

COVER SHEET

P W - 1 0 2

S.E.C Registration Number

M A N I L A E L E C T R I C C O M P A N Y

(Company's Full Name)

L O P E Z B U I L D I N G , O R T I G A S A V E N U E ,
B R G Y U G O N G , P A S I G C I T Y

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

ATTY. WILLIAM S. PAMINTUAN

Contact Person

632-8014

Company Telephone Number

1 2 - 3 1

Month Day

Fiscal Year

1 7 - C

FORM TYPE

0 5 2 9

Month Day

Annual Meeting

Secondary License Type, if Applicable

Dept. Requiring 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-C

CURRENT REPORT UNDER SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17.2(c) THEREUNDER

1. **Date of Report:** *April 30, 2018*
2. **SEC Identification Number:** *PW-102*
3. **BIR Tax Identification Code:** *000-101-528-000*
4. **Name of Issuer as specified in its Charter:** *Manila Electric Company*
5. **Country of Incorporation:** *Philippines*
6. **Industry Classification: (SEC use only)**
7. **Address of principal office:** *Lopez Building, Ortigas Avenue, Barangay Ugong,
Pasig City*
8. **Issuer's telephone numbers:** *6328014* **Area Code:** *1605*
9. **Former name or former address:** *Not Applicable*
10. **Securities registered pursuant to Sections 18 and 12 of the SRC or Sections 4
and 8 of the RSA:**

*Number of Shares of
Common Stock Outstanding*

1,127,098,705
(As of March 31, 2018)

Debt Securities: Php 18.5 Billion Bonds

11. Item Number reported: *Item 9 (Other Events)*

The Company's Board of Directors, in its regular meeting held today, April 30, 2018, approved the Company's Financial and Operating Results for the First Quarter of 2018 with comparatives for 2017 (refer to the attached Press release).

SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MANILA ELECTRIC COMPANY
Issuer



WILLIAM S. PAMINTUAN
First Vice President
Assistant Corporate Secretary &
Information Disclosure Officer

Date: April 30, 2018

***Cc: Disclosure Department
Listings and Disclosure Group
Philippine Stock Exchange
Issuer Compliance and Disclosure Department
Philippine Dealing & Exchange Corp.***



PRESS RELEASE
FINANCIAL AND OPERATING RESULTS
FOR THE 1st QUARTER ENDED MARCH 31, 2018
WITH COMPARATIVES FOR 2017

Highlights

- Consolidated Core Net Income for 1Q2018 at Pesos 4.9 billion, 7% higher compared with 1Q2017
- Consolidated Reported Net Income for 1Q2018 at Pesos 5.3 billion, 10% higher than 2017
- Consolidated volume of energy sales for the first quarter of 2018 at 10,145 GWh, 9% higher than the 9,317 GWh in 2017
- Customer count up by 5% since March 31, 2017 to almost 6.4 million
- Consolidated electric revenues for the three months ended March 2018 at Pesos 69.0 billion
- Average consolidated distribution rate at Pesos 1.39 per kWh in the first quarter of 2018
- Consolidated cost of purchased power at Pesos 54.8 billion for 1Q2018, higher by 6% than in 1Q2017
- Consolidated operating expenses at Pesos 6.2 billion for the three months ended March 31, 2018, flat versus the same period in 2017
- Consolidated EBITDA for 1Q2018 at Pesos 8.7 billion, 10% higher than the same period in 2017
- Core Earnings per Share for the first quarter of 2018 at Pesos 4.363, while Reported Earnings per Share was at Pesos 4.713

MANILA, PHILIPPINES, 30th April 2018 – Manila Electric Company (“*Meralco*” or the “*Company*”) (PSE: MER) today announced that its unaudited Consolidated Core Net Income (“*CCNI*”), which excludes one-time, exceptional charges, for the three (3) months ended March 31, 2018 was 7% higher at Pesos 4.9 billion compared with the same period in 2017. Consolidated Reported Net Income for the period was at Pesos 5.3 billion, a 10% increase over 2017. Core Earnings per Share was at Pesos 4.363 for the three (3) months ended March 31, 2018 while Reported Earnings per Share was at Pesos 4.713.

CCNI for the three (3) months ended March 31, 2018 of Pesos 4.9 billion was largely from (a) contribution of the core distribution business with volume growing to 10,145 GWh or 9% higher over the comparative period, even as average consolidated distribution rate was one centavo or Peso 0.01 per kWh less than the Pesos 1.40 per kWh in 2017; (b) flat operating and maintenance expenses in the first three (3) months of 2018; and (c) adjustment of provisions for impairment of certain trade receivables.

Contribution of subsidiaries was minimally higher in the first three (3) months of 2018 compared with 2017 due to delays in the expected award of contracts. *MERALCO* PowerGen Corporation ("*MGen*") continued to spend on development costs and pre-operating expenses while waiting for the Energy Regulatory Commission ("*ERC*") approval of the Power Supply Agreements ("*PSAs*") filed on April 29, 2016. These did not significantly impact on the *CCNI* and Reported Net Income. The continuing effort to improve days-sales collection of trade receivables and the favorable resolution of certain receivables provided an uplift to the *CCNI* as previously recorded provisions related to these accounts were reversed.

Consolidated electric revenues, which was 97% of total revenues, grew 7%, mainly due to the 9% growth in volume of energy sold even as *Meralco's* average distribution rate per kWh was Peso 0.02 per kWh lower. Clark Electric Distribution Corporation ("*CEDC*", a 65%-owned subsidiary of *Meralco*) saw its volume decline as it gave up volume from a large semiconductor plant whose power was being partly wheeled using the facilities of a third party that had been subject of continuing discussions for *CEDC's* acquisition or lease. Its adverse impact was reduced by *CEDC's* higher average distribution rate in the first quarter of 2018 of Peso 0.98 per kWh (Peso 0.89 per kWh in 2017).

The first quarter 2018 pass-through and other electric revenues grew 6% compared with the same period in 2017 due to higher spot prices in the Wholesale Electricity Spot Market ("*WESM*"), which spiked to levels higher than *Meralco's* average generation cost over 313 instances during the quarter, compared with 130 instances in the first quarter of 2017. The *WESM* prices during peak hours for the first quarter in 2018 rose to Pesos 32.9478 per kWh. The depreciation of the Philippine peso versus the United States dollar also contributed to the higher average generation charge. The peso was at an average of Pesos 51.477 to US\$1 in the first quarter of 2018 compared with Pesos 50.005 to US\$1 during the same period in 2017, a 3%-depreciation.

Average retail price was at Pesos 8.46 per kWh for the first quarter of 2018. Generation, transmission, distribution, system loss, and taxes and universal charges (including feed-in-tariff allowance [*"FIT-All"*]) represent 55%, 10%, 16%, 4% and 15%, respectively, of the average customer bill.

The increase in generation charge of 11% was largely on account of the upward movement in the generation cost, higher *WESM* prices, increases in fuel prices in the world market, the effect of combined scheduled maintenance and forced outages of the

various plants at non-coincident periods over the first three (3) months of 2018 for a combined 24,324.3 hours and the weakening of the peso against the U.S. dollar.

Transmission charge was at Peso 0.85 per kWh, Peso 0.01 per kWh lower. System loss charge averaged Peso 0.35 per kWh compared with Peso 0.33 per kWh in 2017. Taxes, subsidies, *FIT-All*, universal charges and others averaged Pesos 1.20 per kWh or Peso 0.17 higher compared with the same period last year.

Total operating expenses stood at Pesos 6.2 billion, flat versus the same period in 2017 due to deferrals of certain costs and capital expenditures (“*CAPEX*”) and extended sweating of assets. The most significant cost items remain to be labor, contracted services and Information Technology (“*IT*”) licensing and maintenance. Depreciation and amortization grew marginally by 1%.

Consolidated *EBITDA* was Pesos 8.7 billion in 2018, with *EBITDA* margin on consolidated revenues stable at 12%.

Cash and cash equivalents (excluding long-term investments and placements with maturities beyond 90 days) were at Pesos 51.9 billion as of end-March 2018, while interest-bearing loans and borrowings were at Pesos 39.9 billion. Available-for-sale (“*AFS*”) and held-to-maturity (“*HTM*”) investments, placements with maturities beyond 90 days and restricted cash were at Pesos 44.7 billion as of the same date. Total principal debt repayments, inclusive of financial and related charges, amounted to Pesos 1.6 billion. Availment of short-term loans by the subsidiaries was at Pesos 0.9 billion.

Following the partial approval of *CAPEX* projects in the aggregate amount of Pesos 24.2 billion for the 1st and 2nd Regulatory Years (“*RYs*”) of the 4th Regulatory Period (“*4RP*”) in June and July 2016, respectively, the *Company* proceeded to implement these *CAPEX* projects to ensure a robust and reliable electricity distribution network. *Meralco* filed the 3rd *RY CAPEX* for Pesos 18.8 billion in April 2017 and is set to file its 4th *RY CAPEX* of a similar amount to enable it to meet customer and load growth, improved service efficiency and customer experience, network resiliency and hardening, information technology and security and safety requirements.

Core Distribution Business: Healthy Sales Volume and Customer Growth despite Headwinds

The first quarter of 2018 saw a higher than expected rise in electricity sales volume and customer accounts in the *Meralco* franchise area, even as benchmark interest, peso versus U.S. dollar, and inflation rates started to move upwards, along with fuel prices.

Overall economic growth, with Gross Domestic Product (“*GDP*”) estimated to rise during the first quarter of the year on the back of strong consumption and investment expenditures, spurred by warmer average temperature at 27.1°C, 0.5°C higher than in the same period in 2017 also contributed to the rise in electricity consumption.

The peso closed at a weaker exchange rate to the U.S. dollar at Pesos 52.16 as of end-March 2018, compared with Pesos 50.16 as of the same date in 2017. The 7-Year PDST-R2 benchmark was at 6.7375% at the end of the first quarter of 2018, 1.675 percentage points higher than 2017. The Newcastle coal index was between \$106.46 per MT to \$105.91 per MT (in January and February 2018) compared with \$83.73/MT to \$79.99/MT (in January and February 2017), and Brent crude oil was at \$65.89 per BBL by the end of March 2018 (\$51.60/BBL by end-March 2017). *Meralco's* average retail rate was at Pesos 8.46 per kWh in the first quarter of 2018 (Pesos 7.84 per kWh in 1Q2017).

Meralco's customer base grew by almost 5% to 6.4 million customer accounts, with 290 thousand net new accounts since March 2017. The Residential customer base, which rose by 5%, still represents 92% of the total customer base. This includes 93,522 prepaid electricity customers, up from 49,825 as of March 31, 2017. Commercial and Industrial customer accounts increased by 3% and 2%, respectively.

Total electricity distributed in the *Meralco* franchise area surged by 9% during the first quarter to 10,025 GWh. Industrial (inclusive of generator wheeling) saw the highest growth at 11% to 3,014 GWh, followed by Residential at 9% to 2,997 GWh and Commercial at 8% to 3,979 GWh.

The overall share of Commercial out of the total sales volume was 40% during the first quarter of 2018, with Residential and Industrial shares each at 30%.

Commercial sales volume continues to be driven by the real estate, retail trade, and hotel and restaurants businesses. Real estate and retail trade have been supported by the continuous increase in mixed-use developments to meet the strong demand for residential and commercial spaces for the Business Process Outsourcing (“BPO”) sector and Philippine Offshore Gaming Operator (“POGO”) firms. Operations of hotels which opened in 2017 continue to ramp up and normalize in 2018.

Industrial sales volume rose, largely on account of the semiconductor (up 11%), food and beverage (up 10%) and rubber and plastics (up by 6%) industries. Semiconductor volume is from the assembly of electronic components/devices, electronic data processing and telecommunications equipment. Food and beverage include volume from the concessionaire production and commissaries supporting the quick-service restaurants (“QSR”). Rubber and plastics include volume from eco-bag production supplied to retail stores in support of the drive to reduce traditional disposable plastics as well as for flexible food packaging (e.g., sachets).

In the *CEDC* franchise area, the volume growth came from the residential and industrial customers, which increased by 38% and 15%, respectively. As at March 31, 2018, industrial volume accounted for 52% (63% in 2017), commercial volume was 47% (36% in 2017) while residential volume was 1% (0.7% in 2017).

The increase in the average customer bill during 1Q2018 reflected the effects of higher *WESM* prices due to the outages of a number of baseload plants and the strong demand, particularly during peak hours. *Meralco's WESM* purchases during January, February and March of 2018 were at 20%, 18% and 15% of the total electricity purchased by the *Company*, respectively. Peak demand within the franchise area during 1Q2018 was at 6,838 MW, up 4% over the 6,577 MW in 2017.

As early as February 26 this year, the National Grid Corporation of the Philippines ("*NGCP*") already issued a Yellow Alert due to forced and unplanned outages of several coal-fired plants coupled with natural gas fuel restriction and capacity de-rating.

With the imperative of ensuring a robust and resilient network to service the growing demand, *Meralco* commissioned several major electric capital projects ("*ECPs*"). The following *ECPs* are intended to provide additional capacities and switching flexibility while improving voltage regulation in certain areas: (a) expansion of the Balibago 115 kV-34.5kV substation Bank 2; (b) installation of 34.5 kV Metal-clad switchgear at the *NGCP*-San Jose Substation; and (c) expansion of Sta. Maria 115 kV-34.5kV Substation (Bank No. 3). In addition to executing the foregoing *CAPEX*, the *Meralco* Networks organization is increasingly challenged and stretched to meet the demands for the relocation of poles and related distribution facilities for priority Public-Private Partnership and "Build Build Build" projects. Equally important, significant Networks organization resources are allocated to the Sitio Electrification Program of the Department of Energy ("*DOE*").

Meralco's 12-month moving average ("*12-MMA*") system loss was at the all-time 115-year record-low 5.91% as of March 31, 2018. This is 2.59 percentage points below the regulatory system loss cap of 8.5%, and 0.32 percentage point lower than the *12-MMA* for the same period in 2017. *CEDC's* system loss was at 2.37%, 6.13 percentage points below the regulatory cap and 0.75 percentage point lower than the same period last year.

"Delivering on our franchise mandate of 24x7 electricity, even under the most trying conditions, and continuously upgrading customer experience and service excellence are the areas the entire *Meralco* organization is focused on. We continue to invest heavily in distribution and in power generation with regulatory support and approval to ensure we deliver on our customer promise. We have been able to contract renewables, both solar and wind energy, at highly competitive and cost-effective terms for our customers. Digital is here to stay and will be an increasing feature of our operations.

"We are fast-tracking these enhancements and implementations with the requisite support of Government, including our regulators", stated **Oscar S. Reyes, President and Chief Executive Officer**.

Meralco Subsidiaries: Providing Customer Value Opportunities

CIS Bayad Center, Inc. ("Bayad Center") remains to be the largest bills payment channel serving over 270 billers through an aggregate of 12 thousand customer touchpoints. For

the first three (3) months of 2018, *Bayad Center* handled a total of 24.5 million transactions, 9% higher compared with 2017. *Bayad Center* now powers the bills payment facility of PayMaya, an app that allows consumers to pay for purchases of goods and services online without need for a credit card. *Bayad Center* is also collaborating with Densan System Co., Ltd. (“*DSK*”), its 5%-equity owner to standardize Quick Response (“*QR*”) code structures, among others. *Bayad Center* aims to be the largest non-bank cash-in, cash-out handler in the country.

Radius Telecoms, Inc. (“*Radius*”) serves as a carrier’s carrier and services both local and international partners. *Radius* expects to realize revenues from its completed Voice over Internet Protocol (“*VOIP*”) project and its expansion to the Clark Economic Zone. *Radius* aims to open opportunities to offer faster and cheaper interconnection among different networks in the internet while keeping a significant amount of international capacity safe.

Meralco is venturing into the growing Renewable Energy market through its wholly-owned subsidiary, MSpectrum, Inc. (“*Spectrum*”). To date, total renewable installations by *Spectrum* stands at 2,000 kW. Also, eSakay, Inc (“*eSakay*”) was organized to provide electric vehicle (“*eVehicle*” or “*EV*”) and charging infrastructure solutions to service public utility and private sector vehicle requirements. *eSakay* currently operates and maintains certain in-campus *EV* transport facilities.

Retail Electricity Supply (“*RES*”): Healthy Growth and Increasing Market and Price Competition

Almost five (5) years since Retail Competition and Open Access (“*RCOA*”), total *RES* sales volume for the first three (3) months of 2018 is at 2,925 GWh, and has grown at a five (5)-year *CAGR* of 18%, albeit at a decelerating pace over the more recent years. There are 22 active *RES* participants in the *Meralco* franchise area, which have seen intensified competition and challenging economics.

MPower and *Vantage* are among the *RES* players competing in this market. As of March 31, 2018, there were 1,289 Phase 1 and Phase 2 contestable customers, of which 793 or 62% have switched to contestability. Separately, there are 496 qualified contestable customers who have approvals from the *ERC* to move to contestability but have opted to remain as captive customers to benefit from *Meralco*’s blended rate.

Power Generation: Intensified Challenges from Regulatory Inaction

San Buenaventura Power Ltd. Co. (“*SBPL*”)

Construction of *SBPL* is at month 28 of the 42-month construction period. The overall progress of the Engineering, Procurement and Construction (“*EPC*”) work is estimated at 84% complete as of March 31, 2018.

SBPL is a 455 MW (net) supercritical coal-fired plant in Mauban, Quezon, the country’s first super-critical plant. It is a joint venture of *MGen* with New Growth, B.V., a wholly-

owned subsidiary of Electricity Generating Public Company Limited (“*EGCO*”) of Thailand. Target commercial operations date (“*COD*”) is mid-2019.

Atimonan One Energy, Inc. (“AIE”)

AIE, a 2x600 MW power plant in Atimonan, Quezon Province, is the country’s first ultra-super-critical coal-fired plant. It is a “committed project” with the *DOE*, and a preferred pioneer project registered with the Board of Investments (“*BOI*”).

The regulatory hearing process at the *ERC* for the *PSA* had long been completed and *AIE* had filed its Formal Offer of Evidence (“*FOE*”) on March 8, 2017.

Redondo Peninsula Energy, Inc. (“RP Energy”)

RP Energy is a 2x300 MW circulating-fluidized bed coal-fired plant in Subic Bay, Zambales. *RP Energy* is a joint venture among *MGen*, Therma Power, Inc. (an Aboitiz company) and Taiwan Cogeneration International Corporation – Philippine Branch.

A confluence of factors restricted *RP Energy*’s ability to issue a Notice to Proceed (“*NTP*”) to the *EPC* contractor and did not enable *RP Energy* to achieve financial close within the validity period. *RP Energy* has been in discussions with the contractor on the *EPC* and with the banks on the project finance.

In the meantime, *RP Energy* is implementing activities to preserve the condition of the project site in fulfillment of its obligations to the Subic Bay Metropolitan Authority (“*SBMA*”), as owner of the leased land and under its Environmental Compliance Certificate (“*ECC*”) to keep the site in an environmentally safe manner.

“Significant efforts are being undertaken in engaging communities, interest groups, policy makers, regulators and other stakeholders for us to move forward on these new baseload plants and on renewable projects. Periodic overlaps of power plant outages, stresses on older generation plants, recent yellow alerts and increasing or volatile *WESM* prices should be a concern and a call for action.

“We remain steadfast on our power generation goals and aspirations to help ensure the availability of highly competitive, quality power supply to the *Meralco* franchise area and the Luzon Grid. *MGen* management will see these projects through completion as we also develop other initiatives in our pipeline”, stated **Mr. Reyes**.

Conclusion

“Our first quarter billed volume growth of 9% is encouraging and indicative of continuing strong economic growth. Domestic consumption and investment expenditures remain rather strong; the prospect of regional stability with the recent developments in North and South Korea and the friendly tone in Philippine-China relations add to this positive view.

“We are seeing the surge in demand for power, which is happening as well for other goods and services, putting an increasing strain on our electricity distribution and generation infrastructure. In particular, we need to be ahead of the curve to fully support, rather than compromise, the country’s continued progress by holding back on investments in new generation capacities.

“*Meralco* remains committed, and has always been ready to invest in capital expenditures for a highly resilient, customer-responsive, digitally-enabled distribution business, and fuel-efficient, reliable and environment-friendly power generation plants. These can best be accelerated with an enabling policy and pro-active regulatory environment,” concluded **Mr. Pangilinan**.

	MANILA ELECTRIC COMPANY Consolidated Financial Highlights (in Million Pesos, except per share data)		
	For the Three Months Ended March 31		Percent Change
	2018	2017	
REVENUES			
Electricity	69,009	64,724	6.6
Non-electricity	1,798	1,852	(2.9)
	70,807	66,576	6.4
COSTS AND EXPENSES			
Purchased power	54,848	51,621	6.3
Operating expenses	6,168	6,150	0.3
Depreciation and others	3,057	2,741	11.5
	64,073	60,512	5.9
OTHER INCOME – net	612	599	2.2
INCOME BEFORE INCOME TAX	7,346	6,663	10.3
PROVISION FOR INCOME TAX	2,039	1,814	12.4
NET INCOME – AS REPORTED	5,312	4,817	10.3
CORE NET INCOME¹	4,917	4,598	6.9
EARNINGS PER SHARE			
On Reported Net Income			
Basic	4.713	4.274	10.3
Diluted	4.713	4.274	10.3
On Core Net Income ¹			
Basic	4.363	4.080	6.9
Diluted	4.363	4.080	6.9

¹ Reported net income, adjusted to exclude the effect of foreign exchange gains or losses, mark-to-market adjustments, and other one-time, exceptional transactions.

This press release may contain some statements, which constitute “forward-looking statements” that are subject to a number of risks and uncertainties that may affect the business and results of operations of *MERALCO*. Although the management of *MERALCO* believes that expectations reflected in any of the forward-looking statements are reasonable, it cannot guarantee any future performance, action or events.

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About MERALCO

MERALCO is the largest electric power distribution company and the largest private sector utility in the Philippines. Through a Consolidated Certificate of Public Convenience and Necessity, *MERALCO* provides electric service within its franchise coverage. Its subsidiaries are engaged in engineering and consulting, construction, bills payments and other electricity-related services. A subsidiary is in the process of developing the Company's power generation portfolio.

MERALCO is listed on the Philippine Stock Exchange (PSE: MER). *MERALCO* has the largest market capitalization among the Philippine listed utility and power sector companies.

Further information is available at www.meralco.com.ph.