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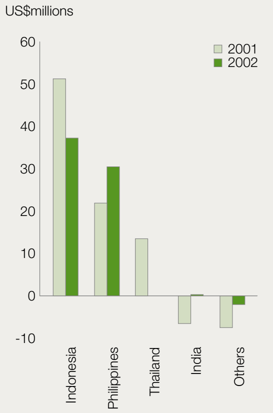
Contribution by Country




# REVIEW OF OPERATIONS
# CONTRIBUTION SUMMARY

| | Turnover | | Contribution to Group profit/(loss)[i] | |
|---|---|---|---|---|
| US$millions | **2002** | 2001 | **2002** | 2001 |
| Indofood | **1,777.3** | 1,414.9 | **37.7** | 48.1 |
| PLDT[ii] | **–** | – | **48.8** | 42.8 |
| Metro Pacific | **114.6** | 134.4 | **(18.7)** | (20.9) |
| Escotel[ii] | **–** | – | **0.1** | (6.2) |
| FROM CONTINUING BUSINESSES | **1,891.9** | 1,549.3 | **67.9** | 63.8 |
| FROM DISPOSED BUSINESSES[iii] | **0.4** | 302.4 | **(2.3)** | 8.7 |
| FROM OPERATIONS | **1,892.3** | 1,851.7 | **65.6** | 72.5 |
| Corporate overhead | | | **(9.0)** | (12.4) |
| Interest expense | | | **(15.4)** | (24.0) |
| Interest income | | | **9.1** | 9.3 |
| Other income/(expenses) | | | **0.8** | (0.8) |
| RECURRING PROFIT | | | **51.1** | 44.6 |
| Foreign exchange losses | | | **(11.0)** | (22.4) |
| Loss on disposal and provision for investments | | | **–** | (1,819.2) |
| PROFIT/(LOSS) ATTRIBUTABLE TO ORDINARY SHAREHOLDERS | | | **40.1** | (1,797.0) |

(i) After taxation and outside interests, where appropriate.
(ii) Associated companies.
(iii) Represents Infrontier in 2002, and Infrontier, Berli Jucker, Darya-Varia and Savills plc in 2001. Effective 30 April 2002, First Pacific reduced its interest in Infrontier to 19.0 per cent. Infrontier is now accounted for as a long-term investment.

During the year, the Group's turnover remained broadly unchanged at US$1,892.3 million (2001: US$1,851.7 million) reflecting improved underlying performances, offset by business disposals. First Pacific's continuing business interests improved their performance in 2002, recording profit contributions totaling US$67.9 million (2001: US$63.8 million), an increase of six per cent. Corporate overhead declined 27.4 per cent, to US$9.0 million, as cost cutting initiatives took effect, and net interest expense more than halved to US$6.3 million (2001: US$14.7 million) following the repayment of the Company's convertible bonds in March 2002. Recurring profit improved to US$51.1 million, from US$44.6 million in 2001, and the Group recorded lower foreign exchange losses on its unhedged borrowings, largely due to a stronger rupiah. Absent the asset impairment provisions of 2001, First Pacific returned to profit, recording an attributable profit for 2002 of US$40.1 million.

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

| Exchange rates against the U.S. dollar at 31 December | **2002** | 2001 | One year change |
|---|---|---|---|
| CLOSING | | | |
| Rupiah | **8,950** | 10,400 | +16.2% |
| Peso | **53.18** | 51.60 | –3.0% |
| Rupee | **47.94** | 48.25 | +0.6% |

| Exchange rates against the U.S. dollar for the year ended 31 December | **2002** | 2001 | One year change |
|---|---|---|---|
| AVERAGE | | | |
| Rupiah | **9,265** | 10,294 | +11.1% |
| Peso | **51.64** | 51.04 | –1.2% |
| Rupee | **48.58** | 47.24 | –2.8% |

The Group recorded US$11.0 million of exchange losses on its unhedged U.S. dollar denominated loans. This largely reflects losses due to a weaker peso, partly offset by gains arising on a stronger rupiah.

| Share Price | Rupiah |
|---|---|
| 31 December 2001 | 625 |
| High: 14 June 2002 | 1,250 |
| Low: 15 October 2002 | 475 |
| 31 December 2002 | 600 |
| 17 April 2003 | 725 |

# INDOFOOD

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

Indofood's operations are denominated in rupiah, which averaged Rupiah 9,265 (2001: 10,294) 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 these adjustments follows.

| | **2002** | 2001 |
|---|---|---|
| | **Rupiah mln** | Rupiah mln |
| Net income under Indonesian GAAP | **802,633** | 746,330 |
| Differing accounting treatments[i] | | |
| – Foreign exchange accounting | **54,434** | 54,434 |
| – Others | **(3,415)** | (27,642) |
| Adjusted net income under Hong Kong GAAP | **853,652** | 773,122 |
| Foreign exchange[ii] | **(151,318)** | 258,695 |
| Indofood's net income as reported by First Pacific | **702,334** | 1,031,817 |
| | **US$ mln** | US$ mln |
| Translated into U.S. dollars at prevailing average rates of 2002: Rupiah 9,265 and 2001: Rupiah 10,294 | **75.8** | 100.2 |
| Contribution to First Pacific Group profit, at an average shareholding of 2002: 49.8% and 2001: 48.0%[iii] | **37.7** | 48.1 |

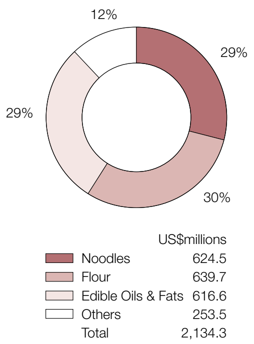
(i) Differences in accounting treatment under Indonesian GAAP, compared with Hong Kong GAAP. The principal adjustment is:
- Foreign exchange accounting: The adjustment relates to the reversal of the amortization of foreign exchange losses that were previously capitalized by Indofood on certain fixed assets under construction.

(ii) To illustrate the underlying operational results and profit contribution, exchange differences (net of related tax) are excluded and presented separately.

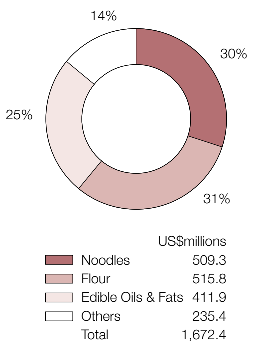
(iii) As a consequence of Indofood's share buy back program, First Pacific's shareholding in Indofood increased to 51.9 per cent by 31 December 2002. First Pacific's average shareholding during 2002 was 49.8 per cent.

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

**Indofood Turnover 2002**




**Indofood Turnover 2001**



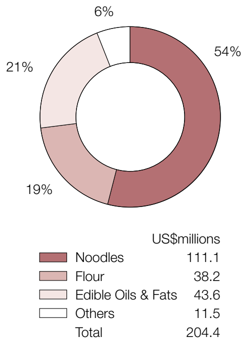

| | Turnover | | | Profit | | |
|---|---|---|---|---|---|---|
| US$ millions | **2002** | 2001 | % change | **2002** | 2001 | % change |
| Noodles | **624.5** | 509.3 | +22.6 | **111.1** | 104.4 | +6.4 |
| Flour | **639.7** | 515.8 | +24.0 | **38.2** | 44.2 | –13.6 |
| Edible Oils & Fats | **616.6** | 411.9 | +49.7 | **43.6** | 37.4 | +16.6 |
| Others | **253.5** | 235.4 | +7.7 | **11.5** | 17.3 | –33.5 |
| Inter-segment elimination | **(357.0)** | (257.5) | –38.6 | **–** | – | – |
| Total | **1,777.3** | 1,414.9 | +25.6 | | | |
| **OPERATING PROFIT** | | | | **204.4** | 203.3 | +0.5 |
| Share of profits less losses of associates | | | | **(0.1)** | (0.6) | +83.3 |
| Net borrowing costs | | | | **(68.5)** | (45.3) | –51.2 |
| **PROFIT BEFORE TAXATION** | | | | **135.8** | 157.4 | –13.7 |
| Taxation | | | | **(47.4)** | (45.3) | –4.6 |
| **PROFIT AFTER TAXATION** | | | | **88.4** | 112.1 | –21.1 |
| Outside interests | | | | **(50.7)** | (64.0) | +20.8 |
| **CONTRIBUTION TO GROUP PROFIT** | | | | **37.7** | 48.1 | –21.6 |

Indofood recorded a contribution of US$37.7 million (2001: US$48.1 million) to the Group, down 22 per cent year on year. The decline was largely attributable to increased borrowing costs, due to higher levels of debt to finance working capital, and a stronger rupiah that led to exchange gains being reported in 2002. To illustrate the underlying operational results, exchange differences are excluded and presented separately.

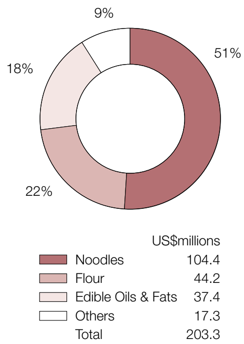
A concerted and focused marketing drive, as well as the launch of new products (for example, the more than 50 regional flavors range), underpinned the strong growth in **Noodles**, sales of which reached 9.8 billion (2001: 9.0 billion) packs in 2002. The average selling price per pack was marginally higher at Rupiah 557 (U.S. 6.0 cents), and rupiah denominated sales increased by 10 per cent to Rupiah 5.8 trillion (US$624.5 million). Sales are principally to the domestic market, with two per cent (2001: two per cent) of volumes exported. Higher production costs had the effect of eroding Noodles' rupiah gross margin to 31 per cent (2001: 32 per cent), while increased operating expenses, including selling and promotion expenses, contributed to the rupiah operating margin declining to 17 per cent (2001: 19 per cent).

**Flour** recorded improved year on year revenues, up 12 per cent in rupiah terms to Rupiah 5.9 trillion (US$639.7 million). This was achieved through a mix of increased sales volumes (up nine per cent to 2.3 million tons) and a five per cent increase in the average selling price to Rupiah 2,373 (U.S. 25.6 cents) per kilogram. The increase in selling price was not sufficient to offset the effects of increased wheat and fuel prices such that Flour's rupiah gross margin declined to 14 per cent (2001: 15 per cent). Selling and promotion expenses, in support of the Flour division's sales drive, eroded the rupiah operating margin to seven per cent (2001: eight per cent).

**Indofood**
**Operating Profit 2002**




**Indofood**
**Operating Profit 2001**




**Edible Oils & Fats** recorded strong revenue growth, up 35 per cent to Rupiah 5.7 trillion (US$616.6 million). Cooking Oil & Fats, Trading and Plantation sales revenues were up 25 per cent, 41 per cent and 37 per cent, respectively, with increased sales volumes and higher average selling prices contributing to this growth. However, this was insufficient to fully offset the significant increase in the cost of crude palm oil and copra and, accordingly, the rupiah gross margins of Cooking Oil & Fats and Trading declined to six per cent (2001: 15 per cent) and four per cent (2001: five per cent), respectively. Plantation's rupiah margins improved to 57 per cent (2001: 52 per cent) gross, and 44 per cent (2001: 41 per cent) operating.

**Others** represents the collective results of Indofood's Distribution, Food Seasonings, Baby Foods, Snack Foods and Other business interests. The performance of Others was largely affected by a decline in Distribution's sales revenues, as well as increased competition in the Snack Foods market. Notwithstanding this, the remaining businesses recorded stronger sales revenues, through volume and price increases, such that the rupiah gross margin for Others remained unchanged at 29 per cent. However, this was insufficient to offset higher selling and promotion expenses, which resulted in a lower rupiah operating margin of four per cent (2001: seven per cent).

During 2002, Indofood raised a two-year US$100.0 million loan facility, repayable on an installment basis, and various short to medium term rupiah denominated borrowings, totaling approximately Rupiah 2.0 trillion (US$223.5 million), for working capital and capital expenditure purposes. In addition, US$280.0 million of five-year Euro bonds were issued and used to replace existing debt. Approximately US$422.4 million of debt, comprising Rupiah 685.6 billion (US$76.6 million) debt and US$345.8 million U.S. dollar debt, was repaid during 2002.

Indofood's share buy back program was completed on schedule on 30 November 2002, with 915.6 million shares having been repurchased at an average price of approximately Rupiah 807. Similarly, progress was also made with the employee stock ownership program (ESOP). This program covers 457.8 million shares, representing five per cent of Indofood's issued and paid-up share capital, and is being implemented in stages through to May 2004. The first stage, representing 50 per cent of the ESOP, was completed on schedule in May 2002. The second and third stages, each representing 25 per cent of the ESOP, are to be completed in May 2003 and May 2004, respectively.

Indofood plans to continue to focus on its operational strengths in **2003**, with a particular emphasis on accelerating organic growth. Capital expenditure and debt will continue to be managed to ensure that these remain at optimal levels.

# PLDT

| Share Price | Pesos |
|---|---|
| 31 December 2001 | 417.5 |
| High: 3 April 2002 | 565.0 |
| Low: 23 October 2002 | 209.0 |
| 31 December 2002 | 270.0 |
| 17 April 2003 | 382.5 |

**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: Wireless (principally through wholly-owned subsidiary Smart Communications (Smart)), Fixed Line (principally through PLDT), and Information and Communications Technology (principally through wholly-owned subsidiary ePLDT).**

PLDT's operations are principally denominated in pesos, which averaged Pesos 51.64 (2001: 51.04) 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 these adjustments follows.

| | **2002** | 2001 |
|---|---|---|
| | **Pesos mln** | Pesos mln |
| Net income under Philippine GAAP(i) | **3,118** | 3,418 |
| Preference dividends(ii) | **(1,683)** | (1,670) |
| Net income attributable to common shareholders | **1,435** | 1,748 |
| Differing accounting treatments(iii) | | |
| – Foreign exchange accounting | **(146)** | (164) |
| – Fair values on acquisition | **3,475** | 3,670 |
| – Reversal of provision for Piltel | **4,110** | 600 |
| – Others | **(1,377)** | 220 |
| Intragroup items(iv) | **275** | 275 |
| Adjusted net income under Hong Kong GAAP | **7,772** | 6,349 |
| Foreign exchange(v) | **2,546** | 2,564 |
| PLDT's net income as reported by First Pacific | **10,318** | 8,913 |
| | **US$ mln** | US$ mln |
| Translated into U.S. dollars at prevailing average rates of 2002: Pesos 51.64 and 2001: Pesos 51.04 | **200.0** | 174.6 |
| Contribution to First Pacific Group profit, at an average shareholding of 2002: 24.4% and 2001: 24.5% | **48.8** | 42.8 |

(i) PLDT has restated its net income for 2001 from Pesos 3,418 million to Pesos 2,828 million after changing the revenue recognition policy for prepaid cards from sale to usage. As First Pacific has already adjusted for this in prior years' GAAP adjustments, no further adjustment is required.

(ii) First Pacific presents net income after the deduction of preference dividends.

(iii) Differences in accounting treatment under Philippine GAAP, compared with Hong Kong GAAP. The principal adjustments include:

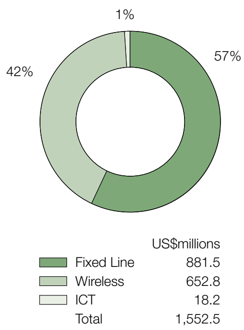
- Foreign exchange accounting: Under Philippine GAAP, PLDT is permitted to capitalize and amortize exchange differences. Hong Kong GAAP requires the recognition of such differences, even though unrealized, in the profit and loss statement. The adjustment reverses the amortization of PLDT's capitalized foreign exchange differences, as the originating exchange difference has already been written off by First Pacific.
- 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 in First Pacific's accounts. Accordingly, the adjustment reverses the depreciation on assets that First Pacific has already written down.
- Reversal of provision for Piltel: PLDT made full provision against its investment, under the Letter of Support arrangement, in Piltel preference shares. As First Pacific has already made full provision for this, the adjustment reverses PLDT's provision.

(iv) These are standard consolidation adjustments to ensure that transactions between Group companies are eliminated to present the Group as a single economic entity.

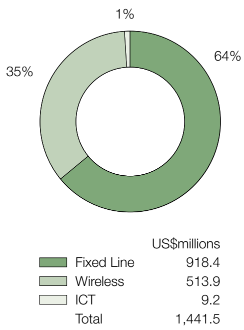
(v) To illustrate the underlying operational results and profit contribution, exchange differences (net of related tax) are excluded and presented separately.

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

**PLDT Turnover 2002**




**PLDT Turnover 2001**




| | Turnover | | | Profit | | |
|---|---|---|---|---|---|---|
| US$ millions | **2002** | 2001 | % change | **2002** | 2001 | % change |
| Fixed Line | **881.5** | 918.4 | –4.0 | **372.4** | 395.7 | –5.9 |
| Wireless | **652.8** | 513.9 | +27.0 | **181.4** | 110.3 | +64.5 |
| ICT* | **18.2** | 9.2 | +97.8 | **(10.4)** | (6.1) | –70.5 |
| Total | **1,552.5** | 1,441.5 | +7.7 | | | |
| **OPERATING PROFIT** | | | | **543.4** | 499.9 | +8.7 |
| Share of profits less losses of associates | | | | **(1.0)** | 0.8 | – |
| Net borrowing costs | | | | **(262.1)** | (267.9) | +2.2 |
| **PROFIT BEFORE TAXATION** | | | | **280.3** | 232.8 | +20.4 |
| Taxation | | | | **(49.0)** | (47.5) | –3.2 |
| **PROFIT AFTER TAXATION** | | | | **231.3** | 185.3 | +24.8 |
| Outside interests | | | | **0.4** | 19.4 | –97.9 |
| **PROFIT FOR THE YEAR** | | | | **231.7** | 204.7 | +13.2 |
| Preference share dividends | | | | **(31.7)** | (30.1) | –5.3 |
| **PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS** | | | | **200.0** | 174.6 | +14.5 |
| Average shareholding (%) | | | | **24.4** | 24.5 | – |
| **CONTRIBUTION TO GROUP PROFIT** | | | | **48.8** | 42.8 | +14.0 |

* *Information and Communications Technology*

PLDT recorded a contribution of US$48.8 million (2001: US$42.8 million) to the Group, up 14 per cent year on year.

PLDT's year on year growth was underpinned by its **Wireless** business, which now accounts for 42 per cent of PLDT's peso revenues. Smart and Piltel grew their joint subscriber base by 2.2 million subscribers in 2002 to end the year with 8.6 million subscribers, equating to 57 per cent market share. On a stand-alone basis, Smart closed the year as the market leader with 6.8 million (2001: 4.6 million) GSM subscribers, or 45 per cent of the market.

Revenues from Wireless voice services increased by 41 per cent to Pesos 17.4 billion (US$336.9 million) (2001: Pesos 12.3 billion; US$241.0 million), representing 53 per cent of Smart's cellular revenues. Revenues from Wireless data services likewise grew by 82 per cent to Pesos 12.2 billion (US$236.3 million) (2001: Pesos 6.7 billion; US$131.3 million), accounting for 37 per cent of cellular revenues. Short Messaging Service (SMS) remains the largest contributor to Wireless data service revenues, with 16.5 billion outbound messages handled over 2002, up one-third year on year. Outbound SMS activity exceeded thirty-one thousand messages every minute. In tandem with growing its subscriber base and subscriber revenues, Smart has focused on paring back subscriber acquisition costs while minimising product subsidies. Smart's net income for 2002 improved by 74 per cent to Pesos 6.1 billion (US$118.1 million) (2001: Pesos 3.5 billion; US$67.8 million), despite incurring a depreciation charge of Pesos 3.1 billion (US$60.0 million) on the closing of Smart's analog network. In December 2002, Smart paid its first cash dividend - Pesos 1.54 billion (US$29.8 million) – to PLDT.

Smart's dividend was utilised in the debt liability management program that has been central to the 2002 activities of PLDT's **Fixed Line** business. Phase One of this program, which raised US$644 million to term out debt obligations that mature between 2002 and 2004, was completed in September 2002 and, in tandem, a number of cost cutting initiatives freed up cash flow for debt-related activities. These included reducing capital expenditure by 28 per cent to Pesos 6.9

billion (US$133.6 million), cash operating expenses by four per cent to Pesos 15.7 billion (US$304.0 million), and significantly curtailing investments in subsidiaries and affiliates (2002: Pesos 2.2 billion (US$42.6 million); 2001: Pesos 4.4 billion (US$86.2 million)). Operationally, the stability of the Fixed Line's local exchange revenues and the expansion of data and other network services have offset pressure on the national and international long distance businesses. National long distance revenues have suffered through the increased substitution of wireless services, and International revenues are down due to lower direct dialling and settlement rates.

Revenue from the **Information and Communications Technology (ICT)** businesses continues to grow, with ePLDT's call centre businesses recording significant growth year on year such that these now account for almost one third of total ICT revenues.

In **2003**, PLDT will continue its debt liability management activities and, to this end, will seek to enhance operational cash inflows. It is anticipated that debt maturities in 2003 and 2004 will be funded through internal free cash flows and dividends from Smart. Wireless will grow through Smart's innovative data services products, with a view to maintaining subscribers and improving margins.

# METRO PACIFIC

| Share Price | Peso |
|---|---|
| 31 December 2001 | 0.30 |
| High: 19 February 2002 | 0.43 |
| Low: 4 December 2002 | 0.14 |
| 31 December 2002 | 0.16 |
| 17 April 2003 | 0.20 |

**Metro Pacific Corporation (Metro Pacific) is based and separately listed in Manila and principally holds interests in property developers Bonifacio Land Corporation (BLC), Pacific Plaza Towers and Landco Pacific Corporation (Landco). It also holds an interest in Negros Navigation Company (Nenaco), a shipping enterprise.**

Metro Pacific's operations are denominated in pesos, which averaged Pesos 51.64 (2001: 51.04) 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 these adjustments follows.

| | **2002** | 2001 |
|---|---|---|
| | **Pesos mln** | Pesos mln |
| Net loss under Philippine GAAP | **(11,713)** | (23,211) |
| Differing accounting treatments[(i)] | | |
| – Reversal of impairment provision | **8,706** | 20,918 |
| – Others | **1,802** | 696 |
| Adjusted net loss under Hong Kong GAAP | **(1,205)** | (1,597) |
| Foreign exchange[(ii)] | **8** | 273 |
| Metro Pacific's net loss as reported by First Pacific | **(1,197)** | (1,324) |
| | **US$ mln** | US$ mln |
| Translated into U.S. dollars at prevailing average rates of 2002: Pesos 51.64 and 2001: Pesos 51.04 | **(23.2)** | (25.9) |
| Contribution to First Pacific Group profit, at an average shareholding of 2002: 80.6% and 2001: 80.6% | **(18.7)** | (20.9) |

(i) Differences in accounting under Philippine GAAP, compared with Hong Kong GAAP. Principal adjustments include:
- Reversal of impairment provision: Adjustment to reverse Metro Pacific's 2002 impairment provision of Pesos 8.7 billion (2001: Pesos 20.9 billion) in respect of its investment in BLC. First Pacific has, through its 2001 impairment provisions, already fully provided against this asset.
- Others: The 2002 adjustment includes the one-off release of a Pesos 0.8 billion Group level provision relating to Metro Pacific's loss on a property disposal.

(ii) To illustrate the underlying operational results and profit contributions, exchange differences (net of related tax) are excluded and presented separately.

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 | **2002** | 2001 | % change | **2002** | 2001 | % change |
| Property | | | | | | |
| BLC | **51.6** | 25.5 | +102.4 | **2.9** | (4.6) | – |
| Pacific Plaza Towers | **4.4** | 50.8 | –91.3 | **(0.6)** | 5.1 | – |
| Landco | **12.6** | 10.9 | +15.6 | **2.1** | 3.0 | –30.0 |
| Subtotal | **68.6** | 87.2 | –21.3 | **4.4** | 3.5 | +25.7 |
| Nenaco | **46.0** | 47.2 | –2.5 | **7.3** | 4.9 | +49.0 |
| Corporate overhead | **–** | – | – | **(1.1)** | (4.6) | +76.1 |
| Total | **114.6** | 134.4 | –14.7 | | | |
| OPERATING PROFIT | | | | **10.6** | 3.8 | +178.9 |
| Share of profits less losses of associates | | | | **(0.9)** | (0.6) | –50.0 |
| Net borrowing costs | | | | **(35.2)** | (42.5) | +17.2 |
| LOSS BEFORE TAXATION | | | | **(25.5)** | (39.3) | +35.1 |
| Taxation | | | | **2.1** | 4.6 | –54.3 |
| LOSS AFTER TAXATION | | | | **(23.4)** | (34.7) | +32.6 |
| Outside interests | | | | **4.7** | 13.8 | –65.9 |
| GROUP SHARE OF LOSS | | | | **(18.7)** | (20.9) | +10.5 |

Metro Pacific contributed a loss of US$18.7 million in 2002, an improvement on 2001's loss of US$20.9 million.

**BLC's** operating results improved, reflecting the sale of the five-hectare 'Compound' land, as well as an improved performance by Fort Bonifacio Development Corporation. However, this was offset by weaker operational results, due to the depressed property market, and increased operating expenses. **Pacific Plaza Towers** sold four units in 2002, compared with 73 units in 2001, which included a bulk sale transaction. As at end 2002, 297 of the development's 393 units had been sold. **Landco's** turnover improved as sizeable, high margin real estate projects were sold-out. However increased operating costs eroded operating profits. **Nenaco** achieved a turnaround from years of net losses, made possible by management initiatives to diversify revenue streams, cut costs, and improve operational efficiencies. Progress was made with the disposal of First e-Bank, and it is anticipated that Banco de Oro's purchase of First e-Bank's banking business, as well as certain assets and liabilities, will be completed during the second quarter of 2003.

Throughout 2002, Metro Pacific effected an aggressive and comprehensive debt reduction and restructuring program. By year-end 2002, Metro Pacific had concluded agreements, and reached agreements in principle, for the repayment, reduction or restructuring of approximately Pesos 8.7 billion (US$163.6 million) of Metro Pacific debt.

In November 2002, in a significant advancement of Metro Pacific's debt reduction initiatives, Metro Pacific entered into an agreement with Greenfield Development Corporation and Ayala Land Inc. (collectively the GA Group), whereby the GA Group would repay the Larouge Loan (in the principal amount of US$90.0 million) in exchange for a 50.4 per cent interest in BLC owned by Metro Pacific. Metro Pacific would also receive property and other assets, valued at approximately Pesos 3.8 billion (US$71.5 million), as repayment for prior advances to BLC. The transaction was formally completed on 17 April 2003 and, as a consequence of this transaction, Metro Pacific's interest in BLC declined to 22.5 per cent from 72.9 per cent. Metro Pacific intends to apply the property and other assets, received through the transaction, to Metro Pacific's debt reduction and restructuring efforts.

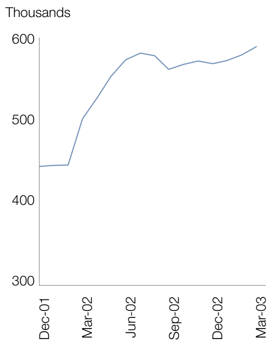
In **2003**, Metro Pacific will focus on further reducing or restructuring its debt, while seeking improved profitability at subsidiaries Landco and Nenaco.

# ESCOTEL

**Escotel Mobile Communications Limited (Escotel) 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 48.58 (2001: 47.24) to the U.S. dollar. An analysis of Escotel's contribution to the First Pacific Group is detailed below.

**Escotel Subscriber Numbers**




| | Turnover | | | Profit | | |
|---|---|---|---|---|---|---|
| US$ millions | **2002** | 2001 | % change | **2002** | 2001 | % change |
| Cellular | **70.6** | 53.5 | +32.0 | | | |
| **OPERATING PROFIT** | | | | **23.5** | 16.1 | +46.0 |
| Net borrowing costs | | | | **(23.3)** | (28.7) | +18.8 |
| **PROFIT/(LOSS) FOR THE YEAR** | | | | **0.2** | (12.6) | – |
| Average shareholding (%) | | | | **49.0** | 49.0 | – |
| **GROUP SHARE OF PROFIT/(LOSS)** | | | | **0.1** | (6.2) | – |

Escotel returned its first profit in 2002, contributing US$0.1 million (2001: US$6.2 million loss) to the Group. In rupee terms, cellular revenues reached Rupees 3.4 billion (US$70.6 million) (2001: Rupees 2.5 billion; US$53.5 million) reflecting robust growth in Escotel's subscribers to 568,510 (2001: 441,504), partially offset by reduced ARPUs. Blended ARPUs declined to Rupees 452 (US$9.3) (2001: Rupees 532; US$11.3) as subscriber growth was largely within the prepaid sector.

Regulatory changes, within the Indian telecoms industry, have had the effect of significantly increasing competition. Despite this, Escotel continues to retain market leadership in its three circles, garnering 71 per cent of Uttar Pradesh (West), 49 per cent of Haryana and 46 per cent of Kerela. In addition, a recent independent survey of Indian mobile users conferred a number of accolades on Escotel, including being ranked No. 1 Circle Operator (out-performing BPL, Idea, Bharti and Hutchison) and No. 2 Operator in India (second to RPG).

In **2003**, Escotel will, through network enhancements and targeted subscriber growth, continue to fend off competition and to retain its market leadership positions.