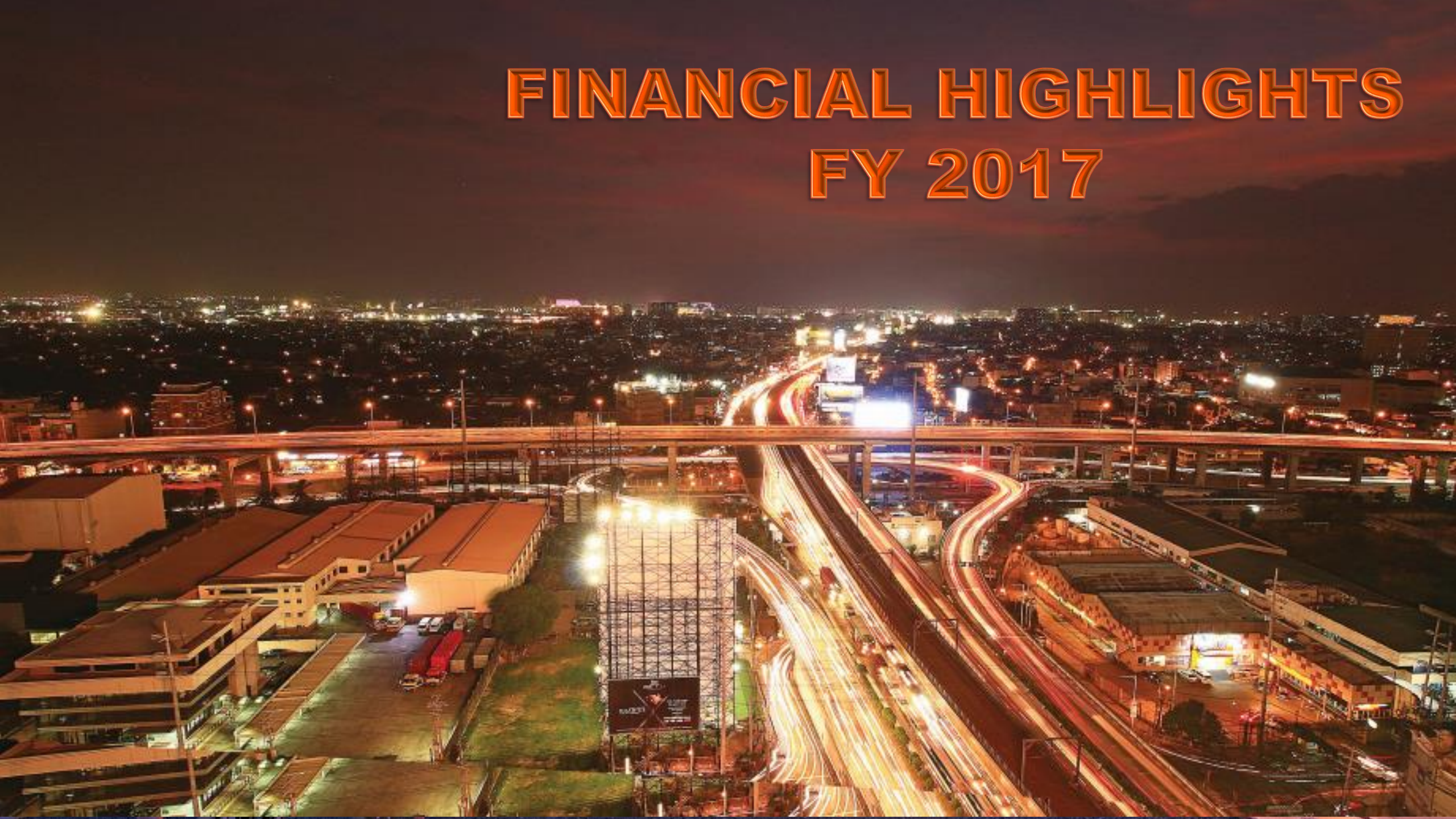
FINANCIAL AND OPERATING RESULTS

Investors and Analysts Briefing

Year Ended December 31, 2017

February 26, 2018

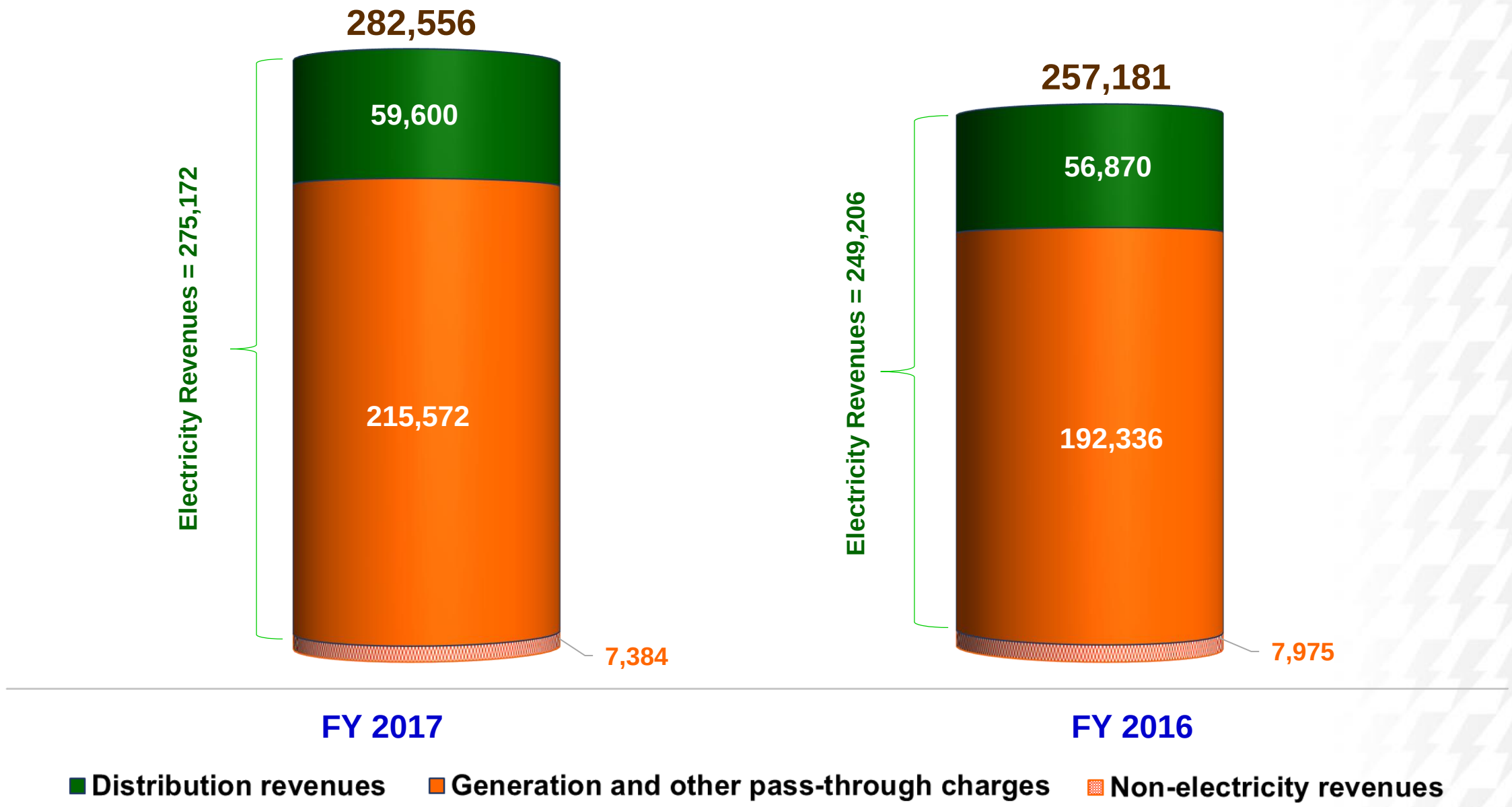
FINANCIAL HIGHLIGHTS
FY 2017



Quarterly Financial Information (in Million PhP, Except Sales Volume)

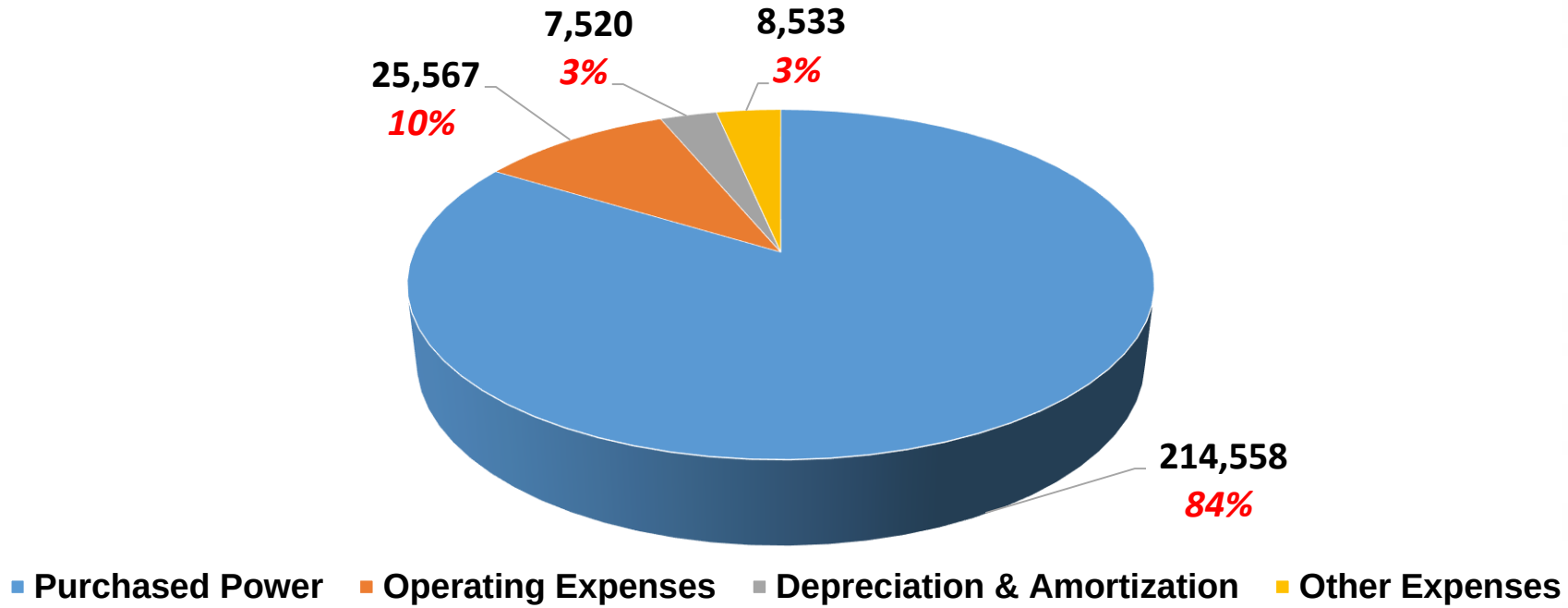
	2017					
	Q1	Q2	Q3	Q4	Q4 2016	% Δ
Sales Volume (in GWh)	9,317	11,021	11,063	10,701	10,039	7%
Revenues	66,576	74,456	73,357	68,167	62,017	10%
Electricity	64,724	72,685	71,439	66,324	60,071	10%
Distribution	13,025	15,981	15,676	14,918	14,008	6%
Generation and other pass-through	51,699	56,704	55,763	51,406	46,063	12%
Non-electricity	1,852	1,771	1,918	1,843	1,946	-5%
Core Income	4,598	5,520	5,252	4,843	4,617	5%
Reported Income	4,817	5,684	5,427	4,456	3,500	27%
EBITDA	7,922	9,293	9,053	8,206	7,740	6%

Consolidated Revenues (in Million PhP)

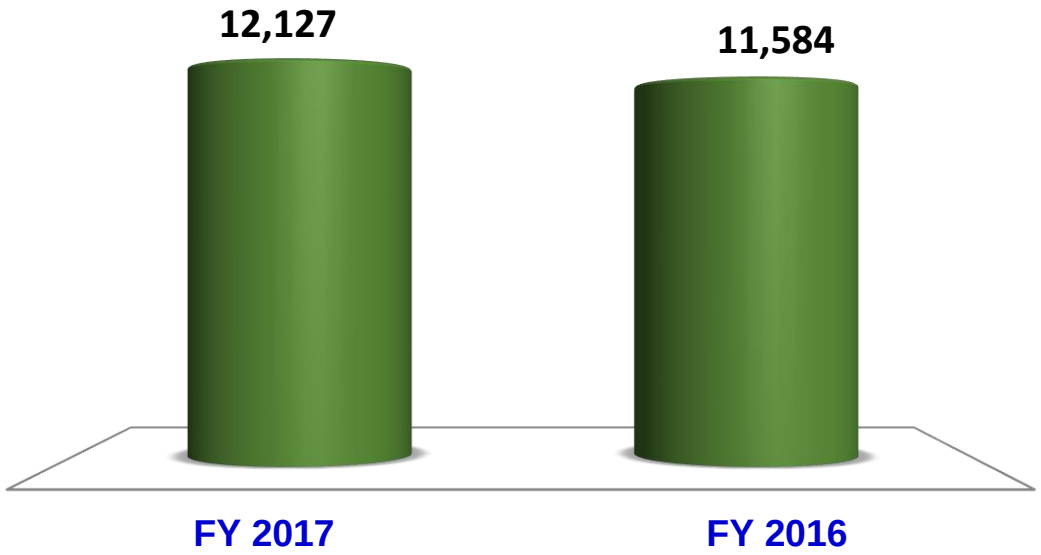


Costs and Expenses/Capital Expenditures (in Million PhP)

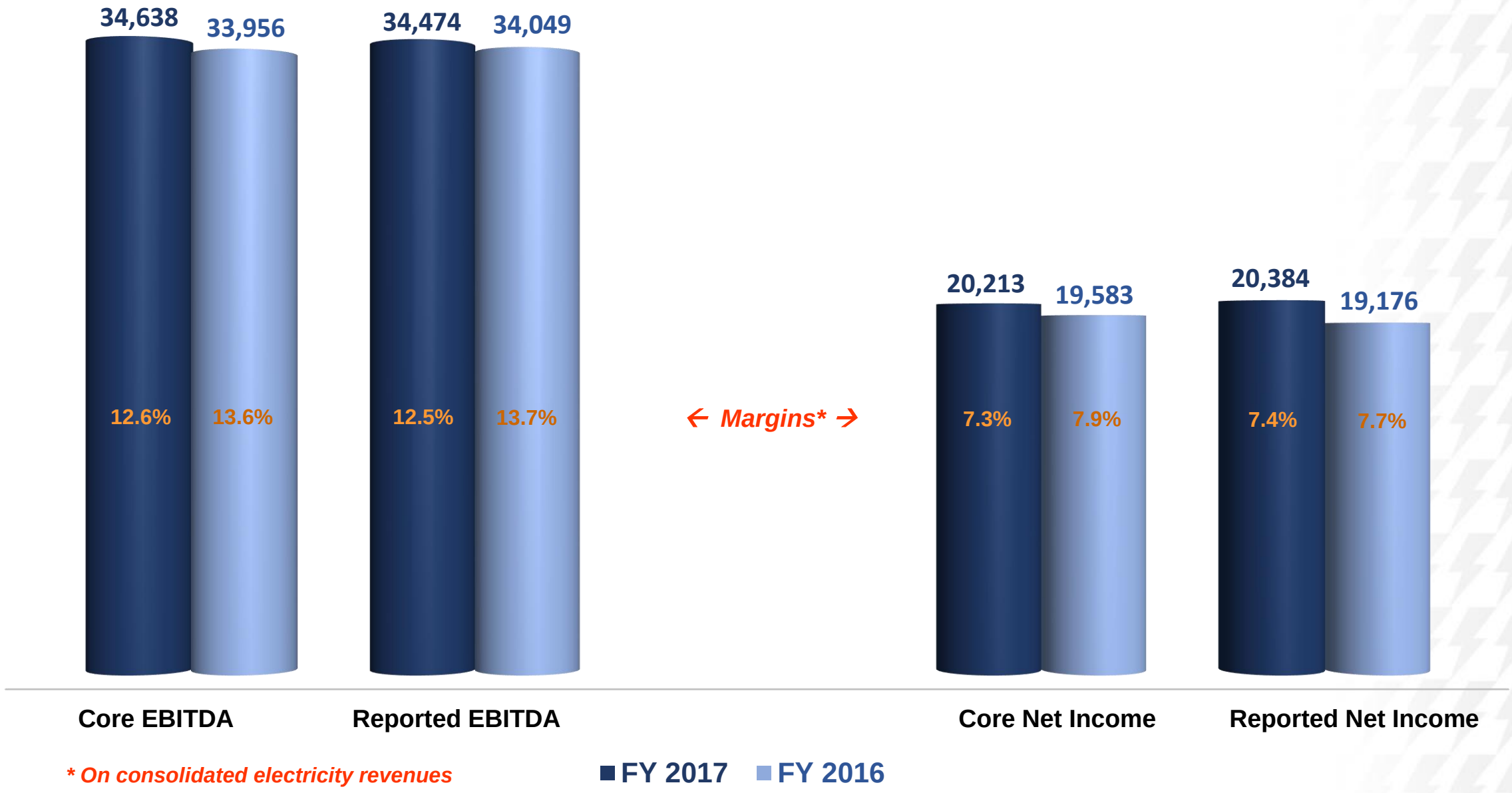
Costs and Expenses



Capital Expenditures



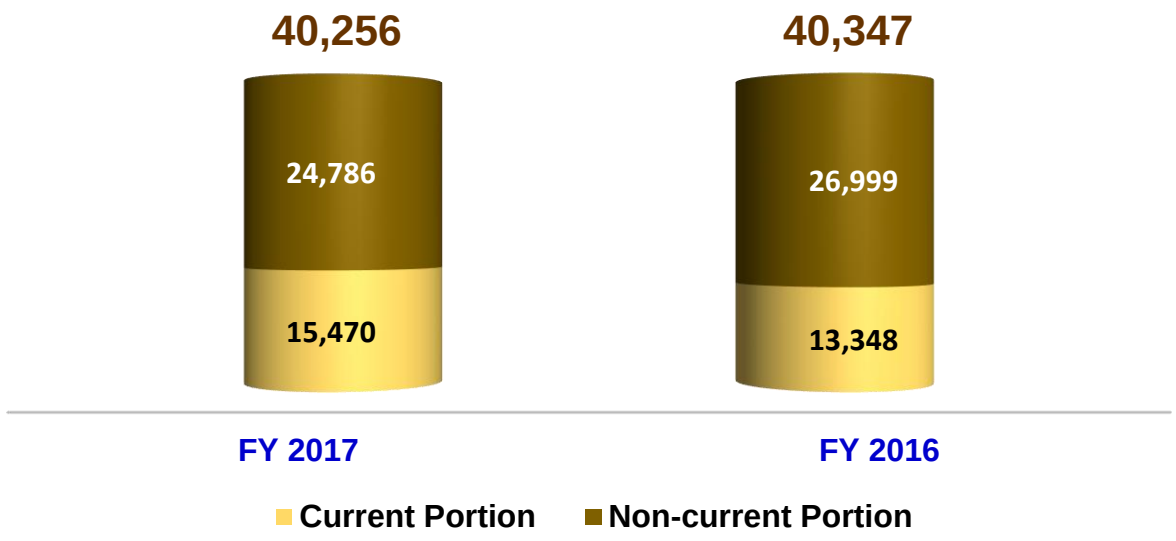
Consolidated EBITDA and Net Income (in Million PhP)



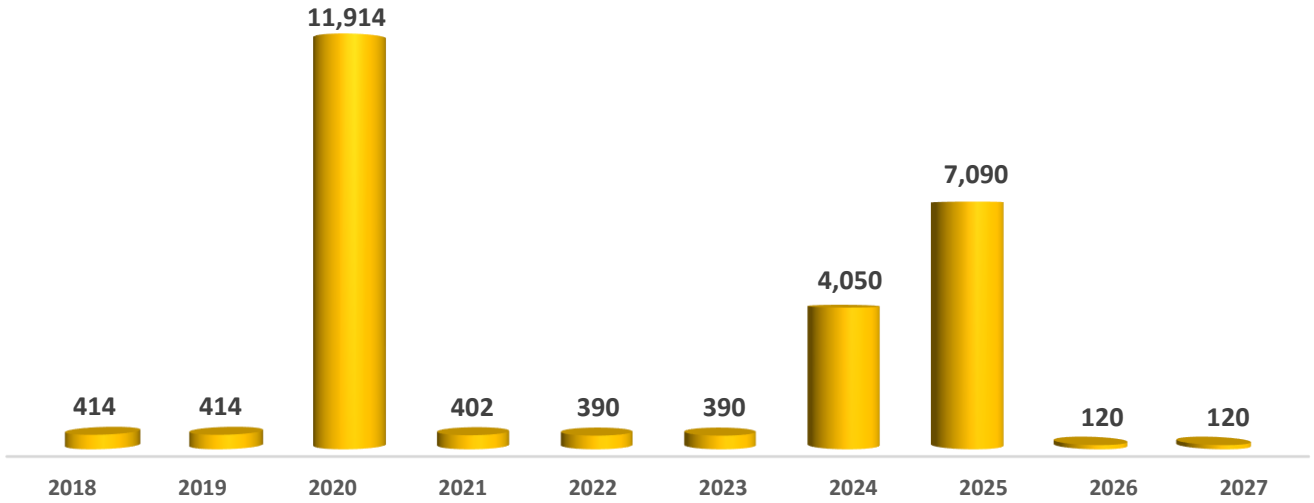
** On consolidated electricity revenues*

Credit and Debt Profile

TOTAL DEBT (in Million PhP)

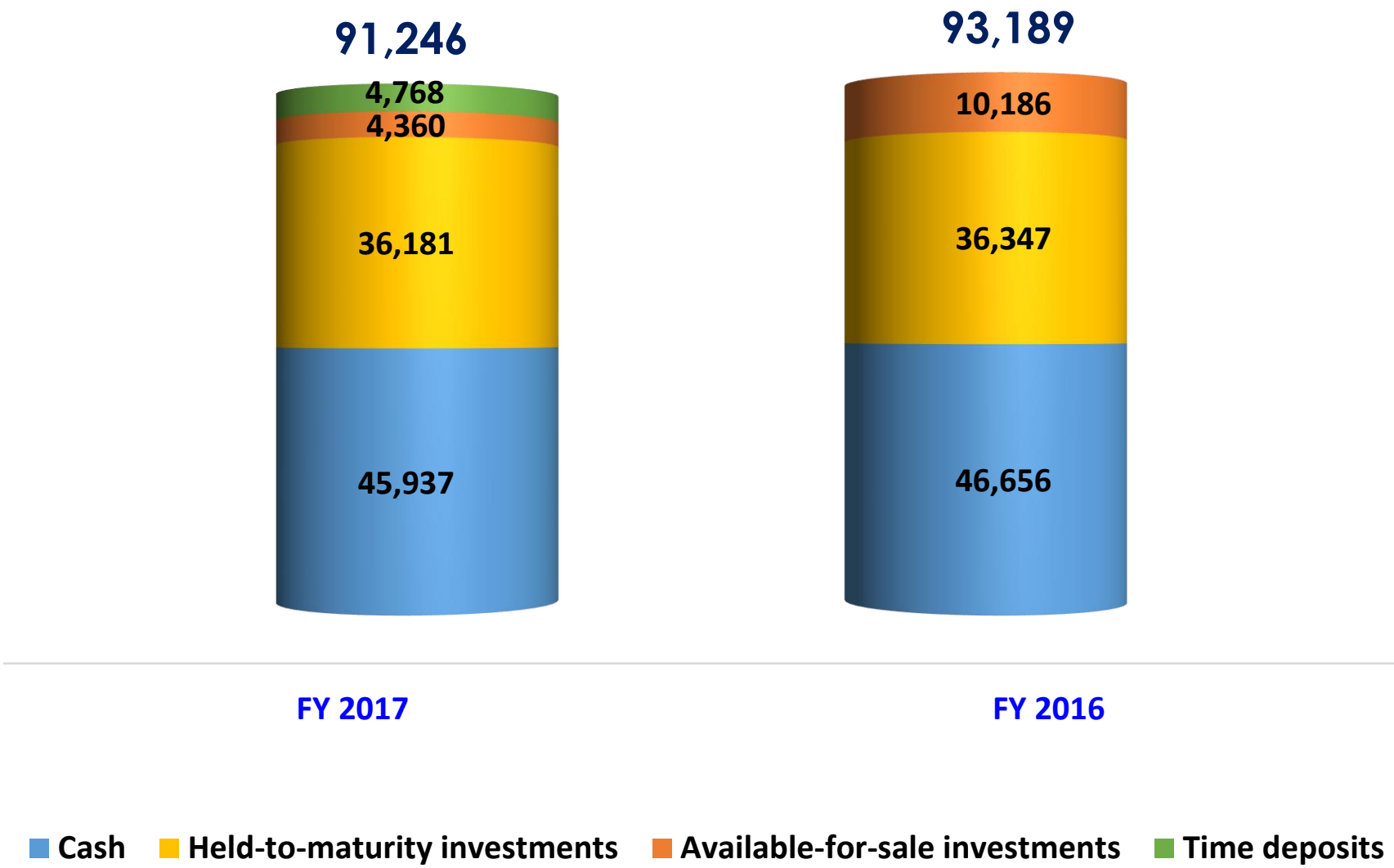


LONG-TERM DEBT REPAYMENT SCHEDULE (in Million PhP)

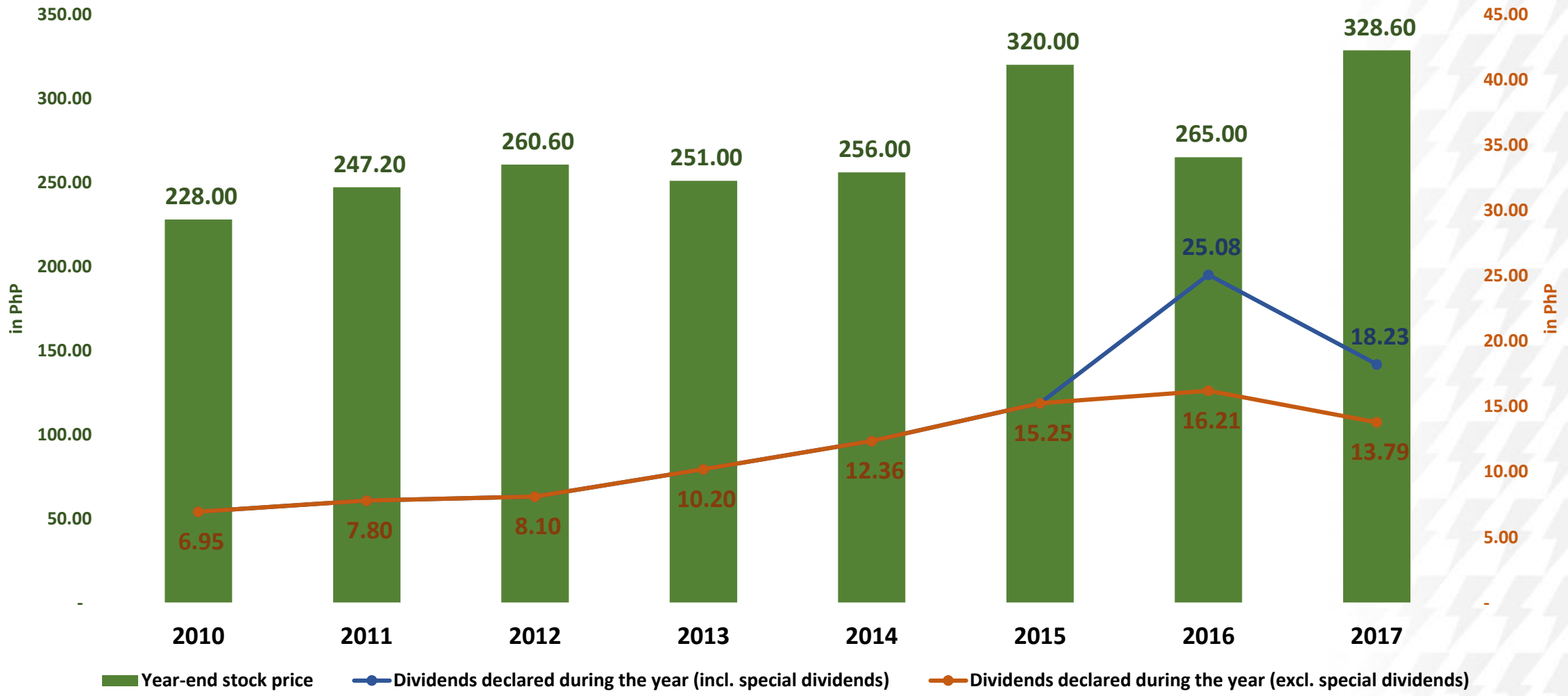


(in Million PhP, Except Ratios)	FY 2017	FY 2016
Cash	45,937	46,656
Gross Debt	40,256	40,347
Net Debt	(5,681)	(6,309)
Gross Debt/EBITDA	1.17	1.18
Net Debt/EBITDA	(0.16)	(0.19)
Gearing Ratio	(0.08)	(0.08)
Interest Expense	1,530	1,343

Cash & Cash Equivalents, Available-for-Sale and Held-to-Maturity Investments (in Million PhP)



Dividend Yield



DIVIDEND YIELD								
Including special dividends	3%	3%	3%	4%	5%	5%	9%	6%
Excluding special dividends	3%	3%	3%	4%	5%	5%	6%	4%

OPERATIONS REPORT

Performance ended December 2017

Operating Highlights

FY 2017

Energy Sales
⬆4.9%*
42,102 GWh

Customer Count
⬆4.8%*
6.33 million

Peak Demand
⬆3.3%*
6,973 MW

Net System Input (NSI)
⬆4.1%*
44,639 GWh

Ave. Retail Rates
⬆7.1%*
P8.03/kWh

S-Factor & GSL**
Sustained Service Improvement

Business Updates

*vs. same period, previous year

**For GSL, RY2018 Period (July 1, 2017-June 30, 2018); compared with past levels (in the absence of 4RP standards/ reset)

MERALCO

Details

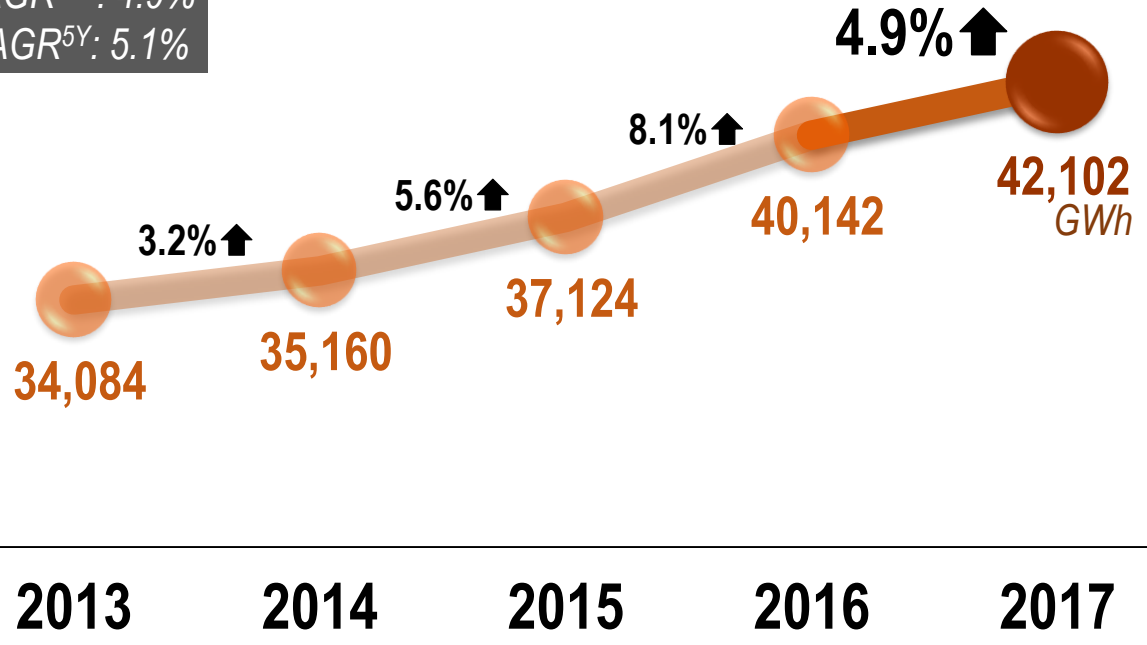
FY 2017

MERALCO

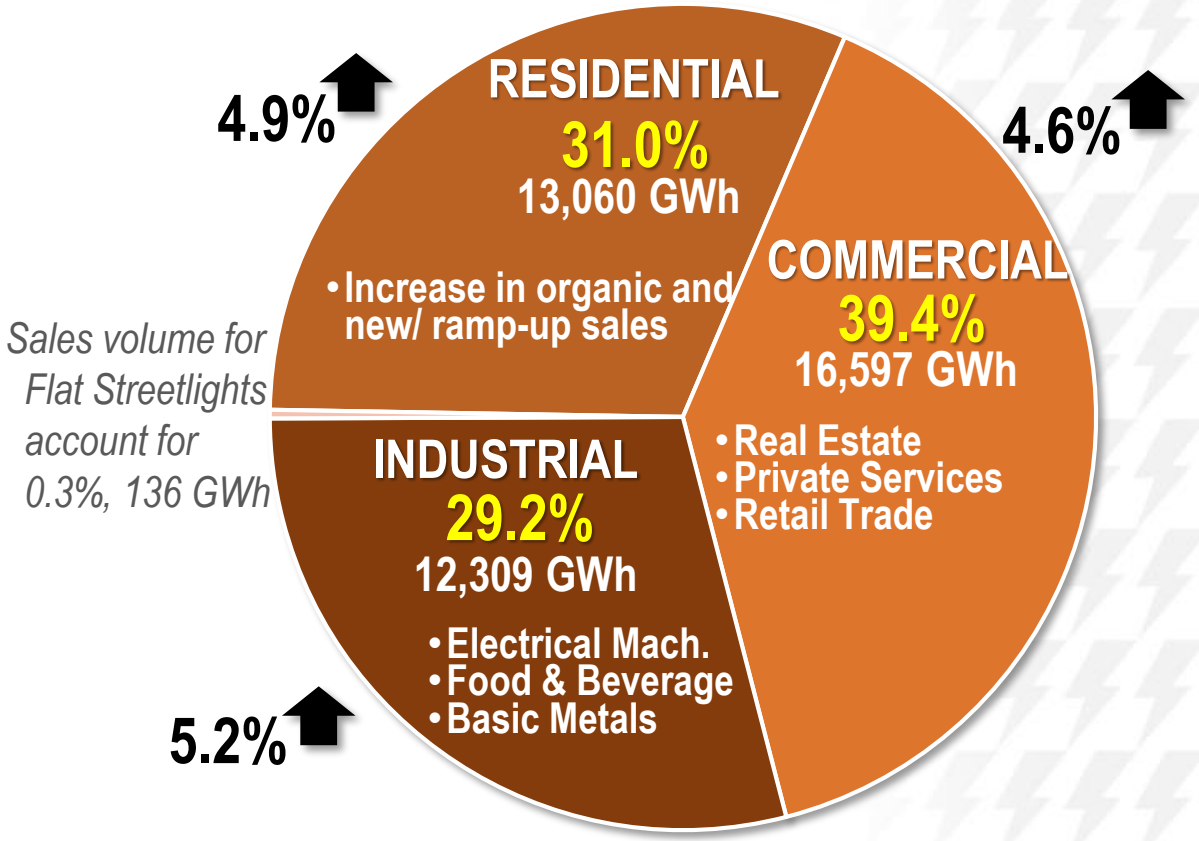
Energy Sales: FY2017

➢ *Up 4.9% vs. 2016 (+1,960 GWh)*

CAGR[10Y]: 4.9%
CAGR[5Y]: 5.1%



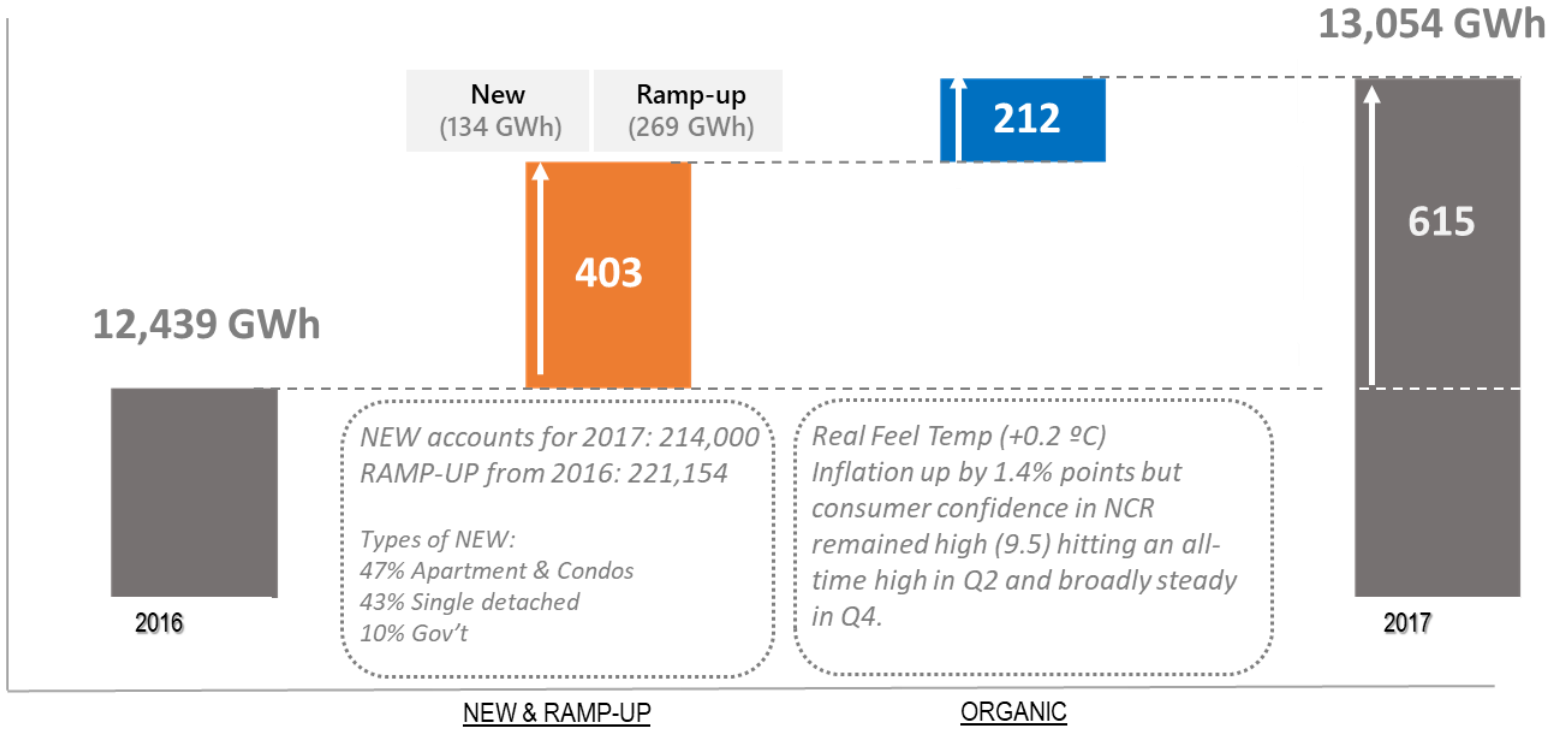
Share / Δ for FY2017:



Sales volume for Flat Streetlights account for 0.3%, 136 GWh

CONSOLIDATED

Residential sales growth largely due to new activations and ramp-up of customers energized in 2016 and complemented by high consumer spending



SALES EFFORTS THAT CONTRIBUTED TO SALES GROWTH

Capitalizing on LGUs as Partner- ENABLER

- BC positioned as Strategic Partner that will enable LGU growth & dev't
- Partner in increasing prospects for energization & fast tracking permits

STRONG IJOIN Program Implementation

- 112,075 processed in CXE; 45 GWh Sales generated

Increase RM capability and partnership with AMCs and developers

- 39 GWh generated and handled by AMC; 24% growth from 2016

Strategic Partnering with Developers

- 3.1 GWh generated from 8,841 accounts from 22 developments from the top 4 BCs alone (Rosario, Espana-Tutuban, Malate-Pasay, Cainta-Masinag)
- 24% growth from 2016

PCA Handling

- 12 GWh generated from 2,296 PCA handled
- Frontloaded applications and early coordination with Networks

Support current Administrations Marginalized HH Electrification

- HMB Electrification for 2017: 74,518 HH with an estimated 7.1 GWh in energy sales (EMC, NHA, Balik-Liwanag, RAISE, LGU Housing)

Commercial & Industrial growth industries/drivers have remained constant

COMMERCIAL

▲ 4.7%

% Share to total growth

16,378GWh

+730GWh

REAL ESTATE (8.4%)

Largest demand for office spaces coming from BPOs at 48% but this is a decline from 80% in 2016. POGOs an emergent market at 5-7% growth in 2017. Newly energized township developments and multinational tech companies expanding office spaces also contributed to the growth.

TOP REAL ESTATE ACCOUNTS

CITIBANK, BGC
W CITY TOWER, BGC
AYALA 30th, ORTIGAS

HOTELS & RESTAURANTS (10.8%)

For Hotels & Casinos: *Foreign arrivals continue to grow despite safety and security issues. We still expect 10% growth in international arrivals. Last year we reached the target of 6.5 million tourist arrivals. Growth is also driven by major entertainment projects (e.g. Entertainment City) and demand for low budget hotels for the growing domestic market.*

For Restaurants: *Strong demand QSRs serving 24x7 outsourcing industries as well as growing mixed business from growing population and s districts.*

TOP HOTELS & RESTO ACCOUNTS

OKADA
SOLAIRE

RETAIL TRADE (4.7%)

Driven by developing communities outside Metro Manila and development of mixed-use business districts most especially those near BPO operations.

TOP RETAIL TRADE ACCOUNTS

ARVO MALL, ALABANG
VENICE GRAND CANAL, TAGUIG
SM MOA, PASAY

INDUSTRIAL

▲ 4.5%

% Share to total growth

11,821GWh

+511GWh

SEMICON (5.6%)

SEIPI maintains 4 to 5% growth in industry demand for 2017 and forecast of 6 to 10% for 2018. Electronics industry remained as the country's top exporter to date equivalent to 50% of the total Philippine exports. Drivers are applications in IOT for automotive & wearables plus chips and EMS due to influx of new smartphones. Increased reliance on grid power vs self-gen also a factor to growth.

TOP SEMICON ACCOUNTS

SEMPHIL 1&2
TOSHIBA INFO EQUIPMENT

FOOD & BEVERAGE (3.6%)

Driven by demand from growing consuming public most especially from manufacturing plants & QSRs serving 24x7 outsourcing industries.

TOP F&B ACCOUNTS

GENOSI INC.
AQUA PLATINUM
FOODSPHERE INC

BASIC METALS (18.8%)

Driven by Increased demand for flat products to address ongoing housing and reconstruction activities for residential, commercial developments and construction steel to supply gov't projects. Though there is an increase in demand for semi-finished and finished steel products from China, this is eased by an uptake in local billet production.

TOP BASIC METALS ACCOUNTS

METRODRAGON
CAPASCO 1-3
MIDLANDL STEEL

Sales & Customer Drivers: FY2017

STRONG ELECTRICITY DEMAND

EXPANDING CUSTOMER BASE

ROBUST CONSUMER SPENDING

POSITIVE ECONOMIC CONDITIONS

STABLE POWER SUPPY

MINIMUM WEATHER DISTURBANCE

42,102 GWh

4.9%⬆

EARLY -PROSPECTING- -PLANNING-

EARLY PROJECT -PROCESSING- -DESIGN- -FACILITATION- -ENERGIZATION-

AVAILABILITY CUSTOMER PROGRAMS

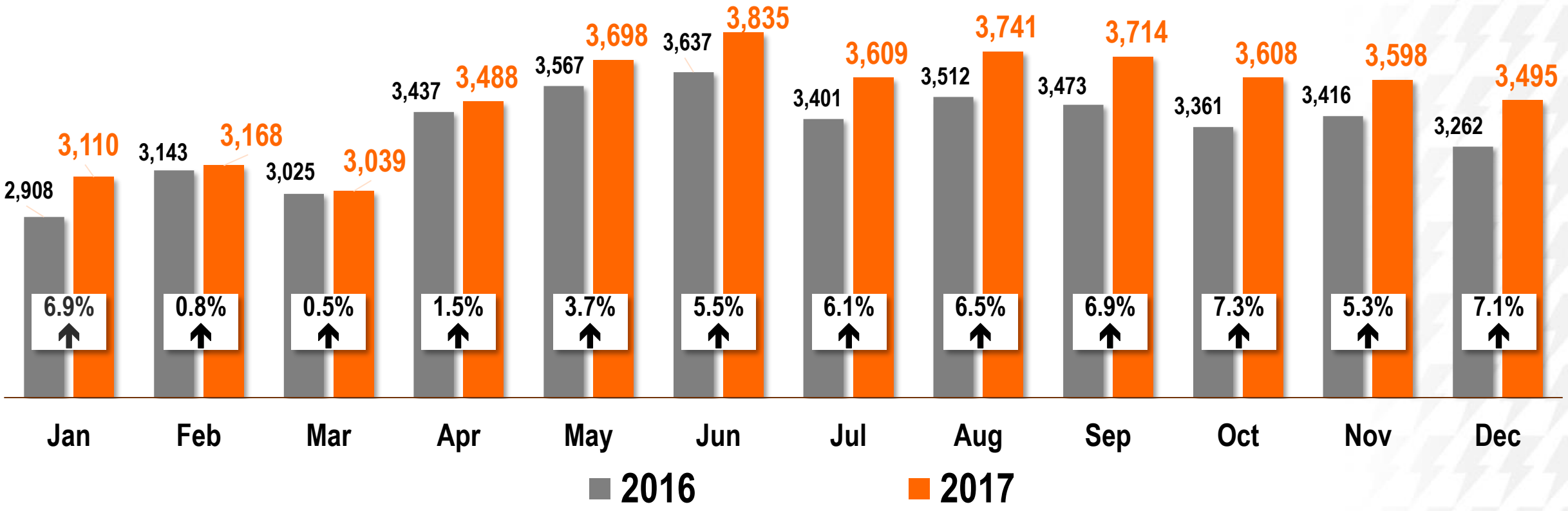
EXCELLENT OPERATING PERFORMANCE

EFFICIENT & RELIABLE SUBTRANSMISSION – DISTRIBUTION SYSTEM

MERALCO

Energy Sales: FY2017 & Month-on-Month

➢ *2017 monthly sales in excess of 3,000 GWh; first-time*



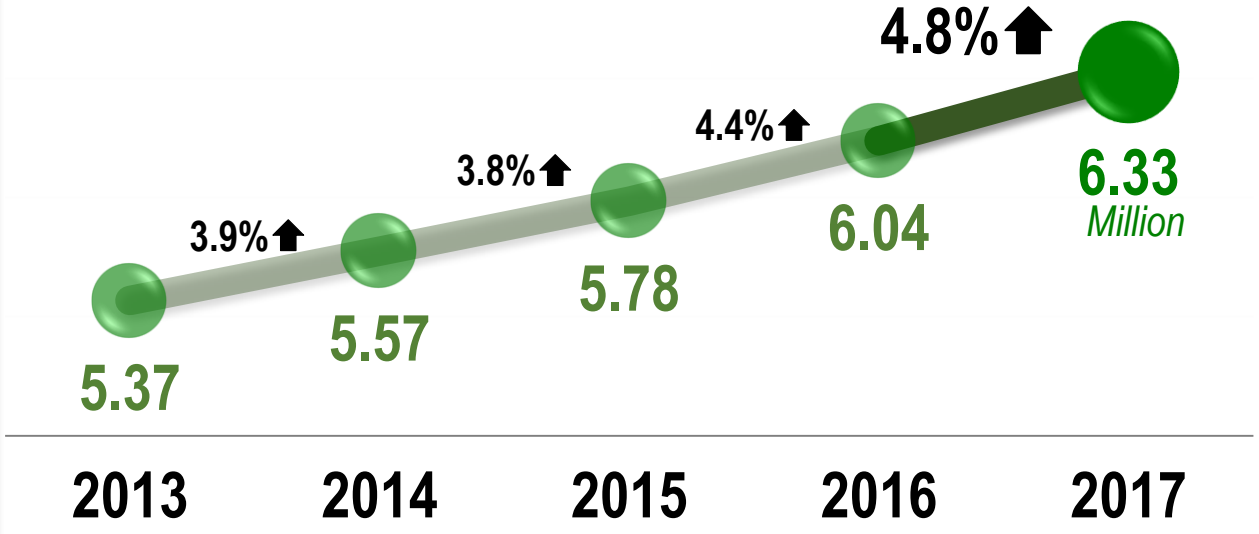
	Total Vol.	% Δ
FY2017	42,102	4.9% ⬆
FY2016	40,142	

CONSOLIDATED

Customer Count: FY2017

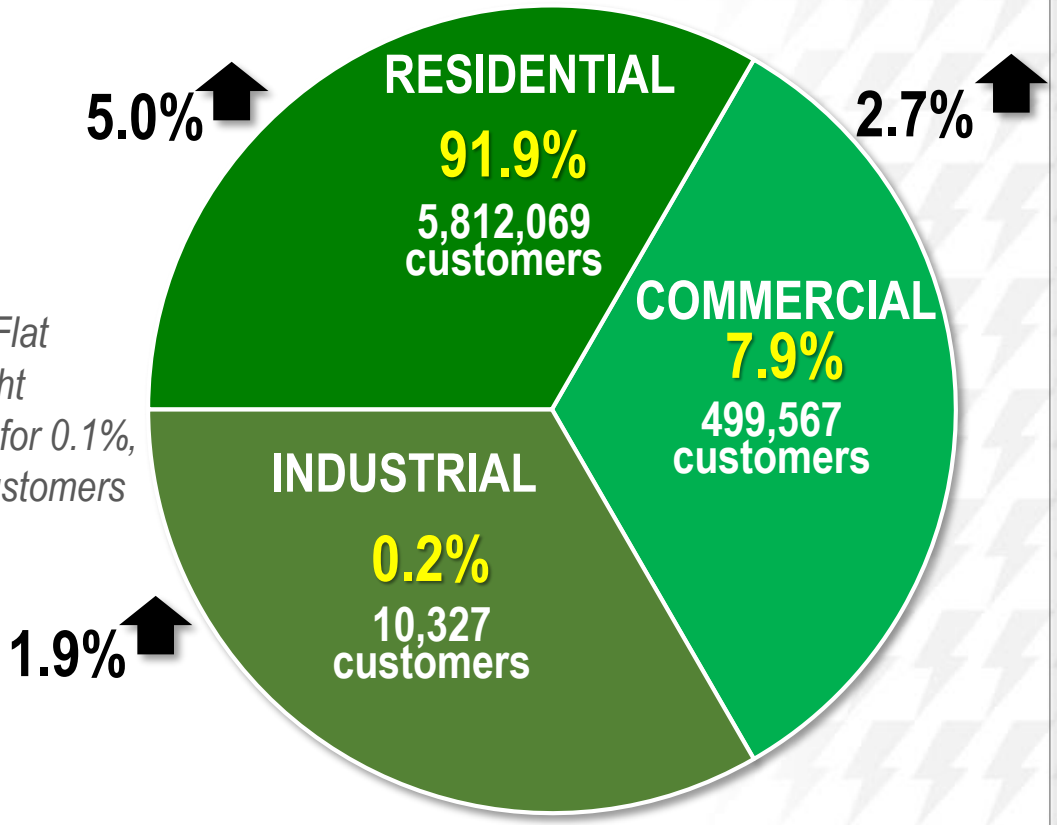
➢ *Up 4.8% vs. 2016 (+288,284 customers)*

CAGR[10Y]: 3.5%
CAGR[5Y]: 4.0%



Share / Δ for FY2017:

Count of Flat Streetlight account for 0.1%, 4,728 customers

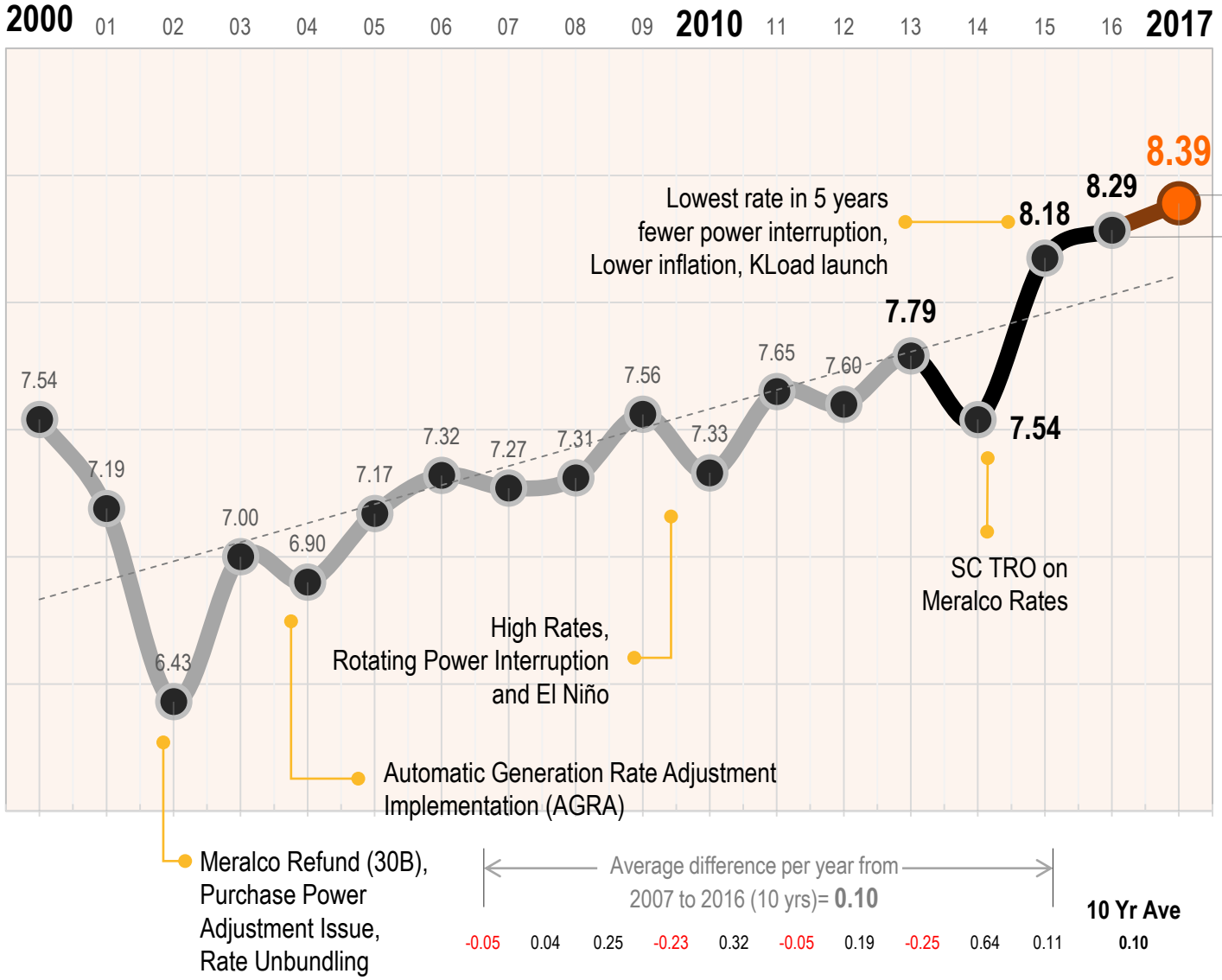


MERALCO

CONSOLIDATED

Customer Satisfaction Index (CSI): 2017FY

➢ *An all-time high! Customers were once again front and center*



+1 sig point higher than last year.

Peace time with minor rates issue first half

No major power Interruption

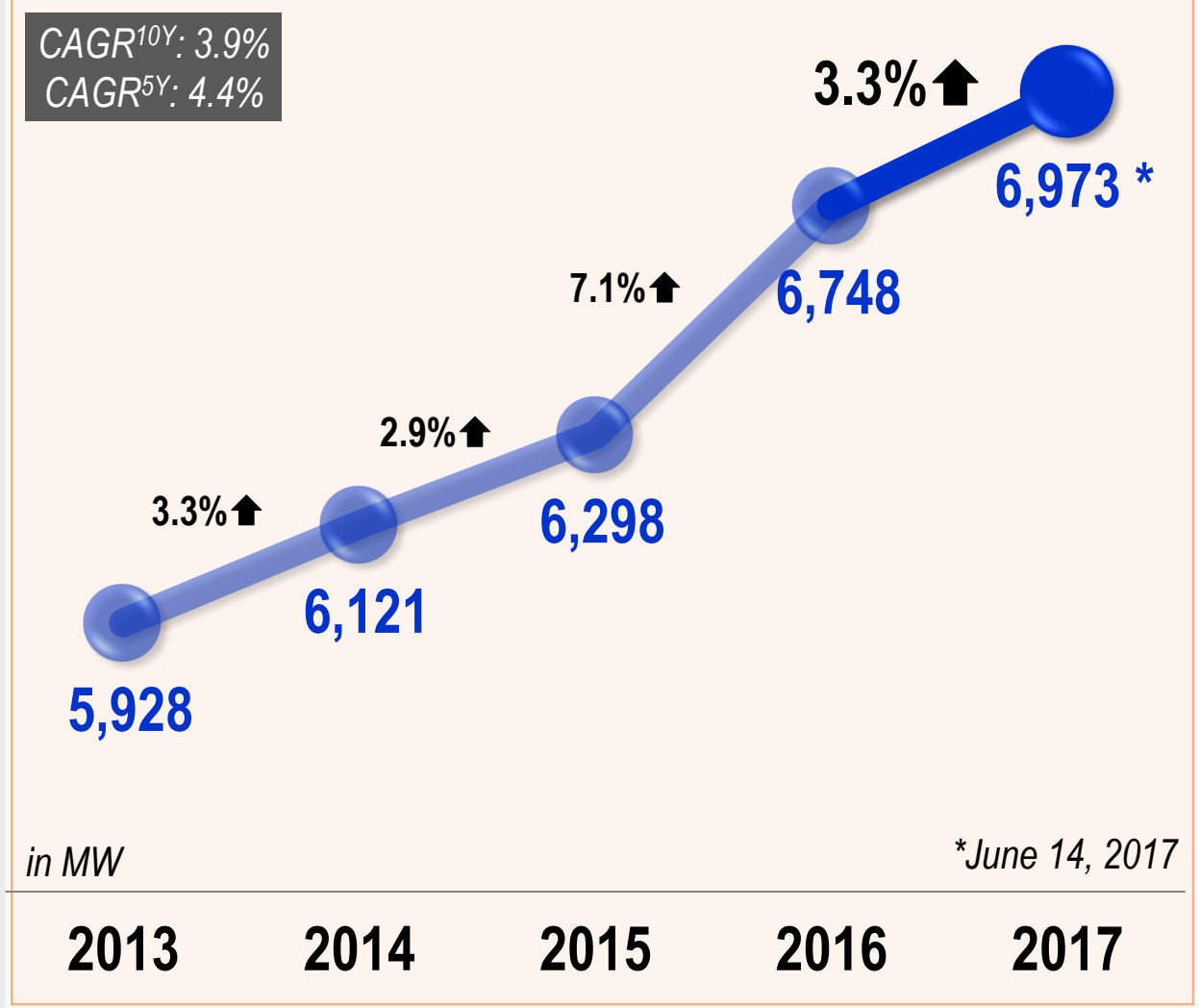
Tempered rate hike first half of the year

PARENT

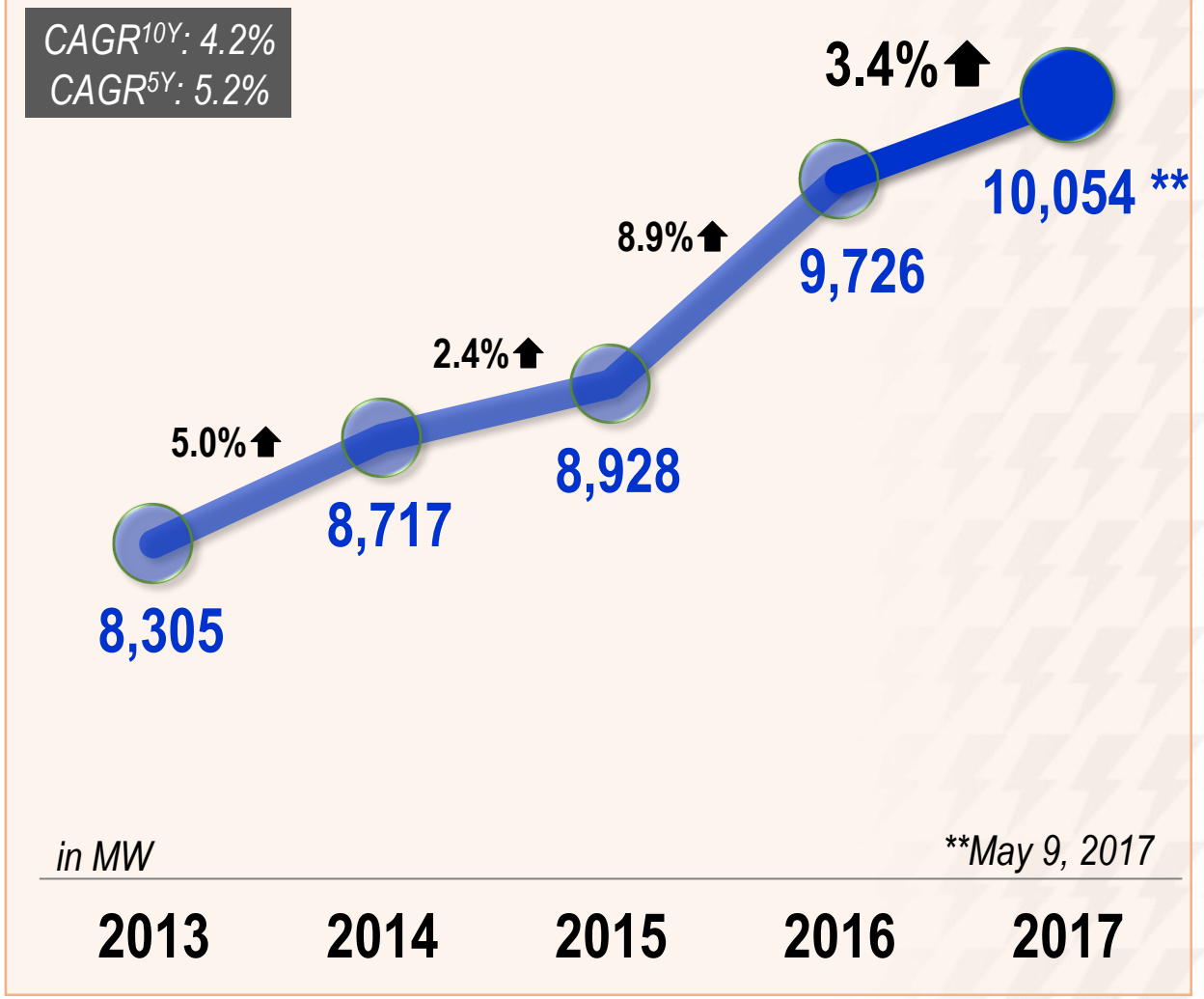
Peak Demand: FY2017

➢ *Stronger demand in 2017*

MERALCO PEAK DEMAND

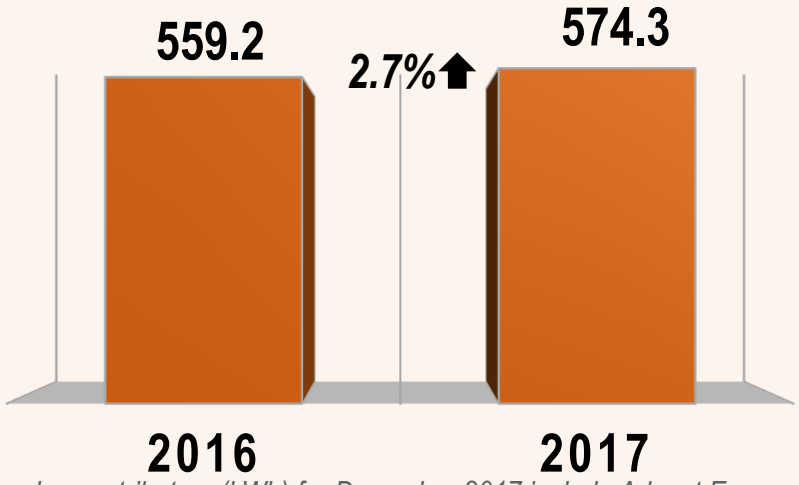


LUZON PEAK DEMAND



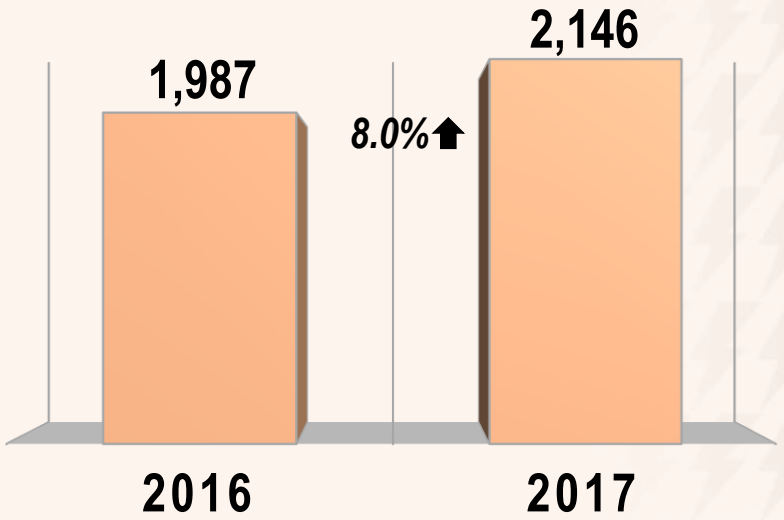
Clark Electric (CEDC): FY2017

ENERGY SALES, in GWh

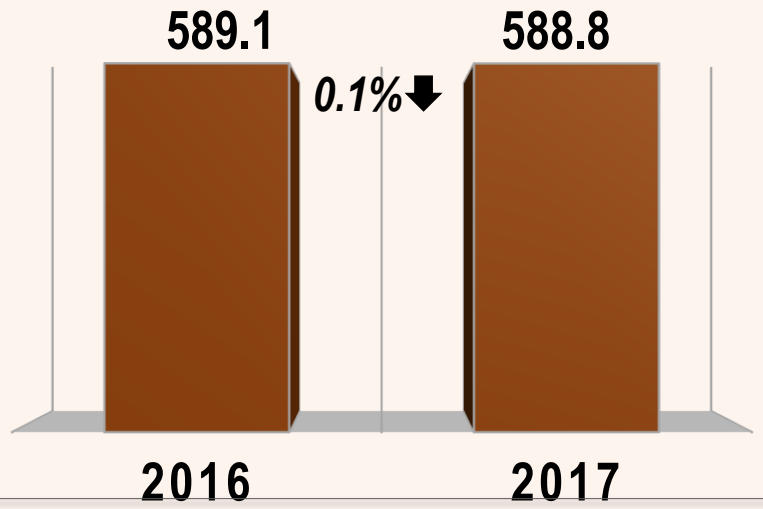


CEDC's top 5 sales contributors (kWh) for December 2017 include Advent Energy (SSPC), SN Aboitiz Power (Taiyo Nippon Sanso Clark Inc.), Advent Energy (Yokohama Tire Phils.), Phinma Energy Corp. (mall), Masinloc Power Partners Co. Ltd. (SMK)

CUSTOMER COUNT

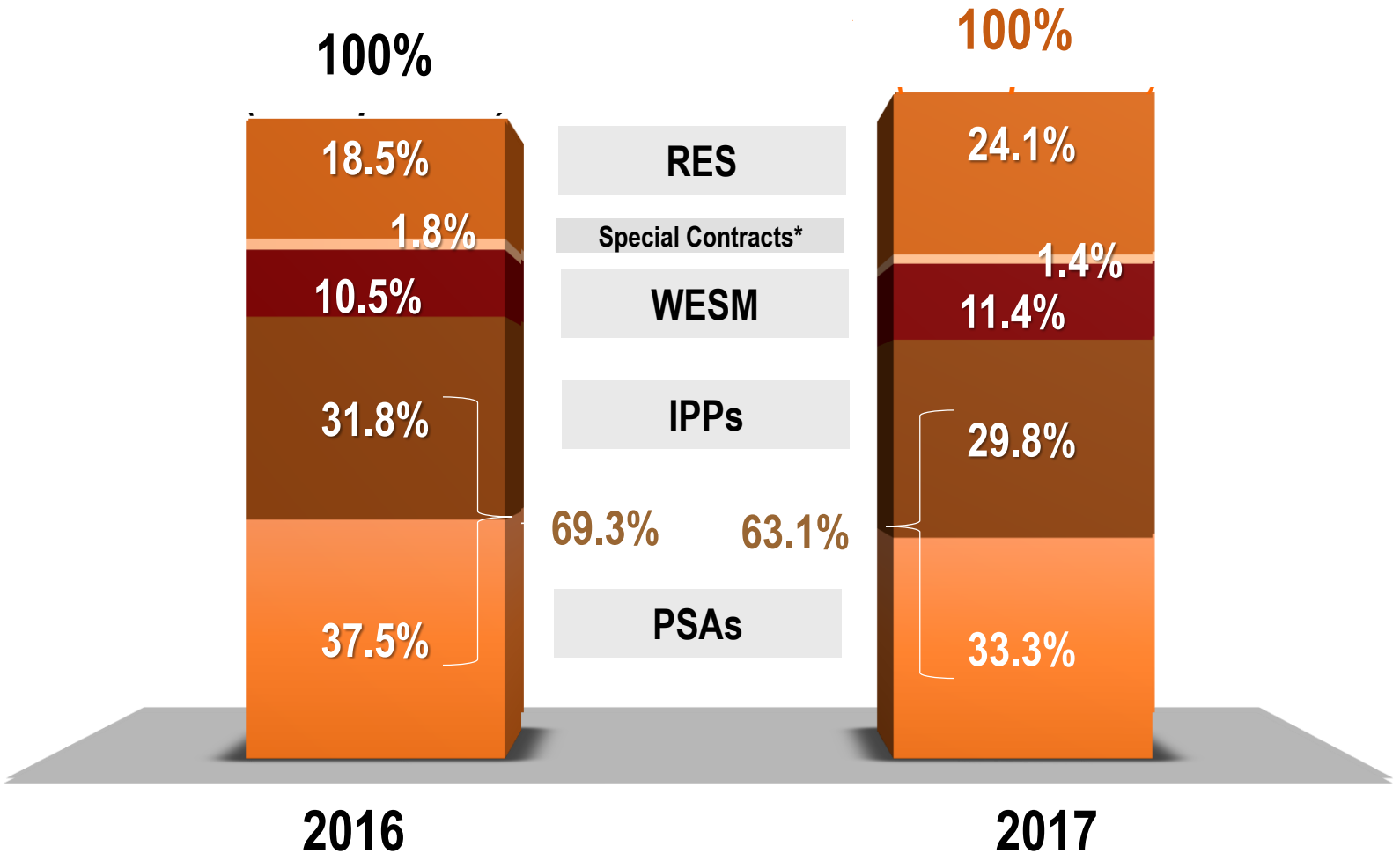


NSI, in GWh



Energy Sources: FY2017

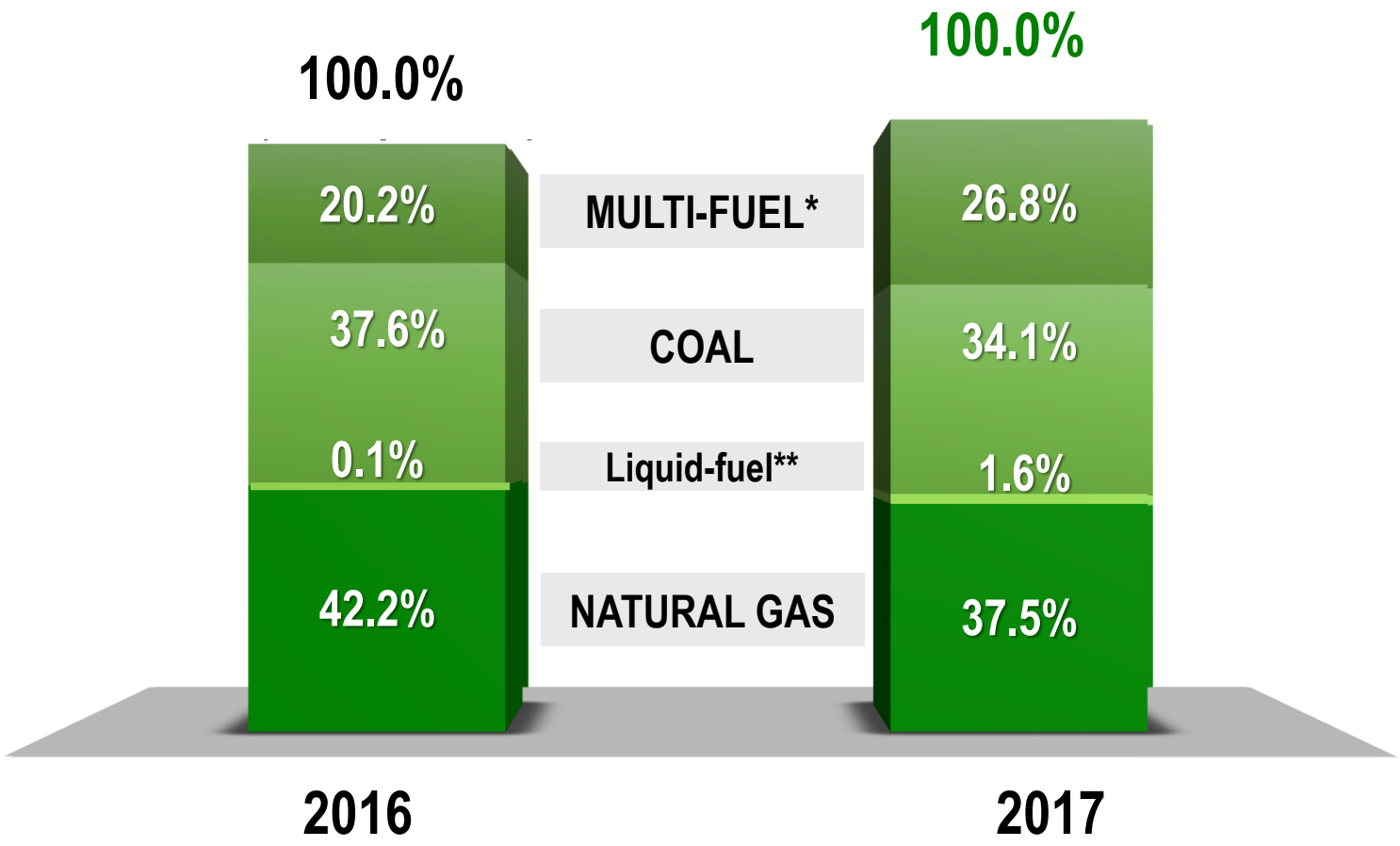
- *Contracted supply contracts (PSAs and IPPs) delivered 63.1% of total volume in 2017 (6.2%⬇ vs. 2016)*
  - *Contestable volume increased to 24.1% (+5.6%⬆ vs. 2016)*



*Includes volumes for Cavite Economic Zone (CEZ), Sunpower and Cocochem Agro-Industrial Park (CAIP)

Power Fuel Mix: FY2017

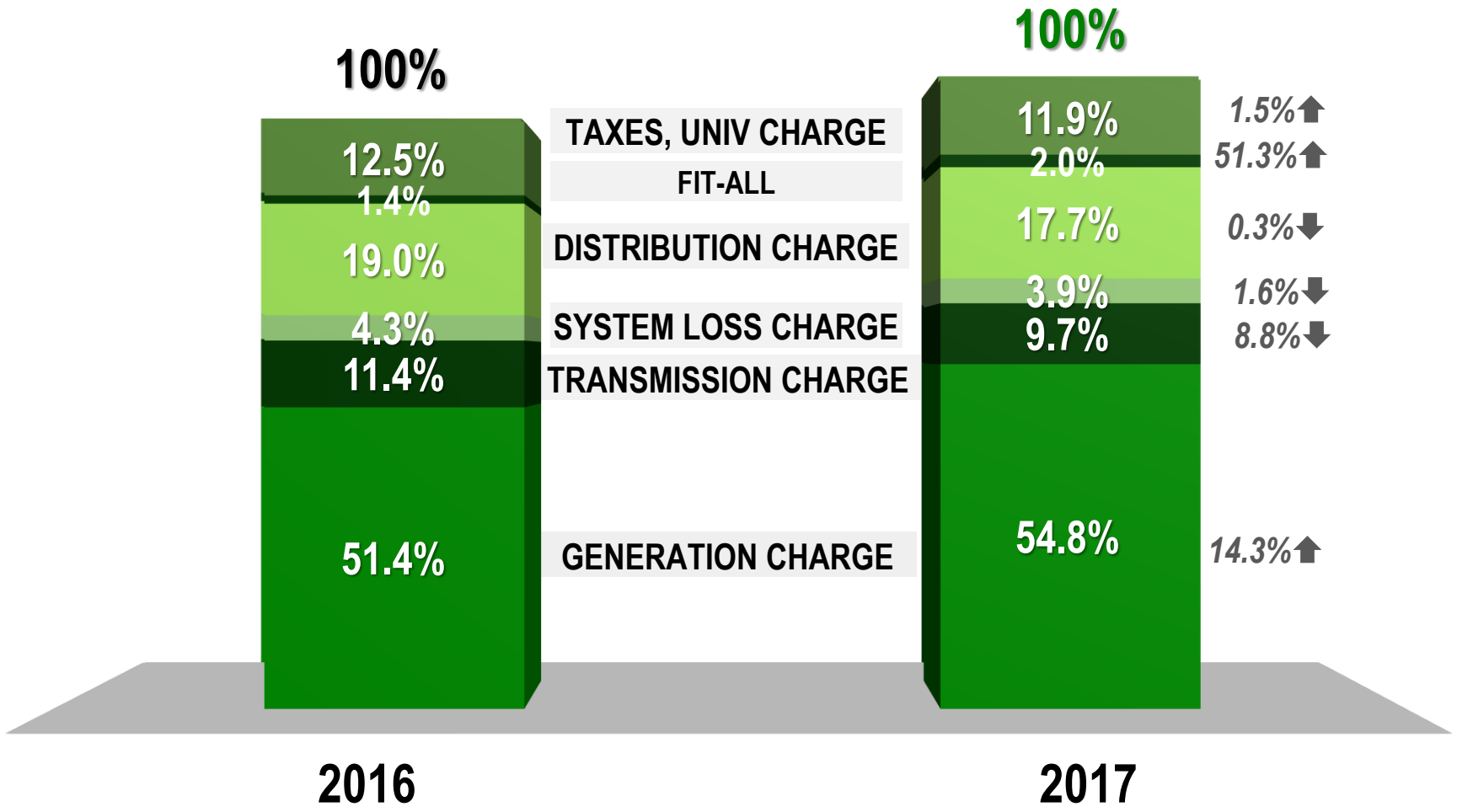
- *Natural Gas provided 37.5% of fuel sources while Coal 34.1% with balance, multi-fuel*
  - *Reduced coal supply by 3.5% (-911 GWh)*



*Coal, Hydro, Biomasss, Geothermal, et. al.; includes also WESM, CAIP, Other RESs
**Used as substitute during unavailability of Malampaya gas supply or plant maintenance (Sta. Rita. San Lorenzo and Ilijan)

Average Retail Rates: FY2017

- *7.1% higher than 2016 average rates (+P0.53/kWh); Generation Charge, FIT-Allowance and Taxes drove increase*
- *For 2017, Generation Charge, largest component in customer's bill, 54.8%; Meralco 17.7%; NGCP 9.7%*



Generation Retail Rate (applies to captive customers only)
Other Charges are based on total captive and contestable customers in Meralco Franchise Area

2010-2017

In percentage share

PARENT

Business Updates & Other Events of Interest

FY 2017

MERALCO

Business Updates: Strengthening the Core Business
(via Completed CapEx Proj. for Enhanced Capacity & Power Quality)

➢ *Increased power transformer capacity by 512 MVA and circuit length by 66 km*

5 Substation Projects

- Uprating of San Miguel (from 1-20MVA to 1-33 MVA, May 9)
- Development of Lucena (1-83 MVA, Sept. 29)
- Development of Pulilan (1-33 MVA, Dec. 9)
- Inst'n of Balintawak 5th 300 MVA PXF (1-300 MVA, Dec. 17)
- Expansion of Veinte Reales (1-83 MVA, Dec. 20)

1 115 kV Subtransmission Line Projects

- Const. of **Paco Additional 115 kV Line (Sept. 30)**

3 Other Significant Projects

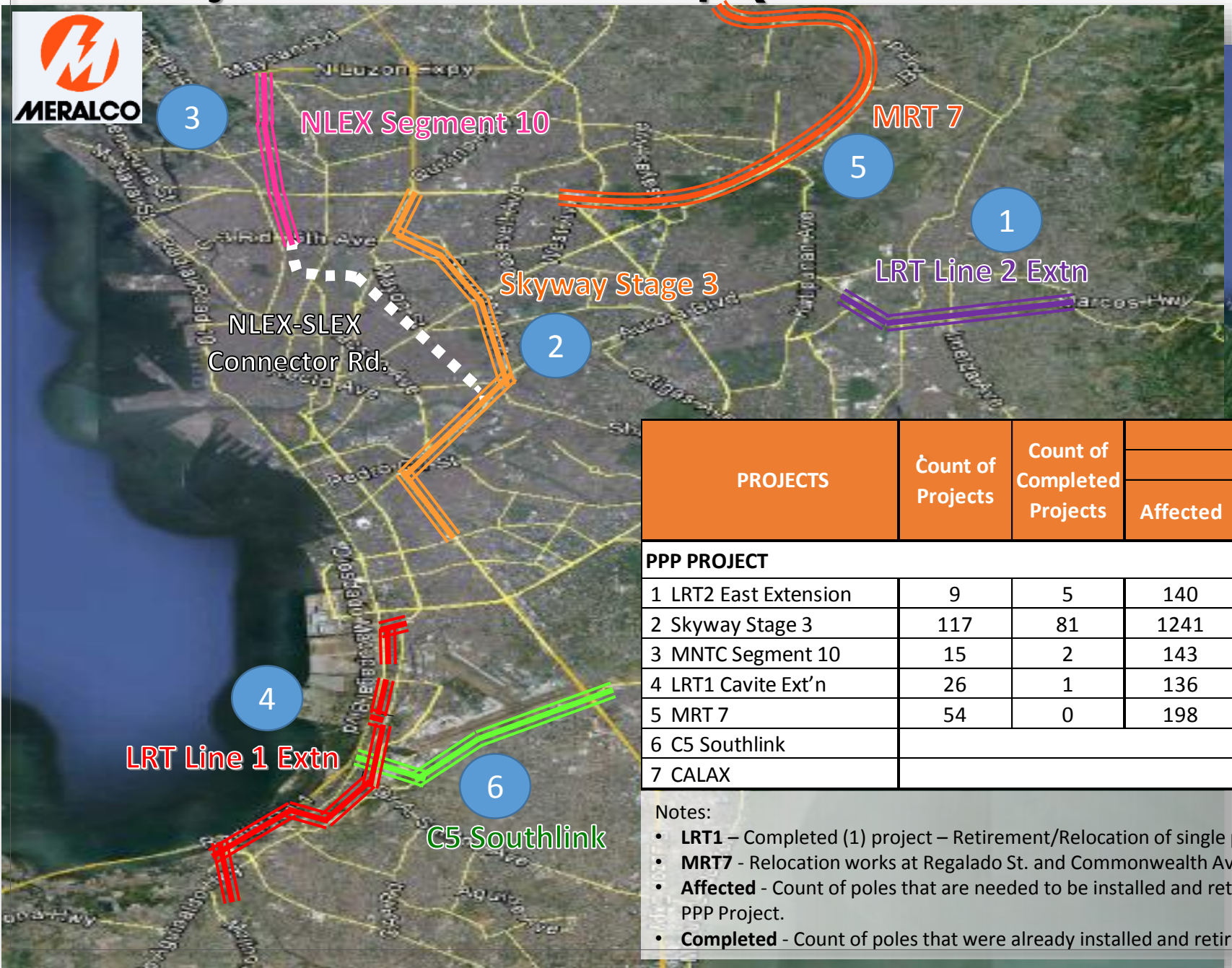
- Replacement of Malibay bank no. 1 (Mar. 29)
- Uprating of 115 kV power circuit breakers at Balintawak (Sept. 4)
- Replacement of Urdaneta bank no. 3 (Dec. 8)

40 Residual Projects - SR

PPP and DPWH-Related Relocation Projects

- Relocation of 691 poles affected by PPP Projects
- Relocation of 1,080 poles affected by DPWH projects

PPP Projects Overview Map (as of December 2017)



PROJECTS	Count of Projects	Count of Completed Projects	2017					
			as of November			as of December		
			Affected	Completed	% Comp.	Affected	Completed	% Comp.
PPP PROJECT								
1 LRT2 East Extension	9	5	140	119	85%	140	121	86% ⬆
2 Skyway Stage 3	117	81	1241	872	70%	1291	965	75% ⬆
3 MNTC Segment 10	15	2	143	24	17%	143	24	17%
4 LRT1 Cavite Ext'n	26	1	136	0	0%	136	0	0%
5 MRT 7	54	0	198	0	0%	198	0	0%
6 C5 Southlink	Ongoing Design							
7 CALAX	Ongoing Design							

Notes:

- **LRT1** – Completed (1) project – Retirement/Relocation of single phase 20kV line & 230V service wire.
- **MRT7** - Relocation works at Regalado St. and Commonwealth Ave. are ongoing.
- **Affected** - Count of poles that are needed to be installed and retired to provide the necessary clearance to the construction of the PPP Project.
- **Completed** - Count of poles that were already installed and retired.

DPWH Relocation Projects

2017 Month	Distribution Poles - Sectors				STL Poles	Total
	North	Central	South	Sub-Total		
January	-	6	16	22	-	22
February	30	-	24	54	4	58
March	125	4	4	133	-	133
April	2	45	66	113	32	145
May	7	30	18	55	-	55
June	8	16	31	55	1	56
July	20	51	44	115	-	115
August	4	21	49	74	4	78
September	-	23	95	118	-	118
October	-	17	80	97	-	97
November	-	22	41	63	-	63
December	45	23	72	140	-	140
TOTAL	**241**	**258**	**540**	**1,039**	**41**	**1,080**

Note: Data as of December 2017

Location of relocated poles in November

Embedded RE Plants in Meralco Franchise

134 MW Total RE Capacity

Embedded RE Capacity:

For Export: 113.09 MW (10 EGs)

Own-use : 13.45 MW (33 EGs)

NM Capacity:

7.80 MW (1,129 energized facilities)

- **5 Exporting Solar Plants: (28.39 MW)**

1. **Bulacan Solar Energy Corp -** 69 kV, 13.86 MW
2. **Valenzuela Solar Energy -** 34.5 kV, 8 MW
3. **Solar Powered Agri-Rural –** 34.5kV, 3.82 MW
4. **CW Marketing and Development Corp. (CW Home Depot) -** 34.5 kV, 1.512 MW
5. **SM North Edsa – Solar Phils. -** 34.5 kV, 1.2 MW

- **33 Own-use Solar Plants (13.45 MW)**

Top 3 Largest Own-use Solar Plants: (4.203 MW)

1. **Robinsons Novaliches –** 34.5kV, 1.68 MW
2. **Monde Nissin Corporation –** 34.5kV, 1.323 MW
3. **SM Mall of Asia** - 34.5 kV, 1.2 MW

Geothermal Plant (1 EG, 20 MW)

1. **Maibarara Geothermal Power Plant -** 115 kV, 20 MW

Biomass/Biogas Plants (2 EGs, 9.71 MW)

1. **Pangea Green Energy Philippines, Inc -** 34.5 kV, 1.516 MW
2. **Montalban Methane Power Corp –** 34.5 kV, 8.19 MW

Wind Plant (1 EG, 54 MW)

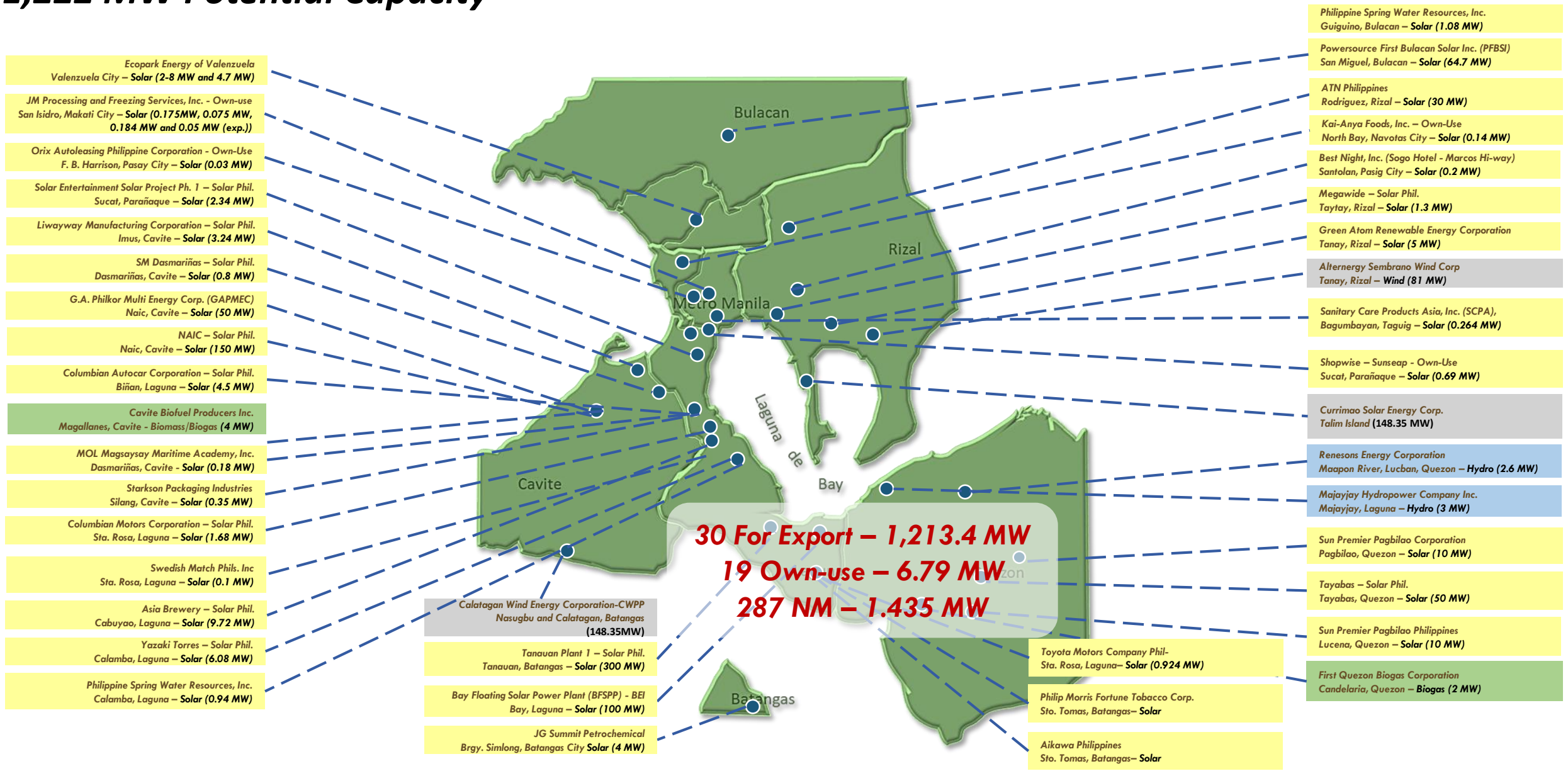
1. **AWOC -** 115 kV, 54 MW

Hydro Plant (1 EG, 0.988 MW)

1. **PHILPODECO (3 x Power Plants) -** 4.8 kV, 0.988 MW

Potential Embedded RE Plants

1,222 MW Potential Capacity



Business Updates: Significant Events/ Customer Initiatives & Programs

Meralco Donates to Rehabilitation of Marawi

Estimated P3Mn worth of Materials & Equipment

- **2** units of Portable Generators
- **11.7** km of wires
- **142** units of Distribution Transformers
- **166** pcs of truck tools and equipment
- **192** personal tools and protective equipment
- **501** pcs of insulators
- **5,852** pcs of line hardware

Meralco and Bacman Geothermal Inc. sign DWSA*

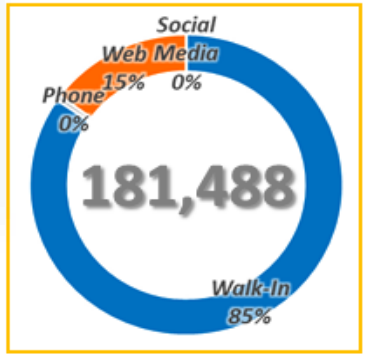
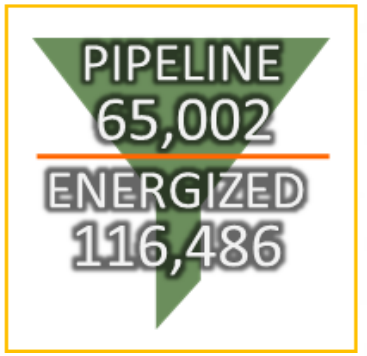
- **Jan. 9, 2018:** Ceremonial Signing for Distribution Wheeling Services Agreement
- BGI is the 23rd Retail Electricity Supplier within Meralco's franchise area
- Wholly-owned subsidiary of Energy Development Corp. (EDC)

**A DWSA is an agreement for the provision of wheeling services by a DU, to convey electricity through its distribution system in order to meet the demand of the customers of a RES (entities licensed by ERC to sell, broker, market or aggregate electricity to contestable market).*

We took another major step in transforming the customer experience…

In 2017, CXE went live with **CRM, OSA, Internal Knowledge Base, and Document Management System**
and started with the beta testing of the **Customer Portal**.

♦ SIMPLE ♦FAST
♦CONVENIENT

TRANSACTIONS	DAYS TO ENERGIZE	HEALTHY PIPELINE	FRONTLINE PROCESSIN
			

Customer eXperience Engine (CXE) *is part of the* ***Customer eXperience Transformation Program (CXTP),*** *a major initiative which aims to enhance customer experience by automating its back-end processes and platforms to deliver simple, fast, and convenient service across every customer interaction.*

MERALCO

2017 was only the beginning, as we embark on major releases that customers will experience in 2018…

In 2018, CXE will go live with **Online Billing & Payments and Notifications**, **Mobile App**, **Concerns Management, Kiosk App**, **New Call Center System**, and **Outage Reporting & Notifications**.

Jan '17 | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan '18 | Feb | Mar | Apr | May | Jun | Jul

Release 1
1/16-5/2

Release 2A
3/6-9/12

Release 2B
7/10-12/8

- Pay bills (exact, over, and advanced)
- APA (enrollment, unenrollment request; manage form; track status; validation)
- Pay as guest
- Credit score
- Payment integration
- Pre-payments
- Portal account management (deactivation, expiration)

Release 2C
9/18-2/5

- Concerns Management (Inquiry, Request, Complaint & Feedback)
- Report SIN-related outages
- Case outage notifications
- Rate program / discount program service applications
- AWA
- Zero-rated VAT
- Live Message
- Kiosk
- Mobile App – I Ask flow (Playback), Push Notification
- Changes to Role Hierarchy
- Proactive outage notifications
- PCA, RCOA, Net Metering
- Wave Service Analytics

Release 3A
8/29-2/5

- Mobile App

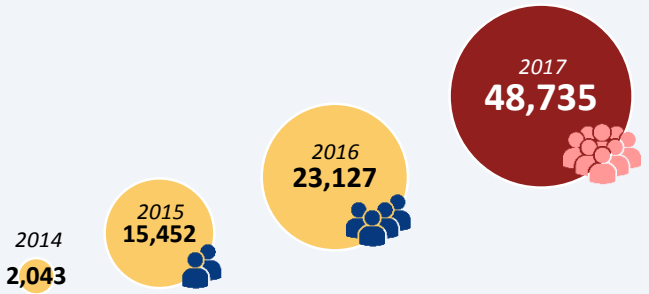
Release 3B
10/2-5/7

- CTI
- Attach PDF bills to email
- Card Vault and Schedule Payment

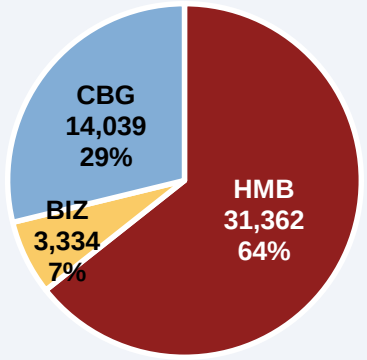
Release X
2/5-7/16

In 2017, we activated additional 48,735 PRES customers, cumulative of 89,717. Prepaid Electricity predominantly attracted residential customers, as well as real estate developers

2017 activations: an all-time high; doubled year-on-year



All segments contributed to the increase in activations



HMB activations are from individual residential and lessor/lessee accounts. BIZ (17 bldgs) and CBG (20 bldgs/mass housing) are from developers and condormitels

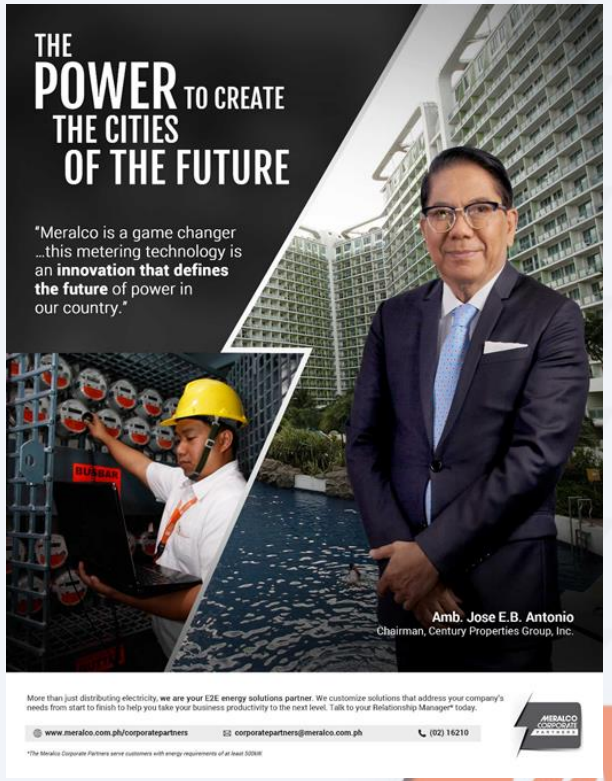
We sustained information drives to residential customers through a variety of targeted efforts

	2016	2017
AWARENESS	16%	48%*

Prepaid electricity attracted developers who cater to students as well as young families living in low, mid and high-rise buildings

*CSI Jun 2017

We worked with real estate developers to lay the groundwork for a future smart city, starting with smart meters that offer prepaid electricity



Communicating the monthly electricity rates remain to be a priority and we utilized several channels to ensure we reach as many household decision makers as possible

…making sure we end with good news and tips to help our customers manage energy consumption.

MERALCO CORPORATE PARTNERS

We engaged our Corporate Partners with relevant solutions via:

37 Power Up Forums and Workshops

12 Strategy Planning with Customers

…and the resulting partnership stories were published across several touchpoints, with special focus
on our Luminaries. We utilize broadsheets, e-DMs, the website and Meralco LinkedIn.

In 2017, we released 4 print issues of Power Club magazine with in-depth features on our partnerships and showcasing One Meralco's total energy solutions portfolio for customers.

MERALCO

MERALCO HOME & MICROBIZ PARTNERS

NOTES: 90 LGUs since 2014. Total of 5 strat since 2016.

We sustained our **Energizing Partnership Programs**, with **51 LGUs** in 2017

51 LGUs

17 ceremonial
Inclusive of special event

13 local
Simple ceremony often following LGU flag ceremony

and **4 Strategic Planning Sessions**

PASAY — JUN

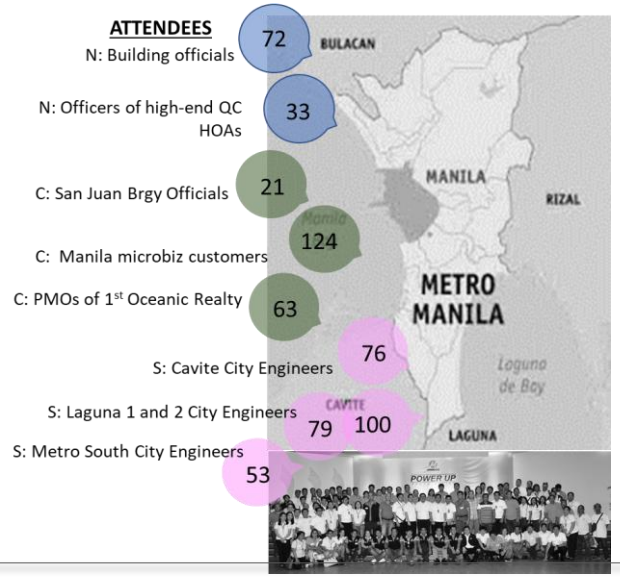
IMUS — OCT

GEN TRIAS — DEC

MANILA

…and implemented **9 Power-Up Forums** with a total of **621** attendees

- With **97% satisfaction rating**
- Explored **1st microbiz PUF** highlighting prepaid & energy efficiency.



MERALCO

DOE Forum to revive Smart Grid TWG creation and development of National SG Roadmap and Implementation Policies (1H 2018)

DOE Meralco Powerlab & SCADA Tour
(Mar 21)

Forum for Smart Grid Policy and Roadmap
(Nov 27-29)

MERALCO

2017 INTERNATIONAL AWARDS

THE STEVIES FOR SALES & CUSTOMER SERVICE

GOLD QUILL AWARDS

ASIA-PACIFIC STEVIE AWARDS

Asian Utility Week

THE STEVIES THE INTERNATIONAL BUSINESS AWARDS

ASIAN POWER AWARDS 2017

MERALCO KURYENTE KLOAD

POWER UP FORUM SERIES

POWER CLUB GOLF INVITATIONAL

Workplace by facebook

The information as contained herein may neither be reproduced nor used, in whole or in part, for any other purpose nor furnished to any person(s) without express written permission from MERALCO PowerGen Corporation

MERALCO MGEN POWER GENERATION

PROJECT UPDATES

26 February 2018

San Buenaventura Power Limited Co. (SBPL)

455MW (net) Supercritical Coal-Fired Power Plant in Mauban, Quezon

- Construction of the country's first super-critical coal-fired power project is now on its 27th month and is expected to be completed for COD in mid-2019.

STG, Control Building, Boiler and Pulverizer Area

SWFGD Aeration, Intake Structure, Water Treatment and Electrical Control Building

Atimonan One Energy, Inc. (A1E)

2x600 MW Ultra Supercritical Coal-Fired Power Plant in Atimonan, Quezon

- The PSA with Meralco submitted to ERC in April 2016. Public hearings, Technical Working Group (TWG) review and assessment of the PSA and the tariff, and other regulatory processes "Done". ERC approval is awaited.
- The project is classified as a Committed Project by the DOE; has secured DENR's Environmental Compliance Certificate (ECC), has been issued the Certificate of Registration as a Preferred Pioneer Enterprise by the Board of Investments (BOI) and is needed by the country to ensure sufficient capacity for the future.
- Evaluation of the EPC bids from contractors is essentially concluded.
- Mandate Letter for up to Php107.5B from a group of 7 local banks has been signed.
- Connection Agreement with NGCP executed in January 2017; 23-km Transmission Line (from Atimonan Power Plant site to New Pagbilao Substation) approved by the ERC in February 2017.
- Construction of a 1.6-km Access Road to the project site has been completed.
- A memorandum of understanding for the construction of the Transmission Line has been signed.

Atimonan One Energy, Inc. (A1E)

2x600 MW Ultra Supercritical Coal-Fired Power Plant in Atimonan, Quezon

- MGen intends to establish a Joint Venture with the Electricity Supply Board of Ireland (ESBI), a leading third party service provider in O&M services worldwide, that will allow for a transfer of skills and expertise to MGen.
- Regular CSR activities are in place for the benefit and development of the affected communities and the LGUs, including donation of facilities to the Municipality such as ambulance and dump truck

Redondo Peninsula Energy, Inc. (RP Energy)

Phased 2x300 MW CFB Coal-Fired Power Plant in Subic, Zambales

- 225-MW Power Supply Agreement (PSA) with Meralco for Phase 1 submitted to ERC for approval in April 2016. Public hearings, Technical Working Group (TWG) review and assessment of the PSA and the tariff, and other processes completed in end-April 2017. ERC approval still awaited (75MW PSA with Aboitiz energy Solutions signed in April 2016).

- Project costs continue to increase while awaiting ERC approval due to EPC cost escalation, weaker peso to dollar rate, and higher interest rates. RPE is exploring ways to manage these increasing EPC and financing costs with the aim of preserving the project's economics.

- RPE remains committed to the execution of the project. RPE is classified as a Committed Project by the DOE, has the Environmental Compliance Certificate (ECC) from DENR, and is registered by BOI as a Preferred Non-Pioneer Enterprise.

Cautionary Statements

This presentation is prepared for the participants of the MERALCO **Investors and Analysts Briefing & Teleconference** held on **February 26, 2018**. This presentation has consequential limitations and is not a comprehensive discussion about **Manila Electric Company and Subsidiaries (MERALCO)**. The same materials are restricted to the participants and may only be used in conjunction with the meeting held on such date.

The information contained herein should not be quoted in whole or in part without prior consent of **MERALCO**. No responsibility to any third party is accepted as the presentation has not been prepared for and is not intended for any other purpose.

Accordingly, **MERALCO** makes no representation or assurance that any projected results based on the use of these information will be realized. Investors and analysts should not place undue reliance on these information, though presumed correct at the time of the presentation. These information are exposed to various risks and competitive uncertainties and contingencies which are beyond **MERALCO's** control.