COVER SHEET

CS200604494

S.E.C. Registration Number

METRO PACIFIC INVESTMENTS CORPORATION

(Company's Full Name)

10/F MGO BLDG., LEGAZPI COR. DELA ROSA STS MAKATI CITY

(Business Address : No./ Street / City Town / Province)

JOSE MA. K. LIM

Contact Person

888-0888

Company Telephone Number

12 **31**

Month Day

Fiscal Year

17-A

FORM TYPE

06 **09**

Month Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

**ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES**

1. For the fiscal year ended **December 31, 2009**

2. SEC identification number **CS200604494**

3. BIR Tax Identification No. **244-520-457-000**

4. Exact name of issuer as specified in its charter
METRO PACIFIC INVESTMENTS CORPORATION

5. Province, country or other jurisdiction of incorporation or organization
Makati City, Philippines

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office Postal Code
10/F MGO Bldg., Legaspi cor. Dela Rosa Sts., Legazpi Village, 0721 Makati City

8. Issuer's telephone number, including area code
(632) 888 0888

9. Former name, former address and former fiscal year, if changed since last report
N/A

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common Shares	20,128,154,522*

* Reported by the stock transfer agent as of 31 December 2009

11. Are any or all of these securities listed on the Philippine Stock Exchange?

Yes [**x**] No [ ]

12. Check whether the registrant:

a) has filed all reports to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11 (1)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports);

Yes [**x**]   No [ ]

b) has been subject to such filing requirements for the past 90 days.

Yes [x]   No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold; or the average bid and asked price of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in the Form.

The aggregate market value of voting stocks held by non-affiliates representing 14.93% of outstanding common shares is Pesos 9,318 million, computed on the basis of the closing price as of 31 March 2010 of Pesos 3.10 per share.

METRO PACIFIC INVESTMENTS CORPORATION

SEC FORM 17-A

December 31, 2009

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PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business

(A) Description of Business

(1) Business Development

Metro Pacific Investments Corporation (individually, "MPIC" or "the Company", and, together with its subsidiaries, affiliates and associates, "the Group") was incorporated and registered with the Securities and Exchange Commission (SEC) on March 20, 2006 to serve as a holding company for investments in real estate and infrastructure projects. On December 15, 2006, the Company listed with the Philippine Stock Exchange.

MPIC is 55.6% owned by Metro Pacific Holdings, Inc. (MPHI). MPHI is a Philippine corporation whose stockholders are Enterprise Investment Holdings, Inc. (EIH) (60.0%), Intalink B.V. (26.7%) and First Pacific International Limited (13.3%). First Pacific Company Limited (FPC), a company incorporated in Bermuda and listed in Hong Kong, through its subsidiaries, holds a direct 40% equity interest in EIH and investment financing, and which under Hong Kong Financial Reporting Standards require FPC to account for the results and assets and liabilities of EIH and its subsidiaries as FPC group companies in Hong Kong. On such basis, FPC is referred to as the ultimate parent company of EIH and of MPIC.

MPIC's major subsidiaries and their corresponding dates/years of organization / incorporation / registration with the SEC are as follows:

DMCI – MPIC Water Company	17 November 2006
Metro Pacific Tollways Corporation, formerly First Philippine Infrastructure, Inc.	24 February 1970
Metro Pacific Corporation	13 October 1986

Major developments in the group for the past three years:

<u>MPIC Parent</u>

MPIC was incorporated in March 20, 2006 with an original authorized capital stock of 100,000 common shares with a par value of Peso 1 per share. On March 27, 2006, MPIC's Board of Directors ("BOD") approved a resolution to increase its authorized capital stock to 4,600,000,000 common shares with a par value of Peso 1 per share. Such increase in authorized capital stock was approved by the SEC on June 5, 2006.

On October 23, 2006, MPIC purchased from MPHI, MPRI, Intalink B.V., and FPIL (all related parties of MPIC and major shareholders of MPC) 725,160,154 common shares of MPC or a 76.1% interest therein. MPIC issued 181,290,038 shares in exchange for said 725,160,154 MPC common shares.

On November 28, 2006, the closing date of the Tender Offer made in relation to the above described share purchase, a total of 195,367,956 MPC shares were tendered equivalent to 48,841,989 MPIC common shares and 146,525,967 MPIC warrants. Out of the total warrants available for conversion, 143,976,804 warrants were converted as of December 15, 2007 and 2,549,163 warrants expired on December 15, 2007.

On June 30, 2008, the following issuances of shares to MPHI were approved by MPIC's BOD:

a. 1,568,925,223 common shares at a price of Pesos 2 per share from the existing unissued capital of MPIC;

b. 1,893,282,845 shares pursuant to the conversion of Pesos 2.0 billion MPHI convertible loans to (see Note 23); and

c. 2,222,600,000 additional common shares at a price of Pesos 2 per share, following the SEC's approval of the increase in the authorized capital stock of MPIC.

In relation thereto, MPIC's BOD approved the increase in the authorized capital stock of MPIC from 4.6 billion common shares with a par value of Php1 per share to Pesos 12.0 billion, divided into 11.95 billion common shares with a par value of Peso 1 per share and 5.0 billion preferred shares with a par value of Pesos 0.01 per share, out of which the shares under (b) and (c) above were to be issued. Such increase was approved by the SEC on August 12, 2008.

As of December 31, 2008, all of the above mentioned shares have been subscribed or converted and issued. Transaction costs directly related to the issuances of new shares in the amount of Pesos 77.9 million were deducted from the additional paid-in capital.

On October 9, 2008, MPIC's BOD approved another increase in the authorized capital stock of MPIC from Pesos 12.0 billion to up to Pesos 21.55 billion, divided into 20.0 billion common shares with a par value of Peso 1 per share, 5.0 billion Class A preferred shares with a par value of Pesos 0.01 per share and 1.5 billion Class B preferred shares with a par value of Peso 1 per share. On February 13, 2009, the SEC approved such increase in authorized capital stock.

In addition to the issuances mentioned above, MPHI also subscribed to and was issued, during the early part of 2009, an additional 2,389,040,000 shares of MPIC common shares at Pesos 2 per share or a total of Pesos 4,778.1 million out of the aforesaid increase. Pending the increase in authorized capital stock, the subscription was shown as "Deposits for future stock subscription" in the consolidated balance sheet.

During the same year the issuance of 791,110,491 new common shares from the current unissued capital stock of MPIC in favor of LAWL Pte. Ltd. ("LAWL") at the price of approximately Peso 2.57 per share, to fund the acquisition by MPIC of additional interests in Maynilad Water Company, Inc. was ratified. This subscription of LAWL to 791,110,491 common shares of MPIC for Pesos 2,029.2 million, as discussed in Note 4, was likewise included under the "Deposits for future stock subscription" account in the 2008 consolidated balance sheet.

In 2009, the disposition by MPIC of a portion of its shareholdings in Landco in favor of AB Holdings Corporation was likewise approved by the Board of Directors and stockholders of MPIC (*see further discussions on this below*). On the other hand, MPIC acquired significant interests in Meralco during the year (*see further discussions on this below*)

On September 19, 2009, a re-launch of MPIC shares was undertaken by the Company. The aforesaid re-launch was structured in two concurrent stages. The first of such stages consisted in the offer and sale by MPHI, MPIC's principal shareholder, of a portion of its existing shares in MPIC: (a) primarily offshore by way of marketed placing to (i) investors outside the United States in reliance on Regulation S under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and (ii) qualified institutional buyers within the United States, as defined in, and in reliance on, Rule 144A under the Securities Act; and (b) to a limited extent domestically to (i) qualified buyers pursuant to, and as defined in, Section 10.1(1) of the Securities Regulation Code of the Philippines (the "SRC"); and (ii) not more than 19 persons who are not qualified buyers pursuant to Section 10.1 (k) of the SRC. A total of 4,770,000,000 MPIC shares (inclusive of 620,000,000 over-allotment shares) was distributed and sold at the price of Pesos 3 per share.

The second of such stage consisted in the subscription by MPHI, and the issuance by MPIC to MPHI, of new common shares in the same number and at the same price as the shares sold during the first stage, with such new common shares being listed as soon as practicable thereafter. Prior to re-launch, the Company was 93.45% owned by MPHI. As a result of, and immediately following, the foregoing re-launch and other antecedent issuances during the year, MPHI's interest in MPIC was was reduced to 54.12% of the outstanding common shares and 63.5% of the total outstanding capital stock. Public ownership, on the other hand, increased from 2.02% prior to the relaunch to almost 26% immediately thereafter.

Further to the resolutions of the Board of Directors and stockholders passed on May 28, 2009 authorizing the increase in the capital stock of MPIC, the Board of Directors of MPIC resolved to implement the capitalization and/or conversion by MPHI of its advances to MPIC in the amount of Pesos 2,016,388,754. In December 21, 2009, upon the approval by the SEC of the aforesaid increase, MPIC issued 672,129,584 common shares in favor of MPHI at a price of Three Pesos
(₱3.00) per share.

DMCI-MPIC Water Company ("DMWC")

On December 5, 2006, through a public bidding, DMWC won the right to acquire Metropolitan Waterworks Sewerage Systems' ("MWSS") 84% interest in Maynilad Water Services Inc. ("Maynilad"), representing 1,238,476,000 Class A common shares. Maynilad holds an exclusive concession, granted by MWSS on behalf of the Philippine Government, to provide water and sewerage services in the area of West Metro Manila. The transaction was closed on January 16, 2008.

On July 17, 2008, MPIC acquired convertible debts under a Facility Loan B Agreement with carrying value of Pesos 1,935 million from a foreign affiliate for a total consideration of US$7.9 million and Pesos 7,083 million, or a total value of Pesos 7,576 million. The convertible debts were issued by DMWC and carry an option to convert the same to DMWC shares. The acquisition of the convertible debts by the Company resulted in potential voting rights equivalent to approximately 12% interest in DMWC and control was thereby obtained by the Company. The transaction was accounted as a step up acquisition since control was obtained over a former joint venture and thus, as at the date control was obtained, the Company:

- recognized the identifiable assets and liabilities of DMWC at 100% of their fair values; and
- treated any adjustment to those fair values relating to previously held interests as a revaluation.

On October 17, 2008, DMCI infused US$20.0 million into DMWC, which was initially recognized as advances but with intention to use the same to subscribe to additional DMWC shares.

Subsequently, in a Subscription Agreement dated November 27, 2008, DMCI Holdings, Inc. (DMCI), MPIC's joint venture partner, and MPIC (collectively referred as "Parties"), subscribed to an additional 961,600,000 common shares and 1,932,200,000 common shares of DMWC, respectively.

On November 27, 2008, the following transactions took place:

a. The Parties entered into two separate Deeds of Assignment whereby DMCI and MPIC advances to DMWC of US$20 million and US$40 million (representing the Facility Loan B), respectively, were applied against their liabilities to DMWC amounting to Pesos 380 million each which was then fully settled.

b. Pursuant to the Subscription Agreement, MPIC was deemed to have exercised its conversion rights under the Facility Loan B Agreement, and consequently, acquired an additional 1,923,200,000 DMWC shares for the total amount of Pesos 1,923 million; while DMCI subscribed to an additional 961,600,000 DMWC shares for a total consideration of Pesos 962 million. The balance of the US$20.0 million advances from DMCI and the Facility Loan B, after application against DMWC and MPIC liabilities to DMWC were used to partially settle the subscription price of their respective subscriptions described above. Pending the issuance of DMWC shares, the amount subscribed and paid up were recorded under "Deposits for Future Stock Subscription" in the consolidated balance sheet of DMWC.

c. Simultaneous with the execution of the above agreements, MPIC, DMCI and Maynilad entered into a Shareholders' Agreement outlining the relationship of MPIC and DMCI as shareholders of DMWC. On the date of the said Shareholders' Agreement, which was immediately executory, the parties confirmed that MPIC and DMCI each holds equity interests in the form of shares and share entitlements in DMWC equal to 55.4% and 44.6% interest, respectively.

The Company's acquisition of an additional 5.4% of the voting shares of DMWC (from 50.0% to 55.4% interest) has been accounted for as an acquisition of minority interest which resulted in a net positive goodwill of Pesos 5,513 million.

Pursuant to Subscription Agreements between DMWC and Maynilad on October 10, 2008 and November 28, 2008, DMWC subscribed to additional 633,980 and 1,901,913 common shares, respectively, or a total of 2,535,893 common shares with a par value of Pesos 1,000 per share, for a total cash consideration of Pesos 2,536 million. These acquisitions increased DMWC's total ownership interest in Maynilad from 83.97% to 94.12%. As a result of the acquisition, the Company's minority interest in Maynilad was diluted from 16.03% to 5.88%. The dilution of minority interest resulted in the Company's recognition of a gain of Pesos 758 million, included under "Other income" account in the consolidated statement of income.

Metro Pacific Tollways Corporation (MPTC), formerly First Philippine Infrastructure Inc. (FPII)

On August 26, 2008, pursuant to a Sale and Purchase Agreement ("SPA"), MPIC (or the "Parent Company") agreed to acquire a total of 4,970,570,627 FPII shares from Benpres Holdings Corporation ("Benpres") and First Philippine Holdings Corporation ("FPHC") for Pesos 2.47 per share or a total of Pesos 12,262.6 million, which was equivalent to a 99.8% equity interest in FPII. The acquisition was completed on 13 November 2008. The acquisition also resulted in the Parent Company's ownership of FPIDC, a wholly-owned subsidiary of FPII, and consequently, through FPIDC, an indirect ownership of a 67.1% interest in MNTC, the concession holder of the North Luzon Expressway ("NLEX"), and a 46.0% interest in TMC.

Pursuant to the SPA, the Parent Company remitted Pesos 11,800 million in cash and assumed the obligation to pay the advances received by Benpres and FPHC from FPIDC in the total amount of Pesos 462 million or a total payment of Pesos 12,263 million constituting the purchase price for the acquisition of MPTC.

In connection with the acquisition, the Parent Company also offered to purchase 7,484,150 common shares from the minority shareholders of FPII for Pesos 18 million or Pesos 2.47 per share, a price equal to that agreed upon under the SPA with FPHC and Benpres. The Tender Offer period was from October 8 to November 10, 2008. On November 10, 2008, the Tender Offer expired without any of the minority shareholders of FPII making a tender of their shares.

MERALCO

In October 1902, the Second Philippine Commission, which had legislative powers to organize the new government, passed on Act No. 484. By the virtue of Act No. 484, the franchise to construct, maintain and operate an electric street railway and to furnish electric current for light, heat and power in the city of Manila and its suburbs, was granted in March 1903, which later on was acquired by Manila Electric Company, or Meralco.

Under its latest amended Articles of Incorporation, Meralco's corporate life was extended for another 50 years through the year 2019. Meralco distributes and supplies electricity in its franchise area and is subject to the rate-making regulations and rigid regulatory policies of the Energy Regulatory Commission ("ERC").

Meralco holds a congressional franchise under Republic Act or RA No. 9209, which took effect on June 28, 2003, under which it was granted a 25 year franchise to construct, operate, and maintain an electric distribution system in the cities and municipalities of Bulacan, Cavite, Metro Manila, and Rizal and certain cities, municipalities, and barangays in the provinces of Batangas, Laguna, Pampanga, and Quezon. On October 20, 2008, the ERC granted Meralco a consolidated Certificate of Public Convenience and Necessity for the operation of electric service within its franchise coverage, effective until June 28, 2028, to coincide with its congressional franchise.

Meralco is the largest distribution utility in the country. The electric operating segment consists of operations of Meralco and its subsidiary, Clark Electric Distribution Corporation or CEDC. Through its other operating segments, it develops and sells real estate properties and provides engineering, construction and consulting, information systems and technology services, among others.

CEDC was organized on February 19, 1997 under a joint venture agreement entered into between Clark Development Corporation or CDC and Meralco Industrial Engineering Corporation or Miescor. CEDC, which is also subject to extensive regulation by the CDC, a government-owned corporation created as the implementing arm of the Bases Conversion Development Authority to manage and develop the Clark Economic Zone, in so far as these are consistent with Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act or EPIRA. The franchise of CEDC is co-terminus with the agreement between CEDC and CDC

The common shares of Meralco are listed and traded on the Philippine Stock Exchange.

From July 2009 through October 2009, the Company acquired a total of 163,602,961 common shares of Meralco for an aggregate purchase price of Pesos 24,540.3 million representing 14.67% of the issued and outstanding share capital of Meralco as of December 31, 2009, through a series of negotiated transactions and open market purchases. Details of acquisitions of Meralco shares are as follows:

- At various dates in July and August, 2009, MPIC acquired a total of 15,254,294 Meralco shares in open market for a total purchase price of Pesos 4,441.6 million, substantially all of which was financed through the incurrence of indebtedness under the Parent Company's bridge financing facility (see Note 19).

- On October 2, 2009, MPIC entered into a Sale and Purchase Agreement to purchase 113,313,389 common shares of Meralco held directly by Philippine Long Distance Telephone Company (PLDT) Beneficial Trust Fund (BTF) and its wholly owned subsidiary New Gallant Limited (Gallant). MPIC purchased the shares at Pesos 126.0 per share or for a total consideration of Pesos 14,277.5 million.

- At the same time, MPIC entered into a Sale and Purchase Agreement with Crogan Limited (Crogan), a corporation organized and existing under the laws of the British Virgin Islands and a subsidiary of FPC, to purchase 31,072,388 common shares of Meralco held directly by Crogan. MPIC agreed to purchase the shares at Pesos 126.0 per share or for a total consideration of Pesos 3,915.1 million.

- The acquisition of Meralco shares from BTF and Crogan was partially funded by MPIC from proceeds of share issuances made by it, as follows: (i) **3,159,162,337 MPIC common shares at Pesos 3.0 per share or a total of Pesos 9,477.5 million**, in favor of BTF**. Fair value of MPIC share at acquisition date** was **Pesos 3.2 per share and the total fair values of MPIC shares issued to BTF amounted to Pesos 10,109.3 million**; and (ii) 1,305,040,296 MPIC's common shares at a subscription price of Pesos 3.0 per share in favor of MPHI.

- In addition, MPIC likewise entered into another agreement with Crogan to purchase additional 3,962,890 Meralco shares from the latter for Pesos 231.45 a piece and the purchase price amounting to Pesos 917.2 million was paid in cash on October 7, 2009.

Meralco Subsequent Event

On March 1, 2010, Pilipino Telephone Corporation ("Piltel"), MPIC and Rightlight Holdings, Inc. ("Rightlight") entered into an Omnibus Agreement ("OA"). Rightlight, which will be renamed Beacon Electric Asset Holdings, Inc. ("Beacon Electric"), is a newly organized special purpose company with the sole purpose of consolidating the respective ownership interests in Meralco of Piltel and MPIC. Piltel and MPIC are Philippine affiliates of the FPC and both hold equity shares in Meralco. Under the OA, Piltel and MPIC have agreed to set out their mutual agreement in respect of the capitalization, organization, conduct of business and the extent of their participation in the management of the affairs of Rightlight.

Upon the approval of the SEC of its increase in authorized capital stock, Rightlight will have an authorized capital stock of 5 billion shares (Pesos 5 billion) divided into 3 billion common shares with par value of Peso 1 per share and 2 billion preferred shares with par value of Pesos 1 per share. The preferred shares of Rightlight are non-voting, redeemable by Rightlight and have no pre-emptive rights to any share or convertible debt securities or warrants issued by Rightlight. The preference shareholder is entitled to liquidation preference and yearly cumulative dividends at the rate of seven percent (7%) of the issue value subject to (a) availability of unrestricted retained earnings; and (b) no violation of dividend restrictions imposed by Rightlight's bank creditors.

MPIC presently beneficially owns 25,000 common shares of Rightlight, with a total par value of
Pesos 25,000.

Each of Piltel and MPIC has agreed to subscribe to 1,156,500,000 common shares of Rightlight, for a subscription price of Pesos 20 per share or a total of Pesos 23.13 billion, out of the proposed increase in authorized capital stock of Rightlight. Piltel and MPIC have also agreed that their resulting equity after such subscription will be 50% each of the outstanding common shares of Rightlight.

MPIC has also agreed to subscribe to 801,044,415 shares of Rightlight's preferred stock for a subscription price of Pesos 10 per share or a total of Pesos 8.01 billion.

Rightlight has agreed to purchase 163,602,961 Meralco shares ("Transferred Shares") from MPIC for a consideration of Pesos 150 per share, or a total of Pesos 24.54 billion for the MPIC Meralco Shares.

The transfer of legal title to the Meralco shares will be effected through a special block sale in the Philippine Stock Exchange (PSE) after the release of the existing pledge over the shares being transferred by MPIC, for the MPIC Meralco Shares.

MANILA NORTH HARBOUR PORT, INC. ("MNHPI")

Manila North Harbour Port Inc. was incorporated on November 5, 2009 primarily to own, invest, manage, develop, maintain and operate the Manila North Harbor ("MNH"). MNHPI is a consortium between Harbour Centre Port Terminal Inc. and Metro Pacific Investments Corp., which hold 65% and 35% of the outstanding capital stock of MNHPI, respectively.

On October 8 2009, MPIC announced that the Philippine Port Authority ("PPA") has accepted the bid by MPIC and Harbour Centre Port Terminal, Inc. for the development, management, operation and maintenance of the North Harbor and a Notice of Award to the Joint Venture has been formally issued.

The Pesos 14.5 Billion bid submitted by the joint venture will cover the capex plan to reconfigure the existing ports, expand its operational area from 52 hectares to 70 hectares and improve operational facilities. This will raise more than Pesos 6.8 Billion in revenues for the PPA over 25 years and decrease port rates at an average of 10-15%.

Medical Doctors Inc. ("MDI" or "Makati Med")

On May 9, 2007, the Company subscribed to a total of Pesos 750.0 million worth of convertible notes (Notes) of MDI. The Notes were subject to 7% interest per annum, payable semi-annually up to the date of conversion. The Notes were convertible to common shares of MDI at the rate of Pesos 800.00 per share, but not lower than the value of the par value of the common shares. The Notes were convertible into shares anytime after the Note's issue date and all outstanding convertible notes would be mandatorily converted into common shares on the 5th anniversary date. Conversion of these notes was to give the Company a total ownership interest of 33.4%.

As of December 31, 2007, Pesos 120.0 million convertible notes had already been converted into 150,000 common shares, making the Company a holder of 7.5% interest in MDI. The investment was accounted as an investment in associates.

On January 18, 2008, MDI converted the remaining balance of Pesos 630.0 million of its Notes in MDI (see Notes 8 and 12). The Notes were converted at Pesos 800.00 per share or a total of 787,500 common shares. Together with 150,000 common shares from the initial conversion in May 2007, MDI now holds 937,500 common shares of MDI or 33.4% of MDI's total outstanding common shares.

Davao Doctors Hospital Inc. ("DDH")

On May 15, 2008, MPIC's BOD approved the purchase and acquisition of up to 34% of the issued share capital (including treasury shares) of DDH for Pesos 1,600 per share. As of December 31, 2008, MPIC has acquired a total of 311,612 common shares representing 34.6% interest in DDH. Goodwill from the acquisition amounting to Pesos 130 million was determined provisionally on the basis that DDH has yet to determine the fair values of the assets, liabilities and contingent liabilities of the acquiree. Goodwill was included in the carrying value of investments. The investment is subject to impairment test if there are indicators of impairment and any impairment loss shall be charged first against the goodwill and then to the investment account.

Landco Pacific Corporation ("Landco")

On April 28, 2006, through a Deed of Absolute Sale of Shares, the Company acquired MPC's 51% ownership interest in Landco for the amount of Pesos 667,720,000. Thus, Landco became a subsidiary of MPIC.

Landco holds investments in subsidiaries and associates engaged in all aspects of real estate business which include (i) real estate consultancy encompassing project management and business planning services; (ii) dealing in and disposing of all kinds of real estate projects involving commercial, industrial, urban, residential or other kinds of real property; (iii) construction, management, operation and leasing tenements of Landco or other persons; and (iv) acting as real estate broker on a commission basis.

Following a strategic review of MPIC's businesses, and its focus on infrastructure, MPIC decided to divest part of its interest in Landco. In an agreement entered into on September 9, 2008 between MPIC and the minority shareholder of Landco, MPIC expressed its intention to sell its interest in Landco to the said minority shareholder. On the basis of the foregoing, the assets and liabilities of Landco, including that of its subsidiaries and associates, indirectly held by MPIC through Landco and MPC, were classified as of December 31, 2008 as "Assets of disposal group classified as held for sale" and "Liabilities directly associated with assets classified as held for sale" in the consolidated balance sheets. The results of Landco's operations for all the periods presented until discontinuance have been presented in the consolidated statement of income as "Income (loss) from discontinued operations, net of tax."

During the regular meeting of the BOD of MPIC held on June 18, 2009, the BOD passed and approved resolutions relating to the execution of an agreement (the "Agreement") with AB Holdings Corporation (ABHC) and Alfred Xerez-Burgos, Jr. (AXB), with the conformity of Landco, for ABHC to (i) acquire from MPIC 33.33% of MPIC's 51.00% shareholding in Landco representing 17.67% of the total issued shares of Landco ("Landco Shares") and (ii) procure Landco to settle MPIC's outstanding loan to Landco in the principal amount of Pesos 500.0 million plus accrued interest (the "MPIC Loan"). The Agreement was signed on June 19, 2009.

Pursuant to the Agreement, ABHC agreed to pay MPIC the amount of Pesos 203.3 million ("Share Purchase Price") as consideration for the Landco Shares. For this purpose, ABHC issued a promissory note in favor of MPIC ("ABHC Note") with a face value equal to the Share Purchase Price and with maturity date on August 19, 2009. It was agreed that no interest shall accrue and be payable on the ABHC Note.

As of December 31, 2009, the ABHC Note was partially settled through the transfer of NEPSCC (NE Pacific Shopping Center Corporation) shares and Amara property units worth Pesos 210.5 million and Pesos 59.5 million, respectively, to MPIC. The MPIC Loan remains unsettled.

As per management decision, a 20% provision for write-off is set-up in December 2009. This is to recognize maximum discount to be given on the future sale of shares of Landco to potential buyers.

Upon the signing of the Agreement, MPIC's interest in Landco decreased from 51.0% to 34.0%. Notwithstanding the significant interest retained by MPIC, the sale of its 17.0% interest in Landco shall be accounted for as a disposal of a subsidiary; accordingly, Landco ceased to be MPIC's subsidiary. Consequently, all the assets, liabilities, reserves, minority interest and other accounts pertaining and relating to Landco, which were previously being consolidated by MPIC, were derecognized. For the year ended December 31, 2009, the gain on the said disposal were all included under "Income from discontinued operations - net of income tax" in the 2009 consolidated statement of income.

Metro Pacific Corporation ("MPC")

MPC is a holding company with interests in real estate, through various real estate companies.
MPC became a subsidiary of MPIC on October 23, 2006, MPIC, upon the purchase by MPIC from MPHI, Metro Pacific Resources Inc (MPRI)., Intalink B.V., and FPIL (all related parties of MPIC, and major shareholders of MPC) of 725,160,154 MPC common shares or 76.1% in exchange for MPIC shares on the basis of one MPIC share for every four MPC common shares. MPIC issued 181.3 million shares in exchange for 725.2 million MPC common shares.

In relation thereto, on October 27, 2006, the Company made a Tender Offer (the "Tender Offer") to the remaining MPC minority shareholders where the Company offered one (1) MPIC common share plus three (3) MPIC warrants for every four (4) MPC common shares. Each

MPIC warrant exercised granted the holder the right to subscribe to one (1) MPIC common share at its par value of Php1 per share. A total of 195,367,956 MPC shares were tendered representing 20.5% of its outstanding capital stock. In exchange, MPIC issued 48,841,989 common shares at par (Php1) and 146,525,967 MPIC warrants.

Together with the shares acquired from the MPC major shareholders, the Company thus acquired 96.6% of MPC. The shares were exchanged in the PSE on December 15, 2006, effectively listing MPIC via listing by way of introduction.

The warrants issued by MPIC to its minority shareholders expired on December 15, 2007. Each of these warrants entitled the holder thereof to the issuance of one (1) common share of MPIC at Php1 per share As of December 15, 2007, 143,976,756 warrants have been converted to common shares.

Pacific Plaza Towers

Pacific Plaza is a 53-story twin tower condominium project constructed in partnership with BCDA. It was inaugurated in 2001, and by the end of 2007, only 1 unit of the original 393 units remained unsold. A total of 5 units and 16 units in were sold in 2007 and 2006, respectively.

Nenaco

On December 20, 2006, MPC sold 83.65% of its shareholdings in Nenaco effectively bringing down MPC's interest in Nenaco to just 15.38%. As a result, Nenaco is being presented as part of discontinued operations in the 2008 audited financial statements.

On May 6, 2008, MPC's BOD approved the disposition of MPC's remaining 15.3% interest in Nenaco. On May 26, 2008, the said investment, with carrying value of Pesos 122 million was sold for Pesos 174 million, resulting in a gain on sale of investment amounting to Pesos 51 million

Lucena Commercial Land Corporation ("LCLC")

LCLC was incorporated on September 28, 1995. MPC owns 65% of LCLC's shares while Landco owns 35%. LCLC owned parcels of lands and commercial spaces in Lucena which were fully sold as of December 31, 2007.

Costa de Madera Corporation ("Costa")

Costa is the developer of a 380-hectare property in San Juan, Batangas. MPC owns 62% of Costa's shares while Pueblo Nino Development Corporation ("Pueblo Nino") owns 38%.

(2) Business of Issuer

(a) Description of Registrant

As of December 31, 2009, the Company holds interests in the following: (a) DMWC, the holding company that operates Maynilad, a water and sewerage utility company, (b) toll roads through MPTC and its subsidiaries, MNTC and TMC, (c) investments in power distribution through Manila Electric Company or Meralco, (d) investments in healthcare through MDI and DDH and (e) real estate through Landco (presented as an asset held for sale in 2009), and MPC.

(i) Principal products and services and contribution to revenues and net income

In 2009, contribution came from consolidated results of the following operating companies: (a) DMWC and its subsidiary, Maynilad, (b) MPTC and its subsidiary, MNTC and associate TMC, and (c) share in equity earnings of associates, Meralco, MDI and DDH. Results of the operation of Landco, net of the effect of certain provisions, is classified and presented as part of discontinued operation.

In 2008, contribution came from consolidated results from the following: (a) DMWC and its subsidiary, Maynilad, (b) MPTC and its subsidiary, MNTC and associate TMC, and (c) share in equity earnings of associates, MDI and DDH. Results of the operation of Landco, net of the effect of certain provisions, is classified and presented as part of discontinued operation.

In 2007, contribution came from the share in equity in MDI and DMWC and its subsidiary Maynilad, net of the effect of certain provisions, and other income and expenses. Both DMWC and MDI are being accounted as investment in a joint venture and investment in an associate, respectively.

(ii) Percentage of foreign sales or revenues

All revenues of the Company and its subsidiaries were derived from sales within the Philippines.

(iii) Distribution Methods

Not applicable.

(iv) Status of any publicly announced product or services

Not applicable

(v) Competition

Water Utilities

Under the Concession Agreement, MWSS grants the Company (as contractor to perform certain functions and as agent for the exercise of certain rights and powers under the Charter), the sole right to manage, operate, repair, decommission and refurbish all fixed and movable assets required (except certain retained assets of MWSS) to provide water and sewerage services in the West Service Area for 25 years commencing on August 1, 1997 (the Commencement Date) to May 6, 2022 (the Expiration Date) or the early termination date as the case maybe.

Toll Operations

Pursuant to the Joint Venture Agreement entered into by Philippine National Construction Corporation (PNCC) and FPIDC on August 29, 1995, PNCC assigned its rights, interests and privileges under its franchise to construct, operate and maintain toll facilities in the North Luzon Expressway (NLE) in favor of MNTC, including the design, funding and rehabilitation of the NLE, and installation of the appropriate collection system therein. The assignment of PNCC's usufructuary rights, interests and privileges under its franchise, to the extent of the portion pertaining to the NLE, was approved by the then President of the Republic of the Philippines (ROP). In April 1998, the ROP (Grantor), acting by and through the Toll Regulatory Board (TRB), PNCC

(Franchisee) and MNTC (Concessionaire) executed the Supplemental Toll Operation Agreement (STOA) for the Manila-North Expressway, whereby the ROP granted MNTC the rights, obligations and privileges including the authority to finance, design, construct, operate and maintain the project roads as toll roads (Concession) commencing upon the date the STOA comes into effect until December 31, 2030 or 30 years after the issuance of the Toll Operation Permit (TOP) for the last completed phase, whichever is earlier, unless further extended pursuant to the STOA. In October 2008, TRB approved MNTC's proposal to extend the service concession term for Phase 1 and Segment 8.1 of the Project until December 31, 2037, subject to certain conditions.

However, while MNTC has the sole toll operation in the NLE, there is an alternative road, Macarthur Highway, provided by the government, which dilutes the prospective customers of MNTC, specifically the C3 class.

Healthcare

Major competitors in the healthcare business include tertiary hospitals located in major cities where MDI and DDH operate. However, increase health awareness creates unsatisfied demand in the industry.

Power distribution

On May 23, 2008 Meralco, together with other industry players, filed a Petition with the ERC for the implementation of Interim Open Access ("IOA") in the Luzon and Visayas grids, in accordance with a proposed "Terms of Reference of the Interim Implementation of Open Access." The Petition sought to allow eligible customers with an average peak demand of 1 MW and up to contract and purchase their electricity requirements from Eligible Generating Companies through Retail Electric Suppliers. Eligible Generation Companies are those which meet the mandated generation market share caps of EPIRA.

In a Decision dated November 10, 2008 the ERC renamed IOA as the Power Supply Option Program (PSOP) and approved the Petition, subject to rules to be promulgated by the ERC.

On September 14, 2009 the ERC released an Order stating that PSOP would commence ninety (90) days after completion of either of the following conditions, whichever comes earlier:

a) The transfer of the operation of the Calaca Generation Assets to the private generation companies concerned or its equivalent in terms of capacity; or

b) The privatization of at least 70% of the total capacity of generating assets of NPC in Luzon and Visayas.

Eventually, on December 3, 2009 the Power Sector Assets and Liabilities Management Corporation (PSALM) turned over the 600-MW Calaca Coal-Fired Power Plant to Sem-Calaca Power Corp. Thus, the target commencement date for PSOP became March 4, 2010.

On January 25, 2010 ERC approved the "Rules for the Power Supply Option Program" and, on January 27, 2010, the ERC directed the PSOP proponents to submit to ERC harmonized procedures for retail settlement under PSOP by February 23, 2010.

On February 26, 2010 PEMC filed a Manifestation with the ERC, taking the position that it could not exercise a role beyond that of market operator under the WESM Rules. PEMC, however, stated that it was willing to provide data to the DU or Supplier to calculate the settlement amounts of PSOP customers. Meanwhile, on the same date, Meralco filed a Manifestation with the ERC, taking the position that the PEMC is best suited to take on the role of the Settlement Agent because it has the necessary infrastructure, systems, procedures and policies to fulfill the role. The ERC released an Order on March 8, 2010 directing other Petitioners to comment on the Manifestations. The matter is currently pending before the Commission.

Ports

MNHPI considers Asian Terminals, Inc. operator of the South Harbor as its closest competitor. South Harbor is aggressively marketing the Pier 15 to other domestic carriers like Negros Navigation and the National Marine and Lorenzo Shipping of the Magsaysay Group. Aboitiz Transport (2Go) is the single user of South Harbor Pier 15 at present.

While Batangas and Subic may be the next options, the additional costs of tug and pilotage as well as additional trucking costs to shippers, make these ports secondary options.

(vi) Source and availability of raw materials

The Group is not dependent on one or a limited number of suppliers.

(vii) Dependence on customers

The water business of the Company enjoys a sole concession of Metro Manila's Service Area West. Further, the different business segments of the Company, such as the water business, toll roads, hospital, etc., are all mass-based, such that the loss of a few customers would not have a material adverse effect on the registrant and its subsidiaries taken as a whole. There is also no single customer that accounts for twenty percent (20%) or more of the registrant's sales.

(viii) Transactions with and/or dependence on related parties

Refer to note 25 of the attached 2009 Audited Financial Statements.

(ix) Patents, trademarks, copyrights, licenses, franchises, concessions and royalty agreements held by the Group

Maynilad and MNTC, the two main subsidiaries of the company have existing concession agreements

Under the Concession Agreement, MWSS grants the Company (as contractor to perform certain functions and as agent for the exercise of certain rights and powers under the Charter), the sole right to manage, operate, repair, decommission and refurbish all fixed and movable assets required (except certain retained assets of MWSS) to provide water and sewerage services in the West Service Area for 25 years commencing on August 1, 1997 (the Commencement Date) to May 6, 2022 (the Expiration Date) or the early termination date as the case maybe.

Extension of Maynilad's Concession Agreement. On September 10, 2009, the MWSS Board of Trustees (BoT) approved the extension of the expiry of its Concession Agreement with the Company by an additional (15) years or from May 6, 2022 to May 6, 2037. Subsequently, on September 16, 2009, the MWSS Administrator wrote the Department of Finance (DoF) to inform them of the Board's decision and seek DOF's written consent to the extension, as well its extension of the letter of undertaking covering the government's obligation under the Concession Agreement. The DoF is presently reviewing the extension but the Company expects to receive the DoF's Letter of Consent and Undertaking within six months from the MWSS BoT approval, similar to the timeframe established when the East Concessionaire received its extension.

Under the Supplemental Toll Operation Agreement (STOA) for the Manila-North Expressway, the ROP granted MNTC the rights, obligations and privileges including the authority to finance, design, construct, operate and maintain the project roads as toll roads (Concession) commencing upon the date the STOA comes into effect until December 31, 2030 or 30 years after the issuance of the TOP for the last completed phase, whichever is earlier, unless further extended pursuant to the STOA. In October 2008, TRB approved MNTC's proposal to extend the service concession term for Phase 1 and Segment 8.1 of the Project until December 31, 2037, subject to certain conditions.

(x) Dependence on Licenses and Government Approval

Necessary government approvals in relation to the operation of the water business and toll roads have been secured and documented in the related concession agreements.

(xi) Effect of existing or probable governmental regulations on the business

There are no foreseeable government regulations that will significantly affect the business of the Group.

(xii) Research and development activities

The Group is not involved in any significant research and development activities.

(xiii) Costs and effects of compliance with environmental laws

The Group adopts a proactive approach to environmental standards and its facilities are constructed to high standards. As a consequence, it is not feasible to determine the incremental cost, if any, of compliance with local regulations.

(xiv) Registrant's present employees

The Parent company has a total headcount of 27 employees (Administrative: 21, Clerical: 6), who are neither unionized nor covered by special incentive arrangements. The Company expects to increase its headcount in the next twelve months to 37.

(xv) Major risks

Please refer to Note 39 of the attached 2009 Audited Financial Statements.

(b) Additional Requirements of Certain Issues or Issuers

(i) Debt Issues

Not applicable.

(ii) Investment Company Securities

Not applicable.

Item 2. Description of Properties

Please refer to Note 14 of the attached 2009 AFS.

Item 3. Legal Proceedings

The following is an update on the material legal proceedings which the Company and/or its subsidiaries or affiliates are party to:

MPTC

Local Business Tax and Real Property Tax

In 2009, MNTC has received a Final Demand from the municipality of Guiguinto, Bulacan to pay the local business tax assessments for the years 2005 to 2007 amounting to Pesos 67.4 million, inclusive of surcharges and penalties. MNTC, together, with its legal counsel protested claiming that its predecessor, PNCC has never been subjected to local business tax and as such MNTC continued the customary practice of obtaining the business permits solely from the local government unit where its principal office is located. The case is still pending before the Regional Trial Court of Malolos, Bulacan.

On November 19, 2009, TRB informed MNTC that TRB's Board of Directors has approved MNTC's request to intervene in the LBT case for the purposes of protecting the interests of the government and the motoring public, avoiding any disruption in the operation of the NLE as a limited access facility and resisting collateral attack in the validity of the STOA. TRB also advised MNTC that on November 12, 2009, the Omnibus Motion (i) for Intervention and (ii) to admit attached Manifestation and Motion in Intervention was filed by the Office of the Solicitor General on behalf of TRB praying for the issuance of a Termporary Restraining Order (TRO) and a Writ of Preliminary Injunction to enjoin the municipality from closing MNTC's business particularly with respect to its operations of the Burol-Tabang and Burol-Sta.Rita toll exits and any facility that is indispensable in the operation of the tollway.

In 2008, MNTC also received real property tax assessments covering the toll roads located in the Municipality of Guiguinto amounting to Pesos 2.9 million for the years 2005 to 2008. MNTC appealed before the LBAA of Bulacan and prayed for the cancellation of the assessment. The case is still pending before the LBAA of Bulacan.

MPTDC has received real property tax assessments covering Segment 7 located in the province of Bataan for the period from 1997 to June 2005 amounting to Pesos 98.5 million for alleged delinquency property tax. MPTDC appealed before the Local Board of Assessment Appeals (LBAA) of Bataan and prayed for the cancellation of the assessment. In the said appeal, MPTDC invoked that the property is owned by the Republic of the Philippines, hence, exempt from real property tax. The case is still pending before the LBAA of Bataan.

The outcome of these claims cannot be presently determined. Management believes that these claims will not have a significant impact on the Company's financial statements. As with regards to the real property tax, management and its legal counsel believes that the STOA also provides MNTC with legal recourse in order to protect its lawful interests in case there is a change in existing laws which makes the performance by MNTC of its obligations materially more expensive.

Others

MNTC is a co-respondent (together with TRB, PNCC, other tollways operators, TMC, MPTDC (then FPIDC) and BHC) in two Supreme Court cases, where, based on the following allegations, the petitioners' claims that the STOA is null and void:

- the negotiation and execution of the STOA failed to undergo public bidding in accordance with applicable laws and regulations of the Philippines;

- the STOA granted to MNTC a 30-year franchise for the construction, maintenance and operation of the NLE in violation of the Presidential Decrees under which the PNCC's franchise were granted and the Philippine Constitution; and

- the provisions of the STOA providing for the establishment and adjustment of toll rates violate the statutory requirement for the TRB to conduct public hearings on the level of authorized toll rates.

Management believes that the petitioners' claims are without merit and is vigorously contesting the case. As of February 17, 2010, the case is still pending.

The Company is also a party to other cases and claims arising from the ordinary course of business filed by third parties which are either pending decisions by the courts or are subject to settlement agreements. The outcome of these claims cannot be presently determined. In the opinion of management and the Company's legal counsel, the eventual liability from these lawsuits or claims, if any, will not have a material adverse effect on the Company's financial position and financial performance.

Maynilad

1) Additional Tranche B Concession Fees and interest penalty are being claimed by MWSS from Maynilad in excess of the amount recommended by the Receiver. Such additional charges being claimed by MWSS (in addition to other miscellaneous claims) amounted to ₱4.6 billion and ₱4.3 billion as of December 31, 2008 and 2007, respectively. The Rehabilitation Court has resolved to deny and disallow the said disputed claims of MWSS in its December 19, 2007 Order, upholding the recommendations of the Receiver on the matter. Following the issuance of the Rehabilitation Court's Order on December 19, 2007 disallowing the MWSS' disputed claims and the termination of Maynilad's rehabilitation proceedings, MWSS has not yet indicated to the Maynilad the amount of additional Tranche B Concession Fees that it is still claiming, which amount is therefore undeterminable as of this time. Maynilad and MWSS are seeking to resolve this matter in accordance with the dispute resolution requirements of the TCA.

2) In a decision dated September 7, 2007, the National Labor Relations Commission (NLRC) dismissed the complaint filed by MWSA for alleged non-payment of cost of living allowance (COLA) in NLRC NCR CN. 00-03-03620-2003. In the said case, the Labor Arbiter had earlier issued a decision ordering the payment of COLA to the supervisor-employees "retroactive to the date when they were hired by the respondent company in 1997, with legal interest from the date of promulgation of [the] decision" until full payment of the award, which decision was reversed and set aside by the NLRC. On December 10, 2007, in pursuance of its efforts to effect an early exit from corporate rehabilitation, the Company executed a Compromise Agreement

with MWSA (Compromise Agreement) for the settlement of certain claims of MWSA, wherein the Company agreed to pay to MWSA residual benefits equivalent to the latter's claim for COLA for 23 months from August 1997 to June 1999. On January 15, 2008, Maynilad received a copy of the petition for certiorari filed by the MWSA with the Court of Appeals alleging grave abuse of discretion on the part of the NLRC and praying that the Labor Arbiter's decision dated November 10, 2006 be affirmed in toto, but only in relation to the MWSA's claim for COLA from July 1999 up to the present time. The Company filed its comment on the said petition on March 6, 2008. The case remains pending with the Court of Appeals.

3) On October 13, 2005, the Company and East Concessionaire were jointly assessed by the Municipality of Norzagaray, Bulacan, for real property taxes on certain common-purpose facilities purportedly due from 1998 to 2005 amounting to ₱357.1 million. Accordingly, Maynilad and East Concessionaire filed a joint appeal of the said assessment with the Local Board of Assessment Appeals (LBAA). An appeal-in-intervention was also filed by MWSS with the LBAA. MWSS maintains the position that these properties are owned by the Republic of the Philippines and that the same are exempt from taxation. On February 2, 2007, Maynilad and East Concessionaire received an updated assessment of real property tax from the Municipality of Norzagaray, Bulacan, which included real property tax purportedly due for 2006 of ₱ 35.7 million and interest of 2% per month of ₱93.6 million.

4) On May 2, 2007, the LBAA denied the joint appeal of Maynilad and East Concessionaire. The LBAA also denied the appeal-in-intervention filed by MWSS. Subsequently, the Company and East Concessionaire elevated the case to the Central Board of Assessment Appeals (CBAA) by filing separate appeals. The CBAA, through the board secretary, issued a "First Endorsement" addressed to Maynilad stating that the LBAA order was "not in accordance with Sec. 227 of the Local Government Code of 1991" as it was signed only by the chairman "without the concurrence of at least one member to constitute a majority." In an order dated July 9, 2007, the LBAA explained the lack of signatures of the other members of the LBAA in the May 2, 2006 order and reiterated the previous denial of the separate appeals filed by Maynilad and East Concessionaire. Responding to a letter from Maynilad, Cristeta Esteban, municipal treasurer of Norzagaray, insisted on the concessionaires' liability to pay the subject real property tax. According to her letter dated July 17, 2007, the supposed joint liability of Maynilad and East Concessionaire for real property tax, including interest, as of June 30, 2007 amounts to ₱554.2 million. On August 21, 2007, Maynilad filed a second appeal based on the LBAA order dated July 9, 2007. During the November 27, 2007 hearing, the presiding commissioner encouraged the parties to enter into an amicable settlement. At the subsequent hearing on February 12, 2008, the parties agreed to (i) set an ocular inspection of the area where the subject common purpose facilities are situated; and (ii) continue exploring the possibility of an amicable settlement. However, due to the parties' failure to report any development regarding the amicable settlement suggested by the commissioner, an order/notice of hearing dated June 27, 2008 was issued by the CBAA setting a hearing on July 30, 2008. During such hearing, an agreement was arrived at on the holding of a meeting on August 20, 2008 to be attended by officials of Maynilad and East Concessionaire for the purpose of entering into a possible compromise agreement. It was also agreed that a formal hearing will then be set on a date to be agreed upon during the meeting. Eventually, a hearing with the CBAA was held on October 21, 2008. Pursuant to the Order dated October 23, 2008, the CBAA required the parties to file their respective Memoranda on whether or not CBAA should hear and proceed with the case or remand the same to the LBAA of the Province of Bulacan to be heard and proceeded on the merit. Maynilad filed its Memorandum dated November 05, 2008 stating that the CBAA has the authority to hear, proceed and decide the appeal on the merits without the need of remanding the matter to the LBAA. In such Memorandum, Maynilad likewise prayed that the LBAA Orders dated May 02, 2006 and July 09, 2007 be reversed and set aside and that the subject properties be declared as part of public dominion and therefore, tax-exempt.

An adverse decision on this case may result in similar assessments by other municipalities.

5) The Laguna Lake Development Authority (LLDA) has served Maynilad notices of violation for failure of the wastewater in the following facilities of Maynilad: (i) La Mesa Treatment Plant 1; (ii) La Mesa Treatment Plant 2; and (iii) Project 7, IMHOFF Tank, to conform to the 1990 Revised Effluent Standard for Inland Water Class "C." On the hearing dated January 14, 2009, Maynilad informed LLDA that (i) Maynilad has already completed the necessary facilities in La Mesa Treatment Plants 1 and 2 and that said facilities already comply with the requirements of the 1990 Revised Effluent Standard for Inland Water Class "C"; and (ii) Maynilad is the beneficiary of a grant from the World Bank-Global Environment Fund for a pilot sewage/septage treatment plant and that once the project is completed, the Project 7, IMHOFF Tank will be able to comply with the 1990 Revised Effluent Standard for Inland Water Class "C." Maynilad also informed LLDA that it was willing to settle and pay the fees assessed pursuant to the aforementioned notices.

Item 4. Submission of Matters to a Vote of Security Holders

(A) A special stockholders' meeting was held on November 12, 2009.

(B) During the said meeting, the amendment of the Article Sixth of the Amended Articles of Incorporation of the Company, reflecting an increase in the number of directors of the Company from 11 to 15, was proposed to and approved by stockholders holding at least two-thirds of the outstanding capital stock.

Further thereto, the following were elected as new directors of the Company: (i) Mr. Edward A. Tortorici; (ii) Mr. Ray C. Espinosa; (iii) Mr. Robert C. Nicholson; and (iv) Ms. Lydia Balatbat-Echauz. Ms. Echauz was nominated and elected as an independent director. The new directors were to assume office only upon approval of the Securities and Exchange Commisison of the increase in the number of directors of the Company. Said approval was secured on December 21, 2009.

The incumbent directors whose term of office continued after the said meeting are as follows: (i) Mr. Manuel V. Pangilinan; (ii) Mr. Jose Ma. K. Lim; (iii) Mr. Albert F. Del Rosario; (iv) Mr. Edward S. Go; (v) Mr. Augusto P. Palisoc, Jr.; (vi) Mr. Artemio V. Panganiban; (vii) Mr. Antonio A. Picazo; (viii) Mr. Amado R. Santiago III; (ix) Mr. Alfred A. Xerez-Burgos, Jr.; (x) Mr. Rogelio R. Singson; and (xi) Mr. Ramoncito S. Fernandez. Messrs. Go and Panganiban stand as independent directors.

(C) Below are the items that were taken up and approved and/or ratified during the November 12, 2009 special stockholders' meeting.

1. Issuance by the Company to Metro Pacific Holdings, Inc. ("MPHI") of up to 4,770,000,000 common shares out of the Company's current authorized and unissued capital stock at the issue price of P3.00 per share (the "MPIC Re-Launch Shares"), pursuant and in relation to the MPIC Re-Launch (as described in prior disclosures) and, following the issuance of such MPIC Re-Launch Shares, the listing of the said shares in the Philippine Stock Exchange ("PSE").

2. Issuance by the Company to The Board of Trustees for the Account of the Beneficial Trust Fund Created Pursuant to the Benefit Plan of PLDT Co. ("BTF") of 3,159,162,338 common shares out of the Company's current authorized and unissued capital stock at the issue price of P3.00 per share (the "BTF Subscription Shares"), to partially fund the acquisition by the Company of 113,313,389 common shares in Manila Electric Company ("Meralco") and, following the issuance of such BTF Subscription Shares, the listing of the said shares in the PSE.

3. Issuance by the Company to MPHI of 1,305,040,296 common shares out of the Company's current authorized and unissued capital stock at the issue price of P3.00 per share (the "MPHI MER Subscription Shares"), to fund the acquisition by the Company of an additional 31,072,388 common shares in Meralco from Crogan Limited and, following the issuance of such MPHI MER Subscription Shares, the listing of the said shares in the PSE.

4. Capitalization by MPHI of its advances to MPIC in the amount of Pesos 2,016,388,752 through the issuance of 672,129,584 common shares out of the Company's current authorized and unissued capital stock and/or out of the increase in authorized capital stock of the Company at the issue price of P3.00 per share (the "MPIC-Cap Shares"), and, the listing of the said shares in the PSE.

5. Increase in the number of directors of the Company from eleven (11) to fifteen (15) and the corresponding amendment to Article Sixth of the Amended Articles of Incorporation of the Company.

6. Election of four (4) new directors to fill up the Board seats created by the aforementioned amendment

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A total of 19,706,992,569 issued and outstanding common shares and voting Class A preferred shares of the Company, or 80.58% of the entire outstanding voting stock were cast in favor of all the items being voted upon.

(D) No matter has been submitted to a vote of security holders other than at a meeting of such security holders.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

(A) Market Price of and Dividends on Registrant's Common Equity and Related Stockholder Matters

(1) Market information

The Registrant's common shares are listed on the Philippine Stock Exchange ("PSE"). The high and low sales prices of such shares for the last quarter of the fiscal year 2007, 2008, 2009 and the 1st quarter of 2010 are set out below. The share price as of the close of business on April 14, 2010 was Pesos 3.10.

Quarter	Low	High
	2007	
1st	4.20	5.60
2nd	4.10	4.75
3rd	3.25	4.45
4th	3.75	5.30
	2008	
1st	3.65	4.35
2nd	3.00	4.50
3rd	3.10	4.20
4th	2.02	3.50
	2009	
1st	2.50	3.10
2nd	5.10	5.30
3rd	3.25	3.35
4th	2.60	2.65
	2010	
1st	3.05	3.10

(2) Dividends

Apart from cash restrictions and retained deficit position of the Parent Company, the Company may not declare or pay cash dividends to its stockholders or retain, retire, purchase or otherwise acquire any claims of its capital stock or make any other capital or asset distribution to its stockholders if, at the time of such declaration: (i) its Debt-to-Equity Ratio exceeds 70:30; (ii) its Debt Service Coverage Ratio is below 1.5x; and (iii) the funds in deposit in the Debt Service Account do not meet the required DSA balance.

There were no dividends declared in 2008 and 2009. Neither were dividends declared during the first quarter of 2010.

(3) Recent Sales of Unregistered or exempt Securities

During the last three (3) fiscal years, MPIC issued the following shares (either via private placements and/or conversion of debt to equity) for which exemptions from registration were claimed and notices of exempt transactions were accordingly filed with the Securities and Exchange Commission (SEC):

1. On July 1, 2008, MPIC issued, and MPHI subscribed to, 1,568,925,223 common shares of MPIC at the price of Pesos 2.00 per share or a total consideration of Pesos 3,137,850,446.00. Such consideration was fully paid by MPHI on July 10, 2008. A Notice of Exempt Transaction in respect of such issuance was filed with the SEC on July 10, 2008.

2. On March 3, 2008, MPHI advised MPIC of its intent to convert its loan amounting to Pesos 2,029,853,351.00 into 1,893,282,845 common shares of MPIC at the issue price of: (i) Pesos 1.08236 per share (with respect to 1,237,002,525 common shares); and (ii) Pesos 1.05286 per share (with respect to 656,280,320 common shares), pursuant to existing convertible loan agreements. This conversion was acknowledged by MPIC on June 30, 2008. The said shares were issued to MPHI on August 12, 2008 from the increase in MPIC's authorized capital, following the approval by the SEC of said increase. A Notice of Exempt Transaction in respect of such issuance was filed with the SEC on 19 August 2008.

3. On August 12, 2008, MPIC issued to MPHI 2,222,600,000 common shares of MPIC, on the basis of a subscription made by MPHI on July 1, 2008 and its full payment for such subscription on July 15, 2008. Said shares were issued at the price of Pesos 2.00 per share or a total consideration of Pesos 4,445,200,000.00, following the approval by the SEC of the increase in MPIC's authorized capital stock. A Notice of Exempt Transaction in respect of such issuance was filed with the SEC on 19 August 2008.

4. On February 13, 2009, MPIC issued to MPHI a total of 2,389, 040,000 common shares of MPIC at the price of Pesos 2.00 per share or a total consideration of Pesos 4,778,080,000, following the approval by the SEC of the increase in MPIC's authorized capital stock. Proceeds were used to settle outstanding obligations and to partially fund MPIC's acquisition of FPII. Two (2) Notices of Exempt Transactions were filed with the SEC on February 19, 2009.

5. MPIC granted a total of 123,925,245 options to subscribe to common shares of MPIC, pursuant to its Executive Stock Option Plan. Said options relate to 123,925,245 underlying common shares of MPIC issuable at the price of Pesos 2.12 per share (in respect of 61,000,000 options) and Pesos 2.73 (in respect of 62,925,245 options. Two (2) Notices of Exempt Transactions were filed with the SEC on April 27, 2009.

6. On July 10, 2009 MPIC issued to LAWL 791,110,491 common shares of MPIC at the price of Pesos 2.565 per share or a total consideration of Pesos 2,029,198,409. A Notice of Exempt Transaction was filed with the SEC on July 13, 2009.

7. On September 25, 2009, MPIC issued to MPHI 4,150,000,000 common shares pursuant to the second stage of the MPIC re-launch discussed above. Said shares were issued at the price of Pesos 3 per share or a total consideration of Pesos 12,450,000,000. A Notice of Exempt Transaction was filed with the SEC on September 29, 2009.

8. On October 6, 2009, MPIC issued a total of 4,464,202,634 common shares of MPIC in favor of BTF (to the extent of 3,159,162,338 common shares) and MPHI (to the extent of 1,305,040,296 common shares) at the price of Pesos 3 per share or a total consideration of Pesos 13,392,607,902. Proceeds were used to partially fund MPIC's

acquisition of Meralco shares. Two (2) Notices of Exempt Transactions were filed with the SEC on October 15, 2009.

9. On October 27, 2009, MPIC issued an additional 620,000,000 common shares of MPIC to MPHI in relation to the second stage of the MPIC re-launch discussed above and as a result of the exercise of an over-allotment option by the allotment agent. Said shares were issued at the price of Pesos 3 per share or a total consideration of Pesos 1,860,000,000. A Notice of Exempt Transaction was filed with the SEC on October 16, 2009.
10. On December 21, 2009, following the approval by the SEC of an increase in its authorized capital stock, MPIC issued 672,129,584 common shares of MPIC to MPHI. Said shares were issued at the price of Pesos 3 per share or a total consideration of Pesos 2,016,388,752 and were paid for via the assignment by MPHI of its advances to MPIC. A Notice of Exempt Transaction was filed with the SEC on December 22, 2009.

The abovementioned notices of exempt transactions were made on the basis of:

1. Section 10.1(e) of the Securities Regulation Code (SRC) – The sale of capital stock of a corporation to its own stockholders exclusively, where no commission or other remuneration is paid or given directly or indirectly in connection with the sale of such capital stock.

   The abovementioned issuances were issued by MPIC to MPHI, its majority stockholder, exclusively and no commission or other remuneration was paid or given directly or indirectly in connection with such issuances.

2. Section 10.1 (k) of the SRC – The sale of securities by an issuer to fewer than twenty (20) persons in the Philippines during any twelve-month period.

   MPIC issued securities to fewer than twenty (20) persons in the Philippines during any twelve-month period.

item 6. <u>Management's Discussion and Analysis or Plan of Operation</u>

Financial Highlights and Key Performance Indicators

The following discussion and analysis of the Group's financial condition and results of operations should be read in conjunction with the accompanying audited consolidated financial statements and the related notes for the years ended December 31, 2009, 2008, and 2007 and as of the years ended December 31, 2009 and 2008 included in this Report.

	Audited 2009	Restated 2008	Increase (Decrease) Amount	%
		(in PhP millions)		
Consolidated Statements of Financial Position				
Total other assets	57,768	25,512	32,256	126
Service concession assets - net	62,185	56,664	5,521	10
Propery, plant and equipment - net	634	643	(9)	(1)
Cash and cash equivalents and short-term investments	8,813	8,745	68	1
Total equity attributable to equity holders of MPIC	51,265	18,852	32,413	172
Interest-bearing debt	42,786	32,267	10,519	33
Consolidated Income Statements				
Revenues	16,108	5,041	11,067	220
Expenses	9,762	3,699	6,063	164
Other expenses	2,014	417	1,597	383
Income before income tax	4,332	925	3,407	368
Net income attributable to equity holders of MPIC	2,300	526	1,774	337
EBITDA (core)	9,601	1,404	8,197	584
Core income	2,047	347	1,700	490
Nonrecurring income	252	178	74	42
Net income margin	14%	10%		
EBITDA margin	60%	16%		
Consolidated Statements of Cash Flows				
Net cash provided by operating activities	13,003	(2,784)	15,787	(567)
Net cash used in investing activities	(26,346)	(21,638)	(4,708)	22
Net cash used in financing activities	17,699	26,397	(8,698)	(33)

Note: 2008 figures have been restated due to finalization of the purchase price allocation of MPTC

Key Performance Indicators
of Major Operating Subsidiaries
(in PhP millions unless otherwise stated)

Maynilad Water Services, Inc.

		Audited	
		2009	**2008**
Revenue		10,619	7,578
EBITDA (Core)		7,162	4,847
EBITDA margin (Core)		67%	64%
Core income		3,328	2,433
Net income		2,825	1,994
Capital expenditure		4,548	6,375
Volume of water supplied	million cubic metres	868	869
Volume of water billed	million cubic metres	350	315
Water billed to supply %		40%	36%
Non-revenue water % (average)		60%	64%
Non-revenue water % (year end)		57%	60%

Metro Pacific Tollways Corporation

		Audited	
		2009	**2008**
Revenue		5,489	5,198
EBITDA (Core)		2,876	2,699
EBITDA margin (Core)		52%	52%
Core income		1,220	990
Net income		582	784
Capital expenditure		968	81
Average daily vehicle traffic	number of vehicles	150,395	141,846

Overview

Year 2009 underscored a monumental leap for our company, Metro Pacific Investments Corporation, as it realizes its objective of being one of the country's leading infrastructure companies. Highlights for the past twelve months of the year which affirms the Company's position as a premier investment and management company are as follows:

- *Successful equity raising that is the largest in the Philippines since 2007.* The completion of an international road show on the Offering of MPIC's listed common shares commenced last 7th September and was completed on 18th September 2009. This substantially strengthened MPIC's capital structure, broadened its shareholder base and increased its trading liquidity and volumes. In addition, this placed MPIC as the 3rd largest listed holding company with free float now up to 29% and amongst the top 20 largest listed companies in the Philippine Stock Exchange. This equity raising reduced debt to equity to 0.37 times at Parent Company.

- *MPIC's acquisition and purchase of common shares in Manila Electric Company representing additional 13.3% that resulted to a total of 14.67% ownership of its outstanding capital stock.* This acquisition of strategic block of Meralco shares is in line with MPIC's status as one of the Philippines' leading infrastructure companies and will complement its existing investments in North Luzon Expressway, Maynilad and the hospitals.

- *Maynilad Water Services, Inc. clearing the first hurdle in its bid to extend its concession term after the Metropolitan Waterworks and Sewerage System Board of Trustees issued a resolution approving the water company's term extension application.* If finally approved by the Department of Finance, an extended term will allow Maynilad to increase its planned investments and lower its tariffs for customers. The term extension will also enhance Maynilad's ability to undertake long-term projects that will ensure the reliability and security of water supply for the West Zone, address environmental issues with an accelerated sewerage program, and generate thousands of jobs from these increased capital expenditures.

- Maynilad submitted prequalification materials to the Iloilo Water District and has been prequalified to bid for the Iloilo Bulk Water Supply project.

- Formation of the Manila North Harbour Port Inc., a joint venture with Harbour Centre Port Terminal Inc, that will develop, manage, operate and maintain Manila North Harbour.

Operating segment information

Operating segments are components of the Company that engage in business activities from which they may earn revenues and incur expenses, whose operating results are regularly reviewed by the chief operating decision-maker to make decisions about how resources are to be allocated to the segment and to assess their performances, and for which discrete financial information is available.
The Board of Directors assesses the performance of the operating segments based on a measure of recurring profit or core income contribution. This measurement basis is determined as profit attributable to owners of the parent company excluding the effects of foreign exchange and derivative gains/losses, one-off provisions and other non-recurring or non-core items. Non-recurring items represent certain items, through occurrence or size, that are not considered as part of the usual operating items of the businesses of the Group.

In 2009, the Company further expanded and organized its businesses into six major business segments, namely water utilities, toll operations, healthcare, power, port and others as enumerated below:

- *Water Utilities* – The water utilities business segment primarily relates to the operations of DMCI-MPIC Water Company and Maynilad as the largest water concessionaire in terms of customer base.

- *Toll Operations* – The toll operations business segment primarily relates to the operation and maintenance of toll facilities by MPTC and its subsidiary, Manila North Tollways Corporation and associate, Tollways Management Corporation.

- *Healthcare* – The healthcare business segment primarily relates to the operation and management of hospitals, medical and chemical clinics and/or laboratories and other similar undertakings provided for by MPIC's associates, Medical Doctors, Inc. and Davao Doctors Hospital.

- *Power* - The power business segment primarily relates to the operation and management of Manila Electric Company.

- *Port Operations* - The port business segment primarily relates to the development, management, operation and maintenance of Manila North Harbour.

- *Others* – This represents operations of subsidiaries involved in the provision of services and holding companies. This includes the real estate segment which primarily relates to the operations of Metro Pacific Corporation and Landco Pacific Corporation and its subsidiaries, which are involved in the business of real estate of all kinds. Following the decision of MPIC to partially divest its investment in Landco, total assets and liabilities and income and expense of Landco are presented under "Discontinued operations".

Adoption of New Standards and Interpretations

Our accounting policies are consistent with those followed in the preparation of the Company's most recent annual consolidated financial statements, except for the changes in accounting policies and the adoption of the new and amended Philippine Accounting Standards ("PAS") and Philippine Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), which became effective on January 1, 2009. Our adoption of these amendments to standards and new interpretations did not have any effect on the financial performance or position of the Company.

Operational Review

Management monitors the operating results of each business unit separately for purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net income for the year; earnings before interest, taxes and depreciation and amortization, or EBITDA; EBITDA margin; and core income. Net income for the year is measured consistent with consolidated net income in the consolidated financial statements.

EBITDA is measured as net income excluding depreciation and amortization of property and equipment and intangible assets, asset impairment on noncurrent assets, financing costs, interest income, equity in net earnings (losses) of associates and joint ventures, net foreign exchange gains (losses), net gains (losses) on derivative financial instruments, provision for (benefit from) income tax and other nonrecurring gains (losses). EBITDA margin pertains to EBITDA divided by service revenues.

Core income for the year is measured as net income attributable to owners of the Company excluding foreign exchange (gains) losses-net, gains (losses) on derivative financial instruments, asset impairment on noncurrent assets, and other nonrecurring gains (losses), net of tax effect of aforementioned adjustments.

Transfer prices between operating segments are on an arm's length basis similar to transactions with third parties. Segment revenues, segment expenses and segment results include transfers between business segments. These transfers are eliminated upon full consolidation.

MPIC CONSOLIDATED

Revenues

The Company's revenues increased 2.2 times from Pesos 5,041 million to Pesos 16,108 million. This reflects improved performance and increased ownership in 2009 of Maynilad and the first full year contribution from MPTC which was acquired in November 2008

Expenses

The growth in cost of services is consistent with that of revenues as it increased 2 times from Pesos 2.37 billion in 2008 to Pesos 7.12 billion in 2009. This is mainly attributable to full year consolidation of MPTC as compared to its 1.5 months share in cost of services in 2008.

General and administrative expenses increased by 83% in 2009 from Pesos 2.37 billion in 2008 to Pesos 2.64 billion in 2009. The increase is mainly coming from the following: (a) increased personnel costs;(b) increased provision for doubtful accounts; (c) increased depreciation and amortization in relation to additional capital expenditure made during the year; (d) provision for corporate initiatives; (e) increased maintenance and operating expenses in light of the extension of the concession term of Maynilad; and, (f) increase in other expenses.

Consolidated Core Income

Consolidated core income increased 4.9 times more than last year reflecting the following:

- Four times increase in contribution from Maynilad to Pesos 1,540 million from Pesos 308 million
- Meralco's 3-month contribution of Pesos 212 million
- MPTC's first full year contribution of Pesos 1,279 million in 2009 compared to 1.5 months core contribution in 2008
- Healthcare businesses' contribution to core net income increased 58% to Pesos 174 million
- Maynilad, MPTC, Meralco and healthcare accounted for 48%, 40%, 7% and 5% respectively of MPIC's core profit from operations

Consolidated Reported Income Attributable to Parent Company

The increase in reported income by 337% from Pesos 526 million restated income in 2008 to Pesos 2,300 million in 2009 is attributable to the increase in core net income referred to above and non-recurring gain of Pesos 252 million, partly offset by higher interest expenses incurred by the Parent Company.

Nonrecurring income

Nonrecurring income increased to Pesos 252 million this year from Pesos 179 million last year. Net foreign exchange and derivative items made a huge turnaround from a loss of Pesos 453 million last year to a gain of 134 million this year. This was mainly due to Peso appreciation for the year of Pesos 1.32 from Pesos 47.52 in end-2008 to Pesos 46.20 which resulted to the recognition of forex gain from the restatement of foreign denominated concession fees payable and debts, partly offset by forex loss arising from the restatement of Maynilad's US Dollar denominated cash and cash equivalents.

Other non-recurring gains of Pesos 118 million consist principally of Maynilad's income from rate rebasing of Pesos 806 million, excess of fair value over acquisition cost of additional stake of MPIC in MDI of Pesos 16 million and actuarial gains for Maynilad, MPTC and MDI amounting to a total of Pesos 122 million. This was partially offset by Pesos 610 million tax adjustments on Maynilad related to its income tax holiday from 2010 to 2015 and in part to the extension of its concession term from 2022 to 2037, MPTC's provision for Input VAT of Pesos 207 million not provided for in MPIC's financial statements at the point of acquisition, and Pesos 137 million non-recurring loss from Meralco resulting from various provisions of customer accounts, net of write-off of refunds.

Water utilities

The Water Utilities business improved from last year's contribution due mainly to improved performance of Maynilad and the higher effective tariff rate this year as a result of the rate rebasing exercise. Billed volume increased to an all-time high of 350.1 million cubic meters from 315 MCM last year mainly coming from the increase in domestic consumption. Non revenue water likewise continued to decline from last year's average of 63.8% to this year's 60%. The approval by Metropolitan Waterworks and Sewerage System of the 15 year-extension of Maynilad's Concession has also enhanced the Company's core results. At consolidated level, MPIC's increased ownership in water utilities from effective ownership of 42.0% to 58.0% likewise contributed substantially to the positive variance.

Toll Roads

Toll Roads' stand-alone operations likewise improved from last year's core income due mainly to the increase in traffic volume and the full year impact of the increase in toll rates this year. Since the toll rates increase only took effect in July 2008, the toll roads business only benefited from the toll rates hike during the second half of last year compared to full year in 2009. Its contribution to MPIC substantially created a huge positive variance versus last year as MPTC was only acquired in November 2008. For this reason, 2008 share in core income of MPTC which pertains to just one and a half months is not comparable with this year's twelve months period ended December 2009.

Power

For the first time, the Company recognized its share in Meralco which contributed Pesos 212 million to MPIC's core income. This represents the Company's 14.67% share in net income of Meralco for the quarter ended December 31, 2009. This is net of Pesos 25 million fair value amortization for the intangible asset recognized upon acquisition of Meralco. On a stand-alone basis, Meralco's core income for the year is at Pesos 7 bilion of which core income for the quarter was at Pesos 1.5 billion. MPIC started to equitize Meralco in October upon completion of the additional block of shares acquisition that resulted to MPIC's ownership in Meralco of 14.67%.

Healthcare

The Pesos 174 million attributable profit for Healthcare came from its total core income of Pesos 528 million which is Pesos 191 million higher than last year's core income. This was due mainly to the favorable hospitals operations of both MDI and DDH (Pesos 220 million higher core income than last year) which was partly offset by the deterioration of the schools' operations (Pesos 29 million decline from last year).

The increase in core contributions of hospitals resulted from higher occupancy for the period brought about by the increase in bed capacity to 707 from 655 due to the completion and renovation of the new building of MDI this year. The increase in rates in both bed and ancillary services also contributed to the favorable variance. The move to the new building also contributed to the increase in outpatient services and higher mark up for supplies and medicines. On the schools' core income, the decline is brought mainly by the decrease in number of enrollees for the year to 3,396 from 4,527. The shift in preferred courses of the general public from medical-related courses such as nursing to information technology and short-term courses contributed to the decline in revenues and core results this year compared with previous year. On October 21, 2009, MPIC subscribed for an additional 139,983 shares of MDI for a total subscription of approximately Pesos 160 million, thereby raising MPIC's ownership in MDI from 32.39% to 34.79%.

The core net income of Davao Doctors Hospital, Inc. increased by 19% from Pesos 120 million in 2008 to Pesos 143 million in 2009. DDH contributed Pesos 46 million of core profitability to MPIC for the period compared with Pesos 37 million last year. The increase was due to the excellent results of its hospital operations as a result of new equipment, services and higher bed occupancy of 204 for the year compared with 192 last year. This more than made up for the reduced enrollment and profitability of its wholly-owned subsidiary, Davao Doctors College, Inc. MPIC equity accounted the results of DDH starting June 2008 and now owns 34.85% of DDH.

Income from discontinued operations

Following a strategic review of the Company's businesses, and its focus on infrastructure, MPIC decided to divest part of its interest in Landco. In an agreement entered on September 9, 2008 between MPIC and the minority shareholder, MPIC expressed its intention to sell its interest in Landco to the minority shareholder. Landco is primarily engaged in all aspects of real estate business and is a separate reportable operating segment. As of December 31, 2008, negotiations for the sale were still in progress but were expected to be completed in 2009. On the basis of the foregoing, the results of Landco's operations for all the periods presented until discontinuance have been presented in the consolidated statement of income as "Income (loss) from discontinued operations, net of tax."

On February 20, 2009, the Company's BOD approved the sale of 21% of its ownership in Landco to AB Holdings, Inc., then the minority shareholder of Landco. Pursuant to the planned sale, the Company recognized impairment loss amounting to Pesos 431.2 million to record its investment in Landco at net realizable value.

On June 18, 2009, the BOD finally passed and approved resolutions relating to the execution of an agreement (the "Agreement") with ABHC and AXB, with the conformity of Landco, for ABHC to (i) acquire from MPIC 33.33% of MPIC's 51% shareholding in Landco representing 17% of the total issued shares of Landco ("Landco Shares") and (ii) procure Landco to settle MPIC's outstanding loan ("MPIC Loan") to Landco in the principal amount of Pesos 500.0 million plus accrued interest.

Under the terms of the Agreement, ABHC shall pay to MPIC the amount of Pesos 203.3 million ("Share Purchase Price") as consideration for the Landco Shares and for this purpose, shall issue a promissory note in favor of MPIC ("ABHC Note"). The ABHC Note shall be issued with a face value equal to the Share Purchase Price and with maturity of two (2) months from signing of the Agreement (the "Maturity Date") or on or about August 19, 2009. ABHC also agreed to create for the benefit of MPIC a first ranking charge over the Shares in accordance with a security agreement to be executed by ABHC in favor of MPIC.

On the signing of the Agreement, MPIC's interest in Landco decreased from 51% to 34%. Accordingly, Landco ceased to be a subsidiary of MPIC. As a result of the foregoing, the Company recorded Pesos 406.6 million as the cost of the remaining interest in Landco tagged as assets held for sale in the Parent Company's books while fully derecognizing its Pesos 136.7 million carrying value of investments in Landco.

As of December 31, 2009, the ABHC Note has been partially settled through transfer to MPIC of NEPSCC shares and Amara property units worth Pesos 210.5 million and Pesos 59.5 million, respectively. The MPIC Loan, however, remains unsettled. Any succeeding payments by ABHC and/or Landco shall be applied first to the remaining amount under the ABHC Note, as well as interest on the MPIC Loan. Any amount above the said liabilities will then be applied to the MPIC Loan.

As per management decision, a 20% provision for write-off is set-up in December 2009. This is to recognize maximum discount to be given on the future sale of shares of Landco to potential buyers.

Discussion on Financial Position

	Audited				Increase (Decrease)	
	2009	%	2008	%	Amount	%
			(in PhP millions)			
ASSETS						
Current assets						
Cash and cash equivalents	6,380	24.72	2,029	11.19	4,351	214.45
Short-term deposits	2,433	9.43	6,716	37.05	(4,282)	(63.76)
Receivables - net	13,475	52.22	1,609	8.88	11,866	737.56
Advances to contractors and consultants	528	2.04	188	1.04	339	180.01
Inventories - at cost	96	0.37	84	0.47	12	13.75
Real estate for sale	187	0.72	127	0.70	60	46.71
Assets held for sale	330	1.28	-	-	330	N/A
Available-for-sale financial assets	283	1.10	403	2.22	(120)	(29.82)
Due from related parties	501	1.94	32	0.18	469	1,461.58
Other current assets	1,594	6.18	618	3.41	976	158.10
Assets of disposal group classified as held for sale	-	-	6,320	34.87	(6,320)	(100.00)
	25,806	100.00	18,127	100.00	7,680	42.37
Noncurrent Assets						
Investments	27,771	26.81	2,479	3.38	25,292	1,020
Goodwill	12,552	12.12	12,552	17.09	0	0.00
Due from related parties - net of current portion	66	0.06	323	0.44	(257)	(79.68)
Service concession assets	62,185	60.03	56,664	77.16	5,521	9.74
Property and equipment - net	634	0.61	643	0.88	(8)	(1.27)
Derivative assets	39	0.04	53	0.07	(14)	(26.07)
Deferred tax assets	215	0.21	568	0.77	(353)	(62.18)
Other noncurrent assets	132	0.13	156	0.21	(24)	(15.60)
	103,594	100.00	73,437	100.00	30,156	41.06

- *Cash and cash equivalents and short-term deposits* – The net increase is the result of the fund raising exercise completed in the third quarter of the year and the effect of Peso appreciation against the Dollar from Pesos 47.52 in 2008 to Pesos 46.20 in 2009.

- *Receivables* – The increase is mainly due to the loan of Pesos 11.2 billion extended to First Philippine Utilities Corporation.

- *Asset held for sale* – This represents investments in Landco previously classified as assets and liabilities of disposal group in 2008's Balance Sheet and was shown as a single line item in the 2009 Balance Sheet.

- *Available-for-sale financial assets* – Net decrease represents sale of 2.6 million shares of Bonifacio Land Corp. amounting to Pesos 356 million and additional Pesos 236 million worth of investment in Nueva Ecija Pacific Shopping Center Corp. ("NEPSCC") from Landco in payment of loan.

- *Due from related parties (current and noncurrent)* – The increase was mainly due to the extension of cash advance by DMWC to DMCI holdings.

- *Other current assets* – The increase represents prepayment of MWSS MOE.

- *Investments in associates and joint ventures – at equity and investment in bonds* – Upward change is mainly attributable to the following: (a) Additional investments in Meralco made during the year; (b) acquisition of the Manila North Harbour; and, (c) MPTC's additional investments in bonds.

- *Service concession assets* – Additional concession fees related to the extension of concession term and capital expenditures for the year, net of amortization, contributed to the increase in concession assets.

- *Deferred tax assets* – Decrease in deferred tax assets is the result of tax write-offs in relation to Maynilad's income tax holiday.

- *Other noncurrent assets* - The decrease is mainly attributable to MPTC's write-off of Input Value Added Tax upon finalization of the purchase price allocation of MNTC.

	Audited				Increase (Decrease)	
	2009	%	2008	%	Amount	%
			(in PhP millions)			
Current Liabilities						
Accounts payable and other current liabilities	7,532	64.61	6,412	35.93	1,120	17.47
Unearned toll revenues	21	0.18	19	0.11	2	9.26
Income tax payable	11	0.09	1	0.01	10	897.97
Due to related parties	430	3.69	2,824	15.82	(2,394)	(84.78)
Provisions	556	4.77	507	2.84	49	9.68
Service concession fees payable	1,208	10.37	975	5.46	234	24.01
Long-term debts	958	8.22	855	4.79	103	12.02
Deferred credits and other long-term liabilities	942	8.08	1,214	6.80	(272)	(22.40)
Liabilities of disposal group held for sale	-	-	5,040	28.24	(5,040)	(100.00)
	11,659	100.00	17,847	100.00	(6,188)	(34.67)
Noncurrent Liabilities						
Long-term debts - net of current portion	41,828	72.79	31,412	66.82	10,416	33.16
Derivative liabilities	44	0.08	30	0.06	15	48.91
Service concession fees payable	9,072	15.79	6,621	14.08	2,451	37.02
Accrued retirement costs	0	-	254	0.54	(254)	(100.00)
Provisions - net of current portion	416	0.72	170	0.36	246	144.21
Deferred tax liabilities	2,673	4.65	3,123	6.64	(450)	(14.41)
Deferred credits and other long-term liabilities	3,433	5.97	5,401	11.49	(1,969)	(36.45)
	57,466	100.00	47,011	100.00	10,455	22.24
Equity						
Capital stock	20,178	39.36	7,028	37.28	13,150	187.12
Additional paid-in capital	27,860	54.34	5,754	30.52	22,106	384.20
Deposit for future subscriptions	-	-	6,807	36.11	(6,807)	(100.00)
Other reserves	341	0.67	281	1.49	61	21.60
Reserve of disposal group classified as held for sale	-	-	17	0.09	(17)	(100.00)
Retained earnings (deficit)	2,886	5.63	(1,035)	(5.49)	3,921	(378.93)
Total equity attributable to MPIC	51,265	100.00	18,852	100.00	32,414	171.94
Minority interests	9,010		7,854		1,156	14.72

- *Accounts payable and other current liabilities* – Increase is mainly due to various accruals made during the period.

- *Due to related parties* – Decline in this account is due to MPIC's partial repayment of advances to MPHI and its conversion to equity.

- *Service concession fees payable (current and noncurrent)* – The increase is due to additional concession fees and maintenance and operating expenses ("MOE") in light of the 15-year extension of Maynilad's concession term.

- *Long-term debt (current and noncurrent)* – Interest-bearing debt significantly increased as a result of the Pesos 11.2 billion loan availed by MPIC in relation to the additional stake acquisition in MERALCO.

- *Deferred credits and other long-term liabilities (current and noncurrent)* – The change principally reflects restatement of Maynilad's USD $125 million loan and foreign denominated concession fees payable capitalized to deferred credits account, the accretion of the 18-month term payables originating from the rate rebasing exercise and the decrease of realizable contingent liability in relation to MPTC's Output VAT liability upon finalization of the goodwill in respect of the acquisition of MPTC in November 2008.

* *Liabilities of disposal group held for sale* – These liabilities are related to Landco which now form part of current assets held for sale presented as a single line item in the balance sheets.

* *Accrued retirement costs* – Since fair value of plant assets exceeded present value of retirement obligation, pension asset was recognized instead of accrued liability.

* *Provisions (current and noncurrent)* – Increase is mainly due to MPC's adjustment to previously recognized warranties and guarantees and MPTC's provision for heavy maintenance.

* *Deferred tax liabilities* – Please see discussion on Deferred Tax Assets.

* *Capital stock and additional paid-in capital* - The increase reflects the issuance of (i) 4,770,000,000 shares from the relaunch of MPIC shares, (ii) 791,110,491 shares to LAWL, (iii) 3,159,162,338 shares issued to BTF, (iv) 1,305,040,296 shares issued to MPHI, (iii) conversion to 672,129,584 shares of advances from MPHI, (iv) 13,945,000 shares (7,365,000) for the first tranche and 6,580,000 for the second tranche) upon the exercise of the executive stock options for the period and (v) 2,389,040,000 shares to MPHI applied for payment of its subscription from the increase in authorized capital stock of MPIC as approved by SEC

* *Deposit for future subscriptions – This was z*eroed out in light of MPHI's conversion or payment of subscription.

* *Other reserves* – The change relates to MPTC's hedged items and head office ESOP expenses charged directly to equity.

* *Reserves of disposal group classified as held for sale* – This is related to Landco which is now classified as a single line item in the balance sheets as current assets held for sale.

* *Retained earnings* – The change is attributable to the net income for the year and *e*quity restructuring in the amount of Pesos 1.6 billion to wipe out the deficit of the Parent Company in 2008. This also includes a restatement of Pesos 23 million resulting from the finalization of the purchase price allocation for MPTC.

* *Minority interests* – The increase is related to minority's share in current earnings for the period.

__Liquidity and Capital Resources__

During the year, MPIC invested a total of Pesos 24.9 billion (2008: Pesos 22.3 billion) to expand its core business portfolio for strengthening its position as a preeminent infrastructure group in the Philippines. The 24.9 billion additional investments for the year consist of:

- Pesos 170.1 million in Healthcare
- Pesos 24.5 billion in Power
- Pesos 252 million in Port operations

The following table shows our audited cash flows for the years ended December 31, 2009 and 2008 as well as our consolidated capitalization as of December 31, 2009 and 2008 (audited):

	Audited		**Increase (Decrease)**	
	2009	**2008**	**Amount**	**%**
		(in PhP millions)		
Cash Flows				
Net cash provided by operating activities	12,858	(2,784)	15,642	561.85
Net cash used in investing activities	(26,346)	(21,638)	(4,708)	21.76
Capital expenditures	8,857	7,264	1,593	21.93
Net cash used in financing activities	17,844	26,397	(8,553)	-32.40
Net increase (decrease) in cash and cash equivalents	4,354	1,958	2,396	122.37
Capitalization				
Long-term portion of interest-bearing liabilities	41,828	31,412	10,416	33.16
Current portion of interest-bearing liabilities	958	855	103	12.05
Total interest-bearing liabilities	42,786	32,267	10,519	32.60
Total equity attributable to equity holders of MPIC	51,265	18,852	32,413	171.93
Cash and cash equivalents	6,380	2,029	4,351	214.44
Short-term deposits	2,433	6,716	(4,283)	-63.77

As of December 31, 2009, MPIC's consolidated cash and cash equivalents and short-term investments totaled Pesos 8.81 billion. Principal sources of consolidated cash and cash equivalents in 2009 were cash flows before income taxes paid from operating activities amounting to Pesos 12.62 billion compared to net cash used for operations of Pesos 3.29 billion in 2008. The huge increase is mainly attributable to improved operational performance of subsidiaries as discussed previously. Cash flows from financing activities also contributed to the net increase in cash for 2009 consisting of proceeds from new loans extended to the Company and issuance of capital stock as a result of the equity raising completed in September amounting to Pesos 11.8 billion and Pesos 14.3 billion, respectively.

These funds were used principally for: (a) payments for additional investments in power, port operations and healthcare; (b) extension of loan to First Philippine Utilities Corp.; (c) investment in bonds of MPTC; and, (d) additional investments in PPE.

Operating Activities

MPIC's consolidated net operating cash flows in 2009 made a huge turnaround from net cash use of Pesos 2.78 billion in 2008 to net cash source of Pesos 12.86 billion. This is primarily due to: (a) increased net income for the year; (b) higher noncash charges for the year of Pesos 5.3 billion compared to Pesos 2.03 billion in 2008; and, (c) higher working capital requirements.

A large portion of the Company's cash flows from operating activities is generated by the water utilities which accounted for 66% of the Company's total revenues in 2009 and 86% in 2008. Revenues from the toll roads business, on the other hand, accounted for 34% in 2009 and 14% in 2008.

Cash flows from operating activities of the water utilities amounted to Pesos 7.47 billion in 2009, a Pesos 7.72 billion increase from net cash outflow of Pesos 246 million in 2008. The increase is attributable to higher net income for the period and higher working capital. For the toll roads business, cash flows from operating activities increased by 8% to Pesos 2.66 billion in 2009 from Pesos 2.46 billion in 2008 due to huge provisions made on input VAT that were added back to cash flows.

Investing activities

Net cash used in investing activities amounted to Pesos 26.35 billion in 2009, a 22% increase from Pesos 21.64 billion in 2008. The increase is attributable to significant investments made during the year. These investments can be summarized as follows:

Meralco. From July 2009 through October 2009, the Company acquired a total of 163,602,961 common shares of Meralco for an aggregate purchase price of Pesos 24.5 billion representing 14.67% of the issued and outstanding share capital of Meralco through series of transactions and open market purchases.

As of September 30, 2009, Meralco shares held by MPIC were those purchased in the open market representing approximately 1.37% of the total outstanding shares of Meralco. On October 2, 2009, definitive agreements were executed with PLDT's Beneficial Trust Fund and other related parties resulting to the Company's acquisitions of the other Meralco shares representing approximately 13.3% of Meralco's outstanding voting stock, hence the 14.67% ownership interests in Meralco as of December 31, 2009.

The total considerations for the acquired interest in Meralco amounted to Pesos 24.54 billion and such amount represents (a) cash consideration of Pesos 10.16 billion; (b) fair value of MPIC shares issued of Pesos 14.29 billion; and, (c) transaction costs of Peso 96 million. Please refer to Note 12 of the audited financial statements of the Company attached to this report for more information on the Meralco transaction.

MDI. On September 8, 2009, MDI offered to issue new common shares to existing stockholders by way of a pre-emptive rights offering. The offer shares amounted to 181,226 common shares at the offer price of Pesos 1,150.0 per share. Eligible shareholders shall be entitled to subscribe on the ratio of one share for every sixteen shares held.

On October 14, 2009, the Company subscribed for a total of Pesos 161 million or an equivalent of 58,924 shares exercised from the pre-emptive rights offering and 81,059 additional subscription. The shares subscribed represent 2.6% additional interest, thus, resulting to a total of 1,082,767 MDI common shares or 35.0% ownership in MDI.

DDH. In May 2009, MPIC acquired an additional 2,048 common shares representing 0.3% interest in DDH, thereby increasing its percentage ownership to 34.93%.

MNHPI. On January 1, 2009, MPIC along with RII Builders, Inc., RII Holdings, Inc., Harbour Centre Port Terminal, Inc. and Harbour Centre Port Holdings, Inc. have entered into a Memorandum of Understanding which includes the discussion regarding the pooling of resources of the parties and the formation of a joint venture that will bid for the development, management, operation and maintenance of Manila North Harbor.

MPIC and HCPTI bid were submitted to Philippine Ports Authority (PPA) and upon recommendation of the Special Bids and Awards Committee; the Notice of Award was given to the joint venture (MNHPI) last October 8, 2009.

Manila North Harbour Port Inc. was incorporated on November 5, 2009 primarily to own, invest, manage, develop, maintain and operate the Manila North Harbor. The Company is a consortium between Harbour Centre Port Terminal Inc. and Metro Pacific Investments Corp., wherein they hold 65% and 35% of the outstanding capital stock, respectively.

On November 19, 2009, the Company entered into a Contract for the Development, Management, Operation and Maintenance of the Manila North Harbor (Contract) with Philippine Ports Authority (PPA), a government instrumentality created under Presidential Decree No. 857.
Under the Contract, PPA grants the Company the sole right to manage, operate, develop and maintain the MNH for 25 years reckoning on the first day of the commencement of operations.

As a result of the foregoing, the Company invested Pesos 252 million in MNHPI.

Financing Activities

The Company's consolidated cash flows from financing activities decreased by 33% from Pesos 26.4 billion in 2008 to Pesos 17.8 billion in 2009. This is due mainly to higher interest paid in 2009 versus 2008 in line with additional loans availed by the Company.

On November 6, 2009, the Company entered into a Pesos 12 billion Omnibus Agreement with various financing institutions for the purpose of partially financing the Company's series of acquisitions of Meralco common shares. The loan is available in two drawdowns, on which the first drawdown shall not be less than Pesos 11 billion while the second drawdown shall not exceed the loan amount. The note is payable in semi-annual installments and bears an interest rate based on a spread of 2.5% over the benchmark rate. The benchmark rate is the interpolated 9-year rate to be determined by referring to 7 to 10 year bids from PDST-F.

On November 13, 2009, the Company made its first drawdown amounting to Pesos 11.2 billion. On November 20, 2009, the amount was advanced to FPUC (see Note 8 of the audited financial statements).

Comparison of Other Financial Years

<u>2008 versus 2007</u>

Revenues

Metro Pacific Investments Corporation generated consolidated revenues of Pesos 5.04 billion in 2008, while none was recognized in 2007 as investments were previously accounted for under the equity method. Water and sewerage services contributed 86% of the total consolidated revenues.

Consolidation of water and sewerage services revenue of Pesos 4.33 billion was brought about by increased interests in DMWC. Previously in 2007, DMWC results were accounted for as investment in a joint venture. Total revenues from Maynilad operations for 2008 increased by 12.0% compared to 2007. Water services accounted for 78% of Maynilad's total revenues, while sewer services contributed 17%. Water and sewerage services combined grew 13%, reflecting the impact of the 10.0% growth in billed volume and the 2.6% inflationary increase in approved tariffs.

For the full year 2008, Maynilad billed 314.6 MCM, an increase of 10.0% versus the 286.0 MCM billed in 2007. Supply grew by 3.5% to 869.1 MCM as a result of successful negotiations with the National Water Resource Board to increase the intake of water from Angat closer to Maynilad's rated capacity. With billed volume continuing to grow faster than supply, NRW improved to 63.8% from 66.0% in

2007. Billed services grew 8.4% to 762,315 accounts, with the higher volume growth indicating a slight improvement in consumption per connection.

Toll revenues, representing only 1.5 months' share in the revenues of MPTC from the time of acquisition on November 13, 2008, contributed Pesos 715.08 million in the consolidated revenue of MPIC. If the combination had taken place at the beginning of the year, revenue contribution of MPTC would have been Pesos 5.20 billion.

Expenses

Consolidated cost of services for 2008 was Pesos 2.37 billion compared to none in 2007. This was broadly in line with the consolidation of DMCI-MPIC Water Company and Metro Pacific Tollways Corporation in 2008.

General and administrative expenses on a consolidated basis grew 808% from Pesos 159 million in 2007 to Pesos 1.44 billion in 2008. Increase can be attributed to increased personnel costs, taxes and licenses, professional fees, outside services, communication, and utilities.

Consolidated interest expense decreased by 67% from Pesos 3.53 billion to Pesos 1.16 billion as a result of settlement of Dollar Loans of the Parent Company in 2008.

Other Income and Expenses

Share in net earnings of associates amounting to Pesos 144 million was a result of increased interest in MDI to 32.4% brought about by the conversion of remaining convertible notes on January 18, 2008. The acquisition of 34% interest in DDH, on May 15, 2008 also contributed to the share in net earnings of associates. From 2007, however, share in net earnings amounted to Pesos 1,5 billion as this still includes interest in DMWC previously accounted for as a joint venture. Other income (expense) decreased to Pesos 870 million in 2008 from Pesos 1.6 billion in 2007 due mainly to the decrease in fair value changes of derivatives from 2007 to 2008.

Consolidated Core Income

Consolidated core income increased by 102% in 2008 to Pesos 347 million from Pesos 172 million in 2007 reflecting the following:

- Two times increase in Maynilad's core contribution from Pesos 106 million in 2007 to Pesos 317 million in 2008 reflecting increased interest in DMWC as discussed above

- The Pesos 166 million share in the operations of MNTC reflecting 1.5 months of operations

- Six times increase in share in MDI's core income from Pesos 11 million in 2007 to Pesos 73 million in 2008

- DDH's contribution of Pesos 37 million

Consolidated Reported Income Attributable to Parent Company

From a reported loss of Pesos 110 million in 2007, MPIC recorded Pesos 526 million of net income in 2008. This is largely attributable to the increase in core income referred to above and nonrecurring gain of Pesos 179 million, restated to reflect Pesos 23 million of adjustment in respect to the finalization of the purchase price allocation of MPTC.

Nonrecurring income

From a nonrecurring loss of Pesos 282 million, nonrecurring gains of Pesos 179 million were recorded in 2008. The huge turnaround was brought about by gain on dilution of Pesos 417 million in relation to increased interests in DMWC, excess of fair values over acquisition cost of additional interest in MDI amounting to Pesos 225 million and gain on sale of Nenaco shares amounting to Pesos 203 million.

These gains were partially offset by huge forex losses recognized in 2008 and impairment of investment in Landco.

Key performance indicators of the Company and its significant subsidiaries:

Metro Pacific Investments Corporation (in PhP millions)	**2008**	**2007***
Revenue	5,041	-
Net Income Attributable to Equity Holders	526	(110)
Total Assets	91,564	12,140
Long Term Debt	32,267	4,347
Stockholders' Equity	26,706	3,070
Current Ratio[1]	1.02	0.67
Debt to Equity Ratio[2]	1.21	1.42

Maynilad Water Services Inc. (in PhP millions)	**2008**	**2007**
Revenue	8,245	7,377
Total Assets	34,752	24,458
Total Debt	33,814	27,700
Stockholders' Equity	937	(3,241)

[1] Current Assets/Current Liabilities
[2] Total Debt/Total Stockholders' Equity (Total Debt includes short-term debt, long term debt, current portion of long term debt)

* The restatement of previous year's audited financial statements to reflect the impact of IFRIC 12 resulted in Maynilad's (a) total assets decreasing by Pesos 3.1 billion, (b) total liabilities increasing by Pesos 4.1 billion and (c) retained earnings decreasing by Pesos 7.2 billion as of December 31, 2007.

2008 figures have also been restated to reflect the finalization of the purchase price allocation of MPTC. This restatement resulted to (a) decrease in total assets by Pesos 1.54 billion, (b) decrease in total liabilities by Pesos 1.46 billion, and (c) decrease in retained earnings by Pesos 23 million.

The primary objective of the Company's capital management is to ensure that it maintains a strong balance sheet and healthy operational ratios in order to support its business and maximize shareholder value. The Company monitors capital on the basis of debt to equity calculated as total liabilities over equity.

Stand-alone Analysis of Operational Results for the Years Ended December 31, 2009 and 2008

Maynilad Water Services, Inc.

2009 was a banner year for Maynilad, attaining all-time highs in both operating and financial performance, as the company expanded its coverage and continued to improve its service levels, increasing 24-hour availability and minimum pressure levels across the network. During the year, Maynilad was also able to partially implement a rate-rebasing increase, obtain MWSS approval for the extension of its concession by 15 years to 2037, and receive BOI approval for a new 6-year income tax holiday ("ITH"). Currently, 7.1 million of the 8.3 million population within the concession area are able to receive water services.

Operating Highlights

With Maynilad committing capital expenditures of nearly Pesos 19 billion from 2007 to 2009, the company has significantly improved both water availability and pressure levels across the entire network. The percentage of customers receiving water on a 24-hour basis increased to 65% in 2009 compared to only 58% in 2008. The percentage with water pressure exceeding 7 pounds per inch ("psi") also significantly improved to 79% from 67% in 2008.

As a result of expanded coverage and service levels, for the full year 2009, Maynilad billed an all-time high volume of 350.12 MCM, an increase of 11.3% versus the 314.62 MCM billed in the same period last year. With billed volume continuing to grow despite an effective 0.1% reduction in supply, average NRW for the year improved to 59.67% from 63.81% in the same period last year reflecting successes in leakage identification and in the redirection of excess water to areas where customers require water.

Serviced customers at the end of 2009 also rose by 6.9%, from 762,315 to 814,645 billed clients, which includes 3,000 new customers in BF Homes, Parañaque. Average daily consumption increased 5% to 1.25 cubic meters per day.

The following table shows a summary of Maynilad's key performance indicators for 2009 and 2008:

(in Millions)	2009	2008	Increase (Decrease)	%
Volume of water supplied (MCM)	868.11	869.00	(0.89)	(0.10)
Volume of water billed (MCM)	350.12	314.62	35.50	11.28
Water billed to supply %	0.40	0.36	0.04	11.26
Non revenue water %	0.60	0.64	(0.04)	(6.40)
Customer mix (% based on billed volume)				
Domestic (residential and semi bus.)	0.76	0.74	0.02	2.12
Non-domestic (commercial, industrial and vessels)	0.24	**0.26**	(0.02)	(5.95)
Billed customers (period end actuals)	814,645	762,315	52,330	6.86
Billed customers net addition	35.00	40,223.00	(4,730.00)	(11.76)

Revenues

Water and sewer services combined grew 30.6% to Pesos 10.2 billion from Pesos 7.81 billion in the same period last year. The increase was due to the 11.3% increase in billed volume coupled with an average effective tariff increase of around 17.4%.

The approved tariff increase for the year was composed of a 12.2% CPI or inflationary increase (Pesos 2.42 per cubic meter) implemented on February 20, 2009, and a rate rebasing increase of 22.6% (Pesos 7.44 per cubic meter) effective May 4, 2009. On a weighted average basis, such rate increases should have resulted in a price increase of approximately 25.5%. The effective increase, however, was dampened by higher billed volume growth coming from domestic consumption whose rates are subsidized. As a percentage of billed volume, domestic customers accounted for 76% of total compared to 74.4% in the same period last year.

Also reducing the growth rate was the 20% discount to "lifeline" customers or those consuming less than 10 cubic meters per month that had been in place since the start of this year but only took effect in April of last year.

Including other contracts and services, total revenue from operations grew at a slightly lower rate of 28.8% to Pesos 10.62 billion from Pesos 8.24 billion last year. The lower growth rate was due to the decline in other fees and services as Maynilad, on orders of the regulator, stopped collecting late payment penalty charges beginning April 2008.

Annual Increase in Revenues

					Increase (Decrease)	
	2009	**%**	**2008**	**%**	**Amount**	**%**
			(in PhP millions)			
Water Services	8,575	80.76	6,420	77.87	2,155	33.57
Sewer Services	1,624	15.29	1,387	16.82	237	17.09
Others	419	3.95	438	5.31	(19)	(4.34)
Total Revenues	**10,618**	**100**	**8,245**	**100**	**2,373**	**28.78**

Expenses

Total cash opex increased by 2.6% to Pesos 3.18 billion versus Pesos 3.10 billion last year due primarily to increases in light and power, repairs and maintenance, and rentals.

Light and power grew 14.6% to Pesos 398 million due to increases in both power rates and kilowatt-hour consumption. Although average power rates were only marginally higher than the previous year, Maynilad's kilowatt-hour utilization expanded significantly by around 13.3% as it increased the number and operating hours of pumping stations and in-line boosters to improve service levels, as well as expanded operations to service new areas such as Ayala, Alabang.

Repairs and maintenance increased 26.0% to Pesos 221 million due to more leak repair works particularly as water pressure was increased across the entire network.

Rentals increased 15% to Pesos 77 million due to prior period back charges of Pesos 7 million related to VAT that MWSS only billed this year.

Under IFRIC 12, all property plant and equipment ("PPE") defined as parts of the network are considered intangible assets. These are no longer depreciated but are instead amortized over the life of the concession similar to concession fees. Concession assets (composed of concession fees and network PPE) are considered intangible assets and are amortized using the straight-line method instead of projected volume, as previously practiced.

Total non-cash operating expenses grew by Pesos 282 million or 19.4% to Pesos 1.72 billion from Pesos 1.44 billion last year. The amortization of intangible assets grew 3% to Pesos 1.32 billion from Pesos 1.28 billion last year as the company continued to pursue its capital expenditure programs. The increase in amortization, however, was lower than the growth in concession assets as a result of the MWSS approval of the concession extension which increased the remaining concession life from 13 years to 28 years or an additional 15 years. Provision for doubtful accounts grew 122%, from 2.4% to 2.6% of revenues, in line with the significant increase in tariff levels.

Annual Changes in Costs and Expenses

	2009	%	2008	%	Increase (Decrease) Amount	%
Salaries, wages and benefits	1,351	27.16	1,234	27.23	117	9.48
Amortization of service concession assets	1,323	26.60	1,283	28.32	40	3.12
Contracted services	462	9.29	489	10.79	(27)	(5.52)
Utilities	417	8.38	373	8.23	44	11.80
Materials and supplies	247	4.97	174	3.84	73	41.95
Provision for doubtful accounts	226	4.54	102	2.25	124	121.57
Repairs and maintenance	221	4.44	175	3.86	46	26.29
Depreciation	116	2.33	109	2.41	7	6.42
Regulatory costs	98	1.97	81	1.79	17	20.99
Collection charges	96	1.93	87	1.92	9	10.34
Taxes and licenses	90	1.81	85	1.88	5	5.88
Rental	77	1.55	67	1.48	10	14.93
Business meetings and representations	64	1.29	67	1.48	(3)	(4.48)
Transportation and travel	59	1.19	106	2.34	(47)	(44.34)
Insurance	23	0.46	18	0.40	5	27.78
Advertising and promotion	21	0.42	12	0.26	9	75.00
Others	83	1.67	69	1.52	14	20.29
	4,974	100	4,531	100	443	9.78

Other Income (Expenses)

Impact of Rate Rebasing Agreement. On April 16, 2009, the MWSS Board of Trustees approved a rate rebasing increase for Maynilad of 22.6% of the average basic charge effective fifteen days from publication in a newspaper of general circulation or on May 4, 2009. Incorporated in the approval of the rebasing increase is the final determination on the treatment of certain collections that until recently had been classified as deferred credits pending their resolution.

The net effect of the resolution of these issues is an extraordinary gain of Pesos 1.16 billion. (Note that the estimated tax effect has been eliminated compared to previous estimates as Maynilad obtained a BIR ruling that effectively clarified that gains related to the rate rebasing is covered by the company's ITH.) Below is a summary of these extraordinary gains and charges:

	In PhP Millions
Extraordinary Gain	
Write-down of Deferred Credits (AEPA/STM)	2,921
Recognition of SBLC Forex Gain	828
Sub-total	3,749
Extraordinary Charges	
Write-down of FCDA	(1,878)
Accrual of LPPC Refund	(709)
Sub-total	(2,587)
Estimated Tax Effect	-
Total	1,162

Other expenses (net of other income) is lower than prior year due to lower materials mark up on construction revenue and increased income from foreign currency differential adjustments and rate rebasing resolutions as discussed above and in Note 20 of the Company's 2009 audited financial statements.

Other Income (Expenses)

	2009	2008	Increase (Decrease) Amount	%
Revenue from rehabilitation works	4,559	6,375	(1,816)	(28.49)
Cost of rehabilitation works	(4,451)	(6,237)	1,786	(28.64)
Interest expense	(2,370)	(1,544)	(826)	53.50
Interest income	153	123	30	24.39
Foreign exchange gains (losses) - net	(1,326)	(878)	(448)	51.03
Foreign currency differential adjustments	1,243	549	694	126.41
Other income from rate rebasing resolutions	1,404		1,404	N/A
Others - net	(464)	(125)	(339)	271.20
	(1,252)	(1,737)	485	(27.92)

Provision for Income Tax

Net income increased at a relatively slower pace of 41.7% to Pesos 2.82 billion from Pesos 1.99 billion last year, primarily due to the impact of the write-off of approximately Pesos 1.72 billion in deferred tax assets following the approval of Maynilad's new 6-year income tax holiday.

Core Income

The impact of the tax write-off, however, was mitigated by the extraordinary gain recognized upon the approval of the rebased rate this year. Excluding the impact of these extraordinary gains and charges, as well as non-recurring foreign exchange gains or losses, Maynilad's 2009 core income of Pesos 3,328 million is 37% higher than 2008's Pesos 2,433 million on account of the increase in billed volume by 11% and effective tariff rate by 7%.

Nonrecurring Items

Nonrecurring items recognized for the year include a one-off loss of Pesos 1.72 billion mainly coming from tax write-offs related to the ITH extension. However, this was partially offset by Pesos 1.39 billion income from rate rebasing. Net foreign exchange loss of Pesos 83 million was also recorded for the year representing net realized loss from US dollar transactions and holdings.

Metro Pacific Tollways Corporation

2009 is also a banner year for MPTC with 6 new all-time records set in the operations of the North Luzon Expressway. The annual average daily traffic in NLEX reached 150,395 vehicle entries, 6.0% greater than 2008. Correspondingly, the annual average daily toll transactions was also the highest in 2009 at 182,346 toll transactions, 5.6% greater than 2008, respectively. These were achieved despite the onslaught of typhoon "Ondoy" in certain parts of NLEX resulting in a temporary closure of the toll road for almost a day. Record highs were also achieved for monthly and daily time frames. Average daily traffic for a month was highest in December 2009 at 160,015 vehicle entries, peaking at 191,458 vehicle entries on December 23. Average daily toll transactions for a month were also highest in December 2009 at 199,395 transactions, peaking at 236,510 transactions also on December 23.

The year was also marked by the start of MPTC's expansion program through the construction of Segment 8.1 of the NLEX, which is scheduled to be opened to traffic in May 2010. This 2.7-kilometer toll road connecting NLEX to C-5 through Mindanao Avenue costs Pesos 2.1 billion, wholly financed through debt. It shall be the model for MPTC's succeeding expansion in urban expressways such as NLEX Segments 9 & 10 and the NLEX-Skyway-SLEX Connector Road. The company is also active in acquiring significant stakes in existing expressway such as the Metro Manila Skyway, through an agreement to increase its share in Citra Metro Manila Tollways Corporation ("CMMTC") from 2% to 13%. MPTC also participated in the bidding for the concession of the Subic-Clark-Tarlac Expressway ("SCTEX"), where the company emerged as the sole eligible bidder among six participating entities. Abiding the terms of reference of the bidding, negotiations with the current concession holder, Bases Conversion & Development Authority ("BCDA"), started in March 2010.

The following table shows a summary of MPTC's key performance indicators for 2009 and 2008:

	2009	2008	Increase (Decrease) Amount	%
Average daily vehicle traffic				
NLEX				
Open System (Number of vehicles)				
Class 1	**88,832**	85,309	3,523	4
Class 2	**19,907**	19,407	501	3
Class 3	**8,787**	8,489	298	4
	117,527	113,204	4,322	4
Closed System (Number of vehicles)				
Class 1	**25,917**	22,527	3,390	15
Class 2	**4,401**	4,078	322	8
Class 3	**2,551**	2,036	514	25
	32,868	28,642	4,227	15
Total (Number of vehicles)				
Class 1	**114,749**	107,836	6,913	6
Class 2	**24,308**	23,485	823	4
Class 3	**11,338**	10,525	812	8
	150,395	141,846	8,549	6
Closed system (Kilometers traveled)				
Class 1	**2,145,356**	1,927,725	217,631	11
Class 2	**501,820**	475,576	26,244	6
Class 3	**298,574**	259,544	39,030	15
	2,945,750	2,662,845	282,904	11
Segment 7				
Total (Number of vehicles)				
Class 1	**6,235**	5,241	994	19
Class 2	**338**	291	46	16
Class 3	**476**	415	61	15
	7,049	5,948	1,101	19
Equivalent kilometers travelled				
Class 1	**52,997**	44,548	8,449	19
Class 2	**2,870**	2,477	392	16
Class 3	**4,047**	3,531	516	15
	59,914	50,556	9,358	19

Revenues

MPTC posted consolidated revenues of Pesos 5.49 billion during 2009, Pesos 291 million higher than 2008's Pesos 5.2 billion, as the annual average daily traffic in the NLEX recorded an all-time high of 150,395 vehicle entries. This represents 6% traffic volume growth from 2008 attributable to lower average fuel prices (reduction of 23% and 33.6% for gas and diesel, respectively), opening of SCTEX which extended journeys within NLEX of Subic- and Clark-bound vehicles, marketing efforts promoting entry of roads by Class 1 and 3 vehicles , and continued emphasis on customer service. In addition, the ongoing bridge construction and rehabilitation works along EDSA-Balintawak and Maharlika Highways diverted some of the heavy vehicles to NLEX. Local tourism is continuously promoted through various initiatives and a high quality of customer service to NLEX motorists is consistently delivered.

Annual Increase in Revenues

	2009	%	2008	%	Increase (Decrease) Amount	%
			(In Php Millions)			
Toll Fees	5,487	100	5,195	100	292	6
Sale of Transponders and Magnetic Cards	2	0	3	0	(1)	(43)
Total Revenues	**5,489**	**100**	**5,198**	**100**	**291**	**6**

Expenses

Cost of services went down by .7% to Pesos 2.62 billion in 2009 from Pesos 2.64 billion in 2008. The slight increase operating and maintenance costs was offset by the lower amortization of concession assets from the extension of MNTC's concession to 2037 from 2030.

General and administrative expenses increased to Pesos 1.73 billion from Pesos 517.9 million as the Company recognized a one-time charge amounting to Pesos 1.20 billion for provision for a potential write-off of input VAT. MNTC accumulated such amount as input VAT for its purchases of goods and services. The provision is in light of the Bureau of Internal Revenue's pending order to impose VAT on toll revenues. Excluding this one-time non-cash charge, the increase in general and administrative expenses was at a manageable 3.4%.

Excluding the effect of expenses relating to VAT, MPTC was able to improve its cost and expenses through prudent cost management. A more thorough review of resource allocations to capital and operating expenditures was implemented to promote better fiscal discipline. Various initiatives were also pursued with aim of promoting operating efficiency. Existing policies and business processes were examined to determine opportunities to rationalize costs related to outsourced services, fuel, supplies and inventories.

Annual Changes in Cost and Expenses

	2009	%	2008	%	Increase (Decrease) Amount	%
			(In Php Millions)			
Cost of Services	2,623	**60**	2,642	**84**	**(19)**	**(1)**
Provision for Potential Losses on Input VAT	1,105	25		-	1,105	N/A
Salaries and Employee Benefits	211	5	229	7	(17)	(7)
Write-Off of Input VAT	94	2		-	94	N/A
Taxes and Licenses	54	1	27	1	27	99
Professional Fees	49	1	78	2	(29)	(37)
Advertising and Marketing Expense	44	1	38	1	6	16
Outside Services	42	1	34	1	8	23
Depreciation	**34**	**1**	27	**1**	**7**	**24**
Representation and Travel	**26**	**1**	**27**	**1**	**(1)**	**(5)**
Management Fees	19	0	**6**	0	13	242
Provisions	10	**0**		**-**	**10**	N/A
Communication, Light and water	7	0	8	0	(1)	(10)
Collection Charges	7	0	7	0	(0)	(6)
Office Supplies	6	0	6	0	0	0
Repairs and Maintenance	5	0	4	0	1	33
Donations and Contributions	2	0	3	0	(1)	(42)
Training and Development Cost	1	0	10	0	(9)	(90)
Rental	0	0	1	0	(1)	(71)
Miscellaneous	17	0	12	0	5	38
al Cost and Expenses	4,357	100	3160	100	1,197	38

Other Income (Expenses)

Equity in net earnings of affiliate, Tollways Management Corporation increased its income contribution to MPTC to Pesos 174 million, 54% greater than 2008. The increase is mainly attributable to the incremental income derived by TMC from the interim O&M agreement with BCDA for SCTEX and NLEX while efficiently managing operating costs.

Interest expense and other finance cost increased by 6% or Pesos 56 million due to higher nominal interest rate for hedged loans during the year. MNTC hedged its US Dollar-denominated debts with the change in the toll rate formula to take out adjustments related to foreign currency fluctuations. The hedging transactions substantially eliminated the foreign exchange risk of the Company. Net foreign exchange and derivative items made a huge turnaround from a loss of Pesos 399 million last year to a gain of Pesos 9 million this year. This was mainly due to Peso appreciation for the year of Pesos 1.32 from Pesos 47.52 in end-2008 to Pesos 46.20 which resulted to the recognition of forex gain in the restatement of long-term debts.

Annual Increase in Other Income and (Expenses)

					Increase (Decrease)	
	2009	**%**	**2008**	**%**	**Amount**	**%**
			(In Php Millions)			
Interest Income	86	(20)	110	(14)	(24)	(22)
Foreign Exchange Gains (Loss)	9	(2)	(399)	50	408	(102)
Equity Share in Net Losses of Associates and Joint Ventures	174	(41)	113	(14)	61	54
Interest Expense and Other Finance Cost	(960)	224	(904)	113	(56)	6
Others	263	(62)	105	(13)	158	150
Total Revenues	**(428)**	**100**	**(799)**	**100**	**102**	**(13)**

Provision for (Benefit from Tax)

MPTC's provision for tax during 2009 amounted to Pesos 38 million. Conversely, income tax benefit of Pesos 45 million was reported last year. This change in net tax position was due to deferred taxes related to the fluctuation of MNTC's cumulative translation adjustment. During the year, the Board of Investments approved the extension of MNTC's income tax holiday for another year. Hence, MNTC shall enjoy its income tax holiday until February 2011.

Net Income

Net income attributable to equity holders of MPTC for 2009 reached Pesos 581.7 million, 25.8% lower than the same period of the previous year after a one-time charge amounting to Pesos 741.2 million for provision for write-off of input VAT. MNTC accumulated such amount as input VAT for its purchases of goods and services. The provision is a conservative approach with the Bureau of Internal Revenue's pending order to impose VAT on toll revenues. Excluding this one-time non-cash charge, net income would have been Pesos 1.32 billion, 68.7% higher than 2008.

Core Income

MPTC's 2009 core income attributable to MPIC of Pesos 1,220 million was 23% higher than 2008's Pesos 990 million, mainly due to 6% increase in traffic volume brought about by lower average fuel prices as discussed above, marketing efforts promoting use by Class 1 and 3 vehicles, continued emphasis on customer service and the full opening of the Subic-Clark Tarlac expressway.

Nonrecurring Items

Nonrecurring loss increased by 208% from Pesos 207 million in 2008 to Pesos 638 million in 2009. The increase is mainly coming from the provision for input VAT amounting to Pesos 1.10 billion.

Medical Doctors, Inc.

Medical Doctors Inc. owns and operates the Makati Medical Center ("MMC"), a 472-bed tertiary level hospital in Makati, the country's premiere financial district. Founded in 1969 by an elite group of the best medical practitioners in the country, the hospital has in recent years regained its premiere hospital status in the country, with its roster of highly qualified medical and non-medical staff, while led by a new invigorated team of management professionals.

MPIC began its involvement in MDI in 2005, and infused equity in 2007 and 2009, to now become the single largest investor at close to 35%.

Under MDI's wings are several subsidiaries: Colinas Verdes Hospital Managers Corporation ("CVHMC") is the newest wholly-owned subsidiary, formed to manage and operate Cardinal Santos Medical Center ("CSMC"). Remedios T. Romualdez Memorial School ("RTRMS") is a wholly-owned subsidiary operating a nursing school. The Computer Imaging Institute Inc. is a 60%-owned subsidiary operating selected radiological imaging facilities.

2009 in Review

	2009	**2008**	**Increase (Decrease)**	
	In PhP Millions		**Amount**	**%**
Revenues	3,638	3,112	526	17
EBITDA	797	652	145	22
NPAT	282	233	49	21
Core Income	268	194	74	38
CAPEX	827	1,168	(341)	(29)

2009 was a very good year for Makati Medical Center as income numbers on all fronts rebounded strongly from a sub par 2008. Revenues grew by 17% to record an all-time high of Pesos 3.6 billion while Net Profit After Tax ballooned by 21% to another historic high of Pesos 282 million. Even after excluding non-core income such as the Pesos 100 million dividend from RTRMS Nursing School, Core Income at Pesos 268 million nevertheless still represented a dramatic 38% increase over the 2008 Core Income of Pesos 194 million. 2008 NPAT was understandably lower due to the ongoing construction of the new building plus the upgrade of the 4th and 5th floors of the original building reducing room availability. The 2009 recovery confirms a robust healthcare business that is now able to absorb increased depreciation expenses arising out of the new building and its new medical equipment, a clear sign that MMC financials are now on a solid footing.

Significant developments in 2009 were as follows:

- *Cardinal Santos Medical Center.* On February 27, 2009, MDI was awarded by the Roman Catholic Archbishop of Manila a 20-year contract to manage and operate the 235-bed CSMC in Greenhills, San Juan City, Metro Manila. The award came at the heels of MDI's successful 6-month interim operation of CSMC after transitioning from the previous operator.

- *People.* A new Chief Executive Officer was hired after a lengthy and deliberate search. Rose R. Montenegro, fresh from her successful stint in growing the BPO business of the PLDT group, assumed the helm in February 2009, quickly identified and prioritized key areas of improvement, and then flattened the organization along functional groups to respond more quickly to the challenges in the priority areas. Other key recruits for the year included a seasoned HR Head and various "Subject Matter Experts" with proven track records especially in IT, facilities, service quality and marketing.

- *Facilities.* The major achievement in 2009 was the commencement of operations in the new building in mid-2009 where the bulk of MMC's diagnostic and ancillary services are now relocated. This substantially contributed to the enhanced image of Makati Medical Center as a premier provider of healthcare not just in the Metro Manila but in the country. More importantly, the new building expanded MMC's footprint by 60% from 31k square meters to 83K square meters, with the lion's share of the increase being allocated to out-patient services. This is consistent with the paradigm shift in the healthcare industry, in recognition of patients' preference to convalesce at home instead of in a hospital to the extent that it is safe.

- *Medical Equipment.* MMC spent Pesos 140 million in medical equipment in 2009, the tailend of a P642 million 3-year upgrade, after having spent Pesos 110 million in 2007 and Pesos 392 million in 2008. The bulk of the expenditures went into equipping the new operating and delivery rooms in the new Annex building into state-of-the-art theaters.

- *IT/Network* – The improvement of technology was one of the main focuses of new management. In 2009, the MMC network was stabilized and made more efficient with the unification of the systems under one domain. Cabling was enhanced in order to provide medical grade network access to all computing systems in the hospital. Moreover, network security tools were acquired to achieve pro-active monitoring of network activities, while IS policies with sanctions were formulated and implemented for better control and security.

- *Process Re-Engineering/Quality.* MMC's continuing efforts to provide its patients the best care bore fruit in 2009 with the successful analysis and eventual streamlining of select high patient impact services. Those which received special attention were Radiology, ER, the Admission to Discharge cycle, nurse-patient interaction and Philhealth services. A rewards/recognition program was established to begin differentiating outstanding service performers.

- *Funding.* To gear up for the capital expenditures ahead, specifically the completion of the renovation of the old MMC building and the upgrading of CSMC, MDI embarked on a balanced debt and equity fund raising. In September 2009, four creditor banks approved a 7-year Pesos 450 million loan package for MDI in addition to Pesos 300 million in clean working capital lines. In October 2009, MDI raised Pesos 208 million in a fully subscribed common equity rights offering to its existing shareholders.

Colinas Verdes Hospital Managers Corporation

In February 2009, CVHMC was awarded by the Roman Catholic Archbishop of Manila a 20-year contract to manage and operate CSMC, a 235-bed, tertiary hospital in a prime 3-hectare property in San Juan, Metro Manila. In its first full year of operations, CVHMC successfully embarked on its new vision: to transform CSMC into the hospital of choice of patients, physicians, personnel and business partners, and differentiated from other hospitals by the unparalleled passion, commitment and professionalism of its staff in consistently providing excellent medical care.

2009 in Review

(In PhP Millions)	4-1/2 mos 2008	Full Year 2009	Change over Annualized 2008
Revenue	399	1,223	15%
EBITDA	41	164	50%
NPAT	24	118	84%
Capex	3	65	609%

Other Statistics:

Patients Treated	140,000
Doctors and Consultants	1,028
Nurses and Ancillary Staff	702

Financial Performance. CVHMC made significant progress and delivered a solid performance in 2009. Gross Revenues grew at an all-time high of Pesos 1.2 billion, Earnings Before Interest, Taxes and Depreciation reached Pesos 164 million and Net Income rose to Pesos 118 million. This achievement is even more meaningful and rewarding considering the many challenges CSMC faced given the difficult turnover of operations to CVHMC and the increasingly competitive atmosphere in the hospital industry.

Capex. The year 2009 was also an exciting year for CVHMC in terms of its expansion and development programs. It upgraded its Operating Room capabilities by installing four new integrated anesthesia workstations, a highly-advanced harmonic scalpel system that can simultaneously cut and coagulate tissues during surgical procedures, the latest model plasma sterilizer that can sterilize highly sophisticated and heat-sensitive surgical instruments, and sixty units of infusion systems that offer new levels of safety and accuracy in managing a wide range of complex infusion therapies. CVHMC also invested heavily in diagnostic equipment including the state-of-the-art bone densitometer for advanced skeletal health imaging and osteoporosis assessment, and the high-end endoscopy system with high definition video imaging capabilities for better upper and lower GI endoscopy. On top of this, CVHMC procured new hemodialysis machines, a cautery machine, a new-born hearing machine, treadmill equipment and patient-warming systems. The upgrading of the Hospital's Information System also commenced with the installation of new powerful computer servers and 150 high-specification desktop computers, which are all designed to provide our patients with fast and efficient service. All in all, CVHMC spent Pesos 130 million out of the Pesos 250 million CAPEX commitment to the Church on the acquisition of medical equipment alone. This priority allocation exemplifies CVHMC's commitment to provide CSMC's elite group of physicians with the most advanced clinical technology available.

The changes in CSMC were not just in high value infrastructure or equipment alone. There were also immediate changes made to provide a better experience to patients, their relatives and guests. Valet parking services and the improvement of internal roads were executed very early on during the transition period of CVHMC. A new coffee shop and a new cafeteria were also installed soon after to provide both guests and employees better food choices.

Teamwork. A similar but equally important transformation is also happening in the organization. Dr. Ma. Corazon Consunji was promoted from COO during the transition period to be the new CEO, while Dr. Joseph Regalado was installed as the new CMO. CSMC's doctors and consultants are now getting more involved in corporate activities such as CAPEX planning, equipment procurement and business assessment. There is also a greater degree of consultation between management and the doctors in shaping the future direction of the hospital, in response to the challenges and opportunities ahead. The employees of CVHMC are likewise strongly motivated to create a culture of excellence and passion in their workplace. Training and rewards and recognition programs were established in 2009 to promote professional development.

Davao Doctors Hospital, Inc.

The following discussion summarizes the significant factors affecting the consolidated operating results, financial condition as of Dec 31, 2009, ongoing projects and future plans together with the 2010 goals of Davao Doctors Hospital (Clinica Hilario), Inc. and its subsidiaries.

Operational Highlights

Major accomplishments and projects during the year include the following:

- Completion of the 4-storey Steel Parking for the Hospital
- Acquisition of a Brand New Linear Accelerator – an IMRT and IGRT capable unit which is the 1st in the Visayas and Mindanao Regions
- Acquisition of the 1st Digital Mammography in Mindanao
- Completion of the renovation for the 2nd-3rd Levels of the Hospital
- Construction of a two-storey Food Court for the College

Financial Highlights

Davao Doctors Hospital, on its own, achieved an 11% growth in Gross Revenues and 72% in terms of Net Profit After Tax ("NPAT") during the year. Its key subsidiary, Davao Doctors College, on the other hand, posted a 20% decline in terms of Gross Revenue 42% decline in terms of Net Profit After Tax. Consolidated, Net Revenues grew 4% during the year while Net Income grew 23%.

The consolidated key operating results are as follows:

	2009	2008	Increase (Decrease)	
	In PhP Millions		Amount	%
Revenues	1,124	1,077	47	4
Operating expenses	942	929	13	1
Income from operations	182	148	34	23
Less: Provision for Income tax	41	34	7	21
Net Income	141	115	26	23

Manila Electric Company

Notwithstanding challenges and developments in its business and the industry, power distributor Manila Electric Company recorded significant gains in its financial results and achieved excellent performance in its operations.

Consolidated Core Net Income for 2009, which excludes one-time, exceptional charges was at Pesos 7 billion, rising 169% from the Pesos 2.6 billion realized in 2008. Core earnings per share likewise rose at Pesos 6.33, 168% higher than in 2008. The slightly higher volume of energy sold and an adjustment in distribution rates effective May 2009 were the main reasons for the improvement.

The Consolidated Reported Net Income was Pesos 6.0 billion, better by 114% from 2008. Basic earnings per share on reported net income amounted to Pesos 5.42 or 114% better than in 2008.

Consolidated revenues, where electricity accounted for 97% of the total, slightly dipped by 3.6% due to a Pesos 0.69 per kilowatthour (kWh) decrease in average generation and transmission charges, as well as adjustment to the estimated amount of electricity distributed but unbilled after scheduled meter readings of the various bill groups.

Other financial highlights include:

- Consolidated costs and expenses at Pesos 175.6 billion, 6% lower than 2008 due to lower generation and transmission costs

- Consolidated EBITDA of Pesos 13.3 billion, up 20% from 2008

- Consolidated free cash flow improved to Pesos 18.8 billion from the Pesos 0.5 billion in 2008

Total energy sales for the year rose 1.7% to 27,516 GWh over the same period in 2008. The growth in residential consumption, the robust performance of the service sector and the return of self-generating customers to the grid were major factors in the energy sales growth. Meralco served 3.1% more customers in 2009 as their number increased to 4,715 from 4,572 in 2008.

Following the approval by the ERC, Meralco implemented its first rate adjustment under Performance Based Regulation (PBR) in 2009 at Pesos 1.227 per kWh, with a zero reduction for Corporate Income Tax (CIT) component. The company's last rate adjustment was in June 2003.

In December 2009, the ERC approved Meralco's Maximum Average Price (MAP) and rate translation for Regulatory Year 2010, which was implemented in January 2010. However, on January 26, 2010, Meralco manifested that it was voluntarily suspending the adjustment effective immediately, until the regulator has resolved a Motion for Reconsideration filed by an intervenor and until all other issues raised by other intervenors have been addressed.

Along with these significant financial results, Meralco showed excellent performance in its operations.

Exceptional was its system loss performance recorded at 8.61% which, for the second consecutive year, is below the 9.5% cap imposed by the Energy Regulatory Commission (ERC). It was also the lowest since 1981 and as a result of this unprecedented achievement, Meralco had no unrecoverable purchased power in 2009.

Likewise excellent was the company's performance in system reliability and efficiency as it established new highs during a year marked by natural catastrophes, economic and transmission grid instability.

Complementing the excellence in operations was Meralco's performance in customer service delivery, either meeting or exceeding regulatory customer service performance standards and gaining a high level of satisfaction from its customers.

The following table presents key performance indicators of Meralco for the years ended 2009 and 2008:

	2009	2008
	(in PhP millions except for ratios)	
Revenue	184,872	191,775
EBITDA (Core)	13,264	11,021
EBITDA margin (Core)	7.2%	5.7%
Core income	7,003	2,605
Net income	6,005	2,800
Capital expenditure	8,889	9,250
Electricity sold	27,516	27,049
Average tariff rate	7.65	7.73
Net debt	3,600	21,717
Equity attributable to owners of the parent company	57,369	52,607
Total equity	61,146	56,159
Gearing	0.06	0.39
Number of customers (year end)		
- Residential	4,277	4,143
- Commercial	424	415
- Industrial	10	10
- Flat streetlights	4	4
- Total	4,715	4,572

Manila North Harbour Port, Inc.

On January 1, 2009, MPIC along with RII Builders, Inc., RII Holdings, Inc., Harbour Centre Port Terminal, Inc. ("HCPTI") and Harbour Centre Port Holdings, Inc. ("HCPHI") (together as the "Consortium") have entered into a Memorandum of Understanding (MOU) which includes the discussion regarding the pooling of resources of the parties and the formation of a joint venture that will bid for the development, management, operation and maintenance of Manila North Harbor.

In October of 2009, the Philippine Ports Authority ("PPA") awarded the development and management contract to the consortium for twenty-five (25) years. The contemplated Pesos 14.5 billion investment will entail the modernization and re-arrangement of the existing ports and expansion of its operational area, from 52 to 70 hectares.

In compliance with PPA's requirement, the consortium which bid for the North Harbor incorporated its joint venture company, Manila North Harbour Port, Inc. on 5th November 2009. More than 1,000 workers engaged in the different operations of the North Harbor will be absorbed. Delays in the turnover of the management and operations of the Manila North Harbor center on labor issues which are being resolved with the help of the PPA. An additional 20,000 jobs will be created as the modernization of the North Harbor proceeds over the next 25 years.

As of December 31, 2009, MNHPI has not yet established commercial operations.

Item 7. Financial Statements

Please see Exhibit I - 2009 Audited Financial Statements ("2009 AFS")

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

Information of Independent Accountant and Other Related Matters

1. External Audit Fees and Services (fees are in thousand pesos)

Type of Service	Aggregate	Nature of Service
	2007	
a) Audit and Audit related fees i. Asset of registrant's annual financial statements	5,600,000.00	Audit of registrant's financials
Total External Audit Fees	5,600,000.00	
	2008	
a) Audit and Audit related fees i. Asset of registrant's annual financial statements	10,800,000.00	Audit of registrant's financials
Total External Audit Fees	10,800,000.00	
	2009	
a) Audit and Audit related fees i. Asset of registrant's annual financial statements	10,144,000.00	Audit of registrant's financial statements
Total External Audit Fees	10,144,000.00	

The individual audit committee of the registrant and subsidiaries reviews and approves the audit plan and scope of work for the above services and ensure that the rates are competitive as compared to the fees charged by other equally competent external auditors performing similar nature and volume of activities.

2. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

During the Company's recent fiscal years or any subsequent interim periods, there was no instance when the Company's public accountants have resigned or have indicated that they decline to stand for re-election or have been dismissed or where the Company had any disagreement with its public accountants or financial disclosure issue.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

Directors

The following are the names, ages, citizenship and periods of service of the incumbent directors/independent directors of the Company.

Name	Age	Citizenship	Period during which individual has served as such
Manuel V. Pangilinan	62	Filipino	March 2006 up to present
Jose Ma. K. Lim	57	Filipino	March 2006 up to present
Edward S. Go *	70	Filipino	July 2006 up to present
Augusto P. Palisoc, Jr.	51	Filipino	March 2006 up to present
Antonio A. Picazo	67	Filipino	March 2006 up to present
Amado R. Santiago, III	42	Filipino	July 2006 up to present
Alfred A. Xerez-Burgos	63	Filipino	July 2006 up to present
Albert F. Del Rosario	67	Filipino	June 2007 up to present
Artemio V. Panganiban*	72	Filipino	August 2007 up to present
Rogelio T. Singson	61	Filipino	June 2009 up to present
Ramoncito S. Fernandez	53	Filipino	June 2009 up to present
Lydia B. Echauz*	62	Filipino	November 2009 up to present
Edward A Tortorici	70	American	November 2009 up to present
Ray C. Espinosa	54	Filipino	November 2009 up to present
Robert C. Nicholson	54	British	November 2009 up to present

** Independent Directors*

Officers and Advisors

The following are the names, ages, positions, citizenship and periods of service of the incumbent officers and advisors of the Company:

Name	Age	Position	Citizenship	Period during which individual has served as such
Manuel V. Pangilinan	62	Chairman	Filipino	March 2006 up to present
Jose Ma. K. Lim	58	President & CEO	Filipino	March 2006 up to present
Edward A. Tortorici	69	Executive Advisor	American	March 2006 up to present
Augusto P. Palisoc, Jr.	51	Executive Director	Filipino	March 2006 up to present
Antonio A. Picazo	67	Corporate Secretary	Filipino	March 2006 up to present
Gemma M. Santos	47	Assistant Corporate Secretary	Filipino	March 2006 up to present
Melody M. del Rosario	45	Vice President	Filipino	March 2006 up to

				present
Jose Noel de la Paz	54	Director for Corporate Development	Filipino	July 2007 up to present
Robin Velasco	39	Vice President	Filipino	July 2009 up to present
Albert W. L. Pulido	38	Vice President	Filipino	July 2009 up to present
Maida B. Bruce	36	Comptroller	Filipino	November 2009 up to present
Reymundo Cochangco		Chief Finance Officer Hospital Group	Filipino	January 2010 up to present
Andrew G. Shepherd	54	Chief Finance Officer	British	May 2008 up to present

Business Experience and Other Directorships

The business experience of each of the directors of the Company for the last five (5) years is as follows.

Manuel V. Pangilinan

Our Chairman, Manuel V. Pangilinan, founded First Pacific in 1981 and served as its Managing Director until 1999. He was appointed as Executive Chairman until June 2003, when he was named CEO and Managing Director. Within the First Pacific Group, he holds the positions of President Commissioner of P.T. Indofood Sukses Makmur Tbk, the largest food company in Indonesia.

He was named Chairman of Philippine Long Distance Telephone Company (PLDT), the country's dominant telecom company after serving as its President and CEO until February 2004. He also serves as Chairman of Maynilad Water Services, Inc., Metro Pacific Tollways Corporation, Medical Doctors, Inc., Metro Pacific Investments Corporation, Landco Pacific Corporation, Pilipino Telephone Corporation, and Smart Communications, Inc., the largest mobile phone operator in the Philippines.

Outside the First Pacific Group, Mr. Pangilinan is also Chairman of the Board of Trustees of Ateneo de Manila University and Chairman of the Board of Trustees of San Beda College. He was Chairman of the Hong Kong Bayanihan Trust, a non-stock, non-profit foundation which provides vocational, social and cultural activities for Hong Kong's foreign domestic helpers and served as a member of the Boar of Overseers of the Wharton School, University of Pennyslvania. Mr. Pangilinan is Chairman of the Philippine Business for Social Progress (PBSP), a social action organization made up of the country's largest corporations, Vice Chairman of the Foundation for Crime Prevention, a private sector group organized to assist the government with crime prevention, a member of the Board of Trustees of Caritas Manila and Radio Veritas-Global Broadcasting Systems, Inc., a former Commissioner of the Pasig River Rehabilitation Commission, and a former Governor of the Philippine Stock Exchange. He received his Master's degree in Business Administration from Wharton School of Finance and Commerce, University of Pennsylvania, Philadelphia.

Jose Ma. K. Lim

Our President & Chief Executive Officer, Jose Ma. K. Lim joined Fort Bonifacio Development Corporation (FBDC) in 1995 as Treasury Vice President and was later on appointed as its Chief Finance Officer. With the divestment in FBDC, Mr. Lim assumed the position of Group Vice President and Chief Finance Officer of FBDC's then parent company, Metro Pacific Corporation, from 2001 to 2003. He was appointed President and CEO of MPC in June 2003 where he continues to serve as Director to this day.

In 2006, Metro Pacific Investments Corporation (MPIC) was established and Mr. Lim was appointed as President and CEO a position he continues to hold. He is also currently a Director in the following MPIC subsidiary and/or affiliate companies: Beacon Electric Asset Holdings, Inc, Metro Pacific Tollways Corporation, Manila North Tollways Corporation, Tollways Management Corporation, Maynilad Water Services, Inc., Medical Doctors, Inc. (owner and operator of the Makati Medical Center), Davao Doctors Hospital (Clinica Hilario) Inc., and Landco Inc. (including several Landco subsidiaries). Mr. Lim likewise serves as President of Metro Strategic Infrastructure Holdings, Inc., which holds a minority ownership interest in Citra Metro Manila Tollways Corp. (Skyway) where he also continues to serve as a Director.

He is active in the Management Association of the Philippines and has served as Vice-Chair of the Corporate Governance Committee from 2007 to 2009. Mr. Lim graduated from the Ateneo de Manila University, with a Bachelor of Arts degree in Philosophy. He received his MBA degree in 1978 from the Asian Institute of Management.

Edward A. Tortorici
Born in the United States, Edward A. Tortorici has served in a variety of senior and executive management positions, including Corporate Vice President for Crocker Bank and Managing Director positions at Olivetti Corporation of America and Fairchild Semiconductor Corporation.

Mr. Tortorici subsequently founded EA Edwards Associates, an international management and consulting firm specializing in strategy formulation and productivity improvement with offices in USA, Europe and Middle East.

In 1987, Mr. Tortorici joined First Pacific as an Executive Director for strategic planning and corporate restructuring, and launched the Group's entry into the telecommunications and technology sectors. Presently, he oversees corporate strategy for First Pacific and guides the Group's strategic planning and corporate development activities. Mr. Tortorici serves as a Commissioner of PT Indofood Sukses Makmur Tbk which is based in Indonesia; a Director of Metro Pacific Investments Corporation, Philex Mining, Maynilad Water Services, Inc. Metro Pacific Corporation and Landco Pacific Corporation. He also serves as a Trustee of the Asia Society and the Metropolitan Museum of Manila.

Augusto P. Palisoc, Jr.
Augusto P. Palisoc, Jr. has been with the First Pacific group of companies for over 26 years. He is currently an Executive Director of Metro Pacific Investments Corporation (MPIC), and is a Director of Medical Doctors, Inc. (owner and operator of the Makati Medical Center), Makati Medical Center College of Nursing Inc., Davao Doctors Hospital (Clinica Hilario) Inc., Davao Doctors College, Inc., Colinas Verdes Hospital Managers Corporation (operator of the Cardinal Santos Medical Center), Manila North Habour Port, Inc, Landco Pacific Corporation, and Pacific Plaza Towers Condominium Corporation. Prior to joining MPIC, he was the Executive Vice President of Berli Jucker Public Company Limited in Thailand from 1998 to 2001. Mr. Palisoc served as President and CEO of Steniel Manufacturing Corporation in the Philippines from 1997 to 1998. He has held various positions within First Pacific as Group Vice President for Corporate Development of First Pacific Company Limited in Hong Kong, and Group Managing Director of FP Marketing (Malaysia) Sdn. Bhd. in Malaysia. Before he joined First Pacific in 1983, he was Vice President of Monte Real Investors, Inc. in the Philippines. Mr. Palisoc earned his Bachelor of Arts Degree, Major in Economics (with Honors) from De La Salle University, and his Master's in Business Management (MBM) Degree from the Asian Institute of Management. Mr. Palisoc was born in January 1958.

Antonio A. Picazo
Antonio A. Picazo is currently the Managing Partner of Picazo Buyco Tan Fider & Santos Law Offices. He serves as a Director and/or Corporate Secretary of several large Philippine corporations, including Metro Pacific Investments Corporation, a position he has held since 2006. Mr. Picazo was born in Manila in August of 1941 and obtained his Bachelor of Laws degree from the University of the Philippines. He passed the 1964 Philippine Bar Examinations with the 5th highest rating. In 1967, he obtained a Master of Laws degree, Major in Taxation from the University of Pennsylvania. He is currently also a member of the Board of the PGH Medical Foundation and of the Haribon Foundation, as well as the Market Governance Board of the Philippine Dealing and Exchange Corporation (PDEX).

Edward S. Go (*Independent Director*)

Edward S. Go retired in 2003 as Chairman & CEO of United Coconut Planters Bank (UCPB). Currently, he serves as Chairman of the Board of Hyundai Asia Resources, Inc. and of ASA Philippine Foundation. He is an Independent Director of Metro Pacific Investments Corporation, Metro Pacific Corporation, Pilipino Telephone Corporation and Filipino Fund Inc. He is also a director of Laperal Builders, Inc. He has over 40 years of management experience in banking and finance, starting as Executive Trainee with Citibank N.A. and became President of Philippine Bank of Communications in 1974 and Chairman and Chief Executive Officer of Chinabank in 1985. Mr. Go is also Chairman of the Audit Committee of MPIC and PILTEL. He obtained his Bachelor of Arts Degree, magna cum laude, and underwent postgraduate studies at the Ateneo de Manila University, where he currently serves as member of the Board of Trustees.

Alfred A. Xerez-Burgos, Jr.
Alfred A. Xerez-Burgos, Jr. is presently Vice Chairman and Executive Director of Landco Pacific Corporation (position assumed as of March 2009). He assumed the position of President and CEO and Chairman of the Executive Committee of Landco Pacific Corporation in 1990 after previously working with a major property company for nearly 20 years. He is President of the Muntinlupa Development Foundation, a 20 year old Foundation helping the poor people of Muntinlupa. He is also the President of Club Punta Fuego, Inc., a world class development in Nasugbu, Batangas as well as Chairman and CEO of Forest Lake Development Inc. and Chairman of Philippine Red Cross, Rizal Chapter, the largest Red Cross chapter in the country. He graduated with Distinction, Master in Business Management, from the Asian Institute of Management in 1971. Prior to this, he graduated among the top 25% of his class (Bachelor of Science in Mechanical Engineering) from the De La Salle University in 1969.

Chief Justice Artemio V. Panganiban (*Independent Director*)
A consistent scholar, Chief Justice Panganiban obtained his Associate in Arts “With Highest Honors” and later his Bachelor of Laws with “Cum Laude” and “Most Outstanding Student” honors. He founded and headed the National Union of Students of the Philippines. He is also the recipient of several honorary doctoral degrees and placed sixth among 4,200 candidates who took the 1960 bar examinations.

In 1995, he was appointed Justice of the Supreme Court, and in 2005, Chief Justice of the Philippines. On his retirement on December 7, 2006, his colleagues acclaimed him unanimously as the “Renaissance Jurist of the 21st Century.” Aside from being a prodigious decision writer, he also authored eleven books while serving on the highest court of the land. His judicial philosophy is “Liberty and Prosperity Under the Rule of Law.” A much sought-after independent director and adviser of business firms, he also writes a column in the Philippine Daily Inquirer. Prior to entering public service, Chief Justice Panganiban was a prominent practicing lawyer, law professor, business entrepreneur, civic leader and Catholic lay worker. He was the only Filipino appointed by the late Pope John Paul II to be a member of the Vatican-based Pontifical Council for the Laity for the 1996-2001 term.

Ambassador Albert F. Del Rosario
The former Ambassador of the Republic of the Philippines to the United States of America from October 2001 to August 2006 earned his Bachelor's Degree in Economics at New York University. He is currently Chairman of Gotuaco Del Rosario Insurance Brokers, Inc., BusinessWorld Publishing Corporation, Makati Foundation for Education, Stratbase, Inc. and is President of Philippine Telecommunications Investment Corporation. Ambassador del Rosario serves as Commissioner or Director in numerous companies and non-profit organizations including First Pacific Company, PT Indofood Sukses Makmur Tbk, Philippine Long Distance Telephone Company, Infrontier (Philippines), Inc., Metro Pacific Investments Corporation, Metro Pacific Tollways Corporation. Manila North Tollways Corporation, Asia Traders Insurance Corporation, Landco Pacific Corporation, MediaQuest Holdings, Inc., Philippine Cancer Society and is a member of the Board of Trustees or Governors of the Management Association of the Philippines, International Graduate University, Washington, DC, and Asia Society’s International Council. He also headed the development of Pacific Plaza Towers, Metro Pacific Corporation's signature project in Fort Bonifacio's Global City.

In September 2004, Ambassador del Rosario was conferred the Order of Sikatuna, Rank of Datu, by H.E. President Gloria Macapagal-Arroyo for his outstanding efforts in promoting foreign relations. He is, moreover, a recipient of the EDSA II Presidential Heroes Award in recognition of his work in fostering Philippine democracy and the Philippine Army Award from H.E. President Corazon Aquino for his accomplishments as Chairman of the Makati Foundation for Education. He was elevated to the Xavier Hall of Fame in New York City in 2006.

Amado R. Santiago III
Amado R. Santiago is the Managing Partner of the Santiago & Santiago Law Offices and is engaged in the general practice of law. He specializes in corporate litigation, which includes corporate rehabilitation proceedings under the Securities and Exchange Commission (SEC) Rules on Corporate Recovery and the Interim Rules of Procedure on Corporate Rehabilitation. He is also engaged in the practice of taxation law. Mr. Santiago graduated from the Ateneo De Manila School of Law in 1992 and passed the Philippine Bar Examinations given in the same year.

Rogelio L. Singson
Mr. Rogelio L. Singson is the President & CEO of Maynilad Water Services, Inc. since May, 2007. He previously held directorships in Clark Development Corporation, Subic Bay Metropolitan Authority, Fort Bonifacio Development Corporation, National Power Corporation and Metropolitan Waterworks & Sewerage System.

Mr. Singson had served in various senior positions such as Chairman & President of Bases Conversion & Development Authority, Senior Vice President for Business Development, Citadel Holdings, Inc., Chairman, John Hay Poro Point Development Corp, former Assistant Cabinet Secretary, Office of the President.

Mr. Singson obtained his Bachelor of Science Degree in Industrial Engineering from University of the Philippines and attended Master's Program in Public & Business Management from the De La Salle University. He also attended various trainings abroad on Public-Private Partnership, privatization and Build Operate Transfer (BOT) Schemes.

Ramoncito S. Fernandez
Mr. Ramoncito S. Fernandez was appointed as President & Chief Executive Officer of Metro Pacific Tollways Corp. (MPTC) and Tollways Management Corporation (TMC) under Metro Pacific Investments Corporation (MPIC) effective in January 2009. He holds directorships in Metro Pacific Investments Corporation (MPIC), Metro Pacific Tollways Corporation (MPTC), Tollways Management Corporation (TMC), Manila North Tollways Corporation (MNTC), Smart Communications, Inc. and some subsidiaries of PLDT including PLDT Subic Telecom, Inc., PLDT Clark Telecom, Inc., PLDT Global Corporation and TAHANAN.

He is the 2009 PISM GAWAD SINOP Awardee, an award conferred by the Foundation of the Society of Fellows in Supply Management and the Philippine Institute for Supply Management to outstanding achievers in the field of supply management.

Mr. Fernandez has varied experience in international carrier business, administration and materials management, industrial marketing and sales. He was the Head of International and Carrier Business of PLDT and Smart and Global Access Group of Smart from 2007 until December 31, 2008. He was the Administration and Materials Management Head of Smart from 2000, and of PLDT from 2004, until December 31, 2007. He was the Executive Vice President in charge of marketing, sales and logistics of Starpack Philippines, Inc. until June 2000. He also worked for Union Carbide Philippines in manufacturing and industrial engineering. Mr. Fernandez obtained his Bachelor of Science Degree in Industrial Management Engineering from the De La Salle University and Master's Degree in Business Management from the Asian Institute of Management.

Ray C. Espinosa
Mr. Ray C. Espinosa is a Director of PLDT since November 1998 and the Vice Chairman of the PLDT Beneficial Trust Fund. He is the head of PLDT's Regulatory Affairs and Policy Office and is a member of the PLDT Grroup Joint Executive Committee. He is also the President and CEO of ePLDT, Inc. and acts as chairman of all ePLDT subsidiaries and affiliate. Mr. Espinosa is also a director of

Lepanto Consolidated Mining Company and serves as the Chairman if its Audit Committee. Mr. Espinosa was formerly named by Asia Law and Practice, Euromoney and the Asia Pacific Legal 500 as one of the leading capital market lawyers in the country. He ranked first in the 1982 Philippine Bar Examination.

Lydia Balatbat-Echauz
Ms Lydia Echauz is a distinguished member of the Academe. She is currently the President of Far Eastern University, FEU-East Asia College and FEU-FERN College. Prior to joining FEU in 2002, she served as the Dean of De La Salle University Graduate School of Business, Associate Director of the MBA program of the Ateneo Graduate School of Business (GSBAA) and also served as an Associate Professor of the University of the East, College of Business Administration. She is currently a member of the Board of Trustees of various Foundations and served as President of the Association of Southeast Asian Institutions of Higher Learning, RP Council from 2006 to 2008. She was awarded Most Outstanding Alumna of Ateneo GSBAA in 1992 and DLSU GSB in 2003.

Robert C. Nicholson
Robin Nicholson holds a wide experience in corporate finance and cross-border transactions, including mergers and acquisitions, regional telecommunications, debt and equity capital markets, corporate reorganizations and privatization of state-owned enterprises in the People's Republic of China. Mr. Nicholson joined First Pacific's Board in June 2003 and was named Executive Director in November 2003. Mr. Nicholson serves as Commissioner of PT Indofood Sukses Makmur Tbk and is a Director of Philex Mining Corporation and Level Up! International Horldings PTe Ltd.

All of the incumbent Directors named above have a one year term of office

Officers

The business experience of each of the officers and executives of the Company for the last five (5) years is as follows.

Andrew G. Shepherd
Andrew G. Shepherd joined MPIC in May of 2008 as Chief Financial Officer to oversee all aspects of MPIC's finances. Mr. Shepherd's appointment has strengthened MPIC's management team as the Company prepares for a new period of growth and investments. His background in mergers and acquisitions, investor relations and as a senior financial and commercial professional with in-depth cross cultural experience gained during 16 years in the Middle/Far East provides a strategic perspective to the business.

Prior to joining MPIC, Mr. Shepherd was the Group Chief Financial Officer of the Shaheen Business and Investment Group (Shaheen), a family-owned Middle East-based conglomerate with business interests in automotive, manufacturing, food processing, real estate and infrastructure. While at Shaheen, Mr. Shepherd managed the expansion of the company into new countries and ventures, as well as establishing a new strategy and financial vision for the Group. Mr. Shepherd also served 12 years with the Jardine Matheson Group of Companies in senior executive positions in Hongkong, Tokyo and Manila. Mr. Shepherd holds a B.Sc. degree with Honors from the University of Edinburgh and is a Fellow of Chartered Certified Accountants.

Jose Noel C. de la Paz
As MPIC's Director for Corporate Development, Jose Noel C. de la Paz joined MPIC in 2007 and is responsible for the acquisition and investment initiatives on the healthcare sector, beginning with the identification of projects, preliminary evaluation, due diligence, investment structuring, negotiations and execution, up to participation in management. In 2008, he deal managed the takeover of Cardinal Santos Medical Center, was a key member of its interim operating management, and has been serving as its board member in 2009. As part of the MPIC healthcare team, he helps oversee the management of the other hospitals, Makati Medical Center and Davao Doctors Hospital. He has over 20 years of investment banking experience, arranging debt and equity financings and rendering financial advisory services. He was the Philippine Deputy Country Head for New York-based Bankers Trust Company that originated and lead managed global bond offerings and bank loan syndications,

and worked on advisory engagements for major project financings in the country. He brings this Corporate Finance experience to MPIC in arranging the bank loan syndication and equity rights offering of Makati Medical Center in 2009.

Maida B. Bruce

Maida B. Bruce joined MPIC in November 2009 as Group Controller. In this position, Maida is responsible for strengthening and overseeing MPIC's Financial Reporting, Budgeting& Forecasting and System enhancements processes. Prior to joining MPIC, Maida held a Chief Financial Officer role with the top real estate company in the Philippines. She was responsible for overseeing the financials of Ayala Land's Strategic Landbank Management Group including its other subsidiaries. She also has more than thirteen years of extensive experience in the banking industry under Citigroup Australia and Manila. She was Vice President for Special Purpose Vehicles under the Financial Control Department of Citigroup Australia and has handled several roles and responsibilities also in Citibank Manila. She was part of a pioneer team that implemented, supported and continuously upgraded a proprietary global financial reporting system to multiple countries in the Asia-Pacific region.

Robin M. Velasco

Robin L. Velasco joined the company in July 2009 as Vice President for Human Resources. In this role, he ensures that MPIC and all its subsidiaries and future acquisitions have the right People Strategies to support the growth required to achieve business plans. He has also strengthened the Performance Management and Rewards system of MPIC to ensure a culture of performance driven meritocracy. Mr. Velasco brings with him 19 years of management experience garnered from Global Multinationals such as Procter & Gamble, Johnson & Johnson and Synovate. He has been exposed to various facets of management which includes Finance, Supply Chain, Manufacturing, Research & Development, Technical Services, Market Research, Quality Assurance and Human Resources Management. He spent the last five years of his career in Singapore as HR Director for Asia Pacific, Talent Management for Johnson & Johnson, and then as HR Director for Asia for Synovate, leading 12 Asian countries in all HR aspects. Mr. Velasco has also spent 6 years of his career as a Professor of the Graduate School of Business (MBA) and the Business Management Dept. of La Salle where he taught Strategic Management, Ethics, Stock Market Trading, Production Management and HR Management.

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Melody M. del Rosario

Melody M. Del Rosario has been with the Metro Pacific Group since 1993, and has over 16 years of experience in the field of public and media relations, corporate communications, advertising and corporate social responsibility. Ms. del Rosario is in charge of strengthening the credibility and corporate public image of MPIC by planning and overseeing the implementation of strategic corporate communication programs, reputation and crisis management as well as working closely with the corporate communication team of the group. Ms. del Rosario is also the Corporate Information Officer of MPIC and Metro Pacific Tollways Corporation for the Philippine Stock Exchange and Executive Vice President of the MPIC Foundation.

Albert W. L. Pulido

Prior to joining the Company in July of 2009 as the Head of Investor Relations, Albert Pulido spent his whole career in the field of finance. During the most recent 5 years, Albert was with the New York office of Lehman Brothers (Now Barclays Capital US) in various capacities related to Relationship Management, Capital Budgeting, Financial Planning, Sales and Business Development. He also worked in the Philippines for a foreign bank with their business development group focusing on originating Corporate Clients.

Reymundo S. Cochangco

Reymundo S. Cochangco is the Company's CFO for Hospital Group. He is also the CFO of Mabuhay Satellite Corporation, a subsidiary of PLDT. He has over 20 years of experience in finance, treasury, controllership, audit and business operations and held various senior positions within the Metro Pacific and PLDT Groups such as CFO of Colinas Verdes Hospital Managers Corporation, VP for Corporate Development of Fort Bonifacio Development Corporation, CFO of SPI Technologies, Inc., President and CFO of Stradcom Corporation, and Comptroller & Treasurer of Philippine Cocoa Corporation. He also worked at SGV & Co. He holds a Bachelor of Science degree in Business

Administration from the Philippine School of Business Administration and is a Certified Public Accountant.

Antonio A. Picazo
(*See business description above)*

Gemma M. Santos
Gemma M. Santos has served as the Assistant Corporate Secretary of MPIC since 2006. Born in Bulacan in April 1962, Ms. Santos graduated cum laude with the degree of Bachelor of Arts, Major in History from the University of the Philippines in 1981, and with the degree of Bachelor of Laws also from the University of the Philippines in 1985. She is currently a Senior Partner of Picazo Buyco Tan Fider & Santos Law Offices and Corporate Secretary of various Philippine companies including listed companies C&P Homes, Inc. and ATR KimEng Financial Corporation.

The Company has no other significant employee other than its Executive Officers. None of the aforementioned Directors or Executive Officers or persons nominated or chosen by the Company to become Directors or Executive Officers is related to the others by consanguinity or affinity within the fourth civil degree.

The Company has not had any transaction during the last two (2) years in which any Director or Executive Officer or any of their immediate family members had a direct or indirect interest.

None of the aforementioned Directors or Executive Officers is or has been involved in any criminal or bankruptcy proceeding, or is or has been subject to any judgment of a competent court barring or otherwise limiting his involvement in any type of business, or has been found to have violated any securities laws during the past five (5) years and up to the latest date.

Item 10. Executive Compensation

The aggregate compensation paid in 2008 and 2009 and estimated to be paid in 2010, to the officers of the Company is set out below:

Names	Position	Year	Salary	Bonus	Others
Manuel V. Pangilinan	Chairman				
Jose Ma. K. Lim	President & CEO				
Edward A. Tortorici	Executive Advisor				
Augusto P. Palisoc Jr.	Executive Advisor				
Andrew G. Shepherd	Chief Finance Officer				
Antonio Picazo	Corporate Secretary				
Gemma Santos	Assistant Corporate Secretary				
Melody M. Del Rosario	Vice President				
Jose Noel C. de la Paz	Corporate Development Director				
Robin M. Velasco	Vice President				
Albert W. Pulido	Vice President				
Maida B. Bruce	Comptroller				
Reymundo S. Cochangco					
Aggregate for above named officers		**2008** **2009** **2010 (est.)**	**14,996,477** **16,120,200** **38,528,236**	**5,850,400** **10,297,370** **23,255,937**	**337,600** **364,608**
All Directors and Officers as a group unnamed		**2008** **2009** **2010 (est.)**	**16,170,327** **20,210,500** **49,352,881**	**5,850,400** **12,656,402** **29,569,088**	**337,600** **364,608**

The above executive officers are covered by standard employment contracts and employees' retirement plan and can be terminated upon appropriate notice. There are no existing special arrangements as a result of resignation, termination of employment or a change in control of the Registrant.

Non-executive Directors are entitled to a per diem allowance of Pesos 50,000 for each attendance in the Company's Regular Board meetings
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The Company's By Laws provide that, additionally, an amount equivalent to 1 percent of net profit after tax of the Company shall be allocated and distributed amongst the directors of the Company who are not officers of the Company or its subsidiaries and affiliates, in such manner as the Board may deem proper. The amount paid to the directors in 2009 and estimated amount to be paid in the ensuing year are included in the above tabulation. There are no other special arrangements pursuant to which any director was compensated.

The aggregate number of options awarded to the Directors and Executive Officers are set out below:

Names	Position	Amount of Options	Date of Grant of the Options	Exercise Price	Market Price on the Date of Grant	Expiration Date
Manuel V. Pangilinan Jose Ma. K. Lim Albert F. Del Rosario Edward S. Go Augusto P. Palisoc, Jr. Artemio V. Panganiban Antonio A. Picazo Amado R. Santiago, III Alfred A. Xerez-Burgos Edward A. Tortorici Andrew G. Shepherd Melody M. del Rosario Jose Noel C. dela Paz	Chairman President/CEO Director Ind. Director Exec. Director Ind. Director Director/Corp. Sec. Director Director Board Advisor CFO Vice Presidentr Corp. Dev't Director.					
Aggregate for above named officers		61,000.000 62,925,245 59,463,000	As of 1209/08 As of 03/10/09 As of 03/10/10	Php 2.12 Php 2.73 Php 2.73	Php2.10 Php2.70 Php2.70	Jan. 2, 2013 March 10, 2013 March 10, 2013

Under the terms of the grant, fifty percent (50%) of the first tranche granted (61,000,000 option shares) vested on 2 January 2009 and the remaining fifty percent (50%) of said first tranche will vest on the first (1^{st}) anniversary of the initial vesting date for such tranche or 2 January 2010. On the other hand, fifty percent (50%) of the second tranche granted (62,925,245 option shares) vested on 10 March 2009 and the remaining fifty percent (50%) of said second tranche will likewise vest on the first (1^{st}) anniversary of the initial vesting date for such tranche or 10 March 2010. Grantees of said options may exercise in whole or in part their respective options at any time after vesting but prior to the expiration of three (3) years after all of the option shares for such tranche have vested. The foregoing options were granted pursuant to, and subject to the terms and conditions provided in, the Executive Stock Option Plan of the Company, as amended (the "Plan"). The procedure for the exercise of such options is as set forth in the Plan.

No prices of stock options have been adjusted or amended by the Company.

Item 11. Security Ownership of Certain Record and Beneficial Owners and Management

Security Ownership of Record and Beneficial Owners of at least 5% of the Company's Securities as of 31 March 2010

Type of Class	Name and address of record owner and relationship with Issuer	Citizenship	Name of Beneficial Owner & Relationship with Record Owner	No. of Shares Held	Percent of class
Common Shares	Metro Pacific Holdings, Inc. 17/F Liberty Centre Bldg. 104 H.V. dela Costa, Salcedo Vill., Makati City	Filipino	Metro Pacific Holdings, Inc. is both record and beneficial owner. Mr. Manuel V. Pangilinan is usually designated as its representative, with authority to vote its shares, at meetings of shareholders.	11,201,067,940	55.6%
Common Shares	Beneficial Trust Fund	Filipino	Beneficial Trust Fund is a retirement fund established for the employees of PLDT	3,159,162,337	15.7%
Preferred Shares	Metro Pacific Holdings, Inc. 17/F Liberty Centre Bldg. 104 H.V. dela Costa, Salcedo Vill., Makati City	Filipino	Metro Pacific Holdings, Inc. is both record and beneficial owner. Mr. Manuel V. Pangilinan is usually designated as its representative, with authority to vote its shares, at meetings of shareholders.	5,000,000 Class A	100%

Other than the abovementioned, the Company has no knowledge of any person who, as of 31 March 2010, was directly or indirectly the beneficial owner of, or who has voting power or investment power (pursuant to a voting trust or other similar agreement) with respect to, shares comprising more than five percent (5%) of the Company's outstanding common shares of stock.

Security Ownership of Management as of 31 March 2010

Type of Class	Name and Address of Owner	Amount and nature of Beneficial ownership	Citizenship	Percent of class
Common	Manuel V. Pangilinan 7/F Ramon Cojuangco Bldg. Makati Avenue, Makati City	5,242,405 Direct ownership	Filipino	0.01%
Common	Jose Ma. K. Lim 10/F MGO Bldg., Legazpi corner dela Rosa Streets, Legazpi Village, Makati	Nil*	Filipino	0.0%
Common	Augusto P. Palisoc, Jr. 10/F MGO Bldg., Legazpi corner dela Rosa Streets, Legazpi Village, Makati	Nil*	Filipino	0.0%
Common	Edward A. Tortorici 10/F MGO Bldg., Legazpi corner dela Rosa Streets, Legazpi Village, Makati	729,596 Direct Ownership	American	0.0%
Common	Alfred A. Xerez-Burgos, Jr. Landco Asset Management, Inc. 2/F Center Mall Building President's Avenue, BF Homes, Paranaque	Nil*	Filipino	0.0%
Common	Edward S. Go Unit 16-A Pacific Plaza Tower Fort Bonifacio, Bonifacio Global City Taguig, Metro Manila	25,000 Direct Ownership	Filipino	0.0%
Common	Lydia B. Echauz Far Eastern University N. Reyes St., Sampaloc, Manila	30,000 Direct Ownership	Filipino	0.0%
Common	Artemio V. Panganiban 1203 Acacia, Dasmarinas Village, Makati City	Nil*	Filipino	0.0%
Common	Ambassador Albert F. del Rosario 15/F Chatham House, Rufino St. Cor Valero St., Makati Cirty	3,000,001 Direct Ownership	Filipino	0.0%
Common	Antonio A. Picazo 19/F Liberty Center 104 H.V. dela Costa Street Salcedo Village, Makati City	550,000	Filipino	0.0%
Common	Amado R. Santiago III Room 114 Ortigas Building Ortigas Avenue, Pasig City	Nil*	Filipino	0.0%
Common	Rey Espinosa 5;F Locsin Building, Ayala Avenue Cor Makati Avenue, Makati City	Nil*	Filipino	0.0%
Common	Rogelio L. Singson Maynilad Water Services, Inc MWSS Complex, Katipunan Road Balara, Quezon City	103,000 Direct Ownership	Filipino	0.0%
Common	Ramoncito S. Fernandez 10/F MGO Bldg., Legazpi corner dela Rosa Streets, Legazpi Village, Makati	Nil*	Filipino	0.0%
Common	Robert C. Nicholson 24/F Two Exchange Square, 8 Connaught Place Central, Hong Kong	Nil*	British	0.0%
	Aggregate for above named officers and directors	**9,680,002**		

*Each of these directors is the registered owner of at least one (1) qualifying share.

Changes in Control

The Company is not aware of any voting trust agreements or any other similar agreements which may result in a change in control of the Company. No change in control of the Company has occurred since the beginning of its last fiscal year.

Item 12. Certain Relationships and Related Transactions

Refer to Note 21 of the attached 2009 AFS.

Item 13. Compliance with Leading Practice on Corporate Governance

The Manual on Corporate Governance of MPIC details the standards by which it conducts sound corporate governance that are coherent and consistent with relevant laws and regulatory rules, and constantly strives to create value for its shareholders.

(A) Evaluation

Compliance with the Manual's standard, evaluation is delegated to MPIC's Corporate Governance Compliance Officer, a member of senior management who also holds vice president ranking.

Ultimate responsibility for MPIC's adherence to its Manual rests with its Board of Directors, who also maintain three (3) standing committees, each charged with oversight into specific areas of the Company's business activities:

- The Audit Committee is charged with internal audit oversight over all of the Company's transactions;
- The Nomination Committee is charged with ensuring that membership to the Metro Pacific Board of Directors is fulfilled by qualified members; the Nomination Committee also ensures fair representation of independent members on the Board of Directors;
- The Compensation and Remuneration committee is tasked to ensure fair compensation practices are adhered to throughout the organization.

(B) Measures Taken to Comply with Adopted Leading Practices on Good Corporate Governance

In 2009, the Board of Directors of MPIC held regular meetings, each with a quorum. The Board committees also met to ensure fair corporate governance standards were being applied throughout the organization.

(C) Any Deviation from the Company's Manual of Corporate Governance

The Company is committed to fostering good corporate governance practices including a clear understanding by directors of the Company's strategic objectives, structures to ensure that the objectives are being met, systems to ensure the effective management of risks, and the mechanisms to ensure that the Company's obligations are identified and discharged in all aspects of its business. Each January, it certifies to the SEC and the PSE that the Company has fulfilled its corporate governance obligations, with the most recent certification being filed on the 12^{th} day of January, 2010.

(D) Any Plan to Improve the Company's Corporate Governance

The Company continues to evaluate and review its Corporate Governance Manual to ensure that the leading practices on good corporate governance are being adopted.

Item 14. Exhibits and Reports on SEC Form 17-C

Not applicable.