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FIRST PACIFIC'S METRO PACIFIC SEES 47% FALL IN FIRST QTR PROFIT

First Pacific Company Limited's Philippine flagship, Metro Pacific Corporation, announced today that consolidated net profit declined 47 per cent in 1998's first quarter to Pesos 107 million from Pesos 201 million a year earlier, as higher financing charges eroded the effect of sound performances by its operating companies.

Metro Pacific's turnover rose nearly four-fold to Pesos 4.499 billion from Pesos 1.165 billion and operating profit grew to Pesos 1.195 billion from Pesos 32 million. These increases reflect the consolidation and growth of Fort Bonifacio Development Corporation and Smart Communications, Inc. which had been accounted for as affiliates in 1997's first quarter.

Consolidated financing charges rose to Pesos 392 million from Pesos 77 million, reflecting the rise in consolidated indebtedness to Pesos 44.299 billion from Pesos 8.883 billion and substantially higher interest rates in the Philippines. The increased debt relates to Metro Pacific's measures to increase its holding in Smart to approximately 53 per cent from 35 per cent a year earlier and its effective holding in Fort Bonifacio Development by increasing its stake Bonifacio Land Corporation to 61 per cent from 40 per cent.

In **Property Development**, Fort Bonifacio Development - which is 55 per cent held by Bonifacio Land and 45 per cent by the Philippine Government - reported income before tax of Pesos 703 million compared with Pesos 1.792 billion a year earlier. Payments continued to be received from buyers of lots in the Fort Bonifacio project. Work was begun during the period on building connections between the development project's roads and two of Metro Manila's major transport arteries.

Pacific Plaza Towers, Metro Pacific's wholly owned luxury condominium project under construction at the Fort Bonifacio site, remains on track for occupancy to begin by mid-2000. Its foundations are expected to be completed by the end of the first half. While sales of units continued in the first quarter, they remained relatively modest in light of the prevailing economic conditions and uncertainty ahead of the May presidential elections.

Landco Pacific Corporation - a developer of luxury residential and resort projects outside Metro Manila, which is 40 per cent held by Metro Pacific - recorded healthy demand for its projects that remained in line with levels achieved in the second half of 1997. The project's location, design and high quality provide the basis for continued moderate demand in spite of soft market conditions.

In **Telecommunications**, Smart recorded improved earnings. While subscriber growth remained robust, growing to 677,000 from 623,000 at year-end 1997, the weak economy led to diminished phone usage and thus led to lower average revenues per subscriber. Its fixed-line subscriber base continued to record healthy growth.

The **Consumer Products** division reported lower profit, affected by the economic slowdown, although sales held steady, led by an excellent performance at Wilkins Distilled Drinking Water. Although operating conditions are likely to remain challenging, a stable performance is anticipated in 1998, helped by the strength of the division's market-leading brands.

The **Packaging** business, which is grouped under separately listed Steniel Manufacturing Corporation, swung to a net profit in the first quarter, following losses in 1996 and 1997, including foreign exchange gains.

Its corrugated carton division obtained improvements in operating efficiencies, particularly at its new state-of-the-art plant in Cavite, and generally higher revenues, and is expected to develop well over the remainder of the year. Starpack (formerly AR Packaging), which produces flexible packaging, reported lower sales as a result of lower demand, but improved its operating margins.

While difficult market conditions will impede Steniel's growth in the period ahead, management is satisfied that its recovery is proceeding well.

Commenting on the group's performance, Metro Pacific President and Chief Executive Officer Napoleon L. Nazareno stated: "The economy remains relatively weak following the depreciation of the peso and the associated increase in interest rates last year. In light of these conditions, the level of net income for the quarter demonstrates the stability of the Group, which has been accomplished based on its recent strategy of diversification.

"The Philippines has demonstrated its ability to recover from period of adversity and we are confident that the inherent strengths of the country will place it in the forefront of Asia in the future. It should be recognized, however, that increases in net income will be difficult to achieve as a result of the interest charges presently being recorded by the Group. The rights issue scheduled for the first semester of 1998 will assist significantly in strengthening MPC's equity base and reducing borrowings to position it for further growth in the future.

"Another important development in 1998 is the Group's recent entry into the infrastructure/transportation sector through the acquisition of a 55 per cent interest in Negros Navigation Co., Inc. This investment provides a sound entry into the sector and could provide opportunities for further expansion in the medium-term. Our initial priority, however, is to integrate Nenaco into the MPC group and to work more closely with management to develop our understanding of the industry.

"We anticipate that 1998 will remain challenging, as the economic difficulties presently being experienced within the region will need time to correct. In the short-term, MPC will adopt cautious practices to ensure that it is able to maintain its operations and benefit from improvements in market conditions."