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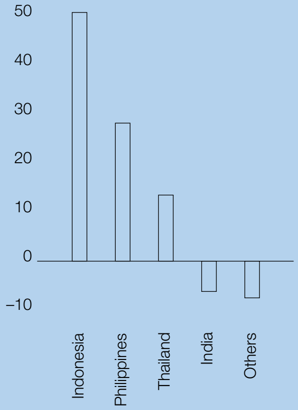
REVIEW OF OPERATIONS CONTRIBUTION SUMMARY

US$millions	Turnover 2001	Turnover 2000	Contribution to Group (loss)/profit[i] 2001	Contribution to Group (loss)/profit[i] 2000
Indofood	**1,414.9**	1,490.3	**48.1**	55.7
PLDT[ii]	**–**	–	**42.8**	25.6
Smart[iii]	**–**	80.5	**–**	(9.0)
Metro Pacific	**134.4**	240.0	**(14.6)**	(6.4)
Escotel[ii]	**–**	–	**(6.2)**	(11.8)
Infrontier	**1.5**	–	**(9.1)**	–
FROM CONTINUING BUSINESSES	**1,550.8**	1,810.8	**61.0**	54.1
FROM DISPOSED BUSINESSES[iv]	**300.9**	488.4	**17.8**	34.4
FROM OPERATIONS	**1,851.7**	2,299.2	**78.8**	88.5
Corporate overhead			**(12.4)**	(13.2)
Net finance charges			**(21.0)**	(25.7)
Other (expenses)/income			**(0.8)**	1.4
RECURRING PROFIT			**44.6**	51.0
Foreign exchange losses			**(22.4)**	(143.5)
(Loss)/gain on disposal and dilution of shareholdings and asset impairment provisions			**(1,819.2)**	143.7
(LOSS)/PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS			**(1,797.0)**	51.2

(i) After taxation and outside interests, where appropriate.
(ii) Associated companies.
(iii) Merged with PLDT on 24 March 2000.
(iv) Represents Berli Jucker, Darya-Varia, Savills plc, First Pacific Bank and SPORTathlon.

CONTRIBUTION BY COUNTRY 2001
US$millions

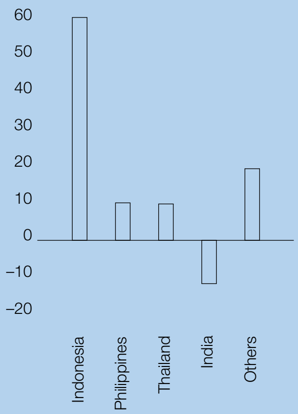


During the year, the Group's continuing businesses improved their performance by 13 per cent to US$61.0 million, while recurring profit was down 13 per cent to US$44.6 million, reflecting the absence of contributions from disposed businesses. As a consequence of US$1.7 billion of asset impairment provisions, taken to better align First Pacific's book values with market values as at 31 December 2001, and losses on the disposal of non-core assets, First Pacific's attributable loss for the year was US$1.8 billion.

The Group's operating results are denominated in local currencies – principally the peso and rupiah – which are translated and consolidated to provide the Group's U.S. dollar denominated results. The depreciation of these currencies against the U.S. dollar is summarized below and illustrates continued weakness through to 31 December 2001.

Exchange rates against the U.S. dollar For the year ended 31 December	2001	2000	One year change
CLOSING			
Peso	**51.60**	49.96	–3.2%
Rupiah	**10,400**	9,650	–7.2%
Rupee	**48.25**	46.72	–3.2%
Baht	**44.20**	43.16	–2.4%
AVERAGE			
Peso	**51.04**	44.67	–12.5%
Rupiah	**10,294**	8,523	–17.2%
Rupee	**47.24**	45.07	–4.6%
Baht	**44.51**	40.43	–9.2%

CONTRIBUTION BY COUNTRY 2000
US$millions



The effect of this weakness on the Group's U.S. dollar denominated results was to reduce the translated U.S. dollar value of local currency results. It is estimated that this has had an adverse impact on the December 2001 results of approximately US$12.9 million.

At the operational level, weaker local currencies increase the cost of imported raw materials, which has the effect of eroding margins. In addition, the servicing costs of foreign currency denominated debt are increased, and unrealized exchange gains or losses arising on the translation of monetary assets and liabilities are recognized in the profit and loss statement.

INDOFOOD

Eva Riyanti Hutapea
President Director and CEO

Michael J.A. Healy
Commissioner

Ronald A. Brown
Commissioner

Joseph H.P. Ng
Commissioner

PT Indofood Sukses Makmur Tbk is the leading processed-foods group in Indonesia. The principal businesses of Indofood are Noodles, Flour and Edible Oils and Fats. It also has interests in Distribution, Food Seasonings, Baby Foods and Snack Foods.

Indofood's operations are denominated in rupiah, which averaged Rupiah 10,294 (2000: 8,523) to the U.S. dollar, and its financial results are prepared under Indonesian GAAP and reported in rupiah. First Pacific's financial results are prepared under Hong Kong GAAP and reported in U.S. dollars. Accordingly, certain adjustments need to be made to Indofood's reported rupiah results to ensure compliance with Hong Kong GAAP. An analysis of such adjustments follows.

	2001	2000
	Rupiah mln	Rupiah mln
Net income under Indonesian GAAP	**746,330**	646,172
Differing accounting treatments[i]	**26,792**	(81,906)
Foreign exchange[ii]	**258,695**	622,648
Adjusted net income under Hong Kong GAAP	**1,031,817**	1,186,914
	US$ mln	US$ mln
Translated into U.S. dollars at prevailing average rates of 2001: Rupiah 10,294 and 2000: Rupiah 8,523	**100.2**	139.3
Contribution to First Pacific Group profit, at an average shareholding of 2001: 48.0% and 2000: 40.0%[iii]	**48.1**	55.7

(i) These adjustments arise because of differences in accounting for certain items under Indonesian GAAP, as applied by Indofood, and Hong Kong GAAP, as applied by First Pacific. Principal adjustments include:
- Pension expenses: Following a recent change in Indonesian GAAP, Indofood now accrues all pension liabilities, while previously it accounted for such costs on a cash basis. First Pacific has always accrued pension related liabilities. As accounting treatments are now consistent, First Pacific no longer needs to adjust for recorded pension costs with effect from 2001 (2000: Rupiah 92.8 billion).
- Foreign exchange: Under Indonesian GAAP, Indofood is permitted to capitalize and amortize certain exchange differences. Under Hong Kong GAAP, the treatment is to recognize such losses, even though unrealized, in the profit and loss. While Indofood's current policy is to record foreign exchange differences through the profit and loss, certain exchange losses were capitalized in previous years and, accordingly, First Pacific has reversed the amortization of such capitalized foreign exchange differences.

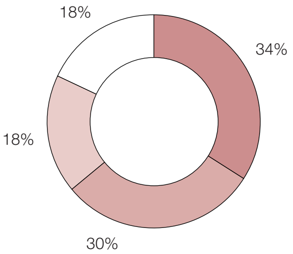
(ii) To illustrate underlying operations, contribution from operations is shown before exchange differences. Accordingly, First Pacific has excluded exchange losses, net of related tax, and presented these items separately.
(iii) First Pacific increased its interest in Indofood by eight per cent, to 48 per cent, in December 2000.

An analysis of Indofood's contribution to the First Pacific Group, adjusted for Hong Kong GAAP and translated into U.S. dollars, follows.

	Turnover			Profit		
US$millions	**2001**	**2000**	**% change**	**2001**	**2000**	**% change**
Instant Noodles	**475.3**	519.0	–8.4	**77.3**	103.5	–25.3
Flour	**419.9**	394.4	+6.5	**62.6**	81.5	–23.2
Edible Oils and Fats	**262.2**	305.2	–14.1	**38.3**	67.3	–43.1
Others	**257.5**	271.7	–5.2	**25.1**	19.9	+26.1
Total	**1,414.9**	1,490.3	–5.1			
OPERATING PROFIT				**203.3**	272.2	–25.3
Share of profits less losses of associates				**(0.6)**	0.1	–
Net borrowing costs				**(45.3)**	(49.7)	+8.9
PROFIT BEFORE TAXATION				**157.4**	222.6	–29.3
Taxation				**(45.3)**	(68.1)	+33.5
PROFIT AFTER TAXATION				**112.1**	154.5	–27.4
Outside interests				**(64.0)**	(98.8)	+35.2
CONTRIBUTION TO GROUP PROFIT				**48.1**	55.7	–13.6

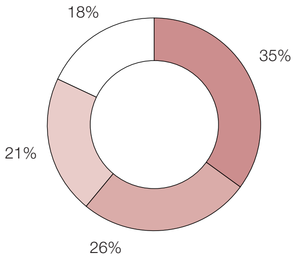
For 2001, Indofood contributed a profit of US$48.1 million (2000: US$55.7 million), positioning Indofood as the largest contributor to Group profits. During the year the rupiah declined to 10,400 against the U.S. dollar in December 2001, from 9,650 at the start of 2001.

INDOFOOD TURNOVER
2001



US$millions	
Instant Noodles	475.3
Flour	419.9
Edible Oils and Fats	262.2
Others	257.5
Total	**1,414.9**

2000



US$millions	
Instant Noodles	519.0
Flour	394.4
Edible Oils and Fats	305.2
Others	271.7
Total	**1,490.3**

A weaker rupiah in 2001 has largely contributed to the decline in Indofood's contribution; rupiah denominated net sales revenue increased by 15 per cent to Rupiah 14.6 trillion (2000: Rupiah 12.7 trillion), whereas U.S. dollar denominated equivalent revenues declined five per cent to US$1,414.9 million (2000: US$1,490.3 million).

All of Indofood's divisions recorded increased sales revenues, with the exception of Baby Foods which did not record comparable aid-related sales in 2001. Indofood's principal divisions of Instant Noodles, Flour and Edible Oils and Fats recorded growth of 11 per cent, 29 per cent and four per cent, respectively, in rupiah terms.

A weaker rupiah also resulted in increasing the costs of imported U.S. dollar denominated raw materials – principally wheat, packaging materials and fuel oil – thereby eroding Indofood's gross margin to 26.4 per cent (2000: 29.4 per cent). Despite this, Indofood's gross profit improved by three per cent to Rupiah 3.9 trillion (US$0.4 billion). Increased transportation and salary costs contributed to the decline in Indofood's rupiah operating margin to 13.9 per cent (2000: 18.9 per cent).

Despite the contraction in operating profit, Indofood's reported rupiah net income grew by 15 per cent to Rupiah 746.3 billion (US$72.5 million), principally because of lower foreign exchange losses due to lower balances of U.S. dollar denominated debt. Indofood continued to generate strong cash flows, recording EBITDA of US$232.9 million – equivalent to US$19 million per month – in 2001.

INSTANT NOODLES sales reached 9.03 billion (2000: 8.95 billion) packs in 2001, as Indofood's concerted efforts to recover declining volumes began to pay off during the fourth quarter. Indofood produces and markets more than 100 varieties of noodles including soup-style, stir-fry style, air-dried, cup, snack and egg noodles. Sales are principally to the domestic market with two per cent of total volumes exported. Brand 'Indomie' leads sales.

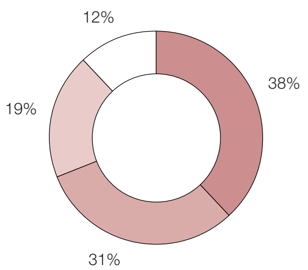
Rupiah revenues, which account for 34 per cent of Indofood's total 2001 sales, increased by 11 per cent to Rupiah 4,892.3 billion (US$475.3 million) as average price increases of 10 per cent were effected, resulting in an average selling price per pack in 2001 of Rupiah 542 (U.S. 5.3 cents). Despite increased prices, the rupiah gross margin declined to 28.6 per cent (2000: 31.7 per cent) as a weaker rupiah increased the cost of imported raw materials, principally flour. The rupiah operating margin declined to 15.8 per cent (2000: 19.8 per cent) as transportation, advertising and staffing costs increased.

FLOUR recorded a 29 per cent growth in revenues to Rupiah 4,322.1 billion (US$419.9 million), contributing 30 per cent of Indofood's total 2001 sales. Bogasari Flour Mills has milling capacity of 3.6 million metric tons and has, since the deregulation of the Indonesia wheat milling market in July 1998, moved beyond bulk milling to producing tailored consumer products for both household and commercial use. It now offers a wide range of branded flour products to meet the differing needs of noodle, bread, biscuit and snack producers and has captured 70 per cent of the total market.

Growth in Flour revenues reflects a five per cent growth in volumes to 2.2 million metric tons (2000: 2.1 million metric tons) and a 19 per cent increase in prices which, in 2001, averaged Rupiah 2,255 (U.S. 22 cents) per kilogram. The rupiah gross margin declined to 23.1 per cent (2000: 27.2 per cent) as U.S. dollar denominated wheat costs increased, while the rupiah operating margin declined to 14.5 per cent (2000: 20.7 per cent) due to increased marketing and promotional spending as Bogasari Flour Mills continued to build its brands during 2001.

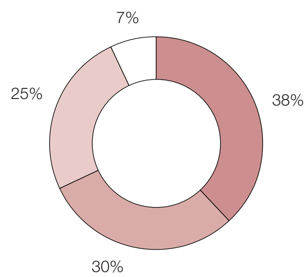
BRANDED EDIBLE OILS AND FATS, which includes cooking oils for household and industrial use, margarine and shortenings, grew volumes by five per cent to 404.3 thousand metric tons (2000: 385.5 thousand metric tons) and average selling prices by three per cent to Rupiah 3,574 (U.S. 35 cents) per kilogram. The 51.9 per cent (2000: 58.5 per cent) rupiah gross margin was affected by the increased cost of raw materials, while the 32.2 per cent (2000: 43.1 per cent) rupiah operating margin declined on increased transportation costs.

INDOFOOD
OPERATING PROFIT
2001



	US$millions
Instant Noodles	77.3
Flour	62.6
Edible Oils and Fats	38.3
Others	25.1
Total	**203.3**

2000



	US$millions
Instant Noodles	103.5
Flour	81.5
Edible Oils and Fats	67.3
Others	19.9
Total	**272.2**

COMMODITY EDIBLE OILS AND FATS revenues were down two per cent to Rupiah 1,625.5 billion (US$157.9 million), principally due to a lower contribution from export sales of coconut oil (CNO) based products, which were down 27 per cent to 195 thousand metric tons, despite a decline in copra prices. A weaker rupiah resulted in increased costs of raw materials as crude palm oil (CPO) prices increased 11 per cent to Rupiah 2,285 (U.S. 22 cents) per kilogram, and the rupiah gross margin declined to 7.3 per cent (2000: 13.8 per cent).

OTHERS Collectively, Indofood's Distribution, Food Seasonings, Baby Foods, Snack Foods and Other businesses contributed 18 per cent of Indofood's total revenues. Distribution, Food Seasonings and Snack Foods grew rupiah revenues by 10 per cent, 30 per cent and 62 per cent, respectively, while Baby Foods revenues declined by 14 per cent as a consequence of fewer aid-related sales. Volume growth was 33 per cent for Snack Foods and four per cent for Food Seasonings, and all divisions effected price increases and recorded improved rupiah gross margins during 2001. Food Seasonings improved its rupiah operating margin, while those for the other businesses declined principally due to increased fuel and marketing costs.

During 2001 Indofood repaid some US$200 million of U.S. dollar equivalent debt, thereby improving Indofood's debt-to-equity ratio to 1.6 times (2000: 2.1 times) and its net gearing ratio to 1.3 times (2000: 1.5 times). As at 31 December 2001, Indofood had Rupiah 5.8 trillion (US$559.3 million) of debt, of which approximately 62 per cent was U.S. dollar denominated. Approximately 90 per cent of Indofood's U.S. dollar denominated debt was, and remains, hedged. Cash balances at year-end were Rupiah 834.4 billion (US$80.2 million), of which approximately 16 per cent is U.S. dollar denominated.

During the year, Indofood acquired shareholder approval for a share buy back plan, through which it would repurchase up to 10 per cent of its outstanding shares, and for an employee stock ownership plan. By end February 2002, Indofood had bought back 225 million shares, a quarter of the number it intends to repurchase, at an average price of approximately Rupiah 680 per share. The share buy back program, which is to be implemented in stages up to 30 November 2002, will continue for as long as the repurchase of shares continues to provide greater returns to shareholders than alternate uses of cash. In addition, Indofood has returned to paying dividends and proposes to increase 2001's dividend payout to 30 per cent of earnings. In order to strengthen further Indofood's corporate governance practices, independent commissioner representation is to be increased to three at the next AGM.

Having responded to the challenges of declining margins and increased competition in 2001, Indofood is geared to improve its operations in 2002 as it adopts a 'Back to Basics' strategy focusing on organic growth through leveraging core strengths. Indofood will focus on its domestic food interests, in tandem with maximizing productivity and efficiency, and, accordingly, is set to achieve stronger returns from operations and improved EBITDA. This, together with cash available at the end of 2001 and, if necessary, new borrowings, will provide sufficient funds to settle all of Indofood's maturing loans in 2002. Capital expenditure will be reviewed to ensure this is the best use of available cash and, in order to secure adequate supply of CPO as only 45 per cent of Indofood's requirement is supplied by its own plantations, Indofood is seeking to enter into long-term purchase contracts with domestic suppliers.

PLDT


Manuel V. Pangilinan
President and CEO


Napoleon L. Nazareno
President and CEO,
Smart Communications

Philippine Long Distance Telephone Company (PLDT) is the largest and most diversified telecommunications company in the Philippines. Its businesses are organized into three main segments: Fixed Line (principally through PLDT), Wireless (principally through wholly-owned subsidiary Smart Communications (Smart)), and Information and Communications Technology (principally through wholly-owned subsidiary ePLDT).

PLDT's operations are principally denominated in pesos, which averaged Pesos 51.04 (2000: 44.67) to the U.S. dollar, and its financial results are prepared under Philippine GAAP and reported in pesos. First Pacific's financial results are prepared under Hong Kong GAAP and reported in U.S. dollars. Accordingly, certain adjustments need to be made to PLDT's reported peso results to ensure compliance with Hong Kong GAAP. An analysis of such adjustments follows.

	2001	2000
	Pesos mln	Pesos mln
Net income under Philippine GAAP	**3,418**	1,108
Differing accounting treatments:[i]		
– Foreign exchange	**2,400**	1,000
– Fair values	**2,600**	900
– Others	**220**	1,170
Intragroup items[ii]	**275**	1,000
Adjusted net income under Hong Kong GAAP	**8,913**	5,178
	US$ mln	US$ mln
Translated into U.S. dollars at prevailing average rates of 2001: Pesos 51.04 and 2000: Pesos 44.67	**174.6**	115.9
Contribution to First Pacific Group profit, at an average shareholding of 2001: 24.5% and 2000: 22.1%[iii]	**42.8**	25.6

(i) These adjustments arise because of differences in accounting for certain items under Philippine GAAP, as applied by PLDT, and Hong Kong GAAP, as applied by First Pacific:
- Foreign exchange losses: Under Philippine GAAP, PLDT is permitted to capitalize and amortize exchange differences. Under Hong Kong GAAP, the treatment is to recognize such losses, even though unrealized, in the profit and loss account. Exchange differences are separately disclosed and accordingly no adjustment is necessary. However, an adjustment is required to reverse the amortization of PLDT's capitalized foreign exchange differences, as the originating exchange difference has already been written off by First Pacific. This adjustment is higher in 2001 due to the peso's significant depreciation in 2000.
- Fair values on acquisition: First Pacific made certain fair value adjustments at the time of its acquisition of PLDT, such that certain PLDT assets are held at different values. Accordingly, First Pacific reverses depreciation and provisions at the PLDT level in relation to those assets that First Pacific has already written down. This adjustment is higher in 2001 due to increased charges incurred by PLDT in 2001 in respect of its investment in Piltel.
- Others: In 2000, PLDT applied 'pooling of interests' accounting in respect of its acquisition of Smart. First Pacific's policy is to apply 'acquisition' accounting and, accordingly, Smart's first quarter 2000 losses were reinstated as these losses were separately reported by First Pacific.

(ii) These are standard consolidation adjustments to ensure that transactions between Group companies are eliminated to present the Group as a single economic entity. The year on year decline is principally due to the full repayment by Smart, during 2000, of an interest-bearing loan from First Pacific.

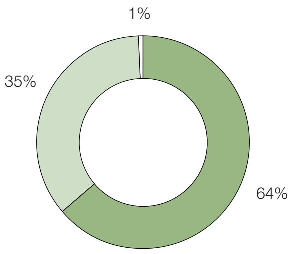
(iii) Increase in Group shareholding is due to the acquisition of an eight per cent interest in PLDT, from Metro Pacific, in September 2000.

An analysis of PLDT's contribution to the First Pacific Group, adjusted for Hong Kong GAAP and translated into U.S. dollars, follows.

	Turnover			Profit		
US$millions	2001	2000	% change	2001	2000	% change
Fixed Line	**918.4**	1,022.2	–10.2	**395.7**	406.2	–2.6
Wireless	**513.9**	307.0	+67.4	**110.3**	(30.0)	–
ICT*	**9.2**	5.3	+73.6	**(6.1)**	(1.6)	–281.3
Total	**1,441.5**	1,334.5	+8.0			
OPERATING PROFIT				**499.9**	374.6	+33.4
Share of profits less losses of associates				**0.8**	0.3	+166.7
Net borrowing costs				**(267.9)**	(230.3)	–16.3
PROFIT BEFORE TAXATION				**232.8**	144.6	+61.0
Taxation				**(47.5)**	(62.7)	+24.2
PROFIT AFTER TAXATION				**185.3**	81.9	+126.3
Outside interests				**19.4**	36.3	–46.6
PROFIT FOR THE YEAR				**204.7**	118.2	+73.2
Preference share dividends				**(30.1)**	(28.0)	–7.5
PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS				**174.6**	90.2	+93.6
Average shareholding (%)				**24.5**	22.1	–
CONTRIBUTION TO GROUP PROFIT				**42.8**	25.6	+67.2

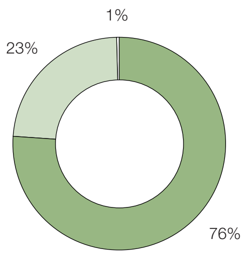
*Information and Communications Technology

PLDT
TURNOVER
2001



	US$millions
Fixed Line	918.4
Wireless	513.9
Information and Communications Technology	9.2
Total	**1,441.5**

2000



	US$millions
Fixed Line	1,022.2
Wireless	307.0
Information and Communications Technology	5.3
Total	**1,334.5**

PLDT recorded strong growth in earnings in 2001 and returned a contribution of US$42.8 million, up 67 per cent year on year. In reported peso terms, consolidated operating revenues, net operating income and net income improved by 17 per cent, 42 per cent and 208 per cent, respectively. PLDT's EBITDA margin remained strong at 53 per cent.

FIXED LINE, PLDT's foundation business segment, recorded respectable growth despite the phenomenal success of Cellular, subscribers of which now outnumber Fixed Line subscribers by three to one. As a percentage of consolidated operating revenues, Fixed Line revenues declined to 64 per cent in 2001 (2000: 76 per cent) due to the significant growth in PLDT's Wireless businesses, which increased its contribution to 35 per cent.

Fixed Line revenues reached Pesos 46.9 billion (US$918.4 million) in 2001, up two per cent, with growth largely from Local Exchange and Data services, which together make up 57 per cent of Fixed Line revenues.

Local Exchange benefited from an increase in the average number of billed lines in service and currency linked adjustments. Data services, which includes the provision of traditional bandwidth, broadband and packet-based services, continued to expand its range of services resulting in a corresponding 61 per cent growth in revenues. Revenues from Data, which is PLDT's fastest growing segment, continue to grow in size and significance and, at Pesos 4.8 billion (US$94.0 million), now represent 10 per cent of total Fixed Line revenues.

International and National Long Distance businesses returned weaker results in 2001. Despite an 18 per cent improvement in inbound international minutes, related revenues were eroded by declining international settlement rates and the effects of PLDT's recently adopted policy of requiring the prepayment of accepted traffic from certain second-tier international carriers. Over time, the effects of this policy change, which has the benefit of controlling uncollectible receivables, will stabilize. Outbound call volumes grew by 20 per cent, however revenues declined on lower prices.

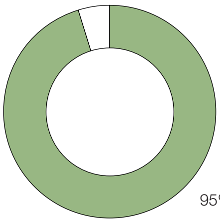
National Long Distance revenues were adversely affected by lower call volumes, which have been negatively impacted by alternate means of communicating, including cellular, SMS (or text messaging) and email, and price reductions introduced to encourage use.

WIRELESS, which includes cellular, satellite, very small aperture terminal (VSAT) and other services, turned to profit in 2001 and now accounts for 35 per cent (2000: 23 per cent) of PLDT's operating revenues.

Cellular, which accounts for 96 per cent of the total revenues of Wireless, fuelled the recovery and growth of this segment, principally through the 75 per cent gain in cellular revenues from Smart. Underpinning this was strong subscriber growth as Smart closed the year with 4.9 million (2000: 2.9 million) subscribers, while Piltel, reseller of Smart's GSM service under its Talk 'N Text brand, closed with 1.5 million (2000: 0.7 million) subscribers. Over the year, Smart and Piltel more than doubled their combined GSM subscriber base to almost six million (2000: 2.7 million), with Piltel growing its Talk 'N Text subscriber base to 1.3 million subscribers from 0.4 million subscribers one year earlier. The PLDT Wireless group strengthened its market position and now holds 57 per cent of the total cellular market.

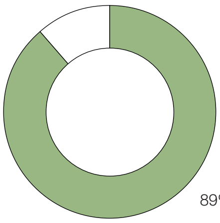
Subscriber growth has been driven in part by the phenomenal growth of the Philippines' cellular phone culture, with cellular penetration now 14 per cent, compared with four per cent for the fixed line market. In addition, the popularity of SMS, as a preferred means of communication, continues to grow with 12.3 billion (2000: 3.9 billion) outgoing messages sent over Smart's network

PLDT
CELLULAR SUBSCRIBERS
2001



Prepaid	6,062,844
Postpaid	306,006
Total	**6,368,850**

2000



Prepaid	3,114,471
Postpaid	400,822
Total	**3,515,293**

during 2001. This translates to 23,483 messages every minute of every day during 2001, and the ratio of text to voice calls now stands at nine text messages to one minute of voice. Text revenues rose accordingly to Pesos 6.2 billion (US$121.5 million) in 2001, averaging Pesos 17 million (US$333,000) a day.

Smart continues to explore and develop new and innovative service options and, in March 2001, was awarded the Most Innovative GSM Service Award at the 3rd GSM Congress held in Cannes, France. During 2001, subscribers were able to utilize a diverse range of such value added offerings including Smart Money for purchase transactions; Mobile Banking to effect a menu of banking-related options, and Smart zed™ to customize and tailor information-to-phone requirements.

Prepaid subscribers typically return lower ARPUs than postpaid subscribers, and now make up 95 per cent of Smart's total subscriber base. Over 2001, prepaid ARPU was Pesos 591, compared with Pesos 1,853 for postpaid ARPU. In an effort to stabilize APRUs, Smart completed on 1 January 2002 a phased reduction in its allocations of free SMS calls to subscribers.

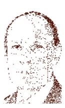
INFORMATION AND COMMUNICATIONS TECHNOLOGY is operated through ePLDT which provides infrastructure and services for Internet applications, Internet-protocol based solutions and multi-media content delivery. Internet access services are also provided through ePLDT's subsidiary Infocom Technologies, Inc. ePLDT is a wholly-owned subsidiary of PLDT and its principal business is the operation of VITRO™, an Internet data centre that provides co-location services, hosting, software and hardware maintenance services, managed services, shared applications, data disaster recovery and business continuity services, and security services. A recently formed entity, ePLDT is in its nascent stage of development and is currently operating at a loss. However, ePLDT continues to roll out its services such that revenues, while modest in absolute terms, have almost doubled over 2001 and now contribute almost one per cent of PLDT's operating revenues.

In 2001 PLDT, at the parent level, began to undertake a series of liability management initiatives designed to address its maturing debts. Between 2002 and 2004, PLDT has US$1.3 billion of debt obligations maturing, of which approximately half is targeted to be serviced through internally generated cash flows. To this end, PLDT pared back capital expenditures in 2001 to Pesos 9.7 billion (US$190.0 million) and reduced cash operating spend over successive quarters during the year. Debt management will remain a top priority for PLDT management with 2002 capital expenditure, PLDT's largest spend, capped at Pesos 8.5 billion (US$164.7 million). PLDT recently secured a US$149.0 million facility from Kreditanstalt fur Wiederaufbau (KfW) of Germany, and remains in on-going discussions with other lenders. Other financing options are also being considered, including a partial sale of Smart, as a means of addressing PLDT's longer-term obligations.

In 2002, PLDT will continue to maximize the utilization of PLDT's Fixed Line infrastructure to support PLDT's Wireless, and Information and Communications Technology businesses. Continued growth in Cellular subscribers and ARPUs will also be pursued through the introduction of further value added services, as Smart continues its quest to transform the mobile handset into a multi-purpose device. PLDT will also continue to nurture and develop its data and network related operations to become longer-term drivers of value, and will manage its Fixed Line business to further enhance its strong cash flows.

METRO PACIFIC

Manuel V. Pangilinan
Chairman, President and CEO



Edward A. Tortorici
Executive Director and
Chief Operations Advisor

Metro Pacific Corporation is based and separately listed in Manila and principally holds interests in property developers Bonifacio Land Corporation, Pacific Plaza Towers and Landco Pacific.

Metro Pacific's operations are denominated in pesos, which averaged Pesos 51.04 (2000: 44.67) to the U.S. dollar, and its financial results are prepared under Philippine GAAP and reported in pesos. First Pacific's financial results are prepared under Hong Kong GAAP and reported in U.S. dollars. Accordingly, certain adjustments need to be made to Metro Pacific's reported peso results to ensure compliance with Hong Kong GAAP. An analysis of such adjustments follows.

	2001	2000
	Pesos mln	Pesos mln
Net (loss)/income under Philippine GAAP	**(23,211)**	2,234
Non-recurring items(i)	**20,918**	1,069
Intragroup items(ii)	**716**	(4,664)
Foreign exchange(iii)	**273**	454
Differing accounting treatments(iv)	**381**	180
Reallocation of share of Smart's results(v)	**–**	370
Adjusted net loss under Hong Kong GAAP	**(923)**	(357)
	US$ mln	US$ mln
Translated into U.S. dollars at prevailing average rates of 2001: Pesos 51.04 and 2000: Pesos 44.67	**(18.1)**	(8.0)
Contribution to First Pacific Group profit, at an average shareholding of 2001: 80.6% and 2000: 80.6%	**(14.6)**	(6.4)

(i) Certain items, through occurrence or size, are not considered usual, operating items. In order to illustrate underlying recurring operational results, such items are reallocated and presented separately. Adjustments for 2001 principally relate to impairment provisions for development properties and other assets (totaling Pesos 19.2 billion at the Metro Pacific level), the effect of which is included in the Group impairment provision.
(ii) These are standard consolidation adjustments to ensure that transactions between Group companies are eliminated to present the Group as a single economic entity. In 2001, this principally related to the elimination of loan interest between Metro Pacific and First Pacific. In 2000, the adjustment mainly reflected the gain realized by Metro Pacific on the sale of its PLDT shares to First Pacific.
(iii) To illustrate underlying operations, contribution from operations is shown before exchange differences. As such, First Pacific has excluded exchange losses, net of related tax, and presented these items separately.
(iv) These adjustments arise because of differences in accounting for certain items under Philippine GAAP, as applied by Metro Pacific, and Hong Kong GAAP, as applied by First Pacific. Adjustments for 2001 principally represent the reversal of Metro Pacific's share of First e-Bank's losses, as First Pacific has already made full provision for this investment.
(v) Reallocation to separately disclose the combined interest of First Pacific and Metro Pacific in Smart. PLDT acquired Smart on 24 March 2000.

An analysis of Metro Pacific's contribution to the First Pacific Group, adjusted for Hong Kong GAAP and translated into U.S. dollars, follows.

	Turnover			Profit		
US$millions	**2001**	**2000**	**% change**	**2001**	**2000**	**% change**
Property						
Bonifacio Land Corp.	**25.5**	71.9	–64.5	**(4.6)**	21.7	–
Pacific Plaza Towers	**50.8**	70.7	–28.1	**5.1**	14.7	–65.3
Landco Pacific	**10.9**	10.3	+5.8	**3.0**	4.7	–36.2
Subtotal	**87.2**	152.9	–43.0	**3.5**	41.1	–91.5
Transportation(i)	**47.2**	48.3	–2.3	**4.9**	0.1	+4,800.0
Consumer/Packaging(ii)	**–**	38.8	–	**–**	2.7	–
Corporate overhead	**–**	–	–	**(4.6)**	(2.6)	–76.9
Total	**134.4**	240.0	–44.0			
OPERATING PROFIT				**3.8**	41.3	–90.8
Share of profits less losses of associates				**(0.6)**	(7.0)	+91.4
Net borrowing costs				**(36.2)**	(28.2)	–28.4
(LOSS)/PROFIT BEFORE TAXATION				**(33.0)**	6.1	–
Taxation				**4.6**	(8.5)	–
LOSS AFTER TAXATION				**(28.4)**	(2.4)	–1,083.3
Outside interests				**13.8**	(4.0)	–
GROUP SHARE OF LOSS				**(14.6)**	(6.4)	–128.1

(i) Negros Navigation.
(ii) These businesses were disposed in 2000.

In 2001, Metro Pacific recorded a loss of US$14.6 million, against a loss of US$6.4 million in 2000. The deficit reflected a depressed Philippine real estate market and the completion of Big

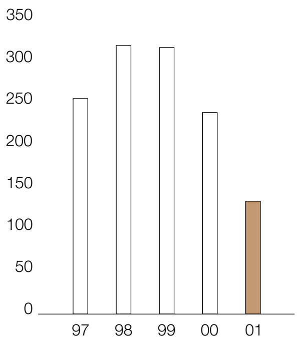
Delta, prompting the recognition in April 2000 of the remaining revenues and profits from prior land sales.

BONIFACIO LAND CORPORATION (BLC) holds a 55.0 per cent interest in Fort Bonifacio Development Corporation (FBDC), which is developing, in stages, 155 hectares of land in the former military base, Fort Bonifacio. Metro Pacific holds a 69.6 per cent interest in BLC. During 2001, BLC concluded two land sales; however, these were insufficient to generate comparable revenues to those recognized over recent years during the development of Big Delta. Prior to April 2000, revenues of Pesos 28.4 billion, from land sales made in 1996, were recognized over the period of the development of Big Delta, the horizontal infrastructure core of the development. By April 2000, when the project was completed on schedule and below budget, all revenues and profits on these 1996 land sales had been recognized. Accordingly, this accounts for the decline in turnover and profit in 2001.

Toward the end of 2001, agreement was reached on the sale of a five-hectare area, adjacent to the Manila Golf Course, for Pesos 2.5 billion (US$48.4 million), with the site earmarked for mixed-use development. This sale was concluded in early 2002. The retail Bonifacio Stopover and HatchAsia office developments were both completed and occupied during the year, and lease agreements were made with new Global City locators, most notably a 50-year lease with St. Luke's to build a Pesos 5 billion medical complex.

PACIFIC PLAZA TOWERS, Metro Pacific's signature residential project in the Bonifacio Global City, continued to attract interest with cumulative sales reaching 293 units by year-end (2000: 220 units). However, a depressed Philippine property market put Pacific Plaza Towers' margins under pressure.

METRO PACIFIC TURNOVER
US$millions



LANDCO PACIFIC improved its turnover as its Punta Fuego luxury development was completed and sold, however weak Philippine property market conditions also contributed to the erosion of Landco Pacific's margins.

NEGROS NAVIGATION improved its operating profit as it reaped the benefits of cost cutting measures and introduced efficiencies to sustain declines in both passenger and freight volumes.

In April 2001, First Pacific, through wholly-owned subsidiary Larouge BV (Larouge), advanced to Metro Pacific a US$90.0 million loan under terms and conditions approved by First Pacific's shareholders. The Larouge loan was extended to enable Metro Pacific to repay its convertible bonds and is secured by a pledge over BLC shares, which the Metro Pacific group owns, representing approximately 50.4 per cent of the issued share capital of BLC. At the time it was anticipated that Metro Pacific would be able to take advantage of the improved political and economic environment in the Philippines, due to changes in the presidency and administration, in order to raise appropriate funding locally. However, while BLC successfully refinanced Pesos 3.1 billion (US$60.1 million) of long-term commercial paper with a new Pesos 2.1 billion (US$39.8 million) fully secured seven-year facility in May 2001, no other financing options were implemented.

In September 2001, BLC auctioned its development rights in respect of the northern central business district of the Bonifacio Global City, but subsequently withdrew the offer when the terms and conditions of offers received were unacceptable.

The Larouge loan was due and payable in October 2001 and was extended to 31 December 2001 in light of Metro Pacific's decision to offer for sale its entire 69.6 per cent interest in BLC. At that time, Metro Pacific intended to repay the Larouge loan with proceeds from the sale of its controlling interest in BLC. However, due to the continued depressed real estate values in the Philippines, Metro Pacific has not yet been able to conclude such a sale and, in January 2002, advised First Pacific that it was unable to repay the outstanding loan and interest. First Pacific, as the senior secured creditor, has undertaken to co-manage with Metro Pacific the on-going sale of Metro Pacific's 69.6 per cent controlling interest in BLC. In the event of a sale agreement being reached, First Pacific will offer its 50.4 per cent secured interest in BLC as part of any sale.

Metro Pacific head office has Pesos 12.0 billion (US$232.6 million) of debt outstanding, which includes the US$90.0 million advanced by Larouge, and in March 2002 announced its intention to implement a debt reduction plan that may include the sale of assets, discussions with creditors for extended interest and principal repayment grace periods, the conversion of short-term loans into longer-term facilities, and the conversion of certain debts into Metro Pacific subsidiary equity. While the sale of BLC is on-going and continues to be a debt reduction option, Metro Pacific intends to also focus on enhancing and realizing the values of its investments in the Bonifacio Global City. First Pacific does not guarantee any of Metro Pacific's liabilities, and First Pacific, itself, remains a secured creditor of Metro Pacific. First Pacific will not infuse any additional funds into Metro Pacific as part of Metro Pacific's proposed debt reduction plan.

The resolution of Metro Pacific's debt and operational issues is management's key priority for 2002. Metro Pacific management will present its creditors with a viable business plan which, in conjunction with Metro Pacific's debt restructuring efforts, should eliminate concerns about Metro Pacific's future business prospects.

ESCOTEL

Manoj Kohli
CEO

Michael J.A. Healy
Director

Ronald A. Brown
Director

Joseph H.P. Ng
Director

Escotel Mobile Communications Limited is a GSM cellular telephone services provider based in New Delhi that commenced operations in 1996. Escotel operates in three circles: Uttar Pradesh (West), Haryana and Kerala.

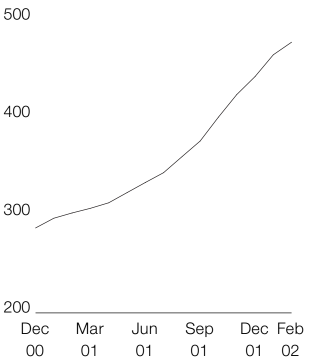
Escotel's operations are denominated and reported in rupees, which averaged Rupees 47.24 (2000:45.07) to the U.S. dollar. An analysis of Escotel's contribution to the First Pacific Group is detailed below.

	Turnover			Profit		
US$millions	2001	2000	% change	2001	2000	% change
Cellular	**53.5**	35.7	+49.9			
OPERATING PROFIT/(LOSS)				**16.1**	(2.7)	–
Net borrowing costs				**(28.7)**	(21.4)	–34.1
LOSS FOR THE YEAR				**(12.6)**	(24.1)	+47.7
Average shareholding (%)				**49.0**	49.0	
GROUP SHARE OF LOSS				**(6.2)**	(11.8)	+47.5

Escotel reduced its losses by almost half, contributing a loss of US$6.2 million in 2001. Revenues were up 50 per cent to Rupees 2.5 billion (US$53.5 million) as Escotel added subscribers at an average rate of 13,000 per month. Over 2001, Escotel's subscriber base grew 54 per cent to close the year at 441,504 (2000: 286,800), accounting for more than eight per cent of the overall Indian cellular market, and it continues to enhance its market leadership in all three of its markets.

ARPUs in 2001 averaged Rupees 532 (US$11.3) (2000: Rupees 684, US$15.2). This decline is attributable to the fact that 68 per cent of Escotel's subscribers are now on prepaid services.

ESCOTEL
SUBSCRIBER NUMBERS
thousands



In March 2001, Escotel put in place five-year financing when it refinanced US$75.2 million of offshore debt and secured a domestic debt facility equivalent to approximately US$112 million. These facilities enabled the repayment of short-term debt and provide the funds for the network enhancements necessary to support Escotel's growing subscriber base. Over the year, average interest rates were broadly similar with the increase in net borrowing costs largely attributable to higher average debt balances.

Escotel is the market leader in each of its three circles – garnering 100 per cent of Uttar Pradesh (West), 84 per cent of Haryana and 58 per cent of Kerala – and is sufficiently confident in its products as to be the first cellular company in India to give service guarantees to its subscribers. Escotel has also pioneered the provision of rural telephony, branded 'Grameen Phone Sewa', which is aimed at connecting remote villages by providing them cellular telephony at affordable cost. Escotel is rapidly approaching the half million subscribers mark and is now achieving an EBITDA margin of 50 per cent. During 2002, Escotel will seek to retain its market leadership while maximizing its network availability and utilization in order to grow both revenues and EBITDA.

INFRONTIER

Edward A. Tortorici
CEO

James T. Jones
Chief Operating Officer

Infrontier Limited offers business solutions that address all aspects of supply chain management including logistics, asset utilization, warehousing and manufacturing processes, sales automation, and demand planning and forecasting. Infrontier offers wireless applications that enable businesses and consumers to communicate and transact via a wireless environment. In support of these core businesses, Infrontier has a team of experienced and knowledgeable professionals who assist clients in the development, integration, implementation, and maintenance phases, and can also provide the technology infrastructure necessary to develop, manage and host client applications.

Infrontier's operations are denominated and reported in U.S. dollars and fee income revenues, excluding sales to Group companies, of US$1.5 million were generated. Half of Infrontier's total revenues relate to third party clients, which include large, local and multinational companies involved in the industries of logistics, consumer goods and pharmaceuticals. Approximately 60 per cent of revenues arose from Business Solutions, principally supply chain management related activities, and approximately 40 per cent from Technical and Professional Services, which operations cover the development and hosting of e-commerce solutions, consulting and regional support services. Infrontier contributed a loss of US$9.1 million as staff and consultancy costs offset revenues, while borrowings as at 31 December 2001 were US$1.5 million.

DISPOSED BUSINESSES

Savills plc contributed US$1.6 million (2000: US$6.0 million) prior to its disposal in March 2001. Berli Jucker and Darya-Varia, both of which were disposed in December 2001, contributed US$13.5 million (2000: US$9.9 million) and US$2.7 million (2000: US$5.0 million), respectively, prior to disposal.