

## **Globe's motion is basis for nullifying its Islacom acquisition – PLDT**

**MANILA, Philippines, 11<sup>th</sup> August 2011** – Telecom leader PLDT has asked the National Telecommunications Commission to dismiss outright and to "expunge from the records" a last-minute motion of Globe Telecom seeking a stop to PLDT's acquisition of Digital Telecommunications Philippines Inc. (Digitel), arguing that the twisted logic of Globe's manifestation provides grounds for nullifying its own acquisition of Isla Communications in 2001.

In its motion filed Aug. 9, PLDT said that Globe's motion – which also called for the revocation of the licenses of PLDT and its subsidiaries Smart Communications and Connectivity Unlimited Resource Enterprise, Inc. (CURE) – presented arguments that are "clearly distorted, concocted and a blatant misrepresentation of applicable laws and established facts."

Globe had alleged that PLDT was prohibited from acquiring Digitel on the ground that PLDT was considered a foreign corporation under the Supreme Court decision on the *Gamboa v. Teves et al* case and the Foreign Investments Act (FIA) of 1991.

In response, PLDT pointed out that the Gamboa Decision, which held that the term "capital" when used to determine the degree of foreign ownership refers only to voting shares, was not final and executory.

It added that Globe's reference to the FIA does not support its claims because that law "does not distinguish what constitutes 'capital stock' entitled to vote."

Given that the Gamboa Decision is still subject to reconsideration, the PLDT motion said that the interpretation of the term "capital stock" should be as it is commonly understood, and as upheld several times by the Securities and Exchange Commission (SEC), to be consisting of both common and preferred stocks which, under Section 6 of the Corporation Code, are accorded the right to vote.

"Considering that PLDT has always ensured that at least 60% of its total capital stock (common and preferred shares), all of which are entitled to vote under the Corporate Code, are held by citizens of the Philippines, it cannot be held to be in violation of Section 3(a) of the FIA," it added.

In this light, Globe's claim that PLDT's earlier acquisitions of Smart and CURE are null and void *ab initio* (or "from the beginning") is "bereft of merit", according to PLDT's motion.

"Globe's self-serving and hypocritical claim is also belied by the fact that, when it acquired Islacom in 2001, 53% of its common shares were collectively owned by Singapore Telecom and Deutsche Telekom. Following Globe's self-serving interpretation of the application of Section 20(i) of the Public Service Act and Articles 5 and 1409 of the Civil Code, then its purchase of Islacom should likewise be declared null and void considering that it would then also be in violation of Section 3(a) of the FIA," PLDT said.

"Moreover, based on Globe's own logic, then, any change in ownership structure following its acquisition of Islacom cannot serve to remedy its violation of the FIA, considering that such acquisition would have been null and void *ab initio*," it added.

PLDT said further that in 2008 Singapore Telecom was able to purchase 62,646,486 shares, amounting to 47.3% of the common shares of Globe. "Following Globe's tenuous logic, Globe itself was violation of the 40% constitutional limit on foreign ownership of a public utility in allowing Singtel's investment," it said.

Finally, PLDT said that Globe's "frivolous and baseless submission" was yet another attempt to further delay the NTC's decision on the joint application of PLDT and Digital for the approval of the Digital transaction.

It added that Globe's real motives are clear from its constantly changing positions that stem from its "self-serving and selective application of relevant rules and regulations".

At first, Globe said it was unfazed by the Digital transaction and then completely turned around when it learned that Sun's Unli services would be continued and improved by PLDT. At that point, Globe said it did not oppose the approval of the joint application so long as the NTC imposed conditions not provided for in existing laws and regulation.

Realizing that it could not achieve its earlier objective to obtain the frequency allocations of PLDT and Smart through the NTC proceedings, Globe now unequivocally opposes the transaction.

"Globe's flip-flopping stance is clearly a by-product of its penchant for deliberately misconstruing and/or selectively applying the law when it suits its own purpose," PLDT said.

XXX

**About PLDT**

PLDT is the leading telecommunications service provider in the Philippines. Through its three principal business groups –fixed line, wireless, and information and communications technology – PLDT offers a wide range of telecommunications services across the Philippines' most extensive fiber optic backbone and fixed line and cellular 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). PLDT has one of the largest market capitalizations among Philippine-listed companies.

Further information can be obtained by visiting the web at [www.pldt.com.ph](http://www.pldt.com.ph).

**Contact person:**

**Ramon R. Isberto**  
**PLDT Spokesperson**  
**Tel. No.: +63 2 5113101**  
**Fax No.: +63 2 5113100**