Mr. Chairman and the Board of Directors
Fellow Shareholders
Good afternoon!

Thank you for joining us today. It is both an honor and a pleasure for me to present to you the financial and operating results of the PLDT Group for both 2007 and the First Quarter 2008.

2007 was another banner year for PLDT as you will see from our financial performance indicators.

- Service revenues increased by P 10.5 billion to P 135.5 billion, or 8% from previous year
- At P 82.9 billion, EBITDA was up by 4% or P 3.1 billion, with EBITDA margin at 61%
- Core or recurring net income grew by P 3.6 billion or 11% to P 35.2 billion translating to earnings per share of P 184
- Reported net income stood at P 36 billion, up 2%

2007 ended with the peso at P 41.411 vs the US dollar compared to P 49.045 in 2006 or an appreciation of almost 16%. At these exchange rates, our reported net income increased by 21% from US$ 716 million in 2006 to US$ 869 million in
2007. More significantly, our core net income surged 32% in dollar terms, from US$ 644 million to US$ 849 million.

Free cash flow generated in 2007 increased by P 9.3 billion to P 46.5 billion, which we partly used to repay P 10.2 billion of debt.

The group’s debt balance continues to decline with net debt at US$ 0.9 billion at the end of 2007. This continuing decline in debt also translated to reduced interest expense, which decreased by 21% in 2007 compared to previous year. Net debt to EBITDA and net debt to free cash flow ratios improved further to 0.4 times and 0.6 times, respectively.

Delivering on our commitment to return value to shareholders, we paid out in 2007 a regular dividend of P 128 per share representing 70% of core earnings and a special dividend of P 56 per share, bringing total dividends paid per share to P 184 or 100% of 2007 core earnings, or a total of P 34.8 billion. This is 33% higher than the dividends paid out for 2006.

In January 2008, your Board approved a share buyback program of up to 2 million shares as part of our commitment to capital management. As of today, we have bought back a total of 879,950 shares at an average price of P 2,654 for a total of P 2.3 billion.

**Non-recurring Gains/Losses**
Our 2007 financial results also reflected the following non-recurring items:

- A P 3 billion gain resulting from foreign exchange and derivatives
- A decline of P 7.2 billion in additional depreciation charges as we had completed the bulk of our asset write-downs in previous years.
- An increased effective tax rate from 16% in 2006 to 32% in 2007 due to the recognition of deferred tax assets in 2006.
At this point, let me highlight that our outstanding results were not achieved by raising the prices of our services. On the contrary:

- We continue to utilize technology and innovation to manage the cost and quality of our services such that we generate growth in both subscriber base and revenues
- We have never lost sight of managing our costs: from optimizing incremental investments, to pursuing operating efficiencies, as well as exercising prudence in financial management. We are maximizing the synergy between our fixed and wireless networks so that all our resources, including manpower, are optimized.

**Key Growth Drivers**

Towards the end of 2007, the global business outlook showed little signs of recovering from the fallout of the US sub-prime crisis. This negative outlook carried over into 2008, aggravated by skyrocketing fuel prices, food shortages, and the threat of recession. Locally, the peso’s strength impacted not only corporations with dollar-denominated revenues, but more severely, the dollar-earning consumers such as the OFWs. Rising fuel and rice prices are beginning to eat into consumers’ wallets.

Against this backdrop, PLDT sustained its strong performance in the first quarter of 2008. We reported service revenues of P 34.9 billion, up 6% or close to P 2 billion higher compared with the same period last year. Core or recurring net income grew 11% or nearly P 1 billion while reported net income increased 21% to P 10.4 billion. Provision for income taxes grew by P 1 billion to P 5.6 billion representing a 22% increase year-on-year.

Let me now cite some business segment highlights starting with our wireless business.
Our cellular subscriber base exceeded 30 million at the end of 2007, representing a record-setting 5.8 million new subscribers in 2007. This is 56% higher than the 3.9 million new subscribers we added the previous year. As of end May 2008, we had added another 2.6 million new subscribers from the end of 2007 to bring our total subscriber base to 32.6 million.

Wireless service revenues for 2007 grew 10% to P 86.5 billion, now representing 64% of consolidated group revenues. At the end of the first quarter of 2008, wireless service revenues grew 8% to P 22.5 billion compared to the same period last year. Smart and PilTel together continue to be the industry leader with about 55% market share in terms of SIM subscribers and more importantly, 59% of revenue market share.

Although the service revenues of our fixed line business remained relatively flat in 2007 at P 48.6 billion, it showed a modest 4% growth in the first quarter of 2008. In this business segment, we are seeing a shift in our revenue sources from the traditional local exchange, international and national long distance calls to data revenues. At the end of the first quarter of 2008, data was already contributing 35% of the total fixed line service revenues.

The group also embarked on a major transformation program in 2007, the details of which I will share with you shortly.

Our broadband and internet revenues increased by 46% to P 7.6 billion in 2007 following a 49% growth the previous year. This now represents 7% of total consolidated revenues. At the end of the first quarter of 2008, broadband and internet revenues stood at P 2.5 billion, a growth of 51% compared to the same period last year.

The combined DSL and wireless broadband subscriber base at the end of 2007 reached close to 580 thousand, more than doubling the 265 thousand
subscribers in 2006. At the end of April, our subscriber base grew another 20% to 695,000.

Service revenues for ePLDT, our ICT business, grew 59% to P 10.1 billion in 2007 despite 82% of the revenues being dollar-linked and thus, impacted by the appreciating peso. The increase was on account of the consolidation of SPI, our non-voice business process outsourcing business, and a 24% organic growth in revenues from Ventus, the call center business.

At the end of March 2008, ePLDT reported service revenues of P 2.6 billion, 6% higher than the same period last year. Despite the threat of global recession, ePLDT, particularly its call center business, continued to receive inquiries from new potential clients as well as requests for expansion of existing contracts.

ePLDT now accounts for 7% of consolidated service revenues.

**Strategic Context**

As I do each year, let me take you through the strategic context of the initiatives we are undertaking in order to ensure the Group’s continued growth.

We continue to invest in this country and in our future with P 24.8 billion having been spent on capex in 2007 and another P 25 billion in capex earmarked for 2008. Our investment is meant to provide additional capacity in order to ensure low-priced, good quality telecommunications services especially in cellular and broadband; additional international bandwidth capacity to support the country’s BPO industry; network redundancy; upgrade of transmission and outside plant facilities, among others.

In late May, we inaugurated PLDT’s second Cable Landing Station in La Union. Our cable landing station is part of the Asia America Gateway, a US$ 550 million project involving key players in Asia and the US who formed a consortium to
operate an international gateway that provides significant international bandwidth capacity for the growing US-centric requirements of Asia. The cable route has also been carefully designed to bypass areas vulnerable to earthquakes to avoid the major service disruptions experienced in 2005. At completion of this project, PLDT will have near Terabit capacity to serve the growing needs of both residential and corporate customers.

Our pervasive networks have become a catalyst in national development. Connectivity has opened up areas outside the urban areas and enabled progress to filter through. From the one million loading centers that create micro-businesses and provide a source of livelihood, to the use of Smart Money to transmit overseas remittances, to call centers opening up in the so-called “new wave cities”, PLDT is at the nucleus in nation-building.

We continue with the upgrade of our traditional circuit-switch-fixed-line network to the next-generation-network or NGN in order to offer a wider menu of services to our fixed line subscribers at a lower cost.

On the wireless front, we continue to expand our investments in 3G and other groundbreaking technologies. In April this year, we acquired CURE, another 3G license holder. CURE has since launched umobile, a unique mobile advertising-based service. The availability of 3G will allow our subscribers access to richer services that include web surfing, internet connectivity, video-calling and streaming, among others.

We pursue product innovation relentlessly and have launched several new products that attest to this. One is PLDT Landline Plus, a fixed wireless telephone line that serves as an alternative basic voice communication for customers in areas with limited or no available PLDT fixed facilities. The other is SmartBro Plug-It, which allows access to the internet via the use of a USB plugged into a laptop or desktop PC. As we did with mobile, we have introduced
prepaid variants of these services thus opening up access to these services at very affordable prices, including top-up denominations for as low as P 30.

The Transformation Story
This year, PLDT celebrates its 80th year. Far from resting on our achievements, PLDT has embarked on a transformation program to guarantee that it not only survives the fast-paced and ever-changing landscape that we operate within, but actually keeps its position of leadership and strength.

The PLDT group aims to transform itself from an integrated telco to a customer-centric, multi-media company delivering telecommunications, information, technology and entertainment to its markets.

There are five key elements of the transformation program:

- First: is innovation for growth; Growth will come from various areas including: call centers and BPOs, GSM at Sea through our investment in Blue Ocean Wireless, m-commerce and foreign and domestic remittances, partnerships with mobile virtual network operators or MVNOs and remittance companies; mobile TV, and content
- Next is to raise revenues organically by investing in new businesses that optimize our existing businesses;
- Third, requires the building of a wealth of infrastructure that is robust, future-proofed and optimized.
- Fourth: involves the engaging of skilled, committed and competent people
- Finally, the provision of world-class quality of service or QoS from provisioning to repairs to customer interface.

We will continue to leverage the Group’s combined strengths in:

- Product innovation and cross-marketing initiatives
- Complementary deployment of technologies and networks
- Sharing of best practices and governance principles
➢ Raising the level of QoS on a group-wide basis.

**Current Issues**

My report would not be complete without my mentioning a few words about an issue we are facing today, particularly in the cellular business, more specifically the issue of the access charges.

As I have mentioned earlier, the growth of PLDT was enabled by our continuing effort to offer to as many Filipinos as possible low-priced, good-quality telecom services. We have coupled this with the introduction of sachet-pricing to make the service even more accessible and affordable. We have done this in the cellular business and we are starting to do this in the internet business as well. Unlike other industries such as utilities or the oil industry, the telecom industry is one of the few that grew by bringing the cost of service down.

We fully support the objective of our government to mitigate the effects of inflation on our consumers, but we believe that focusing on reducing the telco access charge is not the answer. As we have over the last ten years, we will continue to offer a series of more attractive packages to our consumers with even more affordable services. In so doing, we will also be responding to the call of government through Congress, the DOTC and the NTC to cushion the inflationary impact of rising energy and food prices that the general public is starting to feel.

We will continue to dialogue with government to work out a win-win solution for these issues.

**Conclusion**

We face the rest of the year with rising inflation close at our heels, threatening to reduce our revenues and increase our costs. We continue to be challenged by new and disruptive technologies, increasing competition, and a call for a major corporate transformation. A lesser group would be daunted. On behalf of the over 27,000 employees of the group, we accept the challenge. You have our
commitment to do our utmost best to make 2008 another year we can be proud of.

At this point, let me turn the floor over to our Chairman, Mr. Manny Pangilinan, who will discuss the strategic directions being pursued by your Company and the outlook for the rest of the year.

.  

===