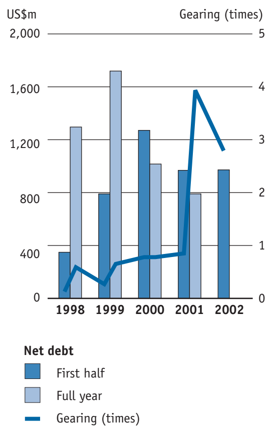
FINANCIAL REVIEW

The 2001 comparative figures for PLDT have been restated to reflect the consolidation of Piltel. Such adjustments have no material effect on the Group's results or shareholders' equity.

Net debt and gearing



LIQUIDITY AND FINANCIAL RESOURCES

CONSOLIDATED NET DEBT AND GEARING BY OPERATING COMPANY

	At 30 Jun 2002			At 31 Dec 2001		
US$ millions	Net debt(i)	Net assets	Gearing (times)	Net debt(i)	Net assets/ (liabilities)	Gearing (times)
Head Office	196.6	665.4	0.20x	83.3	693.5	0.09x
Indofood	518.0	495.2	1.05x	442.5	318.6	1.39x
Metro Pacific	257.7	164.1	1.57x	264.6	188.7	1.40x
Infrontier	–	–	–	0.1	(14.0)	–
Consolidated before goodwill reserve	972.3	1,324.7	0.73x	790.5	1,186.8	0.67x
Goodwill reserve	–	(976.4)	–	–	(985.8)	–
Consolidated after goodwill reserve	972.3	348.3	2.79x	790.5	201.0	3.93x

ASSOCIATED COMPANIES

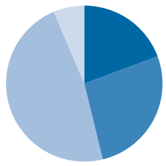
	At 30 Jun 2002			At 31 Dec 2001		
US$ millions	Net debt	Net assets/ (liabilities)	Gearing (times)	Net debt	Net assets/ (liabilities)	Gearing (times)
PLDT	3,744.7	1,823.0	2.05x	3,726.3	1,736.1	2.15x
Escotel	194.1	(27.1)	–	200.2	(22.7)	–

(i) Includes pledged deposits and excludes inter-company debt.

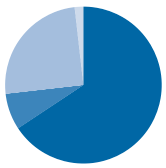
- Head Office gearing increased as a result of the repayment of the convertible bonds, including US$82.5 million of redemption premium that was previously classified within accounts payable.
- Indofood gearing declined as profits and a stronger rupiah enhanced net assets.
- Metro Pacific gearing increased mainly because of losses for the period, which resulted in reduced net assets.
- PLDT's gearing declined as profits enhanced net assets.

The maturity profile of consolidated debt follows. The lengthening of the debt maturity profile principally reflects the successful efforts of the Company and Indofood. The Head Office's convertible bonds were refinanced in March 2002 through a US$190 million two-year bank loan. Indofood's short-term debts were replaced through a US$100 million two-year term loan and US$280 million of five-year Euro-bonds.

Maturity profile of consolidated debt – 30 Jun 2002



Maturity profile of consolidated debt – 31 Dec 2001



MATURITY PROFILE OF CONSOLIDATED DEBT

US$ millions	At 30 Jun 2002	At 31 Dec 2001
Within one year	**227.1**	750.2
One to two years	**316.4**	86.0
Two to five years	**556.5**	285.1
Over five years	**75.4**	20.3
TOTAL	**1,175.4**	1,141.6

The maturity profile of the borrowings of the Group's associated companies follows. The lengthening of the debt maturity profile of PLDT primarily reflects the results of its liability management programme. Following Escotel's debt refinancing, which was completed in March 2001, there were no significant changes to Escotel's debt maturity profile.

ASSOCIATED COMPANIES

	PLDT		Escotel	
US$ millions	At 30 Jun 2002	At 31 Dec 2001	At 30 Jun 2002	At 31 Dec 2001
2002	**354.0**	567.8	**16.2**	22.2
2003	**610.2**	685.0	**28.7**	28.8
2004	**380.7**	515.8	**53.4**	53.8
2005	**467.4**	435.5	**67.0**	67.5
2006 and onwards	**2,153.5**	1,605.0	**31.1**	31.3
TOTAL	**3,965.8**	3,809.1	**196.4**	203.6

CHARGES ON GROUP ASSETS

At 30 June 2002, certain bank loans were secured on the Group's property and equipment, accounts receivables and inventories equating to a net book value of US$152.9 million (31 December 2001: US$163.7 million). The two-year bank loan of US$187.4 million at Head Office is secured on First Pacific's interests in Indofood, PLDT and Metro Pacific of 49.3 per cent, 15.8 per cent and 80.6 per cent, respectively.

FINANCIAL RISK MANAGEMENT

FOREIGN CURRENCY RISK

(A) Company risk

As all Head Office debt was denominated in U.S. dollars at 30 June 2002, and the US$190 million bank loan drawn down in January 2002 is denominated in HK dollars (which is pegged to the U.S. dollar at a fixed exchange rate), foreign currency risk relates mainly to the receipt of cash dividends and to the translation of non-U.S. dollar denominated investments in subsidiary and associated companies.

FINANCIAL REVIEW

The Company actively reviews the potential benefits of hedging forecast dividend flows. However, the Company does not actively seek to hedge risks arising on the translation of foreign currency denominated investments, due to the non-cash nature of such investments and the high costs associated with such hedging. Accordingly, First Pacific is exposed to the impact of foreign currency fluctuations on the translated U.S. dollar value of its foreign currency denominated investments.

With the exception of Escotel and the Head Office, the principal components of the Company's adjusted net asset value (NAV) relate to investments denominated in pesos or rupiah. Accordingly, any depreciation of these currencies, from their level at 30 June 2002, would have a negative impact on the Company's NAV in U.S. dollar terms.

The following table illustrates the estimated impact on the Company's adjusted NAV for a one per cent depreciation of the peso and rupiah against the U.S. dollar.

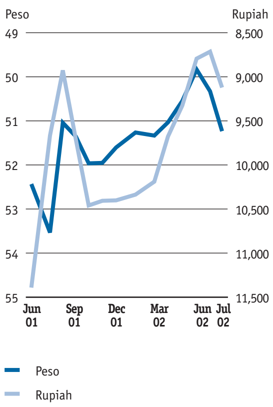
Company	Effect on adjusted NAV US$m	Effect on adjusted NAV per share HK cents
Indofood	(5.42)	(1.35)
PLDT	(3.03)	(0.75)
Metro Pacific	(0.83)	(0.21)
TOTAL[(i)]	**(9.28)**	**(2.31)**

(i) The NAV of the Group's investment in Escotel is based on historic U.S. dollar cost and, accordingly, any depreciation of the rupee would not affect the Company's adjusted NAV.

(B) Group risk

The Group's operating results are denominated in local currencies – principally the rupiah, peso and rupee – which are translated and consolidated to give the Group's U.S. dollar denominated results. The changes of these currencies against the U.S. dollar is summarized below:

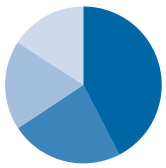
Peso and Rupiah closing rates against the U.S. dollar



Closing:	At 30 Jun 2002	At 31 Dec 2001	Six months change	At 30 Jun 2001	One year change
Peso	**50.33**	51.60	2.5%	52.43	4.2%
Rupiah	**8,713**	10,400	19.4%	11,390	30.7%
Rupee	**48.86**	48.25	-1.2%	47.04	-3.7%

Average:	Six months ended 30 Jun 2002	12 months ended 31 Dec 2001	Six months change	Six months ended 30 Jun 2001	One year change
Peso	**50.72**	51.04	0.6%	50.17	-1.1%
Rupiah	**9,505**	10,294	8.3%	10,661	12.2%
Rupee	**48.81**	47.24	-3.2%	46.77	-4.2%

Analysis of total borrowings by currency



CONSOLIDATED NET DEBT BY CURRENCY

First Pacific's policy is for each operating entity to borrow in local currency where possible. However, it is often necessary for companies to borrow in U.S. dollars, which results in the risk of a translation impact on local currency results. A summary of consolidated net debt by currency follows.

US$ millions	US$	Peso	Rupiah	HK$	Total
Total borrowings	497.8	274.1	216.1	187.4	**1,175.4**
Cash and bank balances(i)	(56.2)	(16.6)	(128.3)	(2.0)	**(203.1)**
NET DEBT	**441.6**	**257.5**	**87.8**	**185.4**	**972.3**
Representing:					
Head Office	11.4	(0.2)	–	185.4	**196.6**
Indofood	430.2	–	87.8	–	**518.0**
Metro Pacific(ii)	–	257.7	–	–	**257.7**
NET DEBT	**441.6**	**257.5**	**87.8**	**185.4**	**972.3**

ASSOCIATED COMPANIES

US$ millions	US$	Peso	Yen	Rupee	Total
PLDT	3,265.2	195.1	284.4	–	**3,744.7**
Escotel	75.2	–	–	118.9	**194.1**

(i) Includes pledged deposits.

(ii) Excludes the Head Office inter-company loan of US$90.0 million.

As a result of unhedged U.S. dollar net debt, the Group's results are sensitive to fluctuations in the U.S. dollar exchange rate. The following table illustrates the estimated impact on the Group's reported profitability for a one per cent depreciation in the principal operating currencies of subsidiary and associated companies. This does not reflect the indirect impact on the Group's operational results, as a consequence of changes in local currency revenues and costs, due to fluctuations in the U.S. dollar exchange rate.

US$ millions	Total US$ exposure	Hedged amount(i)	Unhedged amount(i)	Profit impact of 1% currency depreciation	Group profit impact(ii)
PLDT	3,265.2	(675.5)	2,589.7	(25.9)	**(4.3)**
Metro Pacific(iii)	90.0	–	90.0	(0.9)	**(0.5)**
TOTAL PHILIPPINES	**3,355.2**	**(675.5)**	**2,679.7**	**(26.8)**	**(4.8)**
Indofood (Indonesia)	430.2	(310.0)	120.2	(1.2)	**(0.4)**
Escotel (India)	75.2	(47.0)	28.2	(0.3)	**(0.1)**
Head Office(iv)	11.4	–	11.4	–	**–**
TOTAL	**3,872.0**	**(1,032.5)**	**2,839.5**	**(28.3)**	**(5.3)**

(i) Excludes the impact of "natural hedges".

(ii) Net of tax effect.

(iii) Represents Head Office inter-company loan of US$90 million.

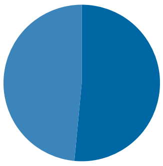
(iv) As the Group reports its results in U.S. dollars, unhedged U.S. dollar debt and HK dollar debt at the Head Office do not give rise to any significant exchange exposure.

FINANCIAL REVIEW

INTEREST RATE RISK

The Company and the majority of its operating entities are exposed to changes in interest rates to the extent that they impact the cost of variable interest rate borrowings. An analysis of consolidated net debt and an interest rate profile, together with details for associated companies, follows.

Interest rate profile



CONSOLIDATED

US$ millions	Fixed interest rate borrowings	Variable interest rate borrowings	Cash and bank balances[i]	Net debt
Head Office	150.0	87.4	(40.8)	**196.6**
Indofood	385.9	278.0	(145.9)	**518.0**
Metro Pacific[ii]	69.4	204.7	(16.4)	**257.7**
CONSOLIDATED	**605.3**	**570.1**	**(203.1)**	**972.3**

ASSOCIATED COMPANIES

US$ millions	Fixed interest rate borrowings	Variable interest rate borrowings	Cash and bank balances	Net debt
PLDT	1,861.9	2,103.9	(221.1)	**3,744.7**
Escotel	137.9	58.5	(2.3)	**194.1**

(i) Includes pledged deposits.

(ii) Excludes Head Office inter-company loan of US$90.0 million.

The following table illustrates the estimated impact, on the Group's reported profit, of a one per cent increase in average annual interest rates for those entities that hold variable interest rate borrowings.

US$ millions	Variable interest rate borrowings	Profit impact of 1% increase in interest rates	Group profit impact[i]
Head Office	87.4	(0.9)	**(0.9)**
Indofood	278.0	(2.8)	**(1.0)**
Metro Pacific	204.7	(2.0)	**(1.1)**
PLDT	2,103.9	(21.0)	**(3.5)**
Escotel	58.5	(0.6)	**(0.3)**
TOTAL	**2,732.5**	**(27.3)**	**(6.8)**

(i) Net of tax effect.

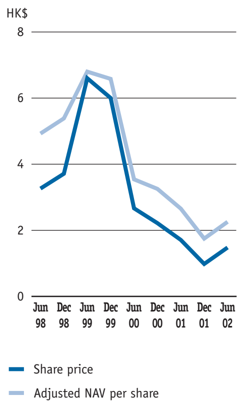
EQUITY MARKET RISK

As the majority of its investments are in listed entities, the Company is exposed to fluctuations in the equity values of those companies in which it has invested. In addition, the value of the Company's investments may be impacted by sentiment towards specific countries.

First Pacific's listed investments are located in Indonesia and the Philippines. Accordingly, in addition to operating factors within the Company's control, the Company also has an equity market risk in respect of general investor sentiment towards these countries. Changes in the stock market indices of Indonesia and the Philippines, during the first half of 2002, follows.

	Jakarta Composite Index	Philippines Composite Index
At 31 Dec 2001	392.04	1,168.08
At 30 Jun 2002	505.00	1,156.35
Increase/(decline) during first half of 2002	28.8%	-1.0%

Share price vs adjusted NAV per share



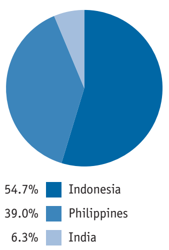
ADJUSTED NET ASSET VALUE PER SHARE

The underlying worth of the Group, assessed by computing the adjusted net asset value (NAV) of each business as determined by its quoted share price (or in cases where a company is not listed, its book carrying cost), is calculated as follows:

		30 Jun 2002		31 Dec 2001
US$ millions	**Basis**	**Adjusted NAV**	**Invested Capital(i)**	**Adjusted NAV**
PLDT	(ii)	303.1	1,241.0	333.6
Indofood	(ii)	542.4	706.6	264.2
Metro Pacific	(ii)	83.4	648.8	87.2
Escotel	(iii)	63.0	63.0	63.0
Infrontier	(iv)	–	24.0	17.2
HEAD OFFICE				
– Net debt		(196.6)	(196.6)	(83.3)
– Other liabilities		–	–	(84.6)
– Receivables(v)		107.4	107.4	98.2
TOTAL VALUATION	(iv)	902.7	2,594.2	695.5
NUMBER OF ORDINARY SHARES IN ISSUE (millions)		3,139.8	3,139.8	3,139.8
Value per share				
– U.S. dollar		0.29	0.83	0.22
– HK dollars		2.24	6.44	1.73
Company's closing share price (HK$)		1.46	1.46	0.96
Share price discount to HK$ value per share (%)		34.8	77.3	44.5

(i) Before impairment provisions effected in 2001.
(ii) Adjusted NAV is based on quoted share prices applied to the Company's economic interest.
(iii) Adjusted NAV is based on investment cost.
(iv) No value has been attributed to the Group's investment in Infrontier and Metrosel.
(v) Represents loan and accrued interest due from Metro Pacific.

Adjusted NAV by country – 30 Jun 2002



FINANCIAL REVIEW

EMPLOYEE INFORMATION

Six months ended 30 Jun US$ millions	2002	2001
REMUNERATION		
Basic salaries	**50.9**	44.7
Bonuses	**7.5**	7.8
Benefits in kind	**12.1**	8.7
Pension contribution	**1.1**	13.3
TOTAL	**71.6**	74.5

	2002	2001
NUMBER OF EMPLOYEES		
– As at 30 Jun	**48,500**	51,828
– Average for the period	**47,045**	50,274

For details regarding the Group's remuneration policies for Directors and Senior Executives, please refer to page 78 of First Pacific's 2001 Annual Report.