



PILTEL

June 26, 2009

THE PHILIPPINE STOCK EXCHANGE
Philippine Stock Exchange Center
Exchange Road, Ortigas Center
Pasig City

Attention:

Gentlemen:

In connection with the filing of the SEC Form 19-1 last June 24, 2009 by SMART Communications, Inc. ("SMART") with respect to SMART's intention to undertake a voluntary tender offer for the remaining 839,979,054 common shares of Pilipino Telephone Corporation ("Piltel") in the hands of the public (the "Tender Offer"), we are submitting herewith a copy of the Fairness Opinion of CLSA Exchange Capital, Inc. which is intended for inclusion in the SEC Form 19-1 as Annex "E" thereof.

Very truly yours,

PILIPINO TELEPHONE CORPORATION

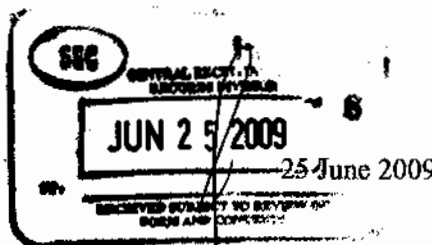

MA. LOURDES C. RAUSA-CHAN
Corporate Secretary

PICAZO BUYCO TAN FIDER & SANTOS

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SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills
Mandaluyong City

Attention: Director Justina F. Callangan
Corporate Finance Department

Jhoel P. Raquedan
Cherrylyn G. Prado-Cacile
Allen R. Bauzon
Robel C. Lomibao

Gentlemen:

We write on behalf of our client, SMART Communications, Inc. ("SMART"), in connection with the filing of the SEC Form 19-1 with respect to SMART's intention to undertake a voluntary tender offer for the remaining 839,979,054 common shares of Pilipino Telephone Corporation ("Piltel") in the hands of the public (the "Tender Offer"). We are submitting herewith a copy of the Fairness Opinion of CLSA Exchange Capital, Inc. with respect to Tender Offer, for inclusion as Annex "E" of the SEC Form 19-1.

Very truly yours,

PICAZO BUYCO TAN FIDER & SANTOS

By:

[Signature]
MA. ALICIA PICAZO-SAN JUAN

Myrvilen L. Alviar
Patricia S. Villar-Arellano
Graciella Marie D. Baldos
Kristina Joyce C. Caro
Elon Cris C. Culangen
Juan Crisostomo M. Echiverri
Carlos Rafael N. Francisco
Mahleene G. Go
Jonas S. Khaw
Corina L. Kilayko
Anna Victoria M. Lu
Lemuel D. Lopez
Francis N.V.E. Malilong
Mary Diana C. Mamaril
Ninez C. Maningat
Maria Concepcion B. Mendoza
Timothy Joseph M. Mendoza
Frances Joanne D. Miranda
Nonalyn R. Nolo
Ma. Corina Q. Padilla-Buñag
Linda L. G. C. Paner
Jordan Neil S. Pugeda
Beverly L. Santiago
Aimee Noelle M. San Ramon
Mia Mary G. Sebastian
Leighna Katrina S. Sitoy
Daniel Winston C. Tan-chi
Mark M. Tjaoqui
Lyne L. Arnaldo-Vega

COVER SHEET

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S.E.C. Registration Number

S	M	A	R	T		C	O	M	M	U	N	I	C	A	T	I	O	N	S		I	N	C	.

(Company's Full Name)

2	6	F		S	M	A	R	T		T	O	W	E	R		A	Y	A	L	A				
A	V	E	N	U	E		M	A	K	A	T	I	C	I	T	Y								

(Business Address : No. Street/City/Province)

MS. DEBBIE N. TAN

Contact Person

511-6122

Company Telephone Number

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3	1				
Fiscal Year					

ANNEX "E" FORM 19-1

FORM TYPE

2nd Friday of April

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Secondary License Type, If Applicable

C	F	D
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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total No. of Stockholders

Total Amount of Borrowings			
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To be accomplished by SEC Personnel concerned

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File Number

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Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

24 June 2009

Pilipino Telephone Corporation
25th Floor, Smart Tower
6799 Ayala Avenue
Makati City 1200

Attention: The Independent Board Committee

Gentlemen:

Fairness Opinion

Smart Communication Inc.'s Tender Offer For the Minority Shares of Pilipino Telephone Corporation

We refer to our engagement pursuant to which CLSA Exchange Capital, Inc. and its affiliates (“CLSA”) has been appointed as the independent financial advisor to advise the independent board committee (the “Independent Committee”) which acts on behalf of the independent shareholders of Pilipino Telephone Corporation (“Piltel” or the “Company”) in connection with Smart Communication, Inc.’s (“Smart”) proposed tender offer for the shares held by Piltel’s independent shareholders (“the Tender Offer”).

This letter has been prepared for inclusion in the Circular issued by the Company to its shareholders. Capitalized terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

I. Background to the Tender Offer

On 13 March, 2009, Philippine Long Distance Telephone Company (“PLDT”) and Piltel, (the “PLDT Group”) announced the Proposed Acquisition by Piltel of 223 million shares of Manila Electric Company (“Meralco”) from the Lopez Group representing 20% of Meralco’s total outstanding common shares, for a cash consideration of PHP 20.07 billion or PHP 90 per share. PLDT and Piltel also announced that Piltel has agreed to purchase an Exchangeable Note to be issued by First Philippine Utilities Corporation with a face value of PHP 2 billion, exchangeable at the option of Piltel into 22.2 Million underlying Meralco shares and which will constitute part of the 20% Meralco shares to be acquired by Piltel (the “Announcement”). We understand that under the agreement, PLDT, Piltel and the Lopez Group agreed, as well, on certain governance matters such as the nomination of directors and senior management officers of Meralco. As disclosed by PLDT, the PLDT Group does not expect to invest further in Meralco beyond 20%.

As disclosed in the Announcement and other public disclosures, the acquisition of a stake in Meralco constitutes a strategic investment for the PLDT Group that could lead to significant opportunities for operational and business synergies and result in new revenue streams and cost savings for both organizations.

PLDT is a telecommunications service provider in the Philippines. Through its three principal business groups - wireless, fixed line, and information and communications technology - PLDT offers a wide range of telecommunications services to its subscribers in the Philippines. PLDT's subsidiaries and affiliates include Smart and Piltel, both cellular service providers, and cPLDT, an integrated information and communications technology provider.

Meralco is the largest distributor of electricity in the Philippines with a service area spanning 9,937 square kilometers and servicing about a quarter of the total Philippine population. Meralco has a customer base of around 4.5 million, comprising commercial, industrial, and residential customers. In addition to electrical distribution, Meralco operates other related businesses, including e-Meralco Ventures ("EMVI") which operates a fiber optic network of over 1,000 kilometers and provides leased line connections, metro ethernet connections and disaster recovery transport services.

Piltel is a 92.81% subsidiary of Smart which is wholly owned by PLDT. Piltel provides a prepaid GSM service, known as Talk 'N Text, using the GSM platform of Smart. Under Piltel's Articles of Incorporation, Piltel is permitted to make investments in other businesses outside of the telecommunications business. The Announcement stated further that Piltel had a sizeable cash position (net of committed dividend payments) which may be used to partially fund its purchase of the Meralco shares.

We understand that the Proposed Acquisition shall have a closing date no later than 31 August 2009 and shall require, inter alia, the approval by the shareholders of Piltel at its Annual General Meeting that is currently scheduled for 30 June 2009. In addition, we understand that, during that meeting, Piltel intends to seek shareholder approval for the following Proposed Transactions, which were approved by the Board of Directors of Piltel on 13 March and 20 April 2009:

- Sale of Piltel's "Talk 'N text" brand to Smart for a consideration of approximately PHP 8,004 Million;
- Transfer of Piltel's existing "Talk 'N Text" subscriber base and products/services to Smart in consideration of a one-time payment equivalent to the average subscriber acquisition cost in 2008 of Smart for its "SMART Buddy" subscribers of approximately PHP 73.00 per subscriber; and
- Sale to Smart of Piltel's GSM fixed assets at net book value estimated at approximately PHP 2,370 Million.

Once the Proposed Transactions are completed, the cellular business of Piltel will be consolidated into Smart, and Piltel will cease to be a telecommunications services company. At this point, Piltel will become an investment holding company.

In view of this change in business direction, Smart, which currently owns 92.81% of Piltel, is voluntarily undertaking this Tender Offer in order to give minority stockholders of Piltel an exit opportunity under terms that it deems are fair and reasonable. For dissenting stockholders, this Tender Offer preempts and provides an alternative to the exercise of their appraisal right to demand payment from Piltel for the fair value of their shares.

II. Summary Description of the Tender Offer

On 19 June 2009, Smart disclosed to the Independent Board Committee the proposed terms of the tender offer for Piltel's shares. The broad terms of the Tender Offer, which were publicly disclosed on same date, are as follows:

Offeror: Smart Communications, Inc.

Tender Offer: Smart Communications, Inc., the registered and beneficial owner of an aggregate of 10,846,762,336 shares of Piltel representing approximately 92.81% of the issued and outstanding capital stock, intends to offer to acquire the remaining 839,979,054 public shares, representing approximately 7.19% of the total outstanding common shares of Piltel for a consideration of P 8.50 per share, payable in cash and in full on the settlement date of 12 August 2009.

Offer Period: 1 July 2009 at 9:30 a.m. to 29 July 2009 at 12:00 noon

Closing Date: 29 July 2009

III. Principal Factors Considered in Formulating our Opinion

In formulating our opinion with regard to the Tender Offer, we have relied on the information, opinions, and facts supplied, and representations made to us by the Directors and representatives of the Company. We have assumed that all such information, opinions, facts, and representations, which have been provided to us by the Directors and representatives of the Company, and for which they are wholly responsible, are true and accurate in all material respects. We have also relied on certain information available to the public and we have assumed such information to be accurate and reliable. We have not independently verified the accuracy of such information. Further, we have relied on the representations of the Directors of the Company that they have made all reasonable enquiries, and that, to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement contained in the Announcement and this Circular untrue or misleading.

We consider that we have reviewed sufficient information to enable us to reach an informed view regarding the Tender Offer to justify our opinion, relying on the accuracy of the information provided by the Company, as well as to provide a reasonable basis for our advice. It is not within our terms of reference to comment on the commercial feasibility of the Tender Offer, which remains the responsibility of the Directors. As the independent financial advisor to the Independent Board Committee and the Independent Shareholders, we have not been involved in the negotiations in respect of the terms and conditions of the Tender Offer. Our opinion with regard to the terms and conditions thereof has been formed on the assumption

that all obligations to be performed by each of the parties to the Tender Offer will be fully performed in accordance with the terms and conditions thereof. Further, we have no reason to suspect that any material facts or information have been omitted or withheld from the information supplied or opinions expressed to us nor to doubt the truth, accuracy and completeness of the information, facts and representations provided, or the reasonableness of the opinions expressed, to us by the Company, its Directors, and its representatives, nor have we conducted any form of independent investigation into the business affairs or assets and liabilities of the Company. Accordingly, we do not warrant the accuracy or completeness of any such information.

Our opinion is necessarily based upon market, economic, and other conditions as they existed and could be evaluated, and on the information publicly available to us, as of the date of this opinion. We have no obligation to update this opinion to take into account events occurring after the date that this opinion is delivered to the Independent Board Committee and the Independent Shareholders. As a result, circumstances could develop prior to completion of the Offer that, if known to us at the time we rendered our opinion, could have altered our opinion.

In addition, our opinion is also subject to the following qualifications:

- a) We are instructed to act as the independent financial advisor to the Independent Board Committee and the Independent Shareholders in relation to the Tender Offer. As such, the scope of our review, and consequently, our opinion does not include any statement or opinion as to the commercial merits or strategic rationale of the Tender Offer;
- b) We do not express any opinion or statement as to whether any similar terms or transactions akin to the terms proposed for the Tender Offer are or might be available from any independent third parties, nor as to whether any independent third parties might offer to enter into similar transactions;
- c) It is not possible to confirm whether or not the Tender Offer is in the interests of each individual Independent Shareholder and each Independent Shareholder should consider his/her/its vote on the merits or otherwise of the Tender Offer in light of his/her/its own circumstances and from his/her/its own point of view having regard to all the circumstances (and not only the financial perspectives offered in this letter) as well as his/her/its own objectives;
- d) In preparing this letter and in giving any opinion or advice, we have only had regard to the Tender Offer and necessary circumstances thereof in connection only with the Tender Offer, and not in connection with any other business plan, strategy or transaction, past or present, with regard to the Company or the Group as a whole, which falls beyond the scope of our opinion in connection with the Tender Offer;
- e) We express no opinion as to whether the Tender Offer will be completed nor whether it will be successful;
- f) Nothing contained in this letter should be construed as us expressing any view as to the trading price or market trends of any securities of the Company at any particular time;

- g) Nothing contained in this letter should be construed as a recommendation to hold, sell, or buy any securities of the Company; and
- h) We were not requested to, and did not provide, advice concerning the structure, the specific amount of consideration, the timing, pricing, size, feasibility, or any other aspects of the Tender Offer.

This letter is solely for the information of the Independent Board Committee and the Independent Shareholders in connection with their consideration of the Tender Offer and, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose, without our prior written consent.

CLSA is licensed by the Republic of the Philippines Securities and Exchange Commission as an investment house, pursuant to Presidential Decree 129. Under such decree, CLSA is authorized to act as financial consultant, investment adviser, or broker (Sec. 7.6). We, together with our affiliates, provide a full range of investment banking and brokerage services, which, in the course of normal trading activities, may from time to time effect transactions and hold securities, including derivative securities, of the Company, its subsidiaries or its substantial shareholder for our own account and the accounts of our customers. CLSA will receive a fee from the Company for rendering this opinion. The Company has also agreed to indemnify CLSA and certain related persons against liabilities and expenses in connection with this engagement.

In arriving at our opinion, we have taken in to consideration, among others, each of the following principal factors and reasons set out below. Our conclusions are based on the results of all analyses taken as a whole.

IV. Analysis of the Tender Offer

In formulating our opinion of the Tender Offer, we have considered the following data:

- a) Premiums or discounts paid in comparable tender offer transactions;
- b) Trading multiples of comparable companies; and
- c) The historical share price performance of Piltel.

All the information gathered in this analysis has been derived from sources available to the public. We have assumed such information to be accurate and reliable and have not independently verified the accuracy of such information.

a) Premiums or discounts paid in comparable tender offer transactions

We have examined a number of tender offer transactions that have taken place over the past 36 months. To the extent possible, we selected transactions where a significant shareholder was either seeking to increase its stake in a company which it already controlled or was required by existing laws to conduct a mandatory tender offer by virtue of such shareholder previously acquiring effective control of the company.

Information on tender offer transactions was taken from Mergermarket. Mergermarket, part of the Mergermarket Group provides proprietary intelligence on potential deal flow, potential

mandates and valuations. The Mergermarket Group is part of the Financial Times Group, publisher of the Financial Times newspaper and FT.com.

The transactions analyzed include i) Philippine tender offer transactions, ii) Asian telecommunication company tender offer transactions, and iii) Asian tender offer transactions across all industries.

For these transactions, we compared the price per share offered to the target company shareholders by the tendering party to the share price of the target company's stock which existed one day, thirty days and ninety calendar days immediately prior to the date of announcement of the transaction which triggered the tender offer. We performed such analysis to arrive at the premiums (or discounts) to the target company's historical share prices offered by the tendering party.

In the three Philippine transactions analyzed below, a significant shareholder made a tender offer for shares held by minority shareholders. We further note that in the three Philippine transactions (SMB, Petron and EPCIB), the price offered to the minority shareholders was the same price at which the M&A transactions were concluded and therefore may be considered to include a control premium.

Philippine Tender Offer Deals

Date Announced	Target	Bidder	% of target being bought	Premium (Discount) to Closing Price (%)		
				1 day Prior	30 days Prior	90 days Prior
20-Feb-09	San Miguel Brewery	Kirin Holdings Co.	5.75%	(9%)	(10%)	(4%)
05-Jun-08	Petron Corporation	SEA Refinery Holdings	60%	19%	15%	5%
29-Aug-06	Equitable PCI Bank	SM Investments Corp.	66%	23%	17%	27%
			High	23%	17%	27%
			Average	11%	7%	9%
			Median	19%	15%	5%
			Low	(9%)	(10%)	(4%)

Source: Mergermarket

We also analyzed three transactions involving companies in the Asian telecommunications sector. Both Tata Teleservices (Maharashtra) Limited ("TTML") and Indosat Tbk, PT ("Indosat") primarily provide wireless services to its retail customers, while Asia Satellite Telecommunications ("AsiaSat") provides satellite communication services to its clients. All transactions sought to acquire stakes owned by minority investors in the target.

The AsiaSat transaction was the result of the majority shareholder seeking to increase its stake in the target, while the TTML and Indosat tender offers were related to acquisitions of significant stakes in the target companies by strategic investors through M&A transactions.

Asian Tender Offer Deals-Telco Industry

Date Announced	Country	Target	Bidder	% of target being bought	Premium (Discount) to Closing Price (%)		
					1 day Prior	30 days Prior	90 days Prior
14-Nov-08	India	Tata Teleservices (Maharashtra) Limited	NTT DoCoMo Inc.	20.00%	37%	41%	(14%)
8-Jun-08	Indonesia	Indosat Tbk, PT	Qatar Telecom QSC	24.19%	31%	17%	15%
14-Feb-07	HK	Asia Satellite Telecommunications	Modernday Limited	31.10%	13%	18%	11%
				High	37%	41%	15%
				Average	27%	25%	4%
				Median	31%	18%	11%
				Low	13%	17%	(14%)

Source: Mergermarket

The other Asian tender offer transactions that we included in our data set include companies in different sectors where as far as can we could determine, the transactions were primarily made by the majority shareholder or shareholder groups for all or a portion of the shares held by minority shareholders.

Asian Tender Offer Deals-All Industries

Date Announced	Country	Target	Bidder	% of target being bought	Premium (Discount) to Closing Price (%)		
					1 day Prior	30 days Prior	90 days Prior
15-Dec-08	Malaysia	DK Leather Corporation	DK-MY Holdings Sdn Bhd	18.18%	30%	18%	6%
15-Oct-08	South Korea	iRevo Inc.	Irevo Assa Abloy Korea	44.81%	9%	24%	11%
15-Sep-08	Singapore	SP Chemicals Ltd.	SP Chemicals Holdings Ltd.	25.22%	19%	20%	24%
5-Sep-08	Malaysia	Industrial Concrete Products Berhad	IJM Corporation Berhad	36.55%	18%	15%	18%
12-Nov-07	Hong Kong	Gold Peak Industries Limited	Weil Glory International Limited	16.03%	18%	13%	16%
12-Nov-07	South Korea	Korea Cable TV Chung-Buk System Co	Hyundai Communications & Network	45.00%	26%	27%	36%
12-Nov-07	South Korea	Dongjak Cable & Communications	Hyundai Communications & Network	25.00%	18%	27%	1%
9-Nov-07	South Korea	CJ Cheiljedang Corporation	CJ Corporation	29.20%	9%	26%	NA
31-Oct-07	South Korea	Hankuk Electric Glass Co. Ltd.	Asahi Glass Co Ltd.	37.24%	12%	22%	13%
23-Aug-07	India	Ambuja Cements	Holcim Limited	20.00%	18%	13%	35%
26-Feb-07	India	Alfa Laval (India) Ltd	Alfa Laval Corporate AB	13.00%	7%	4%	5%
23-Jan-07	Indonesia	PT Branta Mulia Tbk	Kordsa Global A.S.	25.19%	0%	0%	NA
				High	30%	27%	36%
				Average	15%	17%	17%
				Median	18%	19%	15%
				Low	0%	0%	1%

Source: Mergermarket

We observe that the Tender Offer is equivalent to the following premiums to the Company's closing price one day, 30 days, and 90 days prior to the disclosure on 13 March 2009 of the Proposed Acquisition and Proposed Transactions in relation to which Smart has expressed its intention to make a tender offer:

	1 day prior	30 days prior	90 days prior
Date	12-Mar-09	13-Feb-09	12-Dec-08
Piltel Closing Share Price	6.80	6.90	6.90

Offer Price	1 day prior	30 day prior	90 day prior
8.50	25%	23%	23%

We note that the premiums to the one day prior and 30 day prior share price of Piltel resulting from the Tender Offer are above the highest premiums paid over the one day prior and 30 day prior and are almost equal to the highest premium paid over the 90 day price in the sample of Philippine transactions.

The premiums that result from the Tender Offer are also within the range of premiums paid in comparable transactions for similar Asian telecommunications companies and within the range of premiums paid for other similar Asian tender offer deals.

b) Trading multiples of comparable companies

In our analysis of the Tender Offer, we considered the trading multiples of Philippine Long Distance Telephone Company ("PLDT") and Globe Telecom ("Globe"), both of which are Philippine corporations that derive a significant portion of revenue from providing mobile services to retail clients in the Philippines. We note that PLDT consolidates both mobile service providers Smart and Piltel in its financial results.

For completeness, we also examined the trading multiples of Asian telecommunications companies that (i) operate in Asia, ex-Japan, (ii) are publicly traded, and (iii) are primarily engaged in providing wireless mobile telecommunications services. We note however that the environment and characteristics of each market is different from Piltel's market.

Earnings per share ("EPS") estimates and other financial information were taken from latest available data provided by Bloomberg Professional Service ("Bloomberg"). Bloomberg is one of the largest providers of financial, economic, trading, and other information to subscribers. Bloomberg Professional is a continuous data feed service that includes real-time, historical and descriptive data, analytics and news on a number of markets and securities. Bloomberg EPS and EBITDA estimates used in this study are the mean of broker estimates which are publicly available to them and are quoted in United States dollars ("USD"). When a conversion to Philippine peso ("PHP") is necessary for the purpose of this analysis, we applied the same exchange rate used by Bloomberg as of the date of the estimate.

The following table outlines our findings:

	Country	Market Cap (USD, Mn)	EV (USD, Mn)	P/E 2009E	EV / EBITDA 2009E
Philippine Telcos					
PLDT	Philippines	9,008	9,631	10.5x	5.0x
Globe Telecom	Philippines	2,580	3,275	9.5x	4.0x
Digital	Philippines	171	711	NA	NA
Southeast Asian Telcos					
Indosat	Indonesia	2,571	4,178	12.1x	4.2x
Telekomunikasi Indonesia	Indonesia	14,452	16,379	12.4x	4.6x
MobileOne	Singapore	938	1,057	9.4x	5.1x
StarHub Ltd	Singapore	2,429	2,875	11.3x	6.4x
Advanced Info Service	Thailand	7,529	7,849	14.9x	5.8x
Total Access Comm	Thailand	2,098	2,505	11.2x	4.4x
Other Asian Telcos					
China Mobile (HK)	China	197,847	171,197	11.8x	5.1x
China Unicom	China	32,139	35,145	19.6x	3.6x
Idea Cellular	India	5,024	6,507	28.9x	11.7x
Reliance Communications	India	12,573	19,398	11.3x	10.4x
KT Freetel	S. Korea	3,349	4,636	8.7x	3.1x
LG Telecom	S. Korea	1,843	2,436	6.5x	3.4x
SK Telecom	S. Korea	11,017	13,938	9.4x	4.2x
Digi	Malaysia	4,765	4,784	15.2x	7.5x
Far EastTone	Taiwan	3,834	3,866	12.8x	5.1x
Taiwan Mobile	Taiwan	6,368	6,986	13.2x	7.9x
High				28.9x	11.7x
Average				12.7x	5.6x
Median				11.5x	5.0x
Low				6.5x	3.1x
Piltel @ PHP 8.50	Philippines	2,060	1,862	8.4x	5.6x

Source: Bloomberg

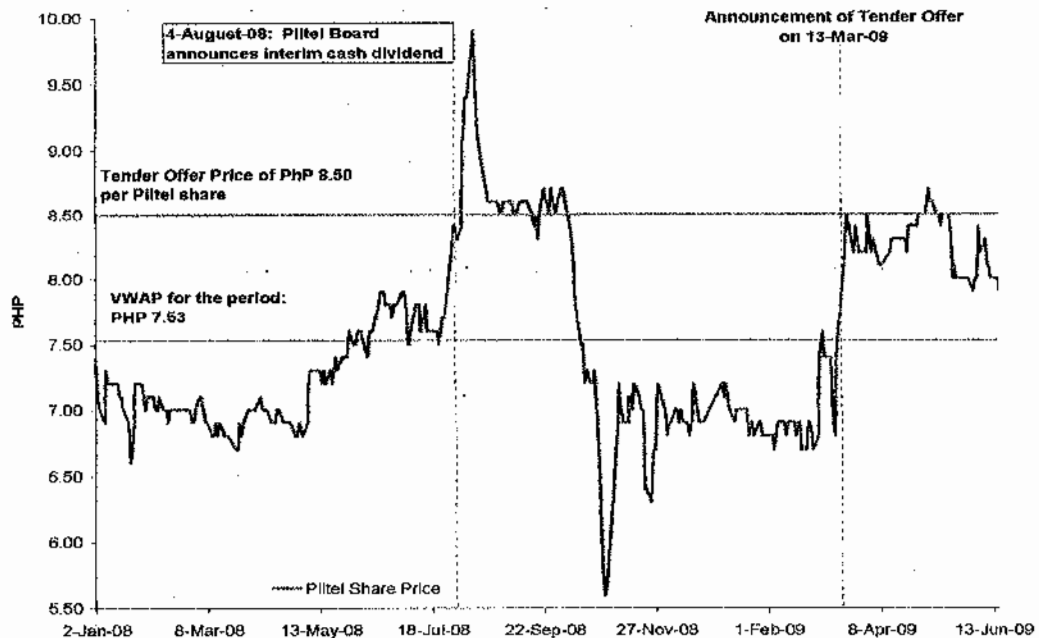
As of 22 June 2009

Based on the table above, we note that the P/E multiple for Piltel that results from the Tender Offer is equivalent to 8.4x Bloomberg's consensus forecast of Piltel's 2009 earnings. This is within the range of wireless telecommunications companies in Asia (the "Asian Comparables") as a whole.

We further note that the Tender Offer results in an EV/EBITDA multiple for Piltel of 5.6x Bloomberg's consensus 2009 EBITDA forecast for Piltel which is within the range of the EV/EBITDA multiples of the Philippine comparables and within the range of the EV/EBITDA multiples of the Asian Comparables taken as a whole.

c) Historical share price of Piltel

The following chart sets forth (i) the historical share price of Piltel for the period from 2 January 2008 to 19 June 2009, and (ii) the Offer price for Piltel's shares.



Source: Technistock

The data illustrates that the Tender Offer price is within the upper range of Piltel's closing share price during the period and is 13% above the Company's Volume Weighted Average Price (VWAP) of 7.53 per share for the same period.

For information purposes only, from 2 January 2008 to one day prior to the Announcement date, there was a decrease of 8% in Piltel's share price, while the PSE Index decreased by 49% during the same period.

V. Other Factors for Consideration

In addition to the above discussions, we would like to draw attention to the following additional matters that, while CLSA has not considered for the purpose of this evaluation, the Independent Shareholders may wish to consider in their own evaluation of the Tender Offer:

a) Relationship between Piltel and Smart

Piltel's prepaid Global System for Mobile Communications ("GSM") service, Talk 'N Text, operates on the GSM platform of Smart. The relationship between Piltel and Smart is governed by an Omnibus Service Agreement ("OSA") and a supplementary Memorandum of

Agreement ("MOA") which covers: (i) Piltel's use of Smart's GSM network and facilities; (ii) Smart's management, operations and maintenance of Piltel's cellular mobile telephone system; (iii) Smart's management of Piltel's cellular mobile telephone system ("CMTS") customer service operations; and (iv) Smart's provision of administrative support and services in certain aspects of Piltel's CMTS business operations. The agreements provided that Piltel's services revenues were shared with Smart at a rate of 80% - 20% in favor of Piltel until 2008, then at 70%-30% starting January 1, 2009 until December 31, 2010. Piltel pays for marketing the Talk 'N Text brand, acquiring subscribers, selling handsets and phone cards, and providing customer services, while Smart provides and manages the GSM infrastructure network.

The OSA, which is valid until 2010, is automatically renewed every six months until terminated by either party. A number of factors however could significantly affect the financial condition of Piltel. A renewal of the OSA that results in an increased share for Smart in Piltel's revenue, in order to cover Piltel's cost of using Smart's GSM network, will result in a reduction in service revenues and net income for Piltel. Further, should the OSA be terminated by Smart, Piltel would not be able to provide its Talk 'N Text service unless it were to invest in its own GSM network infrastructure. If these were to occur, Piltel would risk losing its subscriber base to its competitors.

b) Rationale for the Offer-Change of Corporate Business Purpose of Piltel

During the meeting of the Board of Directors of Piltel on 13 March 2009, the Board approved the Proposed Transactions and Proposed Acquisition, subject to the approval of at least 2/3 of the total outstanding shares of capital stock of Piltel, which will result in Piltel ceasing to conduct its business as a telecommunications services company and will transform Piltel into an investment holding company. In view of this change in business direction, Smart, which currently owns 92.81% of Piltel, is undertaking this Tender Offer voluntarily in order to give Independent Shareholders, including those who have dissented to this change in business direction, an exit opportunity under terms that are fair and reasonable. For dissenting stockholders, this Tender Offer provides an alternative to the exercise of their appraisal right to demand payment from Piltel for the fair value of their shares.

c) The Financial Impact of the Proposed Transactions on Piltel

As discussed previously in this letter, assuming the completion of the Proposed Transactions and Proposed Acquisition described above, Piltel will be transformed into a holding company for the PLDT Group's 20 per cent interest in Meralco. As Meralco is a listed Philippine company the calculation of the Net Asset Value (NAV) of the Company will be dependent on the share price performance of Meralco. As an illustration, the Pro Forma Net Asset Value of the Company based on Meralco's share price information as of close of market on 16 June 2009, may be determined as the product of Meralco's closing price and the number of shares owned by Piltel, divided by the number of Piltel shares outstanding.

This value may be affected by volatility in Meralco's share price. Over the last 12 months, Meralco's highest share price was PHP 154.00 on 16 June 2009 and its lowest share price was PHP 36.50 on 24 June 2008. These prices are used in the table below to illustrate how the Company's NAV, if calculated using the above formula, may vary in the span of twelve months:

	Php per Share	Value of Meralco (Php mn)	Value of 20% of Meralco (Php mn)	Pro forma NAV per share of Piltel
12 month high price	154.00	171,633	34,327	2.94
12 month low price	36.50	40,679	8,136	0.70

Source: Technistock

Upon completion of the Proposed Transactions and Proposed Acquisition, Piltel's income is anticipated to arise mainly from dividends declared by Meralco that accrue to its 20 percent share holding. This amount may vary significantly depending on Meralco's operations as well as the regulatory environment. For illustrative purposes only, dividends declared by Meralco over the last three years were as follows:

year	PHP per Share
2006	-
2007	1.0000
2008	1.0025

Source: Technistock

Had Piltel already owned 20 percent of Meralco's common stock in 2006, it would not have received any dividends in that year. It would have received dividends amounting to PHP 222.9 million in 2007, and PHP223.5 million in 2008.

d) Liquidity of Piltel's Shares Post Offer

Although we cannot determine at this time the number of Independent Shareholders that will choose to accept the Tender Offer, in the event the contemplated Tender Offer by Smart should proceed and the free float of Piltel is significantly reduced, there is a possibility that the common shares would not be actively traded or the trading volume would fall below the trading volume requirement of the PSE. In such case, Piltel could be subject to an involuntary delisting proceeding and its shares would no longer be listed and traded in the PSE. Consequently, any capital gains generated from their subsequent sale or transfer will be subject to the prevailing capital gains taxes.

VI. Conclusion

Thus, having considered the terms of Smart's Tender Offer for the shares held by Piltel's Independent Shareholders, and having completed an analysis of (i) the transaction premiums of comparable tender offer transactions, and (ii) the trading multiples for comparable public telecommunications companies, and (iii) the historical share price performance of the Company, our findings are as follows:

- (i) The premium being offered to Piltel's Independent Shareholders resulting from the Tender Offer Price for Piltel shares is above the highest premiums paid over the one day prior price and 30 day prior price and is nearly equal to the highest premium paid over the 90 day prior price in the sample of Philippine comparable tender offer transactions. The resulting premiums from the Tender Offer are also within the range

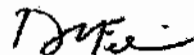
of premiums paid in comparable transactions for similar Asian telecommunications companies and other Asian tender offer deals;

- (ii) Based on trading multiples of comparable telecommunications companies, the P/E and EV/EBITDA multiples for Piltel resulting from the Tender Offer Price are within the range of P/E and EV/EBITDA multiples of the Asian Comparables;
- (iii) The Tender Offer Price is at the upper range of Piltel's historical share price range for the period from January 1, 2008 to June 2009 and 13% above the volume weighted average price for the same period.

In light of the above analysis it is our view that the terms of the Tender Offer are fair and reasonable.

This letter is provided to the Independent Board Committee and the Independent Shareholders of the Company in connection with and for the purposes of their evaluation of the Tender Offer. This letter may not be disclosed, referred to, or communicated in whole or in part to any third party for any purpose whatsoever except with our prior written approval, provided that a copy of this letter may be included in the Circular and in the tender offer materials to be distributed to the Independent Shareholders in connection with the Tender Offer, and may be referred to or disclosed, in whole or in part, in any other documents that the Company or Smart may be required by laws or regulations to provide or submit to the Securities and Exchange Commission or the Philippine Stock Exchange in connection with the Tender Offer.

Yours faithfully,
For and on behalf of
CLSA Exchange Capital, Inc.



DANILO S. FELICIANO
Managing Director