

aboitiz outlook



November 5, 2008

Aboitiz Power's 9-months recurring income up 73% to P3.45B

Aboitiz Power Corporation (AP) ended the first nine months of 2008 with a recurring net income of P3.45 billion, a 73% year-on-year growth versus last year's P1.99 billion. For the period in review, the company had a non-recurring net loss of P281 million due to foreign exchange net losses of P535 million resulting from the revaluation of dollar-denominated loans and placements of some of its subsidiaries and the reversal of a P254 million provision made by an associate company due to an arbitration settlement. All these bring AP's total earnings to P3.17 billion, still recording a robust bottomline year-on-year growth of 35%. This translates to an earnings per share of P0.43 for the period ending September 2008.

Business Segments

Power Generation

The power generation business shored in a net income contribution of P1.99 billion, recording a 66% year-on-year growth from last year's P1.20 billion. The strong growth can be attributed to the incremental earnings contribution from 2007 acquisitions, with a major contribution coming from the 232MW STEAG coal power plant.

Total power sold for the period in review recorded a 130% year-on-year expansion, from 566 GwH to 1,300 GwH. This robust performance can be attributed to the 41% year-on-year increase in AP's attributable capacity, from 411MW to 578MW. Said increase was brought on by the acquisition of the 232MW STEAG coal power plant in November 2007 and the turnover of the 175MW Ambuklao-Binga hydro power plants in July 2008. Moreover, improved capacity factors for the hydro plants due to higher rainfall also led to the improvement in the power generation for the period.

During the months July to September, transmission line constraints brought on by the outage at the San Jose substation in Bulacan led to lower prices for North-based power plants, including AP's 360MW Magat and 100MW Binga hydro plants. However, the Energy Regulatory Commission issued a ruling on October 20, 2008 that allowed for price adjustments based on the NPC Time-of-Use rates, covering the period July 26 to October 25. This resulted to improved prices for Magat and Binga. Starting October 26, the electricity spot market has reverted to market-driven pricing.

Power Distribution

Higher electricity sales for the period resulted to an income contribution from the power distribution business of P1.12 billion, up by 6% year-on-year from last year's P1.06 billion.

The group's kilowatt-hour electricity sales for the period grew by 17% year-on-year, from 1,990 GwH to 2,329 GwH. Aside from the incremental volume sales from the 2007 acquisitions, expansion in Subic Enerzone's industrial segment accounted for the strong growth of the distribution group, with power demand increasing mainly due to the operation of the Hanjin shipyard. On an organic basis, the group recorded a growth of 5.5% year-on-year.

Financial Condition

As of September 30, 2008, the company's total assets amounted to P39.65 billion, up by 10% from year-end 2007 levels. The company remains in a net cash position with Cash and Cash Equivalents at P7.54 billion and total consolidated interest bearing loans at P5.75 billion. Equity Attributable to Equity Holders of the Parent increased by 6% to P28.69 billion. Current ratio as of period end was at 1.8x (versus year-end 2007's 2.5x), while net debt-to-equity ratio was at $-0.14x$ (versus year-end 2007's $-0.29x$).

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