

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:** *March 1, 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
Common Stock Outstanding*

1,127,098,705
(As of December 31, 2020)

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, March 1, 2021, approved the following matters:

1. The Company's Financial and Operating Results for the year ended December 31, 2020 with comparatives for 2019 (refer to the attached Press release); and
2. The declaration of a final cash dividend of Pesos 7.824 per share to all shareholders of record as at March 30, 2021, payable on April 26, 2021. This represents 65% payout out of the CCNI of Pesos 21.7 billion for the year ended December 31, 2020, in line with the Company's dividend policy. Including the interim dividend of Pesos 4.697 a share, total dividends per share is Pesos 12.521 per share.

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: March 1, 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 YEAR ENDED DECEMBER 31, 2020
WITH COMPARATIVES FOR 2019

OUR SOCIAL COMMITMENT

As the country was battered by the 2019 Coronavirus Disease (“COVID-19”) pandemic, disasters and typhoons, *Meralco* and its subsidiaries remained committed in keeping the lights on and serving the needs of their customers and the country.

- *Meralco’s* implementation of new Power Supply Agreements (“PSAs”) in 2020 resulted in significantly lower generation costs, providing savings estimated at Pesos 8.4 billion to consumers.
- With the operating restrictions due to the imposition of community quarantine, *Meralco* –
 - Provided payment relief to customers who were unable to meet their Guaranteed Minimum Billing Demand (“GMBD”) totaling Pesos 3.2 billion.
 - Claimed force majeure against its power suppliers, resulting in the reduction of fixed costs and avoided charges from temporary suspension of mid-merit supply contracts, providing savings of Pesos 2.4 billion to consumers.
 - Shouldered convenience fees charged by third party payment gateway partners of *Meralco* of over Pesos 100.0 million for 2.2 million *Meralco* Online payment transactions.
 - Refunded meter reading charges of Pesos 64.1 million to consumers for the months when bills were estimated.
 - Suspended service disconnection due to non-payment of bills for all customers until December 31, 2020 and further extended the disconnection moratorium for customers with consumption of up to 200 kWh until January 31, 2021 and up to March 31, 2021 for lifeline customers with average consumption of up to 100 kWh.
 - Provided a minimum 30-day grace period and a three (3)-month installment plan for the payment of Enhanced Community Quarantine (“ECQ”)/Modified Enhanced Community Quarantine (“MECQ”) bills.

- Provided assistance outside its franchise area after natural calamities –
 - Mobilized over 200 power restoration personnel to various provinces in the Bicol Region severely affected by Super Typhoon Rolly (international codename “Goni”) and Typhoon Ulysses (international codename “Vamco”).
 - Deployed 1,036 linemen, employees and contractors, over 30 pressure washers and 300 trucks to clean out ashfalls from the Taal Volcano eruption on transformers, insulators and wires in various municipalities in Cavite and Laguna.
- Supported the Government, private and public sectors, and ensured that *Meralco’s* workforce was well protected while continuing to keep the lights on, in the fight against the further spread of the *COVID-19* through –
 - Energization of more than 90 *COVID-19* facilities consisting of government agencies, public and private hospitals, testing laboratories, treatment centers and quarantine facilities and assumed distribution charges totaling Pesos 18.2 million.
 - Donation of supplies and extension of financial assistance to hospitals and medical institutions, and non-government organizations totaling Pesos 59.3 million.

#PoweringTheGoodLife: Our Sustainability Agenda

Meralco continued to drive its Sustainability agenda to power the good life for all.

POWER: *Provide energy for all, always.*

- Continued to serve off-grid communities, energizing two (2) island communities via microgrid solutions leveraging solar and energy storage technologies.
- Accelerated its transition to clean energy with the commitment to build up to 1,000 MW of utility-scale renewable energy (“*RE*”) projects in the next five (5) to seven (7) years.
- Committed to source at least 1,500 MW of its power requirements from renewable energy sources in the next five (5) years.

PLANET: *Protect and preserve Mother Earth.*

- Launched three (3) key programs to reduce the *Company’s* greenhouse gas (“*GHG*”) emissions and waste:
 - Green Mobility, which aims to electrify *Meralco’s* vehicle fleet with eMotorcycles, eCars and eUtility vehicles, among others;
 - Resource Conservation and Efficiency, which targets to decrease *Company-use* electricity consumption through solar rooftop installations and energy efficiency measures; and
 - Race to Zero Waste, which seeks to maximize the amount of re-purposed wastes, diverting them away from landfills.
- Through its *Company-wide* ban on Single-Use-Plastics (“*SUP*”), *Meralco* employees and suppliers together have avoided over 150,000 kg of *SUPs* equivalent to more than 15 million plastic bottles.

PEOPLE: *Embed a sustainability mindset, while cultivating a culture of inclusivity and diversity.*

- Became a pioneer signatory for the United Nation’s Women Empowerment Principles (“WEPs”). *Meralco* is the first in the Philippine energy sector and the largest company at the national level to sign and support the WEPs.

PROSPERITY: *Help create better lives for all.*

- Encouraged its value chain partners to adopt sustainability principles. The *Meralco* Supplier Sustainability Scorecard (“MS3”) was established to begin assessing vendors on key sustainability criteria and disclosures as part of their continuing accreditation with *Meralco*.

Meralco published its maiden Sustainability Report (“SR”), “Sustaining the Future”. This SR won a Bronze Stevie in the Best Annual Report category at the International Business Awards and was internationally recognized with a Gold rank by the Asia Sustainability Reporting Rating (“ASRRAT”) Forum 2020.

“*Meralco*’s key operating metrics reflect the reliability and resilience of its systems, processes, infrastructure, and workforce more than making up for the small hiccup involving customer billings during the community quarantine. In a period of eight (8) weeks, most, if not all, customer concerns were responded to. Our fully geared Networks crew braved the virus while abiding by all health and safety protocols as they kept the *Meralco* facilities working 24x7, except when wires were downed by extreme weather disturbances. Our workforce remains healthy with near 100% recovery for those infected by COVID-19.

“Amidst concerns of a global slowdown, *Meralco* continues to make the appropriate capital expenditures and investments to support the country’s recovery and foster resilience. *Meralco* remains steadfast in its commitment to keep the lights on for all and to power the good life for its customers and the country,” says **Atty. Ray C. Espinosa**, President and Chief Executive Officer.

OPERATIONS HIGHLIGHTS

The year 2020 started with the eruption of Taal Volcano in parts of our franchise area. This was followed by the pandemic, and the consequent lockdown. And as if the spike in the number of COVID-19 infections were not enough, three (3) major weather disturbances wreaked havoc in our franchise area in the second half of 2020. While electricity sales volumes continue to be the barometer of growth of the economy, the historical 75% growth correlation of electricity to GDP was changed dramatically by the COVID-19 pandemic. The overall economy shrank by over 9% in 2020; our energy sales declined by only 7%.

- Consolidated energy sales volumes, which includes volumes distributed by Clark Electric Distribution Corporation ("*Clark Electric*") of 505 GWh were at 43,572 GWh, 7% lower compared with 2019 volume.
- With the easing of community quarantine restrictions beginning May 2020, certain commercial and industrial establishments slowly resumed operation. By the end of 2020, Residential volumes accounted for 38%, Commercial at 34% and Industrial at 28% of the total, significantly different from the pre-pandemic share of 30%, 40% and 30%, respectively.
- Sales volumes skewed toward the Residential sector as the lockdown and quarantine restrictions necessitated work-from-home ("*WFH*") arrangements, online distance learning ("*ODL*") and limited mobility. Residential volume peaked at 1,847 GWh in June 2020.
- Commercial volumes dropped by 20% in 2020 compared with 2019 with hotels and retail trade the hardest hit as foot traffic to malls, hotels and other retail establishments drastically declined. The average decline in sales volume of the top malls within the franchise area was 34%.
- Industrial volumes inched up gradually by the end of 2020 as manufacturers started to operate. Recovery began from an all-time low volume of 655 GWh in April 2020. For the first time since March 2020, Industrial volumes reflected positive 4% growth in December. The semiconductor and non-metallic industries provided the increase to the volumes and took the share in sales from the food and beverage, and packaging industries.
- *Meralco's* customer base grew 4% ending the year with a total of 7.1 million customer accounts, for a net 249,000 new customer accounts and a five (5)-year *CAGR* of 4%.
- The decline in energy sales volume was further exacerbated by three (3) typhoons, which ravaged the *Meralco* franchise area. Typhoon Quinta (international codename "*Molave*"), which hit the franchise area from October 25 – 26, 2020 resulted in unrealized sales of over 19 GWh with 33% and 28% of our customers and circuits affected, respectively. Super Typhoon Rolly made landfall on November 1, 2020 with sustained winds at 225 kph and gustiness of 310 kph and downed 36% of *Meralco* circuits resulting in 21 GWh of unserved volume. Less than two (2) weeks after, Typhoon Ulysses struck with gustiness of 255 kph affecting 92% of the *Meralco* customers and 87% of the total circuits, with the forced System Average Interruption Duration Index ("*SAIDI*") breaching the threshold for that major event day. Total unrealized sales during Typhoon Ulysses stood at 77 GWh.
- At the height of the pandemic, *Meralco* increased its customer call center seats to 1,580. These contact center personnel handled customer concerns during the three (3) typhoons answering a total of 418,782 calls and online queries. Today, *Meralco* has a total of 433 contact center agents working on voice and digital platforms. A voice call to the customer hotline is answered within an average of 8.28 seconds, well within the parameters set by the Energy Regulatory Commission ("*ERC*").

- The 12-month moving average (“12-MMA”) system loss (“SL”) as at December 31, 2020 was at 6.08%, 0.54 percentage point higher than that of 2019 mainly due to the shift in customer mix towards Residential customers, which have higher technical losses as power is served at the secondary voltage level. At 6.08%, *Meralco* still managed to generate savings for consumers of Pesos 3.2 billion or an equivalent Peso 0.08 per kWh in their purchased power costs.
- A total of 699 MVA of additional substation capacity and 144 kilometers of circuit length were built in 2020. In addition, 1,485 poles were relocated, and 831 poles were retired to support the Government’s Build, Build, Build (“BBB”) and various road-widening projects which allowed the completion of the Circumferential Road (“C-3”) R10 section and soft opening of the Skyway Stage 3.

Gross revenues for the year ended December 31, 2020 was at Pesos 275.3 billion, 14% lower than 2019 while volume dropped by 7% to 43,572 GWh. Total electricity revenues amounted to Pesos 267.9 billion, 14% lower reflecting the reduction in purchased power costs. *Meralco*’s distribution charge per kWh remains unchanged with aggregate distribution revenues in 2020 lower by 8% at Pesos 60.6 billion compared with 2019 due to lower volumes sold.

In addition, on December 16, 2020, the *ERC* granted interim relief to implement the refund/collection of the over/under recoveries in pass-through charges for the period from January 2017 to December 2019, amounting to a refund of Pesos 1.4 billion and collection of Pesos 2.4 billion. In particular, *Meralco* was directed to refund over-recoveries in three (3) months and collect the under-recoveries in 24 months which it implemented starting with its January 2021 billing.

Consequently, the overall average retail rate also decreased from Pesos 8.8702 per kWh in 2019 to Pesos 7.9584 per kWh in 2020.

On February 19, 2021, the *ERC* provisionally approved *Meralco*’s application for the refund of distribution over-recoveries representing the difference between the actual weighted average tariff (“AWAT”) and the interim average rate (“IAR”) approved previously by the *ERC* at the start of the 4th Regulatory Period (“4RP”) in July 2015, in the amount of Pesos 13.9 billion.

FINANCIAL HIGHLIGHTS

- Capital Expenditures (“CAPEX”) implemented for electric capital projects (“ECP”) and non-electric projects (“NEP”) during the year totaled Pesos 20.8 billion, 3% higher than the value implemented in 2019 despite challenges faced due to community quarantine restrictions. The bulk of the *ECPs* include new and uprating of 115 kV lines, and expansion of existing distribution and delivery-point substations to address the increasing capacity requirements. Significant *ECPs* were implemented as well to

rehabilitate and uprate distribution transformers and lines to accommodate *WFH* and *ODL* arrangements.

- Consolidated electricity revenues were at Pesos 267.9 billion for 2020, 14% lower than the Pesos 310.1 billion in 2019. Pass-through component accounted for 77% of total electricity revenues in 2020.
- Purchased power costs were at Pesos 204.4 billion, 15% lower than 2019 mainly as a result of the lower generation costs (Pesos 4.19 per kWh in 2020 versus Pesos 4.97 per kWh in 2019), due to the implementation of new *PSAs*, decrease in prices in the Wholesale Electricity Spot Market ("*WESM*") on account of the reduction in the Luzon demand, lower fuel prices, peso appreciation and force majeure claims invoked by *Meralco* against its power suppliers. This claim reduced fixed costs and avoided charges with temporary suspension of mid-merit supply contracts providing savings of Pesos 2.4 billion to consumers.
- Consolidated Core Net Income ("*CCNI*") for 2020 was at Pesos 21.7 billion, close to 9% lower compared with Pesos 23.8 billion in 2019.
- Core Earnings per Share was at Pesos 19.262.
- Total interest-bearing debt is slightly lower at Pesos 40.1 billion (including debt of subsidiaries totaling Pesos 4.0 billion) at the end of 2020. In December 2020, *Meralco* redeemed the balance of the 7-year fixed rate note issued in 2013, amounting to Pesos 3.2 billion.
- *Meralco* remains to be in a strong liquidity position with net debt at the end of 2020 of negative Pesos 10.8 billion and Net Debt to EBITDA at negative 0.36x. Total principal debt repayments, customer refunds and financing charges paid amounted to Pesos 5.4 billion in 2020.
- On March 1, 2021, the Board of Directors ("*BOD*") approved the declaration of final cash dividends of Pesos 7.824 per share to all shareholders of record as at March 30, 2021, payable on April 26, 2021. This represents 65% payout out of the *CCNI* of Pesos 21.7 billion for the year ended December 31, 2020, in line with the *Company's* dividend policy. Including the interim dividend of Pesos 4.697 a share, total dividends per share is Pesos 12.521 per share.

BUSINESS UNITS AND SUBSIDIARIES

- *Retail Electricity Supply* ("*RES*")

The various *RES* units of *Meralco* and its subsidiaries started the year strong, but the pandemic reversed the head start. By the end of 2020, the combined volumes sold by *Meralco's* several *RES* units were lower by 3%. The lower *WESM* prices, brought about by reduced system demand, limited trading opportunities but in turn, provided better

price stability against plant outages and reduced delivery charges in the wholesale market.

- *Power Generation*

Except for the maintenance shutdown in the first quarter of the year and from March 16 to May 15 when *Meralco* claimed force majeure, San Buenaventura Power Limited's ("*SBPL*") supercritical coal-fired plant in Mauban, Quezon was in full operations delivering 3,070 GWh of energy in 2020 with an average plant availability of over 82%.

The operation of *SBPL* contributed almost Pesos 1.0 billion to the *Meralco CCNI*. *SBPL* is a joint venture of Meralco PowerGen Corporation ("*MGen*") with New Growth B.V., a subsidiary of Electricity Generating Company Limited of Thailand ("*EGCO*").

On December 23, 2020, *MGen* signed separate Share Purchase Agreements with Metro Pacific Investments Corporation ("*MPIC*") and JG Summit Holdings, Inc. ("*JG Summit*") to acquire their respective 56% and 30% holdings in Global Business Power Corporation ("*GBPC*"). *MGen* currently has a 14% interest in *GBPC*. The Philippine Competition Commission ("*PCC*") confirmed through their letter dated February 9, 2021, that the transaction qualifies as an internal restructuring and thus, does not require further approval by the *PCC*. *GBPC* owns and operates 973 MW and 152 MW of coal- and diesel-fired power plants in Visayas and Mindanao islands, respectively.

MGen is scheduled to synchronize its 50 MWac solar power plant in San Miguel, Bulacan to the grid in the first quarter of 2021.

- *Clark Electric*

The *COVID-19* quarantine restrictions affected the largely commercial and industrial customers of *Clark Electric*. Year-to-date peak demand was at 99 GWh, 6% lower than 2019. The 2020 sales volume of 505 GWh was 14% lower than 2019 with the December 2020 average daily volume highest since the lockdown in March, mainly with the slowly increasing manufacturing and semiconductor assembly activities in the franchise area.

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

In the fourth quarter of 2020, *Bayad Center* saw recovery in its bills payments transactions as it registered a daily average of 293 thousand, a 4% quarter-on-quarter growth, and the highest among the quarters of the year. This comes despite the limited mobility and foot traffic to the stores of *Bayad Center* and its corporate partners amid the pandemic. Considerable growth in payment transactions from digital channels – rising from a total daily average of 34,000 in the first quarter to 86,000 in the fourth quarter, buoyed the recovery in total transactions. *Bayad Center*

ended the year serving 357 biller partners, 40 of which were acquired in 2020, through more than 45,000 touchpoints. Water and electric utilities, telecommunications companies, and internet and cable providers account for 60% of total billers.

Consolidated revenues for the full year 2020 amounted to Pesos 1.7 billion with *CCNI* of Pesos 15.9 million.

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

Amidst the pandemic, *Radius* marked several milestones in 2020 when it:

- Launched five (5) new products, expanding the portfolio offering to the Enterprise and Small and Medium Enterprises ("*SMEs*") markets, allowing *Radius* to offer innovative solutions beyond connectivity;
- Upgraded its core network capacity to 100 GB;
- Established the Singapore Point-of-Presence ("*POP*") at the Equinix SG1 Data Center;
- Rolled-out 264 kilometers of core fiber; completed 30 additional co-locations, 10 nodes and three (3) data centers;
- Commissioned seven (7) Optical Line Terminal nodes in key cities;
- Expanded coverage to Clark and Cebu City; and
- Launched its "Red" brand fiber broadband service for the residential customers in November 2020.

Radius achieved revenues of Pesos 1.4 billion and generated *CCNI* of Pesos 0.5 billion in 2020.

CONCLUSION

"We join the Government in containing the outbreak of *COVID-19* by ensuring that our 5,700 workforce are regularly tested, supplied with the necessary personal protective equipment, provided supplements to boost their immunity and given prompt medical attention at the first sign of symptoms or infection.

"I am of the view that we need to jumpstart the economy sooner rather than later. The planned nationwide rollout of the *COVID-19* vaccines is the first and most critical step towards alleviating fear, which is a prime deterrent to mobility. To this end, we have joined others in the private sector in procuring vaccines not only for *Meralco*, but also for the broader MVP Group.

"In the meantime, we have not lost sight of our role in providing reliable power to our customers which will also underpin our economic recovery. In addition, we are cognizant of the need to future-proof our business by focusing on sustainability, and by digitalizing certain of our processes. We are increasing resources allocated to clean technologies

across all businesses, instituting a stronger plan for the reduction of greenhouse gas emissions and setting up science-based, measurable targets as our guidance.

“We are committed to enabling the re-opening of the economy which we hope happens this year. We are encouraged by *Meralco’s* January 2021 operating trends, including energy sold to Commercial customers starting to regain traction,” concluded **Manuel V. Pangilinan**, Chairman.

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	MANILA ELECTRIC COMPANY		
	Consolidated Financial Highlights		
	(in Million Pesos, except per share data)		
	For the Year Ended December 31		%
	2020	2019	Change
REVENUES			
Electricity	267,946	310,098	(14)
Non-electricity	7,358	8,217	(10)
	275,304	318,315	(14)
COSTS AND EXPENSES	254,313	287,076	(11)
OTHER INCOME – net	1,424	676	111
INCOME BEFORE INCOME TAX	22,415	31,915	(30)
PROVISION FOR INCOME TAX	6,266	8,543	(27)
NET INCOME	16,149	23,372	(31)
NET INCOME – REPORTED	16,316	23,285	(30)
CORE NET INCOME	21,711	23,832	(9)
EARNINGS PER SHARE			
On Reported Net Income			
Basic	14.476	20.659	(30)
Diluted	14.476	20.659	(30)
On Core Net Income ¹			
Basic	19.262	21.145	(9)
Diluted	19.262	21.145	(9)

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.