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

8632-8014

Company Telephone Number

12-31

Month Day

Fiscal Year

17-C

FORM TYPE

05 25

Month 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 25, 2021*
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 <u>Common Stock Outstanding</u>
1,127,098,705 *(As of September 30, 2021)*

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 25, 2021, approved the Company's Financial and Operating Results for the Nine Months of 2021 (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 25, 2021

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 MONTHS ENDED SEPTEMBER 30, 2021
WITH COMPARATIVES FOR 2020

- **CONSOLIDATED REVENUES INCREASE 11% TO PESOS 231.7 BILLION AS DISTRIBUTION REVENUES ROSE 5% TO PESOS 47.4 BILLION**

- **CONSOLIDATED CORE NET INCOME RISES 15% TO PESOS 18.1 BILLION; CONSOLIDATED REPORTED NET INCOME GROWS 47% TO PESOS 16.5 BILLION**

- **MERALCO SPENDS PESOS 18.5 BILLION IN CAPITAL EXPENDITURES TO STRENGTHEN DISTRIBUTION NETWORK, SUPPORT GOVERNMENT PROJECTS, AND MEET DEMAND GROWTH**

- **CONSOLIDATED ENERGY SALES VOLUMES UP 6% TO 34,398 GWH AS INDUSTRIAL SALES RECORD 16% INCREASE TO 10,263 GWH**

- **AVERAGE SYSTEM LOSS IMPROVES TO 5.64% MAINLY DUE TO SYSTEM LOSS MANAGEMENT INITIATIVES AND SALES GROWTH IN COMMERCIAL AND INDUSTRIAL CUSTOMERS**

- **MERALCO PROVIDES MORE ACCESSIBLE CUSTOMER SOLUTIONS, SETS ROLLOUT OF IMPROVED BILL FORMAT**

- **MERALCO ADVANCES SUSTAINABILITY AGENDA WITH GREEN MOBILITY AND RACE TO ZERO WASTE PROGRAMS, LAUNCHES NEW SUSTAINABILITY MICROSITE**

- **MIESCOR RAMPS UP ENGAGEMENTS ON SUSTAINABLE DEVELOPMENT-RELATED PROJECTS**

MANILA, Philippines, October 25, 2021 – The Manila Electric Company ("*Meralco*") reported today that its Consolidated Core Net Income ("*CCNI*") in the nine (9) months January to September 2021 grew by 15% to Pesos 18.1 billion from Pesos 15.7 billion in the same period last year driven by the combined effect of the 6% increase in energy distributed with the easing of quarantine restrictions, and increased contribution from its different business units and subsidiaries.

Core earnings per share amounted to Pesos 16.025, up by 15% from the same period last year.

Reported net income improved 47% to Pesos 16.5 billion from Pesos 11.3 billion year-on-year due to lower exceptional charges arising from the impairment recognized from the Company's investment in PacificLight Power Ltd. (*"PLP"*) in 2020.

Consolidated total revenues were higher by 11% to Pesos 231.7 billion from Pesos 208.8 billion, mainly boosted by electricity revenues, which grew by 11% to Pesos 225.4 billion from Pesos 203.0 billion.

Non-electricity revenues meanwhile contributed Pesos 6.3 billion, marking a 9% increase from the Pesos 5.8 billion reported in the same period in 2020.

Higher pass-through charges caused *Meralco's* average retail rate to increase slightly by 1% to Pesos 8.08 per kWh from Pesos 8.04 per kWh. Generation and transmission charges, which accounted for 66% of the total retail price, went up by 3%. Feed-in-Tariff Allowance ("*FIT-All*") increased by 71% due to the implementation of a higher *FIT-All* rate starting January 2021 from Peso 0.0495 per kWh to Peso 0.0983 per kWh. Meanwhile, subsidies, taxes and other charges, which accounted for 11% of the retail price, decreased by 3% in the first nine months.

With the Energy Regulatory Commission's ("*ERC*") provisional approval of the Pesos 13.9 billion refund of distribution over-recoveries, the effective distribution rate recognized as revenues by *Meralco* was at Pesos 1.3829 per kWh.

Purchased power costs ("*PPC*") increased 5% to Pesos 163.6 billion from Pesos 156.1 billion, due to higher Wholesale Electricity Spot Market ("*WESM*") prices, higher Malampaya natural gas prices following the quarterly repricing to reflect increases in world oil prices, and the absence of force majeure claims this year.

As of end-September, *Meralco* spent Pesos 18.5 billion on capital expenditures ("*CAPEX*") for 2021, of which almost 60% or Pesos 10.9 billion went to Networks *CAPEX.* About 90% of the Networks *CAPEX* was spent on new connections, asset renewals and load growth projects; while the balance was used to support other projects including the government's Build, Build, Build ("*BBB*") program and the Meralco Electrification Program ("*MEP*").

Operating expenses ("*OPEX*") amounted to Pesos 22.7 billion, higher by 12% than the Pesos 20.3 billion from the same period last year. These expenses were allocated toward increased business activities and accelerated maintenance work on distribution facilities within the *Meralco* and Clark Electric Distribution Corporation ("*Clark Electric*") franchise areas; as well as higher expenses of Radius Telecoms, Inc. ("*Radius*") and CIS Bayad Center, Inc. ("*Bayad*") with their investment in the Gigabit Passive Optical Network ("*GPON*") and digital businesses, respectively.

Consolidated interest-bearing debt stood at Pesos 90.5 billion, of which Pesos 36.8 billion are maturing within one year. The total amount includes debt of subsidiaries totaling Pesos 49.7 billion.

Energy sales volume maintains growth momentum, customer count reaches 7.4 million

Consolidated energy sales volumes rose 6% to 34,398 GWh from 32,539 GWh in 2020 as Commercial and Industrial sectors recovered in the nine-month period following more flexible community quarantine restrictions, and sustained growth in the residential sector. Energy sales volumes from *Meralco* and *Clark Electric* were 6% and 10% higher, respectively.

In terms of the sales mix, Residential sales accounted for 37%, while Commercial and Industrial sales accounted for 33% and 30%, respectively.

Despite cooler temperatures since the start of the rainy season in June, residential sales volumes reached 12,746 GWh, a 2% increase from 12,543 GWh in 2020 driven by continued high-volume energization of applications from socialized and mass housing customers.

Commercial sales volumes grew by 2% to 11,281 GWh in 2021 from 11,063 GWh owing to the reopening of the economy and increased mobility that led to demand growth from retail, restaurants, and public transport sectors.

Industrial sales registered the highest increase at 16% to 10,263 GWh from 8,827 GWh in the same period last year, backed by strong performance of the semiconductor industry amid high demand for microchips, electronic parts, and devices; growth from cement and steel industries stimulated by public and private construction projects; and higher operational capacities in the food and beverage, and plastics industries.

Consolidated customer count increased by 4% to 7.4 million at end-September from 7.1 million in the same period in 2020, as energization of new customers continued.

The 12-month moving average ("*12-MMA*") system loss ("*SL*") at end-September was at 5.64%, a 0.54 percentage point improvement compared to 6.18% in the same period last year due to system loss management initiatives, including reduction in unbilled services, and the comparatively higher growth in lower loss-to-serve Commercial and Industrial customers as businesses gradually resumed operations.

Meralco continued to expand and upgrade facilities to build a more resilient distribution network. Major capital projects completed in the first nine months of 2021 include the (i) expansion of the 115-34.5 kilovolt ("*kV*") First Philippine Industrial Park ("*FPIP*") substation; and (ii) development of the 115-34.5 kV San Mateo substation.

To support the government's *BBB* projects, *Meralco* completed relocation of 1,170 electric poles, of which 116 were relocated due to the road widening activities along Fairlane and Brixton streets in Pasig as part of the execution of BGC-Ortigas Center Road Link projects. In addition, 933 electric poles have been retired for the road widening projects of the Department of Public Works and Highways ("*DPWH*").

In September, *Meralco* was declared as the winning bidder for the Isla Provisor property in Paco, Manila that was auctioned off by the Power Sector Assets and Liabilities Management Corporation ("*PSALM*"). *Meralco* will develop it into a sustainable property with electric and non-electric facilities within a 10-year horizon. The plan involves the replacement of the 66-year-old outdoor and conventional Tegen substation with an indoor switchgear that will use pure air or other alternatives to sulfur hexafluoride (SF6) gases; and construction of an energy-efficient building powered by solar PVs for the Company's first Smart Meter Operation Center. It will also have a Battery Energy Storage System ("*BESS*") that can generate 7 to 10 MW of power.

More solutions and innovations for customers during the pandemic

Meralco's digital transformation continued to gain traction as daily cash collections from online platforms (website and mobile app) rose 28% to Pesos 8.5 billion and now averages Pesos 942.5 million per month.

The Company continued to introduce more options that allowed customers to safely and remotely discuss their concerns with customer care representatives. Besides ramping up the capacity of the groups handling concerns, *Meralco* also enabled live chat and video conferencing options on its website and mobile app to serve as alternative customer touchpoints.

To help customers better understand their power bills, *Meralco* rolled out a new and improved electricity bill format, featuring an upsized page for improved readability, a more prominent design on payment and account details, an expanded 24-month consumption chart, a daily and monthly average consumption tracker, as well as detailed payment history. Sustainability agenda is embedded in the new bill by providing customers with information on the environmental impact of their electricity usage.

Meralco provided a balanced operational response amidst the ongoing pandemic to ensure uninterrupted and reliable electricity service, while remaining sensitive to the challenges faced by its customers.

Disconnection activities in areas under Enhanced Community Quarantine ("*ECQ*"), Modified Enhanced Community Quarantine ("*MECQ*") and granular lockdowns in the *Meralco* franchise remained suspended to prioritize the safety of its customers and allow them more time to settle their bills.

Installment plans were offered to those unable to pay their bills in full. As of September 30, total accounts receivables under installment arrangements amounted to Pesos 1.8 billion.

"Over the past months, *Meralco* had been called to provide continued quality service under unprecedented situations. We have seen and heard firsthand the plight of our customers who have been economically challenged by the pandemic, and we took it upon ourselves to respond with the kind of service they need now – consistent and reliable, but most of all, driven by humanity and compassion," said *Meralco President and CEO* **Ray C. Espinosa**.

Business units and subsidiaries' improved performance boost Meralco bottomline

Clark Electric

- *Clark Electric's* energy sales volume grew by 10% to 411 GWh in the first nine months of 2021 from 374 GWh in 2020. Industrial sales volumes grew 25% amid the gradual resumption of business operations of locators.

- Distribution revenues were up by 5% to Pesos 391.0 million. Clark Electric contributed Pesos 113.9 million to *Meralco*'s CCNI during the period.

Retail Electricity Supply ("*RES*")

- MPower, the local *RES* unit of *Meralco*, *Clark Electric's* Cogent, and three other affiliate retail electricity suppliers sold more than 5,400 GWh of energy to the contestable market during the nine-month period.

- While the combined volume went up by 11% amid the easing of restrictions and increasing business activities, the contribution to *CCNI* was slightly lower in 2021 versus last year due to higher *WESM* prices and NewCastle ("*NEWC*") coal index during the comparative periods.

- From January to September, *NEWC* index rose to an average of US$121.74 per MT versus US$58.15 per MT in the same nine months last year, while average *WESM* prices rose to Pesos 4.78 per kWh from an average of Pesos 2.58 per kWh. *WESM* prices spiked as high as Pesos 35.23 per kWh during peak demand hours in May 2021, affecting the margins of the different *RES* units.

Power Generation

- MERALCO PowerGen Corporation ("*MGen*") contributed Pesos 934.0 million to *Meralco's CCNI* at end-September 2021, compared with Pesos 150.0 million in the same period last year as *MGen* realized increased income from 2,251 MW (net) total combined power generation capacity.

- Global Business Power Corporation ("*GBP*"), a wholly-owned subsidiary of *MGen*, has ownership in net capacity of 970 MW of coal and oil plants, of which 785 MW are contracted under Power Supply Agreements ("*PSAs*") with captive and contestable customers and Ancillary Services Procurement Agreements ("*ASPAs*"). *GBP* delivered 3,802 GWh in the first nine months of 2021 and contributed Pesos 663.0 million to *MGen's CCNI*, before any acquisition-related adjustments.

- San Buenaventura Power Ltd. Co.'s ("*SBPL*") 455 *MW* (net) supercritical coal-fired plant in Mauban, Quezon delivered 2,598 GWh of energy from January to September 2021 with an

average plant availability of 91.94%, except during its 21 days of forced outage in February and March. *SBPL* contributed Pesos 1.3 billion to *MGen's CCNI*. *SBPL* is a joint venture of *MGen* with New Growth B.V., a subsidiary of Electricity Generating Company Limited of Thailand ("*EGCO*").

- PowerSource First Bulacan Solar, Inc.'s ("*BulacanSol*") 50-*MW*ac solar farm in San Miguel, Bulacan is currently the largest single operating solar plant in the country. Since its Commercial Operations Date ("*COD*") on May 12, 2021, the plant has delivered 33.07 GWh of solar energy to *Meralco* under a 20-year *ERC*-approved *PSA*.

Non-electric subsidiaries

Bayad

- *Bayad*, *Meralco's* payment service arm, contributed Pesos 77.5 million to *Meralco's CCNI* as consolidated revenues grew by 14% to Pesos 1.4 billion.

- Digital payments across digital partner platforms increased by 161% to Pesos 60.3 billion. *Bayad* also added 76 new billers, bringing its total number of serviced billers to 433 as of end-September.

- Launched in January 2021, the *Bayad* App recorded over 124,400 downloads in the first nine months of the year and booked Pesos 46.3 million in bills payment transactions during the period. Meanwhile, *Bayad* Online recorded 29,531 registered users since its commercial launch in December 2020.

Radius

- *Radius*, *Meralco's* wholly-owned broadband services unit, posted Pesos 1.0 billion consolidated revenues in the nine-month period versus Pesos 1.1 billion the previous year. It contributed Pesos 221.1 million to *Meralco's CCNI* during the period.

- *Radius* has 6,931 kilometers of fiber optic cable, including 579 kilometers of *GPON's* optical distribution fiber network, serving wholesale, enterprise, residential, and MSME requirements.

- Throughout the first nine months of 2021, *Radius* maintained 99.97% service level availability performance, 0.07 percentage points above the target of 99.90%. *Radius* also maintained reduced downtime, resulting from proactive scheduling of regular and preventive maintenance activities, and the re-engineering of its local and international IP backbone to improve the streaming experience of its customers.

Meralco Industrial Engineering Services Corporation ("*MIESCOR*")

- *MIESCOR*, the engineering and construction services unit of *Meralco*, contributed Pesos 162.1 million in the first half of the year, a 5% increase versus the same period a year ago.

- Aligned with the Company's sustainability initiatives and a proof of service excellence, *MIESCOR* secured several projects with AC Energy through its subsidiaries Santa Cruz Solar Energy, Inc. ("*SCSEI*") and Bayog Wind Power Corporation ("*BWPC*").

- *MIESCOR* and *BWPC* held a virtual ceremonial signing to formalize the awarding of the Balaoi and Caunayan Substation and Medium Voltage Electromechanical Works and Transmission Line Project that will connect the Balaoi-Caunayan wind farm to the Laoag substation owned by National Grid Corporation of the Philippines ("*NGCP*").

- *MIESCOR* secured a contract from *SCSEI* to build a 230-*kV* transmission line that will connect the *SCSEI* solar park's 230-*kV* substation to the Castillejos Substation.

- *MIESCOR* also signed a contract with Universal Power Solutions, Inc. to build three interconnection facilities for *BESS* projects located in Lumban, Laguna; Ormoc, Leyte; and Jasaan, Misamis Oriental.

- *MIESCOR* recently bagged the engineering, procurement, and construction contract of Amber Kinetics' flywheel testing area, allowing *MIESCOR* to support the latter's ongoing production facilities expansion in Sto. Tomas, Batangas.

Powering the Good Life: Meralco advances sustainability agenda

"Powering the Good Life" is *Meralco's* sustainability agenda rooted in the United Nations' Sustainable Development Goals. It is marked by a distinctive focus on four pillars: Power, Planet, People, and Prosperity.

Green Mobility Program

A core initiative under the Planet Pillar is *Meralco's* heightening efforts to support and promote the country's transition to electric vehicles ("*EVs*"). Under its Green Mobility Program, the Company aims to electrify its own vehicle fleet.

To date, *Meralco* has deployed close to 60 electric motorcycles for use of its field representatives. It is also in the process of deploying almost 70 more *EVs*, consisting of electric cars, vans, pickup trucks, and electric motorcycles, across its Business Centers and Sector Offices. To support the charging requirements of these *EVs*, the Company is installing five fast-charging stations and depot-based AC chargers in strategically located *Meralco* facilities across its franchise area. Beyond the company borders, *Meralco* continues to provide green transport options for its institutional customers and for the riding public, through its subsidiary eSakay, Inc.

Race to Zero Waste Program

Still under the Planet Pillar, *Meralco* recently topped the Xtrash Challenge. Organized by the Philippine Business for Social Progress ("*PBSP*"), this inter-company waste management competition ran from May 1 to September 15, 2021, with proceeds from the activity benefitting 300 low-income families.

Key to this win is *Meralco's* overarching Race to Zero Waste program, which drives important initiatives such as the company-wide ban on single-use plastics and systematic waste collection through materials recovery facilities.

Sustainability Microsite

Meralco is leveraging the digital space to articulate and share its sustainability agenda. With the launch of its sustainability microsite (www.meralco.com.ph/sustainability), *Meralco*'s customers, partners, and stakeholders can now go online and learn more about the strategies and programs that define "Powering the Good Life". The microsite likewise features key sections on the Company's sustainability reports and achievements.

Most Awarded Philippine Utility at the 2021 Stevie Awards

Meralco was recognized for its initiatives centered on sustainability, customer service excellence and transparency at the 2021 Stevie International Business Awards.

The Company bagged three gold trophies for its *Power On: Meralco 2020 Annual Report*; M*VP: The Man and His Art* book; and One Meralco Foundation's *("OMF") One For Trees campaign.* Bringing home the three silvers were: *Live Life: Meralco 2020 Sustainability Report;* and OMF's Household Electrification and Energization Programs. Three bronze trophies were awarded to OMF's Frontliner Response program, the Meralco Advisory customer communications program, and social media campaign #KeepingTheLightsOn.

Conclusion

"As we do our share to keep our people and customers safe, we are also moving towards our goal of a more sustainable *Meralco* – one that protects the environment and powers good lives for all today, and for future generations. Our Senior Management and Sustainability Committee have mapped out a strategy that will bring us closer to our commitments to build and contract over 1,500 *MW* of capacity from renewable energy sources, to spur electric mobility, and to use and promote earth-friendly technologies," *Meralco Chairman* ***Manuel V. Pangilinan*** said.

"Our financial results through September are encouraging, and there is indication that we will exceed the *CCNI* achieved last year. The sudden but significant rise in fuel prices across the board– gas, coal and oil – which can impact generation margins, as well as the lingering effect of the pandemic remain key risks to our outlook for the 4th quarter. We will nonetheless continue to be steadfast as we collectively learn to navigate this new normal and slowly mitigate the impact of both these adverse developments to lives and businesses", **Mr. Pangilinan** concluded.

	MANILA ELECTRIC COMPANY Consolidated Financial Highlights (in Million Pesos, except per share data)		
	For the Nine (9) Months Ended September 30		%
	2021	2020	Change
REVENUES			
Electricity	225,404	203,014	11
Non-electricity	6,313	5,774	9
	231,717	208,788	11
COSTS AND EXPENSES	207,577	195,416	6
OTHER INCOME – net	1,735	1,040	67
INCOME BEFORE INCOME TAX	25,875	14,412	80
PROVISION FOR INCOME TAX	8,732	3,070	184
NET INCOME	17,143	11,342	51
NET INCOME – REPORTED	16,522	11,252	47
CORE NET INCOME	18,062	15,727	15
EARNINGS PER SHARE			
On Reported Net Income			
Basic	14.658	9.983	47
Diluted	14.658	9.983	47
On Core Net Income [1]			
Basic	16.025	13.954	15
Diluted	16.025	13.954	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:

Betty C. Siy-Yap
Senior Vice President – Chief Finance Officer
Tel. No. (632) 1622 1571

Joe R. Zaldarriaga
Vice President – Head, Corporate Communications
Tel. No. (632) 8 632 8603