



FIRST PACIFIC COMPANY LIMITED

## Press Release

### 2010 INTERIM FINANCIAL RESULTS

**RECURRING PROFIT AT US\$191.9 MLN, UP 50.5%  
INTERIM DIVIDEND AT 6.0 HK CENTS, UP 50.0%  
CORE INCOME UP AT ALL OPERATING COMPANIES**

- Recurring profit up 50.5% to US\$191.9 mln vs. US\$127.5 mln a year earlier
- Reported net income up 14.7% to US\$188.5 mln vs. US\$164.3 mln
- Turnover up 19.5% to US\$2.16 bln vs. US\$1.81 bln
- Earnings per share up 0.6% to 4.88 U.S. cents per share vs. 4.85 U.S. cents per share reflecting effect of December 2009 rights issue on higher profit figure
- Interim dividend of 6.0 HK cents (0.77 U.S. cents) per share declared vs. 4.0 HK cents (0.51 U.S. cents) per share
- All operating companies report higher core net income in first half of 2010
- Capital management program sees share price up 13.6% following share repurchase announcement

*Hong Kong*, 30<sup>th</sup> August 30, 2010 – First Pacific Company Limited (HKSE: 00142) (“First Pacific” or the “Company”) today reported its unaudited financial results for the first six (6) months of 2010 with recurring profit rising 50.5% to US\$191.9 million from US\$127.5 million a year earlier as acquisitions and investments made in earlier periods by First Pacific and its operating companies delivered increased contribution to earnings.

Reported net income rose 14.7% to US\$188.5 million from US\$164.3 million reported in the same period last year as a result of significantly stronger earnings by all operating businesses. Turnover rose 19.5% to US\$2.16 billion from US\$1.81 billion a year earlier.

“These strong first-half results from First Pacific reflect improved performance of our operating companies and our active management in them,” said Manuel V. Pangilinan, Managing Director and Chief Executive Officer of the Company. “Taken together with our

capital management program, these first-half financial results give us strong ground for optimism for the year as a whole.”

First Pacific is a major shareholder in the Philippines’ biggest telecommunications, infrastructure and mining companies and in Indonesia’s biggest vertically-integrated food company. (Further details regarding these operating companies’ first-half financial results are below.)

Contributions from operations rose 44.8% to US\$219.3 million from US\$151.4 million as each of the four operating companies reported better results. Basic earnings per share rose to 4.88 U.S. cents (38.1 HK cents) from 4.85 U.S. cents (37.8 HK cents) a year earlier (restated for the impact of a one-for-five rights issue completed in December 2009).

The Company’s Board of Directors declared an interim dividend of 6.0 HK cents (0.77 U.S. cents) per share, up 50% from 4.0 HK cents (0.51 U.S. cents) per share in the 2009 interim dividend.

The interim dividend payment is a key component of the Company’s capital management program: a policy of returning a minimum of 25% of full-year recurring profit to shareholders in the form of dividends. First Pacific has increased its dividend every year since 2005.

A further component of First Pacific’s capital management program is a share repurchase program announced 1<sup>st</sup> June 2010 committing the Company to buying First Pacific shares from the market up to an aggregate value of US\$130 million, at the time about 10% of the entire free float in First Pacific shares. Since the program was announced, US\$2.7 million has been invested in the repurchases and the Company’s share price has risen 13.6% as of the closing price on 27<sup>th</sup> August while the Hang Seng Index has risen just 5.6%.

Pointing to the improvement in share price, Pangilinan commented, “We are gratified with the recent rise in our share price, reflecting both improving earnings prospects for the Company and our overall capital management program. Still, much work needs to be done.”

First Pacific’s profit increase in the first half of 2010 was driven mostly by higher contributions from PT Indofood Sukses Makmur Tbk (“Indofood”) and Metro Pacific Investments Corporation (“MPIC”). Indofood produced improved operating margins in all its businesses. MPIC’s contribution was lifted in turn by its share of earnings from its 17.4% effective economic interest in Manila Electric Company (“Meralco”), the biggest electricity distributor in the Philippines, and a doubling of the contribution made by its Maynilad Water Services, Inc. (“Maynilad”) subsidiary, the biggest water distributor in the country.

Non-recurring items in First Pacific’s first-half earnings swung from a net gain of US\$25.0 million in the first half of 2009 to a net loss of US\$10.1 million in the first half of 2010, principally reflecting the Group’s share of Meralco’s non-recurring losses, and provision and write-off of certain assets. In the previous period, the Group benefitted when a provision for deferred credits at Maynilad was reversed and uncertainty over tariff rates was resolved with the regulator.

First Pacific’s gross debt at the end of June 2010 stood at US\$996.0 million, up from US\$921.4 million as at 31<sup>st</sup> December 2009. Net interest expenses increased to US\$15.5 million from US\$11.7 million.

In July 2010, the Company sold US\$300 million of seven-year senior guaranteed secured bonds carrying a coupon of 7.375% and backed by shares in MPIC. The bond issue financed repayment of borrowings, diversified the Company's sources of funding, lengthened its debt maturity profile and reduced the share of the Company's borrowings charged at floating interest rates from about 65% to about 35% of the total.

First Pacific's adjusted net asset value (NAV) per share – a key metric in the financial analysis of investment holding companies – has held steady so far this year. At the close of business 27<sup>th</sup> August 2010, NAV per share stood at HK\$11.29, 8.9% higher than the HK\$10.37 recorded last 31<sup>st</sup> December 2009. During the same period, First Pacific's share price has risen 21.9% to HK\$5.78, reflecting improving confidence in the Company, even as the Hang Seng Index fell 5.8% during the period.

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

## REVIEW OF OPERATIONS

Each of First Pacific's subsidiaries and associated companies reported higher core net income in the first half of 2010 than in the same period of 2009. Three of them declared interim dividends to shareholders, adhering to First Pacific's philosophy of unlocking value and returning that value to shareholders in the form of dividends and growth in share price.

**Philippine Long Distance Telephone Company** ("PLDT") contributed US\$113.3 million to First Pacific, up 10.1% from US\$102.9 million a year earlier, or 51.7% of the aggregate contribution made by subsidiary and associated companies. PLDT's reported net income was boosted by a net gain from foreign exchange revaluation of financial assets and liabilities and derivatives compared to a net loss in the year-earlier period.

Consolidated core net income rose 2% to Pesos 21.2 billion from Pesos 20.8 billion a year earlier. The increase was larger in U.S. Dollar terms as a result of a 4.9% rise of the average Peso exchange rate in the period, gaining 7% to US\$463 million from US\$433 million a year earlier. The rise in core net income was due in large part to the contribution from PLDT's economic interest in Meralco and a decline in the cost of sales offset in part by higher net financing costs and lower other income. Consolidated service revenues slipped 1% to Pesos 72.2 billion, though in dollar terms they rose to US\$1.58 billion from US\$1.52 billion.

Among PLDT's three main businesses, wireless revenues were stable at Pesos 47.9 billion (US\$1.05 billion); fixed line service revenues declined 1% to Pesos 25.2 billion (US\$550.1 million); and ePLDT, the information and communications technology arm of PLDT, reported an increase of 1% in service revenues to Pesos 5.3 billion (US\$115.7 million) from Pesos 5.2 billion (US\$108.2 million).

PLDT's board of directors declared an interim dividend of Pesos 78 per share, consistent with its commitment to pay out a minimum ratio of 70% of consolidated core earnings.

More details are available at [www.pldt.com](http://www.pldt.com).

**Metro Pacific Investments Corporation** ("MPIC") contributed US\$22.7 million to First Pacific, up 55.5% from US\$14.6 million a year earlier as the contribution by Maynilad, the

largest water distributor in the Philippines, more than doubled and the contribution from electricity distributor Meralco came on-stream. Metro Pacific Tollways Corporation, the largest toll road operator in the Philippines, saw a rise in its contribution commensurate with a slight increase in traffic. MPIC's healthcare operations contributed less than a year earlier owing to increased investments for future growth and a decline in student numbers at nursing schools.

Consolidated core net income at MPIC more than doubled to Pesos 1.93 billion (US\$42.0 million) from Pesos 716 million (US\$14.9 million) a year earlier. Reported net income rose 3.0% to Pesos 1.75 billion (US\$38.3 million) from Pesos 1.70 billion (US\$35.3 million) as revenues grew 18.0% to Pesos 8.86 billion (US\$193 million) from Pesos 7.51 billion (US\$156 million).

The contribution increase from Maynilad came on the strength of a 10% increase in billed water volume to 183 million cubic meters and a 13% average tariff rise. Meralco, acquired in the period October 2009 to March 2010, contributed earnings for a full half-year for the first time. Energy sales in the first half of 2010 rose 14% to 14,950 Gigawatt hours and the average tariff rose one-third after more than six (6) years of stagnation.

MPIC's board of directors declared an inaugural interim dividend of 1.0 centavos per share and will announce a dividend policy in early 2011.

More details are available at [www.mpic.com.ph](http://www.mpic.com.ph).

**PT Indofood Sukses Makmur Tbk ("Indofood")** saw its contribution to First Pacific rise 150.6% to US\$79.7 million from US\$31.8 million a year earlier largely because of stronger performances by the Consumer Branded Products ("CBP") and Bogasari groups. Indofood was also helped by lower net interest expenses, though these were partly offset by a weaker performance of the Agribusiness group in the wake of severe weather affecting crude palm oil production, particularly in South Sumatra.

Core net income rose 132.1% to Rp1.38 trillion (US\$150.0 million) in the first half of 2010 from Rp595.2 billion (US\$54.0 million) on the strength of the Bogasari and CBP contributions. Reported net income jumped 76.4% to Rp1.41 trillion (US\$155.3 million) from Rp799.7 billion (US\$72.6 million) as revenues rose to Rp18.12 trillion (US\$1.97 billion) from Rp18.08 trillion (US\$1.65 billion).

Most significantly, Indofood raised its average margin on earnings before interest and tax (EBIT margin) to 17.2% in the period from 12.3% a year earlier attributable from enhanced marketing focus, extended and improved distribution channels, and lower input costs.

More details are available at [www.indofood.com](http://www.indofood.com).

**Philex Mining Corporation ("Philex")** reported a 71.4% greater contribution to First Pacific in the first half of 2010 at US\$3.6 million, up from US\$2.1 million a year earlier, boosted largely by an increase in First Pacific's economic interest in Philex and by higher prices for the copper, gold and silver mined by Philex.

Core net income rose 3.8% to Pesos 984 million (US\$21.5 million) from Pesos 948 million (US\$19.7 million) because increased ore production and higher prices for Philex's metals output offset lower ore quality. Revenues rose 10.1% to Pesos 4.86 billion (US\$106.1 million) from Pesos 4.41 billion (US\$91.8 million) a year earlier.

Reported net income declined 16.7% to Pesos 974 million (US\$21.3 million) in the first half of 2010 from Pesos 1.17 billion (US\$24.3 million) a year earlier when earnings were lifted by a non-recurring gain.

Philex's board of directors declared an interim dividend of 5.0 centavos per share, representing a payout ratio of about 25% of core earnings.

More details are available at [www.philexmining.com.ph](http://www.philexmining.com.ph)

## OUTLOOK

Each of First Pacific's operating companies expressed cautious optimism with respect to their outlook for the second half of 2010. PLDT's core net income for 2010 has been guided at being north of Pesos 41.0 billion (US\$895 million), ahead of the 2009 figure, as it maintains market share in an increasingly competitive environment. MPIC, the infrastructure arm of First Pacific, raised its guidance for core net income for the year to Pesos 3.3 billion (US\$72.0 million) from Pesos 3.0 billion (US\$65.5 million) earlier. Indofood's strong operating margins are driving improved performance, while Philex is targeting higher-quality ore in the second half of the year.

First Pacific Chief Executive Pangilinan concluded, "I see MPIC's toll road unit expanding north and south. Meralco is looking into electricity generation and Philex is preparing to begin work at the very significant Silangan project while it examines other expansion possibilities as well. Maynilad is developing into an extremely valuable investment while improving the lives of millions of people in greater Manila. Our crown jewel, PLDT, is leveraging its domination of cellular and fixed-line services to bring affordable data services to the country. Indofood continues to strengthen its market share and profit margins in an increasingly competitive environment and we expect a successful spin-off of its Consumer Branded Products division later this year."

He added, "We have worked hard to build such a strong portfolio and it is gratifying to see results being delivered to our shareholders. This gives me great confidence for the rest of the year."

### Further information and analysis

Attached to this news release are:

- First Pacific's condensed consolidated income statement
- Condensed consolidated statement of financial position
- Summary of contributions by operating companies

More details about the first-half earnings of First Pacific and of its operating companies can be found on [www.firstpacific.com](http://www.firstpacific.com) under the Investor Relations tab. The 2009 Interim Report will be posted to the website and to shareholders before the end of September 2010.

**Corporate Profile**

First Pacific is a Hong Kong-based investment and management company with operations located in Asia. Its principal businesses are in telecommunications, infrastructure, consumer food products and natural resources. Listed in Hong Kong (Stock code: 00142), First Pacific's shares are also available in the United States through American Depositary Receipts (ADR code: FPAFY). For further information, see [www.firstpacific.com](http://www.firstpacific.com).

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**Condensed Consolidated Income Statement - Unaudited**

<b>For the six months ended 30 June</b>	<b>2010</b>	2009
	<b>US\$m</b>	US\$m
<b>Turnover</b>	<b>2,161.5</b>	1,809.1
Cost of sales	<b>(1,384.8)</b>	(1,279.8)
<b>Gross profit</b>	<b>776.7</b>	529.3
Gain on disposals and dilutions	<b>1.5</b>	-
Distribution costs	<b>(174.6)</b>	(137.8)
Administrative expenses	<b>(175.7)</b>	(138.5)
Other operating (expenses)/income, net	<b>(7.5)</b>	96.9
Net borrowing costs	<b>(118.2)</b>	(110.7)
Share of profits less losses of associated companies and joint ventures	<b>141.2</b>	114.1
<b>Profit before taxation</b>	<b>443.4</b>	353.3
Taxation	<b>(86.8)</b>	(52.7)
<b>Profit for the period from continuing operations</b>	<b>356.6</b>	300.6
Profit for the period from a discontinued operation	<b>-</b>	2.7
<b>Profit for the period</b>	<b>356.6</b>	303.3
<b>Attributable to:</b>		
Owners of the parent	<b>188.5</b>	164.3
Non-controlling interests	<b>168.1</b>	139.0
	<b>356.6</b>	303.3

**Ordinary share dividend - Interim**

HK6.00 cents (U.S. 0.77 cent)		
(2009: HK4.00 cents or U.S. 0.51 cent) per share	<b>29.9</b>	16.5

<b>For the six months ended 30 June</b>	<b>2010</b>	2009
	<b>US¢</b>	(Restated) US¢
<b>Earnings per share attributable to owners of the parent</b>		
Basic		
- For profit from continuing operations	<b>4.88</b>	4.76
- For profit from a discontinued operation	<b>-</b>	0.09
- For profit for the period	<b>4.88</b>	4.85
Diluted		
- For profit from continuing operations	<b>4.75</b>	4.70
- For profit from a discontinued operation	<b>-</b>	0.09
- For profit for the period	<b>4.75</b>	4.79

## Condensed Consolidated Statement of Financial Position

	(Unaudited) At 30 June 2010 US\$m	(Audited) At 31 December 2009 US\$m
<b>Non-current assets</b>		
Property, plant and equipment	1,151.3	1,059.0
Plantations	1,086.4	1,009.2
Associated companies and joint ventures	2,305.3	2,068.0
Goodwill	793.8	775.2
Other intangible assets	1,811.2	1,728.4
Accounts receivable, other receivables and prepayments	8.2	6.6
Prepaid land premiums	190.2	183.0
Available-for-sale assets	2.1	2.1
Deferred tax assets	72.9	58.3
Other non-current assets	240.4	305.9
	<b>7,661.8</b>	<b>7,195.7</b>
<b>Current assets</b>		
Cash and cash equivalents	889.8	936.6
Restricted cash and pledged deposits	29.3	29.2
Available-for-sale assets	47.0	40.4
Accounts receivable, other receivables and prepayments	471.1	639.1
Inventories	558.5	549.2
Assets held for sale	7.1	7.1
	<b>2,002.8</b>	<b>2,201.6</b>
<b>Current liabilities</b>		
Accounts payable, other payables and accruals	718.3	628.2
Short-term borrowings	865.9	829.7
Provision for taxation	65.0	68.9
Current portion of deferred liabilities and provisions	69.0	73.5
	<b>1,718.2</b>	<b>1,600.3</b>
<b>Net current assets</b>	<b>284.6</b>	<b>601.3</b>
<b>Total assets less current liabilities</b>	<b>7,946.4</b>	<b>7,797.0</b>
<b>Equity</b>		
Issued share capital	38.8	38.6
Retained earnings	704.2	556.4
Other components of equity	1,335.9	1,321.2
Equity attributable to owners of the parent	2,078.9	1,916.2
Non-controlling interests	2,278.8	2,122.9
<b>Total equity</b>	<b>4,357.7</b>	<b>4,039.1</b>
<b>Non-current liabilities</b>		
Long-term borrowings	2,684.5	2,855.6
Deferred liabilities and provisions	500.0	507.0
Deferred tax liabilities	404.2	395.3
	<b>3,588.7</b>	<b>3,757.9</b>
	<b>7,946.4</b>	<b>7,797.0</b>



## Contribution Summary

For the six months ended 30 June US\$ millions	Turnover		Contribution to Group profit <sup>(i)</sup>	
	2010	2009	2010	2009
PLDT <sup>(ii)</sup>	-	-	113.3	102.9
MPIC	193.4	156.2	22.7	14.6
Indofood	1,968.1	1,652.9	79.7	31.8
Philex <sup>(ii)</sup>	-	-	3.6	2.1
<b>From Operations</b>	<b>2,161.5</b>	<b>1,809.1</b>	<b>219.3</b>	<b>151.4</b>
Head Office items:				
– Corporate overhead			(8.5)	(7.8)
– Net interest expense			(15.5)	(11.7)
– Other expenses			(3.4)	(4.4)
<b>Recurring Profit</b>			<b>191.9</b>	<b>127.5</b>
Foreign exchange and derivative gains <sup>(iii)</sup>			5.6	3.3
Gain on changes in fair value of plantations			1.1	8.4
Non-recurring items <sup>(iv)</sup>			(10.1)	25.1
<b>Profit Attributable to Owners of the Parent</b>			<b>188.5</b>	<b>164.3</b>

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

(ii) Associated companies.

(iii) Foreign exchange and derivative gains represent the gains 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.

(iv) 1H10's non-recurring losses of US\$10.1 million mainly represent the Group's share of Meralco's non-recurring losses, and provision and write-off of certain assets. 1H09's non-recurring gains of US\$25.1 million mainly represent Maynilad's reversal of provision for deferred credits following a resolution of the issue of new tariff rates with the regulator.