

Financial and Operating Results

For the months ended September 30, 2014

Lighthouse, 14th Floor, Lopez Building, Ortigas Avenue, Pasig City
October 27, 2014



OPERATIONS REPORT

For the months ended September 30, 2014

Investors' Briefing
October 27, 2014

Highlights



↑ 2.5%*

+637 GWh

Energy Sales
9Mos. 2014

↑ 3.9%*

+207,279 customers
(>5 million Residential)

Customer Count
9Mos. 2014

↑ 3.3%*

+193 MW

Meralco
Peak Demand
9Mos. 2014

↑ 1.8%*

+506 GWh

NSI
9Mos. 2014

P9.37/kWh

Gen.Ch. 56.3%
Dist. Ch. 16.8%

Average
Retail Rates
3Q 2014

**Within Regulatory
Limits**

S-Factor & GSL**
9M 2014

**Business
Updates**

3Q 2014

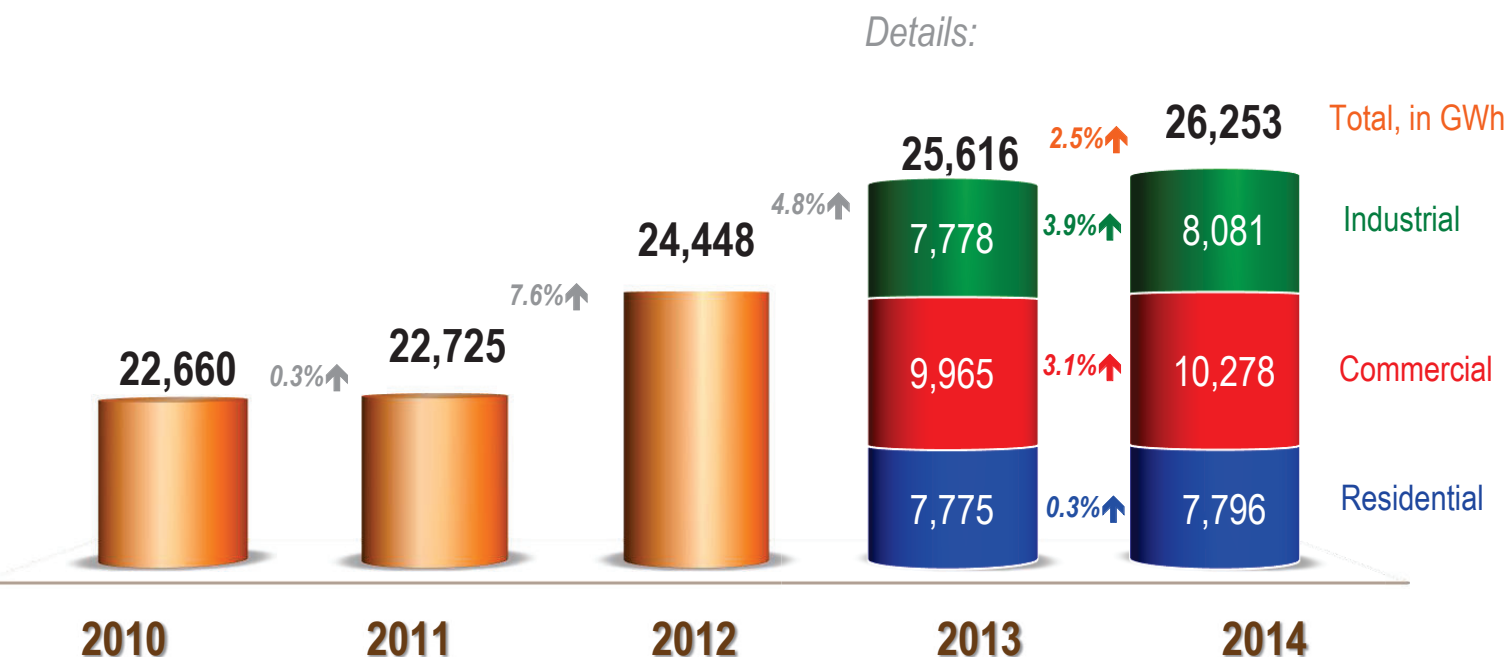
Details

9m 2014

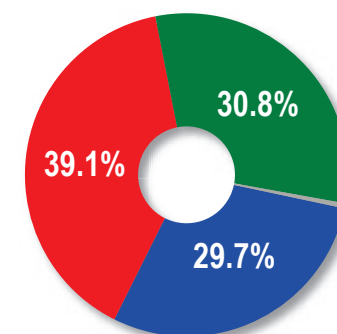
Energy Sales, 9 Months 2014



□ Up 2.5% vs. 2013 at 26,253 GWh (+637 GWh)

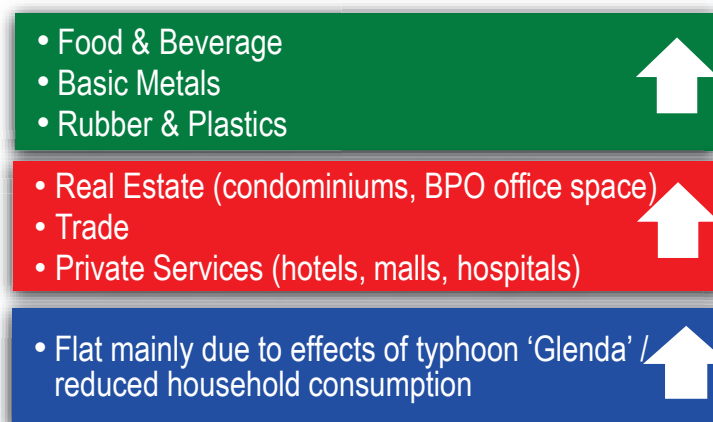


Share of Sales*:



*For 9M2014, Flat Streetlights (99 GWh) account for 0.4% of total sales volume

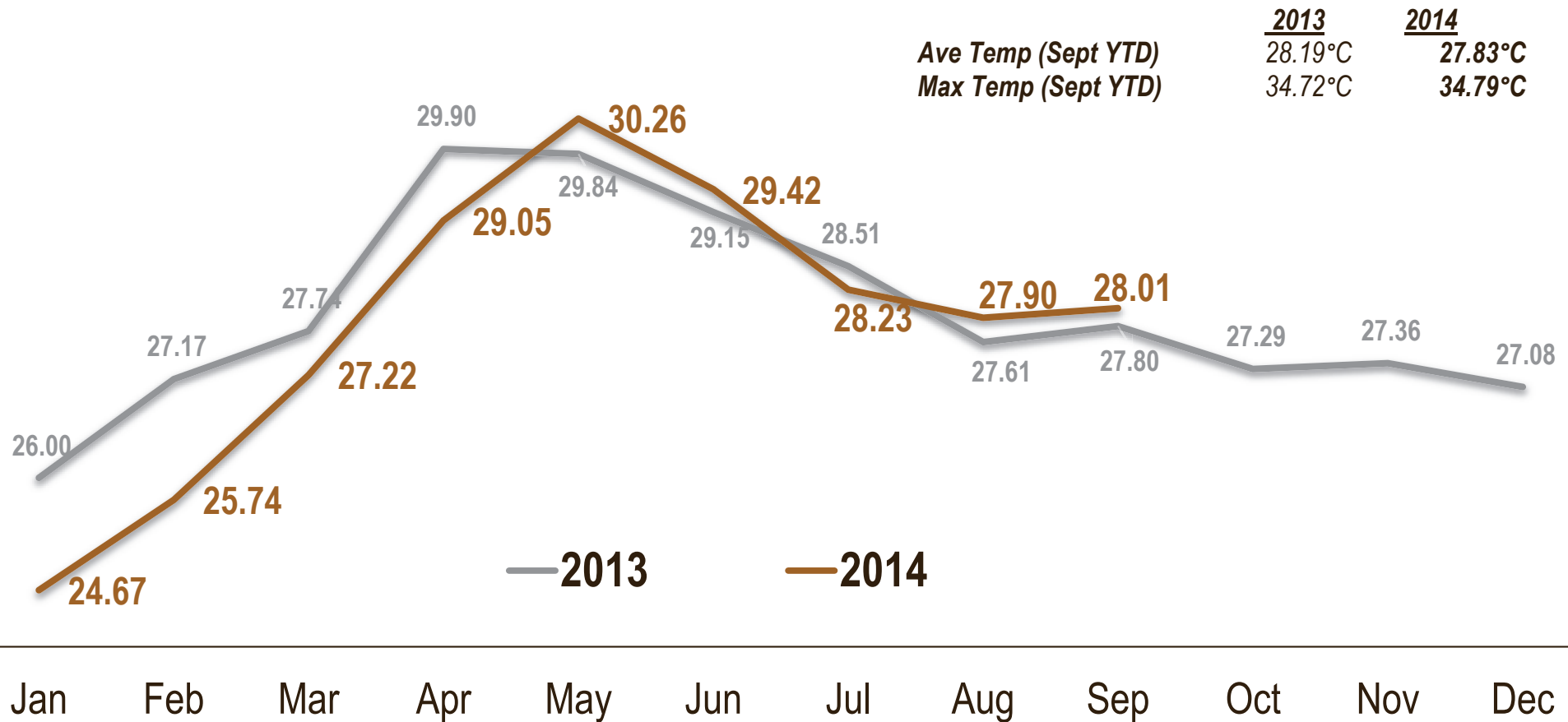
Major movers* of 9M 2014:



*Applies to GP customers under Industrial and Commercial segments.

Ave. Temperature(°C) monitoring

- May 2014 (30.6 °C) temp highest since May 2010 (31.1°C)
- January 2014 (24.7°C) coldest in 11 years or since Jan 2003 (24.9°C)

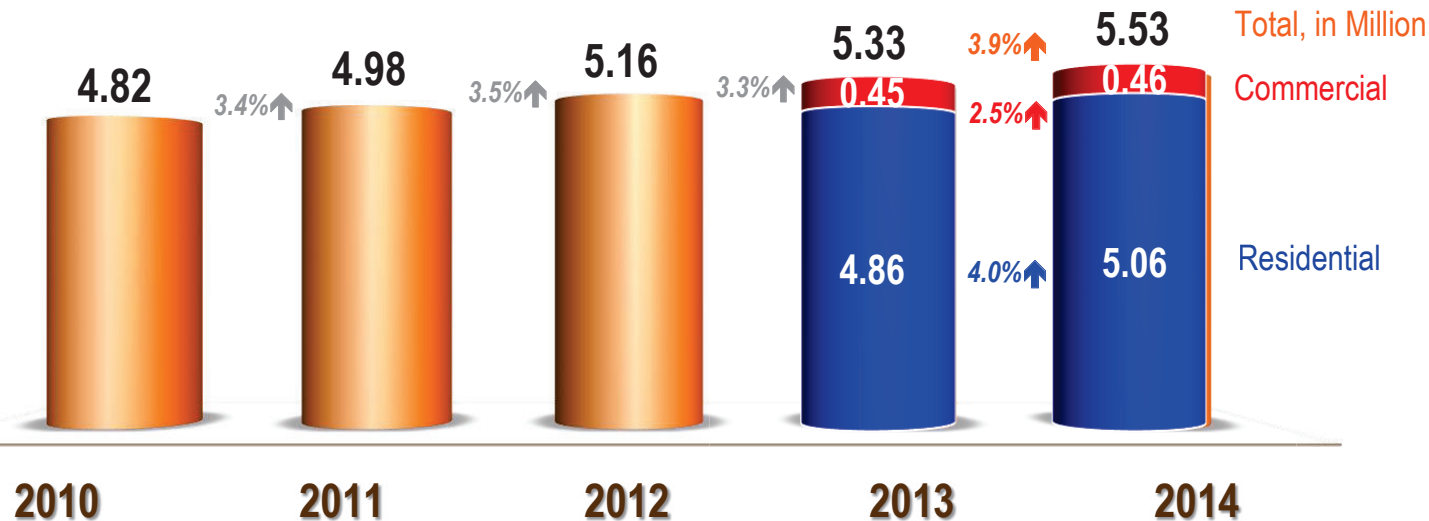


Customer Count, 9 Months 2014

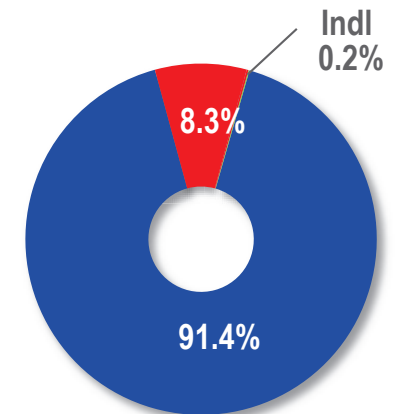


Up 3.9% vs. 2013 to 5.53 million customers

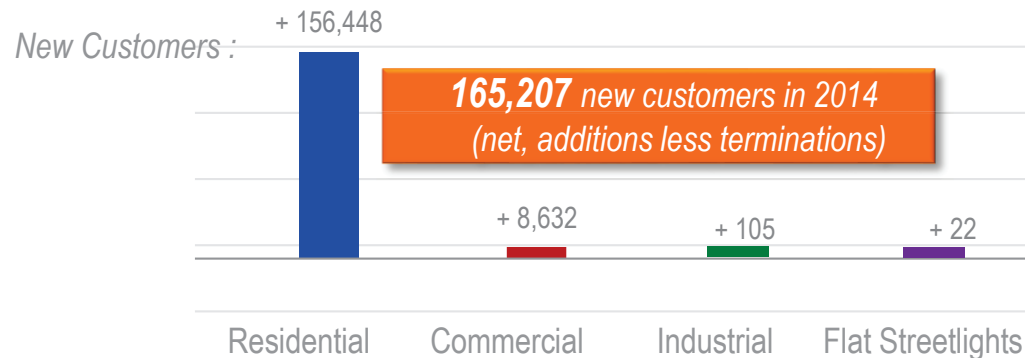
Details:



Share of Count*:



*For 9M2014, Industrial (9,812) and Flat Streetlights (4,504) account for 0.3% of total customer count

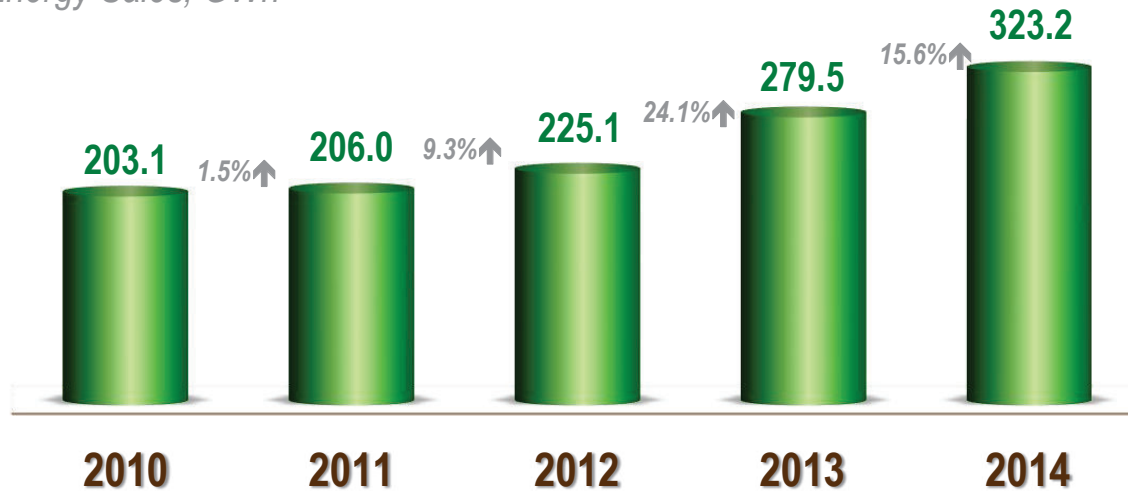


Clark Electric (CEDC), 9 Months 2014



Strong growth vs. 2013

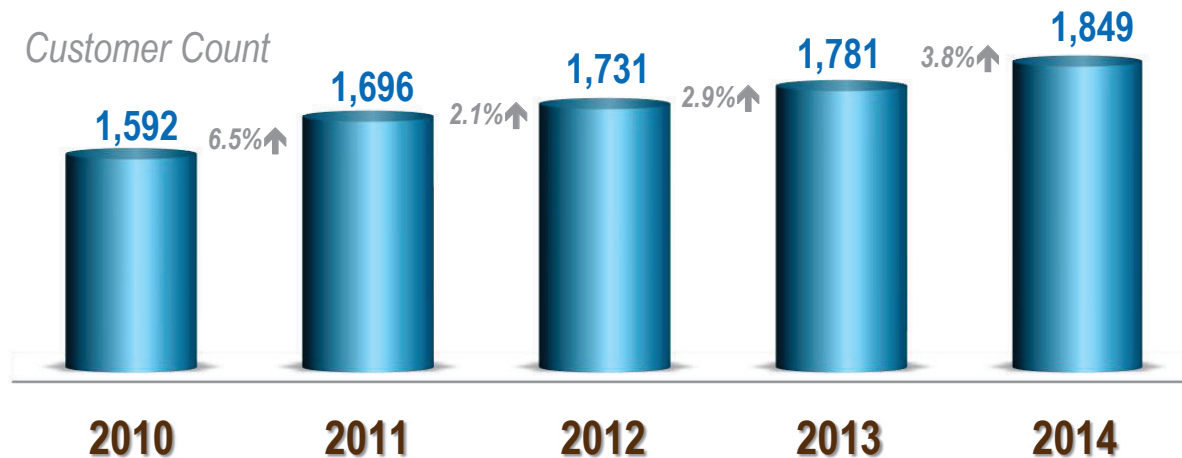
Energy Sales, GWh



9M 2014	Sales, Share	Count, Share
Commercial	38.6%	57.6%
Industrial	60.3%	6.5%
Residential	0.9%	32.7%

Flat Streetlights' sales and count shares account for 0.3% and 3.2%, respectively.

Customer Count



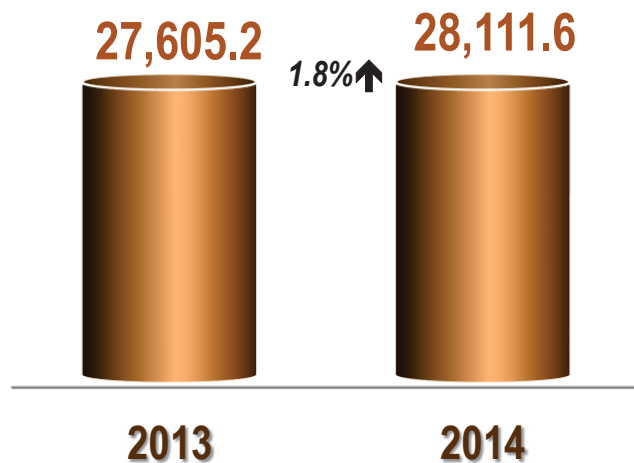
Net System Input (NSI) & Demand, 9 Months 2014



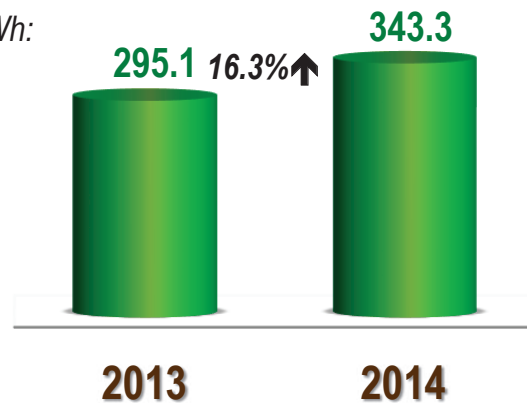
□ NSI up **1.8% vs. 2013** (+506.4 GWh)

□ Meralco Peak Demand up **3.3% vs. 2013** (+193 MW)

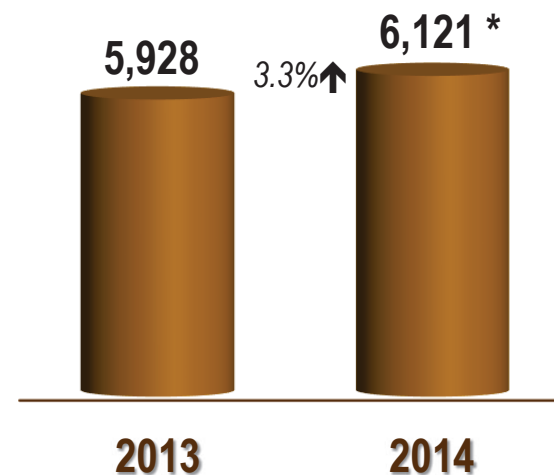
CONSOLIDATED NSI, in GWh:



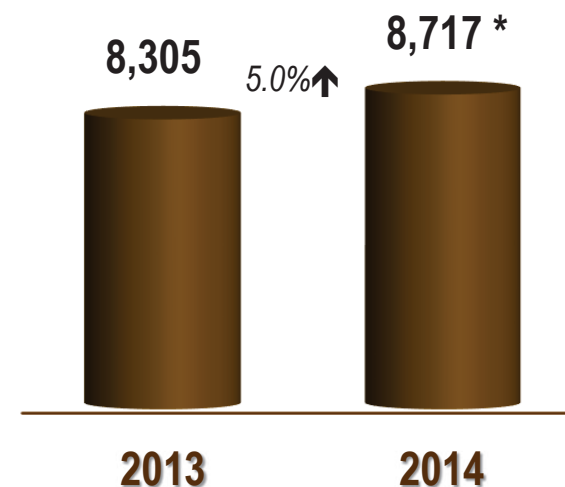
CEDC, in GWh:



Meralco YTD Peak Demand, MW:



Luzon YTD Peak Demand, MW:

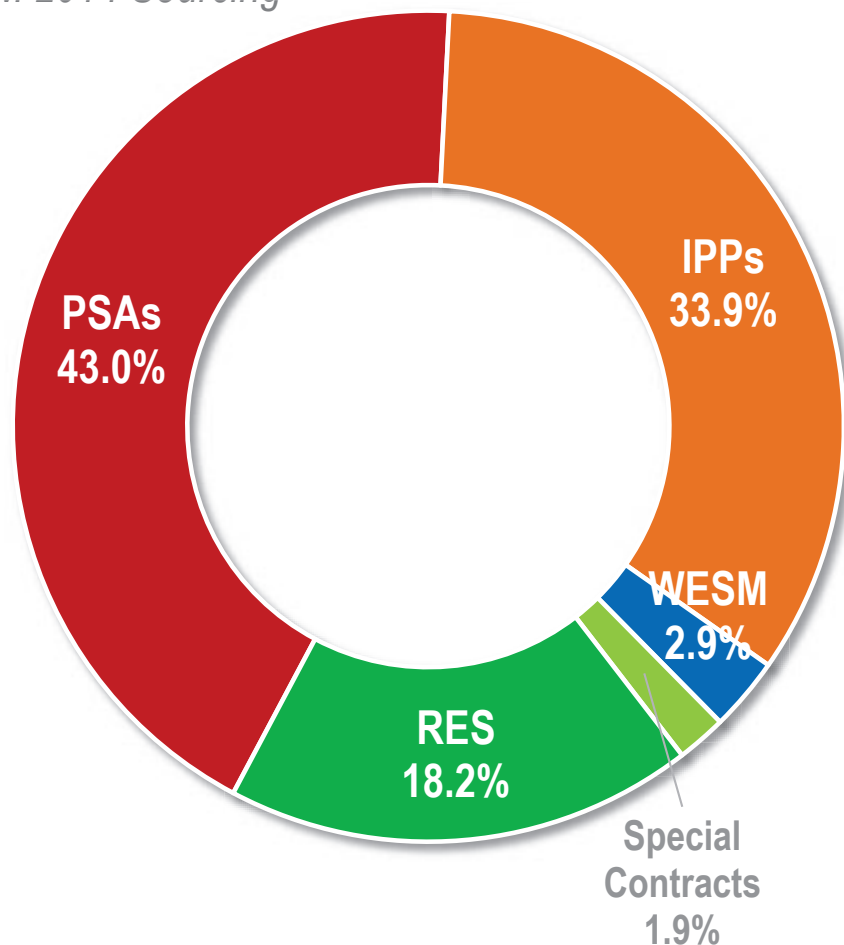


*occurred May 21, 2014

Power Supply Sourcing, 9 Months 2014



9M 2014 Sourcing



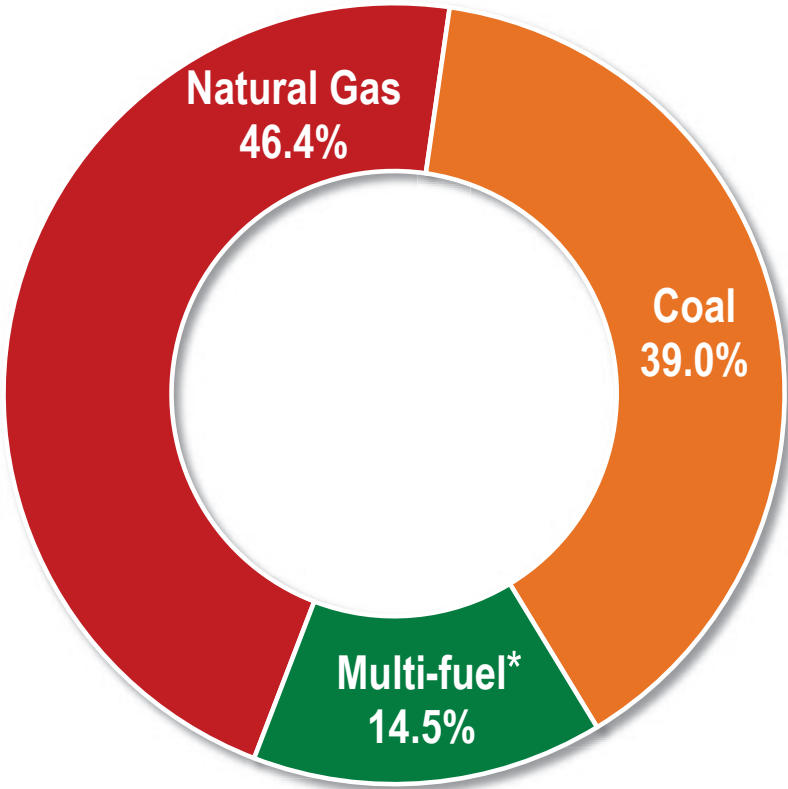
SOURCE	Volume, GWh	% Share
PSAs-Total	12,095.6	43.0%
SEM-Calaca	1,321.5	4.7%
MPPC-Masinloc	1,619.3	5.8%
TLI-Pagbilao	1,248.1	4.4%
SMEC-Sual	2,158.7	7.7%
SPPC-Ilijan	5,278.5	18.8%
Others	469.6	1.7%
IPPs-Total	9,542.2	33.9%
QPPL	2,288.4	8.1%
Sta. Rita	4,592.2	16.3%
San Lorenzo	2,661.7	9.5%
WESM	804.2	2.9%
RES (Retail Electricity Supply)	5,125.5	18.2%
Special Contracts	543.9	1.9%
NET SYSTEM INPUT	28,111.6	100.0%

Power Plant Fuel Source Mix, 9 Months 2014



■ Indigenous Natural Gas and Coal were the main fuels for power generation

9M 2014 Mix



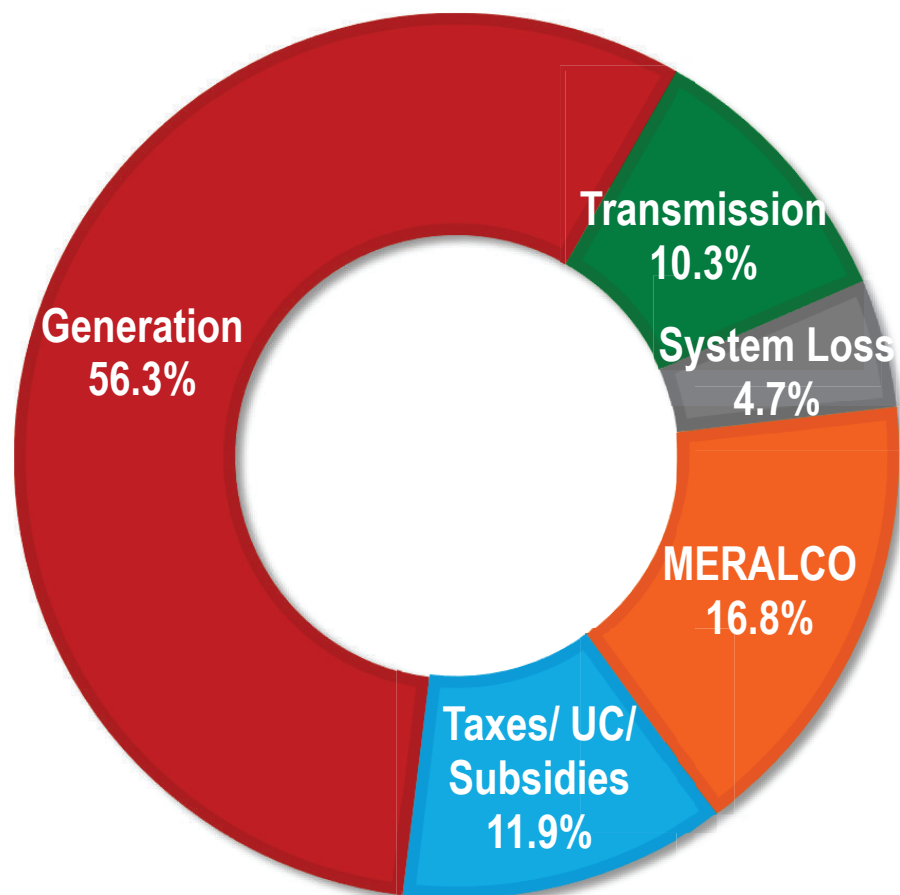
SOURCE	Volume, GWh	% Share
Natural Gas	13,056.0	46.4%
Coal	10,969.8	39.0%
Multi-fuel*	4,085.9	14.5%
NET SYSTEM INPUT	28,111.6	100.0%

**Coal, Hydro, Geothermal, Biomasss, et. al.*

Average Retail Rates, 3Q 2014*



□ **Generation Charge**, largest component in customer's bill, **56.3%**; **Meralco 16.8%**; **NGCP 10.3%**

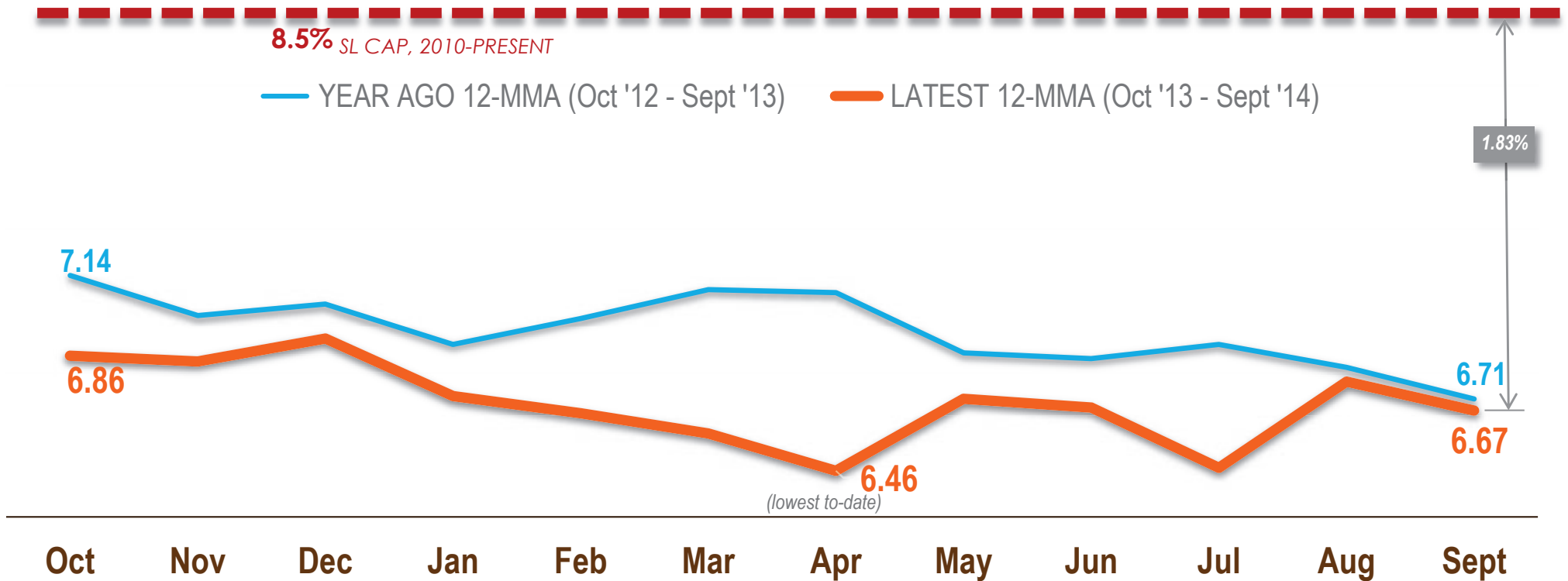


BILL COMPONENT	Overall Average P/kWh
Generation Charge	5.27
Distribution Charge (MERALCO)	1.57
Transmission Charge (NGCP)	0.96
System Loss Charge	0.44
Taxes, Univ Charge	1.12
TOTAL	9.37

*July-September 2014

System Loss Performance

- 12-MMA ending September at **6.67%**
 - Improved by **0.04%pts** vs. September 2013's 6.71%
 - Lower by **1.83%** vs. SL cap of 8.5%



Official ERC-filed Meralco System Loss, in percent which excludes Clark Electric Distribution Corp. (CEDC)'s 12MMA system loss ending Sept 2014 of 4.56% and Sept 2013 of 4.09%

Performance Incentive Scheme

- S-Factor : 9M 2014
- GSL : July 2014 – September 2014 (RY 2015)

☐ All S-Factor and GSL indicators are all **well within regulatory limits** vs. 2013

SAIFI, Forced and PAI (Times)

2014	2.14	Deadband: 6.98-8.24
2013	2.64	18.9% improvement vs. previous year

Ave. Time to Process App. (Days)

2014	5.32	Deadband: 7.91-12.28
2013	4.58	16.2% decline vs. previous year

CAIDI, Forced and PAI (Minutes)

2014	93.00	Deadband: 144.40-168.72
2013	97.27	4.4% improvement vs. previous year

Ave. Time to Connect (Days)

2014	2.97	Deadband: 3.56-5.77
2013	2.00	48.5% decline vs. previous year

SAIDI, Pre-arranged (Minutes)

2014	39.59	Deadband: 126.57-198.40
2013	45.39	12.8% improvement vs. previous year

Call Center performance

2014	6.27	Deadband: 13.56-21.03
2013	4.88	28.5% decline vs. previous year

Prob. of Voltage Level (% not falling within limits)

2014	0.00	Deadband: 0.86-1.44
2013	0.00	0.00%pts improvement vs. previous year

System Loss (%) -12MMA

2014	6.67	Deadband: > 8.50
2013	6.71	0.04%pts improvement vs. previous year

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

Actual RY2015	263 customers
No. of Violations for RY2015 (Ceiling)	373,658

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

Actual RY2015	- customer
No. of Violations for RY2015 (Ceiling)	18,989

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

Actual RY2015	1,020 incidents
No. of Violations for RY2015 (Ceiling)	234,439

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

Actual RY2015	15,360 days delay
No. of Violations for RY2015 (Ceiling)	163,995

Note: Actual YTD performances excludes the period July 15-19, 2014 (effects of Typhoon 'Glenda')
As for Call Center Performance, July 15-28 excluded

Other Business Highlights

9m 2014

Business Updates: Strengthening the Core Distribution Business



Impact to Meralco of Typhoons 'Mario' and 'Glenda'

SUMMARY OF IMPACT OF MAJOR WEATHER DISTURBANCES TO MERALCO	'MARIO'	'GLENDA'
Inclusive Dates (including completion of restoration)	September 19 only	July 15-20, 2014
Circuits Affected during height of typhoon	91 (12.98% of 701 circuits)	627 (89.44% of 701 circuits)
Sustained Interruption Events	37	616
Momentary Interruption Events	54	11
Customers Affected during height of typhoon	397,714 (7.49% of 5,310,486)	4,640,000 (87.5% of 5,304,438)
Unrealized Sales (GWh)	33	230
Total Damage to Facilities in PhP (Poles, wires, DTs)	934,000.00	399,456,850.78



Business Updates: Assistance Beyond our Borders after 'Glenda'



BICOL 'Express Restoration'

- August 3 – 24, 2014
- Meralco sent total of 10 crews consisting of 53 Line Personnel

SCOPE OF WORK	ALBAY	SORSOGON
# of Poles restored	311	76
# of Span of Wires strung	703	145
# of Span of Lines corrected/cleared	1,098	83
Est. Length of Main line cleared/restored	78 km	31 km

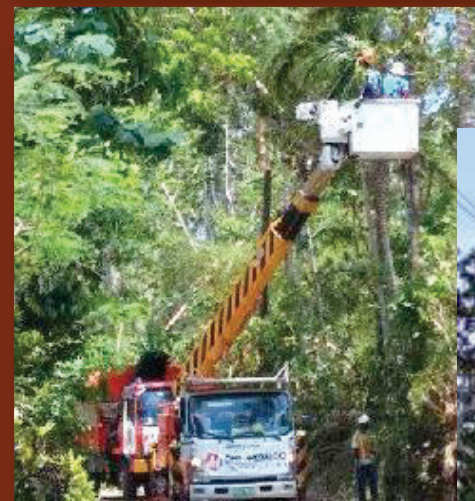
TOWNS/CITIES ENERGIZED

Legazpi City, Ligao City, Sorsogon City, Tabaco City, Bacon, Camalig, Daraga, Guinobatan, Malilipot, Oas, Polangui, Sto. Domingo, Tiwi

VITAL CUSTOMERS ENERGIZED

<u>Industrial Customers</u>	<u>Gov't and Key Establishments</u>	<u>Tourist Attractions</u>
Minola Oil	NGCP Substation	Misibis Bay
Globe-Coco	DWRL Radio Station	Lignon Hill Tourist Deck
Durabilt	Legazpi Airport Air Traffic Office	Albay Parks and Wildlife
Magnolia Foods	DOST Phivolcs	
Sunwest Construction and Aggregates	DepEd Albay Division Office	
	Albay City Jail	

Albay Gov. Joey Salceda with a Meralco crew



Business Updates: Strengthening the Core Distribution Business



SORECO 2 THANKS MERALCO FOR HELPING RESTORE POWER FACILITIES IN SORSOGON



- Sorsogon II Electric Cooperative, Inc. (SORECO 2) reps visited Meralco HQ in an expression of gratitude for the assistance the company extended after typhoon 'Glenda'.
- Select Board Directors and officials from SORECO 2 presented a Plaque of Appreciation to Meralco
- *Background:*
 - A total of 23 employees and 6 trucks were deployed by Meralco to Sorsogon from August 17 to 24, to help repair damages wrought by 'Glenda' and restore power
 - In eight days, Meralco restored 76 electrical poles; string 145 spans of wires; clear 83 spans of lines; and correct an estimated 31 km. of main line.

COMMISSIONING OF AIR LIQUIDE'S 115 kV SOURCE



Connected 115 kV line

Disconnected temporary 34.5 kV service from CPIP circuit 41CPP

- Sep. 26, 2014; Calamba Premiere Industrial Park (CPIP), Brgy. Parian, Calamba City
- Provides Air Liquide Philippines with a more reliable 115 kV service
- Improves overall system reliability and efficiency in CPIP

Business Updates: New Electric Distribution Initiatives



MERALCO-COMSTECH POWERS PAMPANGA II ELECTRIC COOPERATIVE, INC. (PELCO II)



- Aug. 13, 2014: PELCO II handed over the management of the cooperative to Meralco-Comstech partnership in a ceremony at its main office in Guagua, Pampanga.
- Supported by National Electrification Administration (NEA):
 - *"This is an opportunity for us to show that electric cooperatives and private sector can work together for the good of the country. We do have one thing in mind – to help the country to improve from what it is today. The partnership between PELCO II, Comstech, and Meralco can be a very good example not only in the Philippines but also internationally."*
– Edita S. Bueno, NEA Administrator

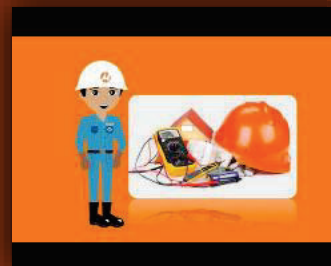


Business Updates: Strengthening the Core Distribution Business



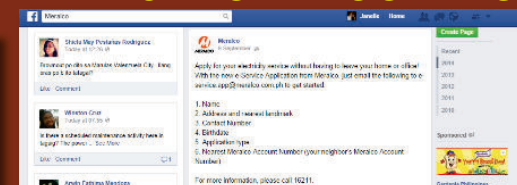
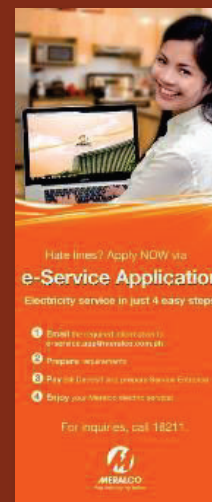
Advisory of September:

- A Php 0.58 decrease in rates due to generation costs going down
- Use AMCs when building a house or business, “*para ligtas, walang delay and sulit*”



- Manage customers' expectations by disseminating relevant information on major weather disturbances that hit the franchise area
 - Communicated restoration efforts and causes of outages. Support was from Call Center, social media and TV crawlers with BCM in full coordination
 - Safety tips
 - Number of Meralco contingent working
 - Restoration efforts (% restored, areas with no power, cause of outage)
 - MLD schedules
- Moving forward: Develop messages + protocols for communications “bundle.”

e-SERVICE APPLICATION PROGRAMS



- To improve application process by offering an additional channel
- To facilitate 4,000 service application by end-2014 through e-mail
- 958 service applications processed via E-Mail (August – September 2014)

16210 MERALCO BUSINESS HOTLINE



Objective:

- Rationalize calls to RMS by providing a hotline managed by a team of electrical engineers and operational experts* to address power related concerns, EXCLUSIVE for Meralco's business customers only

* All calls will be routed to Call Center TAS and Coordination teams

Business Updates: Strengthening the Core Distribution Business

SMART/ INTELLIGENT GRID (ROUNDTABLE)



Objective:

- Revived smart/ intelligent working team discussions among industry players (e.g. DOE's IA-TWG)
- Keep industry stakeholders abreast on Smart/ Intelligent Grid global practices & local initiatives
- Identify next steps towards formulation of a national Smart/ Intelligent grid roadmap

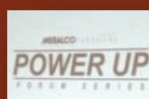
ILP FORUMS (Interruptible Load Program)



- Makati Business Club | Sept 8
- American Chamber of Commerce | Sept 26

- As of October 23, Meralco customers/ ILP participants have committed a total de-loading capacity of 233 MW (160 MW signed and 73 MW committed/ expected to be closed).
- For MPower, Meralco's RES, total of 219 MW (151 MW signed and 68 MW committed)

POWER UP FORUM SERIES



2014 BRIGHT IDEAS

Consumer education on use of energy efficient appliances so they can make smarter choices (also in line with media coverage of possible supply shortage)



Switch to energy-efficient technologies and save as much as P3,500 on the SRP of Philips Domestic Appliances and up to P100 on Philips LED Bulbs! See posters and flyers for more details. From July 1 - September 30, 2014.



PHILIPS

Business Updates: Strengthening the Core Distribution Business



ATENEO EV SHUTTLE LEASING



Accomplishments:

- Secured general approval of Ateneo on the EV Charging Station design, allowing MServ* to work on the permits needed for construction. (Sep 26)
- Delivery of the procured 4 eShuttles in Ateneo (Sep 29)

**Ateneo being the first to avail of MServ's EV managed services*

EBIKE SHARING PROGRAM



ADVANTAGES OF ELECTRIC BIKES



Operational Savings
More economical to operate



Eco-Friendly
No smoke, no harmful carbon emissions



Silent & Quiet
No noise pollution



Safe and Easy to Operate
Lightweight with electronic speed limiter



Health Benefits
Ideal sport for active push and power



Objective:

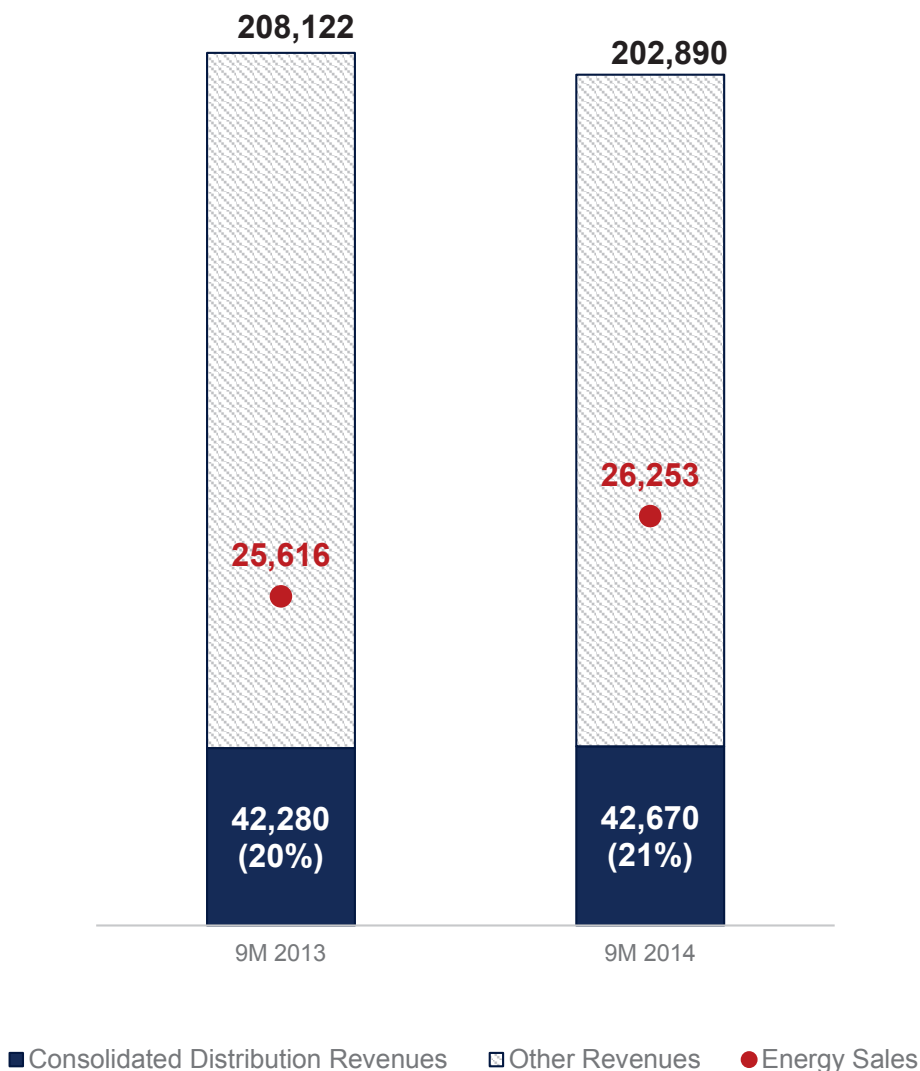
- Proof of Concept (POC) within Meralco, for the feasibility of using electric bikes (eBikes) as a shared fleet for mobility requirements of companies with compounds like LGUs, industrial parks and universities.

Financial Highlights

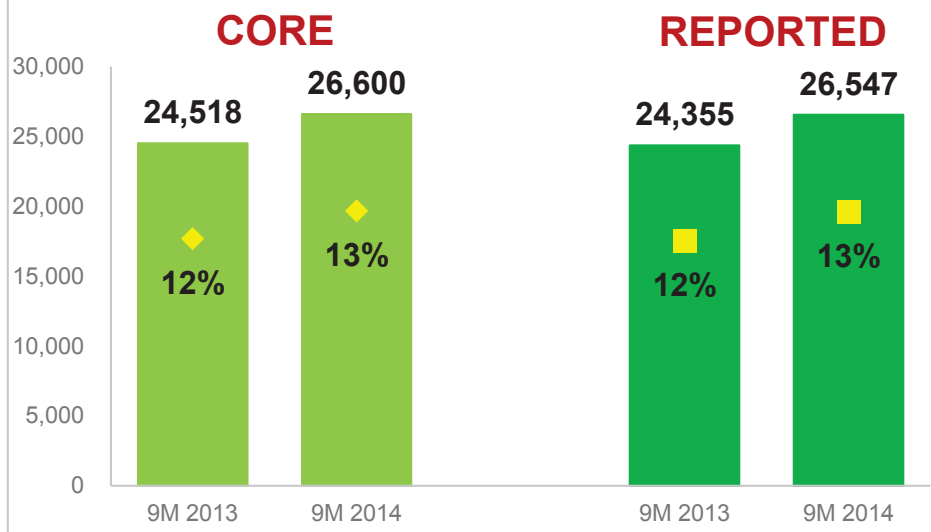
9m 2014

Revenues, EBITDA and Net Income

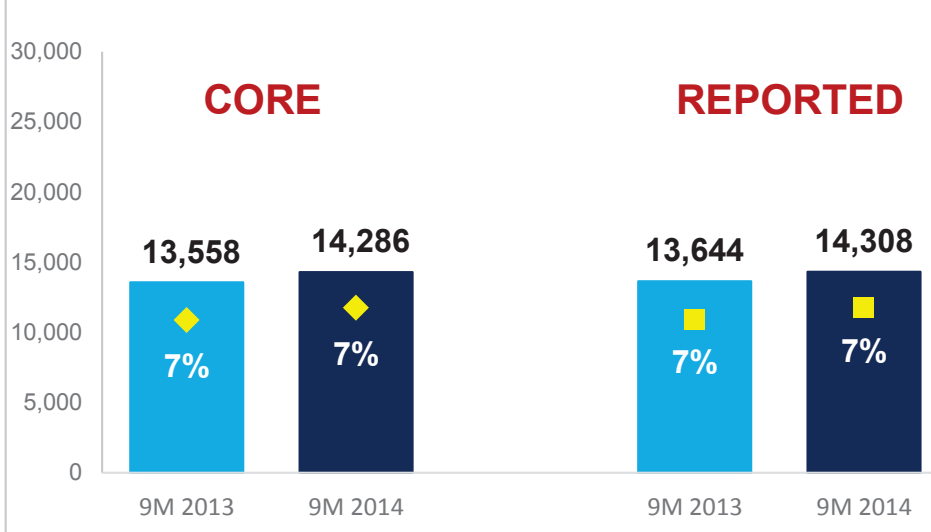
**CONSOLIDATED REVENUES (in ₱ mn)
& ENERGY SALES (in GWh)**



EBITDA (in ₱ mn) AND MARGINS

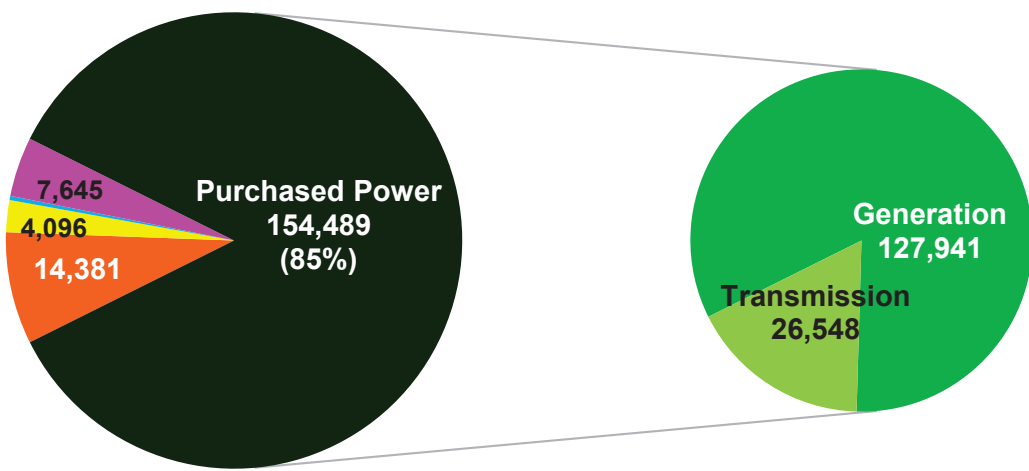


NET INCOME (in ₱ mn) AND MARGINS



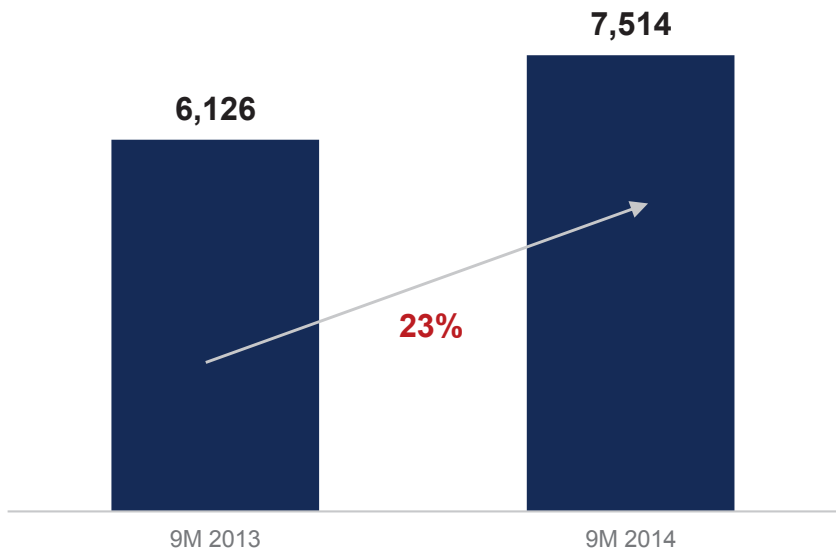
Costs and Expenses

BREAKDOWN OF COSTS & EXPENSES (in ₱ mn)



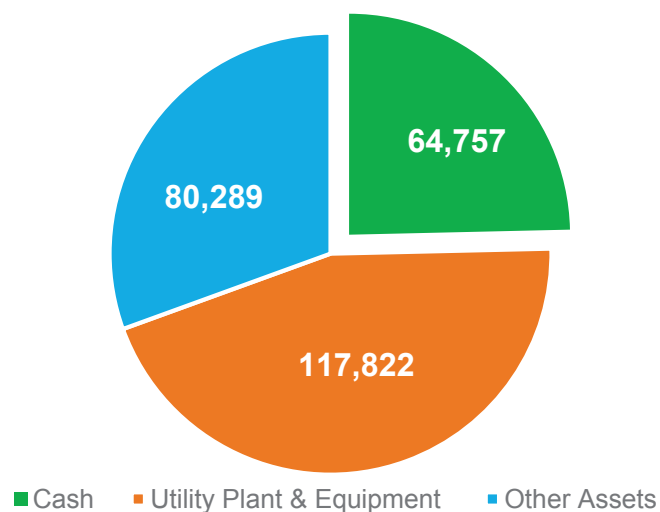
- Purchased Power - Generation
- Purchased Power - Transmission
- Operating and Maintenance
- Depreciation and Amortization
- Taxes, Fees and Permit
- Other Expenses

CAPITAL EXPENDITURES (in ₱ mn)

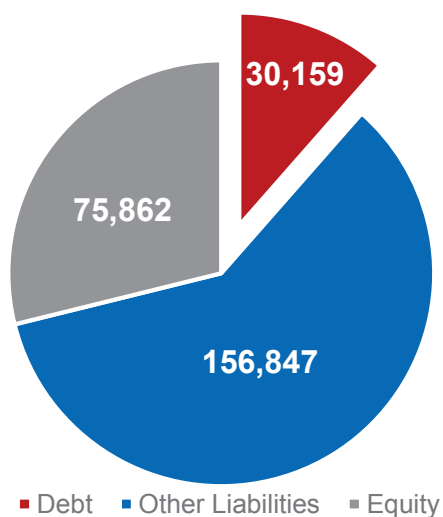


- Construction of Araneta-Cubao-Kamuning 115 kV Line
- Installation of Additional Bank at Tegen Substation (Bank No. 9)
- Development of a 115kV-34.5kV GIS substation (PAGCOR-1 substation)
- Construction of the Batangas City-Bolbok-Simlong 69kV line
- Various operating systems and software to enhance Meralco's networks as well as its customer and corporate operations

ASSETS (in ₱ mn)



LIABILITIES & EQUITY (in ₱ mn)



(in ₱ mn except ratios)

9M 2013

9M 2014

Cash

58,819

64,757

Total Debt

24,207

30,159

Net Debt

(34,612)

(34,598)

Total Debt/EBITDA

.75

.85

Net Debt/EBITDA

(1.07)

(0.98)

Gearing Ratio

(0.49)

(0.46)

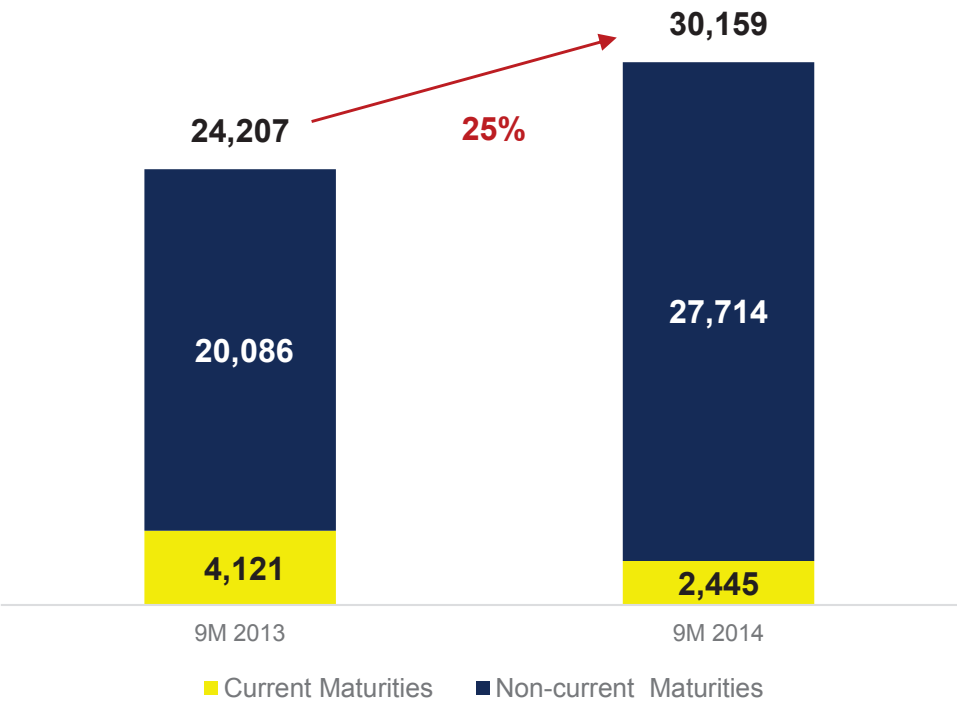
Interest Coverage

27.82

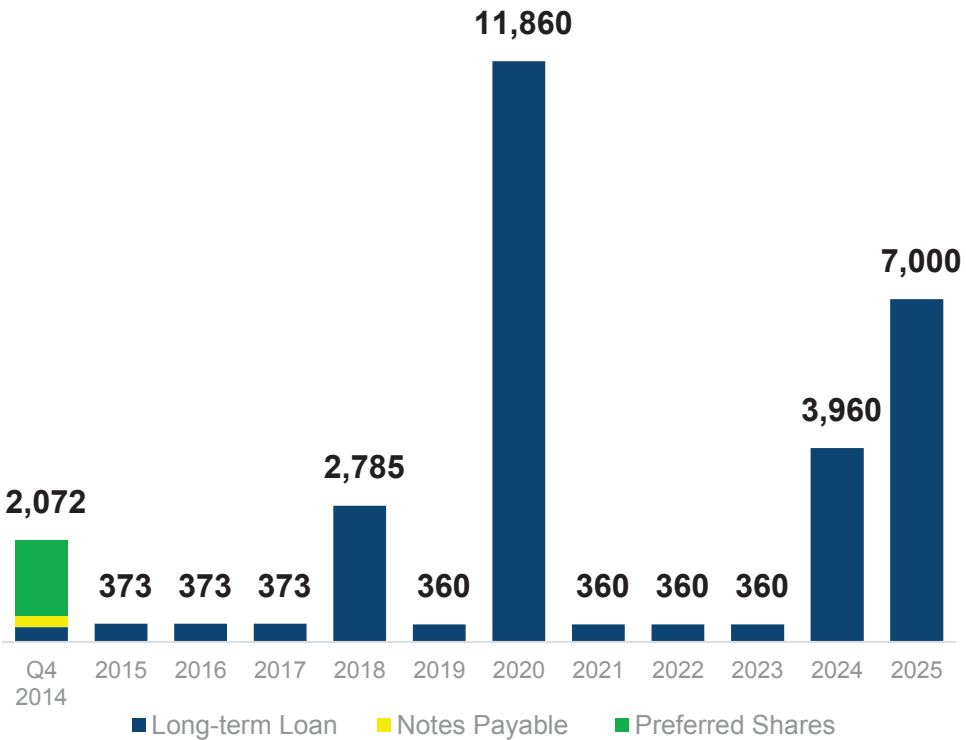
26.72

Debt Profile

TOTAL DEBT (in ₱ mn)



DEBT REPAYMENT SCHEDULE (in ₱ mn)

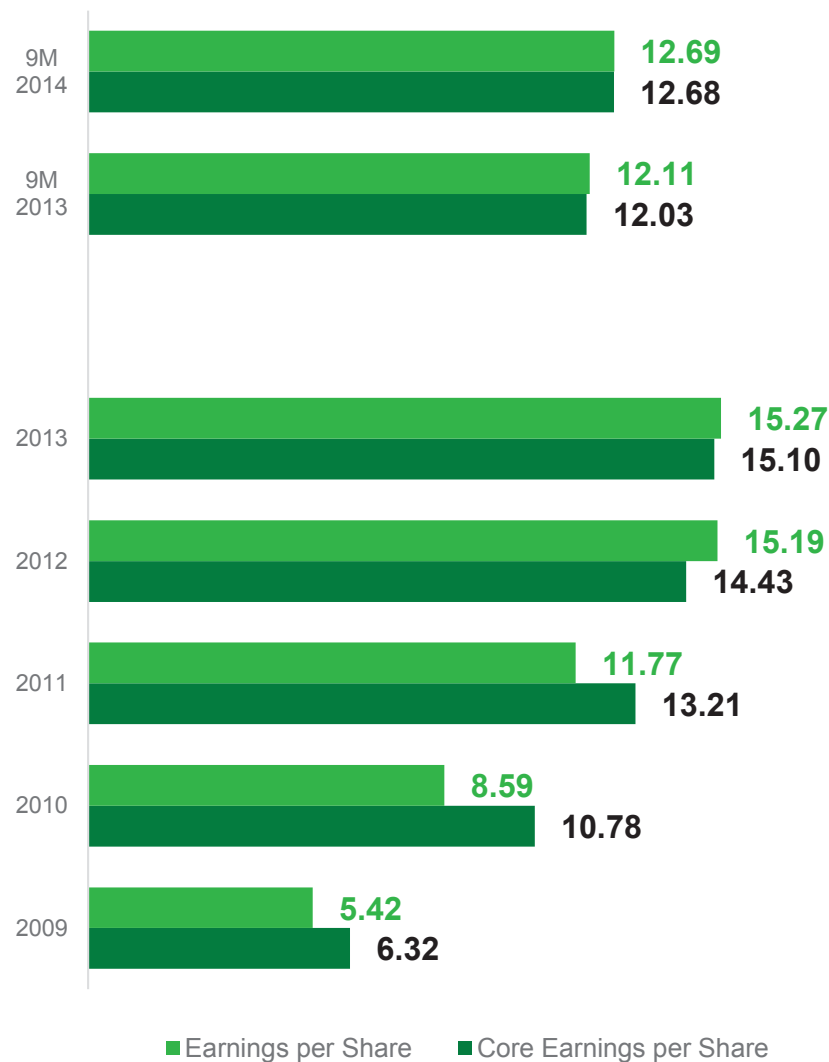


YEAR-END LONG-TERM LOAN BALANCE (₱ mn)

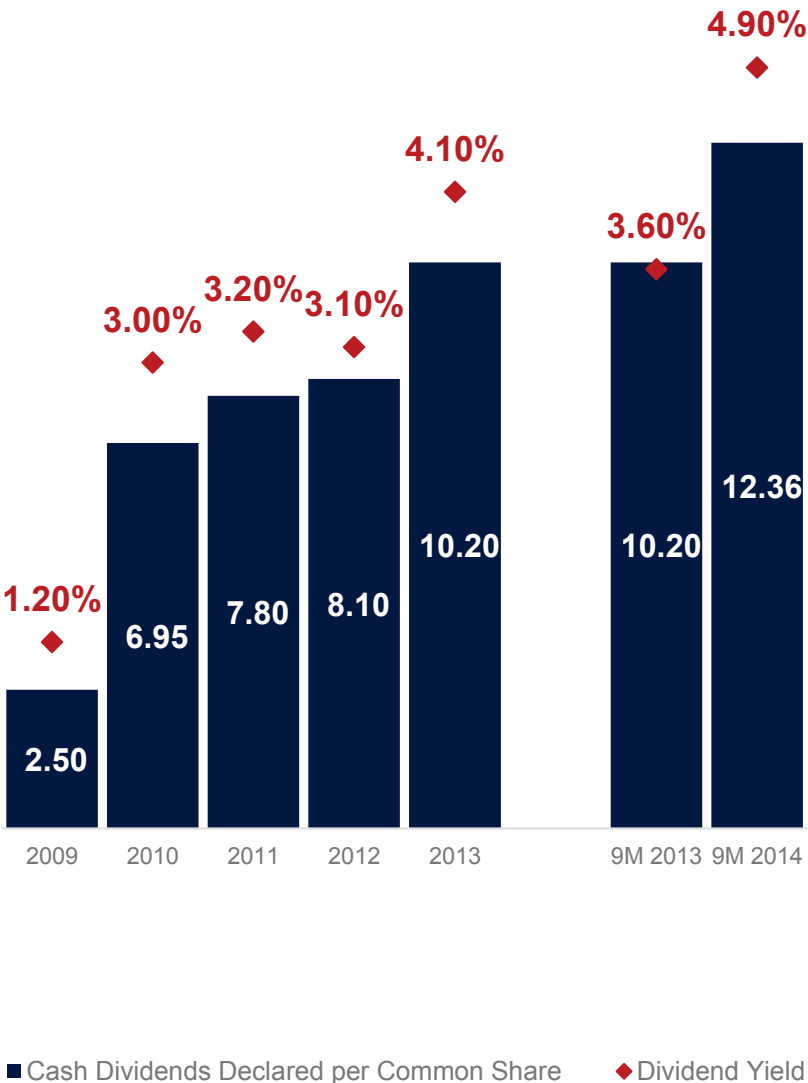
2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
28,163	27,790	27,418	27,045	24,260	23,900	12,040	11,680	11,320	10,960	7,000	-

Earnings per Share and Cash Dividends

REPORTED AND CORE EARNINGS PER SHARE (in ₱)



CASH DIVIDENDS PER SHARE (in ₱) AND DIVIDEND YIELD



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THANK YOU

