



February 15, 2007

The Philippine Stock Exchange  
Disclosure Department  
4<sup>th</sup> Floor PSE Centre  
Exchange Road, Ortigas Center  
Pasig City

Attention: Atty. Pete M. Malabanan  
Head, Disclosure Department

Ladies and Gentlemen:

We refer to your letter dated February 14, 2007 requesting us to confirm the veracity of the news article entitled "Another foreign group buys 7.7% of PLDT voting shares", published in the February 14, 2007 issue of the BusinessMirror, quoted as follows:

*"With Indonesian-owned First Pacific Group and NTT Group of Japan already on board with their ownership of common voting shares, Philippine Long Distance Telephone Co. as it is has already become a foreign-controlled telecommunication company. Now comes another foreigner, whose nationality was marked only N/A, or 'not available' in its filing. It will soon join the Filipino nominees of First Pacific and NTT's Japanese representatives in PLDT in PLDT's 12-man board. The newcomer, Capital Research and Management Co., will be entitled to a board seat with its recent acquisition of 14,575,690 PLDT shares, or 7.7 percent of outstanding shares. Based on the transactions at the Philippine Stock Exchange, the acquired shares had market value of P41,103,445,800 at 30-day high of P2,820 per share. PLDT closed on Tuesday at P2,485, the day's low, that would give Capital Research's PLDT shares P36,220,589,650 market value. Capital Research, incorporated in Delaware, reported its PLDT holdings in a filing posted February 12, 2007 on the website of the New York Stock Exchange. It did not disclose the price of its acquisition. x x x Capital Research said that as an investment adviser to various investment companies, it is 'deemed to be the beneficial owner' of said PLDT shares, which are 'equivalent to 7.7 percent of 188,454,895 outstanding common shares.' Capital Research also told NYSE and the US Securities and Exchange Commission that the PLDT shares it holds include 2,636,940 American Depositary shares. x x x"*

We advise that based on the 13G U.S. SEC filing made by Capital Research and Management Company (CRMC) on February 12, 2007, CRMC disclosed that they are deemed to be the beneficial owner of 14,575,690 shares of common stock of PLDT.

We also wish to advise that, as can be gleaned from the Company's Foreign Ownership Monitoring Report filed with the Philippine Stock Exchange on February 6, 2007, the foreign ownership of PLDT's total outstanding capital stock was only 13.8 per cent as of January 31, 2007.

The 14,575,690 common shares acquired by CRMC represent approximately 1.6 percent of PLDT's 895,551,164 total outstanding capital stock as of January 31, 2007. Even assuming that such acquisition would increase the foreign ownership of PLDT by 1.6 percent (as it would not if CRMC acquired those shares from a foreign stockholder), the resulting foreign ownership of PLDT's capital will be only 15.4 percent and remains well below the 40 percent foreign ownership limit for public utilities under the Philippine Constitution. Moreover, the foreign investors' representation/participation in PLDT's Board of Directors is limited to their proportionate share in PLDT's capital which, based on the present foreign ownership level of PLDT, is equivalent to two out of the 13 PLDT Board seats, which belies that PLDT is a foreign-controlled corporation.

We wish to emphasize that the entirety of a corporation's outstanding capital stock consisting of all of its common and preferred shares must be considered and is the correct basis for determining compliance with the nationality requirement under the Constitution. In several rulings, the Securities and Exchange Commission has categorically stated that the term "capital" as used in the Constitution means the sum total of the shares subscribed and paid by the shareholders, irrespective of their nomenclature or the shares' classification as common or preferred.

Thank you.

Respectfully yours,

(original signed)  
MA. LOURDES C. RAUSA-CHAN  
Corporate Secretary

MLCRC:amq