FINANCIAL HIGHLIGHTS

NET INCOME

Net income for the second quarter of 2008 was P1.82 billion, an increase of 0.72% from P1.81 billion in the same period last year. On a year-to-date (YTD) basis, earnings reached P2.48 billion from a net income of P2.34 billion in 2007 for a 5.8% increase.

REVENUES

Distribution revenues in the second quarter declined slightly by 1%, from P7.04 billion last year to P6.97 billion this year. However, for the six-month period, distribution revenues grew to some extent by 0.91% from P12.74 billion to P12.85 billion.

Because of lower generation charges this year, total revenues declined 17% to P49.1 billion in the second quarter compared to the same period in 2007. Likewise for the six-month period, revenues decreased by 13.6% from P107.39 billion to P92.75 billion.

EXPENSES (INCOME)

Total expenses for the second quarter went down by 17.7% to P46.46 billion, from P56.43 billion last year. The six-month figure likewise decreased from P103.83 billion to P89.22 billion, or by 14.1%. Major components of these expenses were purchased power, operations and maintenance and depreciation.

Purchased power cost dipped by 18.7% to P40.76 billion in the second quarter. For the six-month period, the decrease was 15.2% to P78.71 billion. The purchased power cost components include the following:

- Recoverable purchased power cost - cost up to the 9.5% system loss cap - went down by 17.6%, from P48.85 billion to P40.23 billion for the second quarter, and by 14.6%, from P90.92 billion to P77.68 billion for the six-month period.

- Unrecoverable purchased power cost – system loss in excess of the cap – declined by 58.5% from P1.28 billion to P530 million this quarter. For the six-month period, this decreased by as much as 46.9% from P1.93 billion to P1.02 billion this year.

- Operations and maintenance decreased by 6.0% this quarter compared to the second quarter of last year from P3.73 billion to P3.51 billion. Six-month operations, however, resulted to an increase of 0.4% from P6.56 billion in 2007 to P6.58 billion in 2008.

EARNINGS PER SHARE

Earnings per share for the second quarter of the year (excluding depreciation on appraisal increase) decreased by 9.9% to P1.73 from P1.92 last year, due to a higher number of shares in 2008 resulting from the declaration of stock dividends in 2007.

CAPITAL EXPENDITURES

Capital expenditures for the quarter declined by 3.84% from P2.19 billion last year to P2.10 billion this year. The investments were used to address customer load growth, replace dilapidated and obsolete electrical facilities and reduce system loss.

For the six-month period, total capital expenditures decreased by 14.68% from P3.61 billion to P3.08 billion. The decline in capital expenditures was partly caused by the improvement in foreign exchange rates in January-June 2008 to P42.03/USD1.00 from P47.77/USD1.00 in the same period of 2007.

OPERATIONAL HIGHLIGHTS

ENERGY SALES

Energy sales for the second quarter of 2008 rose 1.6% to 6,911.8 gwh compared to the same period last year. The commercial and industrial segments performed strongly, offsetting the decline in energy sales of the residential segment. This quarter's increase, however, was lower than the 4.6% growth posted in the second quarter of 2007 due to the effects of inflationary pressures, lower temperature and interruptions caused by typhoon Frank on June 22.

Below are details of the quarter-on-quarter energy sales by customer segment:

COMPARISON OF KILOWATT-HOUR SALES
For the quarters ended June 30, 2008 and 2007
(In million kWh)

Customer Class	2008	2007	% Change
Residential	2,298.98	2,368.03	(2.9)
Commercial	2,663.01	2,542.85	4.7
Industrial	1,915.20	1,855.08	3.2
Streetlights	34.66	34.51	0.4
TOTAL	**6,911.84**	**6,800.48**	**1.6**

The commercial segment led the sales growth at 4.7%, fueled by the increased consumption of customers under the real estate, trade and transport, storage & communications (TSC) sectors. This growth, however, was below the 5.5% increase posted by this segment last year.

The consumption of the commercial segment is expected to increase in the next months as new major customers added about 27 MW of demand in the second quarter.

The industrial segment's sales growth followed that of its commercial counterpart, rising 3.2% over its 3.1% growth in the same period in 2007. Among the major customer segments, it was the industrial segment that outpaced its growth recorded last year. This increase was largely due to the heightened activity of customers under electrical machinery, electricity, gas & water (EGW) and transport equipment sectors.

This upswing in industrial sales was partly due to spiraling fuel costs which made self-generation increasingly unattractive. Meralco launched the Customer Choice Program (CCP) that provides rate options to attract these customers back to the grid. In June, the company won back two (2) self-generating industrial customers with a combined energy sales of 4.7 gwh per month. In July, another five (5) partially self-generating industrial customers with a total consumption of about 13 gwh per month opted to increase their grid offtake.

Residential sales, on the other hand, declined 2.9%, in contrast to its 5% growth last year, as households reduced their consumption due to rising fuel and commodity prices. The inflation rate reached 11.4% in June, the highest in 14 years. This quarter's consumption was further aggravated by lower temperatures and interruptions caused by typhoon Frank.

These same economic and environmental circumstances caused a slowdown in year-to-date energy sales which grew 1.8% to 13,068 gwh, compared to the 4.2% growth last year. Despite these developments, the commercial and industrial segments still showed positive growths for the six-month period with 4.4% and 2.6%, respectively. These, however, were lower than last year's growth levels of 5.8% for commercial and 3.6% for industrial sales.

First semester residential sales, on the other hand, declined 1.9% compared to a 3% growth last year.

Below are details of the half-on-half energy sales by customer segment:

COMPARISON OF KILOWATT-HOUR SALES
For the six months ended June 30, 2008 and 2007
(In million kWh)

Customer Class	2008	2007	% Change
Residential	4,236.92	4,317.14	(1.9)
Commercial	5,051.49	4,836.97	4.4
Industrial	3,710.20	3,615.99	2.6
Streetlights	69.44	69.02	0.6
TOTAL	**13,068.05**	**12,839.12**	**1.8**

AVERAGE RETAIL RATE

Rates by Customer Segment

The average retail rate for the month of June 2008 was P7.68/kwh, P0.38/kwh lower than its level of P8.06/kwh for the same period in 2007. On a per customer segment, the average retail rates were:

Customer Class	June 2007 Ave. Rate (P/kwh)	June 2008		
		Ave. Rate (P/kwh)	% count of Customers	% kwh Sales
Residential	**9.12**	**8.83**	**90.9%**	**32.7%**
Lifeline	6.35	5.97	35.2%	4.0%
Non-Lifeline	9.45	9.23	55.7%	28.7%
Commercial	**7.94**	**7.71**	**8.8%**	**38.7%**
GS, Small and Medium	8.68	8.49	8.7%	16.9%
Large	7.57	7.35	0.1%	12.0%
Very Large	7.04	6.75	0.0%	9.7%
Industrial	**6.89**	**6.27**	**0.2%**	**28.1%**
Small and Medium	8.33	8.21	0.2%	3.6%
Large	7.15	7.12	0.0%	12.2%
Very Large	6.53	6.65	0.0%	8.8%
Extra Large	6.04	6.42	0.0%	3.6%
Total	**8.06**	**7.68**	**100.0%**	**100.0%**

Rates by Unbundled Components

The decrease in the average rate from June 2007 to June 2008 was largely due to the lower generation charge in June 2008.

The following tables show the unbundled rate component breakdown by customer segment, comparing June 2007 vs. 2008:

Unbundled Rates by Customer Segment
(June 2007 vs. June 2008, in P/kwh)

	June 2007 Overall Average	June 2008			
		Overall Average	Average Residential	Average Commercial	Average Industrial
Generation	4.77	4.34	4.43	4.46	4.04
Transmission	0.90	0.99	0.99	1.09	0.84
Meralco Charges	1.00	0.98	1.88	0.68	0.31
System Loss	0.63	0.59	0.74	0.58	0.43
Subsidies	0.01	0.00	-0.18	0.09	0.10
Taxes/ Universal Charge	0.73	0.78	0.96	0.81	0.54
TOTAL	**8.06**	**7.68**	**8.83**	**7.71**	**6.27**

Quarterly Overall Average Rates

The overall average rate for the second quarter of 2008 slightly increased to P8.06/kwh from P7.99/kwh last year. This was due primarily to the decrease in VAT zero-rated generation that resulted in higher VAT rates for generation. Also contributing to the higher average rate was the increased transmission charge following the annual updating of Meralco Transmission charges to end-users in accordance with ERC's Transmission Rate Adjustment Mechanism (TRAM).

Unbundled Overall Rates by Customer Segment
(2nd Qtr 2007 vs 2008, in P/kwh)

	2nd Qtr 2007 Overall Average	2nd Qtr 2008			
		Overall Average	Average Residential	Average Commercial	Average Industrial
Generation	4.69	4.63	4.74	4.75	4.32
Transmission	0.93	0.99	0.99	1.09	0.86
Meralco Charges	1.02	0.99	1.89	0.68	0.31
System Loss	0.63	0.62	0.78	0.60	0.45
Subsidies	0.01	0.02	-0.17	0.10	0.12
Taxes/ Universal Charge	0.73	0.81	0.99	0.84	0.56
TOTAL	**7.99**	**8.06**	**9.23**	**8.07**	**6.61**

YTD Overall Average Rates

However, the year-to-date average rate as of June 2008 fell to P7.75/kwh, a decrease of P0.25/kwh from the P8.00/kwh rate last year. Special programs that were put in place in the second half of 2007 such as the hourly time-of-use rates, peak and off-peak pricing as well as ecozone rates resulted to low generation charges for customers availing of these programs. In addition, average generation rates went down for all regular customer segments in the first six months of 2008 as compared to the same period last year.

Unbundled Overall Rates by Customer Segment
(June YTD 2007 vs 2008, in P/kwh)

	June YTD 2007 Overall Average	June YTD 2008			
		Overall Average	Average Residential	Average Commercial	Average Industrial
Generation	4.75	4.46	4.54	4.56	4.24
Transmission	0.93	0.96	0.96	1.07	0.83
Meralco Charges	0.99	0.97	1.85	0.69	0.31
System Loss	0.63	0.60	0.75	0.58	0.43
Subsidies	-0.01	0.01	-0.21	0.10	0.11
Taxes/ Universal Charge	0.71	0.75	0.91	0.77	0.52
TOTAL	**8.00**	**7.75**	**8.81**	**7.78**	**6.46**

POWER SOURCING

Purchased Power Cost

Meralco's average purchased power cost in the second quarter of 2008 declined by 17.9% to P5.28/kwh from P6.43/kwh in 2007 as both the generation and transmission costs fell during the said period.

Purchased Power Cost by Supplier
(2nd Qtr 2007 vs 2nd Qtr 2008, in P/kwh)

Energy Source	Average Generation Cost (P/kwh)		Transmission Cost (P/kwh)		Purchased Power Cost (P/kwh)	
	2007	2008	2007	2008	2007	2008
NPC-Programs*	4.54	3.67	1.06	0.84	5.59	4.51
NPC / WESM						
NPC-TSC	5.73	4.44	1.12	0.88	6.84	5.32
WESM	8.47	5.37	1.19	0.88	9.66	6.25
Subtotal	6.85	4.65	1.15	0.88	8.00	5.53
IPPs						
Quezon Power	4.32	4.47	0.77	0.82	5.09	5.29
First Gas-Sta. Rita	4.10	4.74	0.68	0.60	4.78	5.33
First Gas-San Lorenzo	3.89	4.78	0.56	0.52	4.45	5.29
Subtotal	4.08	4.70	0.66	0.61	4.75	5.31
Total	**5.51**	**4.53**	**0.92**	**0.75**	**6.43**	**5.28**

* include Ecozone Rate, ODPS, etc.

The drop in the generation costs for the second quarter of 2008 was mainly due to lower NPC and WESM average costs. The generation cost of NPC-TSC dropped by 22.5% from the second quarter 2007 average of P5.73/kwh to only P4.44/kwh in 2008. This came about with the application of negative NPC DAA charge equivalent to -0.0315 P/kwh for April and May 2008 and -0.7431 P/kwh for June 2008.

The WESM average generation cost declined significantly by 37% from last year's second quarter average of P8.47/kwh to only P5.37/kwh this year. This was due to higher availability of Luzon plants and the lower demand caused by temperature drop, particularly during the May 2008 supply month. The lower WESM average generation cost for the period was also due to lower WESM purchases during the peak period when spot prices were high and volatile.

Also, total transmission costs went down 19% from the second quarter average of P0.92/kwh in 2007 to P0.75/kwh for the same period this year. The drop in the transmission cost was due to lower ancillary service charges of TransCo which took effect in the April 2008 supply month.

Energy Sourcing Mix

The share of NPC-TSC increased by 6.7 percentage points from 23.8% for second quarter of 2007 to 30.5% for same period this year. This was due to the increase in contract volume as an addendum to the Transition Supply Contract (TSC) implemented starting July 2007 and the Ecozone special rate program starting October 2007. This pulled down the WESM share from 20.9% in the second quarter of 2007 to only 8.7% in 2008. The average supply share of Meralco IPPs in the second quarter remained stable since WESM commercial operations in June 2006.

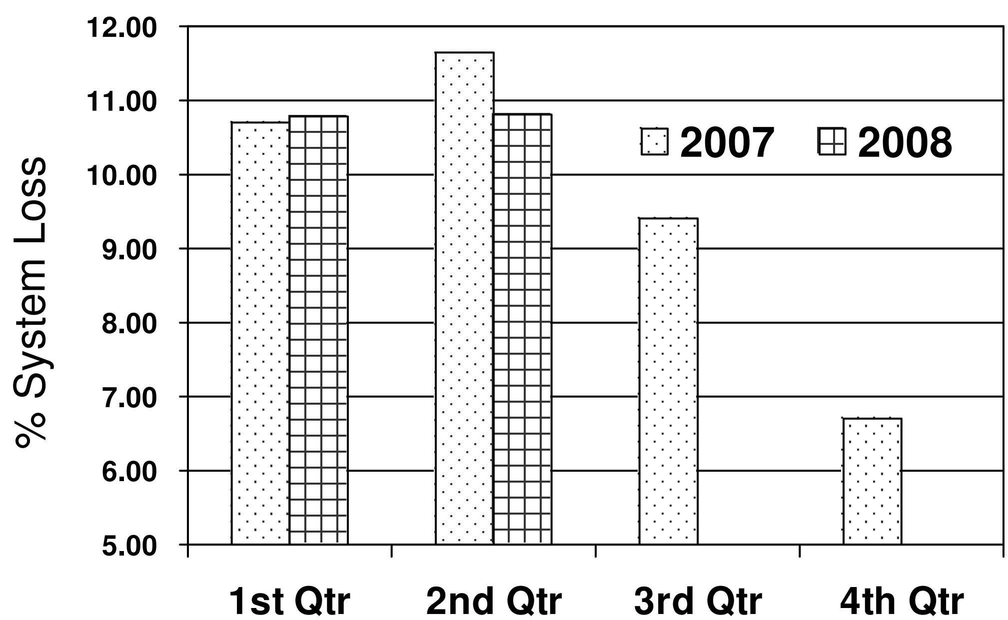
Energy Sourcing Mix
(Percentage Share to total purchases)

Period	NPC-Programs*	NPC		IPPs
		TSC	WESM	
2nd Qtr 2007 Average	9.5%	23.8%	20.9%	45.8%
Apr-08	14.9%	27.2%	11.1%	46.8%
May-08	15.4%	31.7%	6.9%	46.0%
Jun-08	13.7%	32.7%	8.0%	45.7%
2nd Qtr 2008 Average	14.7%	30.5%	8.7%	46.1%

* include Ecozone Rate, ODPS, etc.

SYSTEM LOSS

System losses, on a quarterly basis, behave in a particular pattern. Normally, system loss in the first half of the year is higher because electricity demand peaks at this period of the year due to higher temperatures. The graph below shows how system losses behave on a quarterly basis.



For the second quarter of 2008, system loss improved to 10.80% from 11.65% last year. The improvement was collectively attributed to the continuous process and system enhancements in the distribution and customer services, and the stepped-up operations against illegal service connections and other forms of electricity pilferage.

The campaign against electricity theft in the second quarter this year led to the discovery 13,181 cases of illegal connections and the arrest of 155 persons involved in this activity. This brings the total apprehensions to 24,793 and number of total arrests to 242 by the end of June. As a result, Meralco was able to recover P176 million from payments made by the violators for their previously unbilled consumptions. The recovered amounts were returned to Meralco customers as a discount in the generation charge.

In this fight against electricity theft, the company enjoys the support of government agencies such as the Department of the Interior and Local Government, the Local Government Units within its franchise, the Bureau of Fire Protection, and the Philippine National Police, which are all Meralco's long-time allies in this endeavor.

System loss on a year-to-date and on a 12-month moving average (12-MMA) both continued to improve to 10.80% and 9.61%, respectively.

SYSTEM RELIABILITY

The widespread power interruptions caused by strong typhoon Frank on June 22 caused system performance in the second quarter to dip compared to the same period last year.

The Interruption Frequency Rate (IFR), a measure of the average number of interruptions experienced by a Meralco customer, increased from 3.95 times in the second quarter last year to 4.31 times in the same period this year.

Similarly, the Cumulative Interruption Time (CIT), a measure of the average duration of interruption experienced by a customer, also increased from 3.34 hours in the second quarter of 2007 to 7.42 hours in the second quarter this year.

On a year-to-date performance, the 6.90 IFR as of June this year was higher compared to last year's IFR of 6.39 times. Likewise, the year-to-date CIT at 8.76 hours was higher compared to last year's 5.17 hours.

Had typhoon Frank spared the Meralco franchise, the second quarter IFR and CIT figures would have been lower by 15% and 19%, respectively. This, consequently, would have resulted to a lower year-to-date IFR and CIT figures by 7% and 22%, respectively compared to their 2007 levels.

REGULATORY UPDATES

TRANSITION TO PERFORMANCE-BASED REGULATION (PBR)

Meralco is still awaiting the ERC's decision on the company's rate translation applications. The two separate rate translation applications, for Regulatory Year 2008 and Regulatory Year 2009, seek to implement ERC's Final Determination on the company's PBR-based rate petition.

Hearings on the two rate translation applications were concluded on March 6, 2008 and April 29, 2008, respectively, and the cases have been submitted for decision by the Commission.

PETITION OF THE DEPARTMENT OF TRADE & INDUSTRY (DTI)

On June 3, 2008, the initial hearing on DTI's amended petition was held at the ERC. DTI's petition, amended on May 19, 2008, sought to:

- Expand the coverage or increase the discounts under the lifeline rate within the Meralco area only. Meralco to absorb the lifeline discounts;
- Direct Meralco to buy more from WESM during off-peak hours;
- Direct Meralco to extend preferential treatment to poor households and power-intensive industries in the allocation of transmission charges;
- Direct Meralco to stop billing system losses to customers and customers are entitled to a refund; and
- Direct Meralco to charge distribution rates equal to or lower than those of Visayan Electric, Cagayan Electric or Davao Light.

Evidentiary hearings on the DTI's petition were completed on August 6, 2008.

PROPOSED REDUCTION OF THE RECOVERABLE RATE OF SYSTEM LOSS

Various proposals have been put forward to reduce the recoverable rate of system loss, currently set at 9.5% for private distribution utilities (DUs) like Meralco.

On August 6, 2008 the ERC released for public comment a draft resolution that: (i) will reduce the system loss cap for private DUs to 8% effective January 2009 and (ii) will change the treatment of company use, from a component of the system loss charge to being part of operations and maintenance expenses.

Public consultations on the draft resolution are scheduled on August 26, 2008 (for Visayas and Mindanao) and on September 3, 2008 (for Luzon).

Meanwhile, several bills have been filed at the House of Representatives that seek to amend Republic Act 7832, or the Anti-Electricity Pilferage Law.

Among the proposed amendments is a reduction of the system loss cap from 9.5% to 5% (House Bill 4074) or to 4.5% (House Bill 4204).

On August 5, 2008 the House Energy Committee convened a Technical Working Group (TWG), which will consolidate and harmonize the various bills and is expected to come out with a substitute bill on the proposed amendments to RA 7832.

PEZA'S REGISTRATION AND OPEN ACCESS GUIDELINES

Meralco and the Private Electric Power Operators Association (PEPOA, an association of investor-owned distribution utilities) have been holding compromise talks with the Philippine Economic Zone Authority (PEZA) to resolve the injunction case filed by distribution utilities (DUs) against PEZA's registration and open access guidelines, namely, the “Guidelines in the Registration of Electric Power Generation Facilities/Utilities/Entities Operating Inside the Ecozones” and the “Guidelines for the Supply of Electric Power in Ecozones”.

In separate letters to Meralco and PEPOA dated June 6, 2008 PEZA Director General Lilia B. de Lima stated the PEZA's proposals to address the DU’s concerns, following Meralco’s announcement to withdraw the case against PEZA’s Guidelines..

According to the letter:

> “In the case of power utilities or entities currently operating a power distribution system inside the ecozone, the PEZA Board shall approve the registration … upon compliance of all registration requirements.”
>
> “The franchised DU operating immediately outside a newly proclaimed ecozone shall have the right of first refusal to operate a power distribution system …” subject to registration requirements; and,
>
> Upon clarification, PEZA further agreed that, “Until such time that PEZA and ERC have agreed on principles of asset recognition and boundaries for rate-setting and PEZA has fixed the appropriate distribution charge, the prevailing distribution and other distribution-related charges, such as system losses, as may be adjusted in accordance with ERC’s guideline, shall apply.”

Subsequently, Meralco and PEPOA filed their motions to withdraw as plaintiffs. The motions are currently being heard at the Pasig Regional Trial Court.

INTERIM OPEN ACCESS PETITION

Hearings on the Interim Open Access petition, filed last May 23, 2008 by various power industry participants including Meralco, are still ongoing. In the meantime, through an Order dated July 15, the ERC provisionally approved the following: (i) Meralco may put up the necessary metering facilities (in accordance with the ERC's Rules for Contestability) for potential contestable customers, and (ii) licensed retail electricity suppliers may begin marketing, provided that their energy source is limited to eligible generators.

Further, ERC released last August 11 its draft “Rules for the Implementation of Interim Open Access in Luzon”. Highlights of the draft rules include:

- A single billing policy will be adopted and Retail Electricity Suppliers (RES) shall contract with other service providers on behalf of the end-user.

- Participating distribution utilities' (DU) Transition Supply Contract volumes with NPC may be reduced due to the transfer of end-user to a RES.

- DU will be the sole metering service provider and WESM-compliant meters should be completely installed before the start of Interim Open Access.

- The threshold of end-user eligibility will be 1MW for the duration of the program.

ERC set the deadline for comments on August 28, 2008 and the draft rules will be subjected to public consultation on September 4, 2008.

METER DEPOSIT REFUND

On June 4, 2008, the Energy Regulatory Commission (ERC) issued Resolution No. 8, Series of 2008, approving the "Rules to Govern the Refund of Meter Deposits to Residential and Non-Residential Customers".

These rules were finalized after the conduct of a number of public consultations, which were completed on March 26, 2008. The rules will guide all distribution utilities (DUs), such as Meralco, on the refund to customers of their meter deposits and the corresponding accrued interest.

Among the salient features of the rules are:

Start of Refund. The refund will commence not later than six (6) months upon the effectivity of the rules.

Duration of Refund. The refund period should be completed not longer than sixty-six (66) months from the effectivity of the rules.

Mode of Refund. The customer has the option of receiving his refund through cash, credit to his future monthly billings, or as an offset to other due and demandable claims that the utilities may have against him.

Amount of Interest. The amount of interest is 6% or 10% depending on when the customer paid the meter deposit.

The rules were published in newspapers on June 20, 2008 and took effect fifteen days after, or on July 5, 2008. Thus, the refund of meter deposits should commence no later than January 5, 2009 and should be completed by January 2014.

On August 8, 2008, in compliance with the ERC's resolution, Meralco submitted to the Commission an accounting of the total meter deposit principal amount to be refunded, which as of June 30, 2008 totaled P1.507B.

COMPARATIVE STATEMENTS OF INCOME

For the quarters ended June 30, 2008 and 2007

(Amounts in Million Pesos)

	2008	2007	% Change
REVENUES	**49,115**	**59,193**	**(17.0)**
EXPENSES (INCOME)			
Purchased power	40,762	50,124	(18.7)
Operations and maintenance	3,505	3,728	(6.0)
Depreciation and amortization	1,081	1,194	(9.5)
Interest and other financial charges - net	863	1,217	(29.1)
Interest and other financial income	(117)	(186)	(37.1)
Present value impact on customers' refund	212	274	(22.6)
Various Provisions	102	50	104.0
Taxes other than income tax	53	27	96.3
	46,461	**56,428**	**(17.7)**
INCOME BEFORE INCOME TAX	**2,654**	**2,765**	(4.0)
Provision for income tax	832	956	(13.0)
NET INCOME	**1,822**	**1,809**	**0.7**

COMPARATIVE STATEMENTS OF INCOME

For the six months ended June 30, 2008 and 2007

(Amounts in Million Pesos)

	2008	2007	% Change
REVENUES	**92,751**	**107,392**	**(13.6)**
EXPENSES (INCOME)			
Purchased power	78,707	92,848	(15.2)
Operations and maintenance	6,585	6,561	0.4
Depreciation and amortization	2,149	2,232	(3.7)
Interest and other financial charges - net	1,622	1,863	(12.9)
Foreign exchange losses - net	6	-	100.0
Interest and other financial income	(470)	(381)	23.4
Present value impact on customers' refund	423	548	(22.8)
Various Provisions	102	101	1.0
Taxes other than income tax	97	58	67.2
	89,221	**103,830**	**(14.1)**
INCOME BEFORE INCOME TAX	**3,530**	**3,562**	**(0.9)**
Provision for income tax	1,053	1,221	(13.8)
NET INCOME	**2,477**	**2,341**	**5.8**

COMPARATIVE BALANCE SHEETS
As of June 30, 2008 and 2007
(Amounts in Million Pesos)

	2008	2007	% Change
ASSETS			
Noncurrent Assets			
Utility Plant and others-net	95,941	94,806	1.2
Investments in subsidiaries, associates and joint ventures	2,237	1,505	48.7
Investment properties	900	905	(0.5)
Deferred pass-through fuel costs	5,325	6,661	(20.1)
Other noncurrent assets	26,555	30,533	(13.0)
Total Noncurrent Assets	**130,959**	**134,410**	**(2.6)**
Current Assets			
Cash and cash equivalents	3,741	3,169	18.1
Trade and other receivables	32,151	36,694	(12.4)
Inventories	1,435	1,280	12.1
Other current assets	1,296	1,767	(26.7)
Total Current Assets	**38,623**	**42,910**	**(10.0)**
TOTAL ASSETS	**169,582**	**177,320**	**(4.4)**

STOCKHOLDERS' EQUITY AND LIABILITIES

	2008	2007	% Change
Stockholders' Equity	**50,780**	**47,394**	**7.1**
Noncurrent Liabilities			
Interest-bearing loans and other borrowings - net of current portion	12,322	13,571	(9.2)
Deferred income tax liabilities	13,161	14,206	(7.4)
Customers' deposits	22,572	20,711	9.0
Operating Reserves	1,595	1,557	2.4
Customers' refund - net of current portion	9,351	10,030	(6.8)
Deferred pass-Through Fuel Costs	752	2,630	(71.4)
Other noncurrent liabilities	12,055	11,582	4.1
Total Noncurrent Liabilities	**71,808**	**74,287**	**(3.3)**
Current Liabilities			
Trade and other payables	28,420	42,919	(33.8)
Customers' refund - current portion	2,702	3,547	(23.8)
Interest-bearing loans and other borrowings - current portion	9,426	4,981	89.2
Income tax payable	1,336	1,047	27.6
Other current liabilities	5,110	3,145	
Total Current Liabilities	**46,994**	**55,639**	**(15.5)**
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES	**169,582**	**177,320**	**(4.4)**

COMPARATIVE STATEMENTS OF RETAINED EARNINGS (DEFICIT)

For the six months ended June 30, 2008 and 2007

(Amounts in Million Pesos)

	2008	2007	% Change
BALANCE, Beginning	**14,497**	**11,484**	**26.2**
Add:			
Net Income (Loss)	2,477	2,341	5.8
Realized revaluation surplus	184	216	(14.8)
	17,158	14,041	22.2
Deduct:			
Appropriated retained earnings, beginning			-
Transfer from/(to)			
Unappropriated retained earnings	550	1,200	
BALANCE	16,608	12,841	29.3
Deduct:			
Cash dividends declared	(557)	-	(100.00)
Stock dividends declared	-	-	-
BALANCE, End	**16,051**	**12,841**	**25.0**

COMPARATIVE CASH FLOW STATEMENTS

For the quarters ended June 30, 2008 and 2007

(Amounts in Million Pesos)

	2008	2007	% change
CASH BALANCE, BEGINNING (Apr 1)	**3,525**	**3,793**	**(7.1)**
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating and other income	3,522	4,513	(22.0)
Depreciation and amortization	1,081	1,194	(9.5)
Increase (decrease) in other assets and liabilities	2,119	(3,588)	159.1
Net Cash from Operations	**6,722**	**2,120**	**217.1**
Add : Equity issues	-	-	0.0
Short-term borrowings	500	1,750	-
Long-term borrowings	-		-
TOTAL SOURCES OF FUNDS	**7,222**	**3,870**	**86.6**
Less : Short-term debt service	2,911	26	11,155.96
Long-term debt service	527	282	1937.7
Other interest expense	45	33	37.0
Total Debt Service	**3,483**	**340**	**923.4**
Unrecoverable purchased power	530	1,277	(58.5)
Capital expenditures	2,103	2,187	(3.8)
Preferred equity redemptions	30	20	53.2
Refund to customers	325	670	(51.4)
Dividends - Common	534	-	100.0
TOTAL USES OF FUNDS	**7,006**	**4,494**	**55.9**
NET DECREASE IN CASH	**216**	**(625)**	**134.5**
CASH BALANCE, END (June 30)	**3,741**	**3,169**	**18.1**

COMPARATIVE CASH FLOW STATEMENTS

For the six months ended June 30, 2008 and 2007

(Amounts in Million Pesos)

	2008	2007	% change
CASH BALANCE, BEGINNING (Jan 1)	**4,062**	**5,866**	**(30.8)**
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating and other income	5,645	6,664	(15.3)
Depreciation and amortization	2,149	2,232	(3.7)
Increase (decrease) in other assets and liabilities	1,401	(7,460)	118.8
Net Cash from Operations	**9,195**	**1,436**	**540.5**
Add : Equity issues	-	-	0.0
Short-term borrowings	4,500	4,000	-
Long-term borrowings	-		-
TOTAL SOURCES OF FUNDS	**13,695**	**5,436**	**152.0**
Less : Short-term debt service	7,313	283	2,486.47
Long-term debt service	998	535	252.9
Other interest expense	91	70	30.7
Total Debt Service	**8,402**	**887**	**846.9**
Unrecoverable purchased power	1,022	1,925	(46.9)
Capital expenditures	3,081	3,611	(14.7)
Preferred equity redemptions	56	33	69.8
Refund to customers	922	671	37.5
Dividends - Common	534	1,006	(46.9)
TOTAL USES OF FUNDS	**14,016**	**8,133**	**72.3**
NET DECREASE IN CASH	**(321)**	**(2,698)**	**(88.1)**
CASH BALANCE, END (June 30)	**3,741**	**3,169**	**18.1**

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