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 30

Month Day

Annual Meeting

Secondary License Type, if Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

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

1. **Date of Report:** *October 27, 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 September 30, 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, October 27, 2017, approved the Company's Financial and Operating Results for the nine-month ended September 30, 2017 with comparatives for 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 27, 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 NINE (9) MONTHS ENDED SEPTEMBER 30, 2017
WITH COMPARATIVES FOR 2016

Highlights

- Consolidated Core Net Income for the first nine (9) months of 2017 at Pesos 15.4 billion, 3% higher compared with Pesos 15.0 billion in 2016
- Consolidated Reported Net Income for the nine (9) months ended September 30, 2017 at Pesos 15.9 billion, 2% higher than 2016
- Consolidated electricity revenues at Pesos 208.8 billion for the nine (9)-month period of 2017, 10% higher year-on-year
- Consolidated distribution revenues at Pesos 44.7 billion for the first nine (9) months of 2017, 4% higher than 2016
- Consolidated non-electricity revenues at Pesos 5.5 billion for the nine (9)-month period of 2017, 8% lower year-on-year
- Consolidated Core EBITDA for the nine (9)-month period of 2017 at Pesos 26.3 billion, a Core EBITDA margin of 13% on Consolidated Electricity Revenues
- Core Earnings per Share at Pesos 13.64
- Consolidated volume of energy sold of 31,401 GWh for the first nine (9) months of 2017, 4% higher than 2016
- Customer count up by 5% to almost 6.3 million
- Average consolidated distribution rate at Pesos 1.42/kWh for the first nine (9) months of 2016, flat compared with 2016

MANILA, PHILIPPINES, 27th October 2017 – Manila Electric Company ("*Meralco*" or the "*Company*") (PSE: *MER*) today announced that its unaudited Consolidated Core Net Income ("*CCNI*"), before exceptional items, for the nine (9) months ended September 30, 2017 amounted to Pesos 15.4 billion, 3% higher than 2016. Consolidated Reported Net Income for the first nine (9) months of 2017 amounted to Pesos 15.9 billion, 2% higher than the amount for the same period in 2016. Core Earnings per Share for the first nine (9) months of 2017 was Pesos 13.64 while Reported Earnings per Share was Pesos 14.13.

Despite a high base in 2016, sales volumes for the nine (9)-month period ended September 30, 2017 still grew by 4% to 31,401 GWh.

Sales volumes were higher across all customer classes, with Residential energy sales up by 4%, Commercial up by 5% and Industrial up by 4% over the same nine (9) months of 2016. *Meralco*'s 65%-owned subsidiary, Clark Electric Distribution Corporation ("*CEDC*") also registered higher sales of 3%, largely driven by Industrial sales volume, which reflected a 6% increase, offsetting a 1% decline in commercial sales volumes.

Electric revenues amounted to Pesos 208.8 billion, higher by 10% over the comparative period in 2016, due to higher generation charge resulting from the combined effects of (i) increased price of coal, oil and gas; and (ii) the depreciation of the Philippine peso versus the U.S. dollar.

The average coal price as of August 2017 was at US$ 83.71 per MT compared with US$ 56.40 per MT for the first nine (9) months of 2016; Malampaya gas was at an average of US$ 7.11 per GJ (US$ 6.17 per GJ in 2016). Oil prices averaged at US$ 51.09 per barrel (Dubai crude) for the first nine (9) months of 2017 versus US$ 38.98 per barrel in 2016. These drove *Meralco's* average generation charge to Pesos 4.30 per kWh from Pesos 3.87 per kWh as at September 30, 2016. Average overall electricity rate for the nine (9)-month period was at Pesos 7.93 per kWh, 5% higher than the same period in 2016. Average purchase price from the Wholesale Electricity Spot Market ("*WESM*") was at Pesos 4.34 per kWh.

Non-electric revenues was at Pesos 5.5 billion, 8% lower compared with 2016. As at September 30, 2017, these represented nearly 3% of total revenues.

Consolidated Core EBITDA was Pesos 26.3 billion, equivalent to a Core EBITDA margin of 13% on consolidated electricity revenues.

Financing expenses during the period were 17% higher than 2016 at Pesos 1.1 billion as a result of the prepayment of the floating interest rate-note from a local bank. These were offset by interest income of Pesos 1.6 billion during the first nine (9) months of 2017.

Consolidated capital expenditures ("*CAPEX*") for the nine (9) months of 2017 amounted to Pesos 8.1 billion, as *Meralco* continued to execute on the partial approvals of the *CAPEX* for the 1st and 2nd Regulatory Years ("*1RY*" from July 1, 2015 to June 30, 2016 and "*2RY*" from July 1, 2016 to June 30, 2017) of the 4th Regulatory Period ("*4RP*", July 1, 2015 to June 30, 2019). The 3rd *RY CAPEX* filed totaling Pesos 18.8 billion is still pending approval from the Energy Regulatory Commission ("*ERC*").

Cash flows from operations for the first nine (9) months of 2017, net of the *ERC*-ordered refund within a three (3) month-period of Pesos 6.9 billion of pass-through over-recoveries covering the period 2014 – 2016, stood at Pesos 26.4 billion, 1% higher than the same period in 2016. Free cash flows, net of investments in available-for-sale ("*AFS*") and held-to-maturity ("*HTM*") instruments, was Pesos 20.8 billion as at September 30, 2017. Cash and cash equivalents amounted to Pesos 46.7 billion at the end of the third quarter of 2017.

Total interest-bearing debt was at Pesos 40.2 billion as at September 30, 2017, of which Pesos 15.3 billion is maturing within one (1) year. During the first nine (9) months of 2017, Pesos 4.9 billion of long- and short-term debt was contracted, while Pesos 6.2 billion of principal and interest were paid.

Gross Debt to EBITDA stood at 1.15x.

Contributions from subsidiaries to the *CCNI* for the nine (9) months ended September 30, 2017 were mainly provided by CIS Bayad Center, Inc. ("*Bayad Center*"), (ii) Radius Telecoms, Inc. ("*Radius*") and (iii) *CEDC*, which together added over Pesos 570.0 million.

CEDC contributed Pesos 109 million to the core electric distribution operating results, with sales volumes of 427 GWh for the first nine (9) months of 2017, 3% higher than in 2016. *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 business, a tire manufacturing company, hotels, leisure and entertainment companies, and the Clark International Airport.

"*Meralco*'s 4% growth in energy sales volumes, 5% expansion in customer base, and 3% increase in *CCNI*, for the first nine (9) months of 2017 are significant achievements, considering the high base in 2016. Regulatory, policy and judicial challenges relating to Retail Competition and Open Access ("*RCOA*") temporarily weighed down on the performance of *MPower*, *Meralco*'s Retail Electricity Supply ("*RES*") unit. We are now back on track to serving the growing number of contestable customers with our highly competitive product, service and price offerings.

"Our goal is to continue building and maintaining a highly reliable, smart and resilient electricity network, a digitally-enabled customer experience platform, smart payment fulfilment service, value-adding beyond-the-meter services, internationally-competitive electro-mechanical engineering capabilities and services and our portfolio of advanced technology, fuel-efficient and reliable power plants to elevate us to newer growth trajectories," said **Manuel V. Pangilinan,** Chairman of *Meralco*.

Core Power Distribution Business: Growth in a Challenging Environment

The first nine (9) months of the year saw an acceleration in the increase in [energy] prices, which was brought about by higher fuel and oil prices. The increase was exacerbated by the lingering effects of several weather disturbances that hit the franchise area. Further, the delay in the roll-out of the country's infrastructure program has added to the slower overall expansion of the business.

That said, the overall macroeconomic situation combined with the high base in 2016 have tempered the average growth in energy sales volume to 4%. Sales volume growth though muted, was noted across all customer classes. Residential volume rose by 4% to 9,815 GWh, 403 GWh more than in 2016, supported by strong consumer confidence particularly in the National Capital Region ("*NCR*"), despite the slight uptick in inflation. New builds for apartments, condominium units, single detached houses and government housing continued to increase. For the month of September 2017 alone, Residential sales volumes grew close to 9% year-on-year, reflecting the highest single month growth for the nine (9)-month period.

Commercial customers' volume continued to expand, underpinned by a healthy demand for office spaces for the Business Process Outsourcing ("*BPO*") sector as their tax exemption is expected to be retained under the proposed House Bill on Tax Reform for Acceleration and Inclusion ("*TRAIN*"), and the growing Philippine Offshore Gaming Operators ("*POGO*") sector, which is providing meaningful incremental demand for space. Total volumes for the nine (9) months of 2017 amounted to 12,382 GWh, more than 4% higher than the comparative period. Real estate continued to grow rapidly. Retail trade remains a strong pillar for Commercial sales growth with contributions from tourism spurred by continuing airline promotions, budget airfares from carriers and competitive hotel pricing. As well, restaurants, especially those providing quick service, benefit from the growing population.

Industrial sales volumes sustained its growth momentum, anchored on the robust performance of the semiconductor, food and beverage, and basic metals industries. Industrial sales volumes were up by more than 4%. Electronics continues to be the major export for the country as demand for electronic devices for automotive and wearables remain robust. Growth in food and beverage is reflective of healthy consumer demand. The sales growth in basic metals mirrors the sustained strength of the construction sector, driving steel plants to ramp up with increased running hours.

The overall increase in sales volume in the last five (5) years ranged from a low of 2% in 2014 to a high of nearly 10% in 2016.

In the first nine (9) months of 2017, a total of 13 weather disturbances entered the Philippine Area of Responsibility ("*PAR*"). However, only Typhoon Maring (international code name "*Doksuri*") had a significant impact on the *Meralco* franchise area. During the onslaught of typhoon Maring, a total of 145 circuit tripping incidents occurred, affecting around 568 thousand customers. In October, tropical storm Paolo (international codename "*Lan*") also entered the *PAR* but did not have significant impact in the *Meralco* distribution system as it veered away from the country and did not make landfall.

With the *Meralco* Networks and Customer Retail Service units coordinating very closely on customer requirements, *Meralco* continues to deliver on the operating excellence expectations of customers and regulators, despite the System Average Interruption Frequency Index ("*SAIFI*"), System Average Interruption Duration Index ("*SAIDI*") and time-to-connect metrics being affected by several distribution system requirements and by Public Private Partnership ("*PPP*"), public works, and local government-related relocation projects.

In September 2017, *Meralco* completed the uprating of the 115 kV power circuit breakers at the Balintawak Substation with the replacement of 18 power circuit breakers and 36 disconnect switches. These will strengthen Sector 1 of *Meralco*'s sub-transmission system and ensure distribution grid security during major faults. The Lucena 115 kV-34.5 kV substation was commissioned at the end of September 2017. This addresses the critical loading of the Tayabas 83 MVA bank and provides additional capacity for customers in Tayabas, Lucena, Sariaya, Pagbilao and other adjoining areas in Laguna and Quezon. The project likewise improves the reliability, operating switching flexibility and technical system loss of the distribution system in the area. The construction of Paco delivery point's additional 115 kV Lines was also completed at the end of September 2017. The project will shift Legazpi and Kamagong Substations from Sector 3 to Sector 1 of *Meralco*'s sub-transmission system, which will correct the N-1 contingency problem of Zapote 115 kV line outlets and likewise provide switching flexibility between the two (2) sectors, benefitting the areas of Manila, Quezon City, Pasay City, Makati City and Parañaque City. The commissioning of these additional Paco lines will be scheduled in conjunction with the energization of the Balintawak 5th 300 MVA power transformer bank by the end of this year.

The relocation of electric poles related to the road widening project of the Department of Public Works and Highways ("*DPWH*") along three (3) major highways in the CALABARZON areas are underway.

Other electric capital projects include the reconductoring of 15 spans of the North Port circuit to complete the conversion of the Sampaloc line to a 34.5 kV distribution system, the swapping of circuits within the Angat substation and the replacement of ageing wooden poles along Pacita Avenue in Laguna.

The *Company*'s *CAPEX* also addressed the demand for prepaid metering in the real estate sector. The *ERC* has approved a total of 100,000 prepaid meters to be installed in the first *RY* of the *4RP*. This is in addition to the 40,000 prepaid meters approved in the *3RP*. As at September 30, 2017, a total of 76,770 prepaid meters have been deployed to residential customers. Average per capita monthly consumption of prepaid metering accounts increased to 132 kWh in September 2017 from 113 kWh in December 2016.

Net System Input ("*NSI*") consisting of the total energy delivered to the *Meralco* distribution system increased by almost 4% to 33,017 GWh, slightly below the increase in energy sales of more than 4% to 30,975 GWh for *Meralco* alone. The difference represents an improvement in System Loss ("*SL*"), which translates to savings for *Meralco* consumers. *SL* is the difference between *NSI* and volume of energy distributed. *NSI* for *CEDC* for the nine (9)-month period was 437 GWh while energy sales volumes amounted to 427 GWh. On a consolidated basis, the *Company*'s sales volumes totaled 31,401 GWh, more than 4% higher compared with the same period in 2016.

SL performance continues to reflect *Meralco* and *CEDC*'s operational excellence and efforts to contain costs for its customers. As at September 30, 2017, the 12-month moving average ("*12-MMA*") *SL* rates of *Meralco* and *CEDC* were both at all-time record lows of 6.05% and 2.35%, respectively.

The *Company*'s franchise mandate to source at least cost for the benefit of its consumers has always been fundamental to *Meralco*'s energy sourcing strategy. For the first nine (9) months of 2017, *Meralco*'s average retail rate was at Pesos 7.93 per kWh, with the generation charge at Pesos 4.30 per kWh, accounting for 54% of the total retail price. The average retail rate in 2017 is higher by Pesos 0.37 per kWh or nearly 5%, compared with 2016. The transmission charge, which is billed by the National Grid Corporation of the Philippines ("*NGCP*") was almost 1% lower than in 2016 at Pesos 0.80 per kWh. The average distribution rate was Pesos 1.43 per kWh due to the higher share of sales coming from the Residential sector during this period. System loss charges accounted for only 4% of the customer bill. Significant to note is that the taxes, subsidies and universal charge components of the customer bill, which have increased to 12%, as well as higher Feed-In-Tariff Allowance ("*FIT-All*") of Pesos 0.15 per kWh, now represents 2% of the average retail rate as subsidy for Renewable Energy projects, which is being passed on to consumers based on *ERC* Resolution No. 16 Series of 2010.

The average generation cost of *Meralco* for the first nine (9) months of 2017 was Pesos 4.63 per kWh, Pesos 0.74 per kWh higher than in 2016. *WESM* prices have started to inch up, although remain below Pesos 5.00 per kWh, the average of peak and off-peak prices. *Meralco* purchased a total of 3,897 GWh from the *WESM*, or approximately 13% of its billed volume for the first nine (9) months of 2017.

Recent increases in solar installations require *Meralco* to ensure that the system can accommodate the peaks and troughs of own-use installations without adversely affecting power quality to consumers. For the nine (9) months ended September 30, 2017, a conservative estimate places solar own-use or self-generation at a total of 1,533,758 kWh.

Retail Competition and Open Access ("*RCOA*") continues to experience increasingly intense pricing and service offering competition. Total Retail Electricity Supply ("*RES*") volumes of *Meralco*'s *RES* (or within the *Meralco* franchise area) was over 7,700 GWh, reflecting an increase in energy sales of 33% compared with 2016. As of September 30, 2017, there are a total of 691 customers within the franchise area who have opted for contestability with total consumption of over 970 GWh. *MPower*, *Meralco*'s local *RES* arm and Vantage Energy Solutions and Management, Inc. ("*Vantage*"), its wholly-owned affiliate *RES*, serve a combined 41% of the total count of the contestable market with competitive product and pricing offers which suit the needs of customers.

The electric industry continues to be challenged on the regulatory front. *Meralco* is working with the Department of Energy ("*DOE*"), *ERC* and legislators on various matters of significant interest and impact to consumers. These include (i) proposed policies and rules on retail market contestability, competition and licensing, which would address the subject of a Temporary Restraining Order ("*TRO*") issued by the Supreme Court following filings by adversely affected customers, businesses and customer groups; and (ii) proposed Renewable Portfolio Standards ("*RPS*") affecting all distribution utilities ("*DU*s"), electric cooperatives ("*EC*s") and *RES*s.

The *Company* will continue to actively participate in any public consultations and hearings on the foregoing issues for the benefit of consumers and the industry.

"Our core distribution business continues to be the major driver of our growth to-date. We are driving other business verticals, such as power generation, retail electricity supply and related service businesses to contribute to future growth.

"A major development has been the broadening of *Meralco*'s energy sourcing to include renewables. Complementing its tightly negotiated Power Supply Agreements, which have helped in stabilizing and containing the prices of electricity, *Meralco* has signed 185 MW of solar Power Supply Agreements at prices way below Feed-In-Tariff rates, the last being as low as Pesos 2.9999 per kWh. Feed-in-Tariff was at Pesos 9.68 per kWh for the first 50 MW and Pesos 8.69 per kWh for the next 450 MW.

"A lot of work is carried out by our over 10,000-strong workforce, including our subsidiaries, affiliates and service providers. We are forging ahead with our *IT*-based customer service platform, *CXE*, which starts from when a customer signs up for *Meralco* service through payment fulfilment and after-service requirements, all designed to continuously enhance customer experience on a digital platform. This provides our customers with flexibility and convenience at their fingertips," said **Oscar S. Reyes**, President and Chief Executive Officer.

<u>Sustained Contribution from Non-electric Subsidiaries</u>

Bayad Center

The bills volume handled by *Bayad Center* grew to 68.3 million for the nine (9) months ended September 30, 2017, 10% or 6.2 million higher compared with the same period in 2016. It now serves a total of 265 biller brands, including government institutions, telecommunications companies, utilities, schools and insurance companies, among others.

Bayad Center services the paying public not only through traditional over-the-counter payment centers, automated payment machines and retail machines for neighborhood or "sari-sari" stores, but also via emerging electronic and digital platforms. It has since begun to repurpose its brick and mortar infrastructure, and capitalize on its ability to support banks, financial institutions, and other parties in the payment fulfilment eco-system for outsourced payments and payouts.

Meralco owns 95% of *Bayad Center* through Corporate Information Solutions, Inc. ("*CIS*").

Radius

Radius continuously delivers data, internet and value-added services on an end-to-end fiber optic platform. Its performance continues to be boosted by the increasing billed monthly recurring revenues, which grew 21% during the first nine (9) months of 2017. *Radius* provides back-up telecommunications services to other carriers and businesses with private leased line circuit solutions that enable connection to multiple sites globally.

Radius is wholly-owned through eMeralco Ventures, Inc. ("*eMVI*").

<u>Advancing on *MGen*'s Power Generation Projects</u>

MERALCO PowerGen Corporation ("*MGen*") looks forward to the long-pending approval by the *ERC* of several Power Supply Agreements ("*PSA*s") filed last April 29, 2016. These *PSA*s are urgently needed to ensure adequate, reliable power supply to residential consumers and businesses, and further delays could have increasingly adverse impact on power plant project costs and completion dates. Construction and advanced development works to the extent feasible, continue for three (3) of *MGen*'s projects. *MGen*'s primary objective is to bring into the power generating sector, highly fuel-efficient and reliable power plants.

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

The implementation of the Engineering, Procurement and Construction ("*EPC*") contract continues to progress well and is currently in the 23rd month. Recent major construction milestones include top out of the boiler structure and the stack, and installation of all five (5) transformers. With the foregoing, the project remains on track to be delivered within the budgeted project cost, and on schedule by mid-2019.

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

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

The selected *EPC* contractor for *RP Energy*, Doosan Heavy Industries & Construction Co. Ltd., and Azul Torre Construction, Inc., continue with the work scope under the Limited Notice To Proceed ("*LNTP*") dated October 13, 2016.

The *PSA* approval by the *ERC* is critical as further delay will have significant implication not only on the overall project but more critically, to the power supply situation of the country. During a joint hearing of the House Committee on Good Government and Public Accountability and House Committee on Energy ("*House Committees*") on July 4, 2017, the *ERC* Commissioners committed to the *House Committees* that action shall be taken on the *PSA*s within three (3) months from said hearing date, or by October 4, 2017. In another joint hearing of the *House Committees* held on October 11, 2017, the *House Committees* issued a Resolution for the immediate Resolution by the *ERC* of the *PSA*s. This resolution should pave way for the decision by the *ERC* on the *PSA*s.

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.

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

The *PSA* between *A1E* and *Meralco* from *A1E*'s 2x600 MW plant was filed with the *ERC* on April 29, 2016 and is awaiting the latter's approval.

EPC evaluation and discussion with short-listed contractors are at an advanced stage. It is the intent to sign an *EPC* contract as soon as *ERC* approval on the *PSA* is secured. Financing has been arranged with a Mandate Letter signed with a consortium of local banks.

Transmission right-of-way ("*ROW*") acquisition continues to progress well.

A1E is a 2x600 MW greenfield, ultra-supercritical pulverized coal-fired plant in Atimonan, Quezon. Completion of the first 600 MW is targeted by late 2021, and the second unit by mid-2022.

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

St. Raphael is a 2x350 MW (net) subcritical pulverized coal-fired plant in Calaca, Batangas. It is a joint venture with Semirara Mining and Power Corporation ("*Semirara*"). A *PSA* for 400 MW of its capacity has been signed with *Meralco*. *St. Raphael* and *Meralco* have filed a joint application with the *ERC* for the approval of the *PSA*.

St. Raphael continues to advance development work on the project, including coordination with the National Grid Corporation of the Philippines ("*NGCP*") on the interconnection requirements of the project.

GBPC

GBPC provided total contributions of Pesos 241.2 million to the *CCNI* of *Meralco*, through *MGen*. *Meralco* signed a seven (7)-year *PSA* with *PEDC* for 70 MW out of the 150 MW-capacity of its coal-fired plant in April 2016. Said *PSA* was granted provisional 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. *MGen* holds 14% of the equity in *GBPC*.

PacificLight Power Limited ("PacificLight")

The two (2) units of *PacificLight* achieved availability of 93% in the first nine (9) months of 2017 with over 9% share of the wholesale market and 6% of the retail market. Total contract position achieved, including the liquefied natural gas ("*LNG*") vesting provided by the Electricity Market Authority, was over 450 MW, above the minimum stable load of 400 MW.

In order to improve dispatch of its plant, *PacificLight* entered into a tolling agreement with a gas player, offering 60 MW of its capacity for two (2) years through March 2019. Such arrangement allows *PacificLight* to achieve operating efficiency gains and to earn tolling income, and allows its counter party to monetize its gas.

Demand in the Singapore market continues to grow, albeit still at a relatively slow pace, with growth at just over 1%, weighed down by the unusually cooler weather in 2017. Notwithstanding the growth, the market remains challenging, with low prices prevailing in both the contract and retail markets.

PacificLight's performance measured in terms of EBITDA remains positive at S$16.6 million

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

"The conduct of a series of hearings by the House Committee on Energy where it was evident that there was absolutely no participation by *Meralco* in the restatement of the effectivity of the Competitive Selection Process with respect to Power Supply Agreements ("*PSA*s"), and the issuance of a Resolution for the immediate resolution of the pending *PSA*s by the *ERC* are hoped to now better enable the ERC to act positively on these *PSA*s.

"Two (2) of our projects, Atimonan One Energy ("*A1E*") and Redondo Peninsula Energy ("*RP Energy*"), are both shovel-ready to start construction. Beyond our apprehension regarding the price- and period-validity of our Engineering, Procurement and Construction contracts and financing arrangements, we are genuinely concerned about the power situation and impact on price in a supply-challenged environment, and would like to provide solutions to these" said Mr. Reyes.

Conclusion and Outlook

"We are looking towards a future of (i) sustained gains in energy efficiency; (ii) growing distributed generation, particularly solar installations; (iii) increased e-transport starting with public transport vehicles, such as e-trikes; (iv) a higher share of Renewables in the energy supply chain; (v) potential game-changing breakthroughs in energy storage, longer term.

These will transform the energy demand-supply landscape and the generation, transmission and distribution business economics in the coming years.

"In the meantime, we continue to strengthen our core distribution business with heavy capital expenditures for load and customer growth, network resiliency and enhanced customer experience. We will develop and build on our target portfolio of over 3,000 MW of highly efficient, reliable and competitive power generating plants to support the growing demand for electricity. We await *ERC* approval of the Power Supply Agreements for the *Atimonan One, RP Energy* and other power plants, which were filed on April 29, 2016.

"Amidst policy and regulatory challenges, we remain steadfast in our commitments to deliver highly reliable, least cost power to our customers, and to deliver shareholder value in terms of an attractive dividend payout to our stockholders.

With only two (2) months remaining in 2017, we are indicating a guidance on 2017 Consolidated Core Net Income to be a slight improvement over the amount reported in 2016," concluded Mr. Pangilinan.

	MANILA ELECTRIC COMPANY Consolidated Financial Highlights (in Million Pesos, except per share data)		
	For the Nine Months Ended September 30		% Change
	2017	2016	
REVENUES			
Electricity	208,848	189,135	10
Non-electricity	5,541	6,029	(8)
	214,389	195,164	10
COSTS AND EXPENSES	193,808	174,941	11
OTHER INCOME – net	1,657	1,768	(6)
INCOME BEFORE INCOME TAX	22,238	21,991	1
PROVISION FOR INCOME TAX	6,220	6,171	1
NET INCOME	16,018	15,820	1
NET INCOME – AS REPORTED	15,928	15,676	2
CORE NET INCOME	15,370	14,966	3
EARNINGS PER SHARE			
On Reported Net Income			
Basic	14.132	13.908	2
Diluted	14.132	13.908	2
On Core Net Income [1]			
Basic	13.637	13.278	3
Diluted	13.637	13.278	3

[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:

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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.