



PLDT SIGNS AGREEMENT WITH BANKS FOR PILTEL DEBT RESTRUCTURING.

Manila, June 21, 2000...The Philippine Long Distance Telephone Company ("PLDT") announced today that it has signed a Master Restructuring Agreement ("MRA") with a number of the creditor banks of its listed subsidiary, The Pilipino Telephone Corporation (Piltel). This will lead to the completion of the initial stage of Piltel's debt rehabilitation plan.

The MRA was signed by Manuel V. Pangilinan, President and CEO of PLDT and Napoleon L. Nazareno, President and CEO of Piltel, together with representatives of various domestic and international banks at a private ceremony in Makati City. Piltel's total bank indebtedness of approximately P13 billion represents around 37 per cent of its total financial and contingent liabilities.

The MRA defines the framework and the main parameters for the restructuring of Piltel's obligations and for PLDT's participation in and support of Piltel, broadly reflecting the terms in the Memorandum of Understanding executed by Piltel and certain of its creditor banks in October 1999. Among its features are:

- Conversion into Capital Stock of Piltel and PLDT - 50 per cent of the bank debt will be replaced by peso-denominated Piltel convertible preferred shares exchangeable into PLDT convertible preferred shares. The PLDT convertible preferred shares will have an annual yield of 1.1 per cent and may be converted into PLDT common shares at the option of the holder at any time up to the seventh anniversary of the issue date. The conversion price shall be the higher of P1,700 per share or 50 per cent above the average market price of PLDT common shares over a period of ten consecutive trading days on both sides of the agreement date, subject to a maximum of P1,850 per share. On the seventh anniversary of the issuance of the PLDT preferred shares, any outstanding shares will be mandatorily converted into PLDT common shares; holders of these shares obtained by mandatory conversion will have an option to require PLDT to repurchase the shares at the issue price of the PLDT convertible preferred stock.
- 10-year Term Loan - 25 per cent of the bank debt will be replaced by a secured 10-year term loan. Nominal amortizations will be made beginning on the third year and up to the ninth year from the effective date of the restructuring. The balance of the loan will be paid in a lump sum at the end of the tenth year.
- 15-year Term Loan - 25 per cent of the bank debt will be replaced by a secured 15-year amortizing term loan. Amortizations will be paid beginning on the third year from the effective date of the restructuring. Beginning on the sixth and up to the fourteenth year from the effective date of the restructuring, Piltel will pay amortizations equivalent to 10 per cent of the principal amount of the loan. The outstanding balance of the loan will be repaid at the end of the fifteenth year.

The MRA will govern the terms upon which Piltel's financial creditors will participate in the restructuring and when the restructuring becomes effective. The MRA also contains a Letter of Support from PLDT to be issued upon effectivity of the restructuring, subject to all necessary consents and the approval of certain PLDT creditors, which requires PLDT, if necessary, to provide financial support of up to US\$150 million and outlines the terms of its subsequent equity ownership in Piltel.

Piltel shall offer similar terms and conditions in the MRA to its principal trade suppliers and other financial creditors as well as the holders of the US\$193 million convertible bonds guaranteed by Piltel. The exchange offer to the bondholders is being prepared and will provide similar economic benefits to those offered to the bank creditors. Negotiations with Marubeni Corporation are ongoing.

Following the signing, Mr. Pangilinan said: "This is a very important day in the history of the Pilipino Telephone Corporation and I would like to thank everyone involved for their efforts. Talks will start soon with Piltel's convertible bondholders and some of its other major creditors and we hope we can enjoy the same constructive rapport that we have shared with the banking community.

"From an operations perspective, there are grounds to be optimistic. Piltel's total cellular subscriber base has risen to just short of 650,000 - an increase of almost 200,000 subscribers in just five months - thanks largely to the successful launch of the new Talk N Text GSM service.

"Moving forward, as part of the enlarged PLDT group, Piltel will have even more opportunities to enjoy the synergies and benefits that come from being part of an organization that has more than 4.4 million customers – including more than 2.4 million cellular subscribers."

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