FIRST PACIFIC COMPANY LIMITED
第一太平有限公司
(Incorporated with limited liability under the laws of Bermuda)

Press Release

Tuesday, 5 March 2019

MPIC strong FY 2018 results;
Investing for future growth – P3 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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METRO PACIFIC INVESTMENTS

PRESSRELEASE

Strong FY 2018 Results
Investing for Future Growth – ₱3 of Capex for Every ₱1 of Core Net Income

- *Power distributed in Luzon +5%*
- *Power sold in Visayas +8%*
- *Domestic toll road traffic +7%*
- *Volume of water sold in West Metro Manila +3%*
- *Hospital group census +8%*

- **2018 Core Net Income at ₱15.1 Bln from ₱14.1 Bln in 2017, up 7%**
- **Reported Net Income attributable to shareholders up 7% to ₱14.1 Bln**
- **System-wide revenues including MERALCO up 9% to ₱405.7 Bln**
- **Fully Diluted Core Net Income per share up 7% to 47.7 centavos**
- **Final dividend per share is 7.6 centavos unchanged from a year ago**
- **Full year 2018 payout ratio at 23% of Core income per share**
- **MERALCO Core Net Income ₱22.4 Bln, Core EBITDA ₱37.4 Bln**
- **Global Power Core Net Income ₱2.5 Bln, Core EBITDA ₱9.2 Bln**
- **Tollways Core Net Income ₱4.5 Bln, Core EBITDA ₱10.5 Bln**
- **Maynilad Water Core Net Income ₱7.7 Bln, Core EBITDA ₱15.5 Bln**
- **Hospital Group Core Net Income ₱2.4 Bln, Core EBITDA ₱5.6 Bln**
- **Light Rail, Logistics and Other businesses net loss of ₱248 Mln**
- **MPIC Group capex for 2018 at ₱49.8 Bln excluding acquisitions**

MANILA, Philippines, 5th March 2019 – Metro Pacific Investments Corporation ("MPIC" or the "Company") (PSE: MPI) today reported a 7% rise in consolidated Core Net Income to ₱15.1 billion for the year ended 31st December 2018 from ₱14.1 billion in 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 inflation-linked tariff increases at Maynilad Water Service Inc. ("Maynilad").

Power accounted for ₱10.8 billion or 55% of net operating income; Tollroads contributed ₱4.4 billion or 23%; Water contributed ₱3.8 billion or 19%; the Hospitals Group provided ₱771 million or 4%; and the Rail, Logistics and Systems Group had a net loss of ₱248 million.

Consolidated Reported Net Income attributable to owners of the parent company rose 7% to ₱14.1 billion in 2018. Non-recurring expense amounted to ₱930 million primarily due to the net effect of a weaker peso, project write-downs, loan refinancing and provisions for asset impairment, compared with non-recurring expenses of ₱953 million in 2017.

"Our earnings growth reflects meaningful volume increases for all our businesses, supported by years of high investment and our continuing emphasis on operational efficiencies," said Jose Ma. K. Lim, President and Chief Executive Officer of MPIC. "Your Board of Directors today declared a final dividend for 2018 of 7.6 centavos per share, unchanged from a year ago, which brings the payout ratio to 23% of Core Income per share. While earnings are up for the 10th consecutive year, we are compelled to hold our dividend unchanged in the face of big increases in our capital commitments over the next few years."

Pointing to MPIC's ambitious investment program in the years ahead, Lim said, "Our borrowing costs are rising principally because of such significant investment plans, and it may take some time before our new road, water, energy and logistics projects are completed and able to make a contribution to earnings. The timing mismatch between investment and profits may influence our near-term profit outlook - which we are addressing."

Progress on long-running differences with regulators over tariffs is helping MPIC's bottom line, the CEO said. In water, following a constructive and professional rate rebasing, we were awarded a 16.2% tariff increase – excluding inflation – to be implemented on a staggered basis. The MWSS also approved a 5.7% inflation-linked tariff increase on 1st January 2019. All this is good news, but unfortunately, the rebasing didn't address the corporate income tax recovery issue inherited from the previous Administration, which we continue to pursue."

Turning to toll roads Lim said, "We are awaiting notice to publish new toll rates which address part of our pending tariff issues, albeit also on a staggered basis. This will coincide with our official opening of the new Harbour Link extension of the NLEX which took place on 28th February 2019. While we still have further to go before fully resolving our toll rate issues, the progress to date is encouraging."

Looking ahead, the MPIC Chief Executive said, "I expect continued strong volume growth for 2019. Whilst additional financing costs will slow down profit growth, it is early in the year to gauge how our operating companies are likely to perform - thus for now we are not able to give an earnings guidance for 2019."

The record date for MPIC's final 2018 dividend is 20th March 2019. The payment date is 3rd April 2019.

Operational Review

POWER:

MPIC's power business contributed ₱10.8 billion to Core Net Income in 2018, an increase of 15% driven by the June 2017 purchase of the last 25% in Beacon Electric not already owned by MPIC and good results at MERALCO which more than offset a decline at Global Business Power Corporation ("Global Power").

MERALCO

MERALCO's Core Net Income for 2018 rose 11% to ₱22.4 billion. Core Net Income growth was driven by a 5% increase in energy sales, slightly lower tariffs, and a reversal of provisions following the adoption of a new accounting standard.

Energy sales rose across all customer classes. Residential growth was driven by expansion in the south section of MERALCO's franchise while the commercial sector grew on continued expansion of the real estate, retail trade, and hotel sectors, with Industrial sector growth rooted in the healthy performance of the semiconductor, food & beverage, and rubber and plastics industries.

Total revenues rose 8% to ₱304.5 billion on higher energy sales together with increased pass-through generation charges partly offset by customers transitioning to other retail electricity sellers.

MERALCO spent ₱13.7 billion on capital expenditures in 2018 to address critical loading of existing facilities and to support growth in demand and customer connections.

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 Group, is developing a 455 MW (net) supercritical coal-fired power plant in Mauban, Quezon. Construction is proceeding as scheduled, with commercial operation due in the third quarter of this year. The plant capacity is contracted under an ERC-approved Power Supply Agreement ("PSA") with MERALCO.

- There is no reportable progress on the numerous PSAs still with ERC for approval. We are increasingly concerned about the risk of power shortages in the future given the continuing increase in power demand as our economy grows.

- MERALCO continues to work on its strategy of building a diversified power generation portfolio of high efficiency, low emission coal-fired plants and renewable energy sources.

The full text of MERALCO's Earnings Press Release issued on 26th February 2019 is available at http://www.meralco.com.ph.

Global Power

Global Power sold 4,822 GWH in 2018, an increase of 8% from a year earlier. However, Core Net Income for 2018 declined 15% to ₱2.5 billion due to depreciation and interest costs for Panay Energy Development Corporation's 150 MW plant from 1st June 2018 onwards and lower margins from WESM sales due to higher coal and fuel costs.

Alsons Thermal Energy Corporation, in which Global Power has a 50% interest, is on track to commence operation of its second 105 MW (80 MW contracted) expansion plant in Maasim, Saranggani by the second half of this year.

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

Energy from Waste

MPIC's effort to improve sustainable initiatives gained traction with progress on the following projects:

- In November 2018, MPIC through its wholly owned subsidiary Metpower Venture Partners Holdings, Inc. signed agreements with Dole Philippines Inc. ("Dole") to design, construct and operate integrated waste-to-energy (WTE) facilities specifically for Dole. This project uses the derived biogas from the anaerobic digestion of fruit waste to supply a portion of the diesel and power requirements of Dole's canneries located in South Cotabato. The biogas facilities, with construction completion expected by first quarter of 2020, will generate 5.7 MW of clean energy for Dole and reduce its CO2 emission by 100,000 tons per year.

- With no comparable proposals to challenge the Quezon City Solid Waste Management Facility Project, the MPIC-led consortium with Covanta Energy, LLC and Macquarie Group, Ltd. expects to receive the Notice of Award by 1st half of 2019. The waste treatment facility will convert up to

3,000 metric tons a day of municipal waste into 36 MW (net) of electricity.

TOLLROADS:

Metro Pacific Tollways Corporation ("MPTC") recorded Core Net Income of ₱4.5 billion in 2018, a 13% increase from ₱3.9 billion a year earlier. MPTC's system-wide vehicle entries averaged 916,886 a day, including road networks in the Philippines, Indonesia, Thailand and Vietnam.

<u>Tollroads in the Philippines</u>:

Average daily vehicle entries for all three of our domestic tollways system (NLEX, CAVITEX and SCTEX) rose 7% to 478,315 compared with 445,350 in 2017.

Traffic rose 7% on the NLEX and surged by 15% on the SCTEX following integration of these two roads and the opening of additional lanes in 2017. Traffic on the CAVITEX rose 5% 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	Officially opened 28th February 2019	100%
NLEX Harbour Link (Radial Road 10)	2.6	6.7	2019	92%
NLEX Lane Widening Phase 2	N/A	2.1	2020	N/A
CAVITEX Segment 4 Extension	1.2	1.2	2021	85%
CAVITEX - C5 South Link	7.7	12.7	2021	97%
NLEX Citi Link	11.5	15.0	2024	0%
Stand-alone road projects				
NLEX-SLEX Connector Road	8.0	23.3	2021	63%
Cebu Cordova Link Expressway	8.5	26.6	2021	100%
Cavite Laguna Expressway	45.4	16.5	2022	40%
TOTAL	**90.7**	**₱114.6**		

MPTC expects to spend approximately ₱104.3 billion on road projects over the next five years, although this figure could rise by a further ₱25 billion if MPTC were to secure the Cavite-Tagaytay-Batangas Expressway for which it was recently awarded Original Proponent status.

The estimates for planned road investments assume 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. MPTC is waiting for notice to publish increased toll rates for NLEX coinciding with the opening of the NLEX Harbour

Link and implemented on a staggered basis. Full implementation of overdue tariff adjustments on all roads has yet to be agreed.

<u>Tollroads outside the Philippines</u>:

DMT in Bangkok reported a 2% increase in daily traffic to 99,479 in 2018.

In Vietnam, CII B&R saw a decline in vehicle entries to 33,007 due to the end of the concession for the Rach Chiec Bridge. Traffic is expected to improve again by approximately 32,000 with the opening of part of the Hanoi Highway Expansion later in 2019.

Nusantara's traffic in Indonesia averaged at 306,085 vehicle entries per day in 2018. In July of 2018, MPTC increased its interest in Nusantara from 48.3% to 53.3% on a fully-diluted basis. This step-up acquisition triggered the need for a General Offer which further increased MPTC's ownership of Nusantara to 77.9%.

WATER:

MPIC's water business comprises investments in Maynilad, the biggest water utility in the Philippines, and MetroPac Water Investments Corporation ("MPW"), focused on building new water businesses outside Metro Manila. The water segment's contribution to Core Net Income amounted to ₱3.8 billion in 2018, most of it from Maynilad.

Maynilad – 1 million people receiving water at ₱1 centavo per liter

In September 2018, MWSS approved Maynilad's Rebasing adjustment for the Fifth Rate Rebasing Period (2018 to 2022) of ₱5.73 per cubic meter which will be implemented on a staggered basis over four years.

However, the matter of Maynilad's tariffs for the entire 2013-2017 five-year Business Plan period and 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 (₱6.7 billion as of 31st December 2017). On 4th October 2018, the Singapore High Court upheld the award in favor of Maynilad and dismissed RoP's Setting Aside Application in February 2018.

Maynilad is striving to meet its service obligations but financing these requires resolution of the remaining claim and tax recovery matters.

Maynilad's revenues in 2018 rose 6% to ₱22.0 billion from ₱20.8 billion in 2017, lifted by a 3% increase in volume sold and a combination of basic and inflation-linked tariff increases of 1.9% in April 2017, 2.8% in January 2018 and 2.7% in October 2018. The number of water connections (or billed customers) rose 4% to 1,407,503 at the end of 2018.

Core Net Income for 2018 rose 5% to ₱7.7 billion, driven by revenue growth, lower provisions and lower interest expense.

Non-Revenue Water ("NRW") measured at the District Metered Area level fell to 27.1% as at the end of 2018 from 31.7% at the end of 2017 while total NRW is now down to 38.5%.

Capital expenditure stood at ₱11.9 billion in 2018, much of it directed to upgrading and building reservoirs and pumping stations, laying primary pipelines, and constructing wastewater facilities to improve public health.

For the Fifth Rate Rebasing Period, Maynilad is set to build three new sewage treatment plants and upgrade one sewage treatment plant. Once completed, these new wastewater facilities will be able to serve approximately 2 million customers.

MetroPac Water Investments Corporation ("MPW")

Outside the Maynilad concession which currently bills 1,444 Million Liters per Day ("MLD"), MPW currently bills 253 MLD. MPW is expanding MPIC's water investment portfolio with up to 393 MLD of installed capacity in the Philippines and 660 MLD in Vietnam, when these projects are completed. A further 430 MLD of projects around the Philippines are under negotiation and awaiting final award.

MPW's 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 14% rise in aggregate revenues in 2018 on the strength of an 8% increase in out-patient visits to 3,323,104 and 11% growth in in-patient admissions to 193,824. Investments made in Jesus Delgado Memorial Hospital in Quezon City and St. Elizabeth Hospital in General Santos City in 2017 contributed significantly to this improvement.

On 1st August 2018, MPHHI increased its ownership in Davao Doctors Hospital ("DDH") from 35.16% to 49.91%.

MPHHI is rolling out improved patient care across its network of hospitals and establishing new service centers in the communities it serves. This is bringing new patients to our network, but startup costs for some of these new programs restrained growth in Core Income to 15%.

RAIL:

As at 31st December 2018, LRMC had successfully restored 35 Light Rail Vehicles ("LRVs"), bringing the total available LRVs to 112 from the 77 it inherited in 2015. The resulting surge in available capacity has reduced passenger waiting time to 3.45 minutes during peak hours from more than five minutes when LRMC took over.

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

LRMC served an average daily ridership of 458,021 in 2018, an improvement of 5% from a year earlier while the highest daily ridership was 613,000, up from 578,000 a year earlier.

LRMC contributed ₱394 million to MPIC's Core Income for 2018.

LOGISTICS:

Metropac Movers, Inc. ("MMI") is now an established force in the Philippine logistics sector. Average warehouse dispatch for 2018 rose 3% to over 60.2 million cases from 58.7 million cases last year. The focus of this business is to provide our clients with first-class transportation, warehousing and order fulfillment as we broaden our service offering to include cross docking and freight forwarding.

MMI has acquired over 400,000 square meters of land in Cavite and Bulacan for developing into covered warehouse space to be utilized by MMI to build the leading logistics firm in the Philippines.

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.

Conclusion and Outlook

"We are pleased with the performance of MPIC companies for 2018," said MPIC Chairman Manuel V. Pangilinan.

"We are seeing partial resolution of some of our long-pending tariff issues. That's the good news. Regrettably, the shape of the resolution in the form of staggered tariff increases and concession extensions does not provide sufficient immediate cash flows to cover the upfront financing costs of our current expansion program."

He concluded, "Continuing strong demand for the services we provide, against a backdrop of steady economic growth, underpins our optimism for 2019 - albeit it is too early to give earnings guidance for the year. Our focus over the medium term is to build out the many new infrastructure assets we are working on in roads, water, light rail, energy and logistics in order to deliver value to our shareholders. The opening of our NLEX Harbour Link on 28th February 2019 is the most recent example of this commitment."

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 (AUDITED)

(Amounts in Peso Millions)

	December 31	
	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents and short-term deposits	**₱47,521**	₱49,317
Restricted cash	**5,421**	4,047
Receivables	**12,495**	10,899
Other current assets	**12,892**	10,432
	78,329	74,695
Assets held for sale	**1,250**	250
Total Current Assets	**79,579**	74,945
Noncurrent Assets		
Investments and advances	**152,993**	150,971
Service concession assets	**205,992**	168,783
Property, plant and equipment	**71,926**	67,606
Goodwill	**27,856**	25,384
Intangible assets	**3,897**	4,637
Deferred tax assets	**1,270**	1,045
Other noncurrent assets	**14,433**	10,380
Total Noncurrent Assets	**478,367**	428,806
	₱557,946	₱503,751

(Forward)

METRO PACIFIC INVESTMENTS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (AUDITED)

(Amounts in Peso Millions)

	December 31	
	2018	2017
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities	**₱31,951**	₱27,142
Income tax payable	**1,533**	1,415
Due to related parties	**4,462**	3,879
Current portion of:		
Provisions	**6,004**	5,997
Long-term debt	**11,619**	15,573
Service concession fees payable	**693**	871
Total Current Liabilities	**56,262**	54,877
Noncurrent Liabilities		
Noncurrent portion of:		
Provisions	**2,528**	2,106
Service concession fees payable	**29,946**	28,873
Long-term debt	**203,474**	173,510
Due to related parties	**7,392**	11,767
Deferred tax liabilities	**9,930**	6,836
Other long-term liabilities	**9,411**	10,103
Total Noncurrent Liabilities	**262,681**	233,195
Total Liabilities	**318,943**	288,072
Equity		
Owners of the Parent Company:		
Capital stock	**31,633**	31,626
Additional paid-in capital	**68,494**	68,465
Treasury shares	**(178)**	(167)
Equity reserves	**6,968**	5,742
Retained earnings	**64,533**	53,894
Other comprehensive income reserve	**1,861**	1,684
Total equity attributable to owners of the Parent Company	**173,311**	161,244
Non-controlling interest	**65,692**	54,435
Total Equity	**239,003**	215,679
	₱557,946	₱503,751

METRO PACIFIC INVESTMENTS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (AUDITED)

(Amounts in Peso Millions, except Per Share Amounts)

	Year Ended December 31	
	2018	2017
OPERATING REVENUES		
Power and coal sales	**₱27,026**	₱13,042
Water and sewerage services revenue	**22,575**	20,926
Toll fees	**15,486**	13,107
Hospital revenue	**12,950**	10,737
Rail revenue	**3,310**	3,155
Logistics and other revenue	**1,682**	1,545
	83,029	62,512
COST OF SALES AND SERVICES	**(42,714)**	(29,374)
GROSS PROFIT	**40,315**	33,138
General and administrative expenses	**(14,972)**	(12,126)
Interest expense	**(10,388)**	(7,995)
Share in net earnings of equity method investees	**11,073**	8,045
Dividend income	**172**	2,631
Interest income	**1,496**	623
Construction revenue	**22,259**	19,344
Construction costs	**(22,258)**	(19,344)
Others	**1,488**	360
INCOME BEFORE INCOME TAX	**29,185**	24,676
PROVISION FOR INCOME TAX		
Current	**6,398**	5,390
Deferred	**610**	259
	7,008	5,649
NET INCOME	**₱22,177**	₱19,027
OTHER COMPREHENSIVE INCOME (OCI)		
Net OCI to be reclassified to profit or loss in subsequent periods	**(578)**	482
Net OCI not being reclassified to profit or loss in subsequent periods	**899**	(948)
	321	(466)
TOTAL COMPREHENSIVE INCOME	**₱22,498**	₱18,561
Net income attributable to:		
Owners of the Parent Company	**₱14,130**	₱13,151
Non-controlling interest	**8,047**	5,876
	₱22,177	₱19,027
Total comprehensive income attributable to:		
Owners of the Parent Company	**₱14,307**	₱12,864
Non-controlling interest	**8,191**	5,697
	₱22,498	₱18,561
EARNINGS PER SHARE		
Basic Earnings Per Common Share, Attributable to Owners of the Parent Company *(In Centavos)*	**₱44.81**	₱41.71
Diluted Earnings Per Common Share, Attributable to Owners of the Parent Company *(In Centavos)*	**₱44.76**	₱41.67