

Mr. Victor A. Consunji
(President and COO)
2016 Annual Stockholders' Meeting Speech

Our Company managed to surpass a number of challenges in 2015. We closed the year with a historical high consolidated net income - a clear manifestation of our Company's unwavering strength.

We have a good reason to revel in the remarkable performance of our Company, but we also grieve deeply for the nine lives lost in the land slip in the northern edge of Panian mine on 17 July. This incident fueled us to further intensify mine safety. The incident was totally unacceptable to the management team such that we commit to take all the necessary safety precautions over and above acceptable standards of safety for both coal and power plant operations to protect the lives of our workers and make "Safety" our number one priority.

Safety Efforts

We intensified our Safety efforts with the following activities during the year:

1. Revision of mining and operating protocols on in-situ materials and overburden materials.
2. Strengthen our organizational structure by expanding the scope of our concurrent full time geotechnical consultant to include examination of monthly mining plans for stability analysis of benches and over-all slope. We also hired additional safety personnel for safety monitoring and manning of safety equipment.

3. Augmenting our safety equipment with the acquisition of two units of Slope Stability Radar (SSR) systems to complement our existing Total Robotic Station for real time, 24-hour slope movement monitoring. The SSR is a state-of-the-art technology for monitoring mine walls and general slopes and is now a generally-accepted tool for high-risk slope management.

4. Enhancing our safety culture with more safety trainings. Safety trainings during the year reached 26,898 hours, constituting 70% of the total training hours of 38,576.

All these manifest our Company's resolute attention to Safety.

Operational challenges

Mining operations were suspended for two months following the slide in Panian mine in July. However, the dry El Nino weather as well as previous years' pre-stripping activities allowed mining operation to catch up on its production target despite the temporary halt in operations. Coal production only showed a slight 1% drop at 7.98 million tons from a historical high of 8.1 million tons in 2014.

Global coal prices continued to fall, directly impacting on our average selling price or ASP. However, we were able to correspondingly bring down our production cost due to the following:

1. Decrease of oil price, which is the single biggest cost component of our mining operations.
2. In-pit dumping of overburden materials resulting to shorter hauling distance also contributed to lesser fuel consumption per bank cubic meter (bcm).

3. We expanded conveying capacity to reduce cost of transporting coal by augmenting the conveyor belt size.

At the start of the year. Our Company's objective is to continue to deploy resources and tap mining technologies to make our coal extraction and support activities more productive and cost efficient. The impact of the low coal prices was effectively cushioned by the lower production cost. Coal segment gross profit ratio improved to 47% compared to 35% in 2014.

In 2015 coal sales volume dropped 9% to 8.4 million tons from 8.9 million tons in 2014. Coal Revenues dropped 13% due to lower volume and continuous softening of global coal prices.

Meanwhile, in the power segment, our wholly-owned Sem-Calaca Power Generation Corporation (SCPC) registered a stellar performance with its two plants operating steadily after a series of rehabilitation works in the previous years. Both plants recorded a historical high combined generation of almost 4,000 GWh, increasing by 39% from last year's 2,840 GWh.

Power ASP also decreased due to the drop in fuel prices, which is benchmarked to international indices. However, with plants running more efficiently, our profitability improved despite being on tax position already after our registration with the Board of Investment expired in 2014.

On the other hand, Southwest Luzon Power Generation (SLPGC) incurred delays in declaring commercial operations of the 2 x 150 CFB power plants in 2015 due to the following:

1. There was around two months delay in connecting to the grid for backfeed power pending the transfer of ownership of the transmission assets to NGCP;
2. When transfer of the substation to NGCP was still not effected, we were delayed in connecting to the grid to synchronize; and
3. We encountered several equipment quality issues while on commissioning.

The good news however, is that during the year, we were able to secure 222 MW of power supply contracts, representing 84% of the net rated capacity - after station service - of the upcoming additional capacity. We also generated 211 GWh while on testing and commissioning.

To give you the latest update, we already secured NGCP certification, which is a pre-requisite of ERC's issuance of a Provisional Authority to Operate or PAO. ERC already inspected the plants last April 26 and 27, after which, it will issue the PAO. Once we get the PAO, we will already declare commercial operations. We expect to get the PAO and declare commercial operations within this month.

Target turn-over and acceptance of the plants is around late 3Q or early 4Q.

Record high profitability, stable dividends

Notwithstanding the difficulties in 2015 and failure of the 2x150 MW plants to contribute to the net earnings of our Company, we achieved 24% growth in profitability, posting a NIAT of Php8.5 billion from Php6.9 billion the previous year.

Our healthy cash generation of Php10.7 billion enabled us to finance our growth activities as well as maintain our dividend payout of Php4.3 billion. Dividend payout ratio in 2015 is 55%, almost thrice the 20% minimum set in the policy. Last April 29, the board declared Php4 dividend per share for this year, with payment date on May 27.

Our robust ending cash balance of Php4.75 billion presents us the ability to continue financing our growth prospects in the following year.

Corporate Sustainability

We continue to strive to enhance our CSR efforts by expanding our scope to formally include Emergency Preparedness in our 5Es CSR program to equip the community with proper training to prepare for and survive calamities. We have redefined our 5Es to cover Electrification, Economic Empowerment, Education and Skills Training, Environmental Protection, and Emergency Preparedness. We envision to continue providing holistic support and development of our host communities through our CSR initiatives for sustainability.

After surviving - with no casualty - the strongest typhoon that hit the country, typhoon Yolanda, we undertook to further strengthen emergency preparedness of the whole municipality of Caluya. We have committed to build a 720 - square meter evacuation center for 17 barangays in the islands as part of our Emergency Preparedness efforts. To date, we are finishing one in barangay Tinogboc. These centers will accommodate the residents in time of calamities to ensure zero casualty in the islands.

I would also like to mention that as of 2015, we have planted trees and mangroves in almost 625 hectares, more than tenth of the total size of the 5,500 hectare island. Of this area, around 200 hectares are mangrove plantations. -

We continue to support education in the island. When classes start in June, Semirara will be K to 12 ready with the additional 12 classrooms we are building in Divine Word School of Semirara.

Our Company was named first runner-up in the Corporate Social Responsibility (CSR) category of the 2015 ASEAN Energy Awards in Kuala Lumpur, Malaysia for our reef rehabilitation efforts in Semirara Island. The rehabilitation project involves spawning and reseeded endangered giant clams through its Marine Hatchery Laboratory.

We also continue our campaign to improve our corporate culture by improving our good governance practices. In 2015, our Company ranked among the top 50 publicly listed companies in the Philippines in the Asean Corporate Governance Scorecard.

Resilience

The obstacles in 2015 provided us valuable lessons that we will carry with us as we continue to improve and grow our Company. Amidst disappointments, we were able to strengthen our Company's fundamentals; overcoming the challenges made us more resilient.

Against a backdrop of a bear market and a number of operational challenges during the year, our stock price rebounded towards the end of 2015, showing the

market's confidence in our Company. We undertake to prudently plan the expansion of our business to achieve sustainable growth and value creation for our stakeholders.

We start this year more optimistic of the future.

Before 2015 ended, DENR approved our ECC application for expansion of our power business with a 3 x 350 MW coal-fired plants additional capacity in the Calaca complex.

Last Wednesday, April 27, we signed a Joint Venture Agreement with Meralco Power Generation, a subsidiary of MERALCO to construct and operate 2 out of the 3 x 350 MW. The project company will be St. Raphael Power Generation Corporation.

On 12 February, DENR approved our application to amend our ECC allowing us to increase our mining capacity from 8 million tons to 12 million tons.

Moreover, we were able to register with the Board of Investments a new mine, Molave mine. Molave contains higher quality coal which can be sold to local plants that are designed to use coal fuel higher than our average 5,300 kcal coal. Initial drilling results showed that heating value of the new mine's coal reserves is around 6,000 kcal.

Closing

In closing, I would like to convey my sincerest gratitude to all our partners and different stakeholders who continue to support our businesses, in good and bad

times, especially to the families of the workers affected in the mine incident, who continued to trust and remain faithful to our Company.

Together, we will continue to grow with unwavering strength.

Thank you.