

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 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:** *July 27, 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 June 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, July 27, 2020, approved the following matters:

1. The Company's Financial and Operating Results for the First Half of 2020 (refer to the attached Press release); and
2. The declaration of cash dividends of Pesos 4.697 per share to all shareholders of record as at August 20, 2020, payable on September 15, 2020 representing interim regular cash dividend from the first half 2020 Consolidated Core Net Income.

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 27, 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 SIX (6) MONTHS ENDED JUNE 30, 2020
WITH COMPARATIVES FOR 2019

CUSTOMER FIRST

Meralco provided relief to customers -

- Consistent with the guidelines of the Energy Regulatory Commission (“ERC”), customers across all classes with consumption of more than 200 kWh and whose bills fell from March 16 to May 31, 2020 may pay their bills in four (4) equal monthly installments beginning June 15. However, if their consumption is not more than 200 kWh in their February 2020 bill, their payment term shall be over six (6) months. As additional relief, *Meralco* included bills falling due from March 1 to 15 in this installment plan. There will be no interest charged for such installments.
- All disconnection activities for non-payment of bills, except for emergency or safety reasons, have been suspended through September 30, 2020.
- For Commercial and Industrial customers whose billing arrangements include a Guaranteed Minimum Billing Demand (“GMBD”), *Meralco* cancelled all estimated billings for the Enhanced Community Quarantine (“ECQ”) and Modified ECQ (“MECQ”) period and, using the actual meter reading when meter readers were deployed beginning April 11, billed said customers on the basis of actual energy consumed if the demand meter reading showed consumption below the committed contracted capacity.
- *Meralco* shouldered the convenience fee charged by the online bills payment platform to customers who paid their bills using the Meralco Online or Meralco Mobile App beginning the ECQ period. This shall be the case throughout the General Community Quarantine (“GCQ”) period. Cost as at June 30, 2020 was Pesos 28.2 million.
- *Meralco* started to implement a one-time refund mid-July of the metering charge to customers whose meters were not read during the entire quarantine period. This amounted to Pesos 60.2 million.
- *Meralco* invoked Force Majeure claim on the power generators pursuant to its Power Supply Agreements (“PSAs”) as demand fell with the imposition of community

quarantine resulting in *Meralco's* inability to accept and/or purchase contracted capacity and the corresponding energy, or a portion thereof, from the plants. The total amount of claim, which is equivalent to savings to the consumers amounted to over Pesos 1.8 billion.

- *Meralco* provided financial assistance to support the cost of the *COVID-19* health facilities, which amounted to Pesos 6.0 million up to June 30, 2020.
- *Meralco* deployed Virtual Customer Assist (“VCA”) facilities in all Business Centers to provide alternative and/or remote customer assistance via live videoconferencing with Work from Home (“WFH”) customer service representatives.
- Staying true to *Meralco's* commitment of **#KeepingTheLightsOn**, 421 employees from our Networks, Customer Retail Services, and Supply Chain and Logistics Management organizations were camped inside the *Meralco* facilities through *MECQ*. This allowed *Meralco* to keep its facilities available and operational, 24x7. Further, *Meralco* dispatched its crews promptly addressing service calls as increased Residential consumption increased the load on distribution transformers (“DTs”) at the height of *ECQ*.

KEEPING THE WORKFORCE SAFE AND HEALTHY

- Even while still under *MECQ*, *Meralco* arranged for Polymerase Chain Reaction (“PCR”) rapid tests for all its employees and contractors plus a further swab test, when deemed necessary, before an employee or contractor is allowed to commence work. Thereafter, regular re-testing has been scheduled to ensure that the workforce remains safe from the *COVID-19* virus. Total cost as at June 30, 2020 amounted to Pesos 3.5 million.
- The *Meralco* Business Centers and customer-facing facilities were retrofitted with protective barriers, and UV lights were used for disinfection. Similarly, protective measures were adopted in its offices.
- The workforce continued to be provided with the necessary and proper personal protective equipment (“PPEs” specifically, face masks, goggles, face shields, gloves, head covers, shoe covers, hazmat suits, etc.) required by their work assignments.
- Necessary work paraphernalia and cloud-based collaboration and productivity tools were provided to allow designated *Meralco* employees to continue with the *WFH* arrangements.
- Continuing support for over 6,000 employees and service contractors, including the distribution of vitamins and hand disinfectants, provision of employee shuttle services, a *COVID-19* Hotline for medical consultation, an online portal on *COVID-19*-related information and updates, and a chatbot for employee daily work arrangement and health check, among others.

OUR CONTINUING COMMITMENT TO #KeepingTheLightsOn

“*COVID-19* has disrupted and adversely affected industries, employment, operating procedures and our way of life. The pain brought by this global pandemic is expected to be

felt for quite some time. *Meralco* has stepped up and increased its message handlers and, added digital and voice agents to address all customer concerns, while continuing to keep a robust and reliable network. We recognize the pain of our customers with the surge of consumption brought about by *WFH* arrangements and the scorching summer heat, and we have thus instituted “*Customer First*” measures. We have relaxed customer credit, while being mindful of our obligations to suppliers and stakeholders.

“As we look at the remaining five (5) months of 2020, we are ensuring that we are ready to enable the Micro-, Small- and Medium-Sized Enterprise (“*MSME*”) Commercial and Industrial customers to bounce back as stimulus is provided and as capital slowly flows back into the system. We are looking at their requirements and ensuring that we are ready to energize them when and as needed. We are in constant communication with our regulators on automation, digital transformation and a more responsive service. Policies and rules are also being updated to respond to the needs and requirements of the times,” said **Atty. Ray C. Espinosa**, President and Chief Executive Officer.

OPERATIONS HIGHLIGHTS

- Consolidated energy sales volumes were at 21,139 GWh, which include volumes distributed by Clark Electric Distribution Corporation (“*Clark Electric*”) of 241 GWh. *Meralco* volume was 7% lower while *Clark Electric* volume was 15% lower than 2019.
- As the *ECQ* transitioned to *MECQ* then to *GCQ*, *Meralco*’s daily Net System Input (“*NSI*”), which dipped to an all-time low of 91 GWh during *ECQ* has now reached the pre-*ECQ* average of over 130 GWh.
- Residential sales volume grew 14% accounting for 38% of total sales volume for the first six (6) months of 2020. With the start of the rainy season, Residential energy sales volumes are expected to normalize at lower levels. However, the continued *WFH* arrangements and shift to online instruction for educational institutions are expected to offset the downtrend.
- Commercial and Industrial sales volumes both dropped by 17%, and accounted for 35% and 26%, respectively of total volumes.
- As more businesses are allowed to operate and restrictions on mobility are eased, the Business Process Outsourcing (“*BPO*”) sector, financial activities, personal care establishments, dine-in for food and retail resume at 50% capacity. Philippine Offshore Gaming Operators (“*POGO*”) are allowed to operate at 30% capacity. As a result, Commercial sales volumes are expected to rise.
- While industries continue to be hampered by the lack of public transportation, there is a gradual ramp up of Industrial sales volumes of export-oriented companies, mainly semiconductor and electrical machinery, which are operating between 50% to full operational capacity. Consumer goods continue to thrive post-*ECQ*.

- Overall customer count grew 3% to nearly 7.0 million for a total year-on-year addition of almost 200 thousand new accounts with Residential, Commercial, and Industrial segments growing at 3%, 2% and 1%, respectively, with the bulk of new accounts being pre-ECQ additions.
- *Meralco* Peak Demand for 1H2020 was 2% lower than 2019 at 7,614 MW, which was registered on March 10. During the GCQ period, the highest registered demand was on June 23 at 7,080 MW compared with 6,108 MW on May 12 during ECQ.
- The community quarantine impacted heavily on *Meralco's* sales mix as consumption shifted to higher loss-to-serve Residential customers. However, the 12-month moving average ("12-MMA") system loss ("SL") of 5.66% as at June 30, 2020 is still lower by 0.19 percentage point than the same period in 2019. It is expected that the major effect of the shift in sales mix will start to manifest in the July 12-MMA system loss.
- Prices in the Wholesale Electricity Spot Market ("WESM") ranged from Pesos 1.50 to Pesos 3.25 per kWh during the ECQ period through GCQ.
- In the midst of the pandemic, *Typhoon Ambo* (international codename: "*Vongfong*"), battered Luzon, leaving a trail of destruction in *Meralco's* franchise area.
- *Meralco* upgraded a total of 1,324 DTs during the ECQ through MECQ period as Residential energy consumption continued to grow.
- Combined Retail Electricity Sales ("RES") volumes of MPower ("*MPower*", *Meralco's* local RES) and Vantage Energy Solutions and Management Inc. ("*Vantage*", affiliate RES) declined by almost 2% even as the customer count grew by 17%.

Gross revenues of Pesos 142.3 billion were 14% lower than the Pesos 165.0 billion in 2019 as a result of the combined effect of (a) 7% lower sales volumes; and (b) lower pass through generation charges as fuel prices remained low. Electricity revenues were Pesos 138.6 billion, slightly lower at 97% of gross revenues compared with 98% in 2019. Generation and other pass-through components as a percentage of total electricity revenues were at 74% in 2020, lower than the 78% in 2019 as a result of (a) *Meralco's* Force Majeure claim from its power suppliers; (b) lower generation costs with the implementation of new PSAs starting December 26, 2019, which underwent a Competitive Selection Process ("CSP"); (c) the continuing low fuel cost throughout the first half of 2020; and (d) lower WESM prices driven by improved supply conditions in the Luzon grid.

The higher maximum heat index at 45°C in 2020 compared with 41.4°C in 2019 and with more customers having stayed home due to ECQ resulted in increased consumption across all Residential customers, and greater loads on the installed DTs. *Typhoon Ambo* left a trail of destruction when it hit the franchise area on May 15 causing breaches in the reliability index for the day. The *Meralco* Networks organization was on full manpower capacity throughout the period to address the critical loading and priority customer requirements.

FINANCIAL HIGHLIGHTS – Strong and Stable

- As *Meralco's* business centers, the *Bayad Center* outlets, stores and banks have opened, the daily cash collections have gradually risen moving closer to the pre-*ECQ* level of a daily average of over Pesos 1.0 billion.
- The reprieve to customers through extended payment terms of four (4) to six (6) months covering their March – May 2020 bills has however increased *Meralco's* days sales in receivables to 47 days from 22 days, pre-*ECQ*. Total trade receivables of *Meralco* as at June 30, 2020 was Pesos 60.3 billion, three (3) times the balance pre-*ECQ*.
- Total capital expenditures ("*CAPEX*") implemented for the first six (6) months of 2020 amounted to Pesos 6.9 billion, 36% lower than in 2019 as a result of (i) imposition of *ECQ* beginning March 17 through the *MECQ* on May 30; and (ii) limited resumption of projects and operations across all sectors during *GCQ*. Completed distribution utility ("*DU*") *CAPEX* includes the construction of the San Jose delivery point's additional 115 kV line (Camarin leg) and expansion of the NAIA 3 115 kV-34.5 kV GIS substation (2nd Bank).
- Consolidated volumes of energy sold for the first half of 2020 at 21,139 GWh, 7% lower than in 2019.
- Consolidated electricity revenues at Pesos 138.6 billion for 1H2020, 14% lower than in 2019, largely on account of lower volumes and pass-through charges.
- Consolidated purchased power costs were lower due to lower pass-through generation costs with the (i) average generation cost at Pesos 4.33 per kWh in 2020 versus Pesos 5.32 per kWh in 2019; (ii) average prices at the *WESM* at Pesos 3.54 per kWh versus Pesos 8.18 per kWh in 2019; (iii) Force Majeure claim related to the *ECQ* resulting in savings to consumers of over Pesos 1.8 billion; (iv) overall lower fuel costs (US\$ 7.23 per Giga Joule ("*GJ*") of oil-indexed Malampaya gas in 2020 versus US\$ 8.06 per GJ in 2019); and (v) appreciation of the Philippine peso versus the US dollar to Pesos 49.83:US\$1 as at June 30, 2020 versus Pesos 51.24:US\$1 as at June 30, 2019.
- Total operating expenses at Pesos 13.8 billion including aid to hospitals, Local Government Units and other institutions in connection with the pandemic of over Pesos 100.0 million and provision for bad debt of Pesos 1.4 billion.
- Consolidated Core Net Income ("*CCNI*") for the first six (6) months of 2020 at Pesos 10.6 billion, 14% lower compared with Pesos 12.3 billion in 2019.
- Core Earnings per Share at Pesos 9.394.
- Consolidated Reported Net Income in 1H2020 of Pesos 6.8 billion versus Pesos 12.0 billion in 2019 with the recognition of the *Company's* share in the impairment of an equity investment of Pesos 2.7 billion in the first quarter of 2020.

- Total interest-bearing debt is marginally higher at Pesos 40.9 billion (including debt of subsidiaries totaling Pesos 1.6 billion) at the end of 1H2020, of which Pesos 28.4 billion are due to mature within 2020.
- Today, the Board of Directors approved the declaration of an interim cash dividend amounting to Pesos 4.697 a share to all shareholders of record as of August 20, 2020, payable on September 15, 2020.

BUSINESS UNITS AND SUBSIDIARIES

Retail Electricity Supply ("RES")

Consistent with observations across other *RES* suppliers, contestable customer sales volumes are gradually recovering with restrictions being eased slowly. Overall though, year-to-date volumes as at June 30, 2020 of *MPower* and *Vantage* are 2% lower than 2019. To a certain extent, operations continue to thrive as they benefited from lower fuel prices. The Newcastle index in May 2020 settled at \$52.44 per MT, the lowest since January 2016.

Overall trading at the *WESM* has been limited due to the decline in demand. Aggressive retail pricing continues amidst the demand challenge.

Power Generation

San Buenaventura Power Limited ("SBPL")

For the first six (6) months of 2020, the plant has generated and delivered 1,438 GWh of energy with a dispatch factor of 72% as of June 2020.

During the *ECQ* and *MECQ* periods, the total Force Majeure claim of *Meralco* from *SBPL* amounted to Pesos 62 million. Its total contribution to the *CCNI* of *Meralco* for the six (6) months ended June 30, 2020, net of such Force Majeure claim was Pesos 546.5 million. *SBPL* continues to contribute significantly to the least cost sourcing commitment of *Meralco*.

SBPL is a 455 MW supercritical coal-fired plant in Mauban, Quezon and is a joint venture of *Meralco PowerGen Corporation ("MGen")* with New Growth B.V., a subsidiary of Electricity Generating Company Limited of Thailand ("*EGCO*").

Clark Electric

With the majority of its volumes coming from the Commercial and Industrial classes, *Clark Electric* saw energy sales volumes decrease by 15% to 241 GWh in the first six (6) months of 2020 compared with 284 GWh in 2019. Overall distribution revenues were also lower at Pesos 245.7 million, 11% less than in 2019. However, with prudent management of costs and contribution from its local *RES* arm, *Cogent Energy*, *Clark Electric* ended the first half of 2020 with *CCNI* contribution of Pesos 72.7 million.

With the declaration of *GCQ*, the sales volume for June 2020 has begun to recover. The contribution of which is coming from the semiconductor, tire, and tobacco industries.

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

With the imposition of total lockdown during *ECQ* beginning March 17 and partial lockdown during *MECQ* from May 16 – 30, company-owned stores and franchisees were unable to serve a huge number of unbanked customers. Total transactions lost during the period were over 50% of one quarter's transactions or an equivalent Pesos 162.4 million in revenues. From daily average transactions during pre-*ECQ* of over 300,000, this dropped to a third during March 16 to May 31. *Bayad Center* resumed partial operations on April 27. It is currently at 75% of pre-*ECQ* operations.

The top billers for the first six (6) months were the private utilities and telecommunications companies including *Meralco*, Maynilad Water, PLDT/Smart, Globe and Manila Water as well as the Social Security System, Home Credit and Pag-IBIG.

Consolidated revenues of *Bayad Center* for the first six (6) months of 2020 were lower year-on-year by 22% at Pesos 714.7 million, while its *CCNI* contribution was at Pesos 29.3 million, 80% lower than 2019.

With a very digital "new normal", *Bayad Center* is working aggressively to fast-track its digital touchpoints, which include a new Online Bills Payment platform, a Consumer Mobile App and an enhanced corporate website while continuing to secure its bricks-and-mortar facilities to serve the large unbanked population.

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

The increasing shift to digital communications and platforms during the pandemic is driving the revenue growth of *Radius*. However, there is a notable shift in the Corporate segment, the market where *Radius* is invested, and which is hit most by the community quarantine. Even its thrust of expanding into new co-location buildings and areas is affected.

As of June 30, it served approximately 700 customers with 3,300 circuits, generating revenues of over Pesos 700 million, 7% higher year-on-year. Cost of services increased at a quicker pace of 24% over 2019 mainly due to the higher costs of (i) depreciation and rental for co-location, poles and nodes; (ii) interconnection fees including leased lines, cross connections, IP-transit, bandwidth and fiber optic network backhauls; and (iii) manpower and related expenses.

Throughout the first six (6) months of 2020, *Radius* maintained (a) a 99.94% service level performance, 0.05 percentage point below its target of 99.99%, mainly due to prolonged downtime during migration of circuits and partial fiber cable cuts caused by

excavations/accidents; and (b) sufficient capacity to serve the increasing internet requirements for upstreaming and local peering. As of June 30, *Radius* had a total of 4,889 kilometers of rolled-out fiber, 118 kilometers Manila – Clark backhaul and 245 kilometers in Clark. The *Radius* network currently serves the entire Metro Manila, the provinces of Bulacan, Rizal, Cavite, Laguna, Batangas, Pampanga and Cebu. It has established presence in Clark serving major industries in the main industrial park.

To be less corporate-centric, *Radius* is leveraging on its Gigabit Passive Optical Network (“*GPON*”) which is being rolled out with a partner to target *MSMEs*.

CONCLUSION

“The three (3) most consequential matters during this time are our people, keeping the lights on for our customers, and helping our Government respond to *COVID-19*. Profitability had to take a back seat. Despite various challenges, including lower cash inflows, delayed capital expenditures, and the limitations resulting from the pandemic and lockdown, *Meralco* performed quite well. It was quick to respond to the outages during *ECQ* and *MECQ*, ensuring that power is restored within or better than the service metrics.

“*Meralco* recognizes its critical role in enabling industries, and now more so, as businesses restart and transition to the ‘new normal.’ Even while everyone faces uncertainty of an unknown future, the entire *Meralco* organization is committed to and will remain relentless in ensuring network reliability, customer care, and work place integrity. We also reiterate our commitment to sustainability and to powering the good life as well,” said **Mr. Manuel V. Pangilinan**, *Chairman*.

“While our first half results provide some encouragement, uncertainty remains as the effects of *COVID-19* continue to impact the nation. We are moving with caution but remain positive that a recovery is in the offing. While it is difficult to give a firm indication of 2020 performance, based on our outlook for the rest of the year, we expect our full year 2020 *CCNI* to be in the area of Pesos 21.0 billion,” concluded **Mr. Pangilinan**.

	MANILA ELECTRIC COMPANY Consolidated Financial Highlights (in Million Pesos, except per share data)		
	For the Six (6) Months Ended June 30		% Change
	2020	2019	
REVENUES			
Electricity	138,631	161,267	(14)
Non-electricity	3,623	3,686	(2)
	142,254	164,953	(14)
COSTS AND EXPENSES	135,246	149,613	(10)
OTHER INCOME – net	1,434	479	199
INCOME BEFORE INCOME TAX	8,442	15,819	(47)
PROVISION FOR INCOME TAX	1,541	3,743	(59)
NET INCOME	6,901	12,076	(43)
NET INCOME – REPORTED	6,844	12,007	(43)
CORE NET INCOME	10,588	12,317	(14)
EARNINGS PER SHARE			
On Reported Net Income			
Basic	6.072	10.653	(43)
Diluted	6.072	10.653	(43)
On Core Net Income ¹			
Basic	9.394	10.928	(14)
Diluted	9.394	10.928	(14)

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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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.