FIRST PACIFIC COMPANY LIMITED

(Incorporated with limited liability under the laws of Bermuda)

Website: http://www.firstpacific.com

(Stock code: 00142)

2012 Annual Results - Audited

FINANCIAL HIGHLIGHTS

- Turnover increased by 5.4% to US$5,990.8 million (HK$46,728.2 million) from US$5,684.1 million (HK$44,336.0 million).
- Profit contribution from operations decreased by 9.5% to US$463.1 million (HK$3,612.2 million) from US$511.8 million (HK$3,992.0 million).
- Recurring profit decreased by 14.8% to US$360.3 million (HK$2,810.3 million) from US$423.0 million (HK$3,299.4 million).
- Profit attributable to owners of the parent decreased by 39.2% to US$348.8 million (HK$2,720.6 million) from US$574.0 million (HK$4,477.2 million).
- Non-recurring losses of US$13.2 million (HK$103.0 million) were recorded compared with non-recurring gain of US$152.9 million (HK$1,192.6 million).
- Recurring basic earnings per share (calculated based on recurring profit) decreased by 14.0% to U.S. 9.39 cents (HK73.2 cents) from U.S. 10.92 cents (HK85.2 cents).
- Basic earnings per share decreased by 38.6% to U.S. 9.09 cents (HK70.9 cents) from U.S. 14.81 cents (HK115.5 cents).
- A final dividend of HK13.00 cents (U.S. 1.67 cents) (2011: HK13.00 cents or U.S. 1.67 cents) per ordinary share has been recommended, making a total dividend per ordinary share equivalent to HK21.00 cents (U.S. 2.70 cents) (2011: HK22.20 cents or U.S. 2.85 cents, including a special dividend of HK1.20 cents or U.S. 0.15 cent) for the full year or a dividend payout ratio of approximately 29% (2011: 26%) of recurring profit.
- Equity attributable to owners of the parent increased by 7.0% to US$3,233.3 million (HK$25,219.7 million) at 31 December 2012 from US$3,022.7 million (HK$23,577.1 million) at 31 December 2011.
- Consolidated gearing ratio increased to 0.30 times at 31 December 2012 from 0.26 times at 31 December 2011.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December	Notes	2012 US$m	2011 (Restated)(i) US$m	2012 HK$m*	2011 (Restated)(i) HK$m*
Turnover	2	**5,990.8**	5,684.1	**46,728.2**	44,336.0
Cost of sales		**(4,128.9)**	(3,910.3)	**(32,205.4)**	(30,500.4)
Gross profit		**1,861.9**	1,773.8	**14,522.8**	13,835.6
Gain on dilutions, net		**14.4**	209.9	**112.3**	1,637.2
Distribution expenses		**(432.1)**	(405.2)	**(3,370.4)**	(3,160.6)
Administrative expenses		**(443.5)**	(396.1)	**(3,459.3)**	(3,089.5)
Other operating income, net		**22.3**	39.1	**173.9**	305.0
Interest income		**75.0**	68.9	**585.0**	537.4
Finance costs		**(273.7)**	(255.5)	**(2,134.8)**	(1,992.9)
Share of profits less losses of associated companies and joint ventures		**235.7**	278.3	**1,838.5**	2,170.8
Profit before taxation	3	**1,060.0**	1,313.2	**8,268.0**	10,243.0
Taxation	4	**(229.8)**	(215.8)	**(1,792.4)**	(1,683.3)
Profit for the year		**830.2**	1,097.4	**6,475.6**	8,559.7
Attributable to:					
Owners of the parent	5	**348.8**	574.0	**2,720.6**	4,477.2
Non-controlling interests		**481.4**	523.4	**3,755.0**	4,082.5
		830.2	1,097.4	**6,475.6**	8,559.7
		US¢	US¢	**HK¢***	HK¢*
Earnings per share attributable to owners of the parent	6				
Basic		**9.09**	14.81	**70.9**	115.5
Diluted		**8.99**	14.60	**70.1**	113.9

(i) Refer to Note 1

Details of the dividend proposed for the year are disclosed in Note 7.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December	2012	2011	2012	2011
		(Restated)[i]		(Restated)[i]
	US$m	US$m	**HK$m***	HK$m*
Profit for the year	**830.2**	1,097.4	**6,475.6**	8,559.7
Other comprehensive (loss)/income				
Exchange differences on translating foreign operations	**(37.0)**	(77.1)	**(288.6)**	(601.4)
Unrealized (losses)/gains on available-for-sale assets	**(22.8)**	30.4	**(177.9)**	237.1
Unrealized (losses)/gains on cash flow hedges	**(6.1)**	12.2	**(47.6)**	95.2
Realized losses on cash flow hedges	**1.1**	1.6	**8.6**	12.5
Income tax related to cash flow hedges	**2.2**	(2.5)	**17.2**	(19.5)
Actuarial (losses)/gains on defined benefit pension plans	**(58.4)**	38.2	**(455.5)**	298.0
Revaluation increment of assets	**1.8**	-	**14.0**	-
Other comprehensive (losses)/income for the year, net of tax	**(119.2)**	2.8	**(929.8)**	21.9
Total comprehensive income for the year	**711.0**	1,100.2	**5,545.8**	8,581.6
Attributable to:				
Owners of the parent	**359.8**	596.7	**2,806.4**	4,654.3
Non-controlling interests	**351.2**	503.5	**2,739.4**	3,927.3
	711.0	1,100.2	**5,545.8**	8,581.6

(i) Refer to Note 1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December	Notes	2012	2011	2012	2011
		US$m	US$m	**HK$m***	HK$m*
Non-current assets					
Property, plant and equipment		**1,824.3**	1,651.7	**14,229.6**	12,883.2
Plantations		**1,301.5**	1,280.9	**10,151.7**	9,991.0
Associated companies and joint ventures		**3,292.4**	3,035.1	**25,680.7**	23,673.8
Goodwill		**808.2**	819.6	**6,304.0**	6,392.9
Other intangible assets		**2,305.8**	2,105.9	**17,985.2**	16,426.0
Accounts receivable, other receivables and prepayments	8	**190.6**	32.5	**1,486.7**	253.5
Available-for-sale assets		**41.9**	33.1	**326.8**	258.2
Deferred tax assets		**132.3**	109.9	**1,031.9**	857.2
Pledged deposits		**11.1**	11.1	**86.6**	86.6
Other non-current assets		**288.4**	236.0	**2,249.5**	1,840.8
		10,196.5	9,315.8	**79,532.7**	72,663.2
Current assets					
Cash and cash equivalents		**2,175.0**	1,875.4	**16,965.0**	14,628.1
Restricted cash		**33.1**	43.7	**258.2**	340.9
Available-for-sale assets		**58.7**	63.4	**457.8**	494.5
Accounts receivable, other receivables and prepayments	8	**600.0**	581.8	**4,680.0**	4,538.0
Inventories		**816.7**	731.7	**6,370.3**	5,707.3
		3,683.5	3,296.0	**28,731.3**	25,708.8
Current liabilities					
Accounts payable, other payables and accruals	9	**984.4**	796.5	**7,678.4**	6,212.7
Short-term borrowings		**926.5**	1,119.3	**7,226.7**	8,730.5
Provision for taxation		**39.0**	49.6	**304.2**	386.9
Current portion of deferred liabilities and provisions		**119.7**	137.6	**933.6**	1,073.3
		2,069.6	2,103.0	**16,142.9**	16,403.4
Net current assets		**1,613.9**	1,193.0	**12,588.4**	9,305.4
Total assets less current liabilities		**11,810.4**	10,508.8	**92,121.1**	81,968.6
Equity					
Issued share capital		**38.3**	38.5	**298.7**	300.3
Retained earnings		**1,431.3**	1,284.6	**11,164.1**	10,019.9
Other components of equity		**1,763.7**	1,699.6	**13,756.9**	13,256.9
Equity attributable to owners of the parent		**3,233.3**	3,022.7	**25,219.7**	23,577.1
Non-controlling interests		**4,010.7**	3,856.5	**31,283.5**	30,080.7
Total equity		**7,244.0**	6,879.2	**56,503.2**	53,657.8
Non-current liabilities					
Long-term borrowings		**3,438.5**	2,575.7	**26,820.3**	20,090.5
Deferred liabilities and provisions		**691.2**	607.2	**5,391.4**	4,736.1
Deferred tax liabilities		**436.7**	446.7	**3,406.2**	3,484.2
		4,566.4	3,629.6	**35,617.9**	28,310.8
		11,810.4	10,508.8	**92,121.1**	81,968.6

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the parent												
US$ millions	Issued share capital	Share premium	Share options issued	Exchange reserve	Unrealized gains/ (losses) on available- for-sale-assets	Unrealized (losses)/ gains on cash flow hedges	Income tax related to cash flow hedges	Differences arising from changes in equities of subsidiary companies	Capital and other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2011	39.0	1,273.0	40.2	95.4	27.7	(4.8)	(1.0)	235.4	11.6	858.7	2,575.2	3,036.9	5,612.1
Profit for the year (Restated)(i)	-	-	-	-	-	-	-	-	-	574.0	574.0	523.4	1,097.4
Other comprehensive (loss)/income for the year (Restated)(i)	-	-	-	(39.7)	23.8	14.2	(2.5)	-	-	26.9	22.7	(19.9)	2.8
Total comprehensive income for the year	-	-	-	(39.7)	23.8	14.2	(2.5)	-	-	600.9	596.7	503.5	1,100.2
Issue of shares upon the exercise of share options	0.2	16.2	(5.4)	-	-	-	-	-	-	-	11.0	-	11.0
Repurchase and cancellation of shares	(0.7)	-	-	-	-	-	-	-	0.7	(69.4)	(69.4)	-	(69.4)
Equity-settled share option arrangements	-	-	4.9	-	-	-	-	-	-	-	4.9	0.3	5.2
Acquisition, dilution and divestment of interests in subsidiary companies	-	-	-	(1.3)	-	-	-	13.2	-	-	11.9	453.9	465.8
Dilution and divestment of interests in associated companies	-	-	-	(2.0)	-	-	-	-	-	-	(2.0)	-	(2.0)
2010 final dividend	-	-	-	-	-	-	-	-	-	(60.0)	(60.0)	-	(60.0)
2011 interim dividend	-	-	-	-	-	-	-	-	-	(39.6)	(39.6)	-	(39.6)
2011 special dividend	-	-	-	-	-	-	-	-	-	(6.0)	(6.0)	-	(6.0)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(138.1)	(138.1)
Balance at 31 December 2011	38.5	1,289.2	39.7	52.4	51.5	9.4	(3.5)	248.6	12.3	1,284.6	3,022.7	3,856.5	6,879.2
Balance at 1 January 2012	38.5	1,289.2	39.7	52.4	51.5	9.4	(3.5)	248.6	12.3	1,284.6	3,022.7	3,856.5	**6,879.2**
Profit for the year	-	-	-	-	-	-	-	-	-	348.8	348.8	481.4	**830.2**
Other comprehensive income/(loss) for the year	-	-	-	76.5	(21.9)	(4.4)	2.2	-	1.0	(42.4)	11.0	(130.2)	**(119.2)**
Total comprehensive income for the year	-	-	-	76.5	(21.9)	(4.4)	2.2	-	1.0	306.4	359.8	351.2	**711.0**
Issue of shares upon the exercise of share options	0.3	23.0	(7.5)	-	-	-	-	-	-	-	15.8	-	**15.8**
Repurchase and cancellation of shares	(0.5)	-	-	-	-	-	-	-	0.5	(56.5)	(56.5)	-	**(56.5)**
Equity-settled share option arrangements	-	-	1.6	-	-	-	-	-	-	-	1.6	-	**1.6**
Reserve of a disposal group of associated companies classified as held for sale	-	-	-	13.1	-	(0.6)	0.2	-	(12.7)	-	-	-	**-**
Acquisition, dilution and divestment of interests in subsidiary companies	-	-	-	-	-	-	-	0.8	-	-	0.8	(15.3)	**(14.5)**
Acquisition and dilution of interests in associated companies	-	-	-	-	-	-	-	(7.1)	-	-	(7.1)	-	**(7.1)**
Revaluation increment of assets removed from other comprehensive income to retained earnings	-	-	-	-	-	-	-	-	(0.6)	0.6	-	-	**-**
2011 final dividend	-	-	-	-	-	-	-	-	-	(64.2)	(64.2)	-	**(64.2)**
2012 interim dividend	-	-	-	-	-	-	-	-	-	(39.6)	(39.6)	-	**(39.6)**
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(181.7)	**(181.7)**
Balance at 31 December 2012	**38.3**	**1,312.2**	**33.8**	**142.0**	**29.6**	**4.4**	**(1.1)**	**242.3**	**0.5**	**1,431.3**	**3,233.3**	**4,010.7**	**7,244.0**

	Equity attributable to owners of the parent												
HK$ millions*	Issued share capital	Share premium	Share options issued	Exchange reserve	Unrealized gains/ (losses) on available- for-sale-assets	Unrealized (losses)/ gains on cash flow hedges	Income tax related to cash flow hedges	Differences arising from changes in equities of subsidiary companies	Capital and other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2011	304.2	9,929.4	313.5	744.2	216.0	(37.4)	(7.8)	1,836.1	90.5	6,697.9	20,086.6	23,687.8	43,774.4
Profit for the year (Restated)(i)	-	-	-	-	-	-	-	-	-	4,477.2	4,477.2	4,082.5	8,559.7
Other comprehensive (loss)/income for the year (Restated)(i)	-	-	-	(309.6)	185.7	110.7	(19.5)	-	-	209.8	177.1	(155.2)	21.9
Total comprehensive income for the year	-	-	-	(309.6)	185.7	110.7	(19.5)	-	-	4,687.0	4,654.3	3,927.3	8,581.6
Issue of shares upon the exercise of share options	1.6	126.3	(42.1)	-	-	-	-	-	-	-	85.8	-	85.8
Repurchase and cancellation of shares	(5.5)	-	-	-	-	-	-	-	5.5	(541.3)	(541.3)	-	(541.3)
Equity-settled share option arrangements	-	-	38.2	-	-	-	-	-	-	-	38.2	2.4	40.6
Acquisition, dilution and divestment of interests in subsidiary companies	-	-	-	(10.2)	-	-	-	103.0	-	-	92.8	3,540.4	3,633.2
Dilution and divestment of interests in associated companies	-	-	-	(15.6)	-	-	-	-	-	-	(15.6)	-	(15.6)
2010 final dividend	-	-	-	-	-	-	-	-	-	(468.0)	(468.0)	-	(468.0)
2011 interim dividend	-	-	-	-	-	-	-	-	-	(308.9)	(308.9)	-	(308.9)
2011 special dividend	-	-	-	-	-	-	-	-	-	(46.8)	(46.8)	-	(46.8)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(1,077.2)	(1,077.2)
Balance at 31 December 2011	300.3	10,055.7	309.6	408.8	401.7	73.3	(27.3)	1,939.1	96.0	10,019.9	23,577.1	30,080.7	53,657.8
Balance at 1 January 2012	300.3	10,055.7	309.6	408.8	401.7	73.3	(27.3)	1,939.1	96.0	10,019.9	23,577.1	30,080.7	**53,657.8**
Profit for the year	-	-	-	-	-	-	-	-	-	2,720.6	2,720.6	3,755.0	**6,475.6**
Other comprehensive income/(loss) for the year	-	-	-	596.7	(170.8)	(34.3)	17.1	-	7.8	(330.7)	85.8	(1,015.6)	**(929.8)**
Total comprehensive income for the year	-	-	-	596.7	(170.8)	(34.3)	17.1	-	7.8	2,389.9	2,806.4	2,739.4	**5,545.8**
Issue of shares upon the exercise of share options	2.3	179.5	(58.5)	-	-	-	-	-	-	-	123.3	-	**123.3**
Repurchase and cancellation of shares	(3.9)	-	-	-	-	-	-	-	3.9	(440.7)	(440.7)	-	**(440.7)**
Equity-settled share option arrangements	-	-	12.5	-	-	-	-	-	-	-	12.5	-	**12.5**
Reserve of a disposal group of associated companies classified as held for sale	-	-	-	102.1	-	(4.6)	1.6	-	(99.1)	-	-	-	**-**
Acquisition, dilution and divestment of interests in subsidiary companies	-	-	-	-	-	-	-	6.2	-	-	6.2	(119.3)	**(113.1)**
Acquisition and dilution of interests in associated companies	-	-	-	-	-	-	-	(55.4)	-	-	(55.4)	-	**(55.4)**
Revaluation increment of assets removed from other comprehensive income to retained earnings	-	-	-	-	-	-	-	-	(4.7)	4.7	-	-	**-**
2011 final dividend	-	-	-	-	-	-	-	-	-	(500.8)	(500.8)	-	**(500.8)**
2012 interim dividend	-	-	-	-	-	-	-	-	-	(308.9)	(308.9)	-	**(308.9)**
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(1,417.3)	**(1,417.3)**
Balance at 31 December 2012	**298.7**	**10,235.2**	**263.6**	**1,107.6**	**230.9**	**34.4**	**(8.6)**	**1,889.9**	**3.9**	**11,164.1**	**25,219.7**	**31,283.5**	**56,503.2**

(i) Refer to Note 1

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December	Notes	2012 US$m	2011 (Restated)[(i)] US$m	2012 HK$m*	2011 (Restated)[(i)] HK$m*
Profit before taxation		**1,060.0**	1,313.2	**8,268.0**	10,243.0
Adjustments for:					
Finance costs		**273.7**	255.5	**2,134.8**	1,992.9
Depreciation	3	**143.9**	127.4	**1,122.4**	993.7
Amortization of other intangible assets	3	**93.7**	84.1	**730.9**	656.0
Foreign exchange and derivative losses, net	3	**8.9**	12.6	**69.4**	98.3
Impairment losses	3	**3.7**	6.6	**28.9**	51.5
Equity-settled share option expense		**1.6**	4.8	**12.5**	37.4
Loss/(gain) on sale of property, plant and equipment	3	**0.2**	(5.4)	**1.6**	(42.1)
Share of profits less losses of associated companies and joint ventures		**(235.7)**	(278.3)	**(1,838.5)**	(2,170.8)
Interest income		**(75.0)**	(68.9)	**(585.0)**	(537.4)
Gain on dilution of interests in associated companies	3	**(14.4)**	(209.9)	**(112.3)**	(1,637.2)
Preferred share dividend income from a joint venture	3	**(13.3)**	(6.5)	**(103.7)**	(50.7)
Gain on changes in fair value of plantations	3	**(5.9)**	(48.5)	**(46.0)**	(378.3)
Others		**16.0**	(0.3)	**124.7**	(2.3)
		1,257.4	1,186.4	**9,807.7**	9,254.0
Increase in accounts payable, other payables and accruals		**355.9**	100.0	**2,776.0**	780.0
Decrease in accounts receivable, other receivables and prepayments (Non-current)		**9.5**	4.7	**74.1**	36.6
Increase in inventories		**(133.0)**	(103.6)	**(1,037.4)**	(808.1)
Increase in other non-current assets		**(57.1)**	(21.0)	**(445.4)**	(163.8)
Increase in accounts receivable, other receivables and prepayments (Current)		**(13.0)**	(107.6)	**(101.4)**	(839.3)
Net cash generated from operations		**1,419.7**	1,058.9	**11,073.6**	8,259.4
Interest received		**75.6**	70.0	**589.7**	546.0
Interest paid		**(266.3)**	(256.6)	**(2,077.1)**	(2,001.5)
Taxes paid		**(253.5)**	(229.8)	**(1,977.3)**	(1,792.4)
Net cash flows from operating activities		**975.5**	642.5	**7,608.9**	5,011.5
Dividends received from associated companies		**245.4**	259.5	**1,914.1**	2,024.1
Preferred share dividends received from a joint venture		**13.3**	6.5	**103.7**	50.7
Proceeds from sale of property, plant and equipment		**5.6**	10.8	**43.7**	84.2
Purchase of property, plant and equipment		**(423.7)**	(255.7)	**(3,304.9)**	(1,994.5)
Investment in a convertible note		**(160.9)**	-	**(1,255.0)**	-
Investments in other intangible assets		**(160.6)**	(204.4)	**(1,252.7)**	(1,594.3)
Investments in plantations		**(117.3)**	(101.6)	**(914.9)**	(792.5)
Increased investments in a joint venture		**(64.2)**	-	**(500.8)**	-
Loan to an associated company		**(26.7)**	-	**(208.2)**	-
Investments in associated companies		**(25.3)**	-	**(197.3)**	-
Acquisition of available-for-sale assets		**(7.5)**	(5.7)	**(58.5)**	(44.5)
Acquisition of a subsidiary company		**(4.9)**	(8.8)	**(38.2)**	(68.6)
Increased investments in associated companies		**(3.6)**	(476.6)	**(28.1)**	(3,717.5)
Proceeds from disposal of available-for-sale assets		**-**	1.2	**-**	9.4
Proceeds from disposal of plantations		**-**	0.2	**-**	1.6
Net cash flows used in investing activities		**(730.4)**	(774.6)	**(5,697.1)**	(6,041.9)
Proceeds from new borrowings		**1,274.7**	1,168.2	**9,942.7**	9,112.0
Proceeds from the issue of shares upon the exercise of share options		**15.8**	11.0	**123.2**	85.8
Decrease/(increase) in pledged deposits and restricted cash		**13.2**	(1.4)	**103.0**	(10.9)
Proceeds from shares issued to non-controlling interests by subsidiary companies		**3.5**	479.5	**27.3**	3,740.1
Proceeds from divestment of interests in subsidiary companies		**1.3**	13.1	**10.2**	102.2
Decrease/(increase) in time deposits with original maturity of more than three months		**0.2**	(0.4)	**1.6**	(3.1)
Borrowings repaid		**(766.6)**	(861.2)	**(5,979.5)**	(6,717.4)
Dividends paid to non-controlling shareholders by subsidiary companies		**(181.7)**	(138.1)	**(1,417.3)**	(1,077.2)
Dividends paid to shareholders		**(103.8)**	(105.6)	**(809.6)**	(823.7)
Purchase of preferred shares of a joint venture		**(84.7)**	-	**(660.7)**	-
Repurchase of shares		**(54.2)**	(69.4)	**(422.8)**	(541.3)
Increased investments in subsidiary companies		**(21.3)**	(11.2)	**(166.1)**	(87.4)
Repurchase of subsidiary companies' shares		**(4.7)**	(9.5)	**(36.7)**	(74.1)
Net cash flows from financing activities		**91.7**	475.0	**715.3**	3,705.0
Net increase in cash and cash equivalents		**336.8**	342.9	**2,627.1**	2,674.6
Cash and cash equivalents at 1 January		**1,874.9**	1,538.7	**14,624.2**	12,001.8
Exchange translation		**(50.0)**	(6.7)	**(390.0)**	(52.2)
Cash and cash equivalents at 31 December		**2,161.7**	1,874.9	**16,861.3**	14,624.2
Representing					
Cash and cash equivalents		**2,175.0**	1,875.4	**16,965.0**	14,628.1
Less bank overdrafts		**(13.0)**	-	**(101.4)**	-
Less time deposits with original maturity of more than three months		**(0.3)**	(0.5)	**(2.3)**	(3.9)
Cash and cash equivalents at 31 December		**2,161.7**	1,874.9	**16,861.3**	14,624.2

(i) Refer to Note 1

Notes:

1. **Impact of revised Hong Kong Financial Reporting Standards ("HKFRSs") and change in accounting policy**
During 2012, the Group has adopted the following revised Hong Kong Financial Reporting Standards (HKFRSs) (which include all HKFRSs, Hong Kong Accounting Standards (HKASs) and Hong Kong (International Financial Reporting Interpretations Committee)-Interpretations (HK(IFRIC)-Ints) issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) for the first time for the current year's financial statements:

HKAS 12 Amendments	"Recovery of Underlying Assets"(i)
HKFRS 1 Amendments	"Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters"(ii)
HKFRS 7 Amendments	"Transfers of Financial Assets"(ii)

(i) Effective for annual periods commencing on or after 1 January 2012
(ii) Effective for annual periods commencing on or after 1 July 2011

The adoption of the above pronouncements has had no effect on both the profit attributable to owners of the parent for the years ended 31 December 2012 and 31 December 2011 and the equity attributable to owners of the parent at 31 December 2012 and 31 December 2011.

During 2012, the Group has changed its accounting policy for pension obligations by recognizing all actuarial gains/losses on defined benefit pension plans in the period in which they occur in the other comprehensive income (i.e. directly into equity) instead of in the income statement, whereby both methods are permitted policy choices under the prevailing HKAS 19 "Employee Benefits". The change was made as the Directors consider that the removal of the impact of short-term volatility in the value of the obligations and assets of long-term defined benefit pension plans on the Group's profit or loss can better reflect the Group's profitability. The above change in accounting policy has been applied retrospectively, resulting in restatement of the Group's prior year financial information. The effects of the above change are summarized below:

Effects of change in accounting policy on the consolidated income statement for the years ended 31 December 2012 and 2011

For the year ended 31 December	2012 US\$m	2011 US\$m	2012 HK\$m*	2011 HK\$m*
Increase/(decrease) in other operating income, net	**43.7**	(7.7)	**340.8**	(60.1)
Increase/(decrease) in share of profits less losses of associated companies and joint ventures	**25.6**	(32.1)	**199.7**	(250.4)
(Increase)/decrease in taxation	**(10.9)**	1.6	**(85.0)**	12.5
Increase/(decrease) in profit for the year	**58.4**	(38.2)	**455.5**	(298.0)
Attributable to:				
Owners of the parent	**42.4**	(26.9)	**330.7**	(209.8)
Non-controlling interests	**16.0**	(11.3)	**124.8**	(88.2)
Increase/(decrease) in profit for the year	**58.4**	(38.2)	**455.5**	(298.0)
	US¢	US¢	**HK¢***	HK¢*
Increase/(decrease) in earnings per share attributable to owners of the parent				
Basic	**1.11**	(0.69)	**8.66**	(5.38)
Diluted	**1.09**	(0.69)	**8.50**	(5.38)

The above retrospective change in accounting policy has had no effect on both the consolidated statement of financial position at 1 January 2011 and the cash flows for the years ended 31 December 2012 and 2011. Accordingly, a consolidated statement of financial position at 1 January 2011 is not presented in these consolidated financial statements.

2. **Turnover and segmental information**

For the year ended 31 December	2012 US\$m	2011 US\$m	2012 HK\$m*	2011 HK\$m*
Turnover				
Sale of goods	**5,247.8**	5,063.5	**40,932.8**	39,495.3
Rendering of services	**743.0**	620.6	**5,795.4**	4,840.7
Total	**5,990.8**	5,684.1	**46,728.2**	44,336.0

Segmental information
An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group), whose operating results are regularly reviewed by the Group's chief operating decision maker who makes decisions about how resources are to be allocated to the segment and assesses its performance, and for which discrete financial information is available to him.

The Board of Directors considers the business from both the product or service and geographical perspectives. From the product or service perspective, the Group's business interests are divided into four main segments, which are telecommunications, infrastructure, consumer food products and natural resources. Geographically, the Board of Directors considers the businesses of the Group are operating in the Philippines and Indonesia.

The Board of Directors assesses the performance of the operating segments based on a measure of recurring profit. This basis measures the profit attributable to owners of the parent excluding the effects of foreign exchange and derivative gains/losses, gain/loss on changes in fair value of plantations and non-recurring items. Non-recurring items represent certain items, through occurrence or size, which are not considered as usual operating items.

The revenue, results and other information for the years ended 31 December 2012 and 2011, and total assets and total liabilities at 31 December 2012 and 2011 regarding the Group's reportable businesses are as follows.

By principal business activity and geographical market - 2012

For the year ended/at 31 December	The Philippines			Indonesia			
	Telecom-munications US$m	Infrastructure US$m	Natural Resources US$m	Consumer Food Products US$m	Head Office US$m	**2012 Total US$m**	**2012 Total HK$m***
Revenue							
Turnover	-	660.8	-	5,330.0	-	**5,990.8**	**46,728.2**
Results							
Recurring profit	193.1	86.1	13.8	170.1	(102.8)	**360.3**	**2,810.3**
Assets and liabilities							
Non-current assets (other than financial instruments and deferred tax assets)							
- Associated companies and joint ventures	1,553.3	1,065.8	642.7	30.6	-	**3,292.4**	**25,680.7**
- Other	-	2,472.4	-	3,999.7	-	**6,472.1**	**50,482.4**
	1,553.3	3,538.2	642.7	4,030.3	-	**9,764.5**	**76,163.1**
Other assets	-	615.6	-	2,875.6	624.3	**4,115.5**	**32,100.9**
Total assets	1,553.3	4,153.8	642.7	6,905.9	624.3	**13,880.0**	**108,264.0**
Borrowings	-	1,062.5	-	1,584.6	1,717.9	**4,365.0**	**34,047.0**
Other liabilities	-	862.4	-	1,298.8	109.8	**2,271.0**	**17,713.8**
Total liabilities	-	1,924.9	-	2,883.4	1,827.7	**6,636.0**	**51,760.8**
Other information							
Depreciation and amortization	-	(92.7)	-	(144.9)	(1.6)	**(239.2)**	**(1,865.8)**
Impairment losses	-	(3.7)	-	-	-	**(3.7)**	**(28.9)**
Interest income	-	15.5	-	58.6	0.9	**75.0**	**585.0**
Finance costs	-	(93.6)	-	(99.4)	(80.7)	**(273.7)**	**(2,134.8)**
Share of profits less losses of associated companies and joint ventures	199.3	44.1	(3.9)	(3.8)	-	**235.7**	**1,838.5**
Taxation	-	(41.5)	-	(170.4)	(17.9)	**(229.8)**	**(1,792.4)**
Additions to non-current assets (other than financial instruments and deferred tax assets)	-	330.1	-	601.0	3.7	**934.8**	**7,291.4**

By principal business activity and geographical market - 2011

For the year ended/at 31 December	The Philippines			Indonesia			
	Telecom-munications US$m	Infrastructure US$m	Natural Resources US$m	Consumer Food Products US$m	Head Office US$m	2011 (Restated) Total US$m	2011 (Restated) Total HK$m*
Revenue							
Turnover	-	510.4	-	5,173.7	-	5,684.1	44,336.0
Results							
Recurring profit	215.0	68.2	50.1	178.5	(88.8)	423.0	3,299.4
Assets and liabilities							
Non-current assets (other than financial instruments and deferred tax assets)							
- Associated companies and joint ventures	1,547.8	799.8	677.6	9.9	-	3,035.1	23,673.8
- Other	-	2,186.0	-	3,847.7	0.1	6,033.8	47,063.6
	1,547.8	2,985.8	677.6	3,857.6	0.1	9,068.9	70,737.4
Other assets	-	585.3	-	2,845.9	111.7	3,542.9	27,634.6
Total assets	1,547.8	3,571.1	677.6	6,703.5	111.8	12,611.8	98,372.0
Borrowings	-	912.9	-	1,509.3	1,272.8	3,695.0	28,821.0
Other liabilities	-	765.4	-	1,159.0	113.2	2,037.6	15,893.2
Total liabilities	-	1,678.3	-	2,668.3	1,386.0	5,732.6	44,714.2
Other information							
Depreciation and amortization	-	(73.1)	-	(139.0)	(4.2)	(216.3)	(1,687.1)
Impairment losses	-	(4.6)	-	(2.0)	-	(6.6)	(51.5)
Interest income	-	16.0	-	51.4	1.5	68.9	537.4
Finance costs	-	(88.0)	-	(100.7)	(66.8)	(255.5)	(1,992.9)
Share of profits less losses of associated companies and joint ventures	187.5	33.1	56.9	(0.1)	0.9	278.3	2,170.8
Taxation	-	(11.3)	-	(186.0)	(18.5)	(215.8)	(1,683.3)
Additions to non-current assets (other than financial instruments and deferred tax assets)	338.8	384.0	-	342.5	0.9	1,066.2	8,316.4

3. **Profit before taxation**

For the year ended 31 December	**2012 US$m**	2011 US$m	**2012 HK$m***	2011 HK$m*
Profit before taxation is stated after (charging)/crediting				
Cost of inventories sold	**(2,853.3)**	(2,803.2)	**(22,255.7)**	(21,865.0)
Employees' remuneration	**(566.5)**	(511.3)	**(4,418.7)**	(3,988.1)
Cost of services rendered	**(247.8)**	(207.0)	**(1,932.8)**	(1,614.6)
Depreciation	**(143.9)**	(127.4)	**(1,122.4)**	(993.7)
Amortization of other intangible assets[(i)]	**(93.7)**	(84.1)	**(730.9)**	(656.0)
Operating lease rentals				
- Hire of plant and equipment	**(16.9)**	(10.1)	**(131.8)**	(78.8)
- Land and buildings	**(16.8)**	(12.0)	**(131.0)**	(93.6)
Foreign exchange and derivative losses, net	**(8.9)**	(12.6)	**(69.4)**	(98.3)
Auditors' remuneration				
- Audit services	**(3.7)**	(4.9)	**(28.9)**	(38.2)
- Non-audit services[(ii)]	**(0.3)**	(0.2)	**(2.3)**	(1.6)
Impairment losses				
- Accounts receivable[(iii)]	**(3.7)**	(4.1)	**(28.9)**	(32.0)
- Associated companies and joint ventures	**-**	(2.0)	**-**	(15.6)
- Property, plant and equipment	**-**	(0.5)	**-**	(3.9)
(Loss)/gain on sale of property, plant and equipment	**(0.2)**	5.4	**(1.6)**	42.1
Gain on dilution of interests in associated companies	**14.4**	209.9	**112.3**	1,637.2
Preferred share dividend income from a joint venture	**13.3**	6.5	**103.7**	50.7
Gain on changes in fair value of plantations	**5.9**	48.5	**46.0**	378.3

(i) US$73.0 million (HK$569.4 million) (2011: US$61.9 million or HK$482.8 million) included in cost of sales and US$20.7 million (HK$161.5 million) (2011: US$22.2 million or HK$173.2 million) included in other operating income, net
(ii) Pertains to due diligence, review of continuing connected transactions and other transactions relating to the Group's business development
(iii) Included in distribution expenses

4. **Taxation**

No Hong Kong profits tax (2011: Nil) has been provided as the Group had no estimated assessable profits (2011: Nil) in Hong Kong for the year. Taxation on assessable profits generated outside Hong Kong has been provided at the rates of taxation prevailing in the countries in which the Company's subsidiary companies operate.

For the year ended 31 December	**2012 US$m**	2011 (Restated) US$m	**2012 HK$m***	2011 (Restated) HK$m*
Subsidiary companies - overseas				
Current taxation	**225.6**	216.1	**1,759.7**	1,685.6
Deferred taxation	**4.2**	(0.3)	**32.7**	(2.3)
Total	**229.8**	215.8	**1,792.4**	1,683.3

Included within the share of profits less losses of associated companies and joint ventures is taxation of US$92.6 million (HK$722.3 million) (2011: US$121.7 million or HK$949.3 million (Restated)) which is analyzed as follows.

For the year ended 31 December	**2012 US$m**	2011 (Restated) US$m	**2012 HK$m***	2011 (Restated) HK$m*
Associated companies and joint ventures - overseas				
Current taxation	**96.8**	135.2	**755.0**	1,054.6
Deferred taxation	**(4.2)**	(13.5)	**(32.7)**	(105.3)
Total	**92.6**	121.7	**722.3**	949.3

5. **Profit attributable to owners of the parent**

The profit attributable to owners of the parent includes US$1.8 million (HK$14.0 million) of net foreign exchange and derivative gains (2011: US$7.1 million or HK$55.4 million of losses), which represent the foreign exchange translation differences on the Group's unhedged foreign currency denominated borrowings and payables and the changes in the fair values of derivatives, US$0.1 million of loss (HK$0.8 million) (2011: US$5.2 million or HK$40.6 million of gain) on changes in fair value of plantations and US$13.2 million (HK$103.0 million) of net non-recurring losses (2011: US$152.9 million or HK$1,192.6 million of net non-recurring gains (Restated)).

Analysis of foreign exchange and derivative gains/(losses), net

For the year ended 31 December	**2012 US$m**	2011 US$m	**2012 HK$m***	2011 HK$m*
Foreign exchange and derivative (losses)/gains				
- Subsidiary companies	**(8.9)**	(12.6)	**(69.4)**	(98.3)
- Associated companies and joint ventures	**8.0**	(1.2)	**62.4**	(9.4)
Subtotal	**(0.9)**	(13.8)	**(7.0)**	(107.7)
Attributable to taxation and non-controlling interests	**2.7**	6.7	**21.0**	52.3
Total	**1.8**	(7.1)	**14.0**	(55.4)

The non-recurring losses for 2012 mainly represent PLDT's impairment provisions for Digital Telecommunications Philippines, Inc. (Digitel)'s cell sites (US$17.6 million or HK$137.3 million) and Philex's provisions for fees and penalties in respect of an accidental discharge of water and tailings from its tailings pond No. 3 (US$9.9 million or HK$77.2 million), partly offset by the Group's gain on dilution of a 0.2% interest in PLDT as a result of PLDT's issuance of new shares upon its tender offer for Digitel's shares in January 2012 (US$14.5 million or HK$113.1 million). The non-recurring gains for 2011 mainly represent the Group's gain on dilution of 3.4% interest in PLDT as a result of PLDT's issuance of new shares to acquire Digitel in October 2011 (US$210.0 million or HK$1,638.0 million), partly offset by PLDT's impairment provisions mainly as a result of Smart's network modernization (US$42.2 million or HK$329.2 million).

Included in the profit attributable to owners of the parent for the year ended 31 December 2012 is a profit of US$189.3 million (HK$1,476.5 million) (2011: US$19.3 million or HK$150.5 million) attributable to the Company.

6. **Earnings per share attributable to owners of the parent**

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the parent of US$348.8 million (HK$2,720.6 million) (2011: US$574.0 million or HK$4,477.2 million (Restated)) and the weighted average number of ordinary shares of 3,836.4 million (2011: 3,874.6 million) in issue during the year.

The calculation of diluted earnings per share is based on: (a) the profit for the year attributable to owners of the parent of US$348.8 million (HK$2,720.6 million) (2011: US$574.0 million or HK$4,477.2 million (Restated)) reduced by the dilutive impacts of US$0.1 million (HK$0.8 million) in respect of the exercise of share options issued by its subsidiary and associated companies (2011: US$0.3 million or HK$2.3 million in respect of the exercise of share options issued by its subsidiary and associated companies and US$1.5 million or HK$11.7 million in respect of the conversion of convertible bonds issued by a subsidiary company) and (b) a share base equal to the aggregate of the weighted average number of ordinary shares of 3,836.4 million (2011: 3,874.6 million) in issue during the year (as used in the basic earnings per share calculation) and the weighted average number of ordinary shares of 44.3 million (2011: 43.5 million) assumed to have been issued at no consideration on the deemed exercise of all share options of the Company during the year.

7. **Ordinary share dividends**

	Per ordinary share				Total			
	2012 US¢	2011 US¢	**2012 HK¢***	2011 HK¢*	**2012 US$m**	2011 US$m	**2012 HK$m***	2011 HK$m*
Interim	**1.03**	1.03	**8.00**	8.00	**39.6**	39.6	**308.9**	308.9
Special	**-**	0.15	**-**	1.20	**-**	6.0	**-**	46.8
Proposed final	**1.67**	1.67	**13.00**	13.00	**63.8**	64.2	**497.6**	500.7
Total	**2.70**	2.85	**21.00**	22.20	**103.4**	109.8	**806.5**	856.4

In connection with the global offering of shares carried out by PT Salim Ivomas Pratama Tbk (SIMP), a subsidiary company of Indofood, in June 2011, the Company was required, under Practice Note 15 (PN15) of the Listing Rules, to subscribe and distribute a certain number of new SIMP shares to its shareholders. For the purpose of meeting the requirement of PN15, the Company declared a special dividend, payable to shareholders by way of a distribution in specie, with an option to receive cash in lieu of the distributable SIMP shares. The distribution in specie was equivalent to U.S. 0.15 cent (HK1.20 cents) per ordinary share of the Company or a total amount of US$6.0 million or HK$46.8 million. The special dividend was distributed to the shareholders on 8 August 2011.

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

8. **Accounts receivable, other receivables and prepayments**
Included in accounts receivable, other receivables and prepayments are accounts receivable of US$369.9 million (HK$2,885.2 million) (2011: US$371.1 million or HK$2,894.6 million), with an ageing profile as below.

At 31 December	2012	2011	2012	2011
	US$m	US$m	**HK$m***	HK$m*
0 to 30 days	**336.9**	335.1	**2,627.8**	2,613.8
31 to 60 days	**9.1**	11.7	**71.0**	91.3
61 to 90 days	**8.7**	8.3	**67.9**	64.7
Over 90 days	**15.2**	16.0	**118.5**	124.8
Total	**369.9**	371.1	**2,885.2**	2,894.6

Indofood generally allows local customers an average of 30 days of credit and export customers 60 days of credit. MPIC (a) allows 14 days of credit for its water service customers, (b) collects toll fees through its associated company, Tollways Management Corporation (TMC), by cash, by prepaid and reloadable electronic toll collection devices and by credit card payment and (c) generally collects charges when services are rendered to its hospital customers, except for certain corporate customers which are allowed an average of 30 days of credit.

9. **Accounts payable, other payables and accruals**
Included in accounts payable, other payables and accruals are accounts payable of US$288.8 million (HK$2,252.6 million) (2011: US$234.2 million or HK$1,826.8 million), with an ageing profile as below.

At 31 December	2012	2011	2012	2011
	US$m	US$m	**HK$m***	HK$m*
0 to 30 days	**261.0**	221.2	**2,035.8**	1,725.4
31 to 60 days	**7.8**	1.9	**60.8**	14.8
61 to 90 days	**6.7**	1.5	**52.3**	11.7
Over 90 days	**13.3**	9.6	**103.7**	74.9
Total	**288.8**	234.2	**2,252.6**	1,826.8

10. **Contingent liabilities**

(a) At 31 December 2012, except for US$99.8 million (HK$778.4 million) (2011: US$85.1 million or HK$663.8 million) guarantees given by Indofood for loan facilities obtained by certain plantation farmers in relation to arrangements for those farmers' production and sale of fresh fruit bunches to Indofood, the Group had no significant contingent liabilities (2011: Nil).

(b) On 28 June 2011, the Supreme Court of the Philippines promulgated a Decision in the case of Wilson P. Gamboa vs. Finance Secretary Margarito B. Teves, et. al. (G.R. No. 176579), or the Gamboa Case, where the Supreme Court held that "the term 'capital' in Section 11, Article XII of the 1987 Constitution refers only to shares of stock entitled to vote in the election of directors and thus, in the case of PLDT, only to voting common shares, and not to the total outstanding capital stock (common and non-voting preferred shares)" (the Decision). The Decision of the Supreme Court reversed earlier opinions issued by the Philippine Securities and Exchange Commission (SEC) that non-voting preferred shares are included in the computation of the 60% to 40% Filipino-alien equity requirement of certain economic activities, such as telecommunications which is a public utility under Section 11, Article XII of the 1987 Constitution. Several Motions for Reconsideration of the Decision were filed by the parties.

While PLDT was not a party to the Gamboa Case, the Supreme Court directed the Philippine SEC in the Gamboa Case "to apply this definition of the term 'capital' in determining the extent of allowable foreign ownership in Philippine Long Distance Telephone Company, and if there is a violation of Section 11, Article XII of the Constitution, to impose the appropriate sanctions under the law."

Nonetheless, on 5 July 2011, the board of directors of PLDT approved the amendments to the Seventh Article of PLDT's Articles of Incorporation consisting of the sub-classification of its authorized preferred capital stock into preferred shares with full voting rights, or Voting Preferred Shares, and serial preferred shares without voting rights, and other conforming amendments, or the Amendments. The Amendments were approved by the stockholders of PLDT on 22 March 2012 and by the Philippine SEC on 5 June 2012.

On 9 October 2012, the Supreme Court denied with finality the Motions for Reconsideration filed by the parties to the Gamboa case. On 18 October 2012, the Decision became final and executory.

On 12 October 2012, the board of directors of PLDT approved the specific rights, terms and conditions of the Voting Preferred Stock and authorized the subscription and issuance thereof to BTF Holdings, Inc. (BTFHI), a wholly-owned company of the Board of Trustees for the Account of the Beneficial Trust Fund created pursuant to the Benefit Plan of PLDT, or the Subscriber. On 15 October 2012, PLDT and the Subscriber executed a Subscription Agreement pursuant to which PLDT agreed to issue to the Subscriber 150 million Voting Preferred Shares subscribed at a subscription price of Peso 1.00 per share, or a total subscription price of Pesos 150 million. PLDT issued the said shares to BTFHI upon full payment of the subscription price on 16 October 2012. As a result of the issuance of the shares of Voting Preferred Shares, PLDT's foreign ownership decreased from 58.4% of outstanding Common Stock as at 15 October 2012 to 34.5% of outstanding Voting Stocks (Common Stock or Voting Preferred Stock) as at 16 October 2012.

11. **Employee information**

For the year ended 31 December	**2012** **US$m**	2011 US$m	**2012** **HK$m***	2011 HK$m*
Employee's remuneration (including Directors' remuneration)	**566.5**	511.3	**4,418.7**	3,988.1

Number of employees	**2012**	2011
At 31 December	**80,941**	73,582
Average for the year	**77,335**	71,457

12. **Events after reporting period**

(a) On 27 December 2012, MPIC and its subsidiary company, MPTC, entered into a Pesos 6.8 billion (US$160.9 million or HK$1,255.0 million) financing and cooperation agreement with Cavitex Holdings Inc. (CHI). Pursuant to the agreement, CHI issued a convertible note to MPTC, which entitles MPTC to convert it in the future to (i) new non-voting redeemable convertible preferred shares of CHI or (ii) subject to securing certain approvals and conditions, common shares of Cavitex Infrastructure Corporation (CIC). CIC was a wholly-owned subsidiary company of CHI which holds a concession for the operation and maintenance of the Manila-Cavite Toll Expressway (Cavitex), which is a 14 kilometer long toll road built in two segments running from Cavite to Laguna. The concession for Cavitex extends to 2033 for the originally built road and to 2046 for a subsequent extension. In addition, MPTC would be entitled to solely direct manage the operations of CIC, receive the benefits of all its assets and to be responsible for its liabilities with effect from 2 January 2013. As a result of this, MPTC acquired control of CIC and started to consolidate CIC's financial results and financial position with effect from 2 January 2013.

	Provisional fair value recognized on acquisition[(i)] MPTC's acquisition of CIC US$m	Carrying amount immediately before the acquisition US$m	Provisional fair value recognized on acquisition[(i)] MPTC's acquisition of CIC HK$m*	Carrying amount immediately before the acquisition HK$m*
Consideration				
Cash and cash equivalents	165.0		1,287.0	
Total	165.0		1,287.0	
Net assets				
Property, plant and equipment	0.2	0.2	1.6	1.6
Other intangible assets	210.4	187.5	1,641.1	1,462.5
Accounts receivable, other receivables and prepayments (Non-current)	4.4	4.4	34.3	34.3
Available-for-sale assets (Non-current)	153.4	153.4	1,196.5	1,196.5
Deferred tax assets	5.6	4.3	43.7	33.5
Other non-current assets	19.6	2.4	152.9	18.7
Cash and cash equivalents	11.9	11.9	92.8	92.8
Accounts receivable, other receivables and prepayments (Current)	8.3	8.3	64.7	64.7
Accounts payable, other payables and accruals	(15.7)	(15.7)	(122.4)	(122.4)
Current portion of deferred liabilities and provisions	(5.1)	(5.1)	(39.8)	(39.8)
Long-term borrowings	(316.0)	(298.2)	(2,464.8)	(2,325.9)
Deferred liabilities and provisions	(28.5)	(1.7)	(222.3)	(13.2)
Total net assets acquired	48.5	51.7	378.3	403.3
Goodwill	116.5[(i)]		908.7[(i)]	

(i) Provisional amounts determined based on the management's best estimates of the fair values of the identifiable assets acquired, liabilities assumed and contingent liabilities assumed, and subject to revision upon their further assessment

The goodwill arising from MPTC's acquisition of CIC pertains, but is not limited to, the expected synergy arising from the acquisition.

(b) In January 2013, IFAR Brazil Participações Ltda. (IndoAgri Brazil), a 59.7%-owned indirect subsidiary company of Indofood incorporated in Brazil, entered into certain definitive agreements to acquire a 50% economic interest in Companhia Mineira de Açúcar e Álcool Participações (CMAA) for a total consideration of Brazilian Real 143.4 million (US$71.7 million or HK$559.3 million). CMAA principally engages in the cultivation and processing of sugar cane for the production and marketing of ethanol and sugar, as well as cogeneration of electric power from sugar cane bagasse. The transaction is expected to be completed during the second quarter of 2013.

(c) In January 2013, MPIC effectively issued 1.33 billion of new MPIC common shares to certain investors through a share placement for a total consideration of Pesos 6.1 billion (approximately US$150.7 million or HK$1,175.5 million). As a result of this transaction, the interest of Metro Pacific Holdings, Inc., a Philippine affiliate of the Company, reduced from 59.0% to 55.9%. The Group is expected to record a net credit amount of approximately US$30 million (HK$234.0 million) in the "Differences arising from changes in equities of subsidiary companies" account within the Group's equity in respect of this transaction.

(d) On 13 February 2013, Marubeni Corporation-Nippon Koei Co. Ltd. of Japan acquired a 20% effective interest in Maynilad. As a result of this transaction, MPIC's effective interest in Maynilad reduced from 56.8% to 52.8%. The Group is expected to record a net credit amount of approximately US$30 million (HK$234.0 million) in the "Differences arising from changes in equities of subsidiary companies" account within the Group's equity in respect of this transaction.

(e) In February 2013, Indofood acquired in aggregate a 29.3% interest in China Minzhong Food Corporation Limited (CMFC) for a total consideration of Singapore dollar (S$) 195.2 million (US$159.6 million or HK$1,244.9 million). CMFC is a leading integrated vegetable processor in China with cultivation, processing and sales capabilities. CMFC offers a diversified and complementary product portfolio, which includes processed vegetables and fresh vegetables produce for domestic and export markets. The Group will account for its investments in CMFC by the equity method.

(f) As a result of an accidental discharge of water and tailings from one of the two underground tunnels that drain water from its tailings pond No. 3 of the Padcal mine on 1 August 2012, Philex suspended its Padcal mine's operations to conduct a remediation and rehabilitation of its tailings pond No. 3 since August 2012. In connection with this accident, Philex has paid in February 2013 Pesos 1.0 billion (US$25 million or HK$195 million) of tailings fee charged by the Mines and Geosciences Bureau (MGB) of the Philippine government. Philex has substantially recovered the payment of this fee through a receipt of US$25 million (HK$195 million) from an insurance claim in February 2013. Following the payment of this fee, MGB issued an order granting Philex the authority to resume operations to undertake urgent remediation measures for its tailings pond No. 3, subject to the conditions that the resumption of operations shall not exceed four months, and that an independent third party chosen jointly with the MGB shall be commissioned to undertake a monitoring and audit of the remediation measures undertaken by Philex. The temporary resumption of the operations of Padcal mine commenced on 8 March 2013.

(g) On 4 March 2013, FPM Power Holdings Limited (FPM Power) (a 60%-owned subsidiary company of the Company, with the remaining 40% interest held by Meralco PowerGen Corporation (Meralco PowerGen), a wholly-owned subsidiary company of Meralco) entered into a sale and purchase agreement with GMR Infrastructure Limited and GMR Infrastructure (Singapore) Pte Limited (the sellers) to purchase (a) a 70% equity interest in GMR Energy (Singapore) Pte Ltd. (GMRE) and (b) in aggregate approximately US$157 million (HK$1,224.6 million) of shareholders' loans due from GMRE and/or its subsidiary company to the sellers for a consideration of S$600 million (approximately US$488 million or HK$3,806.4 million). In addition, FPM shall assume all equity contribution obligations of the sellers under a Sponsor Support Agreement arising on or after the date of completion of the sales and purchase agreement, including the obligation to provide equity contributions of approximately S$60 million (approximately US$49 million or HK$382.2 million) by the end of December 2013. Besides, the shareholders of GMRE are also subject to contingent equity contribution obligations of up to approximately US$152 million (HK$1,185.6 million). The Company and Meralco PowerGen guarantee 60% and 40%, respectively, of the contingent equity contribution obligations of FPM Power under the sales and purchase agreement on a several basis. GMRE is a company established for the construction, operation and maintenance of a two-unit natural gas fueled power plant in Singapore. The consideration and obligation to provide the equity contributions will be financed from internal resources of the Company and Meralco PowerGen on a 60:40 basis. The transaction is expected to be completed by 31 March 2013.

Following the completion of this transaction, the Group will consolidate GMRE's financial results and financial position. The financial effects of the consolidation of GMRE are estimated as follows.

	Provisional fair value recognized on acquisition(i) FPM Power's acquisition of GMRE US$m	Carrying amount immediately before the acquisition US$m	Provisional fair value recognized on acquisition(i) FPM Power's acquisition of GMRE HK$m*	Carrying amount immediately before the acquisition HK$m*
Consideration				
Cash and cash equivalents	487.8		3,804.8	
Total	487.8		3,804.8	
Net assets				
Property, plant and equipment	730.9	730.9	5,701.0	5,701.0
Deferred tax assets	0.1	0.1	0.8	0.8
Cash and cash equivalents	28.1	28.1	219.2	219.2
Accounts receivable, other receivables and prepayments (Current)	4.6	4.6	35.9	35.9
Accounts payable, other payables and accruals	(5.1)	(5.1)	(39.8)	(39.8)
Provision for taxation	(0.2)	(0.2)	(1.6)	(1.6)
Current portion of deferred liabilities and provisions	(10.6)	(10.6)	(82.7)	(82.7)
Long-term borrowings	(421.5)	(421.5)	(3,287.7)	(3,287.7)
Deferred liabilities and provisions	(73.4)	(73.4)	(572.5)	(572.5)
Total net assets	252.9	252.9	1,972.6	1,972.6
Non-controlling interests	(75.9)		(592.0)	
Total net assets acquired	177.0		1,380.6	
Goodwill	310.8(i)		2,424.2(i)	

(i) Provisional amounts determined based on the book values of identifiable assets and liabilities of GMRE at 31 December 2012, and subject to an assessment of the fair values of GMRE's identified assets acquired, liabilities assumed and contingent liabilities assumed upon the completion of the proposed acquisition

The goodwill arising from FPM Power's acquisition of GMRE pertains, but is not limited to, the expected synergy arising from the acquisition.

13. **Comparative amounts**
As explained in Note 1, due to a change in the Group's accounting policy for pension obligations during the current year, certain prior year adjustments have been made and certain comparative amounts have been restated to conform with the current year's presentation and accounting treatment.

14. **Approval of the consolidated financial statements**
The audited consolidated financial statements of the Company were approved and authorized for issue by the Board of Directors on 19 March 2013.

* *The Company maintains its accounts and reports to its shareholders in United States dollars. The figures shown in Hong Kong dollars are for illustration only and are based on a fixed exchange rate of 7.8 Hong Kong dollars to one United States dollar.*

REVIEW OF OPERATIONS

Reported net profit fell 39% to US$348.8 million from US$574.0 million in 2011. The largest component was non-recurring losses of US$13.2 million recorded during the year compared with a gain of US$152.9 million in 2011. The non-recurring losses related to PLDT's impairment provisions of US$17.6 million for Digitel's cell sites and Philex's provisions of US$9.9 million for fees and penalties in respect of an uncontrolled discharge of water and tailings from its tailings pond No. 3. It also reflected a 10% fall in the contribution from Philippine Long Distance Telephone Company ("PLDT") to US$193.1 million from US$215.0 million owing to a difficult competitive environment, followed by a 72% decline in contribution from Philex Mining Corporation ("Philex") to US$13.8 million from US$50.1 million stemming from a suspension of operations at the Padcal mine from 1 August 2012 following a breach in its tailings pond. The contribution from Indofood Sukses Makmur Tbk ("Indofood") declined 5% to US$170.1 million from US$178.5 million as a 7% decline in the average rupiah exchange rate offset record-high earnings in local currency terms. Metro Pacific Investments Corporation ("MPIC") reported a 26% increase in its contribution to US$86.1 million from US$68.2 million a year earlier.

With three of the Company's four major operating businesses reporting weaker results in U.S. dollar terms, overall contribution from operations fell 10% to US$463.1 million in 2012 from a record high US$511.8 million in 2011.

Below is an analysis of results by individual company.

Contribution Summary

	Turnover		Contribution to Group profit[(i)]	
For the year ended 31 December	**2012**	2011	**2012**	2011
US$ millions				(Restated)[(ii)]
PLDT[(iii)]	**-**	-	**193.1**	215.0
MPIC	**660.8**	510.4	**86.1**	68.2
Indofood	**5,330.0**	5,173.7	**170.1**	178.5
Philex[(iii)]	**-**	-	**13.8**	50.1
Contribution from operations[(iv)]	**5,990.8**	5,684.1	**463.1**	511.8
Head Office items:				
- Corporate overhead			**(23.7)**	(22.1)
- Net interest expense			**(77.7)**	(64.2)
- Other expenses			**(1.4)**	(2.5)
Recurring profit[(v)]			**360.3**	423.0
Foreign exchange and derivative gains/(losses) [(vi)]			**1.8**	(7.1)
(Loss)/gain on changes in fair value of plantations			**(0.1)**	5.2
Non-recurring items[(vii)]			**(13.2)**	152.9
Profit attributable to owners of the parent			**348.8**	574.0

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

(ii) The Group has restated its 2011 non-recurring gains from US$179.8 million to US$152.9 million following a change in the Group's accounting policy for pension obligations by recognizing all actuarial gains/losses on defined benefit pension plans in the period in which they occur in the other comprehensive income (i.e. directly into equity) instead of in the income statement, whereby both methods are permitted policy choices under the prevailing HKAS 19 "Employee Benefits". Accordingly, the Group's 2011 profit attributable to owners of the parent is restated from US$600.9 million to US$574.0 million. Details of the restatements are set out in Note 1 to the Consolidated Financial Statements.

(iii) Associated companies

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

(v) Recurring profit represents the profit attributable to owners of the parent excluding the effects of foreign exchange and derivative gains/losses, loss/gain on changes in fair value of plantations and non-recurring items.

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

(vii) Non-recurring items represent certain items, through occurrence or size, which are not considered as usual operating items. 2012's non-recurring losses of US$13.2 million mainly represent PLDT's impairment provisions for Digitel's cell sites (US$17.6 million) and Philex's provisions for fees and penalties in respect of an accidental discharge of water and tailings from its tailings pond No. 3 (US$9.9 million), partly offset by the Group's gain on dilution of a 0.2% interest in PLDT as a result of PLDT's issuance of new shares upon its tender offer for Digitel's shares in January 2012 (US$14.5 million). 2011's non-recurring gains of US$152.9 million mainly represent the Group's gain on dilution of a 3.4% interest in PLDT as a result of PLDT's issuance of new shares to acquire Digitel in October 2011 (US$210.0 million), partly offset by PLDT's impairment provisions mainly as a result of Smart's network modernization (US$42.2 million).

Turnover up 5% to US$5,990.8 million from US$5,684.1 million

- resulting from higher turnover at both Indofood and MPIC

Recurring profit down 15% to US$360.3 million from US$423.0 million

- owing largely to a 72% decline in contribution from Philex, followed by a 10% decline in contribution from PLDT and a 5% decline in contribution from Indofood
- slightly offset by a 26% increase in contribution from MPIC

Non-recurring losses at US$13.2 million versus non-recurring gains of US$152.9 million

- reflecting the lower amount of gain on dilution of First Pacific's interest in PLDT recorded in 2012

Reported profit down 39% to US$348.8 million from US$574.0 million

- reflecting lower recurring profit
- reflecting a net foreign exchange and derivative gain of US$4.3 million from operating units
- partly offset by a net foreign exchange and derivative loss of US$2.5 million from Head Office
- and net non-recurring loss of US$13.2 million was recorded, which principally represents PLDT's impairment provisions of US$17.6 million for Digitel's cell sites and Philex's provisions of US$9.9 million for fees and penalties in respect of an uncontrolled discharge of water and tailings from its tailings pond No. 3, partly offset by the Group's gain of US$14.5 million on dilution of a 0.2% interest in PLDT as a result of PLDT's issuance of new shares upon its tender offer for Digitel's shares in January 2012

The Group's operating results are denominated in local currencies, principally the peso and the rupiah, which are translated and consolidated to provide the Group's results in U.S. dollar. The changes of these currencies against the U.S. dollar are summarized below.

Exchange rates against the U.S. dollar At 31 December	**2012**	2011	One year change
Closing			
Peso	**41.05**	43.84	+6.8%
Rupiah	**9,670**	9,068	-6.2%

Exchange rates against the U.S. dollar For the year ended 31 December	**2012**	2011	One year change
Average			
Peso	**42.08**	43.24	+2.8%
Rupiah	**9,392**	8,762	-6.7%

During 2012, the Group recorded net foreign exchange and derivative gains of US$1.8 million (2011: losses of US$7.1 million), which can be further analyzed as follows:

US$ millions	**2012**	2011
Head Office	**(2.5)**	(2.7)
PLDT	**6.7**	(0.6)
MPIC	**(0.9)**	(2.1)
Indofood	**(0.3)**	(1.6)
Philex	**(1.2)**	(0.1)
Total	**1.8**	(7.1)

Additional Investments

Infrastructure

- In January 2012, Beacon Electric Asset Holdings Inc ("Beacon Electric") acquired an additional 2.7% interest in Meralco for a consideration of Pesos 8.85 billion (US$210.3 million). In November and December 2012, it acquired an additional 0.3% interest in Meralco for a total consideration of Pesos 0.9 billion (US$21.4 million).
- In January 2012, MPIC invested additional Pesos 2.7 billion (US$64.2 million) in Beacon Electric.
- In December 2012, MPIC announced the acquisition of a 51% interest in De Los Santos Medical Center ("DLSMC") in Quezon, with the completion of this transaction in March 2013.
- In August 2012, Maynilad acquired 100% of Philippine Hydro (PH) Inc. for a consideration of Pesos 527 million (US$12.5 million).
- In December 2012, MPTC invested Pesos 6.8 billion (US$160.9 million) in a convertible note issued by Cavitex Holdings Inc. ("CHI") which holds the Manila-Cavite Toll Expressway ("Cavitex") through its wholly-owned subsidiary, Cavitex Infrastructure Corporation ("CIC"). The note is convertible into new, non-voting redeemable convertible preference shares of CHI or common shares of CIC subject to certain approvals and conditions.
- On 4 March 2013, First Pacific and Meralco's wholly-owned subsidiary Meralco PowerGen Corporation ("Meralco PowerGen") announced an acquisition of 70% of GMR Energy (Singapore) Pte Ltd. ("GMRE"), a company building a power plant located on Jurong Island, Singapore, from GMR Infrastructure for S$600 million (approximately US$488 million) in cash, with a further committed S$60 million (approximately US$49 million) equity contribution into the project. First Pacific holds 60% of the joint venture investment vehicle FPM Power Holdings Limited ("FPM Power") and Meralco PowerGen owns the remaining 40%.

Foods/Consumer

- In August 2012, Indofood CBP Sukses Makmur Tkb ("ICBP") and Asahi Group Holdings Southeast Asia Pte Ltd. ("Asahi") formed two joint venture companies to manufacture and to sell non-alcoholic beverages in Indonesia. Indofood invested Rupiah 64 billion (US$6.8 million) into the marketing and distribution company, PT Indofood Asahi Sukses Beverage.
- In November 2012, ICBP signed a memorandum of understanding with Tsukishima Foods Industry Co., Ltd ("Tsukishima") to enter into value added oils and fats products.
- In February 2013, Indofood acquired in aggregate a 29.3% interest in China Minzhong Food Corporation Limited ("CMFC") for a total consideration of approximately S$195.2 million (US$159.6 million).

Natural Resources

- In May 2012, Indofood Agri Resources Ltd ("IndoAgri") invested Rupiah 138 billion (US$15.0 million) in Heliae Technology Holdings, Inc. ("Heliae"). In late 2012, IndoAgri invested additional Rupiah 33 billion (US$3.5 million) in Heliae.
- On 28 May 2012, First Pacific acquired an approximately 7.4% direct interest in Pitkin Petroleum Plc for a consideration of approximately US$6.3 million.
- On 6 June 2012, First Pacific acquired an approximately 3.3% direct interest in Forum Energy plc for a consideration of approximately US$3.6 million.
- In January 2013, IndoAgri entered into an agreement to acquire 50% economic interest in Companhia Mineira de Acucar e Alcool Participacoes ("CMAA") for a consideration of approximately US$71.7 million. CMAA involves in sugar, ethanol and co-generation industry in Brazil. The transaction is expected to be completed in the second quarter of 2013.
- In March 2013, PT Salim Ivomas Pratama Tbk and its subsidiary PT PP London Sumatra Indonesia Tbk invested a total of Rupiah 330.0 billion (US$35.1 million) for an effective interest of 79.7% in PT Mentari Pertiwi Makmur ("MPM"). MPM is an investment company, through its subsidiary engaged in industrial forest plantations for a total area of 73,330 hectares in East Kalimantan Province.

Capital Management

Dividend

First Pacific's Board of Directors recommended a final dividend of HK 13.00 cents (U.S. 1.67 cents) per share, unchanged from the 2011 final dividend and bringing the regular dividend to HK 21 cents (U.S. 2.70 cents) per share, unchanged from 2011. The regular dividend represents a payout of 29% of recurring profit to shareholders, meeting a commitment made three years ago to return a minimum of 25% of recurring profit to shareholders.

The Board has confirmed that capital allocation will remain as a combination of dividends and share repurchases taking into consideration economic conditions in the markets of Group operating companies, Head Office's finances and investment plans. Full-year dividend payments will be at least 25% of recurring profit while share repurchases will be as large as 10% of recurring profit.

Share Repurchase Program

The two-year program to buy back up to US$130 million of First Pacific shares by way of "on-market" repurchases was completed on 4 June 2012. Under the program, the Company repurchased a total of 138.2 million shares at an average price of HK$7.30 (US$0.94) per share. As part of the focus on shareholder returns, the Board approved a renewed program in which First Pacific will spend up to 10% of recurring profit on share repurchases. Like the two-year program it replaces, the renewed share buyback program is conditional on the state of financial markets, economic conditions affecting Group companies, and potential opportunities for mergers and acquisitions.

Debt Profile

At 31 December 2012, net debt at the Head Office stood at US$1.1 billion while gross debt stood at US$1.7 billion with an average maturity of approximately 5 years. Approximately 37% of the Head Office's borrowings were on a floating rate basis while fixed rate borrowings comprised the remainder.

Net interest expense increased 21% during 2012 to US$77.7 million as a result of a higher average debt level and higher interest rates on debts with a longer average maturity.

Interest Cover

For 2012, Head Office's recurring operating cash inflow before interest expenses was approximately US$295.8 million and net cash interest payments were approximately US$73.7 million. For the 12 months ended 31 December 2012, the cash interest cover was approximately 4.0 times.

Foreign Currency Hedging

The Company actively reviews the potential benefits of hedging based on forecast dividend flows and enters into hedging arrangements (including the use of forward exchange contracts) for managing its foreign currency exposure in respect of dividend income and payments in foreign currencies on a transactional basis.

2013 Outlook

After a trying 2012 which saw a difficult competitive environment for PLDT, a mining suspension at Philex and a declining rupiah for Indofood, all First Pacific Group companies are confident in the prospects for earnings growth in 2013. After a successful fund-raising in 2012, First Pacific has begun the year with a promising investment in power generation in Singapore. The Company remains committed to investing for value and growth within the geographies of emerging Asia and in the Group's four economic sectors: telecommunications, infrastructure, food/consumer, and natural resources.

PLDT

PLDT contributed a profit of US$193.1 million to the Group (2011: US$215.0 million). This represents approximately 42% (2011: 42%) of First Pacific's aggregate contribution derived from the operations of subsidiaries and associated companies for the year. The 10% decline in profit contribution was principally due to higher operating expenses relating mainly to a manpower reduction program and increased selling and promotional activities, partly offset by higher service revenues and gains from the sale of Philweb shares and Beacon Electric's preferred shares.

Consolidated core net income down 4% to Pesos 37.3 billion (US$887.2 million) from Pesos 39.0 billion (US$901.9 million)	• higher operating expenses net of higher service revenues from the inclusion of Digitel service revenues

Reported net income up 12% to Pesos 35.5 billion (US$842.5 million) from Pesos 31.7 billion (US$733.0 million)	• impacted by a decline in core net income by Pesos 1.7 billion (US$40.4 million) offset by
	  • foreign exchange and derivative gains (net of tax) higher by Pesos 1.2 billion (US$28.5 million)
	  • lower asset impairment by Pesos 5.6 billion (US$133.1 million)

Consolidated service revenues up 10% to Pesos 160.2 billion (US$3.8 billion) from Pesos 145.8 billion (US$3.4 billion)	• due to the full year inclusion of Digitel financial results • reflecting 15% increase in revenues of the wireless business and 4% in fixed line
EBITDA down 4% to Pesos 75.6 billion (US$1.8 billion) from Pesos 78.5 billion (US$1.8 billion)	• due to higher costs, specifically a Pesos 3.8 billion (US$90.3 million) manpower reduction expenses, and an increase in selling and promotional expenses
EBITDA margin to 46% from 52%	• reflecting the decline in EBITDA, largely due to manpower reduction expenses and higher selling and promotional expenses • impacted by the consolidation of Digitel's lower EBITDA margin • change in revenue mix where higher margin legacy revenues are replaced by new revenue streams with lower margins
Consolidated free cash flow down 20% to Pesos 37.8 billion (US$898.3 million) from Pesos 47.2 billion (US$1.1 billion)	• higher cash from operations and disposal of assets of Pesos 80.4 billion (US$1.9 billion) compared with Pesos 79.2 billion (US$1.8 billion) in 2011 • offset by an increase in capital expenditure to Pesos 36.4 billion (US$865.0 million) from Pesos 31.2 billion (US$721.6 million)

Debt Profile

As at 31 December 2012, PLDT recorded a consolidated net debt of US$1.9 billion, up from US$1.7 billion as at 31 December 2011. Gross debt totaled US$2.9 billion including Digitel's debt of approximately US$500 million. Over 70% of the gross debt will be due in and after 2015 and 46% is U.S. dollar-denominated. Taking into account its peso borrowings, hedging positions and U.S. dollar cash holdings, only 34% of the total debt remains unhedged.

Capital Management

Dividend

For the sixth consecutive year, PLDT's dividends amounted to 100% of its core net income. PLDT's Board of Directors declared a final regular dividend of Pesos 60 (US$1.4) per share, fulfilling PLDT's commitment to pay out 70% of core net income. In addition, the board of PLDT, consistent with its year-end "look back" policy, approved a special dividend of Pesos 52 (US$1.2) per share for a total of Pesos 112 (US$2.7) per share with a payment date of 18 April 2013. Added to the interim dividend of Pesos 60 (US$1.4) per share paid on 28 September 2012, total dividends for the year will amount to Pesos 172 (US$4.1) per share, representing a payout of 100% of 2012 core net income.

Share Buyback

In 2008, PLDT's board approved a share buyback program of up to 5 million shares. As of 31 December 2012, PLDT had bought back 2.7 million shares into treasury at an average cost of Pesos 2,388 (US$57) per share. Under the approved share buyback program, PLDT may still acquire up to 2.3 million shares from the market on an opportunistic basis.

Investment in Philippine Depositary Receipts ("PDRs") of MediaQuest Holdings, Inc. ("MediaQuest")

In May 2012, PLDT announced its investment of Pesos 6.0 billion (US$142.6 million) in MediaQuest's newly issued PDRs, PLDT in turn will have a 40% economic interest in MediaScape which operates a direct-to-home ("DTH") pay-TV business under the brand name CignalTV. MediaQuest is a wholly-owned entity of the PLDT Beneficial Trust Fund, its major investments in media assets including TV5 and CignalTV.

On 5 March 2013, PLDT announced its further investment in the media industry through ePLDT, which will invest Pesos 3.6 billion (US$85.6 million) for a 40% economic interest in SatVentures, which in turn holds the residual 60% economic interest in MediaScape. ePLDT will also invest Pesos 1.95 billion (US$46.3 million) for 100% economic interest in Hastings Holdings, which holds minority stakes in the Philippine Star, the Philippine Daily Inquirer and BusinessWorld, three major newspapers in the Philippines.

These investments are part of PLDT's overall strategy of broadening the PLDT group's distribution platforms to enhance its ability to deliver multi-media content across the group's extensive broadband and mobile networks.

Wireless

PLDT Group's combined cellular subscriber base grew 10% to 69.9 million (31 December 2011: 63.7 million) representing approximately 68% of the total cellular market in the Philippines based on subscribers and approximately 61% in terms of revenues. Smart and Digitel's combined prepaid subscriber base increased 9% to 67.6 million, accounting for 97% of its total cellular subscriber base. Postpaid subscribers increased 18% to 2.3 million, the largest share in the Philippine market.

At the end of the year, the cellular SIM penetration rate (counting multiple SIM) in the Philippines was approximately 105%.

Combined broadband subscribers – Digital Subscriber Line ("DSL") fixed and wireless – grew 11% from the end of December 2011 to 3.3 million, inclusive of about 0.7 million Digitel broadband subscribers. This accounted for approximately 64% of the broadband subscriber market in the Philippines.

Wireless service revenues up 15% to Pesos 117.4 billion (US$2.8 billion) from Pesos 102.1 billion (US$2.4 billion)	• due to the full year inclusion of Digitel financial results • increases in wireless broadband and mobile internet browsing revenues • partly offset by decline in cellular voice revenues at Smart
Wireless EBITDA down 2% to Pesos 54.4 billion (US$1.3 billion) from Pesos 55.4 billion (US$1.3 billion)	• mainly due to lower revenues • higher in subsidies, selling and promotion and manpower reduction expenses
EBITDA margin to 46% from 54%	• resulting from decline in EBITDA • partially owing to Digitel's EBITDA margin of 28% on consolidation • Smart's EBITDA margin stood at 51%

The wireless business has been implementing various marketing programs to increase its revenues, including launching competitive offers that aim to stabilize ARPUs, expanding the postpaid businesses, strengthening subscriber loyalty and brand differentiation.

Fixed Line
The number of PLDT fixed line subscribers declined by 5% to 2.1 million at the end of December 2012 from a year earlier.

PLDT continues to lead in fixed line as it has the largest share in each of the retail and corporate segments of the market.

Fixed line service revenue up 4% to Pesos 61.3 billion (US$1.5 billion) from Pesos 58.8 billion (US$1.4 billion)	• due to the full year consolidation of Digitel financial results which added Pesos 3.3 billion (US$78.4 million) to total fixed line service revenues • increase in DSL and corporate data revenues by Pesos 2.6 billion (US$61.8 million) and in local exchange carrier revenues by Pesos 749 million (US$17.8 million) • offset partly by Pesos 498 million (US$11.8 million) decline in international long distance revenues and Pesos 439 million (US$10.4 million) decline in national long distance revenues
Fixed line EBITDA down 10% to Pesos 20.3 billion (US$482.4 million) from Pesos 22.7 billion (US$525.0 million)	• mainly due to Pesos 3.0 billion (US$71.3 million) manpower reduction costs
EBITDA margin at 33% from 39%	• due to decline in EBITDA • reflecting lower EBITDA margin at Digitel • reflecting change in revenue mix where higher margin legacy revenue streams are being replaced by new revenues streams with lower margins

The fixed line network has been upgraded to an all-IP next generation network (NGN) to enable PLDT to offer improved voice, data, and other services with vastly expanded network capacity. It will focus on offering new tailor-made services to its two major customer segments, HOME and ENTERPRISE.

Business Process Outsourcing ("BPO")
Under SPi Global, PLDT consolidated its BPO operations consisting of knowledge processing solutions (KPS) and customer relationship management (CRM).

Service revenues up 15% to Pesos 9.9 billion (US$235.3 million) from Pesos 8.6 billion (US$198.6 million)	• due largely to a 15% increase in revenues from KPS owing to higher content services and inclusion of Laserwords from November 2011 and a 15% increase in revenues from CRM business owing largely to higher domestic sales
EBITDA up 33% to Pesos 2.1 billion (US$49.9 million) from Pesos 1.6 billion (US$37.0 million)	• reflecting growth in service revenues higher than the increase in total expenses, which includes a 9% rise in compensation and benefits expenses to Pesos 5.5 billion (US$130.7 million) from Pesos 5.1 billion (US$117.9 million)
EBITDA margin at 21% from 18%	• driven by EBITDA growth • reflecting focus on high value offerings, better seat utilization, efficiencies of scale and location strategy

In February 2013, PLDT announced that it had agreed to sell its BPO businesses to Asia Outsourcing Gamma Ltd., a company controlled by CVC Capital Partners. The transaction is expected to complete by late March or early April this year. As a result, the BPO businesses have been classified as discontinued operations.

Meralco
PLDT Communications and Energy Ventures, Inc. ("PCEV"), a 99.7% owned subsidiary of Smart, owns 50% of Beacon Electric, a special purpose company jointly owned with MPIC. In turn, Beacon Electric owns approximately 48.3% of Meralco as at 31 December 2012.

Meralco, the largest electricity distribution utility in the Philippines, has a franchise that allows it to distribute electricity in most of Luzon until 2028. The franchise area produces nearly half of the Philippines' gross domestic product. Meralco accounts for over half of the total electricity sales in the Philippines. To help manage the high demand and cost of power, and in search of new sources of growth, Meralco is investing in power generation. It is a significant partner of Redondo Peninsula Energy, Inc. which is on track of building two 300 MW of coal-fired base load plants with operations commencing in 2016.

Its wholly-owned subsidiary Meralco PowerGen is partnering with Chubu Electric of Japan for a liquefied natural gas-fired plant in Quezon.

On 5 March 2013, Meralco PowerGen announced the acquisition of a 70% interest in GMR Energy (Singapore) Pte. Ltd. ("GMRE") through FPM Power Holdings Limited ("FPMP"). Meralco PowerGen holds 40% of FPMP and First Pacific owns the remaining 60%.

Details of Meralco's performance in 2012 and the acquisition of GMRE can be found in the MPIC section.

2013 Outlook

PLDT expects to return to growth in 2013 with core income guidance of Pesos 38.3 billion, or Pesos 1 billion higher than 2012. Although competition in the cellular market has remained challenging, we have seen stability in our revenue market share. Capital expenditures for 2013 are projected to decline significantly with the completion of our network transformation program which has positioned us well to retain overall market leadership and in anticipation of a greater take-up of broadband. Continuing efforts to integrate Digitel/Sun into the group should result in greater synergies and increased efficiencies. Following the rationalization of our portfolio which resulted in the divestment from our BPO operations, we expect greater involvement in multi- media and content.

Reconciliation of reported results between PLDT and First Pacific

PLDT's operations are principally denominated in peso, which averaged Pesos 42.08 (2011: Pesos 43.24) to the U.S. dollar. Its financial results are prepared under Philippine GAAP and reported in peso. First Pacific's financial results are prepared under Hong Kong GAAP and reported in U.S. dollars. Philippine GAAP and Hong Kong GAAP are largely based on IFRSs, however, certain adjustments need to be made to PLDT's reported peso results to ensure full compliance with Hong Kong GAAP. An analysis of these adjustments follows.

Peso millions	**2012**	2011
Net income under Philippine GAAP	**35,454**	31,697
Preference dividends(i)	**(51)**	(599)
Net income attributable to common shareholders	**35,403**	31,098
Differing accounting and presentational treatments(ii)		
- Reclassification of non-recurring items	**2,987**	7,212
- Others	**(5,498)**	(2,765)
Adjusted net income under Hong Kong GAAP	**32,892**	35,545
Foreign exchange and derivative (gains)/losses (iii)	**(1,108)**	126
PLDT's net income as reported by First Pacific	**31,784**	35,671
US$ millions		
Net income at prevailing average rates for 2012: Pesos 42.08 and 2011: Pesos 43.24	**755.3**	825.0
Contribution to First Pacific Group profit, at an average shareholding of 2012: 25.6% and 2011: 26.1%	**193.1**	215.0

(i) First Pacific presents net income after deduction of preference dividends.

(ii) Differences in accounting treatment under Philippine GAAP, compared with Hong Kong GAAP, and other presentational differences. The principal adjustments include:

- *Reclassification of non-recurring items: Certain items, through occurrence or size, are not considered usual operating items which are reallocated and presented separately. Adjustment for 2012 of Pesos 3.0 billion represents asset impairment provisions of Pesos 2.9 billion and share of Meralco's non-recurring losses of Pesos 0.1 billion. Adjustment for 2011 of Pesos 7.2 billion represents asset impairment provisions of Pesos 7.0 billion and share of Meralco's non-recurring losses of Pesos 0.5 billion, partly offset by gains on disposal of subsidiaries of Pesos 0.3 billion.*
- *Others: The adjustments principally relate to the accrual of withholding tax on PLDT's net income in accordance with the requirements of HKAS 12 "Income Taxes", and the recognition of amortization for certain intangible assets identified as a result of the Group's acquisition of an additional 2.7% interest in PLDT in November 2011.*

(iii) To illustrate the underlying operational results and profit contributions, foreign exchange and derivative gains/losses (net of related tax) are excluded and presented separately.

MPIC

MPIC's infrastructure portfolio as at 19 March 2013 comprises the following assets offering water distribution, electricity distribution, toll roads and hospital services:

- 52.8% in Maynilad Water Services, Inc. ("Maynilad') after Marubeni Corporation – Nippon Koei Co. Ltd. ("MCNK JV Corp.")'s acquisition of a 20% effective interest in Maynilad in February 2013
- 50.0% in Beacon Electric Asset Holdings Inc ("Beacon Electric") which owns 48.3% of Manila Electric Company ("Meralco")
- 99.9% in Metro Pacific Tollways Corporation ("MPTC") which owns 67.1% of Manila North Tollways Corporation ("MNTC") and 46.0% of Tollways Management Corporation
- 33.4% in Medical Doctors, Inc. ("MDI")
- 100% in Colinas Verdes Hospital Managers Corporation ("CVHMC"), the operator of Cardinal Santos Medical Center ("CSMC")
- 51.0% in Riverside Medical Center, Inc. ("RMCI")
- 34.9% in Davao Doctors Hospital, Inc. ("DDH")
- 100% in East Manila Hospital Managers Corporation ("EMHMC"), the operator of Our Lady of Lourdes Hospital ("OLLH")
- 85.6% in Asian Hospital, Inc. ("AHI") which owns 100% of Asian Hospital and Medical Center

MPIC's contribution to the Group rose 26% to US$86.1 million (2011: US$68.2 million) reflecting higher contributions from all its businesses and lower operating expenses and net interest expense at MPIC head office level.

Consolidated core net income up 28% to Pesos 6.5 billion (US$155.2 million) from Pesos 5.1 billion (US$118.0 million)

- Maynilad, Meralco, MPTC and Hospitals accounted for 46%, 28%, 20% and 6%, respectively, of MPIC consolidated profit contribution from operations
- reflecting a 15% rise in contribution from Maynilad to Pesos 3.6 billion (US$84.4 million) from Pesos 3.1 billion (US$71.7 million) on higher tariffs and billed water volume
- a 29% increase in contribution from Meralco to Pesos 2.2 billion (US$51.7 million) from Pesos 1.7 billion (US$39.0 million) on higher sales volume and recovery of local franchise taxes
- an 8% rise in contribution from MPTC to Pesos 1.6 billion (US$37.3 million) from Pesos 1.5 billion (US$33.6 million) on higher traffic volumes and lower interest costs
- a 104% rise in contribution from Hospitals to Pesos 507 million (US$ 12.0 million) from Pesos 248 million (US$5.7 million)
- lower operating expenses and net interest expense at MPIC head office level

Consolidated reported net income up 26% to Pesos 6.4 billion (US$151.8 million) from Pesos 5.1 billion (US$117.0 million)

- due largely to the higher core net income, partially reduced by provisions for refinancing costs at Maynilad, Beacon and MPIC head office

Revenues up 26% to Pesos 27.8 billion (US$660.8 million) from Pesos 22.1 billion (US$510.4 million)

- reflecting higher tariffs and billed water volume at Maynilad , higher traffic volumes at MPTC and full year contribution from 2011 acquisitions in the hospital division

Equity Placement

In January 2013, MPIC raised Pesos 6.1 billion (US$150.7 million) by placing 1.33 billion new shares at Pesos 4.6 (U.S. 0.113 cent) per share. The fund will be used for expansion of current investments and potential new projects, including Manila-Cavite Toll Expressway ("Cavitex"), Ninoy Aquino International Airport Expressway ("NAIA Expressway"), Cavite-Laguna Expressway ("CALA") and Cebu-Mactan Airport.

Debt Profile

As at 31 December 2012, MPIC recorded a consolidated debt of Pesos 43.6 billion (US$1.1 billion), up 9% from Pesos 40.0 billion (US$912.9 million) as at 31 December 2011, mainly reflecting borrowing drawn at MPIC head office to partly finance its investment in Cavitex.

Dividend

The MPIC Board of Directors declared a final cash dividend of Pesos 0.02 (U.S. 0.049 cent) per share, 33% higher than the final dividend of 2011. Together with an interim cash dividend of Peso 0.012 (U.S. 0.028 cent) per share, this brings the full-year dividend to Pesos 0.032 (U.S. 0.078 cent) per share, an increase of 28%.

Maynilad

Maynilad operates a concession that runs until 2037 for water distribution and sewerage for the West Zone of Metro Manila, comprising a population of 9.6 million people in 17 cities and municipalities as at 31 December 2012. During 2012, Maynilad spent Pesos 7.0 billion (US$166.3 million) on its water distribution system, of which Pesos 740 million (US$17.6 million) was used for improving and expanding its waste and sewerage water services. Maynilad's system currently delivers 24-hour water supply to 96% of its customers while almost 100% of customers receive water pressure of at least seven pounds per square inch.

Core net income up 13% to Pesos 6.8 billion (US$161.6 million) from Pesos 6.0 billion (US$138.8 million)	• owing largely to higher tariffs and billed water volume
Reported net income up 9% to Pesos 6.4 billion (US$152.1 million) from Pesos 5.9 billion (US$136.4 million)	• reflecting the higher core net income, deferred tax asset write-off resulting from change in amortization method of service concession assets from straight-line to units-of-production and the absence of provisions for an early retirement program
Revenues up 15% to Pesos 15.9 billion (US$377.4 million) from Pesos 13.8 billion (US$318.4 million)	• reflecting a 7% rise in both billed water volume and billed customers, as well as a 9% increase in effective tariff
Average non-revenue water down to 43.5% from 47.8%	• reflecting leak repairs, pipe rehabilitation and more efficient management of water pressure and supply • the above resulted in the recovery of over 120 million liters per day of water
Total billed water volume up 7% to 433 million cubic meters from 405 million cubic meters	• reflecting a 7% increase in billed customers
Total billed customers up 7% to 1,073,508 from 1,005,350	• reflecting new pipeline connections

In September 2012, Maynilad submitted its revised business plan to the regulator for the water tariff in the next rate rebasing period. The reviewing process is ongoing with focus on capital expenditure plan and cash position. It is expected to be completed in July 2013.

During the year, Maynilad acquired a 100% interest in Philippine Hydro (PH) Inc. which has bulk water supply and distribution projects in Albay, Bulacan, Nueva Vizcaya and Nueva Ecija. Maynilad also acquired a 10% interest in Subic Water.

MPIC, through MetroPac Water Inc., also partnered with Manila Water Corporation to invest in a bulk water supply project for Metro Cebu Water District with a capacity of 35 million liter water per day serving a population of approximately 2.4 million under a 30-year contract.

Meralco

During 2012, the volume of electricity sold by Meralco rose 7% to 32,771 gigawatt hours with growth driven by an 11% increase in demand from the industrial sector, a 6% increase in commercial demand and a 5% increase in demand from residential customers.

The distribution charge decreased by 2% to Pesos 1.56/kilowatt hour ("kWh") from Pesos 1.59/kWh, while the average customer retail rate increased 6% to Pesos 9.64/kWh, reflecting a 10% increase in the generation charge as well as a 14% increase in the taxes and universal charge. Generation, transmission and distribution charges accounted for 58%, 10% and 16%, respectively, of customers' electricity bills, while the system loss charge accounted for 6% and the remaining 10% was the taxes and universal charge.

System loss fell to a record low at 7.04% from 7.35% a year earlier, reflecting Meralco's continuing refinement of loss reduction programs and a steady decline of electricity theft. Meralco will continue to invest in its electricity distribution system for a franchise area which produces nearly half of the Philippines' gross domestic product.

Core net income up 9% to Pesos 16.3 billion (US$387.4 million) from Pesos 14.9 billion (US$344.6 million)	• reflecting a 7% increase in sales volume • the recovery of the local franchise taxes
Reported net income up 29% to Pesos 17.0 billion (US$404.4 million) from Pesos 13.2 billion (US$305.3 million)	• reflecting decreases in various provisions and recognition of non-recurring gains from the divestment of Rockwell Land Corporation
Core EBITDA margin to 9.4% from 10.4%	• reflecting a decrease in distribution charge

As at 31 December 2012, Meralco's consolidated debt remained flat at Pesos 24.6 billion (US$599.3 million), reflecting the refinancing of some debts on more favorable terms with an average interest rate of 5.7%.

On 4 March 2013, First Pacific and Meralco's wholly-owned subsidiary Meralco PowerGen Corporation ("Meralco PowerGen") announced an acquisition of 70% of GMR Energy (Singapore) Pte Ltd. ("GMRE"), a company building a power plant located on Jurong Island, Singapore, from GMR Infrastructure for S$600 million (approximately US$488 million) in cash, with a further committed S$60 million (approximately US$49 million) equity contribution into the project. The acquisition of 70% of GMRE will be financed by internal resources. First Pacific holds 60% of the joint venture investment vehicle FPM Power Holdings Limited ("FPM Power") and Meralco PowerGen owns the remaining 40%. GMRE's combined cycle combustion turbine power project consists of two 400 megawatt natural gas-fired turbines which are scheduled to go online in December 2013. The remaining 30% of the project will continue to be held by Petronas Power Sdn Bhd ("Petronas"), a subsidiary of Malaysia's state-owned oil and gas company.

Meralco is continuing its efforts to reduce electricity costs, further improve operational efficiency and increase service reliability. During the year, it signed various new highly cost-effective long-term Power Supply Agreements with power generators for a capacity of up to 2,880 megawatts ("MW"). In power generation, Meralco is the controlling joint venture partner in Redondo Peninsula Energy, Inc. which is on track to build two 300 MW coal-fired base load plants with operations commencing in 2016. Two liquefied natural gas ("LNG") projects with each capacity of 1,500 MW are being studied, the Atimonan Project, a potential partnership with Chubu Electric, can be online by 2018 and Tabangao Project, a project that would be with Shell, can be online by 2019. Further initiatives include a pilot scheme for prepaid electricity, adding new value-added services, improving cost management and employing technologies for innovation.

MPTC

MPTC, through its 67.1% interest in MNTC and 46.0% interest in TMC, operates the North Luzon Expressway ("NLEX"), the Subic Clark Tarlac Expressway ("SCTEX"), the Subic Freeport Expressway and Manila-Cavite Toll Expressway ("Cavitex"). The concession for NLEX runs until 2037, for SCTEX until 2043 and for Cavitex until 2046.

In December 2012, MPTC expanded its toll road portfolio with an agreement to manage Cavitex effective 2 January 2013, which is a 14-kilometer toll road running from Cavite to Laguna with daily traffic averaging 90,000 vehicles.

Core net income up 6% to Pesos 1.6 billion (US$38.0 million) from Pesos 1.5 billion (US$34.7 million)	• due largely to traffic growth and lower interest and operating expenses
Reported net income up 17 % to Pesos 1.5 billion (US$35.6 million) from Pesos 1.3 billion (US$30.1 million)	• reflecting the higher core net income and the elimination of provision for input value added taxes included in 2011
Revenues up 5% to Pesos 6.8 billion (US$161.2 million) from Pesos 6.5 billion (US$149.5 million)	• reflecting a 3% increase in average daily vehicle entries, longer distances traveled and a higher proportion of commercial vehicles, which pay higher tolls per vehicle than private cars and public buses
Core EBITDA up 7% to Pesos 4.4 billion (US$104.6 million) from Pesos 4.1 billion (US$94.8 million)	• due mainly to higher revenues and effective control over operating and maintenance expenses

In July 2012, MPTC wholly-owned subsidiary Metro Pacific Tollways Development Corporation ("MPTDC") , through its subsidiary, MNTC signed a revised agreement on the takeover of SCTEX concession with the Bases Conversion and Development Authority ("BCDA"). MNTC continues to coordinate with BCDA and the Philippine Government to complete the turnover of management of SCTEX. MPTC plans to invest Pesos 400 million (US$9.7 million) to integrate SCTEX with NLEX to facilitate seamless travel between the two expressways.

The Philippine Government recently announced the approval of the implementation of two elevated expressways that will connect the northern and southern toll road systems. MPTC's Connector Road Project, a four-lane elevated expressway, will connect the Harbour Link to Southern Luzon. Detailed engineering drawing and design are largely complete in preparation for the Swiss challenge and expected awarding of the project within 2013.

MPTC expects the Connector Road to increase traffic on the existing northern and southern toll road systems by enabling commercial vehicles to traverse Metro Manila without violating the truck ban and slashing travel time between systems to no more than 20 minutes from over an hour today.

Hospitals

MPIC's hospital portfolio delivers world-class services including diagnostic, therapeutic and preventive medicine services through all three major island groupings of the Philippines. The hospital division comprises Makati Medical Center, Cardinal Santos Medical Center, Our Lady of Lourdes Hospital and Asian Hospital in Metro Manila, as well as Riverside Medical Center in Bacolod City and Davao Doctors Hospital in Davao City, with approximately 1,800 beds.

There were a total of 4,546 accredited medical doctors and consultants as well as 3,291 students at the end of 2012.

Core net income up 29% to Pesos 722 million (US$17.2 million) from Pesos 559 million (US$12.9 million)	• reflecting the addition of AHI to the portfolio and strong cost controls • partly offset by higher depreciation, interest expenses and income tax mainly from the inclusion of AHI
Reported net income up 6% to Pesos 715 million (US$17.0 million) from Pesos 674 million (US$15.6 million)	• lower growth than core net income reflecting gain on sale of CVHMC in Makati Medical Center in 2011
Revenues up 34% to Pesos 11.3 billion (US$268.5 million) from Pesos 8.5 billion (US$196.6 million)	• reflecting the addition of AHI to the portfolio, and strong performance at PLLH, RMCI and Makati Medical Center

The hospital division is in the process of completing the acquisition of the DLSMC which has 150 beds, and another hospital in Luzon of similar size by the first half of 2013. It continues to evaluate opportunities for expansion through the acquisition of additional hospitals in strategic areas of the Philippines, aiming for a total of 3,000 beds across 15 hospitals.

This division continues to invest in improving infrastructure, equipment and facilities, leveraging its technical and professional expertise to expand services and enhance operational efficiency across its hospitals, as well as the opportunity of working with strategic partner.

2013 Outlook

Owing to economic growth and continuing cost controls, all of MPIC's businesses are expected to continue strong earnings growth. The hospitals division is expected to continue growing via acquisition and through continuing efficiency improvements increase profitability. MPTC will continue to integrate its several highways with handover of SCTEX expected to occur during the year as the business continues to search for new toll road investments. Maynilad will continue to see organic growth in its water distribution business as it ramps up capital expenditure on its wastewater treatment business and seeks other domestic water distribution projects to invest in. Meralco's distribution business will benefit from continuing economic growth as it continues to seek additional opportunities to invest in power generation.

Overall, 2013 is expected to see MPIC set yet another record high in its earnings even as its growth increases its ability to add to shareholder return by gradually increasing its dividend payout ratio.

Reconciliation of reported results between MPIC and First Pacific

MPIC's operations are principally denominated in peso, which averaged Pesos 42.08 (2011: Pesos 43.24) to the U.S. dollar. Its financial results are prepared under Philippine GAAP and reported in peso. First Pacific's financial results are prepared under Hong Kong GAAP and reported in U.S. dollars. Philippine GAAP and Hong Kong GAAP are largely based on IFRSs, however, certain adjustments need to be made to MPIC's reported peso results to ensure full compliance with Hong Kong GAAP. An analysis of these adjustments follows.

Peso millions	**2012**	2011
Net income under Philippine GAAP	**6,388**	5,059
Preference dividends(i)	**(4)**	(5)
Net income attributable to common shareholders	**6,384**	5,054
Differing accounting and presentational treatments(ii)		
- Reclassification of non-recurring items	**76**	(109)
- Others	**(388)**	(2)
Adjusted net income under Hong Kong GAAP	**6,072**	4,943
Foreign exchange and derivative losses(iii)	**66**	151
MPIC's net income as reported by First Pacific	**6,138**	5,094
US$ millions		
Net income at prevailing average rates for 2012: Pesos 42.08 and 2011: Pesos 43.24	**145.9**	117.8
Contribution to First Pacific Group profit, at an average shareholding of 2012: 59.0% and 2011: 57.9%	**86.1**	68.2

(i) *First Pacific presents net income after deduction of preference dividends.*

(ii) *Differences in accounting treatment under Philippine GAAP, compared with Hong Kong GAAP, and other presentational differences. The principal adjustments include:*

- *Reclassification of non-recurring items: Certain items, through occurrence or size, are not considered usual operating items which are reallocated and presented separately. Adjustment for 2012 of Pesos 76 million principally represents debt refinancing costs totaling Pesos 747 million of MPIC parent company, Maynilad and Beacon Electric, partly offset by Meralco's actuarial gains on defined benefit pension plans of Pesos 491 million and MPIC parent company's reversal of provision for assets of Pesos 150 million. Adjustment for 2011 of Pesos 109 million principally represents share of Meralco's actuarial gains on defined benefit pension plans of Pesos 758 million, partly offset by share of Meralco's non-recurring losses of Pesos 289 million, MPTC's loan pre-termination expenses of Pesos 221 million and expenses in relation to Maynilad's early retirement program of Pesos 113 million.*

(iii) *To illustrate the underlying operational results and profit contributions, foreign exchange and derivative losses (net of related tax) are excluded and presented separately.*

INDOFOOD

Indofood reported an eighth consecutive year of record results as it recorded increased sales from all four complementary strategic businesses: Consumer Branded Products ("CBP"), Bogasari, Agribusiness and Distribution. Indofood is a vertically integrated food company with production operations ranging from raw materials through to consumer branded products to the distribution of these products to a market of more than 230 million people across the Indonesian archipelago.

Indofood's contribution to the Group decreased 5% to US$170.1 million (2011: US$178.5 million) principally reflecting a 6.7% depreciation of the average rupiah rate against the dollar, partly offset by a higher core net income.

Core net income up 3% to Rupiah 3.3 trillion (US$347.7 million) from Rupiah 3.2 trillion (US$360.3 million)	• improved performance across Indofood group businesses, except for Agribusiness • partly offset higher operating expenses • lower non-controlling interests due to a weaker Agribusiness performance
Net income up 6.0% to Rupiah 3.3 trillion (US$347.2 million) from Rupiah 3.1 trillion (US$351.2 million)	• due to higher core net income
Consolidated net sales up 10% to Rupiah 50.1 trillion (US$5.3 billion) from Rupiah 45.3 trillion (US$5.2 billion)	• all business groups contributed to the increase in sales mainly driven by higher sales volumes • sales contribution from Consumer Branded Products, Bogasari, Agribusiness and Distribution were 43%, 25%, 24% and 8%, respectively
Gross profit margin at 27.1% from 27.8%	• due mainly to weaker performance of the Plantations division owing to lower prices for palm products and rubber as well as higher production costs
Consolidated operating expenses up 17% to Rupiah 6.7 trillion (US$713.4 million) from Rupiah 5.7 trillion (US$650.5 million)	• due mainly to an increase in employee-related expenses in conjunction with wage inflation and an increase in staffing, higher freight and handling expenses in conjunction with the increase in sales volumes, and higher advertising and promotion spending
EBIT margin at 13.7% from 15.1%	• on lower gross profit margin and higher operating expenses
Net gearing to 0.06 times from 0.02 times	• increase in net debt due to increase in trust receipt which is mainly used for raw material importation and for financing capital expenditure

Debt Profile

As at 31 December 2012, Indofood recorded a gross debt of Rupiah 15.3 trillion (US$1.6 billion), up from Rupiah 13.7 trillion (US$1.5 billion) as at the end of December 2011. Of this total, Rupiah 7.0 trillion (US$0.7 billion) matures within this year. The remaining Rupiah 8.3 trillion (US$0.9 billion) matures between 2014 and 2019.

New investments

Indofood Group expanded its business portfolio through the following strategic transactions:

In August 2012, Indofood CBP Sukses Makmur Tkb ("ICBP") and Asahi Group Holdings Southeast Asia Pte Ltd. ("Asahi") formed a joint venture companies to manufacture and to sell non-alcoholic beverages in Indonesia. It is expected to be commercially operational within 12 to 18 months.

In November 2012, ICBP signed a memorandum of understanding with Tsukishima Foods Industry Co., Ltd ("Tsukishima") to enter into value added oils and fats products such as margarine products, whipped bread filing cream, batter conditioner, and other oil and fat derivatives products for bakeries, confectioneries and restaurants industries.

In January 2013, Indofood Agri Resources Ltd. ("IndoAgri") entered into an agreement to acquire 50% economic interest in Companhia Mineira de Acucar e Alcool Participacoes ("CMAA") for a consideration of approximately US$71.7 million. CMAA involves in sugar, ethanol and co-generation industry in Brazil. The transaction is expected to be completed in the second quarter of 2013.

In February 2013, Indofood acquired in aggregate a 29.3% interest in China Minzhong Food Corporation Limited ("CMFC") for a total consideration of approximately S$195.2 million (US$159.6 million). CMFC is a leading integrated vegetable processor in the People's Republic of China with cultivation, processing and sales capabilities. It is listed in Singapore.

In March 2013, PT Salim Ivomas Pratama Tbk and its subsidiary PT PP London Sumatra Indonesia Tbk invested a total of Rupiah 330.0 billion (US$35.1 million) for an effective interest of 79.7% in PT Mentari Pertiwi Makmur ("MPM"). MPM is an investment company, through its subsidiary engaged in industrial forest plantations for a total area of 73,330 hectares in East Kalimantan Province.

Consumer Branded Products ("CBP")
The CBP group comprises Noodles, Dairy, Snack Foods (including Biscuits), Food Seasonings and Nutrition & Special Foods.

Indofood's Noodles division is one of the world's largest producers of instant noodles. It has 15 production plants in Indonesia and one in Malaysia with a combined annual production capacity of around 15.8 billion packs per year. Indomie, Supermi, Sarimi, Sakura, Pop Mie, Pop Bihun and Mi Telur Cap 3 Ayam are popular Indofood brands.

The Dairy division, Indolakto, is one of the largest dairy products manufacturers in Indonesia with the flagship brand Indomilk encompassing sweetened condensed milk, UHT milk, sterilized bottled milk, pasteurized liquid milk as well as powdered milk. Other brands include Indoeskrim for ice cream and Orchid for butter. Consumption per capita for dairy products in Indonesia remains low at around 11-12 liters per year. In conjunction with rising income per capita, lifestyle changes and increasing consumer awareness of the nutritional value of dairy products, demand continued to grow during the year. To meet increasing demand, Indolakto completed the construction of a new factory in the fourth quarter of 2012 which increased the total annual production capacity by approximately 20%.

The Snack Foods division maintained its leadership position through its leading brands Chitato and Lays (potato chips), and Qtela (cassava and soybean chips, as well as curly and prawn crackers). Biscuits are marketed under the brand names Trenz and Wonderland. Sales continued to increase driven by growth of current products and new product launches.

The Food Seasonings division manufactures a wide range of culinary products, of which instant seasonings and chili sauce are the most popular. The division also produces soy sauce, tomato sauce and other condiments.

The Nutrition & Special Foods division produces food for babies, children, and milk for expectant and lactating mothers under two brands: Promina caters to higher-income groups, while SUN is targeted to the mass-market segment.

Sales up 12% to Rupiah 21.6 trillion (US$2.3 billion) from Rupiah 19.2 trillion (US$2.2 billion)	• on the back of higher sales across the divisions, except for Nutrition & Special Foods • increase in sales mainly driven by volume growth
Sales volume	• Noodles up 10% to 12.1 billion packs from 11.1 billion packs • Dairy up 3% to 290.4 thousand tonnes from 281.8 thousand tonnes • Snack Foods up 24% to 29.2 thousand tonnes from 23.5 thousand tonnes • Food Seasonings up 11% to 86.7 thousand tonnes from 77.9 thousand tonnes • Nutrition & Special Foods down 2% to 14.4 thousand tonnes from 14.7 thousand tonnes
EBIT margin to 13.2% from 13.7%	• on higher operating expenses in particular employee related, and advertising and promotion expenses

Bogasari
Bogasari has been operating in Indonesia for more than three decades and has long been a member of the Indofood group, with flour mills located in Jakarta and Surabaya. Bogasari produces wheat flour as well as pasta for both domestic and international markets. Its brands, among others, are Cakra Kembar, Segitiga Biru, Kunci Biru and Lencana Merah for wheat flour, and La Fonte for pasta. It also has its own maritime unit which has two Panamax and five Handymax vessels that are used mainly to transport wheat from suppliers in Australia and the northern hemisphere. In addition, it also operates a packaging factory that produces polypropylene bags.

Sales up 8% to Rupiah 15.9 trillion (US$1.7 billion) from Rupiah 14.7 trillion (US$1.7 billion)	• due mainly to an 8.5% increase in sales volume of food flour • offset by slightly lower average selling prices in conjunction with lower international wheat prices

Sales volume of food flour up 8.5% to 2.6 million tonnes from 2.4 million tonnes	• owing to higher demand both from internal and external parties
EBIT margin to 8.6% from 6.6%	• strategy to balance market share and profitability

The flour industry is expected to continue growing, as wheat consumption at around 26 kg per capita annually is still low in comparison with neighboring countries. Urbanization will also catalyze the industry's growth in light of the growing popularity of modern fast-food franchises and associated lifestyle changes, primarily within younger generations. However, competition will likely to intensify with the continuing entrance of new players.

Agribusiness

The Agribusiness group consists of two divisions: Plantations and Edible Oils & Fats ("EOF"), which operate through Indofood's 59.7%-owned Singapore-listed subsidiary IndoAgri and IndoAgri's 72.0%-owned Indonesia-listed subsidiary PT Salim Ivomas Pratama Tbk ("SIMP") which in turn owns 59.5% of Indonesia-listed subsidiary PT PP London Sumatra Indonesia Tbk ("Lonsum"). The Agribusiness group is a market leader in Indonesia's branded cooking oil segment, and is one of the lowest-cost palm oil producers in the world.

The Agribusiness group is vertically integrated, producing a number of leading food products derived from palm oil. Its operations cover the entire value chain from research and development, oil palm seed breeding and oil palm cultivation to milling, refining, branding and marketing of cooking oil, margarine, shortening and other palm oil derivative products. It also operates rubber, sugar cane, cocoa and tea plantations.

Plantations

SIMP and Lonsum have a combined planted area of 268,725 hectares, up 5% from 254,989 hectares at the end of December 2011. Oil palm is the dominant crop, and 43% of the oil palms are younger than seven years old. Total planted area of oil palm was 230,919 hectares, up 6% from 216,837 hectares at the end of December 2011. Fresh fruit bunch nucleus production grew by 6% to 2,973 thousand tonnes and CPO production up 5% to 880 thousand tonnes.

The division also operates 37,806 hectares of area planted with other crops including rubber, sugar cane, cocoa and tea. At the end of December 2012, the total planted area of rubber was 21,802 hectares, the planted area of sugar cane was 12,333 hectares and the planted area of remaining crops was 3,671 hectares. This division operates 21 palm oil mills with a total annual processing capacity of 4.9 million tonnes of fresh fruit bunches. In November 2012, in line with its commitment to sustainable practices, SIMP was awarded certification from the Roundtable on Sustainable Palm Oil for two estates and a palm oil mill in Riau province. This endorsement added 53 thousand tonnes of output to the Agribusiness group's CPO production, bringing the group's total certified output to 248 thousand tonnes or approximately 28% of 2012 total production.

Edible Oils & Fats

This division manufactures cooking oils and fats and markets products under various brands for both export and domestic consumption. Bimoli and Simas Palmia are leading cooking oil and margarine brands in Indonesia. The division also produces crude coconut oil and derivative products, most of which are exported to the United States, Europe, and Asia. The division has refinery capacity of 1.4 million tonnes of CPO per annum as of 31 December 2012 and most of this division's needs are sourced from the plantation division's CPO production.

Sales up 10% to Rupiah 13.9 trillion (US$1.5 billion) from Rupiah 12.6 trillion (US$1.4 billion)	• due mainly to higher CPO and EOF products sales volume, and higher contribution from sugar operations • higher contribution from sugar operations following the commencement of its first full sugar cane crushing season during the year
EBIT margin to 17.2% from 23.6%	• due mainly to weaker performance of Plantations division attributable to lower CPO and rubber prices as well as higher production costs and operating expenses
Sales volume	• CPO stood at 829 thousand tonnes • EOF up 5% resulted from the expanded refining capacity from its new refinery plant in Jakarta • Sugar up 114% to 62 thousand tonnes in line with increased production

The Agribusiness group's expansion focus is on oil palm and sugar new plantings. It just completed one palm oil mill in Kalimantan with processing capacity of 40 tonnes of fresh fruit bunches per hour, and the expansion in sugar mill and refinery in Central Java to 4,000 tonnes of cane per day. The expansion in bottling and margarine plant on the new Jakarta refinery in Tanjung Priok was completed in the first quarter of 2012.

Agribusiness's strategic and expansion in 2013 including increase new plantings of oil palm and sugar cane, expand CPO production capacity and enhance supply chain infrastructure.

Distribution

The Distribution group is a major component of Indofood's Total Food Solutions chain of operations as it has the most extensive distribution network of stock points in Indonesia. It distributes the majority of Indofood's consumer products and third-party products across the archipelago. Indofood increased its market penetration and service standard through its stock points which are located in areas with a high density of retail outlets, ensuring high product availability. To further improve product visibility and increase availability, the group engaged merchandisers and canvassers, in conjunction with marketing efforts and promotions with its principals.

Sales up 13% to Rupiah 3.9 trillion (US$419.5 million) from Rupiah 3.5 trillion (US$398.4 million)	• principally reflecting stronger sales volumes of most key products
EBIT margin stable at 3.6%	• on the back of higher sales

The Distribution group will further leverage its distribution system for increasing penetration in rural areas. Internal controls will continue to ensure higher cost efficiency. Its sales force will enhance communication with retail outlets to better understand and respond to customers' needs, while its team of merchandisers will ensure high product visibility in retail outlets.

2013 Outlook

Moving forward, Indofood remains focused on sustaining growth and enhancing the value of the company. During 2012, Indofood created a platform to accelerate growth and will build on it to capture the opportunities Indonesia will offer in the years ahead. At the same time, it will continue to expand its horizon beyond Indonesia. Indofood will continue to make efforts to secure key raw materials in a sustainable manner by increasing its investment in Agribusiness while fostering a mutually beneficial relationship with smallholders and farmers.

Reconciliation of reported results between Indofood and First Pacific

Indofood's operations are principally denominated in rupiah, which averaged Rupiah 9,392 (2011: Rupiah 8,762) to the U.S. dollar. Its financial results are prepared under Indonesian GAAP and reported in rupiah. First Pacific's financial results are prepared under Hong Kong GAAP and reported in U.S. dollars. Accordingly, certain adjustments need to be made to Indofood's reported rupiah results to ensure full compliance with Hong Kong GAAP. An analysis of these adjustments follows.

Rupiah billions	2012	2011
Net income under Indonesian GAAP	**3,261**	3,077
Differing accounting and presentational treatments(i)		
- Reclassification of non-recurring items	**-**	51
- (Loss)/gain on changes in fair value of plantations	**(1)**	91
- Foreign exchange accounting	**54**	54
- Others	**(132)**	(87)
Adjusted net income under Hong Kong GAAP	**3,182**	3,186
Foreign exchange and derivative losses(ii)	**6**	29
Loss/(gain) on changes in fair value of plantations(ii)	**1**	(91)
Indofood's net income as reported by First Pacific	**3,189**	3,124
US$ millions		
Net income at prevailing average rates for 2012: Rupiah 9,392 and 2011: Rupiah 8,762	**339.5**	356.5
Contribution to First Pacific Group profit, at an average shareholding of 2012: 50.1% and 2011: 50.1%	**170.1**	178.5

(i) Differences in accounting treatment under Indonesian GAAP, compared with Hong Kong GAAP, and other presentational differences. The principal adjustments include:

- *Reclassification of non-recurring items: Certain items, through occurrence or size, are not considered usual operating items which are reallocated and presented separately. Adjustment for 2011 of Rupiah 51 billion represents Rupiah 42 billion of founder's tax in relation to the spin-off of its Plantations businesses and Rupiah 9 billion of asset impairment provisions.*
- *(Loss)/gain on changes in fair value of plantations: Under Indonesian GAAP, Indofood measures its plantations (biological assets) on a historical cost basis. HKAS 41 "Agriculture" requires the measurement of plantations at fair value less costs to sell. The adjustment relates to the change in fair value of plantations during the year.*
- *Foreign exchange accounting: The adjustment relates to the reversal of the amortization of foreign exchange losses that were previously capitalized by Indofood on certain fixed assets under construction, as the originating capitalized foreign exchange losses have already been written off by First Pacific.*
- *Others: The adjustments principally relate to the accrual of withholding tax on Indofood's net income in accordance with the requirements of HKAS 12 "Income Taxes" and reversal of amortization of plantations. Under Indonesian GAAP, Indofood amortizes plantations over their estimated useful lives. HKAS 41 "Agriculture" requires the measurement of plantations at fair value less costs to sell.*

(ii) To illustrate the underlying operational results and profit contributions, foreign exchange and derivative losses (net of related tax) and loss/gain on changes in fair value of plantations are excluded and presented separately.

PHILEX

Philex's natural resources portfolio comprises:

Philex Mining Corporation for metal-related assets
• 100% in Philex Gold Philippines, Inc.
• 100% in Silangan Mindanao Mining Co., Inc.

Philex Petroleum Corporation* for energy-related assets
• 100% in Brixton Energy and Mining Corporation
• 51.2% in FEC Resources, Inc.
• 48.8% in Forum Energy Plc which owns 70.0% of Exploration License Service Contract 72
• 18.5% in Pitkin Petroleum Plc

** 11.4% directly held by First Pacific, 5.4% held by Two Rivers Pacific Holdings Corporation (a Philippine affiliate of First Pacific) and 64.8% held by Philex Mining Corporation.*

Philex's contribution to the Group decreased 72% to US$13.8 million (2011: US$50.1 million) principally as a result of the mine closure from 1 August 2012 following an uncontrolled discharge of water and sediment from one of the two underground tunnels that drain water from the tailings pond. Mining operations resumed on 8 March 2013 on a temporary basis for four months.

Its financial performance in 2012 was materially impacted the suspension of the Padcal mining operations as total ore milled in 2012 down to 5.5 million tonnes (2011: 9.5 million tonnes), with an average grade of 0.507 grams (2011: 0.564 grams per tonne) of gold per tonne and 0.224% copper per tonne (2011: 0.221%). The lower gold grade and shortened production period of seven months (2011: 12 months) resulted in a 42% decline in concentrate production to 40,562 dry metric tonnes (2011: 69,613 dry metric tonnes). Gold production fell 49% to 71,297 ounces (2011: 140,113 ounces) and copper production declined 41% to 22.3 million pounds (2011: 38.0 million pounds).

During the period in operation, the average realized price for gold rose 7% to US$1,638 per ounce (2011: US$1,536 per ounce) and the average realized copper price rose 8% to US$3.99 per pound (2011: US$3.70 per pound).

In November 2012, Philex received a loan of Pesos 1.1 billion (US$26.7 million) from a facility of up to US$200 million committed by First Pacific to fund the exploration and development of the Silangan Project and the rehabilitation of areas impacted by the tailings discharge at Padcal mine.

As at 31 December 2012, Philex had Pesos 1.7 billion (US$40.6 million) of cash and cash equivalents, and Pesos 1.5 billion (US$35.3 million) comprising a loan from First Pacific and short-term bank loans.

Core net income down 69% to Pesos 1.7 billion (US$40.5 million) from Pesos 5.6 billion (US$128.8 million)	• due primarily to the suspension of Padcal mine's operation from 1 August 2012
Net income of Pesos 225 million (US$5.3 million) versus net income of Pesos 5.8 billion (US$133.5 million)	• Philex Petroleum reported a net loss of Pesos 876 million (US$20.8 million) vs net income of Pesos 476 million (US$11.0 million) in 2011 • Reflecting impacts from net non-recurring charges including provisions for fees and penalties and rehabilitation costs of Pesos 1.1 billion (US$26.1 million) for Padcal uncontrolled discharge happened in August 2012, a write off of Pesos 374 million (US$8.9 million) for Brixton Energy's coal operations, and a write-down of Pesos 123 million (US$2.9 million) of Philex Petroleum's investment in Forum Energy's Service Contract 40
Operating revenue down 43.4% to Pesos 9.1 billion (US$217.1 million) from Pesos 16.1 billion (US$373.1 million)	• lower production volume for the full year due to the suspension of Padcal mine • lower gold grades partly offset by higher realized gold prices • revenues from gold contributed 54% of total, with copper accounting for 42% and the balance of 4% attributable to silver, petroleum and coal
EBITDA down 88% to Pesos 1.0 billion (US$24.4 million) from Pesos 8.9 billion (US$204.7 million)	• due to lower operating revenues • Padcal mine's maintenance costs of Pesos 908 million (US$21.6 million) were high as a result of the cost of labour retention during the period of mine closure

Operating costs and expenses down 30.5% to Pesos 5.7 billion (US$135.5 million) from Pesos 8.2 billion (US$189.6 million)	• due to lower volume of ore milled reflecting the first seven months of operations
Operating cost per tonne of ore milled up 10% to Pesos 809 (US$19.2) from Pesos 735 (US$17.0)	• Referred to above
Capital expenditure (including exploration costs) up 17.6% to Pesos 4.0 billion (US$95.1 million) from Pesos 3.4 billion (US$78.6 million)	• reflecting additional capital expenditure for the Padcal mine • reflecting additional pre-development expenditure for the Silangan Project

Dividend
Given the suspension of operation at Padcal mine, the board of directors of Philex did not declare a final dividend for 2012. An interim dividend of Peso 0.11 (US$0.003) per share was paid on 3 September 2012, representing a payout ratio of 25% of 2012 first half core net income or 32% of 2012 full year core net income.

Silangan Project
The gold and copper mine development project is located in Surigao del Norte, Northern Mindanao in the Philippines, and comprises the Boyongan and Bayugo deposits. The project could include a third ore body, the Kalayaan property, as this is adjacent to Bayugo and is being explored and is later to be developed under a joint venture with Manila Mining Corporation.

The mineral resource estimate of the Silangan Project's Boyongan and Bayugo ore deposits, conducted in compliance with the Philippine Mineral Reporting Code, was completed in early August 2011, following an independent estimate for mineral resources prepared by SRK Perth, Australia released in June 2011. The estimate reported at a cut-off of 0.5% copper equivalent, based on metal prices of US$2.75 per pound copper and US$900 per ounce gold. Earlier, in October 2008, Independent Resources Estimations ("IRES") of South Africa completed a pre-feasibility study on Boyongan, concluding that, based on the assumptions used in their report, the Boyongan deposit is technically and financially feasible, with proven mineral reserves of 65.8 million tonnes at an average grade of 1.39 grams of gold and 0.87% copper per tonne.

The estimated capital expenditure for Silangan Project is US$1.2 billion with most spending between 2014 and 2017. Driving of the decline is underway. A Definitive Feasibility Study is expected to be completed by the second half of 2014.

Listed below are the mineral resources and proved reserves of the Padcal mine and Silangan Project based on the most recent data:

	Padcal mine (As at 31 December 2012)	Silangan Project (as at 5 August 2011)	
		Boyongan	Bayugo
Resources(million tonnes)	136(i)	273(ii)	125(ii)
Gold (gram/tonne)	0.51	0.72	0.66
Copper (%/tonne)	0.24	0.52	0.66
Contained copper (thousand lbs)	727,000	3,120,000	1,820,000
Contained gold (ounces)	2,250,000	6,300,000	2,700,000
Copper equivalent(iii) cutoff (%)	0.36	-	-
Copper equivalent cutoff (%)	-	0.50	0.50
Proved reserves (million tonnes)	72.6		
Gold (gram/tonne)	0.40		
Copper (%/tonne)	0.21		
Recoverable copper (thousand lbs)	275,000		
Recoverable gold (ounces)	683,000		
Copper equivalent(iii) cutoff (%)	0.317		

(i) Measured
(ii) Measured and indicated
(iii) Copper equivalent = % copper + 0.64 x gram/tonne gold; Metal prices: US$3.00/lb copper, US$1,500/oz gold; Metal resources: 82% copper, 72% gold

Bulawan Mine

The Bulawan Mine produced a total of 467,000 ounces of gold from 1995 to 2001 and was then closed due to low gold prices. Philex has been exploring the vicinity of the mine to augment its currently indicated remaining resources of 17.5 million tonnes of ore with an average grade of 2.25 grams of gold per tonne. A geotechnical drilling program focused on testing deep root systems and shallow drilling at various areas is ongoing, with a total of 4,944 meters drilled in 17 holes.

Exploration License Service Contract 72

The project is located in the Reed Bank Basin in the West Philippines Sea. A 2D and 3D seismic program conducted in 2011 produced a best estimate of 2.6 trillion cubic feet of gas-in-place and 65 million barrels of oil-in-place classified as Contingent Resources, and 8.8 trillion cubic feet of gas-in-place and 220 million barrels of oil-in-place classified as Prospective Resources. A drilling program (at an estimated cost of US$75 million) is planned but is being delayed given the current impasse in relations between the Philippines and China. The project was granted by the Philippine government an extension up to August 2015.

2013 Outlook

On 26 February 2013, Philex was authorized by the Mines and Geosciences Bureau ("MGB") to resume the operation of the Padcal mine for a period not exceeding four months to undertake remediation measures for tailings pond No. 3 following Philex's payment of tailings fee of Pesos 1.0 billion (US$23.8 million) to the MGB. Philex received US$25 million in insurance claims settlement relative to the tailings spill accident. Philex expects a return to full normal operations subsequent to completion of remediation work by the second half of 2013.

Development of the Silangan Project will continue in full steam to finish its pre-feasibility study and subsequent development in time for production to begin in 2017.

Reconciliation of reported results between Philex and First Pacific

Philex's operations are principally denominated in peso, which averaged Pesos 42.08 (2011: Pesos 43.24) to the U.S. dollar. Its financial results are prepared under Philippine GAAP and reported in peso. First Pacific's financial results are prepared under Hong Kong GAAP and reported in U.S. dollars. Philippine GAAP and Hong Kong GAAP are largely based on IFRSs, however, certain adjustments need to be made to Philex's reported peso results to ensure full compliance with Hong Kong GAAP. An analysis of these adjustments follows.

Peso millions	**2012**	2011
Net income under Philippine GAAP	**225**	5,771
Differing accounting and presentational treatments(i)		
- Reclassification of non-recurring items	**1,363**	(213)
- Depreciation of revaluation increment for assets	**(255)**	(386)
- Revenue recognition regarding sale of mine products	**24**	50
- Others	**(219)**	(557)
Adjusted net income under Hong Kong GAAP	**1,138**	4,665
Foreign exchange and derivative losses(ii)	**117**	10
Philex's net income as reported by First Pacific	**1,255**	4,675
US$ millions		
Net income at prevailing average rates for 2012: Pesos 42.08 and 2011: Pesos 43.24	**29.8**	108.1
Contribution to First Pacific Group, at an average shareholding of 2012: 46.3% and 2011: 46.3%	**13.8**	50.1

(i) Differences in accounting treatments under Philippine GAAP, compared with Hong Kong GAAP, and other presentational differences. The principal adjustments include:

- *Reclassification of non-recurring items: Certain items, through occurrence or size are not considered usual operating items which are reallocated and presented separately. Adjustment for 2012 of Pesos 1.4 billion principally represents provisions for fees and penalties of Pesos 903 million and rehabilitation costs for affected areas of Pesos 179 million in respect of an accidental discharge of water and tailings from its tailings pond No. 3, Brixton's impairment provisions for assets of Pesos 374 million and Forum Energy Plc's impairment provisions for deferred exploration costs of Pesos 123 million, partly offset by gains on pre-termination of hedging contracts of Pesos 216 million. Adjustment for 2011 of Pesos 213 million mainly represents a gain of Pesos 397 million arising from a reclassification of an investment from an associated company to available-for-sale assets due to loss of significant influence in this investment, partly offset by asset impairment and other provisions of Pesos 184 million.*
- *Depreciation of revaluation increment of assets: A fair value assessment was performed at the date of acquisition of Philex and certain revaluation increment adjustments have been made to property, plant and equipment. The adjustment relates to the recognition of additional depreciation based on the revalued fair value of property, plant and equipment.*
- *Revenue recognition regarding sale of mine products: Philex recognizes revenue based on the production of mine products. HKAS 18 "Revenue" requires the recognition of revenue based on the satisfaction of certain conditions, which includes the transfer of significant risks and rewards of ownership of the products to the buyers and the absence of continuing managerial involvement to the degree usually associated with ownership and effective control over the products sold.*
- *Others: The adjustments principally relate to the adjustments for direct share of Philex Petroleum's results and accrual of withholding tax on Philex's net income in accordance with the requirements of HKAS 12 "Income Taxes".*

(ii) To illustrate the underlying operational results and profit contributions, foreign exchange and derivative losses (net of related tax) are excluded and presented separately.

REVIEW OF 2012 GOALS

First Pacific

Goal: Continue to explore investment opportunities in existing core businesses areas across the region
Achievement: Achieved and ongoing. First Pacific continues to search in Asian economies for potential investment opportunities meeting our investment criteria with a particular focus on infrastructure and natural resources. Proceeds from a US$400 million unsecured 7-year bonds issued in June 2012 provide the financial resources for this purpose. In March 2013, First Pacific invested in GMR Energy, a Singapore natural gas-fired power plant scheduled to come online in December 2013.

Goal: Fortify PLDT's position of market leadership in telecommunications, integrate Digitel, and consolidate networks to position PLDT for a return to earnings growth in 2013
Achievement: Achieved. Leading market position retained as PLDT group's combined cellular subscriber base grew 10% to more than 69.9 million subscribers while the broadband subscriber base increased by 11% to more than 3.3 million at the end of December 2012 from the end of 2011.

Goal: Invest in a new infrastructure project in the Philippines via MPIC
Achievement: Ongoing. MPIC continues to evaluate potential investments in infrastructure projects across the Philippines, including participation in the Philippine Government's Public-Private Partnership initiatives. On 24 April 2012, MPIC formed a 50-50 joint venture with Ayala Corporation to pursue and develop light rail projects in the greater Metro Manila. On 22 February 2013, MPIC announced its partnership with JG Summit Inc. to bid for the Cebu-Mactan Airport redevelopment and expansion project. MPIC continues to seek further infrastructure projects across the Philippines.

Goal: Grow MPIC's toll road network by building roads and/or by investing in other toll road assets
Achievement: Achieved and ongoing. MPTC expanded its toll road portfolio to the South of Metro Manila by investing Pesos 6.8 billion (US$160.9 million) in Cavitex, a 14-kilometer toll road. Construction of "Segment 9," a key part of the Harbour Link project to connect the North Luzon Expressway to the port area of Manila, is underway and is expected to open in 2014, with Segment 10 following in 2015. Following the Philippine Government's approval of the implementation of two elevated expressways to connect the northern and southern toll road systems, a Swiss Challenge to MPTC's Connector Road project is expected within 2013. It is expected that Citra will share 62.5% of the construction and operations and maintenance costs of the common alignment and MPTC will share the remaining 37.5%. Management is continuing the search for other investment opportunities.

Goal: Reverse the decline in EBIT margin at Indofood
Achievement: Ongoing. The EBIT margin declined to 13.7% in 2012 from 15.1% in 2011 largely as a result of lower selling prices for crude palm oil ("CPO") and a drive to increase sales in the noodle business outweighed margin improvement in the Dairy, Food Seasonings, Snack Foods, Bogasari, Edible Oils & Fats and Distribution divisions. The development and introduction of higher-margin products, in particular in the Consumer Branded Products business, remains a focus within all businesses.

Goal: Grow the plantation business so that Indofood becomes a net seller of CPO
Achievement: Achieved and ongoing. Plantation area expanded to 268,725 hectares as at 31 December 2012, up over 5% from 254,989 hectares at the end of 2011. Acquired a further 73,000 ha of industrial forest plantations in East Kalimantan in March 2013.

Goal: Expand sources of production at Philex from just one mine, Padcal, to others, through organic growth and/or via acquisition
Achievement: Deferred. The suspension of the operations of the Padcal mine in August 2012 has resulted in significant redeployment of resources and finance during 2012, all work on major acquisitions was discontinued.

PLDT

Goal: Complete the integration of Digitel into the PLDT Group to produce savings in areas such as capital expenditure and marketing/distribution operating expenditures while improving yields
Achievement: Mostly achieved. 250 sites now colocated and another 252 under site sharing out of the 1,000 cell sites identified for co-location or consolidation, as well as the implementation of national roaming on the Smart network to increase Digitel's 2G and 3G geographic coverage without any significant additional capital expenditure. Consolidation of PLDT/Digitel outside plant facilities completed. Digitel call centers requirements were transferred to SPi Global. Over 1,200 employees of Digitel's fixed line business participated in the Voluntary Retirement Program resulting in streamlined operations. Management engaged in implementing the integration of technical operations for additional improved services and lower costs.

Goal: Maintain double-digit growth in broadband subscribers and revenues
Achievement: Achieved. PLDT group broadband subscribers up 11% to 3.3 million from 2.9 million at year-end 2011. Revenue growth of 26% to Pesos 23.7 billion (US$563.2 million), accounting for 13% of total service revenues.

Goal: Complete the two-year network modernization program
Achievement: Achieved. The two-year program was completed ahead of schedule with a total capital expenditure of Pesos 67.6 billion (US$1.6 billion), of which Pesos 31.2 billion (US$721.6 million) was spent in 2011 and Pesos 36.4 billion (US$865.0 million) in 2012. 3G population coverage of 71% achieved at year-end 2012. Fiber assets now totaling over 54,000 km, and 14,000 km of fiber-to-the home rolled out, fiber and IP-readiness for close to 100% of Metro Manila sites, completion of an additional international cable landing station bringing the total to four and doubled internet gateway capacity.

MPIC
Goal: Continue to grow the hospital network through the acquisition of hospitals across the country
Achievement: Achieved and ongoing. Following completion of a tender offer in April 2012, MPIC's stake in Asian Hospital, Inc. was raised to 85.6% from 51.9% as at the end of 2011. In December 2012, MPIC announced the acquisition of a 51% interest in De Los Santos Medical Center ("DLSMC") in Quezon City, with the completion of this transaction expected in March 2013. MPIC's hospital group has approximately 1,800 beds (excluding DLSMC), making the MPIC hospitals business the largest private hospital network in the Philippines.

Goal: Continue to expand the toll road portfolio at MPTC by targeting acquisitions and new road-building in heavily trafficked areas
Achievement: Achieved and ongoing. MPTC expanded its toll road portfolio to the South of Metro Manila by investing Pesos 6.8 billion (US$160.9 million) in Manila-Cavite Toll Expressway ("Cavitex"), a 14-kilometer toll road. Construction of "Segment 9," a key part of the Harbour Link project to connect the North Luzon Expressway to the port area of Manila, is underway and is expected to open in 2014, with Segment 10 following in 2015. Following the Philippine Government's approval of the implementation of two elevated expressways to connect the northern and southern toll road systems, a Swiss Challenge to MPTC's Connector Road project is expected within 2013. Additionally, management is looking to participate in the public bids for the NAIA Expressway II and Cavite Laguna Expressway. Both of these Public Private Partnership ("PPP") projects are connected to Cavitex and present synergistic benefits to our existing network. MPTC is also continuing talks with the National Government for its proposal to acquire the concession for the Subic Clark Tarlac Expressway. Finally, management is continuing to search for other investment opportunities.

Goal: Participate in further development of the country's infrastructure, such as airports or Manila's light rail system
Achievement: Ongoing. MPIC is partnering with Ayala Corporation to bid for the expansion of the Light Rail Transit 1 ("LRT1") project. On 22 February 2013, MPIC announced its partnership with JG Summit Inc. to bid for the Cebu-Mactan Airport redevelopment and expansion project.

Indofood
Goal: Increase investments in advertising and promotion and strengthen marketing capabilities
Achievement: Achieved. Advertising and promotion spending increased 31% to further enhance brand equity, as well as increase bonding with consumers through an integrated marketing strategy. During 2012, Indofood strengthened its organizational structure and enhance its marketing capabilities by adding new talents to the marketing team.

Goal: Accelerate new products innovation and growth
Achievement: Achieved and ongoing. A total of 21 new products were launched in 2012. Indofood group companies formed joint venture companies with Asahi Group Holdings Southeast Asia Pte Ltd. ("Asahi") in August 2012, signed a memorandum of understanding with Tsukishima Foods Industry Co., Ltd ("Tsukishima") in November 2012 to enter into value added oils and fats products market, and made a new investment in China Minzhong Food Corporation Limited ("CMFC"),an integrated processed vegetable company, in February 2013, to build a platform that will empower Indofood to accelerate growth in coming years.

Goal: Increase plantation area for main crop
Achievement: Achieved and ongoing. Plantation area expanded over 5% to 268,725 hectares at year end 2012 as a result of new planting for oil palm of 13,383 hectares and replanting of 941 hectares.

Philex
The suspension of the operations of the Padcal mine in August 2012 has resulted in significant redeployment of resources and finance during 2012.

Goal: Move forward on development of the Silangan Project
Achievement: Ongoing. Declaration of Mining Project Feasibility ("DMPF") covering one of the three ore bodies was filed with the Philippine Mines and Geosciences Bureau, on schedule, in February 2013. Exploration work continues on another ore body.

Goal: Continue exploring opportunities to acquire new mining operations
Achievement: Deferred. Following the cessation of the Padcal mining operations in August 2012, all work on major acquisitions was discontinued.

Goal: Determine the feasibility and cost-effectiveness of reopening the Bulawan Gold Mine
Achievement: Ongoing. Exploration work and in house studies continue with the objective of identifying new resource which would justify reopening the mine. In addition the company continues to be open to work with other mining companies who are interested to joint venture this property.

Goal: Intensify exploration for further mining opportunities
Achievement: Ongoing. However, as geology resources were redeployed from August 2012 onwards limited exploratory work has been undertaken other than in connection with the Kalayaan property.

Goal: Improve the public's perception of the benefits of mining to the Philippines
Achievement: Ongoing. A newly strengthened Corporate Affairs Department is working closely with all stakeholders in the mining industry (including government agencies, non-government organizations, the Bureau of Mines, private institutions and the public) to improve the reputation of the mining industry and promote the economic benefits of mining to the Philippines.

Goal: Establish the commerciality of the hydrocarbons in Service Contract 72 ("SC72"), a petroleum exploration license area located offshore West Palawan, through seismic interpretation and drilling
Achievement: Deferred. The territorial disputes between the Philippine and Chinese governments concerning the area where SC72 is located has resulted in delays to our deployment of vessels and drilling rigs. The Philippine Government recognised the delays incurred by this force majeure and has granted a two-year extension to August 2015 for Philex to complete this stage of the development. Philex continues to look for commercial solutions to this situation recognizing that the company will only be able to proceed with the continuing support of the Philippine Government.

GOALS FOR 2013

First Pacific

- Bring GMR Energy on-line before year-end 2013 to bring it to a position to contribute to Group earnings and cash flow in 2014
- Continue to explore investment opportunities in existing core businesses areas across the region
- Expand sources of production at Philex from just one mine, Padcal, to others, through organic growth and/or via acquisition
- Continue to develop the infrastructure portfolio

PLDT

- Maintain double-digit growth in broadband subscribers and revenues
- Return to earnings growth in 2013
- Fortify network advantage with capital expenditure of Pesos 29 billion
- Continue initiatives for the further integration of Digitel/Sun into the PLDT group to realize greater operating synergies
- Complete the divestment of SPi BPO business

MPIC

- Participate in further development of the country's infrastructure, such as airports or Manila's light rail systems
- Continue to grow the hospital network through the acquisition of hospitals across the Philippines
- Continuous expansion of the toll road portfolio
- Successful resolution of rate rebasing at Maynilad and continue expansion of water business in areas outside Metro Manila
- Support Meralco's entry into power generation and participation in open access as a retail electricity supplier

Indofood

- Accelerate growth by increasing new products innovation and expanding business categories
- Further enhance supply chain
- Further improve services

Philex

- Resumption of operations at the Padcal mine
- Continue to progress the development of the Silangan Project
- Fulfill exploration commitments under the Kalayaan joint venture with Manila Mining Corporation.
- Continue to enhance the public's perception of the benefits of mining to the Philippines
- Complete a capital raising exercise to enhance Philex Group's financial position.

FINANCIAL REVIEW
LIQUIDITY AND FINANCIAL RESOURCES
NET DEBT AND GEARING

(A) *Head Office net debt*

The decrease in net debt is mainly attributable to the receipt of dividends from its investments, partly offset by the payments of interest and overhead expenses, dividends and repurchase of the Company's shares. The Head Office's borrowings at 31 December 2012 comprise bonds of US$1,086.8 million (with an aggregate face value of US$1,100.0 million) which are due for redemption in July 2017, June 2019 and September 2020 and bank loans of US$631.1 million (with an aggregated face value of US$640.3 million) which are due for repayment between November 2013 and January 2017.

Changes in Head Office net debt

US$ millions	Borrowings	Cash and cash equivalents	Net debt
At 1 January 2012	1,272.8	(102.5)	1,170.3
Movement	445.1	(481.6)	(36.5)
At 31 December 2012	**1,717.9**	**(584.1)**	**1,133.8**

Head Office cash flow

US$ millions	**2012**	2011
Dividend and fee income	**320.9**	322.0
Head Office overhead expense	**(25.1)**	(20.8)
Net cash interest expense	**(73.7)**	(65.9)
Taxes	**(0.4)**	(2.4)
Net cash inflow from operating activities	**221.7**	232.9
Net investments	**(12.1)**	(544.5)
Financing activities		
- Proceeds from the issue of unsecured bonds, net	**394.7**	-
- Net borrowings	**46.2**	291.1
- Proceeds from the issue of shares upon the exercise of share options	**15.8**	11.0
- Dividends paid	**(103.8)**	(105.6)
- Repurchase of shares	**(54.2)**	(69.4)
- Loan to an associated company	**(26.7)**	-
Increase in cash and cash equivalents	**481.6**	(184.5)
Cash and cash equivalents at 1 January	**102.5**	287.0
Cash and cash equivalents at 31 December	**584.1**	102.5

(B) *Group net debt and gearing*

An analysis of net debt and gearing for principal consolidated and associated companies follows.

Consolidated

US$ millions	**Net debt/ (cash)[(i)] 2012**	**Total equity 2012**	**Gearing (times) 2012**	Net debt/ (cash)[(i)] 2011	Total equity 2011	Gearing (times) 2011
Head Office	**1,133.8**	**1,693.1**	**0.67x**	1,170.3	1,647.1	0.71x
MPIC	**807.2**	**2,290.9**	**0.35x**	524.2	1,953.2	0.27x
Indofood	**204.8**	**4,005.7**	**0.05x**	70.3	4,018.4	0.02x
Group adjustments[(ii)]	**-**	**(745.7)**	**-**	-	(739.5)	-
Total	**2,145.8**	**7,244.0**	**0.30x**	1,764.8	6,879.2	0.26x
Associated						
PLDT	**1,915.9**	**3,635.6**	**0.53x**	1,624.8	3,472.1	0.47x
Philex	**(5.3)**	**541.2**	**-**	(82.1)	617.0	-

(i) Includes pledged deposits and restricted cash

(ii) Group adjustments mainly represents elimination of goodwill arising from acquisitions prior to 1 January 2001 against the Group's retained earnings and other standard consolidation adjustments to present the Group as a single economic entity.

Head Office's gearing decreased principally because of a growth of its equity as a result of its profit recorded for the year. MPIC's gearing increased principally because of an increase in net debt which reflects its payments for additional investments in Cavitex Holdings Inc. (CHI)'s convertible note, Beacon Electric's common and preferred shares and capital expenditure which increased its net debt, partly offset by a growth of its equity as a result of its profit recorded for the year. Indofood's gearing increased principally because of an increase in net debt which reflects its payments for capital expenditure and dividends to shareholders, partly offset by its strong operating cash flow. PLDT's gearing increased as its net debt increased as a result of its payments for the establishment of a trust fund for the redemption of its preferred shares and investment in media business. Philex's net cash reduced principally because of a reduction in its operating cash flow as a result of its suspension of the Padcal mine's operations since 1 August 2012 following an accidental discharge of water and tailings from its tailings pond No. 3 and its payments for capital expenditure.

The Group's gearing increased to 0.30 times level principally as a result of the higher net debt level reflecting MPIC's and Indofood's payments for investments and capital expenditure, partly offset by a growth of its equity.

MATURITY PROFILE
The maturity profile of debt of consolidated and associated companies follows.

Consolidated

	Carrying amounts		Nominal values	
US$ millions	**2012**	2011	**2012**	2011
Within one year	**926.5**	1,119.3	**926.6**	1,120.0
One to two years	**501.2**	126.0	**504.0**	126.7
Two to five years	**1,536.6**	1,125.8	**1,552.2**	1,136.6
Over five years	**1,400.7**	1,323.9	**1,408.5**	1,343.0
Total	**4,365.0**	3,695.0	**4,391.3**	3,726.3

The change in the Group's debt maturity profile from 31 December 2011 to 31 December 2012 principally reflect (a) MPIC's new borrowing to partly finance its investment in CHI's convertible note, (b) Indofood's issuance of Rupiah 2.0 trillion (US$206.8 million) of five-year bonds for refinancing its Rupiah 2.0 trillion (US$206.8 million) of bonds matured in May 2012, (c) Head Office's issuance of US$400 million of 7-year bonds in June 2012, refinancing of US$200 million of its short-term borrowings with long-term borrowings and changes in classification of US$46.3 million of borrowings maturing in November 2013 and US$300 million of bonds maturing in July 2017.

Associated

	PLDT				Philex			
	Carrying amounts		Nominal values		Carrying amounts		Nominal values	
US$ millions	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
Within one year	**316.4**	593.3	**318.4**	595.8	**35.3**	8.0	**35.3**	8.0
One to two years	**471.4**	239.7	**498.5**	275.0	**-**	-	**-**	-
Two to five years	**1,268.4**	1,055.3	**1,271.1**	1,066.1	**-**	-	**-**	-
Over five years	**765.0**	787.1	**765.4**	787.2	**-**	-	**-**	-
Total	**2,821.2**	2,675.4	**2,853.4**	2,724.1	**35.3**	8.0	**35.3**	8.0

The change in PLDT's debt maturity profile from 31 December 2011 to 31 December 2012 principally reflects loan repayments and new borrowings arranged to finance capital expenditure and/or refinance its loan obligations which were utilized for service improvements and expansion programs. The increase in Philex's debt principally reflect a loan borrowing from Head Office.

CHARGES ON GROUP ASSETS
At 31 December 2012, certain bank and other borrowings were secured by the Group's property, plant and equipment, plantations, other intangible assets, pledged deposits, cash and cash equivalents, accounts receivables and inventories equating to a net book value of US$1,120.8 million (2011: US$820.6 million) and the Group's interests of 16.4% (2011: 16.7%) in PLDT, 45.5% (2011: 45.5%) in MPIC, 14.6% (2011: 9.7%) in Philex, 46.8% (2011: 46.8%) in Maynilad and 99.8% (2011: 99.8%) in MPTC.

FINANCIAL RISK MANAGEMENT
FOREIGN CURRENCY RISK
(A) Company risk

As the Head Office debts are currently denominated in U.S. dollars, foreign currency risk relates mainly to the receipt of cash dividends and to the translation of non-U.S. dollar denominated investments in subsidiary and associated companies.

The Company actively reviews the potential benefits of hedging based on forecast dividend flows and enters into hedging arrangements (including the use of forward exchange contracts) for managing its foreign currency exposure in respect of dividend income and payments in foreign currency on a transactional basis. However, the Company does not actively seek to hedge risks arising on the translation of foreign currency denominated investments due to (i) the non-cash nature of such exposure until the values of the investments are realized and (ii) the high costs associated with such hedging. Accordingly, the Company is exposed to the impact of foreign currency fluctuations on the translated U.S. dollar value of its foreign currency denominated investments.

With the exception of the Head Office, the principal components of the Group's net asset value (NAV) relate to investments denominated in the peso and the rupiah. Accordingly, any change in these currencies, against their respective 31 December 2012 exchange rates, would have an effect on the Group's NAV in U.S. dollar terms.

The following table illustrates the estimated effect on the Group's adjusted NAV for a one per cent change of the peso and rupiah exchange rates against the U.S. dollar.

Company	**Effect on adjusted NAV**[(i)] US$ millions	**Effect on adjusted NAV per share** HK cents
PLDT	34.0	6.94
MPIC	15.8	3.21
Indofood	26.6	5.42
Philex	8.3	1.70
Philex Petroleum	2.1	0.42
Total	**86.8**	**17.69**

(i) Based on quoted share prices as at 31 December 2012 applied to the Group's economic interest

(B) Group risk

The results of the Group's operating units are denominated in local currencies, principally the peso and the rupiah, which are translated and consolidated to give the Group's results in U.S. dollars.

NET DEBT BY CURRENCY

It is often necessary for operating entities to borrow in U.S. dollars, which results in the risk of a translation impact on local currency results. A summary of consolidated and associated companies' net debt by currency follows.

Consolidated

US$ millions	US$	Rupiah	Peso	Others	**Total**
Total borrowings	2,307.3	1,113.1	944.6	-	**4,365.0**
Cash and cash equivalents[(i)]	(885.5)	(990.6)	(289.7)	(53.4)	**(2,219.2)**
Net debt/(cash)	1,421.8	122.5	654.9	(53.4)	**2,145.8**
Representing:					
Head Office	1,191.8	(0.1)	(56.7)	(1.2)	**1,133.8**
MPIC	95.6	-	711.6	-	**807.2**
Indofood	134.4	122.6	-	(52.2)	**204.8**
Net debt/(cash)	1,421.8	122.5	654.9	(53.4)	**2,145.8**

Associated

US$ millions	US$	Peso	Others	**Total**
Net debt/(cash)				
PLDT	1,194.1	725.8	(4.0)	**1,915.9**
Philex	(20.5)	15.2	-	**(5.3)**

(i) Includes pledged deposits and restricted cash

As a result of unhedged U.S. dollar net debt, the Group's results are sensitive to fluctuations in U.S. dollar exchange rates. The following table illustrates the estimated effect on the Group's reported profitability for a one per cent change in the principal operating currencies of subsidiary and associated companies. This does not reflect the indirect effect of fluctuating exchange rates on revenues and input costs at the operating company level.

US$ millions	Total US$ exposure	Hedged amount	Unhedged amount	Profit effect of 1% currency change	**Group net profit effect**
Head Office[(i)]	1,191.8	-	1,191.8	-	**-**
MPIC	95.6	-	95.6	1.0	**0.4**
Indofood	134.4	-	134.4	1.3	**0.5**
PLDT	1,194.1	201.8	992.3	9.9	**1.8**
Philex	(20.5)	-	(20.5)	(0.2)	**(0.1)**
Total	**2,595.4**	**201.8**	**2,393.6**	**12.0**	**2.6**

(i) As the Group reports its results in U.S. dollars, unhedged U.S. dollar net debt at the Head Office does not give rise to any significant exchange exposure.

EQUITY MARKET RISK

As the majority of the Company's investments are listed, the Company is exposed to fluctuations in the equity market values of such investments. In addition, the value of the Company's investments may be impacted by sentiment towards specific countries.

INTEREST RATE RISK

The Company and its operating entities are exposed to changes in interest rates to the extent that they impact the cost of variable interest rate borrowings. An analysis of this for consolidated and associated companies follows.

Consolidated US$ millions	Fixed interest rate borrowings	Variable interest rate borrowings	Cash and cash equivalents[(i)]	**Net debt/ (cash)**
Head Office	1,086.8	631.1	(584.1)	**1,133.8**
MPIC	781.2	281.3	(255.3)	**807.2**
Indofood	447.1	1,137.5	(1,379.8)	**204.8**
Total	2,315.1	2,049.9	(2,219.2)	**2,145.8**
Associated				
PLDT	1,985.4	835.8	(905.3)	**1,915.9**
Philex	26.8	8.5	(40.6)	**(5.3)**

(i) Includes pledged deposits and restricted cash

The following table illustrates the estimated effect on the Group's reported profitability for a one per cent change in average annual interest rates in respect of the variable interest rate borrowings.

US$ millions	Variable interest rate borrowings	Profit effect of 1% change in interest rates	**Group net profit effect**
Head Office	631.1	6.3	**6.3**
MPIC	281.3	2.8	**1.2**
Indofood	1,137.5	11.4	**4.3**
PLDT	835.8	8.3	**1.5**
Philex	8.5	0.1	**-**
Total	**2,894.2**	**28.9**	**13.3**

ADJUSTED NAV PER SHARE

There follows a calculation of the Group's underlying worth.

At 31 December US$ millions	Basis	**2012**	2011
PLDT	(i)	**3,404.8**	3,203.3
MPIC	(i)	**1,574.4**	1,212.5
Indofood	(i)	**2,659.5**	2,230.0
Philex	(i)	**832.6**	1,085.0
Philex Petroleum	(i)	**208.1**	45.7
Head Office - Other asset	(ii)	**26.8**	-
- Net debt		**(1,133.8)**	(1,170.3)
Total valuation		**7,572.4**	6,606.2
Number of ordinary shares in issue (millions)		**3,827.6**	3,850.4
Value per share			
- U.S. dollar		**1.98**	1.72
- HK dollars		**15.43**	13.38
Company's closing share price (HK$)		**8.51**	8.08
Share price discount to HK$ value per share (%)		**44.8**	39.6

(i) Based on quoted share prices applied to the Group's economic interest
(ii) Represents a loan receivable from Philex

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

On 20 March 2012, the Company's Directors approved a new share repurchase program to spend, subject to the state of the financial markets, economic conditions affecting group companies and potential merger and acquisition opportunities, up to 10% of its annual recurring profit on share repurchases. The new program replaced the previous two-year program for repurchasing up to US$130 million (HK$1 billion) in value of the Company's shares by way of "on-market" repurchases that ended in early June 2012. Under the new program, the Company intends to allocate approximately US$42.3 million (HK$329.9 million) and US$36.0 million (HK$280.8 million), representing approximately 10% of the Company's recurring profit in respect of the financial years ended 31 December 2011 and 2012, to repurchase shares in the Company by way of "on-market" repurchases up to 31 May 2013 and during the period from 1 June 2013 to 31 May 2014, respectively.

During the year, the Company repurchased 52,348,000 (2011: 76,878,000) ordinary shares on The Stock Exchange of Hong Kong Limited (SEHK) at an aggregate consideration of HK$438.3 million (US$56.5 million) (2011: HK$538.2 million or US$69.4 million). These shares have been subsequently cancelled. Details of the repurchases are summarized as follows:

Month of repurchases	Number of ordinary shares repurchased	Purchase price paid per share Highest HK$	Purchase price paid per share Lowest HK$	Aggregate consideration paid HK$ millions	Aggregate consideration paid US$ millions
January 2012	3,424,000	9.08	7.74	29.6	3.8
February 2012	10,336,000	9.10	8.41	88.8	11.5
March 2012	3,688,000	9.00	8.55	32.1	4.2
April 2012	4,216,000	9.15	8.50	37.4	4.8
May 2012	12,544,000	8.63	7.51	100.3	13.0
June 2012	2,812,000	8.07	7.48	21.8	2.8
July 2012	1,710,000	8.40	8.27	14.3	1.8
September 2012	1,842,000	8.30	8.06	15.6	2.0
November 2012	8,704,000	8.55	8.05	72.5	9.3
December 2012	3,072,000	8.50	8.29	25.9	3.3
Total	**52,348,000**			**438.3**	**56.5**

The repurchases were effected by the Directors with a view to benefiting the shareholders as a whole by enhancing the Company's net assets and earnings per share.

Except as disclosed above, neither the Company, nor any of its subsidiary companies, has made any purchase, sale or redemption of any of the Company's listed securities during the year.

ADOPTION OF SHARE AWARD SCHEME

On 19 March 2013, the Board has resolved to adopt a share award scheme (Scheme). Employees and Directors of the Company and its subsidiaries (Group) are eligible to participate. Under the Scheme, the Board can select grantees of awards and determine the number of Shares to be awarded. An independent trustee (Trustee) will, at the direction of the Board (and depending on the form of the award made), either subscribe for new Shares to be issued by the Company at the relevant benchmarked price as stipulated in the Listing Rules or purchase existing Shares on the Stock Exchange, in each case, at the cost of the Company. The Trustee will hold the Shares on trust for the grantees of awards, until the Shares become vested (awards will generally be made subject to a vesting schedule requiring the grantee to remain an employee of the Group until and on each of the vesting dates - the Board may also impose other conditions to vesting as it considers appropriate). Vested Shares will be transferred to the grantees at no cost. Directors of the Group are not eligible to be granted awards of new Shares to be subscribed by the Trustee and issued by the Company, but are eligible to be granted awards of existing shares to be purchased by the Trustee. The Scheme does not constitute a share option scheme for the purposes of Chapter 17 of the Listing Rules. The Scheme will form part of the Company's long term incentive plan and operate alongside (albeit independently from) the existing share option scheme. Incentive awards may be granted under the Scheme alone or under the existing share option scheme alone, or under both the Scheme and the existing share option scheme in tandem.

The last phase of the long term incentive plan for the employees and Directors of the Group was fully concluded in September 2012. The Scheme is part of a new phase of the long term incentive plan. It is proposed that the initial cycle of awards (which will vest over 4.5 to 5 years) involving purchase of existing Shares on the Stock Exchange under the Scheme will be fully funded on an one-off basis by applying upto 50% of the US$36.0 million funding allocated for share repurchases (based on 10% of recurring profit for the year ended 31 December 2012). Those Shares purchased and held by the Trustee will not be cancelled. The Scheme will not impact the future share repurchases program of the Company. It is proposed that the initial cycle of awards (which will vest over 4.5 to 5 years) involving subscription of new Shares to be issued by the Company under the Scheme would represent approximately 0.1% of the issued share capital of the Company.

CORPORATE GOVERNANCE

First Pacific is committed to building and maintaining high standards of corporate governance. During the year ended 31 December 2012, the Company has carried out a review of its corporate governance practices involving one of its independent non-executive directors (INED) to ensure compliance with the Listing Rule amendments. The Company has also established a new Corporate Governance Committee comprising of a majority of INEDs and chaired by an INED. The Corporate Governance Committee will have the responsibility for supervision of the Company's corporate governance functions.

The Company has revised its own Code on Corporate Governance Practices (the First Pacific Code), which incorporates the principles and requirements set out in the Code on Corporate Governance Practices (formerly set out in Appendix 14 to the Main Board Listing Rules), and the Corporate Governance Code (the new edition of the Code on Corporate Governance Practices, which is applicable to financial reports covering a period after 1 April 2012).

Throughout the current financial year, First Pacific has applied these principles and complied with all code provisions on (a) Directors; (b) Remuneration of Directors and Senior Management and Board Evaluation; (c) Accountability and Audit; (d) Delegation by the Board; (e) Communication with Shareholders; and (f) Company Secretary through the current financial year; except for Code Provision A.6.7 requiring independent non-executive directors and non-executive directors to attend AGM and Code Provision E.1.2 requiring chairman of the board to attend AGM.

First Pacific has met all of the other recommended best practices in the CG Code throughout the current financial year, except for the (a) announcement and publication of quarterly results within 45 days after the end of the relevant quarter; and (b) disclosure of details of remuneration payable to members of senior management on an individual and named basis in the annual reports and accounts.

The Company does not issue quarterly financial results as most of our major operating units based in the Philippines, Indonesia and Singapore already issue quarterly reports. As such, we believe that the relevant information is already available in the public domain. The disclosure of details of remuneration payable to members of senior management on an individual and named basis would not provide, in our view, any pertinent information to the readers in assessing the performance of the Company.

Currently, the First Pacific Board is comprised of 12 members, of whom 5 are INEDs. In this respect, First Pacific is in compliance with the revised Listing Rule requirement of appointing INEDs representing at least one-third of the Board.

The Directors understand the need to continue to develop and refresh their knowledge and skills for making contributions to the Company. During the year ended 31 December 2012, certain Directors attended external seminars on topics relevant to their duties as Directors. The Company has also provided training during the year to update the Directors on current corporate governance practices and effective risk management and internal controls.

The Company's corporate governance information is set out in the Corporate Governance section of the Company's website.

Continuing Connected Transactions
During the year, the INEDs agreed with the Directors in relation to the following continuing connected transactions and approved the disclosure of those transactions in the form of published announcements:

- 20 January 2012 announcement: entering into of (1) framework agreement between Maynilad Water Services, Inc. ("Maynilad") and D.M. Consunji, Inc. ("Consunji") in relation to the provision of construction services by Consunji to Maynilad; and (2) renewal of a lease contract between Maynilad and DMCI Project Developers Inc.

- 30 August 2012 announcement: increase in the annual caps for 2012 and 2013 in respect of the existing Insurance transactions for the Indofood Group.

Internal Control and Risk Management
The Board is responsible for maintaining an adequate system of internal controls in the Group and reviewing their effectiveness through the Audit Committee.

In addition, during the year ended 31 December 2012, the Audit Committee reviewed and advised that:

- The internal controls and accounting systems of the Group function effectively and are designed to provide reasonable assurance that material assets are protected, business risks attributable to the Group are identified and monitored, material transactions are executed in accordance with management's authorization and the financial statements are reliable for publication and compliant with all relevant laws and regulations.
- There are processes in place for identifying, evaluating and managing the material business risks faced by the Group. Such processes are incorporated in all the Group's businesses. These processes were reviewed by a third party during the year with recommendations being incorporated in revised procedures for the four main operating businesses. In addition the reporting to First Pacific of risks, their review and impact on the businesses has been incorporated in the reporting process.
- There are adequate resources, qualified and experienced staff, training programs and budget for the Group's accounting and financial reporting function.

AUDIT OPINION
The auditors have expressed an unqualified opinion on the Group's financial statements for the year ended 31 December 2012 in their report dated 19 March 2013.

REVIEW STATEMENT BY THE AUDIT COMMITTEE
The Audit Committee has reviewed the 2012 annual results, including the accounting policies and practices adopted by the Group.

FINAL DIVIDENDS
The Board has recommended a final cash dividend of HK13.00 cents (U.S. 1.67 cents) per ordinary share. Subject to approval by shareholders at the 2013 Annual General Meeting, the final dividend will be paid in the currencies in accordance with the registered address of the shareholders (i.e. HK dollars for Hong Kong, Macau and PRC shareholders, Sterling pounds for UK shareholders and U.S. dollars for shareholders of all other countries). It is expected that the dividend warrants will be dispatched to shareholders on or about Monday, 24 June 2013.

CLOSURE OF REGISTER OF MEMBERS
1. Annual General Meeting
The Register of Members will be closed from Tuesday, 28 May 2013 to Thursday, 30 May 2013, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the Annual General Meeting ("AGM"), all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong Branch Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Monday, 27 May 2013.

2. Proposed Final Dividend
The Register of Members will be closed from Tuesday, 11 June 2013 to Thursday, 13 June 2013, both days inclusive, during which period no transfer of shares will be registered. The ex-dividend date will be Friday, 7 June 2013. In order to qualify for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong Branch Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Monday, 10 June 2013. The final dividend will be paid to shareholders whose names appear on the Register of Members on Thursday, 13 June 2013 and the payment date will be on or about Monday, 24 June 2013.

AGM
The AGM will be held at The Landmark Mandarin Oriental, Hong Kong on Thursday, 30 May 2013 at 3:00 p.m. The Notice of AGM will be published on the website of the Company (www.firstpacific.com) and the designated issuer website of the Stock Exchange (www.hkexnews.hk), and be despatched to shareholders by the end of April 2013.

RESULTS ANNOUNCEMENT AND ANNUAL REPORT
This final results announcement is published on the website of the Company (www.firstpacific.com) and the designated issuer website of the Stock Exchange (www.hkexnews.hk). The 2012 Annual report containing all the information required by the Listing Rules will be mailed to shareholders and made available on the above websites by the end of April 2013.

On behalf of the Board of Directors
First Pacific Company Limited
Manuel V. Pangilinan
Managing Director and Chief Executive Officer

Hong Kong, 19 March 2013

As at the date of this announcement, the Board of the Company comprises the following Directors:

Executive Directors:
Manuel V. Pangilinan, *Managing Director and CEO*
Edward A. Tortorici
Robert C. Nicholson

Non-executive Directors:
Anthoni Salim, *Chairman*
Benny S. Santoso
Tedy Djuhar
Napoleon L. Nazareno

Independent Non-executive Directors:
Graham L. Pickles
Prof. Edward K.Y. Chen, *GBS, CBE, JP*
Jun Tang
Margaret Leung Ko May Yee, *SBS, JP*
Philip Fan Yan Hok