

COVER SHEET

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S.E.C Registration Number

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(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

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Month Day

Fiscal Year

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FORM TYPE

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Month Day

Annual Meeting

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Secondary License Type, if Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total No. of Stockholders

Total Amount of Borrowings

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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File Number

LCU

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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:** *July 25, 2022*
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 June 30, 2022)

Debt Securities: *Php 7.0 Billion Bonds*

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

The Company's Board of Directors, in its regular meeting held today, July 25, 2022, approved the following matters:

1. Company's Financial and Operating Results for the First Six (6) months of 2022 with comparatives for 2021 listed below. For more information, please refer to the attached press release.

FINANCIAL AND OPERATING RESULTS FOR THE FIRST SIX (6) MONTHS ENDED JUNE 30, 2022 WITH COMPARATIVES FOR 2021.

	MANILA ELECTRIC COMPANY Consolidated Financial Highlights (In Million Pesos, except per share data)		
	For the Six (6) Months Ended June 30, 2022		% Change
	2022	2021	
REVENUES			
Electricity	193,741	144,840	34
Non-electricity	5,865	4,257	38
	199,606	149,097	34
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NET INCOME	13,369	10,195	31
NET INCOME – REPORTED	13,121	9,949	32
CORE NET INCOME	13,088	11,399	15
EARNINGS PER SHARE			
On Reported Net Income			
Basic	11.641	8.827	32
Diluted	11.641	8.827	32
On Core Net Income ¹			
Basic	11.612	10.113	15
Diluted	11.612	10.113	15

**FINANCIAL AND OPERATING RESULTS
FOR THE SIX (6) MONTHS ENDED JUNE 30, 2022
WITH COMPARATIVES FOR 2021**

- **CONSOLIDATED CORE NET INCOME (“CCNI”) AND CONSOLIDATED REPORTED NET INCOME, EACH AT PESOS 13.1 BILLION. CCNI ROSE 15% WHILE CONSOLIDATED REPORTED NET INCOME GREW 32%. CORE EARNINGS PER SHARE (“EPS”) AT PESOS 11.612, UP 15%.**
- **CONSOLIDATED REVENUES UP 34% TO PESOS 199.6 BILLION DRIVEN BY HIGHER ENERGY SALES DUE TO THE INCREASE IN GENERATION PASS-THROUGH CHARGES, AND PESOS 13.6 BILLION CONTRIBUTION OF THE POWER GENERATION BUSINESS.**
- **CONSOLIDATED DISTRIBUTION UTILITY ENERGY SALES VOLUME SURPASSED PRE-PANDEMIC LEVELS AS IT GREW 6% TO 23,968 GWH; CUSTOMER COUNT REACHED 7.5 MILLION.**
- **NET AVERAGE DISTRIBUTION RATE WAS AT PESOS 1.21 PER KWH FOLLOWING THE IMPLEMENTATION OF REFUNDS AS A RESULT OF ERC DECISIONS ON MERALCO’S 3RD REGULATORY PERIOD ASSET TRUE-UP AND LAPSED PERIOD (REGULATORY YEARS 2015-2022) RATE TRUE-UP.**
- **MERALCO SPENT PESOS 14.2 BILLION IN CAPITAL EXPENDITURES TO BOOST DISTRIBUTION NETWORK AND FURTHER IMPROVE CUSTOMER SERVICE.**
- **BOARD OF DIRECTORS APPROVED DECLARATION OF INTERIM CASH DIVIDENDS OF PESOS 5.806 PER SHARE PAYABLE TO ALL SHAREHOLDERS OF RECORD AS OF AUGUST 23, 2022. DIVIDEND PAYOUT AT 50% OF CORE EPS.**
- **MERALCO UPGRADED BY MSCI TO BBB IN LATEST ESG RATINGS; JOINS LIST OF WORLD’S TOP 2000 COMPANIES MOST INFLUENTIAL IN THE ATTAINMENT OF UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS.**

The Company will disclose the First Six (6) Months Financial and Operating Results using SEC Form 17Q once available. For more information, please refer to the attached Press release.

2. On July 25, 2022, the Meralco Board of Directors (“BOD”) approved the declaration of interim cash dividends amounting to Pesos 5.806 per share to all shareholders of record as of August 23, 2022, payable on September 14, 2022. This represents 50% of Meralco’s core EPS.

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: July 25, 2022

***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 SIX (6) MONTHS ENDED JUNE 30, 2022 WITH COMPARATIVES FOR 2021

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- **MERALCO UPGRADED BY MSCI TO BBB IN LATEST ESG RATINGS; JOINS LIST OF WORLD’S TOP 2000 COMPANIES MOST INFLUENTIAL IN THE ATTAINMENT OF UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS.**

MANILA, Philippines, July 25, 2022 – Manila Electric Company (“Meralco”) today reported that Consolidated Core Net Income (“CCNI”) in the first six (6) months of the year rose by 15% to Pesos 13.1 billion from Pesos 11.4 billion in the same period last year on the back of strong energy sales and earnings from the power generation business.

Core earnings per share (“EPS”) amounted to Pesos 11.612, up by 15% over the comparative period last year.

Consolidated reported net income, meanwhile, improved 32% to Pesos 13.1 billion from Pesos 9.9 billion with the adjustments made last year in relation to the passing into law of the Corporate Recovery and Tax Incentives for Enterprises (“CREATE”) Act, and recognition of foreign exchange gains this year versus foreign exchange losses in 2021.

Consolidated revenues rose 34% to Pesos 199.6 billion from Pesos 149.1 billion mainly due to the higher pass-through generation and other charges on account of persisting increase in global fuel prices, as well as the revenue contribution of the power generation business which was at Pesos 13.6 billion.

Meralco’s average retail rate increased by 18% to Pesos 9.33 per kWh from Pesos 7.92 per kWh as generation charges, which accounted for about 62% of the total retail rate, went up 30% due to higher fuel costs, Peso depreciation and higher spot market prices. Transmission charges, comprising 9% of the retail rate, increased by 14%. Subsidies and taxes, 11% of the retail rate, similarly went up by 12%.

The increase in pass-through charges was mitigated by the Peso 0.34 per kWh average refund of distribution over-recoveries, totaling Pesos 5.7 billion for the period, as ordered by the Energy Regulatory Commission (“ERC”).

The average distribution charge of Pesos 1.55 per kWh, which accounted for 13% of the retail rate for the first half of 2022, was lower by almost 3% as the sales mix shifted towards commercial customers amid the continued easing of quarantine restrictions.

Purchased power cost (“PPC”) increased 40% to Pesos 148.4 billion from Pesos 106.0 billion due to higher cost of power caused by the spike in global fuel prices. This accounted for about half of pass-through generation costs of *Meralco*.

The average Malampaya natural gas price increased to US\$ 9.25 per GJ in the first half of 2022 versus US\$ 6.72 per GJ the previous year. The Malampaya gas supply restrictions, which began in March 2021, compelled generation companies to continue using more expensive alternative fuel. Meanwhile, Newcastle (“NEWC”) coal index rose to an average of US\$ 319.06 per MT versus US\$ 98.91 per MT in the same comparative periods.

Average wholesale electricity spot market (“WESM”) prices rose to Pesos 6.78 per kWh from an average of Pesos 4.52 per kWh amid the tight supply condition that was triggered by increased demand and higher average capacity on outage, which remained at the 3,300-MW level. Luzon recorded its highest demand of 12,113 MW this year on May 12, up by 4% from the 11,640 MW peak demand last year. As of end-June, the grid was placed under Yellow Alert for seven (7) days and on Red Alert for one (1) day.

The continued Peso depreciation against the US dollar to Pesos 54.975 as of end-June from Pesos 48.80 in the same period last year also weighed on the *PPC*. The local currency recorded its weakest performance of Pesos 55.021 in June, the lowest in nearly 17 years.

Meralco spent Pesos 14.2 billion for capital expenditures (“*CAPEX*”), of which 62% or Pesos 8.7 billion went to Networks *CAPEX*, which consisted of new connections, asset renewals, and load growth projects, among others.

Operating expenses (“*OPEX*”), meanwhile, went up by 7% to Pesos 16.9 billion due to higher customer-related expenses and increase in spending of subsidiaries.

Consolidated interest-bearing debt stood at Pesos 89.0 billion, including Pesos 48.7 billion debt of subsidiaries. Of the total amount, Pesos 34.3 billion are maturing within one (1) year.

On July 25, 2022, the *Meralco* Board of Directors (“*BOD*”) approved the declaration of interim cash dividends amounting to Pesos 5.806 per share to all shareholders of record as of August 23, 2022, payable on September 14, 2022. This represents 50% of *Meralco*’s core *EPS*.

Sales volumes surpassed pre-pandemic level; customer count reached 7.5 million

Consolidated distribution utility energy sales volumes in the first half of 2022 rose by 6% to 23,968 GWh from 22,663 GWh in the same six (6) months last year. *Meralco*’s volume was 6% higher, while that of Clark Electric Distribution Corporation (“*CEDC*”) increased by 15%.

After the Omicron surge slowed growth and limited mobility across customer segments in January and early February, restrictions were relaxed and maintained at Alert Level 1 in the franchise area during the remainder of the first half of the year – further reopening the economy and increasing mobility in time for the national and local elections as well as the summer season.

As early as April, monthly sales volumes already breached the 4,000-GWh level, and were sustained throughout the second quarter, leading to an all-time high of 4,464 GWh in June. *Meralco* recorded a peak demand of 8,111 MW on May 13, 4% higher compared with the peak demand of 7,808 MW in 2021.

In the first half of the year, residential and commercial segments both accounted for 35% of the sales mix, showing signs of a shift back to the pre-pandemic mix, while industrial contributed 30%.

Residential sales volumes grew 2% to 8,506 GWh from 8,370 GWh, driven by sustained energization of new customers as local government units (“*LGUs*”) resumed full operations and customer applicants had less mobility restrictions to process requirements. Household demand was tempered by return-to-on-site work and higher vaccination levels that improved public confidence to travel, thereby reducing time at home. Increasing prices of commodities also affected sales as customers became more conscious of their rising expenses, leading to controlled electricity consumption.

Strong recovery in the commercial segment pushed sales volumes to a double-digit growth of 12% to 8,305 GWh from 7,440 GWh, after recording a high of 23% in April at the height of election campaign period and summer activities. Retail, restaurants, and hotels showed massive improvement as the government allowed establishments to operate at practically full capacity, and social gatherings like rallies and concerts to resume. The education sector grew with the utilization of schools as polling precincts and with the resumption of limited face-to-face classes and commencement exercises, while the transport sector benefitted from the government's implementation of the "Libreng Sakay" program for *MRT* and public utility vehicles ("*PUVs*").

Year-to-date industrial sales volumes, meanwhile, increased modestly by 4% to 7,085 GWh from 6,781 GWh despite the logistical concerns from shortage of raw materials and high production costs. The semiconductor industry maintained modest growth from continuing global demand in electronic gadgets due to hybrid work and school arrangements. Food and beverage, and plastics industries benefitted from higher commercial activity and demand for essentials by return-to-on-site workers; while demand from cement and steel industries increased as they caught up from lost production in 2021.

Meralco ended the semester with a total of 7.5 million customers, a 3% increase from 7.3 million during the first half of 2021. This was driven by record-high energization of project-covered and ordinary service applications mostly from mixed-use buildings, subdivisions, and telecommunications customers.

Meralco's 12-month moving average ("*12-MMA*") system loss at end-June was at 5.86%, 0.64 percentage point below the 6.50% indicative regulatory cap. *CEDC's* 12-MMA system loss was at 1.90% as at June 2022.

Support to the country's nation-building efforts

Meralco continued with the expansion and upgrading of distribution network facilities and pole relocation activities as it worked to deliver safe, reliable, and adequate electricity service.

Major networks projects completed during the first half of the year include the development of Commonwealth Gas-Insulated Switchgear ("*GIS*") substation in Quezon City and Escoda *GIS* substation in Manila; the uprating of banks at Calumpit substation in Bulacan; and the rehabilitation of the control system of the 115-kV *GIS* at Legaspi substation in Makati.

As of end-June, a total of 537 poles were relocated for various Build, Build, Build ("*BBB*") and Public-Private Partnership ("*PPP*") projects, including the NLEX-SLEX Connector Road and PNR North 1 Rail Transit projects. In addition, a total of 775 poles were retired to support road widening projects of the Department of Public Works and Highways ("*DPWH*") and various *LGUs*.

Continuing transparency in the conduct of business

Distribution Rate True-up (“DRTU”)

To recall, starting July 2015, *Meralco* implemented an Interim Average Rate (“*IAR*”) of Pesos 1.3810 per kWh after filing an application and securing provisional approval from the *ERC*.

Thereafter, in February 2021, the *ERC* provisionally approved *Meralco*’s proposal to implement a *DRTU* refund of Pesos 13.9 billion, representing the difference between *IAR* and Actual Weighted Average Tariff (“*AWAT*”) covering the Lapsed Period from July 2015 to November 2020. This was equivalent to an average of Peso 0.1528 per kWh refund rate over a period of 24 months or until the amount is fully refunded.

In March 2022, *Meralco* received and implemented an *ERC* Order dated February 23, 2022, expanding the coverage of its *DRTU* refund to include the December 2020 to December 2021 period – amounting to an additional Pesos 4.8 billion or an average of Peso 0.1064 per kWh, to be implemented over a period of 12 months or until the amount is fully refunded.

In May 2022, *Meralco* received an *ERC* Order dated March 8, 2022, directing *Meralco* to refund Pesos 7.8 billion or an average of Peso 0.2583 per kWh following the downward tariff adjustment resulting from the true-up of the Regulatory Asset Base (“*RAB*”) for the 3rd Regulatory Period (“*3RP*”) covering the period July 2011 to June 2015.

In July 2022, *Meralco* received and implemented the *ERC* Decision dated June 16, 2022, which set the final *IAR* for the entire Lapsed Period of July 2015 to June 2022 to Pesos 1.3522 per kWh and recalculated the difference between this final *IAR* and *AWAT*. This resulted in an additional *DRTU* refund totaling Pesos 21.8 billion or an average of Peso 0.4790 per kWh for a period of 12 months starting July.

Total running *DRTU* refunds, including the latest *ERC* Decision resolving *Meralco*’s final *IAR* for the lapsed period is Pesos 48.3 billion. As of end-June, Pesos 14.4 billion has already been refunded to *Meralco* customers and the entire amount is expected to be fully refunded by June 2023.

Competitive Selection Process (“CSP”)

Meralco conducted a *CSP* via competitive challenge for Terra Solar Philippines, Inc.’s unsolicited proposal (“*USP*”) to supply 850 MW renewable energy to cover *Meralco*’s mid-merit requirement starting 2026.

However, the Third-Party Bids and Awards Committee (“*TPBAC*”) declared a failure of bidding after no comparative bids were received during the two rounds of *CSPs* conducted. Since there were no outstanding disputes and as advised by the *TPBAC*, *Meralco* proceeded with direct negotiation with the original proponent. Once signed and finalized, the Power Supply Agreement (“*PSA*”) will be submitted for approval of the *ERC*.

Meralco will also conduct another CSP via competitive challenge of Ahunan Power, Inc.'s USP for 500 MW renewable energy mid-merit supply from a pumped storage hydro facility starting 2026.

Both these CSPs form part of *Meralco's* compliance to the Renewable Portfolio Standards ("RPS") and of its efforts to source up to 1,500 MW of its power requirements from renewable energy sources.

"Despite the brief slowdown due to the Omicron surge early this year, the continued easing of restrictions that coincided with elections-related activities allowed us to surpass our pre-pandemic sales performance in the first half of this year. Our work to energize and deliver stable and reliable electricity to our more than 7.5 million customers continues," *Meralco President and CEO Ray C. Espinosa* said.

"However, we remain cautious about the effect of persisting increase in global fuel prices on our rates. To this end, *Meralco* relentlessly looks for ways to cushion the impact of external volatilities on our operations. We will move ahead with the execution of sourcing strategies that include our planned CSPs, consistent with our Power Supply Procurement Plan, in a timely manner to ensure availability of cost-competitive power for our customers in the long-term," **Mr. Espinosa** added.

Business units and subsidiaries' performance

Retail Electricity Supply ("RES")

- MPower, the local RES unit of *Meralco*, CEDC's Cogent, and three (3) other affiliate retail electricity suppliers, sold 4,219 GWh of energy to the contestable market as of end-June.
- Combined volumes went up by 20% amid increased business activities and customer growth in the highly competitive RES market. However, the contribution to *Meralco CCNI* was adversely affected by higher PPC as a result of higher fuel prices.
- WESM prices spiked as high as Pesos 40.51 per kWh during peak demand hours on June 13, 2022, affecting the margins of the different RES units.

Power Generation

- Wholly-owned subsidiary, Meralco PowerGen Corporation ("*MGen*") contributed Pesos 2.3 billion to *Meralco's CCNI* in the first half of 2022, significantly higher than the Pesos 311 million the previous year, largely driven by the earnings of Singapore-based PacificLight Power Pte. Ltd. ("*PacificLight*"). As of end-June, *MGen* had a total power generation capacity of 2,251 MW (net).
- *PacificLight's CCNI* reached S\$ 148.0 million (Pesos 5.7 billion), a turnaround from a S\$ 6.0 million (Pesos 231.0 million) net loss in the same period last year. This was attributable to the 3% increase in demand and higher margin on spot prices, which averaged S\$ 194 per MWh during the period against S\$ 5.9 per MWh in the same period last year. *PacificLight's*

800 MW liquefied natural gas facility in Jurong Island, Singapore delivered a total of 2,770 GWh of energy in this period. *MGen* currently has combined direct and indirect interest of 58% in *PacificLight*.

- The 455-MW (net) supercritical coal-fired plant of San Buenaventura Power Ltd. Co. ("*SBPL*") in Mauban, Quezon, which underwent 25 days of preventive maintenance shutdown in the first semester, delivered 1,368 GWh of energy with an average plant availability of 86%. *SBPL*'s first half *CCNI* was Pesos 1.5 billion.
- The 55 MWac plant of PowerSource First Bulacan Solar, Inc. ("*BulacanSol*") in San Miguel, Bulacan had an average plant availability of 99.73% and delivered 63 GWh of solar energy to *Meralco* under a 20-year *ERC*-approved *PSA*. *CCNI* as of end-June was at Pesos 186.0 million.
- Global Business Power Corporation ("*GBP*") delivered 2,361 GWh of energy during the six-month period. *GBP* has ownership in coal and oil plants with a net capacity of 970 MW, of which 816 MW are contracted under *PSAs* with captive and contestable customers and Ancillary Services Procurement Agreements ("*ASPAs*").
- *MGen Renewable Energy, Inc. ("MGreen")* is currently constructing a 75 MWac solar plant in Baras, Rizal in partnership with Mitsui's local unit Mit-Renewables Philippine Corporation; and a 68 MWac solar plant in Ilocos Norte in partnership with Pasuquin Energy Holdings, Inc. of Vena Energy. These are expected to commence operations in the latter part of 2022 up to 2023.

Meralco fortifies sustainability leadership with all-time best MSCI ESG rating and its inclusion in World Benchmarking Alliance's SDG2000

Meralco's environmental, social, and governance ("*ESG*") rating has been upgraded by MSCI, Inc. ("*MSCI*") to an all-time best BBB, following its BB rating from 2019 to 2021.

MSCI assesses over 8,500 companies around the world on general and industry-specific sustainability parameters using a scale with AAA as the highest rating and CCC as the lowest. In granting the upgrade, *MSCI* cited *Meralco*'s strong performance in renewable energy opportunities and in human capital development.

Meralco has likewise been included in the World Benchmarking Alliance's ("*WBA*") SDG2000, a collection of the world's most influential companies with regard to the achievement of the United Nations Sustainable Development Goals ("*UN SDGs*"). As a result, *Meralco* will be included in two (2) of the *WBA*'s seven (7) benchmarks, particularly on social and urban transformation.

Meralco has been advancing its *ESG* and sustainability efforts through its sustainability agenda called "Powering the Good Life", which is deeply rooted in and promotes the *UN SDGs*.

As part of its heightened sustainability commitment, *Meralco* has started embarking on key initiatives that include sourcing 1,500 MW of its power requirements through 2025 from clean energy, while building 1,500 MW of renewable energy capacity through 2027; electrifying 25% of

its vehicle fleet by 2030; planting and nurturing five million trees by 2025 to help protect and preserve Philippine forests and watersheds; and achieving 40% women representation in its workforce by the end of this decade.

Conclusion

“While uncertainties and risks remain, we expect that our country will raise the pace of economic recovery under the new government of President Ferdinand Marcos, Jr. *Meralco* will be ready to support the growing power requirements of our customers and the government’s ramped up infrastructure projects and initiatives to help our nation weather the lingering impacts of the pandemic and push forward,” *Meralco Chairman Manuel V. Pangilinan* said.

“We remain optimistic that *Meralco* will be able sustain its financial performance throughout 2022 and deliver our commitment to our customers and shareholders as we pursue investments aimed at further improving our distribution infrastructure and services, building new power capacities to improve aggregate power supply—all to ensure the country’s long-term energy security. In this regard, *Meralco* will work closely with the government of President Marcos and private sector partners towards a united, more resilient, and stronger Philippines,” *Mr. Pangilinan* concluded.

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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.

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