Message from the Chairman and President

Good morning, everyone.

On behalf of our Board of Directors, let me welcome you to the first virtual Annual Stockholders' Meeting of DMCI Holdings.

We are adopting this format as a precautionary measure against the spread of COVID-19. These are exceptionally difficult times, and we should do what we can to keep each other safe.

Twenty-five years ago, we founded DMCI Holdings as a defensive move against the cyclical nature of construction.

We also wanted to pursue opportunities where our engineering expertise and construction experience would result to a strategic advantage.

Our strategy served us well. We were able to enter the real estate, mining and utilities sectors.

We also achieved growth and stability even with the challenges posed by the 1997 Asian Financial Crisis and 2008 Global Financial Crisis. Had we remained a purely construction business, these things would not have been possible.

Ironically, a few days after marking our silver anniversary, the island of Luzon was placed on enhanced community quarantine or ECQ because of COVID-19. All non-essential activities were suspended.

Across the world, other countries imposed their own containment measures. Borders were closed and most businesses were ordered to shut down.

Amid these unprecedented disruptions— and for the third time in our Company's history— we find ourselves in the middle of a historic crisis.

I think it's important that you understand where our Company stands and what we should expect in the near-term.

To this end, my report will focus on our group-wide response to the effects and risks of the COVID-19 pandemic.

But before I do, let me first provide a quick summary of our consolidated financial results in 2019.

Our net income dropped by 27 percent to 10.5 billion pesos because of weak coal prices, lower construction accomplishments and an impairment loss for our mining assets in Zambales.

Excluding non-recurring losses, our core net income fell 14 percent to 12.4 billion pesos. These non-recurring losses mostly pertain to the non-cash goodwill impairment charge of 1.6 billion pesos for our 2014 acquisition of Zambales Diversified Metals Corporation and Zambales Chromite Mining Company.

Market conditions and regulatory restrictions no longer support our original valuation of these companies so the Board decided to write-off the goodwill associated with these investments.

Moving on to the financial contributions of our businesses.

D.M. Consunji, Inc. contributed 906 million pesos, a 25-percent reduction from 2018. Although construction revenues increased during the reporting year, gross profit margin suffered due to lower variation orders and claims for projects nearing completion.

Contributions from DMCI Homes dropped 4 percent to 3 billion pesos because of lower construction accomplishments and the industry-wide labor shortage issue.

Semirara Mining and Power Corporation saw its net income contributions decline 20 percent to 5.5 billion pesos owing to a 22-percent drop in both average coal prices and power generation.

The drop in power generation was due to the programmed shutdown and rehabilitation of its 600-megawatt power plants.

DMCI Power contributed 611 million pesos, 31 percent higher than the prior year. This was primarily due to the retroactive adjustment on its non-fuel tariff for its Aborlan power plant for years 2017 and 2018. Higher electricity sales in Masbate and Palawan also accounted for the growth.

Contributions from DMCI Mining jumped 56 percent to 182 million pesos, following an 82-percent increase in nickel shipment.

However, including the non-cash goodwill impairment charge of 1.6 billion pesos for ZDMC and ZCMC, DMCI Mining sustained a net loss of 1.5 billion pesos in 2019.

The impairment charge was determined based on the sharp decline in average selling price and estimated reserves of our nickel assets in Zambales.

Earnings from Maynilad contracted by 4 percent to over 1.7 billion pesos due to higher amortization and depreciation expenses for its capital expenditure program and the deferment of its approved tariff increase.

When the ECQ was imposed in mid-March, we did what we could to help the government contain the viral outbreak.

All our non-essential employees worked from home while we kept our key facilities running on skeletal workforce.

Essential employees were provided free shuttle service or board and lodging to limit their exposure. We also took care of the workers stranded in our job sites.

In response to the government's directive, we suspended construction work, marketing activities and payment collections.

We also spent over 1.3 billion pesos to support our employees and other stakeholders during the ECQ.

Half of this amount went to the salaries and pro-rated 13^{th} month pay of our employees.

Nearly one-third was distributed to our laborers, utility workers, service providers and consultants in the form of salaries, pro-rated 13^{th} month pay and other assistance.

The rest of the amount was spent on donations and COVID-19 prevention measures in the workplace.

Since May, we have been gradually returning to work while adopting a combination of precautionary measures. Some of these measures are now flashed on your screen.

At the start of my report, I referred to this pandemic as the third historic crisis in our corporate history—and it may very well be our worst.

We expect weak demand and low selling prices to affect most of our businesses because of reduced economic activities, supply chain disruptions, job insecurity, lower overseas remittances and marked slowdown in private sector-led investments.

DMCI could show more resilience, if supported by massive public spending and timely issuance of permits and rights-of-way.

Fortunately, we can count on our healthy balance sheet and low debt exposure to sustain us during this difficult time.

We are debt-free at the parent level, which gives us the flexibility and financial standing to tap credit facilities and funding, if needed.

Our operating companies have cash reserves and manageable debt levels. DMCI Homes and Semirara, which account for the bulk of our consolidated debt, also have unused credit lines to tide them over.

To preserve our cash resources, most of our companies are deferring part of their capital expenditures.

Consolidated capex will be streamlined by more than half to 19.4 billion pesos. Most of the reduction will come from DMCI Homes, which plans to slow down its land acquisitions this year. From 19 billion pesos, their land banking expenses will be limited to 4 billion pesos.

We are also taking a number of steps to manage our operating expenses, as you now see on your screen.

These measures are subject to periodic review, and may be revised to best respond to prevailing business conditions.

Before I end my presentation, I would like to honor our COVID-19 frontliners whose heroic service give us reason to hope and stay positive.

I would also like to thank our Board, shareholders, employees, customers, business partners and host communities for everything they have done to support our Company.

At this stage of the pandemic, we cannot predict how the business environment will evolve but it will definitely take some time before our Company can rebound to its pre-pandemic income and dividend payout levels.

However, I would like to assure you that our Board and Management are fully committed to safeguarding the long-term value of our Company.

With your continued trust and confidence, I believe we can bravely face the future and weather this crisis.

Thank you and please keep safe. I hope to see all of you in-person next year.

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