

# aboitiz outlook

July 10, 2008



## SN Aboitiz Power-Benguet assumes operations of Ambuklao-Binga plants

**SN Aboitiz Power-Benguet, Inc. (SNAP-Benguet)** assumed today, July 10, the operations of the Ambuklao-Binga hydroelectric plants after these were officially turned over to the company by the Power Sector Assets and Liabilities Management Corporation (PSALM).



Aboitiz Power President Erramon Aboitiz turns over the ceremonial check representing payment of US\$227.5-million to Energy Secretary Angelo T. Reyes. With them, from left, are PSALM President Jose C. Ibazeta, Finance Undersecretary Jeremias N. Paul, Jr. representing Secretary Margarito Teves, and Napocor President Cyril C. del Callar.

In November 2007, SNAP-Benguet, a consortium between Aboitiz Power Corporation (AP) and SN Power AS of Norway, submitted the winning bid of US\$325 million for the two plants located in Benguet Province. SNAP-Benguet paid 70% of the purchase price on July 10, 2008. The balance of 30% will be paid to PSALM over a period of seven years.

The 75-megawatt (MW) Ambuklao and the 100-MW Binga plants are SN Aboitiz Power's second and third hydroelectric plant investments in the country. The company, which specializes in harnessing renewable energy resources from water, acquired the 360-MW Magat plant in Isabela in 2006. This acquisition will bring SN Aboitiz Power's total capacity to 535 MW making it the largest traditional hydro operator in the country.

SNAP-Benguet will immediately start the rehabilitation and equipment upgrades of the two plants. It will expedite the refurbishment and repairs of the non-operational Ambuklao plant, which was heavily damaged during the July 1990 earthquake. The company will employ a very specialized technique in the project's rehabilitation.

The Ambuklao facility is expected to be expanded to 105-MW of power output after the renovation and system upgrades. SNAP-Benguet will also maximize and expand the Binga power plant from 100 MW to 120 MW in the next few years. When the full rehabilitation and upgrade is completed the company expects the combined capacity to be 225 MW following the series of infrastructure upgrades on both the Binga and Ambuklao facilities. The rehabilitation and upgrade will have a significant positive impact on the region as a source of both increased electricity generated for the Luzon grid, and enhanced work opportunities for the local population.

Prior to winning the bid for the plants, SNAP-Benguet had included in its initial due diligence the plants' potential for generating carbon credits under the Clean Development Mechanism (CDM) scheme of the Kyoto Protocol. The CDM enables companies to develop CO<sub>2</sub> emission reduction projects in developing countries and to receive credits for doing so. Ambuklao and Binga's combined output will contribute to offsetting carbon emissions from fossil-based fuel power plants in the Luzon grid.

Proceeds from the sale of carbon credits from the two plants will be tapped to partly fund their rehabilitation and restoration. The operation of the two plants will be beneficial to the environment, the communities as well as the stakeholders of the corporation. This is in keeping with the company's commitment to sustainable development goals.

The Department of Environment and Natural Resources (DENR) recently awarded SNAP-Benguet with two Special Use Agreement in Protected Areas (SAPA) permits, which will allow the company to operate, develop and use the specified protected areas for the Ambuklao and Binga plant operations. The SAPA permits are for the Upper Agno River Basin Resource Reserve in Ambuklao, Bokod, Benguet, and Lower Agno Watershed Forest Reserve in Itogon, Benguet.

In line with SNAP-Benguet's sustainability efforts, the company will provide a full line-up of corporate sustainability programs for the communities around Ambuklao and Binga. Affected communities will be provided with vocational, educational, livelihood and healthcare assistance.

**Note:** This report is for information purposes only and should not be relied upon by its intended recipients for investment decisions. It is not an offer to sell or a solicitation of an offer to buy the security of the company covered by this report. AEV makes no warranties, implied or otherwise, as to the accuracy of the information contained herein. Any financial figures presented are unaudited unless stated otherwise. Under no circumstances should this information or any of it be copied, reproduced or redistributed without written permission.

**Head Office:** Aboitiz Corporate Center, Manuel A. Cuenco Ave., Cebu City, Philippines **Phone:** (63-32) 411-1800 **Fax:** (63-32) 231-4031  
**Manila Office:** 110 Legazpi Street, Legaspi Village, Makati City, Philippines **Phone:** (63-2) 793-2800 **Fax:** (63-2) 817-9508  
**Email:** [aev@aboitiz.com](mailto:aev@aboitiz.com) **Website:** [www.aboitiz.com](http://www.aboitiz.com)