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FIRST PACIFIC'S SMART TO CONSTRUCT NATIONWIDE GSM NETWORK IN PHILIPPINES; EQUIPMENT TENDER TO BE AWARDED IN OCTOBER

First Pacific Company Limited announced today that Smart Communications, Inc., the Philippines' leading integrated telecoms provider, has decided to implement its plans to construct a nationwide GSM digital cellular service that will complement its existing analogue-based network.

The new service will initially accommodate up to 100,000 subscribers and offer customers the ability to use the phones in a wide number of other countries that have GSM networks. It will also provide subscribers with new value-added capabilities such as text-messaging, which has proved highly popular in the Philippines.

Smart has issued tenders for the supply of turnkey equipment for the project, and expects to award the contract in October. The cost will be financed through the issue of US\$120 million of participating convertible bonds, external sources and Smart's own positive operating cash flows, which will also be used to cover the continued build-out of the company's fixed-line service.

First Pacific is taking up US\$98 million of the bonds, raising its effective economic interest in Smart to 23.6 per cent from 14.2 per cent, while Metro Pacific Corp.'s interest would decline to 45.7 per cent from 51.8 per cent. Japan's NTT Corp. is taking up the remaining US\$22 million of the bonds, lifting its interest to 15.8 per cent from 15.0 per cent.

Smart currently provides services to approximately 730,000 subscribers through its existing network, based on TACS technology, which represents more than half the nation's cellular market. It also has approximately 110,000 fixed-line subscribers, as well as an international long-distance service which logged approximately 6.5 million minutes of outgoing traffic last year. The company's after-tax profit rose 29.2 per cent in 1997 to US\$17.7 million on turnover of US\$227.4 million, up 70.5 per cent.

First Pacific's Managing Director, Manuel V. Pangilinan, said: "Smart has consistently been among the Philippines' fastest-growing companies, with its cellular subscriber base growing nearly 150 per cent in the last 18 months alone. By establishing its own digital network, Smart will ensure that it can tap into a wider customer base while adding a fuller range of services to those who require them.

"From First Pacific's perspective, injecting funds directly into Smart allows us to participate more fully in the company's future revenue stream. It also enhances Smart's already formidable position as the Philippines' leading integrated telecoms company.

"This funding commitment complements First Pacific's recent injection of equity into several other major affiliates, including Metro Pacific in the Philippines, Berli Jucker in Thailand and Darya-Varia in Indonesia. By using its balance sheet to strengthen these companies, First

Pacific intends to enable these businesses to enhance their market position when the competition is at its most vulnerable," Mr Pangilinan concluded.