

COVER SHEET

P W - 1 0 2

S.E.C Registration Number

M A N I L A E L E C T R I C C O M P A N Y

(Company's Full Name)

L O P E Z B U I L D I N G , O R T I G A S A V E N U E ,
B R G Y U G O N G , P A S I G C I T Y

(Business Address: No. Street City / Town / Province)

ATTY. WILLIAM S. PAMINTUAN

Contact Person

8632-8014

Company Telephone Number

1 2 - 3 1

Month Day

Fiscal Year

1 7 - C

FORM TYPE

0 5

Month

2 6

Day

Annual Meeting

Secondary License Type, if Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

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 26, 2020*
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:** *(02) 8632-8014 Area Code: 1605*
9. **Former name or former address:** *Not Applicable*
10. **Securities registered pursuant to Sections 18 and 12 of the SRC or Sections 4
and 8 of the RSA:**

*Number of Shares of
Common Stock Outstanding*

1,127,098,705
(As of September 30, 2020)

Debt Securities: Php 10.2 Billion Bonds

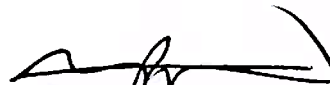
11. Item Number reported: *Item 9 (Other Events)*

The Company's Board of Directors, in its regular meeting held today, October 26, 2020, approved the Company's Financial and Operating Results for the Nine Months of 2020 (refer to the attached Press release).

SIGNATURE

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

MANILA ELECTRIC COMPANY
Issuer



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

Date: October 26, 2020

***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, 2020
WITH COMPARATIVES FOR 2019

SUPPORT DURING THE PANDEMIC ACROSS ALL CUSTOMER CLASSES

Despite the challenges brought on by the pandemic, *Meralco's ("Company")* Malasakit for its customers and the community was much more evident than ever as –

- Pesos 107.7 million in distribution charges for 32 swab and health quarantine facilities were borne by *Meralco*.
- Relief for billings related to Guaranteed Minimum Billing Demand ("*GMBD*") totaling about Pesos 2.8 billion as at end of September 2020 was extended to Commercial and Industrial customers of *Meralco* and Clark Electric Distribution Corporation ("*Clark Electric*") who were unable to operate as a result of restrictions imposed under the Inter-Agency Task Force for the Management of Emerging Infectious Diseases ("*IATF*").
- A total of Pesos 51.1 million of convenience fees charged by the Online third-party payment gateway partner of *Meralco* were shouldered by the *Company* and refunded to consumers who paid for such fees.
- The meter reading charge of Pesos 64.1 million was refunded by *Meralco* to customers for the months when bills were estimated.
- Donations in cash, personal protective equipment, medical supplies and consumables, test kits and other incidental costs totaled Pesos 16.8 million during the nine (9) month period.
- Bills payment periods were extended to between four (4) to six (6) months for all customers.
- Service disconnection and other bills management activities are suspended through October 31, 2020.

“#POWERING THE GOOD LIFE”

Not to be hampered by the Novel Coronavirus Disease 2019 (“*COVID-19*”) pandemic, *Meralco* continued to drive its sustainability agenda and to power the good life.

- A year since it launched its Company-wide ban on single-use plastics (“*SUP*”), *Meralco* employees and suppliers have avoided over 150,000 kilograms of *SUPs* equivalent to 15 million plastic bottles.
- Three (3) key sustainability programs were launched in July: (i) Green Mobility – aimed at reducing *Meralco*’s Greenhouse Gas (“*GHG*”) Scopes 1 and 3 emissions through vehicle fleet electrification; (ii) Resource Conservation and Efficiency – targeted to reduce *GHG* Scope 2 emissions by reducing *Meralco*’s own-use electricity through the deployment of energy-efficient lighting, cooling, and information technology equipment, among others; and (iii) Race to Zero Waste – aimed at increasing the diversion rate of *Meralco*’s waste from all its facilities, sectors, business and customer centers, storage facilities, repeater stations and substations, thereby reducing waste disposal in landfills.
- The *Meralco* Supplier Sustainability Scorecard was launched in September with the aim of enabling a sustainable supply chain. Going forward, vendors shall be scored and assessed based on various sustainability criteria and disclosures and such shall be a basis for their continuing accreditation with *Meralco*.

OUR COMMITMENT TO #Keep the Lights On

“As our people and the economy continue to experience the adverse effects of the *COVID-19* pandemic, *Meralco* remains steadfast in “keeping the lights on” during this time of great need. Our workforce, complemented by third party service providers, remains relentless in keeping the network resilient and addressing customer concerns throughout our franchise area. Our support and assistance to our customers, communities, employees, and the government have reached almost 5% of our total operating expenses for the nine (9) month period ended September 30, 2020, and we remain committed to lending our support and assistance throughout the period of community quarantine. This is a time for all of us to stand together and use our collective resources to cushion the effects of the pandemic on our country.

“Even as we deal with the pandemic, *Meralco* continues to pursue opportunities for revenue expansion and growth. With our workforce at full capacity, we are quickening the pace of service connection and energization to fulfill new customer demands throughout our franchise area. We are iron-cladding and improving our electric distribution systems to reduce outages and enhance overall customer experience.

"Meralco is committed to the service. We shall remain a steadfast partner of our stakeholders in keeping the lights on," said **Atty. Ray C. Espinosa**, President and Chief Executive Officer.

OPERATIONS HIGHLIGHTS

- September 2020 marks a month of "firsts" since the imposition of enhanced community quarantine ("ECQ") –
 - ✓ Positive growth in consolidated energy sales volume of 0.4% compared with the same month in 2019
 - ✓ Consolidated energy sales volumes for the month reached 4,007 GWh, the highest single month volume in 2020. In 2019, the comparative GWh volume was achieved in April at 4,002 GWh.
 - ✓ Meralco energized its seven (7) millionth customer.
- The number of customer accounts reached 7.02 million as at September 30, 2020, 92% of which are residential customers.
- Consolidated energy sales volume for the nine (9) month period was however, lower by 7% at 32,539 GWh, including volumes distributed by *Clark Electric* of 374 GWh. *Clark Electric* volumes dropped by 14%. This decline in volumes reflects the net effect of the ECQ through general community quarantine ("GCQ").
- With the gradual easing under GCQ, Industrial and Commercial sales volumes showed signs of recovery although Residential sales volumes continue to account for a larger share of total volumes. As at September 30, 2020, Residential volume was at 39% (31% in 2019), Commercial was at 34% (39% in 2019) while Industrial accounted for 27% (29% in 2019).
- The 12-month moving average ("12-MMA") system loss ("SL") rate was at 6.18% as at September 30, 2020, 0.63 percentage point higher than that as at September 30, 2019, mainly due to the shift in sales mix toward higher loss-to-serve residential customers, and unbilled volume from meters which were inaccessible as a result of the community quarantine, among other reasons. The SL cap stood at 7% including 1% assumed typical sub-transmission and substation technical losses.
- The increase in Residential sales volume was the result of the continuing Work from Home ("WFH") arrangement as well as online education for most of the student population. Warmer temperature also increased household consumption. The average minimum temperature in September 2020 was at 25.3°C, 0.2°C higher than 2019. For the nine (9) months ended September 30, 2020, the average maximum temperature reached 32.7°C, 0.5°C higher compared with 2019.
- Commercial sales volume recovery is attributable to the increasing business activities of traditional sales drivers, which are retail establishments, hotels and restaurants. In addition, some public schools have resumed operations although limited to

reproduction and distribution of class modules and, serving as hub for teachers to conduct and record online learnings.

- Industrial sales volumes were boosted by the semiconductor industry which has been allowed to operate at 100% capacity with the increased demand for 5G and automotive electronics. The continuing demand for consumer driven industries, which include food and beverage, chemicals, and packaging contributed to the catch-up energy volume.
- The average retail rate of *Meralco* for the nine (9) months ended September 30, 2020, was at Pesos 8.04 per kWh, Pesos 0.96 per kWh lower than the same period in 2019. The average generation charge for the same period was also lower as a result of the implementation of the Power Supply Agreements (“PSAs”) which were concluded under the Competitive Selection Process (“CSP”) in December 2019, the force majeure claims of *Meralco* against its power suppliers which totaled Pesos 2.4 billion as at September 30, 2020, lower Wholesale Electricity Spot Market (“WESM”) prices, the appreciation of the Philippine peso versus the U. S. dollar and lower fuel prices.
- September 2020 marks the 5th straight month of reduction in the average retail rate, which is the lowest since September 2017.
- *Meralco*’s year-to-date peak demand in the first nine (9) months of 2020 was less than 2% lower than 2019 while the Luzon Peak Demand declined by slightly over 2%.
- The *Meralco* Peak Demand was registered on March 10, 2020 at 7,614 MW, shortly before the *ECQ* was imposed. From *ECQ* on March 17, 2020 through September 30, 2020, Peak Demand was at 7,116 MW on July 9, 2020.

FINANCIAL HIGHLIGHTS – LIQUIDITY REMAINS STRONG

- As with Operations, September 2020 also marked milestones from the financial standpoint –
 - ✓ Collections of Pesos 27.6 billion or an equivalent daily average of over Pesos 1.0 billion.
 - ✓ Online payments from customers peaked at Pesos 1.3 billion, the 5th consecutive month that digital payments reached Pesos 1.0 billion.
- Average retail rate for the nine (9) months was at Pesos 8.04 per kWh, 11% lower year-on-year.
- In September 2020 alone, the average retail rate was at Pesos 7.72 per kWh, the lowest since September 2017.
- In response to the reduction in power demand during the various community quarantine periods, *Meralco* invoked force majeure claims against various generators while *Clark Electric* entered into a supplemental agreement relating thereto. *Meralco* claimed a total of Pesos 2.4 billion while *Clark Electric* claimed Pesos 43.8 million, resulting in lower overall generation charge to their respective customers.

- *Meralco* remains liquid amidst the higher days sales outstanding (“*DSO*”) with the Energy Regulatory Commission (“*ERC*”) ordering the extension or deferral of implementation of any service disconnection beyond the account due date. *DSO* was at 47.04 days at the end of the first nine (9) months of 2020 compared with 19.75 days in the same period in 2019. Net Debt to EBITDA was at 0.3x at the end of September 30, 2020. Total principal debt repayments, customer refunds, and financing charges paid amounted to Pesos 1.9 billion in 2020.
- With the reversion to *GCQ*, *Meralco* began to fast-track the implementation of catch-up and critical capital expenditures (“*CAPEX*”). Total *CAPEX* for the first nine (9) months of 2020 amounted to Pesos 10.9 billion as follows:
 - ✓ In support of the surge in Residential energy demand due to the continued *WFH* and online education arrangements, emergency programs include transformer load monitoring, accelerated distribution transformer (“*DT*”) renewal and upgrade, and design factors (Demand Factor and Diversity Factor) review, among others. As at September 30, 2020, there were a total of 12,950 incidents of distribution and secondary level outages with the higher heat index and abrupt increase in load. The heat index in 2020 was 38°C compared with 36°C in 2019.
 - ✓ Improvement of *DT* load monitoring through the installation of 330 Distribution Transformer Monitoring Equipment (“*DTME*”). In addition, secondary protection was put in place through the installation of thermal scanning stickers in 28 pilot locations. A total of 2,200 overloaded *DTs* were replaced and 31 kilometers of secondary lines were upgraded.
 - ✓ Completion of the San Mateo-Diliman-Marikina 115kV line, a new 8-km sub-transmission line backbone traversing Commonwealth Avenue and Batasan-San Mateo Road on August 28, 2020. This shall serve the San Mateo Substation which is currently under development and expected to be completed by the second quarter of 2021.
 - ✓ Installation of a new 150 MVA transformer bank on September 28, 2020 to resolve the critical overloading of the existing transformer banks in the Malolos Substation. This shall provide the needed capacity to meet the load growth in Bulacan and portions of Pampanga within the *Meralco* franchise.
 - ✓ Energization of 48 *COVID-19* facilities within the franchise area with total bed capacity of 900 on top of completed new service application projects.
- Despite the pandemic, a total of 600 poles have been relocated to support the requirements of the Government’s *BBB* projects in North Luzon Expressway-South Luzon Expressway (“*NLEx-SLEx*”) Connector Road, Skyway Stage 3, LRT1 Cavite Extension, MRT-7, C5 Southlink, Cavite-Laguna Expressway (“*CALAEx*”), C3-R10 Road, PNR North 1, Skyway Stage 2 Extension and *SLEx* Toll Road. On top of this, *Meralco* has also relocated 579 poles for the road widening projects of the Department of Public Works and Highways (“*DPWH*”).
- *Meralco* aims to achieve 100% electrification in its franchise area. Out of the total 559 sites for energization by June 2021, a total of 233 have been electrified, 143 sites with ongoing construction and 183 with ongoing right-of-way (“*ROW*”) acquisitions.

- Gross revenues stood at Pesos 214.2 billion, 11% lower than the same period in 2019 largely due to the 7% decline in energy sales volumes and the effect of lower generation pass-through charges.
- *Meralco's* interim distribution rate remained the same since July 2016 at Pesos 1.3810 per kWh. Electricity revenues amounting to Pesos 208.4 billion were at 97% of gross revenues and lower compared with Pesos 235.4 billion in 2019.
- Generation and other pass-through components as a percentage of total electricity revenues was at 76% in 2020.
- Consolidated purchased power cost was lower due to (i) implementation of the competitively priced *PSAs* beginning December 26, 2019 (Pesos 4.37 per kWh in 2020 versus Pesos 5.09 per kWh in 2019); (ii) lower prices at the *WESM* (Pesos 3.28 in 2020 versus Pesos 6.20 per kWh in 2019) with the improved supply condition in the Luzon Grid; (iii) Force Majeure claims related to the *ECQ* resulting in lower fixed costs of *PSAs*; (iv) overall lower fuel costs (US\$6.80 per Giga Joule (“*GJ*”) of oil-indexed Malampaya gas in 2020 versus US\$7.98 per GJ in 2019); and (v) appreciation of the peso versus the US\$ (Pesos 50.042:US\$1 as at September 30, 2020 versus Pesos 52.037:US\$1 at end September 2019).
- Consolidated Core Net Income (“*CCNI*”) as at September 30, 2020 at Pesos 15.7 billion, 15% lower compared with Pesos 18.5 billion in 2019.
- Core Earnings per Share at Pesos 13.954.
- Consolidated Reported Net Income at the end of 3Q2020 of Pesos 11.3 billion versus Pesos 18.3 billion in 2019 due to recognition of the *Company's* share in impairment of the investment in PacificLight Power Pte Ltd. (“*PacificLight Power*”) of Pesos 2.7 billion in 1Q2020 and accounting accretion of the Day “1” gain recognized in 2019.
- Total interest-bearing debt was Pesos 40.9 billion (including debt of subsidiaries totaling Pesos 1.6 billion) at the end of September 2020, of which Pesos 28.4 billion is due to mature within 12 months.

BUSINESS UNITS AND SUBSIDIARIES

Retail Electricity Supply (“RES”)

While anticipating the recovery in demand, the *RES* market has been helped by declining fuel and foreign exchange indices, which have been on a downtrend until August. Meanwhile, spot prices at the *WESM* averaged around Pesos 3.00 per kWh, but rose in September to Pesos 3.51 per kWh with peak prices reaching Pesos 4.40 per kWh due to unscheduled plant outages and rising demand.

Demand of *RES* customers stabilized at about 90% of normal operations with the reversion toward *GCCQ* even while operations in malls and other buildings remain restricted. The *Meralco RES* national share of market was at 33% at the end of September 2020.

The prevailing retail market prices continue to be very aggressive thus, providing savings to *RES* customers versus the distribution utility benchmark rate.

Power Generation

San Buenaventura Power Limited ("SBPL")

- *SBPL*, *Meralco's* joint venture through *Meralco PowerGen Corporation ("MGen")* with *New Growth B.V.*, a subsidiary of *Electricity Generating Company Limited of Thailand ("EGCO")*, operates a 455 MW supercritical coal-fired plant in Mauban, Quezon.
- For the first nine (9) months of 2020, *SBPL* delivered total energy of 2,237 GWh.
- Core Net Income of *SBPL* for the nine (9) months ended September 30, 2020 amounted to Pesos 958.0 million. *Meralco's* share in the net income amounted to Pesos 488.5 million.

PacificLight Power Pte Ltd. ("PacificLight")

- *MGen* owns an effective 28% equity in *PacificLight*, which owns and operates a 2x400 MW natural gas-fired combined cycle turbine power plant in Jurong Island, Singapore.
- *PacificLight's* wholly-owned subsidiary *PacificLight Energy Pte. Ltd.* handles its retail services and energy trading.
- *PacificLight*, together with its shareholders are in discussions with the creditor banks for the refinancing of its total term loan and revolving credit of S\$678.0 million.

Powersource First Bulacan Solar, Inc. ("PowersourceFB")

- *MGen* holds a 40% indirect equity in *PowersourceFB*, which is constructing an 80MW_{dc}/50MW_{ac} solar photovoltaic ("PV") plant in San Miguel, Bulacan.
- To date, the project is 74.31% complete with its expected commercial operations date moved to the first quarter of 2021 due to delays brought about by the *ECQ*.
- Total project cost is Pesos 4.2 billion.

Clark Electric

Clark Electric customers continue to enjoy lower retail rate of Pesos 6.69 per kWh in the first nine (9) months of 2020 compared with Pesos 8.20 in 2019. Total energy sales volumes were at 374 GWh in 2020 compared with 435 GWh in 2019. While the skewing of sales mix towards residential customers of *Clark Electric* was not as evident compared with that of *Meralco*, sales volume reflected an overall decline of 14% as certain industries are still struggling to resume operations depending on the outlook of the market.

Commercial sales continue to be the driver of the volume for *Clark Electric* as energy sales to hotels and restaurants begin to pick up. Peak demand reached 92 MW in September 2020, almost the same level as in February 2020.

CIS Bayad Center, Inc. ("*Bayad Center*")

With the easing of lockdown rules under GCQ beginning August 19, 2020, *Bayad Center* began to see a lift in its performance as bills payment transactions began to regain strength. In the third quarter of 2020 alone, biller and partner acquisition efforts resulted in the activation of 10 new corporate and digital channels, 13 new billers and 26 new branches. This brings the total number of biller brands served to 364 and its footprint to a total of 40,000 physical touchpoints.

Digital transactions provided the steady growth of *Bayad Center* and accounted for 25% of the total bills payments transactions during the GCQ compared with a mere 10% pre-lockdown.

Radius Telecoms, Inc. ("*Radius*")

Radius continues to grow with revenues of over Pesos 1.0 billion for the nine (9) months ended September 30, 2020. Revenues in the third quarter alone stood at Pesos 353.2 million, accelerating with the easing under GCQ. While there is a slowing down in demand for corporate data services, the same period saw increasing opportunities for internet and managed services, reflecting a 20% growth in this product segment.

Radius increased its reach by expanding to Clark and Cebu and, continued the additions of nodes and co-location buildings in Metro Manila. Its investments in Gigabit Passive Optical Networks ("*GPON*") allowed it to offer fiber optic broadband services to the Micro, Small and Medium-sized ("*MSME*") businesses as well as to residential markets.

Radius shall continue to improve on operational excellence to enhance customer experience, hasten digital transformation through simplification and integration of its business support systems and fast-tracking sustainability efforts by transforming the networks to become more agile and scalable.

CONCLUSION

"This pandemic has brought about unexpected and radical change in everyday life, giving rise to complex challenges as well as new opportunities. Amidst all the challenges, we can play a meaningful role in the lives of our customers and in helping the country get back on the road to recovery.

"We reiterate our commitment to continue to provide the most reliable and resilient network to ensure that the entire franchise is enabled for the economic upturn. Today, we estimate that we need to execute close to Pesos 50.0 billion of capital expenditures for our distribution business and generation investments. We look at this as an opportunity to create jobs, propel business activities and stimulate consumption.

“As 2020 comes to a close, we remain to be on the lookout for ways to limit the adverse impact of this pandemic, while remaining steadfast in commitment to keeping the lights on. We firmly believe that there is opportunity in every crisis and, are hopeful that we will emerge stronger than ever. We are confident that we will surpass the Pesos 21.0 billion Consolidated Core Net Income guidance for 2020 provided in the first half of this year and be able to meet our committed return to shareholders,” concluded **Mr. Manuel V. Pangilinan**, *Chairman*.

	MANILA ELECTRIC COMPANY Consolidated Financial Highlights (in Million Pesos, except per share data)		
	For the Nine (9) Months Ended September 30		% Change
	2020	2019	
REVENUES			
Electricity	208,434	235,376	(11)
Non-electricity	5,774	5,750	-
	214,208	241,126	(11)
COSTS AND EXPENSES	200,836	218,193	(8)
OTHER INCOME – net	1,040	1,338	(22)
INCOME BEFORE INCOME TAX	14,412	24,271	(41)
PROVISION FOR INCOME TAX	3,070	5,848	(48)
NET INCOME	11,342	18,423	(38)
NET INCOME – REPORTED	11,252	18,321	(39)
CORE NET INCOME	15,727	18,453	(15)
EARNINGS PER SHARE			
On Reported Net Income			
Basic	9.983	16.255	(39)
Diluted	9.983	16.255	(39)
On Core Net Income ¹			
Basic	13.954	16.373	(15)
Diluted	13.954	16.373	(15)

¹ Reported net income, adjusted to exclude the effect of foreign exchange gains or losses, impairment charges, 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.

For further information, please contact:

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About MERALCO

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

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

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