

**28th September 1999**

**PLDT SIGNS FINAL AGREEMENT TO ACQUIRE SMART, CREATE STRATEGIC ALLIANCE WITH JAPAN'S NTT**

PLDT, the Philippines' leading fixed-line telephone company, signed a formal agreement today to acquire SMART Communications, Inc., the country's leading cellular company, by issuing 35.1 million new common shares to SMART's shareholders at a value of Pesos 37.9 billion, and to forge a strategic alliance with Japan's NTT Communications Corporation.

The transactions, which were preliminarily agreed to in the form of a non-binding memorandum of understanding in early June, will enable PLDT to offer a growing number of customers across the Philippines fully integrated, high-quality telecommunications services, ranging from traditional fixed-line and cellular phone networks to high-technology Internet access and broadband data transmission. They will also lead to significant cost savings by combining overlapping operations in such areas as marketing, information technology and customer service.

Contracts covering the transactions were signed today following their formal, separate approval by the boards of PLDT, NTT, First Pacific and Metro Pacific. Completion of the transactions is subject to various regulatory, third-party and shareholder approvals.

At its meeting yesterday, PLDT's Board of Directors resolved to call a Special Meeting of Stockholders to be held on 10th December 1999 to approve various proposals in connection with the transactions. Documentation explaining the transactions in detail, including a proxy form for those shareholders unable to attend the meeting in person, is expected to be sent to PLDT's stockholders in October.

As previously announced, PLDT intends to issue 35.1 million new common shares to acquire 100 per cent of SMART - which is currently held 56.4 per cent by the First Pacific Group and 37.2 per cent by NTT. In addition, NTT will subscribe for a further 12.2 million new PLDT common shares at a price of P1,202 each for a total of P14.7 billion to be injected into PLDT. As a result, the First Pacific Group's economic interest in PLDT will increase to approximately 22.8% from approximately 17 per cent. NTT will own 15.0 per cent of the Company.

The enlarged PLDT - combining its own activities along with those of its Pilipino Telephone Corporation (Piltel) subsidiary, and SMART - will initially have more than 1.85 million fixed-line customers and approximately 1.34 million cellular customers.

PLDT's President and CEO, Manuel V. Pangilinan, said: "These transactions reflect the consolidation in the worldwide telecommunications industry and will create a stronger, more efficient PLDT. They will enable us to deliver a better, wider range of services to more customers, faster than ever before. As a world leader in telecommunications services and technological innovation, we expect NTT to assist PLDT in improving service levels and overall operations, leading to reduced capital expenditure and enhanced long-term profitability."

He added that PLDT also expects NTT to be an active contributor to PLDT's future performance, with the company harnessing NTT's international experience of operating fixed-line networks in Sri Lanka and Indonesia and its development of a state-of-the-art network in Singapore.

### **Benefits of NTT Alliance**

Through the strategic alliance, NTT will provide PLDT access to world-class standards of technology, products and services. Among the benefits that NTT is expected to bring to PLDT are:

- Cooperation in addressing the convergence of telecommunications services in such areas as data communications, multimedia, Internet Protocol and third-generation mobile services.
- The contribution of NTT's best practice engineering and network development to PLDT's on-going efforts to improve service quality and reduce capital expenditure requirements.
- The addition of NTT's "Arcstar" range of managed data services to PLDT's portfolio of products for corporate customers, as well as its experience meeting the communications needs of multinational corporations.
- The routing through PLDT's network of additional traffic generated from within the NTT network.
- Further enhanced relationships with suppliers, equipment manufacturers, consultants and other telecom service providers.

The contracts between PLDT, NTT and the First Pacific Group stipulate that two NTT representatives will be nominated to PLDT's expanded 13-member Board, and a number of NTT employees will hold technical advisory positions in key operating departments of PLDT to promote the exchange of technical expertise.

The contracts also stipulate that PLDT will market managed data and other services under NTT's Arcstar brand to its corporate customers in the Philippines; that PLDT

and NTT will enter into cooperative arrangements for conventional international telecommunications services to enhance their respective international businesses; and that PLDT and NTT will coordinate their plans for deploying and utilizing Internet Protocol transport capacity, and developing and promoting Internet-related and other value-added services.

### **PLDT Reorganization**

Following the completion of the transactions, PLDT intends to establish separate fixed-line and mobile business segments.

In the fixed-line business, PLDT will integrate its own operations with those of SMART and Piltel. In the cellular area, PLDT will have access to SMART's 915,000 subscribers on its analogue ETACS system and digital GSM service, and Piltel's 423,000 subscribers on its analogue AMPS system and digital CDMA service. An integration task force has been established to advise PLDT's Board of Directors on the final form of the reorganization.

It is anticipated that the main benefits of this integration will include:

- The ability to offer customers a broader range of integrated products and services, leading to the creation of a "one-stop shop" for all fixed-line and cellular telephony, Internet and data requirements.
- The ability to bundle different telecoms services, providing customers with tailor-made communications solutions.
- The potential integration of sales, distribution and customer care functions, as well as the ability to combine administration, IT and other corporate functions, resulting in the elimination of duplication.
- The opportunity to achieve economies of scale in network planning and development, allowing better network utilization.
- The potential to improve PLDT's marketing, advertising and customer service functions as a result of SMART's expertise in such areas.

PLDT is being advised by ABN AMRO in connection with the acquisition of SMART and the introduction of NTT as PLDT's strategic partner. First Pacific, Metro Pacific and other companies in the First Pacific Group are being advised by ING Barings. NTT is being advised by Credit Suisse First Boston. In addition, PLDT's Board has formed an independent special committee to review the acquisition, and Morgan Stanley Dean Witter has been engaged to advise, and provide a financial

opinion letter to, the special committee with respect to the consideration to be paid by PLDT in the acquisition.

*PLDT's President and CEO, Manuel V. Pangilinan, will hold a press conference at 3 pm today in Manila to discuss these transactions.*