



Manila Electric Company & Subsidiaries

1st Half Ended June 30, 2010
Operating and Financial Results

Investors' Briefing & Teleconference

July 26, 2010
Pasig Room, 14th Floor, Lopez Building



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OPERATIONAL SUMMARY

Strong Surge in Demand

- *1H Energy Sales up 14% vs. 2.1% Ave. Past 5 Years*
- *Across all customer classes; Led by Industrial Sales*
 - *Energy Sales, Total 14,950 GWh*

Sustained Customer Growth

- *Customer Count up 3.2% to 4.78M*
- *Led by Residential Sector*

1H 2010 Generation Charge much higher

- *Up 94c/kWh vs. 1H 2009 mainly due to higher WESM prices & WESM share*

Strong Operational Performance

- *System Loss Performance hit all-time low*
- *System Reliability (IFR) Performance improved by 26.4%*
- *System Availability (CIT) Performance improved by 21.1%*

Typhoon “Basyang” hit franchise area

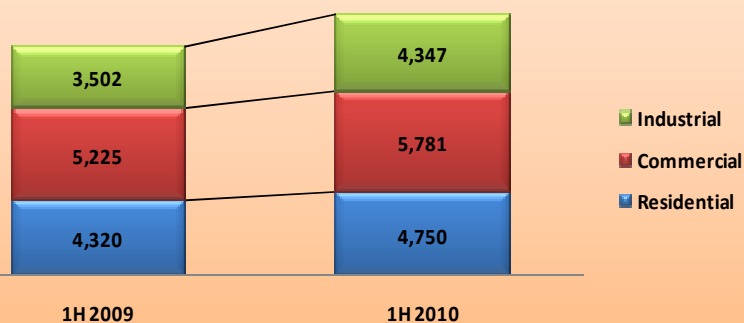
- *Distribution System restoration immediately proceeded*
- *Estimated 76 GWh of lost Distribution Revenue (P113M)*
- *Estimated P31.2M replacement costs for damaged Meralco facilities*

1H 2010 Energy Sales – Consolidated

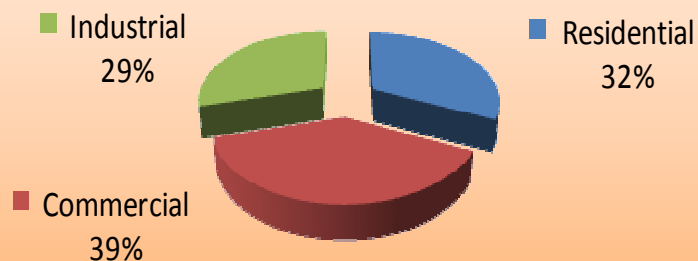
Energy Sales, total 14,950 GWh

- Volume of energy sold increased by 14% from 13,118 GWh for the same period last year

**Energy Sales
(In GWh)**



Share per Customer Segment



COMPARISON OF KILOWATT-HOUR SALES

Consolidated Report

Segment	(In GWh)		
	1H 2010	1H 2009	% Growth
Residential	4,750	4,320	10.0
Commercial	5,781	5,225	10.6
Industrial	4,347	3,502	24.1
Streetlights	72	71	1.4
TOTAL	14,950	13,118	14.0

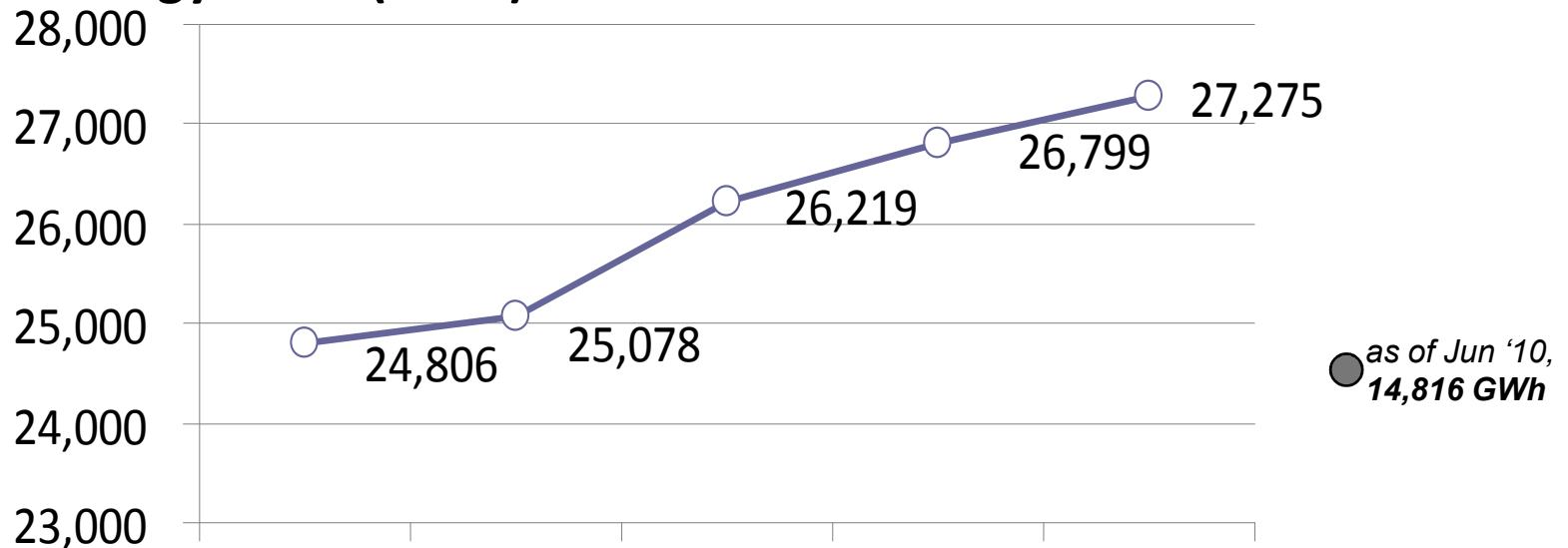


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Yearly Energy Sales Trend 2005 – 2009 & 1H 2010

Meralco Energy Sales (GWh)



Energy Sales	Y2005	Y2006	Y2007	Y2008	Y2009	YTD 2010
% Growth	0.6%	1.1%	4.6%	2.2%	1.8%	14.0%



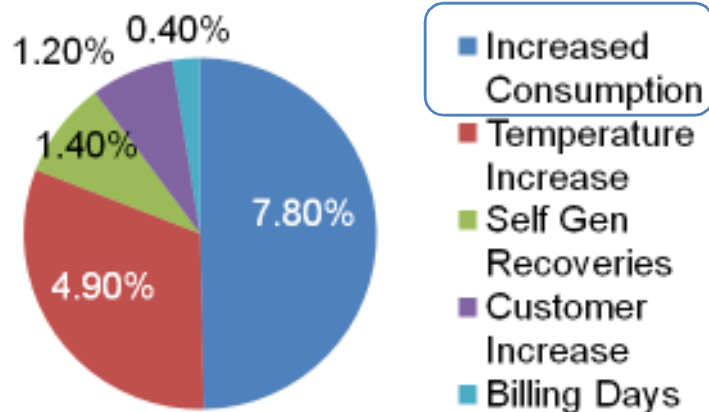
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June 2010 Energy Sales

MERALCO ENERGY SALES	Month of JUNE		
	Y2010	Y2009	% growth
Residential	923.0	793.4	16.3%
Commercial	1,046.5	931.1	12.4%
Industrial	770.3	648.5	18.8%
Flatstreetlights	11.9	11.8	1.4%
TOTAL	2,751.7	2,384.7	15.4%

Source of 15.4% Increase



INDUSTRIAL

- Semiconductor Mfg
- Food Mfg
- Textile Mfg

COMMERCIAL

- Private Services
- Real Estate
- Trade



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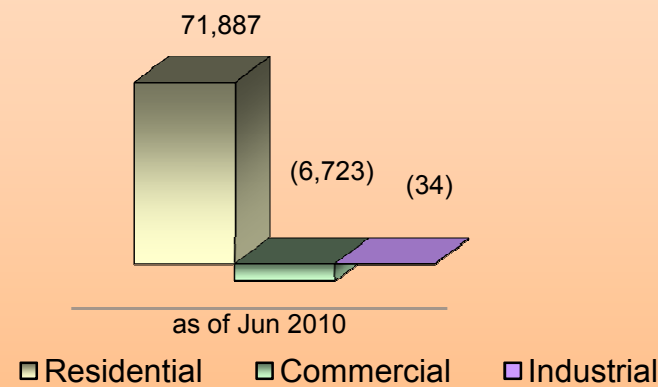
Customer Growth – Consolidated

Customer Count, total 4.780 million

- Increase in total customer of 3.2% from 4.631 million as of the same month last year due to an increase in the number of Residential and Commercial customers by 3.3% and 2.5% respectively

Number of Customers (YoY)			
Consolidated Report			
(in thousands)			
Segment	As of June-10	As of June-09	% Growth
Residential	4,348	4,209	3.3
Commercial	418	408	2.5
Industrial	10	10	0.0
Streetlights	4	4	0.0
TOTAL	4,780	4,631	3.2

New Customers Meralco and CEDC (Increase from beg of year)

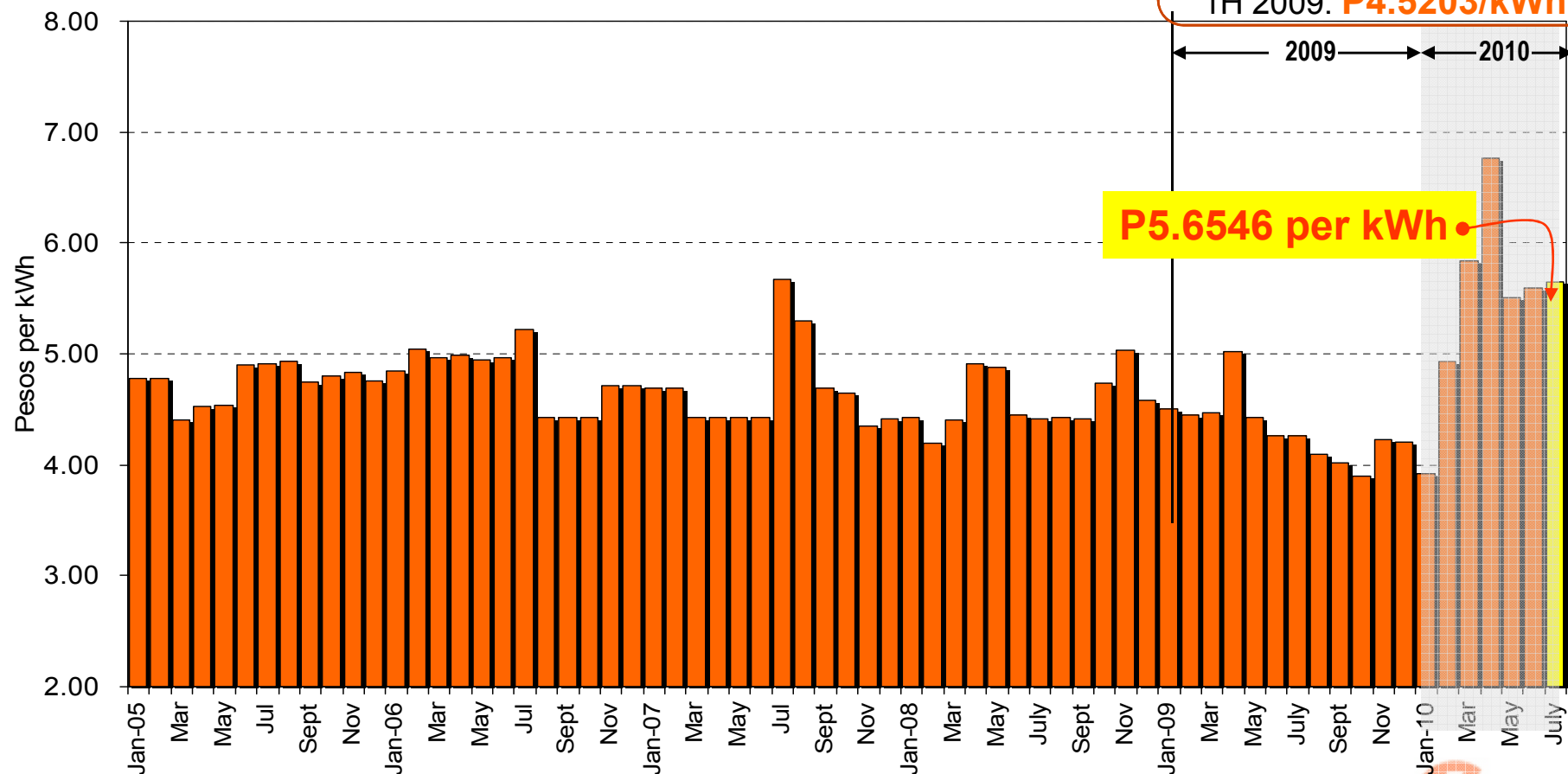


July 2010 Generation Charge: P5.6546 per kWh

Weighted Average:

1H 2010: **P5.4628/kWh**

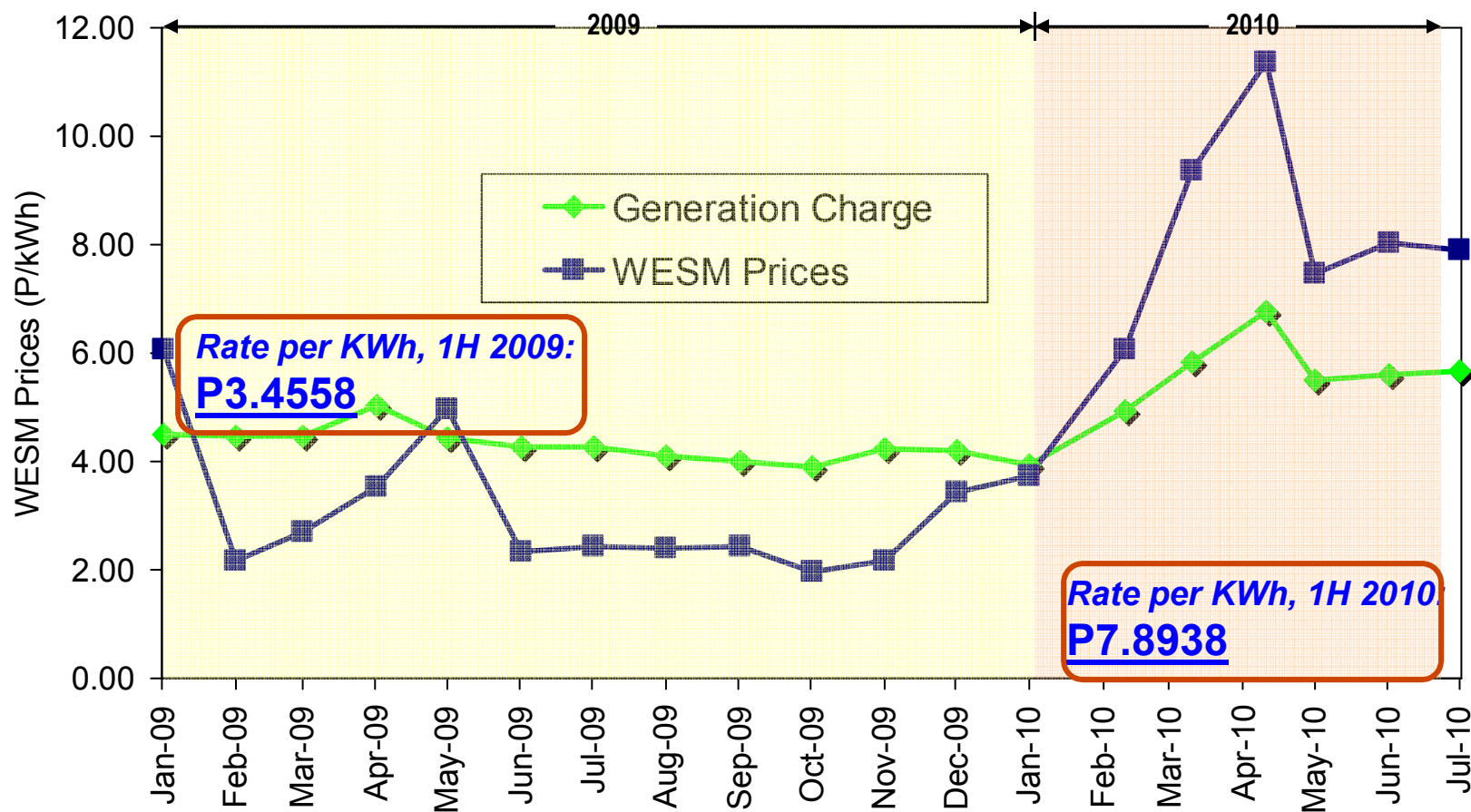
1H 2009: **P4.5203/kWh**



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1H 2010 WESM prices are elevated vs. last year's levels



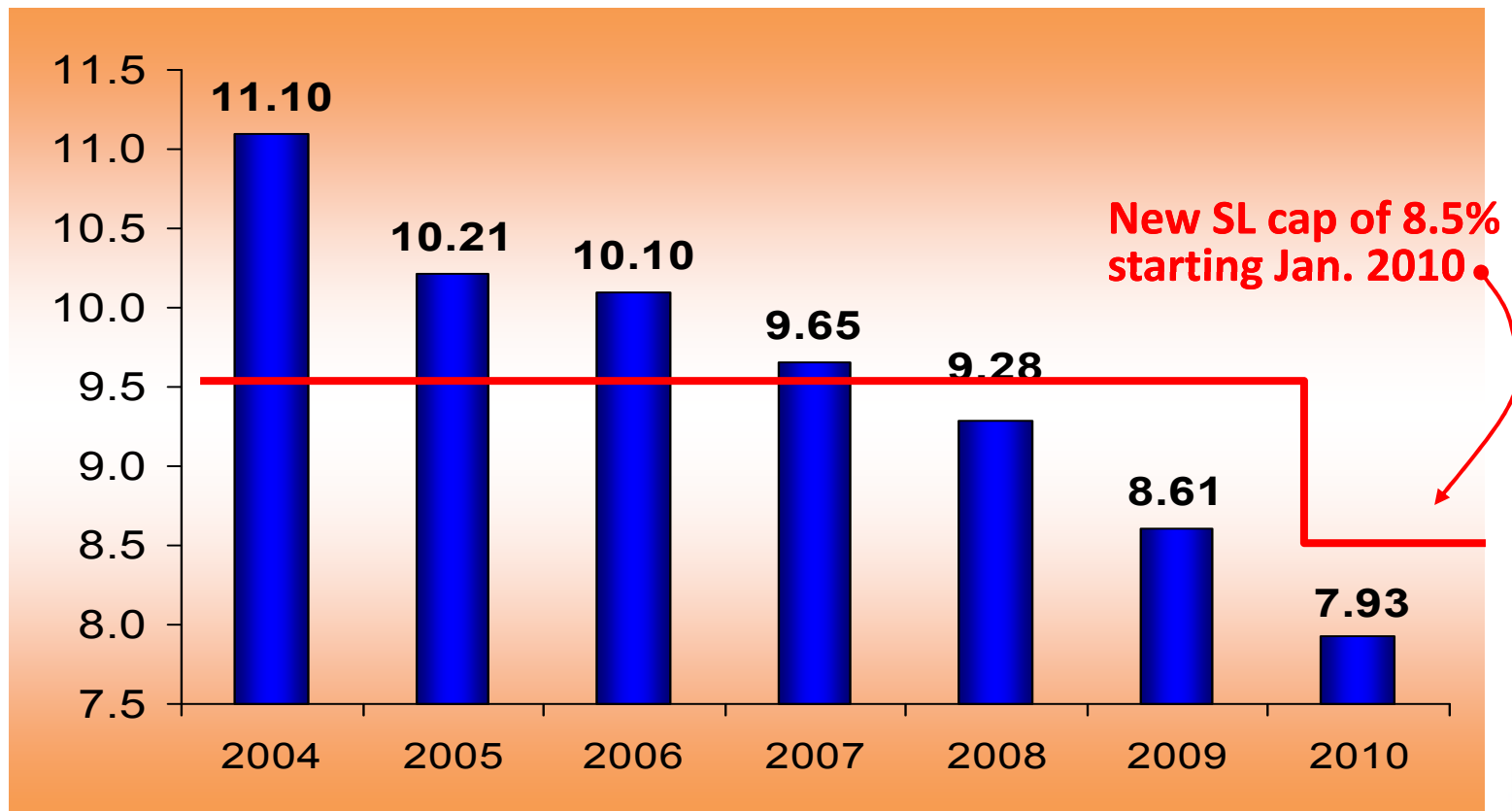
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System Loss Performance

System Loss 12-MMA ending June 2010: 7.93%

- Lower than the new SL cap



•Official ERC-filed Meralco System Loss: (excludes that of Clark Electric Distribution Corp. (CEDC))

•Starting 2008, system Loss was computed excluding kilowatthour recoveries from violation of contracts (VOC) and Illegal Service Connections (ISCs) cases.



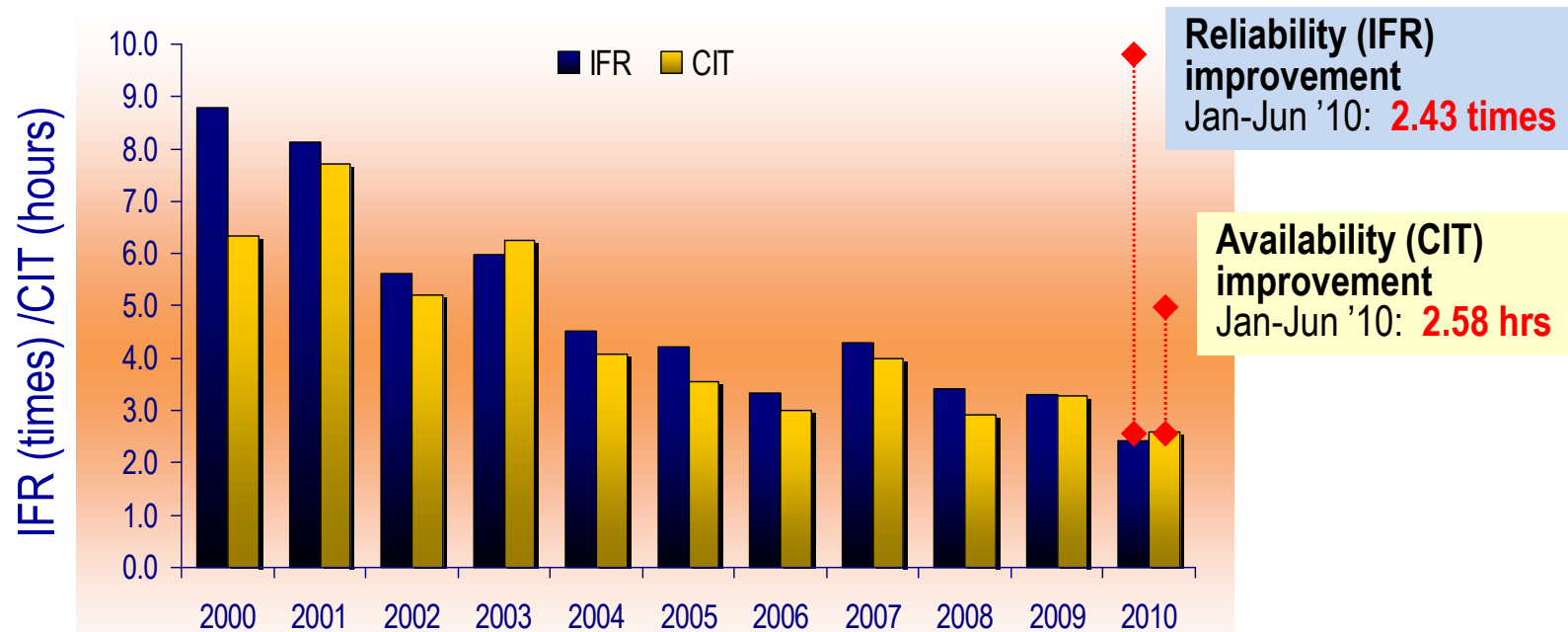
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System Reliability / Availability Performance

System Reliability (IFR) improved by 26.4%

Availability (CIT) improved by 21.1%



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

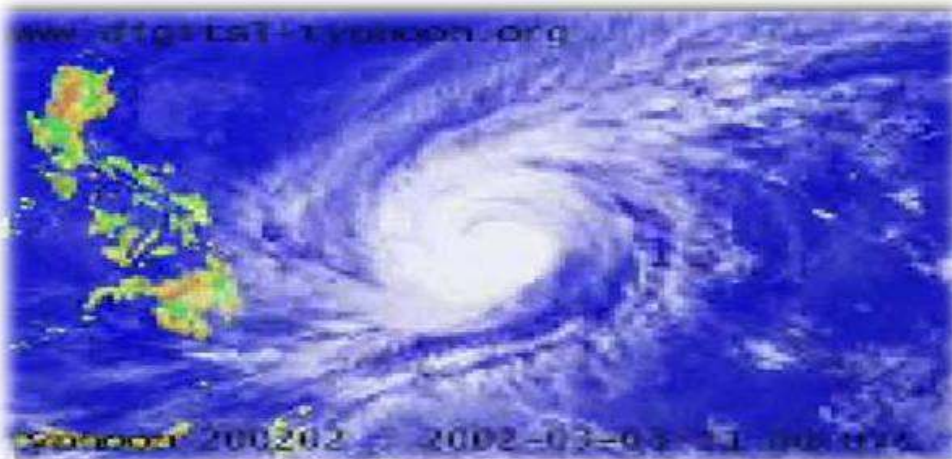
Update on Typhoon Basyang

Timeline of events

- *July 13, 5:15pm General alert*
- *July 13, 10 :30pm- NGCP declares RED alert due to multiple trippings*
- *July 14, 12:42am-Luzon-wide blackout*

Restoration time

- *July 14, 3:24 am- restoration immediately proceeded*
- *July 15, 8:00am- restoration of Meralco circuits was at 97%.*
- *July 15, 2:00 pm- restoration of Meralco main circuits was already 100%*



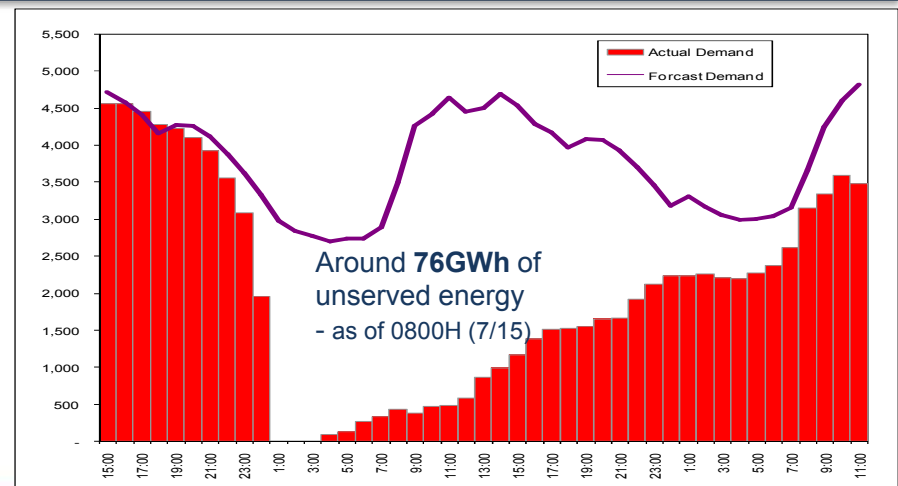
Update on Typhoon Basyang

Impact on power demand

- **Estimated 76 GWh of unserved energy from outage of all circuits due to typhoon and system black-out**
- **Equivalent to P113M distribution revenue losses**
- **Hardest hit were central and south franchise areas**

Restoration cost

- **Damage to Meralco facilities:**
 - **Poles & hardware: 251**
 - **Distribution lines: 195**
 - **Line equipment: 132**
- **Estimated P31.22M replacement costs**



Financial Results



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FINANCIAL RESULTS SUMMARY

Robust Revenues

- **1H Consolidated Revenues up 35%**
 - **Electricity revenue, which accounts for 98% increased by 35%**
 - **Higher amount of billed pass-through charges**
 - **Distribution rate adjustments**

Income on Track

- **Reported Net Income at P4.8 billion**
- **Higher Net Distribution Income**

Strong Cash Position

- **Improved daily cash collection**
- **Debt maturities spread through 2014**
- **Lower interest rates**
- **Internally funded capital expenditures**

Return to Shareholders

- **Interim cash dividend approved by the Board of Directors**

Revenues and Net Income

Revenue up by 35% due to

- 35% increase in Electric Sales
- 36% increase in Real Estate
- 24% increase in Sale of Services & Others

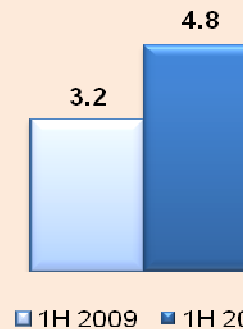
Strong 1H2010 vs 1H2009 due to

- significantly higher volume of energy sold
- delayed implementation of distribution rate adjustments.

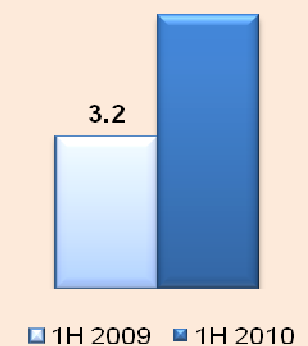
Revenues
(In Bln pesos)



Reported Net
Income
(In Bln Pesos)



Core Net
Income
(In Bln pesos)

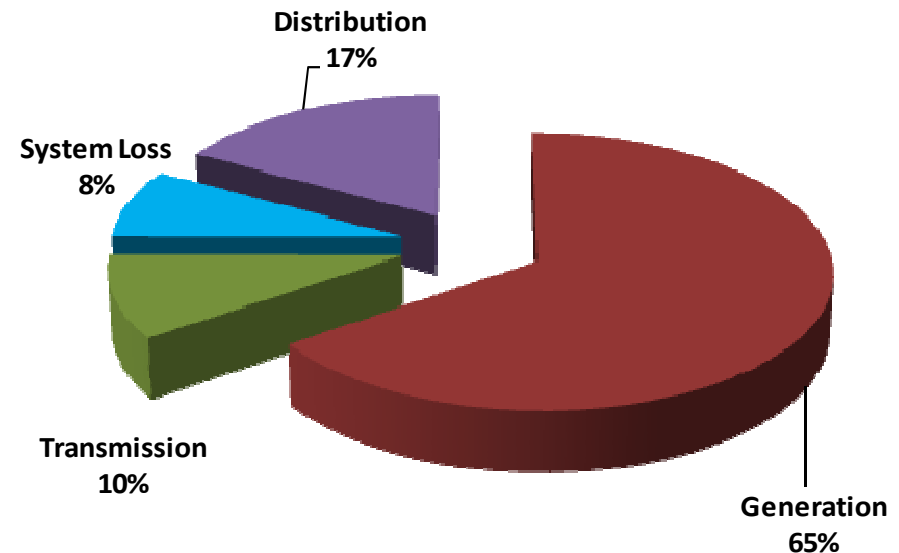


Revenue Composition

	(in Mln Pesos)*	%
Generation	81,127	65
Transmission	12,233	10
Distribution	20,890	17
System Loss	10,185	8
TOTAL ELECTRIC REVENUES	124,435	100

* Inclusive of taxes due

Electric Revenue percentages



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Financial Highlights

(In Millions)	1H 2010	1H 2009
Cash	P15,331	P9,336
Utility, Plant, & Others	98,363	95,427
Trade & other Receivables	29,815	32,778
Trade and Other Payables	42,348	29,257

	1H 2010	1H 2009
Day Sales Outstanding	27 days	29 days
Gross Debt to Equity	0.35	0.38
Net Debt to Equity	0.08	0.21

Healthy cash which allows us to finance CAPEX commitments under PBR

Improved average collection period

Low net gearing with total payment of P1.4 billion out of outstanding consolidated debt

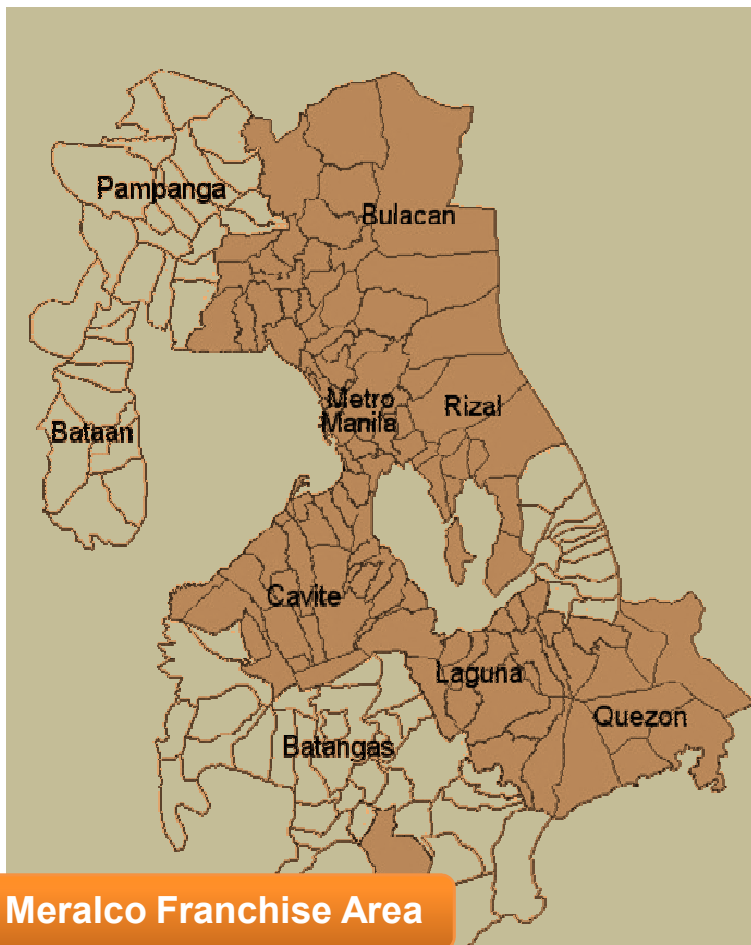
Increased liabilities due to higher pass-through cost



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CAPEX

For the year-to-date ended June 2010, Meralco's CAPEX amounted to P3.2 bln



Meralco Franchise Area

Substation Projects	Location	Date of Completion/Commissioning
Expansion of Dolores Substation (2 nd Bank)	Taytay, Rizal	May 28, 2010
Expansion of Batangas Substation (2 nd Bank)	Batangas City	May 31, 2010
Development of Tagaytay West Substation	Cavite	June 29, 2010
Distribution Line Projects	Location	Date of Completion/Commissioning
Construction of (Laguna International Industrial Park) LIIP Substation-ROHM Electronics 115kV Line	SLEX	April 29, 2010
Amadeo Tagaytay West 115kV Line	Cavite	June 2010
Unloading of Botocan 15D/15WF Phase 2	Nagcarlan Laguna	April 12, 2010
Unloading of TMC1 37XW Phase 2	Trece Martires City, Cavite	June 28, 2010

Major Capital Projects 2Q 2010

Expansion of Batangas City Substation (2nd Bk)



Substations



Expansion of Dolores Substation (2nd Bk)



Development of Tagaytay West Substation

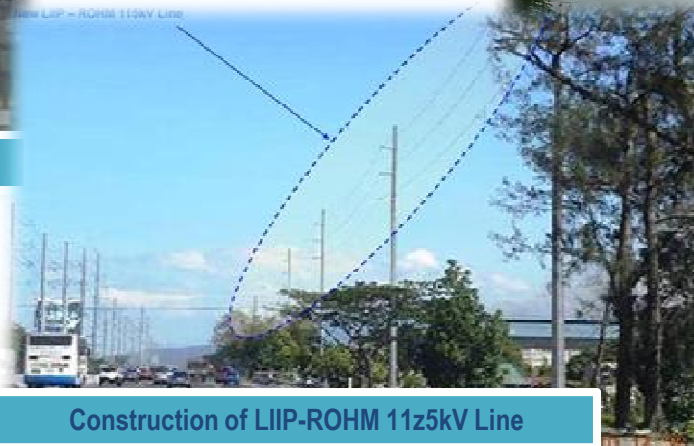
Unloading of TMC1 37XW Phase 2



Amadeo Tagaytay West 115kV Line



Distribution Lines



Construction of LIIP-ROHM 11z5kV Line

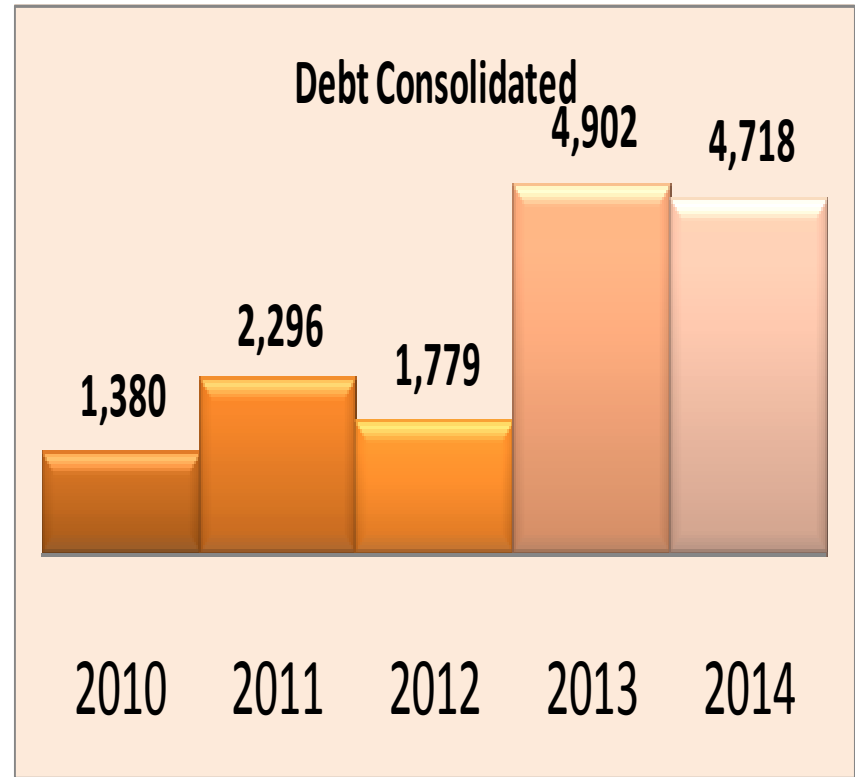
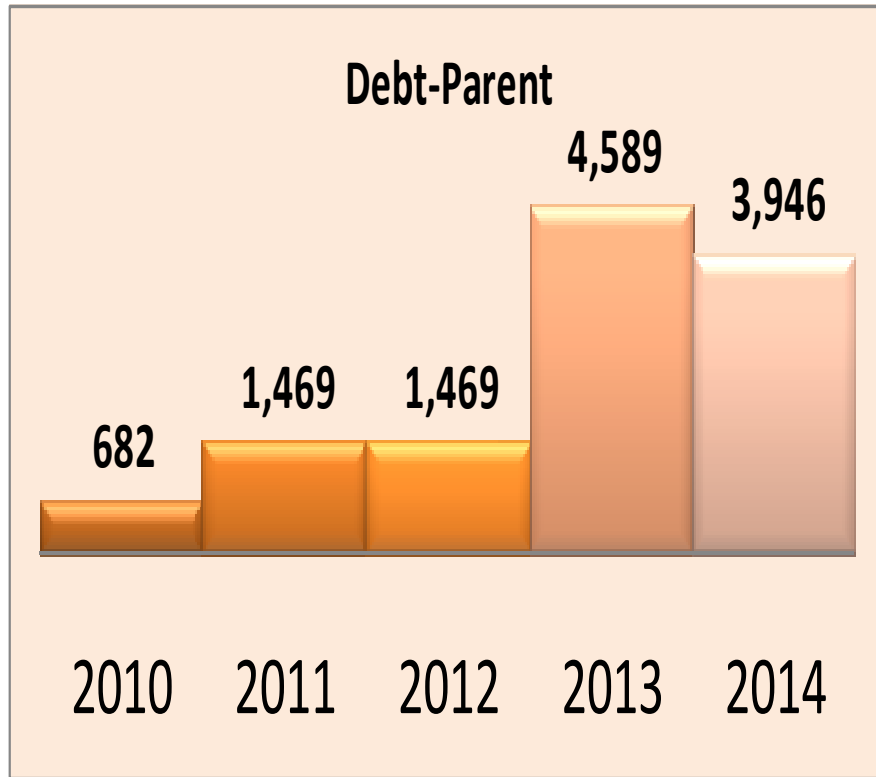
Unloading of Botocan 15D



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Debt Maturity Profile



EQUITY

(In Millions)

1H 2010

Equity attributable to holders of parent

P58,477

Non-controlling interests

3,982

Total Equity

62,459

Dividends

Meralco's Dividend Policy*: regular dividend of 50% of core earnings, with a “look-back approach.”

Cash Dividend	2010	Payment Date
Common	P3.15 a share	May 11, 2010
	P2.50 a share	September 16, 2010

2009	Payment Date
P1.00 a share	June 30, 2009
P1.50 a share	December 11, 2009

**approved by the BOD on 22 February 2010*

Rate & Regulatory Updates



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Outline of the updates

Overall Average Rate Breakdown for
(1st Quarter vs. 2nd Quarter 2010)

Expanded Senior Citizens Act of 2010 (ESCA)

PBR updates



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Overall Average Rate Breakdown

(in P/kWh)	1 st Quarter 2010	2 nd Quarter 2010	Incr/(Decr)
Generation	4.7800	5.6476	0.8676
Transmission	0.7545	0.6923	(0.0622)
System Loss	0.5422	0.6067	0.0645
Distribution	1.2518	1.5309	0.2791
Taxes/Subsidies	0.8166	1.0372	0.2206
Total	8.1450	9.5147	1.3697

Increase in Generation Charges were mainly due to tight generation supply conditions during the 2nd quarter, which pushed up Wholesale Electricity Spot Market (WESM) prices

Meralco implemented the ERC-approved RY2010 MAP starting April 2010



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Expanded Senior Citizens Act of 2010 (ESCA)

Background

- Feb. 16, 2010: Signed into law as Republic Act No. 9994
- Apr. 22, 2010: Law took effect
- June 18, 2010: Signing of the Implementing Rules and Regulations (IRR) of ESCA



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ESCA provisions on electric service

Sec. 4, Privileges for Senior Citizens (new provision)

- “The grant of a minimum of **five percent (5%) discount relative to the monthly utilization of water and electricity supplied by public utilities**:
 - “Provided, That the individual meters for the foregoing utilities are registered in the name of the senior citizen residing therein:
 - “Provided, further, That the **monthly consumption does not exceed one hundred kilowatt hours (100 kWh)** of electricity and thirty cubic meters (30 m³) of water
 - “Provided, furthermore that the privilege is granted per household regardless of the number of senior citizens residing therein.”
- “xxx In the purchase of goods and services which are on promotional discount, the senior citizen can avail of the promotional discount or the discount provided herein, whichever is higher.”

Sec. 5, Government Assistance (amendments are capitalized)

- “At least fifty percent (50%) discount shall be granted on the consumption of electricity, water and telephone by the senior citizens center and residential care/group homes that are **GOVERNMENT-RUN OR** non-stock, non-profit domestic corporation organized and operated **PRIMARILY** for the purpose of promoting the well-being of abandoned, neglected, unattached, or homeless senior citizens, **SUBJECT TO THE GUIDELINES FORMULATED BY THE DSWD.**”



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Selected provisions of the IRR of RA No. 9994

Article 12, Section 3

- “The Energy Regulatory Commission (ERC), the Metropolitan Waterworks and Sewerage System (MWSS), the Local Water Utility Administration (LWUA) and other concerned utility-regulatory agencies shall, within six (6) months after the effectivity of these Rules, formulate supplemental guidelines to cover recovery rate mechanisms and/or sharing of burden, among other concerns of the distribution utilities.” (*underscoring supplied*)

Article 9. No Double Discounts

- “In the purchase of goods and services which are on promotional discount, the senior citizen can avail of the establishment’s offered discount or the 20% discount provided herein, whichever is higher and more favorable.”

DSWD will issue a Resolution to clarify the application of the policy on a per industry basis

- DUs position: double discounts be disallowed. DUs to provide Lifeline Discount or the 5% Sr. Citizens Discount, whichever is higher. In Meralco’s case, the Lifeline Discount is at least 20%



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PBR implementation updates

Petition	Status
<i>Second Regulatory Period</i>	
Reset application	Approved in ERC's Aug. 31, 2007 Decision
RY2008 rate design & verification	Consolidated decision. MAP of ₱1.2227/kWh implemented in May 2009
RY2009 verification	
RY2010 verification	MAP of ₱1.4917/kWh implemented in Apr 2010
RY2011 verification	• Filed April 5, 2010. Proposed a MAP of ₱1.6464/kWh • Hearings concluded, for resolution • Effectivity of RY2011 rates is July 1, 2010
<i>Third Regulatory Period</i>	
Reset application	Filed June 18, 2010. Hearings conducted July 14 and 15, 2010
RY2012 rate design & verification	To be filed by January 31, 2011



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Timelines for the 3rd Regulatory Period Reset Application

Activity	Date
Pre-filing publication	Jun 18, 2010
Filing of application	Jun 18
Expository hearing	Jul 14
Filing of asset valuation	Jul 30
Evidentiary hearings	Aug 9-13
Draft Determination	Sep 30
Pub Con on Draft Determination	Nov 8
Final Determination	Dec 15
Filing of rate translation	Jan 31, 2011
Rate Implementation	July 1

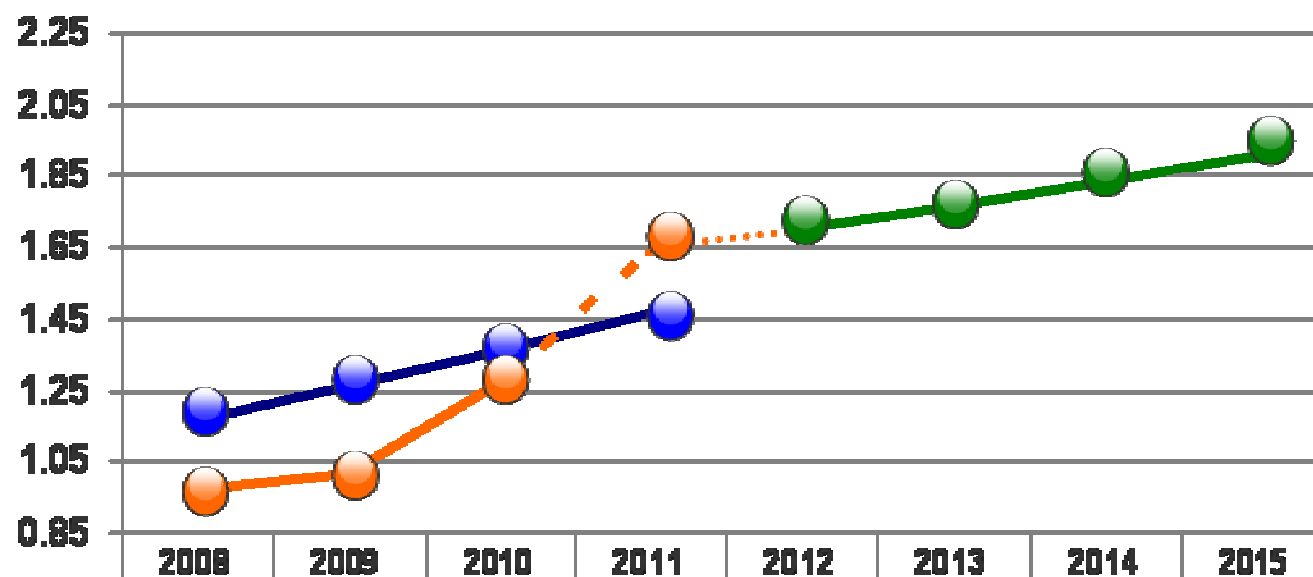


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Maximum Average Prices (MAP)

(based on assumed RY2011 MAP of Php 1.65 per kWh)



- 3rd RP rates go up from 1.71 to 1.90 due to RAB contingency & under-recoveries



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Operating Results

For the 1st Half Ended June 30, 2010

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End of presentation

Thank you !



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