



November 10, 2017

Philippine Stock Exchange
3/F Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

Attention: Mr. Jose Valeriano B. Zuño III
OIC - Head, Disclosure Department

Gentlemen:

We refer to your letter dated November 10, 2017 requesting for clarification and/or confirmation of the news article entitled "*PLDT to spend P46 billion next year*" posted in Business Mirror (Internet Edition) on November 9, 2017.

The article reported in part that:

"PLDT Inc. said its capital expenditure (capex) will hit at least P46 billion next year as the company works to improve its infrastructure. The amount is higher than the P38 billion in capex for the year.

PLDT Chairman Manuel V. Pangilinan, however, warns that the company's profitability will take until 2019 to recover as it spends over the next two years to boost its network. From this year through 2018, its profitability will be flattish to down, Pangilinan said.

'We're looking at P46 [billion] to P48-billion capex for 2018 or do we push it further than that because we want to have an affirmative response to the criticism being leveled at the industry that the services is lousy,' Pangilinan said in a news briefing on November 9. 'I think we can handle P46 billion out of our cash flow.'

...."

We confirm that during our 9M 2017 results announcement on 9 November 2017, our Chairman and CEO indicated that PLDT is currently preparing its budget for 2018. Part of that exercise is determining the level of capital expenditures (capex) for 2018. One option is for PLDT to consider P46 billion as the normative capex level to support our various network initiatives to further expand the reach of PLDT's home broadband network as well as enhance the coverage and capacity of our 3G/LTE network across the country. These investments are in line with our commitment to build an unparalleled fixed and wireless network that will provide our customers with a superior data experience. The P46 billion is equivalent to our original capex budget guidance for this year and is a level which we believe would be well supported by our operating cash flows.

As captured in the news article, a higher level of capex is also being considered for 2018 as PLDT's affirmative response to the increased expectations and criticisms being leveled against the industry about network quality. However, as we need to be mindful of our debt levels, such higher amount of capex would have to be funded from other than additional debt, possibly through a sale of assets.

Insofar as the outlook for the company's profitability is concerned, it will be noted that we have upgraded our guidance for 2017 recurring core income from P21.5 billion to P22.0 billion. If achieved, this will be a P1.8 billion or 9% increase over the P20.2 billion in 2016. We expect to sustain the growth of our recurring core profit going forward.

As the budget for 2018 has not been finalized, the abovementioned capex numbers, including the outlook on the company's profitability, are preliminary indications at this point. We expect to provide our guidance for 2018 when we announce our full year results in March 2018.

Respectfully yours,


MA. LOURDES C. RAUSA-CHAN
Corporate Secretary