

SPC Power Corporation

July 18, 2018

Philippine Stock Exchange, Inc.
Disclosure Department
Philippine Stock Exchange Tower
5th Avenue cor, 28th Street, Taguig City
Metro Manila

Gentlemen:

We refer to your letter dated 17 July 2018 directing us to provide the Exchange the effects on SPC's business, operations and financial condition regarding SPC's disclosure dated 16 July 2018 which stated that:

"Pursuant to the Decision of the Supreme Court in *Osmeña v. PSALM et al.*, declaring as null and void the Asset Purchase Agreement and Land Lease Agreement covering the Naga Power Plant Complex, entered into by PSALM and SPC, the parties on July 13, 2018 executed the Joint Turn-over Certificate. Thus, SPC turned-over the Naga Power Plant to PSALM while PSALM returned the bid of SPC."

In reply, we wish to advise as follows:

1. Before the turnover, only the Cebu Diesel Power Plant with total dependable capacity of 33 MW had been operating. The other plants (the Cebu Thermal Power Plants 1 & 2) had been scheduled for dismantling to pave the way for the planned construction of a new power plant.

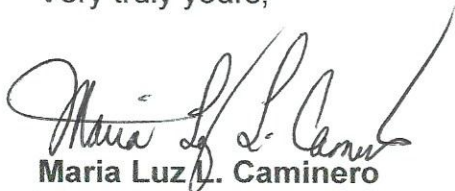
Therefore, the immediate effect of the turnover of the Naga Power Plant on SPC's business is the loss of revenue generated from the Cebu Diesel Power Plant. However, the said loss is expected to be substantially recovered with the completion of rehabilitation and full commercial operation of Power Barge 104 (PB 104) within the second half of the current year.

PB 104 was acquired from PSALM in 2016. It has a total dependable capacity of 26 MW and has completed total barge rehabilitation. With major overhauling already completed on three engines (one engine still ongoing), PB 104 has been declared for commercial operation effective July 18, 2018.

2. With the development of a new power plant at the Naga Power Plant Complex already halted due to the adverse Supreme Court Decision, the Board of Directors of SPC has set its sights on other power project opportunities. New hydro power plant projects are being considered in other parts of Visayas and Luzon.

Thank you.

Very truly yours,



Maria Luz L. Caminero

Senior Vice President , Legal and Regulatory Affairs
and Compliance Officer