

# 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 Amount of Borrowings

Total No. of Stockholders

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:** *February 24, 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 December 31, 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, February 24, 2020, approved the following matters:

1. The Company's Financial and Operating Results for the year ended December 31, 2019 with comparatives for 2018 (refer to the attached Press release); and
2. The declaration of a final cash dividend of Pesos 10.395 per share to all shareholders of record as at March 20, 2020, payable on April 15, 2020. This consists of a final regular cash dividend of Pesos 5.108 per share and a special cash dividend of Pesos 5.287 per share. This final cash dividend, in addition to the interim regular dividend of Pesos 5.464 per share declared on July 29, 2019 and paid on September 20, 2019, brings total cash dividends paid from 2019 CCNI to Pesos 15.859 or 75% payout.

**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: February 24, 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 YEAR ENDED DECEMBER 31, 2019  
WITH COMPARATIVES FOR 2018

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**SUSTAINABILITY HIGHLIGHTS**

- Electrification of Verde Island, Batangas (29 households) and Cagbalete Island, Quezon (154 households) through microgrid implementations leveraging solar and battery energy storage system (“BESS”) technologies
- Company-wide ban on single-use plastics (“SUPs”) beginning October 2019
- Immediate power restoration of customers affected by sustained interruptions caused by Typhoon “Tisoy” (international codename: “Kammuri”)
- Timely assistance to Albay Electric Cooperative (“ALECO”) to restore 400 electric poles and 358 spans of lines downed by Typhoon “Tisoy” by deploying 13 vehicles, a team of 45 regular and contracted labor and, three (3) pick-up crews for Albay Power and Energy Corporation (“APEC”) for cluster metering activities
- 1,036 personnel and 296 vehicles mobilized for pole-to-pole insulator and line devices washing after Taal Volcano eruption involving about 14,000 poles

**OUR SUSTAINABILITY AGENDA**

*Meralco* established its Sustainability Office (“SO”) affirming its commitment to sustainability as core to the *Company’s* strategy and operations. The SO identified four (4) focus areas of *Meralco’s* Sustainability Agenda: Planet (environmental stewardship), People (embedding a sustainability mindset and culture of inclusivity within its organization), Power (100% electrification of the franchise area), and Prosperity (balancing corporate objectives with sustainability goals).

In 2019, the *Company* launched a number of initiatives including Phase 1 electrification of Verde and Cagbalete Islands in Batangas and Quezon provinces, respectively, through microgrid solutions leveraging solar and energy storage technologies. The Verde Island microgrid saw the installation of a total of 32 kWp solar photovoltaic (“PV”) panels and 18 kW (192 kWh) battery energy storage system (“BESS”) serving 29 households, while the

Cagbalete Island project deployed 60 kWp solar *PV* panels and 30 kW (150 kWh) *BESS* powering 154 households. In addition, *Meralco* installed two (2) 1 MW lithium *BESS* units in San Rafael, Bulacan on September 6, 2019. This is the Philippines' first grid-scale distribution-connected *BESS* assessing the viability of integrating battery storage technologies into the grid to improve the electric power system.

And, as part of its environmental initiatives, *Meralco* implemented a total ban on single use plastics ("*SUPs*") in all of its facilities, offices, sectors, and subsidiaries beginning October 2019. Finally, in the fourth quarter of 2019, more than 24 thousand trees were planted by 2,000 volunteers via the *Company's* One For Trees program.

Beginning 2020, *Meralco's* sustainability initiatives will be driven by an overarching program called *Powering the Good Life* – to develop, execute, and monitor initiatives in direct emission reduction, resource efficiency, waste management, community electrification, and workplace excellence.

#### **OUR COMMITMENTS TO SOCIETY**

The year saw 15 major weather disturbances affecting the *Meralco* franchise area and six (6) others affecting other parts of the country.

Typhoon "*Tisoy*" hit the *Meralco* franchise area from December 3 – 5. A total of 119 unique circuits were affected resulting in 121 momentary interruptions and 79 sustained interruptions or 23.5 GWh of unserved energy. While the maximum coincident number of customers affected reached over 550 thousand on December 3, this number was drastically reduced to just a little over 80 thousand or less than 15% of the total affected within 24 hours of peak disturbance.

In franchise areas of other electric cooperatives, restoring power was more challenging. From December 8 – 22, *Meralco's* contingent consisting of 45 linemen, engineers and contractors and 13 stake trucks, basket trucks and utility vehicles were mobilized to help Albay Electric Cooperative ("*ALECO*") correct, restore, replace and reconnect 400 electric poles and 358 spans of lines. In addition, three (3) pick-up crews were deployed to Albay Power and Energy Corporation ("*APEC*") to assist in their cluster metering activities.

On January 12, 2020, Taal Volcano erupted, spewing out unprecedented ash fall affecting 45 circuits or 6% of the *Company's* operational circuits. Close to 200 thousand customers were affected by sustained interruptions. To restore power in the shortest possible time, *Meralco* acquired and mobilized 30 power washers which were retrofitted on basket trucks to clean and wash insulators and lines on more than 14,000 poles. The *Meralco* restoration crew consisted of 1,036 personnel and 296 vehicles, and restoration took seven (7) days.

"There is a continuing focus on our social commitment and on customer satisfaction through excellent service delivery. While our scope and performance obligations are focused on our franchise area, we have gone well beyond this by reaching out to electric cooperatives in need of assistance to restore power in times of calamity.

"This reflects our commitment to powering the good life not only for our customers within the *Meralco* franchise area, but also for those in need beyond our borders." says **Atty. Ray C. Espinosa**, President and Chief Executive Officer.

### **OPERATIONS HIGHLIGHTS**

- Consolidated energy sales volume grew by 6% to 46,871 GWh, which includes volume distributed by Clark Electric Distribution Corporation ("*Clark Electric*") of 585 GWh. The *Clark Electric* volume grew by 11%.
- The combined contributions of *Meralco* and *Clark Electric* came from all customer sectors with consolidated Residential volume finishing strongest with an 8% growth and providing a total of 14,589 GWh, accounting for 31% of total volume.
- Philippine Offshore Gaming Operators ("*POGO*") and the steady contribution of the Business Process Outsourcing ("*BPO*") sectors boosted the growing customer base outside Metro Manila. Residential volume growth was most notable in Batangas, Quezon, Cavite, Bulacan and Pampanga.
- Combined Commercial sales volume grew at a healthy 6%, reaching 18,483 GWh or 39% of total volume. Commercial sales volume was supported by the positive business outlook and the continuing volume from the *POGO* and *BPO* sectors. Food and beverage retailers accounted for 40% of total commercial spaces. Hotel and restaurant businesses continued to grow during the year.
- Consolidated Industrial sales volume grew moderately at 4%, accounting for 29% of the total volume, driven largely by construction and consumer spending. The moderate growth is attributable to the slow year-on-year sales of the semiconductor industry.
- The Government's Build, Build, Build program provided additional sales with the following infrastructure projects to be operational in 2020: North Luzon Expressway-South Luzon Expressway ("*NLEx-SLEx*") Connector Road, Cavite-Laguna Expressway ("*CALAX*"), C5 South Link and the Light Rail Transit 2 ("*LRT2*") Extension. The food and beverage, non-metallic, and plastic and rubber industries continue to provide the Industrial Sales volume growth.
- *Meralco's* customer base grew 4% ending the year with a total of 6.9 million customer accounts, for a net 268,000 new customer accounts from 6.6 million at the end of 2018.
- On September 10 and 12, 2019, *Meralco* successfully concluded the Competitive Selection Process ("*CSP*") for 1,200 MW of baseload and 500 MW mid-merit capacities, respectively, to cover Power Supply Agreements ("*PSAs*"), which expired on December

25, 2019. Applications for approval of these *PSAs* were filed with the Energy Regulatory Commission ("*ERC*"). The *ERC* granted provisional authority to implement the *PSAs* for the 1,200 MW baseload capacity on December 23, 2019 and for the 110 MW mid-merit capacity on January 30, 2020. Applications for the other mid-merit *PSAs* totaling 390 MW are pending *ERC* resolution.

Gross revenues grew to Pesos 318.3 billion, 5% more than the Pesos 304.5 billion in 2018, as a result of higher energy sales volume and higher pass-through generation charges brought about by higher average fuel prices, a weaker peso and higher spot prices at the Wholesale Electricity Spot Market ("*WESM*") from March to July 2019. The year 2019 saw 51 Yellow Alerts and 15 Red Alerts in Luzon versus only seven (7) Yellow Alerts in 2018. Electricity revenues amounting to Peso 310.1 billion was stable at 97% of gross revenues compared with Pesos 295.4 billion in 2018. Generation and other pass-through components as a percentage of total electricity revenues was at 79% in 2019. *Meralco's* distribution charge remains unchanged, while aggregate distribution revenues grew by 6% in 2019 to Pesos 65.9 billion versus 2018, reflecting the impact of higher volumes distributed and the sales mix.

#### **FINANCIAL HIGHLIGHTS**

- Capital Expenditures ("*CAPEX*") implemented for electric and non-electric projects during the year amounted to Pesos 20.2 billion, 48% higher than in 2018. These express our effort to address load growth, asset renewals, disaster hardening imperatives and regulatory compliance. These also express our abiding commitment to deliver better customer experience and achieve higher customer operational excellence.
- Major *CAPEX* completed include nine (9) substation projects (namely, development of Southwoods, Calamba, Bridgetowne, Eton-Centris, and Makati Substations and expansion of Filinvest, TMC-2, Sta. Rosa 2 and Tagaytay West Substations), two (2) 115 kV line projects (San Jose and Teresa-Tagbac 115 kV lines) and replacement of Marikina Substation Bank 2, which increased *Meralco's* substation capacity by 598 MVA and its circuit length by 108 kilometers.
- Consolidated volume of energy sold for 2019 at 46,871 GWh, 6% higher than in 2018
- Customer count up by 4% to 6.9 million
- Consolidated electricity revenues at Pesos 310.1 billion for 2019, 5% higher than in 2018
- Consolidated Core Net Income ("*CCNI*") for 2019 at Pesos 23.8 billion, 6% higher compared with Pesos 22.4 billion in 2018
- Core Earnings per Share at Pesos 21.145
- Total dividend for 2019 of Pesos 15.859 per share, representing 75% payout of the 2019 *CCNI*

- Total interest-bearing debt is slightly higher at Pesos 41.3 billion (including debt of subsidiaries totaling Pesos 1.6 billion) at the end of 2019, of which Pesos 28.5 billion are due to mature within 2020.
- *Meralco* maintains a strong balance sheet and liquidity position with Net Debt to EBITDA at 0.07x. Total principal debt repayments, customer refunds and financing charges paid amounted to Pesos 11.9 billion in 2019.

## **BUSINESS UNITS AND SUBSIDIARIES**

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

While business activities in the *RES* space continue to be very competitive, *MPower*, *Meralco's* local *RES* unit, together with Vantage Energy and Management Corporation ("*Vantage*"), managed to improve their performance. Combined volume of *Meralco's RES* entities grew 17% compared with 2018 as their customer count grew to 449. Margins, however, are tighter as other *RESs* have continuously competed on price and on contract tenors over two (2) to three (3) years.

### *Power Generation*

San Buenaventura Power Limited ("*SBPL*"), a 455 MW supercritical coal-fired plant in Mauban, Quezon, began commercial operations on September 26, 2019. It has since delivered 852 GWh of energy to *Meralco* at an average plant availability of over 87% as at December 31, 2019. This has eased supply within the franchise area as around 630 MW of plant capacities went into maintenance shutdown for almost 10 days in the last quarter of 2019.

The operation of *SBPL* has provided Pesos 0.3 billion of contribution 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*").

### *Clark Electric*

The growth in the *Clark Electric* franchise area continues to be driven by Commercial sales volumes from hotels and restaurants as well as retail businesses. Notable is the increase in peak demand within the *Clark Electric* franchise area by 10%. However, Industrial sales volume decreased in 2019 with the decline in business activities of the electronics business.



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

With the combined onsite and online payment platforms, *Bayad Center* ended 2019 with a total of 111 million payment transactions of over 330 billers. Government agencies and lending institutions remain to be a major source of the volumes served. To date, *Bayad Center* has a total of over 38 thousand touch points.

Consolidated revenues of *Bayad Center* in 2019 amounted to Pesos 1.8 billion, an 8% increase over 2018. Its nearly 15-year Reported Consolidated Net Income compounded annual growth rate ("*CAGR*") stood at 17%.

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

*Radius* continues to be the preferred choice for network redundancy services for other telecommunications companies as well as for corporate customers. Separately, it has grown its customer base through increased rentals and interconnections, additional nodes and cross connections, expanded leased lines and IP upstream.

In 2019, it implemented CAPEX of Pesos 0.3 billion, which consists of 10G Small Form Factor Pluggable ("*SFP*") devices, transceivers and fiber optic cable rollout, among others.

#### Shin Clark Power Holdings, Inc. ("*Shin Clark*")

By August 23, 2019, *Shin Clark* had energized, the New Clark City interim substation, the 69 kV Line, and the 13.8 kV overhead and underground lines, 95 days before the start of the Southeast Asian Games. Total energy flowing through the lines since energization date through December 31, 2019 was 1,445 MWh. The lower than expected energy sales volume (target of 11,785 MWh) was the result of the shift of the critical loads of the games venue and athletic village halls to self-generation power.

#### CONCLUSION

In transcending our operational and financial excellence, however, we recognize our responsibility to help create a more sustainable Philippines. Accordingly, we are embedding Sustainability in all that we do here in *Meralco*, ensuring all our investments and initiatives are aligned with our objective of providing our customers the highest-value energy solutions reliably, affordably, and responsibly.

"The initial operating results in January 2020 and indicative for February are positive. We will continue to execute our investments with significant ambition in power generation, and other strategic and high growth areas amidst the challenges," concluded **Mr. Manuel V. Pangilinan**, Chairman.

	<b>MANILA ELECTRIC COMPANY</b> <b>Consolidated Financial Highlights</b> <b>(in Million Pesos, except per share data)</b>		
	<b>For the Year Ended December 31</b>		<b>%</b>
	<b>2019</b>	<b>2018</b>	<b>Change</b>
REVENUES			
Electricity	310,098	295,389	5
Non-electricity	8,217	9,065	(9)
	318,315	304,454	5
COSTS AND EXPENSES	287,076	276,012	4
OTHER INCOME – net	676	2,103	(68)
INCOME BEFORE INCOME TAX	31,915	30,545	4
PROVISION FOR INCOME TAX	8,543	7,443	15
NET INCOME	23,372	23,102	1
NET INCOME – REPORTED	23,285	23,017	1
CORE NET INCOME	23,832	22,408	6
EARNINGS PER SHARE			
On Reported Net Income			
Basic	20.659	20.421	1
Diluted	20.659	20.421	1
On Core Net Income <sup>1</sup>			
Basic	21.145	19.881	6
Diluted	21.145	19.881	6

<sup>1</sup> Reported net income, adjusted to exclude the effect of foreign exchange gains or losses, impairment charges, mark-to-market adjustments and other one-time, exceptional transactions.

This press release may contain some statements, which constitute “forward-looking statements” that are subject to a number of risks and uncertainties that may affect the business and results of operations of *Meralco*. Although the management of *Meralco* believes that expectations reflected in any of the forward-looking statements are reasonable, it cannot guarantee any future performance, action or events.

For further information, please contact:

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