

# 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

632-8014

Company Telephone Number

1 2 - 3 1

Month Day

Fiscal Year

1 7 - C

FORM TYPE

0 5

Month

2 8

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 28, 2019*
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) 86328014 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, 2019)*

**Debt Securities: Php 18.5 Billion Bonds**

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

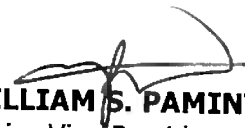
The Company's Board of Directors, in its regular meeting held today, October 28, 2019, approved the following matters:

1. The Company's Financial and Operating Results for the Nine Months 2019 (refer to the attached Press release); and
2. Appointment of Ms. Maria Carmela T. Migrifio as Vice President and Head, Chief Information Security Officer, effective November 1, 2019.

**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 28, 2019**

***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, 2019  
WITH COMPARATIVES FOR 2018

Highlights

- Consolidated Core Net Income for the first nine (9) months of 2019 at Pesos 18.5 billion, 11% higher compared with Pesos 16.7 billion in 2018
- Consolidated Reported Net Income for the nine (9) months ended September 30, 2019 at Pesos 18.3 billion, flat vis-à-vis 2018
- Consolidated electricity revenues at Pesos 235.4 billion for the nine (9)-month period of 2019, up 6% year-on-year
- Consolidated distribution revenues at Pesos 49.2 billion for the first nine (9) months of 2019, 7% higher than 2018
- Consolidated non-electricity revenues at Pesos 5.8 billion for the nine (9)-month period of 2019, down 6% year-on-year
- Consolidated Core EBITDA for the nine (9)-month period of 2019 at Pesos 29.8 billion, up 12% over 2018
- Core Earnings per Share at Pesos 16.373
- Consolidated volume of energy sold of 35,005 GWh for the first nine (9) months of 2019, 6% higher than 2018
- Customer count up by 4% to more than 6.8 million
- Average consolidated distribution rate was flat year-on-year

MANILA, PHILIPPINES, 28<sup>th</sup> October 2019 – 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, 2019 amounted to Pesos 18.5 billion, 11% higher than in 2018. Consolidated Reported Net Income for the same period amounted to Pesos 18.3 billion, stable year-on-year. Core Earnings per Share for the first nine (9) months of 2019 was Pesos 16.373, while Reported Earnings per Share was Pesos 16.255.

Benign inflation, a more favorable interest rate environment, stable foreign remittances and a growing services sector provided the backdrop for the stable growth in sales volume, year-on-year. Sales volumes, Net System Input (“*NSI*”) and Peak Demand within the *Meralco* franchise area grew by 6%, 6% and 5%, respectively, in 2019 compared with the same period in 2018. At Clark Electric Distribution Corporation (“*CEDC*”, the *Company*’s 65%-owned subsidiary), the same foregoing parameters grew by 11%, 10%, and 10%, respectively.

Consolidated sales volumes grew to 35,005 GWh while *NSI* was at 36,853 GWh. Peak Demand within the *Meralco* franchise area was at 7,740 MW, registered on June 4, 2019 while the Luzon Peak Demand was at 11,344 MW, registered on June 21, 2019. Sales volumes of *CEDC* were higher by 11% at 435 GWh for the nine (9) months ended September 30, 2019 with the additional volumes coming from new hotels within the zone, as well as higher volumes from its existing locators.

Residential energy sales volume, which accounted for 31% of the total consolidated energy sales volumes, grew strongest at 8%, followed by Commercial energy sales volume growing at 6% with 39% share of the total sales volume. Industrial energy sales volume which had 29% of the energy sales volume grew 5%.

Notable in the last five (5) comparative nine (9)-month periods is the shift between the 2<sup>nd</sup> and 3<sup>rd</sup> quarter in terms of highest sales volumes, which reflects variability due to either temperature in the 2<sup>nd</sup> quarter of the year, frequency and extent of weather disturbances, or manufacturers beginning to ramp up production to stock up in the 3<sup>rd</sup> quarter in preparation for the holiday sales.

Electric revenues were at Pesos 235.4 billion, higher by 6% over the comparative period in 2018, due mainly to the higher generation charges from the combined effects of (i) higher prices in the Wholesale Electricity Spot Market (“*WESM*”) reflecting the supply and demand situation, with cumulative 14 days and 43 days of Red and Yellow alerts, respectively in the first nine (9) months of the year; and (ii) increased consumption across all customer sectors, as inflation tapered to 0.9% in September from 4.4% at the start of 2019; offset by (iii) slightly lower average prices of coal, oil and gas in the global market; (iv) the appreciation of the Philippine peso versus the U.S. dollar; and (v) the impact of the commissioning power from the 500 MW (gross) output of San Buenaventura supercritical coal-fired plant. This plant’s Commercial Operations Date (“*COD*”) was achieved on September 26, 2019 when a provisional Certificate of Compliance (“*COC*”) was received from the Energy Regulatory Commission (“*ERC*”).

The average coal price for the nine (9) months ended September 2019 was at US\$93.66 per MT compared with US\$102.08 per MT for the same period in 2018. Malampaya gas was at an average of US\$8.03 per GJ (US\$6.06 per GJ in 2018). Oil prices averaged at US\$63.55 per barrel (Dubai crude) for the first nine (9) months of 2019 versus US\$68.32 per barrel in 2018. The peso appreciated vis-à-vis the U.S. dollar from Pesos 54.02 as at September 2018 to Pesos 51.83 as at September 2019. Energy was trading in the *WESM* between a low of Pesos 3.00 per kWh to a high of Pesos 8.89 per kWh. Total *WESM* volume during the

period was at a monthly average of 352.79 GWh, while monthly average volume from San Buenaventura was 146.28 GWh. Average generation charge to *Meralco* customers was at Pesos 5.32 per kWh for the first nine (9) months of 2019 from Pesos 5.06 per kWh in 2018. Average overall electricity rate for the nine (9)-month period of 2019 was at Pesos 9.00 per kWh (Pesos 8.92 per kWh in 2018) or less than 1% higher.

Non-electric revenues for the nine (9)-month period of 2019 were at Pesos 5.8 billion, 6% lower compared with 2018. These represented over 2% of total revenues.

Consolidated Core EBITDA for the first nine (9) months of 2019 was Pesos 29.8 billion, 12% higher than 2018. Financing expenses during the period were 18% lower than 2018 at Pesos 1.1 billion as a result of (i) the settlement of the Put Option totaling Pesos 8.3 billion exercised by the holders of the *Company*'s fixed rate note issued in 2013; and (ii) the limited ability of the *Company* to lever due to the requisite regulatory process for an authority for the *Company* to incur long-term indebtedness. Financing income was at Pesos 2.4 billion during the first nine (9) months of 2019.

Consolidated capital expenditures ("*CAPEX*") for the nine (9) months of 2019 amounted to Pesos 15.7 billion, representing those (i) implemented by *Meralco* as emergency requirements for network upgrade and renewals, replacement of critically and over-loaded distribution transformers, information technology refresh as assets reach or go beyond end-of-life without maintenance support; and (ii) commencement of early site development for the proposed 2x600 MW Atimonan One, high efficiency, low emission ("*HELE*") coal-fired power plant, among others. Absent further approval by the *ERC* of the *Company*'s *CAPEX* filings beyond the *ERC*'s partial approvals for *CAPEX* requirements of *Meralco* for the 1<sup>st</sup> and 2<sup>nd</sup> Regulatory Years ("*1RY*" from July 1, 2015 to June 30, 2016 and "*2RY*" from July 1, 2016 to June 30, 2017) of the 4<sup>th</sup> Regulatory Period ("*4RP*" from July 1, 2015 to June 30, 2019), *Meralco* manifested a number of implemented projects as emergency requirements, consistent with the *ERC* rules. Similarly, *CEDC* has manifested a total of Pesos 877.5 million as emergency projects for its 3<sup>rd</sup> Regulatory Period ("*3RP*", from October 1, 2015 to September 30, 2019), of which Pesos 678.5 million has been implemented.

Cash flows provided by operating activities for the first nine (9) months of 2019 stood at Pesos 27.2 billion compared with Pesos 31.2 billion for the same period in 2018. Free cash flows, net of investments in financial assets at fair value through other comprehensive income ("*FVOCI*") and debt securities at amortized cost, was Pesos 15.1 billion as at September 30, 2019. Cash and cash equivalents amounted to Pesos 24.7 billion at the end of the 3<sup>rd</sup> quarter of 2019.

Total interest-bearing debt was at Pesos 31.2 billion as at September 30, 2019, of which Pesos 15.3 billion is maturing within one (1) year. During the first nine (9) months of 2019, short-term debt of Pesos 0.2 billion was contracted, while Pesos 10.1 billion of principal (short- and long-term) and interest were paid. Total cash dividends declared (consisting of 2019 interim cash dividends declared out of the first half results of 2019 and paid on September 20, 2019, and 2018 final dividends paid on April 15, 2019) amounted to Pesos 18.1 billion.

Gross Debt to EBITDA stood at 0.79x.

Contributions from operating subsidiaries to *CCNI* for the nine (9) months ended September 30, 2019 amounted to Pesos 566.4 million, mainly provided by Radius Telecoms, Inc. ("*Radius*") and CIS Bayad Center, Inc. ("*Bayad Center*").

"More than just pleasant surprises, the 6% and 11% volume growths within the *Meralco* and Clark Electric franchise areas, respectively are testaments of the robust distribution systems we have built and maintained, even while we await further regulatory approvals for capital expenditures filed.

"Manageable inflation together with increased liquidity in the financial system provides opportunities for growth across all customer segments. There is no doubt that there will be significant domestic economic expansion with the expected improvement in Government public investments in the coming months, in addition to the inflow from remittance of our overseas Filipino workers.

"We anticipate sustained growth for *Meralco* resulting from the country's continued overall economic expansion as well as growth that will follow the Government's ongoing infrastructure development programs," said **Manuel V. Pangilinan**, Chairman of *Meralco*.

#### Core Power Distribution Business: Through Network Reliability and Efficient Energy Sourcing

The effect of the volatility in fuel prices as well as higher prices of selected basic consumption goods as a result of weather disturbances and other factors were more than offset by the continued declines in rice prices and five (5) consecutive downward adjustments in electricity rates. The first nine (9) months of 2019 closed with inflation averaging at 2.8%. There were 16 weather disturbances since the beginning of the year, none of which significantly affected the *Meralco* or *CEDC* franchise areas. Fuel prices, gasoline in particular, ranged from Pesos 47.14 per liter to Pesos 56.30, from Pesos 56.79 in September 2018. The peso was volatile versus the U.S. dollar ranging from Pesos 50.89 to Peso 52.93 through the nine (9) months of 2019.

The momentum gained in the first half of 2019 was sustained in the 3<sup>rd</sup> quarter to reflect consolidated growth in sales volumes at over 6% for the nine (9)-month period. *CEDC* volume of 435 GWh for the first nine (9) months of 2019 grew 11% year-on-year. Consolidated sales volumes for the nine (9) months ended 2019 was 35,005 GWh compared with 32,921 GWh in the same period in 2018, largely on account of the *Meralco* volumes.

By customer class, Residential sales volume grew by 808 GWh or 8% with net 261 thousand new connections since September 2018. Organic sales continued and accounted for 70% of the Residential energy sales increase, while new connections and ramp-up volumes from last year's connections accounted for the balance.

Commercial sales volumes grew 6% with 14 thousand net new customers. Real estate, mainly the *BPOs* and *POGOs*, retail trade, and hotels and restaurants accounted for the bulk of the volume. The increasing shift to digital business processes and transactions is expected to fuel the demand in the coming periods.

The Industrial sector grew 5% with 219 net new accounts. Food and beverage, non-metallic (specifically, cement) and rubber and plastics industries provided the volume growth. The continuing demand for *BPO* services in the Philippines and the proliferation of *POGOs* resulted in the continuing demand for space and as a consequence, increased electricity requirements. This, together with infrastructure development projects, accounted for the demand of the non-metallic industry. While the electronics industry is not among *Meralco's* top three (3) Industrial customers, consumption is expected to rise as manufacturers are banking on the seasonally strong 4<sup>th</sup> quarter to keep their conservative export growth targets.

Businesses are, however, not without challenges and concerns, which is why brownfield expansion of businesses and greenfield developments have slowed down. Businesses are awaiting the outcome on the proposed Corporate Income Tax and Incentive Rationalization Act ("*CITIRA*"), which removes certain tax perks after a two (2)-year grace period as an integral part of a new tax framework, and brings down the corporate income tax rate gradually to 20% by 2027.

Significant catch-up on *CAPEX* has been made throughout the nine (9) months of 2019 in support of new customer connections, asset renewals, load growth and the government's "Build Build Build" ("*BBB*") and "Public Private Partnership" ("*PPP*") projects. A total of 3,114 out of 4,365 affected poles have been relocated for the NLEX-Harborlink Segment 10, Cavite-Laguna Expressway ("*CALAE*x"), LRT2 Extension, C5 Southlink Phase 1, C3-R10 Road, Skyway Stage 3, Lawton Avenue Widening, MRT 7, PNR North 1, LRT 1 Extension, C6-Southeast Metro Manila Expressway ("*SEMME*") Phase 1, and Bonifacio Global City ("*BGC*")-Ortigas Link projects under the *BBB* Program.

Separately, Customer Allocation ("*CA*") projects (consisting of meter installations, replacements of overloaded distribution transformers ("*DTs*") and energization of new customers) and Miscellaneous Allocation ("*MA*", consisting of pole replacements, conductor shielding, meter replacements, substation equipment replacements and relocation of poles) Projects were completed. Major *CAPEX* built were the (i) development of the Bridgetowne 115kV-34.5kV gas-insulated switchgear ("*GIS*") substation; (ii) expansion of the Filinvest 115kV-34.5kV 2<sup>nd</sup> bank *GIS* substation 2<sup>nd</sup> Bank; (iii) commissioning of the 115kV switchyard of the Calamba 230kV-115kV substation; (iv) replacement of power transformer no. 2 of the Marikina substation; and (v) commissioning of Lucky Nine Properties, Inc.'s 115kV Standard Connection Facility, among others. All told, total *CAPEX* for the nine (9) months amounted to Pesos 15.7 billion.

Other major *CAPEX* included refresh of some information technology resources, which consist of replacement of servers and implementation of new information systems, among others.

*Meralco* also inaugurated the first phase of its power microgrid in Cagbalete Island, Quezon Province as part of its continuing initiative of rural energization using sustainable energy. The microgrid is a hybrid generating plant that features a 60 kWp solar photovoltaic (“PV”) system, 150 kWh battery energy storage and two (2) units of 30 kW diesel generators, which shall provide 24x7 power to the residents of the island. To date, *Meralco* together with the One Meralco Foundation, Inc. (“OMF”) has energized 100 households and shall energize 600 more within the Cagbalete Island.

In addition, *Meralco* has intensified its electrification program since the 2<sup>nd</sup> quarter of 2019 to attain 100% electrification of its franchise area by 2020. The focus for now is to provide distribution and connection service to underserved and unserved customers in Metro Manila and Batangas. To date, additional 38 sites were already energized.

*Meralco*’s 12-month moving average (“12-MMA”) system loss (“SL”) as of September 2019 was at 5.55%, 0.12 percentage points better than the 12-MMA SL of 5.67% for the same period in 2018 and lower by 1.7 percentage points versus the newly set SL cap of 7.25%, which includes 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, yielded improvements to the *Meralco* SL performance.

NSI, which represents total energy delivered to the *Meralco* and CEDC distribution systems, increased by close to 6% to 36,853 GWh. On a stand alone basis, NSI of *Meralco* increased by almost 6% to 36,407 GWh.

The *Company*’s energy sourcing strategy resulted in an average generation charge of Pesos 5.32 per kWh. Plant Capacity Factors (“PCFs”) of the three (3) Independent Power Producer long-term contracts entered into over 18 years ago, averaged 75%, while those of the Power Supply Agreements (“PSAs”) contracted in 2012-2013 were at 64%. The average retail rate in 2019 is higher by Peso 0.08 per kWh or less than 1% higher than in 2018, due largely to the effects of higher WESM prices and the increase in fuel prices on the generation charge. The transmission charge, which is billed by the National Grid Corporation of the Philippines (“NGCP”), was 4% lower than in 2018 at Peso 0.76 per kWh. The average distribution rate remained at 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. Feed-In-Tariff Allowance (“FIT-All”) of Peso 0.23 per kWh, now represents 3% since the adjustment of the FIT-All rate from Peso 0.2563 to Peso 0.2226 per kWh beginning April 2019 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 2019 was Pesos 5.80 per kWh, Peso 0.07 per kWh lower than in 2018. WESM prices have started to decline, with prices ranging from Pesos 1.66 to Pesos 12.04 per kWh during the period. *Meralco* purchased a total of 3,723 GWh from the WESM, or approximately 12% of its purchased power for the first nine (9) months of 2019. The average purchased power cost for the 3<sup>rd</sup> quarter of 2019 was unusually lower due to the effect of an adjustment on the Net

Settlement Surplus (“NSS”) allocations for the billing period from June 2018 to May 2019 after the Philippine Electricity Market Corporation (“PEMC”) noted an error in their formula for NSS. The ERC ordered the refund to be completed within no more than two (2) billing periods for all distribution utilities (“DUs”).

Operating expenses, which accounted for 9% of total costs and expenses were lower by 1% at Pesos 19.3 billion. Labor and contracted services continue to be the major spend of a distribution utility, mainly to serve the requirements for outage restorations, network maintenance, tree trimming, meter reading and bills and other notification deliveries, among others.

Other initiatives include solar installations and eVehicle development routes and shuttle services for contained communities. To date, Spectrum, Inc., a wholly-owned subsidiary of *Meralco* has installed roof-top solar facilities totaling 14.3 MWh, while eSakay, Inc. (also a wholly-owned subsidiary) has among its portfolio a 10-km developmental route from Mandaluyong City Hall to the MRT Buendia (Gil Puyat Avenue) Station.

As the growth of the contestable market in terms of volume and number of customers continues, the number of active Retail Electricity Suppliers is increasing as well, and there continues to be intense competition in this market. Total Retail Electricity Supply (“RES”) volumes represent 31% of the total energy sales volumes within the *Meralco* franchise area. As of September 30, 2019, there are a total of 1,042 billed customers within the franchise area with total consumption of over 1,262 GWh who have opted for contestability.

“The core distribution business, which continues to drive the growth of *Meralco*, shall be supported by the contribution from MERALCO PowerGen’s San Buenaventura Power Limited (“SBPL”) beginning September 26, 2019 when it declared commercial operations. SBPL going online, on schedule and within the budgeted project cost is no mean feat given multiple challenges through project conceptualization, developments and construction completion.

“In addition, meaningful contributions from Clark Electric (for electricity distribution) as well as from CIS Bayad Center and Radius Telecoms are providing an uplift to the *Meralco* bottomline. We are on the lookout for more opportunities for these subsidiaries as they continue to pour in resources to better serve customers.

“We have embraced sustainability as a way of life and have in fact launched the “No to Single Use Plastics” in all *Meralco* facilities as part of our commitment to a better environment,” said **Atty. Ray C. Espinosa**, President and Chief Executive Officer.

## Competitive Selection Process (“CSP”): A New Compliance Requirement for Distribution Utilities and Electric Cooperatives

With the Supreme Court (“SC”) decision invalidating the *ERC* order restating the effectivity date of the *CSP*, the *Company* proceeded with the conduct of three (3) distinct *CSPs* covering specific requirements: (i) 1,200 MW brownfield baseload; (ii) 1,200 MW greenfield baseload; and (iii) 500 MW brownfield mid-merit capacities after finalizing and submission of a set of Terms of Reference in coordination with the Department of Energy (“DOE”). On September 13 and 16, 2019, the *PSAs* with the winning bidders were signed after the successful conclusion of the *CSPs* and announcement of the best commercial bids of technically-compliant bidders for the 1,200 MW brownfield and 500 MW mid-merit capacities. The *CSPs* were conducted by the *Meralco*-constituted Third Party Bids and Awards Committee (“*TPBAC*”), as approved by the *DOE*. A *DOE* representative observed the entire process which was also made public.

*Meralco* and the applicable generation companies have initially submitted the signed *PSAs* with the *ERC* for confirmation and approval.

### New Clark City Project: Getting Energized

The New Clark City (“*NCC*”) is a 9,450 hectare development of the Bases Conversion and Development Authority (“*BCDA*”) for the establishment of a smart and resilient power distribution system to meet the electricity demand requirements of customers within the franchise area.

On December 17, 2018, the *Meralco-Marubeni Consortium* (“*the Consortium*”) consisting of *Meralco*, Marubeni Corporation, The Kansai Electric Power Co., Inc. and Chubu Electric Power Co., Inc. won the bid to serve as the electric distribution utility of the *NCC*. On September 17, 2019, a special purpose company named Shin Clark Power Holdings, Inc. (“*Shin Clark*”) was created by the *Consortium* to form a joint venture with the *BCDA*.

*Meralco* completed the construction of Phase 1A of the Interim Electrical Distribution facilities, which consists of (i) a 33 MVA, 69 kV-13.8 kV interim substation; (ii) 2.2 kilometers of 13.8 kV overhead lines; and (iii) 1.5 kilometers of 13.8 kV underground line. In addition, the *BCDA* constructed a 69 kV sub-transmission line connection to Tarlac Electric Cooperative II (“*TARELCO II*”). With the National Government Administrative Center (“*NGAC*”) relocating to *NCC* starting 2020 and preparation for the Southeast Asian Games (“*SEA Games*”) in November 2019, expected demand within *NCC* is estimated to be over 5,000 kW in 2019.

## Non-electric Distribution Subsidiaries: In a Digital World

### *Bayad Center*

*Bayad Center* processed a total of 65 million bills payment and remittance transactions during the first nine (9) months of 2019 for an all-billers 30-day average of 10.8 million. Total transactions processed was 11% higher year-on-year. The most significant volumes processed are those of government billers, followed by electric (including prepaid loads) and water utilities. Today, *Bayad Center* serves over 300 biller brands (together with its technology partner) through more than 33,000 physical touchpoints and three (3) company-owned digital channels, which include wallet-based, agent model and *Bayad Center*-owned digital payment platforms. While the traditional or offline bills payment performance has been increasing steadily, the digital online bills payment performance growth trajectory has been remarkable with the growing reach and higher reliability of data services of the major telecommunications companies.

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

### *Radius*

Revenues of *Radius* were at Pesos 1.0 billion, up 7% compared with the same period in 2019. These were derived primarily from the Enterprise market, which now accounts for more than 55% of the total, while the Wholesale market accounts for the balance.

By product type, Data Services accounted for 71% of total revenues while Internet services accounted for the 29% for the nine (9) months ended September 30, 2019. While revenues from managed and other services account for less than 1% of the total, this is expected to be a major growth contributor in the future with the recent launch of new services such as the *Radius Cloud Express* and Software Defined Wide Area Network (“*SDWAN*”). Overall, the business is sustained through monthly recurring revenues from customers across all industries.

*CAPEX* delivered during the first nine (9) months of 2019 addressed major networks requirements, such as the 500-kilometer fiber optic cable roll-out within the core network and last mile extension, client installation projects and node and co-location establishment, among others.

“We continue to invest in the infrastructure of *Radius*. Our expansion includes the upgrade of the Core Ethernet Network. Once completed towards the end of 2019, it will be well-positioned with an all Cisco™ core network. *Radius* is also expanding beyond the *Meralco* franchise area with network expansion in Clark Freeport Zone in Pampanga later this year and in Cebu by Q1 of next year”, Atty Espinosa highlighted.

*Radius* is a wholly-owned subsidiary of *Meralco* through eMeralco Ventures, Inc. (“*eMVT*”).

## Power Generation: A Major Milestone

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

*SBPL's* 455 MW (net) supercritical coal-fired plant in Mauban, Quezon achieved commercial operations on September 26, 2019, upon receipt of the Provisional Authority to Operate ("*PAO*") from the *ERC*. The Engineering, Procurement and Construction ("*EPC*") contractor has also handed over the plant on September 15, 2019 with *SBPL* officially taking over operations of the plant on such date.

*SBPL* is a joint project with New Growth, B.V., a wholly-owned subsidiary of the Electricity Generating Public Company Limited ("*EGCO*") of Thailand.

### *Atimonan One Energy, Inc. ("AIE")*

With the *SC* decision invalidating the order of the *ERC* restating the effectivity of the *CSP* to April 29, 2019, *AIE* participated in a *CSP* conducted by *Meralco* for a 1,200 MW greenfield requirement in September 2019. The said *CSP* was subsequently declared a failed process with only one (1) bid was submitted (by *AIE*). *AIE* is awaiting the official advise from *Meralco/DOE* regarding the next round of bidding.

In the meantime, in preparation for the targeted 2024 *COD*, *AIE* has started early site preparation works. Discussions are ongoing for the renewal of *AIE's* financing terms with its lending consortium.

*AIE* shall be a 2x600 MW greenfield, ultra-supercritical pulverized coal-fired plant in Atimonan, Quezon, a highly efficient and environmentally-compliant coal-fired plant.

### *PowerSource First Bulacan Solar, Inc. ("PowerSource FB")*

*MSpectrum* transferred its 40% ownership in *PowerSource FB* to *MGEN Renewable Energy, Inc. ("MGREEN")*, a wholly-owned subsidiary of *MGen*. *PowerSource FB* is developing a 50 MWac solar project in San Miguel, Bulacan. *PowerSource FB* has executed an *EPC* contract and is in the final stages of finalizing its loan agreement with a local bank. Construction is expected to commence in the 4<sup>th</sup> quarter of 2019, with completion and commissioning in the 4<sup>th</sup> quarter of 2020.

*PowerSource FB* has an *ERC*-approved *PSA* with *Meralco* for the entire output of the project. The *PSA* is for a period of 20 years at a fixed price, subject to an annual escalation.

"After 45 months of construction and not a few challenges that came with it, the San Buenaventura 455 MW (net) supercritical coal-fired power plant was ceremonially "switched on" last October 15, but even before such date, it has provided up to 500 MW of low cost commissioning energy during a number of periods of system yellow and red alerts. More than ever, we are inspired and determined to get our planned greenfield 1,200 MW plant on stream with the cleanest and most advanced technology as we eagerly await the

publication of the revised Terms of Reference for the second round CSP of *Meralco*'s 1,200 MW future greenfield baseload requirement.

"Consistent with the *Meralco* strategy on sustainability, *MGen* is looking at the most customer-responsive energy mix and technology options. We are focused on delivering 1,000 MW of renewable energy facilities in the next five (5) years or so. The construction of *PowerSource FB*'s 50 MWac power facility kickstarts such initiative. We are also currently looking at several utility scale solar, floating solar and wind projects," said Mr. **Rogelio L. Singson**, President, *MGen*.

#### Conclusion and Outlook

"There is no doubt that *Meralco* has performed responsively in respect of its franchise mandate to provide power at least cost, while maintaining highly reliable and resilient facilities. With the combined efforts of the entire organization and our subsidiaries, we expect to end 2019 with Consolidated Core Net Income of over Pesos 23.0 billion.

"However, the *Meralco* of today faces new complexities bearing not only on its core power businesses but also on climate, water and the environment. At *Meralco*, corporate social responsibility already embraces the new Environmental, Social and Governance standards. As revised by social advocates, the mantra is now "People, Planet and Profit", likely in that order as well. Sustainability ranks high within and remains a commitment of *Meralco*, as does *Profit with a Purpose*. Elimination of single use plastics and the One for Trees programs aim to jumpstart our sustainability strategies," concluded Mr. Pangilinan.

|                                 | <b>MANILA ELECTRIC COMPANY</b><br><b>Consolidated Financial Highlights</b><br><b>(in Million Pesos, except per share data)</b> |             |               |
|---------------------------------|--------------------------------------------------------------------------------------------------------------------------------|-------------|---------------|
|                                 | <b>For the Nine Months Ended</b><br><b>September 30</b>                                                                        |             | <b>%</b>      |
|                                 | <b>2019</b>                                                                                                                    | <b>2018</b> | <b>Change</b> |
| <b>REVENUES</b>                 |                                                                                                                                |             |               |
| Electricity                     | 235,376                                                                                                                        | 221,266     | 6             |
| Non-electricity                 | 5,750                                                                                                                          | 6,145       | (6)           |
|                                 | 241,126                                                                                                                        | 227,411     | 6             |
| <b>COSTS AND EXPENSES</b>       | 218,193                                                                                                                        | 206,960     | 5             |
| <b>OTHER INCOME – net</b>       | 1,338                                                                                                                          | 2,903       | (54)          |
| <b>INCOME BEFORE INCOME TAX</b> | 24,271                                                                                                                         | 23,354      | 4             |
| <b>PROVISION FOR INCOME TAX</b> | 5,848                                                                                                                          | 5,089       | 15            |
| <b>NET INCOME</b>               | 18,423                                                                                                                         | 18,265      | 1             |
| <b>NET INCOME – AS REPORTED</b> | 18,321                                                                                                                         | 18,212      | 1             |
| <b>CORE NET INCOME</b>          | 18,453                                                                                                                         | 16,686      | 11            |
| <b>EARNINGS PER SHARE</b>       |                                                                                                                                |             |               |
| On Reported Net Income          |                                                                                                                                |             |               |
| Basic                           | 16.255                                                                                                                         | 16.159      | 1             |
| Diluted                         | 16.255                                                                                                                         | 16.159      | 1             |
| On Core Net Income <sup>1</sup> |                                                                                                                                |             |               |
| Basic                           | 16.373                                                                                                                         | 14.804      | 11            |
| Diluted                         | 16.373                                                                                                                         | 14.804      | 11            |

<sup>1</sup> 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.

For further information, please contact:

Victor S. Genuino  
First Vice President – Head of Customer Retail Services  
& Corporate Communications  
Tel. No.: (632) 632 8531  
Fax No.: (632) 632 8360

Betty C. Siy-Yap  
Senior Vice President &  
Chief Finance Officer  
Tel. No.: (632) 1622 1571  
Fax No.: (632) 631 5574

## 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](http://www.meralco.com.ph).