

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 3 1

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

Remarks = pls. use black ink for scanning purposes

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: *July 25, 2016*
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 June 30, 2016)

Debt Securities: Php 18.5 Billion Bonds

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

The Company's Board of Directors (BOD), in its regular meeting held today, July 25, 2016, approved the following matters:

1. The Company's 1H 2016 Financial and Operating Results (refer to the attached Press release).
2. The declaration of cash dividend amounting to Pesos 13.480 per share to all shareholders of record as at August 24, 2016, payable on September 19, 2016 consisting of: (i) interim regular cash dividends of Pesos 4.608 per share or 50% of first half 2016 Consolidated Core Net Income, in line with the Company's dividend policy; and (ii) Pesos 8.872 per share representing special dividends out of retained earnings previously appropriated, which was approved for reclassification by the BOD today.

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: July 25, 2016

***Cc: Disclosure Department
Listings and Disclosure Group
Philippine Stock Exchange***

***Issuer Compliance and Disclosure Department
Philippine Dealing & Exchange Corp.***



PRESS RELEASE
MANILA ELECTRIC COMPANY
1H2016 FINANCIAL AND OPERATING RESULTS
WITH COMPARATIVES vs. 2015

HIGHLIGHTS

- Consolidated Core Net Income for the first half of 2016 at Pesos 10.4 billion, 11% lower than in the first half of 2015
- Consolidated Reported Net Income for the first semester of 2016 at Pesos 10.8 billion, 8% lower than Pesos 11.7 billion in 1H2015
- Consolidated revenues at Pesos 128.8 billion for the first six (6) months of 2016, 4% lower year-on-year with lower cost of purchased power
- Consolidated volume of energy sold for the first half of 2016 was 19,717 GWh, 11% higher than the 17,753 GWh sold in the same period in 2015
- Total number of billed customers rose to 5.9 million as at June 30, 2016, reflecting a year-on-year growth of 4%
- Consolidated costs and expenses at Pesos 114.8 billion for the six (6) months ended June 30, 2016, 3% lower compared with that in 2015
- Consolidated EBITDA amounted to Pesos 18.0 billion, down 8% year-on-year with EBITDA margin at 14% of consolidated revenues
- Core earnings per share at Pesos 9.217, Pesos 1.111 lower than the first half of 2015
- Reported earnings per share at Pesos 9.554 compared with Pesos 10.422 in 2015
- Interim regular cash dividend of Pesos 4.608 per share and a special dividend of Pesos 8.872 per share, for a total of Pesos 13.480 payable on September 19, 2016

MANILA, PHILIPPINES, 25th JULY 2016 – Manila Electric Company (“*Meralco*” or the “*Company*”) (PSE: MER) today announced its unaudited financial and operating results for the six months ended June 30, 2016. Consolidated Core Net Income, which excludes one-time, exceptional gains and charges, amounted to Pesos 10.4 billion. *Meralco* had reduced its average interim distribution tariff beginning July 1, 2015 following the completion of its 3rd Regulatory Period on June 30, 2015, resulting in a lower average distribution rate of Pesos 1.44 per kWh for January to June 2016 compared with Pesos 1.59 per kWh for the same period in 2015. Income for the first half of 2016 amounted to Pesos 10.8 billion, 8% lower than 2015. Core earnings per share (“*EPS*”) was Pesos 9.217 while Reported *EPS* was Pesos 9.554.

Total electricity sales volume grew by 11% year-on-year to 19,717 GWh, with record peak demand at 6,748 MW as at June 30, 2016. The highest-ever single-month consolidated sales volume was recorded in June 2016 at 3,637 GWh. Year-to-date double-digit growth in sales volumes for 2016 was sustained, even with the moderate 6% growth for the month of June 2016.

Residential sales volumes grew strongest at 6,173 GWh in 2016, 17% higher than the same period last year driven largely by growth in the customer base, warmer temperatures, lower inflation and lower electricity retail rates. Average daily temperature for the six (6) months was at 28.8°C, peaking at 30.5°C in May. Even with the residual effect of El Nino, residential volumes in June 2016 grew by 8%. Record lows in inflation and in retail power rates provided a significant relief to household income, thereby increasing domestic consumption. Volume growth was most notable in the Municipality of Rosario and in Bacoor City, both in the province of Cavite, and in Novaliches City in Metro Manila, with the significant number of completed low rise and low cost housing developments. The higher occupancy rates of residential developments in the Makati Central Business District, Fort Bonifacio Global City and Ortigas Center also contributed to the increase. New connections and re-contracts accounted for 53% of the year-to-date increase in residential sales volumes, while the balance came from same store sales and ramp-ups. Residential sales volumes contributed 31% as of end June 2016.

Commercial sales volume grew by 11%, maintaining its 39%-contribution to total sales volumes. The top three (3) industry drivers remain to be real estate, retail trade and, hotels and restaurants, each providing between 7% to 8% growth year-on-year. Air-conditioning facilities for new, expanded and existing malls as well as office spaces for the Business Process Outsourcing (“BPO”) industry drove peak demand utilization to the 70%-level. Outside Metro Manila, malls continued to rise in the provinces of Cavite and Bulacan. Three (3) large hotels in Metro Manila, which were completed in 2015, added to the commercial sales volume increase.

Industrial sales volumes grew by 6%, with its contribution to total sales volumes steady at 29%. The increased demand came from non-metallic (cement manufacturing), food and beverage, and plastic and packaging industries.

Looking at the bigger picture, the overall increase in electricity sales volume of 11% helped mitigate the effect of (i) the 9% decline in average *Meralco* distribution rate; and (ii) lower first half 2016 contribution from certain subsidiaries due in part to seasonal factors affecting their businesses.

On prepaid electricity (“*PRES*”), a total of 28,826 meters have been installed. Significant marketing efforts have been sustained to complement the demand in the *PRES* target market. *Meralco*’s collaboration with low- to medium- rise housing developers as well as with the National Housing Authority has helped drive the increase in awareness of prepaid meters and in the number of installations.

The Consolidated Reported Net Income for the six (6) months ended June 30, 2016 includes the gain of Pesos 93 million from the partial divestment of MERALCO PowerGen Corporation’s (“*MGen*”) interest in Global Business Power Corporation (“*GBPC*”).

Consolidated revenues in the first half of 2016 was Pesos 128.8 billion compared with Pesos 134.0 billion in 2015. The lower consolidated revenues in 2016 is the result of (i) the reduction in *Meralco*'s distribution rate following the completion of the 3rd Regulatory Period on June 30, 2015; (ii) the continuing decrease in pass-through charges as prices of coal and crude oil were at an average of \$51.31 per metric ton (as at May 2016) and \$36.82 per bbl-levels, respectively, compared with \$62.70 per metric ton and \$56.66 per bbl in June 2015; and (iii) higher availability of *Meralco*'s contracted power plants. The distribution rate of *Meralco* for the first half of 2016 was at an average of Pesos 1.44 per kWh compared with Pesos 1.59 per kWh for the same period in 2015. Average distribution rate of *Meralco*'s 65%-owned distribution utility, Clark Electric Distribution Corporation ("*CEDC*"), which has the exclusive franchise covering the Clark Special Economic Zone ("*CSEZ*"), was at Pesos 0.88 per kWh. Also, with the price at the Wholesale Electricity Spot Market ("*WESM*") at an average of Pesos 5.33 per kWh for the first six (6) months of 2016 with a low of Pesos 3.87 per kWh in January 2016, *WESM* prices continue to be at lower levels versus 2015.

In the first semester of 2016, non-electric revenues was Pesos 4.0 billion, 8% higher compared with Pesos 3.7 billion in the same period last year. Non-electric revenues accounted for 3% of consolidated revenues with contributions from (i) CIS Bayad Center, Inc. ("*Bayad Center*") with higher volume of bills payment and spot billing services providing the uplift; (ii) *Meralco* Energy, Inc. ("*MServ*"), through its loadside outsourcing and energy efficiency services; and (iii) Radius Telecoms, Inc. ("*Radius*"), with additional circuits served and increased monthly recurring fees billed for data connectivity and internet services.

Total costs and expenses for the first half of 2016 amounted to Pesos 114.8 billion, 3% lower than 2015. The cost of purchased power represented 83% of total costs and expenses in the first semester of 2016, two (2) percentage points lower than in 2015 following the decrease in prices. Operating expenses grew by 7%, mainly from higher costs of labor and contracted services on account of front-loaded maintenance work in preparation for Public Private Partnership ("*PPP*") projects and for the coming rainy season, and licenses and maintenance of *Meralco*'s various information technology systems. The project costs of *Meralco* Industrial Engineering Services Corporation ("*Miescor*") and *MServ* also form part of operating costs and expenses. *Miescor* is *Meralco*'s electro-mechanical engineering firm engaged in Engineering, Procurement and Construction ("*EPC*") services, while *MServ* is an energy services company focused on energy efficiency, demand-side management and after-the-meter services.

Consolidated EBITDA for the first six (6) months of 2016 was at Pesos 18.0 billion, with EBITDA margin on consolidated gross revenues at 14%.

Consolidated free cash flow, net of cash invested in held-to-maturity ("*HTM*") investments and Unit Investment Trust Funds ("*UITF*"), which are classified as available-for-sale ("*AFS*") investments under non-current assets of Pesos 52.7 billion (Pesos 21.4 billion in 2015), and under other current assets of Pesos 2.2 billion, was negative Pesos 6.9 billion for the six (6) months ended June 30, 2016. Free cash flows were negative Pesos 6.2 billion in 2015. Cash and cash equivalents amounted to Pesos 41.0 billion as of the end of June 2016, lower compared with the Pesos 53.6 billion in 2015.

Cash dividends declared in the first six (6) months of 2016 totaled Pesos 13.1 billion or at an average rate of Pesos 11.60 per share. Total interest income earned in the six (6) months from cash and cash equivalents and placements in *HTM* and *AFS* investments amounted to Pesos 970 million, 26% higher compared with 2015, which included the carrying charge related to the recovery of the Generation Rate Adjustment Mechanism ("*GRAM 2*").

In its meeting today, the Board of Directors ("*BOD*") approved total cash dividends of Pesos 13.480 per share to all shareholders of record as at August 24, 2016, payable on September 19, 2016 consisting of: (i) interim regular cash dividends of Pesos 4.608 per share or 50% of first half 2016 Consolidated Core Net Income, in line with the Company's dividend policy; and (ii) Pesos 8.872 per share representing special dividends out of retained earnings previously appropriated, which was approved for reclassification by the *BOD* today.

Consolidated capital expenditures ("*CAPEX*") amounted to Pesos 4.5 billion in the first half of 2016, 14% lower than 2015, of which electricity-related capital projects amounted to Pesos 3.8 billion. *Meralco* had been limiting the execution of its *CAPEX* to priority projects with the appropriate manifestations to the *ERC*. On June 15, 2016, the *ERC* released its Decision, approving the amount of Pesos 15.5 billion in respect of *Meralco*'s application for the 1st Regulatory Year *CAPEX* of the 4th Regulatory Period. This will finally enable *Meralco* to undertake the much needed *CAPEX* for load and customer growth, system reliability; safety; power quality and efficiency of the distribution system; compliance with regulatory and statutory requirements; automation, innovation and technology initiatives; and support to the National Government's *PPP* projects.

Consolidated gross debt as at June 30, 2016 amounted to Pesos 40.0 billion, of which Pesos 1.3 billion represents net debt at the operating subsidiaries level. Gross Debt to EBITDA stood at 1.11x, while Net Debt to EBITDA was negative 0.03x as at the same date. Total debt repayments and financing costs paid in the first half of 2016 amounted to Pesos 834 million. All of *Meralco*'s debts are denominated in Philippine pesos, with no significant maturities of long-term debt until 2020. Financing costs amounted to Pesos 615.0 million, 2% higher than in the same six (6) month-period in 2015.

"The business environment during the first half of 2016 was highly conducive to sustained economic growth, robust consumer demand and favorable cost of doing business. Record low inflation and interest rates, relatively low fuel prices, albeit mildly recovering in the second quarter, and ample liquidity from inward remittances and bank-enabled businesses, including ours, helped us achieve strong sales performance, but at very competitive pricing, and with operating efficiencies, benefiting consumers. Election-related spending and a warmer first half boosted sales in many industries. The country stood out as among the more attractive investment destinations in the region. Complementing these are the positive outlook on Asian economies, the Philippines included, after Brexit shook the global financial markets for a while and following the landmark arbitral award to the Philippines on the territorial dispute over the West Philippine Sea.

“The priorities articulated by the newly minted government, on increased public expenditures and infrastructure, on curbing drugs and criminality, and its strong bias for action, augur well for the prospects of a more solid growth trajectory. The new administration enjoys a high trust rating in early surveys. Meralco is ahead of the curve in ensuring that it builds and maintains strong consumer-responsive and resilient network facilities to support market requirements. More than ever, major investments in power generation, engineering and services, innovation and technology and human capital development will have to move in synchrony.

“Meralco is also keeping an eye on the energy industry policy and regulatory developments to ensure that markets are allowed to work with minimal intervention, and that customers continue to have the fullest freedom of choice as competition is maintained and fostered with the least disruption to businesses. The Company is focused on moving towards grid-competitive renewable energy development to complement its baseload power development projects. Meralco shall also soon launch an engineering technology development academy to support and sustain the technical requirements of its electricity business and share the same with others in the industry,” stated **MANUEL V. PANGILINAN, Chairman**.

The Core Distribution Business: “Pushing the Envelope” on
Sales and Service to the Customer

Meralco reached new milestones in its sales and operations during the period. June 2016 consolidated sales reached a record single month high of 3,637 GWh. A new high in system peak demand was recorded in May 2016 at 6,748 MW, 7% higher than the 2015 peak demand recorded in August. System loss performance was at its record best in May 2016 at 6.44%, 2.06 percentage points lower than the regulatory system loss cap of 8.5%, with the effective savings being enjoyed by consumers. Generation charge in June 2016 was Pesos 3.72 per kWh, the lowest in nearly 12 years since October 2004.

While the national electoral process resulted in a number of power plants deferring their scheduled maintenance, thereby increasing their overall availability, the first six (6) months were not without challenges. During the period, there were eight (8) instances of Yellow Alert and one (1) of Red Alert. The Yellow and Red Alerts were triggered by the upsurge in power demand and forced outages of power plants. This caused *Meralco* to call on the Interruptible Load Program (“ILP”) with customer partners, resulting in 332 MWh being de-loaded on April 15, 2016.

For *CEDC*, its sales volume consistently grew over 5% through May 2016 driven by industrial and commercial volumes growth.

Meralco’s customer base maintained a 4% expansion to 5.9 million by end June 2016 as new connections across all customer classes increased by over 226 thousand year-on-year. In the first half of 2016 alone, total net new connections was at 125 thousand, reflecting an average of almost 21 thousand new customers per month. At this pace, the number of customers is expected to breach the 6 million-mark within the balance of 2016.

Average generation charge to *Meralco* consumers for the first half of 2016 was Pesos 3.87 per kWh, Pesos 0.96 per kWh or 20% lower than the average rate in the same period last year. Transmission charge was at Pesos 0.90 per kWh in 2016, Pesos 0.03 per kWh lower than in 2015 on account of higher volume transmitted.

Net system input (“*NSI*”) was 21,221 GWh for the first six (6) months of 2016. *NSI* from contracted natural gas plants accounted for 46% of *NSI*. *Meralco*’s contracted coal-fired plants provided 37% of *NSI*, while 17% of *NSI* represented volume wheeled by Retail Electricity Suppliers (“*RESs*”) as well as volume purchased from the *WESM*, both sourced from a mix of hydro, geothermal, renewable and other non-*Meralco* contracted coal-fired plants. Average purchased power cost was at Pesos 4.80 per kWh, 16% lower than the 2015 cost.

Total capital expenditures for the first semester of 2016, including those for new load and customer requirements, and system reliability and safety, amounted to Pesos 4.5 billion. The completed major capital expenditures include the (i) expansion of the Masinag Substation with the commissioning of the second 83 MVA power transformer, which shall provide additional capacity and address the forecasted critical loading of Masinag Bank No. 1 and Mahabang Parang Bank No. 1; (ii) energization of the Banawe GIS substation in June, which shall serve the increasing load in Balintawak, Diliman and San Francisco Del Monte in Quezon City; and (iii) development of Sitio Gitna 115 kV switching station, which shall serve the load requirements totaling 60 MW of two (2) steel plants within the franchise area. Further, two (2) large projects have been energized during the period, which includes completion of the Interconnection Project to serve the 15 MW substation of a major steel plant in Pinagbuhatan, Pasig City and interconnection of Bulacan Solar Energy Corporation's 15 MW plant to *Meralco*'s 69kV system in Bulacan. In addition, the new Enterprise Asset Management (“*EAM*”) system was fully deployed within *Meralco* last February 22, 2016, providing a highly integrated asset information system. The *EAM* system consists of an integrated software application that tracks and monitors electric distribution assets from acquisition through decommissioning, retirement and its ultimate disposal.

“The power industry across the entire supply chain from generation, transmission, distribution, and down to the customer needs to keep pace with the anticipated robust demand growth over the coming years under the new administration.

“In the case of *Meralco*, the required regulatory approvals for CAPEX covering the period July 1, 2015 to June 30, 2016, of Pesos 15.5 billion plus additional amounts completing regulatory evaluation now allow us to ramp up the implementation of major electric capital projects and residual projects in our core distribution business. These significant investment outlays are reflective of our commitment to 24x7 service to *Meralco* customers, while being mindful of our deliverables of sustained profitability and volume accretion to our shareholders and other business partners.

“More than ever, we are determined to pursue our major investments in power generation to ensure that adequate capacity is ahead of the power demand curve in the coming years, and to execute these projects excellently. These include the San Buenaventura, RP Energy, A1E, St. Raphael, Mariveles and Global Luzon Energy plants,” said **MR. OSCAR S. REYES, President and Chief Executive Officer.**

Retail Electricity Supply: A Highly Competitive and Expanding Market

Following its release of Resolution No. 5, Series of 2016, “A Resolution Adopting the 2016 Rules Governing the Issuance of Licenses to Retail Electricity Suppliers (RES) and Prescribing the Requirements Therefor” on April 6, 2016, the *ERC* has started to issue additional licenses, thereby increasing the number of *RESs* to 43.

The lifting of the suspension on *RES* licensing opens the door for more competition as the contestable market itself is being expanded. Voluntary contestability for customers with demand of 750 kW began on June 26, 2016. To date, the total qualified contestable customers, including this new group, is 1,102, of which 361 have already opted and switched to participate under Retail Competition and Open Access (“*RCOA*”). Total energy sales for all switched customers of the 12 *RESs* operating within the *Meralco* franchise area was 3,837 GWh for the first six (6) months of 2016. Under *RCOA*, growth in energy sales is largely attributed to the switched Industrial customers, including the semiconductor and electronics manufacturers, which account for 26% share of the contestable sales volume.

On May 26, 2016, the *ERC* released Resolution No. 10, Series of 2016, “A Resolution Adopting the Revised Rules for Contestability” and Resolution No. 11, Series of 2016, “A Resolution Imposing Restrictions on the Operations of Distribution Utilities and Retail Electricity Suppliers in the Competitive Retail Electricity Market”. The *Company* sought the intervention of the Regional Trial Court of Pasig City (“*RTC – Pasig*”) by filing a Petition for Declaratory Relief to question the validity of the *ERC* Resolutions, along with a Department of Energy (“*DOE*”) Circular, which prohibited the operation of a Local *RES* and imposed market restrictions and mandatory contestability. The *RTC – Pasig* has issued a Temporary Restraining Order (“*TRO*”), and subsequently, a Writ of Preliminary Injunction (“*WPI*”), which shall be in effect while the case is being heard on the merits and until a decision is made by the *RTC – Pasig*. In the meantime, the *ERC* has filed on July 7, 2016, a Petition for Certiorari and Prohibition (“*ERC Petition*”) with the Supreme Court to enjoin the *RTC – Pasig City* from proceeding to hear the case. The *Company* has filed with the Supreme Court its oppositions to the *ERC Petition*.

Meanwhile, switching to contestability continues to be affected by the relatively low global prices for oil, gas and coal. This has narrowed the gap between the price to contestable customers and the blended generation charge to the captive market, and accordingly, the incentive to switch to being a contestable customer. Contestable customers and *RESs* continue to monitor market and regulatory developments, and are mindful as well that mandatory contestability for customers with demand of at least 1 MW is on December 26, 2016, and similarly for customers with demand of 750 – 999 kW on June 26, 2017, in accordance with *ERC* resolutions, which are subject of a *WPI*.

Power Generation: Staying on Track

San Buenaventura Power Limited ("SBPL")

Construction activities for *SBPL* are proceeding as scheduled. A Notice to Proceed ("*NTP*") has been issued to the main *EPC* contractor. A separate *NTP* has also been issued to the chosen contractor for the transmission line and switchyard upgrade. Controls are in place to ensure that work is undertaken in accordance with the defined project scope, design, code and standards. To date, the total cost incurred is Pesos 9.4 billion, as budgeted. Target commercial operations date is 2019.

SBPL, a joint venture between MERALCO PowerGen Corporation ("*MGen*") and New Growth B.V., (a subsidiary of Electricity Generating Public Company Limited ("*EGCO*") of Thailand), achieved financial close of its 455 MW (net) supercritical coal-fired plant in Mauban, Quezon in December 2015.

Redondo Peninsula Energy Corporation ("RP Energy")

RP Energy is developing its 2x300 MW project on a phased basis. *EPC* bids for the first 300 MW circulating fluidized bed ("*CFB*") coal-fired plant in Subic Bay Freeport Zone in the province of Zambales, have been received and evaluated. Negotiations with the most competitive bidder are in progress. The Management of *RP Energy* has also commissioned an engineering consultant to conduct a geophysical study and complete the slope remediation plan.

RP Energy's project has been issued a Certificate of Registration by the Board of Investments ("*BOP*") entitling the project to certain investment incentives.

RP Energy intends to mandate a lead arranger for the entire debt financing requirement of the project on a non-recourse basis. All project debt will be raised from local banks.

The review and approval of the Power Supply Agreement ("*PSA*") is currently being undertaken by the *ERC*.

Atimonan One Energy Corporation ("A1E")

A1E is a planned 2x600 MW supercritical pulverized coal-fired plant in Atimonan, Quezon. Initial bid assessment for the *EPC* contract had been completed with four (4) contractor groups who were pre-qualified. Selection of the preferred contractor is expected to be done before the end of 2016. Various other development activities continue with the final preparations for the start of the pre-works on site. The land use conversion for the plant site was secured in May 2016 with the final land acquisition now completed. Work is also underway for the transmission right-of-way.

A *PSA* for the entire capacity contracted by *Meralco* was filed with the *ERC* last April 29, 2016. *A1E* is awaiting review and approval of the *PSA* by the *ERC* for it to issue an *NTP* for the *EPC* and achieve financial close for the project.

Global Business Power Corporation (“GBPC”)

Commissioning and commercial operations of Panay Energy Development Corporation’s (“PEDC”) 150 MW CFB coal-fired facility in Iloilo City has been rescheduled to the end of 2016. In the meantime, a PSA for 70 MW of the capacity has been filed with the ERC and is awaiting its review and approval.

Meralco, through *MGen* currently owns 14% of *GBPC*, following the partial divestment of its 8% share to JG Summit for a consideration of Pesos 3.15 billion in June 2016.

Other Joint Venture Projects

MGen has signed joint venture agreements for the St. Raphael’s 2x350 MW (net) pulverized coal-fired plant with Semirara Mining and Power Corporation and the 4x150 MW Mariveles Power Generation Corporation coal-fired plant with San Miguel Energy Corporation.

Spectrum, Inc. (“Spectrum”)

With the increasing take-up of renewables and recognizing the expectation of customers and developers to work with *Meralco* in the renewable power space, *Meralco* incorporated *Spectrum* as its corporate vehicle entry into the competitive, market-based solar energy development and installation business.

In February 2016, the ERC issued a provisional approval for an increase in the Feed-In-Tariff Allowance (“FIT-ALL”) to Pesos 0.12 from Pesos 0.04 beginning April 2016.

With the number of solar integrators already in the market, *Spectrum* is focused on development, design and procurement in executing utility scale projects, potentially in joint venture with credible partners, as well as in industrial and commercial rooftop solar projects. In the pipeline are over 200 MW of greenfield and acquisition opportunities.

Conclusion

“Innovation and technological transformation, increased productivity, international quality product and service offerings, and resilient brick and mortar business remain high in the business agenda of *Meralco* and its subsidiaries.

“We are bullish on the country’s growth, which is expected to be sustained by the required infrastructure and support facilities development. The new government’s indicative openness to unsolicited offers for major projects is very encouraging. As we anticipate single digit volume growth in the second half of 2016, we expect full year volume growth to register at circa 8% to 10%, absent destructive weather disturbances. Considering the impact of the interim rate implemented since July 2015, we guide our full year results to be around Pesos 19.0 billion.

“Finally, in line with our commitment to increase value to our shareholders, today, the Board approved total cash dividends in the aggregate amount of Pesos 15.2 billion consisting of an interim regular cash dividend of Pesos 4.608 per share and a special dividend of Pesos 8.872 per share to all shareholders of record as of August 24, 2016, payable on September 19, 2016,” concluded **Mr. Pangilinan**.

	MANILA ELECTRIC COMPANY Consolidated Financial Highlights (Unaudited) (in Million Pesos, except per share data)		
	For the six months ended June 30		Percent Change
	2016	2015	
REVENUES			
Electricity	124,769	130,289	(4.2)
Non-electricity	4,035	3,719	8.5
	128,804	134,008	(3.9)
COSTS AND EXPENSES	114,839	117,790	(2.5)
OTHER INCOME (EXPENSES) – net	1,046	512	104.3
INCOME BEFORE INCOME TAX	15,011	16,730	(10.3)
PROVISION FOR INCOME TAX	4,136	4,940	(16.3)
REPORTED NET INCOME	10,768	11,747	(8.3)
CORE NET INCOME	10,388	11,640	(10.8)
EARNINGS PER SHARE			
On Reported Net Income			
Basic	9.554	10.422	(8.3)
Diluted	9.554	10.422	(8.3)
On Core Net Income ¹			
Basic	9.217	10.328	(10.8)
Diluted	9.217	10.328	(10.8)

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.

For further information, please contact:

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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.