



SMART COMMUNICATIONS, INC.

Smart at a Glance

Smart Communications, Inc. is the Philippines' leading wireless services provider with 25.5 million subscribers on its GSM network as of end-March 2007, equivalent to approximately 58 percent market share.

A wholly owned subsidiary of the country's dominant telecommunications carrier, the Philippine Long Distance Telephone Company (PLDT), Smart operates a nationwide cellular network and a satellite phone service. It has the most extensive and modern digital communications GSM network and infrastructure in the country, covering over 99 percent of the population. As of end-March 2007, Smart's GSM network consists of 36 switches and 6,065 base stations, over 2,600 of which are equipped with wireless broadband capability. Smart also has over 1,000 3G base stations nationwide.

Smart offers the widest array of cellular service brands designed to address the needs of different market segments. Of the total subscriber base served, 18.1 million are under the brands *Smart Buddy*, *Smart Gold* and *Smart Infinity*. The remaining 7.4 million are serviced through its subsidiary Pilipino Telephone Corp. (Piltel) under the GSM brand *Talk 'N Text*.

History

THE BEGINNING

Anticipating the liberalization of the telecommunications industry in the Philippines in 1992, Smart Communications, Inc. (then named Smart Information Technology, Inc.) was organized in January 1991 by a group of Filipino investors led by Orlando B. Veja and David T. Fernando.

The Company obtained its congressional franchise in April 1992 and was granted a provisional authority to operate a mobile cellular service in May 1993. In February 1994, Smart commenced commercial operations of its cellular service.

By then, Smart had drawn in strategic partners who brought in managerial and technical expertise, and, contributed substantial financial resources. These were: First Pacific Company Limited, a Hong Kong-based conglomerate, its Philippine flagship Metro Pacific Corporation and Nippon Telegraph and Telephone Corporation of Japan (NTT) – one of the world's largest telecommunications company.

In compliance with the government's telecommunications program, Smart established a local exchange service in the cities and provinces assigned to it under the "service area scheme." The Company also obtained licenses to provide international gateway, paging and inter-carrier transmission services.

REWRITING THE RULES

Smart built its business and eventually attained leadership of the mobile phone industry by breaking conventions and rewriting the rules of the cellular game.

In the early 1990s, cellular phones were considered luxury items with a limited market consisting of business executives, professionals and government officials. Smart broadened the market and made cellular phones available to a wider range of people.



Instead of charging high monthly fees and airtime rates, Smart introduced its *PriceBuster* Plan, which offered subscribers a choice of monthly service plans going as low as the then unheard-of sum of only P120. The Company launched this revolutionary plan with a hugely successful advertising campaign that featured a “Man with a Bat” smashing glass barriers to owning a cellular phone.

Using a well-developed analog platform called TACS (Total Access Communications System), Smart rapidly rolled out a cellular network with its own nationwide digital transmission system.

By February 1997, three years after it commenced commercial operations, Smart had won over 360,000 subscribers and become the Philippines’ largest cellular operator.

GOING DIGITAL

In April 1999, with digital cellular services gaining popularity in the Philippines, Smart launched its post-paid GSM service called *Smart Gold*. Operating on the 900 and 1800 radio frequency bands, this was the Philippines’ first dual band digital cellular service. In October 1999, the Company launched its pre-paid GSM service called *Smart Buddy*. This set the stage for the explosive growth of Smart’s GSM service in 2000.

Smart’s GSM subscriber base soared from about 191,000 in end-1999 to over 2.3 million by end-2000. Including Piltel’s over 300,000 *Talk ‘N Text* subscribers, the total number of subscribers using Smart’s GSM network added up to over 2.6 million in 2000. As of end-March 2007, Smart and *Talk ‘N Text* subscribers already accounted for 58 percent market share with 25.5 million subscribers.

This remarkable growth was made possible by an aggressive marketing and distribution effort coupled with an unprecedented expansion of Smart’s GSM network. The Company also continues to come out with innovative wireless services.

WIRELESS SERVICES LEADER

In November 1998, First Pacific Company acquired a controlling stake in the PLDT, the Philippines’ largest telecommunications company.

In March 2000, First Pacific, its Philippine affiliate Metro Pacific, and NTT, swapped their shares in Smart for shares in PLDT. As a result, Smart became a wholly owned subsidiary of PLDT.

Smart, together with Piltel and PLDT subsidiary ACeS Philippines Cellular Satellite Corp., form the wireless business division of the PLDT Group.

As part of its integration into the PLDT Group, Smart turned over its local exchange network to PLDT. In turn, Smart took over the management of the cellular business of Piltel. ACeS Philippines, which offers in the country the satellite phone service provided by ACeS International has also been integrated into Smart.

With the mobile phone business continuing to grow, the outlook for Smart remains robust. The Company has upped the ante by taking the lead in developing new wireless services that range from information to entertainment to electronic commerce.

Wireless Phone Services

- *Smart Gold*. The Company’s original, most broad-based postpaid brand, introduced in 1999.



- *Smart Buddy*. Introduced in 1999, *Smart Buddy* prepaid users comprise 98 percent of the Company's subscribers.
- *Smart Link*. Smart's prepaid satellite telephony service. It utilizes the ACeS satellite technology, which covers the entire Asia-Pacific Region with three gateways in Indonesia, Thailand and the Philippines. ACeS satellite has a footprint covering 11 million square miles in the Asia-Pacific region. Smart now offers its satellite phone services in more than 10 countries.
- *Smart Infinity*. Introduced in January 2004, *Smart Infinity* is a premium postpaid plan that offers round-the-clock dedicated personal concierge service, international assistance service, premium handset packages and exclusive lifestyle content.
- *1528 SMART*. Launched in Hong Kong in August 2004, *1528 SMART* is a prepaid GSM mobile phone service offering in Hong Kong designed and packaged to cater to the Filipino community. It is the product of the partnership of Hong Kong CSL Ltd. and PLDT (HK) Ltd./ PLDT Global, in close collaboration with Smart.
- *Smart 25/8 Unlimited Call and Text*. On March 11, 2005, the *Smart 25/8 Unlimited Call and Text* one-month promo was launched. The promo, which gives Smart and *Talk 'N Text* prepaid subscribers the option to avail of unlimited on-network voice calls or unlimited on-network texts, is Smart's test for the apparent market demand for fixed rate or "bucket" plans for voice and text services. Smart extended the promo on April 21, 2005 by another 30 days.
- *Smart WiFi*. Launched on June 15, 2005, *Smart WiFi* is a revolutionary high-speed broadband Internet service of Smart, initially available to residents in selected provincial areas in the country. The service offers fixed wireless broadband Internet connection up to twice the speed of dial-up. *Smart WiFi* utilizes Smart's nationwide cellular network to wirelessly link the computer to the Internet.
- *Smart 3G*. On February 14, 2006, *Smart 3G* was made available to customers on a free-trial basis. On May 1, 2006, enhanced and enriched *Smart 3G* services were made commercially available to customers. More than local and international video calling, *Smart 3G* also offers content that includes real time video streaming of TV shows and downloads of movie trailers, music videos, anime and vacation spots. Other content includes real time traffic videos in major thoroughfares in key cities.
- *SMART Click Internet Café & More*. On April 5, 2006, *SMART Click Internet Café & More* was launched in Basco, Batanes. *SMART Click* will serve as a neighborhood one-stop digital shop in places with limited or no provisions for high-speed Internet and other related computer and desktop publishing services. Smart will use a dedicated wireless broadband connection providing speeds of up to 1 MBps. Smart aims to make Internet services accessible in towns in provinces nationwide, even in so-called 'uncharted territories'.
- *Smart Bro*. On April 23, 2006, *Smart Bro* was unveiled, the new brand for Smart's wireless broadband offering, marking a move from its earlier *Smart WiFi* brand. Parent firm Philippine Long Distance Telephone Company (PLDT) will also be reselling *Smart Bro*. Customers who avail of the Smart Bro service will enjoy new promotional bundles. The launch of *Smart Bro* underscores the strategy of the PLDT group to provide its customers with the widest range of broadband connectivity solutions and establish its leadership in the broadband market nationwide.
- *Smart Pinoy*. In 2006, Smart officially created a unique brand that caters to the overseas Filipino workers (OFWs). On December 7, 2006, *Smart Pinoy* was launched in Bahrain,



followed by a launch in Qatar on February 9, 2007. The brand encompasses products and services geared towards the OFW family, such as remittance services through text.

- *Smart Financial Services Hub*. On February 12, 2007, at the 3GSM Congress in Barcelona, Spain, Smart announced that it would launch pilot projects in the Middle East and Europe offering low-cost remittance services using its mobile phone-based financial services platform. Called the *Smart Financial Services Hub*, the platform will enable mobile operators and banks to serve the remittance needs of migrant populations in their respective countries. Through the platform, migrant workers will be able to send remittances to their countries via SIM-based services anytime, anywhere – all at the speed of a text message.
- *Mobile TV*. In December 2006, SMART and MediaQuest Holdings began testing a mobile TV platform that delivers programming to cellular handsets that support the Digital Video Broadcasting–Handheld (DVB-H) standard. The test broadcast service, which was unveiled in March 2007 by PLDT and SMART chairman Manuel V. Pangilinan, is initially available in Metro Manila, Cebu and Davao and offers nine channels including 24-hour news channels CNN, BBC World and CNBC, sports channel Basketball TV, leisure and entertainment channels like Jack TV and Fashion TV and music channel MTV.

World-first Innovations

- *Smart Money*. Launched in December 2000 in cooperation with 1st eBank (now Banco de Oro Universal Bank after it was acquired) and MasterCard, one of the world's leading payment services providers. *Smart Money* is the only reloadable electronic cash card that works with Smart GSM mobile phones.

Smart Money has received two international awards – Most Innovative GSM Wireless Service for Customers given by the GSM Association in Cannes, France in 2001; and Most Innovative Service, Asia-Pacific Marketing Awards of MasterCard International in Sydney, Australia in 2001.

- *Smart Load*. Introduced in May 2003, it is a revolutionary over-the-air (OTA) prepaid reloading service offering airtime in sachet-like packages. The service makes available four types of retail packages: *Economy* worth PhP30, *Regular* worth PhP60, *Extra*, which sells for PhP115, and a PhP200 package.

The GSM Association in February 2004 recognized Smart Load as the Best Mobile Application or Service for the Consumer Market. In May 2004, it was again recognized as the Most Innovative Application of the Year at the Frost and Sullivan Asia Pacific Technology Awards 2004 in Singapore. Smart was cited as the Innovator of the Year for its *Smart Load* service during the 1st Raul Locsin Award for Business Excellence held in Makati, Philippines in September 2004. Smart Load was also cited as finalist in the Stockholm Challenge Award 2006.

- *Pasa Load* (transfer load). Introduced in December 2003, it is a service that allows *Smart Buddy* and *Talk 'N Text* subscribers to pass on to each other PhP15, PhP10, PhP5 or PhP2 worth of their own airtime balances.
- *SMART Padala*. Launched on August 1, 2004, it is the first international cash remittance service through text. *Padala* is a Filipino household word akin to remittance, which is a means of financial support from the estimated eight million family members or relatives working abroad. *Smart Padala Domestic* was launched in June 2005.



SMART Padala was one of the 12 finalists in the Asian Innovation Awards 2004 held in Singapore in October 2004. Presented by Asia's premier business magazine Far Eastern Economic Review, Smart was the only Philippine company that made it to the finals.

- *Smart Remit*. On April 29, 2007, Smart set another world-first for successfully testing its text-based remittance service with selected overseas Filipino workers (OFWs) in Bahrain. It is the first over-the-air foreign currency remittance done using the mobile phone. These OFWs were able to send remittances to their beneficiaries in the Philippines, check the balance of their local accounts and determine how much their remittance would amount to in Philippine pesos using their mobile phones.

Smart Remit will be officially launched within 2007. It will offer low-cost, secure remittance services using the *Smart Financial Services Hub*. Through the platform, migrant workers will be able to send remittances to their countries via SIM-based services anytime, anywhere – all at the speed of a text message.

Awards

May 2006	Finalist (Smart Load) Economic Development Category Stockholm Challenge 2006 Stockholm, Sweden
June 2005	Gold Prize Winner (SMART) Most Outstanding M2M Implementation Telecommunications Category M2M Value Chain Awards Chicago, Illinois, USA
June 2005	Mobile Operator of the Year, Philippines Asian MobileNews Awards 2005 Singapore
October 2004	Finalist (SMART Padala) Asian Innovation Awards 2004 Far Eastern Economic Review Singapore
September 2004	Business of the Year 1 st Raul Locsin Award for Business Excellence Innovator of the Year Smart Load 1 st Raul Locsin Award for Business Excellence
May 2004	Asia Pacific Wireless Service Provider of the Year Frost and Sullivan Asia Pacific Technology Awards 2004 Singapore Most Innovative Application of the Year Smart Load Frost and Sullivan Asia Pacific Technology Awards 2004 Singapore



April 2004	Best Managed Company in the Philippines (PLDT/SMART) Best in Investor Relations in the Philippines (PLDT/SMART) 2nd Best in Corporate Governance in the Philippines (PLDT/SMART) FinanceAsia
February 2004	Best Mobile Application or Service for the Consumer Market (Smart Load) GSM Association, Cannes, France
December 2003	Winner (for the Smart Mobile Commerce Platform) 4th Annual Intelligent20 Awards Singapore
April 2003	Philippines' Best Employer in an Asia-wide study The Asian Wall Street Journal and Far Eastern Economic Review, Management Association of the Philippines and Business World; Hewitt Associates
2003, 2002, 2001, 2000 1998	Top 10 Philippine Companies in terms of Corporate Leadership - SMART Far Eastern Economic Review
2002	Second Best Employer in the Philippines Far Eastern Economic Review
2001	Most Innovative GSM Wireless Service for Customers – SMART Money GSM Association, Cannes, France
2001	Most Innovative Service – SMART Money Asia-Pacific Marketing Awards, MasterCard International Sydney, Australia
1997	Marketing Company of the Year 18 th Agora Awards Philippine Marketing Association

Community Partnerships

Education

- In March 2003, Smart launched the *SMART Wireless Engineering Education Program*. *SWEET* is a pioneering industry-academe partnership in the Philippines that seeks to help raise the level of education in the field of Electronic and Communication Engineering by providing hands-on training and lectures on the latest developments in wireless technologies.

This is done through the setting up of wireless laboratories consisting of telecommunications equipment and the periodic deployment of Smart engineers in partner schools to provide technical expertise on various network elements and disciplines under a continuing educational program. Smart has already forged partnerships with over 40 academic institutions.

- In December 2004, Smart launched the *Smart Schools Program*, which aims to bring Internet connectivity to performing public high schools nationwide, even in remote areas. Teacher



Learning Resource Centers equipped with Internet-enabled computer laboratories are set up, while those with existing computer labs are provided Internet links.

The program has three components: Access, Content, and Training. Through the PLDT group's wide range of connectivity solutions, Smart is providing for Internet access. Smart is also working on building online content for e-learning. Launched in partnership with PBSP and Microsoft Philippines, the *Smart Schools Program* has adopted 100 schools as of end-March 2007.

Entrepreneurship

- In July 2004, Smart launched the *Smart Entrepreneurial Program (SEP)* for college students and alumni of universities and colleges nationwide. SEP offers free seminars on entrepreneurship. SEP consists of three modules – Starting a Business, Financing the Business, and Business Opportunities Using Smart Products and Services. Smart has partnered with 63 schools for SEP and has trained over 20,000 students nationwide.

Community Building

- In 2004, Smart entered into a partnership with the *Gawad Kalinga Foundation* to provide houses and new livelihood opportunities to communities ravaged by natural and other disasters and to homeless Filipinos. Smart, together with parent firm PLDT and PLDT Foundation, has adopted seven *Amazing GK Villages* in communities nationwide:
 - ❑ Baseco Compound, Tondo, Manila, for urban poor fire victims;
 - ❑ General Nakar, Quezon province, for landslide and flood victims;
 - ❑ Camp Abubakar, Barira, Maguindanao province, for members of the Iranun tribe who lost their homes during the 'all out war' in 2000;
 - ❑ Talamban, Cebu City, Cebu, for informal settlers;
 - ❑ Arevalo, Iloilo City, Iloilo, for street children and their families;
 - ❑ Fort Magsaysay, Laur, Nueva Ecija, for families of soldiers of the Armed Forces of the Philippines; and
 - ❑ St. Bernard, Southern Leyte, for the mudslide victims.

Subsidiaries



PILTEL

Pilipino Telephone Corp.

Pitel is a 92.1 percent-owned subsidiary of Smart. It is the third largest cellular mobile telephone service provider in the country with 7.4 million subscribers as of end-March 2007. Pitel provides a prepaid GSM service, known as *Talk 'N Text*, using the GSM platform of Smart. *Talk 'N Text* was launched in April 2000.



i-Contacts Corporation (i-CON)

i-CON is a wholly-owned subsidiary of Smart and is a multi-channeled contact center that provides companies with access to its customers via voice, fax, internet and Short Messaging System (text messages). To date, more than 100 million calls have been served.



Formally launched on June 1, 2001 in the Philippines as an independent contact center, the company has been serving Smart's call center requirements since 1994. Evolving from a standard call center into a multi-channel contact center operation, the company now has four contact center facilities in operation backed by the largest fixed and mobile communication infrastructures in the country.



Wolfpac Mobile, Inc.

Wolfpac is majority-owned by Smart. In October 2003, Smart acquired an 80 per cent interest in the company. Wolfpac is one of Smart's leading content providers and the only Philippine content provider to have been nominated twice at the annual GSM Congress in France for its successes in application development. The acquisition provides Smart with the opportunity to have a direct link to the content development community, a key differentiator in cellular service.



Smart Broadband, Inc.

Smart Broadband is a wholly owned subsidiary of Smart. It is the former Meridian Telekoms, Inc., which was acquired by Smart in September 2004.

Smart Broadband is the wireless broadband and data services arm of Smart. It operates under a legislative franchise (Republic Act 8337) and has provisional authorities to operate issued by the Philippines' National Telecommunications Commission.



Smart Money Holdings Corporation (SMHC)

SMHC is a wholly owned subsidiary established in January 2002. The company developed the Mobile Commerce Platform in collaboration with Smart, and international and local firms specializing on secure financial payment, system integration, and SIM technology. The *Smart Money* card is its by-product. The platform has been recognized as a key innovation and won awards at the GSM Association at the 3GSM 2001 Congress in Cannes and at the Australian conference for MasterCard in early 2001.