



February 4, 2019

Philippine Stock Exchange
6/F Philippine Stock Exchange Tower
28th Street corner 5th Avenue
Bonifacio Global City, Taguig City

Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

Gentlemen:

We refer to your letter dated February 4, 2019 requesting for clarification and/or confirmation of the news article entitled "PLDT hikes capex to P70B for 2019" posted in BusinessWorld (internet Edition) on February 4, 2019.

. The article reported in part that:

"PLDT, Inc. is raising its capital expenditure (capex) by a fifth to at least P70 billion for this year, mostly to fund its network expansion plans.

'I don't know what the aggregate number is... But if you add the group's capex, it's going to be more than a hundred billion this year... PLDT alone will account for at least P70 billion,' Mr. Pangilinan said when asked about MPIC's capex for 2019.

A P70 billion capex will be 21% higher than the 'record' P58 billion capex for 2018. Around 54% of last year's budget was dedicated to its wireless business and 46% to fixed broadband.

Mr. Pangilinan said higher capex for PLDT will be used for expansion projects such as the rollout of fourth generation (4G) and fifth generation (5G) networks.

'(The capex is) mainly (for) fiber-to-the-home (FTTH) on the fixed side. And for the wireless, it's making complete substantially our 4G and start constructing the 5G network. So it's a continuous exercise,' Mr. Pangilinan said.

...."

We confirm that PLDT Group capex for 2019 to be at least P70 billion from about P58 billion in 2018. The increase in our capex investments in 2019 is intended to fortify our network leadership and to underpin our drive towards revenue growth this year.

Of the Php 58 billion capex incurred in 2018, approximately Php 48 billion was spent on Network/IT/Technology capex, and we expect that in 2019, our Technology capex will be at similar levels, as we continue to focus on improving our customers' overall data experience, both in home and out of home (mobile).

In particular, our Technology capex investments in 2019 will include:

Mobile

- Expanding further our LTE/3G mobile **coverage**, including the deployment of more outdoor sites and more in-building solutions to improve coverage in high-rise buildings
- Increasing **capacity** to support the exponential data traffic growth running through our network. We anticipate a continued rise in smartphone ownership and usage increase across our subscriber base
- Upgrading our transport network to support the delivery of **faster speeds and better overall customer experience**
- Continuing **investments** to ensure that the PLDT network is "5G ready" including deployment of 5G pilots
- Pursuing further our IT **transformation**

Broadband

- Rollout of fiber-to-the-home to capture the robust demand for fixed home and enterprise broadband
- Complete our upgrade of existing DSL customers to VDSL and/or fiber
- Increase of fiber to the base stations
- Investment in new submarine cable systems

Further to the Php 48 billion Technology capex, we estimate as much as another Php 16 billion will be spent on "Customer" capex, representing an increase by over Php 10 billion year-on-year. A higher level of Customer capex is expected as we connect and upgrade more homes. The customer connects/upgrades will have to include related capex spend on last-mile and customer-premises equipment, e. g., modems/optical network units (ONUs), in order for customers to experience the data network. The amount of Customer capex will be sales-driven and could vary depending on the pace of our actual connects and upgrades.

To better serve our Enterprise business, we also continue to expand our data center capacity as well as invest in network/last mile resiliency, with related capex increases of almost Php 2 billion.

In addition, we anticipate certain "one-time" capital expenditures related to our hiring of installation and repair specialists/technicians in connection with our push to level-up our ability to install, as well as dramatically improve our after-sales customer support capabilities. These "one-time" expenditures of approximately Php 3-4 billion include the acquisition of vehicles, tools/equipment, space expansion and workforce management systems.

The above capex investments are in line with our twin objectives of having the best mobile network and widening our leadership of our fixed line network, as we fulfill our mandate of serving the greater requirements of our various customers in the country.

Respectfully yours,



MA. LOURDES C. RAUSA-CHAN
Corporate Secretary