



MERALCO

NINE MONTHS ENDED SEPTEMBER 30, 2020

FINANCIAL AND OPERATING RESULTS

Investors and Analysts Briefing
October 26, 2020

FINANCIAL HIGHLIGHTS

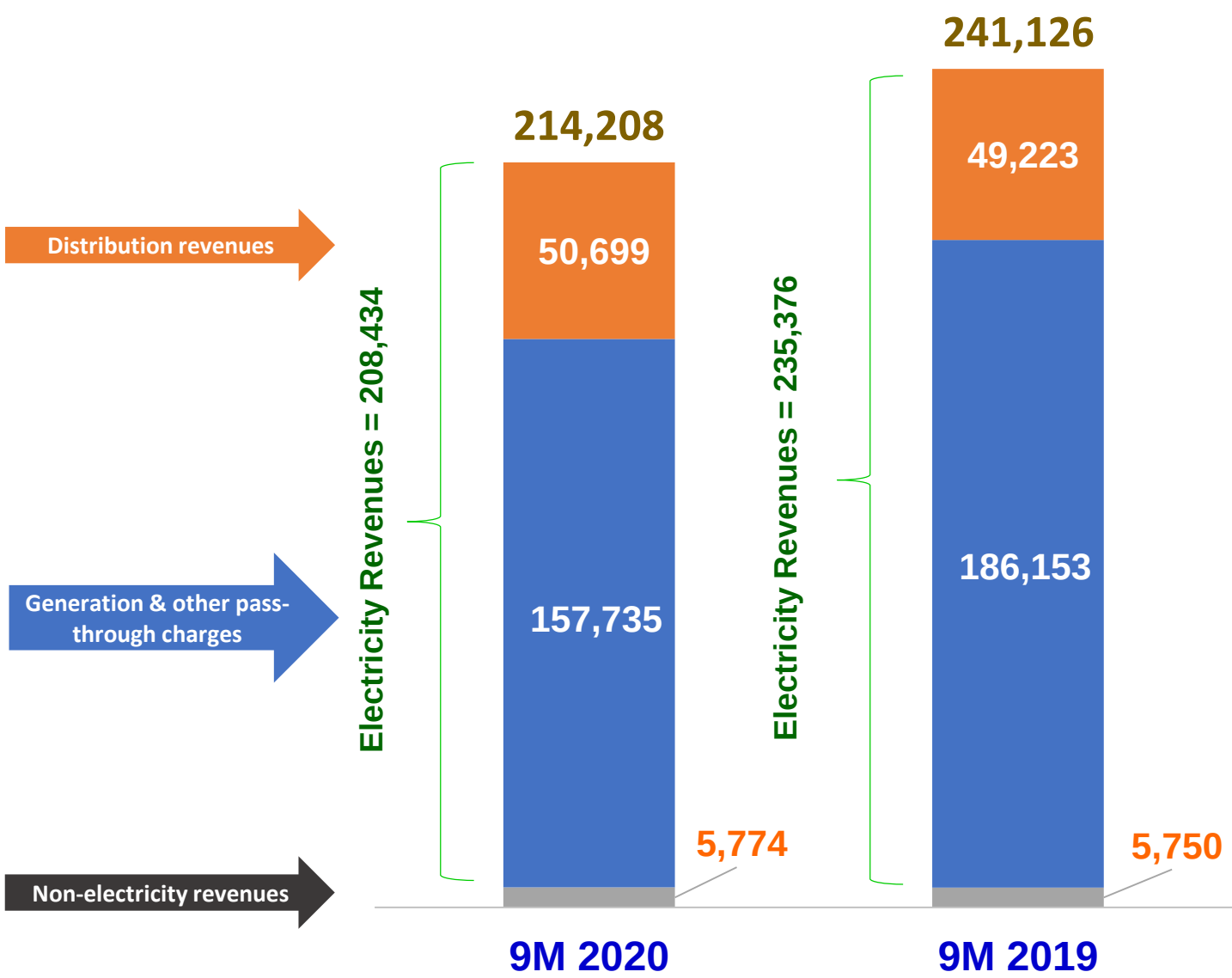
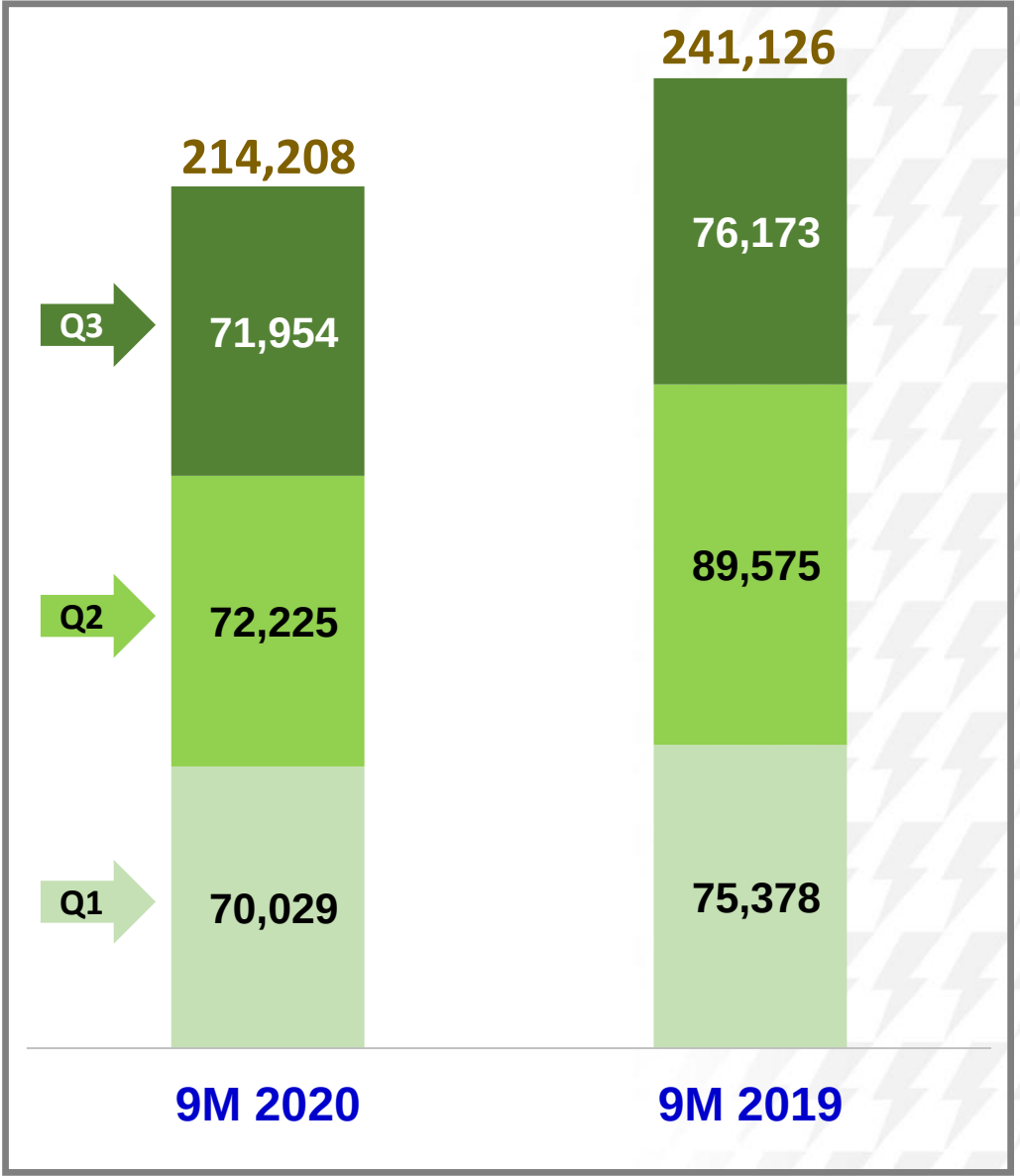
9M 2020



Financial Summary (in Million PhP)

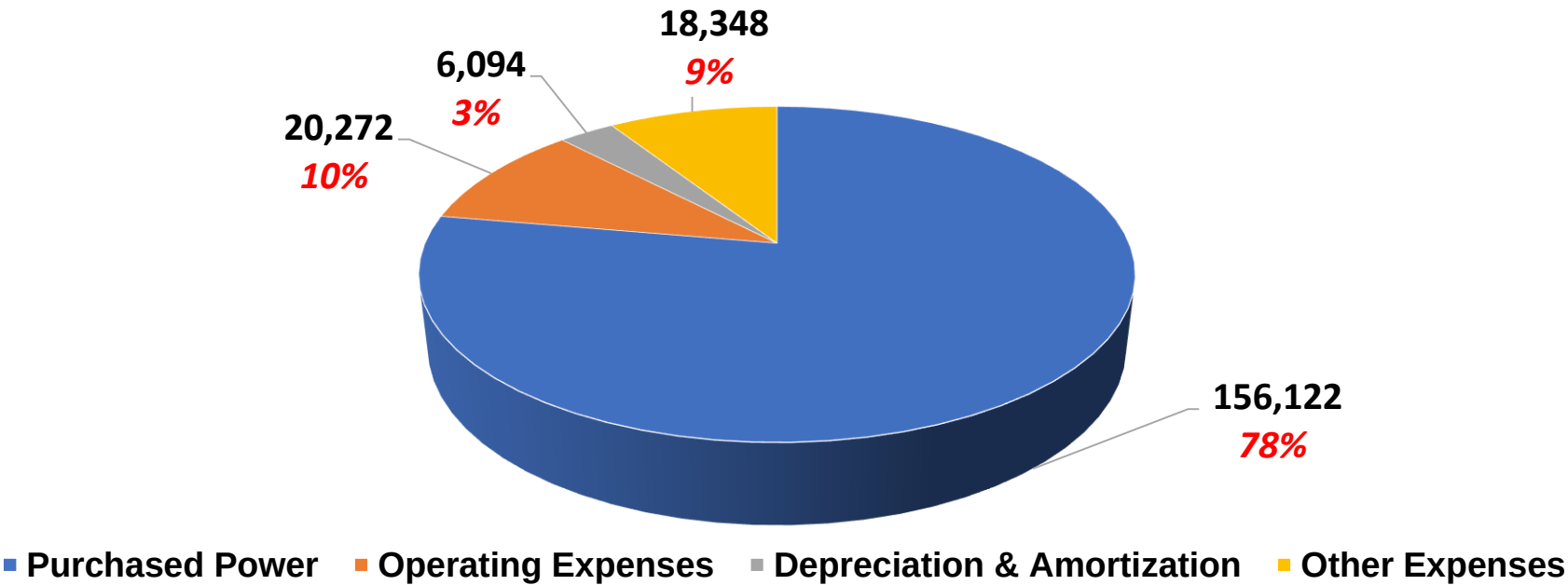
NET INCOME & EBITDA	REVENUES	EXPENSES	CASH AND BORROWINGS
<div>CCNI</div> <div>₱15,727 ↓ 14.8%</div> <div>REPORTED INCOME</div> <div>₱11,252 ↓ 38.6%</div> <div>CORE EBITDA</div> <div>₱24,332 ↓ 18.2%</div> <div>REPORTED EBITDA</div> <div>₱19,698 ↓ 33.8%</div>	<div>GROSS REVENUES</div> <div>₱214,208 ↓ 11.2%</div> <div>DISTRIBUTION REVENUE</div> <div>₱50,699 ↑ 3.0%</div> <div><small>* Distribution rate at ₱1.5581/kWh</small></div> <div>GENERATION & OTHER PASS-THROUGH CHARGES</div> <div>₱157,735 ↓ 15.3%</div>	<div>PURCHASED POWER COST</div> <div>₱156,122 ↓ 14.9%</div> <div>OPERATING EXPENSES</div> <div>₱20,272 ↑ 4.8%</div> <div>CAPITAL EXPENDITURES</div> <div>₱10,920 ↓ 30.5%</div>	<div>CASH & CASH EQUIVALENTS</div> <div>₱31,697 ↑ 28.1%</div> <div>BORROWINGS</div> <div>₱40,860 ↑ 30.8%</div>

Consolidated Revenues (in Million PhP)

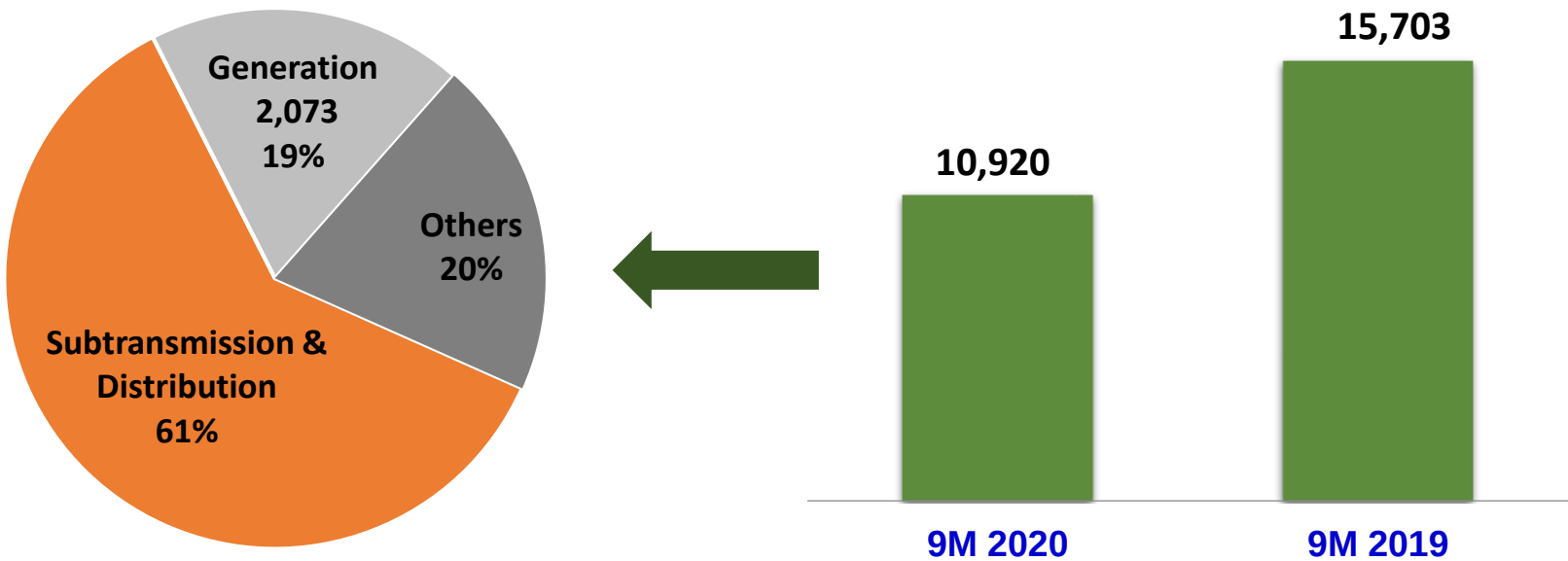


Costs and Expenses/Capital Expenditures (in Million PhP)

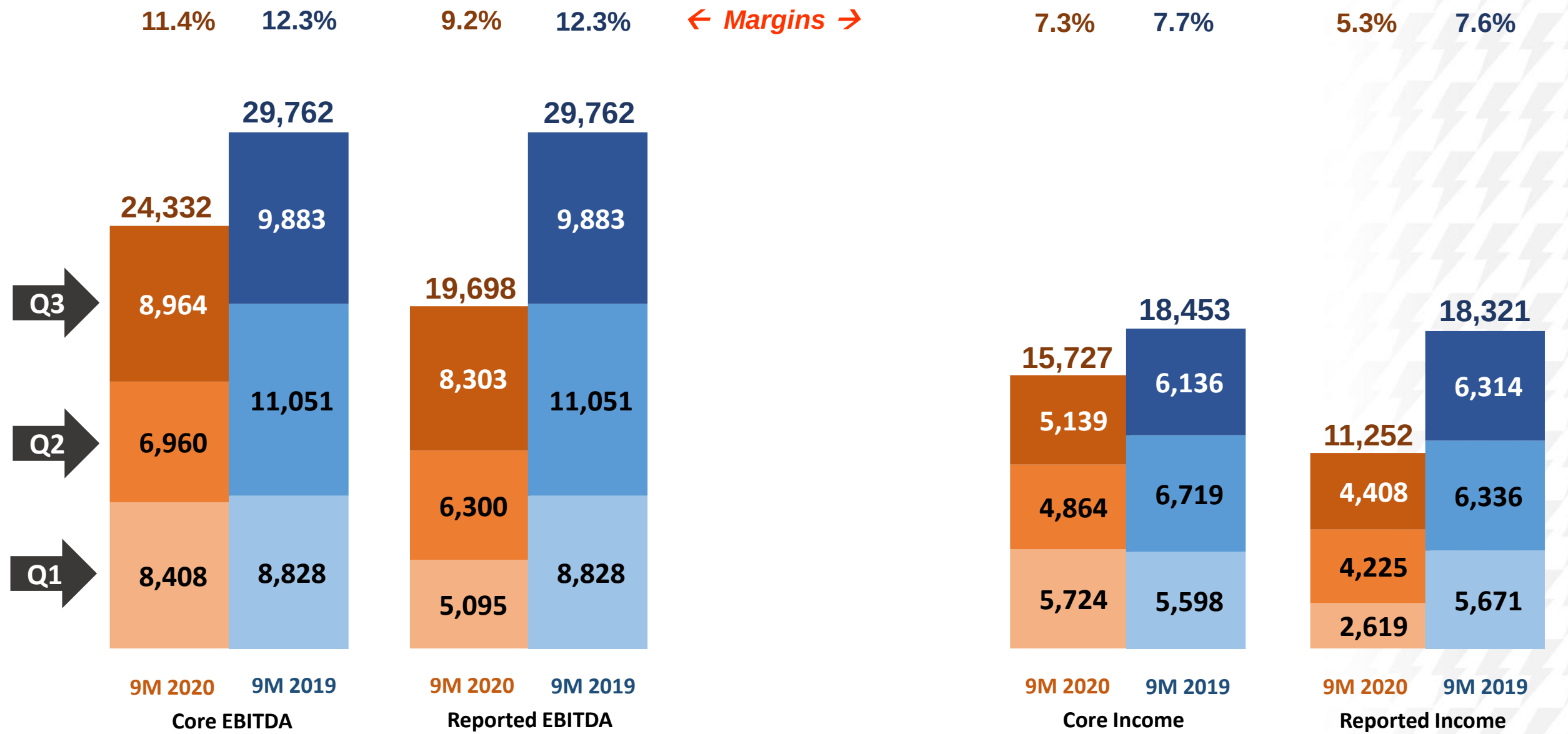
Costs and Expenses



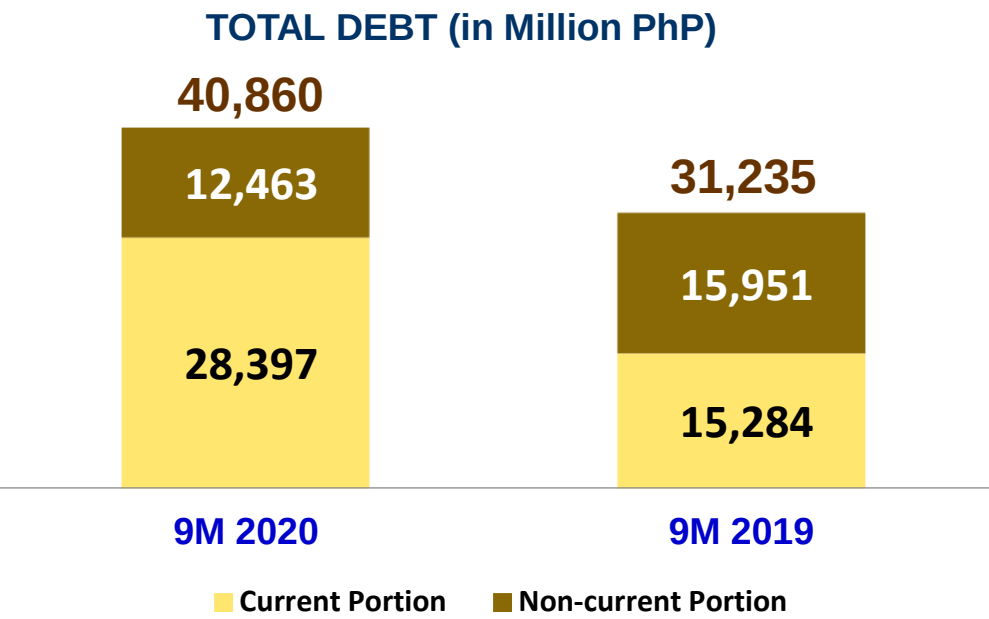
Capital Expenditures



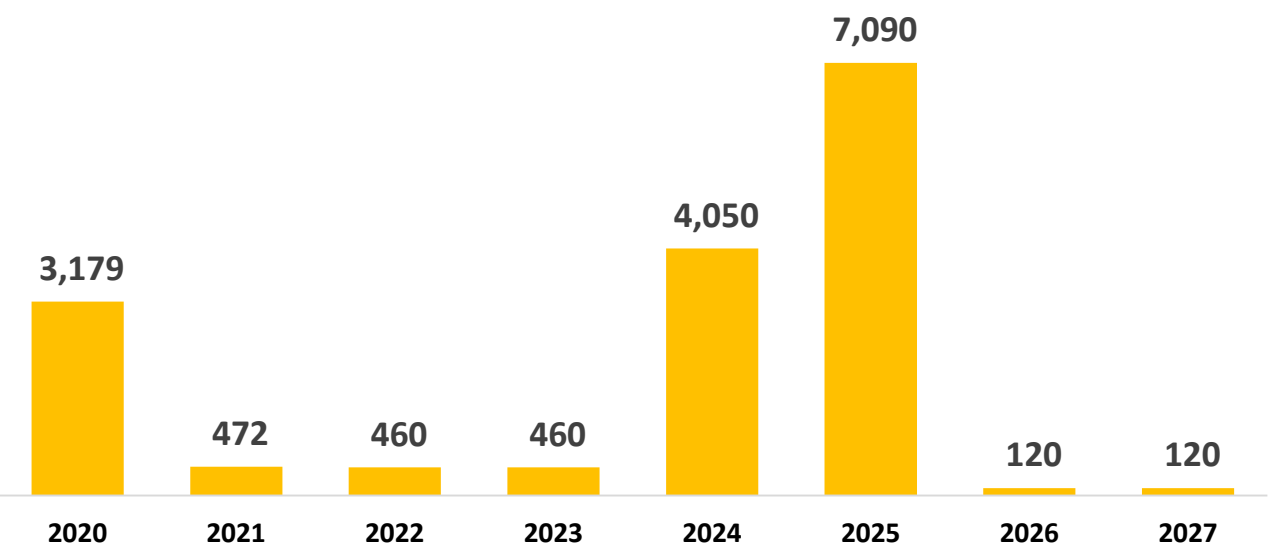
Consolidated EBITDA and Net Income (in Million PhP)



Credit and Debt Profile

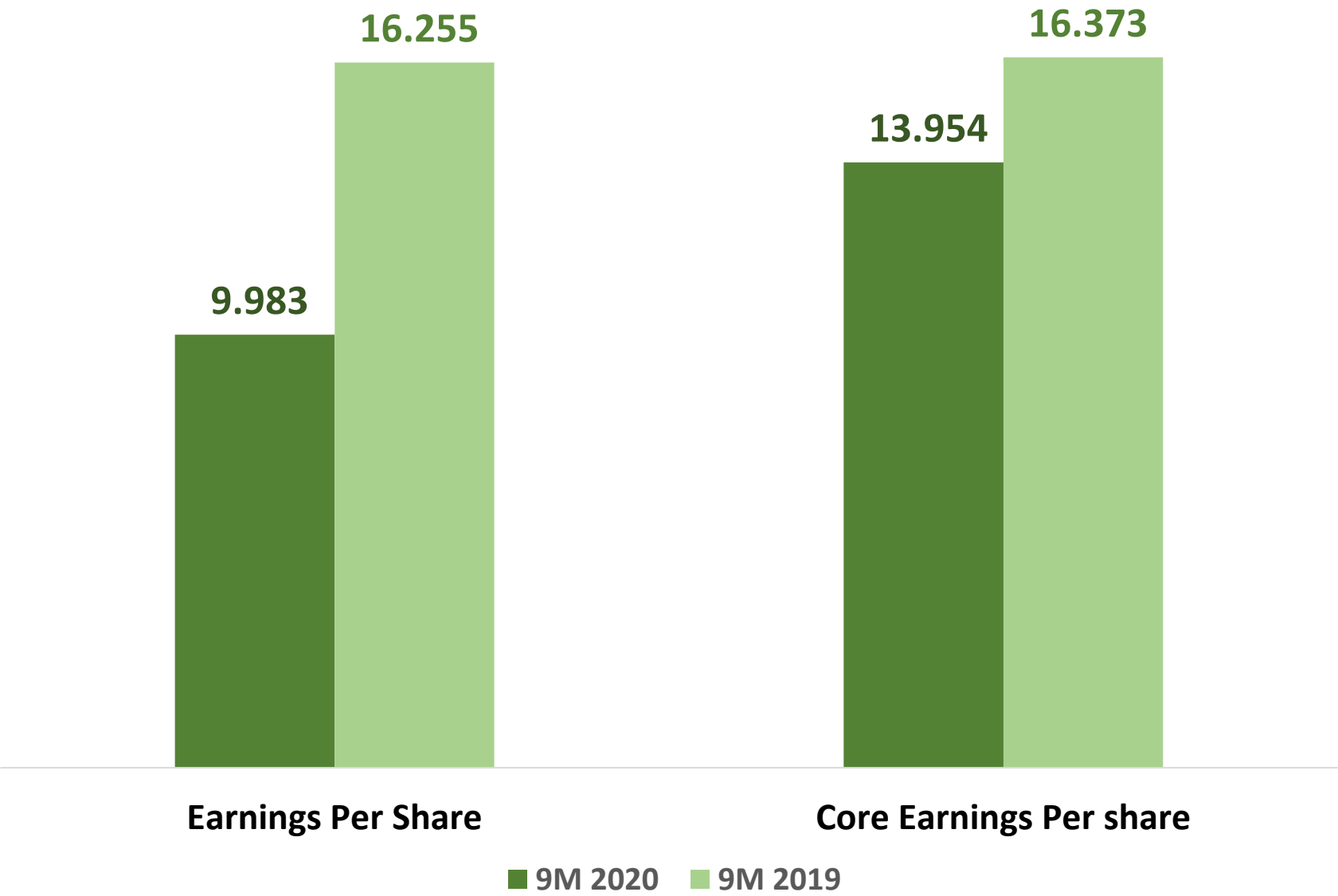


LONG-TERM DEBT REPAYMENT SCHEDULE (in Million PhP)



(In Million PhP, Except Ratios)	9M 2020	9M2020
Cash & cash equivalents	31,697	24,736
Gross debt	40,860	31,235
Net debt	9,163	6,499
Gross debt/EBITDA	1.6	0.8
Net debt/EBITDA	0.3	0.2
Gearing ratio	0.1	0.1
Interest expense	1,223	1,141

Earnings Per Share (in PhP)



OPERATING HIGHLIGHTS

9M 2020



MERALCO

PERFORMANCE HIGHLIGHTS

SEPTEMBER YTD 2020 VS. 2019

BUSINESS DRIVERS

CONSOLIDATED ENERGY SALES

4,007 GWh **32,539 GWh**

▲ 0.4%, VS. SEPTEMBER 2020

▼ 7%

CONSOLIDATED CUSTOMER COUNT

7.020 M

▲ 3%

NET SYSTEM INPUT

4,170 GWh **34,533 GWh**

▲ 0.3%, VS. SEPTEMBER 2020

▼ 6%

MERALCO PEAK DEMAND

7,614 MW*

▼ 2%

*March 10, 2020

SERVICE PERFORMANCE

SYSTEM LOSS

6.18%

▲ 0.63 %PT, 12-MMA

SYSTEM AVE. INTERRUPTION FREQUENCY INDEX

1.117 times

▼ 23%

SYSTEM AVE. INTERRUPTION DURATION INDEX

116.206 minutes

▼ 26%

AVE. TIME TO CONNECT

1.76 days

▲ 3%, YTD

ELECTRICITY RATE

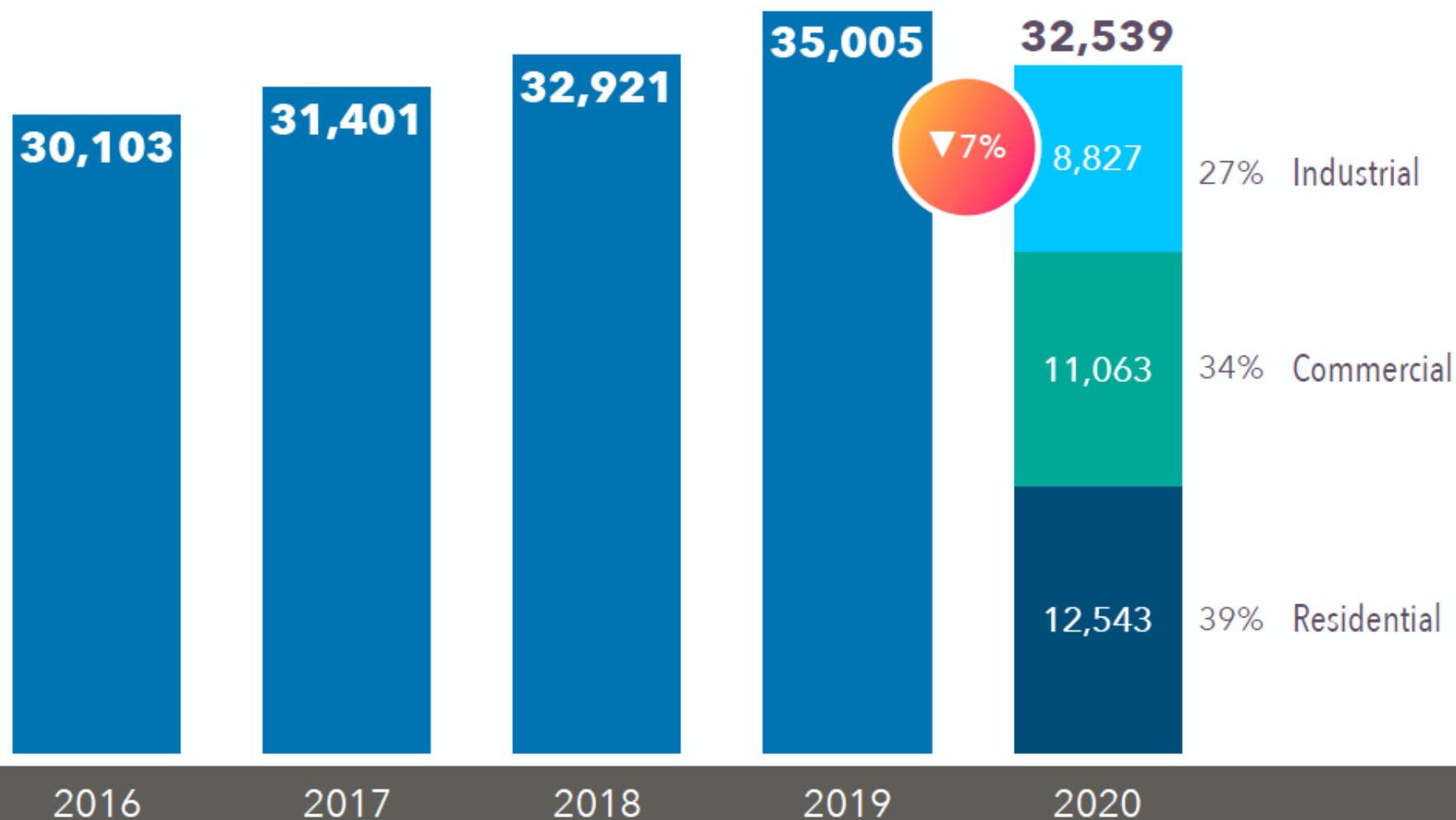
AVE. RETAIL RATE

8.04 PhP/kWh

▼ 11%

SEPTEMBER 2020 YTD **CONSOLIDATED ENERGY SALES** (in GWh)

Reduction in volumes driven by impact of community quarantine

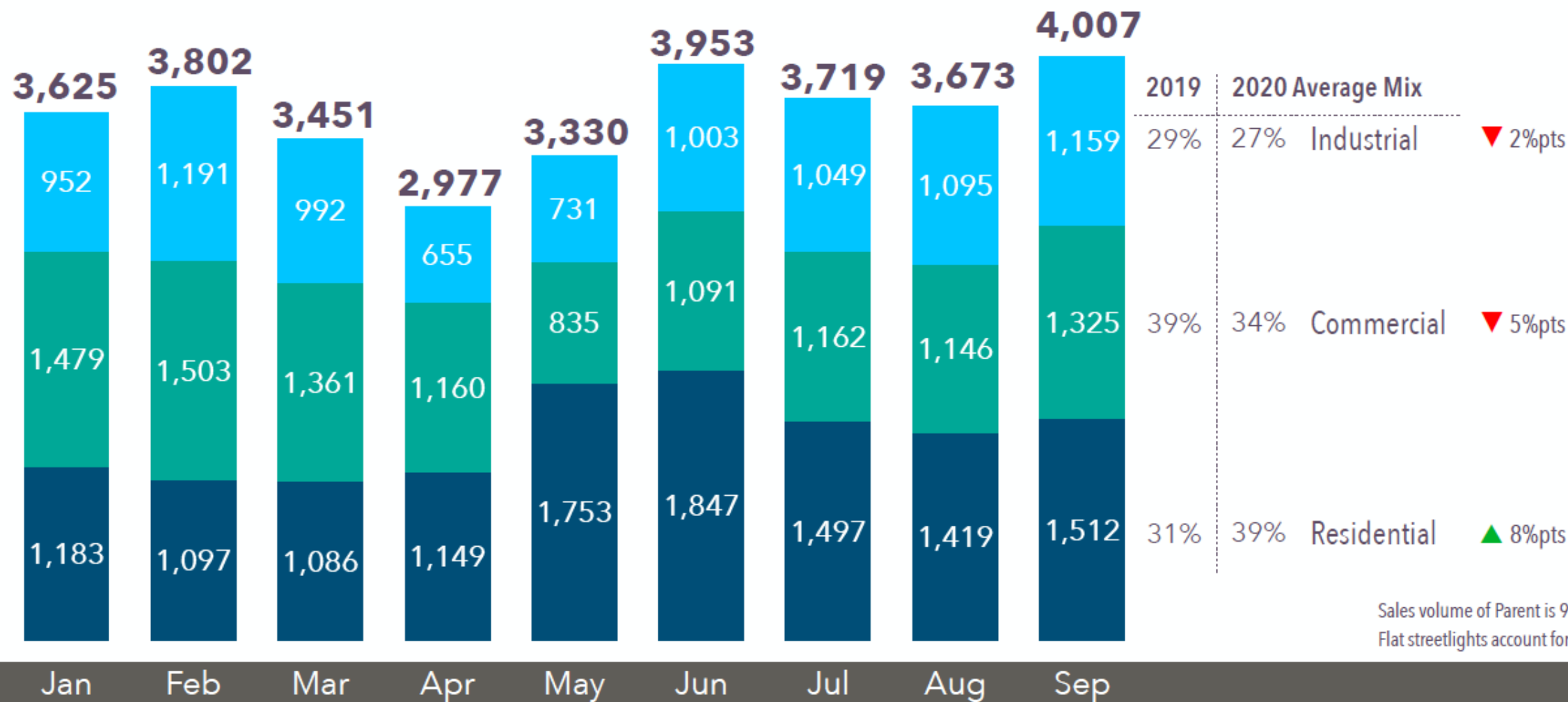


Sales volume of Parent is 99%, CEDC is 1%
Flat streetlights account for <1 %



SEPTEMBER 2020 MONTHLY ENERGY SALES (in GWh)

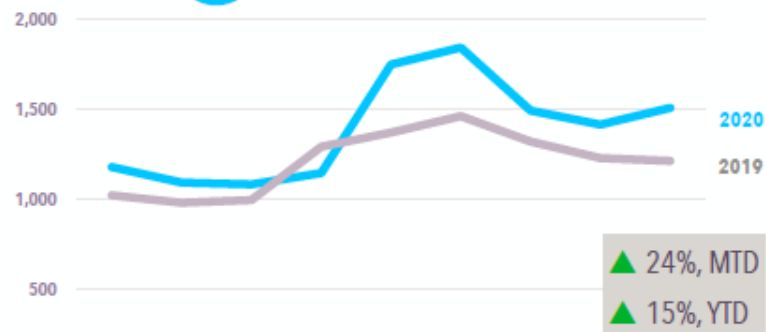
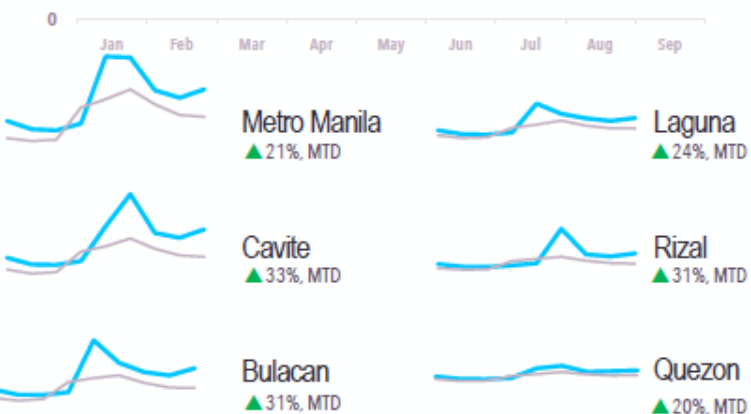
Highest for the year; Growth (0.4%) for the first time post-ECQ driven by higher Residential sales as well as recovery in Commercial and Industrial



SEPTEMBER 2020 DU ENERGY SALES PROFILE AND DRIVERS



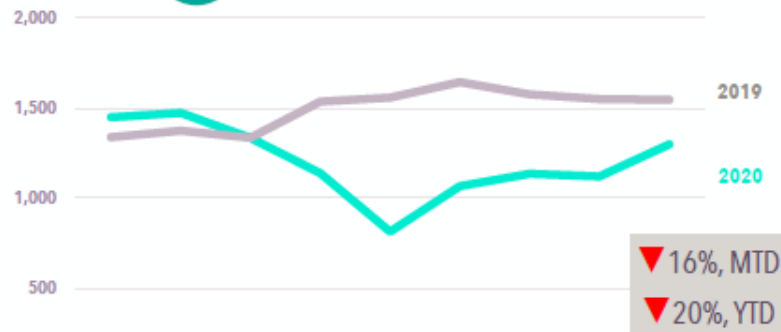
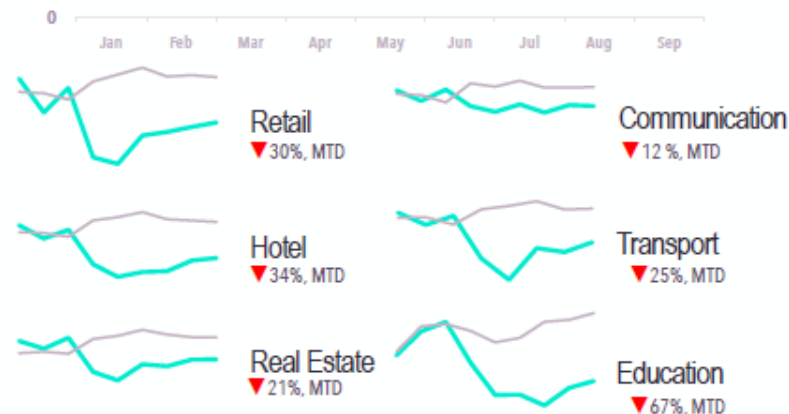
RESIDENTIAL



- **Residential consumption** increased further in Sep as online classes were in full swing for private schools
- **Average temperature** recorded for the month **increased** by 3.3% versus same period last year



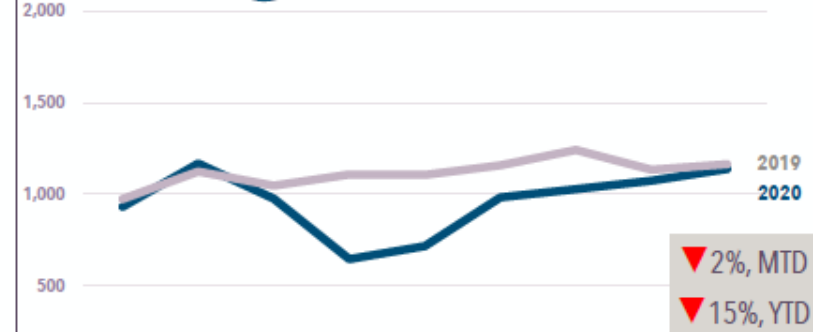
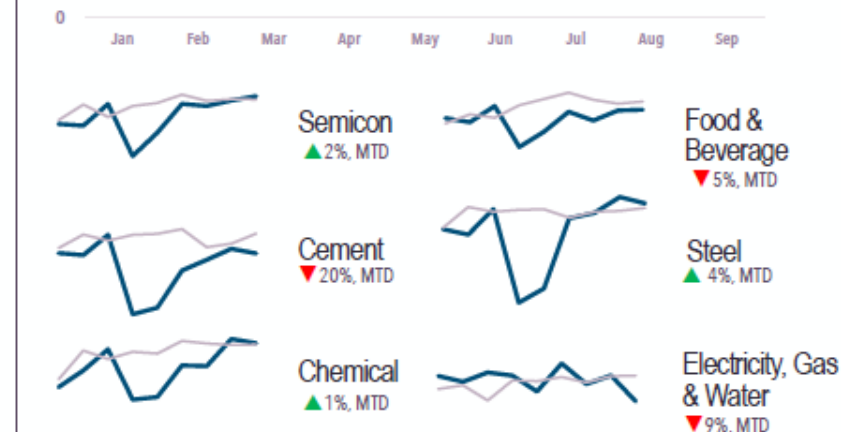
COMMERCIAL



- **Commercial sector** recovery during Sep GCQ was significant compared with past months (Aug MECQ)
- **Retail and Hotels and Restaurants** had notable increases as sales from both improved 3%PT vs. Aug
- **Education** was 4%PT better vs. Aug as public classes opened



INDUSTRIAL

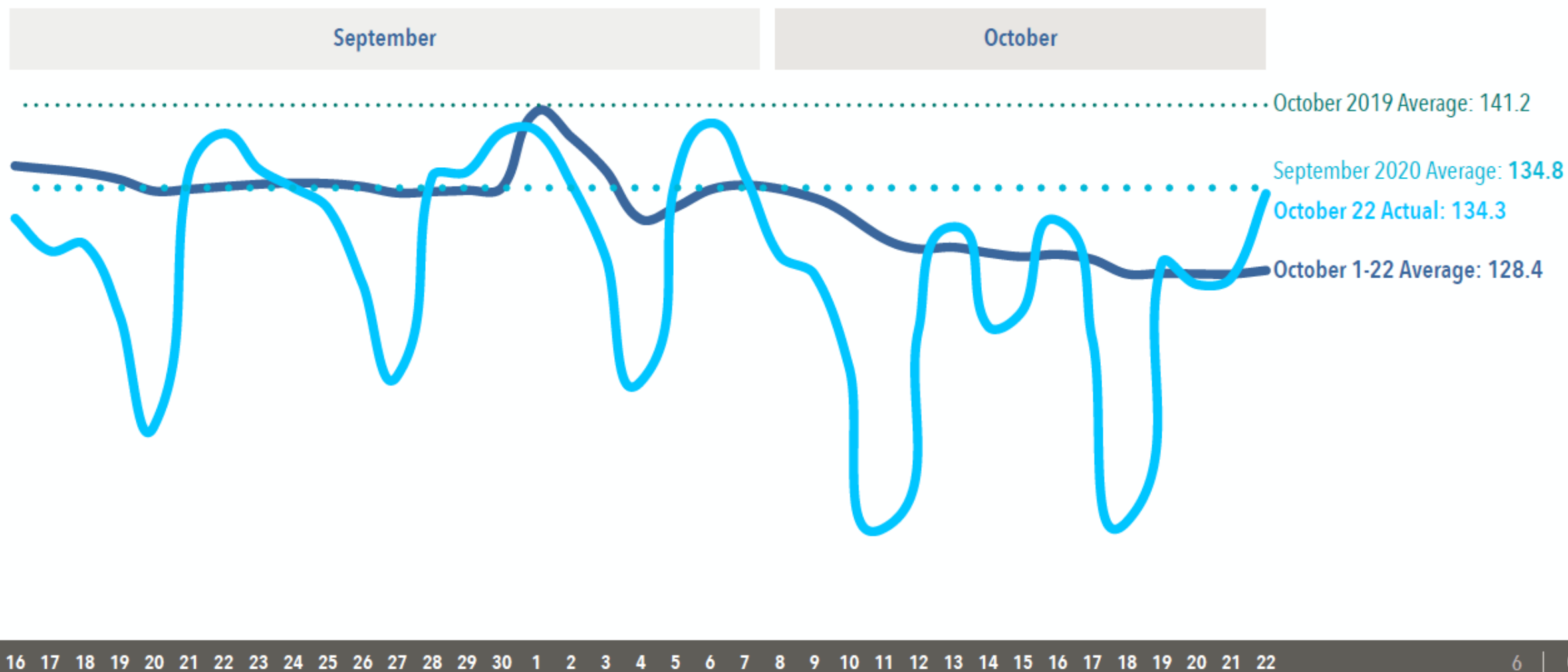


- **Industrial Sector** continued its good performance in Sep as manufacturing closed in to 2019 operating levels
- **Semicon** plants operated at almost full capacity and some even increased operations as demand for 5G and automotive electronics rose
- **Consumer driven industries** such as F&B and Chemicals have started catching up with their inventory



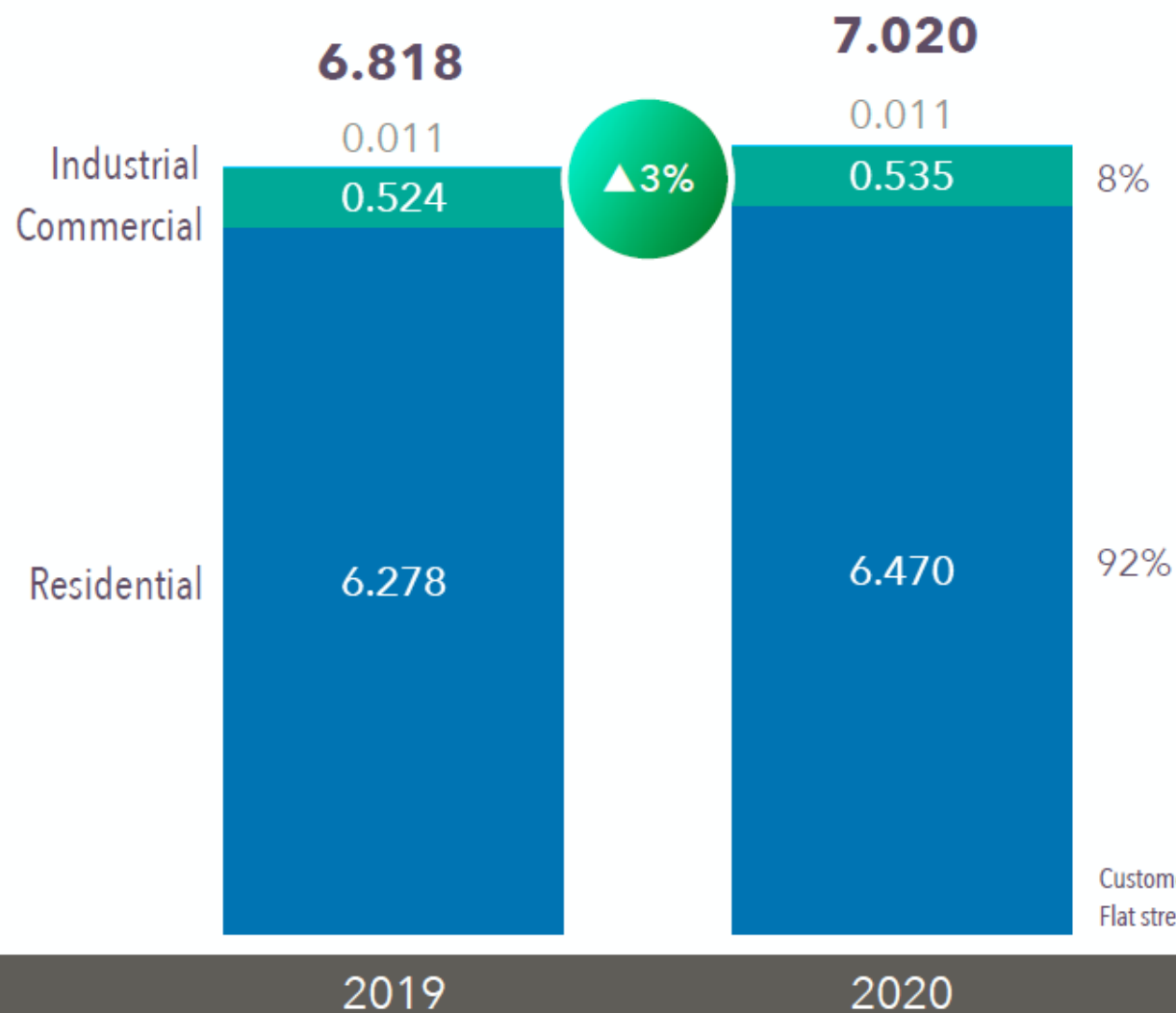
OCTOBER 2020 **AVERAGE CONSOLIDATED NSI** (in GWh)

Running average from October 1 to 22 (128.4 GWh) 4.7% lower than September average (134.8 GWh)



SEPTEMBER 2020 YTD CONSOLIDATED CUSTOMER COUNT (in M)

Surpassed 7M customer mark

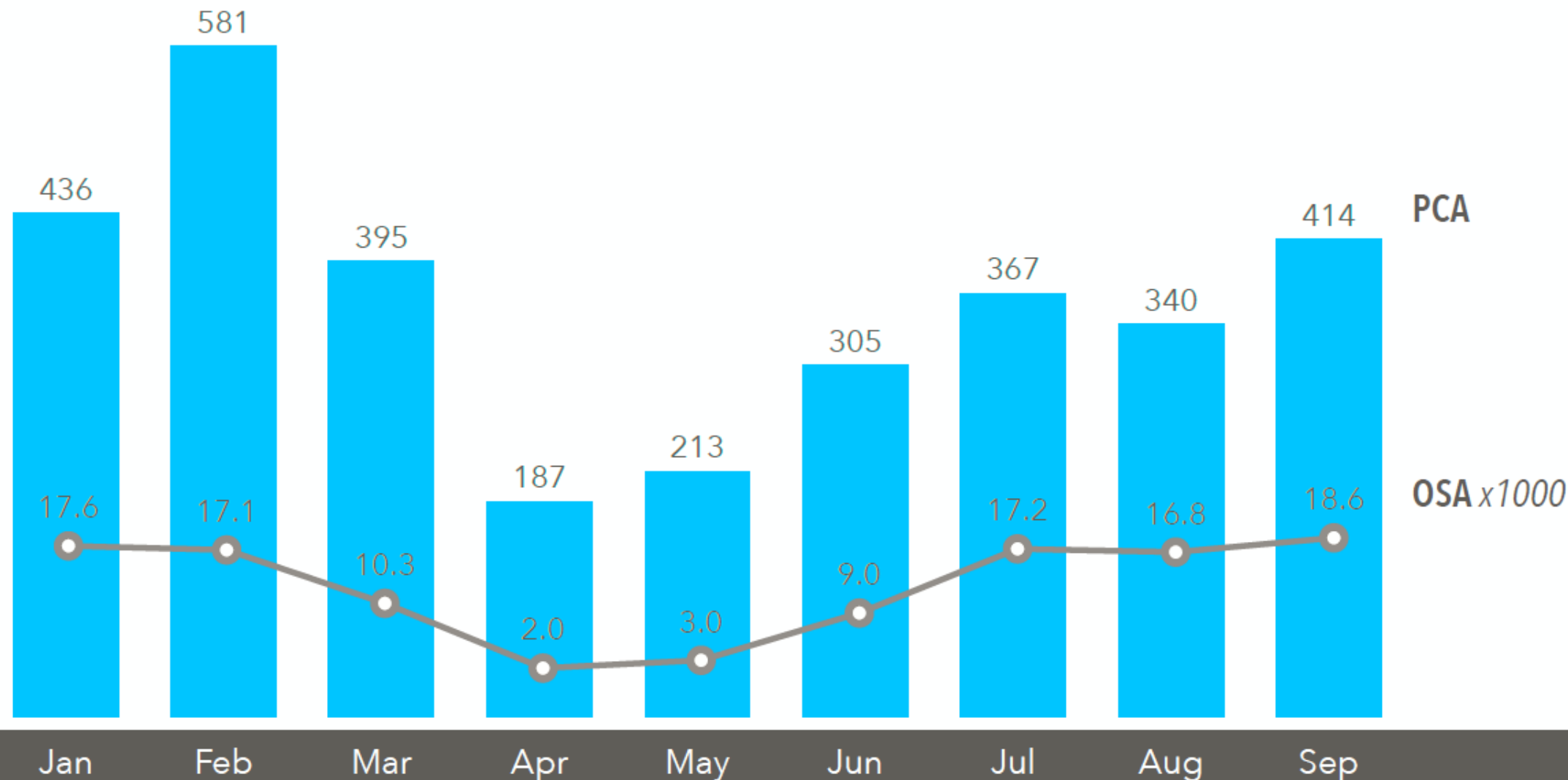


Customer count of Parent is 99.9%, CEDC is 0.1%
Flat streetlights account <1%



SEPTEMBER 2020 YTD **ENERGIZATION**

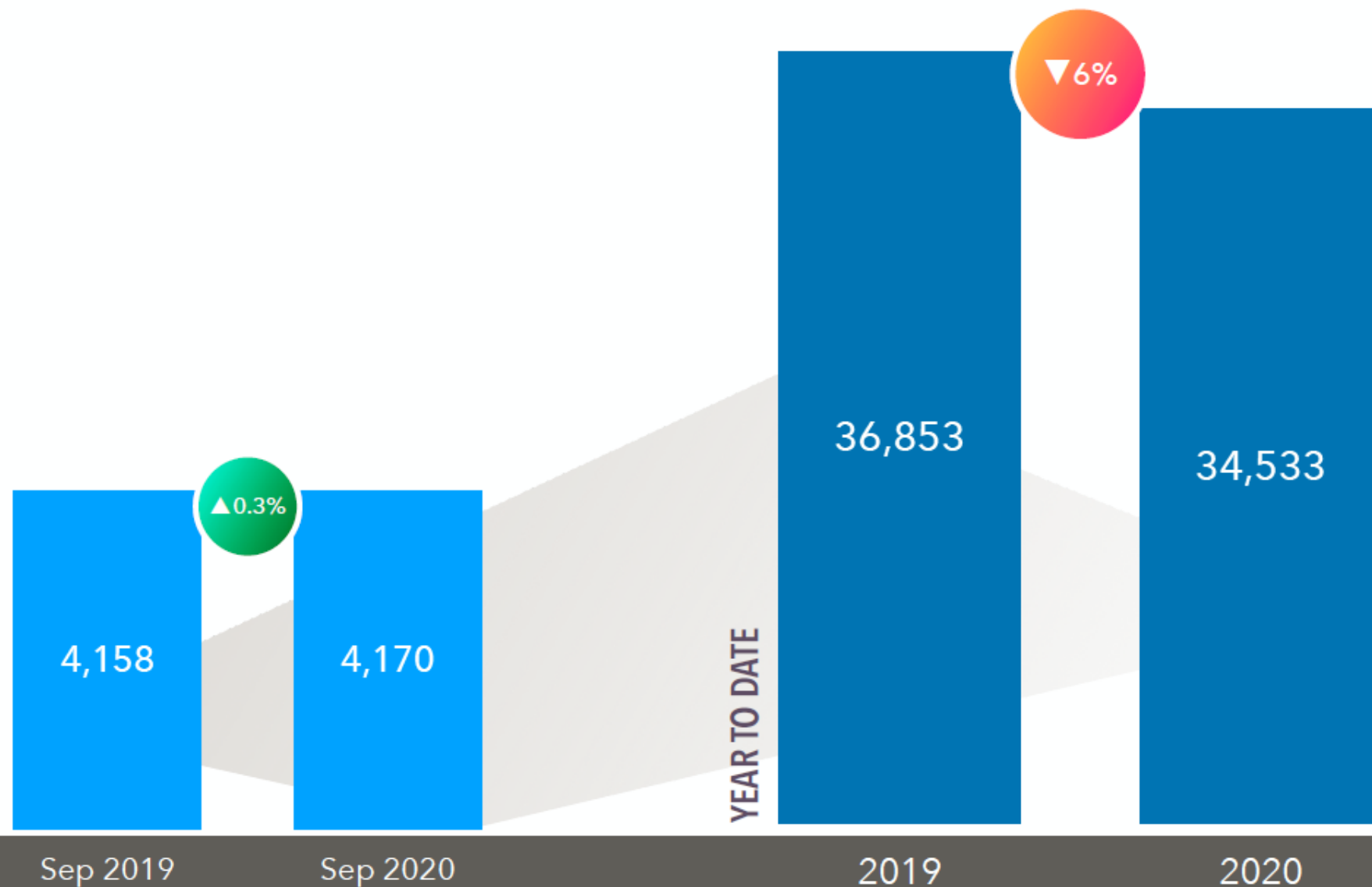
Steady recovery in energization of Project Covered Applications (PCA) and Ordinary Service Applications (OSA)





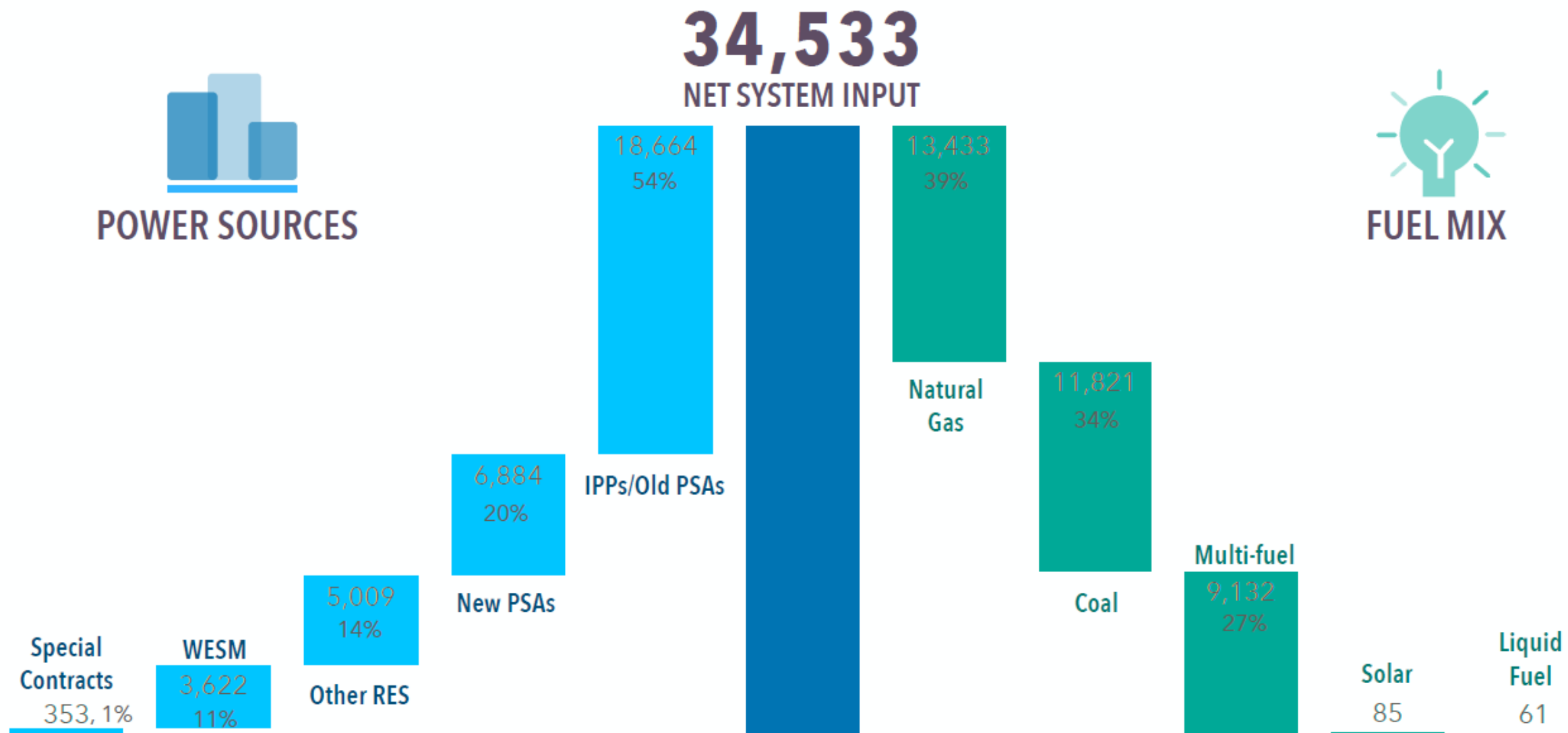
SEPTEMBER 2020 YTD **CONSOLIDATED NSI** (in GWh)

Slightly higher vs. 2019 due to higher demand across all customer segments



Parent is 99%, down by 6% vs. 2019 YTD
CEDC is 1%, down by 14% vs. 2019 YTD

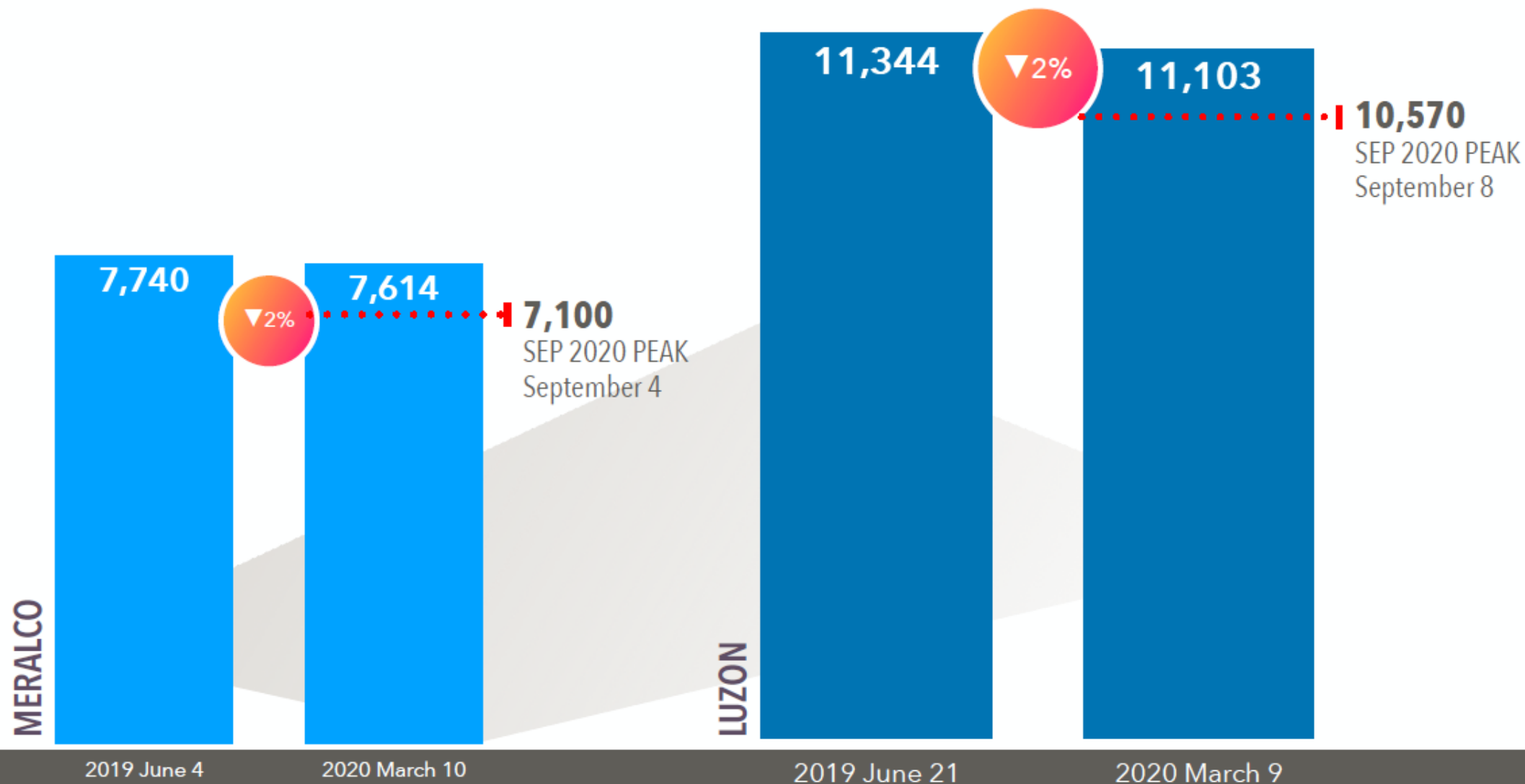
SEPTEMBER 2020 YTD CONSOLIDATED NSI BREAKDOWN (in GWh)





SEPTEMBER 2020 YTD **PEAK DEMAND** (in MW)

Meralco and Luzon peaks lower vs. 2019 driven by COVID-19



SEPTEMBER 2020 YTD **SYSTEM LOSS PERFORMANCE** (in %, 12-MMA)

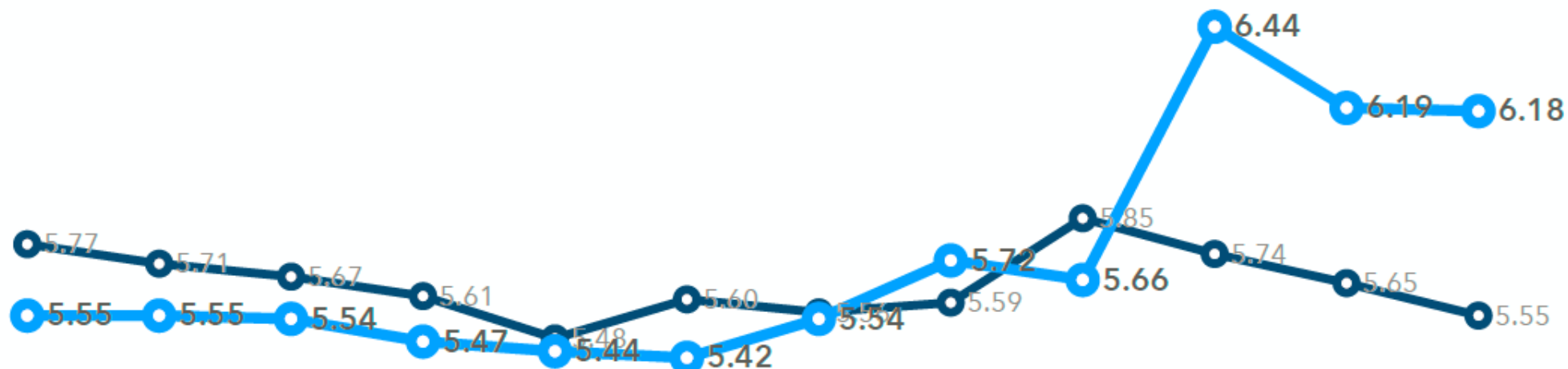
Higher by 0.63% points vs. 2019 due to effect of unbilled sales (~106.2 GWh) as of September and due to shift in sales mix towards high loss-to-serve Residential

SYSTEM LOSS CAP 7.25%

7%

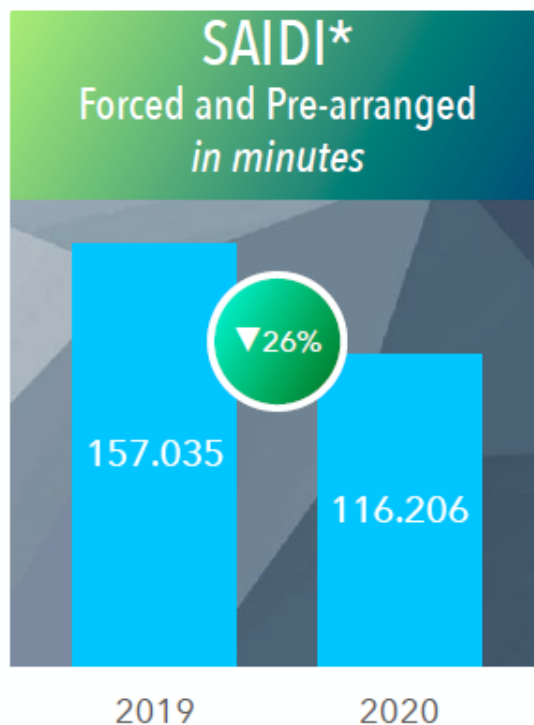
2018-2019

2019-2020



SEPTEMBER 2020 YTD S-FACTOR PERFORMANCE (NETWORK)

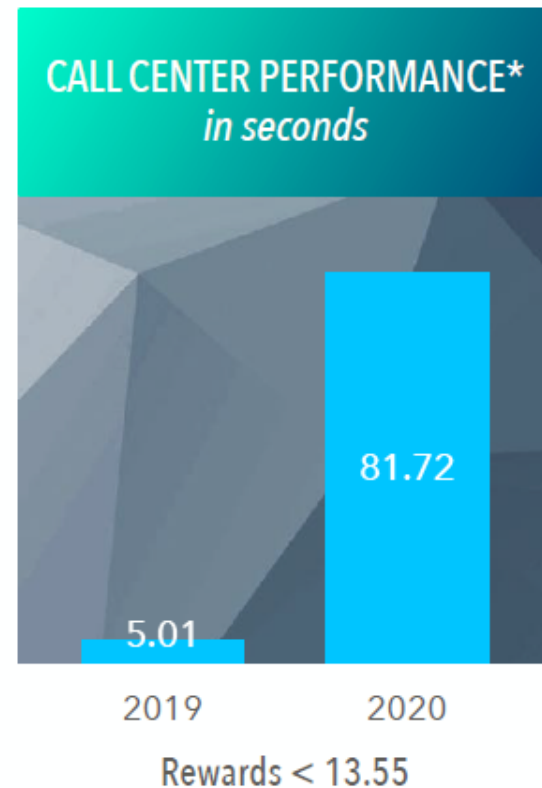
Continued to achieve rewards levels across all performance indicators



- % Probability of Voltage Violation remains at 0.00
- **Rewards levels** based on 3RP
- * Pre-arranged SAIDI at 29.081 minutes (42% improvement and within rewards level of <126.57)

SEPTEMBER 2020 YTD S-FACTOR PERFORMANCE (CUSTOMER)

Continued to achieve rewards levels on Average Time to Process Applications and Average Time to Connect



● Rewards levels based on 3RP

* Excluding community quarantine impact, Call Center Performance at 29.16 seconds



RY2021* **GUARANTEED SERVICE LEVELS (GSL)**

Continued to deliver well within performance ceilings

GSL 1

Customers experiencing cumulative duration of sustained interruptions

ZERO customers

Up to 373,658 violations for RY2021

GSL 2

Customers experiencing a number of sustained interruptions

ZERO customers

Up to 18,989 violations for RY2021

GSL 3

Restoration of supply to a customer after a fault on secondary line

ZERO incidents

Up to 234,439 violations for RY2021

GSL 4

Connection not provided on the day agreed with the customer

30,653 days-delay

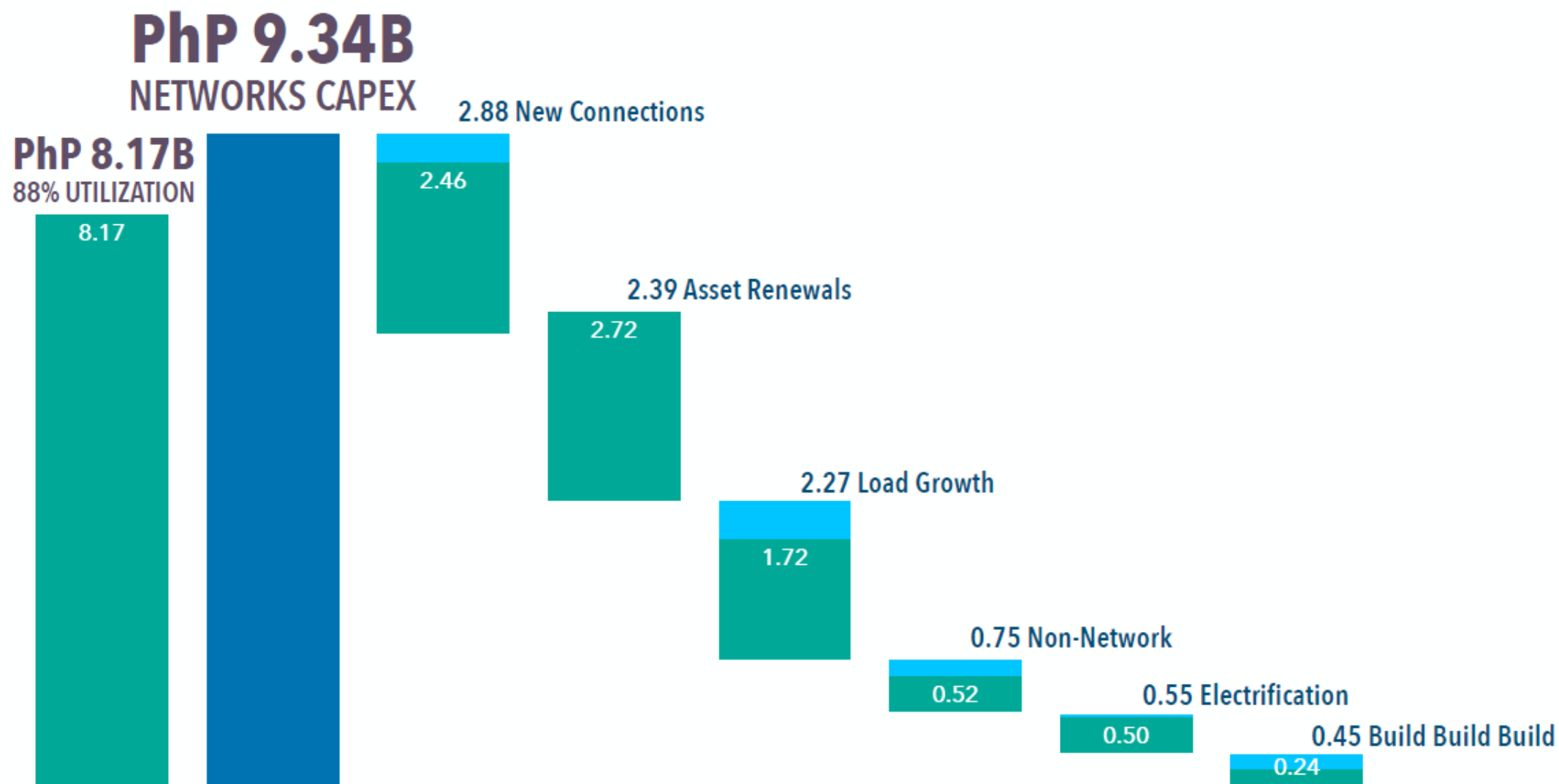
Up to 163,995 violations for RY2021

- **Rewards levels** based on 3RP
- * July 1, 2020 to September 30, 2020



SEPTEMBER 2020 YTD NETWORKS CAPEX (in PhP, B)

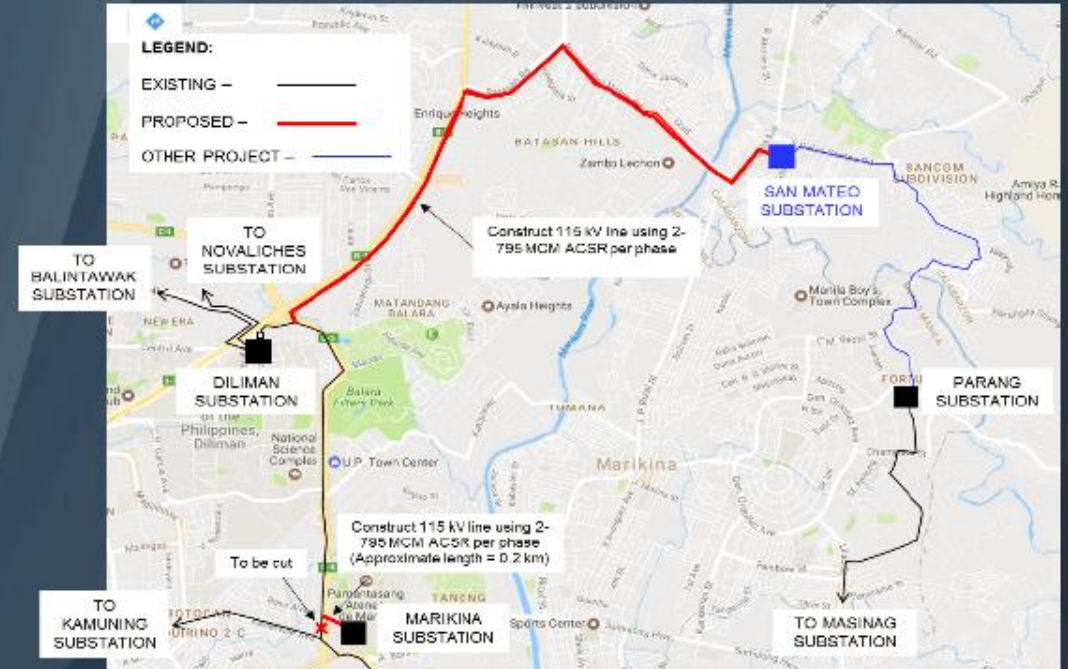
88% of full year CapEx utilized with resumption of projects post-ECQ



NETWORKS PROJECT UPDATES

SAN MATEO – DILIMAN – MARIKINA 115 KV LINE

- New 8-km sub-transmission line backbone traversing Commonwealth Avenue and Batasan-San Mateo Road
- Completed on August 28, 2020
- It will serve as source of San Mateo substation targeted to be completed in Q2 2021
- It will accommodate present and future loads in portions of Quezon City and Rizal
- Provides a critical link between Sectors 1 and 2 for increased system reliability



NETWORKS PROJECT UPDATES

INSTALLATION OF MALOLOS 3RD 150 MVA BANK

- Commissioned on September 28, 2020
- Resolves critical loading of existing 2-150 MVA transformer banks at Malolos Substation
- Addresses constraint during N-1 condition at the substation (remaining bank loading at 139%). It eliminates load at risk of 59 MVA in case of outage of either of 150 MVA power transformer banks
- Provides needed capacity to meet load growth in Bulacan and portions of Pampanga



NETWORKS PROJECT UPDATES

BUILD, BUILD, BUILD

Support to Government Priority Projects

- Despite the pandemic, 600 poles were relocated to support Government's BBB projects
- Priority government projects:
 - North Luzon Expressway-South Luzon Expressway (NLEX-SLEX) Connector Road
 - Skyway Stage 3
 - LRT1 Cavite Extension
 - MRT-7
 - C5 Southlink
 - CALAEX
 - C3-R10 Road
 - PNR North 1
 - Skyway Stage 2 Extension
 - SLEX Toll Road 4
- Additionally, 579 poles were relocated for road widening projects of DPWH

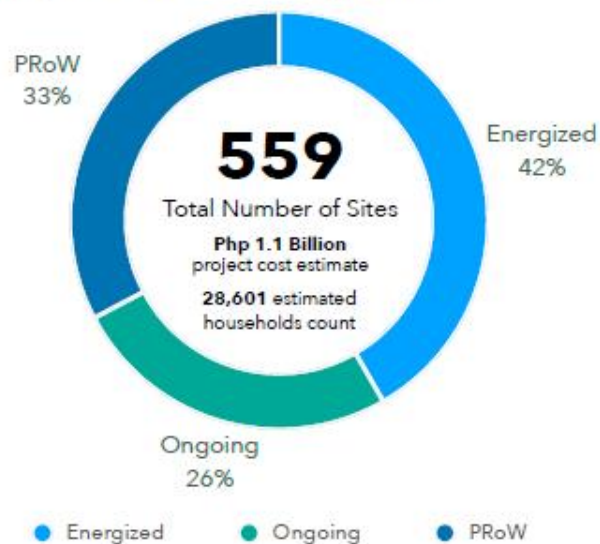




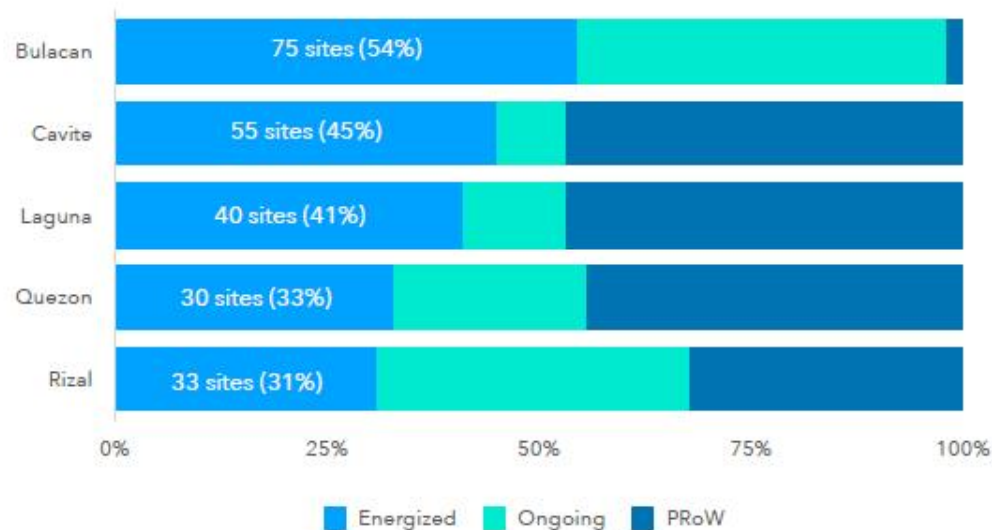
NETWORKS PROJECT UPDATES

MERALCO ELECTRIFICATION PROGRAM PROJECTS (PRIORITY 2 AND 3)*

MEP Priority 2 & 3 Over-all Completion



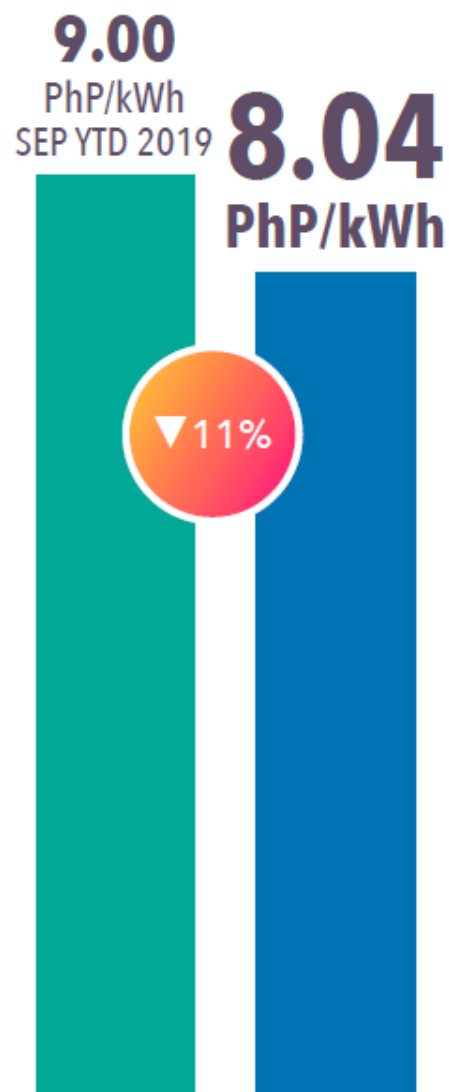
Percent Completion of MEP Priority 2 & 3 Projects by Province



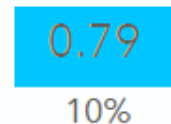
*For completion not later than December 2020 (Priority 2) and June 2021 (Priority 3)

SEPTEMBER 2020 YTD AVERAGE RETAIL RATE

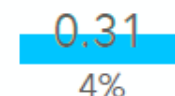
PhP 0.96 reduction vs. September 2019 YTD



Generation



Transmission



System Loss



Distribution

Subsidies, Taxes,
and UC



FIT-All
0.06, 1%

- 17% decrease in Generation charge with the implementation of new PSAs and invocation of FM claims during the community quarantine periods. Lower WESM and fuel prices and Peso appreciation also contributed to the decrease.
- 4% increase in Transmission charge due to higher ancillary service charges and lower average system load factor
- 15% decrease in System Loss charge as a result of lower generation costs
- Distribution rate remains the same with an 11% increase in average distribution charge due to increase in Residential sales during the ECQ
- 75% decrease in FIT-All rate with the implementation of lower FIT-All starting Feb 2020, and suspension of FIT-all collection for the months of April and May 2020

CSP UPDATE:

1,800 MW (NET) COD 2024-2025



- In September 2020, TPBAC approved for publication and posting at DOE CSP Portal the Invitation to Bid with Terms of References table and Bid Requirements for 1,800 MW (net) COD 2024-2025 CSP. The first and second publication were on October 1 and 8, respectively, at The Philippine Star.

Schedule of CSP Activities	
November 12, 2020	Deadline for submission of Expression of Interest
December 17, 2020	Pre-Bid Conference
January 18, 2021	Deadline to Increase Offered Contract Capacity
January 25, 2021	Submission Deadline and Opening of Pre-Qualification Documents
February 8, 2021	Pre-Qualification Evaluation Result / Opening of Bid Prices / Notification of Best Bid
February 15, 2021	Post Qualification
February 22, 2021	PSA Execution
March 1, 2021	ERC Filing

- As of October 23, 2020, TPBAC Secretariat already received Expressions of Interest from several GenCos with offered capacities totaling 3,600 MW, utilizing a variety of technologies (e.g., RE, natural gas, coal)

DOE UPDATE: **ADVISORY ON PROVIDING GRACE PERIOD TO ALL POWER SECTOR BILLS FALLING DUE DURING THE PERIOD OF COMMUNITY QUARANTINE**

- Republic Act No. 11494 or the “Bayanihan to Recover as One Act” or “Bayanihan Act 2” was signed into law on September 11, 2020 and made effective on September 14, 2020

Section 4 (vv) states: “Directing all institutions providing electric, water, telecommunications, and other similar utilities to implement a minimum of thirty (30) day grace period for the payment of utilities falling due within the period of ECQ and MECQ without incurring interests, penalties, and other charges: xxx Provided furthermore, That in the case of the electric power sector, the minimum thirty (30)-day-grace period and staggered payment without interests, penalties and other charges shall apply to all payments due within the period of the CQ in the entire electric power value chain to include generation companies, the transmission utility, and distribution utilities.”
- On September 23, 2020, DOE issued an **Advisory on Providing Grace Period To All Power Sector Bills Falling Due During the Period of Community Quarantine** citing Section 4 (vv) of **Bayanihan Act 2**. Guided by the foregoing, the DOE directs the following entities to observe the grace period and staggered payment for unpaid bills:
 1. “Fuel/Resource suppliers with respect to their GenCo customers being supplied with fuel...;
 2. GenCos, (whether public or private), with respect to payment of electricity bills for the supply of electricity to DUs, RESs and Directly Connected Customers...;
 3. IPPs with respect to the payments of the PSALM...;
 4. PSALM with respect to the payments of IPPA...;
 5. NGCP with respect to the transmission services payable by GenCos, DUs, Directly Connected Customers...;
 6. Payments due to the IEMOP of total trading amounts...; and
 7. RESs relative to the bills of their Contestable Customers.”
- The DOE Advisory requested ERC “to issue the necessary procedures and guidelines for the implementation of this Advisory in line with Bayanihan Act 2”
- ERC has yet to issue an Advisory to this effect



OTHER BUSINESS UPDATES

2019 MERALCO SUSTAINABILITY REPORT AWARDED BRONZE STEVIE IN BEST ANNUAL REPORT CATEGORY



2011

- First time a stand-alone Sustainability Report (SR) has won the award since 2011

2017

- Meralco last won in this category

2020

- First time a maiden SR has won a Stevie
- Only Filipino SR to win this year

"This Annual Report of this private sector distribution company in the Philippines deserves special recognition. As a power distribution company, it has adopted the FOUR P motto. The four Ps are Power, Planet, People, and Prosperity. With the focus on these four Ps, it is trying to implement the UN Sustainable Development Goals. It is something to be proud of."

"Dividing the report up according to the specified 4P's: well organized. References also in the illustrations add consistency."

"Good, systematic reporting. In line with UN SDG's: good."



ONE MERALCO FOUNDATION ALSO WON 4 STEVIES FOR COVID-19 INITIATIVES



"Help from Home"

Online campaign allowing Meralco employees to contribute to OMF's work while at home



"From Farmers to Frontliners"

Providing nutritious vegetables to frontliners and the homeless while invigorating livelihood of vegetable farmers



"Free eShuttle for Frontliners"

Partnering with eSakay to provide free shuttle services to frontliners and essential service providers



"Empowering People through Partnerships"

Linking up with local governments to address needs of low income communities during the pandemic

Meralco PowerGen Corporation Overview of Operations

26 October 2020



San Buenaventura Power Limited Co. (SBPL)

500MW (gross) Supercritical Coal-Fired Power Plant in Mauban, Quezon

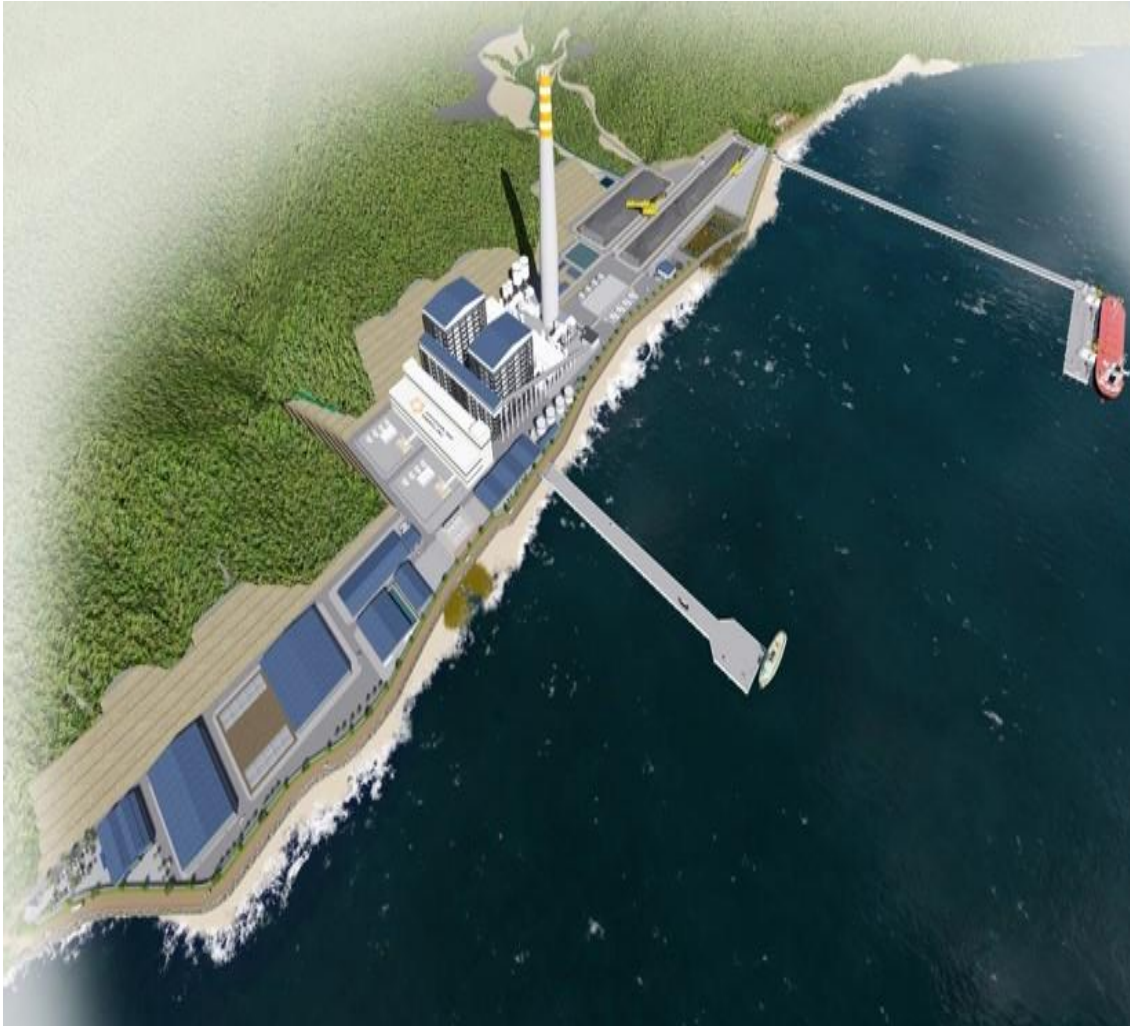
- First operational supercritical coal power plant in the Philippines
- Commercial operations started on **September 26, 2019**
- Net generation at **3,042 GWH from September 2019 to September 2020**; generally **good availability** for a project going on its second year of operation.
- Joint venture of MGen with New Growth, B.V., a wholly owned subsidiary of Electricity Generating Public Company Limited (EGCO) of Thailand



Atimonan One Energy, Inc. (A1E)

2x600 MW (net) Ultra Supercritical (the first in the Philippines) Coal-Fired Power Plant in Atimonan, Quezon

Total Project Cost: <PhP160 Billion (<USD 3.0 Billion)



- A1E will participate in Meralco's **Competitive Selection Process** for its 2024/2025 requirements – bid date on January 25, 2021.
- **Site preparation activities** fully resumed in late **August 2020**. More stringent health and safety protocols were put in place to protect construction workers from COVID-19.
 - On track to deliver energy requirement for Meralco's Greenfield CSP by late 2024/mid 2025

MGEN Renewable Energy, Inc. (MGreen)

- MGreen was established to serve as MGen's subsidiary for its renewable energy investments.
- MGreen targets around **1,000 MW to 2,000 MW of renewable energy projects** over the next 5-7 years.
- The focus is on the development of a portfolio of **utility scale solar, wind and hydro power projects** to supply Luzon grid and electricity consumers with competitive tariff.
- All activities for development projects have resumed following easing of quarantines imposed by respective local governments.



PowerSource First Bulacan Solar, Inc. (PFBSI)

50MWac Solar Power Plant in San Miguel, Bulacan

Total Project Cost: PhP4.25 Billion

Site footage as of October 15, 2020



- MGen's **first solar investment** covering a total land area of **72 hectares**
- Currently 40%-owned by MGen Renewable Energy, Inc. (MGreen); with plan to acquire **additional 20% equity**
- Has an **engineering, procurement and construction contract** with SUMEC Complete Equipment & Engineering Co. Ltd.
- Ongoing construction; **overall progress** as of October 12 stood at **74.31%**
- Target **commercial operations** by **Q1 2021**; delayed due to the earlier ECQ.

Mounting of Solar PV Panels



Substation Building (front) and Main Control Building (back)



Main transformer



Lifting and installation for capacitor bank – switchyard



Cautionary Statements

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An aerial night photograph of a city. In the center-left, a large, modern building with a grid-like facade of vertical slats is illuminated from within. Above it, a tall radio tower with red and white segments rises into the sky. To the right, a multi-lane highway is visible, with long, bright red and white light trails from cars indicating traffic flow. The city's lights and distant hills are visible in the background under a twilight sky.

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