

4th June 1999

**FIRST PACIFIC TO CONSOLIDATE ITS PHILIPPINE TELECOM ASSETS
BY INJECTING SMART INTO PLDT; NTT TO SERVE AS PLDT PARTNER**

The First Pacific Group announced today that it has agreed in principle to consolidate its investments in the Philippine telecommunications sector by exchanging its entire interest in Smart Communications, Inc. for an increased stake in PLDT, in a transaction valued at US\$562 million.

The proposed transaction will increase the First Pacific Group's overall economic interest in PLDT (the Company) to 23.0 per cent from 17.2 per cent, strengthening its position as the Company's single largest shareholder. It will also enable PLDT to benefit from substantial synergy benefits that will emerge by combining its own market-leading fixed-line activities with Smart's cellular operations, which are also the largest in the market.

Concurrently, Japan's Nippon Telegraph and Telephone Corporation has agreed to take a 15.0 per cent holding in PLDT in exchange for its 37.2 per cent interest in Smart and by subscribing for new PLDT shares. These transactions totaling US\$758 million will establish NTT as PLDT's strategic partner, whereby it will obtain two seats on the Company's expanded 13-member Board and second staff to serve as senior advisors to the Company.

The agreements are in the form of a non-binding memorandum of understanding, and require final approval of the boards of First Pacific, Metro Pacific, PLDT and NTT, as well as various regulatory and shareholder approvals. It is expected that the transactions will be concluded by the end of the year.

The enlarged PLDT will be positioned to benefit from rapid changes in the international telecommunications environment by offering fully integrated telecom services - including voice, mobile, Internet and data transmission - to a rapidly growing segment of the Philippine population.

By combining its activities with Smart, PLDT will also benefit from synergies in such areas as: Customer service, through the integration of sales, distribution and customer-care functions; Network development and operations, through better network utilization and interconnection quality; Fixed-line operations, by PLDT managing Smart's fixed-line business; Overheads, through the elimination of

duplication in administration and other corporate functions; and Information technology, through the combination of PLDT's and Smart's IT functions.

The entry of NTT as PLDT's partner will also bring substantial benefits to PLDT, such as: Providing access to new technology, through NTT's leadership in data communications system, multimedia, Internet activities and third generation mobile technology; Providing additional traffic through PLDT's network, by using the Company as its transmission point in South East Asia for communications from its operations elsewhere in the region; and Enhancing its relationships with suppliers, equipment manufacturers, consultants and telecom service providers.

First Pacific's Managing Director Thomas Yasuda said: "Today's transactions are a further development in First Pacific's strategy of focusing on fewer, bigger businesses - which we have been pursuing for the past 18 months.

"They concentrate our assets more effectively. They also ensure that PLDT can develop into one of the region's leading telecom groups and benefit from the convergence that will take place between fixed-line and cellular telephony, as well as the rapid technological changes that are taking place in the telecom sector."

According to the terms of the transaction, First Pacific will receive 6.3 million new PLDT shares issued at P1,080, a premium of 2 per cent above Friday's close of P1,055, in exchange for its 18.0 per cent stake in Smart. Metro Pacific Corporation - in which First Pacific has an 84.0 per cent economic interest - will receive 13.4 million new PLDT shares at the same price in exchange for its 38.3 per cent of Smart.

NTT will receive 13.1 million new PLDT shares also issued at the same price, in exchange for its holding in Smart. Additionally, it will pay P14.7 billion to subscribe for 12.2 million new PLDT shares for P1,202 per share, reflecting a premium enabling it to serve as the Company's strategic partner.

The transactions value Smart at US\$998 million.

First Pacific is being advised in the transaction by ING Barings, while PLDT is being advised by ABN AMRO, and NTT is being advised by Credit Suisse First Boston. In addition, PLDT's Board, to review the transaction, has formed an independent special committee which is being advised by Morgan Stanley Dean Witter.