

**SECURITIES AND EXCHANGE COMMISSION****SEC FORM 17-C**
**CURRENT REPORT UNDER SECTION 17  
OF THE SECURITIES REGULATION CODE  
AND SRC RULE 17.2(c) THEREUNDER**

1. **Date of Report:** *June 28, 2005*
2. **SEC Identification Number:** *PW-102*
3. **BIR Tax Identification Code:** *350-000-101-528*
4. **Name of Issuer as specified in its Charter:** *Manila Electric Company*
5. **Country of Incorporation:** *Philippines*
6. **Industry Classification: (SEC use only)**
7. **Address of principal office:** *Lopez Building, Ortigas Avenue, Pasig City*
8. **Issuer's telephone numbers:** *16220 local 3186* **Area Code:** *0300*
9. **Former name or former address:** *Not Applicable*
10. **Securities registered pursuant to Sections 18 and 12 of the SRC or Sections 4 and 8 of the RSA:**

<u>Title of Each Class</u>	<u>Number of Shares of Common Stock Outstanding</u>
Class "A"	604,368,337
Class "B"	402,941,864
Total	<u>1,007,310,201</u>

**Amount of Debt Outstanding:** *P120.2 Billion (as of April 30, 2005)*

**11. Item Number reported: Item 9 (Other Events)**

*Please see attached copy of Press Release entitled MERALCO REPORTS ITS FINANCIAL PERFORMANCE.*

**SIGNATURE**

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**MANILA ELECTRIC COMPANY**

Issuer



**GIL S. SAN DIEGO**

**Vice President , Assistant  
Corporate Secretary and  
Information Disclosure Officer**

**Date: June 28, 2005**

*cc: Disclosure Department  
Listings and Disclosure Group  
Philippine Stock Exchange (PSE)*



REFER TO E.O. CUNA TEL. NO. 631-5557

Release

### **Meralco reports its financial performance**

The Manila Electric Company (Meralco) stated its 2004 yearend financial performance during the 2005 Annual Meeting of Stockholders saying that the Company posted a net loss of P2,610 million, compared to a P1,267 million net income in 2003.

The said net loss was attributed to the provision for probable losses in the event of a final and executory adverse decision on the unbundling rate case currently pending before the Supreme Court.

Meralco's sales grew by 3.5% to 24,660 gWh in 2004. Of the three customer classes, the commercial sector led the growth, rising by 4.8% to 8,777 gWh from 2003. Improving, too, was industrial sector sales, with an expansion of 3.1% to 7,003 gWh in 2004, in spite of the decrease in the number of customers. The residential sector, meanwhile posted the lowest growth, registering a 2.5% rise to 8,742 gWh, despite the addition of 140,000 new residential customers.

Despite this improved performance, an adverse court ruling on Meralco's unbundling will result in heavy financial losses for the Company.

The unbundling was required by the Electric Power Industry Reform Act (EPIRA) for more transparency in customer billings and as one of the pre-conditions for open access. Meralco implemented the unbundling of its charges starting with its June 2003 billing in compliance with the May 30, 2003 order of the ERC.

Despite a refinancing program entered into with 32 creditors in December 2004, the Company continues to be financially burdened because of its customer refund payments and the immediate suspension and subsequent annulment by the Supreme Court of the provisional rate increase allowed by the ERC in January 2004.

The Company likewise has to finance improvements in its system through a much needed capital expenditure program to ensure the level of service expected by its customers. The Company spent around P5.32 billion for its capital expenditures in 2004.

Meanwhile, the Company's bottom-line for the quarter ended March 31, 2005 deteriorated resulting in a net loss of P1.71 billion from a net income of P344.39 million in the same period last year. Similar to its 2004 net loss, the significant decrease in Meralco's financial performance for the first quarter of 2005 was due to the provision for probable losses for prudential reasons, should the Supreme Court rule unfavorably on the Company's unbundling rate case.

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Consequently, earnings per common share (excluding depreciation on appraisal increase) went down from P0.50 per share in 2004 to (P1.54) per share in 2005.

Capital expenditures decreased by 19.2% from P1.29 billion in the first quarter of 2004 to P1.05 billion in the same period this year. Of this P1.05 billion, 84.16% was spent on electric related capital projects to service new connections and to maintain the electric system. The balance was spent on other distribution-related projects.

Operating revenues for the first quarter of 2005, on the other hand, increased by 12.3% year-on-year from P32.47 billion in 2004 to P36.45 billion this year. The increase was due to the increase in purchased power costs.

Energy sales remained flat due to the early onset of Holy Week, the shorter billing days in February this year compared to the same month last year and the rise in NPC's rates in November 2004. The Company's total kilowatthour sales volume reached 5,588.1 million kWh or a 0.03% reduction against the same period last year.

Of the three customer classes, the commercial sector was still the fastest growing in terms of customer count at 4.1% quarter-on-quarter as it continued to lead the sales growth, rising by 2.82% to 2,039 gWh in the first quarter of 2005. Close behind was the industrial sector which registered an increase of 2.13% to 1,605 gWh compared to the first quarter of 2004 despite a decline in the number of customers in its class. The residential sector, meanwhile, declined by 4.55% to 1,910 gWh.

Operating expenses, on the other hand, increased by 19.4%. Recoverable purchased power costs for the first quarter increased by 23.5% from P26.61 billion in 2004 to P32.85 billion in 2005. This was brought about by increases in generation and transmission costs. The growth in recoverable purchased power costs outpaced the growth in revenues due to underrecoveries in transmission charges, system loss charges, interclass cross subsidies and lifeline subsidies amounting to P1.45 billion. Operations and maintenance and depreciation and amortization expenses were kept at lower levels this year, declining by 11.3% and 14.1% respectively.

While operating income before provision for probable losses related to the unbundling case amounted to P519.42 million, this quarter's provision of P1.41 billion resulted to an operating loss of P891.37 million for the first quarter of 2005.

Other charges decreased by 18.1% as a result of the following: Interest and other financial charges went down by about 9.2% due to a lower debt level. Unrecoverable purchased power declined by 32.9% due to a lower system loss level of 11.65% compared to last year's 13.38%. Provision for disallowed recoveries in 2005 of P60.69 million was 45.4% lower than last year's P111.07 million.

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