

30th July 1998

FIRST PACIFIC'S METRO PACIFIC ANNOUNCES INTERIM RESULTS

First Pacific Company Limited's Philippines flagship, Metro Pacific Corporation announced today that its unaudited operating profit for the six-month period ended 30th June 1998 reached Pesos 2,520 million, compared with Pesos 77 million for the same period last year. Net income for the semester reached Pesos 117 million, which was affected adversely by an increase in financing charges compared with the previous year. Following the recent capital raising of Pesos 14 billion, certain asset disposals and a further fund raising later in the year through the issue of warrants, Metro Pacific's level of indebtedness will be reduced further with a consequential reduction in financing charges.

Metro Pacific's **revenues** increased from Pesos 2,189 million to Pesos 10,307 million, reflecting the consolidation, from 30th June 1997, of Fort Bonifacio Development Corporation and, from 30th September 1997, of Smart Communications, Inc. The results of both companies for the six month period ended 30th June 1997 were accounted for as part of the **equity in net earnings of affiliated companies**, whereas both were fully consolidated in 1998. As a result, equity in net earnings decreased from Pesos 502 million in 1997 to Pesos 48 million in 1998.

Financing charges increased from Pesos 150 million in 1997 to Pesos 1,152 million in 1998 as a result of the consolidation of Smart and Fort Bonifacio, increased indebtedness within the Group and the higher interest rate environment. Outside interests -- the portion of the net income for the period attributable to third party equity holders of subsidiary companies -- increased to Pesos 1,243 million, reflecting the fact that a significant portion of the economic interests in Fort Bonifacio and Smart are shared with other equity investors.

On the consolidated balance sheet, total assets rose to Pesos 144.5 billion as at 30th June 1998 from Pesos 135.8 billion as at 31st December 1997, principally from additional investments in telecommunications equipment by Smart and the acquisition, in April this year, of a majority interest in Negros Navigation Co., Inc., a regional shipping group.

Consolidated total equity, including outside interests, increased to Pesos 70.6 billion as at 30th June 1998 from Pesos 55.4 billion as at 31st December 1997, mainly as a result of a deposit on subscription for new common shares in an amount of Pesos 14 billion, which has been used to extinguish foreign currency obligations. The company's total debt-to-equity ratio improved from 1.45 to 1.05. The reduction in Metro Pacific's debt will also reduce the level of financing charges in the year's second half.

Property Development

Bonifacio Land's operating arm, Fort Bonifacio Development Corporation, continued its stable performance in spite of market conditions, with income before tax of Pesos 1.8 billion. Fort Bonifacio Development Corporation continued to receive payments from buyers on installment terms for lots in Fort Bonifacio, and records revenues and net income on the basis

of the percentage of the horizontal work performed, which increased to approximately 56.5 per cent as of 30th June 1998 from 45.2 per cent as of 31st December 1997.

Pacific Plaza Towers, Inc., which is building a twin-tower, 393-unit luxury condominium complex within Fort Bonifacio, has received reservations and contracts for approximately 50 per cent of the total units, notwithstanding the difficult market conditions in the property sector.

Landco Pacific Corporation, an associate which has extended its property activities outside Metro Manila to include memorial parks, residential subdivisions, resorts, golf courses and shopping centers, was able to secure continued demand throughout the first half of this year, although, at lower levels than experienced in the previous year. In light of the support provided by Metro Pacific, agreement has recently been reached for Metro Pacific to increase its shareholding interest in Landco to 60 per cent from the present 40 per cent through the issue at par value of Pesos 171 million in new shares.

Telecommunications

Smart Communication's cellular subscribers increased to approximately 720,000 as at 30th June 1998. Consistent subscriber growth was achieved while management continued to exercise a prudent approach in the management of its financial affairs which avoided the cloning and fraud problems experienced by other domestic carriers.

Consumer Products

The division, which manufactures many popular consumer products, including astringents, soap, facial creams and packaged water, performed satisfactorily, with increased market shares for Wilkins Distilled Drinking Water and various of the division's personal care products. The economic environment has, however, caused a general slowdown in the consumer products market with demand at levels similar to those experienced in 1997. Due to increased competition, higher marketing expenditure and losses reported by Holland Pacific Paper, Inc., which is involved in the manufacture of the bathroom and packaged tissue products, the division's contribution to net income declined compared with the previous year.

Metro Pacific has just announced that it has signed a share purchase agreement with a major European multinational, specializing in the manufacture of paper related products, for the sale of Holland Pacific. Terms of the sale, which was made at carrying value, were not disclosed.

Packaging

Steniel Manufacturing Corporation, which is 73 per cent owned by Metro Pacific, continued to record improved efficiencies in its new-state-of-the-art plant in Cavite, where the Luzon operations were consolidated in 1997. However, the Luzon market continues to experience an oversupply of corrugated carton boxes that is unlikely to be reversed for some time. As a consequence, continued pressure on margins in Luzon and the general economic slowdown affected adversely the Cavite plant. This was offset, however, by strong performances by the division's plants in Cagayan de Oro and Cebu.

The group's flexible packaging subsidiary, Starpack Philippines Corporation, reported lower volumes as a result of market conditions, but achieved higher net income amid tight cost controls and improvements in operating performance.

Commentary

Napoleon L. Nazareno, Metro Pacific's President and Chief Executive said, "The market conditions, which remain difficult, have affected the results of all the companies in the Group. Consumer confidence, remains weak and our view is that this is likely to continue in the short-term. The sectors in which the Group operates, however, are resilient in the long-term to such

changes in sentiment and we are confident that the Group will be able to benefit at an early stage from improvements in market conditions.

"The high interest rate environment and the continued depreciation of the Peso also adversely affected the results for the first six months. The recent increase in equity by Pesos 14 billion, the largest capital raising exercise ever undertaken by Metro Pacific, has created a stronger platform for the Group's operations, and also enabled Metro Pacific to reduce significantly its foreign currency debts. With a further capital increase of approximately Pesos 6 billion planned for later in the year in the form of a warrants issue, the Group should be well-placed to withstand the current economic conditions." Mr Nazareno concluded.

METRO PACIFIC CORPORATION
CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS
(Unaudited)

For the six-month period ended 30 June		
(In Pesos thousands)	1998	1997
Revenues	10,307,516	2,189,324
Cost of sales	6,120,729	1,616,692
Operating expenses	1,667,243	495,189
Operating profit	2,519,544	77,443
Equity in net earnings of affiliated companies	48,360	501,654
Financial charges, net	(1,152,581)	(149,738)
Profit before other income	1,415,323	429,359
Other income, net	74,302	154,072
Profit before taxation	1,489,625	583,431
Taxation	129,303	18,943
Net income before outside interests	1,360,322	564,488
Outside interests	(1,242,928)	9,964
Net income for the period	117,394	574,452
Retained earnings		
Beginning of period	2,084,449	1,577,210
Dividends paid	-	(205,405)
End of period	2,201,843	1,946,257

METRO PACIFIC CORPORATION
CONSOLIDATED BALANCE SHEETS
(unaudited)

As at (In Pesos thousands)	30 June 1998	31 December 1997	30 June 1997
ASSETS			
Current assets			
Cash and cash equivalents	5,122,821	5,991,698	8,663,932
Receivables	7,888,753	8,620,656	2,595,862
Due from affiliated companies	584,708	856,713	513,293
Inventories	1,848,462	1,845,494	847,928
Development properties held for sale	4,819,484	2,904,488	9,472,418
Prepayments and other current assets	3,765,691	2,511,431	2,555,240
Deferred income tax asset	133,147	539,031	707,342
Total current assets	24,163,066	23,269,511	25,356,015
Long-term receivables	9,874,239	9,343,007	3,976,218
Investments in affiliated companies	3,541,755	3,043,227	4,604,432
Development properties	67,727,276	67,504,027	54,644,343
Property, plant and equipment	31,758,299	24,988,620	3,166,050
Goodwill	13,176	170,021	177,365
Other assets	7,435,042	7,506,601	4,279,953
Total assets	144,512,853	135,825,014	96,204,376
LIABILITIES AND EQUITY			
Current liabilities			
Loans and notes payable	13,419,896	10,249,553	9,591,228
Current portion of long-term debts	1,871,384	884,048	94,349
Current portion of long-term liabilities and provisions	1,430,420	4,420,949	5,140,000
Accounts payable and accrued expenses	7,299,998	6,307,087	6,619,178
Income tax payable	5,596	1,252,712	1,398,525
Total current liabilities	24,027,294	23,114,349	22,843,280
Long-term debts	25,499,982	32,972,678	12,897,415
Long-term liabilities and provisions	24,424,403	24,317,947	6,377,871
Equity			
Stockholders' equity			
Capital stock	4,707,460	4,570,121	3,427,161
Additional paid-in capital	6,653,342	5,968,777	5,901,509
Deposit on stock subscriptions	14,000,000	823,283	819,426
Retained earnings	2,201,843	2,084,449	1,946,256
Outside interests	42,998,529	41,973,410	41,991,458
Total equity	70,561,174	55,420,040	54,085,810
Total liabilities and equity	144,512,853	135,825,014	96,204,376