

Managing Director and Chief Executive Officer's Letter



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My Fellow Shareholders,

Our performance in this year of transition has been mixed.

On the one hand, PLDT continued to outperform expectations, and exceed its targets. It consolidated its market position, further built on its dominance in the Philippines' landline, wireless and data markets, and recorded a third consecutive year of record profits. PLDT has emerged as one of Asia's leading telecommunications companies, and the generally benign Philippine economic environment of 2005 enabled it to build on almost every area of its businesses.

On the other hand, Indofood was faced with considerable challenges which placed considerable pressure on its ability to meet its profit targets. An already difficult Indonesian macro-economic climate was exacerbated by higher commodity prices and increases in basic fuel and transportation costs. Consequently, margins were put under pressure for much of Indofood's branded products as operating costs escalated.

Despite these contrasting performances of our two major assets, we managed to report a modest increase in recurring profit for the year, despite higher financing expenses at head office. However, our reported net profit declined because of a (non-cash) loss incurred on revaluation of options embedded within the US\$199 million Exchangeable Notes issued in January 2005.

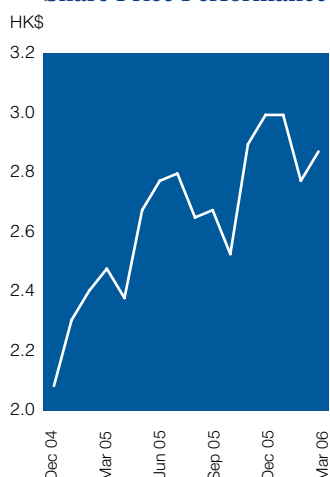
Against this backdrop, our expectations for the year 2006 are more sanguine. Let me take this opportunity to outline in broad terms our approach to 2006 prospects.

First, we will endeavour to ensure that PLDT continues to deliver performance, as it has consistently in the past. A host of innovative product and service offerings, ranging from the Philippines' first nationwide rollout of competitively priced 3G services, to wireless Wi-Fi, to its growing call center and back office processing businesses, will grow PLDT's revenue line for the year. Moreover, PLDT is making new investments in its IP-based Next Generation Network (NGN) capable of handling greater amounts of data communications, as well as providing traditional products such as voice - all at much lower infrastructure and delivery costs. Also, this NGN presents us with a platform to create new content offerings for our millions of subscribers at more affordable prices.

Whilst we are confident that the cumulative effect of these initiatives should improve PLDT's position in the coming year, we caution against exuberance. PLDT is transitioning along with the Philippine telecommunications landscape to a state where the best providers of enriched and value-added content at affordable prices will consistently deliver profit and cash flow growth, and enhanced market share.

Second, First Pacific intends to sustain the momentum of Indofood's re-engineering and restructuring processes. In late 2004 First Pacific's Chairman, who is the concurrent President Director and CEO of Indofood, embarked on a broad-based program to examine each area of Indofood's supply, production, marketing and distribution systems. Progress has been made since this initiative was launched. Indofood is merging various

First Pacific Share Price Performance



business units to create economies of scale which can reduce raw material costs and acquire supply sources of its own more efficiently. Disparate distribution systems are being unified under a single corporate entity and with simplified technology. New joint venture partnerships, such as with Nestlé S.A., stand to create new product offerings for key markets.

Third, First Pacific is mindful about seeking and making new investments in 2006 which can generate new areas of potential growth. Our issuance of the Exchangeable Notes mentioned earlier is intended to fund such an investment program. First Pacific can draw upon significant additional resources in order to acquire any one or more of a number of attractive and significant assets in telecommunications, consumer products - especially food - and infrastructure which may be available in the region.

We have outlined our investment strategy in previous fora here in Hong Kong and elsewhere. However, it bears my repeating these general criteria which inform such a strategy: we look for substantial value-creating opportunities that may be presently overlooked by existing owners and management. And we must ensure our ability to control the key management functions of an asset in order to effect real changes. As I said in my message to you last year, these criteria have increasingly assumed importance because investment cycles have become shorter than before.

Finally, it is also worthwhile to note that as of last year, First Pacific's listed Philippine property unit, Metro Pacific, has effectively completed its multi-year debt workout. A recapitalization plan is now being crafted, along with a new business plan, to put Metro Pacific back on its feet after a long hiatus. First Pacific has also made a modest investment last year in a promising online gaming business called Level Up. Its gaming operations extend across the Philippines, Brazil and India.

I would like to close this letter by saying that we enter the new year with our historic spirit of determination and optimism regarding our future. Let me thank all our shareholders most sincerely for their continued support as we approach our 25th year of corporate life.

Cordially,

MANUEL V. PANGILINAN
Managing Director and Chief Executive Officer
31 March 2006