

EXECUTIVE CHAIRMAN'S LETTER

To My Fellow Shareholders

I attempt, each year, to distil for you the salient factors that have challenged and shaped First Pacific during that year. Reflecting on one of the most complex and tumultuous years in First Pacific's history, the Gokongwei transaction clearly dominated our affairs in 2002. I do not propose to rehash here the details of this transaction but I would like to take this opportunity to comment about it, even briefly, particularly in light of my dual roles at First Pacific and PLDT.

Upon being advised of the terms and conditions of the deal, I made it clear to the Board that the commercial benefits of the transaction for First Pacific could be significant, and that it offered a value for PLDT which reflected its inherent worth at that time.

However, I had concerns relating to the terms of the transaction, to the hurdles – legal and otherwise – that it faced, and the time frame within which it was contemplated to be completed. The issue was also raised about securing adequate assurances that First Pacific would realize payment in full over the deferred payment period for both the shares in PLDT and in Bonifacio Land Corporation. At the strategic plane, relinquishing control over our telecoms investment at a time when it was clear that profits and cash flow were about to accelerate gave me pause. I have repeatedly raised these matters with our Board, and on separate occasions, with the Gokongwei Group itself.

To assure objectivity of process, I complied with the decision of our Board to form a "Transaction Committee" of which I would not be part. Also I agreed not to involve myself in the consideration of the transaction, and not be privy to confidential information relating to all aspects of it.

Over at PLDT, I took pains not to participate in Board proceedings where significant decisions affecting the deal were made by its own Board.

Events played themselves out and in the end, the Gokongwei deal was terminated.

We now bring with us the distressing lessons learned from this particular event, as the Board and Management head towards agreeing and executing a new strategy for First Pacific.

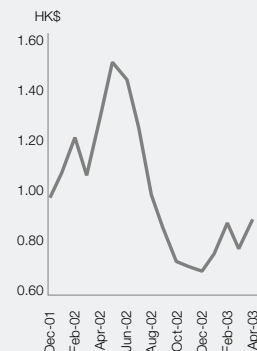
Indeed, I recognize that a number of the issues which prompted the Gokongwei transaction lie ahead of us still.

In this light, Management is now intently focused on charting a future for the Company that will, in time, address these issues. The working title for this strategy is 'Direction, Decisions' and it centres on three primary objectives:

- stability in First Pacific's financial position;
- clarity in First Pacific's underlying principles and strategic direction;
- cohesion in First Pacific's internal relationships.

We anticipate achieving these objectives by nurturing and developing sustainable value growth at Indofood and PLDT, First Pacific's core assets. The enhancement of the Group's investment in these enterprises, whether it is achieved organically or through acquisition, will underpin and ensure First

First Pacific
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Pacific's future growth. The specifics of the final plan, its implementation process and timetable, and the metrics by which progress and success will be measured, will be outlined in due course.

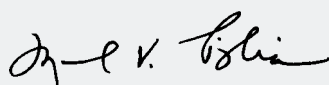
In closing, I would like to draw your attention to the achievements of 2002 that were overshadowed by other matters.

Operationally, the Group returned solid growth, despite the effects of disposals and regional risk concerns, and returned to profit, recording an attributable profit for 2002 of US\$40.1 million. In tandem, tangible progress was made in addressing debt-related issues across the Group: First Pacific repaid its US\$350 million convertible bonds; PLDT made headway in terming out its near term debt by raising US\$644 million and significantly reducing capital and operational expenditure; Indofood secured over US\$600 million of competitive financing to replace existing debt and more efficiently meet ongoing working capital and capital expenditure needs. On 17th April 2003, the US\$90 million Larouge loan was repaid in full as Metro Pacific reduced its total debt by 80 percent since 2002. In addition, Indofood successfully completed its share buy back program in November 2002, and maintained a thirty per cent dividend payout.

In 2003, we will continue to pursue financing related matters: having paid down First Pacific's debt to approximately US\$100 million, we will focus on refinancing the remaining debt, while both PLDT and Metro Pacific will forge ahead with their respective liability management plans. I am confident that the pursuit of this important goal, augmented by the 'Direction, Decisions' strategy that will be finalized and rolled out during the year, will ensure that First Pacific can again, as in the past where it saw setbacks, be revitalized.

I thank you most sincerely for your patience as we close what may have been a regrettable part of our story in 2002. It is my hope that with such closure, a productive beginning can be made for First Pacific, and a more composed and confident future achieved.

Sincerely



MANUEL V. PANGILINAN

Executive Chairman

17 April 2003