

abotiz outlook



May 7, 2009

- **Aboitiz Power 1Q income hits P381 mn**

Aboitiz Power Corporation (AP) ended the first quarter of 2009 with a recurring net income of P490 million, recording a 54% year-on-year (YOY) decline. For the period in review, the company had a non-recurring net loss of P109 million (versus last year's non-recurring net loss of P44 million), which resulted from the revaluation of dollar-denominated loans and placements of the parent company and some of its subsidiaries. This brings AP's total net income to P381 million. This translates to an earnings per share of P0.05 for the first quarter of 2009.

Power Generation

Lower net generated power and softer prices, particularly for its merchant hydro power plants, resulted to a P110 million earnings contribution by the power generation business, which is 83% lower YOY. When adjusted for non-recurring items, the decline in the business' earnings is reduced to 64% YOY, from P674 million to P242 million.

As of end March 31, 2009, AP's power generation group had an attributable capacity of 578 megawatts (MW), up 18% over the same period last year. The increase was due to the turnover of the 175-MW Ambuklao-Binga hydro power plants in July 2008. Despite the said increase, total attributable power sold for the quarter in review was lower by 17% YOY, from 377 GWh to 312 GWh. The reduction was mainly due to the lower generated power of the company's hydro, coal and some of its thermal (oil) power plants.

During the quarter in review, the island of Luzon experienced lower rainfall as compared to the same period last year. This brought down the utilization of AP's Luzon-based hydro power plants. The company's coal and some of its thermal (oil) power plants were dispatched less by their respective offtakers, which resulted to lower capacity factors for the quarter.

The electricity spot market's load weighted average price for the period January to March 2009 recorded a 37% YOY decline. This can be attributed to several factors, which include (1) the significant reduction in fuel costs, particularly oil and coal, (2) the increase in average generated power offered in the spot market resulting from the improved operating efficiency of privatized power plants, and (3) the electricity spot market's System Operator's cancellation of offers made by the Limay oil-fired power plant to the electricity spot market.

The Limay oil-fired power plant has been designated as a Must Run Unit (MRU) to support the contingency imposed for the San Jose transformers. As a designated MRU, the Limay plant's cost is not incorporated in the spot market pricing equation, which effectively brings down prices given this plant's high operating cost.

Power Distribution

The group's electricity sales for the quarter grew by 4% YOY, from 744 GWh to 772 GWh. Power consumption of both residential and non-residential customers improved by 5% and 3%, respectively. This was on the back of an improved customer base with both residential and non-residential accounts growing by 3% YOY.

Despite the robust volume growth recorded, the distribution group's income contribution for the quarter in review recorded a 52% YOY decline to P252 million. The increase in the National Power Corporation's grid rates in March 2009 resulted to an under recovery of the cost of purchased power by AP's distribution utilities in the said month. This one-month lag adversely affected the business' operating margin for the quarter. The increased cost of purchased power will be reflected in the next billing period (April 2009).

Financial Condition

As of March 31, 2009, AP's total consolidated assets amounted to P46.6 billion, slightly lower than year-end 2008 level of P47.3 billion. The company's consolidated Cash and Cash Equivalents was at P11.5 billion, while total consolidated interest-bearing loans was at P11.1 billion. Equity Attributable to Equity Holders of the Parent marginally declined to P29.1 billion from year-end 2008. Current ratio as of quarter end was at 1.9x (versus year-end 2008's 2.2x), while net debt-to-equity ratio was at -0.06x (versus year-end 2008's -0.13x).

Other Developments

On April 30, 2009, AP issued a total of P3 billion worth of peso-denominated fixed retail bonds under the following terms:

MATURITY	INTEREST RATE	PRINCIPAL AMOUNT
5-year bonds to mature on May 1, 2014	8.7% p.a.	P2,294,420,000
3-year bonds to mature on April 30, 2012	8.0% p.a.	P705,580,000

The issue was 2.5x oversubscribed and had to be upsized from P1.5 billion to P3 billion. The Securities and Exchange Commission approved last April 14, 2009 AP's application for registration of P1.5 billion worth of Bonds, with an oversubscription option of up to P1.5 billion.

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 **Website:** www.aboitiz.com