

March 20, 2007

ATTY. PETE MALABANAN

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

Re: Clarification to March 20, 2007 BusinessMirror article

Dear Atty. Malabanan,

This has reference to your letter asking us to confirm the veracity of the information contained in the March 20, 2007 BusinessMirror article entitled, "Aboitiz Group unit gets tax break for power plant", a portion of which is quoted hereunder:

"HEDCOR Tamugan (sic) Inc., a unit of the Aboitiz Group, got incentives given by the Board of Investments for its pioneering hydro electric power venture in Davao del Sur. The Hedcor power plant, a project that is worth P2.86 billion, uses renewable sources of energy. x x x The plant will initially hire 24 laborers and be fully operational in March 2010. It has a boilerplate capacity of 19 megawatts, using the hydraulic potential of three rivers in the area. It will sell its electricity to Davao Light and Power Corp. – the third largest privately owned power utility in the country after the Manila Electric Co. and Visayan Electric Co.x x x"

This is to confirm that Hedcor Tamugan, Inc. (Hedcor Tamugan), a wholly owned subsidiary of Aboitiz Equity Ventures, Inc., was granted incentives under pioneer status by the Board of Investments for its 19 mW Hydro Electric Power Plant to be built in Davao City. The incentives include an income tax holiday for six years from March 2010 or actual start of commercial operations whichever comes earlier. The hydro power plant is estimated to cost P2.86 billion.

As previously disclosed, Hedcor Tamugan is part of the consortium which won the bidding for the supply of 400,000,000 kWh per year of new capacity starting August 2009 to Davao Light and Power Company Inc.

We hope that we have sufficiently clarified your query.

Thank you.

Very truly yours,

(Original signed)

LEAH I. GERALDEZ

Assistant Corporate Secretary