



**FIRST PACIFIC COMPANY LIMITED**  
**第一太平有限公司**

*(Incorporated with limited liability under the laws of Bermuda)*

## Press Release

**Wednesday, 7 November 2018**

**MPIC strong nine-month results;  
Investing for future growth – about P2.5 of capex for  
every P1 of core net income**

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

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

Further information on MPIC can be found at [www.mpic.com.ph](http://www.mpic.com.ph)

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## PRESSRELEASE

### **Strong Nine-Month Results Investing for Future Growth – about ₱2.5 of Capex for Every ₱1 of Core Net Income**

- *Power distributed in Luzon +5%*
- *Power sold in Visayas +12%*
- *Domestic toll road traffic +7%*
- *Volume of water sold in Metro Manila West +3%*
- *Hospital group census +11%*

- 9M2018 Core Net Income up 8% to ₱12.2 Bln from ₱11.3 Bln in Sep 2017
- Reported Net Income attributable to shareholders up 12% to ₱12.5 Bln
- System-wide revenues including MERALCO up 8% to ₱302.9 Bln
- Fully Diluted Core Net Income per share up 8% to 38.62 centavos
- MERALCO Core Net Income ₱16.7 Bln, Core EBITDA ₱26.6 Bln
- Global Power Core Net Income ₱1.9 Bln, Core EBITDA ₱6.8 Bln
- Tollways Core Net Income ₱3.3 Bln, Core EBITDA ₱7.8 Bln
- Maynilad Water Core Net Income ₱6.1 Bln, Core EBITDA ₱11.7 Bln
- Hospital Group Core Net Income ₱1.8 Bln, Core EBITDA ₱4.1 Bln
- Light Rail, Logistics and Other businesses contributed ₱26 Mln
- MPIC Group capex for 9M2018 at ₱34.1 Bln excluding acquisitions

MANILA, Philippines, 7<sup>th</sup> November 2018 – Metro Pacific Investments Corporation (“MPIC” or the “Company”) (PSE: MPI) today reported an 8% rise in consolidated Core Net Income to ₱12.2 billion for the nine (9) months ended 30<sup>th</sup> September 2018 from ₱11.3 billion for the first nine months of 2017, slowing slightly in the third quarter from the previous two.

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

Power accounted for ₱8.5 billion or 55% of net operating income; Tollroads contributed ₱3.3 billion or 21%; Water contributed ₱3.0 billion or 20%; the Hospitals Group provided ₱586 million or 4%; and the Rail, Logistics and Systems Group delivered ₱26 million.

Consolidated Reported Net Income attributable to owners of the parent company rose 12% to ₱12.5 billion in the period. Non-recurring income amounted to ₱297 million, compared with non-recurring expenses of ₱202 million a year earlier, driven mainly by foreign exchange gains at Manila Electric Company (“MERALCO”).

“Our Core Income growth year to date is strong. Volume growth in Q3 slowed due to a combination of rising inflation and unusually damp and cool weather, to which our residential customers in the power sector are especially sensitive,” said Jose Ma. K. Lim, President and Chief Executive Officer of MPIC.

“I expect volumes to recover to more normalized levels in the last three months of the year, but more fundamentally, our extensive investment program is leading to rising finance costs,” he said. “It will be some time before our new road, water and logistics projects are completed, and able to make a contribution to earnings. In the meantime, the immediate debt costs incurred to support these investments during their completion period would likely have an effect on near – term profit outlook.”

Lim went on to say, “We have made partial progress on our regulatory issues. In water, following a constructive and professional rate rebasing we were awarded a 16.2% tariff increase – excluding inflation – to be implemented on a staggered basis. Unfortunately, this rebasing didn’t address the corporate income tax recovery issue inherited from the previous administration which we continue to pursue. In this regard, the court in Singapore declined to uphold the RoP’s application to set aside our arbitration award for ₱6.7 billion for revenue shortfalls associated with failure to increase our tariff in the 2013-2017 business plan cycle. We hope that this would be paid.”

Turning to toll roads Lim said, “We are awaiting notice to publish new toll rates which address part of the pending tariff increase issues, albeit also on a staggered basis. We still have further to go before resolving this issue in full, but the progress to date is encouraging and our regulators are being constructive.”

Lim concluded, “Our increasing funding costs are likely to be a drag on our Q4 Core

Income progress and I expect this to continue in to 2019.”

## **Operational Review**

### **POWER:**

MPIC’s power business contributed ₱8.5 billion to Core Net Income in the first nine months of 2018, an increase of 12% driven by the June 2017 purchase of the last 25% in Beacon Electric not already owned by MPIC and good results at MERALCO which more than offset a decline at Global Business Power Corporation (“Global Power”).

### **MERALCO**

MERALCO’s Core Net Income for the first nine months of 2018 rose 9% to ₱16.7 billion. Core Net Income growth was driven by a 5% increase in energy sales on slightly lower tariffs, and a reversal of provisions following the adoption of a new accounting standard.

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

Total revenues rose 6% to ₱227.4 billion on higher energy sales together with increased pass-through generation charges partly offset by customers transitioning to other retail electricity sellers.

MERALCO spent ₱10.1 billion on capital expenditures in the first nine months of 2018 to address critical loading of existing facilities and to support growth in demand and customer connections.

On MERALCO’s key power generation projects through MERALCO PowerGen Corporation (“MGen”):

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

*The full text of MERALCO's Earnings Press Release issued on 29<sup>th</sup> October 2018 is available at <http://www.meralco.com.ph>.*

## **Global Power**

Global Power sold 3,656 GWH in the first nine months of 2018, an increase of 12% from a year earlier. However, Core Net Income for the first nine months of 2018 declined 9% to ₱1.9 billion due to a combination of: the start of depreciation expense for Panay Energy Development Corporation's new 150 MW plant on 1<sup>st</sup> June 2018; lower margins from WESM sales due to higher coal and fuel costs, partly offset by trading gains; and higher repairs and maintenance costs for preventive maintenance.

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

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

## **TOLLROADS:**

Metro Pacific Tollways Corporation ("MPTC") recorded Core Net Income of ₱3.3 billion in the first nine months of 2018, an 9% increase from ₱3.0 billion a year earlier. The number of system-wide vehicle entries rose 55% to an average of 916,169 a day due mainly to the traffic contribution from its investment in PT Nusantara Infrastructure Tbk ("Nusantara") in Indonesia.

### Tollroads in the Philippines:

Average daily vehicle entries for all three of our domestic tollways system (NLEX, CAVITEX and SCTEX) rose 7% to 471,634 compared with 438,861 in the first nine months of 2017.

Traffic grew 8% on the NLEX and surged by 14% on the SCTEX following integration of these two roads and opening of additional lanes in 2017. Traffic on the CAVITEX rose 5% driven by growth in residential communities in Cavite and tourism in Batangas.

Tollroad projects are steadily moving ahead:

	Length (In Km)	Construction Cost (In Billions)	Target Completion	Right of Way Progress
<b>Expansions to existing roads</b>				
NLEX Harbour Link (Segment 10)	5.8	₱10.5	2018	99%
NLEX Harbour Link (Radial Road 10)	2.6	6.7	2019	92%
NLEX Lane Widening Phase 2	N/A	2.1	2020	N/A
CAVITEX - C5 South Link	7.7	12.7	2021	75%
CAVITEX Segment 4 Extension	1.2	1.2	2021	85%
<b>Stand-alone road projects</b>				
Cavite Laguna Expressway	45.4	16.6	2021	40%
NLEX-SLEX Connector Road	8.0	23.3	2021	59%
Cebu Cordova Link Expressway	8.5	26.6	2021	100%
<b>TOTAL</b>	<b>79.2</b>	<b>₱99.7</b>		

Including concession fees and financing costs, MPTC currently expects to spend a total of approximately ₱99.7 billion build these roads. This would increase by approximately ₱25 billion if MPTC were to secure the Cavite-Tagaytay-Batangas Expressway for which it was recently awarded Original Proponent status.

The amount of this investment is an estimate that assumes satisfactory resolution of various overdue tariff adjustments, now ranging between 20% and 48% on different parts of the network, without which further investment will be delayed. MPTC is waiting on notice to publish increased toll rates for NLEX and SCTEX, which would address part of these pending tariff increases albeit on a staggered basis. Full implementation of overdue tariff adjustments has yet to be agreed.

#### Tollroads outside the Philippines:

DMT in Bangkok reported a 2% increase in daily traffic to 99,684 in the first nine months of 2018.

In Vietnam, CII B&R saw a decline in vehicle entries to 33,045 due to the end of the concession for the Rach Chiec Bridge. Traffic is expected to improve again by approximately 23,000 with the opening of part of the Hanoi Highway Expansion before the end of 2018.

Nusantara's traffic in Indonesia rose 2% to 311,806 in the first nine months of 2018. In July of this year, MPTC increased its interest in Nusantara from 48.3% to 53.3% on a fully-diluted basis. This step-up acquisition triggered the need for a General Offer for the balance of the Nusantara shares which further increased MPTC's ownership to 77.94%.

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

## **WATER:**

MPIC's water business comprises investments in Maynilad, the biggest water utility in the Philippines, and MetroPac Water Investments Corporation ("MPW"), focused on business development outside Metro Manila. The water segment's contribution to Core Net Income amounted to ₱3.0 billion in the first nine months of 2018, most of it attributable to Maynilad.

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

On 14<sup>th</sup> September 2018, MWSS approved Maynilad's Rebasing adjustment for the Fifth Rate Rebasing Period (2018 to 2022) of ₱5.73 per cubic meter which will be implemented on a staggered basis over four years.

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

- In 2015, Maynilad received an arbitration award in its favor against the Metropolitan Waterworks and Sewerage System ("MWSS"), which centered on treatment of Corporate Income Tax as an expense to be recovered through the tariff. The dispute on implementing this tariff is working its way through the Philippine Court System with MWSS now seeking recourse to the Supreme Court following awards in Maynilad's favor by lower courts.
- On 24<sup>th</sup> July 2017, Maynilad was notified by an arbitration panel in Singapore that it had ruled in Maynilad's favor on its claim to recover from the Republic of the Philippines ("RoP") revenues forgone because of the failure to increase tariff (₱6.7 billion as of 31<sup>st</sup> December 2017). On 4<sup>th</sup> October 2018, the Singapore High Court upheld the award in favor of Maynilad and dismissed RoP's Setting Aside Application in February 2018.

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

Revenues in the first nine months of 2018 rose 6% to ₱16.6 billion from ₱15.6 billion in the same period last year, lifted by a 3% increase in volume sold and inflation-linked tariff increases of 1.9% in April 2017 and 2.8% in January 2018. The number of water connections (or billed customers) rose 4% to 1,395,958 at the end of September 2018.

Core Net Income for the first nine months of 2018 rose 10% to ₱6.1 billion, driven by revenue growth, lower tax provisions and lower interest expense.

Non-Revenue Water ("NRW") measured at the District Metered Area level fell to 29.1% as at the end of September 2018 from 32.5% in September 2017 while total NRW is now down to 39.6%.

Capital expenditure for the first nine months of 2018 stood at ₱9.0 billion, much of it directed to upgrading and building reservoirs and pumping stations, laying primary pipelines, and construction of wastewater facilities to improve public health.

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

### **MetroPac Water Investments Corporation (“MPW”)**

Outside the Maynilad concession which currently bills 1,439 Million Liters per Day (“MLD”), MPW currently bills 250 MLD. MPW is expanding MPIC’s water investment portfolio with up to 393 MLD of installed capacity in the Philippines and 660 MLD in Vietnam, when these projects are completed. A further 430 MLD of projects around the Philippines are under negotiation and awaiting final award.

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

### **HOSPITALS:**

Metro Pacific Hospital Holdings, Inc. (“MPHHI”) reported a 15% rise in aggregate revenues for the first nine months of 2018 on the strength of an 11% increase in out-patient visits to 2,534,985 and a 15% growth in in-patient admissions to 143,579. Part of this performance is a result of investments we made in Jesus Delgado Memorial Hospital in Quezon City and St. Elizabeth Hospital in General Santos City in 2017.

On 1<sup>st</sup> August 2018, MPHHI made a Voluntary Tender Offer to acquire an additional 14.75% share in Davao Doctors Hospital (“DDH”). The result of this tender increased its ownership from 35.16% to 49.91%.

MPHHI is driving enhancements in patient care offerings and providing new service centers for the communities it serves. This continues to attract new patients to our network, though costs associated with the initial rollout of some of these new programs at the start of this year held back the growth in contribution to MPIC to 13%.

### **RAIL:**

As at 30<sup>th</sup> September 2018, LRMC had successfully restored 35 Light Rail Vehicles (“LRVs”), bringing the total available LRVs to 112 from the 77 it inherited in 2015. This major increase in available capacity has reduced passenger waiting time to 3.5 minutes during peak hours from more than five minutes when LRMC took over.

The majority of the ₱750 million 20 station improvement project has been completed and the remaining work will be finished by mid-2019. LRMC is currently doing pre-construction preparations for the LRT-1 Cavite Extension. On-site construction works are expected to begin by early next year but long-overdue tariff increases must be resolved to make this financeable.

LRMC served an average daily ridership of 452,892 in the first nine months of 2018, an improvement of 5% from a year earlier while the highest daily ridership was 575,000, up from 549,000 a year earlier.

LRMC contributed ₱299 million to MPIC's Core Income for the first nine months of 2018.

## **LOGISTICS:**

Metropac Movers, Inc. ("MMI") is now an established force in the Philippines. Average warehouse dispatch for the first nine months of 2018 was up 7% at over 46.3 million cases compared with 43.4 million cases in the same period last year. The focus of this business is to provide our clients with first-class transportation, warehousing, and order fulfillment as we broaden our service offering to include cross docking and freight forwarding.

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

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

## **Conclusion and Outlook**

"We are pleased with the performance of MPIC companies for the nine (9) months," said MPIC Chairman Manuel V. Pangilinan.

"We are beginning to see resolution of some of our long-pending tariff issues. Despite this partial resolution, this should go some way to assuaging investor concerns that the RoP or its agencies might not honour their agreements. However, the shape of these resolutions in terms of staggered implementation and concession extensions, while constructive, means short-term revenue gains won't be enough to offset rising financing costs arising from our accelerating investment program. I think it is fair to say that these ongoing challenges would make us focus largely on enhancing our current infrastructure projects, rather than on new ones. Accordingly, we now expect this to be a drag on earnings in the near - term."

Turning to the outlook for the full year the Chairman concluded that, "Volumes should be better than in the third quarter. I expect minimal growth in Q4 Core Net Income compared with the same quarter last year. We are working hard but constructively with Government to resolve pending issues involving tariffs and rights of way."

## **Forward Looking Statements**

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

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**METRO PACIFIC INVESTMENTS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Amounts in Peso Millions)

	Unaudited September 30, 2018	Audited December 31, 2017
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents and short-term deposits	<b>₱45,509</b>	₱49,317
Restricted cash	<b>4,545</b>	4,047
Receivables	<b>13,073</b>	10,899
Other current assets	<b>12,385</b>	10,432
	<b>75,512</b>	74,695
Assets held for sale	<b>1,247</b>	250
<b>Total Current Assets</b>	<b>76,759</b>	74,945
<b>Noncurrent Assets</b>		
Investments and advances	<b>149,230</b>	150,971
Service concession assets	<b>195,069</b>	168,783
Property, plant and equipment	<b>72,048</b>	67,606
Goodwill	<b>30,160</b>	25,384
Intangible assets	<b>4,434</b>	4,637
Deferred tax assets	<b>1,384</b>	1,045
Other noncurrent assets	<b>14,464</b>	10,380
<b>Total Noncurrent Assets</b>	<b>466,789</b>	428,806
	<b>₱543,548</b>	₱503,751

(Forward)

**METRO PACIFIC INVESTMENTS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Amounts in Peso Millions)

	Unaudited September 30, 2018	Audited December 31, 2017
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and other current liabilities	P30,132	P27,142
Income tax payable	1,633	1,415
Due to related parties	4,412	3,879
Current portion of:		
Provisions	5,963	5,997
Long-term debt	11,345	15,573
Service concession fees payable	571	871
<b>Total Current Liabilities</b>	<b>54,056</b>	<b>54,877</b>
<b>Noncurrent Liabilities</b>		
Noncurrent portion of:		
Provisions	2,384	2,106
Service concession fees payable	30,193	28,873
Long-term debt	196,531	173,510
Due to related parties	7,296	11,767
Deferred tax liabilities	8,481	6,836
Other long-term liabilities	9,482	10,103
<b>Total Noncurrent Liabilities</b>	<b>254,367</b>	<b>233,195</b>
<b>Total Liabilities</b>	<b>308,423</b>	<b>288,072</b>
<b>Equity</b>		
Owners of the Parent Company:		
Capital stock	31,631	31,626
Additional paid-in capital	68,487	68,465
Treasury shares	(167)	(167)
Equity reserves	5,700	5,742
Retained earnings	62,891	53,894
Other comprehensive income reserve	1,546	1,684
<b>Total equity attributable to owners of the Parent Company</b>	<b>170,088</b>	<b>161,244</b>
Non-controlling interest	65,037	54,435
<b>Total Equity</b>	<b>235,125</b>	<b>215,679</b>
	<b>P543,548</b>	<b>P503,751</b>

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

(Amounts in Peso Millions, except Per Share Amounts)

	<b>Nine Months Ended September 30</b>	
	<b>2018</b>	<b>2017</b>
<b>OPERATING REVENUES</b>		
Power and coal sales	<b>₱20,245</b>	₱6,475
Water and sewerage services revenue	<b>16,918</b>	15,690
Toll fees	<b>11,251</b>	9,605
Hospital revenue	<b>9,252</b>	7,872
Rail revenue	<b>2,440</b>	2,327
Logistics and other revenue	<b>1,242</b>	1,124
	<b>61,348</b>	43,093
<b>COST OF SALES AND SERVICES</b>	<b>(31,061)</b>	(19,025)
<b>GROSS PROFIT</b>	<b>30,287</b>	24,068
General and administrative expenses	<b>(10,201)</b>	(8,443)
Interest expense	<b>(7,530)</b>	(5,249)
Share in net earnings of equity method investees	<b>8,691</b>	5,993
Dividend income	<b>138</b>	2,630
Interest income	<b>898</b>	352
Construction revenue	<b>18,352</b>	13,749
Construction costs	<b>(18,349)</b>	(13,749)
Others	<b>1,770</b>	299
<b>INCOME BEFORE INCOME TAX</b>	<b>24,056</b>	19,650
<b>PROVISION FOR INCOME TAX</b>		
Current	<b>4,713</b>	3,720
Deferred	<b>327</b>	532
	<b>5,040</b>	4,252
<b>NET INCOME</b>	<b>₱19,016</b>	₱15,398
<b>OTHER COMPREHENSIVE INCOME (OCI)</b>		
Net OCI to be reclassified to profit or loss in subsequent periods	<b>562</b>	296
Net OCI not being reclassified to profit or loss in subsequent periods	<b>(714)</b>	(77)
	<b>(152)</b>	219
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱18,864</b>	₱15,617
<b>Net income attributable to:</b>		
Owners of the Parent Company	<b>₱12,488</b>	₱11,128
Non-controlling interest	<b>6,528</b>	4,270
	<b>₱19,016</b>	₱15,398
<b>Total comprehensive income attributable to:</b>		
Owners of the Parent Company	<b>₱12,350</b>	₱11,345
Non-controlling interest	<b>6,514</b>	4,272
	<b>₱18,864</b>	₱15,617
<b>EARNINGS PER SHARE</b>		
Basic Earnings Per Common Share, Attributable to Owners of the Parent Company <i>(In Centavos)</i>	<b>₱39.61</b>	₱35.30
Diluted Earnings Per Common Share, Attributable to Owners of the Parent Company <i>(In Centavos)</i>	<b>₱39.56</b>	₱35.26