



2nd Quarter 2012 Investors' Briefing & Teleconference

30 July 2012

Pasig Room, Lopez Building, Pasig City

**Conference call numbers:
00-852-3001-3802 (Hong Kong)
63-2-858-3662 (Philippines)
Passcode: MERALCO**

MANILA ELECTRIC COMPANY





OPERATIONS REPORT

1H2012 Results

Mr. Oscar S. Reyes
President and Chief Executive Officer



Highlights



HIGHLIGHTS

Energy Sales & Customer Count



- **1H 2012 Energy Sales Up 9.7% vs. 1H 2011**
 - Consolidated sales of 16,215 GWh (1,434 GWh more than 2011)
 - Robust performance of major segments vs. 2011
 - Growth led by Industrial, up 14.6%
 - Consolidated Customer Count up 3.7% to 5.11 million
 - Total of 88,391 new customers from beginning of 2012

Energy Sources & Purchases

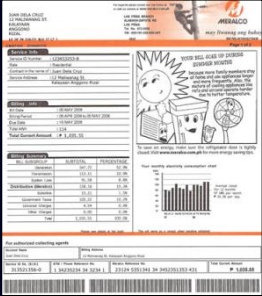


- **1H 2012 Net System Input Up 9.6% vs. 1H 2011**
 - Consolidated NSI of 17,626 GWh (1,541 GWh more than 2011)
 - Peak Demand at 5,633 MW, up 6.6% vs. 2011
 - NPC leading source of consolidated power supply at 49.6%, IPPs/SGC at 44.9% and WESM at 5.5%
 - IPPs/SGC remain as lowest cost source of supply
 - By type of fuel, Nat Gas accounts for 56.2%, Coal at 31.8% and balance of 12.0% are mixed fuel sources



HIGHLIGHTS

Customer Retail Rates



➤ 1H 2012 Ave. Rate up 62¢/kWh to P9.57/kWh vs. 1H 2011

- Generation, System Loss, Universal Charges and Taxes accounted for the increase (77¢/kWh)
- Mitigated largely by lower Distribution Charge (down 13¢/kWh)
- Generation Charge the largest component of customers' bill at 57.8%; Meralco share 15.7%; NGCP is 10.8%

Operational Performance



➤ Sustained outperformance vs. Regulatory Standards

- 12-MMA System Loss ended June 2012 at 7.35%, improved by 0.13% vs. 2011
- All S-Factor performance within rewards range
- GSL performance within allowed limits, resulting in savings due to improved service, efficiency and quality.



Biz Updates



➤ Events of Interest / Business Updates

Operations:

- Tight supply conditions in June
- Signing of new Power Supply Agreements
- Expansion of Bacoor Substation
- Commissioning of Saog, Bulacan Substation
- Meralco Managed Services
- Accredited Meralco Contractors (AMC)

Marketing, CSR, HR and Corp Governance:



- Bright Ideas
- “Understanding Your Bill” Communication Plan
- e-Vehicle Summit 2012
- Isla Verde School Electrification
- Power Camp Graduation & Power Academy Launching
- Meralco Corporate Wellness center now managed by CSMC
- Meralco’s governance efforts recognized
 - 2012 Best in Asia on Corporate Governance
 - “Silver” citation from ICD



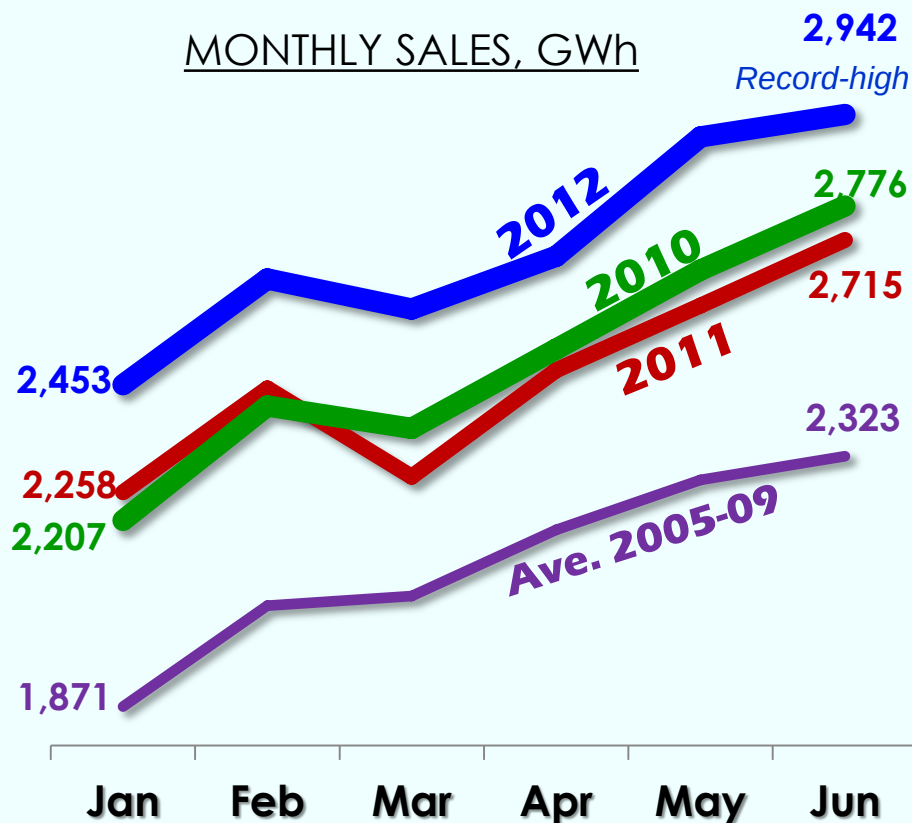
Details



Sustained growth on Sales

➤ June 2012 highest ever

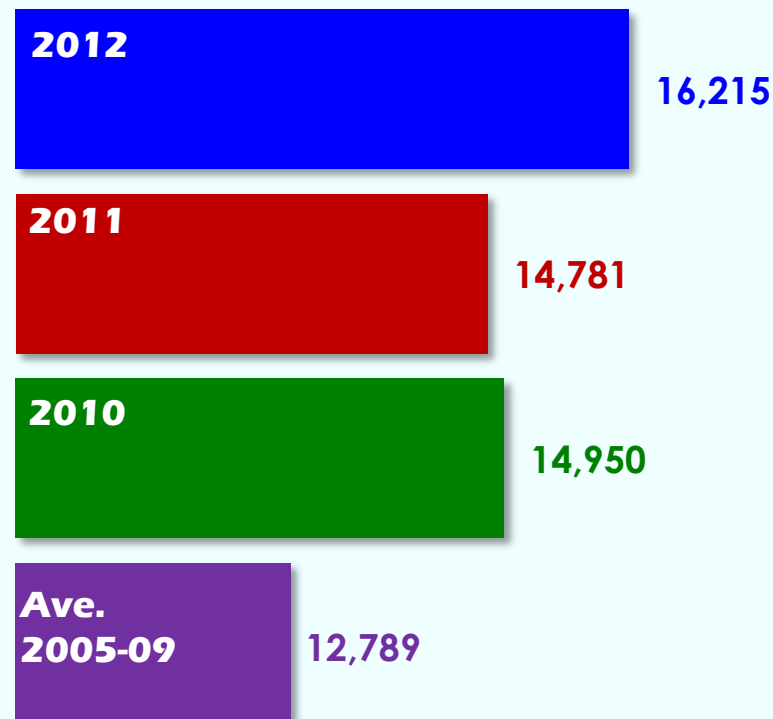
MONTHLY SALES, GWh



JUNE GROWTH COMPARISON

2012 vs. 2011	8.4%
2012 vs. 2010	6.0%
2012 vs. Ave. 2005-09	26.6%

JUNE YTD SALES, GWh



JUNE YTD GROWTH COMPARISON

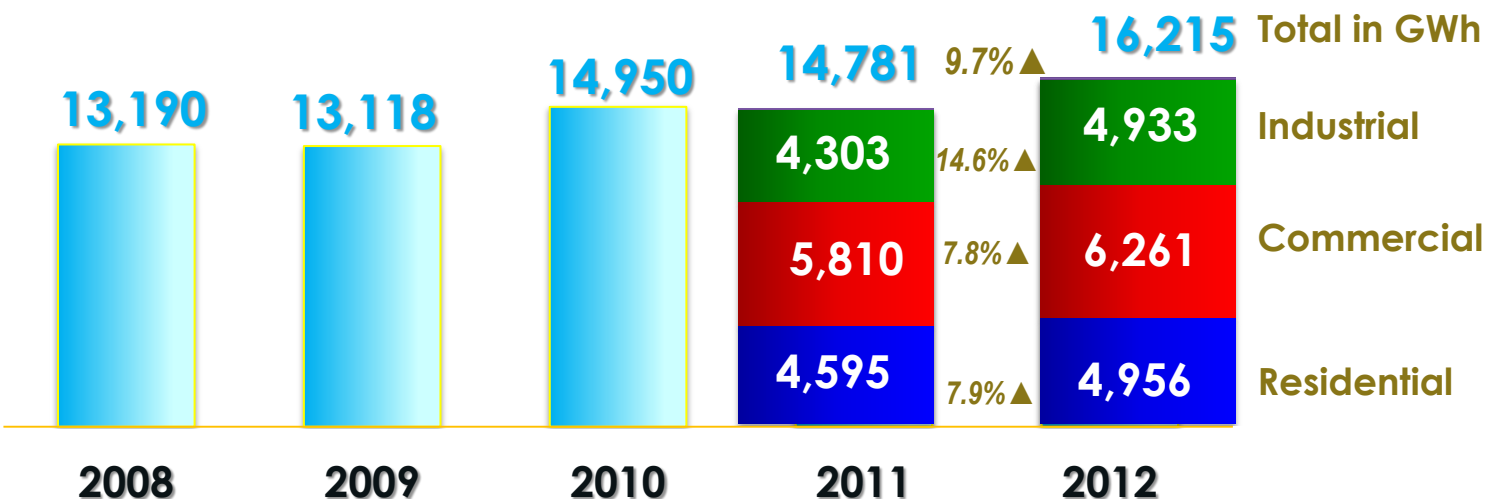
2012 vs. 2011	9.7%
2012 vs. 2010	8.5%
2012 vs. Ave. 2005-09	26.8%



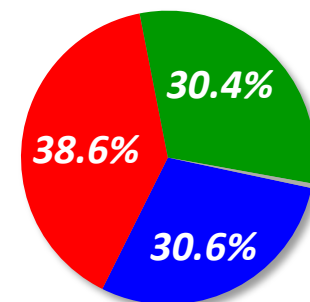
1H 2012 Energy Sales

- Consolidated sales up 9.7% vs. 2011 (1,434 GWh more sales than last year)
- Robust performance of major segments vs. 2011

Details:



Share of Sales:



Growth Drivers:

- **Electrical Machinery** (semicon)
- **Food & Beverage**
- **Basic Metals** (metal plates, strips, bars, rods, etc.)

- **Real Estate** (condominiums, BPO office space)
- **Private Services** (hotels, rest., private schools, gyms)
- **Transport, Storage and Communication**

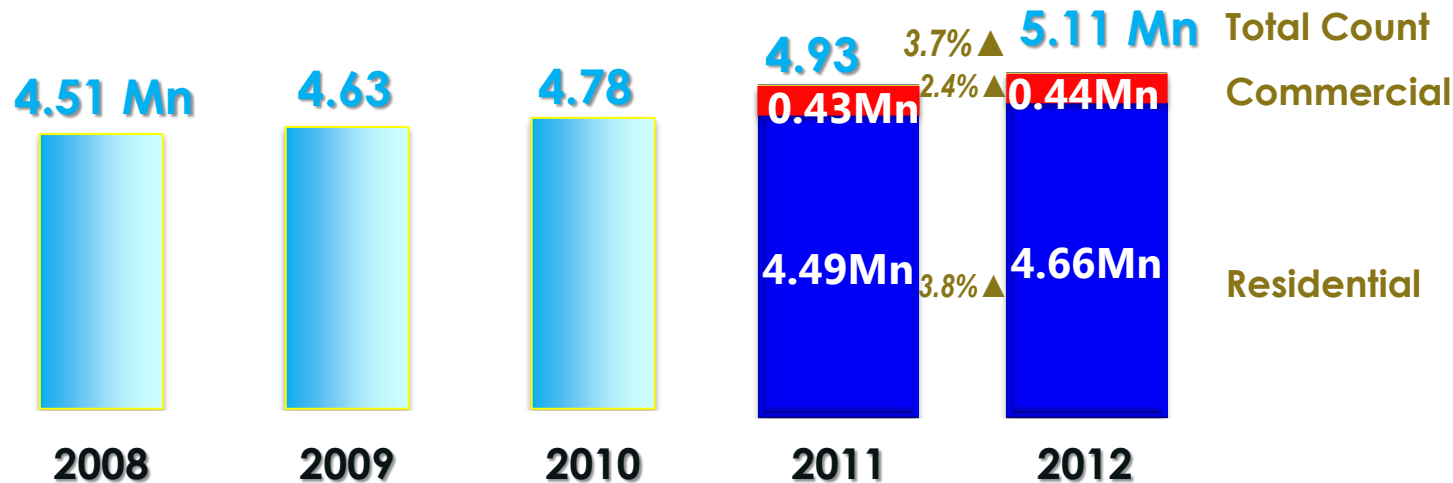
- **Ramp-up of newly-energized sales in 2011 & Slightly warmer temperature**
(1H 2012 ave. temp, 28 °C vs. 2011's 27.5°C)



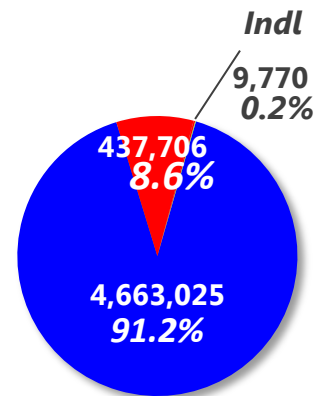
1H 2012 Customer Count

- Billed customer count up 3.7% vs. 2011 to 5.11 million customers
- - Total of 88,391 new customers* from beginning of 2012, majority Residential

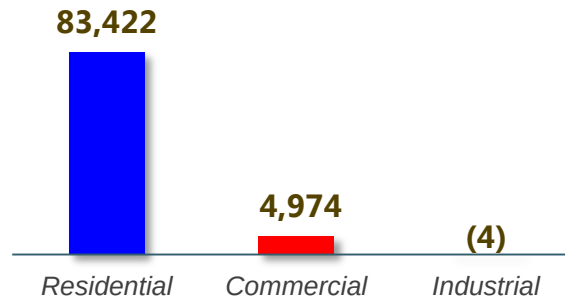
Details:



Share of Count:



New Customers:



88,391 new customers as of Jun 30, 2012
*net, additions less terminations

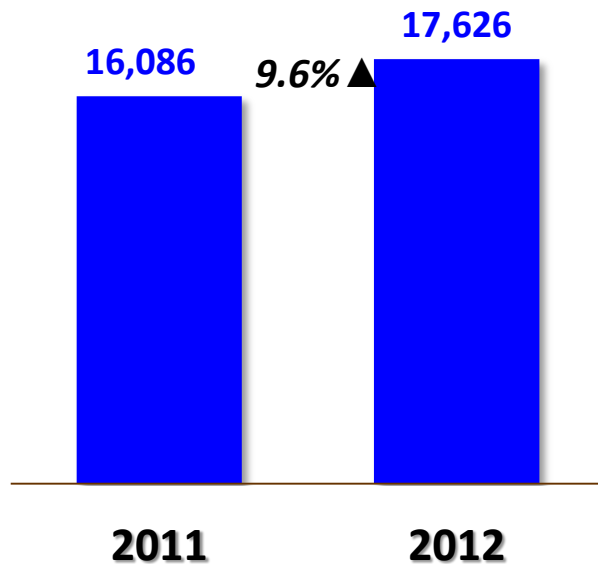
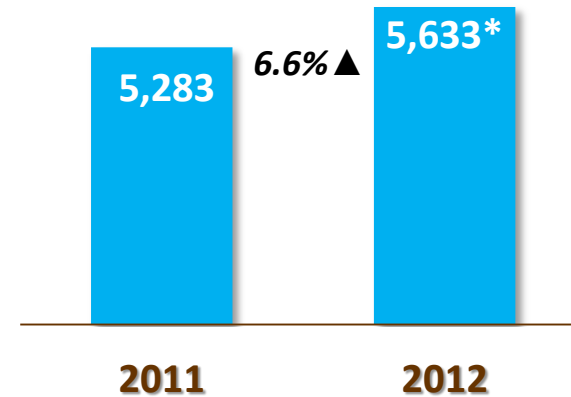


Net System Input (NSI) & Peak Demand

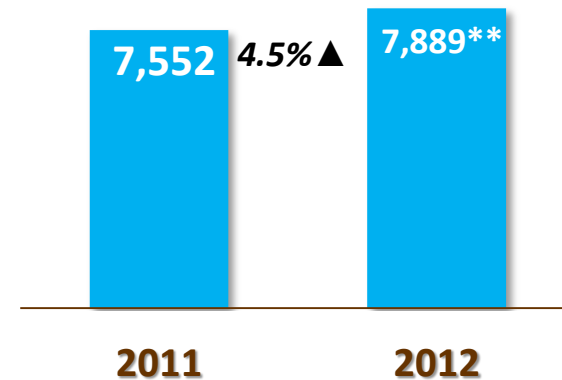
- 1H 2012 consolidated NSI of 17,626 GWh up 9.6% vs. 2011
- June YTD Peak demand up 6.6% vs. 2011 YTD Peak; also exceeded 2010 YTD peak

Meralco YTD Peak Demand, MW:

Net System Input, GWh:



Luzon YTD Peak Demand, MW:



*occurred May 10, 2012 as against May 18, 2011 peak;
surpasses May 26, 2010's 5,374 MW record (all-time high)

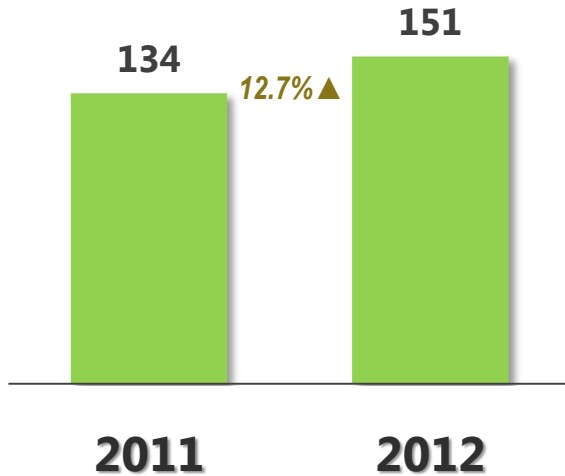
** occurred April 27, 2012



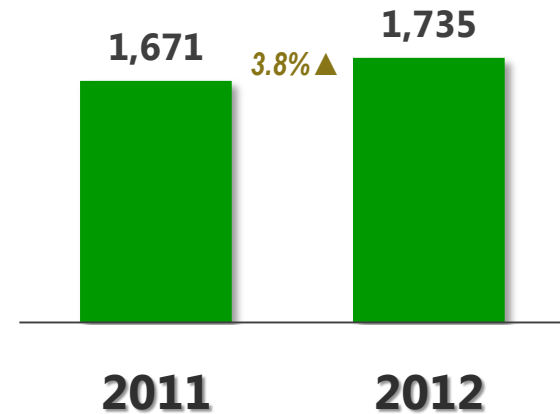
1H 2012 Clark Electric (CEDC) Sales, NSI and Customer Count

➤ Energy Sales, NSI and Customer Count sustained growth vs. 2011

Energy Sales, GWh



Customer Count



NSI, GWh



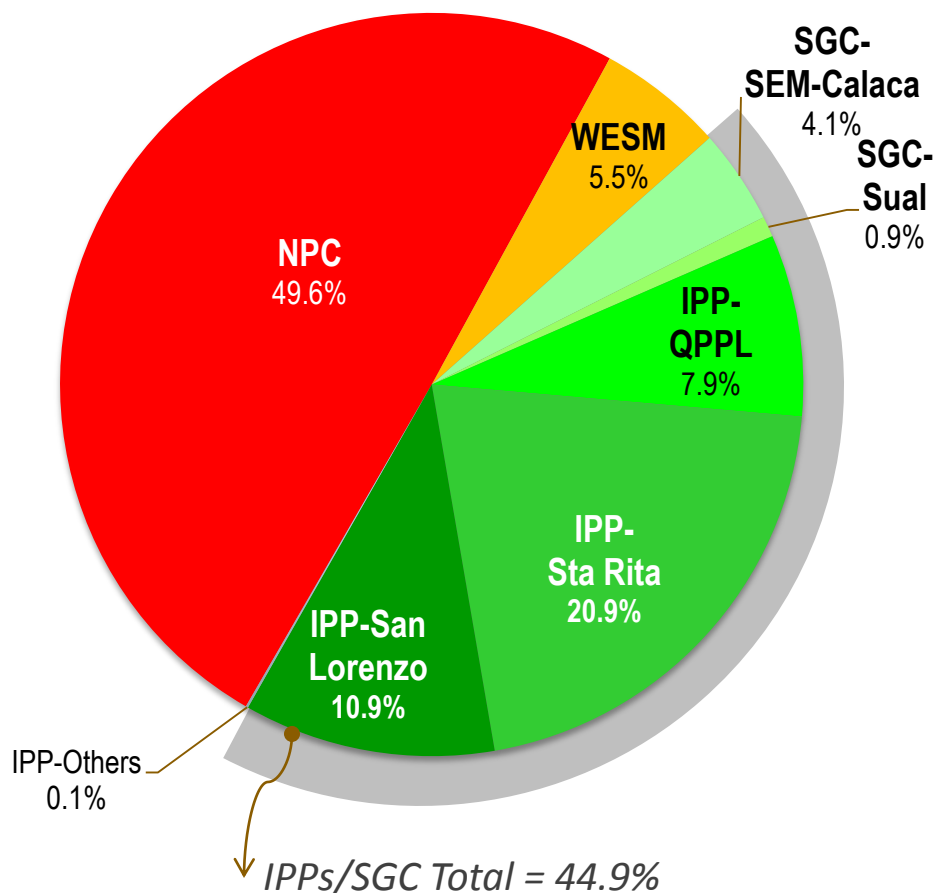
% Sales	% Count
49.2%	56.1%
49.0%	6.2%
1.4%	34.4%



1H 2012 Power Supply Mix, Volume

➤ WESM purchases below 6% due to higher NPC volume and IPPs/SGC

1H 2012 Purchases



SOURCE	GWh	Share
NPC*	8,746.3	49.6%
WESM	968.1	5.5%
IPPs/SGC Total	7,911.8	44.9%
Sta. Rita	3,685.2	20.9%
San Lorenzo	1,930.0	10.9%
QPPL	1,395.0	7.9%
SEM-Calaca	726.7	4.1%
Sual	157.2	0.9%
Others	17.6	0.1%
Total NSI	17,626.2	100%

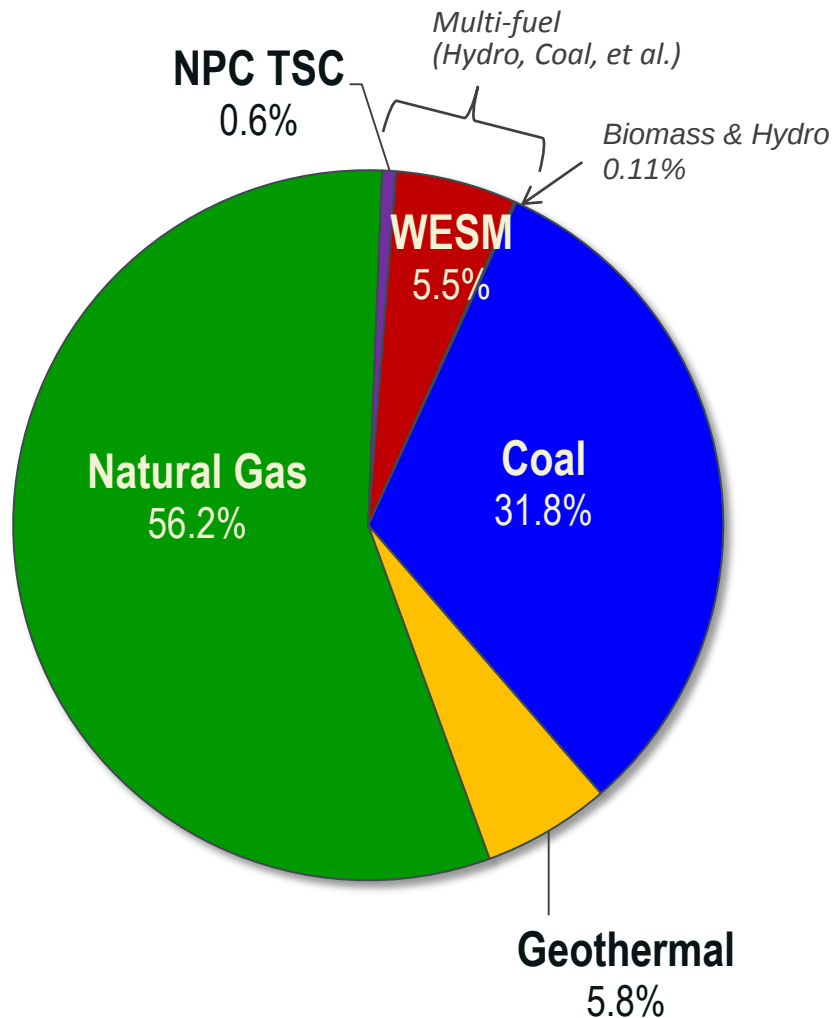
*Including Special Programs (Ecozone and CCP)



1H 2012 Power Plant Mix

➤ Majority of Meralco's purchased power used Natural Gas.

1H 2012 Purchases



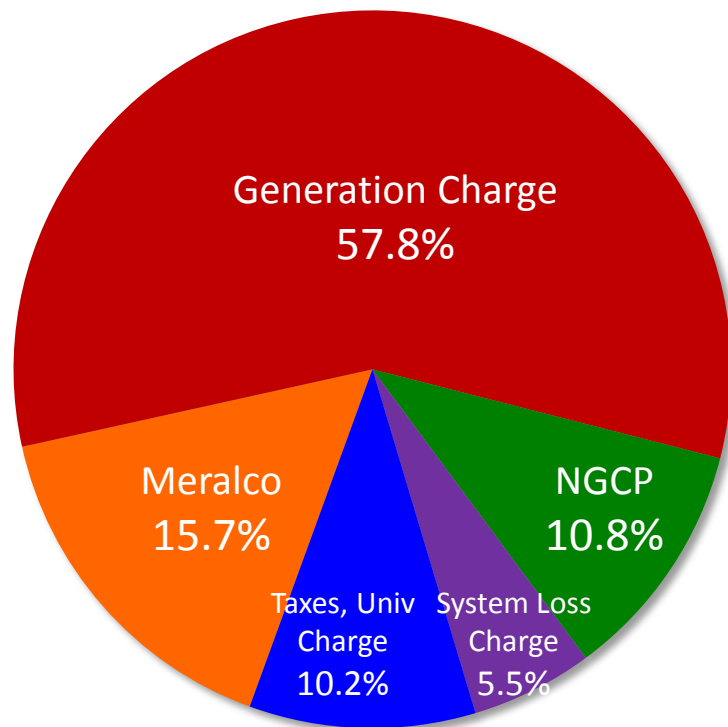
TYPE	GWh	Share
Natural Gas	9,902.5	56.7%
Coal	5,602.5	31.8%
Geothermal	1,024.8	5.8%
Biomass/Run-of-River Hydro	17.6	0.11%
NPC TSC (multi-fuel)	110.7	0.6%
WESM (multi-fuel)	968.1	5.5%
Total NSI	17,626.2	100.0%



1H 2012 Ave. Retail Rate up 62¢/kWh

- Generation Charge, System Loss & Taxes accounted for the increase (total 77¢/kWh)
- Mitigated largely, by lower Distribution Charge (down 13¢/kWh)
- Generation Charge the largest component in customer's bill at 57.8%
- Distribution Charge (Meralco) 16.0%; Transmission Charge (NGCP) 10.8%

1H 2012 Share per component

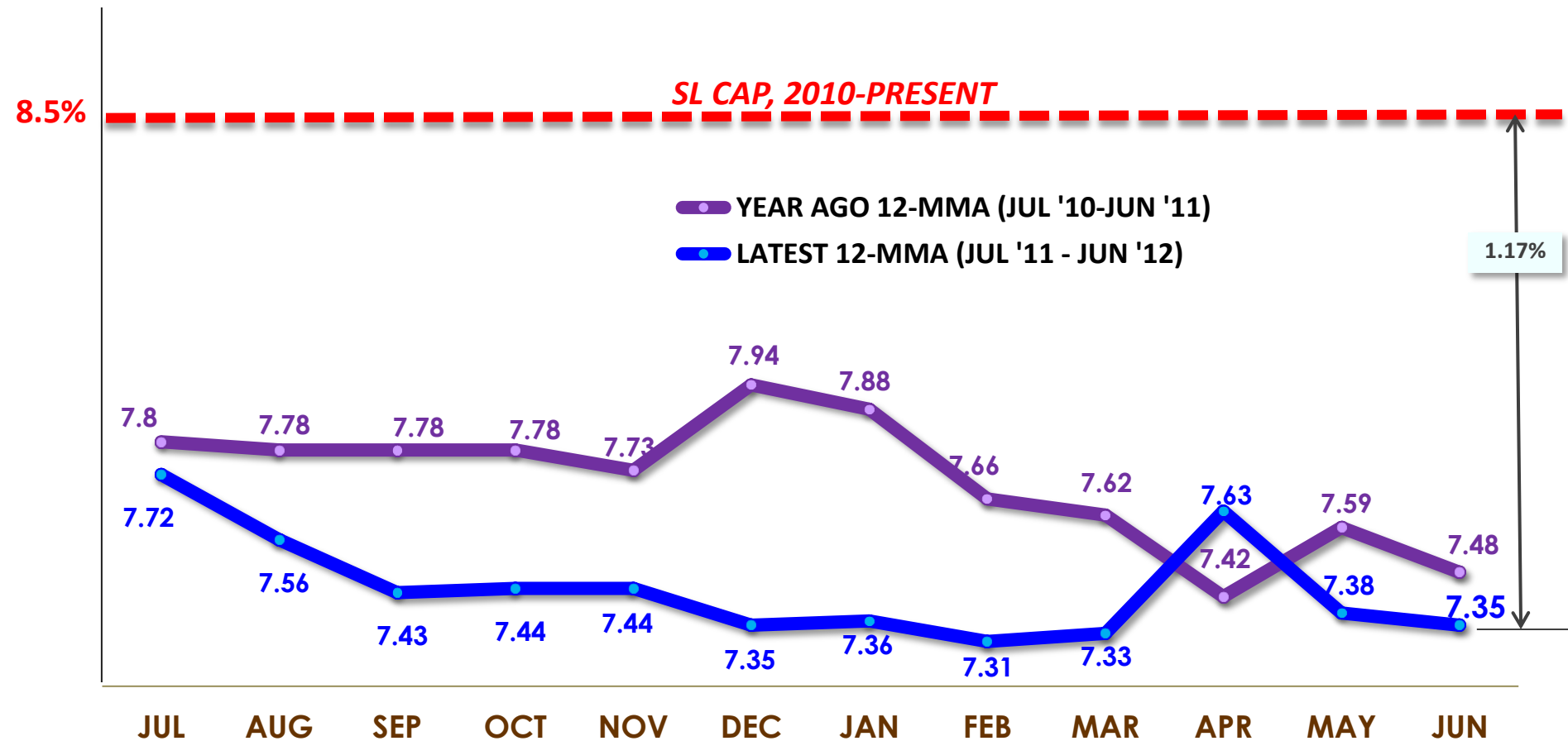


BILL COMPONENT	1H 2012 Overall Ave, P/kWh	1H 2011 Overall Ave, P/kWh	Inc/ (Dec)
Generation Charge	5.53	4.94	12%
Distribution Charge (MERALCO)	1.51	1.64	(8%)
Transmission Charge (NGCP)	1.03	1.05	(2%)
System Loss Charge	0.53	0.52	2%
Taxes, Univ Charge	0.97	0.81	20%
TOTAL	9.57	8.95	7%



System Loss Performance

- 12-MMA ending June 2012 at 7.35%
- Lower by 0.13% vs. June 2011's 7.48%



Official ERC-filed Meralco System Loss: excludes Clark Electric Distribution Corp. (CEDC) – 12MMA ending Jun 2012: 3.75%; June 2011: 3.99%



S-Factor Performance: 1H 2012 Summary

➤ All performances are within rewards* range

*ERC-imposed performance band



SAIFI, Forced and PAI (Times)**



Ave. Time to Process App. (Days)



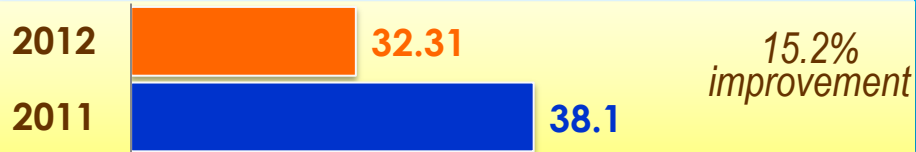
CAIDI, Forced and PAI (Minutes)**



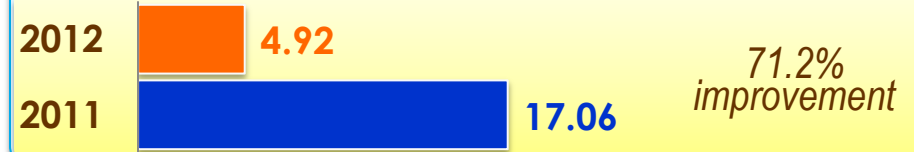
Ave. Time to Connect (Days)



SAIDI, Pre-arranged (Minutes)**



Call Center performance (Seconds)

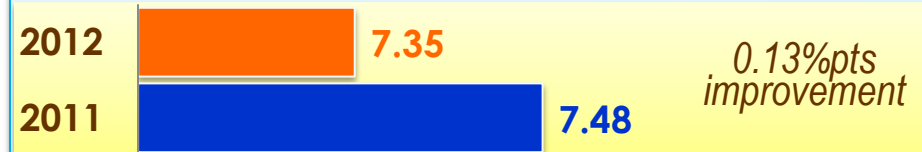


Prob. of Voltage Level

(% not falling within limits)



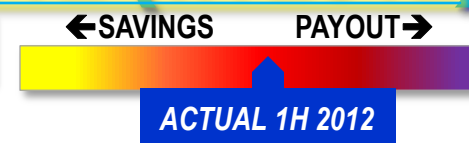
System Loss (%) -12MMA



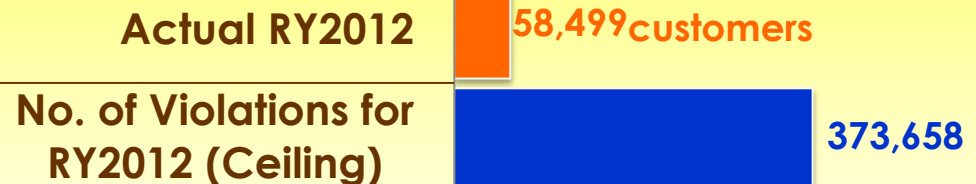
**SAIFI [System Average Interruption Frequency Index (Forced and Pre-Arranged)]; to replace IFR (Forced and Pre-arranged)
 CAIDI [Customer Average Interruption Duration Index (Forced and Pre-Arranged)]; to replace CIT (Forced)
 SAIDI [System Average Interruption Duration Index (Pre-Arranged)]; to replace CIT (Pre-arranged)

GSL Performance: Jul 2011-Jun 2012 (RY2012)

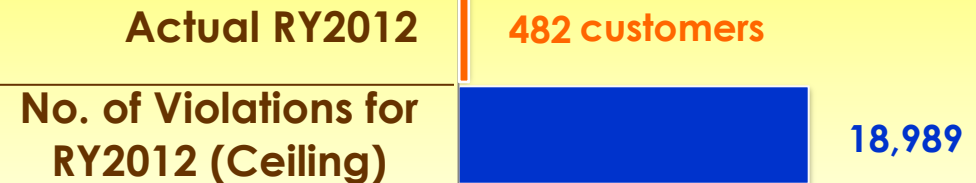
➤ All GSL performances are within set limits; with expected savings



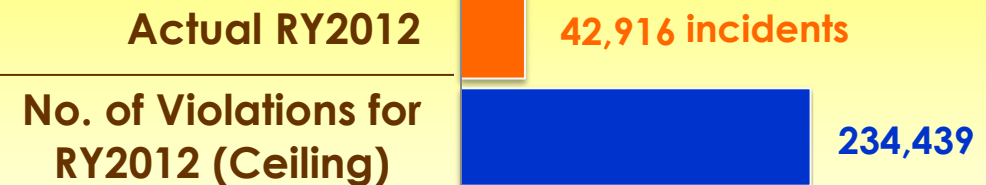
GSL1 : Customer experiencing a cumulative duration of sustained service interruptions in a Regulatory Year that exceeds the threshold



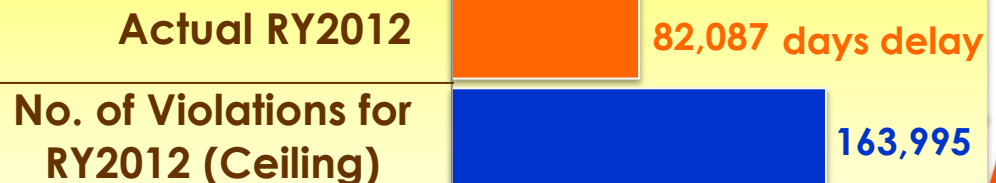
GSL2 : Customer experiencing a total number of sustained interruption in a Regulatory Year that exceeds the threshold



GSL3: Restoration of supply to a customer after a fault on the secondary distribution network taking longer that the threshold time



GSL4 : Connection not provided on the day agreed with the customer

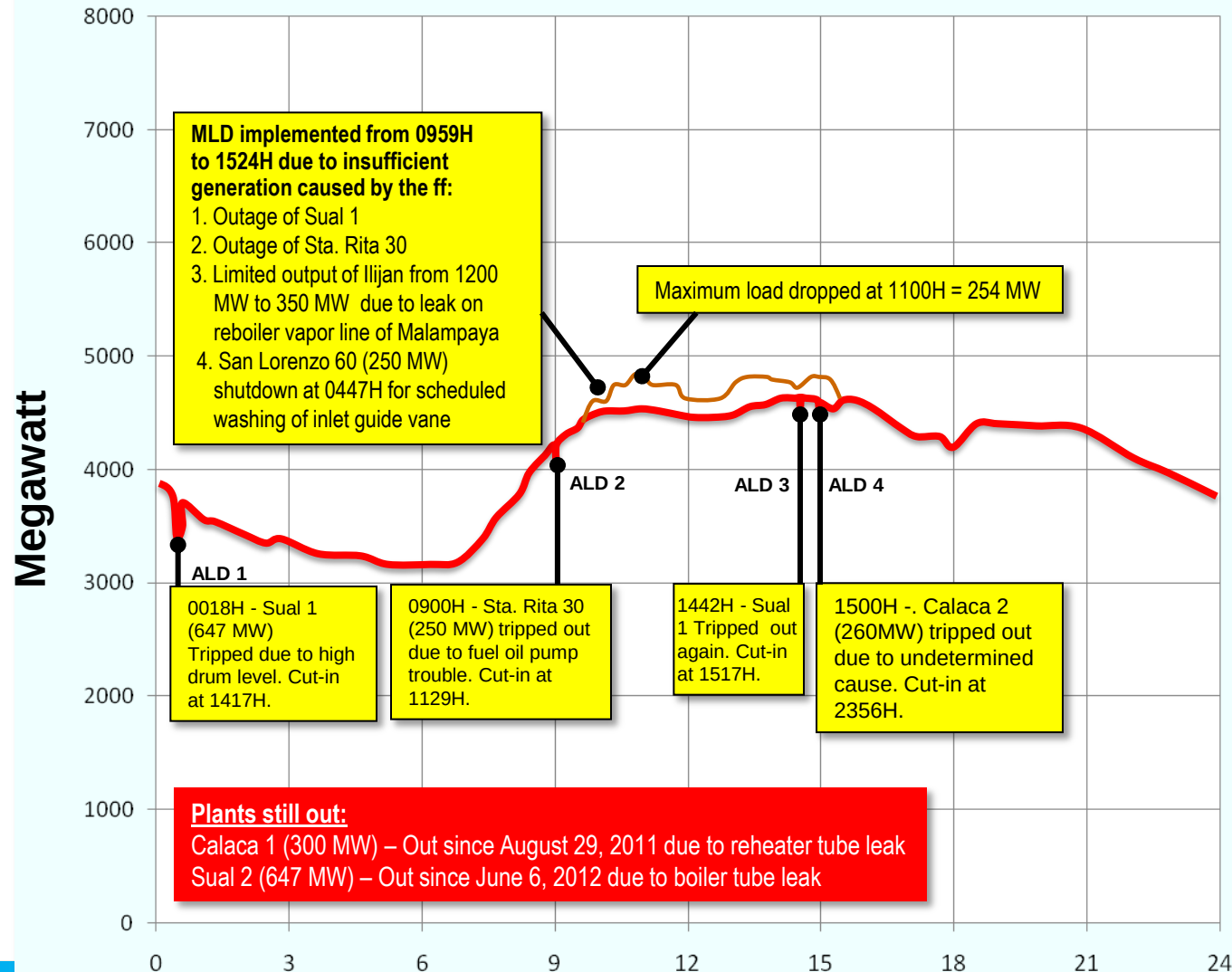


Other Biz Updates/ Events of Interest



Business Updates

Power plant outages on June 9, 2012 (Sual 1, Calaca 2, San Lorenzo, and Sta. Rita)



Power Supply Situation:

Available dependable capacity:

5,841 MW

Power shortfall: **404 MW**

Impact:

- Four (4) Automatic Load Dropping (ALD) incidents with durations ranging from 8 to 46 minutes.

Unrealized sales: ~117 MWh

- Manual Load Dropping (MLD) implemented from 0949H to 1524H (~5.5 hours) affecting 128 circuits (97 residential, 23 commercial, 8 industrial)

Unrealized sales: ~977 MWh

Total unrealized sales:
~1,094 MWh

Note: On June 8, changed-over from gas to liquid fuel was implemented for Sta. Rita module 30 and San Lorenzo modules 50 and 60 due to restriction of gas supply from Malampaya because of leak on its reboiler vapor line.



Business Updates

Power Supply Situation

➤ *Tight supply conditions 11x May 31-Jun 25. Resulting upward pressure on WESM*

Date	Condition
May 31	Yellow alert – 1000H to 1600H, 1900H to 2000H
June 6	Yellow alert – 1000H to 1600H, 1900H to 2100H
June 7	Yellow alert – 1000H to 1600H, 1900H
June 9	Red alert – 900H to 1500H (ALDs); Yellow alert – 1600 to 22380H
June 11	Yellow alert – 1000H to 1130H
June 20	Yellow alert – 1000H, 1100H, 1400H
June 21	Yellow alert – 1000H to 1700H, 1900H to 2100H
June 22	Red alert – 1100 to 1400H; Yellow alert – 900H, 1000H, 1200H, 1300H, 1500H to 2000H
June 23	Yellow alert – 1100H, 1400H to 1600H
June 24	Yellow alert – 1100H, 1400H to 1600H
June 25	Yellow alert – 1100H, 1400H, 1500H



Business Updates



Meralco signs new Power Supply Agreement

- With San Miguel Energy Corp., a subsidiary of San Miguel Corp.
- To replace NPC Transition Supply Contract (extended until ERC final approval), 3 months after OARC or December 25, 2012, whichever comes first.

SIGNING DATE	POWER PLANT / LOCATION	INITIAL CONTRACTED CAPACITY	FUEL	TERM
Jun. 26, 2012	SUAL, Pangasinan	200-500 MW	Coal-fired	7 yrs., extendable upon agreement of parties

Details of all PSAs 



MPower* signs new Power Supply Agreement

- With San Miguel Energy Corp., a subsidiary of San Miguel Corp.
- For RES power supply portfolio for Contestable Customers upon Open Access.

SIGNING DATE	POWER PLANT / LOCATION	INITIAL CONTRACTED CAPACITY	FUEL	TERM
Jun. 26, 2012	SUAL, Pangasinan	10 MW*	Coal-fired	7 yrs., extendable upon agreement of parties

*Meralco Retail Electricity Supply business

** Initial contract capacity which shall be increased/ adjusted one month prior to OARC

Business Updates



Expansion of Bacoor Substation

- Completed Jun 15, 2012
- Installation of 2nd 83 MVA, 115kV-34.5 kV power transformer bank with 4 new 34.5kV distrn feeders.

Benefits:

- Addresses critical loading of Bacoor power transformer bank # 1 (80% in 2011)
- Provides additional capacity for load growth in Bacoor and Imus, Cavite
- Improves switching flexibility during maintenance and contingencies in the said areas.



Commissioning of Saog Substation

- On July 12, 2012 in Brgy. Saog, Marilao, Bulacan
- Installation of 83 MVA, 115 kV- 34.5 kV power Transformer initially with 2 new distribution feeders. The other 2 new feeders are still undergoing construction.

Benefits:

- Improves network reliability, switching flexibility, and power quality benefiting customers in Valenzuela City, Meycauayan City and municipalities of Marilao and Bocaue.
- Addresses prolonged outages due to flooding of Bocaue Substation during typhoons.



Business Updates / Initiatives



Meralco Managed Services

- Soft launched the Meralco Managed Services (MMS) last June 5-7, 2012 at the Philippine Semiconductor & Electronics Convention and Exhibition.
- Showcased the MMS concept during the networking committee comprised of 45 plant facilities and operations managers.
- Generated a total of 28 queries with notable customers:
 - Light Industrial & Science Park (LISP)
 - Toshiba Information Equip Phil.



Accredited Meralco Contractors (AMC)

- Finalized and approved guidelines, procedures and accreditation rules for launch.
- Developed marketing plan and marketing materials, and FAQs for AMC launch day on July 26, 2012.
- Conducted AMC Press-briefing in Meralco with a total of 41 representatives from various companies and alliances attended the event.



Bright Ideas

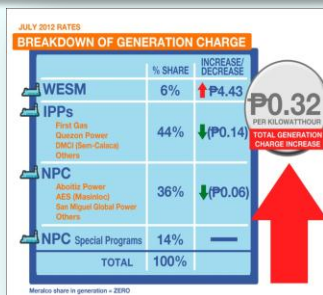
- Retooled traditional energy efficiency campaign mandated by ERC into customer lifestyle and revenue generation for Meralco by:
 - Promotion of induction cooking technology
 - Offer "Broad C" customers who don't own ACUs with 0.5HP units via attractive installment scheme and Meralco tested Php5/ hr use measurement.
- Supported by 360-degree marketing campaign to ensure maximum reach among target segments and heightened consumer awareness.

Business Updates / Initiatives

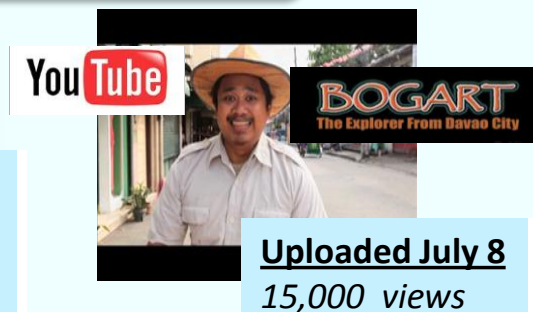
"Understanding Your Bill" Communication Plan

Proactive efforts to shield Meralco from negative reaction of rate adjustments not attributed to Meralco

1 PR Efforts: Infographics



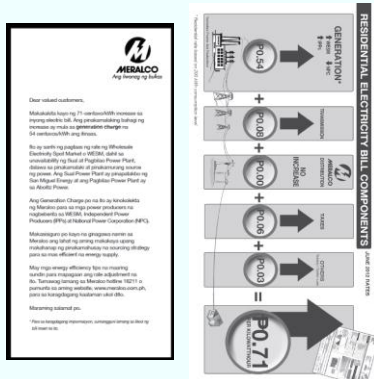
2 Digital/Online Efforts: Addressing the Digital Natives



3 On-ground efforts: Bill inserts & Tarps at BCs

June Bill Inserts

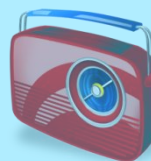
June BC Tarps



4 ATL: Radio and TV



- 60s Infographics/animation (August 2012)
- Segment buys (August 2012)
- Topic: Malampaya Shutdown and Bright Ideas



- Provided commentators with info guide on rate issues(July 2012)
- Proactive involvement on interviews related to consumer concerns(July 2012)
- Topic: Gen Charge Increase during 1H 2012

Business Updates



e-Vehicle Summit 2012

- 2nd Philippine EV Summit, May 24 and 25, at Meralco
- Theme: “Mobilizing the Region in Electric Vehicle Promotion and Development.”
- Gathering with stakeholders and EV organization leaders from Japan, Taiwan, and Korea
- The Summit’s aim:
 - partnership and investment opportunities between international and local EV providers
 - get support push and advocate for the development of EV industry and fast track EV adoption.



Isla Verde School Electrification

- May 26, 2012
- Meralco / One Meralco Foundation, provided electricity to six schools in Verde Island, Batangas City; provided basic school needs of over 1,000 school children
- Special guest: Dep Ed Secretary Bro. Armin Luistro and representatives of Batangas City LGU



Meralco Corporate Wellness center now managed by CSMC

- Cardinal Santos Medical Center and Meralco entered into a partnership for the management of Meralco’s Corporate Wellness Center.
- CSMC will administer medical services for the Meralco organization.

Business Updates



Meralco's governance efforts recognized

➤ 2012 Best in Asia on Corporate Governance

- 8th Corporate Governance Asia Recognition Awards
- Jun. 20, 2012, Renaissance Harbour View Hotel, HK
- For its track record and reform initiatives on corporate governance for the past 12 months.
- Meralco received the same recognition from Corporate Governance (CG) Asia last year.
 - Signifies the Company's abiding advocacy to advance corporate governance in Asia.

➤ "Silver" citation from ICD

- May 30, 2012, in the latest Corporate Governance Scorecard.
- Meralco, one of the 196 listed companies evaluated, received 94.45%, 0.55% shy of "Gold".
 - Companies were scored in terms of shareholder rights, equitable treatment of shareholders, role of stakeholders, disclosure and transparency, and board responsibilities.



❖ Power Camp Graduation

❖ Power Academy Launching

- **29 Power Campers graduated** last June 26 in a ceremony held at the Lighthouse.
 - A total of three awards were given: **Exemplary Live Case, Best Presenters and Award for Leadership.**
 - Attended by company key officers and the Power Campers' mentors and supervisors.
- **Power Academy launching** last June 14.
 - Meralco's support to the national development agenda of DOE and nation's future manpower and technical skills requirement.
 - Participated by key leaders of the electric power industry such as DOE, DepED, TESDA, PRC, private DUs and electric cooperatives, members from the university/academe and the MetroPac group that will support the industry growth.



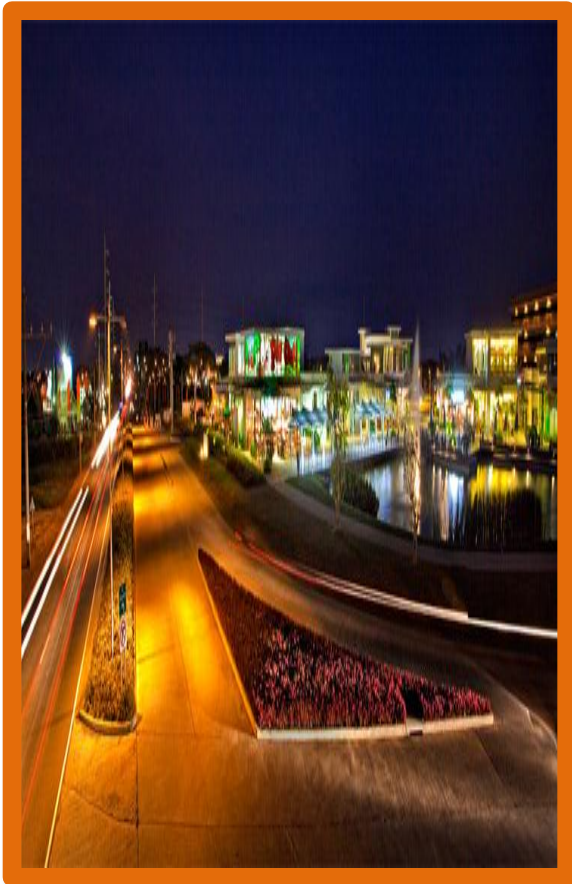
FINANCIAL REPORT

1H2012 Results

Ms. Betty C. Siy-Yap
Senior Vice President and
Chief Finance Officer



FINANCIAL HIGHLIGHTS



Net Income:	Driven by Robust Electricity Volume and Regulatory Recoveries
Revenues:	Overcoming Lower Tariff Levels
EBITDA:	Reflecting Improved Performance
Purchased Power Cost:	Seeking to Contain Power Prices through Additional Bilateral Contracts
OPEX:	Containing Spend through Stringent Costs Discipline
Financial Position:	Enhancing Investment Value
Debt Profile:	Pre-funding Capital and Investment Commitments
CAPEX:	Ensuring System Reliability and Efficiency
Cash Flows:	Supporting Overall Business
Return to Shareholders:	Delivering Shareholder Expectations



FINANCIAL PERFORMANCE

(Amounts In Million Pesos, Except Per Share Data)	For the six months ended June 30		% Increase / (Decrease)	
	2012	2011		
Gross Revenues	P 143,600	P122,636	↑	17
Electric	142,464	121,191	↑	18
Non-electric	1,136	1,445	↓	(21)
Costs and Expenses	130,276	113,569	↑	15
Purchased power	117,862	96,133	↑	23
Operations and maintenance expenses	8,783	9,711	↓	(10)
Depreciation and amortization	2,844	2,731	↑	4
Others	787	4,994	↓	(84)
EBITDA	15,750	12,336	↑	28
Income from Continuing Operations	9,674	5,893	↑	64
Income from Discontinued Operations	197	402	↓	(51)
Reported Net Income	9,752	6,091	↑	60
Core Net Income	9,023	7,822	↑	15
EBITDA Margin*	11%	10%	↑	10
Reported Earnings per share	P8.65	P5.40	↑	60
Core Earnings per share	P8.01	P6.94	↑	15

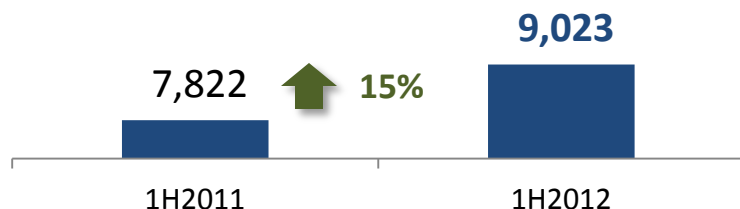


*Margin on Gross Revenues, inclusive of pass-through charges

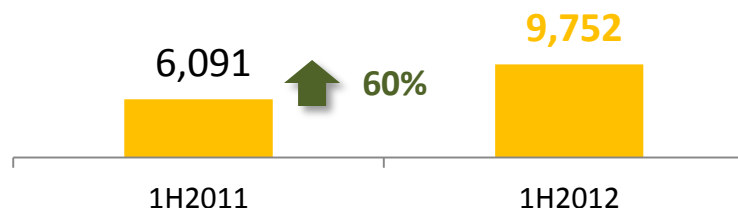
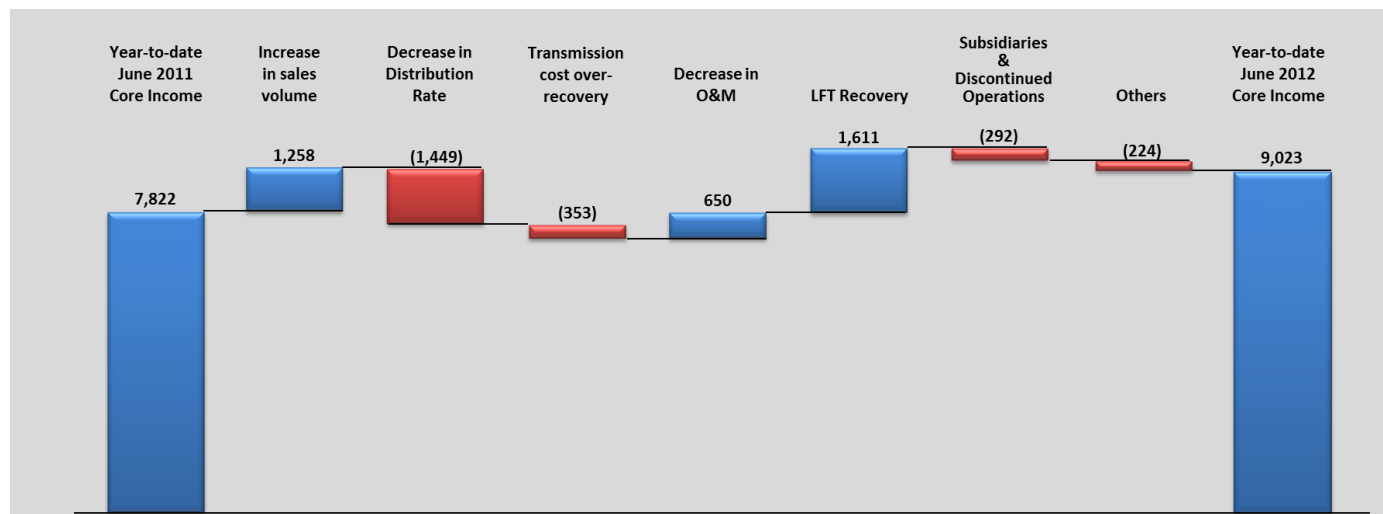
Net Income: Driven by Robust Electricity Volume and Regulatory Recoveries

- Core Net Income at 9.0B up 15% vs. 2011
 - ✓ Includes approved recovery of long outstanding local franchise taxes paid to 19 cities and provinces
- Reported Net Income at 9.8B up 60% vs. 2011
 - ✓ Includes Recognition of gain divestment from Rockwell Land Corporation of P769 million in 2012

Core Net Income

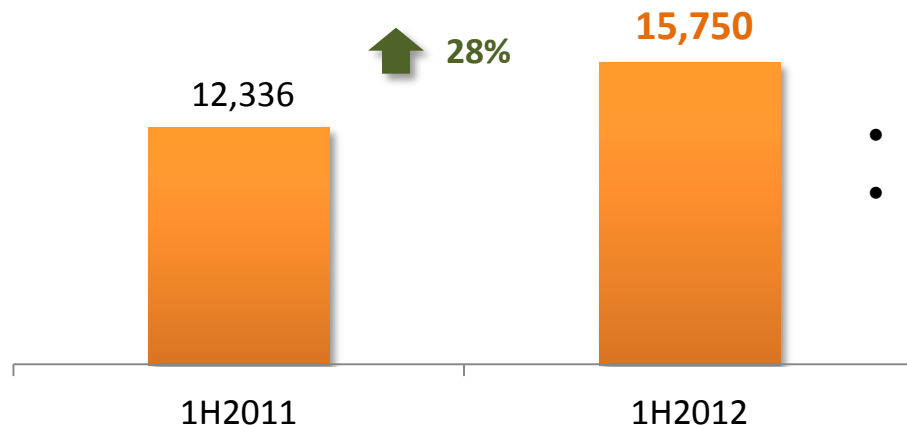


Reported Net Income



EBITDA: Reflecting Improved Performance

EBITDA

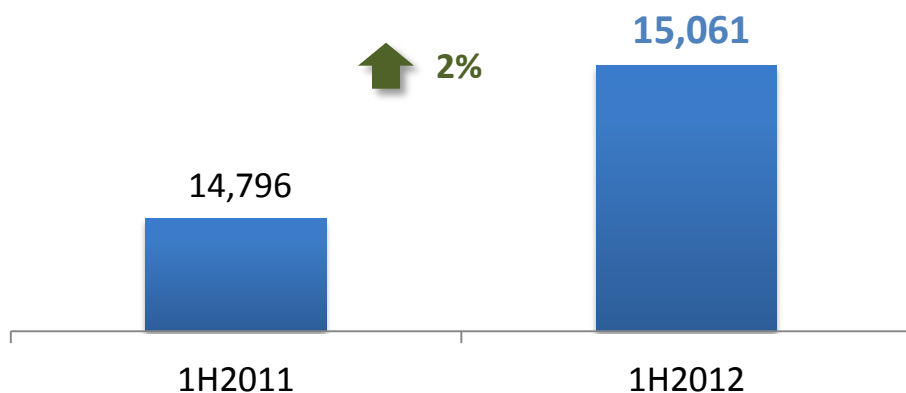


- 1H EBITDA grew by 28%
- 1H EBITDA Margin at 11% in 2012 compared with 10% in 2011

✓ Driven by:

- increase in electric revenues
- contained operating expenses
- gains from other income items

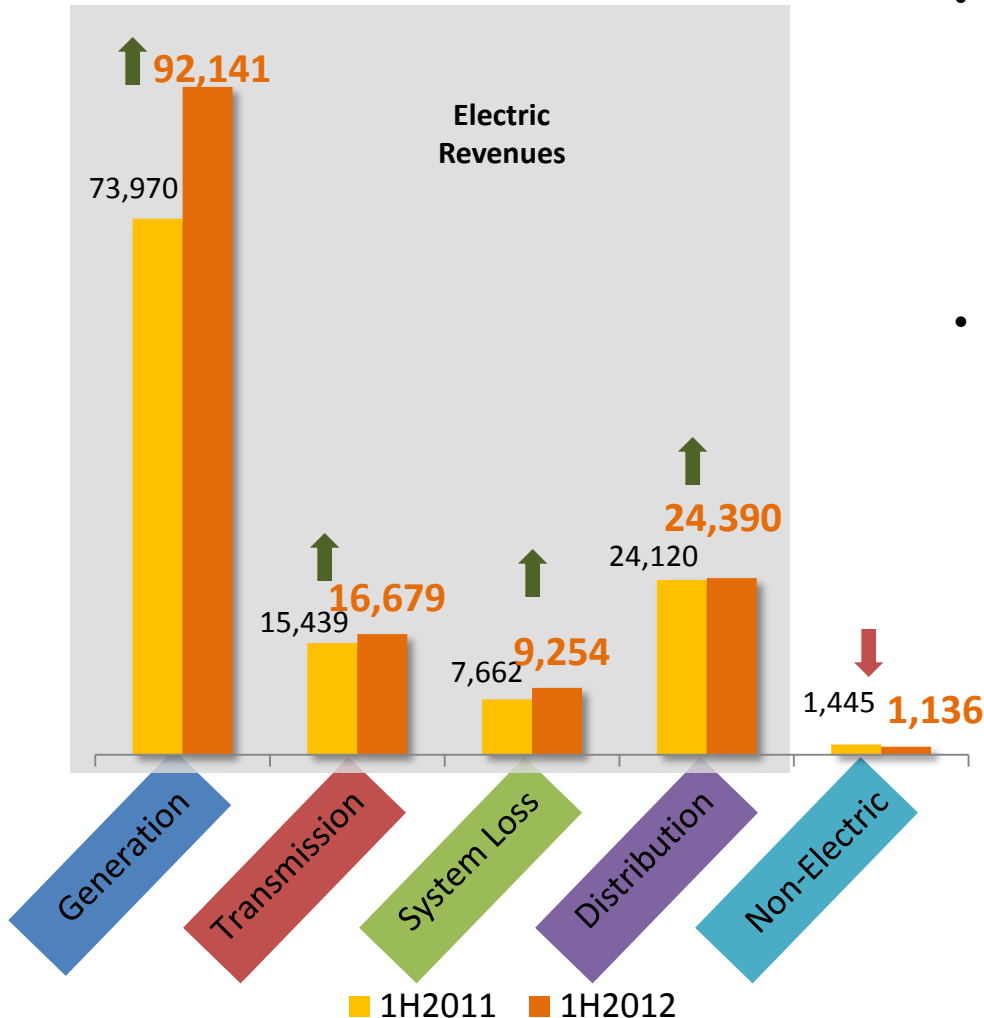
Core EBITDA



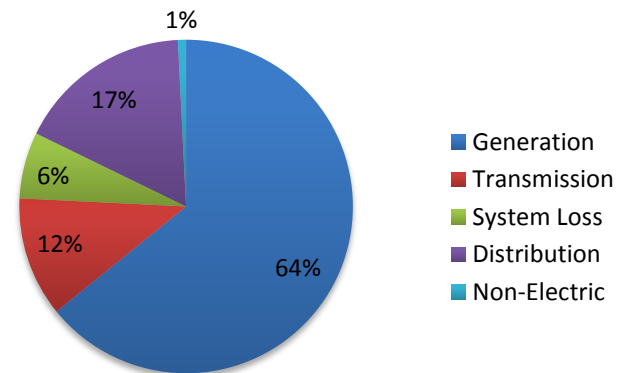
- Core EBITDA at P15.1B in 2012
- Core EBITDA Margin at 10% in 2012 vs. 12% in 2011



Revenues: Overcoming Lower Tariff Levels

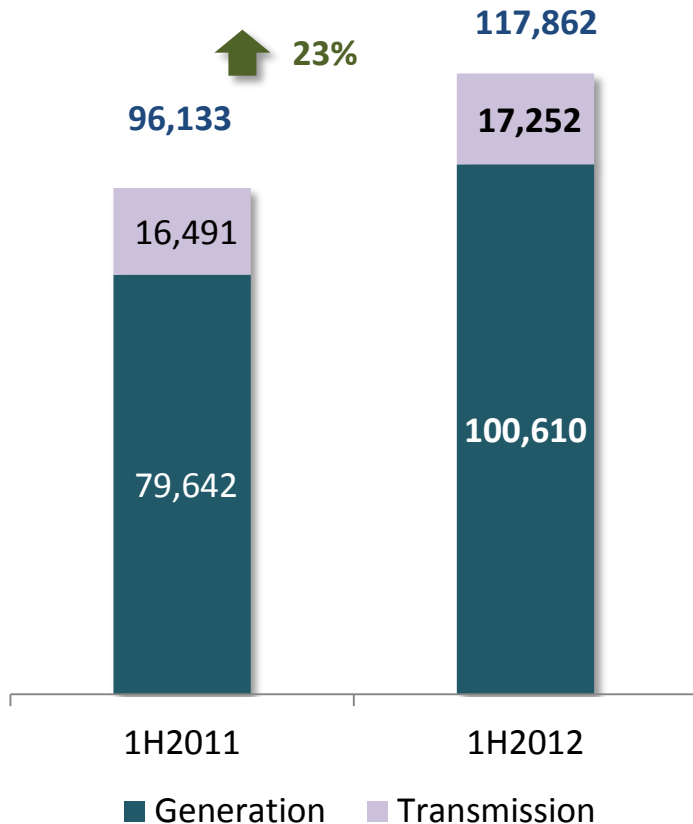


- **Total revenues was at P143.6B, 17% higher vs. 2011**
 - ✓ Electric revenues account for substantially all of the Company's revenues
 - ✓ Pass-through charges amounted to P118.1B, 22% higher year on year
- **Distribution revenue up 1%**
 - ✓ Average distribution revenue at P1.50 per kWh vs. P1.63 per kWh in 2011
 - ✓ 1H2012 distribution revenue represents 17% of total electric revenue of P142.5B



Purchase Power Costs: Seeking to Contain Power Prices through Additional Bilateral Contracts

Purchased Power Cost

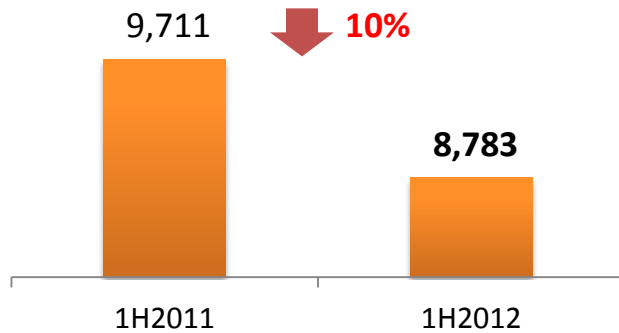


- **Purchased power totaled P117.9B in 2012, 23% higher than the P96.1B in 2011**
 - ✓ Represents 90% of Total Cost and Expenses
 - ✓ Average purchased power cost of P6.69 per kWh in 2012 versus P5.98 per kWh in 2011
 - ✓ WESM charges per kWh increased by over 100% ranging from P8.05 to P22.45 in 2012 compared with P5.48 to P11.14 in 2011

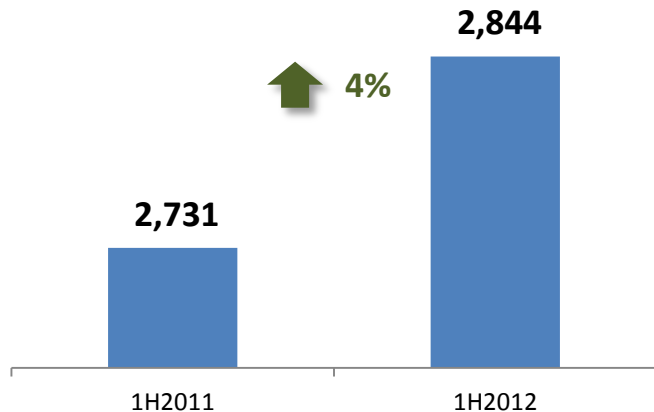


OPEX: Containing Spend through Stringent Costs Discipline

Operating and Maintenance Costs



Depreciation and Amortization



- **Operating and Maintenance Expenses at P8.8B, 10% lower compared with 2011**
 - ✓ Labor and contracted services amounted 6.1B, representing 70 % of total
 - ✓ Labor and contracted services increased moderately by 1 % in 2012
 - ✓ Provisions for doubtful accounts at P534M, 74% lower than 2011
 - ✓ Other expenses include recognition of transmission over-recoveries in the 6-months of 2012 amounting to P793M in 2012
- **Depreciation totaled P2.8B, or 4% higher relating to cost of completed capital expenditures**



Financial Position: Enhancing Investment Value

	Jun-12	Jun-11	%Chg	Dec-11
Cash and cash equivalents	51,648	42,025	23	44,141
Receivables	29,468	26,423	12	29,108
Other current assets	5,513	9,604	(43)	4,175
Utility plant assets and others	106,704	103,467	3	105,510
Investments	3,313	8,282	(60)	2,486
Other noncurrent assets	11,715	7,710	52	6,619
Total Assets	208,361	197,511	5	192,039

	Jun-12	Jun-11	%Chg	Dec-11
Interest bearing loans	24,881	28,381	(12)	24,443
Customers' deposits	25,115	22,926	10	24,080
Other noncurrent liabilities	33,824	29,454	15	31,447
Trade and other payables	48,969	36,880	33	41,608
Customers' refund	6,164	6,733	(8)	6,250
Dividends payable	726	370	96	557
Other liabilities	3,969	6,070	(35)	4,389
Total Liabilities	143,648	130,814	10	132,774

Equity Attributable to Equity				
Holders of Parent	64,472	62,266	4	63,788
Non-controlling Interests	241	4,431	(95)	4,713
Total Equity	64,713	66,697	(3)	68,501

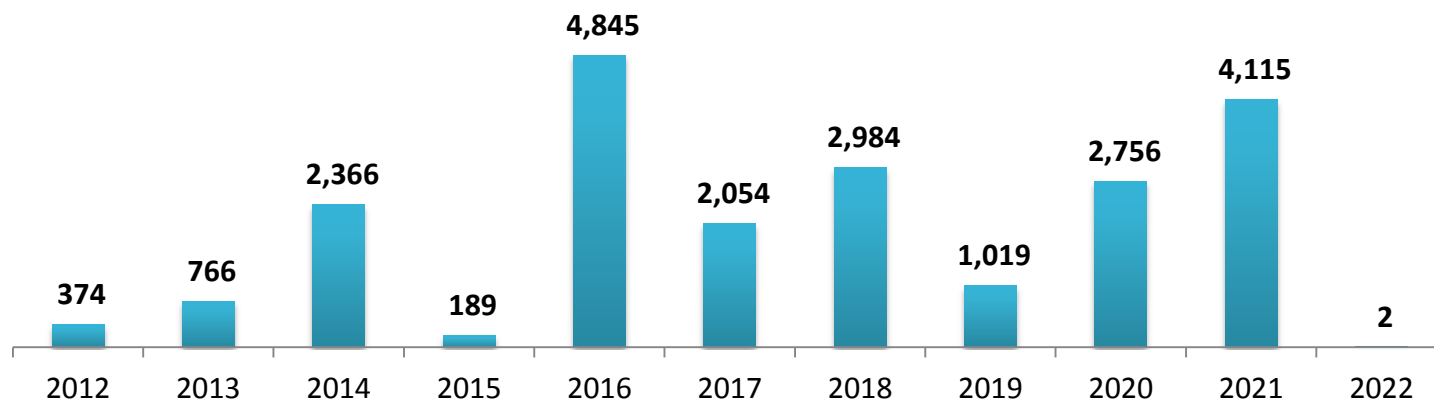
Total Liabilities and Equity	208,361	197,511	5	201,275
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- **Total assets grew by 5 % in 2012**
 - ✓ Higher liquidity accounted for by improved collection and increased revenues
 - ✓ Accounts receivable grew 12% as a result of higher billed revenues
 - ✓ Total trade receivables amounted to P28.7B
 - ✓ Utility Plant Assets accounts for 51% of Total Assets
 - ✓ Other noncurrent assets include receivables from local franchise tax recoverable and generation net under-recoveries
- **Total Liabilities grew by 10 % in 2012**
 - ✓ Higher trade liabilities to power generators, NPC and WESM for current period power purchase costs averaging P6.69 per kWh
 - ✓ Interest bearing debt of P24.9 B



Debt Profile: Pre-funding Capital and Investment Commitments

Principal Repayment Schedule*



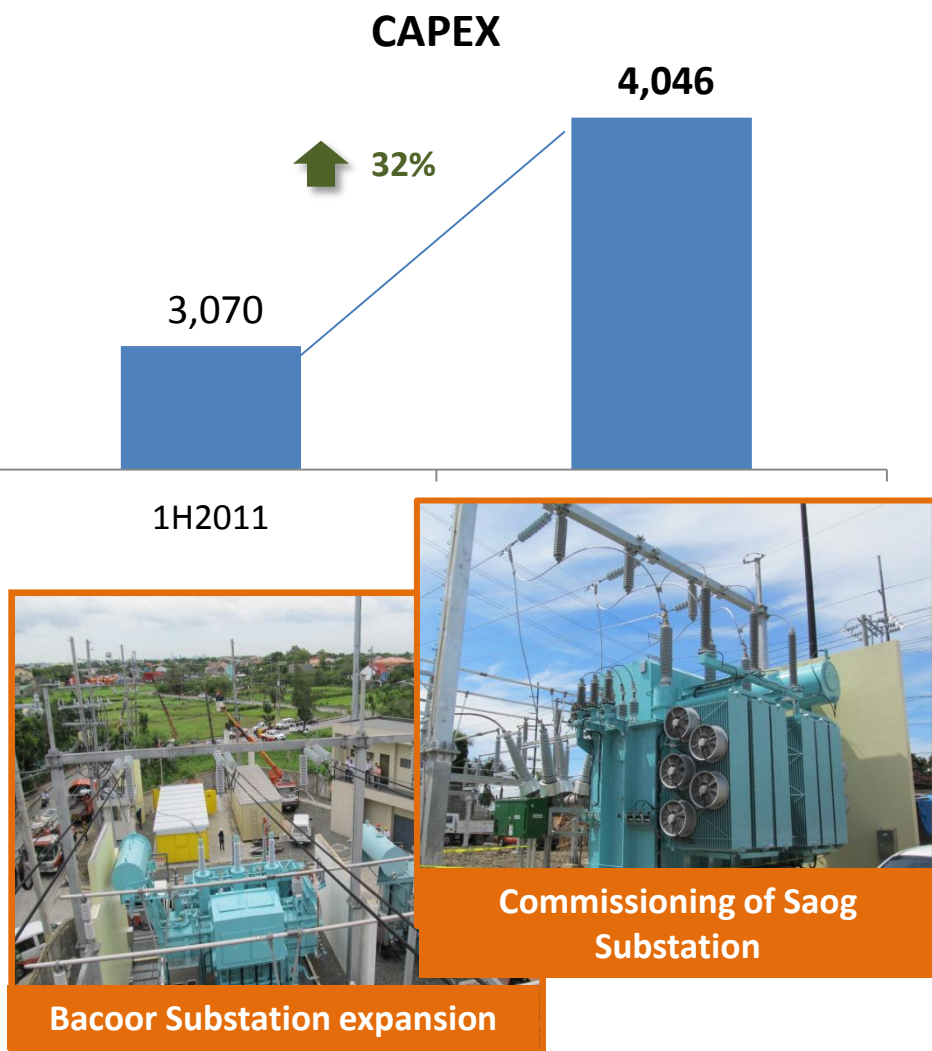
*Amounts in Million Pesos (PARENT)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Year End Loan Balance	22,914	22,148	19,781	19,592	14,748	12,694	9,710	8,691	5,935	1,820	-

- Consolidated debt balance as at end of 1H2012 at P24.9B
 - ✓ All denominated in Philippine Peso
- Average interest rate at 5.7% in 2012
- Debt to EBITDA at 0.81x



CAPEX: Ensuring System Reliability and Efficiency

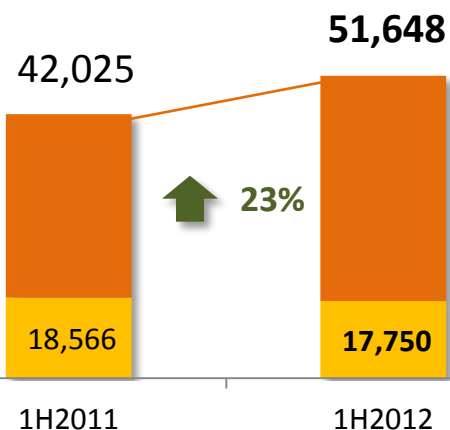


- CAPEX increased by 32% year-on-year
- Major system improvements to address network reliability and system efficiency
 - ✓ Expansion of the Bacoor substation
 - ✓ Commissioning of the new Saog Substation
 - ✓ Reinforcement of the Carmelray Industrial Park II-First Philippine Industrial Park 115kV line
 - ✓ Installation of Back-up 33MVA Power transformer at the Carmelray substation
 - ✓ Construction of First Cavite Industrial Estate -Rosario and First Cavite Industrial Estate –Trece Martires City 2 115kV lines
 - ✓ Construction of Cruz Na Daan-San Miguel 69kV line
- Capital Expenditure commitment for the 3rd Regulatory Period of P37.2B



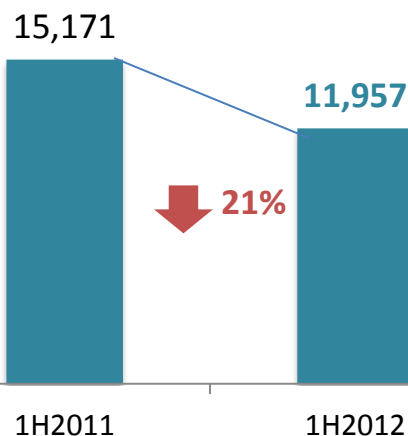
Cash Flows: Supporting Overall Business

Cash



■ Allotted ■ Cash

Free Cash Flow



(Amounts in Million Pesos)	UNAUDITED		Inc (Dec)	
	For the Six Months Ended Jun-12	Jun-11	Jun-12 vs. Jun-11 Amount	%
Cash flows from operating activities				
Operating income before working capital changes	20,196	19,454	742	3.8
Net change in working capital	755	1,092	(337)	(30.9)
Income tax paid	(3,161)	(1,753)	(1,408)	80.3
Net cash provided by operating activities	17,790	18,793	(1,003)	(5.3)
Net cash used in investing activities	(4,587)	(2,030)	(2,557)	126.0
Net cash used in financing activities	(5,696)	892	(6,588)	(738.6)
Net cash flows from discontinued operations	0	0	0	0.0
Net increase (decrease) in cash and cash equivalents	7,507	17,655	(10,148)	(57.5)
Cash balance, beginning	44,141	24,370	19,771	81.1
Cash balance, ending	51,648	42,025	9,623	22.9

- **Cash from operations amounted to P17.8B**

- ✓ Includes additional cash from collection of approved LFT recoveries

- **Cash disbursements for construction in progress and additions to utility plant and others amounted to P2,744M and P1,243M, respectively**

- **The Parent Company availed of a P3B long-term loan**

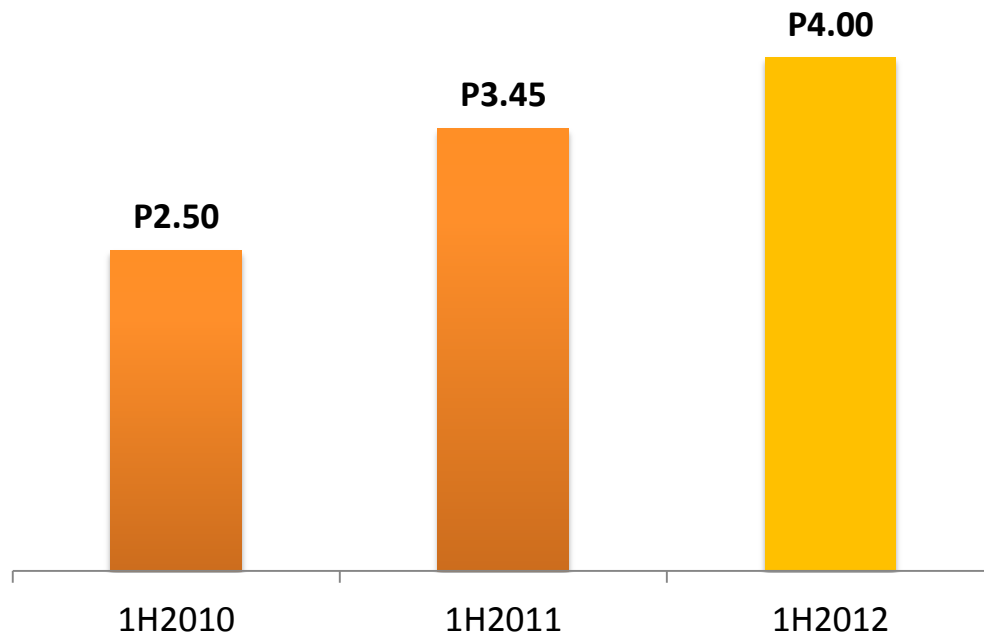
- **Total principal debt repayments and interest costs of P3.7B**

- **The ending cash balance also includes allotted funds totalling P17.8B for redemption of preferred shares and settlement of various liabilities other than debt repayment**



Return to Shareholders: Delivering Shareholder Expectations

Interim Cash Dividends



- **Dividend policy: 50% of Core Net Income with a “look back approach”**

- ✓ Cash dividend of P9.25 per share was declared and paid out of the 2011 Core Net Income, representing 70% of the year's earnings
- ✓ Completed property dividend payment on May 18, 2012

Interim dividend in 2012 at P4.00 a share to all shareholders of record as at August 29, payable on September 24





REGULATORY UPDATES

Ivanne G. Del Pena
First Vice President and
Head, Regulatory Management



Retail Competition & Open Access (RCOA) updates

Date	Event
14 May	DOE issued Circular No. 2012-05-0005 entitled “Prescribing the General Principles for the Implementation of Retail Competition and Open Access” (RCOA)
6 June	DOE issued Order No. 2012-06-0009 entitled “Creating the Technical Working Group to Integrate Retail Competition and Open Access to the WESM”



Dec. 26, 2012: Target for the start of RCOA



ERC approval of Feed-In Tariff

Chronology

- Dec. 16, 2008 – Republic Act 9513, Renewable Energy (RE) Act, was signed into law
- May 25, 2009 – Implementing Rules & Regulations (IRR) were promulgated
- July 12, 2010 – ERC approved the Feed-In Tariff (FIT) Rules
- May 16, 2011 – The National Renewable Energy Board (NREB) filed a petition for the adoption of Feed-In Tariffs
- July 27, 2012 – ERC announced its ruling on the NREB petition. (The actual decision was not yet available as of this date.)

(in PhP/kWh)	NREB Petition	VECO's Proposal	ERC Approval
Run-of-River	6.15	5.75	5.90
Biomass	7.00	6.74	6.63
Wind	10.37	8.05	8.53
Solar	14.95	9.50	9.68
Ocean	17.65	-	-

(source: ERC press release)

- Next Step: National Grid Corporation of the Philippines will file a petition to set the FIT-Allowance, a fixed rate/kWh that would be imposed on all end-users to fund the FIT payments to eligible RE generators





MPG Project Updates

Aaron A. Domingo
Executive Vice President and
General Manager
Meralco Power Gen Corporation



RP Energy Project Status

- Site Preparation: 95% complete; full completion by end-Aug; demobilization of workers and equipment has commenced
- EPC: On-going negotiations with the leading bidder; technical specifications have been finalized; EPC Contract negotiations and finalization to commence on 2 Aug 2012
- Transmission Line: Discussions with the NGCP on an optimum interconnection arrangement are on-going; such discussions are expected to be concluded in early Aug 2012
- SBMA Land Lease Agreement: Discussions with SBMA are ongoing
- Environmental Compliance Certificate (ECC): Public hearing was held on 29 June with over 5,000 attendees; public consultations have been completed; final report to be submitted to the Environmental Management Bureau in early-Aug; issuance of ECC is expected by Q4 2012
- BOI Certification: RPE's application for incentives under the 2011 IPP list has been submitted to the BOI Board for consideration; included in the BOI Board agenda on 31 July
- Financing: Extended term-sheet negotiations are on-going with the 3 mandated lead arrangers; lenders' due diligence work on the Project to commence shortly
- Coal Supply: Visits to candidate coal mines in Indonesia were completed in June 2012; technical assessment is underway with the report from the coal consultant expected by mid-Aug 2012



MPG Pipeline Projects Status

Aero Derivative Combined Cycle Power Project Status:

- Site Acquisition: Asset Purchase closed on July 30, 2011; 2.2-Hectare Land and 2 Fuel Tanks turned over
- Environmental Compliance Certificate (ECC): ECC issued by the DENR on October 26, 2011; Multi-partite Monitoring Team (MMT) process ongoing
- Interconnection: Distribution Impact Study (DIS) completed on August 8, 2011; Transmission Line route survey also completed
- Project Feasibility: Project should be ready to further advance as soon as Meralco determines the need for this peaking capacity

Other Pipeline Projects:

- Currently in active discussions with potential partners for an LNG-fired power plant
- Currently in active discussions for potential partnerships on Coal-fired power plants ranging from 300MW to 500MW per project



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END OF PRESENTATION

Thank You!

