OPERATIONS REPORT

As at and For the Year Ended December 31, 2012
# 2012 Performance Summary

<table>
<thead>
<tr>
<th>Metric</th>
<th>Change</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy Sales</td>
<td>+7.1%</td>
<td>+2,179 GWh</td>
</tr>
<tr>
<td>Customer Count</td>
<td>+3.2%</td>
<td>+162,704 customers</td>
</tr>
<tr>
<td>Net System Input</td>
<td>+6.3%</td>
<td>+2,095 GWh</td>
</tr>
<tr>
<td>S-Factor</td>
<td></td>
<td>All rewards, improvement</td>
</tr>
<tr>
<td>Guaranteed Service Level* (GSL)</td>
<td></td>
<td>Within regulatory limits</td>
</tr>
</tbody>
</table>

* Period between July 1 to December 31, 2012 Only
2012 Performance Summary

AVERAGE RETAIL RATE

↑P0.50/kWh (P9.64/kWh) vs. 2011

4Q 2012 EVENTS OF INTEREST/
OTHER BUSINESS UPDATES

*Jul 1 – Dec 31 2012 period only
Robust Sales

- New all-time high in Energy Volume and Customer Count

ENERGY SALES, in GWh

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial</td>
<td>30,592</td>
<td></td>
<td>32,771</td>
</tr>
<tr>
<td>Commercial</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residential</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Additional **2,179 GWh** in 2012

CUSTOMER COUNT, in Millions

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial</td>
<td>5.03</td>
<td>3.2%</td>
<td>5.19</td>
</tr>
<tr>
<td>Commercial</td>
<td>1.8%</td>
<td></td>
<td>91.2%</td>
</tr>
<tr>
<td>Residential</td>
<td>3.4%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

GROWTH DRIVERS

- Electrical Machinery (semiconductors)
- Food and Beverage
- Basic Metals (smelting, refining, manufacture)
- Real Estate (condominiums, BPO office space)
- Private Services (hotels, malls, hospitals)
- Transport, Storage and Communication
- Warmer temperature and increased household consumption
- Sales from newly energized residential customers (155,022 new residential customers)

162,704 new customers in 2012 (net additions); mostly Residential
Net System Input (NSI) & Peak Demand

- 2012 NSI of 35,176 GWh, up 6.3% vs. 2011
- 2012 Peak Demand of 5,633 MW, recorded on May 10, higher by 6.6% vs. 2011

2012 Net System Input, GWh:

- 2011: 33,081
- 2012: 35,176
- Additional 2,095 GWh in 2012

2012 Meralco Peak Demand, MW:

- 2011: 5,283
- 2012: 5,633
* occurred on May 10, 2012

2012 Luzon Peak Demand, MW:

- 2011: 7,552
- 2012: 7,889
** occurred April 27, 2012
Healthy growth in Energy Sales and NSI vs. 2011

**Energy Sales, GWh**

- 2011: 278 GWh, 7.9% growth
- 2012: 300 GWh

**NSI, GWh**

- 2011: 291 GWh, 7.2% growth
- 2012: 312 GWh

**Customer Count**

- 2011: 1,724, 0.6% growth
- 2012: 1,734

- **Customer Breakdown**
  - Commercial: 49% Sales, 56% Count
  - Industrial: 49% Sales, 6% Count
  - Residential: 1% Sales, 35% Count

*Streetlights account for less than 1% of sales and 3% of count*
2012 Power Supply Mix and Volume

- NPC Transition Supply Contracts, the largest source at 48.3%, IPPs at 45.2%
- WESM purchases lower than last year at 6.4% (vs. 7.3% in 2011)

**2012 Purchases**

- NPC 48.3%
- WESM 6.4%
- IPP-QPPL 8.4%
- IPP-Sta. Rita 20.5%
- IPP-SGC-Calaca 4.5%
- SGC-Sual 0.9%
- IPP-Others 0.1%

**2012 Purchases (GWh Share)**

- NPC* 17,001 48.3%
- IPPs/SGC Total 15,916 45.2%
- Sta. Rita 7,216 20.5%
- San Lorenzo 3,821 10.9%
- QPPL 2,951 8.4%
- SEM-Calaca 1,586 4.5%
- Sual 312 0.9%
- Others 31 0.1%
- WESM 2,258 6.4%

**Total NSI** 35,176 100.0%

**CONSOLIDATED**

**2011**

- NPC 14,832 44.8%
- IPPs/SGC Total 15,829 47.8%
- Sta. Rita 8,117 24.5%
- San Lorenzo 4,114 12.4%
- QPPL 3,265 9.9%
- SEM-Calaca 290 0.9%
- Sual 43 0.1%
- Others 43 0.1%
- WESM 2,420 7.3%
- Total NSI 33,081 100.0%

*Including Special Programs (Ecozone and CCP)
Majority of Meralco’s purchased power sourced from Natural Gas & Coal-fired plants

### 2012 Purchases

- **Natural Gas**: 54.8%
- **Coal**: 31.9%
- **Geothermal**: 5.9%
- **WESM**: 6.4%
- **NPC TSC**: 0.9%
- **Multi-fuel**: 0.11%

### 2012 Power Plant Mix

<table>
<thead>
<tr>
<th>SOURCE</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>GWh</td>
<td>Share</td>
</tr>
<tr>
<td>Natural Gas</td>
<td>19,276</td>
<td>54.8%</td>
</tr>
<tr>
<td>Coal</td>
<td>11,217</td>
<td>31.9%</td>
</tr>
<tr>
<td>Geothermal</td>
<td>2,091</td>
<td>5.9%</td>
</tr>
<tr>
<td>Biomass/ Run-of- River Hydro</td>
<td>31</td>
<td>0.11%</td>
</tr>
<tr>
<td>NPC TSC (multi-fuel)</td>
<td>303</td>
<td>0.9%</td>
</tr>
<tr>
<td>WESM (multi-fuel)</td>
<td>2,258</td>
<td>6.4%</td>
</tr>
<tr>
<td><strong>Total NSI</strong></td>
<td><strong>35,176</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2011</th>
<th></th>
<th>2011</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>GWh</td>
<td>Share</td>
<td></td>
</tr>
<tr>
<td></td>
<td>19,195</td>
<td>58.0%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>9,606</td>
<td>29.0%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>738</td>
<td>2.2%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>43</td>
<td>0.11%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,079</td>
<td>3.3%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2,420</td>
<td>7.3%</td>
<td></td>
</tr>
<tr>
<td><strong>Total NSI</strong></td>
<td><strong>33,081</strong></td>
<td><strong>100.0%</strong></td>
<td></td>
</tr>
</tbody>
</table>
2012 Average Retail Rate

- Up P0.50/kWh vs. 2011
  - Generation Charge, System Loss & Taxes accounted for the increase (total 62¢/kWh)
  - Mitigated slightly by lower Distribution & Transmission Charges (down 11¢/kWh)
- Generation Charge, largest component of the customer bill 58.2%; Meralco 16.2%; NGCP 10.1%

### 2012 Share per component

<table>
<thead>
<tr>
<th>BILL COMPONENT</th>
<th>2012 Overall Average, P/kWh</th>
<th>2011 Overall Average, P/kWh</th>
<th>Increase/Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Generation Charge</td>
<td>5.61</td>
<td>5.12</td>
<td>10%</td>
</tr>
<tr>
<td>Distribution Charge (MERALCO)</td>
<td>1.56</td>
<td>1.59</td>
<td>(2%)</td>
</tr>
<tr>
<td>Transmission Charge (NGCP)</td>
<td>0.98</td>
<td>1.06</td>
<td>(8%)</td>
</tr>
<tr>
<td>System Loss Charge</td>
<td>0.52</td>
<td>0.52</td>
<td>1%</td>
</tr>
<tr>
<td>Taxes, Universal Charge</td>
<td>0.97</td>
<td>0.85</td>
<td>14%</td>
</tr>
<tr>
<td><strong>Total NSI</strong></td>
<td><strong>9.64</strong></td>
<td><strong>9.14</strong></td>
<td><strong>6%</strong></td>
</tr>
</tbody>
</table>

- Generation Charge, largest component of the customer bill 58.2%; Meralco 16.2%; NGCP 10.1%
System Loss Performance

- Best system loss ever: 7.04%, an improvement of 0.31 percentage points vs. 2011.
- Zero unrecoverable Purchased Power Cost for Meralco for the 5th consecutive year.

SAVINGS TO CUSTOMER

- 2008: P0.36 Bn
- 2009: 1.37
- 2010: 1.13
- 2011: 2.38
- 2012: 3.43

Total: P8.68 Bn (equivalent to 5.96¢/kWh)

8.5% 9.5%

System Loss Cap

- CEDC 12MMA system loss ended December 2012 at 3.75%, improved by 0.21 percentage points from 3.96% in 2011.

System Loss Penalty to Meralco (In Million Pesos)

<table>
<thead>
<tr>
<th>Year</th>
<th>Penalty</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>1,508 M</td>
</tr>
<tr>
<td>2004</td>
<td>1,998 M</td>
</tr>
<tr>
<td>2005</td>
<td>1,054 M</td>
</tr>
<tr>
<td>2006</td>
<td>969 M</td>
</tr>
<tr>
<td>2007</td>
<td>260 M</td>
</tr>
<tr>
<td>2008</td>
<td>0 M</td>
</tr>
<tr>
<td>2009</td>
<td>0 M</td>
</tr>
<tr>
<td>2010</td>
<td>0 M</td>
</tr>
<tr>
<td>2011</td>
<td>0 M</td>
</tr>
<tr>
<td>2012</td>
<td>0 M</td>
</tr>
</tbody>
</table>
## 2012 S-Factor Performance

- **All indicators well within rewards* range and better than previous years**

*ERC-imposed Performance Band

### S-FACTOR INDICATOR

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SAIFI, Forced and PAI</strong>&lt;br&gt;(Times)</td>
<td>7.66</td>
<td>7.28</td>
<td>6.52</td>
<td>4.80</td>
<td>3.90</td>
<td>BEST RECORD</td>
</tr>
<tr>
<td><strong>CAIDI, Forced and PAI</strong>&lt;br&gt;(Times)</td>
<td>153.74</td>
<td>144.61</td>
<td>141.27</td>
<td>116.67</td>
<td>103.30</td>
<td>BEST RECORD</td>
</tr>
<tr>
<td><strong>SAIDI, Pre-arranged</strong>&lt;br&gt;(Minutes)</td>
<td>122.77</td>
<td>144.60</td>
<td>93.81</td>
<td>80.05</td>
<td>76.15</td>
<td>BEST RECORD</td>
</tr>
<tr>
<td><strong>Probability of Voltage Violations</strong>&lt;br&gt;(% not falling w/in limits)</td>
<td>0.88</td>
<td>0.75</td>
<td>0.50</td>
<td>0.23</td>
<td>0.04</td>
<td>BEST RECORD</td>
</tr>
<tr>
<td><strong>Average Time to Process Applications</strong>&lt;br&gt;(Days)</td>
<td>11.42</td>
<td>8.18</td>
<td>5.94</td>
<td>5.34</td>
<td>4.60</td>
<td>BEST RECORD</td>
</tr>
<tr>
<td><strong>Average Time to Connect</strong>&lt;br&gt;(Days)</td>
<td>4.25</td>
<td>3.42</td>
<td>3.38</td>
<td>3.06</td>
<td>2.12</td>
<td>BEST RECORD</td>
</tr>
<tr>
<td><strong>Call Center Performance</strong>&lt;br&gt;(Seconds)</td>
<td>16.93</td>
<td>25.79</td>
<td>24.55</td>
<td>16.99</td>
<td>13.17**</td>
<td>BEST RECORD</td>
</tr>
<tr>
<td><strong>System Loss</strong>&lt;br&gt;(%) - 12MMA</td>
<td>9.28</td>
<td>8.61</td>
<td>7.94</td>
<td>7.35</td>
<td>7.04</td>
<td>BEST RECORD</td>
</tr>
</tbody>
</table>

*Including the effects of Habagat; 7.12% if effects of Habagat are excluded

**NEW RECORDS**

**YE 2012 Results Briefing 14**
### Regulatory Year 2013 Guaranteed Service Level Performance: July – December 2012

- **GSL 1 (Number of Customers)**: Customer experiencing a cumulative duration of sustained service interruptions in a Regulatory Year that exceeds the threshold
- **GSL 2 (Number of Customers)**: Customer experiencing a total number of sustained interruption in a Regulatory Year that exceeds the threshold
- **GSL 3 (Number of Incidents)**: Restoration of supply to a customer after a fault on the secondary distribution network taking longer that the threshold time
- **GSL 4 (Number of Days)**: Connection not provided on the day agreed with the customer

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>GSL 1 (Number of Customers)</td>
<td>71,392</td>
<td>27,808</td>
<td>12,295</td>
<td>INDICATIVE SAVINGS</td>
</tr>
<tr>
<td>GSL 2 (Number of Customers)</td>
<td>32</td>
<td>117</td>
<td>0</td>
<td>INDICATIVE SAVINGS</td>
</tr>
<tr>
<td>GSL 3 (Number of Incidents)</td>
<td>64,929</td>
<td>28,582</td>
<td>10,676</td>
<td>INDICATIVE SAVINGS</td>
</tr>
<tr>
<td>GSL 4 (Number of Days)</td>
<td>61,571</td>
<td>52,146</td>
<td>14,491</td>
<td>INDICATIVE SAVINGS</td>
</tr>
</tbody>
</table>

*All Guaranteed Service Level performances are well within set limits*

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*Regulatory Year*
Events of Interest/ Business Updates
Increase in Substation Capacity

- 945 MVA

Increase in Circuit Length

- 485 km

12 Major Projects
- Complete conversion of Botocan 13D
- Installation of Malabon Substation (Bank 3)
- Installation of Back-up PXF at CIP2 Substation
- Installation of Bacoor Substation (Bank 2)
- Expansion of LIIP Substation (Bank 3)
- Cutting-in of CIP2 115 kV Line
- Flex Improvement of Sta. Maria 42YU and 43YU
- Unloading of LIIP 423VM
- Replacement of Botocan Bank 1
- Partial conversion of Pasay 19U
- Conversion of CBP1A 415RF & 425RF OH to UG
- Construction of Zapote-Legazpi-Kamagong 115 kV Lines
- Replacement of Malibay PXF Bank 2

18 Residual Projects
- NGCP-CND 2nd 100MVA Bank
- Part Conv of Pasay 17U
- Construction of Nestle 69 kV Line
- Unloading of TMC 37XW phase 4
- Complete Conversion of Pasay 26U
- Partial Conversion of Pasay 19U
- Unloading of Carmelray 410WQ
- Development of Saog Substation
- Development of CPIP Substation
- Development of Saog Substation
- Complete Conversion of Pasay 26U
- Partial Conversion of San Juan 17VF
- Partial Conversion of San Juan 19VF
- Unloading of FPIP 416WW
- Replacement of Rockwell PXF Bank 2
- Repair of Kamagong PXF Bank 2
- Unloading of TMC 37XW phase 4
- Conversion of Pasay 26U
- Partial Conversion of San Juan 19VF
- Unloading of FPIP 416WW
- Replacement of TMC 37XW phase 4
- Completion of Pasay 26U
- Partial Conversion of San Juan 19VF
- Unloading of FPIP 416WW

2 Major Maintenance Projects
- Replacement of Rockwell PXF Bank 2
- Replacement of Teresa PXF Bank 1
- Flex Improvement of Sta. Maria 42YU and 43YU

Development of
- Bacoor Substation (Bank 2)
- LIIP Substation (Bank 3)
- Malabon Substation (Bank 3)
- CIP2 Substation
- Saog Substation
- CPIP Substation
- Sta. Maria 42YU and 43YU
- Nestle 69 kV Line
- Zapote-Legazpi-Kamagong 115 kV Lines
- CND-San Miguel 69 kV Lines
- Carmelray 410WQ
- Rockwell PXF Bank 2
- Teresa PXF Bank 1
- Malibay PXF Bank 2
- Nestle 69 kV Line
- San Miguel 325 YN
- San Juan 17VF
- San Juan 19VF
- FPIP 416WW
- TMC 37XW phase 4
- CBP1A 415RF & 425RF OH to UG
- Tiaong 11WE phase 1
- FPIP 416WW
- TMC 37XW phase 4
- CBP1A 415RF & 425RF OH to UG
- Tiaong 11WE phase 1
- FPIP 416WW
- TMC 37XW phase 4
- CBP1A 415RF & 425RF OH to UG
- Tiaong 11WE phase 1
- FPIP 416WW
- TMC 37XW phase 4
- CBP1A 415RF & 425RF OH to UG
- Tiaong 11WE phase 1
- FPIP 416WW
Meralco recognized as 2012 Top Employer Organization during Asia CEO Awards

- Asia CEO Awards recognizes outstanding leadership achievements of individuals and organizations currently operating in the Philippines and in the region.
- November 8, 2012, Newport Performing Arts Theatre

Meralco bags 30 Quill Awards in 2012 Philippine Quill Awards organized by IABC*

- Includes 17 awards of excellence and merit, finalist in 12 categories
- First runner-up in the Company of the Year race.
- Quill Awards recognizes excellence in external communication, strategic processes, organizational communication, social responsibility, digital communication, writing, marketing communication, among others.
- November 12, 2012, Crowne Plaza

Meralco was also chosen as finalist in the KPMG – Executive Leadership Team and the Technology Leadership Team of the Year categories

In 2011, Meralco received 13 awards in a breakthrough performance as one of the country’s best corporate communicators.

*International Association of Business Communicators
Events of Interest/Business Updates

Customer Engagement & Communication Programs/Initiatives

- Facilitated a talk on SME Partners, TOU, and Self-gen recovery program
- In partnership with Department of Trade and Industry (DTI), Go Negosyo and the Intellectual Property Office
- Oct 25, 2012, One Tagaytay Place
- 250 attendees

SEIPI 110th General Membership Meeting
SME Caravan
SME Programs in Radyo NEGOSYO
Maliwanag ang Pasko
Chinoy TV Placement
2nd FPI’s Philippine Manufacturers Summit
IIEE’s 37th Annual National Convention
Managing Enterprising Families
ANC’s Shoptalk
YE 2012 Results Briefing
Smart Grid Roadmap
• Inter-Agency Technical Working Group
• Session with the Department of Energy (DoE)
• Recommended creation of Inter-Agency Technical Working Group with DoE as lead;
• Aim is to have a unified vision and country-level roadmap with clear criteria for implementation.
• Recommended next steps such as formalization of plan and charters (what, how and when), conduct of meetings with various advocacy groups.

Prepaid Retail Electricity Service (PRES) Update
• Technical pilot launch for 100 Meralco-employee customers at Angono & Taytay, Rizal

Timeline:
- Jan 21 Technical Pilot
- June 17 Commercial Pilot
- Dec 9 Commercial Launch

System Readiness:
- PEMS Basic: Not fully automated, manual handling of applications and account activation
- Fully Automated, Fully Integrated Prepaid System (AMI-IS) Jun 15, 2013 onwards
Financial Performance

Net Income: Solid Financial Results

EBITDA: Sustained Strong Performance

Revenues: Driven by Volume Growth Across Customer Segments and Relentless Customer-centricity

Purchased Power: Competitively-priced Reflecting Efficient Energy Sourcing

OPEX: Stringent Cost Policies and Disciplined Spending

Financial Position: In Pursuit of our Defined Growth and Profitability Platform

Debt profile: Refinanced at More Favorable Terms with Significant Leverage Opportunities

CAPEX: Prudent, Well-planned Investments

Cash Flow: Supporting the Overall Business

Dividends: Reflecting Record Earnings for the 4th Consecutive Year
## Financial Highlights

(Amounts In Million Pesos, Except Per Share Data and Margin)

<table>
<thead>
<tr>
<th></th>
<th>Years Ended December 31</th>
<th>% Increase/ (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td>Gross Revenues</td>
<td>285,270</td>
<td>256,808</td>
</tr>
<tr>
<td>Electric</td>
<td>282,991</td>
<td>253,989</td>
</tr>
<tr>
<td>Non-electric</td>
<td>2,279</td>
<td>2,819</td>
</tr>
<tr>
<td>Costs and Expenses</td>
<td>262,613</td>
<td>238,109</td>
</tr>
<tr>
<td>Purchased power</td>
<td>232,068</td>
<td>205,674</td>
</tr>
<tr>
<td>Operations and maintenance expenses</td>
<td>18,833</td>
<td>19,072</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>5,576</td>
<td>5,504</td>
</tr>
<tr>
<td>Others</td>
<td>6,136</td>
<td>7,859</td>
</tr>
<tr>
<td>EBITDA</td>
<td>27,546</td>
<td>24,602</td>
</tr>
<tr>
<td>Core EBITDA</td>
<td>26,846</td>
<td>26,824</td>
</tr>
<tr>
<td>Income from Continuing Operations</td>
<td>16,960</td>
<td>12,760</td>
</tr>
<tr>
<td>Income from Discontinued Operations – net of income tax</td>
<td>198</td>
<td>966</td>
</tr>
<tr>
<td>Reported Net Income</td>
<td>17,016</td>
<td>13,227</td>
</tr>
<tr>
<td>Core Net Income</td>
<td>16,265</td>
<td>14,887</td>
</tr>
<tr>
<td>EBITDA Margin</td>
<td>9.6%</td>
<td>9.4%</td>
</tr>
<tr>
<td>Core EBITDA Margin</td>
<td>9.4%</td>
<td>10.2%</td>
</tr>
<tr>
<td>Reported Earnings per share</td>
<td>15.097</td>
<td>11.735</td>
</tr>
<tr>
<td>Core Earnings per share</td>
<td>14.431</td>
<td>13.207</td>
</tr>
</tbody>
</table>

*Margin on Gross Revenues, inclusive of pass-through charges*
Net Income: Solid Financial Results

Net Income levels sustained growth in the last 5 years

- Core Net Income at P16.3B, up 9% vs. 2011
- Reported Net Income at P17.0B up 29% vs. 2011

10-year CAGR
Core: 32.8%
Reported: 32.8%
Net Income: Solid Financial Results

Net Income levels sustained growth for the last 5 years since 2008
• Core Net Income at 16.3B, up 9.3% vs. 2011
• Reported Net Income at P17.0B up 28.7% vs. 2011

Core Income Details

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>14,887</td>
<td>2,413</td>
<td>(1,135)</td>
<td>(426)</td>
<td>1,611</td>
<td>(976)</td>
<td>(339)</td>
<td>230</td>
<td>16,265</td>
</tr>
</tbody>
</table>

*Local Franchise Tax
EBITDA: Sustained Strong Performance

Revenue growth, contained operating expenses and the delayed recovery of LFT drove EBITDA level increases:

- 2012 EBITDA at P27.5B, up by 12% vs. 2011
- EBITDA includes LFT Recovery of P1.6B for taxes paid between 1993 – 2004
- 2012 Core EBITDA at P26.8B remained flat compared with 2011
Revenues: Driven by Volume Growth Across Customer Segments and Relentless Customer-Centricity

- Consolidated Revenues up 11% to P285.3B;
- Electric Revenues also up by 11% at P283.0B

- Higher purchased power cost resulted in higher revenues from generation, offset by lower transmission charge and electricity rates
- Revenues from generation account for 64% of total revenues
- Distribution revenues account for 18% of total revenues

**YE 2012 Results Briefing 27**
Distribution revenues at P50.9B, up 5% vs. 2011 despite a lower average rate

- Increase primarily driven by higher volume sold
- Average distribution revenue of Meralco (Parent Company) at P1.56 per kWh from P1.59 in 2011
- Average distribution revenue of CEDC at P0.86/kWh vs. P0.70/kWh in 2011

Revenues: Driven by Volume Growth Across Customer Segments and Relentless Customer-Centricity
Purchased Power Costs: Competitively-priced Reflecting Efficient Energy Sourcing

- Total purchased power in 2012 at 35,176 GWh, up 6% vs. 33,081 GWh in 2011
- Average cost per kWh in 2012 at P6.60 vs. P6.22 in 2011
- WESM price for 2012 peaked at P20.73 per kWh in July
OPEX: Stringent Cost Policies and Disciplined Spending

Well managed **OPEX** supports revenue and income growth

- 2012 operating and maintenance expenses at P18.8B, 1% lower than 2011

  - Labor and contracted services amounted P14.5B representing 77% of total
  - Provision for doubtful accounts decreased by 63% from P2.2B in 2011 to P832M in 2012

- Depreciation increased by 5% to PhP5.3B in 2012 due to completed **CAPEX** projects during the year

---

### Operating and Maintenance Costs

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (M PHP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>19,072</td>
</tr>
<tr>
<td>2012</td>
<td>18,833</td>
</tr>
</tbody>
</table>

### Depreciation and Amortization

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (M PHP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>5,504</td>
</tr>
<tr>
<td>2012</td>
<td>5,576</td>
</tr>
</tbody>
</table>
## Financial Position: In pursuit of our Defined Goals and Profitability Platform

### (Amounts in Million Pesos)

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
<th>% Increase / (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash</strong></td>
<td>60,500</td>
<td>44,141</td>
<td>37%</td>
</tr>
<tr>
<td><strong>Receivables</strong></td>
<td>28,077</td>
<td>29,108</td>
<td>(4%)</td>
</tr>
<tr>
<td><strong>Other current assets</strong></td>
<td>3,666</td>
<td>4,175</td>
<td>(12%)</td>
</tr>
<tr>
<td><strong>Property, Plant &amp; Equipment</strong></td>
<td>109,312</td>
<td>105,510</td>
<td>4%</td>
</tr>
<tr>
<td><strong>Investments</strong></td>
<td>3,449</td>
<td>2,486</td>
<td>39%</td>
</tr>
<tr>
<td><strong>Other non-current assets</strong></td>
<td>11,910</td>
<td>6,619</td>
<td>80%</td>
</tr>
<tr>
<td><strong>Assets of discontinued operations</strong></td>
<td>-</td>
<td>18,349</td>
<td>(100%)</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>216,914</td>
<td>210,388</td>
<td>3%</td>
</tr>
<tr>
<td><strong>Interest-bearing loans</strong></td>
<td>24,613</td>
<td>24,443</td>
<td>1%</td>
</tr>
<tr>
<td><strong>Customer deposits</strong></td>
<td>23,313</td>
<td>24,080</td>
<td>(3%)</td>
</tr>
<tr>
<td><strong>Other non-current liabilities</strong></td>
<td>46,049</td>
<td>35,836</td>
<td>28%</td>
</tr>
<tr>
<td><strong>Trade and other payables</strong></td>
<td>49,085</td>
<td>42,165</td>
<td>16%</td>
</tr>
<tr>
<td><strong>Customers’ refund - current</strong></td>
<td>6,127</td>
<td>6,250</td>
<td>(2%)</td>
</tr>
<tr>
<td><strong>Liabilities of discontinued operations</strong></td>
<td>-</td>
<td>9,113</td>
<td>(100%)</td>
</tr>
<tr>
<td><strong>Equity attributable to equity holders of parent</strong></td>
<td>67,479</td>
<td>63,788</td>
<td>6%</td>
</tr>
<tr>
<td><strong>Non-controlling interests</strong></td>
<td>248</td>
<td>4,713</td>
<td>(95%)</td>
</tr>
<tr>
<td><strong>Total Liabilities &amp; Equity</strong></td>
<td>216,914</td>
<td>210,388</td>
<td>3%</td>
</tr>
</tbody>
</table>
Debt Profile: Refinanced at More Favorable Terms with Significant Leverage Opportunities

Meralco’s debt repayment schedule comfortably spread through 2022

- Consolidated debt balance at the end of 2012 at P24.6B
- Average interest rate at 5.7% in 2012
- Debt to EBITDA at 0.89x

(In Million Pesos)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>20,547</td>
<td>19,781</td>
<td>19,592</td>
<td>14,748</td>
<td>12,694</td>
<td>9,710</td>
<td>8,691</td>
<td>5,935</td>
<td>1,820</td>
<td>-</td>
</tr>
</tbody>
</table>
2012 CAPEX improves system efficiency and reliability

- 2012 CAPEX at P10.3B, 18% higher than 2011
- These CAPEX investments relate to:
  - Expansion of sub-transmission and distribution lines
  - Improvement of sub-transmission system and backbone for flexibility and reliability
  - Reinforcement of power quality and reliability of distribution system
Cash Flows: Supporting the Overall Business

Free Cash at the end of 2012 amounted to P25.3B, 8% higher vs. 2011

<table>
<thead>
<tr>
<th>(Amounts in Million Pesos)</th>
<th>Years Ended December 31</th>
<th>Inc / (Dec)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating income before working capital changes</td>
<td>37,940</td>
<td>35,878</td>
</tr>
<tr>
<td>Net change in working capital</td>
<td>3,785</td>
<td>1,365</td>
</tr>
<tr>
<td>Income tax paid</td>
<td>(7,226)</td>
<td>(5,309)</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>34,499</td>
<td>31,934</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(6,634)</td>
<td>(6,816)</td>
</tr>
<tr>
<td>Net cash used in financing activities</td>
<td>(11,506)</td>
<td>(4,578)</td>
</tr>
<tr>
<td>Net cash flows from discontinued operations</td>
<td>-</td>
<td>(769)</td>
</tr>
<tr>
<td>Net increase (decrease) in cash and cash equivalents</td>
<td>16,359</td>
<td>19,771</td>
</tr>
<tr>
<td>Cash balance at beginning of year</td>
<td>44,141</td>
<td>24,370</td>
</tr>
<tr>
<td>Cash balance at end of year</td>
<td>60,500</td>
<td>44,141</td>
</tr>
</tbody>
</table>

- **Cash from operations amounted to P34.5B**
  - Includes additional cash from collection of approved LFT recoveries, including carrying charges. P358M out of the P2,301M approved for recovery, inclusive of carrying charges, has been collected to date
  - The Parent Company availed of a P3B long-term loan in January and a P1.7B short-term loan in December
  - Payments of long-term interest-bearing liabilities amounted to P4.9B
  - The ending cash balance also includes allotted funds amounting to P56.8B for meter and bill deposit refunds, redemption of preferred shares, customer's refunds as mandated by the Supreme Court of the Philippines, CAPEX and investments in power generation
Dividends: Reflecting Record Earnings for the 4th Consecutive Year

Consistently delivering on our dividend policy: Regular cash dividend of 50% of core net income with a “look-back approach”

- Today, the Board of Directors approved a P6.10 per share cash dividend to stockholders of record as at March 26, 2013, payable on April 24, 2013
- Dividend pay-out equivalent to 70% of 2012 Core Net Income
- 2012 Core and Reported Earnings per share at P14.431 and P15.097 respectively
- Dividend yield consistently above 3% since 2010

<table>
<thead>
<tr>
<th>Year</th>
<th>Dividend Yield</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>0.00%</td>
</tr>
<tr>
<td>2004</td>
<td>0.00%</td>
</tr>
<tr>
<td>2005</td>
<td>0.00%</td>
</tr>
<tr>
<td>2006</td>
<td>1.84%</td>
</tr>
<tr>
<td>2007</td>
<td>0.00%</td>
</tr>
<tr>
<td>2008</td>
<td>1.68%</td>
</tr>
<tr>
<td>2009</td>
<td>1.22%</td>
</tr>
<tr>
<td>2010</td>
<td>3.05%</td>
</tr>
<tr>
<td>2011</td>
<td>3.16%</td>
</tr>
<tr>
<td>2012</td>
<td>3.11%</td>
</tr>
</tbody>
</table>
REGULATORY UPDATES

As at and For the Year Ended December 31, 2012
Highlights of Regulatory Developments

- Retail Competition and Open Access (RCOA)
- Regulatory approval:
  - New Power Supply Agreements (PSAs)
  - Updated Peak/Off-Peak (POP) Rates
ERC promulgates Transitory Rules for RCOA: 17 Dec 2012

• Transitory Rules allow qualified contestable customers to stay with the regulated retail supply...

Section 4. General Provisions

From June 26, 2013 to December 25, 2013, Contestable Customers who are not able to contract with a RES shall continue to be served by the DU. However, such CCs shall show that they have exhausted all means in securing an RSC with a RES to the ERC.

• ... including all government accounts

All government entities qualified as Contestable Customers in Luzon and Visayas may continue to be supplied by the DUs or their current suppliers until such time that the Government Policy Procurement Board shall have issued the necessary guidelines for their procurement of supply of electricity.
Preparatory Period

Transition Period
December 26, 2012 to June 25, 2013

Initial Commercial Operations
June 26 to December 25, 2013

- December 26, 2012
  RCOA Commencement

- January 2013
  DoE Releases Retail Rules

- February 2013
  DoE Releases draft market manuals

- March to May 2013
  TRIAL OPERATIONS with Mock Settlement

- June 26, 2013
  RCOA Initial Commercial Operations - Voluntary Contestability

- December 26, 2013
  Start of Full Commercial Operations - Mandatory Contestability

- November 2012
  ERC Releases Transitory Rules

- November 2012
  DoE Release new Circular

- November 2012
  DoE Releases new Circular

System preparations (B2B, retail settlement)

Voluntary Contestability
Regulatory Approval: New Power Supply Agreements

- Cheaper PSA rates = Gen Charge reduction of P0.55/kWh for Feb 2013

<table>
<thead>
<tr>
<th>GENERATING COMPANY</th>
<th>CONTRACTED CAPACITY</th>
<th>FUEL</th>
<th>TERM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Therma Luzon Inc. (TLI)</td>
<td>350 MW</td>
<td>Coal</td>
<td>7 years, extendible upon agreement of parties</td>
</tr>
<tr>
<td>San Miguel Energy Corporation (SMEC)*</td>
<td>200-500 MW</td>
<td>Coal</td>
<td></td>
</tr>
<tr>
<td>Masinloc Power Partners Co. Ltd. (MPPCL)</td>
<td>330-430 MW</td>
<td>Coal</td>
<td>7 years, extendible for another 3 years</td>
</tr>
<tr>
<td>SEM-Calaca Power Corp. (SCPC)*</td>
<td>210-420 MW</td>
<td>Coal</td>
<td></td>
</tr>
<tr>
<td>South Premiere Power Corp. (SPPC)*</td>
<td>1,180 MW</td>
<td>Nat Gas</td>
<td></td>
</tr>
</tbody>
</table>

- ERC Decisions dated December 17, 2012. PSA’s were approved, with modification, in time for the December 26, 2012 implementation
Approval of updated Peak/Off-Peak (POP) rates

- In an Order dated 17 December 2012, ERC Provisionally Approved Meralco's POP Program using projected January to December 2013 supply mix costs.

<table>
<thead>
<tr>
<th>Particulars</th>
<th>January to June (PhP/kWh)</th>
<th>July to December (PhP/kWh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weekday (Monday to Saturday)</td>
<td>7.4854</td>
<td>7.2279</td>
</tr>
<tr>
<td>Peak Rate</td>
<td>7.4854</td>
<td>7.2279</td>
</tr>
<tr>
<td>Off-Peak Rate</td>
<td>3.5461</td>
<td>3.5461</td>
</tr>
<tr>
<td>Weekend (Sunday)</td>
<td>7.4854</td>
<td>7.2279</td>
</tr>
<tr>
<td>Peak Rate</td>
<td>7.4854</td>
<td>7.2279</td>
</tr>
<tr>
<td>Off-Peak Rate</td>
<td>3.5461</td>
<td>3.5461</td>
</tr>
</tbody>
</table>

- Using projected January to December 2013 supply mix costs.
- Peak period refers to 8:01 am to 9:00 pm from Mondays to Saturdays; from 6:01 pm to 8:00 pm (2 hours) during Sundays, while off-peak period refers to the remaining hours.
RP Energy Project Status

- Site Preparation: Work on slope failure at a certain section of the site will commence in March 2013. Otherwise, site preparation works are practically complete.

- EPC: EPC Contract negotiations with selected Bidder are almost complete.

- Transmission Line: RP Energy and National Grid Corporation of the Philippines (NGCP) have agreed to a transmission line interconnection arrangement involving the construction of a new transmission line from the RPE Site to the Hermosa Substation. Discussions on required agreements are underway.

- Subic Bay Metropolitan Authority (SBMA) Land Lease Agreement: Discussions with SBMA on an amended Lease Agreement are substantially complete.

- Environmental Compliance Certificate (ECC): An ECC Amendment for the 600-MW power plant was issued by the Environmental Management Bureau on 15 November 2012.

A portion of the Official Press Release reads as follows:

The Department of Environment and Natural Resources has issued an Environmental Compliance Certificate (ECC) allowing Redondo Peninsula Energy, Inc. to expand its environment-friendly and state-of-the-art Circulating-Fluidized-Bed thermal power plant at the Subic Bay Freeport Zone from 300-MW to 600-MW.

According to RP Energy President and MERALCO PowerGen Corporation General Manager Aaron Domingo, the ECC simply proves that RP Energy has studied all possibilities and solutions to ensure that the project adheres to all environmental laws and is benign to the surrounding ecology. He explained, “we have studied all angles and situations to ensure that there will be no negative impact. We are also employing state-of-the-art technology to guarantee efficiency and safety in the plant’s construction and operation.”
RP Energy Project Status

- Board of Investments (BOI) Certification: The BOI approved RP Energy’s application for incentives under the 2011 IPP list on 23 January 2013.

A portion of the Official Press Release reads as follows:

“The Board of Investments (BOI) has issued a Notice of Approval for Redondo Peninsula Energy’s (RP Energy) application for registration with the agency.

An approval gives RP Energy tax incentives under a non-pioneer status making it eligible for a four-year income tax holiday, duty-free importation of capital equipment and spare parts, simplification of customs procedures for imports and other incentives under Executive Order 226 or the Omnibus Investments Code of 1987.”

According to RP Energy president Aaron Domingo, “the notice of approval certifies that the project is viable, environment-friendly and will contribute to the economic growth of the country through the supply of competitively-priced power.”

- Financing: Extended term-sheet negotiations with 3 mandated lead arrangers are substantially complete. Lead arrangers are awaiting the decision of the Court of Appeals on the Motion for Reconsideration on the Writ of Kalikasan filed against the Project.
RP Energy Project Status

- Coal Supply: Negotiations with the preferred bidders have commenced.

- Writ of Kalikasan: The Court of Appeals denied the Writ of Kalikasan case filed against the Project. However, the Court deemed the Project’s original ECC issued by the DENR and the original Lease Agreement between RP Energy and SBMA subject of certain process deficiencies, rendering them invalid. RP Energy is filing a Motion for Reconsideration (MR). The Department of Environment and Natural Resources and SBMA have filed their respective MRs on February 19, 2013.
LNG Atimonan Project Status

- MERALCO PowerGen Corporation (MGen), in partnership with Chubu Electric of Japan working under a Joint Feasibility Study Agreement to investigate the construction of a Liquefied Natural Gas (LNG)-fired electricity generating plant along with the associated LNG storage and re-gasification facilities at Atimonan, Quezon.

- Technical and environmental site evaluation to determine the site’s suitability for the power plant and was completed in December 2012 and the indication is that the site is suitable for the purpose.

- The Grid Impact Study is being conducted by the NGCP to determine the optimal connection scheme for the project.

- The Environmental Impact Assessment of the project was completed and submitted to the EMB in December 2012. Issuance of ECC is pending.

- MGen continues to conduct the Information and Education Campaign to heighten awareness of the issues surrounding LNG-fueled generation of electricity.

- The project has an expected on line date of early 2018.
LNG Tabangao Project Status

- MGen has executed a joint study agreement with Shell to study the feasibility of locating a nominal 1,500MW power plant at the location of the Shell refinery in Batangas which would be fired on re-gasified LNG supplied by Shell from a floating storage and re-gas facility ("FSRU") that Shell are considering installing in Batangas.

- Technical and environmental site evaluation to determine the site’s suitability for the power plant and was commenced in October 2012 and expected to be complete in the second half of 2013.

- The Grid Impact Study will be conducted in the second quarter of 2013.

- The Environmental Impact Assessment of the project is under preparation and expected to be submitted to the Environmental Management Bureau in September 2013.

- MGen will conduct the Information and Education Campaign to heighten awareness of the issues surrounding LNG fueled generation of electricity.

- The project has an expected on line date of early 2019.
THANK YOU
Cautionary Statements

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