



Manila Electric Company & Subsidiaries

1st Quarter Ended March 31, 2010
Operating and Financial Results

Investors' Briefing & Teleconference

April 29, 2010
Mini Theatre – Basement, Lopez Building



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Outline of Presentation

- **1Qtr 2010 Operating Highlights**
 - *Jose P. de Jesus, President & COO*
- **Financial Results**
 - *Betty C. Siy-Yap, Chief Finance Officer*
- **Regulatory and Rate Updates**
 - *Ivanna G. Dela Peña, FVP &
Head, Regulatory Management Office*



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Operational Highlights

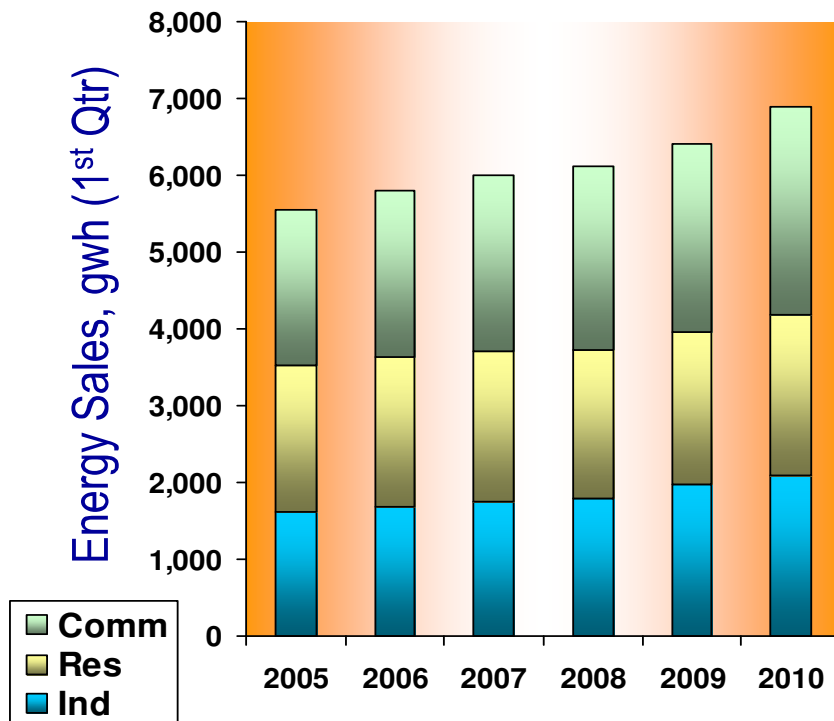


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Energy Sales-Consolidated

Total energy sales in the 1Q 2010 increased 14.2% to 6,996 GWh over the same period in 2009



COMPARISON OF KILOWATT-HOUR SALES			
Consolidated Report			
(In GWh)			
Segment	1Q 2010	1Q 2009	% Growth
Residential	2,107	1,978	6.5
Commercial	2,741	2,473	10.8
Industrial	2,112	1,639	28.9
Streetlights	36	35	2.9
TOTAL	6,996	6,125	14.2



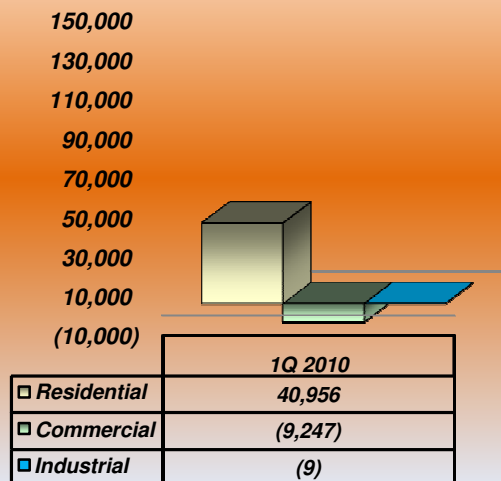
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Customer Growth - Consolidated

The number of customers increased by 3.3% from end of March 2009 to 4.75 million as of the end of March 2010.

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



Number of Customers (YoY)

Consolidated Report

(in thousands)

Segment	Mar-10	Mar-09	% Growth
Residential	4,318	4,177	3.4
Commercial	415	406	2.2
Industrial	10	10	0.0
Streetlights	4	4	0.0
TOTAL	4,747	4,597	3.3

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Recovered GWh from Self-Gen Companies

- Additional **85.2 GWh** were recovered from **57 self- generating companies**
- Increased Meralco dependence in the 1st Quarter of 2010 as expensive fuel made Meralco rates, notably the lower ecozone rates, more attractive.

TOP 5 RECOVERED SELF GENERATING CUSTOMERS

CUSTOMER NAME	REALIZED SALES (in GWH)
Solid Cement Corporation	37.7
Samsung Electro-Mechanics	28.4
Republic Cement Corp.	25.4
Nikko Metals Phils., Inc.	25.2
Asia Brewery	22.9

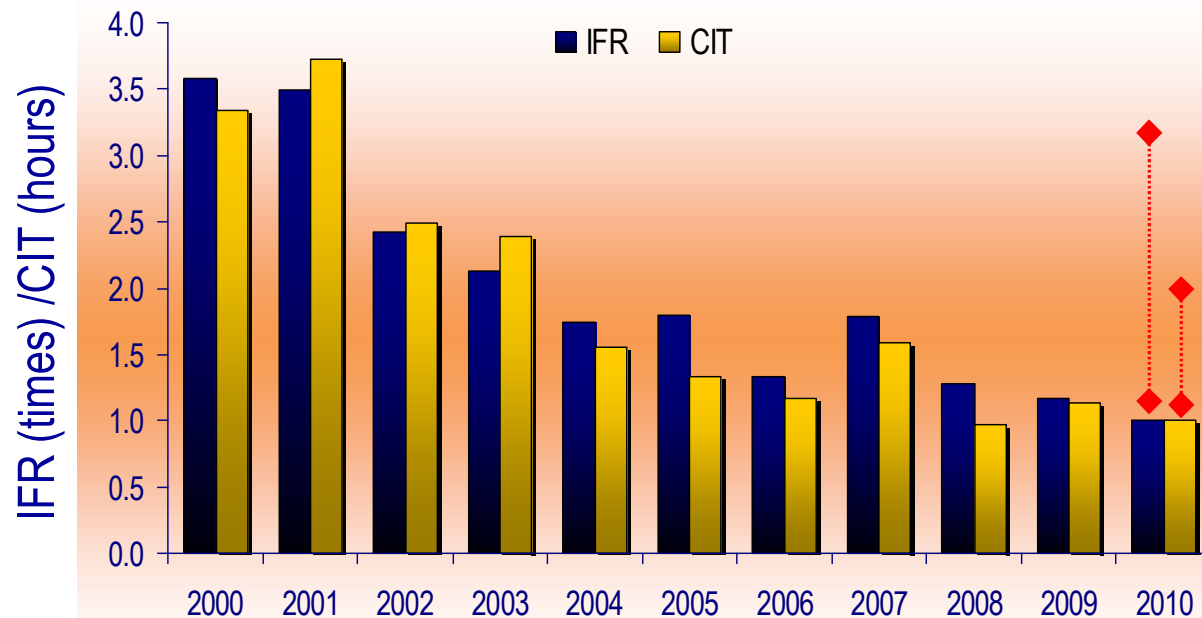


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1st Quarter 2010 System Performance

- System Reliability (IFR) improved by 14%
- Availability (CIT) improved by 12.6%



**Reliability (IFR)
improvement**
Jan-Mar '10: 1.00 times

**Availability (CIT)
improvement**
Jan-Mar '10: 1.00 hr

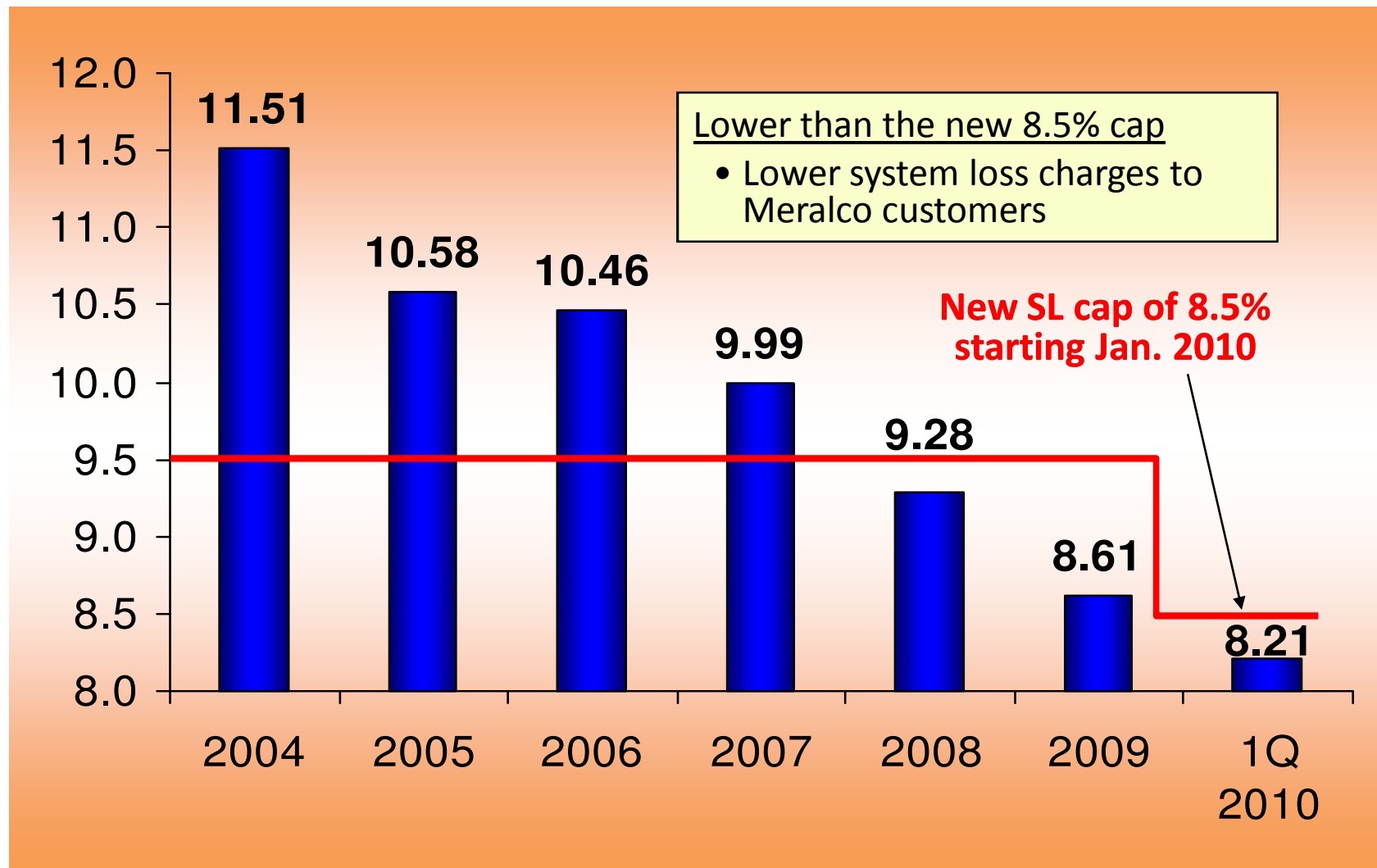
NOTE: Service Interruption includes Forced and Pre-arranged outages. Effects of major typhoons have been excluded.



System Loss performance

SL 1Q2010: 8.21%

12-month moving average ending 1st Qtr 2010 lower than the new SL cap



Financial Results



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Financial Highlights - Consolidated

For the Quarters ended March 31, 2010 and 2009

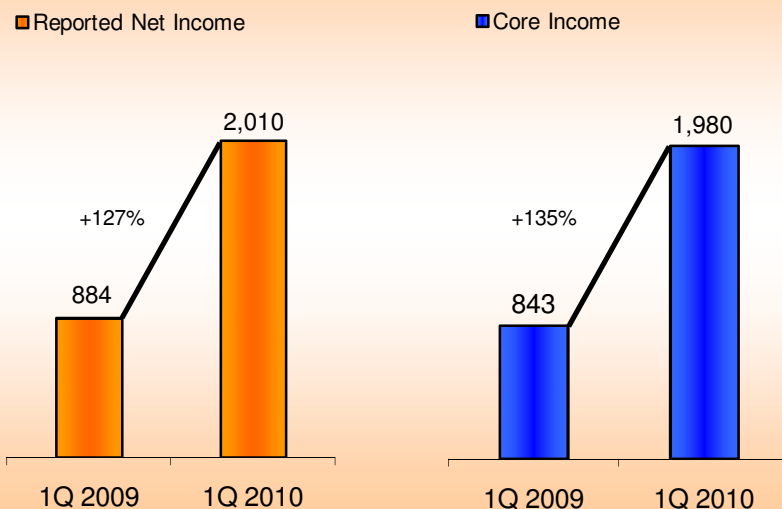
(in million pesos except EPS)	Unaudited			%
	1Q 2010	1Q 2009		
Revenues	61,103	45,555		34%
- Electricity	59,777	44,474		34%
- Non-electricity	1,326	1,081		23%
Costs and Expenses	58,112	44,188		32%
Income Before Income Tax	2,991	1,367		119%
Provision for Income Tax	896	397		125%
Reported Net Income	2,010	884		127%
Core Net Income	1,980	843		135%
EBITDA	4,956	3,094		60%
EBITDA margin	8.1%	6.8%		19%
EPS on Reported Net Income	1.783	0.801		123%
EPS on Core Income	1.757	0.764		130%

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Core and Reported Net Income

- **Reported net income registered a 127% or P1.1 billion increase over the same period last year**
 - + 34% increase in Revenues
 - + 34% increase in electric sales
 - + 14% increase in real estate sale
 - + 35% increase in sale of services
 - + 47% decrease in Other expenses due to lower provisions during the period
 - 32% higher cost and expenses
 - Higher generation cost
- **Core Net Income for the 1Q 2010 at P2.0 billion, an increase of 135% from the P0.8 billion realized in the 1Q 2009.**

**Core and Reported Net Income
(Php in Millions)**



(Amounts in Millions)	1Q 2010	1Q 2009
Reported Net Income	2,010	884
Forex Differential	(28)	(41)
MTM Loss	(2)	-
Core Income	1,980	843



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Revenues and EBITDA

➤ Revenues increased by 34% to P61.1 billion as of 1Q 2010

+ 34% increase in electricity sales

- + 14.2% (871 GWh) increase in energy sales to the residential, commercial, and industrial sectors.
- + Increase in generation charge per kWh (including accruals) from P4.60 to P5.77
- + Increase in average distribution rate from P0.98 to P1.23 with PBR implementation in May 2009

+ 14% increase in sale of real estate

- + due to sales take-up of One Rockwell, The Grove and Edades

+ 35% increase in sale of services and others

- + due to an increase in rental rate at the Powerplant Mall

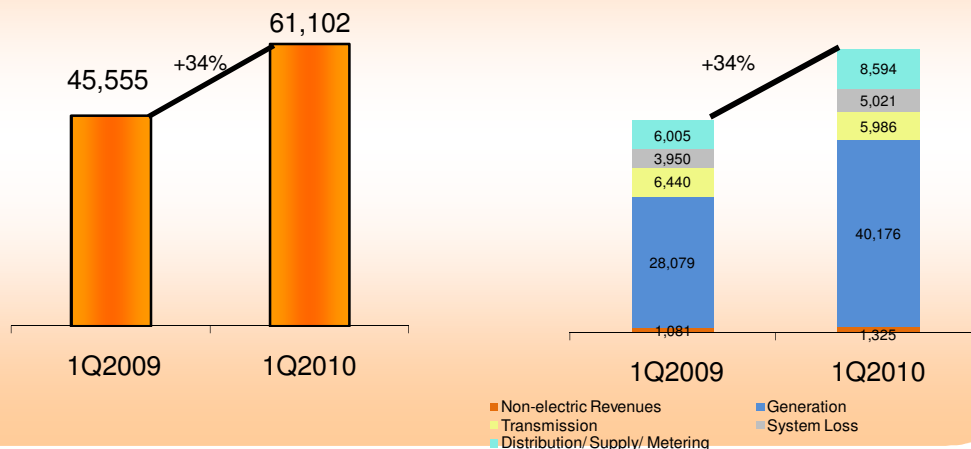
➤ EBITDA

- increased by 60% to P5.0 billion

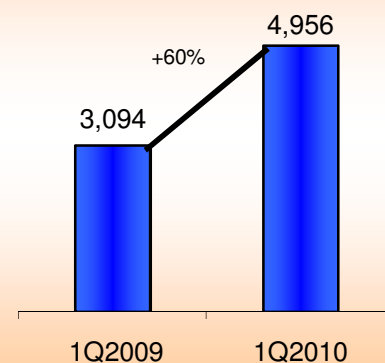
EBITDA Margin

1Q2010	1Q2009
8.1 %	6.8 %

Gross Revenues
(Php in Millions)



EBITDA
(Php in Millions)



Income Statements - Consolidated

For the Quarters Ended March 31, 2010 and 2009

(Amounts in Million Pesos)	UNAUDITED		Increase (Decrease)	
	1Q 2010	1Q 2009	Amount	%
<i>Volume Sold (in Mln kWh)</i>	6,996	6,125	871	14.2
<i>Volume Purchased (in Mln kWh)</i>	7,753	6,935	819	11.8
REVENUES				
Electricity	59,777	44,474	15,303	34
Sale of real estate	719	631	88	14
Sale of services	214	204	10	5
Others	393	246	147	60
	61,103	45,555	15,548	34
COSTS AND EXPENSES				
Purchased power	51,825	37,627	14,198	38
Cost of real estate sold	589	429	160	37
Cost of contracts & services	262	257	5	2
Cash operating expenses	2,829	2,828	1	0
Non-cash operating expenses	1,719	1,387	332	24
	57,224	42,528	14,696	35
OTHER INCOME (EXPENSES)				
Interest and financial charges	(669)	(704)	35	(5)
Interest and other financial income	159	167	(8)	(5)
Foreign exchange gains (losses)	40	59	(19)	(32)
Mark-to-market gains (losses)	3	0	3	100
Others	(421)	(1,182)	761	(64)
	(888)	(1,660)	772	(47)
PROFIT BEFORE INCOME TAX	2,991	1,367	1,624	119
PROVISION FOR INCOME TAX	896	397	499	126
PROFIT	2,095	970	1,125	116
OTHER COMPREHENSIVE INCOME	1	0	1	100
TOTAL COMPREHENSIVE INCOME	2,094	970	1,124	116
NON-CONTROLLING INTEREST	85	86	(1)	(1)
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT	2,010	884	1,126	127
CORE NET INCOME	1,980	843	1,137	135

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Statements of Financial Position - Consolidated

As of March 31, 2010 and 2009

	Unaudited		
(Amounts in Million Pesos)	1Q 2010	1Q 2009	% Change
ASSETS			
Utility plant and others - net	98,646	96,487	2
Construction in Progress	3,409	3,920	(13)
Other noncurrent assets	36,484	25,855	41
Total noncurrent assets	138,539	126,262	10
Current assets	44,061	48,151	(8)
Total Assets	182,600	174,413	5

EQUITY AND LIABILITIES			
Equity Attributable to Equity Holders of Parent	55,878	54,029	3
Non-controlling Interests	3,838	3,619	6
Total Equity	59,716	57,648	4
Non current liabilities	69,879	71,548	(2)
Current liabilities	53,005	45,217	17
Total liabilities	122,884	116,765	5
Total Equity and Liabilities	182,600	174,413	5

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Cash Flows - Consolidated

For the Quarters Ended March 31, 2010 and 2009

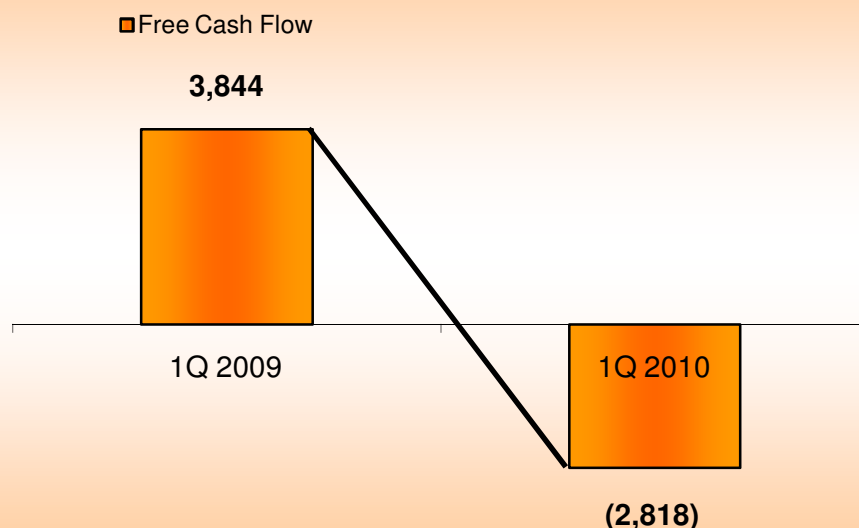
(Amounts in Million Pesos)	Unaudited	
	1Q 2010	1Q 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	2,991	1,367
Non-cash Items	3,040	3,573
Net Changes in Working Capital	(1,184)	4,872
Net cash generated from operations	4,847	9,812
Interest paid	(419)	(438)
Income tax paid	-	-
Franchise and other taxes paid	(1,687)	(1,311)
Net cash provided by operating activities	2,741	8,063
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to construction in progress	(1,595)	(1,236)
Decrease (increase) in:		
Other noncurrent assets	(4,135)	(3,216)
Other receivables	-	-
Interest and dividends received	131	174
Net cash used in investing activities	(5,599)	(4,278)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Notes payable	-	2,285
Long-term debt	413	2,715
Issuance of and subscription to common stock	-	-
Payments of:		
Customers' refund	(634)	(537)
Long-term debt	(392)	(1,357)
Notes payable	(502)	(9,797)
Increase (decrease) in :		
Customers' deposit	440	906
Other noncurrent liabilities	(557)	3,581
Pension plan contribution	(678)	(310)
Dividends paid	-	-
Redemption of preferred stock	(87)	(34)
Net cash used in financing activities	(1,997)	(2,548)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(4,855)	1,237
CASH AND CASH EQUIVALENTS, beginning of year	17,068	5,402
CASH AND CASH EQUIVALENTS, end of year	12,213	6,639

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Free Cash Flow and Dividends

- Free Cash Flow amounted to P-2.8 billion as of the 1st Qtr 2010.
- On March 22, 2010 the Company declared cash dividends:
 - Preferred shares: 10% of par value
 - Record date: March 31, 2010
 - Payment date: April 30, 2010
 - Common shares: P3.15 /share; total of P3.551 billion
 - Record date: April 21, 2010
 - Payment date: May 11, 2010

**Free Cash Flow
(Php in Millions)**



Amount in Millions	1Q 2010	1Q 2009
Free Cash Flow	(2,818)	3,844

- Lower FCF
 - Higher payments to suppliers
 - Negative net working capital

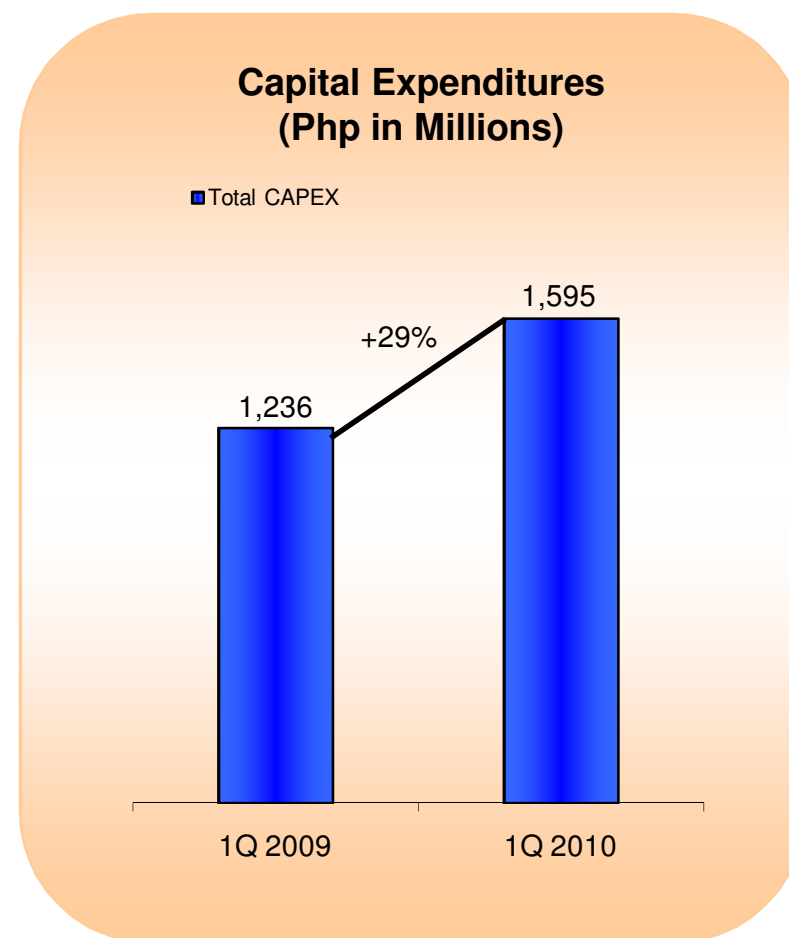


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Capital Expenditures - Consolidated

- For the three-month period ended March 2010, CAPEX of P1,595 mln increased by 29% from last year's P1,236 mln due to the effect of the following:
 - P133 mln increase in Electric Capital Projects due to increased system requirements
 - P225 mln increase in Other Capitalized Items & Non-Electric Projects



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Debt Profile - Consolidated

- Current and noncurrent interest-bearing and other borrowings totaled P20.8 billion
- Average effective interest rates:
 - Foreign long-term loans - 3.6%
 - Local long-term loans - 7.5%
 - Local short-term loans - 4.0%

(Php in Millions)	Unaudited					
	Mar-10			Mar-09		
	Foreign	Local	Total	Foreign	Local	Total
Long Term Loans	0.05	19.95	20.01	0.13	16.77	16.90
Notes Payable	-	0.01	0.01	-	2.32	2.32
Preferred Shares (net of Debt Issue Cost)		0.81	0.81		1.68	1.68
Total Interest Bearing Loans	0.05	20.78	20.83	0.13	20.77	20.90
	0.2%	99.8%	100%	0.6%	99.4%	100.0%

DEBT RATIOS	1Q 2010	1Q 2009
Debt to Equity	0.35	0.36
Debt to EBITDA	1.05	1.55
Gearing Ratio	0.14	0.25

Regulatory & Rate Updates



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Outline of the updates

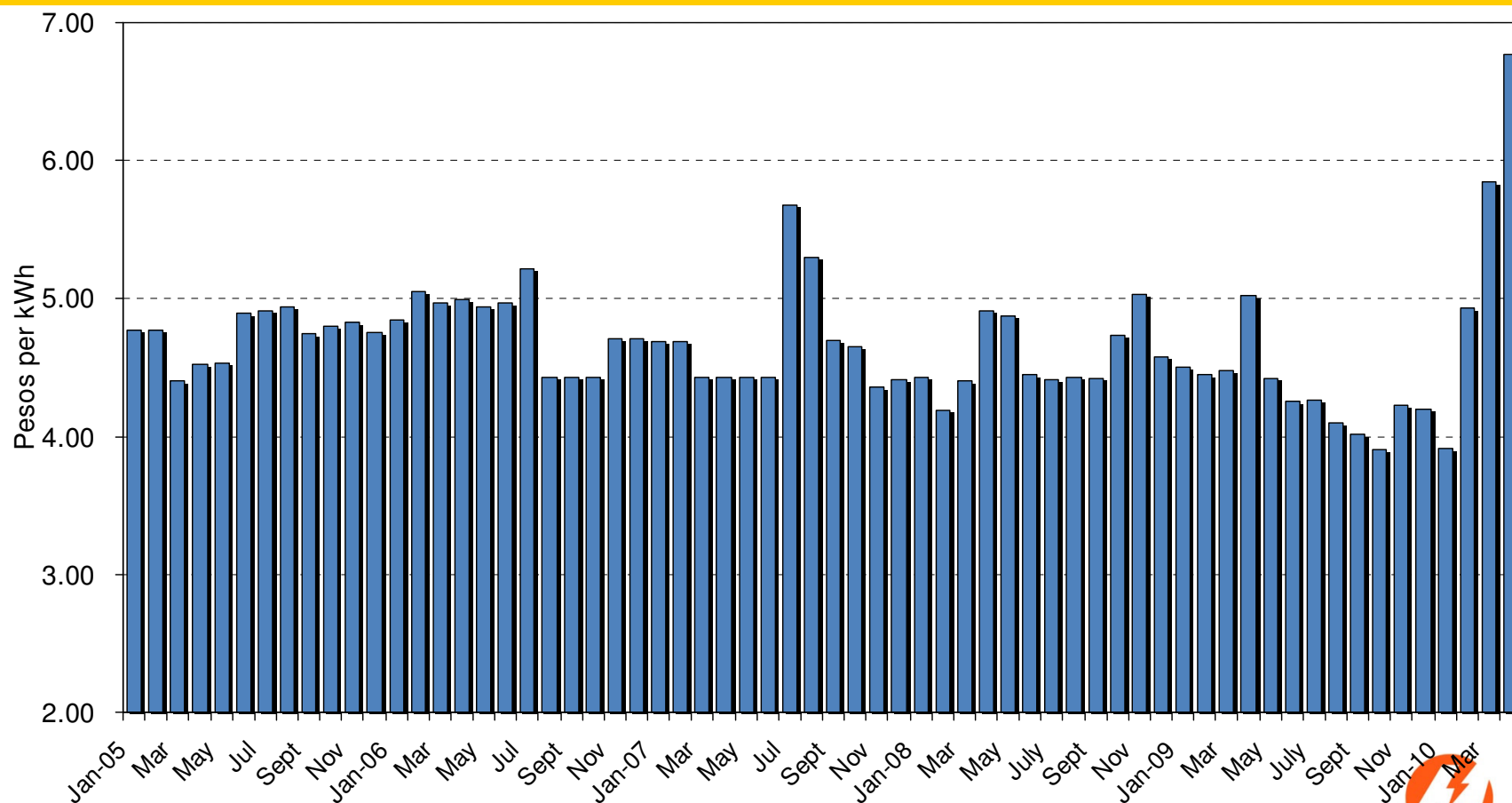
- March 2010 Generation Charge petition
- Performance-Based Regulation (PBR) updates
 - Resumption of the RY2010 MAP implementation
 - PBR Verification and Rate Translation Filing for RY2011
- Completion of the CERA refund



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From a low of P3.92/kWh in January 2010, Generation Charges have reached record highs starting March



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In the February 2010 supply month generation cost was actually P6.7704/kWh

		Share to Total Feb Input	February 2010 Generation Cost (P/kWh)	January 2010 Generation Cost (P/kWh)	Incr/(Decr) (P/kWh)
NPC & WESM		55.5%	7.52	5.12	2.41
NPC		38.5%	5.47	4.66	0.80
WESM		17.1%	12.16	6.08	6.08
IPPs	Dispatch	44.4%	5.83	4.94	0.89
QPPL	57.3%	8.5%	5.48	6.09	(0.61)
Sta Rita	60.6%	20.0%	6.03	4.53	1.50
San Lorenzo	96.2%	16.0%	5.77	4.54	1.22
Generation Cost		100.0%	6.77	4.94	1.83
Adjustments (pilferage recoveries, etc.)			(0.01)	(0.01)	(0.00)
Equivalent Generation Charge			6.7600	4.9303	1.83

- From Jan to Feb, peak demand increased 501MW (4,356MW to 4,857MW)
- Doubling of WESM prices also reflected increasing tightness in generation supply, with almost all hydro plants under de-rated capacity due to El Niño
- Meanwhile, the shutdown of the Camago-Malampaya pipeline beginning Feb. 10, 2010 forced the First Gas plants to use higher-cost condensate fuel

Meralco petition to mitigate the Generation Charge increase

- Under the AGRA rules, the March Generation Charge would be **P6.7600/kWh**
- On March 9, 2010, Meralco asked ERC to authorize the imposition of a lower Generation Charge of **P6.3154/kWh**
 - Under the proposed computation, First Gas fuel cost was based on natural gas prices only (even though First Gas used more expensive condensate fuel beginning Feb. 10)
 - Balance of generation cost (P1.046-B) was proposed **to be collected over six months** starting April 2010, equivalent to an add-on of about 7-¢/kWh

Basis	Gen Cost for Recovery (P billion)	Equivalent March Gen Charge (P/kWh)	Increase over Feb Gen Charge (P/kWh)
AGRA Rules	15.93	6.7600	1.8298
Mar 9 Proposal	14.89	6.3154	1.3852

ERC's provisional approval (1/2)

- On March 10, 2010, ERC provisionally approved a P5.8417/kWh Generation Charge for March

		Share to Total Feb Input	February 2010 Generation Cost (P/kWh)	January 2010 Generation Cost (P/kWh)	Incr/(Decr) (P/kWh)
NPC & WESM		55.5%	6.67	5.12	1.55
NPC		38.5%	5.47	4.66	0.80
WESM		17.1%	9.38	6.08	3.31
IPPs	Dispatch	44.4%	5.83	4.94	0.89
QPPL	57.3%	8.5%	5.48	6.09	(0.61)
Sta Rita	60.6%	20.0%	4.90	4.53	0.37
San Lorenzo	96.2%	16.0%	4.39	4.54	(0.15)
Generation Cost		100.0%	5.85	4.94	0.91
Adjustments (pilferage recoveries, etc.)			(0.01)	(0.01)	(0.00)
Equivalent Generation Charge			5.8417	4.9303	0.91



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ERC's provisional approval (2/2)

Basis	Gen Cost for Recovery (₱ billion)	Equivalent March Gen Charge (₱/kWh)	Increase over Feb Gen Charge (₱/kWh)
AGRA Rules	15.93	6.7600	1.8298
ERC Prov App	13.77	5.8417	0.9115
Difference	2.16		
Breakdown of deferred amount:			
Incremental First Gas fuel cost	1.04	To be collected over six months starting April 2010, as an add-on of 7-¢/kWh	
Cost differential of WESM purchases >10%	1.12	Subject to further evaluation by the Commission	

- Meralco petition will undergo regular rate case proceedings, prior to any final decision by ERC

ERC Order on the Motion for Reconsideration against its RY2010 MAP ruling

- In an Order dated March 10, 2010 & released March 31, ERC resolved the pending MR of Engr. Mallillin
 - ERC granted with modification Engr. Mallillin's motion and revised the previously-approved rate schedules to ***“remove all rate distortions and better ensure no cross-subsidies remain, except for lifeline rates”***
 - However, a MAP of P1.4917 per kWh was maintained
- ERC also lifted the suspension of the RY 2010 MAP implementation
 - Revised rate schedules will be implemented this April 2010



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Comparison of Distribution Charges

					Incr/(Decr)	
Rate Component/ Customer Type	Units	RY2009 Rates	Previously Approved (Jan 2010)	Revised Rates (Apr 2010)	Revised RY2010 vs RY2009	RY 2010 Revised vs Previous
Distribution Charge						
Residential & General Service A						
Up to 200 kWh	per kWh	0.6917	0.8822	0.8547	0.16	(0.03)
201-300 kWh	per kWh	0.9953	1.1858	1.2298	0.23	0.04
301-400 kWh	per kWh	1.2816	1.4721	1.5836	0.30	0.11
Over 400 kWh	per kWh	1.7803	1.9708	2.1998	0.42	0.23
General Power						
	per kWh	0.0210	0.0210	0.0259	0.00	0.00
Secondary	per kW	200.60	265.05	247.87	47.27	(17.18)
34.5 kV & below	per kW	152.60	217.05	188.56	35.96	(28.49)
115 kV	per kW	122.76	187.20	151.69	28.93	(35.51)



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PBR Verification and Rate Translation Filing for Regulatory Year 2011

- On April 5, Meralco filed its final “Verification and Rate Translation” petition for the 2nd Regulatory Period

Annual verification formula:

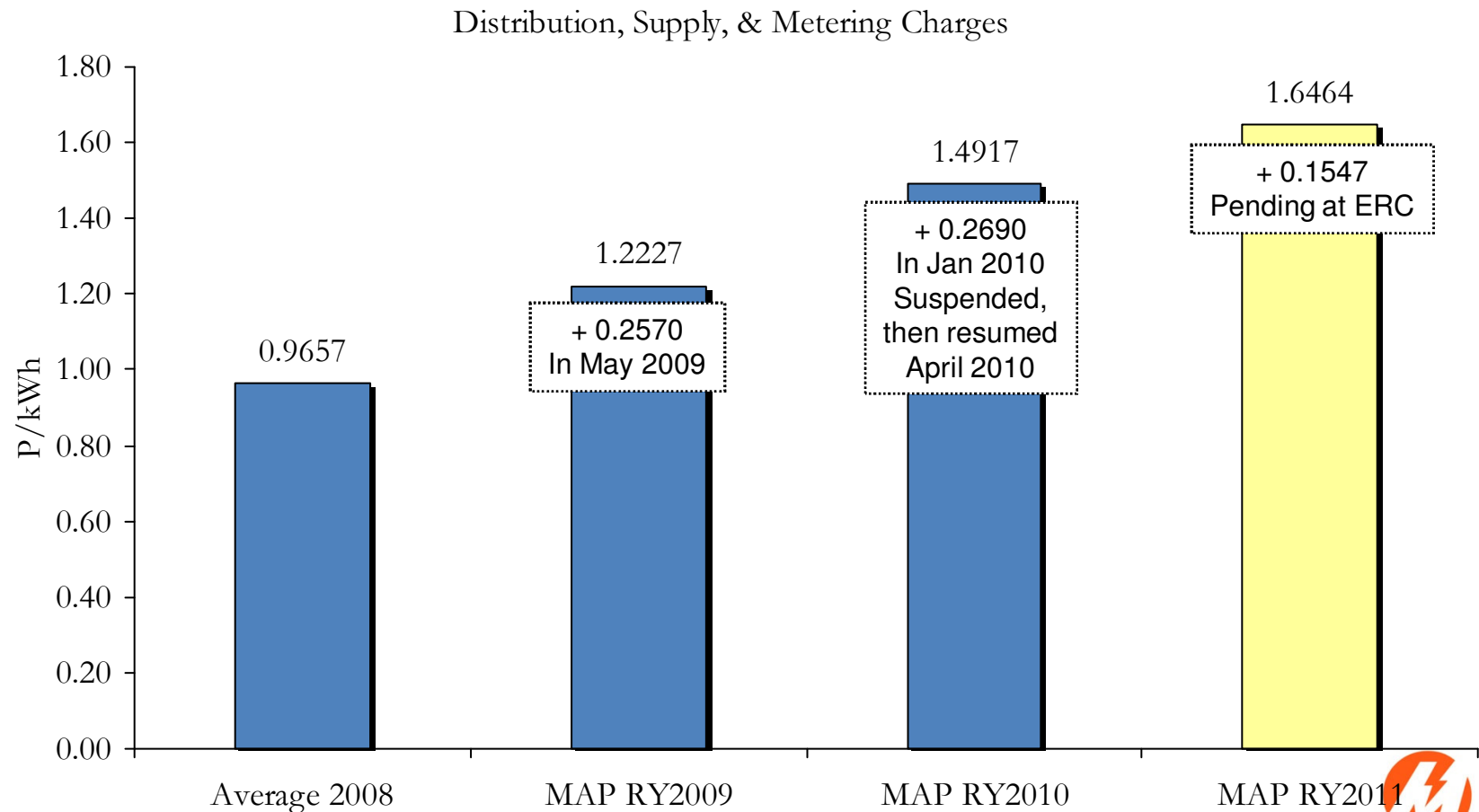
$$\text{MAP 2011} = [\text{MAP 2010} * \{1 + \text{CWI} - X\}] + S - K + \text{ITA}$$

	Formula Inputs	Rate Contribution (P/kWh)
Recalculated MAP 2010	1.9406	1.9406
CWI	0.0285	0.0553
-X	0.0475	0.0922
S (performance)	0.0087	0.0087
-K (correction)	0.5524	0.5524
MAP 2011 (unconstrained)	P2.6493 /kWh	
MAP 2011 (constrained)	P1.6464 /kWh	

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Movements of Meralco-related charges under PBR



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Completion of the CERA Refund

- **October 22, 2008** – ERC RC directed Meralco to refund over-recoveries in the CERA Mechanism incurred from June 2003 to December 2006
 - Total of P3.92B at a refund rate of P0.1461 per kWh
- **December 4, 2008** – Meralco asked the ERC to defer the CERA refund and to implement it no earlier than the February 2009 billing cycle
 - Meralco's motion was eventually granted (with modification) & was authorized to implement a CERA refund "equivalent to P0.0400 per kWh starting the March 2009 billing cycle until such time that the full amount shall have been refunded."
- **April 25, 2009** - ERC reinstated its original rate of CERA refund of P0.1461 per kWh
- The full refund of the CERA over-recoveries was completed in **March 2010**



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Operating Results

For the Quarter Ended March 31, 2010

Investors' Briefing & Teleconference

End of presentation

Thank you !

