26th February 1998

FIRST PACIFIC'S METRO PACIFIC RECORDS 16% FALL IN 1997 PROFIT

First Pacific Company Limited's Philippine flagship, Metro Pacific Corporation, announced today that consolidated net income declined 16 per cent to Pesos 713 million in 1997 from Pesos 844 million in the previous year, as unrealized foreign exchange losses eroded the effect of healthy performances at its key businesses.

The company also announced that its Board has approved a proposal to increase its authorized share capital to Pesos 30 billion from Pesos 10 billion, in preparation for the rights issue announced last month which will raise up to Pesos 14 billion in new shares.

Metro Pacific's net income reflected approximately Pesos 418 million of foreign-exchange losses relating to U.S. dollar-denominated working capital lines. These were partially offset, however, by gains during the year relating to the disposal of Philippine Cocoa Corporation and the conversion into equity of certain bonds issued by Smart Communications.

Operating profit grew more than six-fold to Pesos 1,758 million from Pesos 265 million, while profit before other income increased four-fold to Pesos 2,091 million from Pesos 523 million, reflecting the continuing growth of Smart Communications and Fort Bonifacio, which were both consolidated during the year. Revenue rose 88 per cent to Pesos 9,270 million from Pesos 4,922 million.

Basic earnings per share fell 20 per cent to 15.31 centavos from 19.17 centavos. Excluding foreign exchange losses, basic earnings per share increased 46 per cent to 28.09 centavos.

On the consolidated balance sheet, total assets rose to Pesos 135.8 billion from 21.4 billion, principally as a result of Metro Pacific increasing its total economic interest in Bonifacio Land Corporation to approximately 60 per cent from 40 per cent and raising its holding in Smart Communications to approximately 52 per cent from 35 per cent.

Consolidated equity increased to Pesos 55.4 billion from Pesos 11.8 billion. The company's total debt-to-equity ratio rose to 1.45 following the consolidation of Bonifacio Land and Smart. However, this will fall to 0.96 following the rights issue.

Property Activities
Bonifacio Land Corporation's operating arm, Fort Bonifacio Development Corporation, continued its strong performance, with income before taxes tripling to Pesos 3.3 billion from Pesos 1.1 billion. The company received Pesos 14.3 billion during the year from buyers of the 16 hectares of the project that was sold in 1996 for a total of approximately Pesos 28 billion; a further Pesos 11 billion remain outstanding. Excellent headway was achieved during the year in the development of key infrastructure projects and the formation of new ventures to support the development of the Fort Bonifacio project, which is being built on 214 hectares of land located between the Makati business district and Manila's international airport.

Good progress was also recorded at Pacific Plaza Towers, Inc., which is building a twin-tower, 393-unit luxury condominium complex within Fort Bonifacio, and at Landco Pacific Corporation, an associate which has extended its property activities outside Metro Manila to include memorial parks, shopping centers and golf courses.

Telecommunications
Smart Communications' income before taxes rose 61 per cent to Pesos 411 million from Pesos 255 million. Cellular subscribers increased to approximately 620,000 from 309,000, while its installed capacity of fixed lines grew to more than 180,000 at year's end with more than 85,000 subscribers, compared with approximately 2,000 subscribers at year-end 1996.

Consistent subscriber growth was achieved while management continued to exercise stringent credit policies which avoided the cloning and fraud problems experienced by other domestic carriers. Strong growth is expected this year, building on the strong critical mass that has been established and improved returns from its fixed-line and international dialing operations.

Commentary
Napoleon L. Nazareno, Metro Pacific's President and Chief Executive Officer, said: "Notwithstanding progressively difficult operating conditions, Metro Pacific recorded significant achievements during the year. The strategy to acquire additional interests in Bonifacio Land and Smart Communications has enabled us to create a more substantial platform for each business line and the Group as a whole. This will provide greater stability by creating more diversified sources of income and cash flow for Metro Pacific.

"While Group companies responded quickly to the changing economic environment resulting from the depreciation of the peso and higher interest rates, these factors have inevitably led to a reduction in net income. Management expects that conditions will remain difficult this year and that Metro Pacific's results will, therefore, continue to be affected by the relative weakness in the market and high interest rates.

"In the medium-term, improvements are expected to occur as a result of the inherent strengths and advantages of the Philippines. Management remains confident that the strategies that have been developed will result in significant improvements in earnings in the medium term," Mr Nazareno said.

Steniel

Separately, Steniel Manufacturing Corporation, which is 73 per cent owned by Metro Pacific and is also listed on the Philippine Stock Exchange, announced that its consolidated net loss widened in 1997 to Pesos 396 million from Pesos 246 million a year earlier, reflecting the depreciation of the peso, higher domestic interest rates and lower economic growth.

Revenue increased 3 per cent to Pesos 2,535 million from Pesos 2,457 million, while consolidated gross profit rose 17 per cent to Pesos 335 million from Pesos 286 million. Income from operations rose to Pesos 36 million from Pesos 1 million, due primarily to improved production efficiencies.

Steniel's financial charges increased to Pesos 193 million from Pesos 156 million, while foreign exchange losses for the year amounted to Pesos 283 million. Further charges were recorded in connection with the closure of the a corrugated carton plant in the city of Cainta.

Augusto Palisoc, Steniel's President and Chief Executive Officer, said: "In light of challenging market conditions, principally the peso's depreciation and higher interest rates, a loss was incurred in 1997. The structural changes implemented during the year, however, have been part of a strategy designed to return Steniel to profitability. While the difficulties in 1997 have delayed the turnaround, the company entered 1998 as a market leader, with an increasing level of orders and operations that have been stabilized. We believe that Steniel's prospects remain promising."

Consolidated Statements of Income and Retained Earnings

METRO PACIFIC CORPORATION
CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

For the year ended 31 December (In Pesos thousands)	1997	1996
Revenues	9,270,355	4,922,206
Cost of sales	5,467,218	3,589,403
Operating expenses	2,045,447	1,067,946
Operating profit	1,757,690	264,857
Equity in net earnings of affiliated companies	618,831	485,527
Financial charges, net	(285,999)	(227,196)
Profit before other income	2,090,522	523,188
Other income, net	3,974	262,108
Profit before taxation	2,094,496	785,296
Taxation	490,135	43,640
Profit after taxation	1,604,361	741,656
Loss from discontinued operations	-	-
Net income before outside interests	1,604,361	741,656
Outside interests	(891,717)	102,199
Net income for the period	712,644	843,855
Retained earnings		
Beginning of period	1,577,210	875,781
Dividends paid	(205,405)	(142,426)
End of period	2,084,449	1,577,210
Earnings per share (in centavos)		
Basic	15.31	19.17
Fully diluted	13.38	17.14
Weighed average number of shares in issue		
Basic	4,655,630	4,403,010
Fully diluted	5,327,016	4,922,487

METRO PACIFIC CORPORATION
CONSOLIDATED BALANCE SHEET

As at 31 December (In Pesos thousands)	1997	1996
ASSETS		
Current assets		
Cash and cash equivalents	5,991,698	496,935
Receivables	8,620,656	1,591,258
Due from affiliated companies	856,713	466,111
Inventories	1,845,494	1,119,954
Development properties held for sale	2,904,488	178,660
Prepayments and other current assets	2,511,431	439,661
Deferred income tax asset	539,031	14,724
	23,269,511	4,307,303
Long-term assets		
Long-term receivables	9,343,007	72,231
Investments in affiliated companies	3,043,227	12,955,936
Development properties	67,504,027	-
Property, plant and equipment	24,988,620	3,552,309
Goodwill	170,021	175,363
Other assets	7,506,601	314,195
	112,555,503	17,070,034
Total assets	135,825,014	21,377,337
LIABILITIES AND EQUITY		
Current liabilities		
Loans and notes payable	10,249,553	3,160,520
Current portion of long-term debts	884,048	171,861
Current portion of long-term liabilities and provisions	4,420,949	-
Accounts payable and accrued expenses	6,307,087	1,211,495
Income tax payable	1,252,712	14,378
	23,114,349	4,558,254
Long-term debts	32,972,678	4,576,087
Long-term liabilities and provisions	24,317,947	464,780
Stockholders' equity	13,446,630	10,873,475
Outside interests	41,973,410	904,741
Total equity	55,420,040	11,778,216
Total liabilities and equity	135,825,014	21,377,337