



ANNUAL REPORT 2007

We're changing lives.



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About the Cover

Ripples in a pond form the number "80" to mark PLDT's 80th Anniversary in 2008. Just as one ripple can spread with far-reaching effects, so PLDT has touched the lives of generations of Filipinos by providing vital telecommunications services to the country.

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). In 2007, PLDT had the largest market capitalization among Philippine-listed companies.



SUBSIDIARIES

Wireless

SMART COMMUNICATIONS, INC. AND SUBSIDIARIES
PILIPINO TELEPHONE CORPORATION
SMART BROADBAND, INC.
ACeS PHILIPPINES CELLULAR SATELLITE CORPORATION
MABUHAY SATELLITE CORPORATION

Fixed Line

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

Information and Communications Technology

ePLDT, INC. AND SUBSIDIARIES
SPi TECHNOLOGIES, INC.
ePLDT VENTUS, INC.
VOCATIV SYSTEMS, INC.
PARLANCE SYSTEMS, INC.
INFOCOM TECHNOLOGIES, INC.
DIGITAL PARADISE, INC.
LEVEL UP! (PHILIPPINES), INC.

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.

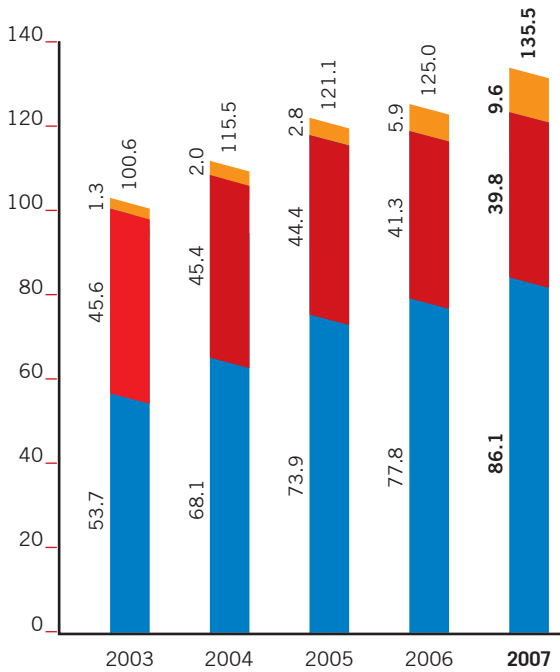
COMPARATIVE HIGHLIGHTS

	2003 ¹	2004 ¹	2005 ¹	2006 ¹	2007
FINANCIAL INFORMATION (in millions, except cash dividends per share of common stock)					
Revenues					
Service Revenues	Php100,580	Php115,457	Php121,104	Php124,976	Php135,476
Non-Service Revenues	10,714	6,269	3,312	2,967	2,480
Others	1,478	5,671	8,111	9,361	8,146
	112,772	127,397	132,527	137,304	146,102
Expenses					
Depreciation and Amortization	23,606	21,405	30,822	31,869	28,613
Compensation and Employee Benefits	14,740	12,025	14,136	18,359	20,470
Repairs and Maintenance	4,931	5,671	6,705	6,886	7,310
Financing Costs	15,336	15,695	13,712	10,854	7,088
Selling and Promotions	4,394	5,478	5,093	5,010	5,824
Professional and Other Contracted Services	1,227	2,228	2,464	3,149	5,588
Cost of Sales	16,094	11,352	6,501	5,522	4,844
Others	31,921	20,360	14,437	13,424	13,108
	Php112,249	Php94,214	Php93,870	Php 95,073	Php92,845
Net Income Attributable to Equity Holders of PLDT	Php1,347	Php28,221	Php34,135	Php35,138	Php36,004
Property, Plant and Equipment	Php306,862	Php324,991	Php331,537	Php347,408	Php364,972
Accumulated Depreciation, Amortization and Impairment	112,072	130,466	154,563	183,218	205,558
Net	Php194,790	Php194,525	Php176,974	Php164,190	Php159,414
Capital Expenditures	Php18,019	Php21,162	Php14,990	Php20,674	Php24,824
Short and Long-Term Debts	Php178,589	Php149,088	Php103,544	Php79,953	Php60,147
Equity Attributable to Equity Holders of PLDT	Php18,671	Php45,829	Php72,729	Php102,521	Php111,113
Cash Dividends Declared and Paid Per Share of Common Stock	Php—	Php—	Php56.00	Php78.00	Php150.00
OPERATING INFORMATION					
Number of Cellular Subscribers	12,947,197	19,208,232	20,408,621	24,175,384	30,041,030
Number of Fixed Line Subscribers	1,869,770	1,834,306	1,842,507	1,776,647	1,724,702
Number of Stockholders	2,207,008	2,200,367	2,193,525	2,189,374	2,185,395
Number of Employees	17,653	18,433	18,926	28,225	30,255
Wireless	4,977	5,289	5,137	5,358	5,415
Fixed Line	10,518	9,692	9,197	8,711	8,080
ICT	2,158	3,452	4,592	14,156	16,760

¹ 2003-2006 have been restated to reflect the change in revenue recognition policy for installation fees.

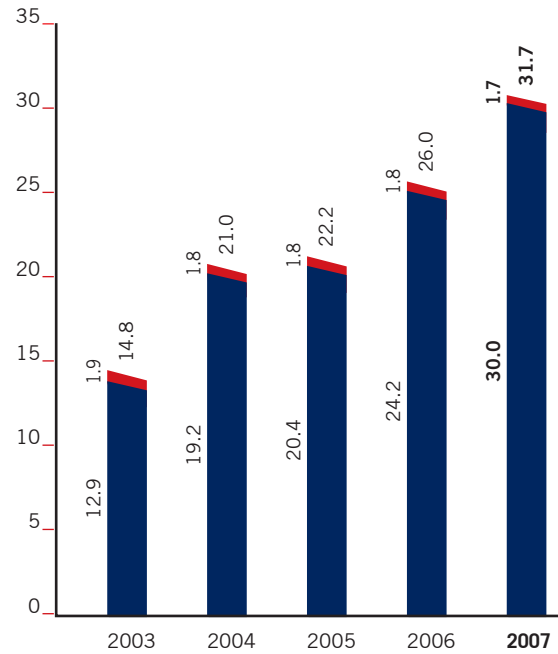
CONSOLIDATED FINANCIAL PERFORMANCE HIGHLIGHTS

Service Revenues
(in billion pesos)



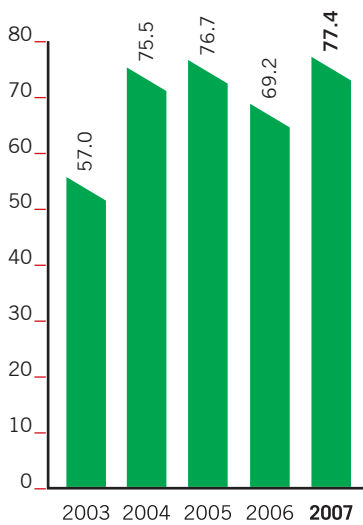
WIRELESS FIXED LINE ICT

Subscriber Base
(in millions)

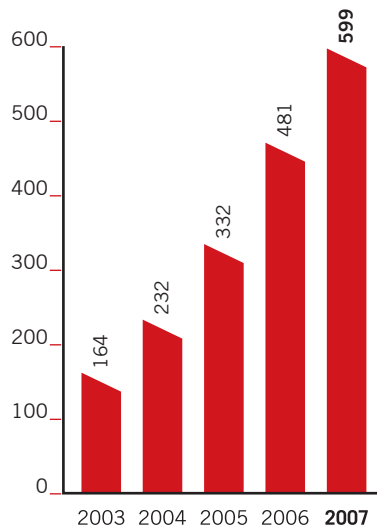


WIRELESS FIXED LINE

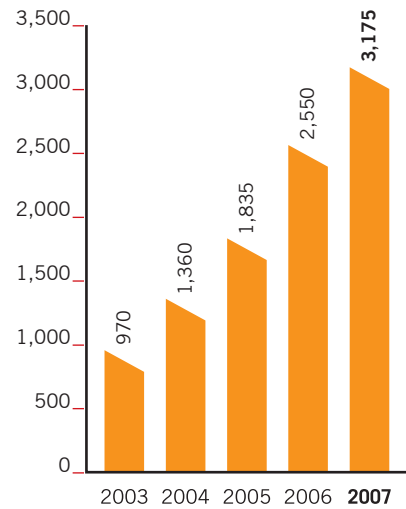
Cash Flows from Operations
(in billion pesos)



Market Capitalization
(Year-end, in billion pesos)



Share Price
(Year-end, in pesos)



A MESSAGE FROM THE CHAIRMAN OF THE BOARD

My Fellow Shareholders,

I am pleased to report that your Company has again delivered another set of excellent results in the year 2007 – another historic high for PLDT. Service revenues and net income posted steady growth whilst cash flows remained robust, even as the substantial peso appreciation adversely impacted a sizeable portion of our total revenues. Our strong financial position has enabled us to invest more in network infrastructure whilst raising dividend payments to shareholders to an unprecedented level.

Further, we launched late last year a major reorganization effort focused on revitalizing our fixed line business and enabling it to develop new and sustainable revenue sources. This is a critical prerequisite for the transformation of the Group as we move forward from being an integrated telecommunications Company into a customer-focused multimedia group delivering communications, information, content and entertainment services to our various markets. The year just passed thus provides a fitting backdrop for the celebration in 2008 of PLDT's 80th anniversary, for which we have adopted the theme "We're changing lives" – representing as well our expansive long-term goal for our Company.

Exceptional Results, Unprecedented Returns

Service revenues and EBITDA for the PLDT Group reached Php135.5 billion and Php82.9 billion, up 8% and 4%, respectively, from 2006. Reported net income reached Php36 billion, a 2% rise from the prior year. Core net income – which excludes exceptional gains – rose 11% to Php35.2 billion. The improvement in income is even more sizeable when expressed in U.S. dollar terms. Reported net income was up 21% to US\$869 million while core net income rose 32% to US\$849 million. Our cellular and ICT businesses continue to power growth for the PLDT Group. Wireless service revenues increased 10% to Php86.5 billion, whilst ePLDT posted a 59% leap in revenues to Php10.1 billion.

The PLDT Group's consolidated balance sheet strengthened further with net debt down to US\$0.9 billion as at 31st December 2007. Net debt to EBITDA and net debt to equity improved to 0.42 times and 0.31 times, respectively.

In line with its commitment to enhance shareholder returns whenever possible, your Board of Directors had approved a total dividend payment of Php184 per share out of 2007 core net income. This represents a historic 100% dividend payout of core earnings per share, improving upon the 85% payment made in 2006.

Reflecting the volatility of the markets in 2007, our shares traded in a wide band ranging from a low of Php2,250 to a high of Php3,285. At year-end, our share price stood at Php3,175, a 25% increase from the prior year's closing. In any event, with a market capitalization of Php599 billion or US\$14.4 billion, PLDT remained the country's largest capitalized and most valuable corporation in the stock exchange.



Looking ahead to 2008, the anticipated slowdown – perhaps even recession – in the United States and the continued rise in petroleum prices are expected to lend a restrained tone to Philippine economic growth. This has prompted us to temper our expectations and guide our core net income for next year to a growth of five percent to Php37 billion, with service revenues improving by Php10-Php11 billion to Php145-Php146 billion in 2008.

80 at '08: Change and Transformation

In celebrating the 80th year of PLDT, our overriding themes are change and transformation. Indeed, your Company has been changing the lives of Filipinos for the better since it was granted a franchise to operate on 28th November 1928. At that time, telephone calls were possible only within Manila and a few provinces. With the entry of PLDT, long distance calls between different parts of the country, and thereafter between the Philippines and the world, became possible.

Today, in an increasingly globalized economy, PLDT's contribution to national well-being has become more imperative, and even more significant. We now provide “nationwidest” coverage with our cellular network, operate the most extensive wired network and fiber optic backbone, and are rapidly deploying more broadband, high-speed facilities all over the country.

But for the PLDT Group to sustain its growth, it must re-invent itself into an intensely-focused customer-centric organization, delivering high-quality yet affordable services to the greatest number of Filipinos. The concentration on quality and on providing the best possible customer experience will grow in importance as PLDT provides increasingly sophisticated, high-bandwidth services.

Five Key Elements

Our process of transformation will require five key elements.

First, our growth must continue to be powered by innovation. Our ability to develop out-of-the-box solutions that recast the rules of the game has been a key source of competitive advantage for the Group in the past ten years. Breakthrough innovations such as *Smart Load*, for example, have enabled Smart to grow the mobile phone market beyond the limits defined by conventional wisdom.

Second, we shall raise revenues by growing organically and by investing in new areas that optimize our existing businesses. Our organic growth will be drawn from various sources. One such source would be broadband applications on fixed (*myDSL*) and wireless (*SmartBro*) platforms. Currently, we already have in excess of 600,000 broadband subscribers and will approach a million by end-2008. Our customer interaction service (or the call center business) and knowledge processing solutions (otherwise known as BPO) businesses are another major source of organic growth. The outlook for these operations remains bright as the Philippines continues to gain favor among outsourcing clients in the United States, Europe and elsewhere.

Another cluster of mobile services where we expect to gain traction in the coming months are international and domestic remittance services running on the *Smart Money* platform. Recent developments in this area have been the launch of the Landbank OFW Cash Card powered by the *Smart Money* platform and the tie-up with the National Commercial Bank, the largest commercial bank in the Kingdom of Saudi Arabia and the Middle East. This package of remittance services will utilize *Smart Money* as the fulfillment vehicle. Our value proposition is that mobile commerce offers an exciting vista of opportunities for our new suite of products and services. Organic growth may need to be complemented by acquisitions in order to attain our desired rate and direction of growth. We are therefore vigilant about possible acquisitions or investments, particularly in the knowledge processing solutions sector, remittances, Mobile Virtual Network Operations (MVNOs) and content generation businesses – particularly in the video space.

Third, we are building converged network infrastructures that are robust, future-proof and optimized. Moving forward, we need to be more creative in using both wired and wireless platforms in order to deliver cost-effective, quality solutions to the individual consumer, to the home, to Small and Medium Enterprises (SMEs) and corporate segments. This will require considerable investment in both fixed and mobile networks. We have thus provisioned Php25.4 billion in capital expenditures for 2008 alone. Aside from the Next Generation Network (NGN), we are also making provisions for advanced wireless broadband platforms such as High Speed Downlink Packet Access (HSDPA) and WiMax.

Fourth, we are engaging and empowering our workforce, raising their skills level and strengthening their competence and commitment. We are actively involving managers, supervisors and rank and file employees in redesigning business and technical processes in order to achieve higher levels of efficiencies and effectiveness. At the same time, training programs are being held to support the deployment of new technologies and new services.

Finally, we are systematically stepping up efforts to raise our service quality to world-class standards. This has the intense attention and focus of both your Management and your Board. In DSL and fixed voice services, for example, we are conducting end-to-end reviews of our technical and business processes for provisioning, repair and restoration and customer interface. The ultimate objective is to improve very significantly the customer experience across a wide range of services and solutions.

Pursuing Strategic Corporate Social Responsibility (CSR)

Through the PLDT-Smart Foundation (PSF), CSR programs have been recast in a manner which creates a major impact on poverty alleviation and meshes better with our business. As a consequence, we have focused our CSR programs in the following key areas: (1) providing broadband access and teachers training to public schools via Smart Schools, PLDT Infoteach and the *Gabay Guro, or 2G*, programs; (2) community development by way of continued support of low cost housing through *Gawad Kalinga, GK*, Operation Compassion, military housing and a community-focused disaster reduction and management program; (3) youth development efforts through projects such as the building of juvenile rehabilitation centers that will house 100 children and train 300 more in Manila and Davao; (4) poverty alleviation through livelihood projects and microfinance lending in cooperation with the Philippine Business for Social Progress (PBSP), Pinoy Micro Enterprise (Pinoy ME) and the ASA Foundation; and (5) sports development through programs in support of the Basketball Association of the Philippines (BAP) *Samahang Basketbol ng Pilipinas* (SBP), the Amateur Boxing Association of the Philippines (ABAP); and the promotion of Philippine arts and culture through projects such as Cinemabuhay which holds competitions for short and full length films to showcase the work of talented young Filipino film students and film makers.

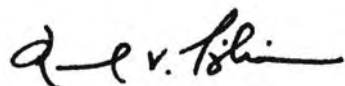
Aside from these core programs, the PSF helps to develop youth leaders through lectures by international leaders through the MVP Ateneo Leadership Series. The PSF also seeks to promote independent, privately-financed strategic research in economic policy and planning by supporting the Center for National Policy and Strategy (CNAPS), a non-partisan, interdisciplinary think tank with concentration on long-term economic issues.

Conclusion

It is propitious indeed that the 80th anniversary of PLDT coincides with the 10th anniversary of First Pacific Company Limited's investment in PLDT. It was in November 1998 that First Pacific acquired a significant equity stake in PLDT. There have been moments when it must have seemed to those outside of us, and perhaps even inside, that we had erred in putting our faith in the future of PLDT. But we held fast. And over time, we have overcome serious challenges and, with the combined effort and dedication of our Management and staff, gradually transformed PLDT into the country's most valuable corporation.

The real key to the PLDT story has been the deep and abiding commitment by all its key stakeholders – shareholders, Management, employees – to the vision of making PLDT the first Philippine company of regional, and, ultimately, global stature. Tangible expressions of that commitment have been on the one hand our passion for innovation, and on the other, the substantial resources being devoted to the build-out of a wealth of infrastructures geared to service our markets better.

In conclusion, allow me to thank the Management and staff for delivering another year of outstanding results, the Board of Directors for providing wise counsel, and our shareholders for their generous support. On behalf of the Board and the over 30,000 people of the PLDT Group, I wish to assure you that our efforts to transform your Company will eventually give birth to a new PLDT, with operating results and governance practices at par with the world's best, firmly committed to excellence, to our customers, and to the welfare of our people.



MANUEL V. PANGILINAN
Chairman of the Board

A LETTER FROM THE PRESIDENT AND CEO

Dear Shareholders,

Our Company has completed another record year in 2007. Our consolidated net income of Php36 billion for the year 2007 was 2% higher compared with the Php35.1 billion net income reported in 2006. This year's results benefited from a decline in additional depreciation charges and higher foreign exchange translations gains, offset by increased provision for taxes and higher asset impairment charges. Core net income, net of these exceptional items, rose to Php35.2 billion in 2007, 11% over the core net income of Php31.5 billion in 2006. Consolidated service revenues increased by 8% to Php135.5 billion, notwithstanding the 10% appreciation of the peso which negatively impacted 38% of the PLDT Group's revenues that are U.S. dollar-linked. Consolidated EBITDA improved by 4% to Php82.9 billion while EBITDA margin declined to 61%.

Core earnings attributable to each common share reached Php184 per share, an increase of 9% compared to Php169 per share last year. As a result of these robust earnings, the Company's Board of Directors declared a final dividend for 2007 of Php68 per share, fulfilling the Company's commitment to pay out a minimum ratio of 70% of core earnings. In addition, the Board also approved a special dividend of Php56 per share. Added to the previously paid interim dividend of Php60 per share in September 2007, total dividends for the year will amount to Php184 per share, representing a payout of 100% of 2007 core earnings. This compares to an 85% payout ratio on 2006 core earnings, inclusive of a special dividend as well. Total dividend payments for 2007 increased by 50% to Php28.2 billion, from Php18.8 billion in 2006.

Operating Highlights

Wireless: Setting the Pace

Consolidated wireless service revenues rose to Php86.5 billion for the full year 2007, 10% higher than the Php78.4 billion realized last year, with cellular subsidiaries, Smart Communications, Inc. (Smart) and Pilipino Telephone Corporation (Piltel) continuing their stellar performances. Service revenues of Php22.4 billion in the fourth quarter of 2007 were 6% higher than the third quarter revenues of 2007 due to the increased usage normally associated with the holiday season and 10% higher than fourth quarter revenues of Php20.4 billion in 2006.

Consolidated wireless EBITDA improved by 10% to Php55.3 billion in 2007 from Php50.3 billion in 2006 while EBITDA margins remained at 64%.

The PLDT Group's total cellular subscriber base for 2007 grew by 5.9 million to 30 million. Smart recorded net additions of approximately 3.2 million subscribers while *Talk 'N Text* added



about 2.7 million subscribers to end 2007 with 20.3 million and 9.7 million subscribers, respectively. In February 2008, the PLDT Group's cellular subscriber base surpassed the 31 million mark as Smart and Piltel added one million new subscribers in the first two months of the year.

In 2007, Smart continued to successfully defend its market leadership by developing innovative voice and text packages that drive activations, boost usage and strengthen brand equity.

Smart's continued strong subscriber growth belies the belief that the Philippines' high penetration rate is indicative of slowing market demand. This strong growth is manifested in our capital expenditure levels as we expanded both capacity and coverage to accommodate our increasing subscriber base. We are also gratified with the success of our segmented approach that allows us to offer customized promotions to segments of our subscriber base to address their specific needs without diluting our overall revenue base.

Smart's wireless broadband service – branded *SmartBro* (*Ang broadband ng bayan*) – sustained its excellent performance as its wireless broadband subscriber base grew 148% to reach 302,000 at the end of 2007, adding approximately 180,000 new subscribers for the year. Smart now has 2,780 wireless broadband-enabled base stations providing high-speed Internet access to over 625 cities and municipalities all over the Philippines. Wireless broadband revenues grew to about Php2.4 billion in 2007, an improvement of 190% over the Php823 million in 2006. In November 2007, *SmartBro* enhanced its wireless broadband portfolio with *SmartBro Plug-It*, a service offering instant Internet access through a portable wireless modem. *SmartBro Plug-It* provides Internet access in all areas where there is Smart network coverage.

By optimizing our various technologies, we have made our wireless broadband service into another pillar of strength for Smart. Our investment in this space will accelerate as we seek to solidify our leadership.

PLDT Fixed Line: Facing the Future

Fixed Line service revenues decreased 1% to Php48.6 billion in 2007 from Php49.2 billion in 2006 as improvements in data revenues, both from corporate data and residential DSL services, were offset by the continued decline in revenues from the local exchange and international long distance (ILD) services. Our U.S. dollar-linked revenues arising from the local exchange and ILD businesses were adversely impacted by the 10% appreciation of the average U.S. dollar/Philippine peso exchange rate in 2007. Fixed Line revenues would have improved 3% year-on-year if foreign exchange rates had remained stable.

Retail DSL continued to grow as broadband subscribers nearly doubled to 264,000 in 2007 from 133,000 at the end of 2006. PLDT DSL generated Php4.1 billion in revenues for 2007, up 18% from Php3.5 billion in 2006, accounting for 54% of PLDT's broadband and internet revenues for the year.

Fixed Line EBITDA in 2007 declined 7% to Php26.4 billion in line with the decrease in revenues and costs associated with manpower rightsizing initiatives; EBITDA margin likewise declined to 54%.

On 4th December 2007, Piltel and PLDT executed an Asset Sale and Purchase Agreement covering the sale and purchase of assets relating to Piltel's fixed line or LEC business. The sale is still subject to the fulfillment of certain closing conditions, including the procurement of the requisite regulatory approvals.

Our recent organizational changes underscore our commitment to match our financial success with equally exceptional service, organization and culture. To this end, we have reorganized ourselves to ensure that the Fixed Line continues to make the necessary changes in order to transform our business, our corporate culture and our people.

ePLDT: Gearing Up for Growth

ePLDT, the Group's information and communications technology arm, reported service revenues of Php10.1 billion for 2007, a 59% increase from Php6.3 billion last year, driven by the continued growth in the customer interaction service business (*ePLDT Ventus*) and the consolidation of SPi after its acquisition in July 2006. Despite their significant growth, ePLDT's revenues were likewise adversely

impacted by the strong appreciation of the peso since approximately 82% of its service revenues are denominated in U.S. dollars. As a result, ePLDT's EBITDA margin for 2007 declined to 11% compared with 15% in 2006. ePLDT would have reported an additional 74% growth in revenues if the peso had remained stable year-on-year. ePLDT's revenues now account for 7% of the PLDT Group's consolidated revenues.

Consolidated customer interaction service revenues continued to make significant gains, growing 24% to Php3.3 billion as a result of increased capacity utilization and billable hours, for new and existing clients, and despite the appreciation of the peso. *ePLDT Ventus* now operates nine facilities with combined seats of 6,400.

SPi, on the other hand, generated revenues of Php5.3 billion in 2007. In addition to the Philippines and the U.S.A., SPi has operations in India and Vietnam. Consolidated seats totaled 4,500, of which 80% are located in the Philippines. SPi was ranked third globally among the "Leader - Emerging Asian Markets," sixth in "Best Performing BPO Provider" and ninth among "Top Leaders in Human Capital Development" in the 2008 Global Outsourcing 100 Survey conducted by *Global Services Magazine* and *neoIT*, an outsourcing advisory firm.

The continuing integration of SPi and *ePLDT Ventus* proceeds apace and has resulted in operating efficiencies and enhanced processes across both companies which we anticipate will contribute to improved margins in due course. We also have high expectations for improving results from our world-class data center, *Vitro™*, which recently achieved its ISO27001:2005 and ISO9001:2000 recertification as well as Philippine Economic Zone Authority (PEZA) accreditation.

Financial Initiatives

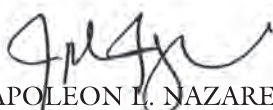
The Group's consolidated balance sheet continued to strengthen with consolidated debt balances down to US\$1.6 billion. Net debt as at 31st December 2007 stood at US\$0.9 billion. Net debt to EBITDA and net debt to equity improved to 0.42 times and 0.31 times, respectively.

Consolidated free cash flow remained strong at Php46.5 billion in 2007 despite the increases in capital expenditures and working capital requirements. Consolidated capital expenditures increased to approximately Php25 billion, or 20% higher than 2006 levels, and were primarily utilized to accelerate the capacity and rollout of the wireless and broadband network as a result of higher than anticipated subscriber growth. Total capital expenditures for 2007 remained below annual depreciation costs and represented 18% of service revenues. Capital expenditures for the Group are expected to remain at Php25 billion in 2008.

PLDT at 80 – Changing Lives

As we celebrate PLDT's 80th year in the Philippines, we take pride in PLDT's accomplishments and the positive effect we have had on the lives our fellow Filipinos. We are determined to make this milestone year even more special by delivering outstanding results and we also renew our commitment to continue investing in our country by providing the needed infrastructure and value-driven services that make a difference.

Our Chairman, Manuel V. Pangilinan, has said that our strategic goal should be to transform PLDT from an integrated telco into a customer-centric, multimedia company delivering communications, information, technology – especially mobile commerce – and entertainment. We have, over the past several years, initiated a number of organizational changes that have propelled us to higher levels of developmental challenges. These initiatives have produced unprecedented profits these past years. Of course, our overarching goal is to make PLDT a truly world class company – in terms of profits, customer orientation, and quality of service.



NAPOLEON L. NAZARENO
President and CEO



WE'RE
CHANGING
LIVES

For 80 years, PLDT has been an essential part of Filipinos' lives. Since 1928, PLDT has faithfully served generations of Filipinos when it pioneered in linking the country's major islands through a reliable "long distance" telephone system and eventually grew to be the Philippines' leading telecommunications provider.

Now, through its three principal business groups — wireless, fixed line, and information and communications technology — PLDT continues to pursue its mission to change and improve the lives of Filipinos as it offers a wide range of telecommunications services across the Philippines' most extensive fiber optic backbone and wireless, fixed line and satellite networks.

In the following pages are pictures and stories of some of the people whose lives PLDT has touched — and eventually transformed.

And on its 80th year, PLDT looks at the future and aims to evolve into an integrated multimedia company offering a wide range of information, communications, entertainment and content services — to keep changing lives.





INNOVATIVE INTERNET SERVICES

CHANGING LIVES

Giving new meaning to broad-BAND

On weekends and lazy summer afternoons, cousins Michael Lozano and Richie Griner often take out their guitars, and spend their time jamming and playing their favorite songs.

Sometimes Michael, 16, would play a few bars of Metallica or Led Zeppelin. Other times, Ritchie, 13, would show off a newly-learned Jimi Hendrix riff.

Typical teenagers rocking out in someone's room or garage? Not quite! Michael and Ritchie add a high-tech touch to their pastime. You might call it "remote jamming."

The two kids are actually in their respective homes, a good two and half hours away from each other by car. But distance does not matter in a broadbanded world. Using their *PLDT myDSL* connections, they can make beautiful music together without missing a beat.

"When I jam with Richie or my friends, I usually go online and use my Instant Messenger's conference feature. If I want them to listen to a song that I like, I just lay the microphone down on the table, and play my guitar so that they could hear it," explained Michael.

"If he needs help on some parts, I would just plug in my webcam, aim it at my guitar and show him how it's done. He also does the same for me," added Richie.

Even before the boys started practicing together online, they said they also learned how to play the guitar on the Internet, not in a classroom—culling information from friends, practicing and teaching themselves how to play via instructional videos online.

PLDT myDSL has indeed changed how kids hang out and learn new skills – just as it has reshaped the lives of many other people as well. Broadband Internet is changing the way students learn, the way companies and institutions operate and how government conducts its business.

PLDT is taking the lead in broadbanding the country. As at end-2007, the PLDT Group more than doubled its number of broadband subscribers to 579,000. The higher-than-anticipated subscriber growth has led PLDT to invest aggressively in beefing up its network.

Part of these investments involved the deployment of its legacy network to NGN. NGN technologies allow subscribers to avail of value-added services such as DSL more quickly and easily. It also allows PLDT to provide better quality of service, attractive bundled services and higher data speeds according to customers' needs.

This has been complemented by the further expansion of Smart's wireless broadband network. By end-2007, Smart had over 2,700 wireless broadband enabled base stations, serving over 625 cities and municipalities all over the country.

At this rate, kids will be jamming with each other from one end of the country to the other.

SMART PINOY WORLDWIDE

CHANGING LIVES

Making lives easier for Filipinos overseas

Eleven years ago, Eva Agoo left the Philippines to work in Hong Kong. Although a BS Education graduate, she opted to work as a domestic helper abroad to get higher pay. At that time, Oliver, her only son, was turning three.

Now 42, Eva is still in Hong Kong. Her son is now in high school. She earns the equivalent of around Php23,000 a month from her employer who lives in Hong Kong's business district.

She regularly keeps in touch with her family using her Smart SIM, and sends money home via *Smart Padala*, Smart's world-first SMS-based remittance service launched in 2004.

"I send Php10,000 monthly via *Smart Padala*. I used to send money home by depositing funds in my older sister's bank account, but the cable charge was HK\$25. Smart charges cheaper rates at only HK\$15. I also send Oliver a Php500 weekly allowance at HK\$1 per transaction with no cable charge," narrates Eva.

Her Php10,000 goes a long way. It supports not only her son Oliver, but also augments her older sister's income. It also subsidizes the expenses of her brother's family. They all live in one house in Quezon City.

"We use the money she sends to pay for our rent, electricity, water, and groceries," says Vicky Agoo, her older sister, who works in a travel agency in Makati. "Getting our allowance through my *Smart Money* card is more convenient. Since it is linked to my cell phone, I receive a text message every time money is credited to my account. It's fast. I can withdraw the money from bank ATMs. Before, I had to check my bank account to find out if our allowance had been deposited, or Eva calls to tell us that she deposited money."

Smart Pinoy Services

Eva is one of the thousands of Filipino migrant workers who benefit from *Smart Pinoy Services*, Smart's array of products and services for Overseas Filipinos and their families in the Philippines.

Aside from mobile remittances, *Smart Pinoy Services* include basic communication needs via IDD, international text, international MMS and international video call. With Smart's international roaming, subscribers can use their cell phone in over 200 countries where Smart has forged partnerships with over 400 international network partners.

Filipino seafarers also benefit from *Smart Pinoy Services*. *Smart Link*, the first and only prepaid satellite phone service in the Philippines, is designed for use in areas beyond the reach of landlines or cellular signals, particularly the seas of Asia-Pacific, Indian Ocean, Middle East and Africa. A partnership with Blue Ocean Wireless now also allows seafarers to use their GSM mobile phones even while in the middle of ocean waters. The new service, launched just last February, is currently being piloted in 25 ships consisting of at least 20 crew members per ship.

Remittance

But it is in the area of mobile commerce and remittance that *Smart Pinoy Services* is proving especially invaluable to Overseas Filipinos. One such service is the Land Bank OFW Cash Card. Powered by *Smart Money*, the Land Bank OFW Cash Card enables Filipino workers to send funds to their beneficiaries in the Philippines via SIM-based services anytime, anywhere at the speed of a text message and affordable rates.

At the launch of the Land Bank Card in Dubai early this year, Roberto Galud who works as a waiter in a hotel used his mobile phone to send funds to his sister, Riezielda Arban, in the Philippines. "*Ang bilis,*" exclaimed Riezielda when she received a text message that the money had been transferred to her Land Bank OFW beneficiary cash card. Using the card, Riezielda immediately withdrew the funds from an ATM. The funds helped pay for the medical expenses of their father, Reynaldo, a tricycle driver in Pasay City who suffers from hypertension.

With these innovative services and programs, Smart is helping making life easier, more convenient and more productive for Filipinos abroad and their families in the Philippines.





CHANGING LIVES

Growing a sunrise industry

For 52 straight weeks in 2007, Marie Dhel A. Mistiola, 24, scored a perfect 100. As a customer interaction service agent in Ventus, the customer interaction service subsidiary of ePLDT, she follows a clearly prescribed process, uses the appropriate language, listens attentively to callers, and addresses their concerns in a crisply professional way – all in the course of a normal working day.

And each week, a quality assurance specialist samples her recorded calls and evaluates her performance.

A 100-percent score is a feat that only dedicated and high-performing individuals can achieve. And for that, Marie Dhel became the most outstanding customer service representative for 2007. She surpassed the performance of almost 600 other agents in the Ventus facility in the Bonifacio Global City, Taguig.

Marie Dhel values the recognition and the respect of her superiors and colleagues, but her motivation comes from something closer to home. She is the family breadwinner. Because of her work at Ventus, she is able to support her younger brothers and sister in their studies.

“When I joined Ventus, my dad had no work, and my sister and brother were already in college. My employment at Ventus was really a big help,” said Marie Dhel, a mass communications graduate from Pamantasan ng Lungsod ng Maynila.

Right now, her dad is working as a courier and her mom tends a small variety store. But still, their income isn’t enough to sustain the growing needs of the family. Thanks to Marie Dhel, they can now make ends meet and even enjoy some luxuries.

“I’m earning well so I can help my family. At the same time, I enjoy working here,” she said.

With her friends at work and the support she gets from them, the hard work, stress and late nights have become manageable.

After more than three years working as a customer interaction service agent at Ventus, Marie Dhel believes there are opportunities for advancement waiting for her and others like her. She has learned the discipline and skills needed for effective customer interface which apply not only to customer interaction service operations but also to a wide range of businesses.

By investing in the outsourcing business, PLDT has directly contributed to the growth of one of the country’s leading sunrise industries. According to the trade and industry department, revenues of the outsourcing industry rose to US\$5 billion in 2007 from US\$3.5 billion in 2006 while employment jumped to 320,000 from 235,000. ePLDT’s outsourcing subsidiary SPi and ePLDT *Ventus* together employ about 16,000 people, which raises the Group’s total workforce to approximately 30,000.

PLDT also enables the entire outsourcing industry to grow by providing the bulk of the high-bandwidth telecommunications facilities that companies need to operate.

In these ways, PLDT has helped hundreds of thousands of Filipinos like Marie Dhel find lucrative work in a fast-growing industry in which the Philippines excels.

NETWORK BANKING

CHANGING LIVES

Redefining rural banking

For many farmers in remote areas of the country, an ATM might as well be a robot from outer space.

One of the country's largest rural banks is however bringing ATMs and modern banking down to earth. One Network Bank, with help from PLDT, is introducing advanced banking technology to the countryside and turning farmers into financially savvy entrepreneurs.

Operating exclusively in Mindanao, One Network Bank today has 70 branches and 68 ATMs in the country's southern region, including those operating in remote places such as Antipas, North Cotabato, and Maranding in Lala, Lanao del Norte. It has installed wireless branches and ATMs in areas such as Makilala, North Cotabato, and Kapalong, Davao del Norte, where having such facilities used to be unthinkable.

Bank President Alex V. Buenaventura says that in the past, deploying branches and ATMs in many remote rural areas was simply impossible because wired networks needed to carry vital voice and data communications were either non-existent or too costly to operate. That limitation has however been overcome by Smart's extensive mobile phone and wireless broadband networks.

Using wireless data technologies like GPRS and EDGE, PLDT's Corporate Business Group has developed services that support the use of facilities such as wireless point of sales (POS) terminals and wireless ATMs. Such services have now made it possible for One Network Bank to go deep into the Mindanao countryside.

Buenaventura says easy access to cash via ATMs and to online real-time "deposit-and-withdraw-anywhere" transactions from more branches in previously unreachable places has enabled One Network Bank to support agriculture and open up exciting opportunities.

One such development that is revitalizing agriculture in Mindanao is the emergence of new crop growers from the ranks of land lessors. About five years ago, when their 15-year lease agreements with large banana companies expired, landowners were transformed into crop growers themselves.

These farmers entered into long-term production and marketing contracts with multinational agri-companies that ensure that the crops have a ready market at guaranteed transparent pricing schemes. From making only Php 8,000 to Php18,000 a year leasing their land to these big companies, landowners now earn an average of Php15,000 per hectare a month farming the land themselves as contract growers.

"There is something else to that. Now, these landowners employ their relatives to manage and supply labor to the farm, thus creating employment," said Buenaventura.

By providing a maximum of Php1.35 million per farmer to develop a maximum of three hectares, and by deploying agri-technicians to supervise them and ensure productivity per hectare per year of no less than 4,000 boxes of Class A Cavendish bananas, One Network Bank is helping many small farmers profit more from their labor.

Setting itself apart from other banks, One Network Bank has adopted the slogan "*Pera ng Mindanao, Para sa Mindanao.*"

"We felt it is a clear philosophy, clear marketing positioning for us to be a bank that will commit 100 percent plough-back. Resources or deposits from the island of Mindanao must all be invested in Mindanao," says Buenaventura.

Enabled by PLDT's innovative services such as *Shops.Work UnPlugged (SWUP)* and *SmartBro Enterprise Edition*, One Network Bank is redefining rural banking and carrying out its commitment to the people of Mindanao.



CORPORATE SOCIAL RESPONSIBILITY

CHANGING LIVES

Innovating for community service



The PLDT Group strengthened its community service programs through the combined efforts of the PSF, PLDT and Smart.

The PLDT-Smart Foundation

PSF focuses on six core programs: enterprise development and microfinance, sports, education, juvenile rehabilitation, disaster risk management, and the arts.

Enterprise Development and Microfinance. In partnership with ASA Foundation, one of the country's major microfinance institutions, PSF aims to provide micro-entrepreneurs better access to capital.

Sports. Support to the Amateur Boxing Association of the Philippines provides boxers better training and a bigger chance for an Olympic Gold. PSF also assists the Samahang

Basketbol ng Pilipinas run a grassroots training program for the youth. PSF also supports track and field, the Philippine Sports Association for the Differently Aabled, Inc., and the MVP Golf Cup.

Education. Under the PLDT Managers Club's *Gabay-Guro* (Teachers Guide) Program, 30 teachers have been trained in English proficiency and computer literacy. Qualified children of PLDT employees, meanwhile, are Employees' Educational Grant scholars. Youth leaders also learn and meet experts from the MVP Leadership Series held at the Ateneo de Manila University.

PSF also supports the Center for National Policy and Strategy (www.cnaps.org.ph), a non-partisan, interdisciplinary and multi-stakeholder community of scholars and influential practitioners dedicated to the collection, organization, and synthesis of local and global policy ideas.

Juvenile Rehabilitation Program. PSF will construct two juvenile rehabilitation facilities for 100 children and train 300 minors from Metro Manila and Davao. PSF aims to help prevent children from serving prison terms in adult jails. A fund-raising ball was organized in U.S. universities and Ivy League schools for the rehabilitation center.

Disaster Risk Management. The program provides relief and sustainable rehabilitation needs of communities, particularly in the Bicol region. PSF has partnered with Operation Compassion for a pilot housing project, a disaster management system and a livelihood program for 218 families in Albay province.

The Arts. PSF supports the development of Philippine cinema through Cinemabuhay. PSF has awarded two entries Php1 million each for best film project: "*Numbalikdiwa*" and "*Cul de Sac*." PSF also supports Artists in Development, a network of actors, directors, singers, media and sports personalities. Videokultura, a mobile phone video competition with Filipino themes, promotes creativity and pride in Filipino culture among the youth.

PLDT and Smart: Stress on Innovation

For PLDT and Smart, the thrust is to apply innovative approaches and to work with partners to pursue parallel programs in education, entrepreneurship, community building, disaster preparedness and emergency communications, environment, volunteerism, and health.

Education. PLDT's Infoteach Outreach Program conducted the 1st *PLDT myDSL* Broadband Quiz in 2007. Unlike conventional quiz shows, the *PLDT myDSL* Broadband Quiz was held simultaneously in *Netopia* branches in different parts of the country, using the Internet cafés' broadband facilities, and in partnership with the Asian College of Science and Technology.



The *Smart Schools Program (SSP)*, meanwhile, boasts of member public high schools working with Smart in creating their own interactive websites. This sets the stage for public high schools to become creators of online educational content.

Launched in December 2004, the *SSP* provides Internet access, online content and training to 150 public high schools and 30 public elementary schools (under Smart Schools Jr.) nationwide. Over 5,000 teachers have been trained on basic computer use, PC troubleshooting and networking, and website creation.

On its 5th year, the *Smart Wireless Engineering Education Program (SWEEP)* is on its second phase. In addition to the program's thrust to provide laboratory facilities and training programs on GSM technology, *SWEEP* Phase 2 includes training for wireless broadband technologies.

PLDT's Innovation Laboratory is now a venue for students and faculty to conduct research on new communication technologies. In 2007, close to 1,000 students and faculty from over 20 schools toured the facility.

Smart's *Adopt-a-School Read-to-be-Smart* Program continues to draw support from employee volunteers interested in reading tutorials, values formation activities and feeding programs for public elementary schools in Metro Manila, Cebu and Davao.

Entrepreneurship. The Smart Entrepreneurial Program provides students, housewives and micro-entrepreneurs with additional income through free seminars on entrepreneurship.

Community Building. After house-building, PLDT, Smart and PSF now focus on livelihood projects for residents in adopted *Gawad Kalinga (GK)* villages.

Smart Amazing *GK* Village in General Nakar, Quezon province, for example, is now home to skilled driftwood sculptors, active participants in the community art circuit. The sculptors – former farmers and fishermen whose homes were destroyed by typhoons in 2004 – have also become benefactors to the livelihood program of the residents of the PLDT-Smart Amazing *GK* Village in Iloilo province. In *GK* Iloilo, a group of women learned dressmaking, while men were taught carpentry. The children had terracotta art workshops. PLDT, Smart and the PSF have adopted seven PLDT-Smart Amazing *GK* Villages nationwide.

Disaster Preparedness and Emergency Communications. Smart has deployed equipment for community-based early warning systems in Quezon and Sorsogon provinces in partnership with the Philippine Institute of Volcanology and Seismology.

Working with the Philippine National Red Cross and other partners, PLDT and Smart set up *Libreng Tawag* or Free Call Centers in calamity areas to serve the communication needs of survivors, rescue teams, media, government and private agencies.

Environment. Supporting environmental conservation initiatives of the government, employee volunteers planted over 75,000 trees nationwide in 2007.

Health. More than 3,000 residents have benefited from medical and dental missions conducted by volunteer doctors and PLDT employees in Albay, Iloilo, Pampanga and Isabela provinces.

All year round, the PLDT Group reaches out to the community in many different ways to help Filipinos in need. Among these are, from top, Chairman Manuel V. Pangilinan checks out the computer lab donated by the PLDT Group at Apalit, Pampanga, during his birthday; treeplanting project at Liliw, Laguna, under PLDT's Environmental Program; PLDT Infoteach Outreach commencement exercises; Smart Schools Program's Rainfall Monitoring Workshop; PLDT Art Workshop for sick, indigent children and out-of-school youth; bloodletting for Philippine Children's Medical Center; and the 1st *PLDT myDSL* Broadband Quiz under PLDT Infoteach Outreach.



Going up a notch to a higher level of competency

The corporate governance framework of the PLDT Group involves three development phases: Compliance, Competency, and Character/Culture. Following our corporate governance framework of engineering, education and enforcement, our corporate governance has climbed a notch higher from the compliance level to the competency level. We aim to achieve the final level – possessing a strong ethical corporate character or culture – in succeeding years to complete the three C's of our corporate governance.

In 2007, as part of the embedding of corporate governance standards in performance evaluation of our personnel, the Policy on Employee Qualification for Incentives and Rewards was amended to include corporate governance policy violations as a disqualification factor.

Our corporate governance education and communication activities in 2007 focused on results of a culture risk assessment done from December 2006 to January 2007. To address identified risks, various activities were conducted in 2007 aimed at strengthening ethical decision-making skills among our officers, executives and team leaders, as well as strengthening ethics and customer service orientation among identified key responsible business units in the Group. These included:

- Training sessions and workshops based on concepts and modules developed by the Corporate Governance Office (CGO) and facilitated by various professionals, both local and international, known in the field of corporate governance and ethics, namely: (1) Board Corporate Governance Session on Corporate Governance Trends in Asia; (2) Officers Corporate Governance Session on Ethical Leadership; (3) Executives Workshop on Ethical Decision-Making; (4) Coffee and Doughnut Sessions with high compliance risk business units;
- Development and operation of an e-Learning Session on Conflict of Interest, which involved the development and publication of a 5-minute audio-video material discussing the Conflict of Interest Policy in simple terms and with examples. All supervisors and rank and file employees of PLDT are required to undergo the session, which was launched in September 2007; and
- Development and distribution of the CG Handbook, primer, posters, Ripples monthly e-newsletter and weekly CG news summaries e-mail.

We have also communicated our commitment to, as well as expectations on, good corporate governance from, our business partners, including suppliers. Thus, to ensure that relations between PLDT and its business partners are imbued with PLDT's standards on good corporate governance, PLDT has held Supplier's/Contractor's Briefings and developed written CG Guidelines for Suppliers and Contractors, to which PLDT suppliers and contractors are expected to submit their individual written conformity to signify their understanding and acceptance of these standards as indispensable in doing business with PLDT.

Our communication, education, training, and embedding activities described above, primarily seek to increase our employees' understanding of our corporate governance policies and rules (collectively, the Corporate Governance (CG) Rules), which have been adopted between 2002 to 2006. Our CG Rules comply with the requirements of the Philippine and U.S. Securities and Exchange Commissions (SEC), New York Stock Exchange and Hong Kong Stock Exchange Corporate Governance Rules, as may be applicable.

From 2005 to 2007, our subsidiaries have also adopted corporate governance rules and policies substantially similar in substance and form to our CG Rules, as well as appointed their respective corporate governance officers.

Our CG Rules, include, among others, our Corporate Governance Manual, or Governance Manual, which was adopted and approved by our board of directors in September 2002. Our Governance Manual seeks to institutionalize the principles of good governance that our board of directors and management believe to be a necessary component of sound business management. It conforms

with the requirements of the Code of Corporate Governance, or Philippine SEC Governance Code, that was promulgated by the Philippine Securities and Exchange Commission, or Philippine SEC, under the Philippine SEC Memorandum Circular No. 2, Series of 2002, on April 5, 2002.

In compliance with the Philippine SEC Governance Code and consistent with the relevant provisions of the Securities Regulation Code and Corporation Code of the Philippines, our Governance Manual covers the following key areas:

1. The qualifications and grounds for disqualification for directorship;
2. The requirement that at least two or twenty percent of the members of our board of directors, whichever is lesser, must be independent directors and the standards/criteria for the determination of independent directors;
3. The duties and responsibilities of our board of directors and the individual directors;
4. Our board committees, specifically, the governance and nomination committee, audit committee, and executive compensation committee, the composition and the principal duties and responsibilities of such committees;
5. The role of our chairman in ensuring compliance with the corporate governance principles;
6. The role of our president/chief executive officer in ensuring that our organizational and procedural controls are adequate and effective to ensure reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets and compliance with laws, rules, regulations and contracts;
7. The duties and responsibilities of our corporate secretary/assistant corporate secretary in terms of the support services that they need to provide our board in upholding sound corporate governance;
8. The duties and responsibilities of the head of our internal audit organization that would provide our board of directors, management and shareholders with reasonable assurance that our key organizational and procedural controls are appropriate, adequate, effective and reasonably complied with;
9. The functions of our independent auditors that would reasonably ensure an environment of sound corporate governance as reflected in our financial records and reports; the requirement that non-audit work of the independent auditors should not conflict with their function as independent auditors; the requirement to rotate, at least once every five years, the independent auditors or the lead partner assigned to handle the independent audit of our financial statements;
10. Our commitment to respect and promote shareholders' rights such as voting right, pre-emptive right, inspection right, dividend right, appraisal right, and right to receive information about the background, business experience, compensation and shareholdings of our directors and officers and their transactions with us;
11. The requirement to appoint a compliance officer and the duties and responsibilities of such compliance officer including the establishment of an evaluation system to determine and measure compliance with the provisions of our Governance Manual; and
12. The penalties for violations of our Governance Manual.

Our Code of Business Conduct and Ethics, or Code of Ethics, was adopted to strengthen the implementation of our Governance Manual. Approved by our board on March 30, 2004 and subsequently updated on July 11, 2006, our Code of Ethics sets out our business principles and values, which aim to promote a culture of good corporate governance in the Company. It provides standards that govern and guide all business relationships of the Company, its directors, officers and employees, especially with respect to the following:

1. Compliance with applicable laws, rules and regulations;
2. Ethical handling of conflicts of interest, corporate opportunities and confidential information;
3. Protection and proper use of Company assets;
4. Fair dealing with our employees, customers, service providers, suppliers, and competitors;
5. Compliance with our reporting and disclosure obligations to the relevant regulators and to investors;
6. Compliance with our disclosure and financial reporting controls and procedures;
7. Assessment and management of risks involved in our business endeavours; and
8. Adoption of international best practices of good corporate governance in the conduct of our business.

In addition, the following policies were adopted by our board to provide specific guidelines on the provisions of the Code

of Ethics: (a) the Conflict of Interest Policy, which was approved on October 24, 2005, ensures that work-related actions of PLDT directors, officers, employees and consultants are based on sound business principles and judgment devoid of bias or partiality; (b) the Policy on Gifts, Entertainment and Sponsored Travel, which was approved on 31 January 2006, provides safeguards so that the custom of giving gifts is handled in accordance with the Company's principles of integrity, accountability, fairness and transparency; (c) the Supplier/Contractor Relations Policy, which was approved on January 31, 2006, ensures that the Company upholds the highest professional standards in business practices and ethics in its dealings with suppliers and contractors in the procurement of goods and services; and (d) the Policy on Employee Disclosure on Violations of the Corporate Governance Rules, Questionable Accounting or Auditing Matters, and Offenses covered by the Company's Table of Penalties (Expanded Whistleblowing Policy), which was approved on May 9, 2006, provides guidelines on handling employee complaints, protects whistleblowers from retaliation and ensures confidentiality and fairness in the handling of a disclosure or complaint. An Expanded Whistleblowing Hotline and other reporting facilities, such as a dedicated electronic mailbox, post office box, and facsimile transmission have been installed and are maintained.

Aside from the continuation and improvement of our various programs geared towards ethical culture-building and enabling ethical decision-making, plans are in the pipeline for a commissioned research to come up with an Ethical Compliance Framework for Philippine Business, with the objective of aligning local culture with a global compliance culture, and participation in a Companies Circle project to undertake an inventory of Philippine SEC and PSE corporate governance regulations for the guidance of all Philippine corporations.

On January 11 and January 14, 2008, respectively, our chief governance officer submitted to the Philippine SEC and PSE our annual certification confirming, among others, that:

1. Compliance with SEC Memorandum Circular No. 2 dated April 5, 2002, as well as all relevant circulars on corporate governance, has been monitored;
2. PLDT, its directors and officers complied with all the leading practices and principles on good corporate governance as embodied in our Governance Manual; and
3. PLDT did not commit any major deviation from the provisions of the Governance Manual.

Said certification was based on the annual evaluation conducted by our president and chief executive officer, treasurer, and chief financial officer and chief governance officer of our Company's compliance with the Governance Manual. In making such evaluation, said officers used our board-approved corporate governance self-rating form which has been patterned after a similar form that was issued by the Philippine SEC under SEC Memorandum Circular No. 5, Series of 2003, dated April 3, 2003.

We have also summarized in our website the differences between our corporate governance practices and those required of U.S. listed companies under NYSE Section 303A.11.

To access our Code of Ethics, Governance Manual or the differences between our corporate governance practices and those required of U.S. listed companies under NYSE Section 303A.11, please refer to:

http://www.pldt.com.ph/download/pldt-corpgov_manual.pdf or
http://www.pldt.com.ph/cgov/downloads/pldt-corpgov_manual.pdf
http://www.pldt.com.ph/download/pldt-code_ethics.pdf or
[http://www.pldt.com.ph/cgov/downloads/Code%20of%20Ethics%20\(BD_APPRVD\)-03.30.04.pdf](http://www.pldt.com.ph/cgov/downloads/Code%20of%20Ethics%20(BD_APPRVD)-03.30.04.pdf)
<http://www.pldt.com.ph/download/pldt-disclosure.pdf> or
http://www.pldt.com.ph/cgov/downloads/NYSE-PLDT_CGDISC-07.01.pdf

The public may obtain information on our Code of Ethics, Governance Manual and Charters of our Board Committees through our website. We undertake to provide a copy, without charge, to any person requesting for a copy of any, or both, of the Code of Ethics and Governance Manual from our chief governance officer, Atty. Ma. Lourdes C. Rausa-Chan, who can be reached at e-mail address lrchan@pldt.com.ph or telephone number +632-816-8556. We also maintain a website at www.pldt.com.ph on which reports filed by us and other information may be accessed.

PLDT Environment Program

As it strives to play a bigger role in the protection and preservation of the environment, PLDT commits to the practice of sound corporate responsibility and strict compliance with government regulations on pollution prevention and control, waste recycling and segregation, proper waste disposal, health and safety, and conservation of vital resources.

PLDT shall also adopt technologies with the least adverse impact on the environment.

This commitment is to be observed by all PLDT directors, officers, executives, employees, consultants, suppliers, and partners. Subsidiaries and affiliates shall also be enjoined to adopt this commitment.

Accomplishments in 2007

- Stewardship
 - Issued and disseminated throughout the Company the following corporate environmental compliance guidelines, specifying policy and implementing mechanics as approved by the Environmental Committee:
 - Ordinary and Hazardous Wastes Management
 - Air Pollution Sources (Motor Vehicles and Power Generating Sets)
 - Ozone-depleting Substances (Halon Fire Fighting Equipment and Air-conditioning Systems)
 - Hazardous Substance (Polychlorinated Biphenyl Electrical Equipment)
- Risks Mitigation and Remediation
 - Exerted numerous efforts to mitigate potential environmental risks arising from the conduct of business. These are:
 - Completed final phase-out of old fire fighting equipment and building air-conditioning systems containing Ozone-depleting Substance (ODS)
 - Started the phase-out of old power transformers on major PLDT buildings to eliminate Polychlorinated Biphenyl (PCB) from the equipments, through the procurement of environmentally-compliant transformers and the disposal of these old units via abroad where an approved technology for PCB destruction is available
 - Initiated an Annual Environmental Performance Reporting system to provide management with necessary information and/or updates on environmental management activities, with the initial run covering the period April 2007 to March 2008
 - Continued scrap and wastes materials management, focused on reduce, re-use and recycle (or sale)
 - Continued energy conservation program in all Company facilities nationwide

Next Steps

With the acquisition of expertise, technologies and resources, the Company prepares to be able to report its carbon footprints by 2008.

PLDT shall also designate Company Pollution Control Officers in the regional offices to handle communication and coordination activities with the Department of the Environment and Natural Resources. At present, these Officers operate only within its National Capital Region offices.

Enterprise Risk Management

Our group-wide enterprise risk management framework has enhanced our existing risk management approach through the Enterprise Risk Management Committee (ERMC). 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. Every company or unit and every officer and executive are responsible for the identification and management of risks pertaining to their respective areas of responsibility.

The 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 identification, 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.

During 2007, the ERMC conducted its annual internal and external risk assessment and validation activity involving the business and support units within the PLDT Group. Major risk concerns and appropriate mitigating measures were accordingly presented to the Executive Committee and to PLDT's Audit Committee, and eventually to the PLDT Board during the annual budget presentation.

The Board of Directors and Committees



Manuel V. Pangilinan



Napoleon L. Nazareno



Helen Y. Dee



Ray C. Espinosa



Tatsu Kono



Oscar S. Reyes



Albert F. Del Rosario



Pedro E. Roxas



Alfred V. Ty

BOARD OF DIRECTORS

Manuel V. Pangilinan, Chairman of the Board
 Napoleon L. Nazareno, President and CEO
 Helen Y. Dee
 Ray C. Espinosa
 Tsuyoshi Kawashima¹
 Tatsu Kono
 Rev. Fr. Bienvenido F. Nebres, S.J.*
 Takashi Ooi²
 Corazon S. de la Paz-Bernardo
 Ma. Lourdes C. Rausa-Chan
 Oscar S. Reyes*
 Albert F. Del Rosario
 Pedro E. Roxas*
 Alfred V. Ty*

ADVISORY BOARD/COMMITTEE

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-Bernardo, Advisor
 Roberto R. Romulo, Advisor
 Tsuyoshi Kawashima¹, Advisor
 Tatsu Kono, Advisor



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



Takashi Ooi



Corazon S. de la Paz-Bernardo



Ma. Lourdes C. Rausa-Chan



Roberto R. Romulo



Benny S. Santoso



Christopher H. Young



Ricardo R. Zarate

GOVERNANCE AND NOMINATION COMMITTEE

Manuel V. Pangilinan, Chairman
Tatsu Kono, Member
Rev. Fr. Bienvenido F. Nebres, S.J., Member
Oscar S. Reyes, Member
Alfred V. Ty, Member
Ma. Lourdes C. Rausa-Chan³, Non-voting Member
Victorico P. Vargas, Non-voting Member

EXECUTIVE COMPENSATION COMMITTEE

Albert F. del Rosario, Chairman
Oscar S. Reyes, Member
Pedro E. Roxas, Member
Alfred V. Ty, Member
Tsuyoshi Kawashima¹, Member
Tatsu Kono², Member
Victorico P. Vargas, Non-voting Member

TECHNOLOGY STRATEGY COMMITTEE

Manuel V. Pangilinan, Chairman
Napoleon L. Nazareno, Member
Ray C. Espinosa, Member
Oscar S. Reyes, Member
Tatsu Kono, Member

¹ Resigned effective at the close of business hours on November 5, 2007.

² Replaced Mr. Tsuyoshi Kawashima effective November 6, 2007.

³ Replaced Mr. Rene G. Bañez effective March 25, 2008.

⁴ Replaced Mr. Tsuyoshi Kawashima effective January 29, 2008.

* Independent Director

Officers



PLDT Key Officers

Seated from left: George N. Lim,
June Cheryl A. Cabal-Furigay, Anabelle Lim-Chua

Standing from left: Alfredo S. Panlilio,
Victorico P. Vargas, Jun R. Florencio,
Christopher H. Young (Chief Financial Advisor)



Seated from left: Rene G. Bañez,
Ma. Lourdes C. Rausa-Chan

Standing from left: Ernesto R. Alberto,
Menardo G. Jimenez, Jr.,
Claro Carmelo P. Ramirez



Smart Key Officers

Seated from left: Orlando B. Veja,
Anabelle Lim-Chua, Mario G. Tamayo

Standing from left: Danilo J. Mojica, Rene G. Bañez,
Rolando G. Peña, Ramoncito S. Fernandez

Napoleon L. Nazareno
President and CEO

Ernesto R. Alberto
Senior Vice President

René G. Bañez
Senior Vice President

Jun R. Florencio
Senior Vice President

Menardo G. Jimenez, Jr.
Senior Vice President

Anabelle Lim-Chua
Senior Vice President

George N. Lim
Senior Vice President

Alfredo S. Panlilio
Senior Vice President

Claro Carmelo P. Ramirez
Senior Vice President

Ma. Lourdes C. Rausa-Chan
Senior Vice President

Victorico P. Vargas
Senior Vice President

Alfredo B. Carrera
First Vice President

Celso T. Dimarucut
First Vice President

Cesar M. Enriquez
First Vice President

Florentino D. Mabasa, Jr.
First Vice President

Ramon Alger P. Obias
First Vice President

Leo I. Posadas
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

Marco Alejandro T. Borlongan
Vice President

June Cheryl A. Cabal-Furigay
Vice President

Arnel S. Crisostomo
Vice President

Amihan E. Crooc
Vice President

Rebecca Jeanine R. De Guzman
Vice President

Mario C. Encarnacion
Vice President

Alejandro C. Fabian
Vice President

Elisa B. Gesalta
Vice President

Ma. Josefina T. Gorres
Vice President

Ma. Criselda B. Guhit
Vice President

Emeraldo L. Hernandez
Vice President

Joseph Nelson M. Ladaban
Vice President

Ma. Luz Natividad A. Lim
Vice President

Emmanuel B. Ocumen
Vice President

Oliver Carlos G. Odulio
Vice President

Roberto G. Pador
Vice President

Lilibeth F. Pasa
Vice President

Enrique S. Pascual, Jr.
Vice President

Jose Lauro G. Pelayo
Vice President

Gerardo C. Peña
Vice President

Ricardo C. Rodriguez
Vice President

Genaro C. Sanchez
Vice President

Ana Maria A. Sotto
Vice President

Julieta S. Tañeca
Vice President

Jesus M. Tañedo
Vice President

Jose Antonio T. Valdez
Vice President

Melissa V. Vergel de Dios
Vice President



ePLDT Key Officers

Seated from left: Helen T. Marquez,
Ray C. Espinosa, Jane C. Walker

Standing from left: George H. Tan,
Peter Maquera, Celso T. Dimarucut,
Emmanuel P. Dizon, Ian Wilson

2007 PLDT GROUP Significant Events

OPERATIONAL MILESTONES

Fixed Line

Owing to the rapid-fire development of Northern Luzon, PLDT opened up its newest Innolab at Clark Freeport Zone, the third and the latest facility after the Manila and Cebu Innolabs. PLDT-ClarkTel Innolab showcases PLDT's present and future business solutions, attesting to PLDT's leading status as a hotbed, a proving ground of innovative ICT products and services.

The *myDSL* Quick Install Kit (QIK) was launched. DSL applicants were able to enjoy Internet connection in just 3 days. By getting the QIK, applicants can take home their *myDSL* and enjoy savings on installation fee.

To jumpstart the acquisition activities for 2007, the OFW Bulagaan promo was launched. Targeting OFW families, it offered post paid and prepaid landlines at attractive installation rates to OFW families.

To increase the utilization of the Next Generation Network (NGN) facilities, the NGN Super Bilis Kabit promo was launched in February 2007.

To reach areas without physical or wired PLDT voice facilities, PLDT Landline Plus was soft-launched on a trial and test basis. Through SIM-card enabled wireless landline units, more Filipinos were able to avail of affordable and reloadable landline services.

Wireless

Smart set another world-first in April 2007 for successfully testing its text-based remittance service with selected overseas Filipino workers (OFWs) in Bahrain. It is the first over-the-air foreign currency remittance done using the mobile phone.

In July 2007, Smart and Mediascape (formerly 360media Corp.) launched *myTV*, a mobile TV platform that delivers programming to cellular handsets that support the Digital Video Broadcasting-Handheld (DVB-H) standard.

Smart bought a 30% equity interest in Blue Ocean Wireless (BOW), a Dublin-based company focused on delivering GSM communication capability for the merchant marine sector, with an option to acquire another 19% within the next three years. BOW provides, for the first

time, GSM connectivity for seafarers in deep ocean water, where no other network exists.

In November 2007, Smart subsidiary Smart Broadband, Inc. (SBI) came out with an innovative gadget (*SmartBro Plug-It*) that will enable users to easily link to the worldwide web anytime, anywhere. Using a device called a USB modem that can easily be plugged to a laptop or a desktop computer, users will be able to access the Internet with speeds ranging from 384 to 768 kbps. *SmartBro Plug-It* is initially available under Plan 799.

ICT

SPi acquired Springfield Services Corporation (Springfield), the 10th largest medical and revenue cycle management provider in the healthcare market. This strategic acquisition allows SPi Healthcare to provide an end-to-end solution to hospitals and physician practices.

SPi opened a new and bigger facility in Chennai, India, to house the operations of its Publishing and Healthcare businesses. As a result of SPi's rapid growth and the increased demand for its services, SPi sees the opening of this purpose-built facility as a significant step in positioning itself to meet its customers' ongoing needs.

ePLDT formally launched Unified Contact Center Plus, a contact center solution powered by Cosmocom's Contact Center On-Demand technology, the global leader in Unified Customer Communications. The Unified Contact Center Plus is designed as a pure IP contact center that unifies multimedia and multi-channel capabilities and offers a complete contact center suite.

iPlus, a subsidiary of ePLDT, launched a customer interaction solution developed for the growing SME market. Called Call Center in a Box, iPlus' newest service is a premise-based, integrated customer interaction solution that will bring enhanced, personalized, and high-quality customer service to the customer interaction industry.

AWARDS AND RECOGNITION

Awards were given to PLDT Corporate Business Group (CBG) products by e-Services Philippines Awards during the e-Services Philippines 7th Global Sourcing Conference and Exhibition. PLDT SWUP and FASTrack won the "Most Innovative Product" award and

"Most Creative Application Service" award, respectively.

In November 2007, Smart and its U.S.-based technology partner Zad Mobile, Inc. were given the Best Mobile Advertising award at the 1st Asia Mobile Innovation Awards held by the GSM Association (GSMA) in Macau, China. Smart and Zad Mobile were recognized for the "1-in-5 Panalo" (1-in-5 Winner) promo that Smart implemented for global cola brand Pepsi.

In its 2007 Special Issue "Global Superstars," Forbes, one of the world's leading business and finance magazines, listed PLDT as the 1,321st biggest company in the world. It is the only Philippine firm in the list of 2,000 companies, with over US\$9.01 billion in total market value as of February 28, 2007.

Asset Magazine, in its Asset 2007 Corporate Governance Ranking, ranked PLDT as the top Philippine firm in terms of corporate governance.

PLDT gathered the following awards based on country results and ranking in *FinanceAsia*'s yearly poll of best-managed companies in Asia: 1st place, "Consistent God Dividends"; "Best CFO" – PLDT Chief Financial Adviser Christopher H. Young; 2nd place, "Best Investor Relations"; 3rd place, "Philippines's Best-Managed Companies"; and 3rd place, "Most Committed to Corporate Governance".

SGV & Co. and Ernst & Young certified PLDT, being a listed company in the New York Stock Exchange (NYSE), as having complied with the stringent requirements of Section 404 of the Sarbanes-Oxley Act of 2002, or SOX 404.

Euromoney Magazine recognized PLDT as the "Best Managed Company – Philippines", "Best Corporate Governance – Philippines", and "Most Convincing and Coherent Strategy – Philippines" in its January 2008 issue.

SPi was awarded the 4th position among the "Top 10 Best-Performing BPO Providers" and 5th among the "Top 10 Leaders in Human Capital Development" by *neolT* and *Global Services Magazine* based on the 2007 Global Services 100 Survey conducted.

PLDT GROUP PRODUCTS AND SERVICES

FIXED

Retail Products and Services

- PLDT is the most trusted telecommunications company in the country for 80 years with PLDT landlines.
- Extended its coverage beyond its traditional network with a wireless landline service called *PLDT Landline Plus*.
- Pioneered broadband technology with *myDSL*, which is three times more preferred than its nearest competitor.
- Extended its reach to all Filipinos with PLDT Load, Budget Card and Touch Card.



Corporate Products and Services

- PLDT is the partner-of-choice for Global-Class Providers doing business in the Philippines, offering international leased lines and managed services.
- By leveraging on PLDT's Domestic Fiber Optic Network, or DFON, world-class networking choices are now available to Philippine corporations.
- Deeper penetration of customer value chains through the introduction of innovative and award-winning solutions.
- Enabled by the Next Generation Network, PLDT offers pioneering voice solutions.



PLDT GROUP PRODUCTS AND SERVICES

WIRELESS

- Widely-recognized service brands that address all income segments.
- Growth in service revenues enabled by our ability to segment subscriber base according to specific parameters, allowing for tailor-made, “below the line” usage campaigns.
- Established reputation for award-winning, world-class innovations: *Smart Money*, *Smart Load*, *Smart Padala*.
- Value added services augmented by relevant services: Voice Text, Premyo sa Resibo, Special IDD rates to select Middle East countries, *Smart Link*.
- *SmartBro*'s wireless broadband service enables low-cost and rapid Internet growth.



ICT

Knowledge Processing Solutions (otherwise known as BPO)

- SPi and Ventus combined has made the PLDT Group one of the leading BPO service providers in the world.



Data Center

- Through data center facilities that can withstand an intensity 8 earthquake and an emergency power back-up system that can provide 15 days of continuous operation, *Vitro*TM protects clients' vital data.



Internet and Online Gaming

- The PLDT Group is leading the way in providing Internet access for more Filipinos and supporting the gaming industry.

