



Press Release

2016 FULL-YEAR FINANCIAL RESULTS

*NET PROFIT UP 28% TO US\$103.2 MLN ON STRONGER RUPIAH
RECURRING PROFIT DOWN 8% AT US\$264.9 MLN
CONTRIBUTION FROM OPERATIONS DOWN 6% AT US\$400.2 MLN
FINAL DIVIDEND UNCHANGED AT 5.5 HK CENTS/SHARE
FULL YEAR DIVIDEND UNCHANGED AT 13.5 HK CENTS/SHARE*

Hong Kong, 28th March, 2017 – First Pacific Company Limited (HKSE: 00142) (“First Pacific” or the “Company”) today reported its audited financial results for the year ended 31st December 2016, showing a 28% rise in net profit even as contribution from operations fell 6%. To signal optimism over the medium term, First Pacific’s Board of Directors recommended no change to the dividend on expectation of improved earnings going forward.

Total contribution from operations fell 6% to US\$400.2 million from US\$426.5 million, pulled down primarily by PLDT Inc. (“PLDT”), hurt by a changing business model and competitive market conditions. Stronger results from PT Indofood Sukses Makmur Tbk (“Indofood”), Goodman Fielder Pty Limited (“Goodman Fielder”) and Philex Mining Corporation (“Philex”) offset much of the decline in PLDT’s contribution. Recurring profit fell 8% to US\$264.9 million from US\$287.5 million a year earlier on lower contribution from operations, partly offset by lower corporate overhead.

First Pacific is a leading investment management and holding company focused on the economies of emerging Asia, and is a major or controlling shareholder in the Philippines’ biggest/leading telecommunications, infrastructure and mining companies and in Indonesia’s biggest vertically-integrated food company as well as in one of Australia’s and New Zealand’s biggest food companies.

Net profit after exceptionals rose 28% to US\$103.2 million from US\$80.6 million on lower foreign exchange losses. Turnover rose 5% to US\$6.78 billion from US\$6.44 billion largely as a result of continuing sales growth at Indofood and Metro Pacific Investments Corporation (“MPIC”).

“Lower revenues and margins at PLDT hurt profit at one of our bigger investments, and this was enough that strong results at other companies couldn’t lift the overall contribution in 2016,” said Manuel V. Pangilinan, Managing Director and Chief Executive Officer of First Pacific. “However, we are confident that PLDT is on track to stability and a return to earnings growth. Notwithstanding a disappointing 2016, we are confident in the prospects for the First Pacific Group moving forward.”

First Pacific has committed since 2010 to a dividend payout ratio of at least 25% of recurring profit as a key plank in a capital management program balanced between returns to shareholders and new investments for growth.

“As a sign of our confidence in the outlook for the First Pacific Group over the medium term, we consider it prudent to leave the distribution unchanged on a per-share basis and declare a final distribution of 5.5 HK cents per share,” he said. “This will leave our full-year distribution unchanged at 13.5 HK cents in 2016 and represent a payout ratio of 28% of recurring profit.”

In U.S. dollar terms, the final dividend recommended by First Pacific’s Board amounts to 0.71 U.S. cents per share, and brings the full-year regular dividend to 1.74 U.S. cents.

PLDT saw its contribution decline to US\$127.7 million from US\$180.7 million a year earlier while the negative contribution from FPM Power, the holding company for PacificLight Power Pte. Ltd., Singapore’s newest power plant, rose to US\$13.9 million from US\$10.7 million. The contribution from MPIC fell to US\$117.2 million from US\$118.2 million owing to a decline in First Pacific’s economic interest in the company at the end of May last year. However, in local currency terms, MPIC recorded its highest-ever earnings in 2016.

Indofood saw the largest increase in contribution, rising to US\$137.9 million from US\$123.9 million as stronger sales and margins lifted its bottom line. Goodman Fielder was next, lifting its contribution to US\$24.0 million from US\$13.3 million on stronger earnings and a full year of ownership in 2016 compared with just nine months in 2015. Goodman Fielder, one of Australia’s biggest food producers, is owned by a 50:50 joint venture between First Pacific and Wilmar International Ltd.

The contribution by Philex rose to US\$10.2 million from US\$4.9 million on stronger prices for the gold and copper it produces slightly offset by poorer grades of ore.

FP Natural Resources Limited, the holding company for sugar and coconut investments in the Philippines, reduced its negative contribution to US\$2.9 million from US\$3.8 million in 2015 on stronger sales volumes and prices for refined sugar and ethanol, offset by losses at the coconut business.

Foreign exchange losses narrowed sharply to US\$9.1 million in 2016 from US\$48.5 million in 2015.

Non-recurring losses in First Pacific’s full-year earnings were little changed at US\$155.2 million versus US\$158.6 million in 2015. The 2016 figure is made up mainly of impairment provisions for assets, including goodwill related to the investment in PLP (US\$44.8 million), PLDT’s investment in Rocket Internet shares and other intangible assets (US\$35.4 million), and Philex’s deferred exploration costs and other assets (US\$31.4 million). The 2015 figure principally reflects the impairment provision for the Group’s investments in Philex and PLDT’s investment in Rocket Internet and network assets.

First Pacific received US\$199.7 million in dividend and fee income from its operating companies in 2016, down from the US\$268.9 million received in 2015 mainly due to lower earnings and payout ratio at PLDT and lower earnings at Indofood owing to foreign exchange losses.

At 31st December 2016, gross debt at the Head Office stood at US\$1.8 billion and net debt at US\$1.5 billion. Fixed-rate debt made up 82% of the total, with floating-rate debt making up the remaining 18%. First Pacific’s blended interest cost amounted to 5.3% and the average maturity of its debt was 3.1 years. Just US\$218.5 million of the July 2017 bonds remain outstanding following a tender in January 2017. Committed banking facilities have been arranged to finance the full redemption of the bonds due July 2017.

Further details of earnings by First Pacific's subsidiary and associated and joint venture companies follow.

REVIEW OF OPERATIONS

PLDT reported a 21% decline in core income last year to ₱27.9 billion from ₱35.2 billion in 2015 owing mainly to lower wireless service revenues due to intense competition, and higher depreciation and financing costs, partly offset by an increase in other income in relation to the sale of the 25% interest in Beacon Electric to MPIC, lower provision for income tax and higher revenues from the fixed line business.

More details are available at www.pldt.com.

Indofood reported a 12% rise in core income to Rp4.0 trillion from Rp3.6 trillion a year earlier on higher average selling prices for its noodles and Agribusiness products, higher sales volumes by the Dairy division and improved margins at the Bogasari group.

More details are available at www.indofood.com.

MPIC reported a 17% increase in core income to ₱12.1 billion from ₱10.3 billion in 2015 as each of its main businesses delivered strong growth in spite of regulatory challenges. The contribution by Maynilad Water Services, Inc. declined owing to the expiration of its income tax holiday in December 2015.

More details are available at www.mpic.com.ph.

Philex reported an 83% jump in core income to ₱1.7 billion from ₱905 million in 2015 on higher metal prices and lower operating costs.

More details are available at www.philexmining.com.ph.

Goodman Fielder contributed a profit of US\$24.0 million in its first full-year contribution compared with its first-ever contribution of US\$13.3 million to the Company for operations in the last nine months of 2015.

More details are available at www.goodmanfielder.com.au.

OUTLOOK

As an investment management and holding company focused on the markets of emerging Asia, First Pacific has always maintained a long-term investment perspective. In 2016, telecommunications brought in 32% of total contribution, the food businesses 40%, followed by infrastructure with 26%, and natural resources with the remaining 2%. A year earlier, these numbers were quite different, with telecommunications contributing 42% of the total.

We have observed a sharp change with the continuing growth in demand for quality food products in Asia, particularly Indonesia, and in the many markets served by Goodman Fielder. The economies we serve can look forward to steadily rising disposable incomes in the years ahead and as we keep seeing, consumers are spending more on themselves when they can. We can safely expect to continue seeing strong demand for the kind of high-quality food products made in the kitchens and bakeries of Indofood and Goodman Fielder.

Just as growing wealth in our markets has seen consumers buy more and better food products, it has seen PLDT's customers take up smartphones more quickly than anticipated by the management of the Philippines' biggest telecommunications provider – half of our cellular service customers now own smartphones. PLDT has greatly increased capital expenditure to keep up with the fast-increasing demands for high-quality data services and will continue spending heavily this year and next as it expands the reach of its LTE mobile telecommunications standard to a target of 70% of the country's population by year-end and 97% by end-2018. Margins have been compressed and are unlikely to reach the levels of 60% in the foreseeable future, even as surging volumes of data bring the promise of upward pressure on revenues. We believe that PLDT's turnaround is gathering momentum and heading towards core earnings growth starting 2017.

As in 2016, MPIC faces some difficulty in forecasting its full-year earnings this year because of continuing regulatory uncertainty. However, steady and strong growth in its main businesses signal continuing earnings growth even as it seeks further investments in infrastructure. The Philippine economy remains strong and we expect to continue seeing a strong pace of growth in demand for the services MPIC provides.

Philex continues to work on a definitive feasibility study for its significant Silangan gold and copper mining project in Mindanao even as new political uncertainty strikes the entire mining industry. Additional resources have been discovered in the existing Padcal mine, whose mine life has been extended to 2022. Discovery of further resources in the region would further extend Padcal's mine life.

First Pacific Chief Executive Pangilinan concluded:

2017 will see stabilization at PLDT as it enters a new phase in its transformation into a digital telecommunications and internet/media company. Our food companies Indofood and Goodman Fielder are looking forward to steady growth in demand for their products and in their profitability, while the premier infrastructure holding company in the Philippines, MPIC, sees demand for its electricity, water, toll road, hospital and other services continuing to grow steadily as its markets continue to rank among the fastest-growing in the world. Philex Mining continues to focus on Silangan for new production and on Padcal for possible new resources to develop. Given continuing positive outlook for the economies of emerging Asia, we feel that our investments are well positioned for growth in 2017 and beyond.

We expect to see continuing improvement in performance by the Group companies in 2017 and a return to earnings growth at First Pacific this year. We accordingly regard the Company's discount to net asset value as unjustified by prospects. We are currently reviewing our investment portfolio with an eye towards disposal of certain assets that no longer meet our return criteria. Proceeds from any asset sale would focus on a multi-year share repurchase program to signal Management's dissatisfaction with the NAV discount, and to pay down debt. In this manner, we hope to return to the high shareholder returns that our investors have grown used to over the years at First Pacific.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December

	2016	2015
	US\$m	(Restated) US\$m
Turnover	6,779.0	6,437.0
Cost of sales	(4,774.3)	(4,643.7)
Gross profit	2,004.7	1,793.3
Selling and distribution expenses	(540.6)	(513.6)
Administrative expenses	(554.5)	(493.0)
Other operating expenses, net	(40.1)	(139.8)
Interest income	56.3	78.2
Finance costs	(366.2)	(374.8)
Share of profits less losses of associated companies and joint ventures	224.5	229.7
Profit before taxation from continuing operations	784.1	580.0
Taxation	(286.3)	(187.3)
Profit for the year from continuing operations	497.8	392.7
Profit for the year from a discontinued operation	20.0	26.2
Profit for the year	517.8	418.9
Attributable to:		
Owners of the parent		
- For profit from continuing operations	95.9	69.7
- For profit from a discontinued operation	7.3	10.9
- For profit for the year	103.2	80.6
Non-controlling interests		
- For profit from continuing operations	401.9	323.0
- For profit from a discontinued operation	12.7	15.3
- For profit for the year	414.6	338.3
	517.8	418.9
	US¢	US¢
Earnings per share attributable to owners of the parent		
Basic		
- For profit from continuing operations	2.25	1.64
- For profit from a discontinued operation	0.17	0.25
- For profit for the year	2.42	1.89
Diluted		
- For profit from continuing operations	2.24	1.63
- For profit from a discontinued operation	0.17	0.25
- For profit for the year	2.41	1.88

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	At 31 December 2016 US\$m	At 31 December 2015 (Restated) US\$m	At 1 January 2015 (Restated) US\$m
Non-current assets			
Property, plant and equipment	3,870.5	3,779.2	3,491.6
Biological assets	24.2	26.2	24.6
Associated companies and joint ventures	4,741.5	4,360.5	3,568.4
Goodwill	996.3	1,023.8	1,057.6
Other intangible assets	3,338.7	3,151.2	2,511.8
Investment properties	9.6	9.7	-
Accounts receivable, other receivables and prepayments	10.6	8.8	11.8
Available-for-sale assets	311.9	44.1	193.8
Deferred tax assets	178.8	198.6	199.2
Pledged deposits and restricted cash	17.9	30.0	30.9
Other non-current assets	346.7	312.1	385.9
	13,846.7	12,944.2	11,475.6
Current assets			
Cash and cash equivalents and short-term deposits	1,691.9	1,612.3	2,265.9
Pledged deposits and restricted cash	60.6	51.7	53.2
Available-for-sale assets	39.9	124.8	59.2
Accounts receivable, other receivables and prepayments	826.3	758.5	661.2
Inventories	715.2	631.0	717.2
Biological assets	34.8	13.9	18.7
	3,368.7	3,192.2	3,775.4
Assets classified as held for sale	-	1,062.6	982.4
	3,368.7	4,254.8	4,757.8
Current liabilities			
Accounts payable, other payables and accruals	1,064.5	1,241.0	1,192.4
Short-term borrowings	1,280.7	998.6	912.0
Provision for taxation	80.4	44.7	51.0
Current portion of deferred liabilities, provisions and payables	296.2	348.1	321.9
	2,721.8	2,632.4	2,477.3
Liabilities directly associated with the assets classified as held for sale	-	436.2	335.9
	2,721.8	3,068.6	2,813.2
Net current assets	646.9	1,186.2	1,944.6
Total assets less current liabilities	14,493.6	14,130.4	13,420.2
Equity			
Issued share capital	42.8	42.7	42.9
Shares held for share award scheme	(10.9)	(6.0)	(8.7)
Retained earnings	1,305.5	1,398.9	1,434.8
Other components of equity	1,774.6	1,634.6	1,878.2
Equity attributable to owners of the parent	3,112.0	3,070.2	3,347.2
Non-controlling interests	4,922.3	4,264.2	4,064.1
Total equity	8,034.3	7,334.4	7,411.3
Non-current liabilities			
Long-term borrowings	4,827.7	5,363.3	4,893.9
Deferred liabilities, provisions and payables	1,374.0	1,128.9	850.0
Deferred tax liabilities	257.6	303.8	265.0
	6,459.3	6,796.0	6,008.9
	14,493.6	14,130.4	13,420.2

CONTRIBUTION AND PROFIT SUMMARY

For the year ended 31 December US\$ millions	Turnover		Contribution to Group profit ⁽ⁱ⁾	
	2016	2015	2016	2015 (Restated) ⁽ⁱⁱ⁾
PLDT ⁽ⁱⁱⁱ⁾	-	-	127.7	180.7
Indofood	5,010.5	4,763.4	137.9	123.9
MPIC	940.2	816.5	117.2	118.2
FPW ^(iv)	-	-	24.0	13.3
Philex ⁽ⁱⁱⁱ⁾	-	-	10.2	4.9
FPM Power	575.3	663.5	(13.9)	(10.7)
FP Natural Resources	253.0	193.6	(2.9)	(3.8)
Contribution from operations^(v)	6,779.0	6,437.0	400.2	426.5
Head Office items:				
– Corporate overhead			(28.4)	(31.8)
– Net interest expense			(95.7)	(94.4)
– Other expenses			(11.2)	(12.8)
Recurring profit^(vi)			264.9	287.5
Foreign exchange and derivative losses ^(vii)			(9.1)	(48.5)
Gain on changes in fair value of biological assets			2.6	0.2
Non-recurring items ^(viii)			(155.2)	(158.6)
Profit attributable to owners of the parent			103.2	80.6

(i) After taxation and non-controlling interests, where appropriate

(ii) The Group has restated its 2015 contribution from Indofood to US\$123.9 million from US\$130.3 million and changes in fair value of biological assets to a gain of US\$0.2 million from a loss of US\$1.7 million following its adoption of the amendments to HKAS 16 and 41 "Agriculture: Bearer Plants" with effect from 1 January 2016. Accordingly, the Group's 2015 recurring profit has been restated to US\$287.5 million from US\$293.9 million and its 2015 profit attributable to owners of the parent has been restated to US\$80.6 million from US\$85.1 million.

(iii) Associated companies

(iv) Joint venture

(v) Contribution from operations represents the recurring profit contributed to the Group by its operating companies.

(vi) Recurring profit represents the profit attributable to owners of the parent excluding the effects of foreign exchange and derivative losses, gain on changes in fair value of biological assets and non-recurring items.

(vii) Foreign exchange and derivative losses represent the losses on foreign exchange translation differences on the Group's unhedged foreign currency denominated net borrowings and payables and the changes in the fair values of derivatives.

(viii) Non-recurring items represent certain items, through occurrence or size, which are not considered as usual operating items. 2016's non-recurring losses of US\$155.2 million mainly represent the Group's impairment provisions for assets, including FPM Power's goodwill related to its investments in PLP (US\$44.8 million), PLDT's investment in Rocket Internet shares and other intangible assets (US\$35.4 million), Philex's deferred exploration costs and other assets (US\$31.4 million) and MPIC's investments in Landco Pacific Corporation (US\$6.8 million), PLP's provision for onerous contracts (US\$6.0 million) and MPIC's project expenses (US\$3.8 million). 2015's non-recurring losses of US\$158.6 million mainly represent the Group's impairment provision in respect of its investments in Philex (US\$89.1 million), PLDT's impairment provisions for its fixed assets affected by network upgrade (US\$32.7 million) and investment in Rocket Internet shares (US\$28.7 million) and MPIC's project expenses (US\$5.7 million).