IN THE WORLD. THIS IS SIMPLY PART OF OUR INGRAINED DESIRE FOR EXCELLENCE.

2005 a consent solicitation exercise in respect of our Notes due in 2007 and 2012 in order to give us greater flexibility to increase dividend payments going forward. Indeed, 2005 was a banner year for the PLDT Group.

Another Tipping Point

PLDT's solid financial results in 2005 must be viewed in the context of the strategic moves that we undertook seven years back when the Philippine telecoms industry was approaching a tipping point.

At that time, the inherent viability of our fixed line business was being rapidly eroded by sweeping changes in technologies, in products and services, and in consumer preferences. International revenues – historically a mainstay of the business – were declining rapidly as accounting rates fell. Mobile

been transformed from a pure landline telephony provider into a diversified telecoms and technology conglomerate offering an unmatched array of communications and IT solutions and services.

Having reached the present stage of metamorphosis, our businesses are approaching another tipping point. New and disruptive technologies that are Internet-based and broadband are now entering the mainstream. The current business models that have sustained telecom companies – both fixed line and mobile throughout the world – are being replaced by new ones.

A New Round of Investments

To place PLDT on this new trajectory, we are now undertaking a fresh round of significant investments

phones – powered by the phenomenal popularity of text messaging – were proliferating at the expense of the growth in the fixed line business.

To put PLDT on a new growth path, we defined a vision premised on the principle of convergence – where voice, video and data will eventually merge onto a single platform. Immediately we strengthened our position in the rapidly expanding mobile business by integrating Smart into PLDT, and investing heavily in expanding its GSM network.

At the same time, we stabilized our fixed line business and established our ICT-based ventures. Gradually, we transformed the organization's mindset from being infrastructure-focused to becoming marketing- and customer-centric. As we grew our three main businesses – wireless, fixed line and ICT – we also took steps to achieve internal cohesiveness within the PLDT Group.

We have poured significant resources into realizing our vision. Since 1998, the Group has invested US\$2.7 billion in telecoms infrastructure, representing an investment of Php42 for every Php100 of EBITDA earned for these seven years.

As a result, our networks now cover 99% of the Philippine population. At the same time, PLDT has

in emerging new technologies – in Next Generation Internet Protocol Networks, in a Third Generation, or 3G, cellular network, in wireless broadband technologies, in mobile video, and in mobile commerce. These new technologies will create new products and services, new revenue streams and entirely new businesses. Seen in this context, our strong financial results are in fact critical in underpinning this next wave of investments in next generation infrastructures. We estimate that this commitment to our future will involve capital expenditures of approximately US\$1 billion over the next three to four years.

In this respect, we see great opportunities for synergy and cooperation with the entry of NTT DoCoMo as a strategic partner with the acquisition on March 14, 2006, of a 7% equity stake in PLDT from NTT Communications. DoCoMo's experience in rolling out and developing 3G services is unmatched and we look forward to learning much from their team. Certainly the entry of DoCoMo, in addition to NTT Communications, is a solid vote of confidence not only for PLDT but for the Philippines as well.

As we enter the borders of this new space, the year 2006 will see the present begin to meld with

the future. Thus, 2006 will be a year of transition that will lay the foundation for growth starting 2007 and beyond. Rolling out our new networks and services will entail significant capex even as we cope with higher depreciation and taxes. As a result, we expect that growth in core earnings in the short-term to be largely benign. Cash flows, however, will remain robust and enable us to enhance shareholder returns by paying dividends representing a minimum of 50% of 2006 core earnings. We also aim to further reduce debts by at least another US\$300 million.

Moving forward, new growth opportunities will emerge from a combination of old and new businesses. In wireless, for example, our intention is to maximize our existing 2G networks by increasing our presence in the lower income market segment and by developing new content and services that encourage higher usage overall.

The Future is Broadband

Increasingly, however, our future will be defined by IP-based broadband services.

In the cellular space, Smart launched the first 3G mobile phone services in the country, shortly after being awarded a license with the highest possible score amongst all applicants. Additionally, we launched our wireless broadband services working off Meridian's WiFi/Canopy infrastructure. This is being expanded rapidly in capital cities nationwide, and in other areas where broadband demand is inadequately met by fixed line service providers.

On the fixed line side, we continue to migrate in earnest our circuit-switch network to a packet-based Next-Generation Network, or NGN. This will significantly raise PLDT's capacity for employing nationwide broadband DSL services, and even cost-effective and affordable fixed-wireless solutions to traditional requirements for voice and data. When combined with the nationwide deployment of our wireless broadband WiFi/WiMax network, our Company will have unrivalled capability to broadband the country.

Broadbanding the Future – this is the theme of this year's Report; this, in fact, is the theme of our future.

A Partner in National Development

Before I close, let me briefly touch upon our involvement with corporate social responsibility, or CSR.

Over the past seven years, PLDT has demonstrated that it is a serious partner in the country's over-all welfare goals and processes. By making telecommunications services available to the smallest, most remote barangays – at increasingly affordable prices – we have helped stimulate economic activity, and raise the general welfare of our people. In addition, we directly support the development of new industries by supplying international and domestic connectivity to more than 300 call centers, business process outsourcing firms and other ICT-related businesses.

Our world-class innovations have given Filipinos value for money products and services, at price points which are amongst the lowest in the world. These innovations have contributed to the growth of entrepreneurship by enabling over 700,000 individuals to engage in the electronic loading (e-load) business.

The taxes we have paid to local and national treasuries – income taxes, VAT and other direct and indirect taxes – amounted to about Php22 billion in 2005. In the seven year period, including 2005, our total taxes paid has reached close to Php80 billion. Moreover, our tax payments are certain to increase considerably in the coming years as our profits continue to rise.

Apart from performing principally our economic role, we are very actively engaged in a variety of CSR programs that are focused on five areas: (1) education, mainly on the IT requirements of our schools and universities; (2) entrepreneurship projects; (3) provision of low-cost housing, in partnership with Gawad Kalinga; (4) poverty alleviation through various livelihood projects in cooperation with the Philippine Business for Social Progress; and (5) support of our Armed Forces in their requirements for education and medical facilities, particularly in the forward battle areas.

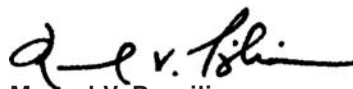
Conclusion

Let me close then on a note of deep satisfaction with the efforts shown by our management and staff in bringing PLDT to another historic level of performance. I must record as well with profound appreciation the counsel of our Board of Directors and the support of our shareholders during the year just passed.

Since 1998, we have relentlessly endeavored to make PLDT a world-class company, with operating results and governance practices that are at par with the best in the world. This is simply part of our ingrained desire for excellence.

In that regard, it is best to view the international awards which PLDT has been accorded this year, and in recent years, as proof that a Filipino company can indeed succeed even when benchmarked against international standards.

On behalf of the Board of Directors and our more than 18,000 people, let me assure you most earnestly that our commitment to performance excellence, to delivering results, and to the welfare of our people remain as strong and fervent as ever.



Manuel V. Pangilinan
Chairman of the Board

LETTER
FROM THE
PRESIDENT
& CEO

05

RELENTLESS, RESILIENT, RELEVANT

NAPOLEON L. NAZARENO
PRESIDENT & CEO

OUR INVESTMENT HAS NOT ONLY BEEN MADE IN INFRASTRUCTURE AND TECHNOLOGY BUT IN PEOPLE AS WELL. IT IS WITH GREAT PRIDE THAT I LOOK AT THE GROUP AND ITS EMPLOYEES AND REFLECT ON HOW WE HAVE TRANSFORMED PLDT.

Dear Shareholders,

Once again, your Company has reached new heights as we reported a consolidated net income of Php34.1 billion for 2005. Service revenues for the PLDT Group increased by 5% to Php121.1 billion. Consolidated EBITDA improved by 12% to Php78.9 billion while EBITDA margin rose to 65% compared to 61% in 2004. Even without the benefits of the peso's appreciation, our Company core earnings were Php31.3 billion. These figures are record highs not only for PLDT but for any Philippine corporate as well.

OPERATING HIGHLIGHTS

Wireless

Consolidated wireless service revenues rose to Php74.7 billion for the full year 2005, 8% higher than the Php69.0 billion realized last year, with cellular subsidiaries Smart and Piltel continuing their solid performance.

Consolidated wireless EBITDA improved by 13% to Php49.5 billion in 2005 from Php43.8 billion in 2004 while EBITDA margins improved to 66%.

The PLDT Group's total cellular subscriber base for the year grew by 1.2 million to 20.4 million. The effect of the termination of SIM-swapping

activities in May 2005 manifested itself in the second half of the year as the PLDT Group reported net disconnections of approximately 380,000 subscribers for the period compared to net activations of 1.6 million in the first half of 2005. For the year, Smart recorded net additions of approximately 828,400 subscribers while *Talk 'N Text* added about 372,000 subscribers to end 2005 with 15.4 million and 5.0 million subscribers, respectively.

Smart also had 25,000 subscribers on its *Smart WiFi* service as of the end of 2005. Launched in June 2005, *Smart WiFi* offers wireless broadband services in areas that are inaccessible to *PLDT's myDSL* service. By piggy-backing on Smart's cellular infrastructure and tapping PLDT's fiber optic backbone, *Smart WiFi's* deployment has been rapid and cost-effective. As a result, there are now over 1,000 wireless broadband base stations providing high-speed Internet access to a growing number of customers all over the country at very affordable rates.

In April 2006, *Smart WiFi* was re-launched under a new brand called *Smart Bro* to provide customers with the widest range of broadband connectivity.

In 2005, Smart launched a series of promotions to serve the apparent market demand for fixed rate or "bucket" plans for voice and text services. Over the course of the year, the promotion, branded as *Smart 25⁸*, took on several variations involving changes in load denominations and periods of network availability, all designed to enhance value to subscribers. Current offerings include *Smart 25⁸ Unlimited Text*, *Smart Load "All Text"* and the Php10 flat rate promotion. Smart's unlimited offerings have been refined to ensure that network quality for all subscribers is preserved while encouraging a steady level of top-ups.

In December 2005, the National Telecommunications Commission, or NTC, awarded Smart a 3G license after Smart garnered the only perfect score based on the regulatory body's grading system designed to gauge the capability of operators to effectively provide extensive 3G services. Less than two months later, on February 14, 2006,

Smart opened its 3G network in selected key cities nationwide, making video calling, video streaming, high speed Internet browsing and special 3G content downloads on its 3G network available on a free trial basis to subscribers with 3G handsets. This makes Smart the first mobile operator in the Philippines to offer 3G services to the public. Smart already has 3G presence in key areas in Metro Manila as well as in major cities nationwide.

Smart's 2G network of 38 switches and approximately 6,000 base stations already covers over 99% of the country's population. As of the end of March 2006, only 13 out of the 1,610 municipalities in the Philippines are not covered by Smart's extensive network. Capital expenditures for our wireless business were Php9 billion for the full year 2005.

Fixed Line

Fixed line service revenues improved to Php49.7 billion in full year 2005 from Php48.5 billion last year due to a significant increase in data revenues which more than offset the declines in local exchange, NLD and ILD revenues. Our dollar-linked revenues arising from the local exchange and ILD businesses were negatively impacted by the appreciation of the peso.

Retail DSL continued its strong growth as broadband subscribers reached close to 90,000 as of the end of 2005 with another 380,000 subscribers using our *Vibe* dial-up Internet service. This subscriber base is expected to increase even further as network coverage expands and new bundling schemes are introduced.

Fixed line EBITDA for the year 2005 increased by 9% to Php28.9 billion and EBITDA margin improved to 58% compared with 54% last year. The increase in EBITDA also takes into account the significant decline in the provision for doubtful accounts brought about by improved collections.

Depreciation expenses doubled to Php20.2 billion for 2005 from Php10.1 billion in 2004 due to a change in the estimated useful lives of certain fixed assets in line with the upgrade to the NGN.

Capital expenditures for our fixed line business were Php5.5 billion, which represented mainly the upgrade to the NGN principally in respect of the IP core, transmission and access facilities. The upgrade is expected to take place over a three-year period.

ICT

ePLDT, the Group's information and communications technology arm, reported service revenues of Php3.0 billion for 2005, a 42% increase from Php2.1 billion in 2004, as its various business segments continued to post improved results.

Consolidated call center revenues continued to lead the way, growing 52% to Php1.9 billion as a result of increased capacity utilization and upward price adjustments for additional programs being

**OUR TASK FOR THE YEAR AHEAD IS
TO CONTINUE DEVELOPING
PRODUCTS AND SERVICES ACROSS
THE ARRAY OF OUR TECHNOLOGICAL
PLATFORMS WHICH CAN MAKE
TELECOMMUNICATIONS EVEN MORE
AFFORDABLE AND ACCESSIBLE
TO FILIPINOS.**



handled. Combined call center seats reached 3,300, making ePLDT one of the largest call center operators in the country. Ongoing expansion will increase capacity to 6,000 seats by the end of 2006.

ePLDT's other businesses, which include *Netopia*, the *Vitro™* Data Center and other Internet-related services, registered significant revenue improvements as their combined service revenues increased by 27% to Php1.0 billion for the year 2005, compared to Php867 million in the previous year.

Netopia undertook a significant expansion in 2005, opening 60 company-owned and franchised Internet cafés. *Netopia™* now has 181 Internet cafés nationwide. The cafés have over 8,200 PCs and serve approximately 2.7 million Internet and PC users each month.

In 2005, *Vitro™* Data Center increased its capacity utilization by 75% and is now host to all of the country's online gaming services. *Vitro™* is also being positioned as a regional hub for data content and applications. Last January 2006, the data center was awarded a BS 7799 Certification from TUV Philippines, the first purposely-built data center in the country to have received such a certification, thus assuring *Vitro™*'s clients of the employment of best practices to ensure the safety of their mission-critical data within *Vitro™*.

ePLDT also recently augmented its position in the online gaming industry by acquiring a majority stake in Level Up!, the pioneer and leading publisher of online games in the country. Together with netGames, its own online gaming company, ePLDT hopes to solidify its position as the premiere online gaming company in the Philippines.

Deleveraging Initiatives

The Group's consolidated balance sheet continued to strengthen with the consolidated debt balance down to US\$2.1 billion as of December 2005. The PLDT Group reduced debts by US\$713 million over 2005, significantly ahead of the stated target of US\$500 million set at the beginning of the year. PLDT's consolidated free cash flow in 2005 grew dramatically to Php51.2 billion. Interest costs decreased by over Php1 billion to Php9 billion during the year, reflecting the benefits of PLDT's aggressive deleveraging strategy.

Dividend Payments

The substantial improvement in our financial position allowed us to fulfill our commitment to shareholders by restoring common dividend payments. In 2005, we paid common dividends aggregating Php9.6 billion which represents approximately 20% of our consolidated free cash flow for the year. On February 27, 2006, the Company's Board of Directors declared a final dividend of Php28 per share on top of previously paid interim dividends of Php42 per share.

As such, total dividends for 2005 reached Php70

per share, representing slightly over 40% of 2005 core earnings compared with a dividend payout of 10% of 2004 core earnings. We are targeting to further increase our dividend payout in 2006 to at least 50% of core earnings.

Direction for 2006

With the competitive environment remaining as challenging as ever, we expect continued but tempered growth in revenues, driven primarily by the expansion of our broadband data services. We will focus on maximizing our legacy networks, both on Fixed Line and Wireless businesses, while accelerating the implementation of our 3G and NGN. Accordingly, capex for 2006 is expected to rise significantly to Php18 billion for the Group, Php9 billion of which will be spent for the Fixed Line business alone. As a result of this transition, where we pursue necessary investments for the future, we foresee core earnings to be moderate.

We enter into this new investment phase with renewed confidence, however, as the Company is on a sound financial footing and well ahead of our targets in terms of debt reduction, dividend payments to shareholders and financial ratios.

In the light of the exigent economic situation, our task for the year ahead is to continue developing products and services across the array of our technological platforms which can make telecommunications even more affordable and accessible to Filipinos.

Relentless, Resilient, Relevant

Our Chairman, Manuel V. Pangilinan, has articulated the breadth of our investment not only in the Company but in the country as well and how this investment has enabled us to get where we are today. This investment has not only been made in infrastructure and technology but in people as well. It is with great pride that I look at the Group and its employees and reflect on how we have transformed PLDT. Through good times and bad, we have been resilient and I can only echo our Chairman's commitment that we will continue this relentless pursuit to make PLDT a world-class company with management practices and operating results that are at par with the best in the world.

Sincerely yours,



NAPOLEON L. NAZARENO
President and CEO

Nestled in the heart of the Cordillera mountains in Northern Luzon, the scenic town of Sagada is popular among adventurous travelers attracted by its cool climate, lush pine forests and its challenging rocky terrain. A small gift shop located near the town's bus stop is a favorite stopover. But its stocks of ethnic items like woodcarvings, hand-woven fabrics and baskets are sold not only to visiting tourists but they also find their way to buyers in Europe.

"I receive orders via e-mail from places like London," explains the store owner. "I order wood from Cagayan and brass from Pampanga and then I assemble the items here in Sagada following the designs that clients send through e-mail." The store is connected to the worldwide web via Smart's wireless broadband service.

In the bustling island of Cebu, the tourism industry is benefiting from the increased efficiencies made possible by broadband Internet. Club Paradise Phils. Tours Co., or C.P. Tours, a leading tour agency, for example, has profitably used its *PLDT myDSL* broadband connection to better manage the heavy traffic flow of tourists from Korea.

"Communication with Korea is done on a 24-hour basis. Our Korean office constantly asks for reports, booking requests and other information needed for travel to the Philippines. Through our broadband connection, we can furnish all these easily," says C.P. Tours marketing director Corazon Tampus.

Indeed, life and leisure in the Philippines are going broadband as high-speed Internet access

networks have steadily become more pervasive not only in major urban areas but also in remote towns.

The PLDT Group is at the forefront of this unfolding revolution in Internet access and usage. Its wired and wireless broadband access networks and its fiber-optic transmission infrastructure are the most extensive in the country in terms of both reach and capacity.

"Over the next few years, we are going to broadband the entire country. Sooner rather than later, we shall make high speed Internet access a basic communications service," says PLDT President Napoleon L. Nazareno.

Doubling Every Year

PLDT's leadership in broadband is evident in its 2005 operating results. Its DSL and wireless broadband subscribers more than doubled from the previous to over 114,200 by year-end – the largest broadband subscriber base in the industry. This continues a trend that started in 2002 which has seen PLDT doubling its broadband subscriber base every year. Increased broadband usage helped drive up data revenues by 46.5% to Php10.4 billion.

DSL subscribers in particular increased to over 88,800 by end-2005. This growth was powered by both technical improvements in the DSL product and aggressive promotion efforts.

PLDT took the lead in increasing the transmission rates offered in its various DSL packages at no additional cost to its subscribers. Peak speeds were raised to 384 kilobits per second, or kbps,

LEADING THE BROADBAND REVOLUTION

LEADING THE
BROADBAND
REVOLUTION

05

BROADBAND TECHNOLOGIES HAVE BEGUN TO RESHAPE THE LIVES OF FILIPINOS NOT ONLY IN HIGHLY URBANIZED CENTERS BUT ALSO IN FAR FLUNG AREAS OF THE COUNTRY. PLDT IS SETTING THE PACE FOR THIS TRANSFORMATION BY DEPLOYING THE MOST EXTENSIVE WIRED AND WIRELESS HIGH SPEED ACCESS NETWORKS AND THE MOST ROBUST FIBER OPTIC BACKBONE.

for its Plan 999 package to as high as 2 megabits per second, or mbps, for its Plan 3000.

To increase the use of broadband services among small and medium scale businesses, PLDT ran a promotional campaign in March 2005 that bundled free personal computers along with DSL packages. This program addressed one of the key hurdles to growing Internet usage – the high cost of computers. The result: some 10,000 small businesses signed up in less than six months.

As expected, improved affordability has boosted usage. Plan 999 has proven to be the most popular package. It has helped boost average monthly installations from about 1,500 to over 5,000.

As matters stand, PLDT has already greatly increased Internet usage by providing *myDSL* services to thousands of Internet cafés all over the country. Roughly half of the 10 million or so regular Internet users in the country connect to the web via Internet cafés. Digital Paradise, a PLDT

subsidiary, operates the largest chain of Internet cafés under the brand name *Netopia*. By end-2005, *Netopia* had 181 branches serving approximately 2.7 million users per month.

Visitors of Internet cafés are avid users of such broadband applications as hi-speed web access, webcam and online games. These users of shared access facilities plus those accessing the Internet via dial-up services make up the potential future users of broadband services.

Business Lifeline

The reliability of PLDT broadband services has made it indispensable to businesses, particularly those for which communications is mission critical. Call centers and business process outsourcing, or BPO, businesses, for example, are heavy users of broadband services.

“Everything depends on communications in this kind of business,” says Serge Montinola, managing director of Alliance Global Call Solutions, a Cebu-based call center company. “All information relayed to the customer goes through the Internet.”

“I think what is important is the efficiency of the service both from Alliance Global and PLDT DSL. Customers are always on the lookout for consistency in the service,” he added.

In fact, consistency and reliability are the reasons why PLDT supplies the communications requirements of over 300 call centers and BPO companies in the country.

Communications is also vital to companies like Light and Hope Overseas Placement Agency, a leading overseas placement agency.

“Our sole storefront is in the Internet. There’s a portal for Manpower Philippines where our services are advertised. We are also subscribed to Philrecruit Online. Aside from recommendations from embassies, the Internet is how potential employers abroad get to know about us,” says Vicente Gomez, the agency’s chairman and president.

Moreover, the agency draws 60% of its recruits from applications submitted via e-mail or through various online portals. At times, it also uses online videoconferencing to enable employers abroad to interview applicants at the agency’s office in the Ortigas business district.



**“BEFORE, WE EITHER HAD TO
CROSS THE SEA AND TRAVEL TO
MANILA OR USE THE FAX FOR OUR
TRANSACTION REPORTS. NOW THAT I
HAVE FIXED WIRELESS BROADBAND IN
MY HOME OFFICE, I JUST USE E-MAIL.
THE AVAILABILITY OF THE SERVICE HAS
BEEN MOST HELPFUL FOR MY
BUSINESS.”**

Responding to the growing requirements of the business, PLDT is rapidly expanding the reach and capacity of its DSL services through the deployment of NGN facilities in its fixed line network. DSL-capable NGN fixed lines are expected to increase to 300,000 by end-2006.

To support the substantial expansion of wired, wireless and mobile broadband access networks, PLDT expanded its international bandwidth capacity to over 5 gigabits per second, or gbps, in 2005 – a 140% increase from 2004. In 2006, the target is to expand international bandwidth to over 20 gbps.

Wireless Broadband

The expansion of PLDT’s DSL network is being complemented by the rapid deployment of wireless broadband. Wireless has the distinct advantages of lower cost and quick deployment.

Wireless broadband base stations can be easily and cost-effectively installed in existing Smart cell sites. All those with a clear line of sight to the broadband base station within a one- to two-kilometer radius can be served through *Smart WiFi*. Instead of copper lines and cable, the connection

is done through the installation of a radio transceiver in the customer premises. *Smart WiFi* has recently been rebranded *Smart Bro*.

The huge potential of wireless broadband is already evident. Just six months after Smart’s wireless broadband service was soft-launched in June 2005, over 25,000 subscribers had signed up. By the first quarter of 2006, Smart’s wireless broadband service had clearly become the country’s second largest broadband service, next to *PLDT myDSL*.

Wireless broadband has been particularly effective in linking areas far beyond the reach of telephone lines or cable. This has been a boon to schools in remote areas.

Public high school teachers in Basco, Batanes, for example, are using Smart wireless broadband service to maximize the use of the Internet as a learning resource. The Batanes National Science High School, or BNSHS, is one of the 40 public high schools that have been provided Internet access, training and online content under the Smart Schools Program.

“The Internet is indeed an invaluable resource to us. It helps address our longstanding problem of not having enough teaching materials and learning resources,” said Florencia Cielo, a teacher at the BNSHS.

PLDT WeRoam for Mobility

In the corporate world, *PLDT WeRoam*, PLDT’s wireless Internet solution, has enabled clients to access their corporate Intranets and the worldwide web almost anywhere in the country.

Through the use of



wireless aircards installed in laptops, clients can enjoy mobility and increase their productivity like never before, enjoying data rates of up to 170 kbps wherever there is a Smart cellphone signal and more than 1 mbps where there is an Airborne Access WiFi signal.

Because of the initial success of the service, the service was eventually opened to individual subscribers.

Serving Rural Needs

Another wireless broadband user is Joel Fagsao, owner of the Xijen Institute of Technology in Bontoc, Mountain Province. Aware of the importance of the Internet to his school, Fagsao had for years been inviting internet service providers to set up shop in Bontoc.

With no takers in sight, the school-owner-entrepreneur obtained his own satellite Internet link. Eventually, he set up a local area network that linked his school and Internet cafés, some government offices and a few households. The satellite link, however, was expensive – Php12,000 a month, a fact that tended to limit the growth of Internet usage. Those constraints have been removed by the entry of wireless broadband.

“Telcos should never underestimate the purchasing power of people in the rural areas. Look at my town. From the perspective of corporate honchos, you’d think people here cannot afford three square meals a day, much less Internet connections. But in just two months, many households have availed of Smart’s service,” Fagsao said.

For entrepreneur Angelito King, Smart’s fixed wireless broadband is helping him manage his

cell phone air time load business. King is a dealer of *Smart Load* in Calapan City, Oriental Mindoro.

“Before, we either had to travel to Manila or use the fax to send our transaction reports. Now that I have wireless broadband installed in my home office, I just use e-mail to send all these reports,” King says.

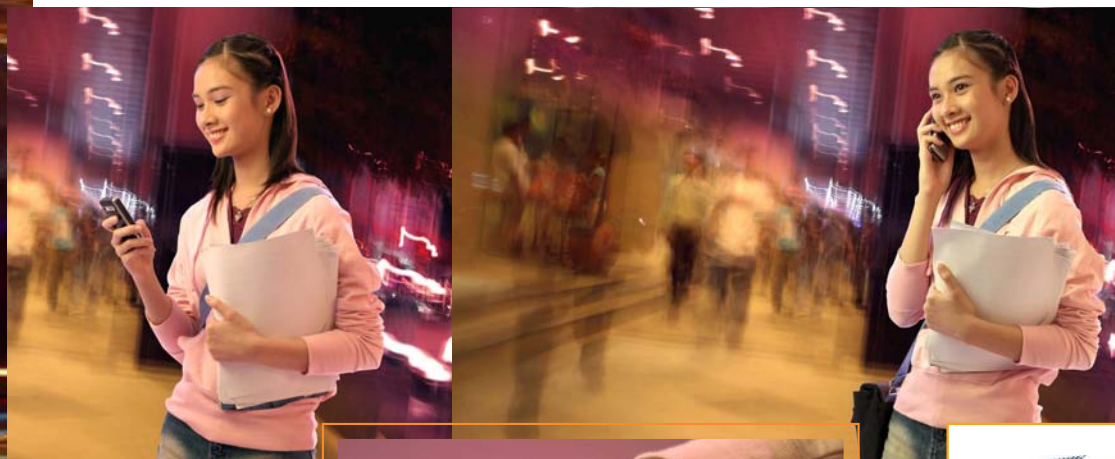
Getting a connection was relatively quick and painless. Technicians installed a radio antenna in his home office and directed it towards the nearest Smart cell site. Once the antenna was connected by cable to his desktop computer, King was linked to the worldwide web.

With a one-time Php1,000 installation fee and monthly packages ranging from Php788 (for speeds up to 128 kbps) or Php988 (for 384 kbps), Smart’s wireless broadband service provides affordable Internet connectivity for entrepreneurs like King. In many cases, wireless broadband is the only way to connect to the Internet.

Sigfrid Dimalanta of Calamba, Laguna has found that wireless broadband can help him enjoy his early retirement. A certified public accountant, he recently availed of an early retirement program from his employer, a Japanese electronics firm. He now spends his time relaxing at home as he catches up with long-lost friends and relatives. He used to have a dial-up connection, but when Smart’s wireless broadband service became available in his subdivision, he immediately signed up.

Now, Dimalanta is a virtual traveler. Sometimes, he exchanges jokes via e-mail with his former officemates in Japan. At others, he talks with his sister in California via video call using his webcam.

“It’s like we’re just neighbors, instead of being thousands of miles away,” he says.



SMART 3G: THE NEXT BIG THING

SMART 3G:
THE NEXT
BIG THING
IS HERE

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On February 14, 2006, the cellular industry in the Philippines turned broadband. Smart launched on a free-trial basis its 3G service, the first in the country, just two months after getting its license from the NTC.

The launch was highlighted by a 3G video call from Barcelona, Spain, by Smart Network Services Division Head Rolando G. Peña to an audience composed of press people.

“The PLDT Group has been taking the lead in bringing broadband to the Philippines – first through DSL and wireless broadband and now through Smart 3G,” said Napoleon L. Nazareno, Smart President and CEO.

3G is shorthand for third generation mobile communications network running on the wireless code division multiple access, or WCDMA, platform.

This technology allows for faster data transmission speeds, making possible high-speed Internet browsing and mobile multimedia services such as video conferencing, audio streaming and downloading of bandwidth-hungry content.

With its Valentine’s Day launch, Smart now leads the industry in deploying 3G in the country. In less than two months since its launch, Smart has rapidly rolled out 3G base stations in about 500 cell sites, providing coverage to over half of the 120 cities in the Philippines.

Smart beat the competition to the punch by starting early. As early as December 2000, Smart, in cooperation with Nokia Networks, conducted the first successful 3G video calls in the country in an experimental trial witnessed by NTC officials.

In November 2005, Smart demonstrated its readiness to offer 3G services in live demonstrations of video conferencing and international roaming calls at the Inter-Working Roaming Expert Group conference of the GSM Association held in Cebu City.

To welcome 2006, a Smart 3G video call between PLDT and Smart Chairman Manuel V. Pangilinan and entertainment celebrity Kris Aquino was aired on the popular television show *The Buzz* on New Year’s day.

Shortly after, Smart wireless centers in Metro Manila and Metro Cebu started demonstrating 3G services. Smart 3G demonstrations were also held during the *Sinulog Festival* in Cebu City, *Ati-Atihan* in Kalibo City, and the *Dinagyang Festival* in Iloilo City. In these events, Smart engineers used video call service to “broadcast” the activities live through wide screen projections in festival venues.

The logo for Smart 3G, featuring the word "SMART" in a bold, blue, sans-serif font, followed by "3G" in a larger, blue, sans-serif font. A stylized graphic of three horizontal lines is positioned above the "3G".

“MAKING SMART 3G AVAILABLE TO MORE PEOPLE RIGHT NOW WILL MAKE THE MARKET MORE FAMILIAR WITH THE EXCITING POSSIBILITIES OF THE TECHNOLOGY.”

Smart 3G has also been “road-tested” in events in Baguio City and Boracay and in schools like De La Salle University and Ateneo de Manila University.

Response to the service launch has been promising. Just two hours after the launch, around 70,000 Smart subscribers were already trying out the 3G services like web browsing and video calls.

“I never thought something so advanced would be available in our local market,” said James Azul, a student at the University of the Philippines, after Smart conducted 3G demonstrations in the Diliman campus.

“This new technology will be very handy for people who transact a lot of business over the phone. It will make things simple and more proactive,” said Jimmy Coscolluela, resort manager of Le Soleil in Boracay.

Aside from video calls, Smart 3G also offers content that includes real-time video streaming of TV shows and downloads of movie trailers, music videos, animé and vacation spots. This also includes real time traffic videos in major thoroughfares in key cities. Smart is working with its content developers to offer a wide range of compelling content for consumers.

“Making Smart 3G available to more people right now will make the market more familiar with the exciting possibilities of the technology. Smart 3G is an exciting addition to our wide array of existing 2G services,” Nazareno commented.

Smart has followed through its 3G launch by being the first in the country to test the enhanced version of 3G. Called High Speed Data Packet Access, or HSDPA, it allows data calls with transfer rates at least three times faster than the 3G networks currently being deployed in the country.

Smart started its trial HSDPA calls on March 24, 2006. Done in the “live” environment of Smart’s cellular network, the test calls registered data throughputs at speeds exceeding 1 megabit per second.

With higher data speeds and greater system capacity, HSDPA opens the door to more and better media-rich mobile broadband multimedia services.

NGN: NEW TELECOMS ALPHABET

TELECOMMUNICATIONS IS FULL OF PERPLEXING ACRONYMS—PSTN, CMTS, GSM, EWSD, WCDMA, TCP/IP TO MENTION A FEW. NOW, HERE COMES ANOTHER ONE—NGN, SHORT FOR NEXT GENERATION NETWORK.



A formal definition of NGN goes something like this: a cluster of emerging computer network architectures and technologies that encompass voice, data and video through which all information is efficiently transmitted via digital packets of data just like over the Internet.

Simply put, NGN is the coming together of voice, data and video in a single network.

PLDT is the first telecommunications company to embrace NGN in the Philippines. This has given the Group a strategic advantage. NGN is providing PLDT the capability to develop converged services faster and at a much higher capacity. It allows for greater economies of scale by simplifying the network architecture with fewer types and pieces of non-proprietary equipment that are easy to integrate.

In late 2005, residents of several residential subdivisions in Cavite, where traditional phone facilities were sorely lacking, finally had PLDT phones connected to their homes. These subscribers were the first NGN subscribers in the country.

Without having to install other equipment, these NGN phones can be provided broadband Internet connections. These lines have the capacity to handle voice, video and high-speed data. This includes Internet protocol television, or IPTV.

With the first NGN lines already installed, PLDT plans to increase the capacity to at least 300,000 lines by end-2006.

NGN lines will first be rolled out in such areas as Cavite, Laguna and Bulacan where landlines are in short supply. Eventually, these facilities will be installed in areas where existing customers will be migrated from traditional telephony to the bold new world of NGN communications.

THE FAST PACE OF CHANGE IN BUSINESS TODAY REQUIRES COMPANIES AND ORGANIZATIONS TO BE ALWAYS ON THE LOOKOUT FOR NEW TECHNOLOGIES THAT CAN HELP IMPROVE THE WAY THEY DO BUSINESS. PLDT HAS PUT UP A ONE-STOP SHOP SHOWCASING THE LATEST INNOVATIONS IN INFORMATION AND COMMUNICATIONS TECHNOLOGY, OR ICT. IT IS CALLED THE INNOLAB.

Mahajan Munish, Country Manager of Mindbox Solutions, Inc., a firm based in Sherman Oaks, USA, was keen on setting up a call center in Manila in 2004. Realizing the importance of communications to his business, he accepted an invitation to visit the *InnoLab* to see the products and services offered by PLDT to help companies like his set up shop. He walked away from his tour impressed.

"*InnoLab* helps customers who are just venturing into a new business like us, know what is applicable for our telecom requirements," he said. A few months after Munish's visit, Mindbox Solutions started ordering requirements such as the *I-Gate* and ISDN BRI to set up their call center.

Today, decision makers don't just want to read written proposals or view Power Point presentations on new products and services. They want to see first-hand how these services produce real benefits for their business. Realizing this, PLDT put up the *InnoLab* at its training center in Dansalan, Mandaluyong City.

InnoLab is short for Innovation Laboratory and Telecommunications Education Center. It houses various exhibits and demonstration areas that let organizations and companies see how the latest high-tech telecommunications solutions actually work.

Since its launch in 2003, *InnoLab* has become a must-visit destination for local and foreign investors, business groups and government agencies looking for enterprise solutions to their ICT needs.

LEADING THE
WAY IN
ENTERPRISE
INNOVATIONS

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LEADING THE WAY IN



At *InnoLab*, PLDT can simulate the working set up of customers in order to conduct problem analyses and test special technical requirements of customers. *InnoLab* can also host technical training classes and showcase products and solutions for the needs of various types of businesses. The center can also support research and development programs and facilitate the exchange of knowledge and ideas between industry and the academe.

One of the more popular demonstrations at *InnoLab* is at *Shops.work*. This is a network solution that links all the stores of a company to the head office. With this solution, the central office can electronically monitor business transactions at its outlets. It is designed for retail or franchise store owners who need to generate accurate and up-to-date sales and inventory reports any time.

Among the companies that became interested in *Shops.work* was Shoppes Manila, which carries the popular clothing line Kamiseta. Shoppes Manila Comptroller Susan Alberto and MIS Head Jaypee Cruz visited *InnoLab* to see an actual demo on how their retail business could profit from using *Shops.work's* VPN-DSL service.

Alberto and Cruz were so impressed that they immediately asked for the connection of 12 remote

AFP Country Representative Iain Sinclair and PNP Information Research Center Chief PSupt. Generoso R. Cerbo, Jr., were among the project members who visited *InnoLab*. They were both surprised to see the comprehensive range of ICT solutions available under the umbrella of the PLDT Group. "Our eyes were opened to the wide range of possibilities if we choose PLDT as the service provider for this project," Cerbo said.

InnoLab has provided a platform for developing new technology ideas and solutions. To pursue such opportunities, PLDT has signed several agreements with the University of the Philippines, or UP, and the Department of Science and Technology, or DOST, through the Advanced Science and Technology Institute, or ASTI, involving key research and development projects on ICT.

PLDT, UP and ASTI have agreed to collaborate in projects that will include but are not limited to rural telecommunications, Internet Protocol version 6, or IPv6, mobile telecommunications, broadband networking, toll on-line billing system, and wireless communications.

Buoyed by the success of *InnoLab* in Manila, PLDT set up *InnoLab* Cebu in 2004 and signed

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sites. Alberto said, "*InnoLab* is really a great venue to showcase PLDT's products and services. We have acquired a better understanding and appreciation of these services and the advantages these can bring to our business."

Two other organizations that have been to the *InnoLab* are the Philippine National Police, or PNP, and Australian Federal Police, or AFP. The two agencies are working on a project to promote law enforcement cooperation between the two countries.

separate MOUs with CEDF-IT, a foundation for the development of ICT in Cebu, and Cebu Investment Promotions Center. These agreements aim to strengthen the ICT capabilities of the region's human resources and attract investments to Cebu.

The two *InnoLabs* are now visited not only by business organizations but also by engineering students who are thus able to see fascinating glimpses of their future at work today.



ICT BUSINESSES GAIN MOMENTUM

IN 2005, ePLDT'S CALL CENTER AND INTERNET DATA CENTER BUSINESSES GAINED MORE TRACTION AS THEY LAUNCHED SEVERAL INNOVATIVE SERVICES AIMED AT PROMOTING E-COMMERCE AND PROVIDING MOBILE INTERNET ACCESS TO CELLULAR PHONE USERS.



ePLDT's major businesses—particularly its call center, Internet data center and Internet café chain operations—gained increased momentum in 2005. Service revenues for the ICT subsidiary of PLDT grew by 42% to Php3.0 billion, driven largely by a 52% growth in call center revenues. Call center seats expanded from 2,600 in 2004 to 3,400 in 2005.

With the call center business continuing to flourish, ePLDT decided to use one umbrella brand *ePLDT Ventus* for all of its call center businesses, including Vocativ Systems, Inc. and Parlance Systems, Inc.

In 2005, ePLDT had a total of five call centers nationwide; two more will open in 2006. Expecting to hold close to 5,000 call center seats, ePLDT *Ventus* is fast becoming a significant generator of jobs, offering sustainable and quality careers to qualified job seekers nationwide.

The *Vitro™* Internet Data Center has enjoyed a significant upturn in business. Revenues of the data center surged 117% to Php376 million due to a 75% rise in capacity utilization.

Responding to the growth of Internet gaming, ePLDT created *Vitro™* Internet Exchange, or *VIX*, the first and only high-speed domestic private Internet peering platform in the Philippines.

Located within *Vitro™* Internet Data Center, content providers with large Internet requirements can directly peer with the country's telephone companies and premier Internet service providers. This means fast and consistent access as well as better performance for clients and Filipino gamers.

In 2005, the *Netopia* Internet Café further expanded its network to 181 outlets nationwide with more than 8,200 workstations. Moreover, it continued to broaden the range of services offered at each *Netopia* branch. These services include advanced document and photo printing services to meet various digital printing needs of its customers. *Netopia* customers can thus print photos, business cards, posters, invitations, menus, ID cards, certificates and even sign boards.

Moving forward, *Netopia* intends to add about 70 more branches in 2006 and eventually expand the network to over 500 outlets nationwide in the next three to four years.

In the past year, ePLDT launched several innovative services aimed at promoting e-commerce

and providing mobile Internet access to cellular phone users.

It introduced the online load shopping portal *Get Loaded*, a fast and reliable web-based payment and billing system for purchasing electronic PINs for online games, Internet and mobile services and phone cards. I-café operators can log on to the *Get Loaded* site and make reliable and secure electronic PIN purchases. e-PINs are generated by the site and can be given directly to the customer, thus doing away with the hassle of buying actual PIN cards from different distribution channels.

Get Loaded also helps eliminate operational problems like loss of prepaid cards or improper sales tracking and monitoring, as I-café operators do not need to store actual cards and can even check all transactions made in real-time.

ePLDT has also partnered with Smart to launch *Mobile Exchange*. This is a “true push” e-mail mobility solution that allows a cell phone user to access his existing corporate e-mail account through his mobile phone.

Users can perform all the standard e-mail functions like receiving, replying to, deleting and forwarding messages and attachments. With the use of select supported handsets, they can even view and edit e-mail attachments on the mobile phone itself.

Beyond e-mail, *Mobile Exchange* also allows one to access and manage calendar functions through his mobile phone. Alarms for appointments, changes to new and existing calendar entries are all automatically mirrored between the phone and desktop.

On Windows-based devices, users can even perform advanced functions such as sending, receiving, accepting, or rejecting meeting invitations. With this service, mobile productivity has become more accessible for more people.



SERVING OFW NEEDS

OFWs CONTRIBUTED MORE THAN \$10 BILLION TO THE PHILIPPINES IN 2005 THROUGH REMITTANCES TO RELATIVES AND LOVED ONES. THROUGH INNOVATIVE SERVICES, THE PLDT GROUP HELPS OFWs KEEP IN TOUCH WITH LOVED ONES AND MAKE MONEY REMITTANCES JUST A TEXT AWAY.



Janet Torno's older sister is a domestic helper in Hong Kong. Like many overseas Filipino workers, or OFWs, she regularly sends money to support her family in the Philippines.

When the *Smart Padala* remittance service was launched in Hong Kong, she tried sending money via Janet's *Smart Money* card. On the same day, Janet got her Php10,000 allowance from her sister.

"It is faster and easier. I received a text message, and encashed the remittance at the Smart Wireless Center. Using my *Smart Money* card, I can also withdraw my money at the ATM," says Janet.

Janet's older sister is just one of over 8 million Filipinos who have chosen to live and work abroad. About 44% of Philippine households are said to have a family member working abroad as engineers, seafarers, nurses, entertainers, domestic helpers, among others.

In 2005, the *Bangko Sentral ng Pilipinas* says OFWs remitted US\$10.7 billion to their beneficiaries in the Philippines, making this sector the country's second largest source of hard foreign currency. Most

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of those monies came from the USA, Saudi Arabia, Italy, Japan, Hong Kong, UK, UAE and Singapore.

OFWs' earnings are spent on education, appliances, utilities, and daily needs. It is therefore crucial for families to receive remittances faster, even during weekends or holidays, especially when there is an emergency.

Recognizing their importance to the economy and to millions of Filipino families in the country, PLDT and Smart have designed products and services to meet the specific needs of OFWs.

Remit thru Text

Smart Padala is the world's first international cash remittance service through text. It is an electronic money transfer service that enables OFWs to send cash remittances straight to the beneficiary's cellphone in the Philippines.

To send money through *Smart Padala*, the OFW simply goes to one of Smart's remittance partners. These include Travelex/Asian FX, worldwide; CBN in Ireland, UK, Spain, Greece and Hong Kong; Forex International in Hong Kong; New York Bay in New York and New Jersey; Banco de Oro Partners in Hong Kong; and DAX Remittance in Los Angeles. The service is also available through remittance partners in Canada, Australia, Singapore, Brunei and UAE.

The remittance partner transfers the money to the *Smart Money* account of the beneficiary, and sends a text message informing the beneficiary of the transaction. Upon receiving the text message, the beneficiary may go to any of about 10,000 encashment centers nationwide – Smart Wireless Centers, Smart Money Centers, McDonald's branches, 7-Eleven, Tambunting Pawnshops, Sea Oil, and *Megalink* and *ExpressNet* ATMs.

The *Smart Money* card may also be used to pay for utility bills, and for shopping in stores that accept Mastercard electronic cards.

Link to Seafarers

Smart Link is a satellite-based prepaid telecommunications service for both individual and business subscribers designed to provide a communication line to seafarers in the middle of the high seas. With this service, they can stay in touch with their business associates and loved ones who are a thousand miles away. Instead of using the GSM platform used by conventional cellular phones, *Smart Link* gets its signal from the ACeS satellite orbiting over the Southeast Asian region.

With this facility, voice services are provided in areas where there are no cell sites or cellular coverage. Particularly, seamen even in the middle

of the high seas can stay in touch with their families.

Bridging the Distance with "Budget" Calls

The prepaid *PLDT Budget Card* has also enabled family members to call their loved ones overseas at very affordable rates. Calls to about 100 countries worldwide from a PLDT landline or payphone now cost only Php3 to Php5 (less than US\$0.10) per minute.

Internet services offered by *PLDT myDSL* and *Smart Bro* have also brought family members and OFWs closer to one another. Through the Internet, they can chat, see and talk with each other using a web camera.

Pinoy-style Mobile Services

Through partnerships with mobile operators in Hong Kong and Singapore, the PLDT Group, through PLDT Global, PLDT (HK) Ltd. and PLDT Singapore Pte Ltd., is also offering affordable prepaid mobile services uniquely designed for Filipinos who reside in the two countries.

Through *1528 Smart*, OFWs in Hong Kong may now avail of services similar to what Smart subscribers enjoy in the Philippines including *e-load*, *Pasa Load*, *Smart Money*, mobile banking, mobile discount coupons, and mobile remittance. Other value-added services such as instant information about foreign exchange rate, SSS contributions and loan status, fresh news headlines in the Philippines, Filipino music downloads, *Pinoy* jokes, among others, are also available.

Sending Gifts Online

PLDT also created a portal, www.pldtonline.com, so Filipinos abroad can send loved ones presents such as flowers, a laptop, or gift certificates in department stores, Jollibee, or a spa.

Through the portal, they can also provide load credits to friends and loved ones' Smart cellular phones or *PLDT Telesulit* landlines, and purchase call cards to call friends and family in the Philippines.

The portal uses state-of-the-art technology to ensure that online credit card transactions are secure and services and products easily obtained.

Indeed, with PLDT and Smart's services, our "modern heroes" are able to defy distance and express their love to friends and family in the Philippines in many ways, despite the distance.





CORPORATE SOCIAL RESPONSIBILITY STEPPING UP COMMUNITY SERVICE

THE PLDT GROUP HAS HELPED REBUILD VILLAGES RAVAGED BY DISASTERS, PROMOTED ENTREPRENEURSHIP AND LIVELIHOOD OPPORTUNITIES, AND SET UP CRUCIAL COMMUNICATIONS SUPPORT DURING EMERGENCY SITUATIONS.

In 2005, PLDT, its subsidiaries and the PLDT Foundation strengthened their community service initiatives in various fronts. Education – particularly Internet and computer literacy – continued to be a major focus. This was complemented by a program promoting entrepreneurship among students. The Group also participated heavily in programs to rebuild communities ravaged by disasters and provided crucial communications services during emergency situations. Finally, the PLDT Foundation initiated efforts to assist the Armed Forces through such humanitarian projects as setting up field hospital facilities.

Education: A High Priority

Reflecting the importance of education in the national agenda, the PLDT Group has several major community service initiatives in the field of education, particularly in promoting computer and Internet literacy.

The *Smart Schools Program* provides teachers' training, online content development and Internet connectivity to public high schools in different parts of the country, even in remote areas. Internet-enabled computer laboratories are set up in some schools,

while those with existing computer facilities are provided Internet links. Internet connectivity is supplied via the PLDT DSL network, Mabuhay satellite links or Smart wireless broadband.

Launched in December 2004 in partnership with the Philippine Business for Social Progress, or PBSP, and Microsoft Philippines, the *Smart Schools Program* has adopted 40 schools as of end-March 2006.

The *SSP* is complemented by the *InfoTeach Outreach Program* of PLDT. Under this program, public high school teachers and students get free basic computer and Internet training. Instructors are provided by the Asian College for Science and Technology. The training sessions are conducted at *Netopia* Internet cafés near the participating schools. In 2005, 750 teachers and students benefited from this program.

The PLDT Group has been active at the tertiary level as well. The *Smart Wireless Engineering Education Program*, or *SWEET*, has over 40 partner colleges and universities nationwide. Under the program, Smart donates a wireless laboratory consisting of cellular network equipment and provides training to the faculty on how to use the laboratory as a learning facility.

Over 5,000 students and 500 teachers have benefited from the program.

In March 2005, Smart held the 1st *SWEEP* Innovation and Excellence Awards for electronics and communications engineering students of *SWEEP* partner schools nationwide. Students developed wireless applications aimed at benefiting their schools and communities. First-prize winner was Wesleyan University of Cabanatuan City, Nueva Ecija.

College students have also been able to get a glimpse of the latest telecommunications technologies and services at PLDT's *InnoLab* facilities in Manila and Cebu. In 2005, more than 1,270 students from 25 schools visited these facilities which are also being used by companies and researchers as a test bed for various projects.

Synergies were developed between the different education programs. For example, Smart has tapped *SWEEP* partner schools to help train the teachers of public schools participating in the *Smart Schools Program*. Smart funded the Microsoft Office and Internet training of almost 400 faculty staff from 31 *SWEEP* partner schools. They, in turn, trained more than 1,000 public high school teachers of *Smart Schools Program's* partner schools.

PLDT and Smart employees also initiated volunteer programs to assist public elementary schools. Under the Department of Education's *Brigada Eskwela* program for public elementary schools, PLDT employee volunteers conducted clean-up activities in Putatan Elementary School in Muntinlupa City. PLDT provided comfort rooms and a water system to a school in Agape, Bohol.

Under their *Adopt-a-School* Program, Smart employee volunteers helped Grade 3 students in two Metro Manila elementary schools to improve their reading skills through summer workshops.

PLDT also provided educational assistance to the children of its own employees. The PLDT Foundation, through the MVP Academic Excellence Awards and the PLDT Foundation Employees Educational Grant, grants scholarships to deserving children of rank-and-file and supervisory employees. In 2005, 150 children received such scholarships.

Amazing Villages, Amazing People

The PLDT Group has become a major participant in various community-building programs.

In 2005, PLDT won recognition from the Asian Development Bank for its participation in the Strategic Private Sector Partnerships for Urban Poverty project of the Philippine Business for Social Progress. Its main contribution took the form of the donation of a two-storey, six-classroom building to Catmon Elementary School in Malabon City.

Smart, PLDT and the PLDT Foundation have become leading partners of *Gawad Kalinga* Foundation, or GK, in its nationwide house-building program. Thus far, the PLDT Group has committed to help build seven GK villages in different parts of the country. Its activities in this program include developing livelihood opportunities for the beneficiaries and providing communications assistance to these communities. The seven villages are:

- Baseco Compound, Tondo, Manila, for urban poor fire victims;
- General Nakar, Quezon province, for landslide and flood victims;
- Camp Abubakar, Barira, Maguindanao province, for members of the Iranun tribe;
- Talamban, Cebu City, Cebu, for informal settlers;
- Arevalo, Iloilo City, Iloilo, for street children and their families;
- Fort Magsaysay, Laur, Nueva Ecija, for families of soldiers of the Armed Forces of the Philippines; and
- St. Bernard, Southern Leyte, for the victims of the mudslides.

PLDT's model for a multi-pronged approach to building GK communities was developed in General Nakar which was hit in December 2004 by massive floods and landslides along with other coastal towns in Quezon province.

Smart partnered with *Gawad Kalinga* and the General Nakar municipal government to build a new community for 100 families of Barangay Banglos. Located in Barangay Anoling, the Smart Amazing GK Village was built with the help of the residents and various volunteers, including more than 600 Smart employees. Aside from building homes, Smart supported the development of livelihood projects such as a tree nursery and organic chicken farming.



Chairman Manuel V. Pangilinan joins the PLDT volunteers in PLDT's feeding program at the Catmon Elementary School in Malabon City.



Students and teachers in Batanes, the country's northernmost island province, now have Internet access through the Smart Schools Program.



PLDT volunteers distribute rice, canned goods, clothes, medicines and other relief goods to the victims of typhoons Winnie and Yoyong in General Nakar, Infanta, Quezon Province.

The flagship livelihood program for the GK village in General Nakar has been the community-based cooperative of wood sculptors called Banglos Sculptors. Smart tapped renowned sculptor Rey Paz Contreras and the Daambakal Sculptors to train about 40 Banglos residents – mostly farmers and fishermen and their children – in the art of woodcarving. Instead of making charcoal that sells for only Php65 per sack, Banglos residents now create artwork and furniture out of driftwood – some of which devastated their homes during the floods. These pieces of wood sculpture fetch prices ranging from Php300 to as high as Php40,000.

Assisting the Men in Uniform

A major new initiative of the PLDT Foundation in 2005 was the effort to reach out to the men in uniform and provide humanitarian assistance.

The Foundation spearheaded a campaign to raise funds for the establishment of a forward hospital for the armed forces. So far, this effort has generated close to Php5 million. The forward hospital is designed to provide immediate medical assistance to officers and soldiers injured in the field.

In line with this thrust, PLDT has committed to fund the building of a *Gawad Kalinga* village in Fort Magsaysay, Laur, Nueva Ecija.

Promoting Entrepreneurship

Entrepreneurship continued to play a big role in the Group's community service initiatives in 2005.

Selling *Smart Load* and other Smart products and services continued to be an additional source of income for many students, office workers, and housewives under the *Smart Entrepreneurship Program*, or *SEP*, which was launched in July 2004. *SEP* offers free seminars on entrepreneurship to college students and alumni of universities and colleges. *SEP* has three modules – Starting a Business, Financing the Business, and Business Opportunities Using Smart Products and Services. In 2005, over 20,500 students in 63 schools all over the country participated in these seminars.

PLDT's *Pangkabuhayang Likas, Dunong at Talento*, launched in 2005, also provides a five-day training program on cellphone repair, the *Smart Load* business, and basic cosmetology. Piloted in communities in

Muntinlupa City and in General Nakar, Quezon, the program has 110 graduates so far.

Another livelihood-focus program is the *Kaanak at Kaibigan Kabuhayan*, or *KKK, Program*, where relatives and friends of PLDT employees earn commissions from selling PLDT's products and services. Launched in 2005, the program has about 150 successful participants.

Giving Back to Communities

As part of its thrust to give back to the communities it serves, the PLDT Group provided assistance in areas hit by disasters or in need of medical services and communication facilities.

For example, Smart provided emergency communications services to victims of the mudslides in Barangay Guinsaugon in St. Bernard, Southern Leyte, in February 2006. Through its partnership with the Philippine National Red Cross, *Libreng Tawag*, or free call, and wireless Internet centers were set up in the disaster site and evacuation centers. Within days after the tragedy, Smart engineers installed 3G and wireless broadband radio base stations in St. Bernard. As a result, victims, rescuers, journalists, government agencies and volunteers were able to access the Internet through laptops powered by *PLDT WeRoam* or laptops linked via wireless broadband and Smart 3G.

Employee volunteers within the PLDT Group also continue to conduct medical and dental missions and feeding programs in remote communities. In 2005, PLDT's volunteer doctors and employees treated 2,069 patients in 11 communities.

Fund raising activities have also been held for cervical cancer patients, typhoon victims, the children's ward of a government hospital, old people in nursing homes, street children, among others.

Tree planting activities also continued in 2005 to promote environmental conservation. Employee volunteers planted trees along Agos riverbank in General Nakar, Quezon; in Naguilian, La Union; on the slopes of Mt. Sto. Tomas in Tuba, Benguet, to preserve a watershed; in Bago, Bacolod City to preserve the Bago River watershed and Mt. Kanlaon Natural Park; and in Barangay Tabunan, Cebu, also for watershed preservation.



Laptops powered by *PLDT WeRoam* help rescuers during the mudslides in Southern Leyte.



A Smart employee volunteer spends a day helping rebuild villages in adopted *Gawad Kalinga* communities.



The Smart Amazing GK Village in General Nakar, Quezon, is one of seven GK villages nationwide adopted by the PLDT Group.

CORPORATE
GOVERNANCE

05

CORPORATE GOVERNANCE CONTINUING THE JOURNEY



Tread the right path

*Accountability. Integrity. Fairness. Transparency.
Our guiding principles in our journey.*



Accountability

*We all have responsibilities.
We secure them in our hands.*



Integrity

*We are honest and upright.
We take a principled stand.*



TO PROMOTE COMPLIANCE WITH ITS STRENGTHENED CORPORATE GOVERNANCE STANDARDS, PLDT HAS BEGUN TO COMMUNICATE ITS FUNDAMENTAL CORPORATE GOVERNANCE RULES TO KEY STAKEHOLDERS.

Following the spate of corporate scandals that rocked investor confidence in the United States in 2001, corporations have had to adopt sweeping changes in corporate governance.

Embracing this global trend, PLDT has embarked on a systematic process of adopting the best practices in corporate governance. The Company has pursued its objectives of: (1) ensuring **compliance** with governance requirements through Group policy integration, process simplification, and systems redesign; (2) aligning PLDT employees' **competencies** with their assigned tasks and the Company processes and systems; and (3) ensuring that PLDT Group's image and reputation reflect its corporate **character**.

The various policies and initiatives on corporate governance established in 2002 comply with, and on certain matters, even exceed, the mandates of the Philippine and U.S. Securities and Exchange Commissions, or PSEC and U.S. SEC, respectively, and Philippine Stock Exchange, or PSE, and New York Stock Exchange, or NYSE. Through the adoption of these fundamental policies and initiatives, PLDT has laid the foundation of the Company's strong commitment to good corporate governance.

Focus for Corporate Governance in 2005: The Communication Plan

On March 30, 2004, the Company's Board of Directors approved the PLDT Code of Business

Conduct and Ethics, or the Code, pursuant to the requirements of the PSEC, U.S. SEC, PSE and NYSE. To institutionalize the values and standards set out in the Code, PLDT developed and started implementing a comprehensive Communication Plan in 2005. Under this plan, various communications tools and activities were developed to effectively communicate the Code and other corporate governance rules to the key stakeholders of PLDT (namely the shareholders, employees, customers and business partners, and the government and regulatory agencies). These included:

Corporate Governance Website

The website (<http://www.pldt.com.ph/cgov>) contains pertinent information on PLDT's corporate governance program. It has the following sections: (1) Home Page; (2) About PLDT CG; (3) messages from PLDT's Chairman of the Board of Directors and its President/CEO; (4) CG Laws; (5) CG Policies (6) Updates; (7) Subsidiaries; (8) CG Forum (9) Frequently Asked Questions; (10) Contact Us; and (11) Downloads. PLDT's corporate governance-related documents and disclosures that are required by Philippine and U.S. regulators – such as the NYSE Section 303A.11 Disclosure and the Annual Certification of Compliance with the PLDT Manual for fiscal year 2005 – are posted in the website. The "Contact Us" section of the website provides a venue for all PLDT directors, officers, executives, and employees, as well as other stakeholders, to report unethical conduct and violations of the Code. All complaints made in good faith will be handled confidentially and protected against retaliation. Also available is "Ripples," PLDT's

e-newsletter on governance. It contains management capsules, success stories, and updates to inspire its readers to embrace the principles of good governance.

Intensive Corporate Governance Training Program

A three-hour training program was developed in the latter part of 2005. The program provides an overview of corporate governance, and the salient provisions of (1) PLDT's Manual on Corporate Governance (the "Manual"), which was approved by our Board on September 24, 2002 and became effective on January 1, 2003; (2) Code; and (3) Conflict of Interest Policy, which was approved by our Board on October 4, 2005. The actual training shall be conducted from January to September 2006.

Other corporate governance materials like posters, PLDT diary and desk calendar were designed to convey to PLDT stakeholders the need to relearn and relive the core values of accountability, integrity, fairness and transparency that are embodied in the Code.

PLDT Subsidiaries Adopt the Code of Business Conduct and Ethics

PLDT, through the Board of Directors, is committed to ensure and oversee the development and adoption of corporate governance principles, structures, best practices and rules in the Company's subsidiaries and the latter's own subsidiaries. In 2005, a number of subsidiaries adopted a code of business conduct and ethics substantially similar in substance and form to the PLDT Code. The subsidiaries are likewise directed to adopt a policy



Fairness

*Each of us is unique.
We strive to do what is just and appropriate.*



Transparency

*What should be known, we disclose.
What should be seen, we reveal.*



It starts with Me

Accountability. Integrity. Fairness. Transparency.



similar to the recently approved Conflict of Interest Policy of PLDT. The policy requires that all business decisions of PLDT directors, employees and consultants must be based on the best interest of PLDT and the Group and must not be motivated by personal considerations and other relationships that can interfere with their independent judgment.

Sarbanes Oxley-Act Section 404 Compliance Project

As part of the Company's Sarbanes-Oxley Act Section 404 Compliance Project, PLDT is focusing its efforts on ensuring that its internal controls will support the annual internal control report on management's assessment of internal controls that must be certified by the chief executive officer and the chief financial officer starting 2006. PLDT sees these due diligence efforts as an opportunity to add greater rigor to the Company's internal controls, and more importantly, to further improve investor confidence in the Company's financial results.

Other Board Governance-Related Matters

Philippine law requires publicly listed companies to have at least two independent directors or such number of independent directors that shall constitute at least 20% of the members of the Board, whichever is fewer. In the PLDT Board, four independent directors were elected to the 13-member Board in the June 2005 Annual Stockholders' Meeting.

The Board has five Board Committees, namely the Advisory, Audit, Executive Compensation, Governance and Nomination Committee, and Finance Committees. The Audit, Governance and Nomination, and Executive Compensation Committees are mandated by local and U.S. regulators and each Committee has separate Charters governing them. On August 4, 2005, the Board approved the amended Charter of the Governance and Nomination Committee, which was revised to further clarify the Committee's corporate governance-related oversight functions and to align its nomination functions with the latest amendments of the Securities Regulations Code.

PLDT is constantly seeking ways to improve our corporate governance rules and practices by keeping itself informed of the latest laws and regulations, trends and emerging best practices in global business.

PLDT is mindful that while the journey towards its ultimate objectives of ensuring compliance, enhancing competencies and imbibing good governance in our corporate character may be a challenging task, the corporate reforms we have initiated will be well worth the effort. PLDT is committed to tread through this right path and "leave a trail."



ENTERPRISE RISK MANAGEMENT

In line with our corporate governance initiatives relating to our risk management activities, we have established a group-wide enterprise risk management framework which became effective on April 1, 2006. Under the framework, risks are identified, measured, and responded to in a manner consistent with the best interests of the PLDT Group. The degree of response to risks shall be based on the likelihood of occurrence and the potential financial and operational impact as compared to the cost and potential consequences of the planned response. Identified risks may either be fully or partially assumed, mitigated or addressed. Risk management is not to be construed as an end in itself but rather as an exercise or process aimed to improve the chances of attaining our business objectives.

The Enterprise Risk Management Committee, or ERMC, acts as the monitoring body for the individual risk management activities of the different units within the PLDT Group. As the strategic body responsible for developing and managing a comprehensive integrated risk management plan, the ERMC has the responsibility of responding to externally imposed regulatory guidelines concerning risk identifications, disclosure, management, and monitoring. The ERMC is also mandated to advise the appropriate authorities of the PLDT Group on risk concerns pertaining to any of the companies within the PLDT Group.

BOARD OF DIRECTORS



Pangilinan



Nazareno



Cojuangco



Dee



Espinosa



Nebres

BOARD OF DIRECTORS

Manuel V. Pangilinan, *Chairman of the Board*

Napoleon L. Nazareno, *President and CEO*

Antonio O. Cojuangco

Helen Y. Dee

Ray C. Espinosa

Rev. Fr. Bienvenido F. Nebres, S.J.*

Corazon S. de la Paz

Oscar S. Reyes*

Albert F. Del Rosario

Pedro E. Roxas*

Teresita T. Sy-Coson*

Haruhiko Yamada¹

Shigeru Yoshida



Bagatsing



Romulo

* *Independent Director*

¹ *Resigned effective March 27, 2006 and replaced by Mr. Tatsu Kono effective March 28, 2006.*



de la Paz



Reyes



Del Rosario



Roxas



Sy-Coson



Yoshida



Santoso



Young



Zarate

ADVISORY BOARD/COMMITTEE

Amado S. Bagatsing
Roberto R. Romulo
Benny S. Santoso
Christopher H. Young
Ricardo R. Zarate

AUDIT COMMITTEE

Rev. Fr. Bienvenido F. Nebres, S.J., *Chairman*
Oscar S. Reyes, *Member*
Pedro E. Roxas, *Member*
Corazon S. de la Paz, *Advisor*
Roberto R. Romulo, *Advisor*
Shigeru Yoshida, *Advisor*

EXECUTIVE COMPENSATION COMMITTEE

Albert F. Del Rosario, *Chairman*
Ray C. Espinosa, *Member*
Oscar S. Reyes, *Member*
Pedro E. Roxas, *Member*
Shigeru Yoshida, *Member*

FINANCE COMMITTEE

Corazon S. dela Paz, *Chairman*
Antonio O. Cojuangco, *Member*
Teresita T. Sy-Coson, *Member*
Amado S. Bagatsing, *Member*
Christopher H. Young, *Member*
Shigeru Yoshida, *Advisor*

GOVERNANCE & NOMINATION COMMITTEE

Manuel V. Pangilinan, *Chairman*
Rev. Fr. Bienvenido F. Nebres, S.J., *Member*
Oscar S. Reyes, *Member*
Teresita T. Sy-Coson, *Member*
Shigeru Yoshida, *Member*
Rene G. Bañez, *Non-voting Member*
Victorico P. Vargas, *Non-voting Member*

OFFICERS

Napoleon L. Nazareno
President and CEO

Ernesto R. Alberto
Senior Vice President

Rene G. Bañez
Senior Vice President

Ma. Lourdes C. Rausa-Chan
Senior Vice President

Anabelle L. Chua
Senior Vice President

Jun R. Florencio
Senior Vice President

Menardo G. Jimenez, Jr.
Senior Vice President

George N. Lim
Senior Vice President

Rosalie R. Montenegro
Senior Vice President

Alfredo S. Panlilio
Senior Vice President

Claro Carmelo P. Ramirez
Senior Vice President

Victorico P. Vargas
Senior Vice President

Alfredo B. Carrera¹
First Vice President

Celso T. Dimarucut
First Vice President

Cesar M. Enriquez
First Vice President

Richard N. Ferrer
First Vice President

Eriberto B. Gesalta
First Vice President

Florentino D. Mabasa, Jr.
First Vice President

Ramon Alger P. Obias
First Vice President

Nerissa S. Ramos
First Vice President

Raymond S. Relucio
First Vice President

Ramon B. Rivera, Jr.
First Vice President

Ricardo M. Sison
First Vice President

Emiliano R. Tanchico
First Vice President

Miguela F. Villanueva
First Vice President

Jose A. Apelo
Vice President

Anna Isabel V. Bengzon
Vice President

Arnel S. Crisostomo
Vice President



(Seated, from left) Anabelle L. Chua, Claro Carmelo P. Ramirez and Ma. Lourdes C. Rausa-Chan. (Standing, from left) Alfredo S. Panlilio, Eriberto B. Gesalta, Richard N. Ferrer, George N. Lim, Celso T. Dimarucut, Chief Financial Advisor Christopher H. Young, Ernesto R. Alberto, Victorico P. Vargas, Menardo G. Jimenez, Jr., and Executive Advisor Tsuyoshi Kawashima.



Smart Executive Committee
(from left): Rolando G. Peña, Chief Operations Advisor Don J. Rae, Anabelle L. Chua, Ramon S. Fernandez and Menardo G. Jimenez, Jr.

Rebecca Jeanine R. De Guzman
Vice President

Ma. Criselda B. Guhit²
Vice President

Lilibeth F. Pasa
Vice President

Genaro C. Sanchez
Vice President

Mario C. Encarnacion
Vice President

Emeraldo L. Hernandez
Vice President

Enrique S. Pascual, Jr.
Vice President

Jesus M. Tañedo
Vice President

Alejandro C. Fabian²
Vice President

Joseph Nelson M. Ladaban
Vice President

Jose Lauro G. Pelayo
Vice President

Jose Antonio T. Valdez
Vice President

June Cheryl C. Furigay
Vice President

Ma. Luz Natividad A. Lim
Vice President

Gerardo C. Peña
Vice President

Elisa B. Gesalta²
Vice President

Emmanuel B. Ocumen
Vice President

Leo I. Posadas
Vice President

Ma. Josefina T. Gorres
Vice President

Roberto G. Pador
Vice President

Ricardo C. Rodriguez
Vice President

¹ Promoted to First Vice President effective February 27, 2006.

² Promoted to Vice President effective February 27, 2006.



(From left) Emiliano R. Tanchico, Antonio A. Gatchalian, Ramon Alger P. Obias, Rosalie R. Montenegro, Cesar M. Enriquez, Miguela F. Villanueva, Raymond S. Relucio, Florentino D. Mabasa, Jr., Jun R. Florencio, Rene G. Bañez, Ricardo M. Sison, Nerissa S. Ramos and Ramon B. Rivera, Jr.



ePLDT Executive Committee
(from left): Dave M. Simon, Ray C. Espinosa, Emmanuel P. Dizon, Mariano L. Galicia, Jr., Helen T. Marquez, and George H. Tan.

2005 PLDT GROUP SIGNIFICANT EVENTS

OPERATIONAL MILESTONES

FIXED LINE

- PLDT trials NGN facilities in selected areas of Cavite in the 4th quarter of 2005. NGN landlines are capable of handling voice, video and high speed data services.
- In the 3rd quarter, PLDT offers unlimited calls at the flat rate of Php10 for PLDT to PLDT NDD calls. This is eventually converted into a permanent rate in early 2006.
- *PLDT WeRoam* is introduced in March with fixed wireless and mobile variants. The fixed wireless version uses wireless broadband technologies to deliver high-speed Internet access while the mobile variant rides on the GPRS/EDGE overlay networks of Smart's GSM cellular service.
- An expanded Innovation Laboratory, or *InnoLab*, in Manila is launched in June. *InnoLab* Manila now showcases industry-specific solutions rooms and fully-equipped technology laboratories that put PLDT at the forefront of research, next-generation product development and innovation.
- PLDT provides fixed line and satellite services through subsidiary Mabuhay Satellite during the 23rd Southeast Asian Games as the official telecommunications service provider, in November.

WIRELESS

- Smart is awarded in December a 3G license after getting a perfect score of 30 in the screening process conducted by the NTC. Smart is thus given the largest radio frequency allocation by NTC. Smart 3G is subsequently launched on February 14, 2006, on a free-trial basis.
- Smart offers a range of unlimited texting services under the brand *25⁸* as flat-rate packages become a regular feature of the cellular business.
- In June, Smart introduces its fixed wireless broadband Internet service initially under the brand name *Smart WiFi* in provincial areas in the country. Now called *Smart Bro*, the service is being offered nationwide and is already the country's second largest broadband Internet service.
- Entering as the 7th operator in the OFW market in Hong Kong, PLDT HK's mobile virtual network service becomes a strong second after less than a year of commercial operations, in May. Branded

as *1528 Smart*, this prepaid GSM mobile phone service offering was designed and packaged to cater to the Filipino community in Hong Kong.

ICT

- ePLDT launches in January the first high speed domestic internet peering platform in the Philippines. Called *VIX*, the service enables content providers with large Internet requirements to peer with telephone companies and premier Internet service providers.
- ePLDT's investment in Airborne Access in August enhances the PLDT Group's wireless broadband reach, benefiting clients including *PLDT WeRoam* users. Through Airborne's WiFi Hotspots, clients enjoy the widest wireless broadband coverage.
- ePLDT expands the Disaster Recovery Seats Service, in September. Through this service, ePLDT's *Vitro™*, the country's first data center, provides critical users facilities for continuous operations in case of a disaster.
- ePLDT launches in October *Get Loaded*, an online PIN purchasing portal that also serves as a billing and payment gateway. The service has enabled Internet cafés, online game publishers, phone companies and ISPs to offer a wide array of services.

CORPORATE AFFAIRS

- For the first time since April 2001, PLDT pays its common share holders, cash dividends of Php14 per share, representing 10% of the Company's 2004 core earnings, in May. In July, PLDT pays cash dividends of Php21 per share and another Php21 in December, representing interim dividends for 2005 earnings.
- PLDT obtains the requisite consents from holders of 11.375% Notes due 2012 and 10.625% Notes due 2007 in order to amend covenants that will give PLDT greater flexibility to make certain restricted payments, including the payment of dividends to holders of PLDT's common stock, in October. PLDT also completes a tender for US\$50.8 million of the outstanding 10.625% Notes due 2007. The tender exercise further enhances the deleveraging of PLDT.
- PLDT issues approximately 7.9 million shares of common stock as a result of the mandatory conversion of PLDT Series III Convertible Preferred Stock, in December. The conditions for mandatory conversion were satisfied in October 2005 as the thirty-day average of the Company's share price was above US\$29.19.

AWARDS AND RECOGNITION

- The Management Association of the Philippines recognizes PLDT Chairman Manuel V. Pangilinan as the "MAP Management Man of the Year 2005," in November.
- International finance magazine *Euromoney* cites PLDT as the Best-managed Company in the Philippines and the Best Telecommunications Company – Fixed in Asia according to its 10th annual poll of Asia's best-managed companies.
- *Asiamoney*, a leading Asian financial magazine, recognizes PLDT as the best-managed company in the Philippines for the 3rd straight year based on a survey of investors and analysts. The same survey cites PLDT President and CEO Napoleon L. Nazareno as the Best CEO in the country for the 2nd straight year.
- *BusinessWeek*, the world's leading business newsweekly cites PLDT as one of Asia's top 50 best performing publicly-listed companies. PLDT is the only Philippine firm in the list.
- *CFO Asia*, another leading finance magazine in the region, ranks PLDT as one of the top 50 companies in Asia for creating the most value for their shareholders.
- *FinanceAsia*, a leading Asian finance magazine, chooses PLDT along with Smart as "the Best-Managed Company" in the country for the second straight year. PLDT is also adjudged Best in Investor Relations for the fourth consecutive year and second place in the Best in Corporate Governance.
- *Telecom Asia*, a regional industry publication, gives the Best Emerging Market Carrier Award to PLDT for the second straight year. PLDT is cited for its outstanding financial performance, market leadership, innovation and corporate governance.
- M2M Value Chain Awards gives Smart the Gold Prize Winner citation for having the Most Outstanding M2M Implementation during the M2M Value Chain Awards in Chicago, Illinois, USA.
- Asian MobileNews Awards recognizes Smart as the Mobile Operator of the Year in the Philippines during the Asian MobileNews Awards 2005 in Singapore.