

FINANCIAL HIGHLIGHTS

NET INCOME

Net income for the second quarter of 2007 was P1.81 billion, an increase of 62.3% from P1.12 billion in the same period last year. Year-to-date (YTD) earnings for this year reached P2.34 billion from a net income of P367 million in the same period in 2006 reflecting a 537.9% increase.

Had there been no provision made for probable losses amounting to P1.61 billion in the second quarter of 2006, net income for that period would have been P2.16 billion. Compared to this level, net income this year would have been 16.1% lower.

REVENUES

With the growth in electricity sales, revenues rose to P59.19 billion in the second quarter, representing a 23.6% jump compared to the same period in 2006. For the six-month period, revenues increased by 20.0% from P89.51 billion to P107.39 billion.

EXPENSES (INCOME)

Total expenses for the second quarter went up 22.1% to P56.43 billion, from P46.23 billion for the second quarter of last year. The six-month figure registered a 16.6% increase, from P89.05 billion to P103.83 billion. Major components of these expenses were purchased power, operations and maintenance and depreciation.

Purchased power cost increased by 27.1% to P50.13 billion in the second quarter. For the six-month period, the increase was 21.7% to P92.85 billion. The components were as follows:

- Recoverable purchased power cost - cost up to the 9.5% system loss cap - went up by 26.8%, from P38.66 billion to P49.03 billion for the second quarter and 22.4%, from P74.53 billion to P91.26 billion for the six-month period.
- Unrecoverable purchased power cost – system loss in excess of the cap – rose by 41.3% from P776 million to P1.10 billion this quarter. On a six-month period, this decreased by as much as 8.9% from P1.75 billion to P1.59 billion this year.
- Operations and maintenance increased by 53.1% this quarter compared to the second quarter of last year from P2.43 billion to P3.73 billion. Six-month operations resulted to an increase of 37.2% from P4.78 billion in 2006 to P6.56 billion in 2007.

EARNINGS PER SHARE

Earnings per share for the second quarter of the year (excluding depreciation on appraisal increase) increased by 60.0% to P1.93 from P1.20 last year, mainly due to higher net income in 2007.

CAPITAL EXPENDITURES

Capital expenditures in the quarter heightened by 111.5% over last year from P1.09 billion to P2.30 billion. As of June 30, 2007, total capital expenditures went up by 67.6% from P2.15 billion to P3.60 billion.

OPERATIONAL HIGHLIGHTS

Energy Sales

Meralco posted strong energy sales in the second quarter of 2007, rising to 6,800 gWh, or by 4.61% compared to the same period last year. It was a reversal of the 0.43% sales contraction registered in the second quarter of 2006.

Despite a shorter average billing day compared to last year (90.67 days vs. 90.94 days), energy sales expanded due to increased per capita consumption (513 kWh vs. 419kWh), higher temperature (29.23 °C vs 28.78 °C) and higher humidity (74.88% vs. 72.91%). Adding to these was the lower energy sales in the second quarter of 2006 due to the effects of typhoon Caloy.

Contributing to the rise in electricity use was the lower electricity rates due to the suspension of the Automatic Generation Rate Adjustment (AGRA) starting September last year. It was only on June 28, 2007 when the Energy Regulatory Commission (ERC) lifted the suspension on the AGRA.

Significant increases in energy sales of the commercial segment, which grew by 5.5% to 2,543 gWh, and of the residential segment, up by 5.0% to 2,368 gWh, were the main drivers of overall sales growth. The energy consumption of the industrial segment likewise grew by 3.1% to 1,855 gWh.

On their relative contribution to total sales, commercial sales accounted for 37.4%, up from the 37.1% registered last year. The share of residential sales showed a minimal increase to 34.8% from 34.7%, while that of industrial sales registered a slight decline to 27.3% from 27.7% in 2006.

The real estate sub-segment, which expanded by 12.2%, was the main driver of growth in the commercial segment. It was followed by private services at 3.6% and trade at 1.6%.

Real estate growth was largely attributed to the full operation of new buildings energized in the second half of 2006 such as Robinsons Cybergate 2 in Mandaluyong, Cyberzone Properties in Filinvest, Alabang and Net Square Bldg. at the Fort, Taguig providing a combined additional energy sales of 6.3 gWh.

Also contributing to this growth was the increased consumption of Robinsons Equitable Tower, Robinsons Cybergate I and Pioneer Highland condominiums which posted increases of 57%, 40% and 35% in consumption, respectively. The momentum for growth will continue for this sub-segment as four new real estate-related developments with loads of 500 KW and above were energized in the second quarter. These included AIC Grande Tower in Ortigas, South Station Market in Filinvest, Alabang, McKinley Corporate Plaza in Fort

Bonifacio and RHL Properties in Ermita, Manila. These buildings, which have an aggregate applied capacity of 3,165 KW, are posed to contribute an estimated 1.5 gWh monthly upon full operations.

Growth in private services was due to the heightened consumption of business services, health & social work and educational institutions, which rose 5.4% and 5.1%, and 4.9% respectively.

Growth in trade, on the other hand, was spurred by the full operations of several malls notably SM Mall of Asia whose consumption grew 154%, or 12.2 gWh higher than that of the second quarter last year, along with SM North, SM Hypermart, Robinsons Place Novaliches and Puregold, providing a combined increase of 8.2 gWh from their year-ago level. Further growth in this sub-segment is expected with the energization of six more new or expanded large retail services establishments, such as Robinsons Supermarket in Marikina, Manuela Corp (“The Annex”), Pasay City Mall, Super 8 Retail Systems in Sta Rosa and Riverbank Mall in Marikina. These have a combined KW demand of 6,750 KW and a potential monthly sales of 4 gWh.

The growth in industrial sales was driven by the 5.8% rise in the second quarter of the manufacturing sub-segment. The electrical machinery and food industries were the main drivers of this growth, rising 11.2% and 9.6%, respectively.

Growth in the electrical machinery sub-segment was due to the increased consumption of semi-conductor companies like NEC Toppan, Philips, Toshiba and Nidec, Phils. with a combined increase in consumption of 4 gWh. The rise in foods manufacturing was mainly due to higher kWh sales to Purefoods Hormel, Monde Nissin, Zesto Corp. and Oleo Fats Inc.), registering a combined increase of 14 gWh.

Significantly contributing to the growth in industrial sales was the 63.1% rise in One Day Power Sales (ODPS) availments. It reached 154 gWh for the second quarter this year from only 94 gWh in the same period last year. There was lower ODPS consumption last year due to ODPS suspensions in May and June arising from low generation reserves, fuel constraints at Pagbilao / Malaya, outage of the Sual Plant and tripping at Limay Cycle Block B.

Although commercial sales led the second quarter growth, residential sales posted the highest improvement as it increased 5.0% in the second quarter this year, reversing the 4.2% contraction in the same period last year. The residential sector also posted its 2nd consecutive quarterly growth in 2007. In the first quarter of 2007, residential sales grew only by 0.72% compared to the same period in 2006. The higher second quarter growth was due to the use of more electric cooling devices as warmer temperatures and higher humidity levels were experienced this year. This was helped by relatively lower electricity rates due to the suspension of the AGRA.

As energy sales from the major customer classes grew in the second quarter, year-to-date (YTD) energy sales likewise increased 4.2% to 12,839 gWh, higher than the 1.7% growth posted in the first semester of 2006. The commercial segment continued to lead the YTD increase at 5.8%, higher than the 3.9% registered last year. There was also an increase in YTD industrial sales by 3.6%, from 3.2% in same period of 2006. The residential segment, on the other hand, recorded a growth of 3.0%, a reversal of the 1.7% decline logged in the same period last year.

Meralco expects the second half to be more challenging for energy sales with the onset of the rainy season and the attendant typhoons and cooler temperatures. The AGRA resumption will now reflect the true cost of power in the rates to customers, a major departure from the artificially pegged low levels in the first semester of the year. The company is prepared for contingencies and is looking towards the next half with optimism brought about by a more positive investment climate and improvements in the service delivery process.

The impending implementation of provisionally approved Time of Use (TOU) program will give qualified big and residential customers the choice to avail of TOU rates as a way of lowering the generation charge component of their electricity bills. It is also designed to optimize their energy use by shifting their consumption pattern towards the off-peak period. This program, together with the Customer Choice Program (CCP) implemented earlier this year, is expected to boost energy sales and help the Company attain its year-end sales growth target of 2.5%.

Average Retail Rate

Rates by Customer Class

The average retail rate for the month of June 2007 went down to P8.06/kWh from P8.36/kWh in the same period of 2006. On a per customer class basis, the average retail rates for the month of June 2007 compared to June 2006 were:

Customer Class	June 2006 Ave. Rate (P/kWh)	June 2007 Ave. Rate (P/kWh)
Residential	9.03	9.12
Lifeline	5.95	6.35
Non-Lifeline	9.40	9.45
Commercial	8.45	7.94
GS, Small & Medium	9.12	8.68
Large	8.15	7.57
Very Large	7.58	7.04
Industrial	7.37	6.89
Small & Medium	8.67	8.33
Large	7.53	7.15
Very Large	6.99	6.53
Extra Large	7.04	6.04
TOTAL	8.36	8.06

Rates by Unbundled Components (P/kWh)

	June 2006 Average	June 2007 Average	Average Residential	Average Commercial	Average Industrial
Generation	4.90	4.76	4.76	4.79	4.74
Transmission	0.93	0.91	0.92	1.01	0.75
Meralco Charges	1.08	1.01	1.91	0.69	0.32
System Loss	0.66	0.64	0.78	0.62	0.48
Subsidies	0.01	0.01	(0.14)	0.09	0.09
Taxes/Universal Charge	0.78	0.73	0.91	0.74	0.51
TOTAL	8.36	8.06	9.12	7.94	6.89

The reduction in overall rates was largely due to the 2.9% decrease in the average generation charge from P4.90/kWh in June 2006 to P4.76/kWh in June 2007. The reduction was a result of the delay in the pass-on of generation costs, following the Supreme Court decision in August 2006 disallowing automatic adjustments. As a result, generation charges were kept at a certain level under ERC's provisional approvals.

System loss charges went down by almost P0.03/kWh. The removal of the CERA starting January 2007 contributed more than P0.07/kWh to the total rate reduction.

Further, the lower VAT rates in June 2007, reflecting the higher share of renewable generation in a prior supply month, resulted to a P0.05/kWh reduction in the tax component of the rates.

Power Sourcing and Transmission Charges

The average generation cost of Meralco for the second quarter rose by 11% to P5.50/kWh as compared to the same period last year of P4.96/kWh. A detailed summary of costs per supplier is shown below.

Generation cost (P/kWh)

Period	Overall	WESM	NPC	IPPs
Apr-07	5.76	9.41	5.78	4.14
May-07	5.03	7.85	5.65	3.82
Jun-07	5.73	7.80	5.67	4.37
2nd Qtr 2007 Average	5.50	8.34	5.70	4.08

The increase in generation cost was attributed to the high WESM prices in the second quarter driven by the rise in demand for electricity and several incidents of power plant outages. The highest peak demand for the Luzon grid was recorded during the summer season at 6,606 MW on April 19, 2007.

To shield customers from the volatility of WESM prices and to meet growing power requirements, Meralco signed an addendum to its Transition Supply Contract (TSC) with NPC on July 19, 2007, increasing the original annual contract energy volume by about 15 percent, or 1,020 gWh to 7,666 gWh. Meralco originally signed a TSC with NPC on November 16, 2006.

The average generation cost of P4.08/kWh of the IPPs for the second quarter dropped by 16% from P4.84/kWh in the same period last year. This was a result of the improvement in the combined IPP plant capacity factor, from 74% in the second quarter of 2006 to 81% this year. Meralco IPPs were able to significantly increase their dispatch levels since the commercial operation of the WESM.

The table below shows the monthly and average share in Net System Input (NSI) of the suppliers of Meralco for the second quarter.

Energy Sourcing Mix (Share to total purchases)

Period	WESM	NPC	IPPs
Apr-07	21.4%	30.2%	48.5%
May-07	15.4%	32.2%	52.4%
Jun-07	27.2%	32.8%	40.0%
2nd Qtr 2007 Average	21.4%	31.7%	46.9%

*excludes energy purchases for special programs

Transmission Costs

Meralco's second quarter average transmission cost of P0.94/kWh was an increase from the P0.83/kWh of the previous year. Transmission cost has been in an uptrend since the first quarter of the year following the implementation of new Transco rates and charges in February 2007 as part of the revised 2006 Open Access Transmission Service (OATS) rules.

System Reliability

Meralco implemented the final phase of its intensified line and substation maintenance activities in the second quarter to restore the integrity of its electric facilities weakened by the strong typhoons in the latter part of 2006. These maintenance activities were fast-tracked in time for the May 14 elections and for the expected heavy rains and typhoons in the third quarter. As a result, only minor and localized power interruptions were experienced on the day of the election and during the canvassing period.

The pre-arranged power interruptions needed for these maintenance jobs and two widespread brownouts caused electric service reliability to deteriorate during this period. The interruption frequency rate (IFR), a measure of the average number of interruptions experienced by a Meralco customer, increased to 3.95 times in the second quarter of 2007 from 2.81 times in the same period in 2006. The cumulative interruption time (CIT), a measure of the average duration of an interruption, was up at 3.34 hours in the second quarter of 2007 from 2.67 hours in the same period last year. The two widespread

brownouts were due to a generation deficiency of NPC on April 18 and to TransCo's transmission line troubles on June 26.

For the six-month period, IFR was recorded at 6.39 times this year from 5.03 times in 2006. YTD CIT was also up 5.17 hours this year compared to 4.42 hours last year.

System Loss

System loss in the second quarter of 2007 was 11.71%, 0.36 percentage points higher than the 11.35% system loss in the same quarter of last year. The apparent increase in system loss was caused by an unfavorable mismatch between registered energy input and sales for the period due to a lower number of billed days. This, however, would be compensated for in the succeeding billing periods of the year. The lower number of billed days within the second quarter amounted to an equivalent 0.28 percentage points increase in the system loss in the period.

Additionally, the increase in temperature particularly in the latter part of June of this year contributed to the apparent increase in system loss. Bulk energy meters were still able to register energy consumption when retail meters had almost all been read, effectively creating a mismatch in energy input and output figures. Average temperatures in the last two weeks of June 2007 were 2 °C higher compared to the same period in 2006.

The campaign against illegal connections and pilferers of electricity led to the apprehension of 8,849 registered services and 102 persons involved in the illegal activity. This resulted to the recovery of P208 million from payments made by the violators for their previously unbilled consumptions. The recovered amounts from the payments were returned as discounts to the generation charges of Meralco customers. In the second quarter of 2007, this discount amounted to P0.027/kWh.

The campaign also led to the confiscation of 26,470 kg of wires used in illegal connections.

Further boosting Meralco's system loss management program was the increase in the share of primary-metered sales to 28.91% in the second quarter of 2007 from 28.48% in the same period last year. Energy sales from higher service voltages have lower inherent losses compared to the same energy sales at the lower service voltages.

On a YTD basis, system loss continued to improve to 11.40% from 11.70% last year.

REGULATORY UPDATES

Regulatory highlights for the period include:

- Beginning the July 2007 billing cycle, Meralco was allowed once again to automatically adjust generation and system loss charges to reflect actual generation costs incurred.
 - This followed a June 28, 2007 Order from the Energy Regulatory Commission (ERC), directing Meralco to "... comply with the provisions of the Automatic Adjustment of Generation Rates and System Loss Rates by Distribution Utilities (AGRA) Guidelines ... for purposes of generation rate and system loss rate adjustments ...".

- Through a Department Circular issued June 21, 2007, the Department of Energy (DoE), with the approval of the Joint Congressional Power Commission (JCPC), amended Rule 3, Section 4(e) of the Implementing Rules and Regulations (IRR) of the Electric Power Industry Reform Act of 2001 (EPIRA). The amendment excludes rate adjustments made under AGRA and other ERC-approved mechanisms from the jurisdictional and hearing requirements of the IRR.
- Still pending resolution by the ERC are ten petitions to recover generation costs, covering the supply months of August 2006 to May 2007, or the period during which the implementation of the AGRA mechanism was suspended. Meralco has asked ERC to promptly resolve the said petitions so as to address the company's generation cost under-recoveries, estimated at P13.4 billion as of end-May 2007.
- On July 13, 2007 Meralco filed a motion at the ERC to withdraw its P0.1476/kWh rate petition.
 - While Meralco concluded its presentation of evidence in August 2006, the ERC has yet to set a date to hear the presentation of intervenors' evidence.
 - The rate petition was submitted to the ERC in May 2005. In the meantime, regulatory proceedings on Meralco's performance-based regulation (PBR) rate application, filed in September 2006, were already concluded. ERC is scheduled to release its final decision on the PBR-based application on August 31, 2007.
 - It is the company's opinion that the impending issuance of a final decision on Meralco's PBR application will render a ruling on the P0.1476/kWh rate petition moot and academic.
- The ERC released its draft determination on the PBR-based applications of Meralco, Cagayan Electric and Dagupan Electric on May 16, 2007.
 - The draft determination contains ERC's initial views on the DUs' applications, particularly on the proposed capital and operating expenditures and maximum average prices for the second regulatory period of July 2007 to June 2011.
 - The ERC solicited comments and conducted a public consultation on the draft determination on June 26, 2007 and is set to release its final determination on August 31, 2007.
- In an Order dated June 27, 2007 the ERC provisionally approved Meralco's retail time-of-use (TOU) rate application.
 - Meralco refiled its TOU application on April 16, 2007 in compliance with an April 2005 directive from the ERC for all DUs to file TOU tariffs.
 - Under Meralco's TOU application, the company will utilize four pricing blocks (peak/off-peak for Monday to Saturday and peak/off-peak for Sunday), and initially make the program available to Non-Industrial & Industrial Service (NIS/IS) customers with a minimum demand of 750 kW and residential customers with a minimum monthly consumption of 2,000 kWh.
 - Together with the company's Customer Choice Program (CCP), the provision of retail TOU tariffs seeks to provide Meralco end-users a variety of rate options to better manage the generation component of the electric bill. As of June 2007, generation-related charges accounted for about two-thirds of the overall average rate to end-users.

COMPARISON OF KILOWATT-HOUR SALES			
For the quarters ended June 30, 2007 and 2006 (In million kWh)			
Customer Class	2007	2006	% Change
Residential	2,368.03	2,255.54	5.0
Commercial	2,542.85	2,410.77	5.5
Industrial	1,855.08	1,799.32	3.1
Streetlights	34.51	35.01	(1.4)
TOTAL	6,800.48	6,500.64	4.6

COMPARISON OF KILOWATT-HOUR SALES			
For the six months ended June 30, 2007 and 2006 (In million kWh)			
Customer Class	2007	2006	% Change
Residential	4,317.14	4,190.65	3.0
Commercial	4,836.97	4,572.60	5.8
Industrial	3,615.99	3,490.82	3.6
Streetlights	69.02	70.29	(1.8)
TOTAL	12,839.12	12,324.36	4.2

Manila Electric Company
Second Quarter 2007 Financial and Operating Results – Parent Only



COMPARATIVE STATEMENTS OF INCOME			
For the quarters ended June 30, 2007 and 2006			
(Amounts in Million Pesos)			
	2007	2006	% Change
REVENUES	59,193	47,892	23.6
EXPENSES (INCOME)			
Purchased power	50,125	39,438	27.1
Operations and maintenance	3,728	2,434	53.1
Provision for probable losses	-	1,605	(100.0)
Depreciation and amortization	1,194	1,094	9.1
Interest and other financial charges - net	1,308	1,298	0.8
CERA II revenues	-	(654)	(100.0)
Foreign exchange losses - net	-	654	(100.0)
Interest and other financial income	(186)	(235)	(21.2)
Present value impact on customers' refund	183	378	(51.7)
Provision for probable losses on disallowed receivables	49	55	(11.2)
Taxes other than income tax	26	159	(83.6)
	56,427	46,226	22.1
INCOME BEFORE INCOME TAX	2,765	1,666	66.0
Provision for income tax	956	551	73.5
NET INCOME	1,810	1,115	62.3

COMPARATIVE STATEMENTS OF INCOME			
For the six months ended June 30, 2007 and 2006			
(Amounts in Million Pesos)			
	2007	2006	% Change
REVENUES	107,392	89,506	20.0
EXPENSES (INCOME)			
Purchased power	92,848	76,275	21.7
Operations and maintenance	6,561	4,781	37.2
Provision for probable losses	-	3,031	(100.0)
Depreciation and amortization	2,232	2,158	3.5
Interest and other financial charges - net	1,954	2,222	(12.1)
CERA II revenues	-	(1,003)	(100.0)
Foreign exchange losses - net	-	1,003	(100.0)
Interest and other financial income	(381)	(510)	(25.4)
Present value impact on customers' refund	457	756	(39.6)
Provision for probable losses on disallowed receivables	100	110	(8.7)
Taxes other than income tax	58	231	(75.1)
	103,829	89,053	16.6
INCOME BEFORE INCOME TAX	3,562	453	686.4
Provision for income tax	1,221	86	1321.2
NET INCOME	2,341	367	537.9

COMPARATIVE BALANCE SHEETS			
As of June 30, 2007 and 2006			
(Amounts in Million Pesos)			
	2007	2006	% Change
ASSETS			
Noncurrent Assets			
Utility Plant and others-net	94,806	92,430	2.6
Investments in subsidiaries, associates and joint ventures	1,505	966	55.8
Investment properties	905	840	7.7
Deferred pass-through fuel costs	6,661	7,860	(15.3)
Other noncurrent assets	21,809	6,279	247.3
Total Noncurrent Assets	125,686	108,375	16.0
Current Assets			
Cash and cash equivalents	3,169	8,403	(62.3)
Trade and other receivables	39,326	31,322	25.6
Inventories	1,280	1,198	6.8
Other current assets	1,767	2,166	(18.4)
Total Current Assets	45,542	43,089	5.7
TOTAL ASSETS	171,228	151,464	13.0

STOCKHOLDERS' EQUITY AND LIABILITIES			
	2007	2006	% Change
Stockholders' Equity	47,394	33,044	43.4
Noncurrent Liabilities			
Interest-bearing loans and other borrowings - net of current portion	13,570	14,207	(4.5)
Deferred income tax liabilities	8,114	2,793	190.5
Customers' deposits	20,711	19,005	9.0
Operating Reserves	1,557	20,130	(92.3)
Customers' refund - net of current portion	10,030	12,407	(19.2)
Deferred pass-Through Fuel Costs	2,630	4,122	(36.2)
Other noncurrent liabilities	11,582	11,131	4.0
Total Noncurrent Liabilities	68,194	83,795	(18.6)
Current Liabilities			
Trade and other payables	42,208	24,548	71.9
Customers' refund - current portion	3,546	2,835	25.1
Interest-bearing loans and other borrowings - current portion	4,981	2,792	78.4
Income tax payable	1,047	1,407	(25.6)
Other current liabilities	3,856	3,043	
Total Current Liabilities	55,639	34,625	60.7
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES	171,228	151,464	13.0

COMPARATIVE STATEMENTS OF RETAINED EARNINGS (DEFICIT)			
For the six months ended June 30, 2007 and 2006			
(Amounts in Million Pesos)			
	2007	2006	% Change
BALANCE, Beginning	11,484	(1,312)	975.3
Add:			
Net Income (Loss)	2,341	367	537.9
Realized revaluation surplus	216	227	(4.7)
	14,041	(718)	2056.2
Deduct:			
Appropriated retained earnings, beginning	1,200	200	500.00
Transfer from/(to)			
Unappropriated retained earnings	-	-	
BALANCE	12,841	(918)	1499.1
Deduct:			
Cash dividends declared	-	-	-
Stock dividends declared	-	-	-
BALANCE, End	12,841	(918)	1499.1

COMPARATIVE CASH FLOW STATEMENTS			
For the quarters ended June 30, 2007 and 2006 (Amounts in Million Pesos)			
	2007	2006	% change
CASH BALANCE, BEGINNING (Apr 1)	3,793	11,912	(68.2)
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating and other income	4,434	4,552	(2.6)
Depreciation and amortization	1,194	1,094	9.1
Increase (decrease) in other assets and liabilities	(2,784)	(1,431)	94.5
Net Cash from Operations	2,844	4,216	(32.5)
Add : Equity issues	-	-	0.0
Short-term borrowings	2,000	-	-
Long-term borrowings	-	-	-
TOTAL SOURCES OF FUNDS	4,844	4,216	14.9
Less : Short-term debt service	-	-	-
Long-term debt service	49	4,455	100.0
Other interest expense	1,670	1,378	21.2
Total Debt Service	1,719	5,833	(70.5)
Unrecoverable purchased power	1,097	776	41.3
Capital expenditures	2,302	1,088	111.5
Preferred equity redemptions	20	24	(19.5)
Refund to customers	331	2	14701.7
TOTAL USES OF FUNDS	5,469	7,725	(29.2)
NET DECREASE IN CASH	(625)	(3,509)	(82.2)
CASH BALANCE, END (June 30)	3,169	8,403	(62.3)

COMPARATIVE CASH FLOW STATEMENTS			
For the six months ended June 30, 2007 and 2006 (Amounts in Million Pesos)			
	2007	2006	% change
CASH BALANCE, BEGINNING (Jan 1)	4,960	13,722	(63.9)
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating and other income	6,425	5,202	23.5
Depreciation and amortization	2,232	2,158	3.5
Increase (decrease) in other assets and liabilities	(4,975)	(1,498)	232.2
Net Cash from Operations	3,682	5,862	(37.2)
Add : Equity issues	-	-	0.0
Short-term borrowings	4,000	-	-
Long-term borrowings	-	-	-
TOTAL SOURCES OF FUNDS	7,682	5,862	31.0
Less : Short-term debt service	250	-	100.00
Long-term debt service	49	4,740	100.0
Other interest expense	2,275	2,501	(9.0)
Total Debt Service	2,575	7,241	(64.4)
Unrecoverable purchased power	1,592	1,748	(8.9)
Capital expenditures	3,597	2,146	67.6
Preferred equity redemptions	33	39	(14.7)
Refund to customers	671	8	8340.7
Dividends - Common	1,006	-	100.0
TOTAL USES OF FUNDS	9,473	11,181	(15.3)
NET DECREASE IN CASH	(1,791)	(5,319)	(66.3)
CASH BALANCE, END (June 30)	3,169	8,403	(62.3)

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