

In this section, the financial information of PLDT (an associated company of the Group), are extracted from its published 2004 audited financial statements prepared on the basis of full adoption of IAS in 2004 and are presented for information only.

Liquidity and Financial Resources

Net Debt and Gearing

(A) Head Office Net Debt

The increase in net debt is mainly attributable to the payments of operating expenses and tax, partly offset by net proceeds from disposals of Escotel and 5.1 per cent equity interest in Metro Pacific. The Head Office's borrowings at 31 December 2004 comprise Bonds of US\$112.6 million, net of US\$0.4 million unamortized issuance discount, mature in July 2006 and a bank loan of US\$32.0 million, which is repayable in September 2006.

Changes in Head Office Net Debt

US\$ millions	Borrowings	Cash and cash equivalents	Net debt
At 1 January 2004	167.4	(70.5)	96.9
Movement	(22.8)	29.2	6.4
At 31 December 2004	144.6	(41.3)	103.3

Head Office Cash Flow

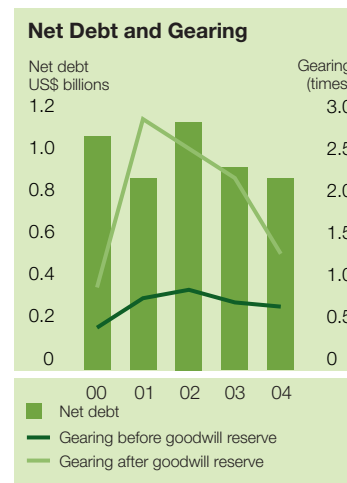
US\$ millions	2004	2003
Net cash outflow from operating activities	(8.7)	(9.2)
Net tax paid	(11.1)	(0.3)
Investments	(5.0)	(17.6)
Net proceeds/(expenses) on disposal	18.6	(2.6)
Financing activities		
– Net bank loan repayment	(23.0)	(132.4)
– Loan repaid by Metro Pacific, net	–	88.7
– Loan facility expenses	–	(3.8)
– Net bonds issued	–	112.4
(Decrease)/Increase in Cash and Cash Equivalents	(29.2)	35.2

(B) Group Net Debt and Gearing

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

Consolidated

US\$ millions	2004			2003 (Restated)		
	Net debt ⁽ⁱ⁾	Net assets/ (liabilities)	Gearing (times)	Net debt ⁽ⁱ⁾	Net assets/ (liabilities)	Gearing (times)
Head Office	103.3	838.7	0.12x	96.9	813.4	0.12x
Indofood	705.3	592.0	1.19x	713.3	569.7	1.25x
Metro Pacific	45.7	(13.8)	-	97.5	(32.7)	-
Consolidated Before Goodwill Reserve	854.3	1,416.9	0.60x	907.7	1,350.4	0.67x
Goodwill reserve	-	(757.2)	-	-	(922.6)	-
Consolidated After Goodwill Reserve	854.3	659.7	1.29x	907.7	427.8	2.12x



Associated

US\$ millions	2004			2003 (Restated)		
	Net debt	Net assets	Gearing (times)	Net debt	Net assets	Gearing (times)
PLDT	2,169.4	864.3	2.51x	2,869.3	386.5	7.42x

(i) Includes restricted cash and pledged deposits.

- Head Office's gearing was broadly the same as last year's.
- Indofood's gearing declined mainly because of profits enhanced net assets.
- Metro Pacific's net debt reduced substantially 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.

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Maturity Profile

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

Consolidated

US\$ millions	2004	2003
Within one year	288.9	207.4
One to two years	182.8	209.6
Two to five years	561.3	703.3
Over five years	17.1	43.0
Total	1,050.1	1,163.3

The Group's debt maturity profile at 31 December 2004 was shortened as compared to that at 31 December 2003 mainly because of reclassification of Indofood's Rupiah 1 trillion (US\$107.6 million) bonds due in 2005 and Head Office's US\$144.6 million debts due in 2006.

Associated

	PLDT	
US\$ millions	2004	2003 (Restated)
Within one year	500.4	467.6
One to two years	460.7	543.7
Two to five years	894.0	1,145.4
Over five years	987.0	1,204.2
Total	2,842.1	3,360.9

PLDT's debt maturity profile were stated at nominal values.

Financial Risk Management

Foreign Currency Risk

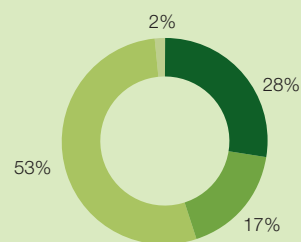
(A) Company Risk

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.

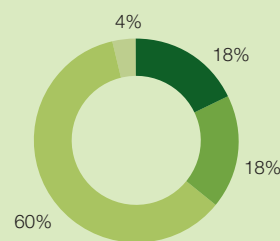
With the exception of the Head Office, the principal components of the Company's NAV relate to investments denominated in the peso and rupiah. Accordingly, any change in these currencies, against their respective 31 December 2004 exchange rates, would have an effect on the Company's NAV in U.S. dollar terms.

Maturity Profile of Consolidated Debt 2004



	US\$ millions
Within one year	288.9
One to two years	182.8
Two to five years	561.3
Over five years	17.1
Total	1,050.1

Maturity Profile of Consolidated Debt 2003



	US\$ millions
Within one year	207.4
One to two years	209.6
Two to five years	703.3
Over five years	43.0
Total	1,163.3

The following table illustrates the estimated effect on the Group'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	10.0	2.45
Indofood	3.8	0.93
Total	13.8	3.38

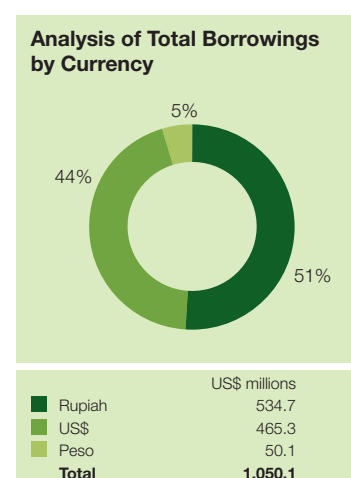
(i) Based on quoted share prices as at 31 December 2004 applied to the Group's economic interest.

(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. dollars.

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

millions	US\$	Peso	Rupiah	HK\$	Total
Total borrowings	465.3	50.1	534.7	–	1,050.1
Cash and cash equivalents ⁽ⁱ⁾	(65.5)	(6.9)	(122.3)	(1.1)	(195.8)
Net Debt	399.8	43.2	412.4	(1.1)	854.3
Representing:					
Head Office	106.9	(2.5)	–	(1.1)	103.3
Indofood	292.9	–	412.4	–	705.3
Metro Pacific	–	45.7	–	–	45.7
Net Debt	399.8	43.2	412.4	(1.1)	854.3

Associated

millions	US\$	Peso	Rupiah	Yen	Total
PLDT	2,238.9	(186.6)	–	117.1	2,169.4

(i) Includes restricted cash and pledged deposits.

Details of changes in Head Office net debt are set out on page 30.

Indofood hedges its U.S. dollar debt through foreign currency swap agreements, export revenues and U.S. dollar deposits. At the end of 2004, Indofood's US\$292.9 million of U.S. dollar denominated net borrowings were partly hedged through foreign currency swap agreements with notional amount totaling US\$250.0 million, which mature on various dates in 2007.

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PLDT carries U.S. dollar debt primarily because international vendors of telecommunications equipment quote prices and require payment in U.S. dollars. In addition, large funding requirements often cannot be satisfied in local currency due to inherent constraints within the financial markets in the Philippines. As a result, financing frequently needs to be sourced from the international capital market, principally in U.S. dollars. PLDT has actively hedged approximately 43 per cent of its U.S. dollar net borrowings. In addition, substantial revenues of PLDT are either denominated in, or linked to, the U.S. dollar. For example, PLDT's U.S. dollar denominated international inbound revenue accounted for approximately US\$186 million or nine per cent of PLDT's total revenues in 2004. In addition, under certain circumstances, PLDT is able to adjust the monthly recurring rates for its fixed line service by one per cent for every Peso 0.1 change in the U.S. dollar exchange rate.

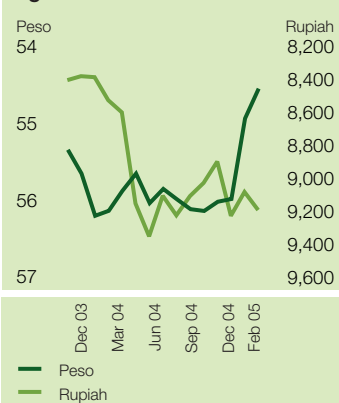
As a result of unhedged U.S. dollar net debt, the Group's results are sensitive to fluctuations in U.S. dollar exchange rates. The following table illustrates the estimated effect on the Group's reported profitability for a one per cent change in the principal operating currencies of subsidiary and associated 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	2,238.9	957.8	1,281.1	12.8	2.1
Indofood	292.9	250.0	42.9	0.4	0.2
Head Office ⁽ⁱⁱ⁾	106.9	–	106.9	–	–
Total	2,638.7	1,207.8	1,430.9	13.2	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.

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



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.

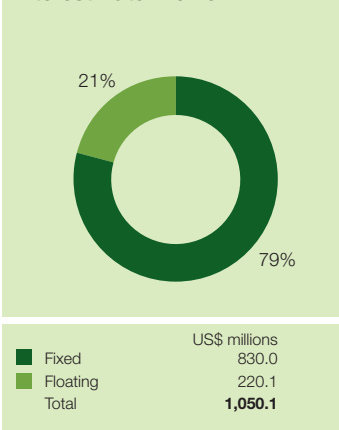
Consolidated

US\$ millions	Fixed interest rate borrowings	Variable interest rate borrowings	Cash and cash equivalents ⁽ⁱ⁾	Net debt
Head Office ⁽ⁱⁱ⁾	144.6	–	(41.3)	103.3
Indofood	655.4	200.0	(150.1)	705.3
Metro Pacific	30.0	20.1	(4.4)	45.7
Consolidated	830.0	220.1	(195.8)	854.3

Associated

US\$ millions	Fixed interest rate borrowings	Variable interest rate borrowings	Cash and cash equivalents	Net debt
PLDT	1,841.7	814.4	(486.7)	2,169.4

Interest Rate Profile



(i) Includes restricted cash and pledged deposits.

(ii) A wholly-owned subsidiary of the Company has entered into an interest rate swap agreement which effectively changed its US\$32.0 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	200.0	2.0	0.7
Metro Pacific	20.1	0.2	0.1
PLDT	814.4	8.1	1.3
Total	1,034.5	10.3	2.1

(i) Net of tax effect.

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 31 December 2004	1,822.8	1,000.2
Increase during 2004	26.4%	44.6%
At 14 March 2005	2,115.6	1,123.5
Increase over 2005 to 14 March 2005	16.1%	12.3%

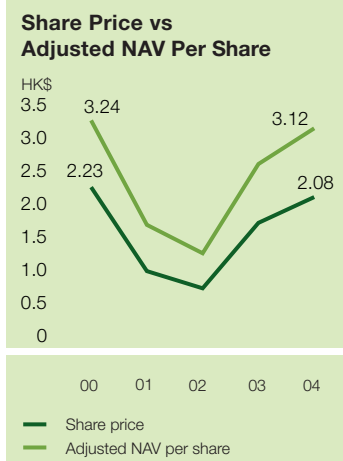


FINANCIAL REVIEW

Adjusted NAV Per Share

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

US\$ millions	Basis	At 14 March 2005	At 31 December 2004
PLDT	(i)	1,111.4	999.0
Indofood	(i)	525.5	378.6
Head Office – Net debt		(118.9)	(103.3)
Total Valuation	(ii)	1,518.0	1,274.3
Number of Ordinary Shares in Issue (millions)		3,186.0	3,186.0
Value per share			
– U.S. dollar		0.48	0.40
– HK dollars		3.72	3.12
Company's closing share price (HK\$)		2.55	2.08
Share price discount to HK\$ value per share (%)		31.5	33.3



(i) Based on quoted share prices as at 14 March 2005 and 31 December 2004 applied to the Group's economic interest.

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