

**MVP CLOSING REMARKS
2008 PLDT ANNUAL SHAREHOLDERS' MEETING
4:00 PM, TUESDAY, 10th JUNE 2008
BALLROOM, DUSIT HOTEL
MAKATI CITY**

INTRODUCTION

THANK YOU POLLY, AND GOOD AFTERNOON TO OUR SHAREHOLDERS, TO MY COLLEAGUES AT PLDT, AND TO OUR FRIENDS FROM MEDIA.

THIS COMING NOVEMBER, PLDT WILL CELEBRATE ITS 80TH YEAR. NOVEMBER 2008 WILL ALSO MARK THE 10TH YEAR OF FIRST PACIFIC'S INVESTMENT IN PLDT. SINCE WE ARE CELEBRATING 2 ANNIVERSARIES, IT IS APPROPRIATE THAT WE REVIEW WHAT HAS HAPPENED OVER THE PAST DECADE, AND SUGGEST WHAT LIES AHEAD FOR YOUR COMPANY.

BACK TO THE PAST

LET US LOOK AT THE PAST ALONG 4 KEY METRICS:

FIRST, OUR PROFITS. IN 1998, WE MADE 1.6 BILLION PESOS IN PROFITS. POLLY JUST REPORTED TO YOU THAT OUR NET INCOME FOR 2007 REACHED 36.0 BILLION PESOS. THAT'S 22 TIMES WHAT WE EARNED 10 YEARS AGO -- A COMPOUND GROWTH RATE OF 43% PER YEAR. PLDT REMAINS OUR COUNTRY'S MOST PROFITABLE COMPANY.

SECOND, OUR MARKET VALUE. AT THE END OF 1998, THE VALUE OF PLDT IN THE PHILIPPINE STOCK EXCHANGE STOOD AT 121 BILLION PESOS - EQUIVALENT TO ABOUT 3 BILLION DOLLARS AT THE THEN EXCHANGE RATE -- WITH THE PRICE BEING 1,000 PESOS PER SHARE. TODAY, THE 10TH OF JUNE 2008, THE MARKET VALUE OF PLDT AMOUNTS TO 460 BILLION PESOS, EQUIVALENT TO ABOUT 10.3 BILLION DOLLARS - BASED ON THE CLOSING PRICE OF 2,435 PESOS PER SHARE. YOUR COMPANY IS NOW WORTH ABOUT 4 TIMES WHAT IT WAS 10 YEARS AGO, HAVING INCREASED IN VALUE BY 340 BILLION PESOS.

PLDT CONTINUES TO BE THE LARGEST PHILIPPINE CORPORATION IN TERMS OF MARKET CAPITALIZATION, ALMOST 3 TIMES THE VALUE OF THE SECOND BIGGEST LISTED COMPANY. DESPITE OUR RECORD PROFITS AND DIVIDENDS – DISAPPOINTINGLY AND PERHAPS PAINFULLY, OUR SHARE PRICE HAS DECLINED SINCE DECEMBER 2007 – REFLECTING THE PRONOUNCED BEARISH TONE OF FINANCIAL MARKETS GLOBALLY. TODAY, WE CLOSED AT 2,435 PESOS PER SHARE, SIGNIFYING A REDUCTION OF 23% SINCE YEAR-END. WE HAVE LOST 139 BILLION PESOS IN MARKET VALUE – MORE THAN OUR ENTIRE MARKET CAP 10 YEARS AGO! THE CONSOLATION IS THE PHILIPPINE STOCK EXCHANGE INDEX HAS DROPPED BY MORE THAN OUR SHARE PRICE – BY 27% FOR THE PERIOD.

THIRD, OUR CASH. WE GENERATED CASH FLOWS FROM OPERATIONS OF 107 BILLION PESOS DURING THE YEAR. WHERE DID WE SPEND THIS?

- **FIRST, WE PAID ABOUT 24 BILLION PESOS IN PRINCIPAL AND INTEREST TO OUR CREDITORS.**
- **SECOND, WE PLOWED BACK INTO OUR BUSINESS 25 BILLION PESOS FOR CAPITAL EXPENDITURES, AND 2.3 BILLION PESOS FOR NEW INVESTMENTS.**
- **THIRD, WE DISTRIBUTED 28.5 BILLION PESOS IN CASH DIVIDENDS TO OUR SHAREHOLDERS COMPARED WITH ONLY 1.7 BILLION PESOS IN 1998 -- 17 TIMES WHAT WE PAID 10 YEARS AGO.**
- **FOURTH, WE PAID ABOUT 30 BILLION PESOS IN TOTAL TAXES TO BOTH OUR NATIONAL AND LOCAL GOVERNMENTS.**

FOURTH, OUR CUSTOMERS. OUR FIXED LINE AND CELLULAR SUBSCRIBERS GREW FROM 2.9 MILLION IN 1998 TO ABOUT 32 MILLION IN 2007. IN MAY THIS YEAR, WE HAVE OVER 34 MILLION OF THESE CUSTOMERS. AND TEN YEARS AGO, WE HAD ZERO BROADBAND SUBSCRIBERS - WE NOW HAVE OVER 600,000 BROADBAND CUSTOMERS. WE'VE ACHIEVED THIS BY MAKING OUR PRODUCTS AND SERVICES AFFORDABLE AND RELEVANT TO THE CONSUMER, ACCESSIBLE AND AVAILABLE NATIONWIDE,. THE PRICES WE CHARGE OUR CUSTOMERS ARE AMONGST THE LOWEST IN THE WORLD.

FACTORS FOR PERFORMANCE

BUT IT IS EASY TO FORGET HOW DIFFICULT THE GOING HAS BEEN, FROM THE TIME WE STARTED, WHEN PLDT WAS WEIGHED DOWN BY HEAVY DEBTS – MORE THAN 3 BILLION DOLLARS. MORE IMPORTANTLY, PLDT’S CORE BUSINESS – ITS FIXED LINE SERVICE – FACED AN UNCERTAIN FUTURE, GIVEN THE RISE OF THE CELLULAR PHONE AND THE INTERNET.

BUT WE BIT THE BULLET. WE MET THE DEBT PROBLEM HEAD ON, AND UNDERTOOK THE PAINFUL BUT NECESSARY COST-REDUCTION MEASURES. WE WERE CUTTING DOWN ON NEWSPAPER SUBSCRIPTIONS, CANCELLING CHRISTMAS PARTIES, FREEZING THE SALARIES OF OUR SENIOR MANAGEMENT, DOWNSIZING OUR WORKFORCE. MORE POSITIVELY, WE BEGAN BUILDING OUR NEW REVENUE SOURCES FOR THE FUTURE WHEN WE ACQUIRED SMART COMMUNICATIONS, STARTED E-PLDT, AND REBUILT PILTEL FROM ITS PRETERNATURAL STATE.

THE RESULTS OF OUR SACRIFICE IN THOSE DARK DAYS ARE NOW APPARENT. I’M PROUD TO SAY THAT WE’VE BROKEN THE MOLD OF A TRADITIONAL TELCO, BY BECOMING A CONSUMER PRODUCTS COMPANY THAT IS INNOVATIVE, CUSTOMER-CENTRIC, MARKET-FOCUSED. WE’VE ENABLED FILIPINOS TO COMMUNICATE BETTER AND MORE CHEAPLY THAN BEFORE. WE HAVE CHANGED LIVES!

MY THANKS

THE TRANSFORMATION OF YOUR COMPANY IS THE PRODUCT OF MANY MINDS, MANY HANDS, AND MANY HEARTS. TO ALL OF THEM, I SIMPLY WOULD LIKE TO GIVE OUR THANKS.

FIRST, TO OUR MORE THAN 34 MILLION CUSTOMERS FOR THEIR PATRONAGE AND FAITH IN PLDT, AND THEIR PATIENCE WHENEVER WE FALL SHORT IN OUR SERVICE.

SECOND, OUR APPRECIATION TO OUR SHAREHOLDERS, FOR THEIR PATIENT SUPPORT THAT IS NOW GETTING PROPERLY REWARDED. PLEASE STAY WITH US BY SEEING YOURSELVES AS OWNERS OF A BUSINESS WHICH YOU WANT TO OWN INDEFINITELY. WHILST THE PRICE OF YOUR SHARES MAY WOBBLE DAY TO DAY - PARTICULARLY NOW WHEN TIMES ARE BAD - PLEASE THINK OF YOURSELVES AS OUR LONG TERM PARTNERS.

THIRD, MY GRATITUDE GOES TO OUR BOARD OF DIRECTORS, WHO HAVE ACCEPTED THE DELICATE RESPONSIBILITIES OF STEWARDSHIP AND ACCOUNTABILITY. WE ARE FORTUNATE INDEED TO HAVE DIRECTORS WITH KEEN INTEREST IN OUR BUSINESS, WHO ARE SHAREHOLDER-ORIENTED, AND ARE ABLE TO TAKE AN INDEPENDENT AND OBJECTIVE VIEW OF OUR AFFAIRS.

FOURTH, MY THANKS TO OUR MANAGEMENT AND OUR EMPLOYEES – THE MEN AND WOMEN OF PLDT,

SMART, AND E-PLDT AS WELL AS THEIR FAMILIES -- WHO HAVE DONE A MAGNIFICENT JOB AGAIN THIS YEAR. THE COMPETENT HANDLING OF THE ARRAY OF TASKS, GOALS, AND DUTIES WHICH COME WITH OUR SIZE AND COMPLEXITY - TAKES A VERY SPECIAL GROUP OF MANAGERS AND STAFF.

2008 OUTLOOK

LET ME NOW TURN FROM OUR SUNSHINE DAYS IN 2007 TO THE TURBULENT WEATHER OF 2008, AND BEYOND.

LAST YEAR, IT WAS QUITE EASY FOR ME TO MAKE MY CLOSING REMARKS BECAUSE THE OUTLOOK THEN LOOKED PARTICULARLY SANGUINE. NOW WE FACE 2008 FRAUGHT WITH RISKS AND PRESSURES WE'VE NEVER EXPERIENCED BEFORE. THE ASIAN FINANCIAL CRISIS OF 1997 INVOLVED THE FAILURE OF FINANCIAL ASSETS, ARISING FROM EXUBERANT AND EXAGGERATED VALUES THEN. THIS TIME, WE'RE SEEING NOT ONLY FINANCIAL ASSETS LANGUISHING – AS THEY DID 10 YEARS AGO – BUT, AS WELL, RISING FOOD AND FUEL PRICES THREATENING TO DESTABILIZE MOST SOCIETIES.

IN ORDER TO LEND PERSPECTIVE TO THE RISKS WE FACE FROM THIS NEW EMERGING ECONOMIC PARADIGM, IT IS IMPORTANT THAT WE APPRECIATE HOW COLOSSAL A PROBLEM THIS OIL CRISIS REALLY IS, AND WHAT ITS IMPACT COULD BE ON OUR COUNTRY AND ON PLDT.

OIL AT AROUND 130 DOLLARS PER BARREL TRANSLATES INTO A MASSIVE TRANSFER OF FUNDS FROM OIL BUYERS TO OIL PRODUCERS – ESTIMATED TO BE 1.8 TRILLION DOLLARS ANNUALLY. THIS HAS THREE (3) SIGNIFICANT ASPECTS:

FIRST, IT REDISTRIBUTES WORLD INCOMES ENORMOUSLY, AND PLACES TREMENDOUS ECONOMIC AND SOCIAL PRESSURES ON NON-OIL PRODUCING COUNTRIES LIKE THE PHILIPPINES.

SECOND, NATIONS AFFECTED ARE ADJUSTING TO THIS REDISTRIBUTION BY RAISING THE PRICES OF THEIR OWN EXPORTS TO OFFSET THE HIGHER PRICE OF OIL. IN ADDITION TO CORE DEMAND COMING FROM CHINA AND INDIA, THIS DEFENSIVE POSTURE CONTRIBUTES TO RISING PRICES OF BASIC COMMODITIES SUCH AS RICE, OF MINERALS AND METALS, AND EVEN OF MANUFACTURED GOODS.

THIRD, THIS CRISIS POSES A PROBLEM OF RECYCLING FINANCIAL ASSETS AND LIABILITIES ON A GLOBAL SCALE. THE LARGE AMOUNTS BEING ACCUMULATED BY OIL COMPANIES AND OIL-PRODUCING COUNTRIES MEAN SURPLUSES TO BE INVESTED, WHILST OIL IMPORTERS NEED TO HAVE THEIR DEFICITS FINANCED. THIS CREATES HUGE MISMATCHES BETWEEN SOURCES AND NEEDS FOR FUNDS. AND BECAUSE THE MECHANISMS FOR RECYCLING SURPLUS TO DEFICIT HAVE NOT BEEN ESTABLISHED, COUNTRIES LIKE OURS FACE THE

PROBLEM OF RAISING FINANCE FOR FUTURE GROWTH.

WHAT ARE THE IMPLICATIONS OF ALL THIS ON THE PHILIPPINES? THE ANSWER MUST BE THAT WE HAVE TO ADJUST TO A REGIME OF HIGHER PRICES FOR FUEL AND FOOD BECAUSE AT SOME POINT, THE WORLD WILL STAGGER INTO SOME PRICE EQUILIBRIUM FOR BOTH.

MORE SPECIFICALLY, THESE IMPLICATIONS ARE:

- 1. GROWTH IN CONSUMPTION SPENDING WILL ABATE. THIS POSSIBILITY IS CRITICALLY IMPORTANT FOR SINCE CONSUMER EXPENDITURES IS THE MAINSTAY OF OUR BUSINESS.**
- 2. THE GOOD NEWS MIGHT LIE IN THE CONTINUED STRENGTH IN THE FLOWS OF OVERSEAS REMITTANCES, TO COMPENSATE FOR ACCELERATING PRICES. HOWEVER, THE DIRECTION OF REMITTANCE-LED SPENDING IS LIKELY TO SHIFT AWAY FROM ASSET ACQUISITIONS -- SUCH AS THE PURCHASE OF REAL ESTATE – AND MOVE TOWARDS MAINTAINING OUR PEOPLE’S ABILITY TO SPEND ON LIFE’S NECESSITIES, SUCH AS FOOD, RENT, AND EDUCATION.**
- 3. PRIVATE SECTOR INVESTMENT WOULD WEAKEN AS FOREIGN AND DOMESTIC INVESTORS BEGIN TO REFLECT THEIR BEARISH SENTIMENT.**

4. **GOVERNMENT SPEND ON INFRASTRUCTURE MAY SLOW AS FUNDS GET DIVERTED INTO SUBSIDY PROGRAMMES INTENDED TO CUSHION THE IMPACT OF INFLATING FOOD AND FUEL PRICES ON THE POOR. THIS WILL HAVE AN INDIRECT BUT NEGATIVE IMPACT ON EMPLOYMENT AND INCOMES. IN THE SHORT-RUN, SOCIAL PROTECTION HAS BECOME A MORE IMPORTANT IMPERATIVE TO ECONOMIC GROWTH.**
5. **MONETARY POLICY IS GRADUALLY ADJUSTING TO THE INSIDIOUS THREAT OF INFLATION – INTEREST RATES HAVE IN FACT BEEN RAISED.**

WHILST THE THREATS CONFRONTING US TODAY MAY BE NEW, THE PLDT OF TODAY IS ALTOGETHER DIFFERENT. WE HAVE EMERGED STRONGER FROM THE 1997 ASIAN CRISIS, AND ARE BETTER POSITIONED TO WEATHER THIS TEMPEST.

IN THAT LIGHT, WE ARE MAINTAINING OUR CORE PROFIT GUIDANCE OF 37 BILLION PESOS FOR 2008, AHEAD OF LAST YEAR'S 35.2 BILLION PESOS BY 1.8 BILLION PESOS.

WE INTEND TO RAISE OUR COMMITTED REGULAR DIVIDENDS BY 2 BILLION PESOS TO APPROXIMATELY 26 BILLION PESOS, EQUIVALENT TO 70% OF ESTIMATED 2008 CORE EARNINGS. WE WILL CONTINUE TO FORTIFY THE FOUNDATION OF OUR BUSINESS BY STRENGTHENING OUR BALANCE SHEET – MAINTAINING THE ROBUSTNESS OF OUR CASH FLOWS, AND CONTINUING TO KEEP NET DEBT TO LESS THAN 1 BILLION DOLLARS.

CORPORATE SOCIAL RESPONSIBILITY

IN THE CONTEXT OF THIS DIFFICULT TIME, LET ME CLOSE BY DESCRIBING HOW WE'RE CHANGING LIVES WITH OUR SOCIALLY-RELEVANT PROGRAMS.

WE'RE CHANGING LIVES BY PROVIDING INTERNET CONNECTIVITY AND TRAINING PROGRAMS TO SCHOOLS.

WE'RE CHANGING LIVES BUILDING HOMES FOR REFUGEES OF NATURAL DISASTERS, AND HELPING GAWAD KALINGA BUILD HOMES.

WE'RE CHANGING LIVES BY TAKING AN ACTIVE ROLE IN DISASTER PREPAREDNESS AND RESPONSE, WORKING WITH THE MANILA OBSERVATORY AND PROVIDING COMMUNICATIONS SUPPORT TO GOVERNMENT RELIEF AGENCIES AND HUMANITARIAN ORGANIZATIONS LIKE THE RED CROSS.

WE'RE CHANGING LIVES BY BUILDING JUVENILE REHABILITATION CENTERS FOR YOUNG PEOPLE WHO HAVE RUN AFOUL OF THE LAW. IT PAINS US TO SEE YOUTH OFFENDERS INCARCERATED IN THE SAME JAIL AS ADULT CRIMINALS.

WE'RE CHANGING LIVES BY STRONGLY SUPPORTING SPORTS SUCH AS BASKETBALL, BOXING, AND TAEKWONDO.

WE'RE CHANGING LIVES BY DEVOTING GREATER ATTENTION TO OUR ENVIRONMENT. WE'VE

INVESTED IN RAISING THE ENERGY EFFICIENCY OF OUR OPERATIONS, REDUCING CARBON EMISSIONS AND OUR COSTS. IN THE CASE OF OUR CELL SITES, WE NOW HAVE 40 SMART BASE STATIONS OPERATING ON EITHER PURE WIND POWER, OR A HYBRID OF WIND AND SOLAR POWER. WE EXPECT TO HAVE MORE OF THESE CELL SITES BY YEAR-END.

FINALLY, WE'RE CHANGING LIVES BY HELPING THOSE IN OUR FAMILY. WITH THE HELP OF THE ASA FOUNDATION – A MAJOR MICRO-FINANCE ORGANIZATION -- WE'VE LAUNCHED A SMALL BUSINESS LOAN PROGRAM FOR OUR CUSTODIANS, WAITERS, SECURITY GUARDS AND DRIVERS. WE ALSO PROVIDE EDUCATIONAL GRANTS FOR CHILDREN OF OUR EMPLOYEES. JUST LAST FRIDAY, WE AWARDED GRANTS RANGING FROM 20,000 TO 50,000 PESOS TO 250 ELEMENTARY, HIGH SCHOOL AND COLLEGE STUDENTS WHO ARE CHILDREN OF PLDT AND SMART EMPLOYEES.

CONCLUSION

LET ME CLOSE BY SAYING THAT PLDT'S PRINCIPAL CONTRIBUTION TO OUR SOCIETY REMAINS WITH ITS COMMITMENT TO OFFER COMMUNICATION SERVICES. WE EXPRESS THAT COMMITMENT CONCRETELY BY SPENDING ANOTHER 25 BILLION PESOS IN CAPEX THIS YEAR TO EXPAND OUR NETWORKS, PARTICULARLY OUR BROADBAND CAPABILITY. AND WE WILL EXTEND OUR COVERAGE AND SERVICES TO THE HINTERLANDS –

TO BENEFIT SME'S, SCHOOLS, LOCAL GOVERNMENTS, AND THE RURAL COMMUNITIES.

THE FUTURE OF PLDT LIES ON THE SUCCESS OF THESE EFFORTS – TO OUR MANGEMENT AND STAFF WHO WILL EXECUTE THEM, TO OUR BOARD WHO WILL PROVIDE GUIDANCE, AND TO THOSE LIKE YOURSELVES WHO WILL SUPPORT THEM.

THANK YOU SO MUCH FOR JOINING US TODAY. I LOOK FORWARD TO SEEING YOU AGAIN NEXT YEAR, WITH EVEN BETTER RESULTS. GOOD DAY TO ALL OF YOU.

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