



**OPERATING
HIGHLIGHTS**



**FINANCIAL
RESULTS**

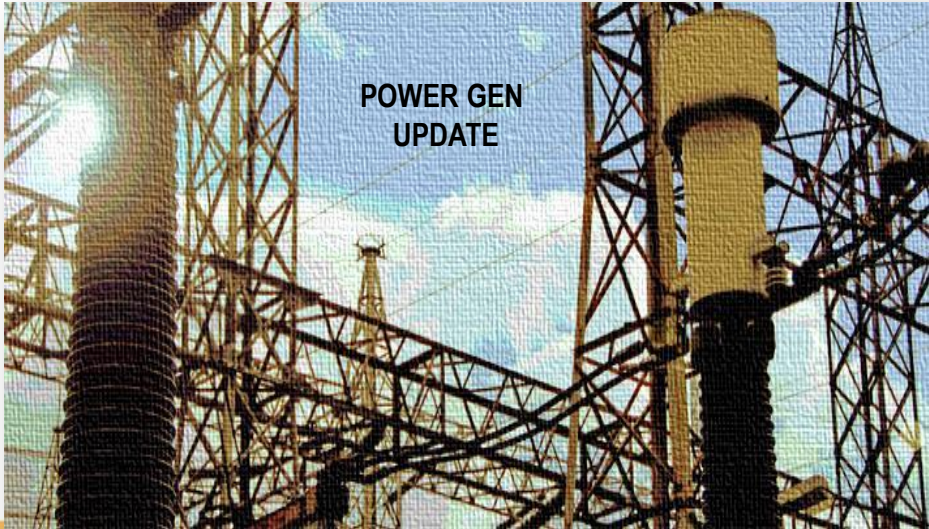
INVESTORS' BRIEFING & TELECONFERENCE

Yearend 2011

FINANCIAL & OPERATING RESULTS

27th February 2012, 3:45 pm

MERALCO, Pasig City



**POWER GEN
UPDATE**



**REGULATORY
UPDATES**

Disclaimer



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Outline of Presentation



■ Operating Highlights

Oscar S. Reyes, Senior Executive Vice President & Chief Operating Officer

■ Regulatory Updates

Ivanna G. Dela Peña, First Vice President & Head, Regulatory Management

■ Financial Results

Betty C. Siy-Yap, Senior Vice President & Chief Finance Officer

■ Power Generation Update

*Aaron A. Domingo, Executive Vice President & General Manager
Meralco PowerGen Corporation*

■ Outlook

Manuel V. Pangilinan, President & Chief Executive Officer

OPERATING HIGHLIGHTS

As at and for the year ended December 31, 2011



2011 Highlights



**ENERGY SALES
& CUSTOMER
COUNT**

**FINANCIAL
PERFORMANCE
& POSITION**

**OPERATIONAL
EXCELLENCE**

**REINVESTMENTS
IN THE BUSINESS**

**CUSTOMER
SATISFACTION
INDEX**

**RETURN TO
SHAREHOLDERS**

ENERGY SALES & CUSTOMER COUNT

■ 2011 Sales Volume and Customer Count reached new levels, highest in record

- **Consolidated Sales of 30,592 GWh up 1.1%; Meralco at 30,314 GWh**
 - 345 GWh more sales than 2010
 - Growth driven by Commercial and Industrial segments, up 4.0% and 1.7%
 - Residential lower by 2.0% partly due to cooler temp for most of the year
 - Commercial share at 39.3%, Residential at 30.5% and Industrial at 29.7% of total 2011 energy sales
- **Consolidated Customer Count up 3.7% to 5.03 Mn**
 - 2011 growth highest in 7 years or since 2005
 - 91% of total customers are Residential

ENERGY SOURCES & PURCHASES

- 2011 Net System Input up 0.5% vs. 2010 to 33,081 GWh
- IPPs leading source of power supply at 47.4%, NPC at 45.2% and WESM at 7.4%
- By type of fuel, Nat Gas accounts for 58.5%, Coal at 28.4% and balance of 13.9% are mixed fuel sources
- IPPs remain as Meralco's lowest cost of source of supply
- New medium-term power supply contracts of 2,000 MW+ concluded and additional under negotiation to replace NPC Transition Supply Contracts expiring Dec 2012

CUSTOMER RETAIL RATES

■ 2011 Ave. Retail Rate up 18¢/kWh to P9.14/kWh vs. 2010

- Due to higher Transmission and Distribution Charges, up 19¢/kWh and 15¢/kWh, respectively, vs. Jan-Dec 2010 rates.
- Generation Charge still the largest component of customers' bill at 56.0%; Meralco share 17.4%; NGCP is 11.6%

OPERATIONAL PERFORMANCE

■ Sustained outperformance vs. Regulatory Standards

- 12MMA System Loss ended Dec 2011 at 7.35%, lowest level in record
- All S-Factor performance within rewards range
 - Surpassed records of 2007-2010 & vs. Regulatory Standards
- GSL performance within allowed limits

OTHER BIZ UPDATES/ EVENTS OF INTEREST

- **Customer Satisfaction Index: “highest ever”**
- **Meralco’s 5 Millionth customer**
- **2011 Philippine Quill Awards**
- **Other business updates**

DETAILS

Sales Performance*: REACHED NEW LEVELS

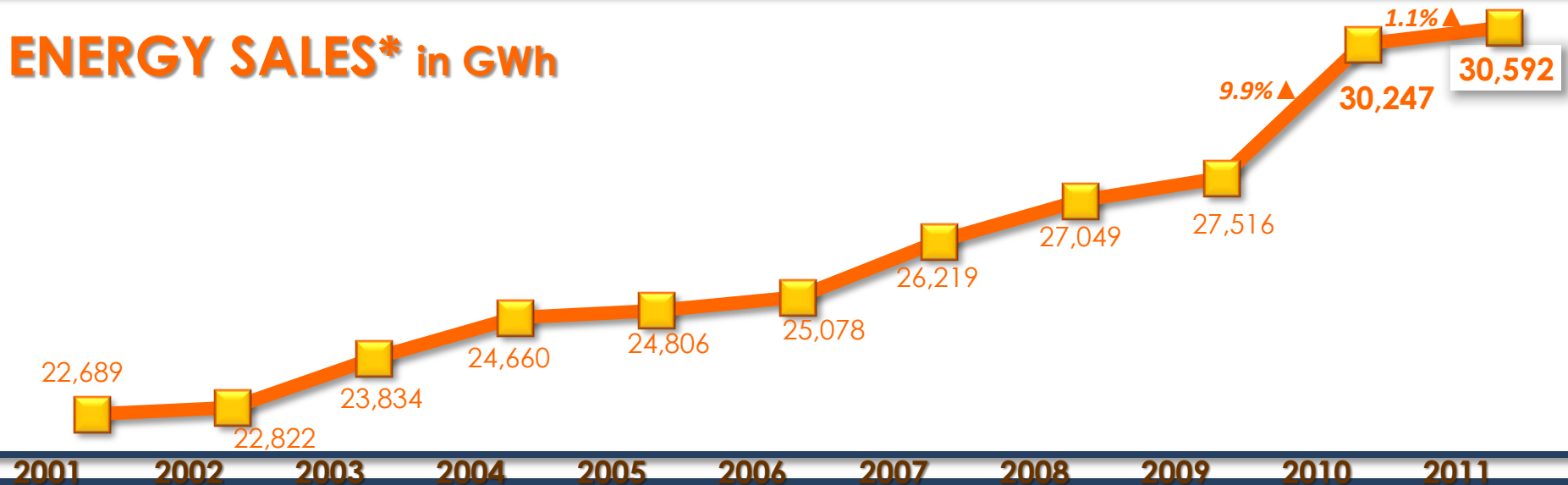


MERALCO
Apag nang bukas

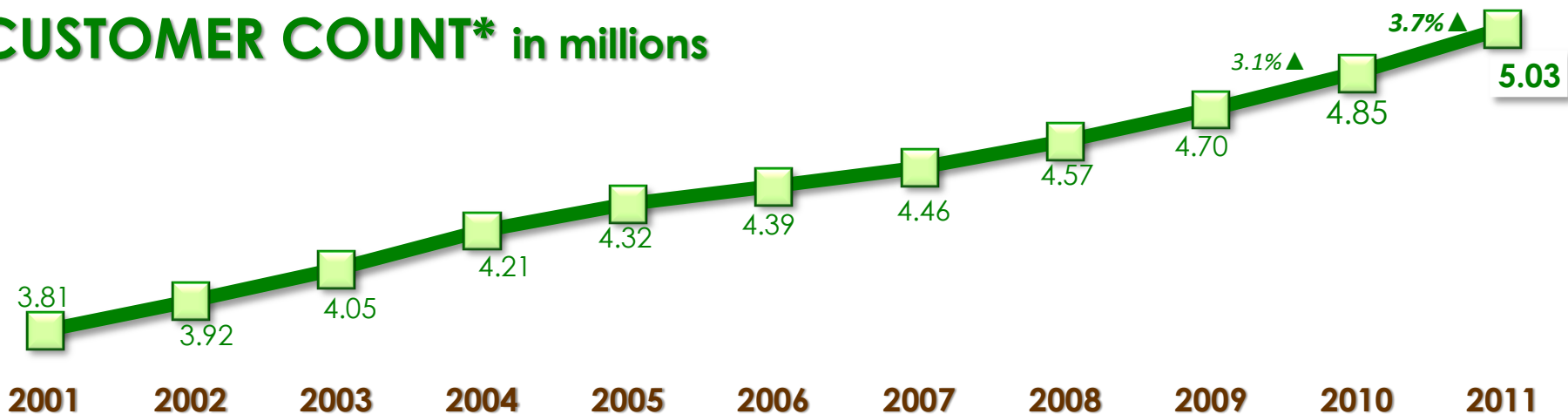
- Breached 30,000 GWh Energy Sales (Meralco DU) and 5 Mn Customer Count
 - Sustained positive growth at 1.1% and 3.7%, respectively
- Despite slower GDP growth (3.7% in 2011 vs. 7.3% in 2010), not election year, and cooler temp (27.5°C vs. 28.4°C)

*2008-2011, MERALCO + CEDC

ENERGY SALES* in GWh



CUSTOMER COUNT* in millions

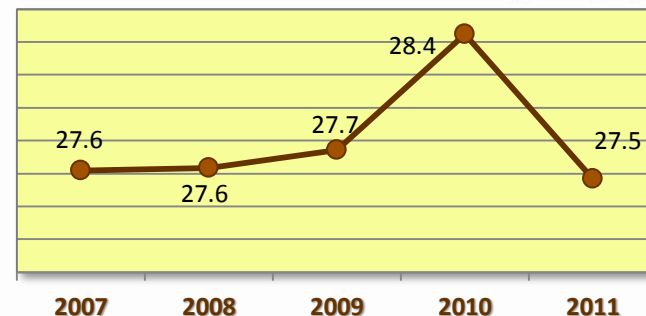
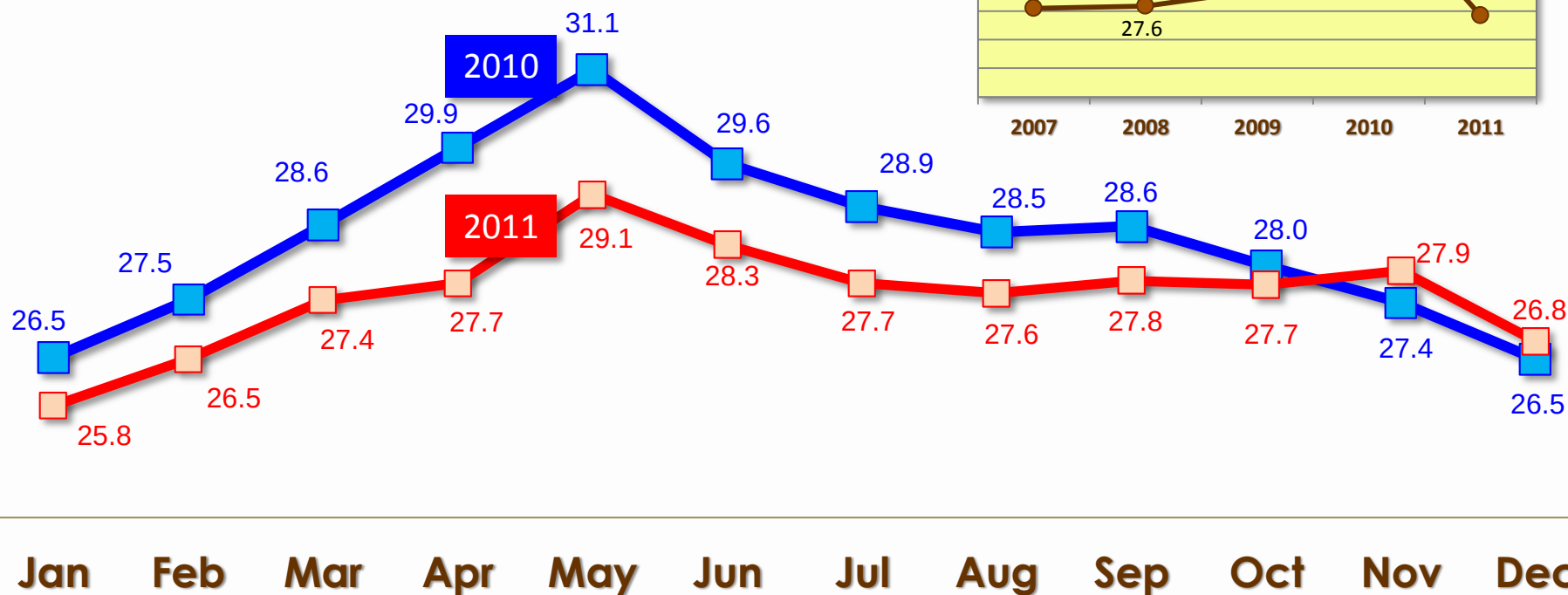


Cooler Temperature (°C) in 2011 vs. 2010



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Ang liwanag ng bukas

- Ave Temp in 2011 is lower by 0.9°C vs. 2010
- Max Temp in 2011 is lower by 0.7°C vs 2010

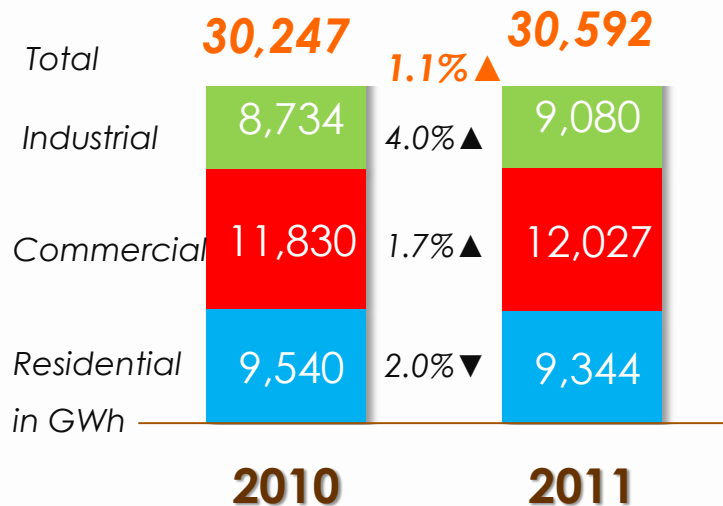


	<u>2010</u>	<u>2011</u>
Ave Temp	28.4°C	27.5°C
Max Temp	35.1°C	34.4°C

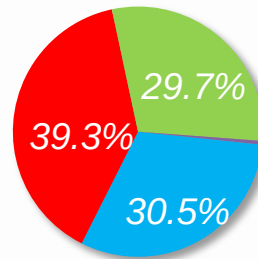
December Sales* (YTD)

- Dec 2011 YTD up 1.1% vs. 2010 / 11.1% higher vs. 2009
- Industrial and Commercial sales growth more than offset Residential sales decline

Details:



Share of Sales



Growth Drivers:

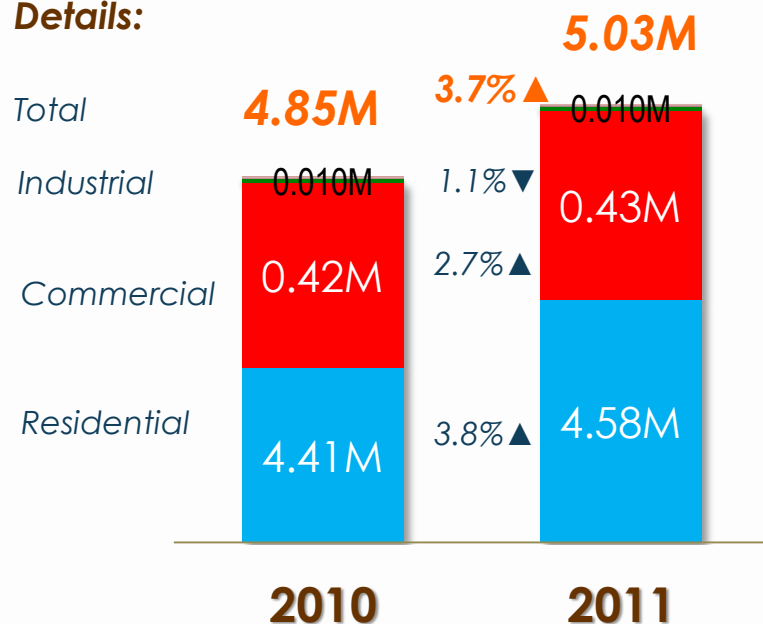
- Electrical Machinery (Semicon)
- Fabricated Metals
- Food & Beverage

- Real Estate
- Transport, Storage & Communications
- Trade

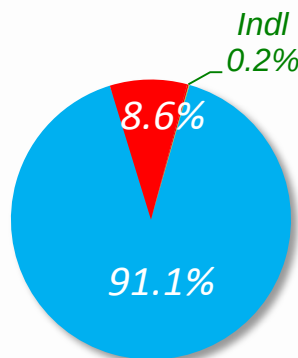
December Customer Count

- Billed customer count up 3.7% vs. 2010 to 5.03 million customers
- - Total of 179,305 new customers from beginning of 2011, majority Residential

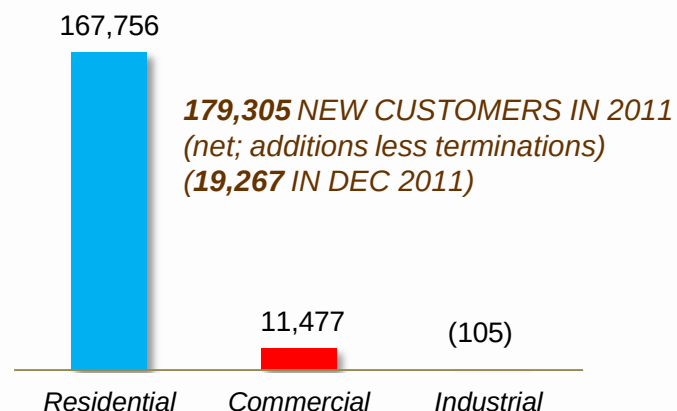
Details:



Share of Count



New Customers:



Ave. of **14,942** customers are added every month

Out of 4.58 million Residential customers in 2011, 2.09 million or 46% are Lifeline Subsidy customers, consuming 100 kWh or less per month.

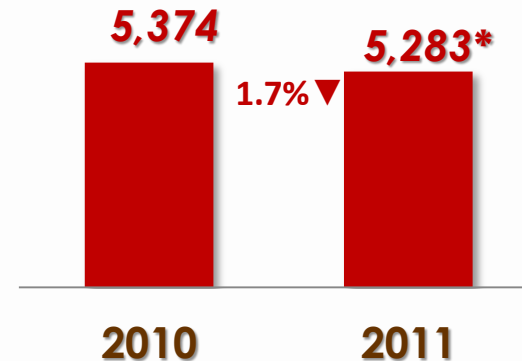
Net System Input (NSI) & Peak Demand

➤ 2011 NSI of 33,081 GWh up 0.5% vs. 2010; Peak demand remained at 5,283 MW*

Net System Input, GWh:

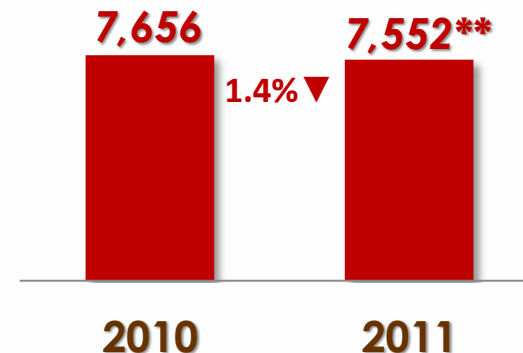


Meralco Peak Demand, MW:



*occurred May 18, 2011 as against May 26, 2010 Peak.

Luzon Peak Demand, MW:



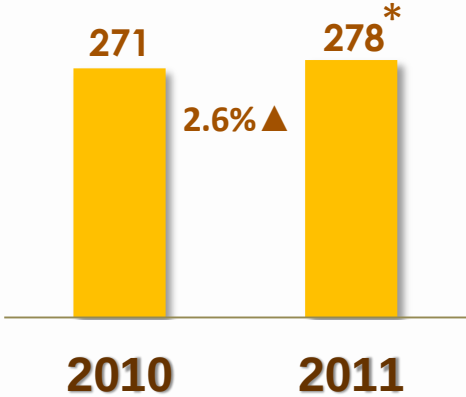
**occurred June 7, 2011

Clark Electric (CEDC) Sales, NSI and Customer Count, Dec 2011 YTD

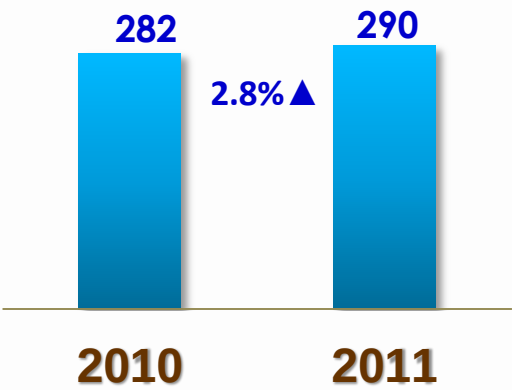


➤ Energy Sales, NSI and Customer Count sustained growth vs. 2010

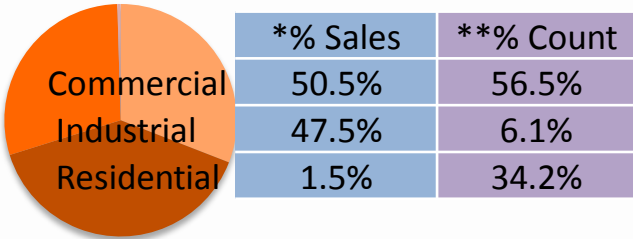
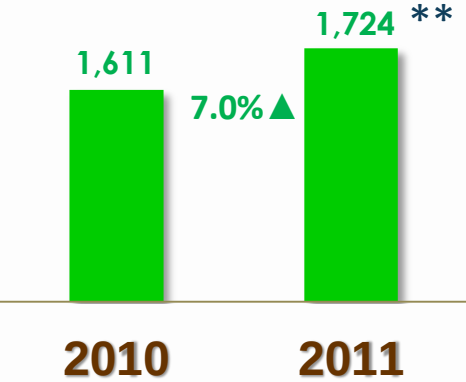
Energy Sales, GWh



NSI, GWh



Customer Count

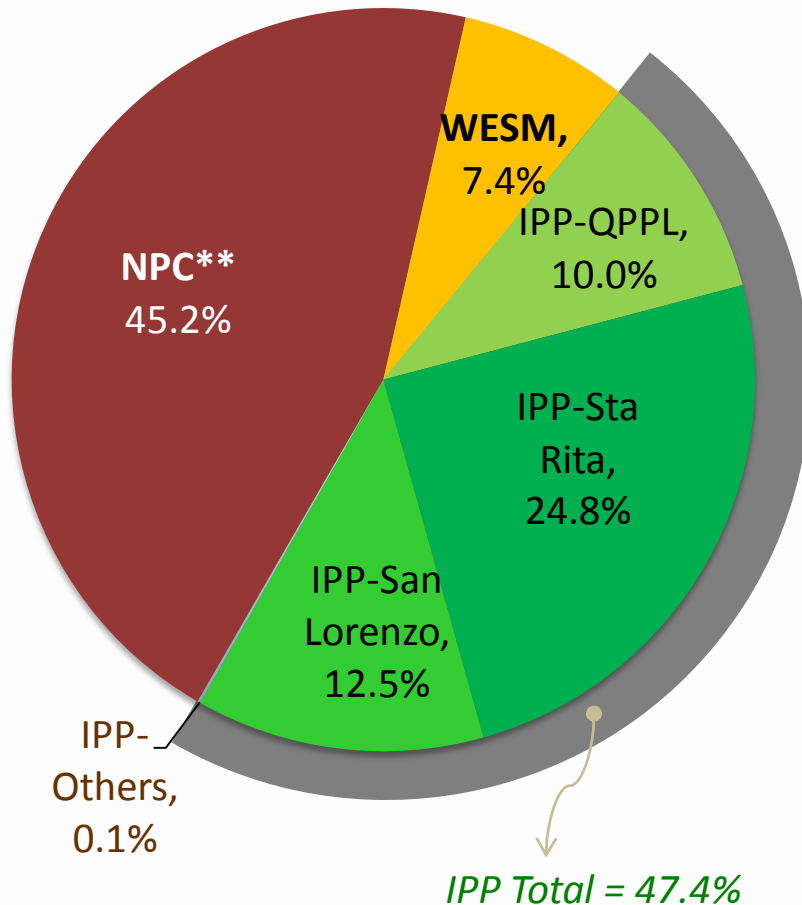




Power Sources* Mix for 2011 Purchases

- IPPs provided majority of the input power at 47.4%, NPC at 45.2% and WESM at 7.4%
- Deliberate effort of Meralco to reduce WESM purchases for the year for the customers' benefit

2011 Purchases



SOURCE	2011		2010	
	GWh	Share	GWh	Share
NPC**	14,832	45.2%	13,263	40.6%
WESM	2,420	7.4%	4,616	14.1%
IPP-Total	15,539	47.4%	14,765	45.3%
Sta. Rita	8,117	24.8%	7,536	23.1%
San Lorenzo	4,114	12.5%	3,824	11.7%
QPPL	3,265	10.0%	3,388	10.4%
Others	43	0.1%	17	0.1%
Total NSI	32,791	100.0%	32,643	100.0%

in GWh

*Parent

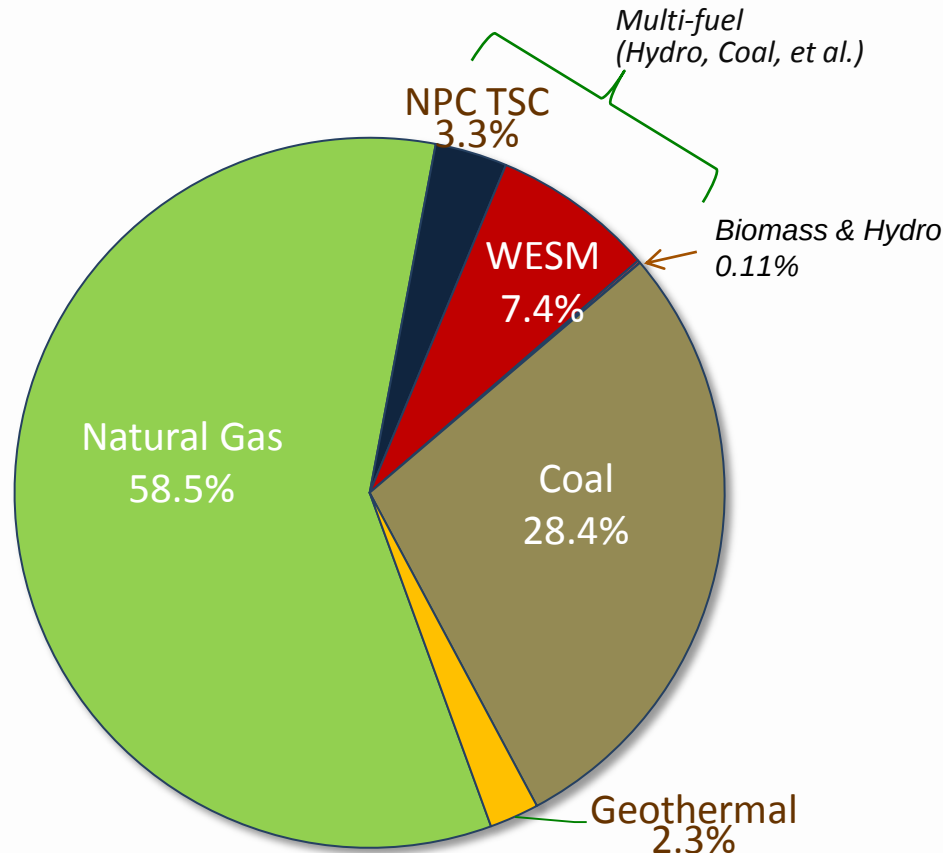
**Including Special Programs (Ecozone and CCP)

Power Plant Mix by Fuel Type for 2011*

➤ Nat Gas-fired plants dominate at 58.5% with Coal-fired plants at 28.4%++



2011 Purchases



TYPE	QUANTITY*
Natural Gas	19,195
Coal	9,316
Geothermal	738
Biomass /Run-of-River Hydro	43
NPC TSC (Mixed fuels)	1,079
WESM	2,420

in GWh

* Parent

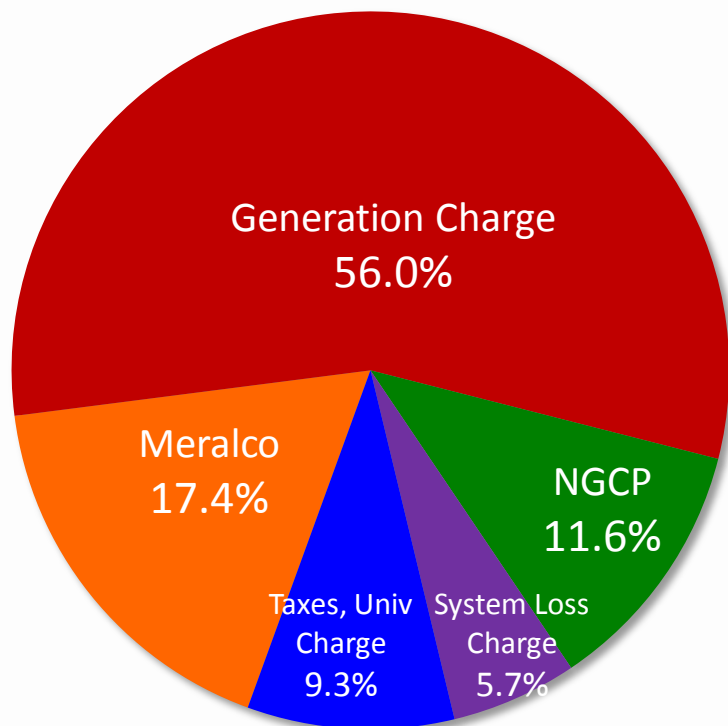
Overall Ave. Retail Rate* for Jan-Dec 2011

HIGHER by 18¢/kWh vs. 2010



- Mainly due to higher Transmission and Distribution Charges
- Generation Charge still the largest component of customers' bill at 56.0%
- Distribution Charge (Meralco) share 17.4%; Transmission Charge (NGCP) share 11.6%

Jan-Dec 2011 Share per component



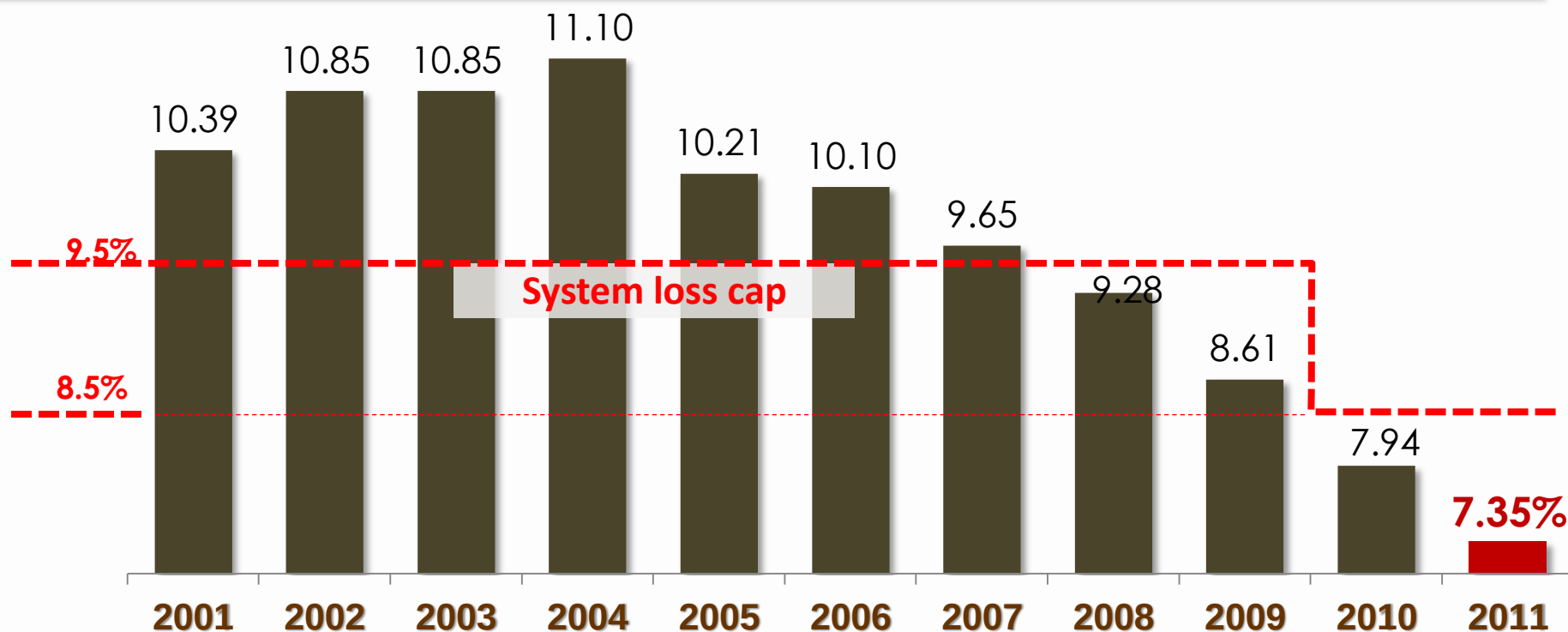
BILL COMPONENT	Jan-Dec 2011 Overall Ave, P/kWh	Jan-Dec 2010 Overall Ave, P/kWh	%Inc/ (Dec)
Generation Charge	5.12	5.19	(1)
Distribution Charge (MERALCO)	1.59	1.44	10
Transmission Charge (NGCP)	1.06	0.87	21
System Loss Charge	0.52	0.55	(6)
Taxes, Univ Charge	0.85	0.89	(5)
TOTAL	9.14	8.95	2.0

System Loss Performance: “ALL-TIME LOW”



Ana liwanag na bukas

- Improved performance vs. Cap means lower rates (system loss charge) for customers
 - 2008: 0.362 Bn
 - 2009: P1.37 Bn
 - 2010: P1.13 Bn
 - 2011: P2.38 Bn
- P5.25 Bn Total Cumulative Savings to customers or 4.61¢/kWh (2008-2011)**
- Zero unrecoverable Purchased Power Cost for MERALCO for the 4th year



SL PENALTY to MERALCO	953 M	1,350 M	1,508 M	1,998 M	1,054 M	969 M	260 M	0 M	0 M	0 M	0 M
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•System Loss in %; starting 2008, computed excluding kWh recoveries from pilferage cases .

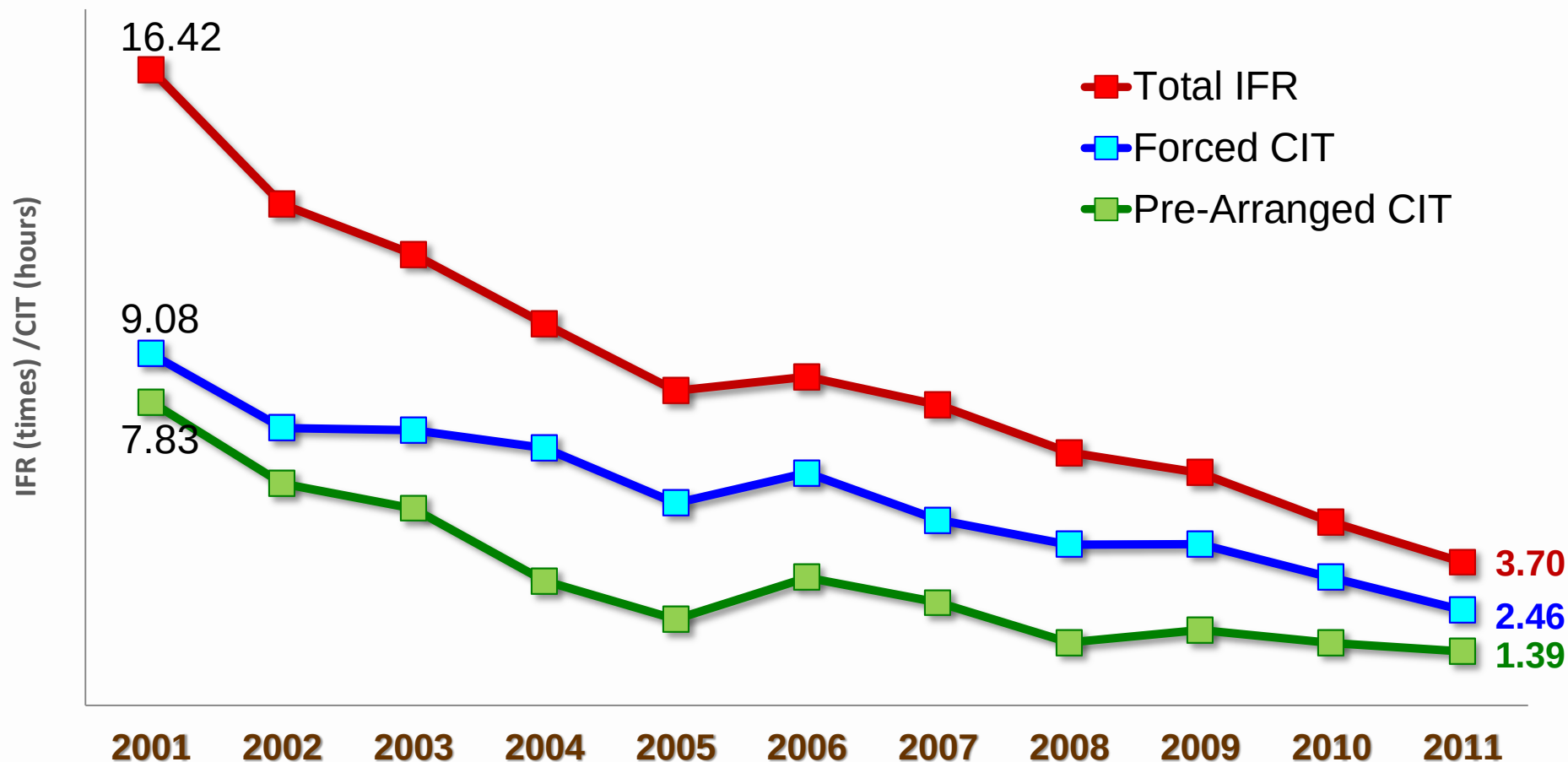
•Official ERC-filed Meralco System Loss: excludes Clark Electric Distribution Corp. (CEDC) –12MMA ending Dec 2011: 3.96%; Dec 2010: 3.81%

System Reliability & Availability Performance:

“ALL TIME BEST”



- Total IFR (Reliability) improved by 21.8%, at 3.70 times
- Forced CIT (Availability) improved by 25.5%, at 2.46 hours
- Pre-Arranged CIT (Availability) improved by 13.7%, at 1.39 hours



Note: Service Interruption includes Forced and Pre-arranged outages. Effects of major typhoons have been excluded.

2011 S-Factor: “SURPASSED 2007-2010 RECORD & REGULATORY STANDARDS”

S-FACTOR INDICATOR	REGULATORY STANDARDS	2007	2008	2009	2010	2011	REMARKS
IFR, Forced and PAI (Times)	15.40 > IFR > 5.90 ●	7.77	6.53	6.01	4.73	3.70	BEST RECORD
CIT, Forced (Hours)	9.56 > CIT > 3.52 ●	4.79	4.15	4.17	3.30	2.46	BEST RECORD
CIT, Pre-arranged (Hours)	6.19 > CIT > 1.94 ●	2.65	1.62	1.94	1.61	1.39	BEST RECORD
Prob. of Voltage Violations (%)	5% > pVv > 3% ●	1.62	0.88	0.75	0.50	0.23	BEST RECORD
Ave. Time to Process App. (Days)	19 > TPA > 7 ●	14.39	15.80	11.61	5.46	4.58	BEST RECORD
Ave. Time to Connect (Days)	4 > TCP > 2 ●	3.59	2.90	2.35	2.54	1.66	BEST RECORD
Call Center performance (%)	25.5% > CCP > 12.66% ●	12.18	10.08	9.03	11.95	8.21	BEST RECORD
System Loss (%) -12MMA	SL > 10.86% ●	9.65	9.28	8.61	7.94	7.35	BEST RECORD

● location of 2011 performance

* includes pilferage recoveries as part of sales



record low since 2007

OTHER EVENTS OF INTEREST

Customer Satisfaction Index: “HIGHEST EVER”



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Ang liwanag ng bukas



Business Updates

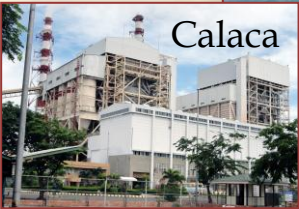


Ilijan



Masinloc

Calaca



Meralco closes new medium-term power supply agreements

- **In December 2011 with 3 major generating companies,**
 - South Premiere Power Corporation (SPPC)
 - SEM-Calaca Power Corporation
 - Masinloc Power Partners Co., Ltd
- For 1,700-2,030 MW for 7 years
- To replace Transition Supply Contracts expiring Dec 2012
- Enhancing adequate, reliable and cost-competitive electricity supply.



Expansion of Legaspi Substn.

- Commissioning of additional 83 MVA power transformer at Legaspi Substation 115 kV-34.5kV GIS Substn
 - To support robust growth in the Makati Central Business District
 - Provides sufficient capacity for load growth
 - Improves networks reliability, switching flexibility, and power quality
 - Lowers technical losses
 - Benefiting customers:
 - Philippine Stock Exchange, Ayala Center, Greenbelt, Makati Medical Center, PLDT, Smart, JG Summit, Philamlife Tower, PBCOM, GSIS, Rustans Commercial, among others.



Prepaid Retail Electric Service (PRES)

➤ **Regulatory Filing**

Formally advised ERC of Meralco's intent indicating pilot PRES and detailing the pilot phases and target

- Conducted orientation of pilot participants
- Started development of vending system
- Comments media advisories
 - Sept 16: "Meralco to pilot prepaid electricity next year"
 - Oct 27: "Consumers favour prepaid electricity, Meralco study shows"

Business Updates



Business initiatives

➤ Corporate Business Grp:

- Participation in Semiconductors & Electronics Industries in the Phils Inc. (SEIPI) October General Membership meeting.
- Highlighted Meralco's strong partnership, brand visibility, leads, increase energy sales as the Energy Service Provider of Choice.

➤ Home & Micro Business Grp:

- Partnered with appliance manufacturers in promoting energy-efficient appliances



Meralco's 5 Millionth customer

- **Meralco marked key milestone of the 5 Millionth Customer - the Guittaps, 28-year old Medical Technologist and wife**



2011 Philippine Quill Awards

- **13 awards of recognition, 2nd biggest haul, acknowledging Meralco's exemplary communication programs, skills and creative work.**
- One Meralco Foundation (OMF) launch and community electrification program - Award of Merit
- Maliwanag ang Pasko Christmas Campaign – Award of Excellence
- The Lighter Side of Meralco – Bringing energy efficiency tips closer to the customer (Finalist)
- New Meralco Brand Architecture – (Finalist)

REGULATORY UPDATES

As at and for the year ended December 31, 2011



2011 saw the completion of the 2nd Regulatory Period



February 1994

Final rate adjustment
before EPIRA
enactment in 2001

June 2003

Rate unbundling; 1st
rate adjustment in 9
years

July 2007: PBR

Start of 2nd Regulatory Period

May 2009

1st PBR rate
adjustment,
P1.2227/kWh

April 2010

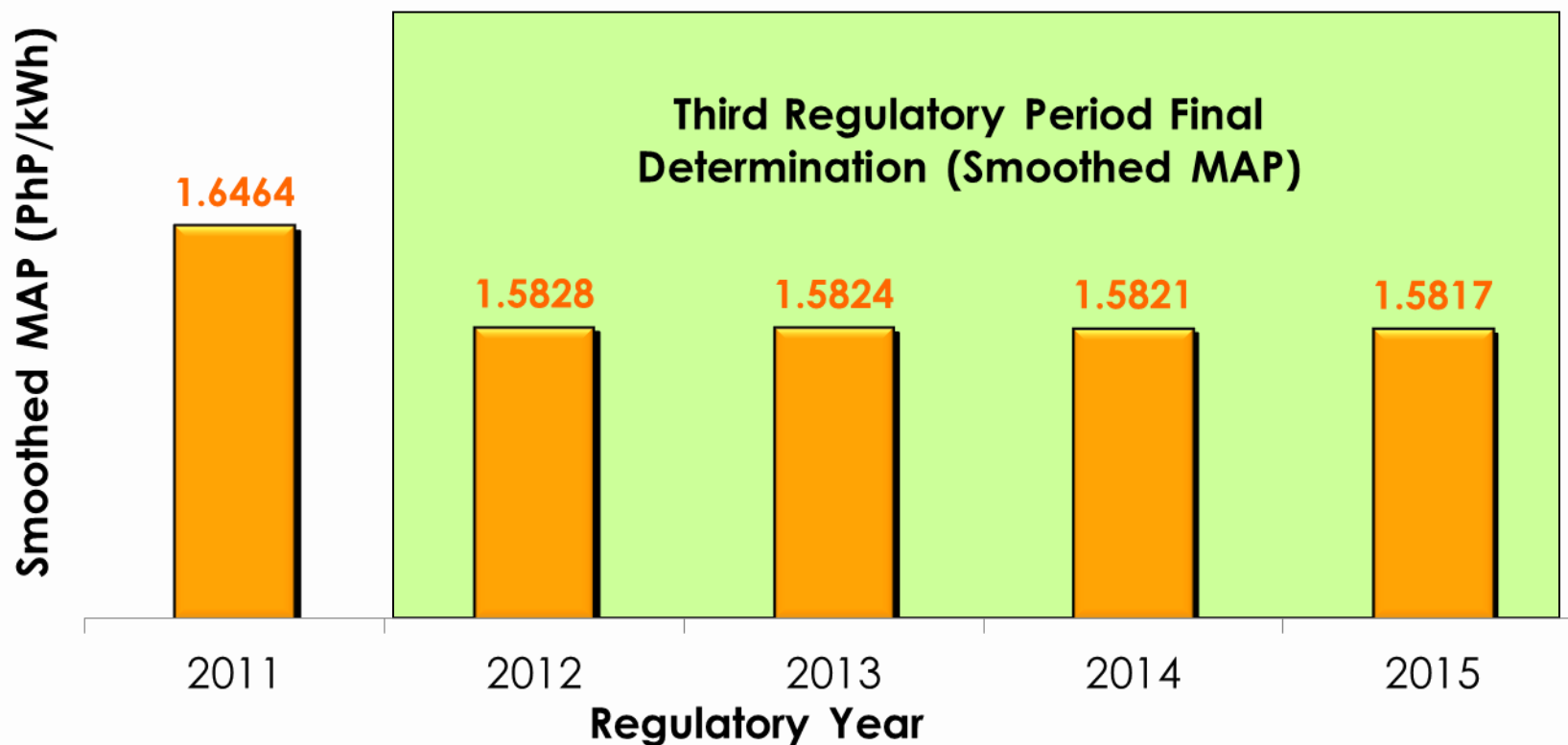
RY2010 MAP =
P1.4917/kWh

January 2011

RY2011 MAP = **P1.6464/kWh**

Final adjustment of the 2nd Regulatory Period

3RP* Final Determination: Maximum Average Prices (MAP)



* ERC's Final Determination on the 3rd Regulatory Period (3RP) Reset petition was released on June 9, 2011

Rate Verification of RY2012 (under 3RP)

(In Pesos per kWh)

ERC Approved MAP 2012	PhP1.58280
PIS Reward	0.02033
Related Business Plow back	(0.00198)
Adjusted MAP 2012	PhP1.6012

- Provisionally approved by ERC and implemented beginning Oct 2011 billing (P0.0452/kWh reduction in Meralco charges)
- Hearings are on-going. Latest hearing was January 16, 2012

- **14 December 2011:** Supreme Court denies with finality petition questioning MERALCO's MAP 2010 rate translation
- **3 February 2012:** Court of Appeals DISMISSED petition against MERALCO's 3RP Final Determination

Financial Results Highlights

Steady Revenue Growth

Robust Income Performance

Contained Growth in Expenses

Strong Balance Sheet

Better Cash Position

Significantly Lower Financing Costs

Regular Returns to Shareholders



Financial Results Summary



(In Millions)	For the Year Ended December 31		
	2011	2010	% Increase / (Decrease)
Gross Revenues	P 256,808	P240,933	6.6
Electric	253,989	239,077	6.2
Non-electric	2,819	1,856	51.9
Costs and Expenses	238,109	227,615	4.6
Purchased power	205,674	200,916	2.4
Operations and maintenance expenses	19,794	16,850	17.5
Depreciation and amortization	5,504	5,911	(6.9)
Others	7,137	3,938	81.3
Core EBITDA	26,842	25,089	7.0
Income from Continuing Operations	12,760	9,295	37.3
Income from Discontinued Operations- net of tax	966	821	17.7
Reported Net Income	13,227	9,685	36.6
Core Net Income	14,887	12,155	22.5
Core EBITDA Margin*	10.2%	10.2%	-
Reported Earnings per share	P11.73	P8.59	36.6
Continuing Operations	11.28	8.21	37.4
Core Earnings per share	P13.21	P10.78	22.5
Continuing Operations	12.76	10.40	22.7

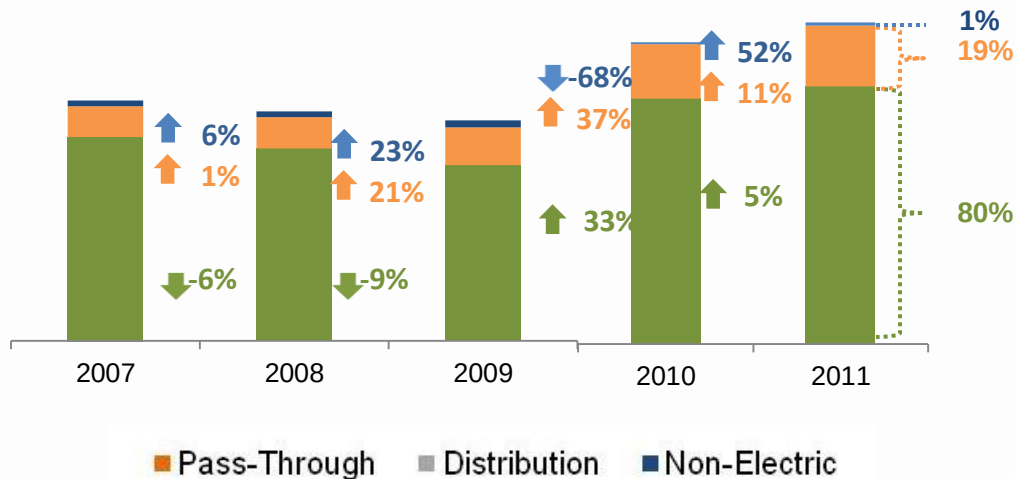
*Margin or Gross Revenues, inclusive of pass-through charges

Revenues and EBITDA showing steady growth

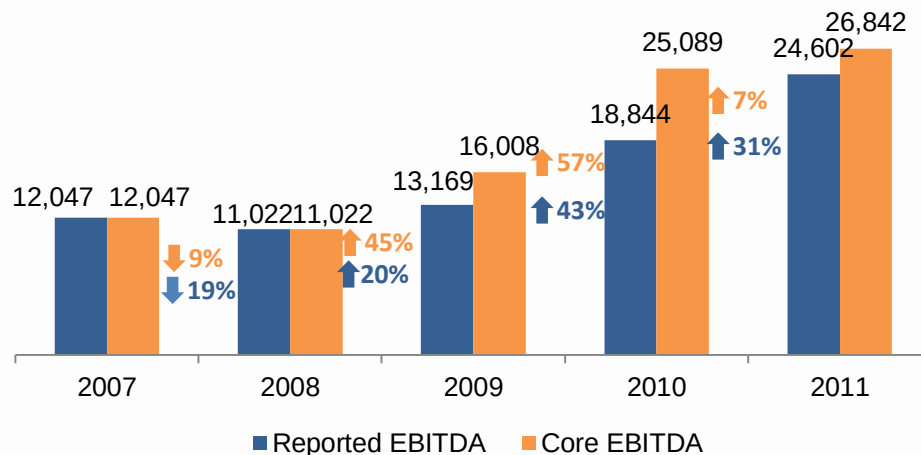
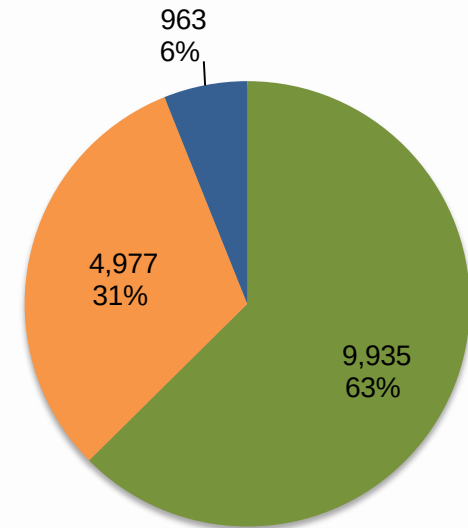


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Ang liwanag ng bukas

- Revenues up by **7%** to **P256.8Bln**



Increase of P15,875 due to:



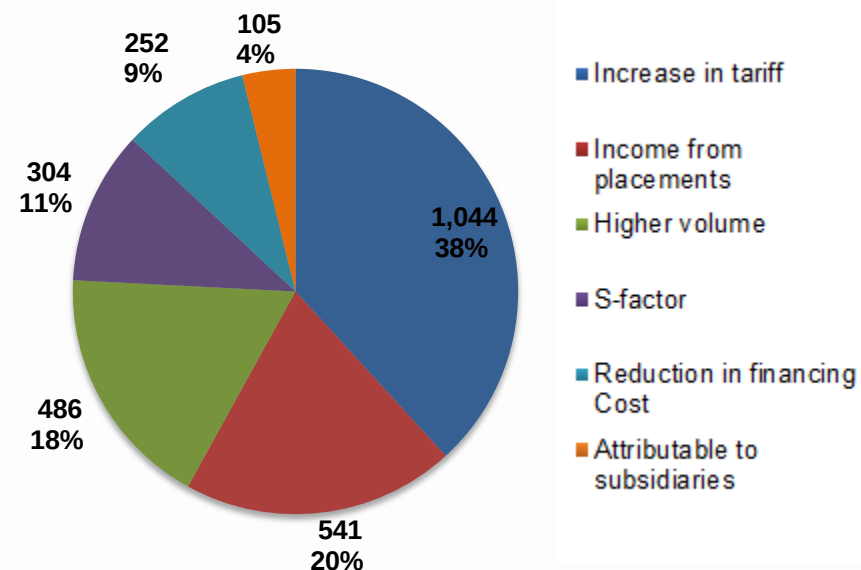
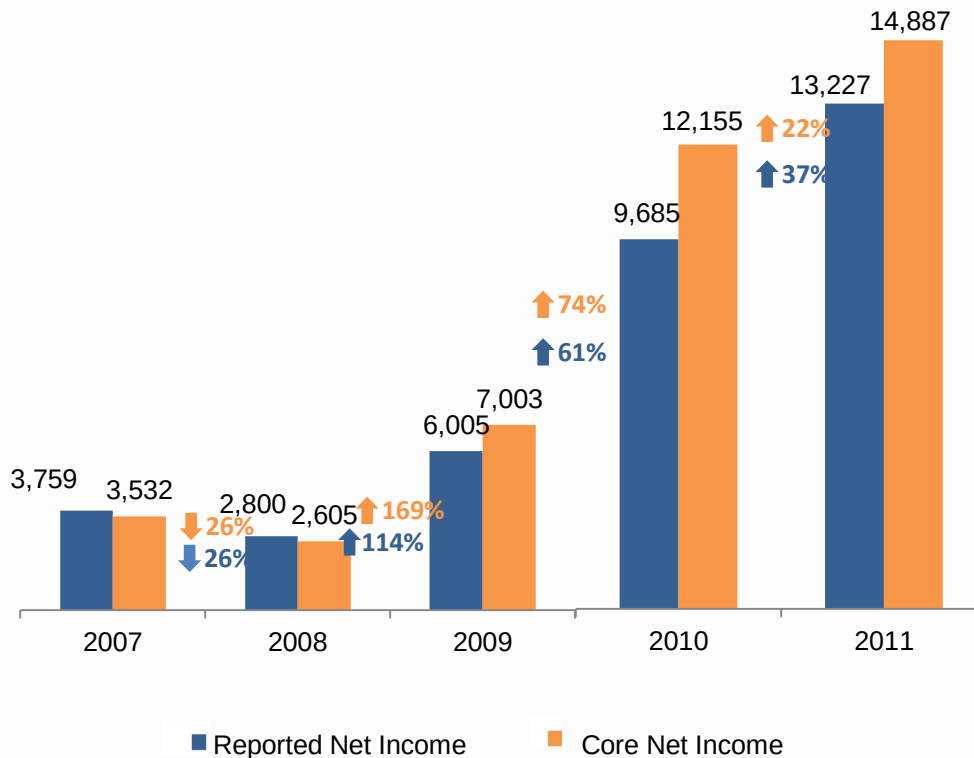
- Reported EBITDA up at **P24.6Bln**
- Reported EBITDA Margin at **9.4%**
- Core EBITDA up at **P26.8Bln**
- Core EBITDA Margin at **10.2%**

Core and Reported Net Income - Robust Performance



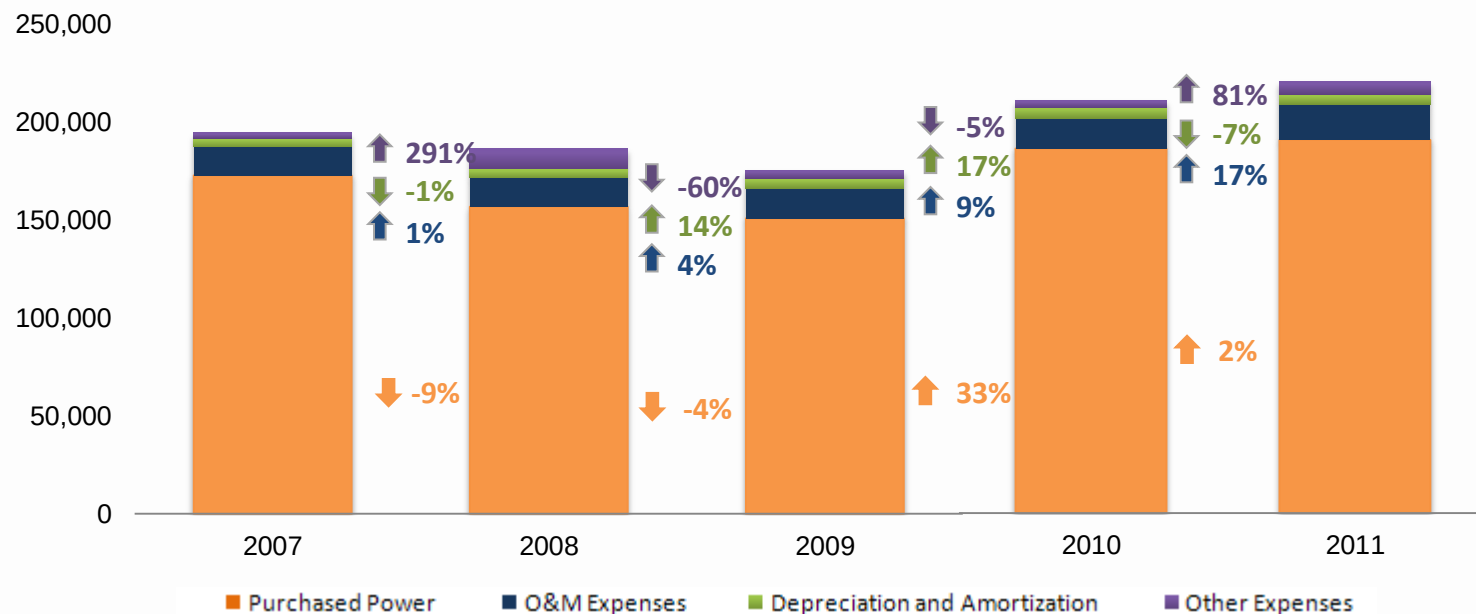
- Core Net Income up by **22%** to **P14.9Bln**
- Reported Net up by **37%** to **P13.2Bln**

Increase of P2,732 due to:



Contained growth in expenses

- Costs and Expenses up by only **5%** to **P238.1Bln**
 - Purchased power which comprises 86% of Total Expenses was up by **2%** to **P205.7B**



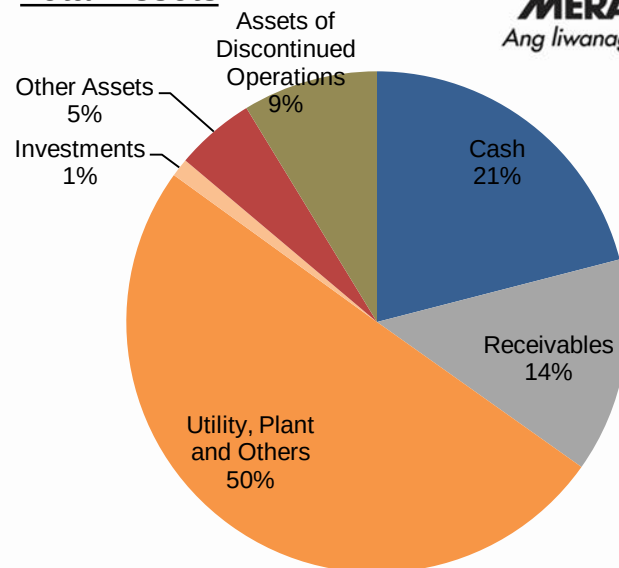
Strong Balance Sheet to support growth objectives



- Total Assets up by **18%** to **P210.4Bln**

(In Million P)	December 31 2011	December 31 2010	% Increase/ Decrease
Cash	44,141	24,370	81
Receivables	29,108	25,609	14
Utility, Plant and Others	105,510	103,250	2
Investments	2,486	8,358	(70)
Other Assets	10,794	17,381	(38)
Assets of Discontinued Operations	18,349	-	-
Total Assets	210,388	178,968	18

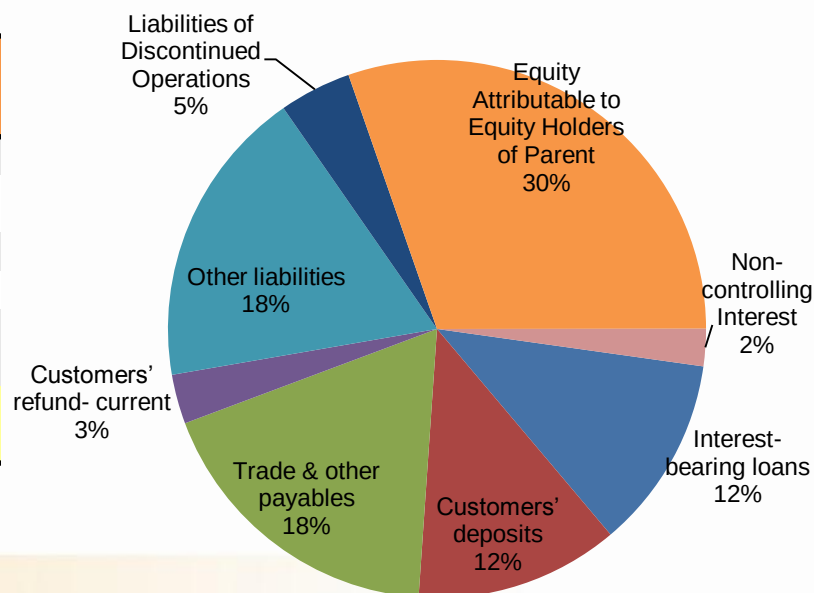
Total Assets



- Total Liabilities up by **23%** to **P141.9Bln**

	December 31 2011	December 31 2010	% Increase/ Decrease
Interest-Bearing loans	24,443	21,222	15
Trade and Other Payables	38,313	31,138	23
Customers' Deposits	25,778	23,761	8
Other Liabilities	44,240	39,651	17
Liabilities of Discontinued Operations	9,113	-	-
Total Liabilities	141,887	115,772	23
Total Equity	68,501	63,196	8

Total Liabilities and Equity

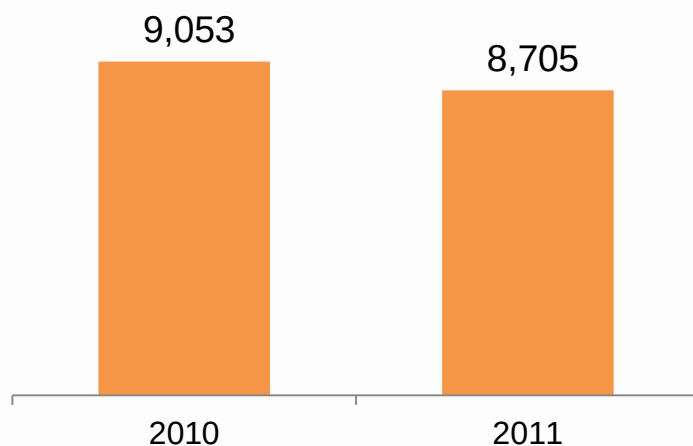


Capital Expenditures

As at December 31, 2011

- 2011 CAPEX at **P8.7Bln**
 - Construction of new distribution lines to address critically-loaded lines
 - Conversion of odd voltage 6.24kV circuits into standard 34.5 kV system
 - Replacement of defective power transformers
 - Alley Arm installations

Capital Expenditures



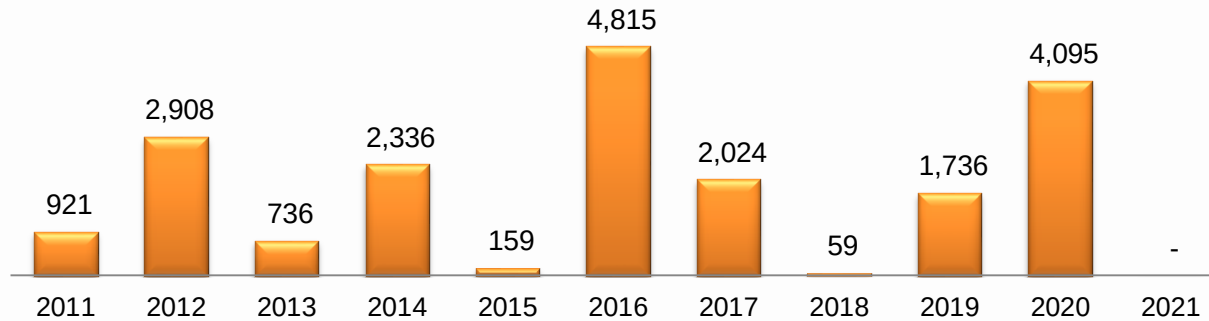
Debt Profile

As at December 31, 2011



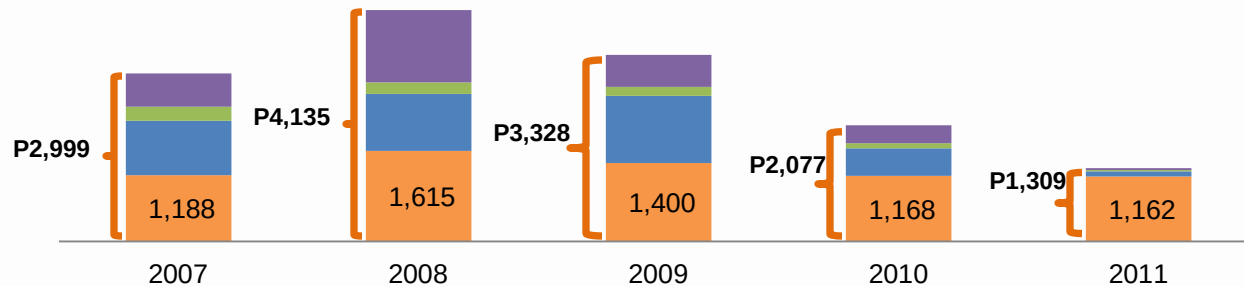
- Consolidated debt balance as of the end of 2011 at **P24.4Bln.**

Principal Repayment Schedule*



Loan Balance											
Year End	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Amounts (In Million P)	22,822	19,914	19,178	16,841	16,682	11,868	9,844	6,890	6,831	4,095	-

- Significantly lower financing costs at **P1.3Bln**



Interest on Bank Financing Interest on Bill and Meter Deposit Interest on Redeemable Preferred Others

2011 New Loan Availments:

- January 10** – PhP2.5 billion 7Y bilateral loan all floating with spread of 0.3% due 2018
- June 29**- Signed PhP5 billion in fixed rate notes (to prepay a PhP4.68 billion floating rate loan)
 - PhP500 million for 7Y at 6.2692% due 2018
 - PhP4.5 billion for 10Y 6.89% due 2021

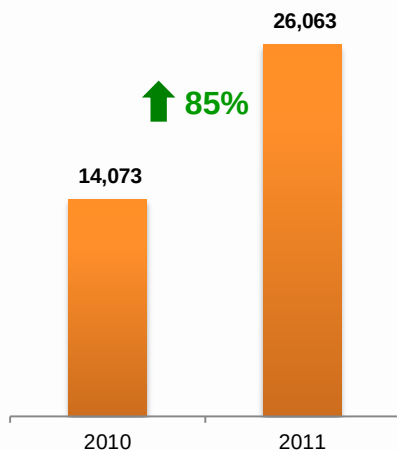
	2011	2010
Debt to Equity	0.38	0.36
Debt to EBITDA	1.05	1.18
Net Debt to EBITDA	(0.84)	(0.18)
Gearing	(0.31)	(0.05)

Higher Free cash flow

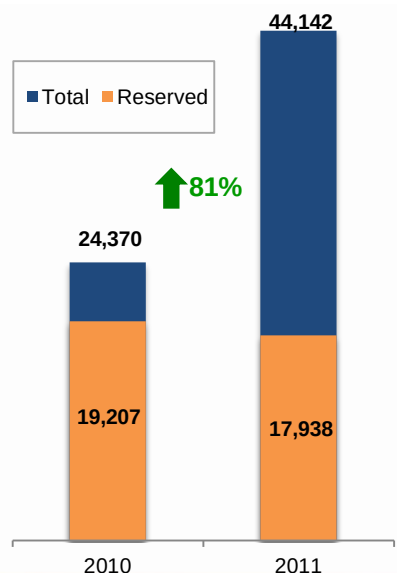


- Free cash at the end of 2011 amounted to **P26.1Bln**

Free Cash Flow



Cash and Cash Equivalents



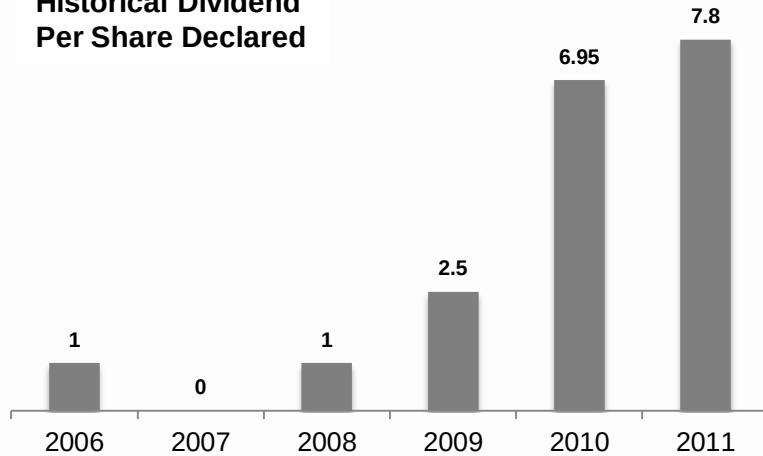
	As at December 31		% Change Increase/ (Decrease)
	2011	2010	
Cash flows from operating activities			
Operating income before working capital changes	34,032	25,142	35.53
Net change in working capital	3,423	169	1,925.44
Income tax paid	(6,083)	(4,953)	22.8
Net cash provided by operating activities - discontinued operations	4,341	-	-
Net cash provided by operating activities	35,713	20,358	61.0
Net cash provided by (used in) investing activities	(8,863)	(6,292)	40.9
Net cash provided by (used in) financing activities	(6,312)	(6,764)	(6.7)
Net increase in cash and cash equivalents	20,538	7,302	181.3
Cash balance as at beginning January 1	24,370	17,068	42.8
Less: Cash from discontinued operations	767	-	-
Cash balance as at December 31	44,141	24,370	81.1

- Cash disbursement for additions to utility plant and others amounted to P8.6B
- The Parent Company availed of long-term loans totaling P7.5B
- Payments of long-term interest-bearing liabilities amounted to P4.4B
- Dividends paid amounted to P9.9B (*P1.30 per share on Jan. 17, P2.65 per share on April 20, P3.45 per share on Sept. 13 and P1.70 per share on Dec. 27*)
- The ending cash balance also includes reserved funds totalling P18.0B for redemption of preferred shares, meter deposit refund, bill deposit refund and customer's (SC) refund

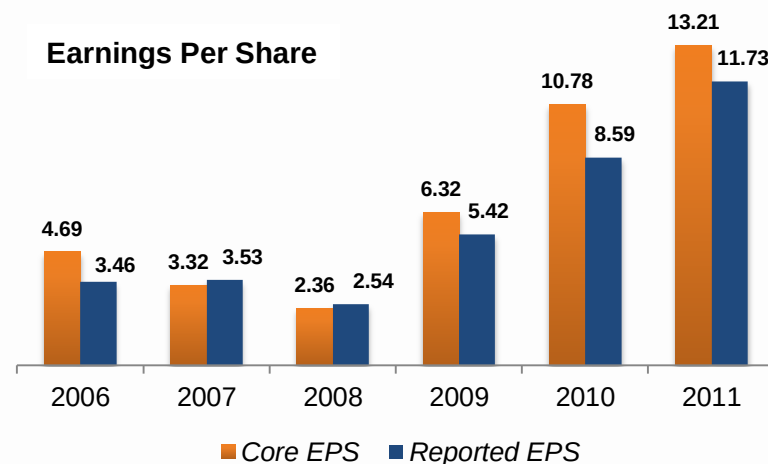
Regular Return to Shareholders

- The Board of Directors in today's meeting approved cash dividends of **P4.10** a share.

Historical Dividend Per Share Declared



Earnings Per Share



Dividends Declared

Date Declared	From Core Net Income of	Cash Dividend Per share	% of the Years' Consolidated Core Net Income
May 26, 2009	2008	P1.00	
October 29, 2009	2008	P1.50	
March 22, 2010	2009	P3.15	50%
July 26, 2010	2010	P2.50	P6.45/sh 60%
December 13, 2010	2010	P1.30	
February 28, 2011	2010	P2.65	
July 25, 2011	2011	P3.45	P9.25/sh 70%
November 2, 2011	2011	P1.70	
February 27, 2012	2011	P4.10	

Dividend Policy: Regular cash dividend at 50% of Core Net Income with a "look-back approach."

POWER GENERATION REPORT

As at and for the year ended December 31, 2011



RP Energy Project Status



- Site: Secured and preliminary site development ongoing and nearing completion
- ECC: Working directly with Environment Management Bureau of Department of Environment and Natural Resources to secure amended Environmental Compliance Certificate for expanded plant capacity from 300MW to 600MW
- IEC: Stepped-up Information Education Communication campaign to barangay Cawag, municipality of Subic, Olongapo City, SBMA locators, Zambales Provincial Board and others
- CSR: Numerous CSR Projects initiated and currently ongoing
- Transmission / Interconnection: Grid impact study completed. Currently working directly with NGCP and various advisers to determine most efficient way forward to interconnect plant to NGCP grid transmission system
- EPC: Original Equipment Manufacturers (boilers and turbines) selected and submission of EPC Bids on February 29, 2012; EPC award expected by 2Q 2012 / 3Q 2012
- Coal supply: Invitation to bid sent out in September 2011; pre bid conference conducted in early November 2011 and bids received early 2012. Selection of coal suppliers by 2Q 2012/3Q 2012
- Financing: Advanced stage of discussions with potential lead arrangers to secure Mandate Letter to negotiate long-term financing agreements for Project
- Power Sales Agreement structure and terms being developed and expected to be completed by 2Q 2012/3Q 2012

MPG Pipeline Projects Status



Aero Derivative Combined Cycle Power Project Status:

- Evaluation and Recommendation on the Aero Derivative Bids has been completed by an Independent Engineer on March 24, 2011
- Distribution Impact Study (DIS) completed on August 8, 2011; interconnection discussions with NGCP ongoing
- Environmental Compliance Certificate (ECC) issued by the DENR on October 26, 2011
- Asset Purchase Agreement with CIP II Power Corporation for the project site and fuel tanks was executed on December 16, 2012; technical investigation is ongoing to ensure proper site conditions prior to the actual turnover
- 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 on additional Coal-fired and/or LNG-fired power plants of up to 1,500MW



THANK YOU

Investors' Briefing
February 27, 2012