19th February 1999

FIRST PACIFIC'S METRO PACIFIC 1998 PROFIT DECLINES 54%

First Pacific's Philippine flagship, Metro Pacific Corporation, announced today that consolidated net income declined 54 per cent in 1998 to P329 million, while revenue grew 34 per cent to P13.1 billion, bolstered mainly by the full-year consolidation of its investments in Bonifacio Land Corp. and Landco Pacific Corp.

Operating profit increased 62 per cent to P2.8 billion, and profit before tax and after financing charges decreased 14 per cent to P1.8 billion. However, net other expenses amounted to P851 million compared with net other income of P4 million a year earlier, reflecting provisions for possible lot returns or settlements with lot buyers at Fort Bonifacio, which management believes may be recovered in part in the near future. The Company recorded further prudent provisions for restructuring and bad debts in its shipping, packaging and bottled water businesses, offset by a foreign exchange gain.

Metro Pacific made good progress in reducing indebtedness, a major objective for the year. Consolidated debt dropped 40 per cent to P48.3 billion and interest-bearing liabilities declined 46 per cent to P30.5 billion. Debt reduction was achieved by de-consolidating Smart's balance sheet, in anticipation of Metro Pacific selling a portion of its interest in Smart to Japan's Nippon Telegraph and Telephone Company, and by raising P14 billion in new equity. Following debt repayments, the Company's debt-to-equity ratio improved to 71 per cent from 145 per cent at year-end 1997; its ratio of net debt to total equity plus minority interests improved to 32 per cent from 69 per cent.

Metro Pacific's President Napoleon Nazareno said, "I am pleased to note that Metro Pacific achieved its two major objectives for 1998: strengthening its balance sheet and re-focusing its resources on Fort Bonifacio and other property projects outside Metro Manila through Landco Pacific. We have big tasks ahead of us that require the financial strength and flexibility that very few property-related companies have in these times of tight liquidity and lower risk tolerance levels in the financial community. I am confident that we are well positioned to meet these demands."

Operational Highlights

At the Fort Bonifacio project, Fort Bonifacio Development Corp., which is 55 per cent held by Bonifacio Land, recorded a 35 per cent decline in revenue to P6.0 billion. Capital expenditure totaled P1.3 billion on developing the Kalayaan highway interchange (which will link the development to the Makati business district) and the 57-hectare Big Delta (which is the first phase of the centrally planned city). Now 67 per cent complete, the Big Delta is expected to be

87 per cent finished by the end of 1999 and remains fully on track to be completed by 2000. Approximately P2 billion is expected to be spent on infrastructure and other developments this year and a further P1.7 billion in 2000.

Some P2.1 billion in receivables - owed in relation to lots sold in 1996 for an aggregate P28.4 billion - were collected during the year, of which P1.3 billion were principal payments. Provisions of P1.7 billion were taken for possible lot returns or other settlements with lot buyers, representing approximately 6 per cent of the total sale price; however, management remains confident that acceptable arrangements will be reached with lot buyers, which may permit the reversal of the provision in part. At yearend 1998, a total of P19.1 billion had been received since the lots were sold, and a further P7.6 billion is due to be paid over the next three years.

At Landco Pacific, which develops property outside Metro Manila, revenue declined 17 per cent to P1.8 billion, as weakness in the property market resulted in a decrease in the sale of property and club-shares. Substantial steps were taken to consolidate operations, including the implementation of plans that cut indebtedness by 41 per cent to P422 million and reduced headcount by 53 per cent to 290. Metro Pacific increased its holding in Landco Pacific in the third quarter to 60 per from 40 per cent by subscribing to P800 million in three-year convertible bonds and P129.8 million in new shares.

Pacific Plaza Towers' revenue rose fivefold to P117.8 million. The two-tower 52-storey project was 17 per cent complete at yearend 1998 and progressing at the rate of approximately one floor per week. Topping-out is expected by yearend 1999 and units are to be turned over on full completion by mid-2000.

Smart's revenue increased 67 per cent to P8.2 billion, as it continued to dominate the cellular market, ending the year with 791,000 subscribers, up 27 per cent, equivalent to a market share of approximately 50 per cent. Smart expects to launch its GSM digital service in Metro Manila and key provincial cities in the first quarter with 257 GSM-activated cell sites. By the second quarter of the year, the system will be operational nationwide.

Fixed-line subscribers grew by a disappointing 27 per cent to 108,000, reflecting persistent problems in connecting to PLDT's network, prior to First Pacific's investment in that company.

Despite difficult market conditions, Negros Navigation Co. reported a 20 per cent increase in revenue to P2.1 billion, reflecting increases in both cargo and passenger volumes. Cargo volume for conventional vessels increased 10 per cent to 2.2 million tons in 1998, while passenger volume grew 11 per cent to 2.0 million. The fast ferry business recorded volume growth of three-fold to approximately 4.0 million passengers, following its recent merger with the rival "Supercats" operation.

In addition cutting back on overhead costs, Negros Navigation furthered its drive to become a nation-wide carrier, more than doubling its route network and increasing its ports of call to 19 from 15.

Metrolab, Metro Pacific's skin-care products subsidiary, registered a 17 per cent rise in revenue to P950 million. Eskinol, its principal product line, continued to account for a significant portion of total sales, as it re-launched product lines aimed at young females and at men. The company also introduced new products in the facial care, deodorant and hand-sanitizer markets, all of which received strong receptions.

Metro Bottled Water recorded revenue growth of 60 per cent to P530 million, helped by higher prices and improved sales, which were supported by a more efficient distribution system. Its Wilkins Distilled Drinking Water brand increased market share to 28 per cent from 23 per cent.

Steniel Manufacturing, which holds Metro Pacific's packaging activities, recorded a 15 per cent rise in turnover to P2.9 billion, underpinned by the turnaround of its corrugated packaging division, which benefited from higher revenues, stemming from increased volume and pricing, as well as cost-reduction efforts. Steps were taken to reduce paper and manufacturing costs by bringing down wastage levels and improving production efficiencies.

PDCP Bank faced significant challenges reflecting the difficult banking environment, which translated to a moderate net loss due mainly to restructuring costs and provisions for possible loan losses. The bank, which came under new leadership, implemented an asset restructuring program, a realignment of its branch operations, systems and process flow, as well as a staff reduction program that cut staff by about 20 per cent to 800. Ten branches were closed, cutting its network to 61 branches.

METRO PACIFIC CORPORATION

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

(Unaudited)

For the year ended 31 December (In thousand Pesos)	**1998**	**1997**	**1996**
Revenues	13,058,306	9,270,355	4,922,206
Cost of sales	8,142,123	5,467,218	3,589,403
Operating expenses	2,069,804	2,045,447	1,067,946
Operating profit	2,846,379	1,757,690	264,857
Equity in net earnings of affiliated companies	196,619	618,831	485,527
Financing charges, net	(1,233,559)	(285,999)	(227,196)
Profit before other income	1,809,439	2,090,522	523,188
Other income/(expense), net	(851,512)	3,974	262,108
Profit before taxation	957,927	2,094,496	785,296
Taxation	(459,142)	490,135	43,640
Net income before outside interests	1,417,069	1,604,361	741,656
Outside interests	(1,088,131)	(891,717)	102,199
Net income for the year	328,938	712,644	843,855
Retained earnings			
Beginning of year	2,084,449	1,577,210	875,781
Dividends paid		(205,405)	(142,426)
End of year	2,413,387	2,084,449	1,577,210
Earnings per share (in centavos)			
Basic	2.84	15.31	19.17
Fully diluted	2.73	13.38	17.14
Weighted average number of shares in issue			
Basic	11,563,282	4,655,630	4,403,010
Fully diluted	12,034,373	5,327,016	4,922,487

METRO PACIFIC CORPORATION
CONSOLIDATED BALANCE SHEETS
(Unaudited)

As at 31 December (In thousand Pesos)	1998	1997
ASSETS		
Current assets		
Cash and cash equivalents	2,571,590	5,991,698
Receivables	6,016,094	8,620,656
Due from affiliated companies	831,257	856,713
Inventories	874,429	1,845,494
Development properties held for sale	2,286,912	2,904,488
Prepayments and other current assets	1,202,553	2,511,431
Deferred income tax asset	900,376	539,031
Total current assets	14,683,211	23,269,511
Long-term receivables	6,407,460	9,343,007
Investments in affiliated companies	8,361,160	3,043,227
Development properties	72,732,718	67,504,027
Property, plant and equipment	6,288,273	24,988,620
Goodwill	467,240	170,021
Other assets	7,257,637	7,506,601
Total assets	116,197,699	135,825,014
LIABILITIES AND EQUITY		
Current liabilities		
Loans and notes payable	7,519,977	10,249,553
Current portion of long-term debts	718,906	884,048
Current portion of long-term liabilities and provisions	2,194,571	4,420,949
Accounts payable and accrued expenses	3,946,142	6,307,087
Income tax payable	7,167	1,252,712
Total current liabilities	14,386,763	23,114,349
Long-term debts	16,147,498	32,972,678
Long-term liabilities and provisions	17,777,114	24,317,947
Equity		
Stockholders' equity		
Capital stock	16,877,664	4,570,121
Additional paid-in capital	8,318,053	5,968,777
Deposit on stock subscriptions	-	823,283
Retained earnings	2,413,387	2,084,449
Outside interests	40,277,220	41,973,410
Total equity	67,886,324	55,420,040
Total liabilities and equity	116,197,699	135,825,014

Current Ratio	1.02	1.01
Quick asset Ratio	0.65	0.67
Debt to Equity Ratio	0.71	1.45
Gearing Ratio (w/ outside interest)	0.32	0.69

METRO PACIFIC CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

For the year ended 31 December (In thousand Pesos)	1998	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income for the year	328,938	712,644	843,855
Adjustments to reconcile net income to net cash used in operating activities:			
Depreciation and amortization	821,913	980,452	248,863
Provision for decline in value of investment and other assets	150,377	94,000	36,210
Allowance for doubtful accounts	1,792,828	-	-
Provision for deferred tax	(679,984)	-	-
Unrealized foreign exchange (gain)/loss	(228,157)	587,169	-
Gain on disposal of fixed asset	(49,696)	(25,120)	(182,439)
Gain on sale of investment in subsidiary	(442,572)	(130,027)	-
Gain on change in equity holdings in investee company	(442,477)	(546,831)	(792,862)
Equity in net earnings of affiliated companies	(196,619)	(618,831)	(485,527)
Equity of outside interests	1,088,131	891,717	(102,199)
Change in working capital, net	87,521	(1,440,426)	(424,507)
Net cash provided by/(used in) operating activities	2,230,203	504,747	(858,606)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of subsidiary	723,780	260,150	-
Purchase of property, plant and equipment	(1,012,205)	(3,301,258)	(955,971)
Proceeds from sale of property, plant and equipment	147,453	324,649	420,113
Investments in and advances to affiliated companies	(3,192,174)	(9,391,621)	(4,820,854)
Long-term notes receivable	1,102,526	1,669,810	-
Dividends received from affiliated companies	38,454	38,797	55,699
Dividends paid to outside interests in subsidiaries	-	-	(63,775)
Increase in development properties	(2,508,529)	(2,644,701)	-
Net cash from (disposed)/acquired subsidiaries	(66,486)	8,258,700	-
(Increase)/decrease in other and intangible assets	(647,027)	(258,668)	109,366
Net cash used in investment activities	(5,414,208)	(5,044,142)	(5,255,422)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Capital contributions received	13,833,535	6,609	1,495,681
Deposit on future subscription	-	823,283	-
Issue of shares to outside interests by a subsidiary	500,000	464,780	1,258,231
Redemption by a subsidiary of shares of outside interests	-	(3,144,251)	-
Long-term advances	-	-	(582,320)
(Decrease)/increase in loans and notes payable	(2,904,883)	3,302,204	94,978
(Decrease)/increase in long-term debts	(6,778,284)	13,150,206	3,389,309
Decrease in long-term liabilities and provisions	(4,886,472)	(4,363,268)	-
Payment of cash dividends		(205,405)	(51,952)
Net cash (used in)/provided by financing activities	(236,104)	10,034,158	5,603,927
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(3,420,108)	5,494,763	(510,101)
CASH AND CASH EQUIVALENTS			
Beginning of year	5,991,698	496,935	1,007,036
End of year	2,571,590	5,991,698	496,935