



NEWS RELEASE

SIGNING OF THE CONCESSION AGREEMENT BETWEEN THE GOVERNMENT OF THE LAO PDR AND THE NAM THEUN 2 POWER COMPANY LIMITED

VIENTIANE, October 3, 2002 -- The Government of the Lao PDR and the Nam Theun 2 Power Company Limited (NTPC) signed a Concession Agreement for the construction and operation of the Nam Theun 2 hydroelectric Project on October 3, 2002 at Lane Xang Hotel in Vientiane, in the presence of H.E. Dr. Thongloun Sisoulith, Deputy Prime Minister of the Lao PDR, President of the Committee for Planning and Cooperation, and Chairman of the Lao National Committee for Energy. The ceremony was also attended by ambassadors of many countries, and by Khun Sittiporn Rattanopas, Governor of the Electricity Generating Authority of Thailand (EGAT) – the purchaser of the electricity to be produced by the Nam Theun 2 Project. Khun Sittiporn Rattanopas is also the Chairman of the Thai Committee for Energy Cooperation and Development with Laos.

NTPC was created on 28 August 2002 as a limited company incorporated under the law of the Lao PDR. Its shareholders are:

- 35% Electricite de France International (EDFI), a subsidiary of Electricite de France
- 25% Electricite du Laos (EDL), the electricity utility of the Lao PDR
- 25% Electricity Generating Public Company Limited (EGCO) of Thailand
- 15% Italian-Thai Development Public Company Limited (ITD) of Thailand

The Concession Agreement defines the rights and obligations of both the Government of the Lao PDR and NTPC, and defines the contractual background for NTPC to construct, own and operate the Project, and then transfer the facility to Government of the Lao PDR at the end of a 25-year operation period.

The signing of the Nam Theun 2 Concession Agreement followed the National Assembly approval of the Project in the first session of the Vth Legislature in April 2002. It also came as a logical follow up of the recent success of the Symposium “Nam Theun 2 – Window to the Future” organized by the Government of the Lao PDR on July 3rd, 2002 in Vientiane, during which the Government has received broad support from the international community for the Project, and during which the World Bank publicly disclosed its Decision Framework leading to the implementation of the Nam Theun 2 Project.

During the opening speech, Mme Khempheng Pholsena, Vice President of the Committee for Planning and Cooperation stressed the following: “the Concession Agreement enables [the Government and NTPC] to continue with confidence towards the implementation of this project as the protection of the Government’s interest is guaranteed, and as it balances the contractual requirements for a project to be financed by international commercial lenders against the legitimate sovereign requirements of the Government...There are also financing challenges, which are now covered by a sophisticated legal system that gives legal comfort and security to the developer and its financiers”.

The Nam Theun 2 Project will be the largest cross border project to be built in Laos for selling electricity to Thailand. It will deliver up to 995 MW of electrical energy to EGAT at the Thai Lao border, as well as 75 MW to EDL, the electricity utility of the Lao PDR. The signing of the



Concession Agreement paves the way for signing the next important contracts for the Project including the Power Purchase Agreement with EGAT.

Many observers consider Nam Theun 2 as a reference in the field of environmental and social management, having the potential to become a model of global significance for future infrastructure development in the Lao PDR and elsewhere.

The Nam Theun 2 Project will provide the following environmental and social benefits to the people of Laos:

- Improved living standards for the local population
- Development of roads, electricity and irrigation infrastructures at provincial level
- Job and training opportunities at local, provincial and national levels
- Establishment of a poverty reduction fund to be sourced from the Government of the Lao PDR's Project revenues, i.e: US\$ 2,000 million over the concession period and US\$ 240 million per annum thereafter
- Long term protection of 4,000 km² world class biodiversity and primary forest heritage

To the sponsors of the Nam Theun 2 Project - namely EDF, EGCO and ITD - as well as to the governments of the countries involved, the Government of the Lao PDR expressed its deep sense of gratitude for their unlimited and infallible commitment to the Project. "Thanks to the investors' perseverance and their faith in the unique virtues of this project, Mme Khempheng said, [The Lao PDR has] now an investment endeavour unique in its way, a model case with regard to the design and the implementation of safeguard policies and environmental conservation".

The Nam Theun 2 Project is strongly seen by the Government of the Lao PDR as a major endeavor to alleviate poverty in Laos and lessen the country's dependence on international aid. As such, Mme Khempheng reiterated the strongest commitment of the Government of the Lao PDR to the vital reform programmes that have been identified and agreed upon with its main partners in development, including the World Bank's Financial Management Adjustment Credit (FMAC) and associated Financial Management Capacity Building Credit, and the ADB's Financial Sector Programme Loan. The FMAC was signed in June 2002 between the World Bank and the Government of the Lao PDR. It clearly established the intention of the World Bank to support Lao PDR's development within the agreed upon decision framework leading to the implementation of the Nam Theun 2 Project as a major stepping-stone for the country's development.

NTPC will start the clearance of unexploded ordnances (UXO) in the areas of the future construction later this year. With main construction works expected to start in early 2004 and a construction period of four and a half year, full commercial operation of the Nam Theun 2 project is planned in the second half of 2008.

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For more information about the Nam Theun 2 Project, please visit our website
<http://www.namtheun2.com>