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:** *October 29, 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 1605*
8. **Issuer's telephone numbers:** *6328014 Area* **Code:** *(02)*
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, 2018)

Debt Securities: PhP18.5 Billion Bonds

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

The Company's Board of Directors, in its regular meeting held today, October 29, 2018, approved the Company's Financial and Operating Results for the Nine-Month ended September 30, 2018 (refer to 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 29, 2018

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, 2018
WITH COMPARATIVES FOR 2017

Highlights

- Consolidated Core Net Income for the first nine (9) months of 2018 at Pesos 16.7 billion, 9% higher compared with Pesos 15.4 billion in 2017
- Consolidated Reported Net Income for the nine (9) months ended September 30, 2018 at Pesos 18.2 billion, up 14% vis-à-vis 2017
- Consolidated electricity revenues at Pesos 221.3 billion for the nine (9)-month period of 2018, rose 6% year-on-year
- Consolidated distribution revenues at Pesos 46.2 billion for the first nine (9) months of 2018, 3% higher than 2017
- Consolidated non-electricity revenues at Pesos 6.1 billion for the nine (9)-month period of 2018, up 11% year-on-year
- Consolidated Core EBITDA for the nine (9)-month period of 2018 at Pesos 26.6 billion, up 1% over 2017
- Core Earnings per Share at Pesos 14.804
- Consolidated volume of energy sold of 32,921 GWh for the first nine (9) months of 2018, 5% higher than 2017
- Customer count up by 5% to more than 6.5 million
- Average consolidated distribution rate at Pesos 1.40/kWh for the first nine (9) months of 2018, Peso 0.02 lower compared with 2017

MANILA, PHILIPPINES, 29th October 2018 – 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, 2018 amounted to Pesos 16.7 billion, 9% higher than 2017. Consolidated Reported Net Income for the same period amounted to Pesos 18.2 billion, a 14% rise year-on-year. Core Earnings per Share for the first nine (9) months of 2018 was Pesos 14.804 while Reported Earnings per Share was Pesos 16.159.

September 2018 year-to-date operating results have remained generally positive, although the overall growth rate has slowed down during the third quarter. Sales volumes, Net System Input ("*NSI*") and Peak Demand within the franchise area grew by 5%, 4% and 6%, respectively, in 2018 compared with the same period in 2017. Sales volumes grew to 32,921 GWh while *NSI* was at 34,815 GWh. Peak Demand within the *Meralco* franchise area was at 7,399 MW registered on May 23, 2018 while the Luzon Peak Demand was at 10,876 MW, registered on May 28, 2018. Sales volumes of Clark Electric Distribution Corporation ("*CEDC*", *Meralco*'s 65%-owned subsidiary) were lower by 8% at 392 GWh for the nine (9) months ended September 30, 2018 due to the shift of a major semiconductor company from *CEDC*'s distribution service to Clark Development Corporation ("*CDC*"). However, normalizing for the said shift, *CEDC* would have otherwise reflected a 9% growth.

Industrial energy sales which accounted for 30% of the year-to-date 2018 volume grew by over 7% to 9,768 GWh. Commercial volumes continued to account for the largest share at 39% or a total of 12,938 GWh. Residential volumes stood at 31% or a total of 10,111 GWh.

While the overall sales volumes reflected an increase in the last 16 months (since March 2017), residential volumes registered a negative growth of 1% for the month of July 2018, the first such decline recorded. This may be attributed to the impact of higher inflation, interest rates and a weaker peso, which adversely affected consumer spending. This negative growth continued in the months of August and September, but the declines were partly offset by increases in both Commercial and Industrial volumes at 2% and 6%, respectively, during the third quarter of 2018.

Electric revenues amounted to Pesos 221.3 billion, higher by 6% over the comparative period in 2017, due to significantly higher generation charges resulting from the combined effects of (i) increased prices of coal, oil and gas; and (ii) the further depreciation of the Philippine peso versus the U.S. dollar.

The average coal price for the nine (9) months ended September 2018 was at US$102.08 per MT compared with US$84.93 per MT for the same period in 2017; Malampaya gas was at an average of US$7.52 per GJ (US$6.80 per GJ in 2017). Oil prices averaged at US$68.32 per barrel (Dubai crude) for the first nine (9) months of 2018 versus US$50.93 per barrel in 2017. Coupled with the softening of the peso, these drove the average generation charge to Pesos 5.06 per kWh for the first nine (9) months of 2018 from Pesos 4.30 per kWh in 2017. Average overall electricity rate for the nine (9)-month period of 2018 was at Pesos 8.92 per kWh, 12% higher than the same period in 2017.

Non-electric revenues for the nine (9)-month period of 2018 were at Pesos 6.1 billion, 11% higher compared with 2017. These represented close to 3% of total revenues.

Consolidated Core EBITDA for the first nine (9) months of 2018 was Pesos 26.6 billion, 1% higher than 2017. Financing expenses during the period were 22% higher than 2017 at Pesos 1.4 billion as a result of higher overall interest rate. These were offset by interest income of Pesos 1.9 billion during the first nine (9) months of 2018.

Consolidated capital expenditures ("*CAPEX*") for the nine (9) months of 2018 amounted to Pesos 10.1 billion, as *Meralco* continued to implement the approved *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*" from July 1, 2015 to June 30, 2019). The *CAPEX* filed for the 3rd and 4th *RY*s ("*3RY*" and "*4RY*") totaling Pesos 18.8 billion and Pesos 21.0 billion, respectively are still pending approval from the Energy Regulatory Commission ("*ERC*"), along with other projects that were either re-filed or filed as emergency or off-cycle *CAPEX* during the *1RY* and *2RY* of the *4RP*. Consistent with the rules of the *ERC* on execution of *CAPEX*, *Meralco* manifested a number of emergency *CAPEX* to enable it to implement projects for critically loaded facilities, mandatory maintenance and requirements for new connections.

Cash flows from operations for the first nine (9) months of 2018 stood at Pesos 31.2 billion, 18% higher than the same period in 2017. Free cash flows, net of investments in available-for-sale ("*AFS*") and held-to-maturity ("*HTM*") instruments, was Pesos 17.3 billion as at September 30, 2018. Cash and cash equivalents amounted to Pesos 48.1 billion at the end of the third quarter of 2018.

Total interest-bearing debt was at Pesos 40.0 billion as at September 30, 2018, of which Pesos 15.3 billion is maturing within one (1) year. During the first nine (9) months of 2018, Pesos 2.5 billion of long- and short-term debt were contracted, while Pesos 3.8 billion of principal and interest were paid. Interim cash dividends declared out of the first half results of 2018 and paid on September 24, 2018 amounted to Pesos 6.0 billion.

Gross Debt to EBITDA stood at 1.13x.

Contributions from subsidiaries to *CCNI* for the nine (9) months ended September 30, 2018 amounted to Pesos 767.9 million, mainly provided by Radius Telecoms, Inc. ("*Radius*") and CIS Bayad Center, Inc. ("*Bayad Center*").

CEDC contributed Pesos 105.2 million to the core electric distribution net income with sales volumes of 392 GWh for the first nine (9) months of 2018. *CEDC* has a franchise granted by *CDC* to distribute power exclusively in the Clark Freeport Zone and the subzones pursuant to Presidential Decree No. 66 and the Joint Venture Agreement executed with *CDC*.

"The major driver of growth for *Meralco* continues to be our core distribution business, with volumes from real estate-related businesses, including the Philippine Online Gaming Operators ("*POGO*s"), having provided the uplift for the Commercial sector. The third quarter, which historically generated the strongest volumes in any operating year, managed to remain relatively good, albeit affected by adverse macro-economic factors and weather disturbances. While volume growth was still 2% higher than the same quarter in 2017, we are minded to pursue even more efficient operations to maintain the delivery of service and good experience to our customers as well as the growth in Consolidated Core Net Income.

"We continue to strive to be the best practice standard for distribution utilities in terms of service delivery, network reliability, energy sourcing at least cost, after-the-meter and transaction-based services. As we expand our value proposition to customers and to electricity-based businesses, through offerings such as solar energy products and services and eVehicle services for a greener environment, we have also included renewable energy in our planned portfolio of highly reliable and fuel-efficient facilities to grow the overall *Meralco* business," said **Manuel V. Pangilinan**, Chairman of *Meralco*.

Core Power Distribution Business: Growth under a Challenged Economic Environment

With inflation rising to 6.7% as of the end of the first nine (9) months of 2018, and with two (2) major weather disturbances since the beginning of the year, year-to-date volume growth was limited to 5%, with third quarter 2018 volumes growing by only 2% compared with the same period in 2017. In addition, the first nine (9) months of 2018 also saw the increases in energy prices due to higher coal, gas and oil prices exacerbated by the depreciating peso.

Inflation in the country has been very much supply-side driven. Food prices have gone up although the government has announced the liberalization of rice imports to curb such continuing increases. With the current level of global oil prices, domestic prices of goods and services remain elevated, and may be under further pressure with the impending imposition of excise taxes (in 2019), should this not be suspended.

Sales volume change between the nine (9) months ended 2018 versus 2017 was at 5%, slightly higher than the growth of 4% in 2017 over 2016. Notable though is the almost three (3) percentage points change in the growth rate of Industrial sales volumes in 2018 compared with 2017 (7% in 2018 versus 4% in 2017). Residential and Commercial volume growth were lower at 3% in 2018 (4% in 2017) and stable at 4% in 2018 (4% in 2017), respectively.

Industrial energy sales volume grew slightly over 7% driven by the demand for plastic products such as food utensils and general packaging needs of the growing retail industry, and by the cement and semiconductor accounts. The U.S. tariffs and trade tensions with China have pushed electronics assembly and production from China to other Southeast Asian countries, of which the Philippines is a beneficiary.

Commercial volumes continue to be dominated by real estate, consisting of office space rentals and leases by *POGO*s, which accounted for over 25% of office transactions. The increasing *POGO* gaming volumes may be brought about by China's concern on foreign travels for gaming and related currency issues. Retail trade volume growth, on the other hand, is attributable to the ramp-up of existing mixed-used malls, mostly with Business Process Outsourcing ("*BPO*") spaces. Hotels and restaurants have also contributed to volume growth although there is some slowdown observed in this sector.

Residential sales volume still increased, although at a slower pace of 3% due to the adverse effects of increasing inflation and weather disturbances. Inflation has been rising since the beginning of the year, with the highest level for the year at 6.7% registered in September

2018, the highest since February 2009. Real feel temperature for the first nine (9) months of 2018 was lower by 0.05^{o}C, compared with the same period in 2017 while the average temperature for the period was lower by 0.39^{o}C.

All sectors are in a cautious "wait and see" mode for the final provisions of the Tax Reform for Attracting Better and High-quality Opportunities ("*TRABAHO*") Bill (formerly called Tax Reform for Acceleration and Inclusion 2 ("*TRAIN* 2"). Certain provisions may not be supportive of the thrust for inclusive growth for businesses and the Government's push to fast-track its "Build Build Build ("*BBB*")" agenda.

The first nine (9) months of 2018 also saw major weather disturbances hitting the *Meralco* franchise area. Typhoons Karding (international codename: "Yagi") and Ompong (international codename: Mangkhut), and the enhanced Habagat (southwest monsoon rains) impacted on *Meralco*'s system reliability performance and electricity demand. *Meralco* was forced to de-energize some low-lying areas for public safety, with a total of 44 momentary circuit outages and 20 other sustained outages. Over 1.2 million customers were affected by outages (ranging from short duration to prolonged interruptions), which were caused by fallen poles or trees. Total unserved energy for the nine (9) months due to weather disturbances was 63 GWh.

In keeping with the *Company*'s Emergency Preparedness and Disaster Response programs, *Meralco* sent a 66-man contingent to help Cagayan Electric Cooperative II ("*CAGELCO II*") restore its facilities that were damaged beyond simple restoration by Typhoon Ompong. The team restored the cross-country portion of the 69 kV Magapit-Zitanga-Luchan backbone serving two (2) *CAGELCO II* substations. This restoration task was one of the, if not the most difficult one, as the crew could only rely on human force to erect electric poles in the middle of rice paddies, as mechanized equipment could not traverse muddy and unstable soils. Several kilometers of downed power lines serving the towns of Gonzaga and Sta. Ana were also restored. Additionally, One Meralco Foundation, Inc. ("*OMF*") provided charging stations to allow affected residents in the evacuation centers use of mobile phones and other critical devices, on top of the regular relief and medical operations.

Meralco's Networks and Customer Retail Service groups worked hand-in-hand to adequately address the requirements of customers to ensure 24x7 distribution system reliability and power quality. Year-to-date 2018 System Average Interruption Frequency Index ("*SAIFI*") was slightly better than the same period in 2017. Although the Planned System Average Interruption Duration Index ("*P-SAIDI*") was higher compared with the same period last year, a contributing factor was the execution of jobs related to Government's Public Private Partnership ("*PPP*") and "*BBB*" project requirements.

Meralco's 12-month moving average ("*12-MMA*") system loss ("*SL*") as of September 2018 was at 5.67%, a 0.38 percentage point better than the *12-MMA SL* of 6.05% for the same period in 2017 and lower by 1.83 percentage points versus the newly set *SL* cap of 7.5%, which is inclusive of 1% assumed typical sub-transmission and substation technical losses. The ongoing *SL* reduction initiatives, together with the continuing contributions from all

previous *SL* reduction activities, provided yield improvements to the *Meralco SL* performance.

For the third quarter of 2018, the installation of North Port Bank No. 6 and installation of the Balintawak Bank No. 6 to replace defective power transformers, among others, were completed.

Other electric capital projects include the various distribution line projects completed, such as unloading, conversion, re-termination, flexibility improvement and construction of a new line. There are also two (2) Project-Covered Applications ("*PCA*s") projects that were energized, which are the 115 kV interconnection of a steel manufacturing company and the 69 kV interconnection of a cement plant.

The relocation of electric poles related to the road widening project of the Department of Public Works and Highways ("*DPWH*") as well as the *PPP* and *BBB* projects are ongoing and are taxing the resources of the organizations, particularly, Networks.

Other than the Network facilities, upgrade or replacement of a number of *Meralco*'s information technology facilities has become compelling as the existing systems are near or beyond end-of-life, where support from software provider is either costlier or no longer available. Separately, there are new, more efficient technologies which are required to support smarter and faster grid response which are awaiting approval by the *ERC*.

The demand for prepaid metering continues to grow with a total of 96,717 activated prepaid meters as at September 30, 2018. Average per capita monthly consumption of prepaid metering accounts increased to 142 kWh for the nine (9)-month period ended September 30, 2018 from 136 kWh during the same period in 2017.

NSI, which represents total energy delivered to the *Meralco* distribution system increased by slightly over 4% to 34,815 GWh, marginally below the increase in energy sales of close to 5%. The difference represents an improvement in *SL*, which translates to savings for *Meralco* consumers.

The *Company*'s franchise mandate to source power 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 2018, *Meralco*'s average retail rate was at Pesos 8.92 per kWh, with the generation charge at Pesos 5.06 per kWh, accounting for 57% of the total retail price. The average retail rate in 2018 is higher by Peso 0.99 per kWh or 12% than 2017, due largely to the effects of higher fuel prices and the weaker peso on the generation charge. The transmission charge, which is billed by the National Grid Corporation of the Philippines ("*NGCP*") was 1% lower than in 2017 at Peso 0.79 per kWh. The average distribution rate was Pesos 1.41 per kWh, with the higher share of sales coming from the Residential and Commercial sectors during this period. *SL* charges accounted for only 4% of the customer bill. Significant to note are 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 Peso 0.22 per kWh, which now represents 2% of the average retail rate after

the 2017 *FIT-All* rate of Peso 0.2563 per kWh (up from the previous rate of Peso 0.1830) was reflected beginning June 2018 billings to customers. *FIT-All* is a subsidy for "*FIT*"-accredited" Renewable Energy projects, which is being passed on to consumers based on *ERC* Resolution No. 16 Series of 2010.

The average purchased power cost of *Meralco* for the first nine (9) months of 2018 was Pesos 5.87 per kWh, Peso 0.43 per kWh higher than in 2017. Wholesale Electricity Spot Market ("*WESM*") prices have started to increase with prices ranging from Pesos 2.39 to Pesos 5.10 over the period. *Meralco* purchased a total of 4,279 GWh from the *WESM*, or approximately 12% of its power purchase for the first nine (9) months of 2018.

Operating expenses, which accounted for 9% of total costs and expenses grew by 6% to Pesos 19.4 billion. *Meralco* and *CEDC* stretched to contain costs, prioritizing mission-critical activities. Labor and contracted services continue to be the major spend of a distribution utility mainly to serve the requirements of project design, facilities installations, outage restorations, network maintenance, tree trimming, meter reading and bills and other notification deliveries, among others. Of late, significant resources have also been allocated for facilities relocation and in response to the Department of Energy ("*DOE*") and National Electrification Administration's ("*NEA*") calls for assistance to affected electric cooperatives in the aftermath of severe weather disturbances.

As solar installations continue to grow, *Meralco* is mindful of the impact to the grid of these installations to ensure that power quality to consumers is not compromised.

Even as the growth of the contestable market in terms of volume and number of customers continues, the number of Retail Electricity Suppliers is also increasing, and there is intensifying competition in this market. Total Retail Electricity Supply ("*RES*") volumes represent close to 30% of the total energy sales volumes within the *Meralco* franchise area. As of September 30, 2018, there are a total of 888 customers within the franchise area with total consumption of over 1,146 GWh who have opted for contestability.

"The electricity distribution business continues to be at the core of *Meralco*'s corporate growth, even as we wait for the completion and commercial operations of *MGen*'s power generation projects and for the other *Meralco* subsidiaries to grow and increase their contribution to the bottomline. We continue to build and maintain a highly resilient and reliable network as well as digitally enabling our customers through a smart platform. We are building and strengthening our bills payment business, beyond the meter services and engineering, operating and maintenance to provide the full circle of services to our customers," said **Mr. Oscar S. Reyes**, President and Chief Executive Officer.

Non-electric Distribution Subsidiaries: In a Digital World

Bayad Center

Bayad Center processed a total of 75.4 million bills payment and remittance transactions during the first nine (9) months of 2018 for an all-billers 30-day average of 8.4 million. The

most significant volumes processed are those of government billers, followed by electric (including prepaid loads) and water utilities. Today, Bayad Center serves 288 biller brands through over 13,000 traditional channels and three (3) non-traditional channels, which include wallet-based, agent model and *Bayad Center*-owned digital payment platforms.

To support a predominantly unbanked paying population, *Bayad Center* services traditional payment channels, which include over-the-counter payment centers, automated payment machines and retail machines for neighborhood or "sari-sari" stores, among others. On the other hand, it has kept an eye on the emerging electronic and digital platforms servicing millennials as well as customer segments which value convenience, via partnership with electronic wallet providers, agent-based electronic platforms as well as the in-house Bayad Center app, online and Bayad Connect.

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

Radius

Enterprise sales, which account for more than 50% of the sales volumes of *Radius* are its main growth driver. During the first nine (9) months of 2018, *Radius* has invested a total of Pesos 163.5 million in *CAPEX* consisting of an additional 112 kilometers of completed roll-out fiber and 220 kilometers of last mile fiber, bringing total combined length of roll-out and last mile fiber to 3,949 kilometers. Other major *CAPEX* include Dense Wavelength Division Multiplexing ("*DWDM*") equipment, *ASR* 920 router, Small Form-factor Pluggable ("*SFP*") transceiver for optical transport network, and access switches, among others. *Radius* also executed customer projects consisting of fiber optic cables and copper for Government heavy rail line, and customer premise equipment, including media converters. Through its offshore point-of-presence, *Radius* also serves as back-up infrastructure for international telecommunications entities and alternate lease line solutions for global connections.

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

<u>Power Generation: Way Forward for its Projects</u>

MERALCO PowerGen Corporation ("*MGen*") looks forward to the completion of its first power generation plant in less than a year's time, with commercial operations date ("*COD*") by September 2019. This will enable *MGen* to help ensure the availability of critically-needed baseload capacity, to meet the power demand in the *Meralco* franchise area and the Luzon Grid.

MGen also continues to await the long-delayed approval by the *ERC* of certain Power Supply Agreements ("*PSA*s") filed two and a half (2-1/2) years ago and which have already undergone all the necessary *ERC* processes and public hearings. *MGen*, in good faith, fully complied with *ERC*'s Order of the effectivity date of the Competitive Selection Process ("*CSP*") along with over 10 other electric cooperatives ("*EC*s"), *DU*s and their counterparty generating companies ("*GenCo*s").

These *PSA*s are intended to address the system requirements based on the Demand-Supply Outlook of the *DOE* through 2030. The prolonged delay has had major adverse effects on the project costs of these plants. More importantly, it exposes customers to higher power prices as the peso continues to depreciate and interest rates rise, while global prices of fuel continue to move upwards.

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

SBPL is less than a year away from full commercial operations. The Engineering, Procurement and Construction ("*EPC*") contract has proceeded since December 8, 2015 and is currently in its 35th month of construction. To date, the *EPC* progress is estimated to be at 94%. Preparations are underway for initial synchronization in April 2019. Target *COD* of the project is September 2019.

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

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

More than two (2) years since the *PSA* between *A1E* and *Meralco* for *A1E*'s 2x600 MW plant was filed, *A1E* continues to await approval from the *ERC*. On August 30, 2018, *A1E* filed with the *ERC* its fourth Very Urgent Motion to Resolve its *PSA*, highlighting significant negative impacts to the overall project in terms of total project cost, timetable and eventual power prices, as well as the country's power situation.

The *DOE*, on September 11, 2018 signed and issued *A1E* a Certificate of Energy Project of National Significance ("*CEPNS*") for commerciality – a key recognition of the project's importance to the country's future energy supply. On September 14, 2018, *A1E* jointly filed with *Meralco* an Extremely Urgent Motion to Resolve the *PSA*, citing the *CEPNS* received from the *DOE*.

A1E, a Board of Investments ("*BOI*")-registered enterprise with a Preferred Pioneer status, is "shovel-ready" and is awaiting the long-delayed approval of the *PSA*. All the necessary agreements, particularly, the *EPC*, and Loan Agreements, are in place. The *EPC* contractor is awaiting the issuance of a Notice to Proceed ("*NTP*").

Financing has been arranged by the Mandated Lead Arrangers and Bookrunners ("*MLAB*") with a Mandate Letter signed with a consortium of eight (8) local banks. Transmission right-of-way ("*ROW*") acquisition is currently close to full completion.

A1E is a 2x600 MW greenfield, ultra-supercritical pulverized coal-fired plant in Atimonan, Quezon, the first ultra-supercritical plant in the country. Completion of the first 600 MW is targeted by the third quarter of 2023, and the second unit by the first quarter of 2024.

PacificLight Power Limited ("PacificLight")

The two (2) units of *PacificLight* have been operating without any incident of forced outage with year-to-date availability at 98.78% for Unit 10 and 89.62% for Unit 20. Demand peaked in May 2018 and has since remained flat after a slight dip, to-date. Demand has exceeded that of last year, registering a year-to-date growth of close to 3%.

PacificLight's performance measured in terms of EBITDA remains positive at S$21.9 million for the nine (9) months ended September 30, 2018, 184% higher than the same period in 2017.

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

"The recent hikes in interest rates and the weakening of the peso have had an adverse impact on the projects of *MGen*. We are ready to go with *A1E*. Its 2x600 MW highly reliable and most fuel-efficient capacity is much needed and will serve residential and commercial consumers, and the Philippine economy well.

"We look forward to the final approval by the *ERC* of the *PSA*," said Mr. **Rogelio L. Singson**, President, *MGen*

Conclusion and Outlook

"Our unparalleled service levels have allowed us to provide a highly reliable and resilient network with power sourced at least cost through sustained customer service and experience. We have set our standards of capital expenditures and operating goals to, at the very least, maintain, if not exceed such service levels. We intend to ensure our volume and customer count growth trajectories, remain on track as we enrich more lives and livelihoods, enable businesses and industries to complete and succeed, empower our customers and deliver long-term integrated solutions.

"We remain focused on delivering on our customer service, enhanced customer experience, and improved business results, whether in our core distribution business or power generation initiatives. We remain vigilant of our way forward given the challenges in the market. Nevertheless, we look forward to ending 2018 with financial results marginally above 2017," concluded Mr. Pangilinan.

	MANILA ELECTRIC COMPANY Consolidated Financial Highlights (in Million Pesos, except per share data)		
	For the Nine Months Ended September 30		% Change
	2018	2017	
REVENUES			
Electricity	221,266	208,848	6
Non-electricity	6,145	5,541	11
	227,411	214,389	6
COSTS AND EXPENSES	206,960	193,808	7
OTHER INCOME – net	2,903	1,657	75
INCOME BEFORE INCOME TAX	23,354	22,238	5
PROVISION FOR INCOME TAX	5,089	6,220	(18)
NET INCOME	18,265	16,018	14
NET INCOME – AS REPORTED	18,212	15,928	14
CORE NET INCOME	16,686	15,370	9
EARNINGS PER SHARE			
On Reported Net Income			
Basic	16.159	14.132	14
Diluted	16.159	14.132	14
On Core Net Income [1]			
Basic	14.804	13.637	9
Diluted	14.804	13.637	9

[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.

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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.