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Contribution Summary

US$ millions	Turnover 2004	Turnover 2003	Contribution to Group profit[(i)] 2004	Contribution to Group profit[(i)] 2003 (Restated)[(ii)]
PLDT[(iii)]	–	–	123.0	76.7
Indofood	1,995.8	2,090.1	33.7	32.8
Metro Pacific	58.8	71.7	(9.4)	(7.3)
From continuing businesses	2,054.6	2,161.8	147.3	102.2
From a discontinued operation[(iv)]	–	–	1.9	0.6
From Operations	2,054.6	2,161.8	149.2	102.8
Head Office items:				
– Corporate overhead			(10.0)	(8.6)
– Net interest expense			(12.6)	(9.4)
– Other income/(expenses)			0.8	(3.8)
Recurring Profit			127.4	81.0
Foreign exchange losses			(15.9)	(17.3)
Non-recurring items[(v)]			23.0	10.4
Profit Attributable to Ordinary Shareholders			134.5	74.1

Contribution by Country

(i) After taxation and outside interests, where appropriate.
(ii) The Group has restated its contribution from Indofood for 2003 from US$40.2 million to US$32.8 million as a result of its adoption of SSAP36 "Agriculture". Accordingly, the Group's 2003 profit attributable to ordinary shareholders has been restated from US$81.5 million to US$74.1 million.
(iii) Associated company.
(iv) Represents Escotel.
(v) 2004's non-recurring gains of US$23.0 million mainly comprise gain on disposal of 49 per cent interest in Escotel of US$17.1 million, gain on disposal of 5.1 per cent interest in Metro Pacific of US$12.2 million, gains of US$1.2 million realized by Metro Pacific from various debt reduction and restructuring exercises, partly offset by PLDT's asset impairment provisions and manpower rightsizing costs of US$4.6 million. 2003's non-recurring gains of US$10.4 million comprise gains of US$16.8 million realized by Metro Pacific from various debt reduction and restructuring exercises, partly offset by PLDT's manpower rightsizing costs of US$6.4 million.

During the year, the Group's turnover decreased by 5.0 per cent, to US$2,054.6 million (2003: US$2,161.8 million), principally reflecting the effect of rupiah depreciation. First Pacific's continuing business interests improved their performance in 2004, recording profit contributions totaling US$147.3 million (2003: US$102.2 million), an increase of 44.1 per cent. Recurring profit improved to US$127.4 million, from US$81.0 million in 2003, and the Group recorded US$15.9 million (2003: US$17.3 million) foreign exchange losses on its unhedged U.S. dollar denominated borrowings, largely due to weaker rupiah and peso, and US$23.0 million (2003: US$10.4 million) of net non-recurring gains, which mainly represent gains on disposals of 49 per cent interest in Escotel and 5.1 per cent interest in Metro Pacific. First Pacific recorded an attributable profit for 2004 of US$134.5 million, a 81.5 per cent increase over 2003's attributable profit of US$74.1 million.

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

Exchange rates against the U.S. dollar At 31 December	2004	2003	One year change
Closing			
Peso	56.13	55.49	-1.1%
Rupiah	9,290	8,465	-8.9%

Exchange rates against the U.S. dollar For the year ended 31 December	2004	2003	One year change
Average			
Peso	56.12	54.38	-3.1%
Rupiah	8,978	8,572	-4.5%

In 2004, the Group recorded net foreign exchange losses of US$15.9 million on its unhedged U.S. dollar loans principally as a result of depreciation of the rupiah and peso. The foreign exchange losses may be further analyzed as follows:

US$ millions	2004	2003
Indofood	(11.9)	(3.8)
PLDT	(3.5)	(13.7)
Others	(0.5)	0.2
Total	(15.9)	(17.3)

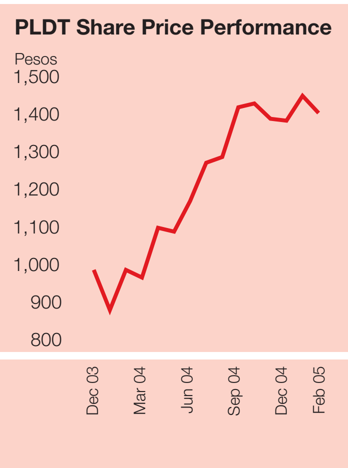
STRONG AND ESTABLISHED BRANDS

SMART AND TALK 'N TEXT BRANDS ENDED 2004 WITH A COMBINED, SYSTEM-WIDE GSM SUBSCRIBER BASE OF 19.2 MILLION, REPRESENTING A MARKET SHARE OF 58 PER CENT OF THE TOTAL PHILIPPINES CELLULAR MARKET

PLDT

PLDT's operations are principally denominated in peso, which averaged Pesos 56.12 (2003: 54.38) to the U.S. dollar. Its financial results are prepared under IAS from 2004 onwards and reported in peso. First Pacific has not adopted full IAS based reporting in 2004 and its U.S. dollar based financial results are prepared under Hong Kong GAAP and reported in U.S. dollar. 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:

Peso millions	2004	2003
Net income under IAS/Philippine GAAP	28,044	11,182
Preference dividends(i)	(1,529)	(1,751)
Net income attributable to common shareholders	26,515	9,431
Differing accounting treatments(ii)		
– Reclassification/reversal of non-recurring items	1,345	5,694
– Reversal of effects upon early adoption of IAS	(963)	–
– Foreign exchange accounting	–	(519)
– Others	417	(792)
Intragroup items(iii)	300	300
Adjusted net income under Hong Kong GAAP	27,614	14,114
Foreign exchange losses(iv)	813	3,056
PLDT's net income as reported by First Pacific	28,427	17,170
US$ millions		
Net income at prevailing average rates for 2004: Pesos 56.12 and 2003: Pesos 54.38	506.5	315.7
Contribution to First Pacific Group profit, at an average shareholding of 2004: 24.3% and 2003: 24.3%	123.0	76.7



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

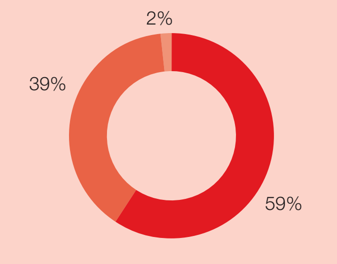
(ii) Differences in accounting treatment under IAS/Philippine GAAP, compared with Hong Kong GAAP. The principal adjustments include:

- Reclassification/reversal of non-recurring items: Certain items, through occurrence or size, are not considered usual, operating items which are reallocated and presented separately. In 2004, asset impairment provisions of Pesos 1.0 billion (2003: Pesos 4.3 billion) and manpower rightsizing costs of Pesos 0.4 billion (2003: Pesos 1.4 billion) were excluded and presented separately as non-recurring items. As the Pesos 0.3 billion (2003: Pesos 4.3 billion) asset impairment provisions made by PLDT were provided by First Pacific in prior years, such provisions were reversed.
- Reversal of effects upon early adoption of IAS: Unlike PLDT, First Pacific has not elected to early adopt IAS in 2004. Therefore, the cumulative effects of early adopting IAS were reversed at Group level.
- Foreign exchange accounting: Prior to adopting IAS in 2004, PLDT is permitted to capitalize and amortize exchange differences under Philippine GAAP in 2003. Both IAS and Hong Kong GAAP require the recognition of such differences, even though unrealized, in the profit and loss statement. The adjustment in 2003 also includes the reversal of the amortization of PLDT's capitalized foreign exchange differences, as the originating exchange difference has already been written off by First Pacific.

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

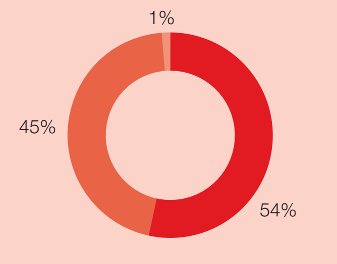
(iv) To illustrate the underlying operational results and profit contributions, exchange differences (net of related tax) are excluded and presented separately.

PLDT Turnover 2004



	US$ millions
Wireless	1,215.0
Fixed Line	802.8
ICT	35.9
Total	**2,053.7**

PLDT Turnover 2003



	US$ millions
Wireless	986.8
Fixed Line	838.5
ICT	24.7
Total	**1,850.0**

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

	Turnover			Profit		
US$ millions	**2004**	2003[i]	% change	**2004**	2003	% change
Wireless	**1,215.0**	986.8	+23.1	**503.8**	330.4	+52.5
Fixed Line	**802.8**	838.5	-4.3	**316.8**	268.1	+18.2
ICT[ii]	**35.9**	24.7	+45.3	**14.9**	(2.5)	–
Total	**2,053.7**	1,850.0	+11.0			
Operating Profit				**835.5**	596.0	+40.2
Share of profits less losses of associates				**(1.3)**	(0.2)	+550.0
Net borrowing costs				**(183.4)**	(200.8)	-8.7
Profit Before Taxation				**650.8**	395.0	+64.8
Taxation				**(113.1)**	(46.0)	+145.9
Profit After Taxation				**537.7**	349.0	+54.1
Outside interests				**1.3**	(1.7)	–
Profit for the Year				**539.0**	347.3	+55.2
Preference dividends				**(32.5)**	(31.6)	+2.8
Profit Attributable to Ordinary Shareholders				**506.5**	315.7	+60.4
Average shareholding (%)				**24.3**	24.3	–
Contribution to Group Profit				**123.0**	76.7	+60.4

(i) Turnover is restated for the effect of Piltel consolidation and others.
(ii) Information and Communications Technology.

PLDT

A Strong 2004

For 2004, PLDT recorded a contribution of US$123.0 million (2003: US$76.7 million) to the Group, an increase of 60 per cent over 2003, on record consolidated revenues of US$2.1 billion (2003: US$1.9 billion). The increase is attributable principally to the widespread success of PLDT's wireless businesses. PLDT's robust performance enabled PLDT to resume dividend payments to shareholders in May 2005, through a Pesos 14 (U.S. 25 cents) per share dividend to common shareholders. This marks the resumption of dividend payments to common shareholders since April 2001 – the last time such dividends were paid.

In 2004, the Philippine cellular market continually expanded with cellular penetration rates increasing to 39 per cent of the Philippines' 84 million population. In order to maintain its market leadership in the cellular market, PLDT capitalized on its extensive nationwide technology infrastructure and aggressively promoted new products and services. Smart and *Talk 'N Text* brands ended 2004 with a combined, system-wide GSM subscriber base of 19.2 million, representing a market share of 58 per cent of the total Phillippines cellular market.

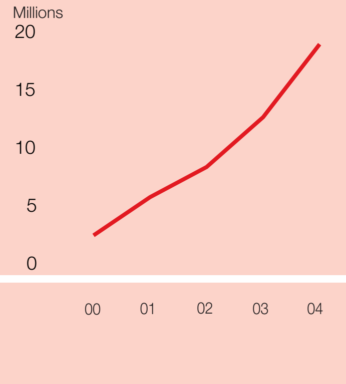
PLDT's Fixed Line business held subscriber numbers steady during 2004, bucking international landline trends of declining fixed line subscriber growth. Total Fixed Line subscribers, stood at 2.2 million (2003: 2.2 million). As of year end 2004, PLDT's broadband DSL subscribers doubled to approximately 50,000 from less than 25,000 in 2003. Fixed Line's aggressive cost-control efforts and efficiency improvements reduced manpower by 826 in 2004 to 9,692 employees (2003: 10,518).

The combination of dramatic growth of PLDT's Wireless business, and steady cost control and improved collections in the Fixed Line business resulted in an improvement in consolidated free cash flow, which grew 65 per cent in peso terms in 2004 to US$664.6 million compared with US$415.6 million in 2003. Approximately US$527 million was used to pay down debt, bringing PLDT's consolidated debts to US$2.8 billion as of end-2004 (2003: US$3.4 billion).

Wireless: Dynamic Growth

The wireless landscape across the Philippines in 2004 witnessed hightened competition, which PLDT's Smart and *Talk 'N Text* brands addressed through defensive strategies to hold current subscribers, and the introduction of new promotions to attract new ones. The dual pronged approach resulted in wireless service turnover increasing by 23 per cent to US$1.2 billion in 2004 from US$1 billion in 2003.

Smart and Talk 'N Text GSM Subscriber Numbers



Service innovation was the growth driver in 2004, as wireless companies in the Philippines sought to develop new market niches as well as stimulate usage. In August 2004 Smart launched *Smart Padala*, the world's first wireless cash remittance system, enabling overseas Fillipinos in 14 countries to send money via wireless transfer on their cellular phones. Since the service's launch, over 300,000 transactions, each averaging US$100, have been effected on the service.

Smart also launched a number of new brands catering to specific market segments. *Smart Infinity*, launched in January 2004, is targeted at the highest economic demographic in the Philippines and which directly attacks the core target market of its primary wireless competitor. *Smart Infinity's* concierge services, attractive data plans and targeted marketing resulted in increasing Smart's market share of the postpaid segment. In May 2004, *Smart Kid* was launched – especially designed for children ages 5 to 12 years old, it is equipped with a "Family Finder" which automatically forwards the child's call to pre-assigned numbers on the phone as well as educational value-added services content.

In October 2004 Smart launched a prepaid variation of its youth-oriented postpaid service, *Addict Mobile*, which was introduced in April 2003. *Addict Mobile Prepaid* offers a broad demographic class throughout the Philippines value-priced mobile content, multi-media SMS and other services. A prepaid version of *Smart Kid* was introduced in October 2004 as well.

Throughout 2004, Smart's GSM network was expanded to include 36 switching facilities nationwide, and base stations were extended across the Philippine archipelago to over 5,200 enabling network coverage to reach 97 per cent of the Philippine population. Consolidated capital expenditure was held at a moderate level, of US$377.1 million in 2004 (2003: US$331.4 million). Efficient use of cash resulting from rapid business growth enabled Smart to raise dividend payments to PLDT corporate to US$286.9 million in 2004 (2003: US$114.0 million).

Fixed Line: Stable and Consistent

The environment for PLDT's Fixed Line business remained challenging brought about by the ongoing popularity and growth of the wireless industry. Consequently, PLDT's Fixed Line service revenues realized a marginal 4.3 per cent reduction to US$802.8 million in 2004, compared with US$838.5 million in 2003, the reduction attributed mainly to lower local exchange revenues, and a decline in installation revenues due to new promotions designed to encourage organic growth.

Fixed Line management's ongoing strategy seeks to hold costs while increasing efficiencies across Fixed Line's offerings, while growing higher-margin revenue opportunities, such as data transmission, DSL, and other corporate data services. Fixed Line doubled DSL subscribers in 2004, and ended the year with approximately 50,000 subscribers, compared with less than 25,000 in 2003.

The focus on cost containment improved Fixed Line EBITDA by 16 per cent in 2004, to US$468.6 million compared with US$404.6 million in 2003. Smart's dividend payment, representing 100 per cent of that unit's 2004 earnings, enabled a US$500 million reduction of Fixed Line debt to US$1.97 billion as of end 2004.

Information and Communications Technology: Capitalizing on New Revenue Opportunities

PLDT's Information and Communications Technology arm, ePLDT, capitalized on growing international interest by American and European companies to locate call center and back-office data operations in the Philippines. The combined call centers operations of Vocativ, Parlance and Ventus more than doubled its capacity during the year from 1,250 seats in 2003 to an aggregate of 2,600 seats as of year end 2004, with an ongoing expansion that will increase seats to 3,375 by mid-2005.

ePLDT's service revenues increased 45.3 per cent in 2004 to US$35.9 million in 2004 and compared with US$24.7 million in 2003. In line to further rationalize its business holdings, ePLDT, which serves as an omnibus data services holding company of the PLDT group, provided against a non-performing investment, which caused the unit to report a loss of US$12.3 million in 2004.

2005 Outlook

PLDT's 2005 outlook remains robust, and management is committed to meeting its stated financial targets for the year. PLDT expects to continue its aggressive deleveraging program with a goal of achieving consolidated debt-to-EBITDA ratio of below 1.5 times by 2006. A four-year management incentive program was also launched in 2004, which ties performance beginning in 2004 to certain financial goals to be achieved over the next four years.

PLDT has benefited considerably from the Philippines' rapid growth in wireless communications. Realizing that new subscriber growth may slow down from previous levels, a number of strategies are under development that will seek to enhance service offerings to subscribers and generate incremental revenues. A variety of technologies and systems are presently being tested for introduction to the market in 2005, all designed to broaden and diversify further PLDT's wireless revenue base.

PLDT's Fixed Line business entered 2005 with aggressive new promotions, including a special marketing campaign designed to encourage frequent calls from PLDT landline subscribers to PLDT wireless subscribers, at advantageous flat rates. Fixed Line intends to launch a number of initiatives to further grow both the narrowband and broadband DSL subscribers of the company.

ePLDT's primary 2005 focus is to expand its call center presence across the Philippines, taking advantage of the recovering Philippine economy and increased international investor interest in the Philippines.

MARKET LEADER

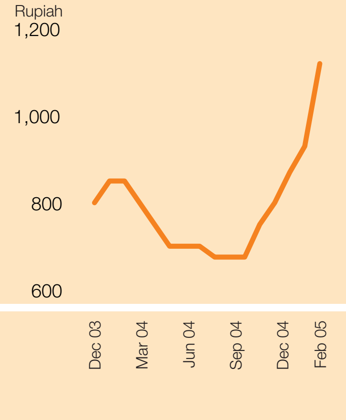
INDOFOOD'S INDOMIE, SUPERMI AND SARIMI BRANDS REMAINED THE TOP-SELLING NOODLE BRANDS IN THE MARKET, WITH OVER 100 VARIETIES RANGING FROM STIR-FRY, AIR-DRIED, SNACK AND EGG-BASED PACKS

INDOFOOD

Indofood's operations are principally denominated in rupiah, which averaged Rupiah 8,978 (2003: 8,572) to the U.S. dollar. 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. dollar. 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.

Rupiah billions	2004	2003
Net income under Indonesian GAAP	378	603
Differing accounting treatments(i)		
– Foreign exchange accounting	54	54
– Gain/(loss) on revaluation of plantations	8	(122)
– Others	(60)	(62)
Adjusted net income under Hong Kong GAAP	380	473
Foreign exchange losses(ii)	208	71
Indofood's net income as reported by First Pacific	588	544
US$ millions		
Net income at prevailing average rates for 2004: Rupiah 8,978 and 2003: Rupiah 8,572	65.5	63.5
Contribution to First Pacific Group profit, at an average shareholding of 2004: 51.5% and 2003: 51.7%	33.7	32.8

Indofood Share Price Performance

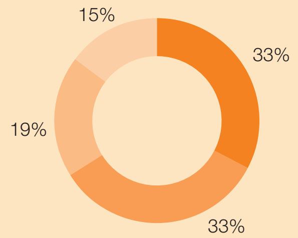


(i) Differences in accounting treatment under Indonesian GAAP, compared with Hong Kong GAAP. The principal adjustments include:

- 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, as the originating capitalized foreign exchange losses has already been written off by First Pacific.
- Gain/(loss) on revaluation of plantations: Under Indonesian GAAP, Indofood measures its plantations (biological assets) on historical cost basis. Hong Kong GAAP requires the measurement of plantations at fair value less estimated point-of-sale costs pursuant to SSAP 36. The adjustment relates to the change in fair value of plantations during the year.

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

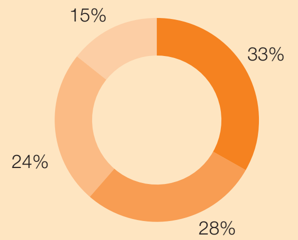
Indofood Turnover 2004*



	US$ millions
Noodles	652.1
Flour	666.8
Edible Oils and Fats	382.6
Others	294.3
Total	**1,995.8**

* After inter-segment elimination

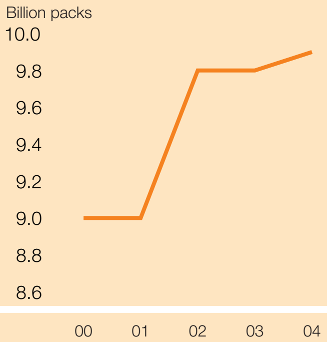
Indofood Turnover 2003*



	US$ millions
Noodles	693.9
Flour	589.4
Edible Oils and Fats	508.0
Others	298.8
Total	**2,090.1**

* After inter-segment elimination

Noodles Sales Volume



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

	Turnover			Profit		
US$ millions	2004	2003	% change	2004	2003	% change
Noodles	663.0	702.9	-5.7	62.2	103.8	-40.1
Flour	814.1	710.0	+14.7	58.3	52.2	+11.7
Edible Oils and Fats	571.3	630.2	-9.3	90.8	27.8	+226.6
Others	305.3	298.8	+2.2	14.6	16.3	-10.4
Inter-segment elimination	(357.9)	(251.8)	+42.1	–	–	–
Total	1,995.8	2,090.1	-4.5			
Operating Profit				225.9	200.1	+12.9
Share of profits less losses of associates				(1.8)	(0.4)	+350.0
Net borrowing costs				(91.1)	(93.4)	-2.5
Profit Before Taxation				133.0	106.3	+25.1
Taxation				(48.0)	(32.9)	+45.9
Profit After Taxation				85.0	73.4	+15.8
Outside interests				(51.3)	(40.6)	+26.4
Contribution to Group Profit				33.7	32.8	+2.7

Reassessment, Restructuring

Indofood recorded a contribution of US$33.7 million to the Group, an improvement of 2.7 per cent from the 2003 contribution of US$32.8 million. Turnover remained flat in local currency whilst fell a marginal 4.5 per cent in 2004 to US$2.0 billion in U.S. dollar term, compared with US$2.1 billion in 2003, as a result of a 4.5 per cent depreciation of rupiah during the year and an increasingly competitive environment for Indofood's Noodles business group and reduced trading activities for Edible Oils and Fats business group.

At the annual general stockholder's meeting held in June 2004, Anthoni Salim, presently Chairman of First Pacific, also assumed the concurrent role of President Director and Chief Executive Officer of Indofood. Management has since embarked on a program of business and market assessment, and has launched initiatives designed to increase production levels and operating efficiencies, expand cross-organizational functionality and further diversify Indofood's revenue base.

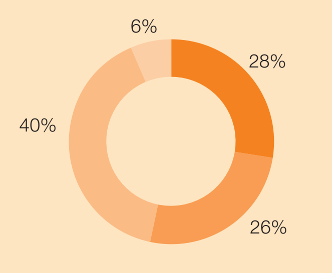
INDO

Noodles: Increasing Competition

Noodles faced considerable challenges in 2004 as competition from domestic consumer foods companies aggressively sought to achieve market share. Nonetheless, Noodles focused on increasing product availability in more markets throughout Indonesia and consequently 2004 sales volumes increased slightly, to 9.9 billion packs sold in 2004, versus 9.8 billion packs sold in 2003. Indofood's *Indomie, Supermi* and *Sarimi* brands remained the top-selling noodle brands in the market, with over 100 varieties ranging from stir-fry, air-dried, snack and egg-based packs. In U.S. dollar term, noodles turnover in 2004 fell 5.7 per cent to US$663.0 million (2003: US$702.9 million). In rupiah term, sales were consistent with the previous year, despite competitive pricing of product in the face of increased competition. Gross margins fell similarly, to 26.2 per cent in 2004 from 31.4 per cent in 2003, in line with management's focus on maintaining competitive pricing as a key marketing strategy. Average selling prices per pack fell by Rupiah 23 in 2004, to Rupiah 556 (U.S. 6.2 cents) per pack versus Rupiah 579 (U.S. 6.8 cents) per pack in 2003.

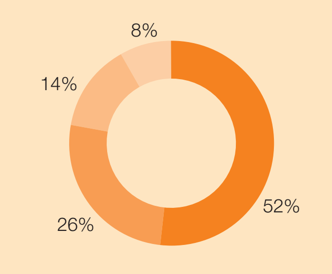
A divisional review was launched in 2004, conducted at various levels throughout Noodles, designed to concentrate production in fewer, higher-production facilities, improve product offerings and enhance marketing opportunities. A comprehensive review of Noodles nationwide retail presence is also being effected, in line with an overall Indofood distribution review, in order to identify new methods and processes for increasing product delivery times to local merchants and reduce the number of days product remains in warehouses.

Indofood Operating Profit 2004



	US$ millions
Noodles	62.2
Flour	58.3
Edible Oils and Fats	90.8
Others	14.6
Total	**225.9**

Indofood Operating Profit 2003



	US$ millions
Noodles	103.8
Flour	52.2
Edible Oils and Fats	27.8
Others	16.3
Total	**200.1**

Flour: Significant Growth Driver

Bogasari Flour Mills expanded both market share and increased turnover in 2004 to US$814.1 million, a 14.7 per cent improvement from 2003 turnover of US$710.0 million, due primarily to a heavy promotional focus on the small and medium institutional market, as well as increasing retail sales. Bogasari management implements an innovative dual-track strategy designed to increase flour consumption across Indonesia on a retail basis, while educating institutional and commercial customers on efficient product usage. Bogasari's Cakra Kembar, Kunci Biru and Segitiga Biru brands are the leading brands in the market, holding a combined market share of approximately 69 per cent.

The increase in cost of imported wheat resulted in a marginal reduction of gross margins to 15.1 per cent in 2004 compared with 15.6 per cent in 2003. Sales volumes of Food and Industrial Flour rose 9.1 per cent in 2004 to 2.4 million tons versus 2.2 million tons in 2003, despite an average selling price increase of 10.1 per cent.

Bogasari management is presently engaged in a distribution review concurrent with an overall Indofood distribution review to align its distribution policies and channels with Noodles and other divisions.

Edible Oils and Fats: Holding Steady

Indofood's Intiboga Sejahtera is among the largest producers of cooking oil, margarine and shortening in Indonesia, offering a wide range of both branded (Bimoli, Sunrise, Delima, Cornola among others) and non-branded products to both consumer and institutional customers throughout the country.

Turnover for Edible Oils and Fats fell 9.3 per cent in 2004, to US$571.3 million compared with US$630.2 million in 2003, due largely to a reduction of the Division's external trading activities. Oils contract trading has been relegated to servicing divisional needs only in line with Indofood's ongoing structural and business review.

Indofood remains Indonesia's largest single producer of institutional, commercial and retail food and related oils. Expanded distribution policies caused higher sales volumes in 2004, of 482 thousand tons versus 463 thousand tons in 2003, despite an increase in average selling prices for both wholesale and retail products.

Considerable new hecterage was acquired over the course of 2004 in an effort to reduce further Indofood's reliance on dollar-denominated forward contracts, and efforts were launched in 2004 to strengthen Edible Oils and Fats' assets for potential production and distribution synergies with other Indofood businesses.

Others: New Opportunities

Others refers to Distribution, Food Seasonings, Baby Foods, Snack Foods, Packaging and Others, which collectively improved sales performance by 2.2 per cent in 2004, to US$305.3 million compared with US$298.8 million in 2003. Baby Foods volumes decreased during the year as institutional sales contracts slowed due to a change in Government administrations and policy reviews by regulatory authorities.

2005 Outlook: Building for Tomorrow

In February 2005 Indofood entered into an agreement with global foods company Nestle S.A. to produce a variety of seasonings and sauces; Indofood will supply production facilities and technology while Nestle is expected to provide general strategic input, marketing expertise and coordination. The agreement marks the first result of the substantial structural review launched by management in mid-2004.

Management's present review and implementation of new processes and standards across the Indofood organization are designed to further professionalize management, and improve and enhance Indofood's present market position. Indofood management is committed to building a vertically integrated consumer foods company, with a diverse revenue base. With the improvement in Indonesia's macro-economic and political climate, Indofood anticipates a variety of increased organic and new revenue opportunities.

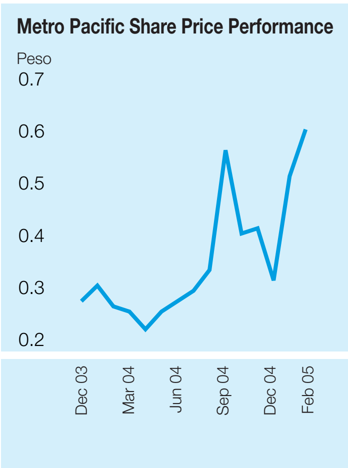
RENEWING GROWTH

METRO PACIFIC IS INCREASINGLY EXPLORING OPPORTUNITIES IN THE PHILIPPINE INFRASTRUCTURE SECTOR GENERALLY, AND IN TOLL ROADS PARTICULARLY

METRO PACIFIC

Metro Pacific's operations are principally denominated in peso, which averaged Pesos 56.12 (2003: 54.38) to the U.S. dollar. Its financial results are prepared under Philippine GAAP and reported in peso. First Pacific's financial results are prepared under Hong Kong GAAP and reported in U.S. dollar. 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.

Peso millions	**2004**	2003
Net loss under Philippine GAAP(i)	**(245)**	(838)
Differing accounting treatments(ii)		
– Reclassification/reversal of non-recurring items	**(726)**	358
– Others	**286**	(168)
Intragroup items(iii)	**3**	151
Adjusted net loss under Hong Kong GAAP	**(682)**	(497)
Foreign exchange losses(iv)	**17**	6
Metro Pacific's net loss as reported by First Pacific	**(665)**	(491)
US$ millions		
Net loss at prevailing average rates for 2004: Pesos 56.12 and 2003: Pesos 54.38	**(11.8)**	(9.0)
Contribution to First Pacific Group profit, at an average shareholding of 2004: 79.2% and 2003: 80.6%	**(9.4)**	(7.3)



(i) Metro Pacific has restated its 2003 result from a net profit of Pesos 57 million to a net loss of Pesos 838 million, which mainly reflects impairment provision for its investment in a shipping subsidiary (Pesos 0.8 billion).

(ii) Differences in accounting treatment under Philippine GAAP, compared with Hong Kong GAAP. The principal adjustment includes:
- Reclassification/reversal of non-recurring items: Certain items, through occurrence or size, are not considered usual, operating items which are reallocated and presented separately. Adjustment for 2004 of Pesos 0.7 billion gains (2003: losses of Pesos 0.4 billion) principally relate to the reclassification/reversal of provision releases for Metro Pacific's investment in a shipping subsidiary and gains realized from various debt reduction and restructuring exercises. The Pesos 0.8 billion impairment provision, made in 2003 for Metro Pacific's investment in a shipping subsidiary as mentioned in (i) above, was reversed as such provision had been made by First Pacific in prior years.

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

(iv) 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. dollar, follows.

	Turnover			Profit		
US$ millions	2004	2003	% change	2004	2003	% change
Property						
– Landco	15.1	12.7	+18.9	3.0	2.8	+7.1
– Pacific Plaza Towers	11.6	12.3	-5.7	0.1	(0.5)	–
– Bonifacio Land Corporation	–	3.1	–	–	(0.7)	–
Subtotal	26.7	28.1	-5.0	3.1	1.6	+93.8
Nenaco	32.1	43.6	-26.4	(2.9)	4.5	–
Corporate overhead	–	–	–	(1.1)	(0.9)	+22.2
Total	58.8	71.7	-18.0			
Operating (Loss)/Profit				(0.9)	5.2	–
Share of profits less losses of associates				(0.1)	(1.5)	-93.3
Net borrowing costs				(9.2)	(13.8)	-33.3
Loss Before Taxation				(10.2)	(10.1)	+1.0
Taxation				(0.8)	(0.1)	+700.0
Loss After Taxation				(11.0)	(10.2)	+7.8
Outside interests				1.6	2.9	-44.8
Group Share of Loss				(9.4)	(7.3)	+28.8

Nearing Completion of Debt Workout

Metro Pacific contributed a loss of US$9.4 million in 2004, a 28.8 per cent increase from its 2003 contributed loss of US$7.3 million. Management's primary focus during the year was to achieve resolution for a number of debt reduction transactions, primarily conducted under asset-for-debt swaps. By the close of 2004, agreements were in place that will have reduced Metro Pacific's parent company bank debt level to US$23.2 million, and are expected that Metro Pacific's debt level will stabilize at around US$6.2 million before the end of 2005.

Metro Pacific's real estate business Landco Pacific Corporation (Landco), a specialty developer of upper-income residential estates and regional shopping centers, posted a 7.1 per cent increase in operating profit, to US$3.0 million (2003: US$2.8 million), largely due to strong lot sales at a luxury residential resort development south of Manila.

METRO

Negros Navigation Company (Nenaco) faced a compelling and difficult environment for much of 2004, during which creditor actions, unscheduled and delayed dry-dockings of various vessels, and changes in management caused turnover to fall by 26.4 per cent to US$32.1 million (2003: US$43.6 million). In March 2004, Nenaco filed for a court administered debt rehabilitation program, which was approved in October 2004. Metro Pacific undertook various initiatives to institute strict cost-controls and procurement policies throughout Nenaco, and replaced senior management with experienced shipping and marketing executives. In December 2004, Metro Pacific conducted a public tender to the remaining minority shareholders of Nenaco, which resulted in it effectively owning 99.0 per cent of Nenaco stock. Metro Pacific subsequently facilitated the delisting of Nenaco from the Philippine Stock Exchange, which was approved in mid-December.

During the course of 2004, Metro Pacific assumed a minority stake in Citra Metro Manila Tollway Corporation (CMMTC), a joint-venture company comprised of Philippine-Indonesian infrastructure investors. Since mid-2004, Metro Pacific has been facilitating a reorganization of the CMMTC, operator of one of Metropolitan Manila's three primary toll expressways, with a view towards creating a master plan for an integrated toll expressway crossing the heavily populated and industrializing Luzon island.

2005 Outlook

Management's focus in 2005 remains squarely on enhancing profitability of its operating businesses, and with the completion of its debt reduction program, providing new capital to accelerate growth of these and other potential new businesses. In light of these plans, First Pacific Group's shareholding in Metro Pacific was reduced to 75.5 per cent from 80.6 per cent following the disposal of 5.1 per cent of Metro Pacific shares for approximately US$8 million.

Metro Pacific is confident that Landco's performance will continue to steadily improve during the course of the year, and believes that the deep, structural reforms it has implemented at Nenaco will accelerate that unit's emergence from court-administered rehabilitation. Metro Pacific is increasingly exploring opportunities in the Philippine infrastructure sector generally, and in toll roads particularly.

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