

August 20, 2008

ATTY. PETE MALABANAN

Head, Disclosure Department
PHILIPPINE STOCK EXCHANGE
4/F PSE Center, Exchange Road,
Ortigas Center, Pasig City

Re: Clarification to August 20, 2008 *The Philippine Star (Internet Edition)* article

Dear Atty. Malabanan,

This has reference to your letter asking us to confirm the veracity of the information contained in the August 20, 2008 *The Philippine Star (Internet Edition)* article entitled, "Aboitiz Power eyes \$450-M loan for Toledo expansion", a portion of which is quoted hereunder:

"Aboitiz Power Corporation (APC) expects to firm up a \$450-million loan for the proposed expansion of the Toledo coal-fired power plant in Cebu. Financing for the proposed 246-megawatt expansion of the Toledo power facility is due to be finalized with lenders within the month. APC president Erramon Aboitiz said the company is set to send to its lenders next week a project information memorandum (PIM) for the expansion of the Toledo power facility. "Normally, the banks would form a consortium to lend to the project. We hope to secure our financing after we send out the PIM," the APC executive said. Based on the proposed expansion plan, APC will increase by 82 MW each the three existing 100-MW units of the Toledo power plant..."

We wish to confirm that efforts to secure financing for the 246 (3x82) MW Toledo coal-fired power plant, which is expected to be commissioned in the first quarter of 2010, is currently ongoing. However, we would also like to clarify some items in the article:

1. The US\$450 million indicated in the article is actually the estimated total cost of the proposed power plant, and not the amount of the loan sought for the project. Assuming a debt-to-total capital ratio of 70:30, the estimated amount of financing required is US\$315 million.
2. The article implies that the 3x82.MW coal-fired plant will be part of the existing Toledo power station. Please be advised that as previously disclosed to the Exchange, the proposed power plant is a joint venture among Global Business Power Corporation (Global Power) of the Metrobank Group, Formosa Heavy Industries of Taiwan (FHI), Aboitiz Power Corporation (AP) and Vivant Energy Corporation (Vivant) of the Garcia Group of Cebu (collectively the "Consortium Members"). Global Power and FHI will jointly own 56% while AP and Vivant will jointly own 44% of the proposed power plant through Abovant Holdings Inc. (Abovant). On the other hand, the existing Toledo power plant is owned by Global Power. The proposed power plant will however be built within the site of the existing Toledo power station.
3. Abovant is not a consortium among AP, Vivant, FHI and Global Power. As mentioned in the foregoing paragraph, Abovant, which will own 44% of the proposed power plant, is a joint venture company between AP and Vivant. AP owns 60% of Abovant.

4. The Consortium Members are incorporating a project company which will undertake the proposed power plant. AP will have a 26.4% effective interest in the project company through its 60% ownership in Abovant.

We hope we have sufficiently clarified this matter.

Thank you.

Very truly yours,

ABOITIZ POWER CORPORATION

By



M. JASMINE S. OPORTO

Corporate Secretary