



CIRCULAR FOR BROKERS No. 2921-2002

Philippine Stock Exchange, Inc.

<input checked="" type="checkbox"/>	Disclosures	<input type="checkbox"/>	Stockholders' Meeting	Others: _____
<input type="checkbox"/>	Dividend Notice	<input type="checkbox"/>	SEC / Gov't. Issuance	_____
<input type="checkbox"/>	Stock Rights Notice	<input type="checkbox"/>	Transfer Agent's Notice	_____

Posted November 6, 2002

Date : **November 7, 2002**
 Subject : **MANILA ELECTRIC COMPANY**

This is in reference to the news article entitled "Meralco defaulting on debts" published in the November 6, 2002 issue of the Manila Standard. The article reported that: "Manila Electric Co. has admitted it will be in technical default of the interest payments on short-term loans that the company borrowed from various unsecured creditors amounting to about ₱4.9 billion. In a recent investors' briefing, Daniel Tagasa, Meralco executive vice president for finance, said the company will not be able to pay the interest on the loans which will be amortized until 2005 as a result of the company's inability to raise power rates. x x x Meralco president Jesus Francisco stressed that the technical default covers only the interest on the loans from unsecured creditors and not secured creditors. Tagasa added that the company will have to pay \$100 million (₱4.9 billion) to its creditors next year. He added the amount due will be sourced from internally generated funds and the company is not planning to tap any additional loans to pay off its outstanding debts. x x x Meralco is already technically in default on \$200 million worth of debts with the Asian Development Bank and World Bank. As a precondition for the waiver of payments, Meralco must have a return on rate base (level of profitability) of 8 percent. By the end of the year, the Company's RORB is seen falling below 3 percent. x x x"

Manila Electric Company ("MER"), in a letter dated November 6, 2002, issued the following clarifications:

"x x x

1. During Meralco's investor's briefing held last October 28, 2002 discussing the company's third quarter results, a question was raised on Meralco's ability to service debt **assuming there is no**

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Tel. No. 634-5112	Tel. No. 634-6903	Tel. No. 636-0122	Tel. No. 633-1311	Tel. No. 634-5089	Tel. No. 637-8805



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rate increase. Meralco's response was that **assuming there is no rate increase**, Meralco will indeed have difficulty in servicing its debt obligations in year 2003.

2. With respect to the company's being in technical default on its covenant with the Asian Development Bank and World Bank, the company is indeed in that status for the last three years as Meralco had failed to comply with the 8% RORB minimum. This matter has been disclosed regularly by Meralco during the past three years. x x x"

For your information.

(Original Signed)
TRISHA M. ZAMESA
Head, Disclosure Department

Noted by:

(Original Signed)
JOSE G. CERVANTES
Senior Vice President

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