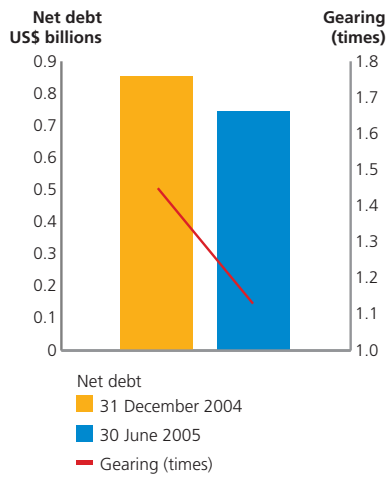


Net Debt and Gearing



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 2005			At 31 December 2004 (Restated)		
	Net debt ⁽ⁱ⁾	Total equity	Gearing (times)	Net debt ⁽ⁱ⁾	Total equity	Gearing (times)
Head Office	141.1	1,065.0	0.13x	103.3	1,066.7	0.10x
Indofood	563.5	551.9	1.02x	705.3	589.4	1.20x
Metro Pacific	39.3	6.1	6.44x	45.7	(13.8)	—
Group adjustments ⁽ⁱⁱ⁾	—	(962.7)	—	—	(1,051.2)	—
CONSOLIDATED	743.9	660.3	1.13x	854.3	591.1	1.45x

Associated

US\$ millions	At 30 June 2005			At 31 December 2004		
	Net debt	Total equity	Gearing (times)	Net debt	Total equity	Gearing (times)
PLDT	1,710.5	1,056.9	1.62x	2,169.4	864.3	2.51x

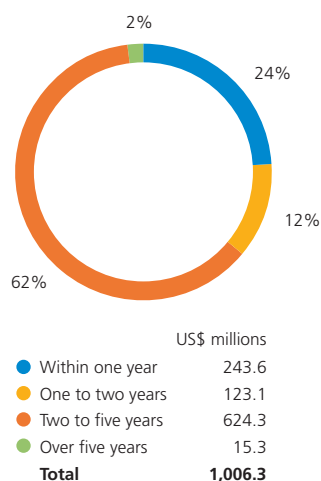
(i) Includes restricted cash.

(ii) Group adjustments mainly represents elimination of goodwill arising from acquisitions prior to 1 January 2001 against the Group's accumulated losses and other standard consolidation adjustments to present the Group as a single economic entity.

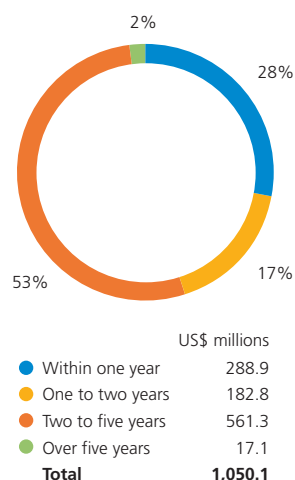
- Head Office's gearing increased principally because of payments for increased 0.6 per cent interest in PLDT (US\$28.2 million) and acquisition of a 25.0 per cent interest in Level Up (US\$15.0 million).
- Indofood's gearing declined mainly because of debt repayments.
- Metro Pacific's net debt reduced mainly because of debt reduction efforts.
- PLDT's gearing declined as strong free cash flows were used to reduce debts and profits enhanced total equity.

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Maturity Profile of Consolidated Debt 30 June 2005



Maturity Profile of Consolidated Debt 31 December 2004



Maturity profile

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

Consolidated

US\$ millions	At	At
	30 June 2005	31 December 2004
Within one year	243.6	288.9
One to two years	123.1	182.8
Two to five years	624.3	561.3
Over five years	15.3	17.1
TOTAL	1,006.3	1,050.1

The Group's debt maturity profile at 30 June 2005 was lengthened as compared to that at 31 December 2004 mainly because of Head Office's issuance of US\$199.0 million Exchangeable Notes due in 2010, coupled with the settlements of debts with different maturities (which includes Head Office's US\$32.0 million bank loan due in 2006 and US\$119.3 million of Indofood's Eurobonds due in 2007 and various short-term borrowings of Indofood).

Associated

US\$ millions	PLDT	
	At	At
	30 June 2005	31 December 2004
Within one year	518.5	500.4
One to two years	495.8	460.7
Two to five years	565.6	894.0
Over five years	942.3	987.0
TOTAL	2,522.2	2,842.1

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

Charges on group assets

At 30 June 2005, certain bank and other borrowings were secured by the Group's property and equipment, accounts receivable and inventories with a net book value of US\$54.9 million (31 December 2004: US\$44.8 million). Apart from these, the Head Office's US\$113.0 million bonds were principally secured by the Group's 51.5 per cent interest in Indofood.

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 Group's net asset value (NAV) relate to investments denominated in the peso and rupiah. Accordingly, any change in these currencies, against their respective 30 June 2005 exchange rates, would have an effect on the Group's NAV in U.S. dollar terms.

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	12.2	2.98
Indofood	5.0	1.22
TOTAL⁽ⁱⁱ⁾	17.2	4.20

(i) Based on quoted share prices as at 30 June 2005 applied to the Group's economic interest.

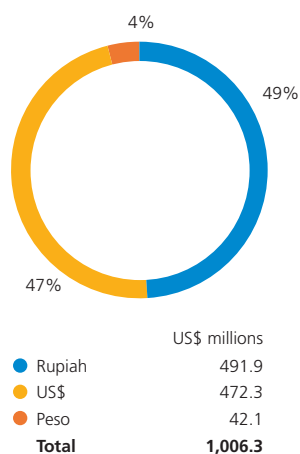
(ii) The NAV of the Group's investment in Level Up is based on its historic U.S. dollar cost and, accordingly, any depreciation of the peso, rupee and reais would not affect the Group's adjusted NAV.

(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.

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Analysis of Total Borrowings by Currency



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 ⁽ⁱ⁾	Total
Total borrowings	472.3	42.1	491.9	—	1,006.3
Cash and cash equivalents ⁽ⁱⁱ⁾	(181.7)	(5.2)	(75.2)	(0.3)	(262.4)
NET DEBT	290.6	36.9	416.7	(0.3)	743.9

REPRESENTING:

US\$ millions	US\$	Peso	Rupiah	Others ⁽ⁱ⁾	Total
Head Office	141.6	(0.2)	—	(0.3)	141.1
Indofood	146.8	—	416.7	—	563.5
Metro Pacific	2.2	37.1	—	—	39.3
NET DEBT	290.6	36.9	416.7	(0.3)	743.9

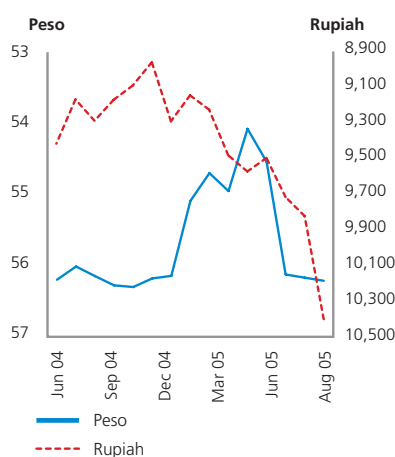
Associated

US\$ millions	US\$	Peso	Yen	Total
PLDT	1,897.0	(277.4)	90.9	1,710.5

(i) Principally HK dollars for Head Office.

(ii) Includes restricted cash.

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



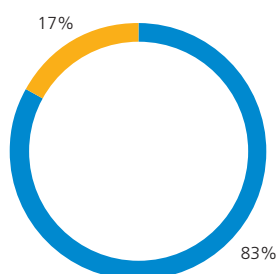
As a result of unhedged U.S. dollar net debt, the Group's results are sensitive to fluctuations in U.S. dollar exchange rates. The following table illustrates the estimated effect on the Group's reported profitability for a one per cent change in the principal operating currencies of subsidiary and associated 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	1,897.0	901.8	995.2	10.0	1.7
Indofood	146.8	—	146.8	1.5	0.5
Metro Pacific	2.2	—	2.2	—	—
Head Office ⁽ⁱⁱ⁾	141.6	—	141.6	—	—
TOTAL	2,187.6	901.8	1,285.8	11.5	2.2

(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	837.4
● Variable	168.9
Total	1,006.3

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	297.5	—	(156.4)	141.1
Indofood	516.9	147.6	(101.0)	563.5
Metro Pacific	23.0	21.3	(5.0)	39.3
TOTAL	837.4	168.9	(262.4)	743.9

Associated

US\$ millions	Fixed interest rate borrowings	Variable interest rate borrowings	Cash and cash equivalents	Net debt
PLDT	1,676.0	669.5	(635.0)	1,710.5

(i) Includes restricted cash.

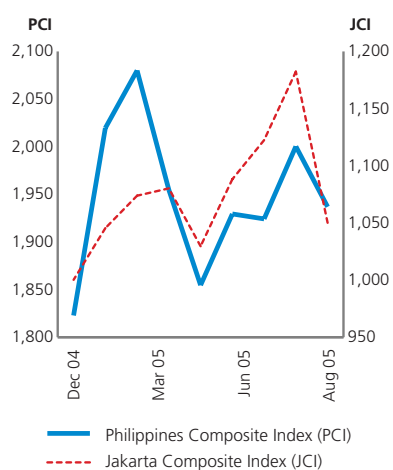
The following table illustrates the estimated effect on the Group's reported profitability for a one per cent change in average annual interest rates.

US\$ millions	Variable interest rate borrowings	Profit effect of 1% change in interest rates	Group profit effect ⁽ⁱ⁾
Indofood	147.6	1.5	0.5
Metro Pacific	21.3	0.2	0.1
PLDT	669.5	6.7	1.1
TOTAL	838.4	8.4	1.7

(i) Net of tax effect.

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Stock Market Indices



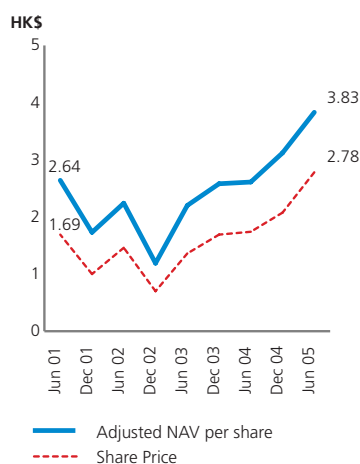
Equity market risk

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.

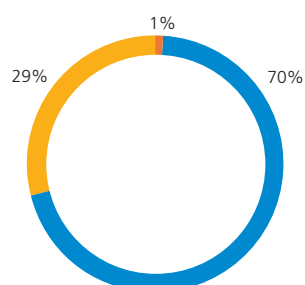
First Pacific's listed investments are located in the Philippines and Indonesia. Accordingly, in addition to operating factors within the Company's control, the Company also has an equity market risk in respect of general investor sentiment towards these countries. Changes in the stock market indices of the Philippines and Indonesia is summarized as follows.

	Philippine Composite Index	Jakarta Composite Index
At 31 December 2004	1,822.8	1,000.2
At 30 June 2005	1,924.2	1,122.4
Increase during first half of 2005	5.6%	12.2%
At 31 August 2005	1,936.9	1,050.1
Increase/(decline) from 30 June 2005 to 31 August 2005	<u>0.7%</u>	<u>(6.4)%</u>

Share Price vs Adjusted NAV Per Share



Adjusted NAV by Country 30 June 2005



	US\$ millions
Philippines	1,218.2
Indonesia	497.9
Others	15.0
Total	1,731.1

ADJUSTED NAV PER SHARE

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

US\$ millions	Basis	At 30 June 2005	At 31 December 2004
PLDT	(i)	1,218.2	999.0
Indofood	(i)	497.9	378.6
Level Up	(ii)	15.0	—
Head Office — Net debt		(141.1)	(103.3)
— Derivative liability	(iii)	(24.3)	—
TOTAL VALUATION	(iv)	1,565.7	1,274.3
NUMBER OF ORDINARY SHARES IN ISSUE (millions)		3,186.0	3,186.0
Value per share			
— U.S. dollar		0.49	0.40
— HK dollars		3.83	3.12
Company's closing share price (HK\$)		2.78	2.08
Share price discount to HK\$ value per share (%)		27.4	33.3

(i) Based on quoted share prices as at 30 June 2005 and 31 December 2004 applied to the Group's economic interest.

(ii) Based on investment cost.

(iii) Represents the fair value of option element embedded within the Exchangeable Notes as at 30 June 2005.

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

EMPLOYEE INFORMATION

The following information relates to the Head Office and its subsidiary companies.

For the six months ended 30 June	2005	2004
US\$ millions		
EMPLOYEE REMUNERATION (INCLUDING DIRECTORS' REMUNERATION)		
Basic salaries	56.6	65.3
Bonuses	5.5	7.1
Benefits in kind	15.6	13.1
Pension contribution	3.2	1.8
Retirement and severance allowances	6.7	—
TOTAL	87.6	87.3
	2005	2004
NUMBER OF EMPLOYEES		
— At 30 June	47,438	49,575
— Average for the period	48,292	48,307

For details regarding the Group's remuneration policies for Directors and senior executives, please refer to page 41 of First Pacific's 2004 Annual Report.