

January 20, 2011



MS. JANET A. ENCARNACION
Head, Disclosure Department
Philippine Stock Exchange, Inc.
Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue,
Makati City

Re: Clarification to January 20, 2011 *BusinessWorld* article

Dear Ms. Encarnacion,

This refers to your letter requesting us to confirm the veracity of the information contained in the *BusinessWorld* article dated January 20, 2011 entitled, "Palace compromise averts auction of Pagbilao plant", a portion of which is quoted hereunder:

"THE TOWN of Pagbilao in Quezon will no longer auction the 750-megawatt (MW) Pagbilao coal-fired power plant to recover unpaid realty taxes after a compromise was reached in Malacañang yesterday. The Aquino administration agreed to release money for priority projects in Quezon in exchange for wiping out the P6-billion tax liability, a Palace official said. Ricky A. Carandang of the Presidential Communication Development and Strategic Planning Office said in an interview a meeting led by President Benigno S. C. Aquino III resulted in a compromise agreement which will be forwarded to the provincial government of Quezon..."

We would like to clarify that Therma Luzon, Inc. ("TLI"), a wholly-owned subsidiary of Aboitiz Power Corporation, is not the owner of the 700MW Pagbilao Coal-Fired Thermal Power Plant ("Pagbilao Plant"), only an administrator of the Energy Conversion Agreement between Team Energy and National Power Corporation/Power Sector Assets and Liabilities Management Corporation. Neither AP nor TLI are privy to the compromise agreement negotiated between the President of the Philippines and the Province of Quezon concerning the payment of the real property taxes on the Pagbilao Power Plant which were assessed by the Municipality of Pagbilao against Team. Aboitiz Power is not in a position to clarify the affairs of the Office of the President of the Philippines and the provincial government of Quezon regarding this matter to the public.

We hope for your kind consideration.

Thank you.

Very truly yours,

ABOITIZ POWER CORPORATION

By

A handwritten signature in black ink that reads 'M. Jasmine S. Oporto'.

M. JASMINE S. OPORTO
Corporate Secretary