

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 0

Month Day
Annual Meeting

Secondary License Type, if Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

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 24, 2017*
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, 2017)

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 24, 2017, approved the following matters:

1. The Company's Financial and Operating Results for the first quarter ended March 31, 2017 with comparatives for 2016 (refer to the attached Press release); and
2. The Company's Revised Manual of Corporate Governance (refer to attached Manual) in compliance with the SEC Memorandum Circular No. 19, Series of 2016 (Code of Corporate Governance for Publicly Listed Companies).

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 24, 2017

***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, 2017
WITH COMPARATIVES FOR 2016

Highlights

- Consolidated Core Net Income for 1Q2017 was similar to 1Q2016 at Pesos 4.6 billion
- Consolidated Reported Net Income for 1Q2017 at Pesos 4.8 billion, 6% higher than 2016
- Consolidated volume of energy sales for the first quarter of 2017 at 9,317 GWh, 3% higher than the 9,077 GWh in 2016
- Customer count up by over 4% since March 31, 2017 to more than 6.1 million
- Consolidated electric revenues for the three months ended March 2017 at Pesos 64.7 billion
- Average consolidated distribution rate was at Pesos 1.40 per kWh in the first quarter of 2017
- Consolidated cost of purchased power at Pesos 51.6 billion for 1Q2017, higher by 15% than in 1Q2016
- Consolidated operating expenses at Pesos 6.2 billion for the three months ended March 31, 2017
- Consolidated EBITDA for 1Q2017 at Pesos 7.9 billion, 3% lower than the same period in 2016
- Core Earnings per Share for the first quarter of 2017 at Pesos 4.080, while Reported Earnings per Share was at Pesos 4.274

MANILA, PHILIPPINES, 24th April 2017 – Manila Electric Company (“Meralco” or the “Company”) (PSE: MER) today announced that its unaudited Consolidated Core Net Income, which excludes one-time, exceptional charges, for the three (3) months ended March 31, 2017 was similar to last year’s at Pesos 4.6 billion. Consolidated Reported Net Income for the period was at Pesos 4.8 billion, a 6% increase over 2016. Core Earnings per Share was at Pesos 4.080 for the three months ended March 31, 2017 while Reported Earnings per Share was at Pesos 4.274.

Consolidated Core Net Income for the first three (3) months of 2017 of Pesos 4.6 billion was largely from contribution of the core distribution business as volume grew to 9,317 GWh or a growth of 3% over the comparative period. Average consolidated distribution rate was slightly lower at Pesos 1.40 per kWh, as sales mix reflected a slightly higher commercial share of market compared with 2016, which was tilted towards residential sales. Customer value contribution and operating results of *Meralco's* Retail Electricity Supply (“*RES*”) unit, *MPower*, was adversely affected by more intense retail market competition and by regulatory uncertainty around the issuances of the Energy Regulatory Commission (“*ERC*”) in respect of the direct participation of *RES* units of distribution utilities (“*DUs*”).

The lag in revenue generation and higher costs incurred by certain subsidiaries also created a drag on operating income. *Meralco's* settlement of certain statutory obligations and write-back to income of related amounts previously recognized for claims and liabilities helped partly offset the impact of these margin compressions. Financing income and foreign exchange gains on funds held continue to contribute significantly to “Other Income”.

Consolidated electric revenues, which account for 97% of total revenues, grew 12%, mainly on account of the 3% growth in volume of energy sold, despite the slightly lower average distribution rate per kWh. The first quarter 2017 pass-through revenues grew 15% compared with the same period in 2016 due to higher overall average generation charge. This is a result of the higher liquid fuel cost of the natural gas-fired power plants during the maintenance shutdown of the Malampaya gas facilities and higher prices in the Wholesale Electricity Spot Market (“*WESM*”), which spiked to levels higher than *Meralco's* average generation cost over 442 intervals during the quarter, compared with only 230 intervals in 1Q2016.

Average retail price was at Pesos 7.84 per kWh for the first quarter of 2017, of which the generation, transmission, distribution, system loss, and taxes and universal charge (including feed-in-tariff allowance [*“FIT-All”*]) components represent 54%, 11%, 18%, 4% and 13%, respectively.

Generation charge increased by 7% as the Sta. Rita and San Lorenzo gas plants ran on higher cost liquid condensate, while the de-rated Ilijan gas plant was fired using relatively more expensive biodiesel fuel. Transmission charge was lower though at Pesos 0.86 per kWh, or P0.05 per kWh less than in 2016. System loss charge which follows the movement of generation and transmission charges on a monthly basis, averaged Pesos 0.33 per kWh in 2017, same as in 2016.

Operating expenses stood at P6.2 billion, 3% lower than the same period in 2016 due to deferrals and containment of certain costs pending clear visibility on the rules on rate-setting for the fourth (4th) Regulatory Period (“*4RP*”). The most significant cost items remain to be labor, contracted services and Information Technology (“*IT*”) licensing and maintenance. Taxes, fees and permits in the first quarter of 2017 increased by 72% to

Pesos 357 million, largely attributable to payment of real property tax (“*RPT*”) on certain assets hitherto deemed not subject to *RPT*, following a final judicial decision.

Consolidated EBITDA was Pesos 7.9 billion in 2017, equivalent to an EBITDA margin of 12% on consolidated revenues.

Cash and cash equivalents was at Pesos 49.4 billion and Pesos 45.9 billion in 2017 and 2016, respectively, while interest-bearing loans and borrowings was at Pesos 40.1 billion and Pesos 29.9 billion in 2017 and 2016, respectively. Total available-for-sale (“*AFS*”) and held-to-maturity (“*HTM*”) investments were at Pesos 45.6 billion and Pesos 43.1 billion in 2017 and 2016, respectively. These were classified largely under noncurrent assets. The *Company*’s *AFS* and *HTM* investments consist of placements in government securities, corporate notes and Unit Investment Trust Funds (“*UITF*”). Total principal debt repayments, inclusive of financial and related charges, amounted to Pesos 2.0 billion.

Following the partial approval of capital expenditure (“*CAPEX*”) projects for the 1st and 2nd Regulatory Years (“*RYs*”) of the 4th Regulatory Period (“*4RP*”) received by the *Company* in June and July 2016, respectively, the *Company* has remained focused on executing such *CAPEX* projects to ensure a robust and reliable electricity distribution network. On April 3, 2017, *Meralco* filed for the 3rd *RY CAPEX*.

“Strong macroeconomic fundamentals underpin the past growth trajectory of the Philippines and we see these as being sustained in the short- to medium-term. Hence, despite global growth and geo-political uncertainties, we remain confident that the domestic economy will continue to expand at the current pace, or potentially faster, as new drivers weigh in, such as more Government/Public Private partnership projects with more bilateral funding from regional powerhouses. *Meralco* will continue to focus on the resultant growth opportunities for its core electricity distribution business and on sustained operational excellence, mindful of business and technology disruptors emerging in the power industry. In respect of these, we will be engaged in a continuing effort to get businesses and regulators aligned with these developments”, said **Manuel V. Pangilinan, Chairman**.

Core Distribution Business: Customer Value Creation and Satisfaction Amidst Challenges

The operating and business conditions for the first quarter of 2017 proved to be more challenging to our business and to consumers compared with 2016. These did not deter the *Company* from continuing to deliver on its commitment to operational and service excellence, particularly in respect of reliability, quality and cost competitiveness of power supply, speed of new service connections and power restoration, and system loss management. In terms of constraints on sales volume growth, the first quarter of 2017 saw (a) cooler temperature by almost 1°C, averaging at 26.6°C compared with 27.4°C in 2016; (b) the absence of the February 2016 leap year effect which is equivalent to approximately 100 GWh lower energy sales; (c) higher inflation which was at 3.4% in March 2017 vis-à-vis 1.1% in the same period in 2016; (d) higher interest rates, with the

benchmark rate for a 10-year note at 5.06% in 2017 compared with 4.69% in 2016; (e) a weaker peso at Pesos 49.46 to Pesos 50.40 to the U.S. dollar compared with Pesos 46.03 to Pesos 48.00 in 2016; (f) higher fuel prices with Newcastle index between \$83.73/MT to \$79.99/MT (in January and February 2017) for coal, and Brent at \$51.60/bbl by end-March 2017; and (g) higher average retail rate of Pesos 7.84 per kWh in 1Q2017, up by more than 3% over 2016.

Notwithstanding these less favorable factors, growth in energy sales volume continued, albeit at a slower 3% level, due to the expansion in *Meralco's* customer base and strong consumer spending spurred by inward remittances from overseas Filipinos and the continuing growth of the Business Process Outsourcing (“*BPO*”) industry.

Meralco's customer base grew by over 4% to 6.1 million customer accounts, with 265 thousand net new accounts since March 2016, or 69 thousand since December 2016. Residential, commercial and industrial customer counts rose by 5%, 3% and 2%, respectively. Residential customers continue to represent 92% of the total 6.1 million customer accounts. There were 44,836 prepaid electricity customers as of end-March 2017, more than 10% over the initial installation approval of the *ERC*.

Worth noting is the shift in sales volume growth to commercial and industrial customers, which grew by 3% each while residential customer volume grew by a mere 1%. For the first quarter of 2017, commercial volume accounted for 40% (also about 40% in 2016), industrial volume at 30% (29% in 2016), and residential volume at 30% (a little over 30% in 2016) of the total.

Commercial sales volume was driven by the real estate, retail trade, and entertainment industries. The growth in the real estate industry continues to be supported by the strong demand for commercial spaces for *BPO* services and for high rise residential units enabled by the continuing inward overseas remittances, and by a highly liquid banking industry providing affordable loan terms and flexible tenor. The retail trade sector growth was spurred by sustained development of increasing mixed-use districts and of communities outside Metro Manila. Growth of the entertainment industry, particularly, tourism, restaurant and hospitality-related businesses, benefitted from strong consumer spending and from the Government's drive to position Mega Manila as one of the premium entertainment hubs, given the growing population and business migration.

Industrial sales volume rose, largely on account of the basic metal (13% growth), rubber and plastics (6% growth) and food and beverage industries (close to 3% growth). The demand for consumable products, and related general and food packaging, continue to support growth of the food and beverage industry. The plastics industry association has observed the rapid development of plastic products that can replace paper or metal materials. This is due to the decline in the cost of production of plastic products with the increasing adoption of electric injection machines. The basic metals industry saw the increase in demand for angle and reinforcing bars and similar construction-related metal products as Government infrastructure and Public Private Partnership (“*PPP*”) projects gain traction.

The tepid growth of slightly above 1% in residential sales volume may be attributed to the nearly 1°C cooler temperature (with the “real-feel” temperature 3.9°C cooler), the 2.3% uptick in inflation to 3.4% from 1.1% in 2016, the higher average retail rate of Pesos 7.84 per kWh, and the leap year impact of one (1) day less sales in February 2017 equivalent to 29 GWh.

In the Clark Freeport Zone, where Clark Electric Distribution Corporation (“CEDC”), a 65%-owned subsidiary of *Meralco*, operates, the volume growth came from industrial customers at 12%, while commercial and residential volumes both reflected declines. As at March 31, 2017, industrial volume accounted for 63% (59% in 2016), commercial volume was 36% (40% in 2016) while residential volume was at 0.7% (0.8% in 2016).

The increase in the average customer bill during 1Q2017 reflected the effects of higher liquid fuel cost vis-à-vis gas, lower dispatch of the 2,700 MW capacity of the gas-fired power plants, and higher *WESM* prices, due to the 20-day Malampaya shutdown from January 28 to February 16, 2017 as well as overlapping outages of certain power plants. The incremental fuel cost amounted to about Pesos 0.22 per kWh, billed over a three (3)-month period from March up to May 2017. The year had actually started with a lower generation charge with the true-up of the plant outage allowance. Peak demand within the franchise area during 1Q2017 was at 6,577 MW, up 6% over the same period in 2016.

More recently, the National Grid Corporation of the Philippines (“NGCP”) issued a number of Yellow to Red alerts signaling tightness of supply as the Quezon Power, Calaca Unit 1 and Sta. Rita Module 10 plants were on extended shutdown. This was exacerbated by the reported damage at the San Lorenzo switchyard following the April 4, 2017 magnitude 5.5 earthquake which shook Tingloy, Batangas, and the April 8, 2017 magnitude 6.0 earthquake, which hit Mabini, Batangas. The total generation capacity lost from power plants in Batangas reached 1,570 MW, albeit for a limited period.

Despite the challenges on the generation and transmission parts of the energy supply chain, *Meralco* remains highly-focused on surpassing the previous year’s operating performance and the operating standards set by the *ERC*, in pursuit of optimizing its power supply sourcing to help contain the power price charged to consumers. Among the ongoing Electric Capital Projects (“ECPs”) is the Uprating of San Miguel Substation in San Miguel, Bulacan, where a 33 MVA power transformer and a 13.8-kV metalclad switchgear have been installed. To complete this project, *Meralco* is undertaking other electro-mechanical and power system protection works. Equally significant is the development of the Lucena Substation, where an 83 MVA power transformer has already been installed as well as the assembly of a 34.5-kV metalclad switchgear. Ongoing as part of this major project is the construction of the new sub-transmission and distribution lines, and the acquisition of rights-of-way and permits for pole locations. Government *PPP* projects continue to constitute a significant amount of Networks *CAPEX* initiatives. There is a total of 163 projects, excluding the ongoing design for the requirements of MRT 7 and 302 requests for pole relocations from the Department of Public Works and Highways (“DPWH”). *Meralco* has also completed five (5) residual distribution line projects.

Meralco's 12-month moving average ("12-MMA") system loss was at 6.23% as of March 31, 2017, close to the 114-year all-time low of 6.19% achieved in January 2017. This is 2.27 percentage points below the system loss regulatory cap of 8.5%, and 0.3 percentage points lower than the 12-MMA for the same period in 2016. *CEDC's* system loss was at 2.78%, 5.72 percentage points below the regulatory cap and 1.22 percentage points lower than the same period last year.

A new milestone is close to being achieved by CIS Bayad Center, Inc. ("*Bayad Center*"), a wholly owned subsidiary. In 2016, *Bayad Center* signed a business cooperation arrangement with Densan System Co., Ltd. ("*DSK*"). Such agreement has progressed to *DSK* agreeing to take a 5% equity stake in *Bayad Center*. This transaction is expected to close within May 2017. This partnership shall leverage on each party's competencies and strength, with *DSK* providing the information technology expertise to enable *Bayad Center* to tap more convenience stores as payments fulfillment outlets. *DSK* has strong presence and track record with convenience stores in Japan as a payment platform or channel.

During the first quarter of 2017, *Meralco* continued to settle local taxes on certain real properties previously deemed not subject thereto, following a final judicial ruling. As the related obligations are settled, any differences between the actual payment vis-à-vis the amounts booked for the previously estimated probable liability are adjusted.

"The recent incidences of Yellow and Red alerts by *NGCP* and the power supply disruption attributed to the earthquakes in Batangas serve as a stark reminder and wake-up call for the urgent need for new, highly fuel efficient, highly reliable, and cost competitive generating capacity, and for increased investments in a more robust and resilient transmission and distribution system.

"Our efforts remain focused on ensuring that the *Meralco* Network Facilities remain to be robust and ready to weather any type of calamity. We are committed to implementing the partially approved *CAPEX* for the 1st and 2nd *RYs* of the *4RP*, pursuing approval of the balances of these *CAPEX* which remain pending with the *ERC*, and filing for the 3rd *RY CAPEX*.

"Our Customers' recognition of *Meralco's* continuing effort to provide quality, reliable and affordable electricity has encouraged us to pursue our applications for capital expenditures for each Regulatory Year and fast-track implementation as these are approved. Our customers serve as the primary reason for the decisions and actions we take – from energy sourcing to network facilities upgrade, to information technology investments to process efficiencies," stated **Oscar S. Reyes, President and Chief Executive Officer**.

Retail Electricity Supply: Staying in the Game as Market and Price Competition Intensifies

Meralco stayed the course in its advocacy with regulators, policymakers, industry players and business groups for (i) respecting, rather than depriving consumers the right and the freedom to procure their power supply from their *RESs* of their choice; (ii) respecting, rather than depriving, all capable *RESs*, the right and the freedom to compete; and (iii) allowing and enabling competitive markets to function without undue interference.

Competition in the *RES* market has intensified, with existing and new players seeking to retain current customers and gaining new ones, with compelling products, price and service offerings. The *ERC* has resumed licensing of new *RESs* and renewal of old ones, thereby, helping to raise competition.

The recent judicial development in Retail Competition and Open Access (“*RCOA*”) with the Supreme Court issuing a Temporary Restraining Order (“*TRO*”) in favor of certain petitioners on February 21, 2017 has restored the right of choice to consumers, the right to compete in contestable markets to over 20 distribution utilities (“*DUs*”) and over 120 electric cooperatives, and the freedom of the competitive contestable market to operate without undue intervention. Two (2) *RES* entities of *Meralco*’s subsidiaries and a subsidiary of *Meralco*, each focused on different markets, have been granted *RES* licenses, enabling them to compete and serve customers in their respective markets. As of March 31, 2017, there were 1,554 Phase 1 and Phase 2 contestable customers, of which only close to 40% have opted for contestability.

During the first quarter of 2017, *MPower*’s operations was continuously challenged by (i) changing regulatory, legal and administrative positions on *RCOA*, including inter-alia, the switching of customers by the Philippine Electricity Market Corporation (“*PEMC*”), which prevented *MPower* and certain of its customers from implementing their supply agreements; and (ii) market dynamics of increased customer acquisition and intensified price competition.

Power Generation: On Track Towards Commercial Operations Dates

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

Construction of *SBPL* is proceeding with no significant delays. The overall Engineering, Procurement and Construction (“*EPC*”) work is estimated at 39% complete to-date.

SBPL continues to work closely with *NGCP* to ensure *SBPL*’s ability to connect to the Tayabas Substation pending *NGCP*’s award of the construction of the New Pagbilao Substation, where one (1) or two (2) other power plants may connect to.

SBPL is a 455 MW (net) supercritical coal-fired plant in Mauban, Quezon. It is a joint venture of *MERALCO PowerGen Corporation (“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 June 2019.

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

RP Energy filed its Formal Offer of Evidence (“FOE”) with the *ERC* on March 28, 2017, effectively concluding the hearing process. *RP Energy* has signed the Pesos 31.5 billion long-term project financing loan agreement with three (3) local banks, which fixed the benchmark PDS-R2 rate as at January 3, 2017.

Site preparation is essentially complete. The power plant site is ready for major construction activities for the first 300 MW phase, which is targeted to be completed in 3Q2020. The second phase shall follow within 12 months, subject to progress of *NGCP*’s rights-of-way acquisition for the new transmission line that will be built to connect the second phase to the grid. Final approval of the Power Supply Agreement (“PSA”) by the *ERC* is being followed up, to enable issuance of the Notice to Proceed to the *EPC* contractor and drawdown on the project financing loan.

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.

Atimonan One Energy, Inc. (“AIE”)

In April 2016, *AIE* signed a *PSA* with *Meralco* for the full output of the plant, and filed with the *ERC* for its final approval. The hearing process at the *ERC* has also been completed and *AIE* has filed its *FOE* on March 8, 2017. Turnover of resettlement housing for the affected families was completed last March 8, 2017.

Site preparation works are targeted to start in mid-2017. Expected completion of Unit 1 is in 2021.

AIE is currently in the final stages of its selection and contract documentation process for an *EPC* contractor, and its mandating of lead arrangers and co-lead arrangers for a long-term project financing loan of about Pesos 100 billion.

AIE is a 2x600 MW power plant in Atimonan, Quezon Province, the first ultra super-critical coal-fired plant in the country (*SBPL* is the first super-critical plant in the country).

“We are eagerly awaiting the release of the approvals of our Power Supply Agreements for the 2x600 MW Atimonan One Energy, Inc. and the first 300 MW phase of the Redondo Peninsula Energy, Inc. power plants, as we see the critical need for these power plants to come on line to meet growing power requirements within the next three (3) to four (4) years. The first three (3) months of 2017 saw generation charges spike due to the combined effects of thinning supply from scheduled shutdowns and forced outages, and

recently, from the unexpected effect of the April 2017 earthquakes on the Batangas power plants.

In the meantime, we have proceeded with all the necessary pre-construction work so that we can mobilize the *EPC* contractors soon after approvals are obtained”, stated **Mr. Reyes**.

Conclusion

“We expect robust consumer spending and household demand to continue, supported by sustained rise in overseas remittances, *BPO* revenues and domestic income generation. This will be complemented by higher government spending with increasing infrastructure builds and by private and public investments in line with the “Build, Build, Build” thrust of the Government. In turn, funding for the “Build, Build, Build” program is endorsed by development assistance and commercial lending following bilateral talks with Japan and China. These will be the anchors for 2017 in countering external headwinds of mixed global economic volatility and performance, and geo-political tensions in various regions.

“We continue to remain alert to the opportunities these will bring to our customers, in addition to the opportunities offered by technology, innovation, and digital transformation for all of us. We have long recognized that our bricks and mortars are increasingly “disruption-risked” and we are therefore investing to make long-term bets.

“We have tried to make sense of the increasing uncertainties and challenges of regulation. Regulatory and policy stability and support are critical to the entire power industry supply chain – from generation, transmission, distribution and down to consumers. What is at stake here in terms of shareholder investments and the requisite debt financing can be enormously significant, given our long-term plans. We will continue to engage with Government, industry players and consumers. The rates that we signed for our two (2) solar *PSAs*, which are currently pending approval by the *ERC*, are a clear indication that the mandated feed-in-tariffs, or any effective mandating of power supply sources or technologies, may not be entirely positive. Consumers end up with the burden of subsidies and are denied the benefit of market and intra-source and technology competition. Consumer welfare will always be the priority.

“We are mindful of the price pressures on consumers in the face of inflation, currency effects, interest and commodity price movements and we will be relentless in our efforts to provide the best service at the most affordable cost to the consumers in our franchise area. Following better visibility on sales volume growth and regulatory issues, we will be providing a guidance within the coming three (3) months,” 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
	2017	2016	
REVENUES			
Electricity	64,724	57,851	11.9
Non-electricity	1,852	2,322	(20.2)
	66,576	60,173	10.6
COSTS AND EXPENSES			
Purchased power	51,621	44,929	14.9
Operating	6,150	6,350	(3.1)
Depreciation and others	2,741	2,658	3.1
	60,512	53,937	12.2
OTHER EXPENSES – net	(599)	(134)	347.0
INCOME BEFORE INCOME TAX	6,663	6,370	4.6
PROVISION FOR INCOME TAX	1,814	1,799	0.8
NET INCOME – AS REPORTED	4,817	4,547	5.9
CORE NET INCOME ¹	4,598	4,590	0.2
EARNINGS PER SHARE			
On Reported Net Income			
Basic	4.274	4.034	5.9
Diluted	4.274	4.034	5.9
On Core Net Income ¹			
Basic	4.080	4.073	0.2
Diluted	4.080	4.073	0.2

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.