

MINUTES
ANNUAL MEETING OF STOCKHOLDERS
PHILIPPINE LONG DISTANCE TELEPHONE COMPANY
JUNE 14, 2011

In accordance with Section 1, Article II of the By-Laws of the Philippine Long Distance Telephone Company, as amended, the Annual Meeting of Stockholders of the Company was held at the Grand Ballroom, Dusit Thani Manila, Ayala Center, Makati City, Metro Manila, Philippines on June 14, 2011 at 4:00 o'clock p.m.

The meeting started with an invocation led by Rev. Fr. Eduardo Africa. Thereafter the Chairman of the Board, Mr. Manuel V. Pangilinan welcomed the shareholders to their Annual Meeting.

1. CALL TO ORDER

The Chairman called the meeting to order and requested the Corporate Secretary to report on the service of notice of, and quorum at, the meeting.

2. CERTIFICATION OF SERVICE OF NOTICE AND QUORUM

The Corporate Secretary reported that copies of the printed Notice and Agenda of the meeting were delivered by messengerial firms or mailed to the holders of record as of April 15, 2011 of the Company's Common Stock and Serial Preferred Stock, residing in the Philippines and abroad. In addition, holders of Common Stock were furnished with copies of the 2010 Annual Report, Information Statement and Proxy Form, and holders of Preferred Stock were furnished with copies of the 2010 Annual Report.

Based on the record of attendance and report of proxies received and counted by the Office of the Corporate Secretary with the assistance of the Company's transfer agent for Common Stock, The Hongkong and Shanghai Banking Corporation, stockholders who own or hold a total of 151,233,273 shares¹ or 80.98% per cent of the outstanding shares of Common Stock² were present in person or represented by proxies in the meeting. The Corporate Secretary then certified the existence of a quorum.

¹ The following members of the Board of Directors and Advisory Board/Committee and other Board Committees of PLDT were present in the meeting: Directors – Manuel V. Pangilinan (Chairman of the Board of Directors and the Governance and Nomination, Executive Compensation and Technology Strategy Committees), Napoleon L. Nazareno (member of the Technology Strategy Committee), Tony Tan Caktiong, Ray C. Espinosa (member of the Technology Strategy Committee), Tatsu Kono (member of the Governance and Nomination, Executive Compensation and Technology Strategy Committees and advisor to the Audit Committee), Takashi Ooi, Oscar S. Reyes (member of the Technology Strategy Committee), Pedro E. Roxas (member of the Audit, Governance and Nomination and Executive Compensation Committees), Juan B. Santos, Alfred V. Ty (member of the Audit, Governance and Nomination and Executive Compensation Committees) and Ma. Lourdes C. Rausa-Chan; Members of the Advisory Board/Committee – Artemio V. Panganiban, Roberto R. Romulo, Beriny S. Santoso, Orlando B. Vea (member of the Technology Strategy Committee) and Christopher H. Young.

² The total number of outstanding common shares as of the Record Date, April 15, 2011, was 186,756,547

Based on the certification by the Corporate Secretary on the existence of a quorum, the Chairman declared the meeting duly convened and open for business.

The Chairman requested the Corporate Secretary to announce the rules to facilitate the orderly conduct of the meeting.

The Corporate Secretary informed the body that the rules to ensure the proper and orderly conduct of the meeting are as follows:

1. Any stockholder who desires to ask a question:
 - (a) must first identify himself and request to be recognized by the Chair.
 - (b) once recognized, the stockholder will be allowed to ask only one question and the Chair has the discretion to entertain or not to entertain a follow-up or second question.
 - (c) the question must pertain to the item of the Agenda presented for approval.
 - (d) a maximum of three minutes will be allotted for any question or comment from the stockholder.
2. All stockholders are requested to observe proper decorum. In case a stockholder fails to observe the rules, the Chair has the discretion to declare him out of order and exclude him from the meeting.
3. Only holders of shares of Common Stock as of the record date, April 15, 2011, are entitled to vote in the meeting.
4. To facilitate the counting of votes, the holders of shares of Common Stock who are present in person have been requested to complete the form of voting instructions for items 4, 5, and 6 of the agenda. Their votes will be added to the proxy votes that have already been tabulated in accordance with the voting instructions of the holders of shares of Common Stock whose proxies were received on or before the cut-off date, June 7, 2011.

The Chairman proceeded to Item 3 of the Agenda and requested Mr. Napoleon L. Nazareno to render the President's report.

3. PRESIDENT'S REPORT

After greeting the stockholders and the other attendees, the President, Mr. Napoleon L. Nazareno, proceeded to render his report.

The President's report is set out below. In the course of his report, there was a powerpoint presentation of the financial and operating results.

"Allow me to share with you the highlights of the financial and operating results of the PLDT Group for the year 2010. Our results for 2010 reflect the challenging and changing environment within which we operated during the year.

Consolidated service revenues for 2010 declined by 2 percent to P142 billion.

EBITDA for the year decreased to P83.7 billion from P86.2 billion last year. However, due to stringent cost controls, EBITDA margin remained steady at 59 percent.

Despite this, I am pleased to report that our Management Team delivered reported net income of P40.2 billion or 400 million pesos higher than in 2009.

More importantly, core income, or income excluding non-recurring items, grew by P900 million to P42 billion in 2010. This represents a core earnings per share of P222, an increase over P218 in the previous year.

Several trends impacted the telco industry in 2010.

Competition was intense, resulting in lower yields despite higher volumes of SMS and voice traffic.

Broadband take-up remained strong on the back of the soaring popularity of social networking and the internet. Though broadband brings more revenue, greater internet use is impacting on traditional revenue sources such as International Long Distance (ILD), National Long Distance (NLD) and Short Message Service (SMS). As such, we need to carefully manage this changing revenue mix to mitigate the impact on our business.

Broadband is the new arena where telcos are engaged in combat. Success requires a superior network because subscribers expect speed, reliability, capacity and better customer service.

Let me now discuss a few highlights of our various businesses.

Our broadband business continues to gain ground. Our combined subscriber base crossed the 2 million mark at the end of 2010, and is now over 2.1 million at the end of April. At the end of 2010, we had over 1.4 million

wireless broadband subscribers. Broadband service revenues in 2010 grew by 16 percent year-on-year to P16.9 billion, which accounted for 12 percent of total service revenues.

The potential of broadband is substantial. Aside from delivering broadband through fixed wired and wireless platforms, we are now pushing aggressively mobile internet usage through dongles and Smartphones. Working with handset suppliers, we are making available progressively more affordable Smartphones and touch-screen tablets. This will provide more people convenient and low-cost access to the internet.

Moving on to our wireless business, the combined subscriber base of Smart Communications, Inc., or Smart, expanded by 4.3 million or 10 percent from the end of 2009 to 45.6 million at the end of 2010. Although SIM penetration is now over 90 percent, our subscriber base continued to grow hitting the 47 million mark at the end of April 2011. Despite intense competition, Smart continued to lead with 53 and 57 percent subscriber and revenue market share.

Wireless service revenues for 2010 decreased by 2 percent to P93.8 billion. Growth in cellular voice and wireless broadband were offset by a decline in SMS revenues. Excluding the impact of the peso appreciation and the satellite business which we sold in the first quarter of 2010, wireless service revenues would have been stable year-on-year.

In addition to the impact of the bucket and unlimited plans on our revenues, we are also starting to feel the impact of broadband. Aside from texting, our customers are also sending messages via social networking sites such as Facebook and Twitter.

In view of the decline in revenues, we sharpened our focus on cost management. As a result, EBITDA margin for our wireless business for the first quarter of 2011 improved to 64 percent from 63 percent for the full year 2010. In the first quarter of this year alone, we reduced cash operating expenses by P1 billion compared with the same period last year.

Fixed line revenues in 2010 were lower by 5 percent year-on-year at P48.6 billion. Although DSL and corporate data revenues were stable, the other fixed line revenue streams registered declines.

DSL and corporate data continue to be bright spots in the fixed line business, the revenues for which we expect will improve in the second half of 2011. We continue to strengthen our lead in the corporate and the SME markets by offering a variety of relevant solutions that help their businesses grow. We

remain the preferred telco provider of the rapidly growing Philippine outsourcing industry.

ICT revenues in 2010 declined by 2 percent to P10.7 billion compared with P10.9 billion in 2009. This was partly due to the peso appreciation that muted the growth we achieved in dollar terms in our BPO businesses. However, in the first quarter of 2011, the impact of our efforts to rationalize and re-energize our ICT businesses has become evident.

We have reorganized the business, expanded the pipeline of clients and put in place a stronger sales and marketing team. Moving forward, we expect our ICT business to more closely mirror the growth enjoyed by the Philippine outsourcing industry.

Let me now provide you some highlights on Manila Electric Company, or Meralco, in which we made an investment in 2009.

Meralco's reported and core earnings in 2010 of P9.7 billion and P12.2 billion represent a 61 percent and 74 percent increase year-on-year, respectively.

The earnings growth resulted from the combined effects of a 10 percent increase in energy sales, an increase in customer count, higher average purchase power and transmission and pass-through costs, and distribution rate adjustments.

Meralco successfully pursued operating efficiencies leading to all-time lows in terms of systems-losses, interruption frequency rates, and cumulative interruption times. To source cheaper power and to build new businesses, Meralco will soon invest in power generation.

We are now pursuing joint initiatives, involving Meralco's and PLDT's fiber optic networks, in order to serve some of PLDT's corporate clients.

For 2010, capital expenditures ("capex") amounted to P28.8 billion as we continued to invest heavily. This included investments for increased capacity and coverage in support of higher broadband and voice usage. We also invested in modernizing our core and access networks to improve operating and cost efficiencies.

Capex levels for 2011 and 2012 are forecasted to be higher relative to previous years at about P34 billion and P33 billion, respectively. This translates to about 24 percent of service revenues, up from our usual 18 to 20 percent level.

PLDT's increased capex includes programmed spending in pursuit of our goal to achieve undisputed market leadership through a superior network and quality of service. We will also embark on the upgrade of our wireless network to achieve network and operating cost efficiencies.

In line with our commitment to pay 70 percent of our core earnings as dividends, PLDT paid a regular dividend of P156 per share in 2010.

Our strong free cash flow position allowed the payment of a special dividend of P66 per share equivalent to 30 percent of our 2010 core earnings. This brought the total dividends for 2010 to P222 per share, or a 100 percent dividend payout, making it the fourth straight year where we paid 100 percent of our core earnings as dividends.

For 2011, we affirm our commitment to our dividend policy of a 70 percent regular dividend payout and will again consider the declaration of special dividend when we announce our full year results in March next year.

In setting PLDT's new direction for the next few years, your Board of Directors and Management have taken into account the significant, rapid and often unpredictable shifts in technologies, consumer tastes and market conditions that are changing the nature of the telecoms industry.

In our view, the way forward is to pursue a two-pronged strategy. First, we are pushing convergence aggressively within the PLDT Group. Second, we are undertaking a game-changing investment in Digital Telecommunications Phils., Inc., or Digitel. Let me discuss the first as our Chairman will tackle the second later in this meeting.

Over the past five years, many aspects of the organization and operations of the Group have already been placed on a convergent platform. But in the face of the industry's new challenges, we need to raise convergence to its fullest potential.

The new phase of convergence shall be driven by a single-minded focus on serving our customers, by offering compelling, high-quality products and services at attractive price points. This customer-centric strategy will guide us through the many strategic choices that have to be made in the coming years.

As the first step in this direction, we have organized a new business unit within the Group dedicated to serving the Home Market. Alongside this are three other verticals: The Enterprise, International and Individual Consumer Markets. The members of these four business units have been drawn from both

the fixed and the mobile businesses and are concentrated on serving customers and developing new products for each of these markets.

To support our broad convergence initiative, we are undertaking a massive modernization program of our mobile and fixed networks. For the next two years, we have committed a total of P67 billion to expand and upgrade the core, access and the backroom support elements of our networks.

These new fixed and mobile networks will enable a more diversified and flexible portfolio of services including new internally-developed mobile internet devices such as Smart's Netphone and PLDT's Telpad, which open up opportunities for the development of new and rich content and service applications.

The new networks will also serve as platforms for what we call new "Synergy Services" (such as prepaid electricity services and Smart meters) being developed for Meralco, as well as for Maynilad Water Services, Inc., or Maynilad, the Metro Pacific Tollways Corporation and various hospitals of the Metro Pacific Investments Corporation. Convergence is thus acquiring a business footprint far beyond the PLDT Group.

To support all these initiatives, we shall further transform our organization to make it more flexible, responsive and customer-focused. Our people and organization will acquire new skills and competencies needed to offer the more complex products and services valued by our customers. Organizational structures will have to be made more adaptable to the changing requirements of the business.

Beyond business, PLDT, Smart and the PLDT Smart Foundation added public health to its roster of social concerns that include education, livelihood, community-building, sports and youth development. We are developing new ICT services like an electronic referral system that will help improve the public health care system.

The Group continues to assist in promoting disaster preparedness through the Philippine Disaster Recovery Foundation, or PDRF. Working with government, private companies and NGOs, the PDRF has pursued projects to improve the country's early warning system for typhoons, develop a master plan for flood control and reforest the Marikina watershed.

The focus of our efforts in the next few years is to build yet again a new future for PLDT within a rapidly changing and challenging environment. Let me assure our shareholders that we shall spare no effort to maintain and strengthen

PLDT's undisputed leadership in terms of financial performance, innovation, service quality, customer focus and corporate citizenship.

Good afternoon and thank you for joining us today!"

The Chairman thanked the President and asked the body if there are any questions on the President's Report. He reminded the body that any questions at this time must pertain only to the President's Report.

A stockholder who introduced himself as Mr. Guillermo Gili, Jr. congratulated the Company for having a cash balance of approximately P36.7 billion as of year-end 2010. He said that he was impressed by the LED Screen presentation. He congratulated the Chairman for the successful acquisition of a stake in Meralco, without being subject to the tender offer rule. He added that in the case of the acquisition of 51.55 percent of Digitel and convertible bonds issued by Digitel and its subsidiary, according to new reports, PLDT is seeking approval of the valuation of the convertible bonds, and exemptive relief from putting in escrow the PLDT shares that will be issued as payment for the consideration of said Digitel shares and bonds, which will entail a filing fee of approximately P100 million. He also said that under Republic Act No. 9180, the acquisition of Digitel does not require prior approval by Congress.

A gentleman who introduced himself as Mr. Jun Cabiling also praised what he described as a very high tech video presentation. He said that he has been looking for the panel that used to attend to stockholders' concerns but could not find them, so in this regard, the Company is low-tech. He then informed the Chairman that his problem pertains to his landline mobile for which he is paying P300 per month. He complained that text messages sent from another telco line or network are received by his landline mobile only after a day or two days, or sometimes after a week. Mr. Cabiling also commented that since the PLDT Group has investments in Meralco, he would like to bring to the attention of the Chairman the inadequate street lights along South Superhighway. He said that the last time he attended the meeting of First Philippine Holdings, he mentioned in the said meeting that the road along South Superhighway near Bangkal, Makati, where a gas leak occurred and near corner Pasay Road, Makati, where the wife of former Senator Rene Saguisag perished in a vehicular accident, are very dark and dangerous to passing vehicles. He asked if the Chairman or PLDT could help solve the problem of inadequate street lights in the aforesaid areas.

The President replied that the landline mobile referred to by the stockholder could be a PLDT Landline Plus which makes use of the cellular network of Smart. He said that Smart and Globe networks are fully interconnected and, in terms of text messages, the success rate of messages sent or received through Smart's systems averages over 95%. The President also said that the problem may have something to do with network coverage in the area of either the sender or the receiver or a network congestion in the site where the sender or receiver of the SMS is located.

On the issue of street lights, the Chairman clarified that installation of street lights is the responsibility of the local government and Meralco's obligation is to provide the relevant power connection. He commented that most streets in Manila are quite dark compared with Hongkong and other cities in Asia, partly because the Philippines is not a rich country. However, there has been some discussions within Meralco on how it can help the local government provide more street lights, for instance, by using solar power not only in the streets of Metro Manila but also along the tollways, pointing out that portions of the North Luzon Expressway (NLEX) beyond certain towns in Bulacan to Pampanga and Subic Clark Tarlac Expressway (SCTEX) going to Subic are not lighted at night. He said that the difficulty lies not only in the capital expenditures to install the street lights but also the operating expenses to maintain the same. He stated that an economic solution that would help both the local government and Meralco should be explored.

The Chairman also said that the panel that used to handle stockholders' concerns will be around in next year's stockholders meeting.

There being no further questions, the Chairman proceeded to the next item on the Agenda.

4. **APPROVAL OF THE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010 CONTAINED IN THE COMPANY'S 2010 ANNUAL REPORT**

The Chairman announced that the next item on the Agenda is the approval of the audited financial statements of the Company for the fiscal year ended December 31, 2010 contained in the Company's 2010 Annual Report.

The Chairman inquired if there are any questions on the financial statements. There was none.

Ms. Elita Joy Quicho (a duly appointed proxy) moved for the approval of the audited financial statements of the Company for the fiscal year ended December 31, 2011, and for the votes to be cast in accordance with the instructions of the stockholders present or represented by proxies, which motion was duly seconded.

There being no objection to the motion, the Chairman instructed the Corporate Secretary to cast the votes.

The Corporate Secretary informed the body that the approval of financial statements requires the votes of at least a majority of the outstanding shares of Common Stock entitled to vote. After casting the votes, she reported that more than a majority of the outstanding shares of Common Stock have been voted in favor of the

approval of the audited financial statements³. Thereafter, the Chairman declared that the Company's audited financial statements for the year ended December 31, 2010 are approved.

5. ELECTION OF 13 DIRECTORS INCLUDING INDEPENDENT DIRECTORS FOR THE ENSUING YEAR

The Chairman announced that the next item on the Agenda is the election of 13 directors including independent directors of the Company for the ensuing year.

As requested by the Chairman, the Corporate Secretary announced the names of the persons nominated for election as directors/independent directors of the Company as follows:

Directors

- | | |
|----------------------------------|--------------------------|
| 1. Mr. Manuel V. Pangilinan | 6. Mr. Tatsu Kono |
| 2. Mr. Napoleon L. Nazareno | 7. Mr. Takashi Ooi |
| 3. Atty. Ray C. Espinosa | 8. Mr. Tony Tan Caktiong |
| 4. Mr. Oscar S. Reyes | 9. Mr. Juan B. Santos |
| 5. Ms. Ma. Lourdes C. Rausa-Chan | 10. Ms. Helen Y. Dee |

Independent Directors

- | | |
|-----------------------------------|----------------------|
| 11. Rev. Fr. Bienvenido F. Nebres | 13. Mr. Alfred V. Ty |
| 12. Mr. Pedro E. Roxas | |

The Chairman informed the body that the Governance and Nomination Committee of the Board (the "Committee"), which is currently chaired by himself, with Rev. Fr. Bienvenido F. Nebres, Mr. Pedro E. Roxas, Mr. Alfred V. Ty and Mr. Tatsu Kono as voting members, has reviewed and evaluated the background information of the persons nominated for election as directors/independent directors. The Committee has determined that the nominees possess all of the qualifications, and have none of the disqualifications, for directorship, specified in the Company's Amended By-Laws and Manual on Corporate Governance and in the Governance and Nomination Committee Charter. In addition, the Committee has determined that the persons nominated for election as independent directors meet the independence criteria specified in SRC Rule 38, the Company's Amended By-Laws and Manual on Corporate Governance as well as the other independence standards set by the Committee. None of them is involved in the Company's management or has any business or other relationships which could, or could be reasonably perceived to, materially interfere with

³ Total FOR Votes: 151,107,612 (150,836,298 proxy votes + 266,210 votes of stockholders present in person but with proxies previously filed which were counted as FOR votes since none objected to the motion + 5,104 FOR votes of stockholders present in person with no proxy previously filed but with voting instructions filed at the annual meeting). Total Against Votes: 3,841 proxy votes. Total Abstain Votes: 23,494 proxy votes.

their exercise of independent judgment in carrying out their responsibilities as independent directors. The Chairman further stated that three individuals have been nominated for election as independent directors surpassing the legal requirement that there shall be at least 2 independent directors or such independent directors shall constitute 20% of the members of the Board, whichever is lesser.

A motion was duly made by Mr. Victorio Macasaet (a duly appointed proxy) that, since there are only 13 board seats and the 13 nominees are qualified to be elected as directors, the votes be cast in accordance with the voting instructions of the holders of shares of Common Stock present in person or represented by proxies in the meeting, and all of the nominees be declared elected as directors, with Rev. Fr. Bienvenido F. Nebres, Mr. Pedro E. Roxas and Mr. Alfred V. Ty, as independent directors. The said motion was duly seconded.

There being no objection to the motion, the Chairman instructed the Corporate Secretary to cast the votes. After casting the votes, the Corporate Secretary reported that each nominee received the votes of more than a majority of the outstanding shares of Common Stock⁴. Thereafter, the Chairman declared the above-named nominees as the duly elected directors of the Company, with Rev. Fr. Bienvenido F. Nebres, Mr. Pedro E. Roxas and Mr. Alfred V. Ty as independent directors.

The Chairman introduced to the stockholders the newly re-elected directors, except Rev. Fr. Nebres and Ms. Dee who were absent.

The Chairman also informed the stockholders that at the Organizational Meeting following the Annual Meeting of Stockholders, the newly elected Board will vote for the

⁴ Stockholders have cumulative voting right for the purpose of election of directors.

NAME OF DIRECTOR/INDEPENDENT DIRECTOR	VOTES CAST			TOTAL NUMBER OF VOTES
	Common Stockholder 1	Common Stockholder 2	Common Stockholder 3	
Rev. Fr. Bienvenido F. Nebres, S. J. Independent Director	5,104	14,251	149,723,377	149,742,732
Mr. Pedro E. Roxas Independent Director	5,104	14,251	149,965,818	149,985,173
Mr. Alfred V. Ty Independent Director	5,104	14,251	149,965,816	149,985,171
Ms. Helen Y. Dee	5,104	14,251	149,881,200	149,900,555
Atty. Ray C. Espinosa	5,104	183,810	149,794,495	149,983,409
Mr. Tatsu Kono	5,104	14,251	149,854,173	149,873,528
Mr. Napoleon L. Nazareno	5,104	97,802	149,925,306	150,028,212
Mr. Manuel V. Pangilinan	5,104	3,036,101	149,702,674	152,743,879
Mr. Takashi Ooi	5,104	14,251	149,933,978	149,953,333
Mr. Oscar S. Reyes	5,104	14,251	149,094,946	149,114,301
Ms. Ma Lourdes C. Rausa-Chan	5,104	14,758	150,030,091	150,049,953
Mr. Juan B. Santos	5,104	14,251	150,030,013	150,049,368
Mr. Tony Tan Caktiong	5,104	14,251	150,242,013	150,261,368

Legend:

- Common Stockholder 1 - Stockholders present in person with no proxy previously filed but with voting instructions filed at the annual meeting.
- Common Stockholder 2 - Stockholders present in person with proxies previously filed
- Common Stockholder 3 - Stockholders represented only by proxies

appointment/election of the members of the Advisory Board/Committee, namely, Former Chief Justice Artemio V. Panganiban, Mr. Roberto R. Romulo, Mr. Benny S. Santoso, Mr. Orlando B. Veal, Mr. Washington SyCip and Mr. Christopher H. Young.

6. **APPROVAL OF THE ISSUANCE OF UP TO 29,654,378 SHARES OF COMMON STOCK OF PLDT AT THE ISSUE PRICE OF PHP2,500 PER SHARE AS PAYMENT FOR THE PURCHASE PRICE OF PROPERTIES TO BE ACQUIRED BY THE COMPANY**

The Chairman announced that Item 6 of the Agenda relates to the investment in Digital Telecommunications Phils., Inc. (the "Digitel Transaction") and the issuance of new PLDT common shares to effect such transaction.

The Chairman discussed the background of, and rationale for, the Digitel Transaction, as set forth below:

"Background

The forces of change within the telco industry here and abroad have been gathering momentum for many years now. These have already started to disrupt our legacy business models, and reshape our business. More people are communicating now more than ever, and not just by phone. Point-to-point conversations are morphing into multiple points, and evolving from voice and texting to data and the internet, in what is called collaborative or social communications. Moreover, control over the communications environment is shifting away from traditional telcos like PLDT to the global internet providers.

Indeed, our 2010 results reflect this market transformation.

Continued strong data revenues, combined with a surge in cellular voice, raised service revenues in 2010. However, this increase was reduced by lower revenues in our texting and in our fixed national and international long distance voice business. Across the legacy voice and text, usage rose for the year but at the penalty of lower prices, resulting in reduced yield per usage.

This pressure on revenues has come largely from the continuing shift to bucket and unlimited pricing plans for voice, texting and for broadband internet services as well. It has also come from the rising popularity of online services like social networking such as Facebook and Twitter and voice over IP services, making them now mainstream means of communications.

In this emerging industry landscape, competition has become multi-dimensional. Aside from our local competitors, "over the top" service providers

offshore are challenging us by offering social media, VOIP and other online services directly to our customers here in the Philippines.

To return PLDT, and indeed the entire industry, to the path of growth, we cannot be doing more of the same. Nor is doing nothing an option. We need to change the game. To paraphrase President Obama in his recent state of the nation address, "We have now reached our sputnik moment".

This sputnik moment means a new investment cycle for telcos worldwide has arrived - one where revenues are declining, capex requirements are rising, and economies of scale, meaning size and scope, are needed to realize efficiencies and increase profitability.

In fact, market consolidation is now happening across the globe, in Poland, Russia, Pakistan, Bangladesh, Norway, the United States and Canada, driven by lack of growth in previous years which is forcing telcos to seek scale-related acquisitions.

Further, the anticipation of growth-inducing investments in broadband reinforces the advantages of size and scale.

We have indeed changed the game with the announcement last March 29th of our plans to invest in Digitel.

Benefits and Merits

Our investment in Digitel will result in the following compelling benefits:

- Sun Cellular subscribers will enjoy and experience expanded 3G and broadband coverage, as well as enhanced network capacity resulting from optimized use of both our networks.
- The combined networks will result in accelerated rollout of new technologies such as 4G or Long-Term Evolution (LTE). Sun subscribers will share in the benefits of 4G/LTE earlier than planned.
- Given the preference of certain segments of the market for "unlimited" services, PLDT can bring the benefits of Sun Cellular's market and operational leadership in "unlimited" services to Smart's own subscriber base.
- Digitel's fixed line subscribers will benefit from PLDT's nationwide digital fiber optic network and international cable and satellite facilities. In particular, Digitel's fixed line subscribers in Northern and Central Luzon will experience faster rollout of broadband services.

- Smart, alongside Sun Cellular, will be in a position to advance and accelerate our "Internet For All" advocacy, and make mobile broadband widely available and more affordable to Filipinos nationwide. We are committed to providing mobile broadband services to 95 percent of the country's geographic areas within a period of 3 years.

Publicly and officially, we have emphasized that the combination of PLDT and Digitel will enhance consumer welfare. The transaction will benefit the market through improved affordability and higher levels of service quality and coverage. We have also stressed that PLDT will keep Digitel a separate entity, and continue "unlimited" offerings so as not to deprive Filipinos of the affordable services that they desire.

In assessing the merits of the Digitel Transaction, we encourage government and the regulator to adhere to the principle of protecting the consumers, rather than market rivals. Industry competition from present and future players will not vanish or diminish for so long as these two competition principles are sustained by the regulators: one, there should be no barrier to entry of new players and two, customers remain contestable.

In many parts of the world, regulators have actually taken a more tolerant view of market consolidation, reflecting their appreciation of the need for economies of scale in this new investment cycle, and the multiple threats of cross-border competition coming from global internet companies. Examples of consolidated markets such as Japan do enjoy better broadband quality and speed compared with competitive markets such as the United Kingdom. Indeed, if broadband were to be propagated to the less profitable rural areas of the Philippines, a consolidated telco model is more economically efficient than a fully competing one.

Basic Terms of the Investment

PLDT will acquire the ownership interest of JG Summit Holdings, Inc. (JGS) and that of certain other parties, in Digitel, comprising of 3 assets: (1) 3,277,135,882 common shares of Digitel, representing a 51.55 percent equity stake; (2) zero-coupon convertible bonds due 2013 and 2014 issued by Digitel and its subsidiary and held by JGS and its subsidiary which are convertible/exchangeable into approximately 18.6 billion Digitel common shares assuming a conversion or exchange date of 30th of June 2011 and an exchange rate of P43.405 per U.S. dollar; and (3) certain intercompany advances of P34.1 billion made by JGS to Digitel and its subsidiary. Digitel is the 100 percent owner of Digitel Mobile Philippines, which owns the Sun Cellular brand.

The agreed consideration for these 3 assets is P69.2 billion which will be satisfied by the issuance of one (1) new PLDT common share for every P2,500 consideration. PLDT has engaged an independent financial advisor which has reviewed the investment. In a letter dated 19th April 2011, the advisor concluded that based upon their analysis and subject to the considerations described in their letter, the acquisition of Digitel is fair and reasonable and in the interest of the shareholders of PLDT as a whole.

As a related obligation, PLDT will make a tender offer for the remaining Digitel shares held by public shareholders, who hold, in aggregate, approximately 48.45 percent of Digitel. PLDT anticipates that its offer will be priced at P1.6033 per Digitel share, payable either with PLDT shares priced at P2,500 per share or cash of equivalent amount, at the option of the Digitel shareholder.

Should all Digitel minority shareholders accept our offer, we will issue a total of 29.65 million new PLDT common shares for the JGS assets and the shares held by the minority shareholders. These new shares represent a maximum of 13.7 percent of the enlarged issued share capital of PLDT.

Assuming full acceptance by the minorities of Digitel, the aggregate transaction consideration would be priced at P74.1 billion.

Approvals Required

Apart from the shareholder's approval for the issuance of these new PLDT common shares, which we seek today, the following approvals are required: first, approval by the National Telecommunications Commission; second, approval by the Securities and Exchange Commission (SEC) of the valuation of the assets; third, approval by the Philippine Stock Exchange (PSE) of the block sale of the Digitel shares; fourth, confirmation by the SEC that the issuance of the new PLDT common shares to JGS and to the minority stockholders of Digitel is exempt from the registration requirement of the Securities Regulation Code."

A lady who identified herself as Ms. Christiana Golez remarked that the Chairman has clearly explained the expected benefits of the Digitel Transaction and the same should be more than sufficient to convince the regulators to approve the said transaction. She inquired what a PLDT stockholder stands to gain from the Digitel Transaction and if the deal would affect any dividends payable to a PLDT stockholder?

The Chairman replied that the question can be answered from two perspectives. One is based on Digitel's 2010 published consolidated results which showed a positive net income of more than P500 million and a positive EBITDA of about P5.6 billion. The

other is from a PLDT perspective. PLDT is effectively financing the acquisition of Digitel with equity and a modest cash consideration depending on the response of the minority shareholders of Digitel to the tender offer, since they can either take PLDT common shares at a price of P2,500 or the equivalent amount in cash. Since the bulk of the transaction consideration will be funded by equity, the impact on the cash flow of PLDT will be relatively modest, hence, the Company would likely be able to maintain its dividend policy of 70% payout of core earnings as regular dividend, with a look back approach at the end of the year with respect to the possibility of further declaring 30% of core earnings as special dividend.

A lady who identified herself as Ms. Armina Kapunan inquired if there is a need for congressional approval for acquiring majority of the outstanding shares in Digitel, aside from the NTC approval.

Director Ray C. Espinosa replied that the view of the Company, as confirmed by the statements made by the Chairman of the Senate Public Services Committee as well as the Senate President, is that the Digitel Transaction does not require prior approval of Congress based on the equality of treatment clause of the Public Telecommunications Policy Act of 1995 or Republic Act 7925 (R.A. 7925), which specifically equalizes the franchises that have been given by Congress for telecommunications business. Subsequent to the franchises of PLDT and Digitel, Congress has issued franchises which actually exempt from congressional approval, the acquisition by a duly enfranchised telecoms company of another telecoms company. Director Espinosa also explained that the Senate inquiry on the Digitel Transaction was not an investigation but was merely intended to thresh out the issues that were raised publicly. The inquiry was conducted on the basis of the general oversight powers of the Senate and the House of Representatives based on the constitutional framework and was not for the purpose of providing the approval.

A gentleman who identified himself as Mr. Christopher Buenaventura commented that he has read several newspaper reports that Globe is asking for redistribution of frequencies assigned to the PLDT Group. He inquired if there is any risk that the frequencies allocated to the PLDT Group will be recalled.

Director Espinosa replied that the stated national policy is for the government to allocate radio frequency spectrum to service providers who will use it efficiently and effectively to meet public demand for telecommunication services. The PLDT Group bid for and secured all its frequencies on that basis. He explained that the gripe of Globe has nothing to do with the way by which PLDT has secured and uses its frequencies but rather on their perception that there is an imbalance in the allocation of the frequencies. Regarding Globe's request for government to divest PLDT of around 22 megahertz of frequencies and to outrightly award said frequencies to them, it must be emphasized that the revocation or recall of frequencies is a quasi judicial process which requires due notice and hearing to determine whether the frequencies allocated to an affected party is not being used effectively and efficiently. He pointed out that the PLDT Group has been the most efficient user of the scarce radio frequencies, citing

Smart which has 112.5 megahertz of frequencies with 406,000 subscribers per megahertz compared with Globe which has 90 megahertz of frequencies with 294,000 subscribers per megahertz. Digital which has 42.5 megahertz of frequencies with 329,000 subscribers per megahertz is actually even more efficient than Globe. Even the combined frequencies of Smart and Digital of 155 megahertz would result to a ratio of 385,000 subscribers per megahertz against Globe's 294,000 subscribers per megahertz, which shows how inefficient Globe has been in using its frequencies and how efficiently and effectively the PLDT Group together with Digital will be using its frequencies. He concluded that it will be very difficult for Globe to justify or find legal basis for its demand to the National Telecommunications Commission and even the President of the Philippines to divest PLDT of 22 megahertz of frequencies and to award said frequencies to them.

The Chairman asked if there are any more questions. At this point, Mr. German Lichauco (a duly appointed proxy) stated that the Digital Transaction has been discussed comprehensively and all questions raised have apparently been sufficiently addressed. He then moved that the proposed corporate action under item 6 of the Agenda be approved and that the votes be cast in accordance with the voting instructions of the stockholders present or represented by proxies. The said motion was duly seconded.

Mr. Gili inquired how the subscribers of Digital can be assured that Digital will continue to be a subsidiary of PLDT instead of being absorbed by Smart.

The Chairman replied that once the transaction is completed, the Digital shareholders will become shareholders of PLDT to the extent that they swap their Digital shares for PLDT shares. As announced by PLDT, it will keep Digital as a separate entity, albeit a subsidiary of PLDT. The "unlimited" services and strong brand equity of Sun Cellular will also be maintained. However, no one could tell how the telco landscape would change ten or twenty years from now.

The same stockholder (who claimed that he is also a stockholder of Digital) commented that the transaction is a plus factor to all stockholders of Digital because Digital will no longer have to install antennas in provinces, like Sorsogon. He said that Smart antennas have very good structures unlike antennas of other telcos, particularly those located in Sorsogon, which have exploded. He also said that with PLDT's acquisition of Digital, Digital and Sun Cellular services will become available nationwide.

The Chairman asked if there is any objection to the motion that was earlier made and seconded. There being none, he then instructed the Corporate Secretary to cast the votes.

The Corporate Secretary informed the body that the approval of the issuance of PLDT common shares as payment for the purchase price of the Digital shares, the convertible bonds and advances to be acquired by PLDT requires the votes of at least two-thirds (2/3) of the outstanding shares of common stock entitled to vote. She

explained that based on Section 39 of the Corporation Code, with such two-thirds (2/3) votes, existing stockholders will not have the pre-emptive right to subscribe for the shares that will be issued in connection with the Digitel Transaction. After casting the votes, the Corporate Secretary reported that a total of 151,134,947 votes or more than 2/3 of the outstanding shares of common stock entitled to vote have been cast as follows: 149,770,304 shares or more than 2/3 of the outstanding shares of common stock entitled to vote as For Votes, 462,664 as Against Votes and 901,979 as Abstain Votes⁵.

Thereafter, the Chairman declared that the issuance of up to 29,654,378 shares of common stock of PLDT, at the issue price of P2,500 per share, as payment for the purchase price of properties to be acquired by the Company as discussed in the meeting, is approved.

7. ADJOURNMENT

There being no further business presented, upon motion duly made, seconded and carried, the Chairman declared the meeting adjourned and conveyed his gratitude to the stockholders for attending the meeting and for their support.

CERTIFIED CORRECT BY:



MA. LOURDES C. RAUSA-CHAN
Corporate Secretary

ATTESTED BY:



MANUEL V. PANGILINAN
Chairman of the Board

⁵ Total For Votes: 149,770,304 (149,499,030 proxy votes + 266,210 votes of stockholders present in person but with proxies previously filed which were counted as For votes since none objected to the motion + 5,064 votes of stockholders present in person with no proxy previously filed but with voting instructions filed at the Annual Meeting. Total Against Votes: 462,664 (462,624 proxy votes + 40 votes of holders of common shares present in person with AGAINST votes). Total Abstain Votes: 901,979 proxy votes.