FIRST PACIFIC COMPANY LIMITED

# Press Release

**Thursday, 3 March 2011**

**MPIC 2010 CORE NET INCOME UP 88% TO ₱3.86 BILLION
ON HIGHER REVENUES
HIGH GROWTH PORTFOLIO EXCEEDS TARGETS**

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 55.6%.

MPIC is a Philippine-based, publicly-listed, investment and management company focused on infrastructure development. Further information on MPIC can be found at www.mpic.com.ph.

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METRO PACIFIC INVESTMENTS

PRESSRELEASE

# 2010 CORE NET INCOME UP 88% TO ₱3.86 BILLION ON HIGHER REVENUES

***HIGH GROWTH PORTFOLIO EXCEEDS TARGETS***

- **2010 CORE NET INCOME AT ₱3.86 BILLION VS CORE NET INCOME OF ₱2.05 BILLION LAST YEAR, UP 88%**
- **CONSOLIDATED REVENUES AT ₱18.56 BILLION VS ₱16.11 BILLION LAST YEAR, UP 15%**
- **FULLY DILUTED CORE NET INCOME PER SHARE AT 19.10 CENTAVOS, UP 19% FROM 16.08 CENTAVOS LAST YEAR**
- **FINAL DIVIDEND PER SHARE OF 1.50 CENTAVOS, FULL YEAR DIVIDEND PER SHARE AT 2.50 CENTAVOS**
- **NET DEBT TO EQUITY RATIO AT PARENT COMPANY REDUCED TO 0.24x AS AT END 2010 FROM 0.31x A YEAR EARLIER**
- **MERALCO CORE NET INCOME AT ₱12.16 BILLION, CORE EBITDA ₱24.48 BILLION**
- **MAYNILAD CORE NET INCOME AT ₱4.84 BILLION, CORE EBITDA ₱7.91 BILLION**
- **METRO PACIFIC TOLLWAYS CORE NET INCOME AT ₱1.47 BILLION, CORE EBITDA ₱3.69 BILLION**
- **HOSPITAL GROUP CORE NET INCOME AT ₱474 MILLION, CORE EBITDA ₱1.34 BILLION**

**MANILA, Philippines, 3rd March 2011 – Metro Pacific Investments Corporation ("MPIC" or the "Company") (PSE: MPI)** today announced consolidated Core Net Income of ₱3.86 billion for the full year ended 31st December 2010, an improvement of 88% over Core Net Income of ₱2.05 billion in 2009 as a result of the inclusion of Manila Electric Company ("Meralco") and continuing improvements at most operating companies.

Consolidated Reported Net Income attributable to the Company, which reflects net foreign exchange loss and other non-recurring losses of ₱985 million, stood at ₱2.87 billion for the year 2010, compared with ₱2.30 billion the previous year, an increase of 25%.

The improvement in Core Net Income is attributable to higher profit contributions from: Maynilad Water Services, Inc. ("Maynilad") as a result of higher billed volumes and tariffs; Metro Pacific Tollways Corporation ("MPTC") due to higher average daily traffic and lower maintenance and to the first full year profit contribution from Meralco. Maynilad accounted for ₱2.39 billion or 44% of the aggregate net profit contribution from MPIC's portfolio companies, representing MPIC's attributable interest in Maynilad's net income. Meralco contributed ₱1.49 billion or 27% of MPIC's net profit, while MPTC added ₱1.43 billion or 26% of net profit. MPIC's investments in the Hospital Group contributed ₱172 million or 3% of the total.

"Maynilad, MPTC and Meralco each achieved significant growth in core net income for 2010 while continuing to roll out improved services to their customers," said Jose Ma. K. Lim, MPIC President and Chief Executive Officer. "In the light of our 88% growth in core net income for last year, I am pleased to say we have declared a final cash dividend for the year of 1.50 centavos per share, which brings the dividend for 2010 to 2.50 centavos per share."

## OPERATIONAL REVIEW

### MERALCO: INVESTMENT THROUGH BEACON ELECTRIC ASSET HOLDINGS, INC.

The volume of electricity sold by Meralco rose 10% to 30,247 GWh, driven by strong growth from all sectors led by the industrial sector. Revenues rose 33% in 2010 to ₱245.46 billion due mainly to the volume growth and higher power charges. The overall core net income for the full year increased 74% to ₱12.16 billion.

System loss declined to a 36-year low of 7.94% from 8.61% last year, largely on the strength of energy sales to the industrial sector. Large industrial customers are served at the primary distribution voltage-level, with the result that an increase in their share of electricity consumption reduces the possibility of technical losses, which account for the bulk of total system loss. Meralco continues to institutionalize loss-reduction initiatives through improving pilferage management and expanding its partnership with local government units as part of system loss management in high-density residential areas.

Capital expenditures for the year amounted to ₱10.1 billion, with electric capital projects accounting for 51% of the total, consisting largely of increased volumes of new service applications, improvement of distribution facilities and major replacements of meters and transformers.

Two significant measures of service reliability included a 21% improvement in Interruption Frequency Rate and a 21% improvement in Cumulative Interruption Time.

Looking ahead, Meralco is focused on capturing a greater share of the electricity business and providing greater service efficiency to all consumers – residential, commercial and industrial. This will be achieved through its relentless pursuit of efficiency as an electricity distributor and entry into power generation and retail electricity supply. Meralco has announced it is initially targeting 900MW-1,500MW of generating capacity in conjunction with various partners. The requisite investment for these projects can be funded without recourse to Meralco shareholders.

### MAYNILAD: HIGHER BILLED VOLUME DUE TO LOWER NON REVENUE WATER AND IMPROVED DISTRIBUTION

Maynilad was able to increase the volume of water billed to its customers by 7% in 2010 largely as a result of continuing success in reducing Non Revenue Water ("NRW") resulting from leakage and theft even as the water level in the Angat Dam dipped to the critically-low level of 157.57 meters compared with 190.20 meters a year earlier.

NRW declined to 51% at the end of last year from 57% at the end of 2009 as a result of aggressive leak repairs. Maynilad eliminated 40,392 leaks in 2010 compared with 18,149 leaks in 2009. The leak repair program, coupled with pipe rehabilitation and more efficient pressure and supply management resulted in the recovery of over 260 million liters per day ("MLD") of water Maynilad continues to push forward with an ambitious NRW reduction program by allocating ₱2.6 billion this year for NRW diagnostics, leak repairs and establishment and maintenance of District Metered Areas.

The Putatan water treatment facility came on-stream in July 2010 with an initial capacity of 25 MLD which has since been quadrupled to 100 MLD. It is the first water treatment facility to tap into Laguna Lake as an alternative water source to the Angat Dam and is the largest membrane-based water treatment plant in the Philippines. As the first water treatment plant in the country to use large-scale microfiltration and reverse osmosis, the facility is a vital part of Maynilad's plan to develop alternative sources of water to ensure long-term water security for its customers.

Total revenues for the year grew 13% to ₱12.05 billion from ₱10.62 billion last year. The increase in revenues was due mainly to the combined effect of the 7% increase in billed volume coupled with an average effective tariff increase of approximately 7%. Maynilad's core net income stood at ₱4.84 billion for the year, compared with ₱3.3 billion recorded in 2009.

As at end 2010, Maynilad delivers 24-hour water supply to 71% of its customers, or more than 1 million households. More than 1.2 million households, or 86% of Maynilad's customers, also enjoy water pressure of at least seven pounds per square inch, the minimum pressure for water to reach the second floor of a house. The number of serviced customers rose 11% to 903,682 billed clients in 2010 from 814,645 a year earlier.

These major improvements were realized under Maynilad's five-year, ₱38 billion Capital Expenditure (CAPEX) program.

**MPTC: EXPANDING NETWORK OF TOLL ROADS**

Expansion and improvement of MPTC's toll road network continued apace, enabling increased and safer travel and trade in central Luzon.

Segment 8.1, a 2.7-kilometer stretch of tollroad from Mindanao Avenue to the North Luzon Expressway ("NLEX") at Valenzuela City, opened in June 2010 and is already recording an average of 8,729 entries a day, thereby helping to decongest the Balintawak entry point.

Completion of a detailed engineering study in December 2010 for the building of Segments 9 and 10 – collectively called the Harbour Link – paves the way for connection of NLEX to the Port Area of Manila, which starts by the end of 2011 and expected to be completed in 2014. The Harbour Link will allow 24-hour access to the Port Area to and from NLEX, thus promoting commercial traffic while reducing the travel time for motorists accessing NLEX from Western Metro Manila, and opening the possibility of eliminating the truck ban in northbound traffic.

The Connector Road Project aims to connect the Northern and Southern toll road systems. Detailed engineering drawing and design are currently underway ahead of the beginning of construction next year. The Company expects the Connector Road to increase commercial traffic by enabling commercial vehicles to traverse Metro Manila without violating the truck ban. Equally important to private motorists, the project will improve convenience for all motorists by slashing the travel time between the Northern and Southern toll road systems to no more than 20 minutes from well over an hour today.

In detail, the Connector Road is a 13-kilometer, four-lane elevated expressway using a new construction technology that will connect the Harbour Link to South Luzon Expressway/Skyway at Buendia Avenue, Makati City.

The Harbour Link and Connector projects will see MPTC invest a total of ₱25 billion to complete construction, all of which MPTC and MPIC can fund from internal sources. For its part, the Government will invest a further ₱7.7 billion to secure the Right of Way access necessary to enable construction of each project to commence.

The take-over of the Subic-Clark-Tarlac Expressway (“SCTEX”) concession is now expected to complete before the end of April 2011. Once SCTEX is integrated with NLEX, for an investment of ₱ 300 million motorists traveling between the two toll roads will enjoy seamless travel to Northern Luzon.

MPTC’s revenues for 2010 rose 7% to ₱5.86 billion due to a rise in average daily vehicle entries and longer average journeys amid ongoing campaigns to promote the North as a tourist destination. MPTC realized core net income of ₱1.47 billion for 2010 versus ₱1.22 billion in the same period last year, an improvement of 20%.

**HOSPITALS: GROWING THE COUNTRY’S LARGEST PRIVATE CHAIN**

The Hospital Group signed a 20-year lease agreement to operate Our Lady of Lourdes Hospital in Metro Manila on 26th October 2010, increasing the number of hospitals invested in and/or operated to five and raising the total bed capacity to 1,600. The agreement builds on investments in equipment, facilities and personnel across the portfolio as part of MPIC’s overall objective of enhancing in-patient and out-patient services to customers.

Aggregate core income for 2010 was ₱474 million, down 10% from 2009, reflecting weak performances by the nursing schools of Riverside College, Davao Doctors College and Makati Medical College of Nursing on declining enrollment. Other factors in the decline in core income include: higher expenses from ongoing investments in additional personnel, security, equipment and building mainly at Makati Medical Center; patient admissions down from an unusually high admissions in 2009 due to the H1N1 virus; and the loss of tax deductions on senior citizen discounts per new government regulations.

The Hospital Group now comprises Makati Medical Center, Cardinal Santos Medical Center, and Our Lady of Lourdes Hospital in Metro Manila, Riverside Medical Center Inc. in Bacolod and Davao Doctors Hospital Inc. in Davao. With an increased focus on marketing improved services, it is expected that investments in equipment and personnel will begin to add to the Hospital Group’s bottom line in 2011.

**MRT 3: AN OPPORTUNITY TO PROVIDE EXPANSION & RELIABLE OPERATONS**

On 12th November 2010, MPIC entered into a Cooperation Agreement with Fil-Estate Corporation (“Fil-Estate”), relating to its rights and interests in the MRT 3 companies consisting of Metro Rail Transit Holdings, Inc., Metro Rail Transit II, Inc., Metro Rail Transit Corporation (“MRTC”) and Monumento Rail Transit Corporation.

The Agreement provides for MPIC to spearhead cooperation efforts with the Government to streamline operations by implementing the capacity expansion of the MRT system through the acquisition by MRTC of 73 new trains. This will increase service capacity to 700,000 riders per day while immeasurably improving rider comfort. By providing efficient and reliable operations, MRT3 can maximize its potential to deliver convenient mass transportation services to the increasing metropolitan population while easing the drain of subsidies on the public purse.

**CONCLUDING REMARKS**

"Our full year numbers give us a strong indication of solid growth at the Philippines' premier listed infrastructure company, as MPIC delivers healthy and sustainable returns to shareholders," said MPIC Chairman Manuel V. Pangilinan. "MPIC is well poised to pursue further infrastructure opportunities, to improve operational and service efficiencies, and help boost the economy."

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## METRO PACIFIC INVESTMENTS CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

**(Amounts in Thousands)**

| | December 31 | |
|---|---|---|
| | **2010** | 2009 |
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents | **₱4,941,693** | ₱6,379,731 |
| Short-term deposits | **6,138** | 2,433,418 |
| Receivables - net | **2,380,660** | 13,475,300 |
| Advances to contractors and consultants | **288,285** | 527,571 |
| Inventories - at cost | **158,817** | 96,012 |
| Real estate for sale | **187,010** | 187,010 |
| Due from related parties | **439,427** | 501,080 |
| Derivative assets | **2,902** | - |
| Available-for-sale financial assets | **546,424** | 282,787 |
| Noncurrent asset held for sale | **-** | 329,570 |
| Other current assets - net | **2,320,904** | 1,593,832 |
| Total Current Assets | **11,272,260** | 25,806,311 |
| **Noncurrent Assets** | | |
| Investments in and advances to associates and a joint venture | **34,871,657** | 27,370,023 |
| Investment in bonds | **-** | 400,600 |
| Receivables | **675,029** | - |
| Goodwill | **12,751,001** | 12,551,750 |
| Due from related parties | **65,413** | 65,569 |
| Service concession assets - net | **69,348,123** | 62,185,407 |
| Property and equipment - net | **1,423,235** | 634,405 |
| Derivative assets | **31,713** | 39,212 |
| Available-for-Sale financial assets | **513,234** | - |
| Deferred tax assets | **275,288** | 214,992 |
| Other noncurrent assets | **149,170** | 131,566 |
| Total Noncurrent Assets | **120,103,863** | 103,593,524 |
| | **₱131,376,123** | ₱129,399,835 |
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Accounts payable and other current liabilities | **₱7,704,829** | ₱6,217,967 |
| Unearned toll revenues | **30,986** | 21,135 |
| Unearned tuition and other school fees | **29,306** | - |
| Income tax payable | **30,940** | 10,818 |
| Due to related parties | **469,495** | 429,718 |
| Derivative liabilities | **211,912** | - |
| Accrued retirement costs | **6,224** | - |
| Current portion of: | | |
| Provisions | **2,188,156** | 1,870,111 |
| Service concession fees payable | **1,179,026** | 1,208,467 |
| Long-term debts | **2,953,944** | 958,095 |
| Deferred credits and other long-term liabilities | **-** | 942,279 |
| Total Current Liabilities | **14,804,818** | 11,658,590 |

(Forward)

| | December 31 | |
|---|---|---|
| | **2010** | 2009 |
| **Noncurrent Liabilities** | | |
| Noncurrent portion of: | | |
| Provisions | **₱308,343** | ₱415,827 |
| Service concession fees payable | **7,951,199** | 9,071,673 |
| Long-term debts | **29,569,056** | 41,828,305 |
| Deferred credits and other long-term liabilities | **4,162,157** | 3,432,643 |
| Due to related parties | **6,314,141** | - |
| Derivative liabilities | **-** | 44,467 |
| Accrued retirement costs | **49,429** | - |
| Deferred tax liabilities | **2,937,618** | 2,672,692 |
| Total Noncurrent Liabilities | **51,291,943** | 57,465,607 |
| Total Liabilities | **₱66,096,761** | ₱69,124,197 |
| **Equity** | | |
| Capital stock | **₱20,205,465** | ₱20,178,155 |
| Additional paid-in capital | **27,508,008** | 27,860,033 |
| Deposit for future stock subscriptions | **12,125** | - |
| Other reserves | **628,721** | 451,091 |
| Retained earnings | **5,953,705** | 2,885,936 |
| Other comprehensive income reserve | **(89,691)** | (109,743) |
| Total equity attributable to owners of Parent Company | **54,218,333** | 51,265,472 |
| Non-controlling interests | **11,061,029** | 9,010,166 |
| Total Equity | **65,279,362** | 60,275,638 |
| | **₱131,376,123** | ₱129,399,835 |

## METRO PACIFIC INVESTMENTS CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME

**(Amounts in Thousands except per Share Amounts)**

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2010** | 2009 | 2008 |
| **OPERATING REVENUES** | | | |
| Water and sewerage services revenue | **₱12,049,524** | ₱10,618,544 | ₱4,326,071 |
| Toll fees | **5,858,494** | 5,489,190 | 715,079 |
| Hospital revenue | **577,075** | - | - |
| School revenue | **79,385** | - | - |
| | **18,564,478** | 16,107,734 | 5,041,150 |
| **COST OF SERVICES** | **(6,845,823)** | (7,120,665) | (2,371,015) |
| **GROSS PROFIT** | **11,718,655** | 8,987,069 | 2,670,135 |
| **GENERAL AND ADMINISTRATIVE EXPENSES** | **(3,644,727)** | (2,949,684) | (1,442,717) |
| **OTHER INCOME AND EXPENSES** | | | |
| Construction revenue | **8,931,922** | 4,879,072 | 4,158,922 |
| Construction cost | **(8,858,619)** | (4,771,041) | (4,092,059) |
| Interest expense | **(4,543,584)** | (4,012,258) | (1,161,430) |
| Foreign exchange gains (losses) - net | **1,440,122** | (985,448) | (499,943) |
| Interest income | **574,382** | 499,221 | 278,833 |
| Share in net earnings of associates and joint ventures - net | **498,513** | 432,239 | 143,934 |
| Other income | **1,809,658** | 2,829,423 | 1,659,277 |
| Other expenses | **(2,513,493)** | (576,705) | (789,386) |
| | **(2,661,099)** | (1,705,497) | (301,852) |
| **INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAX** | **5,412,829** | 4,331,888 | 925,566 |
| **PROVISION FOR (BENEFIT FROM) INCOME TAX** | | | |
| Current | **102,903** | 35,559 | 7,420 |
| Deferred | **(749)** | (105,429) | (70,498) |
| | **102,154** | (69,870) | (63,078) |
| **INCOME FROM CONTINUING OPERATIONS AFTER INCOME TAX** | **5,310,675** | 4,401,758 | 988,644 |
| **INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX** | **-** | (31,895) | 42,056 |
| **NET INCOME** | **₱5,310,675** | ₱4,369,863 | ₱1,030,700 |

(Forward)

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2010** | 2009 | 2008 |
| **Net income (loss) attributable to:** | | | |
| Owners of Parent Company from: | | | |
| Continuing operations | **₱2,871,152** | ₱2,306,253 | ₱532,633 |
| Discontinued operations | **-** | (6,601) | (7,088) |
| | **2,871,152** | 2,299,652 | 525,545 |
| Non-controlling interests | **2,439,523** | 2,070,211 | 505,155 |
| | **₱5,310,675** | ₱4,369,863 | ₱1,030,700 |
| **EARNINGS (LOSS) PER SHARE (In Peso)** | | | |
| **Basic Earnings Per Share, Attributable to Owners of Parent Company** | | | |
| Income from continuing operations | **₱0.142** | ₱0.194 | ₱0.154 |
| Loss from discontinued operations | **-** | (0.001) | (0.002) |
| | **₱0.142** | ₱0.193 | ₱0.152 |
| **Diluted Earnings Per Share, Attributable to Owners of Parent Company** | | | |
| Income from continuing operations | **₱0.142** | ₱0.181 | ₱0.103 |
| Loss from discontinued operations | **-** | (0.001) | (0.002) |
| | **₱0.142** | ₱0.180 | ₱0.101 |