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About the Cover

At PLDT, we are mapping out the digital future of communications. From engaging interactive services to deep social media experiences to rich broadband entertainment, our leading edge technologies and services are transforming the lives of Filipinos at home and overseas. Thanks to the Group's vision and innovation, we remain resilient despite the challenging business environment. We are fortifying our leadership and driving our business to the next level by focusing on our customers' needs and investing in the country's future.



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, broadband 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 2008, PLDT was one of the largest Philippine-listed companies in terms of market capitalization.

MISSION / VISION

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.

VALUES

Accountability

We take full responsibility for our actions and decisions.

Integrity

We are honest, moral and legal. We do the right thing.

Fairness

We uphold justice and fair play.

Transparency

We are truthful. We disclose accurate and prompt information.

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.

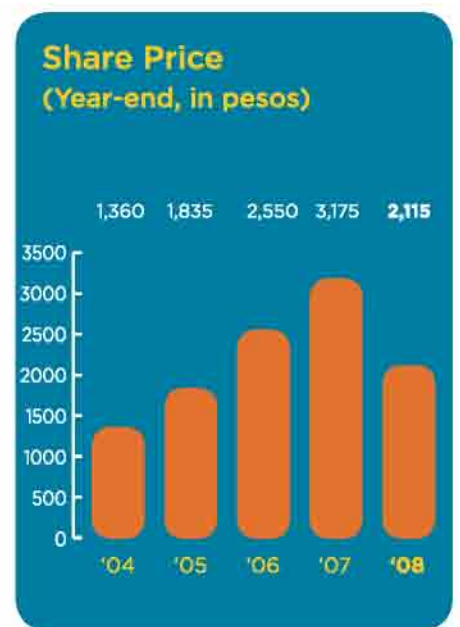
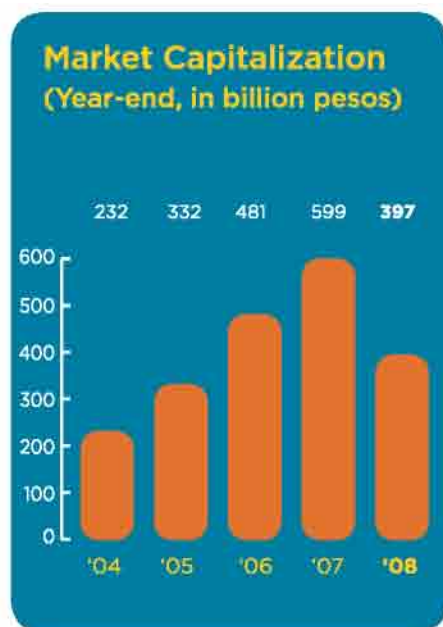
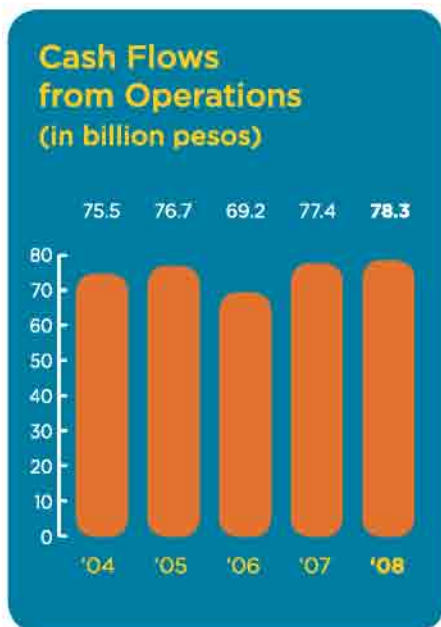
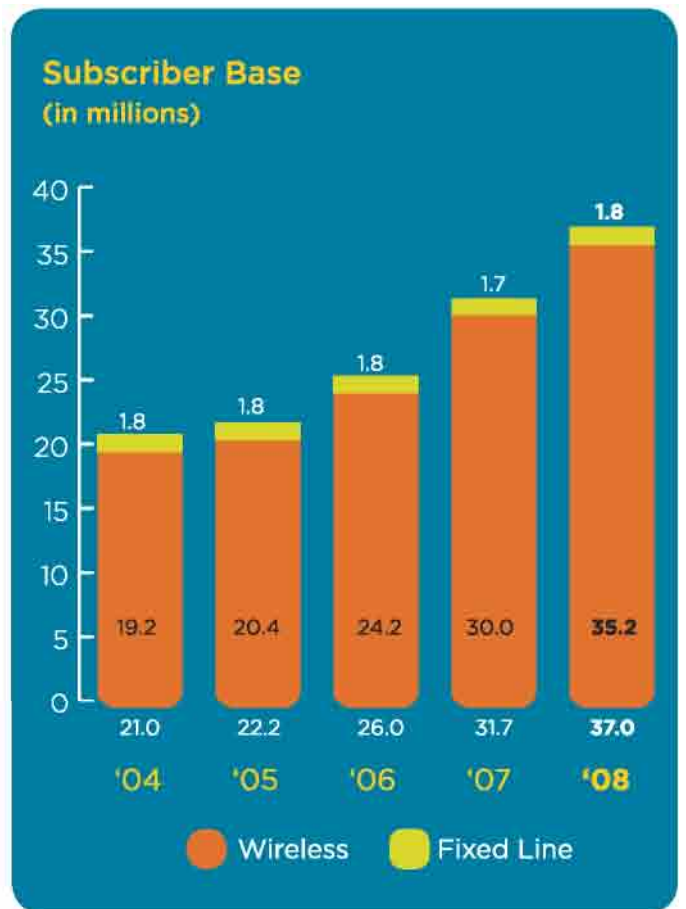
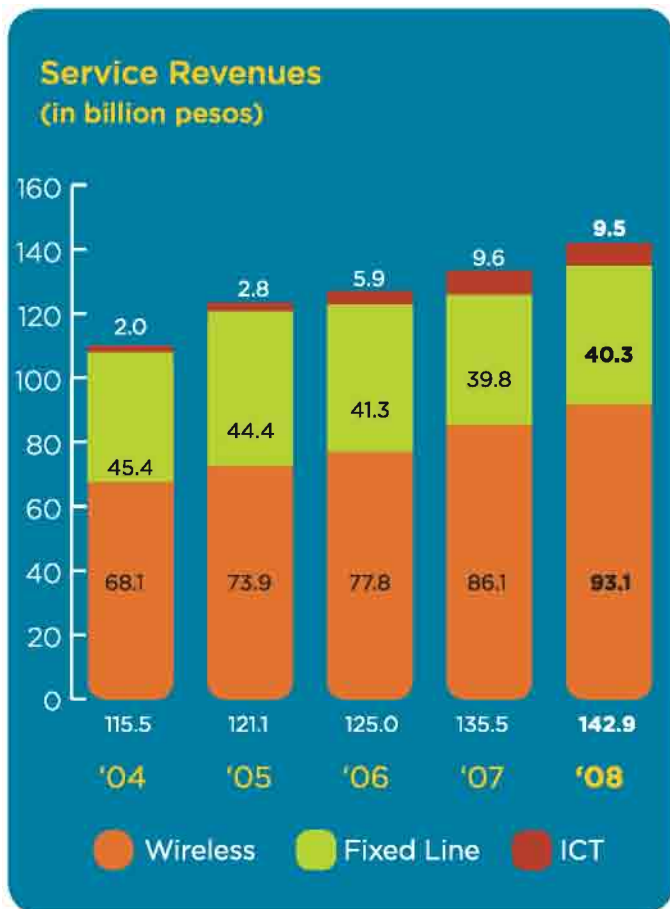
Information and Communications Technology

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.

Comparative Highlights

	2004	2005	2006	2007	2008
FINANCIAL INFORMATION (in millions, except cash dividends declared per common share)					
Revenues					
Service Revenues	Php115,457	Php121,104	Php124,976	Php135,478	Php142,873
Non-Service Revenues	6,269	3,312	2,967	2,480	2,709
	121,726	124,416	127,943	137,958	145,582
Expenses					
Depreciation and Amortization	21,405	30,822	31,869	28,613	24,709
Compensation and Employee Benefits	12,025	14,136	18,359	20,470	20,709
Repairs and Maintenance	5,671	6,705	6,886	7,310	8,569
Selling and Promotions	5,478	5,093	4,907	5,541	5,695
Cost of Sales	11,352	6,501	5,625	5,127	5,252
Professional and Other Contracted Services	2,228	2,464	3,149	5,588	4,591
Others	15,127	11,921	11,260	11,807	16,261
	Php73,286	Php77,642	Php82,055	Php84,456	Php85,786
Net Income Attributable to Equity Holders of PLDT	Php28,221	Php34,135	Php35,138	Php36,004	Php34,635
Property, Plant and Equipment	Php324,991	Php331,537	Php347,407	Php364,972	Php377,220
Accumulated Depreciation, Amortization and Impairment	130,466	154,563	183,217	205,558	216,894
Net	Php194,525	Php176,974	Php164,190	Php159,414	Php160,326
Capital Expenditures	Php21,162	Php14,990	Php20,674	Php24,824	Php25,203
Short and Long-Term Debts	Php149,088	Php103,544	Php80,154	Php60,640	Php73,911
Equity Attributable to Equity Holders of PLDT	Php45,829	Php72,729	Php102,521	Php111,113	Php105,531
Cash Dividends Declared Per Common Share					
Out of the Earnings for the Year	Php14	Php70	Php140	Php184	Php200
OPERATING INFORMATION					
Number of Cellular Subscribers	19,208,232	20,408,621	24,175,384	30,041,030	35,224,604
Number of Fixed Line Subscribers	1,834,306	1,842,507	1,776,647	1,724,702	1,782,356
Number of Stockholders	2,200,367	2,193,525	2,189,374	2,185,395	2,183,666
Number of Employees	18,433	18,926	28,225	30,255	29,904
Wireless	5,289	5,137	5,358	5,415	5,602
Fixed Line	9,692	9,197	8,711	8,080	7,813
ICT	3,452	4,592	14,156	16,760	16,489

Consolidated Financial Performance Highlights



My Fellow Shareholders,



A MESSAGE FROM THE CHAIRMAN OF THE BOARD

>>> AN ECONOMIC STORM SWEEPED THE WORLD LAST YEAR, CREATING A CRISIS OF TRULY GLOBAL PROPORTIONS - THE WORST SINCE THE GREAT DEPRESSION IN THE 1930s.

It is a crisis where no nation, including our own, has been spared—and one whose cause or causes could not be understood readily, and solutions much less discerned. This has framed and shaped the circumstances under which your Company performed in 2008.

Yet despite this crisis, your Company delivered another historic high core profitability.

In 2008, your Company's service revenues and EBITDA grew 5% to Php142.9 billion and 6% to Php87.6 billion, respectively. Our core net income rose 8% to Php38.1 billion on the back of continued growth of our wireless business, the steady performance of our fixed line operations, and the robust growth of our broadband, both on the wireline and wireless platforms. We did not, however, escape completely unharmed from the effects of the crisis. Reported net income, after reflecting exceptional losses netted off against exceptional gains, decreased by 4% to

“In 2008, we rode out the economic storm by persistently and successfully implementing our four-pronged strategy of optimizing our existing voice and text-based businesses, aggressively building our data and broadband operations, continuing to invest in our IT-based network infrastructure, and keeping our cash operating expenses under check.”

Php34.6 billion, specifically on account of asset impairments in our information and communications technology (ICT) business and a net foreign exchange loss due to large fluctuations in the peso-dollar rate and interest rates.

The Group's free cash flow remained strong at Php47.9 billion. Our consolidated debt position proved to be extremely sound, with net debt at approximately US\$800 million at year-end. Our healthy financial position has enabled us to declare 100% dividend payout of core earnings for the second consecutive year. We paid out a record cash dividend out of 2008 core profits amounting to Php37.5 billion.

Your Company's accomplishments in 2008 are best appreciated in light of the tumultuous financial conditions that prevailed through most of the year. But more importantly, as the year drew to a close,

services, general news, entertainment and lifestyle updates among others. Initiatives like these have helped increase our fixed line subscribers by 3% to 1.8 million, the first time in years that a net station gain has been achieved.

Our wireless business pursued its strategy of finely segmenting (“slice-and-dice”) the national cellular market by offering a variety of bucket-priced voice and text packages that address different usage patterns and demand preferences of our subscribers. Our total mobile base grew to 35.2 million subscribers, largely on the back of the strong growth of *Talk 'N Text (TNT)*, which by end-2008 had become the country's No. 2 cellular brand, second only to *Smart Buddy*.

Even as we enhanced our mainstream services, we continued to expand actively our new broadband offerings, which now comprise our fastest growing

the worldwide economic recession has cast a long shadow on prospects for the coming year.

Four-Pronged Strategy

In 2008, we rode out the economic storm by persistently and successfully implementing our four-pronged strategy of optimizing our existing voice and text-based businesses, aggressively building our data and broadband operations, continuing to invest in our IT-based network infrastructure, and keeping our cash operating expenses under check.

PLDT introduced its prepaid fixed wireless service, *PLDT Landline Plus Prepaid*, enabling it to offer affordable landline service in areas where it has little or no cable facilities. To enhance the value of its fixed line service, PLDT launched *askPLDT 101-811*—the country's first voice-activated, free information service through which landline subscribers can obtain a wide range of information including directory

business. Broadband revenues grew 45% to Php11 billion, representing 8% of consolidated service revenues. In 2007, consolidated broadband revenues accounted for only 6% of aggregate service revenues. The combined subscriber base of PLDT and Smart's broadband services approached the 1 million-mark as at year-end, reaffirming the Group's marked leadership in this particular service offering. Eventually, broadband will lead us to a multimedia future.

Facing the Global Recession

For us, this global economic disaster goes beyond statistics in graphs or numbers on financial accounts. Instead, we see its effect on the lives of nations and individuals with their particular aspirations and apprehensions.

The Philippines cannot escape the adverse effects of this crisis. Fortunately, the intrinsic structure of our economy—particularly because exogenous elements

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such as foreign direct investments and export values, net of imported inputs, do not impact substantially our national income accounts, and with domestic consumption accounting for majority of our gross domestic product—may provide us with a modicum of protection from the worst of these external stresses. The prevailing view among economists is that the Philippines will indeed go through a slowdown, but there will still be positive growth. This scenario will be assisted by expectations of continued positive, albeit slower, growth in remittances of overseas Filipinos, lower food and fuel prices, low interest rates, a healthy and liquid banking system and the spending stimulus of the government.

Voting for Optimism

Looking ahead, PLDT has voted to be pragmatically optimistic. For one, we are planning a capital expenditures (capex) level of Php27 billion in 2009—slightly higher than the 2008 level, but a clear statement of our confidence in the country's future. Calibrated and scaleable to meet market demand, these monies will fund the deployment of network and IT infrastructure to support new generation, media-rich broadband services. Under this program, PLDT's cable network all over the country will be replaced

with hi-speed data-grade facilities which, when combined with the new generation all-IP switches, will be capable of delivering voice, video and data services more capably and efficiently. Our capex budget will also support the further deployment of Smart's high speed packet access (HSPA) network that will make mobile broadband much more pervasive.

This expenditure in iron will be matched by our investment in our people and organization. Last year, PLDT started a company-wide transformation program in earnest, aimed at overhauling our business processes, systems and procedures, and organizational culture. The strategic objective is to make PLDT much more customer-focused, efficiently and reliably delivering high-quality communications and rich-media services. In pursuit of this goal, the newly-formed Business Transformation Office (BTO) initiated several pilot programs aimed at improving service quality. One such program focused on drastically improving repair time for DSL, while another developed a corps of change

leaders trained in applying a structured approach to problem solving, decision-making and execution which has been dubbed “The PLDT Group Way.” The PLDT Transformation Academy was also established, offering a curriculum on leadership, customer service and technical skills. Over 7,000 employees have gone through these training programs. In 2009, our intention is to accelerate and expand the impact of the transformation program based on lessons learned in the past year.

The quality of your management is critical in driving any transformation process whilst navigating the complex challenges that this entails. In this regard, we enjoy the advantage of having steady hands at the wheel of our Company. This is suggested by the solid financial results presented in this Annual Report and acknowledged by the many prestigious awards that the PLDT Group has been bestowed over the years. In 2008, PLDT won best-managed company and best-in-corporate governance citations from international financial publications, *Asiamoney* and *Euromoney*. For its part, Smart received the World Business and Development Award presented by the United Nations Development Program and the International Chamber of Commerce. Smart

won this recognition for “giving the poor access to communications and micro-enterprise opportunities” through innovative services such as electronic airtime loads. We are proud of this recognition for both your Company and our country.

Investing in Meralco

PLDT's investment in Manila Electric Company (Meralco) was made for positive and defensive reasons, and is consistent with the desire of our Company to seek growth opportunities which can raise shareholder value in the long-term. There are significant operational and business synergies between the two organizations which can be realized - meaning new revenue streams and cost savings for both companies. PLDT and Meralco have compatible and complementary network and business infrastructure elements such as fiber optic backbones, power poles and business offices which can be optimized mutually. E-Meralco Ventures, Inc., for example, operates a fiber optic network running over 1,000 kilometers in and around the National

Capital Region and in six surrounding provinces, providing leased line services, Metro Ethernet connections, and disaster recovery transport services. Backroom assets in data management may also be pooled, consolidated and maximized.

PLDT would wish to explore with Meralco opportunities in prepaid and mobile commerce services in such areas as prepaid electricity and wireless bill payments and meter readings via wireless telemetry. Finally, we would want to work with Meralco to explore the possibility of offering broadband internet services over power lines.

Our Social Commitment

In the tough times ahead, we are most aware that the poor will be most adversely affected. At the same time, companies face mounting pressure to cut back on corporate social responsibility (CSR) programs just when these are most badly needed. Business must, however, overcome such pressure. This is the time for all of us to come together. Through the PLDT-Smart Foundation, Inc. (PSF), we reaffirm our commitment to our core CSR programs. As detailed in our CSR report on page 17 of this Annual Report, our programs in education,

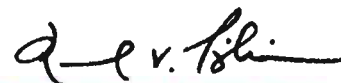
livelihood through micro-lending, community building and youth development all positively contribute to alleviating poverty in various ways. Our education programs such as Smart Schools, PLDT Infoteach, and Gabay Guro are focused on bringing broadband access and teachers' training to public schools. We are also promoting livelihood projects in partnership with the Philippine Business for Social Progress, Pinoy Micro Enterprise and the ASA Foundation. The Group continues to support low-cost housing programs working with *Gawad Kalinga (GK)* and Operation Compassion. We completed the construction of a youth rehabilitation center in the De La Salle University campus in Dasmariñas, Cavite as part of our program to restore young people who run afoul of the law into society's mainstream and make them productive citizens. We have stepped our sports development programs in cooperation with the Samahang Basketbol ng Pilipinas (SBP), the Amateur Boxing Association of the Philippines (ABAP) and other sports associations.

Conclusion

This global crisis has again taught all of us about the "black swan"—defining events that come suddenly and without much warning. The task of leadership is to understand it, shape the response, and move forward decisively into the new world it demands. Indeed, the crisis has brought us to a point where we are summoned not just to manage our times but to transform them.

Our supreme task is to rebuild prosperity, profit and security in a wholly different economic world - to conquer our fear of the future through our faith in that future.

I wish to thank most sincerely our entire Management and staff for delivering another year of record results, the Board of Directors for providing wise counsel, and our shareholders for their continued generous support. On behalf of the Board and the 30,000 men and women of the PLDT family, I wish to assure you that faith in our future has been the story and promise of your Company these past years - as it will be for a better PLDT in the many years to come.



>>> **MANUEL V. PANGILINAN**
Chairman of the Board

“This global crisis has again taught all of us about the ‘black swan’—defining events that come suddenly and without much warning. The task of leadership is to understand it, shape the response, and move forward decisively into the new world it demands.”

My Fellow Shareholders,



A LETTER FROM THE PRESIDENT AND CEO

>>> I AM PLEASED TO REPORT THAT PLDT DELIVERED ANOTHER SOLID PERFORMANCE IN 2008 DESPITE DIFFICULT ECONOMIC CONDITIONS BROUGHT ON BY THE GLOBAL FINANCIAL CRISIS.

Consolidated service revenues for the group increased by Php7.4 billion, or 5%, to Php142.9 billion in 2008 compared to previous year. Highlighting the increasingly data-rich content of our business, this growth was driven by a 12% growth in data and ICT revenues, and which now comprise 53% of total consolidated service revenues. EBITDA for 2008 grew by 6% year-on-year to Php87.6 billion with EBITDA margin steady at 61%.

Core net income increased by 8% to Php38.1 billion, driven by a 5% increase in consolidated service revenues, a 6% increase in EBITDA coupled with a 14% decrease in financing costs.

The Company's reported consolidated net income for 2008 declined by 4% to Php34.6 billion. The decrease was largely due to asset impairments (mainly in our ICT business) amounting to Php2.5 billion and a net foreign exchange loss of Php1.6 billion. Though this is the first instance that reported consolidated net income declined since 2002, when PLDT adopted the Philippine

Financial Reporting Standards (PFRS), our core income from 2002 to 2008 has grown year-on-year at a compounded average growth rate of 32%. Free cash flow remained strong in 2008 as it reached Php47.9 billion, up by Php1.3 billion.

Given our solid performance in 2008 and our strong cash position, the Board approved the payment of a Php70 per share final dividend for 2008 in addition to the Php70 interim dividend paid in 2008. This brings the total regular dividend per share to Php140, in line with the committed 70% dividend payout policy. Furthermore, in accordance with our "look-back" approach, the Board approved the payment of a special dividend of Php60 per share, raising the total dividend payment to Php200 per share. This is effectively a 100% dividend payout for 2008, following the 100% dividend payout for 2007. In addition, we undertook a share buyback in 2008 where nearly 2 million shares, worth about Php5 billion, were bought back into treasury.

For 2009, we have reiterated our commitment to a 70% regular dividend payout and will again assess the possibility of special dividends using our “look-back approach.”

The peso closed at Php47.65 against the U.S. dollar at the end of 2008 compared to Php41.41 in 2007 or a depreciation of about 15%. However, the average peso-dollar exchange rate for the year was Php44.47, 4% lower than Php46.18 in 2007.

Wireless: Rising to New Heights

Smart and Piltel’s combined subscriber base rose to 35.2 million, registering net additions of 5.2 million for the year. Of the total additions, 4.6 million were TNT subscribers. This brought the TNT subscriber base to 14.3 million, making it the number two brand in the Philippines behind Smart, which posted 20.9 million subscribers.

“Smart and Piltel’s combined subscriber base rose to 35.2 million, registering net additions of 5.2 million for the year. Of the total additions, 4.6 million were TNT subscribers. This brought the TNT subscriber base to 14.3 million, making it the number two brand in the Philippines behind Smart, which posted 20.9 million subscribers.”

Wireless service revenues grew 8% to Php93.6 billion, about 65% of total group service revenues. Growth was driven by an 8% increase in data revenues, 3% growth in voice revenues, and a remarkable 81% increase in wireless broadband revenues.

EBITDA for 2008 increased by 10% to Php60.6 billion. Margins improved to 65% despite a 13% decline in net blended ARPU to Php217 year-on-year as subscriber acquisition costs continued to decline to about a week’s ARPU.

In 2008, Smart continued to innovate not only in terms of new products and services, but also in terms of its business processes and organization. Despite tough times for consumers, we grew our prepaid revenues by offering attractive “bucket promos” for SMS and voice calls. We also introduced more affordable voice plans through the launch of *Smart Gold Lite* for postpaid subscribers and *Red Mobile* of Smart subsidiary, CURE.

In broadband, we launched *SmartBro Plug-It* prepaid in April 2008 and by year-end, we had built up a subscriber base of over 120,000.

To improve the delivery of our products and services, we restructured our sales and distribution channels along geographical lines and strengthened our retailer base. To boost activations and usage, we began signing up communities such as schools, local government units and OFW-seafarers.

As for mobile commerce, we bolstered our remittance services via *Smart Money* by signing up major new bank partners at home (such as the Philippine National Bank, Bank of the Philippine Islands and China Bank) and overseas (such as the National Commercial Bank of Saudi Arabia, the largest bank in the Middle East). We also partnered with Microventures, Inc. and the country’s major microfinance institutions to utilize mobile commerce services in assisting micro-enterprises through innovative programs such as *Hapinoy*, the country’s first branded chain of sari-sari stores.

Fixed Line: Maintaining Momentum

Having re-organized the fixed line into business groups focused on retail, corporate and SME markets, we launched new initiatives to revive growth in the fixed line business.

New products such as *PLDT Landline Plus Prepaid*, our prepaid wireless landline service, and *askPLDT 101-811*, a voice-activated information service, have generated new subscribers and arrested churn. PLDT Business Solutions offers various service packages to address large corporations' needs, bundling hardware, software and connectivity solutions, as appropriate. Last but not the least, our SME unit has made inroads in capturing a significant share in a growing segment of the market estimated at over 600,000 active enterprises.

As a result, our fixed line subscriber base registered a 3% increase. Though the growth is modest, it is encouraging to see that the programs deployed have not only succeeded in checking the decline but are generating revenue growth as well. Fixed line service revenues in fact grew 1% to Php49.3 billion due to the rise in corporate data and DSL service revenues which compensated for declines in LEC, and domestic and international toll revenues. Significantly, data revenues leapt 17% to Php18.6 billion in 2008 and now comprise 38% of the total fixed line revenues.

Broadband: Covering Wider Ground

Despite volatile economic conditions, our combined broadband subscriber base continued to grow robustly, and approached 1 million by year-end. *SmartBro*, our wireless broadband offering, added some 245,000 subscribers in 2008, bringing its base to 547,000 at the end of the year. DSL subscribers grew by 168,000 in 2008, bringing total DSL subscribers to nearly 433,000. Total broadband and internet service revenues grew 45% to Php11 billion in 2008, which now represents 8% of consolidated service revenues from 6% in 2007.

“The strategic investment in Meralco aims to benefit both PLDT and Meralco, the country’s largest power distributor, by leveraging on potential synergies between the two companies. We shall jointly examine possible innovations such as prepaid electricity and broadband internet access over electric power lines.”

Our portfolio of wireless broadband delivery networks was further enhanced by the deployment in late 2008 of the HSPA service on Smart's cellular network, augmenting its existing 3G and Canopy networks.

ePLDT: Coming to Terms

Service revenues of ePLDT, our ICT business, grew 4% in 2008, representing 7% of the Group's revenues. With 78% of its service revenues denominated in U.S. dollars, ePLDT was adversely affected by the 4% average appreciation of the peso. The customer interaction solutions and data center operations continued to register growth of 4% and 29%, respectively, while knowledge processing solutions revenues were flat year-on-year.

ePLDT's EBITDA of Php1 billion is a 9% decrease over 2007. EBITDA margin slightly declined to 10% in 2008 due

to the impact of the peso appreciation, higher compensation costs and the full-year impact of medical billing acquired in the second quarter of 2007. Encouragingly, ePLDT's fourth quarter 2008 EBITDA and EBITDA margin have already shown improvements quarter-on-quarter and year-on-year.

Following a review of its knowledge processing solutions operations, tough actions were taken to put ePLDT's businesses on firmer footing. We closed the unprofitable electronic data discovery unit of the legal services business. That closure, as well as lower medical transcription revenues, resulted in the recognition of major asset impairments. A new CEO for the medical transcription vertical has been appointed and we expect him to implement planned operational improvements in 2009 which include the migration of 43% of U.S. lines to Asia, adoption of an incentive program to improve productivity, and rationalization and culling of accounts.

“We shall contain our costs, raise our efficiencies and optimize revenues and profits. At the same time, we shall continue to invest in the future to ensure that our country shall have the communications infrastructure and services that it requires to recover from this crisis.”

Financial Position

The Group's consolidated balance sheet continued to show strength with consolidated debt balances at US\$1.8 billion and net debt down to US\$800 million as of end-2008. Net debt to EBITDA stood at 0.4 times. Our debt profile remains healthy, with maturities well spread out.

Capex for 2008 increased by close to Php400 million to Php25.2 billion, representing about 18% of total consolidated service revenues. Of the total capex, Php16.7 billion or 66% was spent for the wireless business, Php7.7 billion or 31% for the fixed line business, and Php0.8 billion or 3% for ICT business. The 2008 capex level reflects PLDT's continued investment in the business, an outlook sustained in our forecasted capex of Php27 billion for 2009. We are looking beyond the near-term uncertainty and positioning for the long-term when the global situation stabilizes.

Investing in the Future

In March 2009, PLDT announced that it had signed an investment and cooperation agreement with the Lopez Group whereby Piltel, Smart's 93%-owned subsidiary, would acquire 223 million common shares of Meralco, representing 20% of Meralco's total outstanding shares for approximately Php20 billion.

This strategic investment aims to benefit both PLDT and Meralco, the country's largest power distributor, by leveraging on potential synergies between the two companies. Our task in the coming months is to turn those possibilities into reality.

Working with our colleagues in Meralco, we will be looking into how network and business infrastructure such as fiber optic networks, IT systems and business offices can be maximized to enable both companies to reduce costs. We shall also jointly examine possible innovations such as prepaid electricity and broadband internet access over electric power lines.

This investment is in line with the PLDT Group's broad view that while the current economic crisis presents serious challenges, it is also opening up significant opportunities.

Given the depth and severity of the global recession, the general view is that the Philippines will inevitably experience its own slowdown. But this is not expected to be as severe as the crises being experienced by many of our Asian neighbors. The stream of bad news about job losses, plant closures and shrinking profit margins is being mitigated by countervailing factors such as lower inflation, a stable financial system and a lower corporate income tax rate.

Given such a scenario, the immediate challenge is how to pursue continued growth in a softening market. Beyond that, our minds are also focused on a larger question: How can we emerge from this crisis stronger than ever?

To achieve these twin goals, we need to apply both prudence and boldness, depending on how circumstances and opportunities unfold. We shall contain our costs, raise our efficiencies and optimize revenues and profits. At the same time, we shall continue to invest in the future to ensure that our country shall have the communications infrastructure and services that it requires to recover from this crisis.

Indeed, we remain committed not only to continue delivering superior results, but also to attaining our vision of transforming PLDT from an integrated telecommunications into a customer-focused multimedia company offering world-class communications, information, technology and entertainment services.

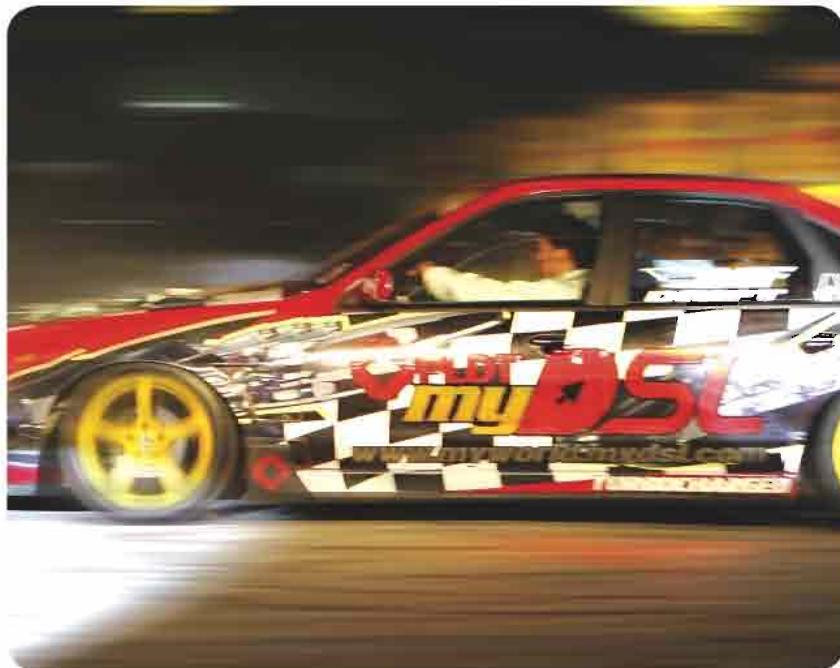

 >>> **NAPOLEON L. NAZARENO**
 President and CEO

A YEAR OF 2008 TRANSFORMATION

2008 MILESTONES



PLDT Landline Plus brings the landline to more Filipinos.



PLDT myDSL blazes the trail for broadband growth.

>>> **AT PLDT, DRIVING TRANSFORMATION MEANS FINDING A DYNAMIC BALANCE BETWEEN ENHANCING OUR MAINSTREAM SERVICES WHILE BUILDING NEW, DATA-RICH BUSINESSES.**

Broadband: The Big Story

Riding on the momentum of the past three years, the PLDT Group rapidly grew its DSL and wireless broadband business, increasing its combined broadband subscriber base to one million by year-end.

One effective strategy was to bundle computers with connectivity. In April 2008, for example, PLDT's Retail Business Group (RBG) partnered with leading computer retailers to offer PC and laptop deals packaged with *PLDT myDSL* plans. By June, this program was expanded to include SM stores nationwide, just in time for the school opening.

There was a similar package for small businesses, which was also enhanced, by mid-year, with upgraded computers and laptops, plus a media campaign that encouraged entrepreneurs to embrace new technologies to improve their businesses. Meantime, Smart broadened its wireless internet offers by launching in April its *SmartBro* prepaid broadband service. Running on Smart's extensive 3G/HSPA cellular network, this service used USB modems plugged into laptops or computers in order to provide internet access. Running on prepaid airtime loads as

low as Php10 for 30 minutes, this new service made internet access much more affordable.

The brisk growth in broadband business has been sustained by hefty investments in the domestic network infrastructure of both PLDT and Smart. This was complemented by the launch of the Philippine leg of the Asia-America Gateway (AAG) in May. By setting up a second cable landing station in La Union, this US\$550-million international cable project has improved the resiliency and doubled the capacity of PLDT's vital overseas data links—a welcome boost for companies that depend on high-speed telecom services such as the offshoring and outsourcing industry.

Selling Solutions

Capitalizing on the improved broadband capacities of its fixed and mobile networks, PLDT has stepped up its efforts to sell ICT-based solutions to large and small businesses.

In January, PLDT's Corporate Business Group (CBG) introduced the Metro Ethernet solution to complement its existing PLDT IP-VPN corporate offering. In April, it introduced *PLDT Guardian*, a machine-to-machine



Smart Money redefines mobile commerce.



SmartBro delivers unparalleled wireless broadband.



President Gloria Macapagal-Arroyo extols PLDT for helping put up the US\$550-million Asia-America Gateway, an international cable project, together with key partners in Asia. With her during the ceremonial signing of the buoy are, from left: PLDT Chairman Manuel V. Pangilinan, La Union Governor Manuel Ortega, PLDT President and CEO Napoleon L. Nazareno, Commission on Information and Communications Technology Chairman Ray Anthony Roxas-Chua III, ASN Paris Chief Operating Officer George Krebs, and NEC Networks & System Integration Corp. Associate Senior Vice President Hirokazu Muto.

security solution that lets business owners remotely monitor and protect their facilities from unauthorized access, pilferages and other risks. In June, CBG expanded its managed PBX offering by introducing the *PLDT Trunkline Plus* bundled with *PLDT VOX* wireless PBX equipment on lease arrangement—another pioneering service in the country which has enabled more businesses to avail of corporate voice telephony services. PLDT enhanced its ability to provide large corporate customers with international high-bandwidth private data networking services through partnerships with leading global service providers such as Verizon Business and NTT Communications Corporation (NTT Communications).

CBG also launched *PLDT Sweetspots*, the country's first end-to-end managed digital signage solution using broadband connectivity. Shortly after its launch in November, *Sweetspots* received the "Groundbreaking Technology of the Year" Award during the e-Services event in early 2009. PLDT wireless data business experienced robust growth with the introduction of new

PLDT *SWUP* variants (3G and Ethernet-based terminals). *SWUP* or *Shops.work Unplugged* allows merchants to wirelessly process credit card and debit card transactions from practically anywhere and provides banks with the flexibility to set-up ATMs in remote places such as beaches and other tourist destinations. To better address the ICT needs of the country's small and medium enterprises (SMEs), PLDT formed a new business group called PLDT SME Nation. This group has been tasked to provide business-enabling technology solutions to SMEs that comprise 99% of the registered businesses in the country.

For example, the new business group launched *PLDT Watcher*, an affordable video monitoring solution allowing SMEs to monitor their business anytime, anywhere through PCs and laptops linked via DSL or using 3G mobile phones. To promote such ICT solutions, the SME business group launched an extensive education campaign among enterprises based on the theme "Turning Technology into Profit." The group staged a variety of events ranging from techno-updates, product briefings and

business networking sessions in partnership with local chambers and entrepreneurial advocates such as Go Negosyo, the Philippine Chamber of Commerce and Industry, the Fil-Chinese Bakery Association, Inc., the Philippine Association of Supermarkets, Inc. and the Federation of Rural Banks. In May, the SME Group unveiled its mobile innovation laboratories, or *INNOPORT*, a portable proof-of-concept solutions showcase that allows entrepreneurs to get a hands-on feel of various ICT solutions.

Infocom, ePLDT's internet company, launched *iTalk*, a VoIP service for SMEs, and *iConverge*, a full suite VoIP solution for corporate and customer interaction solutions services. Infocom also started developing an SME Web Portal for various Software Applications Services (CRM, InfoTXT, HRIS-Payroll, Billing and Invoicing).

Building ICT Businesses

ePLDT also improved its capabilities to serve industrial-grade ICT requirements of large corporations. Subsidiary *Vitro™* data center, the country's first purposely-built data center to receive an ISO 9001:2000 certification, won its third

“For the third straight year, SPi was included in the prestigious International Association of Outsourcing Professionals’ (IAOP) Global Outsourcing 100 Ranking.”

certification for the Quality Management System standard, and a second certification for ISO 27001:2005 Information Security Management System standard in 2008. These re-certifications assured *Vitro*™ clients — which include banks, customer interaction solutions and other data-intensive industries — that it complies with world-class data center standards.

SPi, ePLDT’s knowledge processing solutions subsidiary, also received its ISO 9001:2000 Quality Management System standard and ISO/IEC 27001:2005 Information Security Management System standard re-certification from AJA Registrars Ltd. UK for its facilities in the Philippines and India. For the third straight year, SPi was included in the prestigious International Association of Outsourcing Professionals’ (IAOP) Global Outsourcing 100 Ranking. ePLDT Ventus, Inc., ePLDT’s customer interaction solutions subsidiary, closed deals with various local and international clients and established a stronger presence in North America with the addition of two senior executives. To strengthen ties with

the domestic outsourcing industry, ePLDT Ventus also joined the Contact Center Association of the Philippines and participated in its various activities.

In October, ePLDT’s Level Up! played host to Ragnarok World Championship. Drawing 77 participants from 11 countries and over 20,000 spectators, this was the biggest ever gaming event in the Philippines. With Level Up!’s live video streaming and blogging, LU Live reached over 55,000 viewers from 27 countries in just two days. Level Up!’s Crazy Kart outclassed all other games with an impressive 1,000,000 user base.

Maximizing the Mainstream

Even as the PLDT Group developed its new data-based services, it continued to optimize mainstream businesses like voice and text messaging.

To reinvigorate its fixed line business, PLDT Retail introduced new products such as the *PLDT Landline Plus Prepaid (PLP)* to serve residential customers in areas where PLDT has little or no cable facilities.

Launched in March, *PLP* is a fixed wireless service offered via portable handsets that can be used to call or send text messages in the designated area of the subscriber. Equipped with a SIM card, the *PLP* handset is reloadable in over two million Smart Load and PLDT Load retailers nationwide.

In early 2009, it completed the purchase of the Mindanao operations of Philcom Corporation. When combined with PLDT-Maratel and Smart Broadband, Inc., this acquisition enables PLDT to broaden its presence in northern Mindanao and roll out new facilities to provide better services.

Smart launched various initiatives to boost its mainstream voice and text businesses through its “slicing and dicing” strategy. This was done by offering new bucket-priced SMS packages that address different segments of the cellular market based on their usage patterns. Thus, *Smart Buddy* introduced *AllText 20 Upsize* which at Php25 offers 150 Smart-to-Smart/TNT (or on-net) text messages plus 10 texts to all networks (off-net). For



Smart Link provides OFWs an affordable and easy way to communicate.

the low-income subscribers, TNT introduced *GaanText 10* which offers 50 text messages, 45 on-net and 5 off-net, for just Php10.

Smart also introduced voice-call-plus-text packages for both prepaid and postpaid subscribers. *Smart Buddy's AllCalls20*, for example, offers 10 minutes of consumable calls Smart-to-Smart/TNT with 5 free on-net SMS for Php20. A new postpaid plan called *Smart Gold Lite* was launched in October featuring Php2 per minute Smart-to-Smart/TNT voice calls. Smart subsidiary, CURE, launched *Red Mobile* in November offering a 3G service with the lowest voice call of 50 centavos for Red-to-Red calls.

Smart enhanced its mobile commerce, mobile payment and remittance services through new partnerships with major financial institutions here and overseas. It established a partnership with National Commercial Bank of Saudi Arabia, the largest bank in the Middle East, to offer an international remittance service via the *Smart Money* platform. At home, Smart has sealed a

remittance partnership tied up with the Philippine National Bank, which leads Philippine banks in this field. It has also set up mobile banking tie-ups with major banks such as the Bank of the Philippine Islands and China Bank.

In 2008, Smart deployed new services that take advantage of the improved internet capabilities of its mobile phone network. In July, it introduced *Uzzap* – the country's first "all-in-one" flat rate messaging service that combines instant messaging with SMS and voice calls. In December, Smart launched *Plug 'N Talk*, the country's first communications service that uses a USB device with a Smart SIM to enable subscribers outside the country to call and text from an internet-connected PC or laptop to Philippine mobile or landline numbers at local rates.

Driving Transformation

Organized in late 2007, PLDT's BTO made progress in driving forward the Company's transformation program. The program's four pillars—Revenue, Network, Quality of Service and People—are supported by a

company-wide communications program, monitoring system and employee training.

Major accomplishments included the reduction of DSL Mean Time to Repair from an average of six days across all zones, down to less than 24 hours. This was achieved through a process known as "The PLDT Group Way" which systematically solves process and related issues by addressing three areas: the operating system, the management infrastructure, and the mindsets and behavior of people. Another major accomplishment was the employee engagement program as well as various skills training programs. Over 7,000 employees went through these training programs at the Transformation Academy.

PLDT marked its 80th anniversary last November 28 with a well-attended thanksgiving mass concelebrated by Gaudencio Cardinal B. Rosales, Archbishop of Manila, and Ricardo Cardinal J. Vidal, Archbishop of Cebu in Greenbelt Chapel in Makati. Various prizes were also raffled off to employees, including trips to Asian destinations and the grand prize of Php0.5 million. A PLDT family *salusalo* was held in various PLDT offices nationwide while distinguished guests, including the top officials from NTT DoCoMo, Inc. (NTT DoCoMo) and NTT Communications, were treated to a special night of entertainment at the 80th Anniversary Dinner.



Ventus and Spi lead the country in the outsourcing business.

TAKING CSR TO THE NEXT LEVEL



CSR REPORT 2008

PLDT-Smart Foundation, Inc.

At the PLDT Group of companies, CSR is grounded in our belief that an integral part of our business is the imperative to help improve the overall well-being of the Filipino people. To achieve this goal, we will address proactively the interests of our various stakeholders. We believe that as we seek to enhance value for our shareholders, we have a responsibility to:

- >> Provide quality products and services to our customers;
- >> Develop our employees;
- >> Work with our suppliers and business partners in an ethical and mutually beneficial manner;
- >> Care for the environment; and
- >> Improve our communities

We are conscious about the proper management of our finite and fragile environment and are taking tangible measures to lessen our carbon footprint. We will continue to invest in technical business solutions that both cut our costs and help save the environment.

By succeeding as a corporation, we create wider opportunities for employment, entrepreneurship and the greater well-being of all Filipinos. We believe that as we help raise the overall economic welfare of the Filipinos, we expand the market of our products and services. The core of our company's business strategy is the desire to change lives for the better.

Doing Well, Doing Good

The PSF was established in 1994 to serve as the CSR arm of the PLDT Group. Through the PSF, the PLDT Group sustains a mutually beneficial relationship with the communities. The PLDT Group believes that doing well for the community will translate to good business for the company.

PSF, PLDT and wireless subsidiary Smart have been embarking on CSR programs that utilize innovation within communities. Partnerships with private organizations, government agencies, and local communities contribute to the implementation of programs that create an impact on the greater society and empower various sectors of the society, especially the youth and underserved groups.

In 2008, PSF set out to create a Steering Committee composed of PLDT Group management and employees. Most recently, the Steering Committee crafted the CSR Policy for the PLDT Group which will serve as a guiding credo of the CSR programs of the Company.

Through the combined efforts of the PSF, PLDT and Smart, community service programs within the PLDT Group have begun to be embedded in various operations of the business.

The social investments of the PLDT Group focus on the following core programs: education, sports, poverty alleviation and community building, emergency communications and disaster preparedness, juvenile rehabilitation, arts, and environment and microfinance.

At the heart of the community service programs are employee-volunteers who share their personal time, talent and skills. Whether to provide emergency communications to the public during times of natural disasters or spending a Saturday morning with public school kids for a storytelling session, PLDT Group employee-volunteers are an essential ingredient to the success of the programs.

Empowering the Youth through Education and Sports

As staunch advocates of education and sports, a series of programs and activities employing the resources and technology of the PLDT Group were implemented in 2008.

Education. Through programs like the PSF's Employees Educational Grant and the Manuel V. Pangilinan Academic Excellence Award, PLDT's Infoteach and Gabay Guro (Guide Teachers), and Smart

Schools Program (SSP), the PLDT Group contributes to augmenting the quality of education by providing broadband access, scholarship grants, and knowledge and skills training to teachers and students across the country.

PLDT's Infoteach Outreach Program provided intensive training on computer literacy to more than 1,600 public high school teachers and students from 77 schools in the NCR, Luzon, Visayas and Mindanao. The 2nd PLDT myDSL Broadband Quiz - an online quiz - was also held simultaneously in different parts of the country, in partnership with sister company *Netopia* and the Asian College of Science and Technology.

With the support of PLDT Manager's Club, the PSF's Gabay Guro (2G) Program has:

- >> given scholarship grants to more than 70 would-be- teachers in various state universities nationwide;
- >> trained over 400 public school teachers with AmSpeak and e-Learning modules through our ePLDT Ventus executives and PLDT HR executives;
- >> distributed 2G tribute cards where teachers get special

- discounts to 2G partners and retailers;
- >> sponsored annual Teachers' Day festivities;
- >> provided livelihood programs to supplement the income of public school teachers; and
- >> provided computers and connectivity to various schools.

PLDT's Innovation Laboratory was a learning venue for students and teachers on the latest communication technologies. Close to 1,000 students and faculty from schools in various parts of the country toured the facility in 2008. The establishment of Computer Learning Centers and the donation of new and refurbished personal computers in various schools, organizations and municipalities in the country were also key projects of PLDT in the previous year.

Meanwhile, SSP now has 240 partner schools after adopting an additional 30 public high schools and 30 public elementary schools (under Smart Schools Jr.) in 2008. More than 2,000 public school teachers nationwide have received training on basic computer literacy, PC troubleshooting and networking, and website creation. To date, more than 10,000 public



Smart receives the first-ever Green Mobile Award at the 14th GSMA Global Mobile Awards in Barcelona, Spain, for its wind-powered cellsite in Malapascua Island in Cebu.



Smart shows its support to Filipino athletes by extending its assistance to the training of athletes.



Smart's Adopt-a-School Read-to-be-Smart Program helps public elementary school kids become better readers.



Former British Prime Minister Tony Blair shares his views on how leaders can be principled negotiators in an increasingly global environment during the second leadership conference held in March 2009.

school teachers have undergone training with SSP since its launch in 2004.

In 2008, the *Doon Po sa Amin* Learning Challenge, a project that aims to encourage teachers and students to be online content creators through the creation of their school's interactive websites, was launched. *Doon Po sa Amin* is part of SSP's thrust to promote ICT integration in the country's basic education curriculum. The *Smart Wireless Engineering Education Program (SWEEP)*, on the other hand, entered its second phase. The program started incorporating trainings on wireless broadband technologies for its 40 partner schools.

Employee-volunteers also conducted summer storytelling and reading sessions to about 500 public schoolchildren through Smart's Adopt-a-School Read-to-be-Smart Program. In addition to these, PSF undertook activities that aimed to develop youth leaders and encourage teacher development. The MVP Leadership Series held at the Ateneo de Manila University brought Poland President Alexander Kwasniewski, Hang Lung Group Chairman Ronald Chan, Bangkok

Bank President Khun Chartisiri Sophonpanich and former British Prime Minister Tony Blair to the country to talk about leadership to the youth. In support of the centennial celebration of the country's premiere state university, the University of the Philippines, PSF and Smart donated Php25 million to the UP Centennial Faculty Development Fund, to be used in the establishment of professorial chairs, faculty grants, and the like. PSF also supported the Center for National Policy and Strategy Foundation, Inc. (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.

Sports. PSF and Smart intensified its support to Filipino athletes by extending its assistance to the training of basketball, boxing, taekwondo, and tennis athletes. Smart partnered with local sports organizations to support the national delegation to international athletic gatherings, including the 2008 Olympics in Beijing, China; the 1st China ASEAN CBO Men's Basketball Invitational Tournament in Nanning, China where the

Smart-RP National Team bagged the championship; and the 2008 World Cup Boxing Championship in Moscow, Russia, which earned Filipino boxer Harry Tanamor a Gold medal. PSF also formed partnerships with the ABAP, SBP, and the Philippine Sports Association for the Differently Aabled, Inc., among others. These efforts aim to provide better training and opportunities to local talent at the grassroots level.

Reinforcing a Strong Commitment to Communities

Guided by the belief that a good relationship with the local community is key for the business, PSF, PLDT and Smart continued to strengthen relationships in communities by carrying out social programs that mesh the PLDT Group business operations with the community.

Poverty Alleviation and Community Building.

In partnership with Operation Compassion, PSF initiated a housing project for the Amore Purpose Driven Community in the Albay province.

PLDT and Smart partnerships with *Gawad Kalinga (GK) Foundation* also continued through various projects. In 2008, PLDT adopted two *GK* villages in Mindanao - PLDT-*GK* Iligan Homes and the *GK* Village in Barangay Salbu, Datu Saudi Ampatuan in Maguindanao province.

Meanwhile, under Smart's Broadbanding *GK* project, 18 regional offices of *GK* were connected to the *GK* head office via broadband wireless services *SmartBro*. Smart also sponsored the setup and implementation of a *GK* management information system that will help *GK* in its operations and database management.

By working closely with organizations such as the Philippine Business for Social Progress (PBSP) and *GK* Foundation, PSF, PLDT and Smart



PLDT and Smart employees work hand in hand to build homes for beneficiaries at the PLDT-Smart GK Village.



Gabay Guro helps mold a new generation of future teachers.

support Filipino families with housing and livelihood programs, including the adoption of nine *GK* villages throughout the country and the donation of houses for the Amore Purpose Driven Community in Bicol. Support for the livelihood programs in the PLDT-Smart Amazing *GK* Villages in General Nakar, Quezon and Arevalo, Iloilo also continued.

Emergency Communications and Disaster Preparedness.

PSF, PLDT and Smart played an active role in delivering relief and sustainable rehabilitation needs to communities affected by natural and manmade disasters nationwide.

During disaster and emergency situations, PLDT and Smart employee-volunteers are among the first to respond to deploy equipment for Librang Tawag (Free Call) facilities for the communication needs of victims, rescue teams, media, government and private agencies. Also, PSF worked with local community partners in extending assistance to some 3,150 families affected by the typhoons that hit the country and by the conflict in Mindanao provinces. Meanwhile, employee-volunteers spearheaded company-initiated relief operations for

communities affected by disasters and emergencies.

Smart's partnerships with institutions like the Philippine Atmospheric Geophysical and Astronomical Services Administration, the Philippine Institute of Volcanology and Seismology, and *SWEEP* schools is paving the way for the development of low-cost earthquake monitoring systems and an SMS information service that provide subscribers weather and calamity updates.

Health. To bring immediate health care access to underprivileged communities, PLDT employee-volunteers spearheaded medical and dental missions for close to 6,000 residents of La Union, Pangasinan, Pampanga, Quezon, Aklan, and Iloilo provinces.

Through partnerships with the Philippine National Red Cross and the Philippine Children's Medical Center, blood donation activities were regularly conducted in Metro Manila and provincial offices of PLDT and Smart.

Juvenile Rehabilitation Program. PSF spearheaded the construction of Bahay Pag-asa Youth Center inside the campus of the De La

Salle University-Dasmariñas, Cavite. The center, inaugurated in January 2009, can house about 100 juvenile delinquents. An educational and livelihood skills training program will be available to the wards at the center.

The Arts. Through Cinemabuhay, PSF supported the development of Philippine cinema and the talent of budding independent filmmakers, writers and producers. In 2008, the film "*Cul de Sac*" by young Juan Miguel Sevilla was awarded a Php1 million grant.

To promote children's art among children from marginalized sectors, PLDT conducted a series of art workshops in selected areas in Metro Manila. Together with artists from Sining Sibol group, PLDT organized art workshops to 128 kids, including out-of-school youth in Tondo and Smokey Mountain, street children in Barangay Tumana, Marikina, and cancer-stricken children from the Philippine Children's Medical Center in Quezon City. A fundraising cum exhibit served as the culminating activity of the workshops. Proceeds from the sale of artworks were turned over to the PSF for its programs and to the Philippine Children's Medical Center-Cancer Ward patients.

“The company set up the country’s first wind-powered cellsite in Malapascua Island in Cebu. The ingenuity of the program was lauded by the prestigious GSM Association and awarded the first ever Green Mobile Award in Barcelona, Spain.”

Also, the Banglos Sculptors Artists Group – the farmers/fishermen-turned-sculptors of General Nakar, Quezon – expanded its market through a partnership with the Kultura Filipino of SM Malls. Under the partnership, Banglos wood sculptures and handicrafts are now available at selected branches of the said Filipiniana store.

Enterprise Development and Microfinance. Together with ASA Philippine Foundation, one of the country’s leading micro-finance institutions, contractual employees of PLDT and Smart may avail of loans that may be used as capital to start a business and augment family income.

On the Road to a “Green” Business Organization

As a company recognizing its role in helping reduce the impact of business operations on the environment and to contribute to the global effort to address global warming, PSF, PLDT and Smart have initiated programs that aim to utilize natural resources in business operations.

PSF, PLDT and Smart embarked on a three-year tree planting program with leading Japanese mobile carrier and PLDT shareholder NTT DoCoMo. For its first year, employee-volunteers planted some 180,000 seedlings and mangrove propagules in 13 provinces nationwide. In line with the celebration of PLDT’s 80th anniversary, PLDT entered into an agreement with the PBSP, the Department of Environment and Natural Resources, the Multi-Sectoral Watershed Management Council, Inc. and the local government units of Real and Infanta, Quezon for a five-year tree planting program of the Real-Infanta Watershed Forest Reserve. The collaboration - TelePUNO “Bridging the Lines to Make a Difference” (80K.80Ha.80th) – involves the planting of 80,000 seedlings.

PLDT and Smart also actively participated in the Balik Baterya Program of the PBSP and Oriental and Motolite Marketing Corporation. PLDT was cited as the biggest donor of the nationwide

effort to collect, properly dispose and recycle used lead acid batteries (ULABs). Funds raised from the selling or donation of ULABs are then used to fund social outreach projects, in partnership with PBSP. ePLDT Ventus also received recognition for their participation in the program.

Under the Alternative Power for Cell Sites program spearheaded by the Smart Network Platforms and Services Division, the Company set up the country’s first wind-powered cell site in Malapascua Island in Cebu in 2006. To date, 68 cell sites across the Philippines are powered by renewable energy. More cell sites will take the “green” route in the next few months. The ingenuity of the program was lauded by the prestigious GSM Association and was awarded the first-ever Green Mobile Award at the 14th GSMA Global Mobile Awards in Barcelona, Spain in February 2009.



The PLDT myDSL Broadband Quiz has helped spread computer literacy nationwide.



PLDT and Smart Chairman Manuel V. Pangilinan, center, leads the inauguration of Bahay Pag-asa Youth Center in Dasmariñas, Cavite, with, from left: Bro. Armin Luistro, PSF President Rene “Butch” Meily, Senator Francis “Kiko” Pangilinan, and Bro. Victor Franco.



A CONTINUING COMMITMENT TO PERFORMANCE WITH PRINCIPLE

CORPORATE GOVERNANCE REPORT 2008

PLDT is committed to doing business in accordance with the highest ethical standards. The Company seeks to promote a culture of good corporate governance by observing its core business principles of Accountability, Integrity, Fairness, and Transparency in relationships among internal stakeholders and in the Company's dealings with customers, suppliers, competitors, business partners, regulators and the public.¹

The events of 2008 affirmed the value of PLDT's efforts to live by its core principles and values. As PLDT Chairman Manuel V. Pangilinan said in a speech last May² "the values which reside in your heart will determine how your company will operate in good, but more importantly in bad times."

Against the backdrop of a world in economic recession, PLDT was recognized as the Best Overall in Corporate Governance in the Philippines and was cited as the Third Overall Best Company in Asia for Corporate Governance by the *Asiamoney Magazine*. More significant, PLDT was cited as the Best Managed Large Cap Company in the Philippines and PLDT Chairman Manuel V. Pangilinan was cited as the Best Executive in the Philippines.³

Similarly, *Euromoney Magazine*, also gave recognition to PLDT for being the Best in Corporate Governance in the Philippines. The same magazine also gave overall rankings for Asia where it ranked PLDT fourth Best in Corporate Governance, fourth in the category

of Company with the Most Transparent Accounts, and fifth in the category of Most Convincing and Coherent Strategy.

Foundations and the Road Ahead

The road to institutionalizing good corporate governance (CG) in the Company began with the adoption of the PLDT Manual on Corporate Governance in 2002. This led to the establishment of a separate Corporate Governance Office (CGO) headed by a Chief Governance Officer who reports to the Board through the Governance and Nomination Committee (GNC). Major subsidiaries of PLDT followed suit and by 2006 had their own Corporate Governance Officers. These CG officers are charged with working together to promote the observance of corporate governance policies which conform with, if not exceed requirements of Philippine law, as well as the Sarbanes-Oxley Act of 2002 of the United States, Section 303A of the NYSE Corporate Governance Listing Standards, and Hong Kong Stock Exchange Corporate Governance Rules, as may be applicable.

In 2008, the CGO remained steadfast to its framework of the three Cs of Corporate Governance: Compliance, Competence and, ultimately, Culture.

Having passed the Compliance stage, PLDT is now immersed in the Competency stage. Efforts are directed at embedding good corporate governance in the Company's daily work routines. The early

¹ PLDT's Statement of Commitment to Corporate Governance – PLDT Code of Business Conduct and Ethics.

² On the occasion of the 5th Annual Dinner - Institute of Corporate Directors, May 28, 2008.

³ Other awards given to PLDT by *Asiamoney Magazine* for the year 2008 are: Best for Disclosure and Transparency, Best for Shareholder Rights and Equitable Treatment; Best for Investor Relations and Best Investor Relations Officer, Melissa Vergel de Dios.

“Against the backdrop of a world in economic recession, PLDT was recognized as the Best Overall in Corporate Governance in the Philippines and was cited as the Third Overall Best Company in Asia for Corporate Governance by the *Asiamoney Magazine*.”

efforts in 2007 already yielded welcome results, among which is the amendment of our Policy on Employee Qualification for Incentives and Rewards to include corporate governance policy violations as a disqualification factor. The long-term goal is to integrate our governance principles into our corporate culture.

Setting the Pace: Our Corporate Governance Policies

Manual on Corporate Governance

Our Manual on Corporate Governance (Governance Manual)⁴ seeks to institutionalize the principles of good governance. It conforms with the requirements of the Code of Corporate Governance, or Philippine Securities and Exchange Commission (Philippine SEC) Governance Code.

Our Governance Manual covers the following key areas:

1. The qualifications and grounds for disqualification for directorship;
2. The requirement that at least two members or twenty percent (20%) of the members of our Board, 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 and the individual directors;

⁴ Adopted and approved on September 2002 and revised and amended on January 30, 2007.

⁵ Approved by the PLDT Board on March 30, 2004 and subsequently updated on July 11, 2006.

4. Our Board committees, specifically, the Governance and Nomination Committee, Audit Committee and Executive Compensation Committee; and 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, 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.

Code of Business Conduct and Ethics

Our Code of Business Conduct and Ethics or Code of Ethics⁵ provides standards that govern and guide all business relationships of our 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 endeavors; and
8. Adoption of international best practices of good corporate governance in the conduct of our business.

A mandatory review of the Code of Ethics was conducted in 2008, and on November 3, 2008, the GNC, adopted the recommendation of the CGO that no revisions were required as yet for the Code of Ethics.

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 (COI) Policy, which was approved on October 24, 2005, ensures that work-related actions of our directors, officers, employees and consultants are based on sound business principles and judgment devoid of bias or partiality. This policy underwent a mandatory review and on July 8, 2008, the GNC adopted the recommendation of the CGO that no amendments were required for the said policy;

(b) The Policy on Gifts, Entertainment and Sponsored Travel, which was approved on January 31, 2006, provides safeguards so that the custom of giving gifts is handled in accordance with the principles of integrity, accountability, fairness and transparency. The same policy was likewise subjected to a mandatory review and on November 3, 2008, the GNC adopted the recommendation of the CGO to propose the reassessment of the allowable threshold for gifts;

(c) The Supplier/Contractor Relations Policy, which was approved on January 31, 2006,

ensures that our 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. Any employee may submit a complaint or disclosure of the above nature to the CGO, or the Chief Governance Officer, verbally or in writing. The CGO then conducts a preliminary evaluation to determine the appropriate investigating unit to which the case shall be assigned for further action. The CGO monitors the cases reported and ensures the appropriate reporting to our Audit Committee, GNC, or any other relevant committee or body on the results of the investigations and the prompt referrals of findings to the appropriate units concerned. Our committees on officer or employee discipline, as the case may be, are responsible for evaluating and approving the appropriate disciplinary action against erring officers and employees.

All these policies and rules comply with the requirements of the Philippine and U.S. SEC, NYSE and Hong Kong Stock Exchange Corporate Governance Rules, as may be applicable. From 2005 to 2008, our major subsidiaries have also adopted corporate governance rules and policies substantially similar in substance and form to our CG Rules. Further, we have communicated

to our business partners our commitment to, as well as expectations on, good corporate governance. We have held supplier/contractor's briefings and developed written corporate governance guidelines, to which our suppliers and contractors are expected to consent in writing. We have also included standard corporate governance compliance provisions as well as provisions required by the Foreign Corrupt Practices Act (FCPA) of the United States in PLDT's contracts with suppliers, vendors and other business partners.

Leading the Change: Our Governance Structure

An Independent and Engaged Board

The PLDT Board has four duly-screened and qualified independent directors, namely: Rev. Fr. Bienvenido F. Nebres, S.J., Mr. Oscar S. Reyes, Mr. Pedro E. Roxas and Mr. Alfred V. Ty. These four independent directors comprise thirty percent (30%) of the entire membership of the PLDT Board, which exceeds the required number of independent directors under pertinent regulations of at least two independent directors. In line with international best practices, PLDT has maintained the Board's independence from Management by separating the posts of Chairman of the Board and the President and CEO. Each position has been given distinct and separate duties and responsibilities pursuant to the provisions of PLDT's By-Laws and Governance Manual. The Board has also constituted four working committees, namely, the Audit Committee, Governance and Nomination Committee, Executive Compensation Committee, and the Technology Strategy Committee.

Since 2006, the Board has been assessing its collective performance as well as that of the individuals that comprise it, its structures, processes and responsibilities, through a self-assessment tool culled from the Philippine SEC's Governance Code and Self-Rating Form, PLDT's Governance Manual and Code of Ethics, Sarbanes-Oxley Act of 2002

of the United States, NYSE Rules and the Corporate Governance Scorecard of the Institute of Corporate Directors (ICD). Results of the assessment are used to enhance the performance of the Board as the responsible steward of the Company.

In performing its oversight function, the Board convened 17 meetings in 2008. The following is the attendance performance of each member of the Board:

	Number of Meetings Attended
Chairman	
Manuel V. Pangilinan	17/17
Independent Directors	
Bienvenido F. Nebres, S.J.	15/17
Oscar S. Reyes	17/17
Pedro E. Roxas	14/17
Alfred V. Ty	16/17
Directors	
Tony Tan Caktiong ⁶	7/8
Donald G. Dee ⁷	4/4
Helen Y. Dee	14/17
Ray C. Espinosa	17/17
Tatsu Kono	17/17
Napoleon L. Nazareno	17/17
Takashi Ooi	15/17
Albert F. del Rosario	17/17

The total per diem paid to directors for their attendance in the Board Meetings in 2008 was Php22.9 million.

Audit Committee

The Audit Committee is composed of three independent directors, and two advisors. All of the members of the Audit Committee are financially literate and one of the advisors is an accounting and financial management expert.

The Audit Committee has its own Board-approved written charter, which includes its purposes, functions and responsibilities. Among the primary purposes of the committee is oversight responsibility for external auditor's qualifications and independence and the Company's accounting and financial reporting principles, policies and system of internal controls. A copy of the Audit Committee charter may be viewed and downloaded from the PLDT website through the following

link: <http://www.pldt.com/about/management/Committees.htm>.

In 2008, the Audit Committee held ten meetings, with the following members' attendance performance:

	Number of Meetings Attended
Voting Members	
Bienvenido F. Nebres, S.J. (Chairman)	10/10
Oscar S. Reyes	10/10
Pedro E. Roxas	9/10
Advisors	
Corazon S. de la Paz-Bernardo	9/10
Tatsu Kono	9/10
Roberto R. Romulo	10/10

The total per diem paid to members for their attendance in the meetings in 2008 was Php2.35 million.

The following is a summary of the key activities of the Audit Committee in 2008:

1. Discussed with internal and external auditors their respective overall audit scope and plans, as well as the results of internal and external auditors' respective examinations, evaluations of internal controls and overall quality of financial reporting;
2. Recommended to the Board, and the Board approved, the inclusion

of financial statements for the year ended December 31, 2008 in the Company's Annual Reports (Form 17-A and Form 20-F) filed with the Philippine and U.S. SECs; and

3. Approved the appointment of the external auditor.

The Audit Committee approved the following external auditor-related fees:

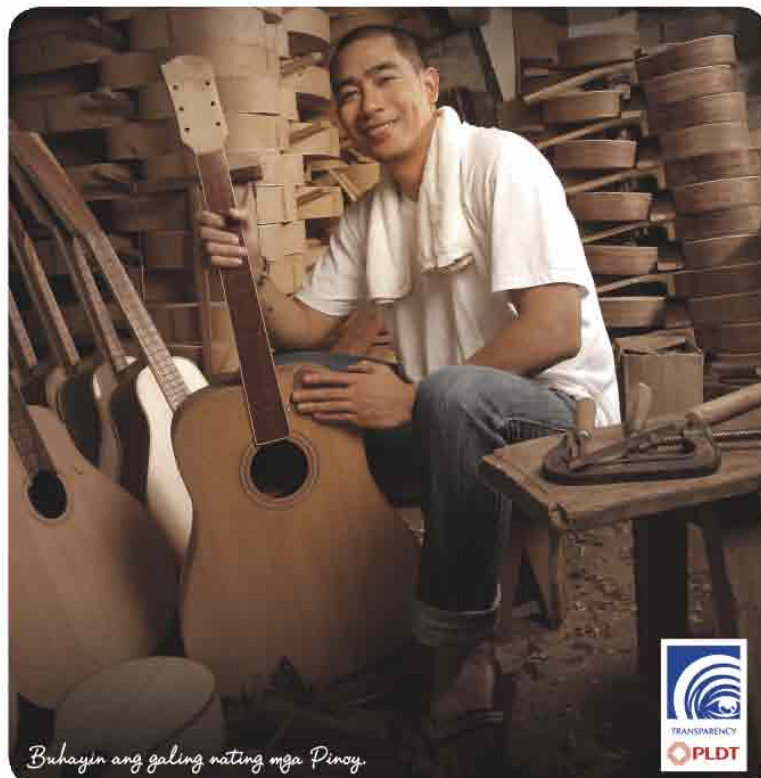
	2008	2007
	(in millions)	
Audit Fees	Php45	Php41
Sarbox and Other Related Fees	19	25
Total	Php64	Php66

The detailed Audit Committee Report may be found on page 74 of this Annual Report.

Governance and Nomination Committee

The GNC is composed of five voting members, three of whom are independent directors, and two non-voting members (the Human Resources Head and the Chief Governance Officer).

The GNC has its own Board-approved written charter, which includes its purposes, functions and responsibilities. Among



Buhayin ang galing nating mga Pinoy.



⁶ Elected effective July 8, 2008 replacing Ma. Lourdes C. Rausa-Chan.

⁷ Elected effective September 30, 2008 replacing Corazon S. de la Paz-Bernardo.

the purposes of the committee are to develop and oversee the implementation of corporate governance principles and policies, and review and evaluate the qualifications of persons nominated to the board, its committees, or any other position requiring Board appointment. A copy of the Governance and Nomination Committee charter may be viewed and downloaded from the PLDT website through the following link: <http://www.pldt.com/about/management/Committees.htm>.

In 2008, the GNC held three meetings, with the following members' attendance performance:

	Number of Meetings Attended
Voting Members	
Manuel V. Pangilinan (Chairman)	3/3
Tatsu Kono	3/3
Bienvenido F. Nebres, S.J.	3/3
Oscar S. Reyes	3/3
Alfred V. Ty	3/3
Non-Voting Members	
Ma. Lourdes C. Rausa-Chan	3/3
Victorico P. Vargas	3/3

The total per diem paid to members for their attendance in the meetings in 2008 was Php0.9 million.

The following is a summary of the key activities of the Governance and Nomination Committee in 2008:

Governance Function

1. Evaluated and approved the results of the periodic review of the Company's Code of Business Conduct and Ethics, Conflict of Interest (COI) Policy, and Policy on Gifts, Entertainment and Sponsored Travel and determined that no amendment or revision to such Code and Policies is required at this time;
2. Recommended the following: (a) adoption of a Corporate Social Responsibility Statement/Strategy, (b) updating of Environmental Action Plan, (c) adoption and implementation of an Initial COI Disclosure Form for

Officers and Executives, and (d) increase in the gifts threshold;

3. Reviewed and approved corporate governance trainings and continuing education programs and corporate governance themes and creative concepts;
4. Assisted the PLDT Board in conducting and evaluating the Board's 2008 Performance Self-Assessment; and
5. Discussed and evaluated the following: (a) status report on Whistleblowing Complaints under the EWB Policy, and (b) remediation actions being undertaken by business units pursuant to the results of a 2008 audit report.

Nomination Function

1. Screened 13 director and independent director-nominees and recommended that the PLDT Board select and recommend to the stockholders said qualified nominees for election in the 2008 Annual Meeting;
2. Screened and recommended that the PLDT Board elect two director-nominees to fill the Board vacancies arising from the resignation of two directors;

3. Recommended to the Board the retention of Ms. Corazon S. de la Paz-Bernardo as advisor and financial management expert of the Audit Committee; and
4. Discussed and evaluated the proposed adoption of (a) additional criteria for screening director/independent director nominees, and (b) additional grounds for disqualification from membership in the Audit Committee pursuant to relevant updated laws, rules and issuances. The GNC adopted the additional criteria discussed in item (a) above, while it deferred the application of item (b) and instead agreed to request all directors to disclose directorships and board committee memberships in other publicly listed companies.

Executive Compensation Committee

The Executive Compensation Committee is composed of five voting members, three of whom are independent directors and two are non-independent directors, and one non-voting member (the Human Resources Head).

The Executive Compensation Committee has its own Board-approved written charter, which includes its purposes, functions



and responsibilities. Among the primary duties of the committee is to provide guidance to and assist the Board in developing a compensation philosophy or policy consistent with the culture, strategy and control environment of the Company. A copy of the Executive Compensation Committee charter may be viewed and downloaded from the PLDT website through the following link: <http://www.pldt.com/about/management/Committees.htm>.

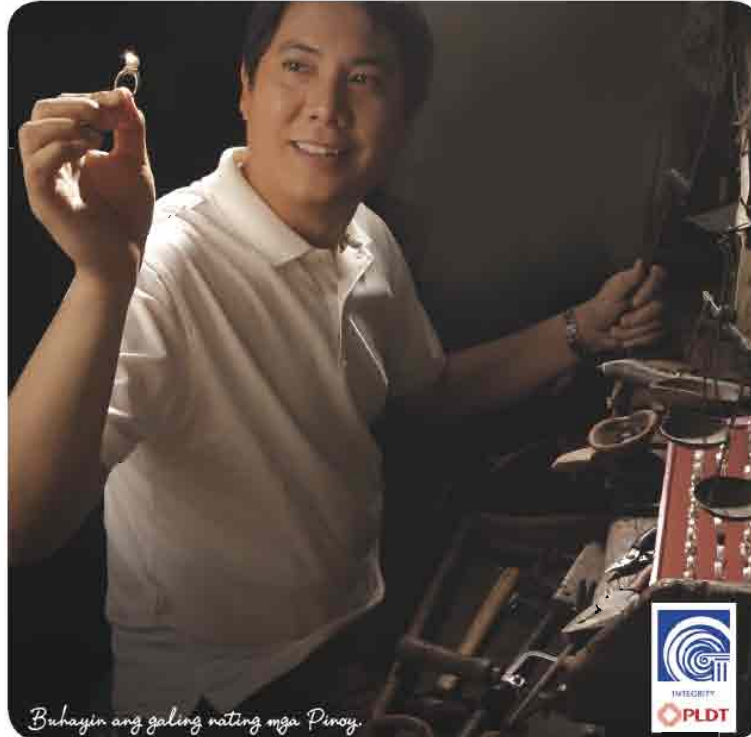
In 2008, the Executive Compensation Committee held four meetings, with the following members' attendance performance:

	Number of Meetings Attended
Voting Members	
Albert F. del Rosario (Chairman)	4/4
Tatsu Kono ⁸	2/3
Oscar S. Reyes	3/4
Pedro E. Roxas	3/4
Alfred V. Ty	3/4
Non-Voting Member	
Victorico P. Vargas	4/4

The total per diem paid to members for their attendance in the meetings in 2008 was Php0.8 million.

The following is a summary of the key activities of the Executive Compensation Committee in 2008:

1. Reviewed and evaluated sufficiency of directors' per diem vis-à-vis industry standard;
2. Evaluated and approved coverage, structures, targets and implementation of officers' and executives' bonuses for 2008;
3. Evaluated and approved 2008 Merit Increase Plan for officers and executives;
4. Evaluated and approved the terms of the application of the Long Term Incentive Plan for special cases, including new hires and newly promoted executives; and
5. Reviewed life insurance benefits of officers and executives.



Technology Strategy Committee

On June 12, 2007, the Board created, constituted and approved the written charter of the Technology Strategy Committee. The primary responsibility of the Technology Strategy Committee is to provide oversight to Management on the strategic vision, and execution of such vision, for the role of technology in the Company's business. A copy of the Technology Strategy Committee charter may be viewed and downloaded from the PLDT website through the following link: <http://www.pldt.com/about/management/Committees.htm>.

The Technology Strategy Committee is composed of six members, one of whom is an independent director.

In 2008, the Technology Strategy Committee held one meeting, with the following members' attendance performance:

	Number of Meetings Attended
Manuel V. Pangilinan (Chairman)	1/1
Ray C. Espinosa	1/1
Tatsu Kono	1/1
Napoleon L. Nazareno	1/1
Oscar S. Reyes	1/1
Orlando B. Veja	1/1

The total per diem paid to members for their attendance in the meetings in 2008 was Php0.25 million.

The following is a summary of the key activities of the Technology Strategy Committee in 2008:

1. Evaluated, discussed and agreed the 5-year (2008-2012) roadmap implementing the technology strategy of the PLDT Group to have a convergent platform and systems.

The main thrusts of the 5-year technology strategy are:

- >> Expand footprint of the fixed and mobile networks;
- >> Further increase capacity; and
- >> Continuous improvement in quality of service and reliability

The theme for the technology strategy is: *"Converged Capabilities Towards More Opportunities for More Converged Products and Services."*

Staying on Track: Implementing Structures and Personnel

PLDT has established a corporate governance implementation structure that allocates responsibilities yet promotes dynamic cooperation in the three

⁸ Replaced Tsuyoshi Kawashima on July 17, 2008.

Es of Corporate Governance: Engineering, Education and Enforcement, all under the leadership of the Chief Governance Officer.

Chief Governance Officer

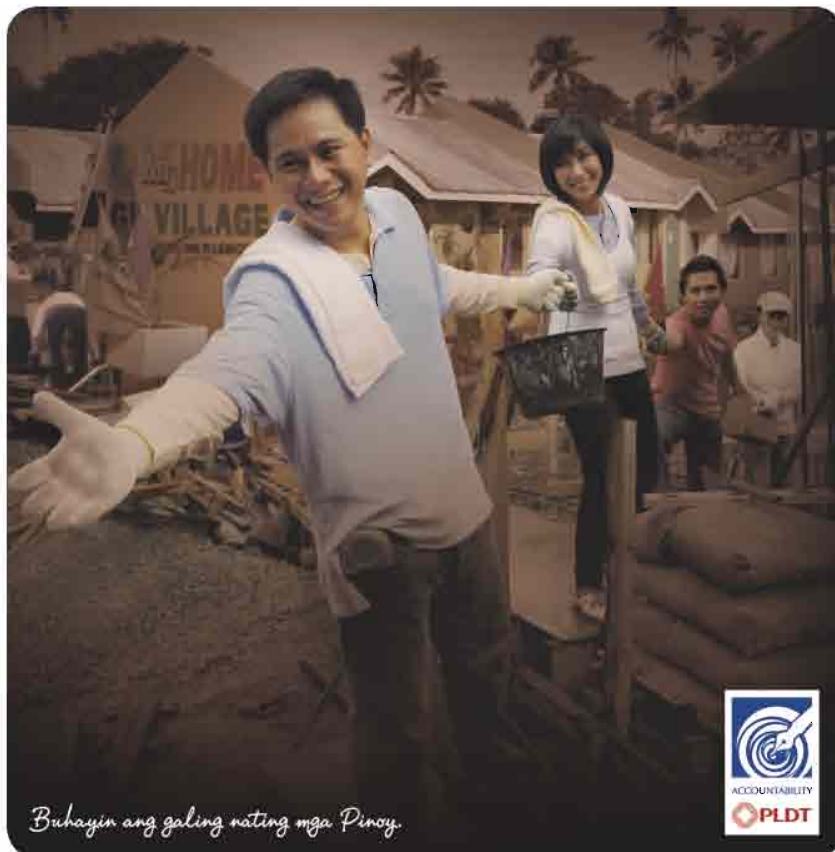
Our Chief Governance Officer is responsible for monitoring compliance with, interpreting and deciding any issues arising from, investigating and determining violations and recommending the disciplinary actions against violators of our Governance Manual and Code of Ethics.

On January 22, 2009, our Chief Governance Officer, submitted to the Philippine SEC and PSE our annual certification confirming, among others, that:

(a) The Company's Governance Manual, as adopted on September 24, 2002 and amended on January 30, 2007, conforms with the provisions of the Manual on Corporate Governance (Model Corporation), as prescribed by the Philippine SEC Memorandum Circular No. 2, Series of 2002, as well as adopted the leading practices and principles on good corporate governance; and

(b) The Company has not deviated from the provisions of the Governance Manual and has complied therewith and with certain other corporate governance standards set out in the Sarbanes-Oxley Act of 2002, Section 303A of the NYSE Listing Standards and implementing rules issued by the U.S. SEC and NYSE.

The 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 Memorandum Circular No. 5, Series of 2003, dated April 3, 2003.



Embedding through the 3 Es

Embedding the core CG principles of accountability, integrity, fairness and transparency with day-to-day operational concerns begins at the policy level. The CGO regularly monitors and keeps abreast with developments in the Philippines and other jurisdictions to benchmark on CG policies and practices. It recognizes that the dynamic field of corporate governance requires the development of appropriate policies, or the revision of those in existence, to keep pace with evolving global best practices, or to conform with legislative changes, all within the over-arching concern of applying these to the Company's conditions and culture.

This embedding strategy of PLDT requires the translation of CG values into business process standards. Attention was given to the proven objectives of CG education and communication which deal with strengthening ethical decision-making competencies among our company directors, officers, executives, and other key personnel and promoting ethics and customer service orientation among identified key responsible business areas.

PLDT conducted training sessions and workshops for its board of directors, officers, executives and other employees, with recognized international and local experts who provided valuable exposure and knowledge for the development of effective strategies for governance and ethics. A comprehensive communication program is also in place using various forms of media to cascade the core principles to all levels in the Company. Compliance and enforcement activities complete the mission of ensuring that the core CG principles are actually embraced and observed by everyone in the Company. PLDT is committed to managing its Expanded Whistleblowing Facility and encourages employees to make appropriate disclosures in order to promote right conduct.

Moreover, in an effort to prevent conflicts of interest, officers and executives accomplished and submitted individual written disclosures which outline potential conflicts of interest.

Compliance with CG reportorial requirements of the Philippine SEC, PSE and NYSE such as the submission of the 2008 Corporate

Governance Scorecard for Publicly-Listed Companies to the Philippine SEC and PSE, Quarterly Submission of Sub-Certifications for the Sarbanes-Oxley Act Section 404 Compliance Project (SOX 404) and the NYSE Foreign Private Issuer Section 303A Annual Written Affirmation were also undertaken. Finally, guidance to employees on CG-related matters was regularly provided through opinions and responses to CG-related queries coming from employees and various units within the Company.

Supporting the Effort:

Other Enabling Activities

The CGO remains on the lookout for fresh ideas in the rapidly-evolving world of corporate governance. Best practices and benchmarks are shared, discussed, analyzed and, when applicable, adapted to the PLDT Group culture.

Advocacy and Networking

Our corporate governance agenda calls for heightened participation in developing a positive climate for ethical behavior. Networking with like-minded companies and individuals is also a key area for advancing the CG agenda further among business, government and the public at large. As part of our advocacy objectives, the following were accomplished in 2008:

(a) *Companies Circle Membership.* We continued to participate in the Companies Circle alongside Petron, Ayala Corporation, Meralco, etc. We took part in the review of the Philippine SEC Governance Code and the Manual on Corporate Governance.

(b) *Ethics and Compliance Officers Association (ECOAs).* We have strengthened our involvement in the Ethics and Compliance Officer Association, the world's oldest and most respected association of ethics and compliance practitioners.

(c) *Anti-corruption Efforts.* PLDT was one of a few private corporations invited by the Philippine Office of the Ombudsman to a focus group discussion on Corruption Prevention in November 2008. We provided substantial inputs to the plans and programs aimed at combating corruption. The project was conducted as part of the Philippines' obligations as a State Party to the United Nations Convention Against Corruption (UNCAC).

ENTERPRISE RISK MANAGEMENT

Established in April 2006, the PLDT Group's group-wide enterprise risk management framework has strengthened the Group's risk management approach by establishing an Enterprise Risk Management Committee (ERMC). 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.

For 2008, the ERMC chose to focus on specific projects instead of the general survey approach adopted in previous years. Based on data gathered from earlier surveys, the ERMC identified the following key risk areas:

- Financial risks
- Revenue assurance and leakage minimization for the Fixed Line business
- IT Systems upgrades
- International business
- ePLDT

In addition, risk owners were required to quantify the financial impact of their pertinent risk areas. This quantification represents an enhancement to the ERM process, taking risk assessment beyond mere identification and ranking.

The ERMC also looked at potential short-term issues arising from the global financial turmoil and the Group's ability to address these.

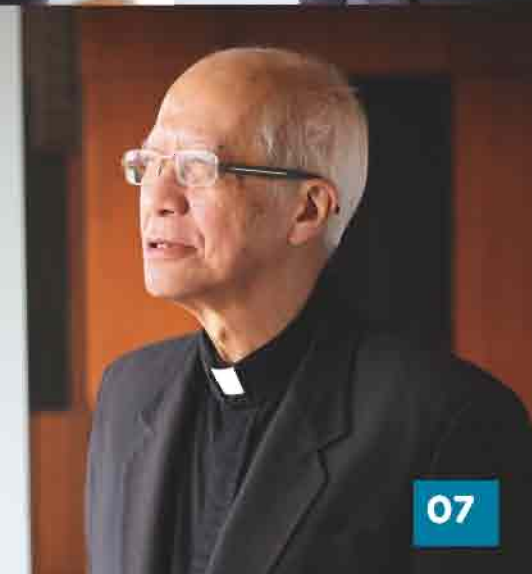
IDENTIFIED RISK	PLDT GROUP STATUS
• Reduced liquidity; limited access to funding	→ PLDT and Smart maximizing available sources of funds from banks and Export Credit Agencies
• Reduced operating cash flows	→ PLDT cash flows remain robust
• Difficult and expensive access to insurance	→ All insurance policies have been negotiated and in place until July 31, 2009
• Higher rate of doubtful receivables	→ No discernible increase in doubtful receivables
• Accelerated cost reduction programs and revision of business plans	→ We continue to manage our operating expenses; capital expenditures remain scalable with priority on investments that provide opportunities for growth
• Accelerated consolidation of sector	→ We continue to watch for acquisition opportunities that fit into our strategic thrusts
• Reduced valuations	→ No financing undertakings/ratio linked to external valuations such as market capitalization
• Higher likelihood of goodwill and intangibles	→ We are in constant dialogue with our external auditors on possible impairment issues

All the above were accordingly presented to PLDT's Audit Committee and to the PLDT Board.



The Board of Directors

- 01 MANUEL V. PANGILINAN**, 62, Filipino
 Chairman of the Board since February 2004. Director of the Company since November 24, 1998, and served as President and CEO for over five years from November 1998 until his appointment as Chairman. He also serves as Chairman of Smart, Piltel, ePLDT, Metro Pacific Investments Corporation, Maynilad Water Corporation and Manila North Tollways Corporation.
- 02 NAPOLEON L. NAZARENO**, 59, Filipino
 Director of the Company since November 24, 1998. He has held the position of President and CEO since February 19, 2004 and is concurrently the President and CEO of Smart and Piltel since January 2000 and November 2004, respectively. He also serves as President of ACeS Philippines Cellular Corporation and CURE, and Chairman of Wolfpac Mobile, Inc., Smart Broadband, Inc., i-Contacts Corporation and Mabuhay Satellite Corporation.
- 03 DONALD G. DEE**, 62, Filipino
 Director of the Company since September 30, 2008. He is a Commissioner of the Social Security System and the Special Envoy of the President of the Philippines for Trade Negotiations. He is the Chairman of Zest Air (formerly Asian Spirit) and Central Peak Leisure and Development, Inc., where he is also the President, the President of Phoenix Resource and Management Corp. and a director of Manila Exposition Complex, Inc.



04 HELEN Y. DEE, 65, Filipino
 Director of the Company since June 18, 1986. She is the Chairman and/or President/CEO or a director of several companies engaged in the banking, insurance, energy and real property businesses including Rizal Commercial Banking Corporation, RCBC Savings Bank, Malayan Insurance Company, Petro Energy Resources Corporation, Seafront Resources Corporation, Landev Corporation and Pan Malayan Realty Corporation.

05 RAY C. ESPINOSA, 53, Filipino
 Director of the Company since November 24, 1998. He is the President and CEO of ePLDT Inc., the Chairman of all subsidiaries of ePLDT, namely, ePLDT Ventus, Infocom, Digital Paradise Inc., Level Up! (Philippines) Inc., netGames Inc., Parlance Systems Inc., SPi Technologies Inc., and Vocativ Systems Inc., and the Vice Chairman of the Board of Trustees of the PLDT Beneficial Trust Fund. He is also the Vice Chairman of Philweb Corporation and an independent director of Lepanto Consolidated Mining Company.

06 TATSU KONO, 56, Japanese
 Director of the Company since March 28, 2006. He is the Managing Director of Corporate Sales Department, Corporate Marketing Division of NTT DoCoMo. He joined NTT DoCoMo in 2000 and served as Executive Director of the Global Investment Group, Global Business Department. Prior to that, he occupied various management positions in Kokusai Denshin Denwa Co., Ltd.

07 REV. FR. BIENVENIDO F. NEBRES, S.J., 69, Filipino
 Director of the Company since November 24, 1998. He is the President and a member of the Board of Trustees of the Ateneo de Manila University, the Vice Chairman of the Board of Trustees of the Asian Institute of Management and a member of the Board of Trustees of the Manila Observatory, Philippine Institute of Pure and Applied Chemistry and several private educational institutions.

08 TAKASHI OOI, 47, Japanese
 Director of the Company since Nov. 6, 2007. He is presently the Vice President for Network Integration and Solutions, Global Business Division of NTT Communications. He built his career in Nippon Telegraph and Telephone Corporation and its subsidiaries, NTT Communications and NTT America.

09 OSCAR S. REYES, 63, Filipino
 Director of the Company since April 5, 2005. He also serves as an independent director of Smart. He is the Chairman of Link Edge, Inc. and MRL Gold Phils., Inc., and a director of various public companies and private firms engaged in banking, insurance, financial and business advisory services, beverages, electrical products manufacturing, mining and a water distribution utility.



10 ALBERT F. DEL ROSARIO, 69, Filipino
 Director of the Company since November 24, 1998. He is the Chairman of Gotuaco del Rosario and Associates, Inc., Philippine Indocoil Corporation, Business World Publishing Corporation, and Stratbase, Inc., the Vice Chairman of Asia Insurance (Philippines) Corporation, and the President of ADR Holdings, Inc. and Philippine Telecommunications Investment Corporation, and a director of Manila North Tollways Corporation and Metro Pacific Investments Corporation. He is also Chairman of the Board of Trustees of the PLDT Beneficial Trust Fund. He sits at the board of First Pacific Company Ltd. and is a Commissioner of P.T. Indofood Sukses Makmur Tbk, the largest food company in Indonesia.

11 PEDRO E. ROXAS, 53, Filipino
 Director of the Company since March 1, 2001. He also serves as an independent director of ePLDT. He is the Chairman and/or CEO of various business organizations in the fields of agri-business, sugar manufacturing and real estate development including Roxas Holdings, Inc., CADP Group Corp., Roxaco Land Corporation, Roxas and Company, Inc., Fuego Land Corporation, Brightnote Assets Corporation and Hawaiian Philippine Sugar Co. He is also a director of Banco de Oro Private Bank.

A portrait of Tony Tan Caktiong, a man with dark hair, wearing a dark suit, white shirt, and a yellow tie. He is smiling slightly. A blue square with the number 13 is in the bottom left corner.

13

A portrait of Roberto R. Romulo, an older man with glasses, wearing a dark suit, white shirt, and a striped tie. He is smiling. A blue square with the number 14 is in the bottom right corner.

14

A portrait of Christopher H. Young, a man with brown hair, wearing a dark suit, white shirt, and a light-colored tie. He is smiling. A blue square with the number 17 is in the bottom right corner.

17

A portrait of Benny S. Santoso, a man with glasses, wearing a dark suit, white shirt, and a dark tie. He is smiling with his hand near his chin. A blue square with the number 18 is in the bottom right corner.

18

12 TONY TAN CAKTIONG, 56, Filipino
Director of the Company since July 8, 2008. He serves as the Chairman, President and CEO of Jollibee Foods Corporation, a leader in the fastfood business, which owns and operates a chain of Jollibee restaurants nationwide and abroad, and other fastfood chains including Chowking, Greenwich, Délifrance, Red Ribbon and Manong Pepe. He is also a director of First Gen Corporation.

13 ALFRED V. TY, 41, Filipino
Director of the Company since June 13, 2006. He is the Chairman of Asia Pacific Top Management International Resources Corp. (Marco Polo Plaza Cebu), the Vice Chairman of Toyota Motors Philippines Corporation, the President of Federal Land, Inc., a director of Global Business Power Corp. and the Corporate Secretary of Metropolitan Bank and Trust Corporation and Metrobank Foundation, Inc.

ADVISORY BOARD

14 ROBERTO R. ROMULO

15 RICARDO R. ZARATE

16 ORLANDO B. VEA

17 CHRISTOPHER H. YOUNG

18 BENNY S. SANTOSO



PLDT

Seated from left:
Ernesto R. Alberto, Napoleon L. Nazareno,
Anabelle L. Chua

Standing from left:
Christopher H. Young (Chief Financial Advisor),
Jun R. Florencio, René G. Bañez

Key Officers



PLDT

Seated from left:
June Cheryl A. Cabal, Menardo G. Jimenez, Jr.,
George N. Lim

Standing from left:
Victorico P. Vargas, Alfredo S. Panlilio,
Ma. Lourdes C. Rausa-Chan, Claro Carmelo P. Ramirez



Smart

Seated from left:
Anabelle L. Chua, Napoleon L. Nazareno,
Orlando B. Veja

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



ePLDT

Seated from left:
Jane C. Walker, Ray C. Espinosa, George H. Tan

Standing from left:
Helen T. Marquez, Edgardo R. Bautista,
Peter D. Maquera, Emmanuel P. Dizon,
Celso T. Dimarucut, Ian Wilson,
Mariano L. Galicia, Jr.

PLDT Key Officers

Ernesto R. Alberto, 48, Filipino, was appointed in February 2008 as Head of Customer Sales and Marketing Group which was created to consolidate and synchronize all revenue generation relationship initiatives of PLDT. He has over 20 years of work experience in the areas of corporate banking, relationship management and business development and, prior to joining PLDT in 2003, was a Vice President and Head of the National Corporate Group of Citibank N.A., Manila.

René G. Bañez, 54, Filipino, was appointed as Administration and Materials Management Group Head in January 2008. He was the Chief Governance Officer of PLDT from October 2004 to March 3, 2008 and the Head of Support Services and Tax Management Group of PLDT from January 1999 to January 2001. He served as Commissioner of the Philippine Bureau of Internal Revenue from February 2001 to August 2002.

Anabelle L. Chua, 48, Filipino, Treasurer and Head of Corporate Finance and Treasury of PLDT, concurrently holds the position of Chief Financial Officer of Smart. She holds directorships in several subsidiaries and affiliates of PLDT, is a member of the Board of Trustees of the PLDT Beneficial Trust Fund, and a Director of the Philippine Stock Exchange, Inc. and Securities Clearing Corporation of the Philippines. She has over 15 years of work experience in the areas of corporate finance, treasury, financial control and credit risk management and was a Vice President at Citibank, N.A. where she worked for 10 years prior to joining PLDT in 1998.

Jun R. Florencio, 53, Filipino, Head of Internal Audit and Fraud Risk Management, has over 20 years of work experience in the areas of external and internal audit, credit management, information technology, financial management, and controllership. He joined the Company in April 1999 and, prior to his present position, served as the Financial Reporting and Control Head up to March 2000.

Menardo G. Jimenez, Jr., 46, Filipino, was appointed Business Transformation Office Lead for Revenue Composition Workstream in January 2008. He was the Retail Business Head from June 2004 to December 31, 2007. He had a stint at GMA Network, Inc., where he served as head of a creative services and network promotions, during which he produced a number of international award-winning campaigns for said company and its radio and television programs.

George N. Lim, 56, Filipino was appointed as Business Transformation Office Lead for Network Workstream in January 2008. He has over 25 years of work experience in telecommunications management. He was the Network Services Head from February 2003 to December 2007, Network Development and Provisioning Head from February 1999 to January 2003 and Marketing Head from December 1993 to February 1999. Mr. Lim holds directorships in some subsidiaries of PLDT.

Alfredo S. Panlillo, 46, Filipino, is the President of PLDT Global Corporation with general management and strategic responsibilities for the international retail business. Prior to joining PLDT in July 1999, he held management positions at IBM Philippines, Inc. and was the Vice President for Business Development of the Lopez Communications Group (ABS-CBN Broadcasting, BayanTel and Sky Cable) until June 1999.

Claro Carmelo P. Ramirez, 49, Filipino, has over 20 years of work experience in the field of marketing. He worked as Associate Director for Colgate Palmolive Company, Global Business Development in New York, and as Marketing Director for Colgate Palmolive Argentina, S.A.I.C. Prior to joining PLDT in July 1999, he was the Marketing Director of Colgate Palmolive Philippines, Inc.

Ma. Lourdes C. Rausa-Chan, 55, Filipino, was appointed as Chief Governance Officer of PLDT in March 2008, concurrent with her positions as Corporate Secretary and Head of Corporate Affairs and Legal Services. She also serves as Corporate Secretary of several subsidiaries of PLDT. Prior to joining PLDT in November 1998, she was the Group Vice President for Legal Affairs of Metro Pacific Corporation where she worked for 11 years.

Victorico P. Vargas, 57, Filipino, was appointed as Business Transformation Office Head in January 2008, concurrent with his position as Human Resources Group Head, to lead the business transformation initiatives of PLDT. He has over 20 years of work experience in various industries in the area of human resource management. Prior to joining PLDT in February 2000, he served as the Country Human Resources Director of Citibank N.A., Manila.

June Cheryl A. Cabal, 35, Filipino, Controller and Head of Financial Reporting and Controllership, is also a Director and the Chief Financial Officer/Treasurer of certain subsidiaries of PLDT and the PLDT-Smart Foundation. Prior to her joining PLDT in June 2000 as an executive trainee in the Finance Group, she was a senior associate in the business audit and advisory group of Sycip Gorres Velayo & Co. She was the 2008 Young Achievers Awardee for Commerce and Industry conferred by the Philippine Institute of Certified Public Accountants.

Christopher H. Young, 51, British, is PLDT's Chief Financial Advisor. He worked in PricewaterhouseCoopers in London and Hong Kong from 1979 until 1987, at which time he joined First Pacific in Hong Kong as Group Financial Controller. He joined Metro Pacific Corporation in 1995 as Finance Director, a position he held until he joined PLDT in November 1998.

Officers

Manuel V. Pangilinan
Chairman of the Board

Napoleon L. Nazareno
President and
Chief Executive Officer

Ernesto R. Alberto
SVP, Customer Sales
and Marketing Group

René G. Bañez
SVP, Administration
and Materials Management Group

Anabelle L. Chua
SVP, Corporate Finance and Treasury/
Corporate Treasurer

Jun R. Florencio
SVP, Internal Audit
and Fraud Risk Management

Menardo G. Jimenez, Jr.
SVP, Business Transformation Office
Revenue Team

George N. Lim
SVP, Business Transformation Office
Network Team

Alfredo S. Panlillo
SVP, PLDT Global Corporation

Claro Carmelo P. Ramirez
SVP, Office of the President and CEO

Ma. Lourdes C. Rausa-Chan
SVP, Corporate Affairs and Legal
Services/Chief Governance Officer/
Corporate Secretary

Victorico P. Vargas
SVP, Human Resources Group/
Business Transformation Office Head

June Cheryl A. Cabal
FVP, Financial Reporting and
Controllership/Controller

Alejandro O. Caeg'
FVP, International and
Carrier Business

Alfredo B. Carrera
FVP, Regulatory Strategy
and Support

Cesar M. Enriquez
FVP, Customer Services
and Operations

Florentino D. Mabasa, Jr.
FVP, Legal Services

Ramon Alger P. Obias
FVP, Carrier Relations and Sales
Management

Leo I. Posadas
FVP, Treasury

Nerissa S. Ramos
FVP, Corporate Business

Raymond S. Relucio
FVP, Core Network Operations

Ricardo M. Sison
FVP, Consumer Credit and Business
System Management

Emiliano R. Tanchico
FVP, Human Resources Management
and Development

Miguela F. Villanueva
FVP, Revenue Planning

Danny Y. Yu
FVP, PLDT Global Corporation

Katrina L. Abelarde
VP, Small and Medium Enterprises
Business

Jose A. Apelo
VP, Outside Plant Service
Improvement Management

Rafael M. Bejar²
VP, Medical Services

Marco Alejandro T. Borlongan
VP, Customer Care

Renato L. Castañeda²
VP, Corporate Relationship
Management C

Arnel S. Crisostomo
VP, Customer Provisioning and
Facilities Records Management

Amihan E. Crooc
VP, Information Systems/Application
Development and Management

Rebecca Jeanine R. De Guzman
VP, Retail Sales and Distribution

Marlo C. Encarnacion
VP, Business Transformation Office
Customer Experience Team

Alejandro C. Fabian
VP, Industrial Relations

Elsa B. Gesalta
VP, Operations Engineering
and Provisioning

Ma. Josefina T. Gorres
VP, Corporate Billing and
Credit Management

Ma. Criselda B. Guhit
VP, Tax Management

Emeraldo L. Hernandez
VP, GMM Network Operations

Juan Victor I. Hernandez²
VP, Corporate Relationship
Management B

Alexander S. Kibanoff²
VP, Training Development
and Career Management

Joseph Nelson M. Ladaban
VP, Consumer Credit and Churn
Management

Javier C. Lagdameo²
VP, Corporate Relationship
Management A

Joseph Homer A. Macapagal
VP, Property and Facilities
Management

Emmanuel B. Ocumen
VP, Luzon Customer Service District

Oliver Carlos G. Odulio
VP, Office of the Administration and
Materials Management Group

Lilibeth F. Pasa
VP, Retail Market Development

Enrique S. Pascual, Jr.
VP, Customer Installation and Repair
Management

Jose Lauro G. Pelayo
VP, GMM South/West Customer
Service District

Gerardo C. Peña
VP, GMM North/East Customer
Service District

Ricardo C. Rodriguez
VP, Compensation and Rewards
Planning and Management

Genaro C. Sanchez
VP, Carrier Marketing, Facilities and
Business Information Services

Ana Marla A. Sotto
VP, Corporate Service Delivery
Management

Julietta S. Tañeca
VP, Consumer Business System
Management

Jesus M. Tañedo
VP, VisMin Customer Service District

Jose Antonio T. Valdez
VP, Retail Marketing

Melissa V. Vergel de Dios
VP, Investor Relations

Fe M. Vidar²
VP, Organization, Policies and
Procedures Development

¹ Effective March 1, 2009.

² Effective March 3, 2009.