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 29

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

Number of Shares of
Common Stock Outstanding

1,127,098,705
(As of June 30, 2018)

Debt Securities: Php 18.5 Billion Bonds

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

The Company's Board of Directors, in its regular meeting held today, July 30, 2018, approved the following matters:

1. The Company's Financial and Operating Results for the First Half of 2018 (refer to the attached Press release); and

2. The declaration of cash dividends of Pesos 5.311 per share to all shareholders of record as at August 29, 2018, payable on September 24, 2018 representing interim regular cash dividend from the first half 2018 Consolidated Core Net Income. This is 55% of Core Earnings for the period.

SIGNATURE

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

MANILA ELECTRIC COMPANY
Issuer

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

Date: July 30, 2018

Cc: Disclosure Department
Listings and Disclosure Group
Philippine Stock Exchange

Issuer Compliance and Disclosure Department
Philippine Dealing & Exchange Corp.

MERALCO

PRESS RELEASE
MANILA ELECTRIC COMPANY
1H2018 FINANCIAL AND OPERATING RESULTS
WITH COMPARATIVES vs. 2017

HIGHLIGHTS

- Consolidated Core Net Income for the first half of 2018 at Pesos 10.9 billion, 7% higher than in the first half of 2017
- Consolidated Reported Net Income for the first half of 2018 at Pesos 12.0 billion, 14% higher year-on-year
- Consolidated revenues of Pesos 150.5 billion for the first six (6) months of 2018, 7% higher year-on-year
- Consolidated volume of energy sold for the first half of 2018 was 21,665 GWh, 7% higher than the 20,338 GWh for the same period in 2017
- Total number of billed customers rose to 6.5 million as at June 30, 2018, reflecting a year-on-year growth of almost 5%
- Consolidated costs and expenses at Pesos 136.9 billion for the six (6) months ended June 30, 2018, 7% higher compared with Pesos 127.5 billion in 2017
- Consolidated EBITDA amounted to Pesos 17.6 billion, up 2% year-on-year
- Core earnings per share at Pesos 9.627, Peso 0.650 higher than in the first half of 2017
- Reported earnings per share at Pesos 10.623 compared with Pesos 9.317 in 2017
- Interim regular cash dividend of Pesos 5.311 per share payable on September 24, 2018, representing 55% payout of Core Earnings

MANILA, PHILIPPINES, 30th JULY 2018 – Manila Electric Company ("*Meralco*" or the "*Company*") (PSE: MER) today announced its unaudited financial and operating results for the six months ended June 30, 2018. Consolidated Core Net Income ("*CCNI*"), which excludes one-time, exceptional gains and charges, amounted to Pesos 10.9 billion, 7% higher than Pesos 10.1 billion registered in the first half of 2017. Core Earnings Per Share ("*EPS*") was Pesos 9.627.

Consolidated Reported Net Income rose by 14%, to Pesos 12.0 billion, for the period. Reported *EPS* stood at Pesos 10.623.

Consolidated revenues in the first half of 2017 was Pesos 150.5 billion, 7% higher compared with Pesos 141.0 billion for the same period in 2017. The higher revenues is the result of the combined effect of (i) a 7% increase in volume of energy sold; and (ii) the increased generation charge brought about by higher fuel prices, the weakening of the peso vis-à-vis the U.S. dollar to Pesos 53.52:US$1 as at June 30, 2018 from Pesos 50.47:US$1 as at June 30, 2017, the higher local Consumer Price Index ("*CPI*"), and higher prices in the Wholesale Electricity Spot Market ("*WESM*"). The average distribution rate of *Meralco* was Pesos 1.42 per kWh, Pesos 0.01 lower than in 2017, as the sales mix reflected a slightly higher share of Industrial over Residential volume.

For the first six (6) months of 2018, non-electric revenues consisting largely of revenues from subsidiaries' operations was Pesos 3.6 billion, stable compared with the amount for the same period last year. Non-electric revenues consists mainly of business generated by (i) foreign attachment to the *Meralco* poles; and (ii) revenues from subsidiaries, which include (a) Meralco Industrial Engineering Services Corporation ("*MIESCOR*") and its subsidiaries from its Engineering, Procurement and Construction ("*EPC*"), and Operations and Maintenance works involving various substations and transmission/telecommunications lines, which would have generated higher revenues, save for the delayed award of certain projects; (b) Meralco Energy, Inc. ("*MServ*") for the supply and installation of powerhouse, load side and substation equipment, and energy efficiency services; (c) CIS Bayad Center, Inc. ("*Bayad Center*") handling payment collections for 277 corporate and government billers in over 9,100 sites and collection partners, spot billing volumes, remittances and other fee-based transactions; and (d) Radius Telecoms, Inc. ("*Radius*") with higher recurring revenues as a result of an expanding customer base and high service reliability.

Total costs and expenses for the first half of 2018 amounted to Pesos 136.9 billion, 7% higher than in 2017. The cost of purchased power represented 85% of total costs and expenses in the first half of 2018, one percentage point (1%) higher than in 2017 due to the higher cost of power, including *WESM* prices. Operating expenses consisting largely of labor and contracted services were stable at Pesos 12.2 billion. This amount includes taxes, fees and permits in the first half of 2018 of Pesos 503.0 million, 12% lower year-on-year, as the 2017 amount included documentary stamp taxes paid on *Meralco*'s loans, which were then re-contracted into 2017.

Consolidated EBITDA for the first six (6) months of 2018 was Pesos 17.6 billion, with EBITDA margin on consolidated gross revenues, steady at 12%.

Cash and cash equivalents amounted to Pesos 50.8 billion as at the end of June 2018, higher compared with the Pesos 45.7 billion in June 2017. This amount excludes held-to-maturity ("*HTM*"), available-for-sale ("*AFS*") investments, and other short-term placements classified under "Other Noncurrent Assets" and "Other Current Assets" accounts, depending on maturity as at June 30, 2018. Consolidated free cash flow, net of *HTM* and *AFS* investments, principally Unit Investment Trust Funds ("*UITF*"), and other short-term placements was Pesos 14.2 billion as at June 30, 2018.

Consolidated capital expenditures ("*CAPEX*") implemented, amounted to Pesos 6.6 billion in the first half of 2018, 25% higher than in 2017, of which electric capital projects ("*ECPs*") amounted to Pesos 5.5 billion or 83% of total *CAPEX*. *Meralco* has been ramping up the implementation of its *CAPEX* program since the final and partial approvals by the Energy Regulatory Commission ("*ERC*") of the First and Second Regulatory Years ("*1RY*" and "*2RY*") *CAPEX* for the Fourth Regulatory Period ("*4RP*") on June 15, 2016 and July 25, 2016, respectively. Much of the prioritized *CAPEX* pertain to asset additions and renewals that are necessary to address increased capacity, reliability, power quality, enhanced customer service and infrastructure resilience requirements, as well as continued compliance with existing statutory and regulatory provisions.

In the meantime, the *4RY CAPEX* program totaling Pesos 21.0 billion was filed with the *ERC* on April 30, 2018 and is pending approval, together with the *3RY CAPEX* filed on April 3, 2017. Similarly, the balance of the *2RY CAPEX* filed on March 8, 2016 is awaiting approval of the *ERC*.

Consolidated gross debt as at June 30, 2018 amounted to Pesos 39.9 billion, of which Pesos 1.6 billion represents debt at the operating subsidiaries. Gross Debt to EBITDA stood at 1.13x, while Net Debt to EBITDA was negative 0.31x as at the same date. Total proceeds from short-term debt amounted to Pesos 1.4 billion for the six (6) months ended June 30, 2018, all of which were at the operating subsidiaries level. There were no long-term borrowings in the first half of 2018. Total debt repayments and financing costs paid in the first half of 2018 amounted to Pesos 2.6 billion. All of *Meralco*'s debts are denominated in Philippine pesos, with no significant maturities until 2020. Financing costs amounted to Pesos 1.0 billion, 38% higher than in the same six (6) month-period in 2017 mainly due to higher interest rates and an accounting adjustment to recognize accretion of deemed interest.

Cash dividends declared in the first six (6) months of 2018, which pertain to final dividends declared out of the 2017 *CCNI* totaled Pesos 9.1 billion or Pesos 8.065 per share. This excludes the interim cash dividend approved by the Board of Directors ("*Board*") today. Total interest income earned in the first six (6) months from cash and cash equivalents and placements in *HTM*, *AFS*, and other short-term investments amounted to Pesos 1.2 billion, 13% higher compared with 2017.

"In our meeting today, the *Board* approved cash dividends of Pesos 5.311 per share to all shareholders of record as at August 29, 2018, payable on September 24, 2018 representing interim regular cash dividend from the first half 2018 *CCNI*. This is 55% of Core Earnings for the period.

"We continue to focus on the operation of a highly efficient and reliable distribution utility, as well as unparalleled customer service," stated **MR. MANUEL V. PANGILINAN, Chairman.**

"Furthermore, we are fully committed to support Government's "Build Build Build" aspirations by ensuring the delivery of sufficient power requirements. Critical to our ability to do so is the support of our regulators, policymakers and other relevant bodies as well as the rest of the power industry stakeholders in providing the required energy security, reliability and customer service assurance with timely support and action of distribution system *CAPEX* and power generation investments anchored on the approvals of the Power Supply Agreements ("*PSA*s") filed.

"These will also enable us to continue building a robust and resilient business across the various *Meralco* organizations, boost customer and shareholder values in a very challenging operating environment," said **Mr. Pangilinan**.

<u>The Core Distribution Business Amidst Challenges</u>

Consolidated electricity sales volumes grew by 7% year-on-year to 21,665 GWh, following a strong first quarter of 2018 where volumes surged by 9% over the comparative period to 10,145 GWh. On a monthly basis, while June 2018 sales volumes were at 3,969 GWh, reflecting a mild 3% growth, it is the highest ever volume wheeled in a month in *Meralco*'s 115-year operations. This is consistent with historical performance where June is the strongest sales month for the period. *Meralco*'s system peak demand for the first half of 2018 was at 7,399 MW recorded on May 23, 2018, up 6% over the 6,973 MW on June 14, 2017.

Meralco's Industrial sales volumes grew by 9% to 6,249 GWh year-on-year, representing 29% of total GWh distributed. Growth was led by semiconductor, food and beverage, and rubber and plastics industries. The local and international quick service restaurants ("*QSRs*") drove the rubber and plastics industry volume growth of 11% versus its comparative volume in 2017 as the demand for plastic and plastic alternative packaging increased both for food and non-food products. In addition, the higher fuel prices and the weakening of the peso pushed manufacturers to source power from the grid rather than run their oil-fired generators. Revenues from exports of the semiconductor industry continued to increase, albeit at a lower rate of 4% as some companies are in a "wait and see" mode pending further amendments under the Tax Reform for Acceleration and Inclusion ("*TRAIN*") Law 2 and talks of charter change. The 4% growth in the food and beverage industry comes from staple meat product plants as well as dressing plants for *QSR*s.

Residential sales volume of *Meralco* increased by 6% to 6,712 GWh due to new accounts and the ramp-up from accounts energized in 2017. The municipalities of Rosario and San Pedro in the provinces of Cavite and Laguna, respectively, as well as the cities of Alabang, Muntinlupa, Taguig, Las Piñas and Parañaque, which constitute a significant area in the south section of the *Meralco* franchise area, contributed the highest growth in residential energy sales volumes. New customers, higher temperatures and inflation continue to be the drivers for Residential volumes. In the first six (6) months of 2018, substantially lower real feel temperature at 35.1°C (1.8°C less than in the same period in 2017) and higher June 2018 inflation at 5.3% (the highest since October 2011) caused organic sales growth to be lower than in the same period in 2017. As at June 30, 2018, total Residential energy sales represented 31% of total sales volumes.

Meralco's Commercial sales volume grew 6% year-on-year to 8,379 GWh. Real estate, retail trade, and hotels and restaurants contributed most to the sales volume growth. The Philippine Offshore Gaming Operators ("*POGO*s") continue to be a major growth factor for both Commercial and Residential real estate sector. Total office space transactions in Metro Manila further expanded as new licenses were issued by the Philippine Amusement and Gaming Corporation ("*PAGCOR*") in the first half of 2018. In 2017, a large share of the total office space transactions in Metro Manila were for *POGO*s, which expanded by 6% as of the first half of 2018. The *POGO*s have also spurred the growth in related industries such as retail outlets and condominium occupancy with the increasing number of Chinese nationals operating these eCasino businesses. On the other hand, office space take-up for Business Process Outsourcing ("*BPO*") was lower by 22% due to delayed approval of such spaces as Philippine Economic Zone Authority ("*PEZA*")-qualified locations. The increase in energy sales for retail trade also came from several new malls and mixed-use complexes inaugurated and opened in 2017. Energy sales from hotels and restaurants continue to expand as operations normalized for newly opened establishments. Commercial sales volume represents 39% of total volume distributed.

As at June 30, 2018, a total of 95,731 prepaid electricity ("*PRES*") customers have been activated, with year-to-date average per capita kiloWatthour ("*AkPU*") at 140 kWh, which is 6% higher than the same period last year. The increasing migration to urban areas to support the services sector drove condominium units-occupancy. Cumulative churn rate is less than 2% or a total of 1,465 customers, to date.

Energy sales volumes for Clark Electric Distribution Corporation ("*CEDC*") for the first six (6) months of 2018 was at 257 GWh, 9% lower than in 2017, as *CEDC* opted to have a major customer secure its distribution service from Clark Development Corporation ("*CDC*"). Normalized for the effect of this transfer of service of such locator to *CDC*, total energy sales volumes grew by 8% or 20 GWh, indicative of increased business activities within the Clark Economic Zone. Average generation rate was at Pesos 5.24 per kWh.

The average *Meralco* retail price for the first half of 2018 was at Pesos 8.83 per kWh, with generation charge being the largest component at 56%. Transmission, distribution, system loss, and taxes and universal charges (including the increased Feed-in-Tariff Allowance or "*FIT-All*") represented 10%, 16%, 4% and 14% of the average retail price, respectively.

Average generation charge to consumers was Pesos 4.94 per kWh, Peso 0.49 per kWh or 11% higher than the average rate in the same period last year. Transmission charge was at Peso 0.84 per kWh in 2018, 2% higher than the Peso 0.82 per kWh in 2017. Average system loss ("*SL*") rate was at Peso 0.36 per kWh, Peso 0.04 per kWh or 13% higher than the average rate in the same period last year.

Meralco's Net System Input ("*NSI*") was 22,942 GWh for the first six (6) months of 2018. Contracted natural gas plants accounted for 38% of *NSI*. *Meralco*'s contracted coal-fired plants provided 31% of the *NSI*, while 31% of *NSI* represented volume sourced from a mix of hydro, geothermal, renewable, oil and other non-*Meralco* contracted coal-fired plants. Average purchased power cost was at Pesos 5.92 per kWh, 8% higher than in 2017 as a result of the extended scheduled maintenance of certain coal-fired plants, higher global prices of fuel and the weakening of the Philippine peso.

SL performance of *Meralco* for the 12-month period ended June 30, 2018 was at its 115-year "record best" of 5.71%, 1.79 percentage points lower than the applicable regulatory *SL* cap (inclusive of 1% assumed typical Sub-transmission and Substation technical losses) which took effect starting June 2018, as mandated by the *ERC* in its Resolution No. 10, Series of 2018.

Meralco's customer base grew by almost 5% to 6.5 million by end-June 2018, as new connections across all customer classes increased by 294 thousand year-on-year. In the first half of 2018, there were a total of 142 thousand (136 thousand in the first half of 2017) net new connections, reflecting an average of more than 23 thousand new customers per month. New Residential connections were the highest at 135 thousand, with Commercial at seven (7) thousand and Industrial at 120.

Income from *Meralco*'s overseas and domestic technical services agreements and sales of scrap and other materials provided a slight uplift in the *CCNI* for the first half of 2018.

Total *CAPEX* for the first semester of 2018, consisting of completed system requirements, including those for new load and customer requirements, and for system reliability and safety, amounted to Pesos 6.6 billion. The completed major *CAPEX* include the (i) installation of Sta. Maria 115 kV – 34.5 kV Substation Bank 3; and (ii) installation of metalclad switchgear at NGCP-San Jose Substation, which provide additional capacity in the area of Bulacan; (iii) expansion of Balibago 115 kV – 34.5 kV Substation Bank 2, which addresses critical loading of the existing Bank 1 and provides operational switching flexibility; and (iv) commissioning of the New Biñan-Rohm-LIIP 115 kV Line, which addresses the "N – 1" contingency issue of the Biñan-Balibago 115 kV Line and alleviates critical loading of power transformers at *Meralco*'s Sta. Rosa Delivery Point Substation. Other *CAPEX* involve projects in support of the following Government infrastructure programs: (a) Department of Public Works and Highways ("*DPWH*") road widening projects involving the relocation of 808 poles out of the target relocation of 1,519 poles for 2018; and (b) Build, Build, Build ("*BBB*") program of the National Government (which includes Skyway Stage 3, *MRT 7*, *LRT 1* Cavite Extension, *LRT 2* East Extension, *CALAx* and *MNTC* Segment 10, among others) involving the relocation of various *Meralco* affected facilities.

"*Meralco* has been keeping a close watch on potential of emerging headwinds, their possible implications on the country's current robust growth trajectory and targets and any resulting impact on electricity demand and sales. These headwinds include higher fuel and commodity prices, exchange rates, interest rates and inflation, as well as frictions in the global cooperation investment and trade environments," said **MR. OSCAR S. REYES, President and Chief Executive Officer.**

"We are taking the necessary steps to safeguard against any negative spillover effects on our 6.5 million distribution utility ("*DU*") customers through sustained operational excellence in assuring 24x7 electricity service, faster energization of new customers, least cost energy sourcing and dispatching, and similar initiatives," added Mr. Reyes.

Retail Electricity Supply ("*RES*"): An Intensely Competitive Market Benefitting Consumers

The *RES* market continues to face intensified price challenges among certain *RES* market players, particularly those affiliated with coal-fired power plant suppliers and more recently, renewable energy suppliers. Under the Retail Competition and Open Access ("*RCOA*"), *MPower* and local Retail Electricity Suppliers ("*local RES*s") of other private *DU*s and electric cooperatives ("*EC*s") are actively competing to continue to be the supplier of choice of contestable customers in their respective franchise areas. Vantage Energy Solutions and Management, Inc. ("*Vantage Energy*", an affiliate *RES* of *Meralco*), also markets outside the *Meralco* franchise area.

The *RES* energy sales volumes of all *RES* players for the first six (6) months of 2018 was 6,148 GWh from 825 contestable customers within the *Meralco* franchise area. To date, there are more than 700 qualified Phase 1 and Phase 2 customers nationwide, who have not switched to contestability, of which close to 500 are located within the *Meralco* franchise area.

To date, the *ERC* has mandated the contestability on all customers with demand of at least 1 MW. This market consists of 1,228 customers or a total demand of 3,483 MW in the country. Separately, customers with demand of 750 kW up to less than 1 MW are on voluntary contestability beginning December 26, 2017.

Power Generation: Staying the Course to Ensure Supply Security and Price Stability and Competitiveness

"Beyond the impact on project return, *PSA* price and project viability, the most compromised are the load requirement of the customers, the country's power reliability and the perception of regulatory stability. We remain committed to the goal of ensuring power supply security to our *Meralco* franchise area and the Luzon Grid by bringing to commercial operations new, highly fuel-efficient and competitively priced, technologically and environmentally advanced power plants to address the increasing requirements for electricity across all customer classes of *Meralco* and fully support the Government in achieving its aspirational economic growth targets and poverty reduction. Accordingly, we continue to engage with our regulators and policy makers to enable these customer and national interest objectives to be realized," says **MR. ROGELIO L. SINGSON, President, MERALCO PowerGen Corporation ("*MGen*").**

San Buenaventura Power Limited ("*SBPL*")

SBPL is on its 31st month of *EPC* implementation with overall progress at almost 90% and is on track for project completion in September 2019.

SBPL has an Energy Regulatory Commission ("*ERC*")-approved *PSA* for the entire 455 MW (net) capacity with *Meralco*.

SBPL, a joint venture between *MGen* and New Growth B.V., (a subsidiary of Electricity Generating Public Company Limited ("*EGCO*") of Thailand), achieved financial close for its 455 MW (net) supercritical coal-fired plant in Mauban, Quezon in December 2015 for a total debt of Pesos 42.1 billion.

Atimonan One Energy Corporation ("*A1E*")

A1E is classified as a Committed Project by the Department of Energy ("*DOE*"). It is registered as a Preferred Pioneer Project by the Board of Investments ("*BOI*") and has the requisite Department of Environment and Natural Resources ("*DENR*") approvals and permits. *A1E* has undergone and cleared all the regulatory approval and public hearing processes of the *ERC* since the filing of its Power Supply Agreement ("*PSA*") way back on April 29, 2016 and had been submitted for *ERC* decision as early as the second quarter of 2017.

A1E has a highly competitive *EPC* contract with a reputable international contractor and has secured the entire project financing required. *A1E* has been "shovel-ready" and looks forward to the regulatory approval of its *PSA*.

The delay in the requisite approval is adversely affecting the project economics of *A1E*, including exposure to higher fuel prices, interest rates, and a weaker peso against versus the U.S. Dollar. It also puts at risk the electricity price to consumers and the needed security of power supply for the *Meralco* franchise area and the Luzon Grid.

A1E intends to undertake early site works to help manage the project schedule delays caused by the timing in regulatory action. Early site works are related to site access/mobility and detailed soil investigations, among others. *A1E* is also spearheading significant urban planning initiatives for the Municipality of Atimonan to help the community prepare for the development and benefits brought about by the project.

A1E is a 2x600 MW ultra-supercritical pulverized coal-fired plant in Atimonan, Quezon with *COD* in early 2023. It will be the first ultra-supercritical coal-fired facility to be built in the country.

Redondo Peninsula Energy Corporation ("*RP Energy*")

RP Energy was "shovel-ready" to commence power plant construction in the middle of 2017 and with a highly competitive *EPC* contract as well as fully secured project financing. *RP Energy* is also classified as a Committed Project by the *DOE* and is registered as a Preferred Non-Pioneer Project by the *BOI*. Its *PSA* application filed in April 2016 had also undergone all the necessary regulatory processes and public hearings and has also been submitted for *ERC* decision as early as the second quarter of 2017. Absent *ERC* action on *RP Energy*'s *PSA* application, the validity of its *EPC* price expired by the beginning of 2018, and the project has been subjected to significant increases in its total project cost, including higher interest rates, a weakened Philippine Peso vis-à-vis the U.S. Dollar and higher inflation.

Despite this setback, *RP Energy* remains committed to the project as it has an important role in securing the future power requirements of the *Meralco* franchise area and the country. Pending negotiations for a new *EPC* and regulatory action on its *PSA*, *RP Energy* is confining its activities to the maintenance and preservation of the project site in compliance with the requirements of its Environmental Compliance Certificate and its Lease Agreement with the Subic Bay Metropolitan Authority.

RP Energy is a joint venture among *MGen*, Therma Power, Inc. ("*TPI*", a wholly owned subsidiary of Aboitiz Power Corporation) and Taiwan Cogeneration International Corporation – Philippine Branch.

Conclusion

"The economy continues to expand boosted by strong consumer spending and the growth in the service industry, and even the industrial sectors. The ramping up of Government infrastructure projects is expected to further lift the country's growth prospects. These, therefore, serve as imperatives for us to build a robust electricity distribution system along with highly cost-competitive, reliable and environmentally-sound power plant," said **Mr. Pangilinan.**

"Consumer wallets continue to expand as money sent home by overseas Filipinos continue to grow, as well as from employment generated by *BPO*s and *POGO*s. These have continued to drive the growth of commercial and residential energy sales volumes. However, economic headwinds from higher fuel and commodity prices, higher exchange and interest rates, and inflation remind us to remain vigilant and cautious about our own growth targets, investments and spending.

"The commissioning of San Buenaventura Power, our 455 MW (net) super-critical coal-fired plant, the first super-critical plant in the country, in the third quarter of 2019 looks like it would be on schedule.

"In the meantime, we look forward to a better year 2018," concluded **Mr. Pangilinan**.

	MANILA ELECTRIC COMPANY Consolidated Financial Highlights (Unaudited) (in Million Pesos, except per share data)		
	For the six months ended June 30		Percent Change
	2018	2017	
REVENUES			
Electricity	146,903	137,409	7
Non-electricity	3,641	3,623	-
	150,544	141,032	7
COSTS AND EXPENSES	136,861	127,543	7
OTHER INCOME (EXPENSES) – net	1,848	1,100	68
INCOME BEFORE INCOME TAX	15,531	14,589	6
PROVISION FOR INCOME TAX	3,534	4,021	(12)
REPORTED NET INCOME	11,973	10,501	14
CORE NET INCOME	10,851	10,118	7
EARNINGS PER SHARE			
On Reported Net Income			
Basic	10.623	9.317	14
Diluted	10.623	9.317	14
On Core Net Income [1]			
Basic	9.627	8.977	7
Diluted	9.627	8.977	7

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

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

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About *MERALCO*

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

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

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