

February 18, 2009

**ATTY. PETE MALABANAN**

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

Re: Clarification to February 18, 2009 BusinessWorld Online article

Dear Atty. Malabanan,

This has reference to your letter asking us to confirm or deny the veracity of the information contained in the February 18, 2009 *BusinessWorld Online* article entitled, "Aboitiz Power to take over Tiwi-Makban units in May", a portion of which is quoted hereunder:

*"CEBU CITY- Aboitiz Power Corp., the country's largest private hydropower developer, will take over its first geothermal asset, the Tiwi-Makban complex, in May. Aboitiz Power subsidiary AP Renewables, Inc. will also shell out, upon turnover of the facilities on May 25, a downpayment of about \$178 million, representing 40% of the winning bid of \$447 million. The initial payment, as well as the working capital requirement of about \$80 million, will be financed by proceeds from the fixed-rate notes that Aboitiz Power had issued in December. The balance of 60% is covered by staple financing, but Aboitiz Power First Vice-President Iker M. Aboitiz said that they were talking with some lenders to refinance this. Mr. Aboitiz, who is also the chief finance and information officer of Aboitiz Power, said AP Renewables would spend an additional \$140 million to \$150 million to rehabilitate and improve facilities in the next four years... AP Renewables aims to increase production by at least 800 million kilowatt-hours this year..."*

In reply to your letter, we state the following:

1. Under the Asset Purchase Agreement (APA) with the Power Sector Assets and Liabilities Management Corporation (PSALM) for the Tiwi-Makban geothermal plants, AP Renewables, Inc. (APRI), Aboitiz Power Corporation's (AP) wholly owned subsidiary, is required to make an upfront payment of at least 40% of the US\$447 million purchase price upon closing date of the APA, which is expected to occur on May 25, 2009. The balance of the purchase price may be paid via deferred payments within a period of seven years from closing date of the APA.
2. AP expects to infuse additional capital of about US\$80 million into APRI to fund the working capital requirements of APRI.
3. APRI is currently in the process of developing a rehabilitation and refurbishment plan for the Tiwi-Makban facilities. Based on initial estimates, the rehabilitation and refurbishment costs could reach US\$140-150 million over a period of four years. This rehabilitation and refurbishment plan is expected to improve the geothermal plants' operating capacities.

4. Upon turnover of the Tiwi-Makban geothermal plants, it is estimated that AP will be the fourth, not the third, largest independent power producer in the Philippines with attributable capacity of 1,040 MW.
5. Moreover, upon turnover of the Tiwi-Makban geothermal plants, AP will have investments in Luzon-based generation assets with total capacity of 1,101MW. These generation assets will account for 11% of the Luzon grid's dependable capacity.

On a nationwide basis, AP will have investments in generation assets with total capacity of 1,672MW, which will account for more than 10% of the country's dependable capacity.

We hope we have sufficiently clarified this matter.

Thank you.

Very truly yours,

**ABOITIZ POWER CORPORATION**

By



**M. JASMINE S. OPORTO**

Corporate Secretary