



December 4, 2020

Dear Fellow Shareholders of First Philippine Holdings:

I am pleased to announce that on December 1, 2020, your company's board of directors passed a resolution authorizing FPH to make a tender offer for a minimum of 20% to a maximum of 45.6% of all the outstanding Lopez Holdings common shares at a price of P3.85 per share. In a letter addressed to FPH dated November 28, 2020, I was informed that Lopez Inc., the majority owner of Lopez Holdings, will not be participating in the tender offer and acknowledges that the tender offer will form part of an internal restructuring.

If successful, the tender offer will result in taking Lopez Holdings private, as part of the Lopez Group's effort to consolidate the ownership of Lopez Holdings and to streamline the Lopez Group's corporate structure by reducing the number of Group holding companies currently listed on the Philippine Stock Exchange from two to just one.

The board of directors of Lopez Holdings, in a meeting held on December 1, 2020 has adopted a resolution to apply for a voluntary delisting of the company with the Philippine Stock Exchange should FPH successfully purchase a sufficient number of shares in order to qualify.

The decision to undertake this Tender Offer was an easy one to make as it will clearly benefit our shareholders for the following reasons:

The acquisition of Lopez Holdings shares is actually *akin* to buying back FPH shares at its current market price.

Over the past 10 years, your company's recurring net income has increased by a compound annual growth rate of 29%, yet its market capitalization has not kept up and has in fact declined over the same period, from P37 billion in 2010 to P33 billion as of November 27, 2020. Given how FPH shares have been undervalued, your company's board of directors established an FPH share buyback program, that will be triggered if your company's stock is substantially undervalued, when there is high share price volatility or in any instance where a buyback should serve to improve shareholder value. Since its inception in 2010 to date, your company's board of directors has approved a total of P11.75 billion for the buyback of FPH shares, of which P7 billion has been spent to date on 17% of FPH's outstanding common shares or 105 million FPH shares, leaving a balance of P4.7 billion for further share buy backs.

Unfortunately, despite our efforts to purchase more FPH shares, we are unable to do so due to lack of market liquidity for FPH shares.

However, market circumstances have aligned to make this Tender Offer by FPH for Lopez

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Holdings shares opportune and favourable at this time.

In close to two years, Lopez Holdings' share price dropped by 46% from a high of P5.74 in Jan 2019 to P3.08 as of November 27, 2020. While the decline can partially be explained by the pandemic, the bigger reason is the denial of the franchise application of ABS-CBN and the uncertainty of its business moving forward. While historically, Lopez Holdings shares would trade at a premium to FPH's contribution to its Net Asset Value or NAV, indicating that the market would give some value to ABS-CBN, Lopez Holdings today is trading at a discount to FPH's contribution to its NAV, with the market assigning, at least currently, a negligible value to ABS-CBN without regard to its current and future prospects.

The discount on the LPZ share price has provided a unique opportunity for FPH's wherewithal to match the funds needed for the tender offer, to generate further value for its shareholders while providing a fair exit to Lopez Holdings' shareholders as well. There may not be a similar chance to do this in the future for a price we can still afford.

Because Lopez Holdings' current share price of 3.08 is at an 18% discount to FPH's contribution to its NAV, we believe that the Tender Offer will be extremely value creative for FPH. Buying Lopez Holdings today at our Tender Offer Price of P3.85 per share is akin to purchasing FPH at a price of P67.91 per share, less than 3% higher than FPH's closing price of P66.20 per share on Nov 27, 2020.

Our second reason for making this tender offer is to streamline the Lopez Group's internal corporate structure by reducing the number of Group holding companies listed on the Philippine Stock Exchange.

The Lopez Group is unique in comparison to other conglomerates, as we have 2 holdings companies listed on the Philippine Stock Exchange instead of one. Other Philippine conglomerates have only one listed holding company while the rest of its listed entities are operating companies.

We have actually been punished for this corporate set-up, as the market has associated this structure with larger risk premiums, particularly for FPH, which has long traded at a significant discount to its book value.

If the Tender Offer results in the delisting of Lopez Holdings, the group's internal structure can be streamlined with only one listed holding company left for the group, redirecting investor attention in FPH.

Just as the de-listing of EDC left FGen as the only Lopez-owned power company listed on the PSE, this Tender Offer, if successful, will result in the delisting of Lopez Holdings, leaving only one Lopez-owned holding company, FPH, listed on the PSE. Just as investors have transferred from EDC to FGen, causing a re-rating of FGen, this Tender Offer will potentially cause a re-rating of FPH, which could result in an increase of shareholder wealth.

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FPH

A Lopez Group Company
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For these two reasons alone, I believe that this tender offer is an immensely value-creative, synergy-producing and potential-generating transaction that will serve to benefit our loyal shareholders in the long run.

To the loyal shareholders of FPH: I hope that you are all one with us in making this tender offer a success as this is being undertaken primarily to create and crystallize value for the company and its shareholders. Should you require more information on this transaction, you may refer to the Investor Relations section of the FPH website. You may also email your queries on the transaction to FPH through TenderOfferQueries@FPHC.com. We will be more than glad to assist you.

This year has been a challenging one for the country, the company and the Group. We are confident that with this new structure a renewed investor focus on FPH will serve as a stronger springboard to brighter and more prosperous times ahead. Rest assured that this tender offer should be a step in this direction.

Thank you.

Very truly yours,

Francis Giles B. Puno
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