

“REVIVING GROWTH, EMBRACING CHANGE”

REMARKS AT THE 2017 PLDT ANNUAL STOCKHOLDERS MEETING

BALLROOM, MAKATI SHANGRI-LA HOTEL

3:00 PM, TUESDAY, 13TH JUNE 2017

INTRODUCTION

GOOD AFTERNOON, AND A WARM WELCOME TO OUR SHAREHOLDERS AND GUESTS. ON BEHALF OF YOUR BOARD OF DIRECTORS, YOUR BOARD OF ADVISERS AND YOUR SENIOR MANAGEMENT, THANK YOU FOR JOINING US TODAY.

THIS AFTERNOON, WE WILL FIRST REVIEW HIGHLIGHTS OF OUR FINANCIAL AND OPERATING RESULTS FOR 2016, AND THOSE OF THE FIRST QUARTER 2017. THEREAFTER, WE WILL TAKE A LOOK AT WHAT YOUR COMPANY IS DOING TO MOVE FORWARD – COVERING KEY BUSINESS AND ORGANIZATIONAL INITIATIVES, AND THE BUILDOUT OF OUR DATA NETWORK.

FY 2016 AND 1Q 2017 RESULTS

2016 WAS NOT, TO USE THE WORDS OF THE BRITISH MONARCH, “A YEAR IN WHICH WE SHOULD LOOK BACK WITH UNDILUTED PLEASURE.”

HARD DECISIONS AND UNPLEASANT DECISIONS HAD TO BE MADE IN THE COURSE OF 2016. DIGITAL TRANSFORMATION IS NOT FOR THE FAINT-HEARTED,

THE IMPATIENT, OR THOSE WITH LOW TOLERANCE TO PAIN. THANKFULLY, THE ORGANIZATION RESPONDED WELL TO THE DISTRESSING TRUTHS, AND TO WHAT'S NEEDED TO EXECUTE OUR DIGITAL TRANSFORMATION, AND BRING YOUR COMPANY TO THE DIGITAL AGE.

CONSOLIDATED SERVICE REVENUES, EBITDA, EBITDA MARGIN AND RECURRING CORE INCOME FOR 2016 DECLINED.

OUR MOST CHALLENGED BUSINESS UNIT WAS WIRELESS, WHICH SAW REVENUES FALL 9%, DUE MAINLY TO A DECREASE IN SUBSCRIBER NUMBERS, COMBINED WITH A MODEST DECLINE IN OUR AVERAGE REVENUE PER USER. WIRELESS ALSO SAW A SIGNIFICANT COST INCREASES IN SUBSIDIES AND PROVISIONS, IN RESPONSE TO INTENSIFYING COMPETITION.

ON THE BRIGHT SIDE, REVENUES OF OUR HOME AND ENTERPRISE BUSINESSES ROSE BY 10% AND 9%, RESPECTIVELY. OUR FIXED LINE BUSINESSES HAVE ACTUALLY SEEN A SPLENDID RENAISSANCE. OUR FIXED LINE BUSINESSES WERE DISTRESSED 18 YEARS AGO, AS WITH MOST OTHER TELCOS. BUT IN THE PAST FIVE YEARS, FIXED LINE HAS SUPPLIED CONSISTENT, SOLID SOURCES OF GROWTH. THE REASON IS QUITE SIMPLE – BOTH HAVE TRANSITIONED EARLY ENOUGH TO DATA AND DIGITAL. IN 2016, BROADBAND AND DIGITAL ACCOUNTED FOR OVER 60% OF BOTH HOME AND ENTERPRISE REVENUES.

HEAVY CAPEX FOR OUR FIXED AND MOBILE NETWORKS HAS PUT PRESSURE ON OUR BOTTOM LINE AS WELL. TAKING ALL THIS IN THE ROUND, WE'VE HAD TO

RE-SET OUR TARGET IN RECURRING CORE INCOME FOR 2017 AT 21.5 BILLION PESOS, COMPARED WITH THE EQUIVALENT 2016 NUMBER OF 20.2 BILLION PESOS. IT IS FROM THIS NEW BASE OF 21.5 BILLION PESOS THAT WE AIM TO RAISE PROFITABILITY IN THE COMING YEARS.

PROSPECTS FOR 2017

WE SHOULD ALL BE GLAD 2016 IS PAST.

MOVING FORWARD, IT IS CLEAR THAT OUR FIXED LINE BUSINESSES WILL PROVIDE THE MAIN RUNWAY, ON WHICH YOUR COMPANY CAN TAKE OFF FOR GROWTH:

FIRST, THE FIXED LINE PART OF THE TELCO INDUSTRY WILL GROW BY AROUND 8% PER ANNUM IN THE NEXT 3 YEARS, WHILST WIRELESS WILL BE LIMITED TO ONLY ABOUT 2%. AT PLDT HOME, ONLY 4 MILLION OUT OF THE ADDRESSEABLE MARKET OF 10 MILLION FILIPINO HOUSEHOLDS' DEMAND FOR BROADBAND ARE CURRENTLY SERVED. FOR PLDT ENTERPRISE, THE GROWING APPETITE OF COMPANIES, INSTITUTIONS AND GOVERNMENT FOR CONNECTIVITY AND DIGITAL PRODUCTS – ESPECIALLY DATA CENTER AND CLOUD SERVICES – OFFERS SIGNIFICANT AREAS FOR GROWTH.

SECOND, WE'RE BEST POSITIONED TO BENEFIT FROM THESE OPPORTUNITIES BECAUSE PLDT HAS THE MOST EXTENSIVE FIXED NETWORK, THE BEST PRODUCT

OFFERING, THE LARGEST SUBSCRIBER BASE AND THE STRONGEST BRAND EQUITY IN FIXED LINE.

THIRD, ON WIRELESS, WE MUST PUT A BRAKE ON THE LOSS OF SUBSCRIBERS AND REVENUES, AND CUT CASH OPEX DRASTICALLY TO IMPROVE WIRELESS EBITDA.

Q1 2017 RESULTS: SOME 'GREEN SHOOTS'

[SLIDE SHOWS FY2016 NUMBERS VS. FY2015]

LOOKING NOW AT THE 1ST QUARTER NUMBERS, THE RESULTS ARE STILL MIXED, BUT ENCOURAGING. ON THE ONE HAND, OUR WIRELESS REVENUES WERE 18% LESS, LEADING TO A DECLINE IN SERVICE REVENUES BY 7% AND RECURRING CORE INCOME BY 26%. ON THE BRIGHT SIDE ARE HOME AND ENTERPRISE REVENUES POSTING ROBUST GROWTH – UP 12% AND 13%, RESPECTIVELY IN Q1 2017. EXCLUDING INTERNATIONAL REVENUES, FIXED LINE REVENUES ALREADY COMPRISE MAJORITY OF OUR SERVICES REVENUES AT 52%, SURPASSING WIRELESS AT 48%.

TO BE FAIR TO WIRELESS, IF WE LOOK AT THE Q1 2017 VERSUS THE 4Q2016 NUMBERS, *[SLIDE SHOWS Q1 2017 VERSUS Q4 2016]* SERVICE REVENUES WERE JUST 1% LOWER IN THE 1ST QUARTER VERSUS THE 4TH QUARTER. ALSO, FOR THE FIRST TIME IN QUARTERS, WE ADDED ABOUT 370,000 SUBSCRIBERS, NET.

FIRST QUARTER EBITDA GREW BY 7% YEAR-ON-YEAR, _____ THE THIRD CONSECUTIVE QUARTER THAT OUR EBITDA HAS INCREASED. THIS PUTS US ON TRACK TO MEET OUR FULL YEAR CORE INCOME GUIDANCE OF **21.5 BILLION** PESOS.

WHILE WE CAN PROBABLY TAKE HEART FROM THESE RESULTS, NO ONE IS POPPING OPEN CHAMPAGNE BOTTLES. ONE QUARTER DOES NOT A YEAR MAKE. YOUR MANAGEMENT KNOW VERY WELL THAT THE ROAD TO RECOVERY IS LONG, AND THE CLIMB WILL BE STEEP.

2017 AND ONWARD

SO MUCH FOR NUMBERS.

YOU MAY NOW ASK – WHAT IS THIS DIGITAL JOURNEY ALL ABOUT, AND HOW DO WE GET TO OUR DESTINATION?

THIS JOURNEY REQUIRES TWO INTERRELATED PARTS – CONNECTIVITY AND PRODUCTS, BOTH OF THEM DIGITAL.

CONNECTIVITY MEANS BUILDOUT OF DATA NETWORKS WITH THE QUALITY AND COVERAGE TO DELIVER THE BEST DIGITAL EXPERIENCE TO OUR CUSTOMERS.

PRODUCTS MEAN COMPELLING CONTENT – ENTERTAINMENT, SPORTS, E-SPORTS, LIFESTYLE, NEWS, DOCUMENTARIES, AND SO FORTH – IN BOTH VIDEO AND AUDIO FORMATS THAT ENHANCE CUSTOMER EXPERIENCE.

TRIPLE NETWORK POLL-OUTS

AS TO CONNECTIVITY, OUR NETWORKS BUILDOUT COMPRISE:

FIRST, ROLL OUT OF FIBER TO THE HOME TO SERVICE THE HOME MARKET. WE'VE EXPANDED THE FOOTPRINT OF OUR FIBER SERVICE TO 3.3 MILLION HOMES PASSED AS OF END APRIL, AND BY END 2017, 4.4 MILLION HOMES WILL BE PASSED BY FTTH – SIGNIFICANTLY AHEAD OF COMPETITION. WE'RE ALSO SETTING UP FIBER-POWERED PLDT SMARTCITIES IN URBAN CENTERS, WITH THE HELP OF LOCAL GOVERNMENTS. WE'VE STARTED IN FOUR CITIES, *[SLIDE SHOWS THE CITIES]* AND NOW, WE'RE IN SOUTH METRO MANILA, WITH MORE SMARTCITIES IN THE PIPELINE.

WE'VE ALSO DEPLOYED HYBRID FIBER TECHNOLOGY CALLED G.FAST, TO DELIVER FIBER LIKE SPEEDS OVER OUR LEGACY COPPER WIRES. THIS WILL EMBRACE THE ABILITY OF OUR EXTENSIVE COPPER NETWORK WITH FIBER-LIKE SPEED.

SECOND, SMART IS ALSO ACCELERATING THE BUILDOUT OF 3G AND LTE MOBILE DATA NETWORKS TO RAISE COVERAGE AND CAPACITY. METRO DAVAO AND METRO CEBU ARE DONE. WE'RE WORKING TO COMPLETE GREATER MANILA,

AND EXPECT TO COVER 12 MORE MAJOR URBAN CENERS THIS YEAR. THIS WILL EXTEND LTE COVERAGE TO 70% OF THE COUNTRY'S POPULATION BY END-2017. THIRD PARTY REPORTS ARE SAYING THAT SMART IS NOW DELIVERING THE FASTEST MOBILE DATA SERVICES ON LTE AND 3G IN THE COUNTRY.

THIRD, WE'RE DEPLOYING SMART WI-FI HOTSPOTS IN A GROWING NUMBER OF HIGH-TRAFFIC PUBLIC PLACES. PLDT ENTERPRISE STARTED THIS INITIATIVE LAST YEAR BY INSTALLING CARRIER-GRADE SMART WI-FI HOT SPOTS IN AIRPORTS, LIGHT RAIL STATIONS, SEA PORTS, SCHOOLS, GOVERNMENT AND OTHER PUBLIC SPACES. SMART FOLLOWED THROUGH BY BUILDING UP SMARTSPOTS IN POPULAR DESTINATIONS LIKE RESTAURANTS, BARS AND BOUTIQUE MALLS, WHERE YOUNG PEOPLE HANG OUT.

YESTERDAY, WE ANNOUNCED THE DEPLOYMENT OF WI-FI ALONG EDSA, WITH MORE TO FOLLOW IN METRO MANILA.

AS TO DATA PRODUCTS, OUR CLOUD-BASED, DATA CENTER SERVICES, DIGITAL PLATFORMS AND SOLUTIONS ARE GIVING OUR ENTERPRISE BUSINESS ITS UNDISPUTED COMPETITIVE EDGE. BY END-2017, EPLDT WILL LAUNCH ITS 10TH DATA CENTER, RAISING TOTAL CAPACITY TO OVER 9,000 RACKS – 3X THAT OF THE NEAREST COMPETITOR.

GOING BEYOND ACCESS

WHILE CONNECTIVITY IS A NECESSARY CONDITION TO THIS JOURNEY, IT IS NOT SUFFICIENT BY ITSELF. OUR LIFE AS A DUMB PIPE IS A DEAD END. THAT MAKES DIGITAL PRODUCTS IMPERATIVE – TO BUILD A LAYER OF RELEVANT AND COMPELLING CONTENT ON TOP OF OUR DATA NETWORKS.

VIDEO CONTENT FROM *IFLIX*, *NETFLIX*, *IWANTV*, *FOX PLUS*, AND *ESPN* ARE BEING OFFERED ACROSS OUR FIXED AND MOBILE SERVICES. LAST WEEK, PLDT HOME LAUNCHED THE ROKU-POWERED *TVOLUTION* SERVICE FOR ITS *FIBR* CUSTOMERS. THIS LATEST *TVOLUTION* SERVICE IS AN ALL-IN-ONE, PLUG-AND-PLAY ENTERTAINMENT BOX LOADED NOT ONLY WITH VIDEO-ON-DEMAND CONTENT FROM *IFLIX* AND *NETFLIX*, BUT ALSO SIGNAL TV, AND FREE CONTENT FROM YOUTUBE AND FROM OVER 100 OTHER STREAMING CHANNELS. ROKU PROVIDES EASIER **ACCESS** TO THE BEST IN VIDEO ENTERTAINMENT.

CONCLUSION

IN CLOSING, MAY I SAY THAT THE DIGITAL AGE IS ALREADY UPON US, THAT THE LEGACY BUSINESS MODEL OF VOICE AND TEXTING IS FAST RECEDING.

OUR DIGITAL JOURNEY IS SHAPED BY PRIORITIES. EARLY THIS YEAR, WE'VE SET 6 KEY ONES: FIRST, RAISE THE GROWTH MOMENTUM OF HOME AND ENTERPRISE BUSINESSES; SECOND, STABILIZE OUR MOBILE PHONE BUSINESS AND GRADUALLY RETURN IT TO GROWTH; THIRD, IMPROVE THE QUALITY AND COVERAGE OF NETWORKS; FOURTH, REDUCE CASH OPEX; FIFTH, APPLY ADVANCED DATA ANALYTICS TO DRIVE REVENUE GROWTH AND IMPROVE

CUSTOMER EXPERIENCE; AND SIXTH, REORGANIZE TO ENHANCE EMPLOYEE ENGAGEMENT AND EXPERIENCE.

BUT PROPER EXECUTION OF OUR DIGITAL JOURNEY REQUIRE PEOPLE.

AT THE START OF 2017, WE PUT A NEW LEADERSHIP TEAM IN PLACE. THIS NEW TEAM HAS BROUGHT NEW IDEAS, NEW WAYS OF WORKING, FRESH PERSPECTIVES AND A VARIETY OF SKILL SETS AND EXPERIENCES. WE'LL CONTINUE TO DEVELOP OUR PEOPLE, TO ENSURE THAT WE'RE CONSTANTLY POISED TO DELIVER ON INNOVATIVE GROWTH.

FINALLY, ALL THIS ISN'T EASY FOR PLDT – AS LARGE AND AS OLD AND AS PROFITABLE AS IT IS – TO ACCEPT THAT CHANGE IS NEEDED. BUT WE REMAIN IDEALISTS ABOUT OUR FUTURE – AS WE WERE IN OUR PAST – WITH NO ILLUSIONS THAT FAILURE TO TRANSFORM WILL MEAN EXTINCTION. DISRUPTION IS THE KEY TO SURVIVAL, AND REVIVAL, IN THIS NEW DAY AND AGE.

THANK YOU FOR YOUR ATTENTION AND GOOD DAY!

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