



FIRST PACIFIC COMPANY LIMITED
第一太平有限公司

(Incorporated with limited liability under the laws of Bermuda)

Press Release

Thursday, 2 August 2018

**MPIC 1H 2018 performance delivers sustained growth;
More than P2 of capex for every P1 of core net income**

The attached press release was released today in Manila by Metro Pacific Investments Corporation (“MPIC”), in which First Pacific Group holds an economic interest of approximately 42.0%.

MPIC is a Philippine-listed investment management and holding company focused on infrastructure development.

Further information on MPIC can be found at www.mpic.com.ph

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PRESSRELEASE

1H 2018 Performance Delivers Sustained Growth More than ₱2 of capex for every ₱1 of Core Net Income

- *Power distributed in Luzon +7%*
- *Power sold in Visayas +21%*
- *Domestic toll road traffic +9%*
- *Volume of water sold in Metro Manila West +3%*
- *Hospital group census +12%*

- 1H 2018 Core Net Income up 10% to ₱8.6 Bln from ₱7.8 Bln in 1H 2017
- Reported Net Income attributable to shareholders up 14% to ₱8.9 Bln
- System wide revenues including MERALCO up 9% to ₱200.3 Bln
- Fully Diluted Core Net Income per share up 10% to 27.25 centavos
- Interim dividend per share at 3.45 centavos, at par with last year
- MERALCO Core Net Income ₱10.9 Bln, Core EBITDA ₱17.6 Bln
- Global Power Core Net Income ₱1.3 Bln, Core EBITDA ₱4.4 Bln
- Tollways Core Net Income ₱2.3 Bln, Core EBITDA ₱5.2 Bln
- Maynilad Water Core Net Income ₱4.2 Bln, Core EBITDA ₱7.9 Bln
- Hospital Group Core Net Income ₱1 Bln, Core EBITDA ₱2.6 Bln
- Light Rail, Logistics and Other businesses contributed ₱60 Mln
- MPIC Group wide capex for 1H2018 amounted to ₱21.3 Bln excluding acquisitions

MANILA, Philippines, 2nd August 2018 – Metro Pacific Investments Corporation (“MPIC” or the “Company”) (PSE: MPI) today reported a 10% rise in consolidated Core Net Income to ₱8.6 billion for the six (6) months ended 30th June 2018 from ₱7.8 billion for the first six months of 2017.

Core Net Income was lifted mainly by: (i) an expanded power portfolio following further investment in Beacon Electric Asset Holdings Inc. (“Beacon Electric”) in 2017; (ii) continuing traffic growth on all domestic roads; and (iii) steady volume growth coupled with inflationary tariff increase at Maynilad Water Service Inc. (“Maynilad”).

Power accounted for ₱5.8 billion or 55% of net operating income; Tollroads contributed ₱2.3 billion or 21%; Water contributed ₱2.1 billion or 20%; the Hospitals Group provided ₱338 million or 3%; and the Rail, Logistics and Systems Group delivered ₱60 million or the remaining 1% of net operating income.

Consolidated Reported Net Income attributable to owners of the parent company rose 14% to ₱8.9 billion in the first six months of 2018. Non-recurring income amounted to ₱341 million, compared with ₱21 million a year earlier, and consisted mainly of foreign exchange gains at Manila Electric Company (“MERALCO”), net of project costs.

“Our operating and financial performance has been strong, and we expect the full-year numbers to be similar. Strong volume growth in recent years is due to billions of Pesos of investments in our road and water businesses,” said Jose Ma. K. Lim, President and Chief Executive Officer of MPIC.

“Our financial performance should be better with a resolution of our long pending tariff increases. On toll roads, we have the broad shape of settlement agreed in principle. On water, we expect arbitration proceedings to conclude within the year.”

On light rail, Lim noted that, “our team has done excellent work to improve operations and station quality on the LRT1. We are also seeking resolution on overdue tariff increases to make the LRT1 extension financeable.”

Lim said he expected volume growth to continue throughout 2018. But given the lack of clarity on tariffs and delays on Rights of Way handover, it is too early to give full-year earnings guidance.

Regarding shareholder returns, Lim added, “Our Board of Directors declared earlier today an interim dividend unchanged at 3.45 centavos per common share. Yes, earnings are up, but we have held the dividend constant given the combination of rising CAPEX, increasing interest rates and hopefully, progress on tariff issues.”

The record date for the interim dividend is August 31, 2018; the payment date is September 25, 2018.

Operational Review

POWER:

MPIC's power business contributed ₱5.8 billion to Core Net Income in the first six months of 2018, an increase of 10% driven by excellent performances at both MERALCO and Global Business Power Corporation ("Global Power") and the June 2017 purchase of the remaining 25% in Beacon Electric.

MERALCO

MERALCO's Core Net Income for the first six (6) months of 2018 rose 7% to ₱10.9 billion. Core Net Income growth was driven by the 6% distribution revenue growth which is in line with a 7% increase in volume on slightly lower tariffs and lower provisions.

The 7% increase in energy sales was noted across all customer classes. Residential growth was driven by growth in the south section of MERALCO's franchise area. The commercial sector grew on continued expansion of the real estate, retail trade, and hotel and restaurants sectors while the Industrial sector was anchored on the healthy performance of the semiconductor, food & beverage, and rubber and plastic industries.

Total revenues rose 7% to ₱150.5 billion on higher energy sales together with increased pass-through generation charges partly offset by customers transitioning to other retail electricity sellers.

MERALCO spent ₱6.6 billion on capital expenditures in the first half of 2018 to address critical loading of existing facilities and to support growth in demand and customer connections.

There is news also on MERALCO's key power generation projects through MERALCO PowerGen Corporation ("MGen"):

- San Buenaventura Power Limited, a joint venture between MGen and a subsidiary of Thailand's EGCO, is developing a 455 MW (net) supercritical coal-fired power plant in Mauban, Quezon. Construction is proceeding as scheduled, with commercial operation due in third quarter of 2019. The plant capacity is contracted under an ERC approved PSA with MERALCO.
- There is no reportable progress on the numerous PSA's still with ERC for approval. We are increasingly concerned about the risk of power shortages in future especially in light of continuing strong economic growth.
- MERALCO has embarked on a strategy to balance its coal fired base load provision with comparable investments in renewable energy sources.

The full text of MERALCO's Earnings Press Release issued on 30th July 2018 is available at <http://www.meralco.com.ph>.

Global Power

Global Power sold 2,460 GWH in the first six (6) months of 2018, an increase of 21% from a year earlier. Core Net Income for the first six months of 2018 rose 7% to ₱1.3 billion. The expansion in volume was underpinned by Global Power's subsidiary, Panay Energy Development Corporation, which began operation of its new 150 MW plant in the first quarter of 2017 and was formally accepted on May 31, 2018.

Alsons Thermal Energy Corporation, in which Global Power has a 50% interest, is on track to commence operation of its second 105 MW expansion plant in Maasim, Sarangani by 2019.

Global Power plans to invest in renewable energy projects that would complement its current fossil fuel capacity.

TOLLROADS:

Metro Pacific Tollways Corporation ("MPTC") recorded Core Net Income of ₱2.3 billion in the first six (6) months of 2018, a 12% increase from ₱2.1 billion a year earlier. The number of system-wide vehicle entries rose 57% to an average of 924,364 a day due mainly to the traffic contribution from its investment in PT Nusantara Infrastructure Tbk ("PT Nusantara") in Indonesia.

Tollroads in the Philippines:

Average daily vehicle entries for all three of our domestic tollways system (NLEX, CAVITEX and SCTEX) rose 9% to 480,711 compared with 440,904 in the first six (6) months of 2017.

Traffic grew 9% on the NLEX and surged by 15% on the SCTEX following integration of these two roads and opening of additional lanes in 2017. Traffic on the CAVITEX rose 7% driven by growth in residential communities in Cavite and tourism in Batangas.

Tollroad projects are steadily moving ahead:

	Length (In Km)	Construction Cost (In Billions)	Target Completion	Right of Way Progress
Expansions to existing roads				
NLEX Harbour Link (Segment 10)	5.8	₱10.5	2018	93%
NLEX Harbour Link (Radial Road 10)	2.6	6.7	2019	92%
NLEX Lane Widening Phase 2	N/A	2.0	2020	N/A
CAVITEX - C5 South Link	7.7	12.7	2021	48%
CAVITEX Segment 4	1.2	1.2	2020	85%
NLEX Citi Link	7.5	8.0	2023	0%

	Length (In Km)	Construction Cost (In Billions)	Target Completion	Right of Way Progress
Stand-alone road projects				
Cavite Laguna Expressway	45.4	16.6	2021	21%
NLEX-SLEX Connector Road	8.0	23.3	2020	0%
Cebu Cordova Link Expressway	8.5	26.3	2021	92%
TOTAL	86.7	₱107.3		

Including concession fees and financing costs, MPTC currently expects to spend approximately ₱122.7 billion in the next five years building highways and tollroads around the Philippines. This would increase by ₱25 billion if MPTC were to secure the Cavite-Tagaytay-Batangas Expressway for which it was recently awarded Original Proponent status.

The amount of this investment is an estimate that assumes satisfactory resolution of various overdue tariff adjustments, now ranging between 20% and 48% on different parts of the network, without which further investment will be delayed.

Tollroads outside the Philippines:

DMT in Bangkok reported a 2% increase in daily traffic to 99,730 in the first six (6) months of 2018.

In Vietnam, CII B&R saw a decrease in vehicle entries to 33,184 due to the end of the concession for the Rach Chiec Bridge. Traffic is expected to improve again by approximately 23,000 with the opening of part of the Hanoi Highway Expansion by the fourth quarter of this year.

PT Nusantara's traffic in Indonesia increased by 4% to 310,739 in the first six months 2018. In July of this year, MPTC increased its interest in PT Nusantara from 48.3% to 53.3% on a fully-diluted basis. This step-up acquisition has triggered the need for a General Offer for the balance of the PT Nusantara shares which we expect to complete within by the third quarter of this year.

Our presence in the Philippines, Thailand, Vietnam and Indonesia means we are well on the way to establishing a PAN-ASEAN Tollways group.

WATER:

MPIC's water business comprises investments in Maynilad, the biggest water utility in the Philippines, and MetroPac Water Investments Corporation ("MPW"), focused on business development outside Metro Manila. The water segment's contribution to Core Net Income amounted to ₱2.1 billion in the first six (6) months of 2018, most of it attributable to Maynilad.

Maynilad – 1 million people receiving water at ₱1 centavo per liter – the lowest price in ASEAN

Despite Maynilad's excellent record of service delivery, the matter of Maynilad's tariffs for the entire 2013-2017 five-year Business Plan period, together with the two related arbitration awards in its favor, remain unresolved. In summary:

- In 2015, Maynilad received an arbitration award in its favor against the Metropolitan Waterworks and Sewerage System ("MWSS"), which centered on treatment of Corporate Income Tax as an expense to be recovered through the tariff. The dispute on implementing this tariff is working its way through the Philippine Court System with MWSS now seeking recourse to the Supreme Court following awards in Maynilad's favor by lower courts.
- On 24th July 2017, Maynilad was notified by an arbitration panel in Singapore that it had ruled in Maynilad's favor on its claim to recover from the Republic of the Philippines ("RoP") revenues forgone because of the failure to increase tariff (₱7.0 billion as of 31st December 2017). On 9th February 2018, the RoP applied to the High Court in Singapore to vacate this and Maynilad expects resolution of this to take until November this year.

While Maynilad strives to meet its service obligations, the ongoing refusal of MWSS and RoP to address either the tariff matter or the revenue claim is hampering financing of required capital expenditures.

However, Maynilad is in collaborative dialogue with a newly revitalized MWSS regarding the 2018-2022 five-year Business Plan and hopes to announce progress on this later this year.

Revenues in the first six months of 2018 rose 7% to ₱11.0 billion from ₱10.2 billion in the same period last year driven by a 3% increase in volume sold and an inflationary tariff increases of 1.9% in April 2017 and 2.8% in January 2018. The number of water connections (or billed customers) rose 4% to 1,386,504 at the end of June 2018.

Core Net Income for the first six months of 2018 grew 15% to ₱4.2 billion, driven by revenue growth, lower tax provisions and lower interest expense.

Non-Revenue Water ("NRW") measured at the District Metered Area level decreased to 28.9% as at the end of June 2018 from 31.2% in June 2017 while total NRW is now down to 38.4%.

Capital expenditure for the first six months of 2018 stood at ₱6.3 billion, much of it directed to upgrading and building reservoirs and pumping stations, laying primary pipelines and construction of wastewater facilities to improve public health.

Maynilad is currently building six new sewage treatment plants. Once completed, these new wastewater facilities will be able to serve approximately 1.4 million Maynilad customers.

MetroPac Water Investments Corporation (“MPW”)

Outside the Maynilad concession which currently bills 1,430 Million Liters per Day (“MLD”), MPW currently bills 143 MLD. MPW is expanding MPIC’s water investment portfolio with up to 393 MLD of installed capacity in the Philippines and 640 MLD in Vietnam, when complete. A further 430 MLD of projects around the Philippines are under negotiation and waiting final award process.

MPW’s profit contribution to MPIC is currently immaterial but as these new projects are completed, it is expected to become a major profit contributor.

HOSPITALS:

Metro Pacific Hospital Holdings, Inc. (“MPHHI”) reported a 15% rise in aggregate revenues for the first six months of 2018 driven by a 12% increase in out-patient visits to 1,640,482 and a 15% growth in in-patient admissions to 91,295. Part of this performance is a result of investments we made in Jesus Delgado Memorial Hospital in Quezon City and St. Elizabeth Hospital in General Santos City in 2017.

MPHHI is driving enhancements in patient care offerings and providing new service centers for the communities it serves. This continues to attract new patients to our network. However, costs associated with the initial rollout of some of these new programs at the start of this year held back the growth in contribution to MPIC to 10%.

RAIL:

As at 30th June 2018, LRMC had successfully restored 35 Light Rail Vehicles (“LRVs”), bringing the total available LRVs to 112 from the 77 it inherited in 2015. This significant improvement has reduced passenger waiting time to 3.4 minutes during peak hours from more than five minutes when LRMC took over.

The majority of the ₱750 million 21 Station Improvement Project has been completed and the remaining work will be finished by mid-2019. LRMC is currently doing pre-construction preparations for the LRT-1 Cavite Extension. On-site construction works are expected to begin by early next year but long-overdue tariff increases must be resolved to make this financeable.

LRMC served an average daily ridership of 447,432 in the first six months of 2018, an improvement of 4% from a year earlier while the highest daily ridership was 566,000 (1H 2017: 536,000).

LRMC contributed ₱205 million to MPIC’s Core Income for the first six months of 2018.

LOGISTICS:

Metropac Movers, Inc. (“MMI”) is now an established force in the Philippines. Average warehouse dispatch for the first half of the year was up 12% at over 31.6 million cases compared with 28.2 million cases in 2017. The focus of this business is to provide our FMCG clients with first-class transportation, warehousing, and order fulfillment as we broaden our service offering to include cross docking and cold chain services.

MMI acquired over 200,000 square meters of land in Cavite which will be developed to 141,000 square meters of covered warehouse space. These resources, along with a planned purchase of another 300,000 square meters of land in Bulacan, will be utilized by MMI to build the leading logistics firm in the Country.

MMI is not yet contributing to MPIC’s Core Net Income as our focus has been on getting established and building a best-in-class customer service platform and culture. We expect to reach profitability in 2019.

Conclusion and Outlook

“We are pleased with the performance of MPIC companies,” said MPIC Chairman Manuel V. Pangilinan.

“That said, I remain optimistic that settlement will be reached at the end of the day. Uncertainty is felt by investors in our financial market and by counterparties unsure of such resolutions. In the meantime, we are doing our best to support the Government’s “Build, Build, Build” Program but tariff resolution will certainly help such Program be financeable.”

Turning to the outlook for the full year the Chairman concluded that “Volumes will remain strong. We need to work hard with Government to accelerate Rights of Way delivery so we can get construction started and funds deployed on our current tollways projects. It is too early to give earnings guidance beyond a reasonable expectation that 2018 earnings will be better than last year’s.”

Forward Looking Statements

This press release may contain “forward-looking statements” which are subject to risks and uncertainties that could affect MPIC’s business and results of operations. Although MPIC believes that expectations reflected in any forward-looking statements are reasonable, it can give no guarantee of future performance, action or events.

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METRO PACIFIC INVESTMENTS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Peso Millions)

	Unaudited June 30, 2018	Audited December 31, 2017
ASSETS		
Current Assets		
Cash and cash equivalents and short-term deposits	₱39,350	₱49,317
Restricted cash	3,228	4,047
Receivables	12,311	10,899
Other current assets	11,660	10,432
	66,549	74,695
Assets held for sale	1,247	250
Total Current Assets	67,796	74,945
Noncurrent Assets		
Investments and advances	155,151	150,971
Service concession assets	179,911	168,783
Property, plant and equipment	67,384	67,606
Goodwill	25,361	25,384
Intangible assets	4,512	4,637
Deferred tax assets	971	1,045
Other noncurrent assets	12,603	10,380
Total Noncurrent Assets	445,893	428,806
	₱513,689	₱503,751

(Forward)

METRO PACIFIC INVESTMENTS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Peso Millions)

	Unaudited June 30, 2018	Audited December 31, 2017
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities	P28,021	P27,142
Income tax payable	1,469	1,415
Due to related parties	3,965	3,879
Current portion of:		
Provisions	5,718	5,997
Long-term debt	11,787	15,573
Service concession fees payable	712	871
Total Current Liabilities	51,672	54,877
Noncurrent Liabilities		
Noncurrent portion of:		
Provisions	2,385	2,106
Service concession fees payable	29,734	28,873
Long-term debt	180,336	173,510
Due to related parties	7,599	11,767
Deferred tax liabilities	7,058	6,836
Other long-term liabilities	9,024	10,103
Total Noncurrent Liabilities	236,136	233,195
Total Liabilities	287,808	288,072
Equity		
Owners of the Parent Company:		
Capital stock	31,628	31,626
Additional paid-in capital	68,473	68,465
Treasury shares	(167)	(167)
Equity reserves	5,683	5,742
Retained earnings	60,435	53,894
Other comprehensive income reserve	1,773	1,684
Total equity attributable to owners of the Parent Company	167,825	161,244
Non-controlling interest	58,056	54,435
Total Equity	225,881	215,679
	P513,689	P503,751

METRO PACIFIC INVESTMENTS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(Amounts in Peso Millions, except Per Share Amounts)

	Six Months Ended June 30	
	2018	2017
OPERATING REVENUES		
Power and coal sales	P13,288	P-
Water and sewerage services revenue	11,155	10,314
Toll fees	7,389	6,460
Hospital revenue	5,800	5,034
Rail revenue	1,594	1,528
Logistics and other revenue	842	760
	40,068	24,096
COST OF SALES AND SERVICES	(20,194)	(9,942)
GROSS PROFIT	19,874	14,154
General and administrative expenses	(6,070)	(5,001)
Interest expense	(4,619)	(2,732)
Share in net earnings of equity method investees	6,210	3,424
Dividend income	66	2,541
Interest income	528	174
Construction revenue	11,043	7,996
Construction costs	(11,043)	(7,996)
Others	623	214
INCOME BEFORE INCOME TAX	16,612	12,774
PROVISION FOR INCOME TAX		
Current	3,103	2,172
Deferred	250	419
	3,353	2,591
NET INCOME	P13,259	P10,183
OTHER COMPREHENSIVE INCOME (OCI)		
Net OCI to be reclassified to profit or loss in subsequent periods	796	212
Net OCI not being reclassified to profit or loss in subsequent periods	(715)	(88)
	81	124
TOTAL COMPREHENSIVE INCOME	P13,340	P10,307
Net income attributable to:		
Owners of the Parent Company	P8,941	P7,821
Non-controlling interest	4,318	2,362
	P13,259	P10,183
Total comprehensive income attributable to:		
Owners of the Parent Company	P9,030	P7,945
Non-controlling interest	4,310	2,362
	P13,340	P10,307
EARNINGS PER SHARE		
Basic Earnings Per Common Share, Attributable to Owners of the Parent Company <i>(In Centavos)</i>	P28.36	P24.81
Diluted Earnings Per Common Share, Attributable to Owners of the Parent Company <i>(In Centavos)</i>	P28.33	P24.78