COVER SHEET

PW-102

S.E.C Registration Number

MANILA ELECTRIC COMPANY

(Company's Full Name)

LOPEZ BUILDING, ORTIGAS AVENUE,

BRGY UGONG, PASIG CITY

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

ATTY. WILLIAM S. PAMINTUAN

Contact Person

632-8014

Company Telephone Number

12-31

Month Day

Fiscal Year

17-C

FORM TYPE

05 31

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:** *October 24, 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 September 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, October 24, 2016, approved the Company's Financial and Operating Results for the nine (9) months ended September 30, 2016 (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: October 24, 2016

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 NINE (9) MONTHS ENDED SEPTEMBER 30, 2016
WITH COMPARATIVES FOR 2015

Highlights

- Consolidated Core Net Income for the first nine (9) months of 2016 at Pesos 15.0 billion, 5% lower compared with Pesos 15.8 billion in 2015
- Consolidated Reported Net Income for the nine (9) months ended September 30, 2016 at Pesos 15.7 billion, 3% lower than 2015
- Consolidated electricity revenues at Pesos 189.1 billion for the nine (9)-month period of 2016, 1% lower year-on-year
- Consolidated distribution revenues at Pesos 42.9 billion for the first nine (9) months of 2016, 3% higher than 2015
- Consolidated non-electricity revenues at Pesos 6.0 billion for the nine (9)-month period of 2016, 9% higher year-on-year
- Consolidated Core EBITDA at Pesos 26.2 billion, a Core EBITDA margin of 13% in the nine (9)-month period of 2016 on Consolidated Electricity Revenues
- Core Earnings per Share at Pesos 13.28
- Consolidated volume of energy sold of 30,103 GWh for the first nine (9) months of 2016, 9% higher than 2015
- Customer count increased by over 4% to almost 6.0 million
- Average consolidated distribution rate for the first nine (9) months of 2016 was Pesos 1.42/kWh, 7% lower than 2015
- System loss rate at 6.40%, an "all-time low"

MANILA, PHILIPPINES, 24th October 2016 – Manila Electric Company ("*Meralco*" or the "*Company*") (PSE: *MER*) today announced that its unaudited Consolidated Core Net Income, before exceptional items, for the nine (9) months ended September 30, 2016 amounted to Pesos 15.0 billion, 5% lower than 2015. Consolidated Reported Net Income for the first nine months of 2016 amounted to Pesos 15.7 billion, 3% lower than the amount for the same period in 2015. Core Earnings per Share for the first nine (9) months of 2016 was Pesos 13.28 while Reported Earnings per Share was Pesos 13.91.

Year-to-date energy sales volume for the nine (9)-month period ended September 30, 2016 grew by 9%, significantly stronger compared with the growth forecast of almost 4% prior to the start of 2016. Total year-to-date consolidated energy sales volume was at 30,103 GWh. Even absent the effects of election expenditures and El Niño, which provided a significant uplift to sales in the first half of 2016, volume for the third quarter of 2016 was at 10,386 GWh, 7% higher than 2015.

Sales across all customer classes remained strong. Residential volumes were driven largely by growth in household income, low electricity prices and benign inflation (even as this increased to 2.3% in September 2016 from 1.3% in the first half of 2016), and the largely warmer temperature in the first four (4) months of 2016. The Philippine Atmospheric, Geophysical and Astronomical Services Administration ("*PAG-ASA*") has advised of the potential onset of La Niña towards the latter part of the year. Commercial customers' volumes continued to be spurred by expansion projects and newly energized accounts. Increased construction activities and consumer product demand helped drive Industrial volumes during the nine (9)-month period.

Electric revenues amounted to Pesos 189.1 billion, lower by Pesos 2.4 billion or 1% over the comparative period, due largely to significantly lower fuel prices. For the first nine months of 2016, average coal price was at a low of US$ 54.36 per MT; oil price averaged at an all-time low of USD 38.98 per barrel (Dubai crude), while Malampaya gas was at an average of USD 6.1376 per GJ. These drove *Meralco's* generation charge to decline to Pesos 3.721 per kWh in June 2016, the lowest in 12 years. Average overall electricity rate for the nine (9)-month period was at Pesos 7.56 per kWh, 11% lower than the same period in 2015. In addition, the structure of the Power Supply Agreements ("*PSAs*") negotiated by *Meralco*, which no longer have energy "take-or-pay" provisions and consist of purely peso-denominated capacity fee, and largely peso-denominated fixed and variable fees, except for the fuel component, contributed to the lower cost. Prior to these *PSAs*, *Meralco* procured its electricity under the Transition Supply Contracts ("*TSCs*") with the National Power Corporation ("*NPC*"), the terms of which included foreign exchange adjustment and "take-or-pay" provisions.

Non-electric revenues rose to Pesos 6.0 billion, almost 9% higher compared with 2015. As at September 30, 2016, these represented over 3% of total revenues.

Consolidated Core EBITDA amounted to Pesos 26.2 billion, equivalent to a Core EBITDA margin of 13% on consolidated revenues.

Consolidated Core Net Income of Pesos 15.0 billion in 2016 excluded (i) the gain on sale by the *Company* of an 8% interest in Global Business Power Corporation ("*GBPC*") to JG Summit Holdings, Inc. ("*JG Summit*"); and (ii) foreign exchange adjustments on dollar-denominated funds. However, it included the higher interest yields of Pesos 1.5 billion realized during the nine (9) months ended September 30, 2016, 43% higher than 2015.

Financing expenses were slightly higher at Pesos 1.0 billion, up 9% compared with that for the nine (9) months of 2015.

Consolidated capital expenditures ("*CAPEX*") for the nine (9) months of 2016 amounted to Pesos 7.5 billion, as works implemented as of the first half of 2016 were limited to carry-over *CAPEX* of the 3rd Regulatory Period ("*3RP*") and emergency *CAPEX* as duly manifested with the Energy Regulatory Commission ("*ERC*"). The carry-over *3RP CAPEX* were to be completed within the allowed 18-month period under existing regulations. The *Company* received on June 15 and July 25, 2016, the *ERC's* partial approvals of (i) Pesos 15.4 billion, out of the *CAPEX* of Pesos 17.8 billion filed for the 1st Regulatory Year (July 1, 2015 to June 30, 2016), and (ii) Pesos 8.7 billion out of the Pesos 15.4 billion *CAPEX* filed for the 2nd Regulatory Year (July 1, 2016 to June 30, 2017) of the 4th Regulatory Period (July 1, 2015 to June 30, 2019), respectively. The balances between the amounts filed and amounts partially approved are subject to further documentation requirements of the *ERC*.

Cash flows from operations for the first nine (9) months of 2016 stood at Pesos 26.1 billion. Free cash flows, net of investments in available-for-sale ("*AFS*") and held-to-maturity ("*HTM*") instruments, was Pesos 4.1 billion as at September 30, 2016. Cash and cash equivalents amounted to Pesos 36.6 billion as at September 30, 2016, excluding *AFS* and *HTM* investments.

Significant strides have been taken with respect to disbursements due for customers' meter and bill deposits as well as the Supreme Court ("*SC*")-mandated refund. To date, the balance of meter deposits is down to only Pesos 0.4 billion. The amount already refunded relating to the *SC* decision has reached Pesos 25.2 billion, leaving the balance to be refunded of only Pesos 5.1 billion. The *Company* continues to reach out to the rightful corporates and individuals with terminated accounts to claim their refunds.

Total interest-bearing debt stood at Pesos 40.1 billion as at September 30, 2016, of which Pesos 13.1 billion matures within one (1) year. During the nine (9)-month period, Pesos 10.2 billion of short-term debt was contracted.

Gross Debt to EBITDA stood at 1.14x. Total principal debt repayments, customer refunds and financing charges paid amounted to Pesos 1.9 billion for the nine (9)-month period. As at September 30, 2016, total financing expenses amounted to Pesos 1.0 billion.

Consolidated Core Net Income for the nine (9) months ended September 30, 2016 was boosted by the noteworthy growth in the contribution of *Meralco*'s operating subsidiaries, including (i) CIS Bayad Center, Inc. ("*Bayad Center*"), whose bills payment transactions handled (from a total of 207 billers) have reached 7.1 million or 6% more than in the same period in 2015. *Bayad Center* has also ventured into spot billing beginning 2015 through a 51%-owned subsidiary; and (ii) Radius Telecoms, Inc. ("*Radius*") whose fiber-based data connectivity and internet services (offered to enterprise, channels, and carrier clients) grew by 24% in terms of revenues in the nine (9)-month period of 2016. Significant deals with its international clients drove growth of its carrier segment, while notable contributions from existing and new partners increased the channel segment revenues. The banking and Business Process Outsourcing ("*BPO*") industries further fueled the enterprise businesses.

Clark Electric Distribution Corporation ("*CEDC*"), the 65%-owned subsidiary of *Meralco*, also contributed over Pesos 130 million to the core electric distribution operating results with total distributed volume of 414 GWh for the first nine (9) months of 2016, 8% higher than in 2015. *CEDC* has a franchise granted by the Clark Development Corporation ("*CDC*") to distribute power exclusively within its franchise area, which includes the Clark Freeport zone and the subzones pursuant to Presidential Decree No. 66 and the Joint Venture Agreement executed with *CDC*. *CEDC* counts among its major customers a large semiconductor assembly entity, a tire manufacturing company, hotels, leisure and entertainment companies, and the Clark International Airport.

"The near double-digit growth in electricity sales in the *Meralco* franchise area during the first nine (9) months of 2016 driven by strong performance across all customer classes, particularly Residential, is reflective of the strong fundamentals of the economy, aided by unusually warm weather from January to April and the national elections in May. Such high growth trajectory was not expected to be sustainable, and thus, we have seen a softening during the last quarter. We have also experienced a number of Yellow and Red alerts, which are a cause of concern about the continuing adequacy of our power supply reserves and some power transmission constraints, which clearly need to be addressed.

"*Meralco* fully recognizes the fast-transforming customer, as well as the evolving business and industry landscape in an increasingly demanding and competitive global economy. The imperative to deliver service excellence ahead of the curve to support customer growth requires that *Meralco* continues to invest heavily in its power distribution and customer-facing facilities, on innovation and digital technology. The recent approvals by the *ERC* of capital expenditures totaling over Pesos 24.0 billion are an affirmation of the Commission's support for a highly reliable, resilient and world-class infrastructure. While a more timely approval would have delivered the intended customer benefits earlier, it now becomes essential for *Meralco* to fast-track the infrastructure, facilities and system build-out within a compressed timeframe in order for customers of the franchise area and the rest of the Philippines to continue outperforming their growth trajectory of the first half and earlier periods," said **Manuel V. Pangilinan,** Chairman of *Meralco*.

Sustaining the Growth of *Meralco*'s Core Power Distribution Business

Three (3) months into the second half of the year saw consumer prices starting to rise, driven by the increase in prices of certain basic commodities. The Services sector remains the largest sector of the Philippine economy; increasing housing demand and developments are fueling healthy power demand.

However, the sound economic fundamentals backed by growing *BPO* revenues and by steady, albeit softening, remittance from Overseas Filipinos during the first half of 2016 were dampened by the effect of cooler temperatures since June 2016 and the potential onset of La Niña. Fuel prices, namely, of coal, natural gas and oil, which account for the single largest variable components of power prices, continue to be soft, impacting positively on overall electricity prices and consequently, on power demand. No longer in the double digits, as it was in the first four (4) months of the year, year-to-date sales volume growth was still close to the 10%-level for the period through end-September 2016.

Residential customer volumes continue to be the largest contributor to the volume growth story for the first nine (9) months of 2016 at 14% on account of higher organic sales with low power prices, benign inflation, and new accounts spurred by the continuing in-migration of the Services sector workforce. The same is reflected in the Commercial customer volumes, which grew 9% year-on-year, supported by the *BPO*, real estate, retail trade and hospitality industries. Industrial volumes grew by 5%, supported by cement manufacturing, food and beverage, and plastic and packaging industries. Government infrastructure projects under the Public-Private Partnership ("*PPP*") program continue to add to cement industry demand.

The lower fuel prices have weighed positively across all sectors. Year-to-date, average generation charge was at Pesos 3.87 per kWh, 17% lower than that in the comparative period last year. Most worthy to highlight is the generation charge of Pesos 3.721 per kWh in the month of June 2016, which is the lowest in 12 years. Generation costs during the last five (5) months have been at a similar 12-year low reflective not only of the impact of low fuel prices, but also the highly effective power supply contracting and sourcing of *Meralco*. This has freed up more customer wallet-space for other requirements, which ultimately impacts electricity sales volume.

Close coordination with customers across all sectors for their new connection and load requirements continue as the *Meralco* Networks and Customer Retail teams exert best efforts to meet and outperform the *ERC*-mandated operating indices. These include time-to-connect, System Average Interruption Frequency Index ("*SAIFI*") and System Average Interruption Duration Index ("*SAIDI*"), among others. The urgent and challenging relocation requirements of several Government *PPP* Projects are creating some strain on the *Meralco* Networks teams in improving performance indices.

The roll-out of prepaid electricity meters has reached 35,074 accounts as at September 30, 2016 with total consumption of close to 20 GWh, mostly covering Government mass housing projects as well as low to mid-rise real estate developments. Another 100,000 meters are included in the 1st Regulatory Year *CAPEX* of the 4th Regulatory Period approved by the *ERC* last June 15, 2016, which the *Company* plans to execute on an accelerated pace to keep up with demand and the Government's electrification program.

Net System Input ("*NSI*") consisting of the total energy delivered to the *Meralco* distribution system increased by over 9% to 31,821 GWh, with registered energy sales increasing by close to 10% to 29,689 GWh for *Meralco* alone. This is indicative of continuing gains in System Loss ("*SL*") reduction, which is beneficial to the *Meralco* consumers. *NSI* for *CEDC* for the nine (9)-month period was 438 GWh while energy sales volume was 414 GWh. On a consolidated basis, sales volume totaled 30,103 GWh, more than 9% higher compared with the same period in 2015.

SL performance continues to reflect *Meralco* and *CEDC*'s operational excellence and efforts to contain costs for its customers. As at September 30, 2016, the 12-month moving average ("*12-MMA*") *SL* rates of *Meralco* and *CEDC* were at 6.4% (a record low, over the past 13-years), and 3.84%, respectively.

The *Company* is ever more deliberate with energy sourcing to ensure least cost to consumers, given the significantly higher universal charge attendant to the Feed-In-Tariff Allowance ("*FIT-ALL*") charge for Renewable Energy. For the nine (9) months ended September 30, 2016, *Meralco*'s average retail rate was at Pesos 7.56 per kWh, with generation charge at Pesos 3.87 per kWh, accounting for 51% of the total retail price. The average retail rates over the last few months have been the lowest in the last seven (7) years, as a result of the *Company*'s success in containing the generation charge and other bill components. Transmission charge, which is billed by the National Grid Corporation of the Philippines ("*NGCP*") was down to Pesos 0.88 per kWh, 1% lower as a result of the higher volume transmitted through the grid. Although the distribution component remained unchanged at Pesos 1.38 per kWh, the sales mix, considering the share of the Residential customer class, resulted in an average distribution charge of Pesos 1.43 per kWh or 19% of the total billed amount. System loss charge consisted of only 4% of the bill while taxes, subsidies and universal charge were 13% of the total billed amount. Included in the said 13% of the average billed amount, is a Pesos 0.12 per kWh charge for the *FIT-All* subsidy for Renewable Energy.

The average generation cost of *Meralco* for the first nine (9) months of 2016 was Pesos 3.87 per kWh, the lowest since 2004. On the spot market front, prices have come down as well. *Meralco*'s purchases from the Wholesale Electricity Spot Market ("*WESM*") during the nine (9) months of 2016 averaged 11%, with the monthly average price ranging from Pesos 3.19 per kWh to Pesos 8.47 per kWh.

Prior to receiving the *ERC* approvals, albeit partial to-date, of the 1st and 2nd Regulatory Year *CAPEX*, *Meralco* continued to execute on the *3RP CAPEX* for completion and focused on the critically-loaded facilities within the franchise area. With the approvals granted by the *ERC*, implementation of the *CAPEX* is being planned and timed to address the growing needs of customers across all classes. The expected onset of La Niña in the last few months of the year required the *Company* to "harden" certain facilities. The *Company* estimates that potentially up to Pesos 12.3 billion, on a stretch basis, may be spent through the end of the year to catch up with operating requirements. The *Company*'s combined electric *CAPEX* for the first nine (9) months of 2016 consisted mainly of new infrastructure to meet growth in energy demand and new customer connections, projects to replace aging facilities, and automation and technology projects to improve the delivery of electric service and elevate customer experience to a higher level.

Retail Competition and Open Access ("*RCOA*") has progressed, but the low blended rate being enjoyed by captive customers under the prevailing period of low generation charges and power prices, has dampened the incentive and appetite of more qualified contestable customers to shift to contestability. As of September 30, 2016, there are a total of 395 customers who have opted for contestability with total consumption of over 5,000 GWh. *MPower*, *Meralco*'s Retail Electricity Supply ("*RES*") arm serves over 50% of the total contestable market with competitive product and pricing offers which suit the needs of the customers. The semiconductor industry continues to occupy the largest share in the contestable space, followed by the food and beverage and the non-metallic industries.

It may be recalled that the *ERC* had issued Resolution 5 on April 6, 2016 and Resolutions 10 and 11 on May 26, 2016, that, inter alia, (a) disenfranchise distribution utilities ("*DU*s") from further offering contestable customers electricity supply, products and services suited to their needs at highly-competitive prices and thus, competing in the retail supply market; (b) in the process, denying contestable customers freedom of choice and severely limiting competition in the contestable market; (c) imposing mandatory contestability on qualified contestable customers namely, for 1 MW and above by December 26, 2016; up to 750 MW, by June 26, 2017; and for up to 500 MW by June 26, 2018 with aggregation, thereby, exposing those customers unable to secure a retail electricity supplier and contracts under acceptable pricing terms and conditions to a Supplier of Last Resort ("*SoLR*") status at highly-volatile daily and hourly prices based on the trading price at the *WESM* plus a 10% premium; and (d) setting an arbitrary 30%-market cap and maximum two (2) year contract term on the *RES* market.

Following the filing for a Temporary Restraining Order ("*TRO*") and a Writ of Preliminary Injunction ("*WPI*"), by the *Company*, joined by various parties of substance as Intervenors, the Regional Trial Court – Pasig City ("*RTC – Pasig*") issued a *TRO* and a *WPI*, with the *ERC* and Department of Energy ("*DOE*") opting not to participate at the *RTC* hearings on the ground of lack of jurisdiction. The *ERC* filed a Petition, dated July 1, 2016, for a *TRO* against the conduct of hearings by the *RTC – Pasig* at the *SC* for lack of jurisdiction. The *Company* filed its opposition to *ERC*'s motion at the *SC*, joined by the same Intervenors at the lower court. No *TRO* was issued by the *SC*.

Acting on a *DOE* Petition, the 2nd Division of the *SC* through a Resolution dated October 10, 2016 issued a *TRO* enjoining the *Company* and *RTC – Pasig* from continuing proceedings on the case and enforcing the *WPI* earlier issued by the *RTC – Pasig*. The parties were given 10 days to file their comments. While the *TRO* will not have any effect on *Meralco*'s distribution charges, the *Company* is now required to obtain a license from the *ERC* to operate a *DU*-affiliated *RES* and the Local *RES* is prohibited from selling to new customers, effectively limiting customer choice.

The *Company* intends to avail of the appropriate legal remedies. Other parties at interest whose rights have been prejudiced may be expected to avail of their respective legal remedies.

"In continuing to expand its "least cost" energy sourcing and bringing competitively-priced non-*FIT*-dependent renewable energy into its supply portfolio, *Meralco* recently signed two (2) *PSA*s of 50 MW each with two (2) independent solar power producers at rates significantly below the *FIT* rates for solar. These *PSA*s are currently undergoing the *ERC*-mandated Competitive Selection Process ("*CSP*").

"Our customers are the reason for our being and we will continue to be relentless and uncompromising in our service delivery by fulfilling the capital expenditure commitments for our Networks, Customer Retail Service and Shared Services facilities. On top of the major projects for load and customer growth, and facilities upgrade, we have a pipeline of *CAPEX* to address weather resilience, innovation and safety. We remain resolute not only in accelerating energization of new customers but also in ensuring that services are restored soonest even in the aftermath of a super typhoon. In the recent episodes where typhoons have ravaged the most far-flung provinces of the country, like Batanes, *Meralco* has always been at the forefront, having speedily dispatched crews, facilities and contractors in support of the restoration efforts, even in areas well outside our franchise. A few days after the *Meralco* crews deployed to Batanes returned, they are again being tapped to assist the worst-hit electric cooperatives in Cagayan province, which bore the brunt of Category 5 typhoon "*Lawin*" (international codename: " Haima").

"We continue to focus on excellence in execution and on remaining highly-disciplined in prudent capital and operating spend, cash and liability management, and in the process deliver the best possible customer value and an acceptable shareholder return," said **Oscar S. Reyes**, President and Chief Executive Officer.

<u>Bringing *MGen*'s Power Generation Projects to Commercial Operations</u>

The delivery of *Meralco*'s franchise mandate of stable power supply at the least cost to its growing customer base, now at almost six (6) million, is best serviced by the timely build-out of MERALCO PowerGen Corporation's ("*MGen*") highly fuel-efficient and reliable power plants.

San Buenaventura Power Ltd. Co. ("*SBPL*")

Following execution of the Engineering, Procurement and Construction ("*EPC*") contract towards the end of 2015, activities on site have significantly ramped up in line with the original schedule. At present, the project remains on track to be delivered within the budgeted project cost, and on schedule to commission as planned by the middle of 2019. In recent months, *SBPL* has also obtained from the *NGCP*, a fully-executed Connection Agreement which gives the project the right to connect to the Tayabas Substation.

SBPL, a joint project with Electricity Generating Public Company Limited ("*EGCO*") of Thailand, is a 455 MW (net) supercritical coal-fired plant in Mauban, Quezon.

Redondo Peninsula Energy, Inc. ("*RP Energy*")

On April 29, 2016, *RP Energy* and *Meralco*, filed a joint application with the *ERC* for the approval of a *PSA* for 225 MW of the 300 MW of Phase 1 plant capacity. Such *PSA* is awaiting approval by the *ERC*. *RP Energy* had been issued an Environmental Clearance Certificate ("*ECC*") by the Department of Environment and Natural Resources ("*DENR*").

RP Energy is finalizing all development works to enable it to achieve financial close and commence construction of the 300 MW facility immediately upon issuance of *ERC*'s approval. *RP Energy has* entered into *EPC* contracts with Doosan Heavy Industries & Construction Co. Ltd. and Azul Torre Construction Inc. on October 13, 2016.

Interconnection for Phase 1 via cut-in to the existing Hanjin to Olongapo Transmission Line has been firmed up with all rights-of-way ("*ROW*") for the interconnection fully secured.

RP Energy has mandated a sole lead arranger with two (2) other local banks participating in the Pesos 30 billion project financing.

RP Energy, a joint venture among *MGen*, Therma Power, Inc. ("*TPI*", a wholly owned subsidiary of Aboitiz Power Corporation) and Taiwan Cogeneration International Corporation – Philippine Branch ("*TCC*") is a phased 2x300 MW circulating fluidized bed ("*CFB*") coal-fired plant in Subic Bay, Zambales. Phase 2 shall be implemented once the schedule for the completion of the interconnection facility for the (Phase 2) project is firmed up by *NGCP*.

Atimonan One Energy, Inc. ("*A1E*")

The *PSA* for the full capacity of the project has been executed between *A1E* and *Meralco*. *A1E* and *Meralco* have filed a joint application with the *ERC* for its approval. The *PSA* is scheduled for hearing at the *ERC* on November 14, 2016. An *ECC* has been issued to *A1E* by the *DENR*. Construction of the resettlement village has started and is expected to be completed by early 2017. Various development activities continue.

Three (3) *EPC* contractors have been shortlisted with the intent of selecting a preferred contractor in early 2017. The project financing process is expected to commence shortly following the issuance of a Request for Proposal for the mandated lead arrange-role within October 2016.

In parallel, *MGen* is looking for a partner to join the development of the Atimonan project, likely as a substantial minority partner. *MGen* is in discussions with a number of potential partners, all with experience in development, construction and operations of super-critical coal-fired plants, and a strong appetite for Philippine investment. This process is targeted to conclude with the selection of a preferred development partner in early 2017.

A1E is a 2x600 MW greenfield, supercritical pulverized coal-fired plant in Atimonan, Quezon. Completion of the first 600 MW is targeted by 2020, and the second 600 MW by early 2021.

St. Raphael Power Generation Corporation ("*St. Raphael*")

St. Raphael signed a *PSA* for 400 MW of its capacity with *Meralco*, with another 140 MW contracted by another offtaker with strong track record. *St. Raphael* and *Meralco* have filed a joint application with the *ERC* for the approval of the PSA, *St. Raphael* had been issued an *ECC* by the *DENR*.

St. Raphael and Semirara Mining and Power Corporation ("*Semirara*") are in the process of finalizing the coal specifications for the boiler design. Detailed plant design and discussions with *EPC* Contractors are scheduled to commence upon completion of the coal specifications.

St. Raphael, currently a 50-50 joint venture between *Semirara* and *MGen*, is a 2x350 (net) sub-critical pulverized coal-fired plant in Calaca, Batangas. It is the intent that another strategic partner with strong technical and operating track record shall be invited to take a significant minority equity interest in the project. Target commercial operations date of the plant is in 2021.

GBPC

GBPC continues to contribute positively to the operating results of *MGen*. On August 19, 2016, its Panay Energy Development Corporation's ("*PEDC*") 150 MW plant achieved synchronization, increasing the total capacity of *GBPC* to 854 MW. *Meralco* signed a *PSA* with *PEDC* for 70 MW out of the 150 MW-capacity of the coal-fired plant in April 2016. Such *PSA* is pending approval by the *ERC*.

GBPC's capacity of 854 MW consists of 702 MW coal-fired and 152 MW oil-based plants in the Visayas. It is 56%-owned by Beacon Electric Asset Holdings, Inc., ("*Beacon*", a 75%-owned subsidiary of Metro Pacific Investments Corporation ("*MPIC*)), 30% by JG Summit Holdings, Inc. ("*JG Summit*") and 14% by *MGen*.

PacificLight Power Limited ("PacificLight")

The two units of the *PacificLight* plant continue to perform at very high operational standards. Beginning July 2016, availability of Units 10 and 20 of *PacificLight* were at 100% resulting in improved market share. Difficult market conditions and onerous contracts continue to impact profitability.

PacificLight is a 2x400 MW liquefied natural gas plant in Jurong Island, Singapore. *Meralco*, through *MGen* holds an effective 28% in the equity of *PacificLight*.

"Positive developments in moving *MGen*'s various power generation projects through the different stages of development, *ECC* issuances, execution and filing for approval of the underlying *PSA*s, shortlisting and/or award of the *EPC*s, mandating and advanced discussions with lead arrangers and local banks, and the potential entry of strategic investors for these projects that have attracted significant partnership interest, have been highly encouraging.

"These projects will strengthen *Meralco*'s ability to satisfy fully its franchise obligations for adequate, quality power at least cost, provide the valuable competitive tension in the sourcing of its other long-term power supply needs, and enhance the quality and mix of revenues and income of *Meralco* in the longer-term," said Mr. Reyes.

Conclusion and Outlook

"We take pride in *Meralco*'s partnership with the *DOE* and the National Housing Authority ("*NHA*"), which energized 13,224 households in depressed areas, well in excess of the 10,000 target. This was cited as one of the *DOE*'s achievements in its 100 Days Accomplishment Report to President Rodrigo R. Duterte contained in its Memo for the President dated October 9, 2016.

"Business remains challenging yet exciting, as we see electricity helping transform dreams into reality. Even as we expect the challenges from disruptive new energy sources, energy efficient technology and innovation, more severe weather patterns, in addition to continuing policy and regulatory shifts to continue, we remain confident of our ability to deliver on our commitments to superior customer experience and a Consolidated Core Net Income for 2016 at Pesos 19.0 billion," concluded Mr. Pangilinan.

	MANILA ELECTRIC COMPANY Consolidated Financial Highlights (in Million Pesos, except per share data)		
	For the Nine Months Ended September 30		% Change
	2016	2015	
REVENUES			
Electricity	189,135	191,496	(1)
Non-electricity	6,029	5,551	9
	195,164	197,047	(1)
COSTS AND EXPENSES	174,940	175,345	-
OTHER INCOME – net	1,768	1,252	41
INCOME BEFORE INCOME TAX	21,992	22,954	(4)
PROVISION FOR INCOME TAX	6,172	6,738	(8)
NET INCOME	15,820	16,216	(2)
NET INCOME – AS REPORTED	15,676	16,149	(3)
CORE NET INCOME	14,966	15,795	(5)
EARNINGS PER SHARE			
On Reported Net Income			
Basic	13.91	14.33	(3)
Diluted	13.91	14.33	(3)
On Core Net Income [1]			
Basic	13.28	14.01	(5)
Diluted	13.28	14.01	(5)

[1] Reported net income, adjusted to exclude the effect of foreign exchange gains or losses, mark-to-market adjustments, gain on disposal of investment 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:

Alfredo S. Panlilio
Senior Vice President –
Head of Customer Retail Services
& Corporate Communications

Tel. No.: (632) 1622 8531
Fax No.: (632) 632 8360

Betty C. Siy-Yap
Senior Vice President &
Chief Finance Officer

Tel. No.: (632) 1622 1571
Fax No.: (632) 631 5574

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.