JAPAN POWER GENERATION LIMITED

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April 3, 2008

Muhammad Ghufran
Deputy Chief Manager
The Karachi Stock Exchange (Guarantee) Limited
Karachi Stock Exchange Road,
Karachi

Subject: **Removal of Company's name from defaulter's counter**

Dear Sir,

Reference to your notice No. KSE/N-83663 dated December 29, 2006 placing the Company on the defaulters counter and our letter dated December 29, 2006.

Following is the brief of the progress we have made so far, after taking over of the management control by the new sponsors group in February 2006, to turn around the Company into a profit making entity.

Short term steps

1. The Company achieved debt restructuring with the present lenders.
2. The Company has completed right sizing of head count.
3. The Company has implemented cost control measures in purchase of lube and spares.

Contractual realignments with WAPDA

1. The Company has signed 3rd Amendment to the PPA , whereby, the Company is selling 13.5MW additional capacity to WAPDA at reduced capacity tariff and in return has been allowed realignment of the energy price components.
2. The Company and WAPDA were in dispute over (a) indexation of capacity payments and (b) calculation of LD's. Both the Disputes were referred to a mutually agreed expert. The Expert has given his decision on the disputes, which supports company's point of view on the said disputes. As per terms of the PPA, either party can challenge the decision in International Arbitration. WAPDA has not done so, and the two parties are discussing a methodology to implement an agreed settlement.

As a result of implementation of short terms steps and signing of 3rd Amendment to the PPA, the Company, for the first time in its history, has recorded breakeven as is evident in financial statements for first half of financial year 2007-08. Implementation of decision of the Expert is also expected to further ease off cash flow as well as P&L statement of the Company.

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