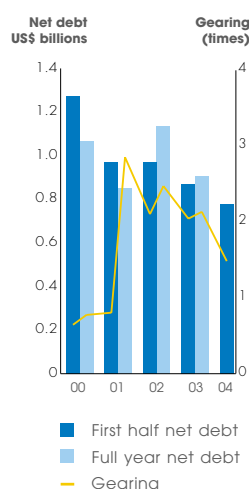


Net Debt and Gearing



LIQUIDITY AND FINANCIAL RESOURCES

Net debt and gearing

An analysis of net debt and gearing for consolidated and associated companies follows.

Consolidated

US\$ millions	At 30 June 2004			At 31 December 2003 (Restated)		
	Net debt ⁽ⁱ⁾	Net assets/ (liabilities)	Gearing (times)	Net debt ⁽ⁱ⁾	Net assets/ (liabilities)	Gearing (times)
Head Office	103.4	801.6	0.13x	96.9	813.4	0.12x
Indofood	591.0	525.8	1.12x	713.3	569.7	1.25x
Metro Pacific	85.3	(39.1)	—	97.5	(32.7)	—
Consolidated before goodwill reserve	779.7	1,288.3	0.61x	907.7	1,350.4	0.67x
Goodwill reserve	—	(759.1)	—	—	(922.6)	—
Consolidated after goodwill reserve	779.7	529.2	1.47x	907.7	427.8	2.12x

Associated

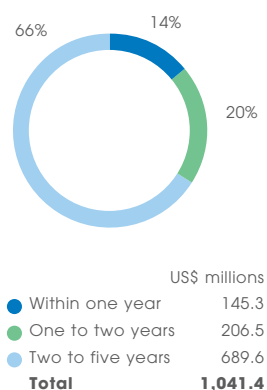
US\$ millions	At 30 June 2004			At 31 December 2003		
	Net debt	Net assets	Gearing (times)	Net debt	Net assets	Gearing (times)
PLDT	2,205.0	1,865.8	1.18x	2,532.9	1,710.8	1.48x

(i) Includes restricted cash and pledged deposits.

- Head Office's gearing increased as a result of payments of operating expenses, principally interest and tax, partly offset by net proceeds from disposal of Escotel.
- Indofood's gearing declined as free cash flows were used to reduce debts.
- Metro Pacific's net debt reduced mainly because of debt reduction efforts.
- PLDT's gearing declined as strong free cash flows were used to reduce debts and profits enhanced net assets.

Financial Review

Maturity Profile of Consolidated Debt 30 June 2004



Maturity profile

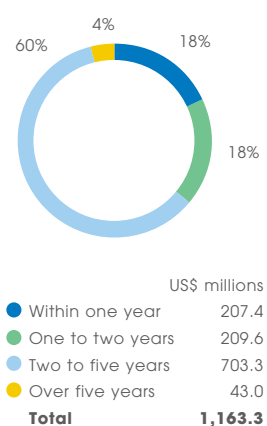
The maturity profile of debt of consolidated and associated companies follows.

Consolidated

	At 30 June 2004	At 31 December 2003
US\$ millions		
Within one year	145.3	207.4
One to two years	206.5	209.6
Two to five years	689.6	703.3
Over five years	—	43.0
TOTAL	1,041.4	1,163.3

The Group's debt maturity profile at 30 June 2004 was broadly unchanged as compared to that at 31 December 2003.

Maturity Profile of Consolidated Debt 31 December 2003



Associated

	At 30 June 2004	At 31 December 2003
US\$ millions		
Within one year	399.1	466.3
One to two years	683.2	543.3
Two to five years	946.8	1,098.9
Over five years	574.1	771.6
TOTAL	2,603.2	2,880.1

Charges on group assets

At 30 June 2004, certain bank and other borrowings were secured by the Group's property and equipment, accounts receivables and inventories equating to a net book value of US\$73.6 million (31 December 2003: US\$75.8 million). Apart from these, the Head Office's US\$112.5 million bonds and US\$55.0 million bank loan were principally secured by the Group's 51.5 per cent and 14.0 per cent interests in Indofood and PLDT, respectively.

FINANCIAL RISK MANAGEMENT

Foreign currency risk

(A) Company risk

As the Head Office debt is currently denominated in U.S. dollars, 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.

The Company actively reviews the potential benefits of hedging based on 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 the Head Office, the principal components of the Company's net asset value (NAV) relate to investments denominated in the peso or rupiah. Accordingly, any change in these currencies would have an effect on the Company's NAV in U.S. dollar terms.

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

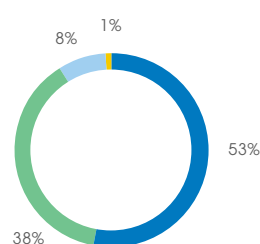
Company	Effect on adjusted NAV ⁽ⁱ⁾ US\$ millions	Effect on adjusted NAV per share HK cents
PLDT	8.4	2.06
Indofood	3.3	0.81
TOTAL	11.7	2.87

(i) Based on quoted share prices applied to the Company's economic interest.

(B) Group risk

The Group's operating results are denominated in local currencies, principally the peso and rupiah, which are translated and consolidated to give the Group's results in U.S. dollar.

Analysis of Total Borrowings by Currency



	US\$ millions
US\$	557.0
Rupiah	397.3
Peso	86.9
Others	0.2
Total	1,041.4

Net debt by currency

It is often necessary for operating entities to borrow in U.S. dollars, which results in the risk of a translation impact on local currency results. A summary of consolidated and associated companies' net debt by currency follows.

Consolidated US\$ millions	US\$	Peso	Rupiah	Others	Total
Total borrowings	557.0	86.9	397.3	0.2	1,041.4
Cash and cash equivalents ⁽ⁱ⁾	(113.3)	(4.5)	(137.9)	(6.0)	(261.7)
NET DEBT	443.7	82.4	259.4	(5.8)	779.7
Representing:					
Head Office	109.6	(0.2)	—	(6.0)	103.4
Indofood	331.4	—	259.4	0.2	591.0
Metro Pacific	2.7	82.6	—	—	85.3
NET DEBT	443.7	82.4	259.4	(5.8)	779.7

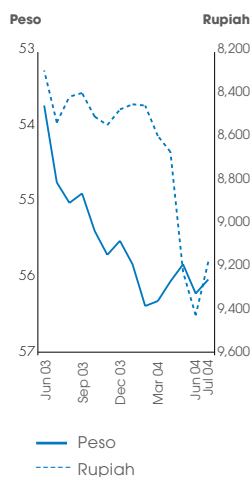
Associated

US\$ millions	US\$	Peso	Yen	Total
PLDT	2,071.0	(39.5)	173.5	2,205.0

(i) Includes restricted cash and pledged deposits.

Financial Review

Peso and Rupiah Closing Rates Against the U.S. Dollar



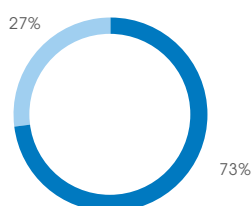
As a result of unhedged U.S. dollar net debt, the Group's results are sensitive to fluctuations in U.S. dollar exchange rates. The following table illustrates the estimated effect on the Group's reported profitability for a one per cent change in the principal operating currencies of subsidiary and associated companies. This does not reflect the indirect effect of fluctuating exchange rates on input costs at the operating company level.

US\$ millions	Total US\$ exposure	Hedged amount	Unhedged amount	Profit effect of 1% currency change	Group profit effect ⁽ⁱ⁾
PLDT	2,071.0	879.5	1,191.5	11.9	2.0
Indofood	331.4	250.0	81.4	0.8	0.3
Metro Pacific	2.7	—	2.7	—	—
Head Office ⁽ⁱⁱ⁾	109.6	—	109.6	—	—
TOTAL	2,514.7	1,129.5	1,385.2	12.7	2.3

(i) Net of tax effect.

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

Interest Rate Profile



	US\$ millions
Fixed	764.3
Floating	277.1
Total	1,041.4

Interest rate risk

The Company and 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 this for consolidated and associated companies follows.

Consolidated

US\$ millions	Fixed interest rate borrowings	Variable interest rate borrowings	Cash and cash equivalents ⁽ⁱ⁾	Net debt
Head Office ⁽ⁱⁱ⁾	167.5	—	(64.1)	103.4
Indofood	573.9	210.4	(193.3)	591.0
Metro Pacific	22.9	66.7	(4.3)	85.3
CONSOLIDATED	764.3	277.1	(261.7)	779.7

Associated

US\$ millions	Fixed interest rate borrowings	Variable interest rate borrowings	Cash and cash equivalents ⁽ⁱ⁾	Net debt
PLDT	1,671.8	931.4	(398.2)	2,205.0

(i) Includes restricted cash and pledged deposits.

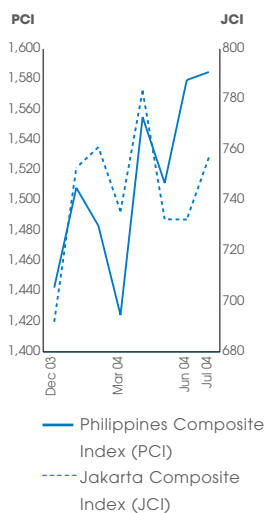
(ii) In September 2003, a wholly-owned subsidiary of the Company entered into an interest rate swap agreement which effectively changed its US\$55.0 million bank loan from a LIBOR-based variable interest rate to fixed interest rate.

The following table illustrates the estimated effect on the Group's reported profitability for a one per cent change in average annual interest rates.

US\$ millions	Variable interest rate borrowings	Profit effect of 1% change in interest rates	Group profit effect ⁽ⁱ⁾
Indofood	210.4	2.1	0.8
Metro Pacific	66.7	0.7	0.4
PLDT	931.4	9.3	1.5
TOTAL	1,208.5	12.1	2.7

(i) Net of tax effect.

Stock Market Indices



Equity market risk

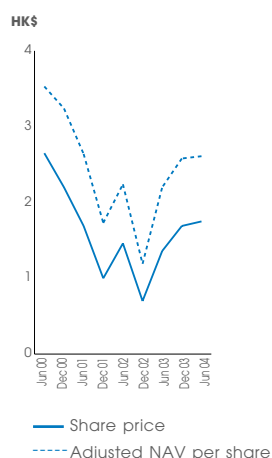
As the majority of the Company's investments are listed, the Company is exposed to fluctuations in the equity market values of such investments. In addition, the value of the Company's investments may be impacted by sentiment towards specific countries.

First Pacific's listed investments are located in the Philippines and Indonesia. 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 the Philippines and Indonesia is summarized as follows.

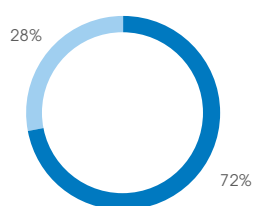
	Philippine Composite Index	Jakarta Composite Index
At 31 December 2003	1,442.4	691.9
At 30 June 2004	1,579.4	732.4
Increase during first half of 2004	9.5%	5.9%

Financial Review

Share Price vs Adjusted NAV per Share



Adjusted NAV by Country 30 June 2004



	US\$ millions
Philippines	843.9
Indonesia	326.8
Total	1,170.7

ADJUSTED NAV PER SHARE

There follows a calculation of the Group's underlying worth.

US\$ millions	Basis	Adjusted NAV	
		At 30 June 2004	At 31 December 2003
PLDT	(i)	843.9	720.7
Indofood	(i)	326.8	415.5
Escotel		—	15.5
Head Office — Net debt		(103.4)	(96.9)
TOTAL VALUATION	(ii)	1,067.3	1,054.8
NUMBER OF ORDINARY SHARES IN ISSUE (millions)		3,186.0	3,186.0
Value per share			
— U.S. dollar		0.33	0.33
— HK dollars		2.61	2.58
Company's closing share price (HK\$)		1.75	1.69
Share price discount to HK\$ value per share (%)		33.0	34.5

(i) Based on quoted share prices applied to the Company's economic interest.

(ii) No value has been attributed to the Group's investments in Metro Pacific, Mobile-8 or Infrontier.

EMPLOYEE INFORMATION

The following information relates to the Head Office and its subsidiaries.

For the six months ended 30 June	2004	2003
US\$ millions		
EMPLOYEE REMUNERATION (INCLUDING DIRECTORS' REMUNERATION)		
Basic salaries	65.3	61.0
Bonuses	7.1	7.3
Benefits in kind	13.1	11.5
Pension contribution	1.8	2.2
TOTAL	87.3	82.0
	2004	2003
NUMBER OF EMPLOYEES		
— At 30 June	49,575	44,490
— Average for the period	48,307	44,515

For details regarding the Group's remuneration policies for Directors and senior executives, please refer to page 29 of First Pacific's 2003 Annual Report.