

Managing Director and Chief Executive Officer's Letter



Dear Fellow Shareholder

2006 has been a year of transition for First Pacific.

I am pleased to report that all aspects of our businesses have performed above expectations during the year. PLDT continues to do well and has recorded its fourth consecutive year of record profits. Indofood faced a difficult macro-environment characterized by higher operating costs and demanding competition. However, with its successful reengineering programs and the growth in its distribution network and competency, Indofood has produced results in excess of targets.

Developments at Metro Pacific Investments Corporation (MPIC), our new listed business in the Philippines and successor to Metro Pacific Corporation, have also been encouraging. The debt workout and recapitalization plan that we undertook for the Metro Pacific Group was finalized in 2006 and together with our new strategic partner in MPIC, Ashmore Investment Management Limited, we were successful in the bidding for Maynilad Water Services in the Philippines.

During the year, we have assessed a number of investment opportunities in line with our investment strategy. We have recently strengthened our position in our strategic investment PLDT by acquiring an additional 6.4 per cent shareholding. We will continue to remain selective in our investment process and decisions. It is our belief that the value creating opportunity has to

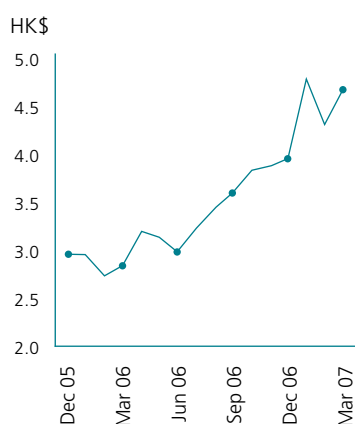
be one that makes absolute sense from an investment perspective and, as well, enables us to influence key Board or management functions, such that we can effect critical changes that may be necessary in order to realize value. We will continue to be guided by these criteria.

Looking ahead to 2007, our view is positive.

PLDT will continue to grow by way of more innovative product and service offerings in its traditional fixed and wireless businesses, and through its call center and BPO activities. The upgrading of its fixed-line infrastructure to the Next Generation Network (NGN) will enhance its ability to handle greater volume of data communication, enhance its voice business, and provide a platform for the delivery of new content offerings at very affordable prices. As these solutions are evaluated, developed and launched, we should expect to see PLDT consolidate its position further as the leader in products and profits in the Philippine telecommunications landscape.

Indofood will strive to maintain the growth in volume it has achieved in 2006, by maximizing its extensive distribution system and its enhanced product slate. In addition, its recent investment in the plantation business will support a more robust revenue and profit growth in the future. Its strengthening competitive production position and the recent conclusion of the placement of

**First Pacific
Share Price Performance**



25 per cent of the enlarged share capital of its newly listed edible oils and fats business - IndoAgri - in Singapore has positioned this business for substantial expansion over the next few years. With new and broader product offerings being conceived by other divisions, Indofood will soon begin a new and exciting period of growth.

MPIC will seek new physical and social infrastructure projects, and ensure that Maynilad Water progresses with its business and its plans. We would expect some consolidation in 2007 within Maynilad Water as the management of our newly acquired water business will require time and resources to enhance water services to the population covered by the concession. It is after all a consumer products company—not simply a utility operation. We are confident that we can eventually unlock the potential of this business and build long-term value for MPIC.

With improved market outlook presented by the large games communities in Brazil and in India, our view of our online games business has turned positive for the year. However, the development of these two markets has been slower than we anticipated given the delayed introduction of technology and the latency in game development. In 2007, we would expect a substantial increase in the range and sophistication of the games to be released into these two markets. In the Philippines, we are to maintain our market leadership position through our merger with ePLDT's netGames.

We enter 2007 with optimism. Whilst the economic environment where we have made our investments will continue to be demanding, the fundamental strengths of our businesses reflected in their operating performance over the last twelve months signal that 2007 would be a positive year. At the same time, we are striving to balance our existing investment portfolio with new and significant investments in other countries within Asia - businesses that complement the sectors we currently operate in, and those that will continue enhancing shareholder value.

I would like to thank our shareholders most sincerely for their patient support during our 25th year and look forward to this continuing, as we exit our transition phase, and enter a new and dynamic stage in your Company's development.

Most cordially

MANUEL V. PANGILINAN
Managing Director and Chief Executive Officer

11 April 2007