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

Press Release

Thursday, 1 August 2019

MPIC strong growth in operating income fully offsets rising finance costs from expanded investments

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

Strong growth in operating income fully offsets rising finance costs from expanded investments

- *Power distributed in Luzon +5%*
- *Power sold in Visayas -6%*
- *Domestic toll road traffic +8%*
- *Volume of water sold in West Metro Manila +3%*
- *Hospital group census +10%*

- **1H 2019 Core Net Income at ₱8.7 Bln vs. ₱8.6 Bln in 1H 2018**
- **Reported Net Income attributable to shareholders at ₱8.1 Bln**
- **System-wide revenues including MERALCO up 9% to ₱217.8 Bln**
- **Fully Diluted Core Net Income per share up 1% to 27.48 centavos**
- **Interim dividend per share at 3.45 centavos, at par with last year**
- **MERALCO Core Net Income ₱12.3 Bln, Core EBITDA ₱19.9 Bln**
- **Global Power Core Net Income ₱1.2 Bln, Core EBITDA ₱4.6 Bln**
- **Tollways Core Net Income ₱2.4 Bln, Core EBITDA ₱6.3 Bln**
- **Maynilad Water Core Net Income ₱4.6 Bln, Core EBITDA ₱8.8 Bln**
- **Hospital Group Core Net Income ₱1.3 Bln, Core EBITDA ₱3.1 Bln**
- **Light Rail, Logistics and Other businesses net loss of ₱13 Mln**
- **MPIC Group wide capex for 1H 2019 at ₱33.5 Bln excluding acquisitions**

MANILA, Philippines, 1st August 2019 – Metro Pacific Investments Corporation ("MPIC" or the "Company") (PSE: MPI) today reported consolidated Core Net Income of ₱8.7 billion for the six (6) months ended 30th June 2019 from ₱8.6 billion in the year-earlier period.

Earnings were lifted by a 5% increase in operating contribution driven by: (i) substantial Core Net Income growth from Manila Electric Company ("MERALCO"); (ii) continuing volume growth coupled with inflation-linked and basic tariff increases at Maynilad Water Service Inc. ("Maynilad"); (iii) continued traffic growth on our domestic toll roads; and (iv) strong patient census at our hospitals, all of which combined to offset higher interest costs.

Power accounted for ₱6.1 billion or 54% of net operating income; Tollroads contributed ₱2.4 billion or 22%; Water contributed ₱2.3 billion or 21%; and the Hospitals Group provided ₱400 million or 3% of the total.

Consolidated Reported Net Income attributable to owners of the parent company declined by 9% to ₱8.1 billion in the first half of 2019 due to ₱560 million of nonrecurring expenses compared with a ₱341 million gain in 2018; ₱745 million of this swing was due to foreign exchange translation losses in 2019 versus gains in 2018.

"Our 5% growth in contribution from operations reflects meaningful volume increases at most of our businesses following years of high investment and our continuing emphasis on operational efficiencies," said Jose Ma. K. Lim, President and Chief Executive Officer of MPIC.

Pointing to MPIC's ambitious investment program in the years ahead, Lim said, "The rise in our borrowing costs has largely offset the increased operating contribution as we continue to make major investments in our new road, water, energy and logistics projects. These will take some time to complete and begin contributing to earnings."

The CEO added, "I am pleased to report that we have achieved meaningful progress in regulatory matters and I anticipate further positive news before the end of the year."

Lim said he expected volume growth to continue throughout this year and full-year earnings to be in line with 2018.

MPIC's Board of Directors declared an interim dividend unchanged at 3.45 centavos per common share, holding it unchanged from the previous period owing to rising CAPEX.

The record date for the interim dividend is August 19, 2019 with a payment date of August 30, 2019.

Operational Review

POWER:

MPIC's power business contributed ₱6.1 billion to Core Net Income in the first half of 2019, an increase of 4% driven by strong results at MERALCO which more than offset the slight decline in contribution of Global Business Power Corporation ("Global Power").

MERALCO

MERALCO's Core Net Income for the first half of 2019 rose 14% to ₱12.3 billion, driven by a 5% increase in energy sales, lower interest expense from lower debt balance and higher yield from investments.

Energy sales rose across all customer classes. Residential sector growth accelerated in the second quarter of 2019 due to organic growth from higher temperature and contributions from new connections. Commercial sector sales grew on continued expansion of real estate, hotels & restaurants, and storage, while growth in the industrial sector was rooted in the healthy performance of the non-metallic, rubber, plastics, and food & beverage industries.

Total revenues rose 10% to ₱165.0 billion on higher energy sales together with increased pass-through generation charges driven by higher WESM cost rooted in supply constraints and higher fuel prices.

MERALCO spent ₱10.7 billion on capital expenditures in the first half of 2019 to address critical loading of existing facilities and to support growth in demand and customer connections.

MERALCO's power generation projects are being developed through MERALCO PowerGen Corporation ("MGen") with the aim of building a diversified powerplant portfolio of assets ranging from coal-fired plants to renewable energy sources. 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 powerplant 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.

The full text of MERALCO's Earnings Press Release issued on 29th July 2019 is available at http://www.meralco.com.ph.

Global Power

Global Power recorded Core Net Income of ₱1.2 billion in the first half of 2019 versus ₱1.3 billion in the previous period.

Volume sold fell 6% with the end of various short-term power supply agreements.

However, higher margins on increased WESM prices and ancillary service agreements with NGCP largely offset rising depreciation and interest expenses.

Contribution from 50%-owned Alsons Thermal Energy Corporation (“ATEC”) rose 29% to ₱156 million. ATEC’s second 105 MW (80 MW contracted) expansion plant is expected to start commercial operations by September 2019. The expansion plant, located in Maasim, Sarangani Province, is currently in the commissioning stage and is set to benefit an additional 3 million people in Mindanao when it begins producing electricity later this year.

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

Energy from Waste

Building permits from the Philippine Economic Zone Authority have been obtained and civil works have started for the Surallah and Polomok biogas plants for Dole Philippines. This project involves establishing integrated waste-to-energy facilities to process waste and use the derived gas to supply power to the company’s canneries.

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 before end of the year. 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 ₱2.4 billion in the first six months of 2019, a 6% increase from ₱2.3 billion a year earlier with higher traffic on domestic roads and lower traffic on our regional roads, and higher financing cost from borrowings used to partially finance our increased investment in PT Nusantara in 2018. Overall, MPTC’s system-wide vehicle entries, including both our domestic and regional road networks, averaged 923,569 a day in the first half of 2019 versus 920,126 during the same period last year.

Tollroads in the Philippines:

Average daily vehicle entries for all three of our domestic tollways system (NLEX, CAVITEX and SCTEX) rose 8% to 518,678 compared with 480,793 in the first six months of 2018.

On 23rd July 2019, MPTC opened the first section of the CAVITEX C5 Southlink, the 2.2-kilometer flyover crossing South Luzon Expressway (SLEX) traversing Taguig and Pasay City. This is MPTC’s second road development to open this year following the successful completion of the NLEX Harbor Link Segment 10 in February 2019.

Meanwhile, construction continues on the NLEX Radial Road 10, CAVITEX C5 South Link, Cebu Cordova Link Expressway, and the Laguna section of the Cavite-Laguna Expressway. Right-of-way acquisition is underway for other projects in our pipeline, with construction due to begin thereafter.

Targeted completion of our toll road projects currently stands as follows:

	Length *(In Km)*	Construction Cost *(In Billions)*	Target Completion	Right of Way Progress
Expansions to existing roads				
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	1.5	2021	85%
CAVITEX - C5 South Link	7.7	12.7	2022	100%
NLEX Citi Link	11.5	18.8	2024	0%
Stand-alone road projects				
NLEX-SLEX Connector Road	8.0	23.3	2021	Section 1 – 63% Section 2 – 74%
Cebu Cordova Link Expressway	8.5	26.6	2021	100%
Cavite-Laguna Expressway	44.7	17.0	2022	49%
TOTAL	**84.2**	**₱108.7**		

MPTC expects to spend an additional ₱25 billion on road construction if it secures the Cavite-Tagaytay-Batangas Expressway (CTBEx) for which it was recently awarded Original Proponent status. The final award of the CTBEx Project will be subject to a Swiss Challenge expected before the end of 2019.

Recent progress on resolving long-running differences with regulators over tariffs has been encouraging. Notice to Collect on the new toll rates for the NLEX was issued by the TRB on 20th March 2019. The new toll rate matrix addresses our 2012 and 2014 pending applications, albeit on a staggered basis. The adjustment also includes recovery of our investment in the newly-opened NLEX Harbor Link Segment 10.

The TRB also approved the SCTEX toll fare matrix which addresses our 2011 petition. The new toll rates were effective June 2019. CAVITEX, on the other hand, is still awaiting TRB's approval of its new toll rates.

Tollroads outside the Philippines:

Average daily vehicle entries for the toll investments outside the Philippines declined 8% to 404,891 in the first half of 2019 compared with 439,333 in the first half of 2018. Lower traffic volumes in DMT (Bangkok) and PT Nusantara (Indonesia) were due to construction and road integration within their concession areas.

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 ₱2.3 billion in the first six months of 2019, most of it from Maynilad.

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

Maynilad's revenues in the first half of 2019 rose 11% to ₱12.2 billion from ₱11.0 billion in the first half of 2018, lifted by a 3% increase in volume sold and a combination of basic and inflation-linked tariff increases of 2.7% in October 2018 and 5.7% in January 2019. The number of water connections (or billed customers) rose 3% to 1,434,544 at the end of June 2019.

Core Net Income for the first half of 2019 rose 9% to ₱4.6 billion, driven by revenue growth partially offset by increased concession amortization and provision for taxes.

In the face of threats to water supply posed by climate change and population growth in our concession area, Maynilad continues to invest heavily in a comprehensive Non-Revenue Water ("NRW") Reduction Program and other water security programs to minimize its dependence on the Angat Dam.

Average NRW measured at the District Metered Area level fell to 26.7% in the first half of 2019 from 31.1% for the same period in 2018 while average total NRW is now down to 38.7%.

Capital expenditure stood at ₱5.4 billion in the first six months of 2019, much of it directed to upgrading and building reservoirs and pumping stations, laying primary pipelines, and constructing wastewater facilities to improve public health. Maynilad's total pipes laid is now at 7,697 kilometers and sewerage coverage at 20% of its population.

A combination of rising service level to an increased population, the El Niño drought this year, and the failure of previous administrations to develop new water sources or allow us to develop sufficient water sources ourselves, has led to a shortfall in supplies from the Angat Dam. The consequent reduction in raw water releases from Angat, outside our control, has led to a decline in 24-hour water supply to 75% and average water pressure of 7 psi and over to 53%.

Following a constructive and professional rate rebasing, Maynilad was awarded a 16.2% tariff increase – excluding inflation – to be implemented on a staggered basis. The Metropolitan Waterworks and Sewerage System ("MWSS") also approved a 5.7% inflation-linked tariff increase in January 2019. Unfortunately, this rebasing did not address our corporate income tax recovery issue inherited from the previous Administration which continues to work its way through the court system.

Since MPIC first invested in Maynilad in 2006, population coverage has grown by 3.1 million people to 9.6 million and Maynilad has laid 3,121 kilometers of pipes to expand its network. NRW at the DMA level has been reduced to 24.6% as at end of June 2019 from 68% saving more than 900 million liters of water every day, almost twice the amount that a city like San Francisco consumes every day.

MetroPac Water Investments Corporation ("MPW")

Outside the Maynilad concession which currently bills 1,479 Million Liters per Day ("MLD"), MPW currently bills 269 MLD with planned expansion of MPIC's water investment portfolio with up to 393 MLD of further 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.

Metro Iloilo Water, a joint venture between Metro Iloilo Water District and MPW, commenced operation in July 2019. The 25-year joint venture aims to improve the delivery of treated water within the service area, reduce NRW from its current level of 50% to 35%, and upgrade the billing and collection systems.

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 the first half of 2019 on the strength of a 10% increase in outpatient visits to 1,810,972 and 6% growth in inpatient admissions to 96,697. Core income grew 21%.

MPHHI continues to roll out improved patient care across its network of hospitals and is establishing new service centers in the communities it serves. To continue funding growth, MPHHI is looking into raising capital either through a public offering or a private placement. MPIC is also looking to crystallize some gains from the increased value of its hospital portfolio and using the proceeds to reduce MPIC debt and fund other projects.

RAIL:

As at 30th June 2019, LRMC had successfully restored 37 Light Rail Vehicles ("LRVs"), bringing the total available LRVs to 114 from the 77 it inherited in 2015. The resulting surge in available capacity has reduced passenger waiting time to 3.47 minutes during peak hours from more than five minutes when LRMC took over. LRMC has allocated capital expenditure of ₱7.5 billion for the rehabilitation of the train system, structural repairs and improvements, and an extension of the line to Cavite for 2019.

The majority of the ₱750 million Station Improvement Project has been substantially completed with remaining work expected to be finished by mid-2020. LRMC has also started expansion work on the EDSA Station, the line's second busiest station. The expansion involves the widening of the passenger concourse area to more than 335 square meters (sqm), almost five times the current floor area of 70 sqm, and will significantly improve the overall passenger experience of commuting on LRT 1.

Construction work for the LRT-1 Cavite Extension covering the five stations from Pasay City to Paranaque City has already started. However, long-overdue tariff increases must be resolved to make this financeable and LRMC is in discussion with Department of Transportation about this.

LRMC served an average daily ridership of 446,571 in the first half of 2019 peaking at 596,500 riders. While LRMC contributed ₱168 million to MPIC's Core Income for the first half of 2019, the earnings are fully reinvested in improving train operations and passenger experience.

LOGISTICS:

Metropac Movers, Inc. ("MMI") is now an established force in the Philippine logistics sector.

The focus of this business is to provide our clients with first-class distribution centers. Optimum locations are currently being evaluated to better implement our growth strategy.

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 seeing resolution of our long-pending tariff issues, particularly in our Water and Tollways businesses. The shape of such resolution has taken the form of staggered tariff increases and concession extensions, which means front-ending the financing of our current expansion programs for Tollways and Water, and consequently absorbing the financing costs associated with these. Accordingly, the increase in our operating results has been largely absorbed by higher interest costs during the first half of the year," said MPIC Chairman Manuel V. Pangilinan.

"The process to raise funding for MPIC as well as for our hospitals group to support its continued expansion is proceeding well. Once this is completed within the year, we should see a reduction in MPIC's interest cost and a consequent improved translation of operating profit growth into the bottom line."

"Continuing strong demand for the services we provide, against a backdrop of steady economic growth, underpins our optimism for 2019. Our absolute focus over the medium term is to build out the many new infrastructure assets we are currently working on in order to further improve our services to the communities, and enhance profitability, earnings per share, and the Net Asset Value of MPIC."

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, 2019	Audited December 31, 2018
ASSETS		
Current Assets		
Cash and cash equivalents and short-term deposits	**₱43,972**	₱47,521
Restricted cash	**6,970**	5,421
Receivables	**13,756**	12,495
Other current assets	**10,540**	12,892
	75,238	78,329
Assets held for sale	**1,250**	1,250
Total Current Assets	**76,488**	79,579
Noncurrent Assets		
Investments and advances	**155,073**	152,993
Service concession assets	**224,139**	205,992
Property, plant and equipment	**73,382**	71,926
Goodwill	**27,171**	27,856
Intangible assets	**3,819**	3,897
Deferred tax assets	**1,466**	1,270
Other noncurrent assets	**17,537**	14,433
Total Noncurrent Assets	**502,587**	478,367
	₱579,075	₱557,946

(Forward)

METRO PACIFIC INVESTMENTS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Peso Millions)

	Unaudited June 30, 2019	Audited December 31, 2018
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities	**₱32,252**	₱31,951
Income tax payable	**1,595**	1,533
Due to related parties	**5,515**	4,462
Current portion of:		
Provisions	**6,039**	6,004
Long-term debt	**12,920**	11,619
Service concession fees payable	**557**	693
Total Current Liabilities	**58,878**	56,262
Noncurrent Liabilities		
Noncurrent portion of:		
Provisions	**2,720**	2,528
Service concession fees payable	**30,649**	29,946
Long-term debt	**213,912**	203,474
Due to related parties	**2,172**	7,392
Deferred tax liabilities	**10,798**	9,930
Other long-term liabilities	**10,804**	9,411
Total Noncurrent Liabilities	**271,055**	262,681
Total Liabilities	**329,933**	318,943
Equity		
Owners of the Parent Company:		
Capital stock	**31,638**	31,633
Additional paid-in capital	**68,529**	68,494
Treasury shares	**(4)**	(178)
Equity reserves	**5,686**	6,968
Retained earnings	**70,241**	64,533
Other comprehensive income reserve	**1,860**	1,861
Total equity attributable to owners of the Parent Company	**177,950**	173,311
Non-controlling interest	**71,192**	65,692
Total Equity	**249,142**	239,003
	₱579,075	₱557,946

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	
	2019	2018
OPERATING REVENUES		
Power and coal sales	**₱12,797**	₱13,288
Water and sewerage services revenue	**12,576**	11,155
Toll fees	**8,923**	7,389
Hospital revenue	**7,646**	5,800
Rail revenue	**1,579**	1,594
Logistics and other revenue	**1,099**	842
	44,620	40,068
COST OF SALES AND SERVICES	**(21,604)**	(20,194)
GROSS PROFIT	**23,016**	19,874
General and administrative expenses	**(8,218)**	(6,070)
Interest expense	**(5,750)**	(4,619)
Share in net earnings of equity method investees	**5,911**	6,210
Interest income	**1,157**	528
Construction revenue	**18,654**	11,043
Construction costs	**(18,654)**	(11,043)
Others	**600**	689
INCOME BEFORE INCOME TAX	**16,716**	16,612
PROVISION FOR INCOME TAX		
Current	**3,578**	3,103
Deferred	**339**	250
	3,917	3,353
NET INCOME	**₱12,799**	₱13,259
OTHER COMPREHENSIVE INCOME (OCI)		
Net OCI to be reclassified to profit or loss in subsequent periods	**72**	796
Net OCI not being reclassified to profit or loss in subsequent periods	**(93)**	(715)
	(21)	81
TOTAL COMPREHENSIVE INCOME	**₱12,778**	₱13,340
Net income attributable to:		
Owners of the Parent Company	**₱8,108**	₱8,941
Non-controlling interest	**4,691**	4,318
	₱12,799	₱13,259
Total comprehensive income attributable to:		
Owners of the Parent Company	**₱8,107**	₱9,030
Non-controlling interest	**4,671**	4,310
	₱12,778	₱13,340
EARNINGS PER SHARE		
Basic Earnings Per Common Share, Attributable to Owners of the Parent Company *(In Centavos)*	**₱25.71**	₱28.36
Diluted Earnings Per Common Share, Attributable to Owners of the Parent Company *(In Centavos)*	**₱25.71**	₱28.33