



May 7, 2013

Securities & Exchange Commission
SEC Building, EDSA
Mandaluyong City

Attention: Director Justina Callangan
Corporation Finance Department

Gentlemen:

In accordance with Section 17.1(b) of the Securities Regulation Code and SRC Rule 17.1, we submit herewith two (2) copies of SEC Form 17-Q with Management's Discussion and Analysis and accompanying unaudited consolidated financial statements for the three (3) months ended March 31, 2013.

Very truly yours,


MA. LOURDES C. RAUSA-CHAN
Corporate Secretary 

SEC Number **PW-55**

File Number

**PHILIPPINE LONG DISTANCE
TELEPHONE COMPANY**

(Company's Full Name)

**Ramon Cojuangco Building
Makati Avenue, Makati City**

(Company's Address)

(632) 816-8556

(Telephone Number)

Not Applicable

(Fiscal Year Ending)
(month & day)

SEC Form 17-Q

Form Type

Not Applicable

Amendment Designation (if applicable)

March 31, 2013

Period Ended Date

Not Applicable

(Secondary License Type and File Number)

COVER SHEET

P W - 5 5
S.E.C. Registration No.

P H I L I P P I N E L O N G D I S T A N C E

T E L E P H O N E C O M P A N Y
(Company's Full Name)

R A M O N C O J U A N G C O B L D G .

M A K A T I A V E . M A K A T I C I T Y
(Business Address: No. Street City/Town/Province)

MS. JUNE CHERYL A. CABAL-REVILLA
Contact Person

816-8534
Company Telephone Number

1 2 3 1
Month Day
Fiscal Year

SEC FORM 17-Q
FORM TYPE

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Month Day
Annual Meeting

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Number/Section

12,139
As of March 31, 2013
Total No. of Stockholders

Total Amount of Borrowings
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Domestic

N/A
Foreign

To be accomplished by SEC Personnel concerned

File Number

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE ("SRC") AND
SRC 17 (2) (b) THEREUNDER

1. For the quarterly period ended March 31, 2013
2. SEC Identification Number PW-55
3. BIR Tax Identification No. 000-488-793
4. Philippine Long Distance Telephone Company
Exact name of registrant as specified in its charter
5. Republic of the Philippines
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code: _____ (SEC Use Only)
7. Ramon Cojuangco Building, Makati Avenue, Makati City 0721
Address of registrant's principal office Postal Code
8. (632) 816-8556
Registrant's telephone number, including area code
9. Not Applicable
Former name, former address, and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 of the SRC

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Capital Stock, Php5 par value	216,055,775 shares as at March 31, 2013
11. Are any or all of these securities listed on the Philippine Stock Exchange?
Yes [] No []
12. Check whether the registrant
 - (a) has filed all reports required to be filed by Section 17 of the SRC during the preceding ten months (or for such shorter period that the registrant was required to file such reports):
Yes [] No []
 - (b) has been subject to such filing requirements for the past 90 days.
Yes [] No []

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PART I – FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

Our consolidated financial statements as at March 31, 2013 (unaudited) and December 31, 2012 (as adjusted) and for the three months ended March 31, 2013 and 2012 (unaudited) and related notes (pages F-1 to F-146) are filed as part of this report on Form 17-Q.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

In the following discussion and analysis of our financial condition and results of operations, unless the context indicates or otherwise requires, references to “we,” “us,” “our” or “PLDT Group” mean the Philippine Long Distance Telephone Company and its consolidated subsidiaries, and references to “PLDT” mean the Philippine Long Distance Telephone Company, not including its consolidated subsidiaries (please see Note 2 – Summary of Significant Accounting Policies to the accompanying unaudited consolidated financial statements for the list of these subsidiaries, including a description of their respective principal business activities and PLDT’s direct and/or indirect equity interest).

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the accompanying unaudited consolidated financial statements and the related notes. Our unaudited consolidated financial statements, and the financial information discussed below, have been prepared in accordance with Philippine Financial Reporting Standards, or PFRS, which is virtually converged with International Financial Reporting Standards as issued by the International Accounting Standards Board except for some transitional differences. PFRS differs in certain significant respects from generally accepted accounting principles, or GAAP, in the U.S.

The financial information appearing in this report and in the accompanying unaudited consolidated financial statements is stated in Philippine pesos. All references to “Philippine pesos,” “Php” or “pesos” are to the lawful currency of the Philippines; all references to “U.S. dollars,” “US\$” or “dollars” are to the lawful currency of the United States; all references to “Japanese yen,” “JP¥” or “yen” are to the lawful currency of Japan and all references to “Euro” or “€” are to the lawful currency of the European Union. Unless otherwise indicated, translations of Philippine peso amounts into U.S. dollars in this report and in the accompanying unaudited consolidated financial statements were made based on the exchange rate of Php40.92 to US\$1.00, the volume weighted average exchange rate as at March 31, 2013 quoted through the Philippine Dealing System.

Some information in this report may contain forward-looking statements within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended. We have based these forward-looking statements on our current beliefs, expectations and intentions as to facts, actions and events that will or may occur in the future. Such statements generally are identified by forward-looking words such as “believe,” “plan,” “anticipate,” “continue,” “estimate,” “expect,” “may,” “will” or other similar words.

A forward-looking statement may include a statement of the assumptions or bases underlying the forward-looking statement. We have chosen these assumptions or bases in good faith, and we believe that they are reasonable in all material respects. However, we caution you that forward-looking statements and assumed facts or bases almost always vary from actual results, and the differences between the results implied by the forward-looking statements and assumed facts or bases and actual results can be material, depending on the circumstances. When considering forward-looking statements, you should keep in mind the description of risks and cautionary statements in this report. You should also keep in mind that any forward-looking statement made by us in this report or elsewhere speaks only as at the date on which we made it. New risks and uncertainties come up from time to time, and it is impossible for us to predict these events or how they may affect us. We have no duty to, and do not intend to, update or revise the forward-looking statements in this report after the date hereof. In light of these risks and uncertainties, actual results may differ materially from any forward-looking statement made in this report or elsewhere might not occur.



Financial Highlights and Key Performance Indicators

	Three Months Ended March 31,		Increase (Decrease)	
	2013	2012 ⁽¹⁾	Amount	%
(in millions, except for net debt to equity ratio, EBITDA margin, earnings per common share and operational data)				
Revenues	Php40,960	Php40,826	Php134	–
Expenses	29,040	28,224	816	3
Other income (expenses)	(189)	848	(1,037)	(122)
Income before income tax	11,731	13,450	(1,719)	(13)
Net income for the period	9,187	9,960	(773)	(8)
Continuing operations	9,062	9,779	(717)	(7)
Discontinued operations	125	181	(56)	(31)
Core income	9,580	9,198	382	4
Continuing operations	9,456	9,041	415	5
Discontinued operations	124	157	(33)	(21)
EBITDA	20,370	20,376	(6)	–
Continuing operations	20,141	19,979	162	1
Discontinued operations	229	397	(168)	(42)
EBITDA margin ⁽²⁾	50%	50%	–	–
Reported earnings per common share:				
Basic	42.42	46.08	(3.66)	(8)
Diluted	42.42	46.08	(3.66)	(8)
Core earnings per common share ⁽³⁾ :				
Basic	44.28	42.52	1.76	4
Diluted	44.28	42.52	1.76	4
	March 31	December 31,	Increase (Decrease)	
	2013	2012⁽⁴⁾	Amount	%
Consolidated Statements of Financial Position				
Total assets	Php407,046	Php405,815	Php1,231	–
Property, plant and equipment – net	195,755	200,078	(4,323)	(2)
Cash and cash equivalents and short-term investments	40,722	37,735	2,987	8
Total equity attributable to equity holders of PLDT	130,216	145,550	(15,334)	(11)
Notes payable and long-term debt, including current portion	111,783	115,792	(4,009)	(3)
Net debt ⁽⁵⁾ to equity ratio	0.55x	0.54x	–	–
	Three Months Ended March 31,	Three Months Ended March 31,	Increase (Decrease)	
	2013	2012	Amount	%
Consolidated Statements of Cash Flows				
Net cash provided by operating activities	14,302	18,592	(4,290)	(23)
Net cash used in investing activities	4,846	5,610	(764)	(14)
Capital expenditures	3,066	2,751	315	11
Net cash used in financing activities	7,470	12,102	(4,632)	(38)
Operational Data				
Number of cellular subscribers	71,699,263	66,109,953	5,589,310	8
Number of fixed line subscribers	2,063,522	2,151,136	(87,614)	(4)
Number of broadband subscribers:	3,163,291	2,994,178	169,113	6
Fixed Line	924,312	881,265	43,047	5
Wireless	2,238,979	2,112,913	126,066	6
Number of employees:	17,779	19,769	(1,990)	(10)
Fixed Line	9,772	11,706	(1,934)	(17)
LEC	7,005	9,064	(2,059)	(23)
Others	2,767	2,642	125	5
Wireless	8,007	8,063	(56)	(1)

⁽¹⁾ The March 31, 2012 comparative information was adjusted to reflect the discontinued operations of the Business Process Outsourcing, or BPO, segment and the adjustments on the adoption of the Revised PAS 19 – Employee Benefits. See “Other Information – Sale of BPO Segment” discussion and Note 2 – Summary of Significant Accounting Policies – Discontinued Operations and Changes in Accounting Policies and Disclosures to the accompanying unaudited consolidated financial statements for further discussion.

⁽²⁾ EBITDA margin for the period is measured as EBITDA divided by service revenues.

⁽³⁾ Core earnings per common share, or EPS, for the period is measured as core income divided by the weighted average number of outstanding common shares for the period.

⁽⁴⁾ The December 31, 2012 comparative information was restated to reflect the adjustments on the adoption of the Revised PAS 19 – Employee Benefits. See Note 2 – Summary of Significant Accounting Policies – Changes in Accounting Policies and Disclosures to the accompanying unaudited consolidated financial statements for further discussion.

⁽⁵⁾ Net debt is derived by deducting cash and cash equivalents and short-term investments from total debt (long-term debt, including current portion and notes payable).

Exchange Rates – per US\$	Month-end rates	Weighted average rates during the period
March 31, 2013	Php40.92	Php40.70
December 31, 2012	41.08	42.24
March 31, 2012	42.93	43.03
December 31, 2011	43.92	43.31

Overview

We are the largest and most diversified telecommunications company in the Philippines. We have organized our business into business units based on our products and services and have three reportable operating segments which serve as bases for management’s decision to allocate resources and evaluate operating performance:

- *Wireless* — wireless telecommunications services provided by Smart Communications, Inc., or Smart, Connectivity Unlimited Resource Enterprise, or CURE (the *Red Mobile* business of CURE was transferred to Smart on July 31, 2012), and Digital Mobile Philippines, Inc., or DMPI, which owns the *Sun Cellular* business and is a wholly-owned subsidiary of Digital Telecommunications Philippines, Inc., or Digitel, our cellular service providers; Smart Broadband, Inc., or SBI, and Primeworld Digital Systems, Inc., or PDSI, our wireless broadband service providers; Wolfpac Mobile, Inc., or Wolfpac, and Chikka Holdings Limited, or Chikka, and its subsidiaries, or Chikka Group, our wireless content operators; and ACeS Philippines Cellular Satellite Corporation, or ACeS Philippines, our satellite operator;
- *Fixed Line* — fixed line telecommunications services primarily provided by PLDT. We also provide fixed line services through PLDT’s subsidiaries, namely, PLDT Clark Telecom, Inc., PLDT Subic Telecom, Inc., PLDT-Philcom, Inc. or Philcom, and its subsidiaries, or Philcom Group, PLDT-Maratel, Inc., SBI, PDSI, Bonifacio Communications Corporation, PLDT Global Corporation, or PLDT Global, and Digitel, all of which together account for approximately 12% of our consolidated fixed line subscribers; and information and communications infrastructure and services for internet applications, internet protocol, or IP-based solutions and multimedia content delivery provided by ePLDT, Inc., or ePLDT, IP Converge Data Services, Inc., or IPCDSI, ABM Global Solutions, Inc., or AGS, and its subsidiaries, or AGS Group, and netGames, Inc.; and bills printing and other value-added services, or VAS, -related services provided by ePDS, Inc., or ePDS; and
- *Others* — PCEV, an investment company.

See Note 2 – Summary of Significant Accounting Policies, Note 4 – Operating Segment Information and Note 13 – Business Combinations to the accompanying unaudited consolidated financial statements.

As at March 31, 2013, our chief operating decision maker, or our Management Committee, views our business activities in three business units: Wireless, Fixed Line and Others. On December 4, 2012, our Board of Directors authorized the sale of our BPO segment. Consequently, as at December 31, 2012, the BPO segment was classified as discontinued operations and a disposal group held-for-sale. The BPO segment met the criteria of an asset to be classified as held-for-sale as at December 31, 2012 for the following reasons: (1) the BPO segment is available for immediate sale and can be sold to a

potential buyer in its current condition; (2) the Board of Directors had approved the plan to sell the BPO segment and we had entered into preliminary negotiations with a potential buyer and should negotiations with a potential buyer not lead to a sale, we expect to be able to seek other sale opportunities as a number of other potential buyers had been identified; and (3) the Board of Directors expected negotiations to be finalized and the sale to be completed in April 2013. Thus, we adjusted the comparative consolidated income statement for the three months ended March 31, 2012 to present the results of operations of our BPO business as discontinued operations. See “Other Information – Sale of BPO Segment” section and *Note 2 – Summary of Significant Accounting Policies – Discontinued Operations* and *Note 3 – Management’s Use of Accounting Judgments, Estimates and Assumptions* to the accompanying unaudited consolidated financial statements for further discussion.

Performance Indicators

We use a number of non-GAAP performance indicators to monitor financial performance. These are summarized below and discussed later in this report.

EBITDA

EBITDA for the period is measured as net income excluding depreciation and amortization, amortization of intangible assets, asset impairment on noncurrent assets, financing costs, interest income, equity share in net earnings (losses) of associates and joint ventures, foreign exchange gains (losses) – net, gains (losses) on derivative financial instruments – net, provision for (benefit from) income tax and other income. EBITDA is monitored by the management for each business unit separately for purposes of making decisions about resource allocation and performance assessment. EBITDA is presented also as a supplemental disclosure because our management believes that it is widely used by investors in their analysis of the performance of PLDT and to assist them in their comparison of PLDT’s performance with that of other companies in the technology, media and telecommunications sector. We also present EBITDA because it is used by some investors as a way to measure a company’s ability to incur and service debt, make capital expenditures and meet working capital requirements. Companies in the technology, media and telecommunications sector have historically reported EBITDA as a supplement to financial measures in accordance with PFRS. EBITDA should not be considered as an alternative to net income as an indicator of our performance, as an alternative to cash flows from operating activities, as a measure of liquidity or as an alternative to any other measure determined in accordance with PFRS. Unlike net income, EBITDA does not include depreciation and amortization or financing costs and, therefore, does not reflect current or future capital expenditures or the cost of capital. We compensate for these limitations by using EBITDA as only one of several comparative tools, together with PFRS-based measurements, to assist in the evaluation of operating performance. Such PFRS-based measurements include income before income tax, net income, cash flows from operations and cash flow data. We have significant uses of cash flows, including capital expenditures, interest payments, debt principal repayments, taxes and other non-recurring charges, which are not reflected in EBITDA. Our calculation of EBITDA may be different from the calculation methods used by other companies and, therefore, comparability may be limited.

Core Income

Core income is measured as net income attributable to equity holders of PLDT (net income less net income attributable to noncontrolling interests), excluding foreign exchange gains (losses) – net, gains (losses) on derivative financial instruments – net (excluding hedge costs), asset impairment on noncurrent assets, other non-recurring gains (losses), net of tax effect of aforementioned adjustments, as applicable, and similar adjustments to equity share in net earnings (losses) of associates and joint ventures. The core income results are monitored by the management for each business unit separately

for purposes of making decisions about resource allocation and performance assessment. Also, core income is used by the management as a basis of determining the level of dividend payouts to shareholders and basis of granting incentives to employees. Core income should not be considered as an alternative to income before income tax or net income determined in accordance with PFRS as an indicator of our performance. Unlike income before income tax, core income does not include foreign exchange gains and losses, gains and losses on derivative financial instruments, asset impairments and other non-recurring gains and losses. We compensate for these limitations by using core income as only one of several comparative tools, together with PFRS-based measurements, to assist in the evaluation of operating performance. Such PFRS-based measurements include income before income tax and net income. Our calculation of core income may be different from the calculation methods used by other companies and, therefore, comparability may be limited.

Management's Financial Review

We use EBITDA and core income to assess our operating performance. The reconciliation of our consolidated EBITDA and our consolidated core income to our consolidated net income for the three months ended March 31, 2013 and 2012 are set forth below.

The following table shows the reconciliation of our consolidated EBITDA to our consolidated net income for the three months ended March 31, 2013 and 2012:

	2013	2012 ⁽¹⁾
	(in millions)	
EBITDA from continuing operations	Php20,141	Php19,979
EBITDA from discontinued operations	229	397
Consolidated EBITDA	<u>20,370</u>	<u>20,376</u>
Add (deduct) adjustments to continuing operations:		
Other income	735	789
Interest income	296	354
Foreign exchange gains – net	213	1,240
Equity share in net earnings of associates and joint ventures	148	274
Gains (losses) on derivative financial instruments – net	23	(134)
Amortization of intangible assets	(202)	(27)
Retroactive effect of adoption of Revised PAS 19 ⁽²⁾	(791)	–
Financing costs – net	(1,604)	(1,675)
Provision for income tax	(2,669)	(3,671)
Depreciation and amortization	(7,228)	(7,350)
Total adjustments	<u>(11,079)</u>	<u>(10,200)</u>
Adjustment to discontinued operations	<u>(104)</u>	<u>(216)</u>
Net income from continuing operations	9,062	9,779
Net income from discontinued operations	125	181

⁽¹⁾ The March 31, 2012 comparative information was adjusted to reflect the discontinued operations of the BPO segment and the adjustments on the adoption of the Revised PAS 19 – Employee Benefits. See “Other Information – Sale of BPO Segment” discussion and Note 2 – Summary of Significant Accounting Policies – Discontinued Operations and Changes in Accounting Policies and Disclosures to the accompanying unaudited consolidated financial statements for further discussion.

⁽²⁾ The Revised PAS 19 modifies the timing of recognition for termination benefits. The modification requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized. See Note 2 – Summary of Significant Accounting Policies – Changes in Accounting Policies and Disclosures to the accompanying unaudited consolidated financial statements for further discussion.

The following table shows the reconciliation of our consolidated core income to our consolidated net income for the three months ended March 31, 2013 and 2012:

	2013	2012 ⁽¹⁾
	(in millions)	
Core income from continuing operations	Php9,456	Php9,041
Core income from discontinued operations	124	157
Consolidated core income	<u>9,580</u>	<u>9,198</u>
Add (deduct) adjustments to continuing operations:		
Foreign exchange gains – net	213	1,240
Gains (losses) on derivative financial instruments – net, excluding hedge cost	92	(46)
Core income adjustment on equity share in net earnings (losses) of associates and joint ventures	14	(89)
Net loss attributable to noncontrolling interests	9	(9)
Retroactive effect of adoption of Revised PAS 19 ⁽²⁾	(791)	–
Net tax effect of aforementioned adjustments	69	(358)
Total adjustments	<u>(394)</u>	<u>738</u>
Adjustment to discontinued operations	<u>1</u>	<u>24</u>
Net income from continuing operations	9,062	9,779
Net income from discontinued operations	125	181
Consolidated net income	<u>Php9,187</u>	<u>Php9,960</u>

⁽¹⁾ The March 31, 2012 comparative information was adjusted to reflect the discontinued operations of the BPO segment and the adjustments on the adoption of the Revised PAS 19 – Employee Benefits. See “Other Information – Sale of BPO Segment” discussion and Note 2 – Summary of Significant Accounting Policies – Discontinued Operations and Changes in Accounting Policies and Disclosures to the accompanying unaudited consolidated financial statements for further discussion.

⁽²⁾ The Revised PAS 19 modifies the timing of recognition for termination benefits. The modification requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized. See Note 2 – Summary of Significant Accounting Policies – Changes in Accounting Policies and Disclosures to the accompanying unaudited consolidated financial statements for further discussion.

Results of Operations

The table below shows the contribution by each of our business segments to our consolidated revenues, expenses, other income (expenses), income before income tax, provision for income tax, net income/segment profit, EBITDA, EBITDA margin and core income for the three months ended March 31, 2013 and 2012. In each of the three months ended March 31, 2013 and 2012, we generated a majority of our revenues from our operations within the Philippines.

	Wireless	Fixed Line	Others	Inter-segment Transactions	Consolidated
	(in millions)				
For the three months ended March 31, 2013					
Revenues	Php29,058	Php15,625	Php-	(Php3,723)	Php40,960
Expenses	19,017	13,952	1	(3,930)	29,040
Other income (expenses)	(178)	(541)	632	(102)	(189)
Income before income tax	9,863	1,132	631	105	11,731
Provision for income tax	2,379	285	5	-	2,669
Net income/Segment profit	7,484	847	626	105	9,187
Continuing operations	7,484	847	626	105	9,062
Discontinued operations	-	-	-	-	125
EBITDA	14,412	5,523	(1)	207	20,370
Continuing operations	14,412	5,523	(1)	207	20,141
Discontinued operations	-	-	-	-	229
EBITDA margin ⁽¹⁾	51%	36%	-	(2%)	50%
Continuing operations	51%	36%	-	(2%)	50%
Discontinued operations	-	-	-	-	10%
Core income	7,470	1,283	598	105	9,580
Continuing operations	7,470	1,283	598	105	9,456
Discontinued operations	-	-	-	-	124
For the three months ended March 31, 2012⁽²⁾					
Revenues	29,020	15,174	-	(3,368)	40,826
Expenses	18,939	12,798	5	(3,518)	28,224
Other income (expenses)	723	(244)	438	(69)	848
Income before income tax	10,804	2,132	433	81	13,450
Provision for income tax	3,223	443	5	-	3,671
Net income/Segment profit	7,581	1,689	428	81	9,960
Continuing operations	7,581	1,689	428	81	9,779
Discontinued operations	-	-	-	-	181
EBITDA	14,219	5,615	(5)	150	20,376
Continuing operations	14,219	5,615	(5)	150	19,979
Discontinued operations	-	-	-	-	397
EBITDA margin ⁽¹⁾	50%	37%	-	(2%)	50%
Continuing operations	50%	37%	-	(2%)	50%
Discontinued operations	-	-	-	-	18%
Core income	6,925	1,518	517	81	9,198
Continuing operations	6,925	1,518	517	81	9,041
Discontinued operations	-	-	-	-	157
Increase (Decrease)					
Revenues	38	451	-	(355)	134
Expenses	78	1,154	(4)	(412)	816
Other income (expenses)	(901)	(297)	194	(33)	(1,037)
Income before income tax	(941)	(1,000)	198	24	(1,719)
Provision for income tax	(844)	(158)	-	-	(1,002)
Net income/Segment profit	(97)	(842)	198	24	(773)
Continuing operations	(97)	(842)	198	24	(717)
Discontinued operations	-	-	-	-	(56)
EBITDA	193	(92)	4	57	(6)
Continuing operations	193	(92)	4	57	162
Discontinued operations	-	-	-	-	(168)
Core income	545	(235)	81	24	382
Continuing operations	545	(235)	81	24	415
Discontinued operations	-	-	-	-	(33)

⁽¹⁾ EBITDA margin for the period is measured as EBITDA divided by service revenues.

⁽²⁾ The March 31, 2012 comparative information was adjusted to reflect the discontinued operations of the BPO segment, certain presentation adjustments to conform with the current presentation of our business segments and the adjustments on the adoption of the Revised PAS 19 – Employee Benefits. See “Other Information – Sale of BPO Segment” discussion and Note 2 – Summary of Significant Accounting Policies – Discontinued Operations and Changes in Accounting Policies and Disclosures to the accompanying unaudited consolidated financial statements for further discussion.

On a Consolidated Basis

We reported consolidated revenues of Php40,960 million in the first quarter of 2013, an increase of Php134 million as compared with Php40,826 million in the same period in 2012, primarily due to higher broadband revenues from our wireless business, and higher revenues from data and other network services from our fixed line business, partially offset by lower revenues from national long distance, local exchange and international long distance services of our fixed line business, and cellular, satellite and other services of our wireless business.

The following table shows the breakdown of our consolidated revenues by business segment for the three months ended March 31, 2013 and 2012:

	2013	%	2012 ⁽¹⁾	%	Change	
					Amount	%
(in millions)						
Wireless	Php29,058	71	Php29,020	71	Php38	–
Fixed line	15,625	38	15,174	37	451	3
Inter-segment transactions	(3,723)	(9)	(3,368)	(8)	(355)	11
Consolidated	Php40,960	100	Php40,826	100	Php134	–

⁽¹⁾ The March 31, 2012 comparative information was adjusted to reflect the discontinued operations of the BPO segment and certain presentation adjustments to conform with the current presentation of our business segments. See “Other Information – Sale of BPO Segment” discussion and Note 2 – Summary of Significant Accounting Policies – Discontinued Operations and Changes in Accounting Policies and Disclosures to the accompanying unaudited consolidated financial statements for further discussion.

Consolidated expenses increased by Php816 million, or 3%, to Php29,040 million in the first quarter of 2013 from Php28,224 million in the same period in 2012, as a result of higher expenses related to compensation and employee benefits, including the retroactive effect of the adoption of the Revised PAS 19 in our manpower rightsizing program, or MRP, costs of Php791 million in the first quarter of 2013, selling and promotions, amortization of intangible assets and rent, partially offset by lower expenses on interconnection costs, taxes and licenses, professional and other contracted services, and other operating expenses.

The following table shows the breakdown of our consolidated expenses by business segment for the three months ended March 31, 2013 and 2012:

	2013	%	2012 ⁽¹⁾	%	Change	
					Amount	%
(in millions)						
Wireless	Php19,017	65	Php18,939	67	Php78	–
Fixed line	13,952	48	12,798	45	1,154	9
Others	1	–	5	–	(4)	(80)
Inter-segment transactions	(3,930)	(13)	(3,518)	(12)	(412)	12
Consolidated	Php29,040	100	Php28,224	100	Php816	3

⁽¹⁾ The March 31, 2012 comparative information was adjusted to reflect the discontinued operations of the BPO segment, certain presentation adjustments to conform with the current presentation of our business segments and the adjustments on the adoption of the Revised PAS 19 – Employee Benefits. See “Other Information – Sale of BPO Segment” discussion and Note 2 – Summary of Significant Accounting Policies – Discontinued Operations and Changes in Accounting Policies and Disclosures to the accompanying unaudited consolidated financial statements for further discussion.

Consolidated other expenses amounted to Php189 million in the first quarter of 2013, a change of Php1,037 million as against other income of Php848 million in the same period in 2012, primarily due to the combined effects of the following: (i) lower net foreign exchange gains by Php1,027 million mainly due to the revaluation of net foreign-currency denominated liabilities as a result of the effect of a lower level of appreciation of the Philippine peso to the U.S. dollar; (ii) net decrease in equity share in net earnings of associates and joint ventures by Php126 million; (iii) lower interest income by Php58 million due to a lower average peso interest rate and lower average level of dollar and peso investments,

effect of appreciation of the Philippine peso relative to the U.S. dollar and shorter average tenor of dollar placements, partly offset by the higher average dollar interest rate and longer average tenor of peso placements; (iv) a decrease in net financing costs by Php71 million mainly due to lower interest on loans and other related items on account of lower interest rates and appreciation of the Philippine peso, partially offset by higher outstanding long-term debts by our fixed line and wireless businesses, higher financing charges and lower capitalized interest; (v) a decrease in other income by Php54 million mainly due to the lower net gain on fixed assets disposal, the reversal of prior year's provisions, and pension benefit income recognized by PLDT in 2012; and (vi) net gains on derivative financial instruments of Php23 million in the first quarter of 2013 as against net losses on derivative financial instruments of Php134 million in the same period in 2012 on account of lower loss on derivatives due to the maturity of the 2012 hedges and lower level of the Philippine peso appreciation, partially offset by a narrower dollar and peso interest rate differentials in the first three months of 2013.

The following table shows the breakdown of our consolidated other income (expenses) by business segment for the three months ended March 31, 2013 and 2012:

	2013	%	2012 ⁽¹⁾	%	Change	
					Amount	%
	(in millions)					
Wireless	(Php178)	94	Php723	85	(Php901)	(125)
Fixed line	(541)	286	(244)	(29)	(297)	122
Others	632	(334)	438	52	194	44
Inter-segment transactions	(102)	54	(69)	(8)	(33)	48
Consolidated	(Php189)	100	Php848	100	(Php1,037)	(122)

⁽¹⁾ The March 31, 2012 comparative information was adjusted to reflect the discontinued operations of the BPO segment, certain presentation adjustments to conform with the current presentation of our business segments and the adjustments on the adoption of the Revised PAS 19 – Employee Benefits. See “Other Information – Sale of BPO Segment” discussion and Note 2 – Summary of Significant Accounting Policies – Discontinued Operations and Changes in Accounting Policies and Disclosures to the accompanying unaudited consolidated financial statements for further discussion.

Consolidated net income decreased by Php773 million, or 8%, to Php9,187 million in the first quarter of 2013, from Php9,960 million in the same period in 2012. The decrease was mainly due to the combined effects of the following: (i) an increase in consolidated expenses by Php797 million; (ii) an increase in consolidated other expense – net by Php1,037 million; (iii) an increase in consolidated revenues by Php115 million; and (iv) a decrease in consolidated provision for income tax by Php1,002 million, which was mainly due to lower taxable income across our businesses. Our consolidated basic and diluted EPS, including EPS from discontinued operations, decreased to Php42.42 in the first quarter of 2013 from consolidated basic and diluted EPS of Php46.08 in the same period in 2012. Our weighted average number of outstanding common shares was approximately 216.1 million in each of the three months ended March 31, 2013 and 2012.



The following table shows the breakdown of our consolidated net income by business segment for the three months ended March 31, 2013 and 2012:

	2013	%	2012 ⁽¹⁾ (in millions)		Change	
					Amount	%
Wireless	Php7,484	82	Php7,581	76	(Php97)	(1)
Fixed line	847	9	1,689	17	(842)	(50)
Others	626	7	428	4	198	46
Inter-segment transactions	105	1	81	1	24	30
Continuing operations	9,062	99	9,779	98	(717)	(7)
Discontinued operations	125	1	181	2	(56)	(31)
Consolidated	Php9,187	100	Php9,960	100	(Php773)	(8)

⁽¹⁾ The March 31, 2012 comparative information was adjusted to reflect the discontinued operations of the BPO segment, certain presentation adjustments to conform with the current presentation of our business segments and the adjustments on the adoption of the Revised PAS 19 – Employee Benefits. See “Other Information – Sale of BPO Segment” discussion and Note 2 – Summary of Significant Accounting Policies – Discontinued Operations and Changes in Accounting Policies and Disclosures to the accompanying unaudited consolidated financial statements for further discussion.

EBITDA

Our consolidated EBITDA, including EBITDA from discontinued operations, amounted to Php20,370 million in the first quarter of 2013, a decrease of Php6 million as compared with Php20,376 million in the same period in 2012, primarily due to higher operating expenses driven by higher selling and promotions, compensation and employee benefits, excluding the retroactive effect of the adoption of the Revised PAS 19 in our MRP costs of Php791 million in the first quarter of 2013, and amortization of intangible assets, partially offset by lower interconnection costs and cost of sales, and an increase in consolidated revenues.

The following table shows the breakdown of our consolidated EBITDA by business segment for the three months ended March 31, 2013 and 2012:

	2013	%	2012 ⁽¹⁾ (in millions)		Change	
					Amount	%
Wireless	Php14,412	71	Php14,219	70	Php193	1
Fixed line	5,523	27	5,615	27	(92)	(2)
Others	(1)	–	(5)	–	4	(80)
Inter-segment transactions	207	1	150	1	57	38
Continuing operations	20,141	99	19,979	98	162	1
Discontinued operations	229	1	397	2	(168)	(42)
Consolidated	Php20,370	100	Php20,376	100	(Php6)	–

⁽¹⁾ The March 31, 2012 comparative information was adjusted to reflect the discontinued operations of the BPO segment, certain presentation adjustments to conform with the current presentation of our business segments and the adjustments on the adoption of the Revised PAS 19 – Employee Benefits. See “Other Information – Sale of BPO Segment” discussion and Note 2 – Summary of Significant Accounting Policies – Discontinued Operations and Changes in Accounting Policies and Disclosures to the accompanying unaudited consolidated financial statements for further discussion.

Core Income

Our consolidated core income, including core income from discontinued operations, amounted to Php9,580 million in the first quarter of 2013, an increase of Php382 million, or 4%, as compared with Php9,198 million in the same period in 2012, primarily due to an increase in consolidated revenues and lower provision for income tax, partially offset by an increase in consolidated expenses, excluding the retroactive effect of the adoption of the Revised PAS 19 in our MRP costs of Php791 million in the first quarter of 2013. Our consolidated basic and diluted core EPS, including basic and diluted core EPS from

discontinued operations, increased to Php44.28 in the first quarter of 2013 from Php42.52 in the same period in 2012.

The following table shows the breakdown of our consolidated core income by business segment for the three months ended March 31, 2013 and 2012:

	2013	%	2012 ⁽¹⁾ (in millions)		Change	
					Amount	%
Wireless	Php7,470	78	Php6,925	75	Php545	8
Fixed line	1,283	14	1,518	16	(235)	(15)
Others	598	6	517	6	81	16
Inter-segment transactions	105	1	81	1	24	30
Continuing operations	9,456	99	9,041	98	415	5
Discontinued operations	124	1	157	2	(33)	(21)
Consolidated	Php9,580	100	Php9,198	100	Php382	4

⁽¹⁾ The March 31, 2012 comparative information was adjusted to reflect the discontinued operations of the BPO segment, certain presentation adjustments to conform with the current presentation of our business segments and the adjustments on the adoption of the Revised PAS 19 – Employee Benefits. See “Other Information – Sale of BPO Segment” discussion and Note 2 – Summary of Significant Accounting Policies – Discontinued Operations and Changes in Accounting Policies and Disclosures to the accompanying unaudited consolidated financial statements for further discussion.

On a Business Segment Basis

Wireless

Revenues

We generated revenues from our wireless business of Php29,058 million in the first quarter of 2013, an increase of Php38 million from Php29,020 million in the same period in 2012.

The following table summarizes our total revenues from our wireless business for the three months ended March 31, 2013 and 2012 by service segment:

	2013	%	2012 ⁽¹⁾ (in millions)		Increase (Decrease)	
					Amount	%
Service Revenues:						
Cellular	Php25,795	89	Php25,884	89	(Php89)	–
Wireless broadband, satellite and others						
Wireless broadband	2,321	8	2,122	7	199	9
Satellite and others	354	1	396	2	(42)	(11)
	28,470	98	28,402	98	68	–
Non-Service Revenues:						
Sale of cellular handsets, cellular subscriber identification module, or SIM,-packs and broadband data modems	588	2	618	2	(30)	(5)
Total Wireless Revenues	Php29,058	100	Php29,020	100	Php38	–

⁽¹⁾ The March 31, 2012 comparative information was adjusted to reflect certain presentation adjustments to conform with the current presentation of our business segments.

Service Revenues

Our wireless service revenues in the first quarter of 2013, increased by Php68 million to Php28,470 million as compared with Php28,402 million in the same period in 2012, mainly as a result of higher revenues from our wireless broadband services, partially offset by lower revenues from our cellular, satellite and other services. The increase in our wireless broadband revenues was mainly due to a 6% growth in our broadband subscriber base. The decrease in our cellular revenues was mainly due to a decline in revenues from international calls, inbound international roaming revenues, and domestic standard and international SMS, partially offset by an increase in our revenues from domestic calls and higher revenues from domestic bucket-priced/unlimited SMS and internet-based VAS. Our dollar-

linked revenues were negatively affected by the appreciation of the Philippine peso relative to the U.S. dollar, which decreased to a weighted average exchange rate of Php40.70 for the three months ended March 31, 2013 from Php43.03 for the three months ended March 31, 2012. With subscriber growth being driven more by multiple SIM card ownership, especially in the lower income segment of the Philippine wireless market, monthly cellular average revenue per unit/s, or ARPUs, for the first quarter of 2013 were lower as compared with the same period in 2012. As a percentage of our total wireless revenues, service revenues accounted for 98% in each of the first quarter of 2013 and 2012.

Cellular Service

Our cellular service revenues in the first quarter of 2013 amounted to Php25,795 million, a decrease of Php89 million from Php25,884 million in the same period in 2012. Cellular service revenues accounted for 91% of our wireless service revenues in each of the first quarter of 2013 and 2012.

We have focused on segmenting the market by offering sector-specific, value-driven packages for our subscribers. These include load buckets which provide a fixed number of messages with prescribed validity periods and call packages which allow a fixed number of calls of preset duration. Starting out as purely on-net packages, buckets now also offer voice, text and hybrid bundles available to all networks. Smart and *Sun Cellular* also provide packages with unlimited voice, text, data, and combinations thereof, whose denominations depend on the duration and nature of the unlimited packages.

The following table shows the breakdown of our cellular service revenues for the three months ended March 31, 2013 and 2012:

	2013	2012 ⁽¹⁾	Increase (Decrease)	
			Amount	%
	(in millions)			
Cellular service revenues	Php25,795	Php25,884	(Php89)	–
<i>By service type</i>				
Prepaid	25,186	25,191	(5)	–
Postpaid	20,814	21,304	(490)	(2)
	4,372	3,887	485	12
<i>By component</i>				
Voice	25,186	25,191	(5)	–
Data	12,273	12,471	(198)	(2)
	12,913	12,720	193	2
<i>Others⁽²⁾</i>	609	693	(84)	(12)

⁽¹⁾ The March 31, 2012 comparative information was adjusted to reflect certain presentation adjustments to conform with the current presentation of our business segments.

⁽²⁾ Refers to other non-subscriber-related revenues consisting primarily of inbound international roaming fees, share in revenues from PLDT's WeRoam and PLDT Landline Plus, or PLP, services, a small number of leased line contracts, and revenues from Chikka and other Smart subsidiaries.



The following table shows other key measures of our cellular business as at and for the three months ended March 31, 2013 and 2012:

	2013	2012	Increase (Decrease)	
			Amount	%
Cellular subscriber base	71,699,263	66,109,953	5,589,310	8
Prepaid	69,628,396	64,072,883	5,555,513	9
<i>Smart Prepaid</i>	24,411,169	26,853,620	(2,442,451)	(9)
<i>Talk 'N Text</i>	30,570,909	22,159,902	8,411,007	38
<i>Sun Cellular</i>	14,464,318	14,159,612	304,706	2
<i>Red Mobile</i> ⁽¹⁾	182,000	899,749	(717,749)	(80)
Postpaid	2,070,867	2,037,070	33,797	2
<i>Sun Cellular</i>	1,303,590	1,419,845	(116,255)	(8)
<i>Smart</i>	767,241	617,058	150,183	24
<i>Red Mobile</i> ⁽¹⁾	36	167	(131)	(78)
Systemwide traffic volumes (in millions) ⁽²⁾				
Calls (in minutes)	13,591	13,550	41	–
Domestic	12,686	12,687	(1)	–
<i>Inbound</i>	299	305	(6)	(2)
<i>Outbound</i>	12,387	12,382	5	–
International	905	863	42	5
<i>Inbound</i>	807	765	42	5
<i>Outbound</i>	98	98	–	–
SMS/Data count (in hits) ⁽²⁾	126,869	125,868	1,001	1
Text messages	123,578	124,102	(524)	–
Domestic	123,369	123,894	(525)	–
Bucket-Priced/Unlimited	115,264	115,986	(722)	(1)
Standard	8,105	7,908	197	2
International	209	208	1	–
Value-Added Services	3,281	1,754	1,527	87
Financial Services	10	12	(2)	(17)

⁽¹⁾ Activations have been discontinued since the fourth quarter of 2011 due to the transfer of the Red Mobile business from CURE to Smart which was completed on June 30, 2012.

⁽²⁾ The March 31, 2012 comparative information was adjusted to reflect certain presentation adjustments to conform with the current presentation of our business segments.

Revenues generated from our prepaid cellular services amounted to Php20,814 million in the first quarter of 2013, a decrease of Php490 million, or 2%, as compared with Php21,304 million in the same period in 2012. Prepaid cellular service revenues accounted for 83% and 85% of cellular voice and data revenues in the first quarter of 2013 and 2012, respectively. Revenues generated from postpaid cellular service amounted to Php4,372 million in the first quarter of 2013, an increase of Php485 million, or 12%, as compared with Php3,887 million earned in the same period in 2012, and which accounted for 17% and 15% of cellular voice and data revenues in the first quarter of 2013 and 2012, respectively. The increase in our postpaid cellular service revenues was primarily due to an increase in subscriber base. The decrease in revenues from our prepaid cellular services was primarily due to a decline in our revenues from outbound domestic standard and international SMS, inbound and outbound international calls, and SMS/MMS-based VAS, partially offset by an increase in revenues from domestic bucket-priced/unlimited SMS, internet-based VAS and financial services.

Voice Services

Cellular revenues from our voice services, which include all voice traffic and voice VAS, such as voice mail and outbound international roaming, decreased by Php198 million, or 2%, to Php12,273 million in the first quarter of 2013 from Php12,471 million in the same period in 2012, primarily due to lower cellular international call revenues, partially offset by higher cellular domestic call revenues. Cellular voice services accounted for 48% of our cellular service revenues in each of the first quarter of 2013 and 2012.



The following table shows the breakdown of our cellular voice revenues for the three months ended March 31, 2013 and 2012:

	2013	2012 ⁽¹⁾ (in millions)	Increase (Decrease)	
			Amount	%
Voice services:				
<i>Domestic</i>				
Inbound	Php1,137	Php1,128	Php9	1
Outbound	7,238	7,084	154	2
	<u>8,375</u>	<u>8,212</u>	<u>163</u>	<u>2</u>
<i>International</i>				
Inbound	3,312	3,602	(290)	(8)
Outbound	586	657	(71)	(11)
	<u>3,898</u>	<u>4,259</u>	<u>(361)</u>	<u>(8)</u>
Total	<u>Php12,273</u>	<u>Php12,471</u>	<u>(Php198)</u>	<u>(2)</u>

⁽¹⁾ The March 31, 2012 comparative information was adjusted to reflect certain presentation adjustments to conform with the current presentation of our business segments.

Domestic voice service revenues increased by Php163 million, or 2%, to Php8,375 million in the first quarter of 2013 from Php8,212 million in the same period in 2012, primarily due to an increase in domestic outbound and inbound voice service revenues by Php154 million and Php9 million, respectively.

Revenues from domestic outbound voice service increased by Php154 million, or 2%, to Php7,238 million in the first quarter of 2013 from Php7,084 million in the same period in 2012 mainly due to increased traffic on unlimited calls and improved yield on bucket offers. Domestic outbound call volume of 12,387 million minutes increased by 5 million minutes from 12,382 million minutes in the same period in 2012.

Revenues from our domestic inbound voice service increased by Php9 million, or 1%, to Php1,137 million in the first quarter of 2013 from Php1,128 million in the same period in 2012 primarily due to an increase in traffic originating from other domestic mobile carriers and a favorable traffic settlement adjustment, partly offset by lower traffic originating from fixed line calls. Domestic inbound call volumes of 299 million minutes in the first quarter of 2013, decreased by 6 million minutes, or 2%, from 305 million minutes in the same period in 2012.

International voice service revenues decreased by Php361 million, or 8%, to Php3,898 million in the first quarter of 2013 from Php4,259 million in the same period in 2012 primarily due to lower international inbound voice service revenues by Php290 million, or 8%, to Php3,312 million in the first quarter of 2013 from Php3,602 million in the same period in 2012 resulting from a decrease in average international termination rates and lower international outbound voice service revenues by Php71 million, or 11%, to Php586 million in the first quarter of 2013 from Php657 million in the same period in 2012. The decrease in international voice service revenues was also due to the unfavorable effect on dollar-linked revenues of the appreciation of the Philippine peso relative to the U.S. dollar to a weighted average exchange rate of Php40.70 for the three months ended March 31, 2013 from Php43.03 for the three months ended March 31, 2012. International inbound and outbound calls totaled 905 million minutes, an increase of 42 million minutes, or 5%, from 863 million minutes in the same period in 2012.

Data Services

Cellular revenues from our data services, which include all text messaging-related services, as well as VAS, increased by Php193 million, or 2%, to Php12,913 million in the first quarter of 2013 from Php12,720 million in the same period in 2012 primarily due to higher internet-based VAS, partially

offset by lower text messaging revenues and SMS/MMS-based VAS. Cellular data services accounted for 50% and 49% of our cellular service revenues in the first quarter of 2013 and 2012, respectively.

The following table shows the breakdown of our cellular data service revenues for the three months ended March 31, 2013 and 2012:

	2013	2012	Increase (Decrease)	
			Amount	%
	(in millions)			
Text messaging ⁽¹⁾				
Domestic	Php10,699	Php10,605	Php94	1
<i>Bucket-Priced/Unlimited</i>	7,454	6,867	587	9
<i>Standard</i>	3,245	3,738	(493)	(13)
International	863	960	(97)	(10)
	<u>11,562</u>	<u>11,565</u>	<u>(3)</u>	<u>-</u>
Value-added services				
Internet-based ⁽²⁾	979	688	291	42
<i>Pasa Load/Give-a-load</i> ⁽³⁾	152	171	(19)	(11)
SMS-based ⁽⁴⁾	135	164	(29)	(18)
MMS-based ⁽⁵⁾	59	118	(59)	(50)
	<u>1,325</u>	<u>1,141</u>	<u>184</u>	<u>16</u>
Financial services	<u>26</u>	<u>14</u>	<u>12</u>	<u>86</u>
Total	<u>Php12,913</u>	<u>Php12,720</u>	<u>Php193</u>	<u>2</u>

⁽¹⁾ The March 31, 2012 comparative information was adjusted to reflect certain presentation adjustments to conform with the current presentation of our business segments.

⁽²⁾ Includes revenues from web-based services such as mobile internet browsing, video streaming and Uzzap, net of allocated discounts and content provider costs.

⁽³⁾ Includes revenues from Pasa Load and Dial*SOS, net of allocated discounts. Pasa Load/Give-a-load is a service which allows prepaid and postpaid subscribers to transfer small denominations of air time credits to other prepaid subscribers. Dial*SOS allows Smart prepaid subscribers to borrow Php4 of load (Php3 on-net SMS plus Php1 air time) from Smart which will be deducted upon their next top-up.

⁽⁴⁾ Includes revenues from info-on-demand and voice text services, net of allocated discounts and content provider costs.

⁽⁵⁾ Includes revenues from point-to-point multimedia messaging system, or MMS, and content download services, such as ringtone, logo or music downloads, net of allocated discounts and content provider costs.

Text messaging-related services contributed revenues of Php11,562 million in the first quarter of 2013, a decrease of Php3 million as compared with Php11,565 million in the same period in 2012, and accounted for 90% and 91% of our total cellular data service revenues in the first quarter of 2013 and 2012, respectively. The decrease in revenues from text messaging-related services resulted mainly from lower standard and international messaging revenues, partially offset by higher text messaging revenues from the various bucket-priced/unlimited SMS offers. Text messaging revenues from the various bucket-priced/unlimited SMS offers totaled Php7,454 million in the first quarter of 2013, an increase of Php587 million, or 9%, as compared with Php6,867 million in the same period in 2012. Bucket-priced/unlimited text messages of 115,264 million in the first quarter of 2013, decreased by 722 million, or 1%, from 115,986 million in the same period in 2012.

Standard text messaging revenues, which includes outbound standard SMS and domestic inbound SMS revenues, decreased by Php493 million, or 13%, to Php3,245 million in the first quarter of 2013 from Php3,738 million in the same period in 2012, primarily due to increased preference for unlimited SMS offers. Standard text messages of 8,105 million in the first quarter of 2013, increased by 197 million, or 2%, from 7,908 million in the same period in 2012, on the back of increased domestic inbound SMS volume, which offset the decline in domestic outbound standard SMS volume.

International text messaging revenues amounted to Php863 million in the first quarter of 2013, a decrease of Php97 million, or 10%, from Php960 million in the same period in 2012 mainly due to the unfavorable effect of the appreciation of the peso relative to the U.S. dollar on international inbound text messaging revenues and a lower international outbound SMS traffic, partially offset by the higher traffic and effective dollar yield of international inbound SMS.

VAS contributed revenues of Php1,325 million in the first quarter of 2013, an increase of Php184 million, or 16%, as compared with Php1,141 million in the same period in 2012, primarily due to an increase in revenues from internet-based VAS, particularly from mobile internet browsing.

Subscriber Base, ARPU and Churn Rates

As at March 31, 2013, our cellular subscribers totaled 71,669,263, an increase of 5,589,310, or 8%, over the cellular subscriber base of 66,109,953 as at March 31, 2012. Our cellular prepaid subscriber base grew by 5,555,513, or 9%, to 69,628,396 as at March 31, 2013 from 64,072,883 as at March 31, 2012, and our cellular postpaid subscriber base increased by 33,797, or 2%, to 2,070,867 as at March 31, 2013 from 2,037,070 as at March 31, 2012. The increase in subscriber base was primarily due to the growth in Smart's *Talk 'N Text* prepaid subscribers and a net increase in *Sun Cellular* subscribers by 8,411,007 and 188,451, respectively, as at March 31, 2013. Prepaid subscribers accounted for 97% of our total subscriber base as at March 31, 2013 and 2012.

Our net subscriber activations for the three months ended March 31, 2013 and 2012 were as follows:

	2013	2012	Increase (Decrease)	
			Amount	%
Prepaid	2,016,859	2,280,091	(263,232)	(12)
<i>Smart</i>	(416,249)	280,483	(696,732)	(248)
<i>Talk 'N Text</i>	2,125,856	1,692,727	433,129	26
<i>Red Mobile</i> ⁽¹⁾	(52,035)	(538,635)	486,600	(90)
<i>Sun Cellular</i>	359,287	845,516	(486,229)	(58)
Postpaid	(184,054)	133,233	(317,287)	(238)
<i>Smart</i>	83,813	66,573	17,240	26
<i>Red Mobile</i> ⁽¹⁾	(16)	(96)	80	(83)
<i>Sun Cellular</i>	(267,851)	66,756	(334,607)	(501)
Total	1,832,805	2,413,324	(580,519)	(24)

⁽¹⁾ Activations have been discontinued since the fourth quarter of 2011 due to the transfer of the Red Mobile business from CURE to Smart which was completed on June 30, 2012.

Prepaid and postpaid subscribers reflected net activations of 2,016,859 and net reductions of 184,054 subscribers, respectively, in the first quarter of 2013 as compared with net activations of 2,280,091 and 133,233, respectively, in the same period in 2012.



The following table summarizes our average monthly churn rates for the three months ended March 31, 2013 and 2012:

	2013	2012
	(in %)	
Prepaid		
<i>Smart Prepaid</i>	5.6	5.8
<i>Talk 'N Text</i>	3.0	5.2
<i>Red Mobile</i>	9.1	21.5
<i>Sun Cellular</i>	9.6	9.2
Postpaid		
<i>Smart</i>	1.9	2.8
<i>Red Mobile</i>	12.0	14.9
<i>Sun Cellular</i>	8.6	0.9

For *Smart Prepaid* subscribers, the average monthly churn rate in the first quarter of 2013 and 2012 were 5.6% and 5.8%, respectively, while the average monthly churn rate for *Talk 'N Text* subscribers were 3% and 5.2% in the first quarter of 2013 and 2012, respectively. The average monthly churn rate for *Red Mobile* prepaid subscribers were 9.1% and 21.5% in the first quarter of 2013 and 2012, respectively. The average monthly churn rate for *Sun Cellular* prepaid subscribers were 9.6% and 9.2% in the first quarter of 2013 and 2012, respectively.

The average monthly churn rate for *Smart Postpaid* subscribers were 1.9% and 2.8% in the first quarter of 2013 and 2012, respectively. The average monthly churn rate for *Red Mobile* postpaid subscribers were 12.0% and 14.9% in the first quarter of 2013 and 2012, respectively. The average monthly churn rate for *Sun Cellular* postpaid subscribers was 8.6% and 0.9% in the first quarter of 2013 and 2012, respectively.

The following table summarizes our average monthly cellular ARPUs for the three months ended March 31, 2013 and 2012:

	Gross ⁽¹⁾		Increase (Decrease)		Net ⁽²⁾		Increase (Decrease)	
	2013	2012 ⁽³⁾	Amount	%	2013	2012 ⁽³⁾	Amount	%
Prepaid								
<i>Smart Prepaid</i>	Php161	Php176	(Php15)	(9)	Php141	Php153	(Php12)	(8)
<i>Talk 'N Text</i>	98	116	(18)	(16)	87	102	(15)	(15)
<i>Red Mobile</i>	108	46	62	135	96	40	56	140
<i>Sun Cellular</i>	70	69	1	1	61	59	2	3
Postpaid								
<i>Smart</i>	1,166	1,289	(123)	(10)	1,152	1,265	(113)	(9)
<i>Red Mobile</i>	349	339	10	3	349	339	10	3
<i>Sun Cellular</i>	468	399	69	17	464	396	68	17

⁽¹⁾ Gross monthly ARPU is calculated by dividing gross cellular service revenues for the month, gross of discounts, allocated content provider costs and interconnection income but excluding inbound roaming revenues, by the average number of subscribers in the month.

⁽²⁾ Net monthly ARPU is calculated by dividing gross cellular service revenues for the month, including interconnection income, but excluding inbound roaming revenues, net of discounts and content provider costs, by the average number of subscribers in the month.

⁽³⁾ The March 31, 2012 comparative information was adjusted to reflect certain presentation adjustments to conform with the current presentation of our business segments.



Our average monthly prepaid and postpaid ARPUs per quarter in 2013 and 2012 were as follows:

	Prepaid								Postpaid							
	Smart Prepaid		Talk 'N Text		Red Mobile		Sun Cellular ⁽¹⁾		Smart		Red Mobile		Sun Cellular ⁽¹⁾			
	Gross ⁽²⁾	Net ⁽³⁾	Gross ⁽²⁾	Net ⁽³⁾	Gross ⁽²⁾	Net ⁽³⁾	Gross ⁽²⁾	Net ⁽³⁾	Gross ⁽²⁾	Net ⁽³⁾	Gross ⁽²⁾	Net ⁽³⁾	Gross ⁽²⁾	Net ⁽³⁾		
2013																
First Quarter	161	141	98	87	108	96	70	69	1,166	1,152	349	349	468	464		
2012⁽⁴⁾																
First Quarter	176	153	116	102	46	40	69	59	1,289	1,265	339	339	399	396		
Second Quarter	167	145	113	100	66	57	68	58	1,253	1,227	368	368	407	405		
Third Quarter	163	141	107	93	72	61	69	60	1,250	1,248	375	375	398	395		
Fourth Quarter	171	150	106	93	101	90	76	66	1,262	1,246	370	370	400	397		

⁽¹⁾ Sun Cellular brand and its subscribers were acquired by PLDT when PLDT acquired a controlling interest in Digitel on October 26, 2011. Sun Cellular operates through DMPI, a wholly-owned subsidiary of Digitel.

⁽²⁾ Gross monthly ARPU is calculated based on the average of the gross monthly ARPUs for the quarter.

⁽³⁾ Net monthly ARPU is calculated based on the average of the net monthly ARPUs for the quarter.

⁽⁴⁾ The March 31, 2012 comparative information was adjusted to reflect certain presentation adjustments to conform with the current presentation of our business segments.

Wireless Broadband, Satellite and Other Services

Our revenues from wireless broadband, satellite and other services consist mainly of wireless broadband service revenues from SBI and DMPI, charges for ACeS Philippines' satellite information and messaging services and service revenues generated by the mobile virtual network operations of PLDT Global's subsidiary.

Wireless Broadband

Revenues from our wireless broadband services increased by Php199 million, or 9%, to Php2,321 million in the first quarter of 2013 from Php2,122 million in the same period in 2012, primarily due to a 6% growth in broadband subscriber base.

The following table shows information of our wireless broadband subscriber base as at March 31, 2013 and 2012:

	2013	2012	Increase (Decrease)	
			Amount	%
Wireless Broadband Subscribers	2,238,979	2,112,913	126,066	6
<i>Prepaid</i>	1,498,167	1,389,123	109,044	8
Smart Broadband	1,226,054	1,168,385	57,669	5
Sun Broadband	272,113	220,738	51,375	23
<i>Postpaid</i>	740,812	723,790	17,022	2
Smart Broadband	514,518	449,974	64,544	14
Sun Broadband	226,294	273,816	(47,522)	(17)

Smart Broadband and *Sun Broadband Wireless*, SBI's and DMPI's broadband services, respectively, offer a number of wireless broadband services and had a total of 2,238,979 subscribers as at March 31, 2013, an increase of 126,066 subscribers, or 6%, as compared with 2,112,913 subscribers as at March 31, 2012, primarily due to an increase by 122,213, or 8%, in *Smart Broadband* subscribers and an increase in *Sun Broadband* subscribers by 3,853, or 1%, as at March 31, 2013. Our prepaid wireless broadband subscriber base increased by 109,044 subscribers, or 8%, to 1,498,167 subscribers as at March 31, 2013 from 1,389,123 subscribers as at March 31, 2012, while our postpaid wireless broadband subscriber base increased by 17,022 subscribers, or 2%, to 740,812 subscribers as at March 31, 2013 from 723,790 subscribers as at March 31, 2012.

SBI's *SmartBro* fixed wireless broadband service, recently rebranded as *myBro*, is being offered under PLDT's *Home* megabrand. *myBro* fixed wireless broadband service is powered either via a link to Smart's wireless broadband-enabled base stations which allows subscribers to connect to the internet using an outdoor aerial antenna installed in the subscriber's home or via Smart's WiMAX (Worldwide Interoperability for Microwave Access) network.

SBI also offers mobile internet access through *SmartBro Plug-It*, a wireless modem and *SmartBro Pocket Wifi*, a portable wireless router which can be shared by up to five users at a time. Both provide instant connectivity at varying connectivity speeds in places where there is Smart network coverage provided by either 3G high speed packet access (HSPA), 4G HSPA+ or LTE technology. *SmartBro Plug-It* and *SmartBro Pocket Wifi* are available in both postpaid and prepaid variants. SBI also offers unlimited internet surfing for *SmartBro Plug-It* and *Pocket Wifi Prepaid* subscribers. We also have an additional array of load packages that offer per minute-based charging and longer validity periods, as well as *Always On* packages, which offers volume over time-based buckets catering to subscribers with varying data surfing requirements.

DMPI's *Sun Broadband Wireless* is an affordable high-speed broadband wireless service utilizing advanced 3.5G HSPA technology on an all-IP network offering various plans and packages to internet users.

Satellite and Other Services

Revenues from our satellite and other services decreased by Php42 million, or 11%, to Php354 million in the first quarter of 2013 from Php396 million in the same period in 2012, primarily due to the termination of wired and wireless leased line clients, a decrease in the number of ACeS Philippines' subscribers and the effect of the appreciation of the Philippine peso relative to the U.S. dollar to a weighted average exchange rate of Php40.70 for the three months ended March 31, 2013 from Php43.03 for the three months ended March 31, 2012 on our U.S. dollar and U.S. dollar-linked satellite and other service revenues.

Non-Service Revenues

Our wireless non-service revenues consist of proceeds from sales of cellular handsets, cellular SIM-packs and broadband data modems. Our wireless non-service revenues decreased by Php30 million, or 5%, to Php588 million in the first quarter of 2013 from Php618 million in the same period in 2012, primarily due to the decrease in the combined average retail price and quantity of Smart's cellular handsets/SIM-packs issued for activation, a decrease in the number of *Plug-It* modems sold, as well as the decrease in DMPI's non-service revenue contribution by Php22 million for the first quarter of 2013.

Expenses

Expenses associated with our wireless business amounted to Php19,017 million in the first quarter of 2013, an increase of Php78 million from Php18,939 million in the same period in 2012. A significant portion of this increase was attributable to higher expenses related to compensation and employee benefits, amortization of intangible assets, selling and promotions, rent, insurance and security services, communication, training and travel, and professional and other contracted services, partially offset by lower interconnection costs, cost of sales, taxes and licenses, asset impairment, depreciation and amortization, repairs and maintenance and other operating expenses. As a percentage of our total wireless revenues, expenses associated with our wireless business accounted for 65% in



each of the first quarter of 2013 and 2012.

The following table summarizes the breakdown of our total wireless-related expenses for the three months ended March 31, 2013 and 2012 and the percentage of each expense item in relation to the total:

	2013	%	2012 ⁽¹⁾	%	Increase (Decrease)	
					Amount	%
	(in millions)					
Depreciation and amortization	Php4,051	21	Php4,111	22	(Php60)	(1)
Rent	2,518	13	2,412	13	106	4
Compensation and employee benefits	2,161	11	1,891	10	270	14
Cost of sales	2,100	11	2,267	12	(167)	(7)
Repairs and maintenance	1,987	11	1,998	10	(11)	(1)
Interconnection costs	1,942	10	2,220	12	(278)	(13)
Selling and promotions	1,514	8	1,387	7	127	9
Professional and other contracted services	902	5	879	5	23	3
Taxes and licenses	568	3	641	3	(73)	(11)
Communication, training and travel	353	2	318	2	35	11
Asset impairment	295	2	356	2	(61)	(17)
Insurance and security services	262	1	224	1	38	17
Amortization of intangible assets	201	1	27	-	174	644
Other expenses	163	1	208	1	(45)	(22)
Total	Php19,017	100	Php18,939	100	Php78	-

⁽¹⁾ The March 31, 2012 comparative information was adjusted to reflect certain presentation adjustments to conform with the current presentation of our business segments and the adjustments on the adoption of the Revised PAS 19 – Employee Benefits. See Note 2 – Summary of Significant Accounting Policies – Changes in Accounting Policies and Disclosures to the accompanying unaudited consolidated financial statements for further discussion.

Depreciation and amortization charges decreased by Php60 million, or 1%, to Php4,051 million primarily due to a lower depreciable asset base.

Rent expenses increased by Php106 million, or 4%, to Php2,518 million primarily due to an increase in leased circuit and office building rental charges, partially offset by lower site rental charges. In the three months ended March 31, 2013, we had 10,494 cell sites, 14,845 cellular/mobile broadband base stations and 2,898 fixed wireless broadband-enabled base stations, as compared with 10,495 cell sites, 12,756 cellular/mobile broadband base stations and 2,797 fixed wireless broadband-enabled base stations in the same period in 2012.

Compensation and employee benefits expenses increased by Php270 million, or 14%, to Php2,161 million primarily due to higher MRP costs of Smart as a result of the retroactive adjustment of the adoption of the Revised PAS 19 of Php119 million in the first quarter of 2013, LTIP costs, as well as higher salaries and employee benefits and provision for pension benefits. Employee headcount decreased to 8,007 as at March 31, 2013 as compared with 8,063 as at March 31, 2012, primarily due to the availment of the MRP by Smart and DMPI employees as at March 31, 2013.

Cost of sales decreased by Php167 million, or 7%, to Php2,100 million primarily due to lower average cost of handsets and SIM-packs issued for activation and retention purposes and lower average cost of broadband modems sold.

Repairs and maintenance expenses decreased by Php11 million, or 1%, to Php1,987 million mainly due to lower site electricity consumption and site facilities maintenance costs, partially offset by higher maintenance costs on IT software and hardware, and cellular and broadband network facilities, as well as higher janitorial costs.

Interconnection costs decreased by Php278 million, or 13%, to Php1,942 million primarily due to a decrease in interconnection charges on international calls and roaming SMS.

Selling and promotion expenses increased by Php127 million, or 9%, to Php1,514 million primarily due to higher commissions and public relations expenses.

Professional and other contracted service fees increased by Php23 million, or 3%, to Php902 million primarily due to an increase in call center, contracted and outsourced service costs, partly offset by lower consultancy and technical service fees.

Taxes and licenses decreased by Php73 million, or 11%, to Php568 million primarily due to lower business-related taxes and license fees.

Communication, training and travel expenses increased by Php35 million, or 11%, to Php353 million primarily due to higher expenses related to mailing and courier, as well as freight and hauling, partially offset by lower travel expenses, communication charges and fuel consumption costs for executive vehicles.

Asset impairment decreased by Php61 million, or 17%, to Php295 million primarily due to lower provision for inventory obsolescence, partially offset by higher provision for uncollectible receivables.

Insurance and security services increased by Php38 million, or 17%, to Php262 million primarily due to higher office and site security expenses, partially offset by lower insurance and bond premiums.

Amortization of intangible assets increased by Php174 million to Php201 million primarily due to the amortization of intangible assets related to customer list and franchise.

Other expenses decreased by Php45 million, or 22%, to Php163 million primarily due to lower various business and operational-related expenses.

Other Income (Expenses)

The following table summarizes the breakdown of our total wireless-related other income (expenses) for the three months ended March 31, 2013 and 2012:

	2013	2012 ⁽¹⁾	Change	
			Amount	%
			(in millions)	
Other Income (Expenses):				
Foreign exchange gains – net	Php188	Php963	(Php775)	(80)
Interest income	143	194	(51)	(26)
Gains (Losses) on derivative financial instruments – net	3	(23)	26	(113)
Equity share in net losses of associates	(33)	(2)	(31)	1,550
Financing costs – net	(631)	(701)	70	(10)
Others	152	292	(140)	(48)
Total	(Php178)	Php723	(Php901)	(125)

⁽¹⁾ The March 31, 2012 comparative information was adjusted to reflect certain presentation adjustments to conform with the current presentation of our business segments.

Our wireless business' other expenses amounted to Php178 million in the first quarter of 2013, a change of Php901 million, or 125%, as against other income of Php723 million in the same period in 2012, primarily due to the combined effects of the following: (i) lower net foreign exchange gains by Php775 million on account of revaluation of net foreign currency-denominated liabilities due to the lower appreciation of the Philippine peso to the U.S. dollar; (ii) a decrease in other income by Php140 million mainly due to losses on fixed asset disposal in the first quarter of 2013 as compared with gain on disposal of fixed asset in 2012 and lower recovery of prior years' provision; (iii) a decrease in interest income by Php51 million mainly due to lower average short-term investments and lower average

interest rates, as well as shorter average tenor of U.S. dollar placements in the first quarter of 2013 and the appreciation of the Philippine peso to the U.S. dollar, partially offset by higher U.S. dollar interest rate and longer average tenor of Philippine peso placements; (iv) an increase in equity share in net losses of associates by Php31 million; (v) net gains on derivative financial instruments by Php3 million in the first quarter of 2013 as compared with net loss of Php23 million in the same period in 2012 mainly on account of mark-to-market gain on derivatives as a result of lower level of the appreciation of the Philippine peso, partially offset by a narrower dollar and peso interest rate differentials; and (vi) lower net financing costs by Php70 million primarily due to a decrease in interest expense mainly due to a lower average interest rate and a decrease in financing charges.

Provision for Income Tax

Provision for income tax decreased by Php844 million, or 26%, to Php2,379 million in the first quarter of 2013 from Php3,223 million in the same period in 2012 primarily due to lower taxable income. The effective tax rate for our wireless business was 24% and 30% in the first quarter of 2013 and 2012, respectively.

Net Income

As a result of the foregoing, our wireless business' net income decreased by Php97 million, or 1%, to Php7,484 million from Php7,581 million recorded in the same period in 2012.

EBITDA

As a result of the foregoing, our wireless business' EBITDA increased by Php193 million, or 1%, to Php14,412 million in the first quarter of 2013 from Php14,219 million in the same period in 2012.

Core Income

Our wireless business' core income increased by Php545 million, or 8%, to Php7,470 million in the first quarter of 2013 from Php6,925 million in the same period in 2012 on account of an increase in wireless revenues and a decrease in provision for income tax, partially offset by a decrease in other income and higher wireless-related operating expenses, excluding the retroactive effect of the adoption of the Revised PAS 19 in our MRP costs of Php119 million in the first quarter of 2013.

Fixed Line

Revenues

Revenues generated from our fixed line business amounted to Php15,625 million in the first quarter of 2013, an increase of Php451 million, or 3%, from Php15,174 million in the same period in 2012.

The following table summarizes our total revenues from our fixed line business for the three months ended March 31, 2013 and 2012 by service segment:

	2013	%	2012 ⁽¹⁾	%	Increase (Decrease)	
					Amount	%
	(in millions)					
Service Revenues:						
Local exchange	Php4,037	26	Php4,174	27	(Php137)	(3)
International long distance	2,881	19	2,810	19	71	3
National long distance	1,155	7	1,338	9	(183)	(14)
Data and other network	6,626	42	6,228	41	398	6
Miscellaneous	491	3	445	3	46	10
	15,190	97	14,995	99	195	1
Non-Service Revenues:						
Sale of computers, phone units and SIM cards	435	3	179	1	256	143
Total Fixed Line Revenues	Php15,625	100	Php15,174	100	Php451	3

⁽¹⁾ The March 31, 2012 comparative information was adjusted to reflect certain presentation adjustments to conform with the current presentation of our business segments.

Service Revenues

Our fixed line business provides local exchange service, national and international long distance services, data and other network services, and miscellaneous services. Our fixed line service revenues increased by Php195 million, or 1%, to Php15,190 million in the first quarter of 2013 from Php14,995 million in the same period in 2012 due to an increase in the revenue contribution of our data and other network, international long distance and miscellaneous services, partially offset by decreases in national long distance and local exchange services.

Local Exchange Service

The following table summarizes the key measures of our local exchange service business as at and for the three months ended March 31, 2013 and 2012:

	2013	2012 ⁽¹⁾	Increase (Decrease)	
			Amount	%
Total local exchange service revenues (in millions)	Php4,037	Php4,174	(Php137)	(3)
Number of fixed line subscribers	2,063,522	2,151,136	(87,614)	(4)
Postpaid	2,000,666	2,025,093	(24,427)	(1)
Prepaid	62,856	126,043	(63,187)	(50)
Number of fixed line employees	7,005	9,064	(2,059)	(23)
Number of fixed line subscribers per employee	295	237	58	24

⁽¹⁾ The March 31, 2012 comparative information was adjusted to reflect certain presentation adjustments to conform with the current presentation of our business segments.

Revenues from our local exchange service decreased by Php137 million, or 3%, to Php4,037 million in the first quarter of 2013 from Php4,174 million in the same period in 2012, primarily due to the decrease in postpaid wired and *PLP* lines, and a decrease in ARPU on account of lower fixed charges due to the increase in demand for bundled voice and data services. The percentage contribution of local exchange revenues to our total fixed line service revenues was 26% and 28% in the first quarter of 2013 and 2012, respectively.

PLP wireless service allows subscribers to bring the telephone set anywhere within the home zone area and is available in postpaid and prepaid variants. Similar to our *PLP* wireless service, Digitel's *SunTel* wireless landline offers unlimited landline to landline calls.



International Long Distance Service

The following table shows our international long distance service revenues and call volumes for the three months ended March 31, 2013 and 2012:

	2013	2012 ⁽¹⁾	Increase (Decrease)	
			Amount	%
Total international long distance service revenues (in millions)	Php2,881	Php2,810	Php71	3
Inbound	2,581	2,460	121	5
Outbound	300	350	(50)	(14)
International call volumes (in million minutes, except call ratio)	584	557	27	5
Inbound	480	429	51	12
Outbound	104	128	(24)	(19)
Inbound-outbound call ratio	4.6:1	3.4:1	-	-

⁽¹⁾ The March 31, 2012 comparative information was adjusted to reflect certain presentation adjustments to conform with the current presentation of our business segments.

Our total international long distance service revenues increased by Php71 million, or 3%, to Php2,881 million in the first quarter of 2013 from Php2,810 million in the same period in 2012, primarily due to the increase in PLDT's inbound call volumes, as well as the increase in average collection rate in dollar terms, partially offset by the unfavorable effect of the appreciation of the weighted average exchange rate of the Philippine peso to the U.S. dollar to Php40.70 in the first quarter of 2013 from Php43.03 in the same period in 2012, and the decrease in average settlement rate in dollar terms. The percentage contribution of international long distance service revenues to our total fixed line service revenues accounted for 19% in each of the first quarter of 2013 and 2012.

Our revenues from inbound international long distance service increased by Php121 million, or 5%, to Php2,581 million in the first quarter of 2013 from Php2,460 million in the same period in 2012 primarily due to the increase in inbound call volumes, partially offset by the unfavorable effect on our inbound revenues of the appreciation of the weighted average exchange rate of the Philippine peso to the U.S. dollar, and the decrease in average settlement rate in dollar terms.

Our revenues from outbound international long distance service decreased by Php50 million, or 14%, to Php300 million in the first quarter of 2013 from Php350 million in the same period in 2012, primarily due to the decrease in PLDT's outbound call volumes and the unfavorable effect of the appreciation of the weighted average exchange rate of the Philippine peso to the U.S. dollar to Php40.70 for the three months ended March 31, 2013 from Php43.03 for the three months ended March 31, 2012, resulting in a decrease in the average billing rate to Php40.80 in the first quarter of 2013 from Php43.31 in the same period in 2012 partially offset by the increase in the average collection rate in dollar terms.

National Long Distance Service

The following table shows our national long distance service revenues and call volumes for the three months ended March 31, 2013 and 2012:

	2013	2012 ⁽¹⁾	Decrease	
			Amount	%
Total national long distance service revenues (in millions)	Php1,155	Php1,338	(Php183)	(14)
National long distance call volumes (in million minutes)	212	268	(56)	(21)

⁽¹⁾ The March 31, 2012 comparative information was adjusted to reflect certain presentation adjustments to conform with the current presentation of our business segments.

Our national long distance service revenues decreased by Php183 million, or 14%, to Php1,155 million in the first quarter of 2013 from Php1,338 million in the same period in 2012, primarily due to a

decrease in call volumes, partially offset by an increase in the average revenue per minute of our national long distance services. The percentage contribution of national long distance revenues to our fixed line service revenues was 8% and 9% in the first quarter of 2013 and 2012, respectively.

Data and Other Network Services

The following table shows information of our data and other network service revenues for the three months ended March 31, 2013 and 2012:

	2013	2012 ⁽¹⁾	Increase (Decrease)	
			Amount	%
Data and other network service revenues (in millions)	Php6,626	Php6,228	Php398	6
Domestic	4,823	4,609	214	5
<i>Broadband</i>	2,952	2,829	123	4
DSL	2,903	2,773	130	5
WeRoam	49	56	(7)	(13)
<i>Leased Lines and Others</i>	1,871	1,780	91	5
International				
<i>Leased Lines and Others</i>	1,373	1,391	(18)	(1)
Vitro™ Data Center	430	228	202	89
Subscriber base				
<i>Broadband</i>	924,312	881,265	43,047	5
DSL	907,703	864,154	43,549	5
WeRoam	16,609	17,111	(502)	(3)
SWUP	24,980	20,742	4,238	20

⁽¹⁾ The March 31, 2012 comparative information was adjusted to reflect certain presentation adjustments to conform with the current presentation of our business segments.

Our data and other network services posted revenues of Php6,626 million in the first quarter of 2013, an increase of Php398 million, or 6%, from Php6,228 million in the same period in 2012, primarily due to higher revenues from Vitro™ data center, PLDT DSL, and domestic leased line revenues resulting from the higher revenue contribution of Metro Ethernet, partially offset by the decrease in international data revenues primarily due to lower revenues from inland cable lease and Fibernet revenues. The percentage contribution of this service segment to our fixed line service revenues was 44% and 41% in the first quarter of 2013 and 2012, respectively.

Domestic

Domestic data services contributed Php4,823 million in the first quarter of 2013, an increase of Php214 million, or 5%, as compared with Php4,609 million in the same period in 2012 mainly due to higher DSL, Metro Ethernet and Diginet revenues, and *Shops.Work* subscribers as customer locations and bandwidth requirements continued to expand and demand for offshoring, outsourcing services increased, partially offset by lower internet exchange and IP-VPN revenues. The percentage contribution of domestic data service revenues to total data and other network services was 73% and 74% in the first quarter of 2013 and 2012, respectively.

Broadband

Broadband data services include PLDT DSL broadband internet service, which is intended for individual internet users, small and medium enterprises, and large corporations with multiple branches, and PLDT WeRoam, our mobile broadband service, running on the PLDT Group's nationwide wireless network (using GPRS, EDGE, 3G/HSDPA/HSPA/HSPA+ and WiFi technologies).

Broadband data revenues amounted to Php2,952 million in the first quarter of 2013, an increase of Php123 million, or 4%, from Php2,829 million in the same period in 2012, primarily due to the higher revenue contribution of DSL which contributed revenues of Php2,903 million in the first quarter of 2013 from Php2,773 million in the same period in 2012 as a result of the increase in the number of subscribers by 43,549, or 5%, to 907,703 subscribers from 864,154 subscribers as at March 31, 2012. DSL revenues accounted for 44% and 45% of total data and other network service revenues in the first quarter of 2013 and 2012, respectively.

WeRoam revenues amounted to Php49 million in the first quarter of 2013, a decrease of Php7 million, or 13%, from Php56 million in the same period in 2012 as a result of a decrease in subscriber base by 502, or 3%, to 16,609 subscribers in the first quarter of 2013 from 17,111 subscribers in the same period in 2012.

Leased Lines and Others

Leased lines and other data services include: (1) Diginet, our domestic private leased line service providing Smart's fiber optic and leased line data requirements; (2) IP-VPN, a managed corporate IP network that offers a secure means to access corporate network resources; (3) Metro Ethernet, our high-speed wide area networking services that enable mission-critical data transfers; (4) *Shops.Work*, our connectivity solution for retailers and franchisers that links company branches to their head office; and (5) *SWUP*, our wireless VPN service that powers mobile point-of-sale terminals and off-site bank ATMs, as well as other retail outlets located in remote areas. As at March 31, 2013, *SWUP* had a total subscriber base of 24,980 up by 4,238, or 20%, from 20,742 subscribers in the same period in 2012. Leased lines and other data revenues amounted to Php1,871 million in the first quarter of 2013, an increase of Php91 million, or 5%, from Php1,780 million in the same period in 2012, primarily due to higher revenues from Metro Ethernet and *Shops.Work*, partially offset by lower internet exchange and IP-VPN revenues. The percentage contribution of leased lines and other data service revenues to the total data and other network services was 28% in each of the first quarter of 2013 and 2012.

International

Leased Lines and Others

International leased lines and other data services consist mainly of: (1) i-Gate, our premium dedicated internet access service that provides high speed, reliable and managed connectivity to the global internet, and is intended for enterprises and VAS providers; (2) Fibernet, which provides cost-effective and reliable bilateral point-to-point private networking connectivity, through the use of our extensive international alliances to offshore and outsourcing, banking and finance, and semiconductor industries; and (3) other international managed data services in partnership with other global service providers, such as AT&T, BT-Infonet, NTT Arcstar, Orange Business, SingTel, Tata, Telstra, Verizon Business, among others, which provide data networking services to multinational companies. International data service revenues decreased by Php18 million, or 1%, to Php1,373 million in the first quarter of 2013 from Php1,391 million in the same period in 2012, primarily due to lower inland-cable lease and Fibernet revenues, and the unfavorable effect of the appreciation of the Philippine peso relative to the U.S. dollar partially offset by an increase in revenues from various global service providers. The percentage contribution of international data service revenues to total data and other network service revenues was 21% and 22% in the first quarter of 2013 and 2012, respectively.

Vitro™ Data Center

Vitro™ data center provides co-location or rental services, server hosting, disaster recovery and business continuity services, intrusion detection, security services, such as firewalls and managed firewalls. Data center revenues increased by Php202 million, or 89%, to Php430 million in the first quarter of 2013 from Php228 million in the same period in 2012 mainly due to higher co-location and managed services.

Miscellaneous Services

Miscellaneous service revenues are derived mostly from rental and facilities management fees, internet and online gaming, and directory advertising. These service revenues increased by Php46 million, or 10%, to Php491 million in the first quarter of 2013 from Php445 million in the same period in 2012 mainly due to higher facilities management fees, rental and directory advertising, and the revenue contribution of PGNL, which is the exclusive distributor and licensee of the programs, shows, films and channels of TV5 abroad, the distribution of which is via syndication and international linear channels. The percentage contribution of miscellaneous service revenues to our total fixed line service revenues was 3% in each of the first quarter of 2013 and 2012.

Non-service Revenues

Non-service revenues increased by Php256 million, or 143%, to Php435 million in the first quarter of 2013 from Php179 million in the same period in 2012, primarily due to increases in the sales of hardware and software licenses, and *Telpad*, partially offset by lower computer-bundled sales, several managed PABX and *On Call* solutions, and *PLP* units.

Expenses

Expenses related to our fixed line business totaled Php13,952 million in the first quarter of 2013, an increase of Php1,154 million, or 9%, as compared with Php12,798 million in the same period in 2012. The increase was primarily due to higher expenses related to compensation and employee benefits, repairs and maintenance, selling and promotions, interconnection costs, rent and asset impairment, partly offset by lower expenses related to depreciation and amortization, cost of sales, insurance and security services, communication, training and travel, and professional and other contracted services. As a percentage of our total fixed line revenues, expenses associated with our fixed line business accounted for 89% and 84% in the first quarter of 2013 and 2012, respectively.

The following table shows the breakdown of our total fixed line-related expenses for the three months ended March 31, 2013 and 2012 and the percentage of each expense item to the total:

	2013	%	2012 ⁽¹⁾	%	Increase (Decrease)	
					Amount	%
(in millions)						
Compensation and employee benefits	Php3,679	26	Php2,891	23	Php788	27
Depreciation and amortization	3,177	23	3,239	25	(62)	(2)
Interconnection costs	2,085	15	1,977	15	108	5
Repairs and maintenance	1,494	11	1,300	10	194	15
Professional and other contracted services	965	7	982	8	(17)	(2)
Rent	708	5	654	5	54	8
Selling and promotions	413	3	272	2	141	52
Taxes and licenses	331	2	330	3	1	–
Cost of sales	311	2	341	3	(30)	(9)
Asset impairment	307	2	265	2	42	16
Communication, training and travel	198	2	217	2	(19)	(9)
Insurance and security services	141	1	170	1	(29)	(17)
Amortization of intangible assets	1	–	–	–	1	100
Other expenses	142	1	160	1	(18)	(11)
Total	Php13,952	100	Php12,798	100	Php1,154	9

⁽¹⁾ The March 31, 2012 comparative information was adjusted to reflect certain presentation adjustments to conform with the current presentation of our business segments and the adjustments on the adoption of the Revised PAS 19 – Employee Benefits. See Note 2 – Summary of Significant Accounting Policies – Changes in Accounting Policies and Disclosures to the accompanying unaudited consolidated financial statements for further discussion.

Compensation and employee benefits expenses increased by Php788 million, or 27%, to Php3,679 million primarily due to higher MRP costs as a result of the retroactive adjustment of the adoption of the Revised PAS 19 of Php672 million in the first quarter of 2013, provision for pension, and salaries and employee benefits, partially offset by lower provision for LTIP costs. Employee headcount decreased to 9,772 in the first quarter of 2013 as compared with 11,706 in the same period in 2012 mainly due to a decrease in PLDT's and Digitel's headcounts as a result of the MRP, partially offset by an increase in the number of employee headcount of iPlus.

Depreciation and amortization charges decreased by Php62 million, or 2%, to Php3,177 million due to lower depreciable asset base.

Interconnection costs increased by Php108 million, or 5%, to Php2,085 million primarily due to higher international long distance interconnection/settlement costs as a result of higher international received paid calls that terminated to other domestic carriers, partially offset by lower settlement costs for national long distance interconnection costs and data and other network services particularly Fibernet and Infonet.

Repairs and maintenance expenses increased by Php194 million, or 15%, to Php1,494 million primarily due to higher repairs and maintenance costs for buildings, office electricity cost, and IT software partially offset by lower repairs and maintenance costs on central office/telecoms equipment, cable and wire facilities, vehicles, furniture and other work equipment, and lower site fuel and electricity consumption.

Professional and other contracted service expenses decreased by Php17 million, or 2%, to Php965 million primarily due to lower consultancy and technical service fees, partially offset by higher contracted service, bill printing fees, and other professional fees.

Rent expenses increased by Php54 million, or 8%, to Php708 million primarily due to higher site, office building and equipment rentals, and domestic leased circuit charges, partially offset by lower international leased circuits charges.

Selling and promotion expenses increased by Php141 million, or 52%, to Php413 million primarily due to higher advertising, promotional campaigns, public relations and commissions expense.

Taxes and licenses increased by Php1 million to Php331 million as a result of higher real property taxes and NTC license fees.

Cost of sales decreased by Php30 million, or 9%, to Php311 million primarily due to lower sales of *PLP* units, and several managed PABX and *On Call* solutions, partially offset by an increase in the sale of *Telpad* units.

Asset impairment increased by Php42 million, or 16%, to Php307 million mainly due to higher provision for uncollectible receivables.

Communication, training and travel expenses decreased by Php19 million, or 9%, to Php198 million mainly due to a decrease in mailing and courier, and fuel consumption charges, partially offset by higher local and foreign training and travel.

Insurance and security services decreased by Php29 million, or 17%, to Php141 million primarily due to lower office security services, partially offset by higher expenses on insurance and bond premiums.

Amortization of intangible assets amounted to Php1 million relating to the amortization of intangible assets related to customer list and licenses in relation to IP Converge Data Services, Inc.'s acquisition.

Other expenses decreased by Php18 million, or 11%, to Php142 million primarily due to lower various business and operational-related expenses.

Other Expenses

The following table summarizes the breakdown of our total fixed line-related other expenses for the three months ended March 31, 2013 and 2012:

	2013	2012 ⁽¹⁾	Change	
			Amount	%
			(in millions)	
Other Income (Expenses):				
Interest income	Php145	Php153	(Php8)	(5)
Foreign exchange gains – net	25	277	(252)	(91)
Gains (losses) on derivative financial instruments – net	20	(111)	131	(118)
Equity share in net earnings (losses) of associates	(6)	63	(69)	(110)
Financing costs – net	(973)	(974)	1	–
Others	248	348	(100)	(29)
Total	<u>(Php541)</u>	<u>(Php244)</u>	<u>(Php297)</u>	<u>122</u>

⁽¹⁾ The March 31, 2012 comparative information was adjusted to reflect certain presentation adjustments to conform with the current presentation of our business segments and the adjustments on the adoption of the Revised PAS 19 – Employee Benefits. See Note 2 – Summary of Significant Accounting Policies – Changes in Accounting Policies and Disclosures to the accompanying unaudited consolidated financial statements for further discussion.

Our fixed line business' other expenses amounted to Php541 million in the first quarter of 2013, an increase of Php297 million, or 122%, from Php244 million in the same period in 2012. The increase was due to the combined effects of the following: (i) decrease in net foreign exchange gains by Php252 million due to the foreign exchange revaluation of foreign currency-denominated assets and liabilities due to the effect of the lower level of appreciation of the Philippine peso to the U.S. dollar; (ii) a decrease in other income by Php100 million mainly due to lower gain on disposal of fixed assets; (iii) equity share in net losses of associates and joint ventures of Php6 million for the three months ended March 31, 2013 as compared with equity share in net earnings of Php63 million in the same period in 2012 as a result of the disposal of Philweb Corporation in 2012; (iv) a decrease in interest income by Php8 million due to a lower principal amount of dollar placements, lower average dollar and peso interest rates, shorter average tenor of dollar placements and the impact of the appreciation of the Philippine peso on dollar placements; and (v) net gains on derivative financial instruments of Php20 million in the first quarter of 2013 as against net losses on derivative financial instruments of Php111 million in the same period in 2012 due to maturity of 2012 hedges and the effect of a lower level of appreciation of the Philippine peso to the U.S. dollar, partially offset by narrower dollar and peso interest rate differentials.

Provision for Income Tax

Provision for income tax amounted to Php285 million in the first quarter of 2013, a decrease of Php158 million, or 36%, from Php443 million in the same period in 2012, primarily due to lower taxable income.

Net Income

As a result of the foregoing, our fixed line business contributed a net income of Php847 million in the first quarter of 2013, decreased by Php842 million, or 50%, as compared with Php1,689 million in the same period in 2012.

EBITDA

As a result of the foregoing, our fixed line business' EBITDA decreased by Php92 million, or 2%, to Php5,523 million in the first quarter of 2013 from Php5,615 million in the same period in 2012.

Core Income

Our fixed line business' core income decreased by Php235 million, or 15%, to Php1,283 million in the first quarter of 2013 from Php1,518 million in the same period in 2012, primarily as a result of higher fixed line operating expenses and other expenses, excluding the retroactive effect of the adoption of the Revised PAS 19 in our MRP costs of Php672 million in the first quarter of 2013, partially offset by higher fixed line revenues and a decrease in provision for income tax.

Others

Expenses

Expenses associated with our other business segment totaled Php1 million in the first quarter of 2013, a decrease of Php4 million, or 80%, as compared with Php5 million in the same period in 2012, primarily due to PCEV's lower other operating expenses.

Other Income

The following table summarizes the breakdown of other income for other business segment for the three months ended March 31, 2013 and 2012:

	2013	2012	Change	
			Amount	%
			(in millions)	
Other Income (Expenses):				
Equity share in net earnings of associates	Php187	Php213	(Php26)	(12)
Interest income	8	7	1	14
Others	437	218	219	100
Total	Php632	Php438	Php194	44

Other income increased by Php194 million, or 44%, to Php632 million in the first quarter of 2013 from Php438 million in the same period in 2012 primarily due to an increase in other income by Php219 million mainly due to a decrease in equity share in net earnings of associates by Php26 million mainly due to the decrease in PCEV's share in the net earnings of Beacon, which includes its share in the results of operations of Meralco and net of share in net earnings of preferred shareholders.

In the first quarter of 2013, Meralco's reported and core income amounted to Php4,024 million as compared with Php3,373 million and Php3,418 million, respectively, in the same period in 2012. These results were primarily due to increases in billed customers and electricity sales volume, partially offset by lower distribution and transmission rates in the first quarter of 2013 as compared with the same period in 2012. PCEV's share in the reported and core income of Meralco, including its share in Beacon's results of operations and amortization of fair value adjustment related to the acquisition of Meralco, amounted to Php187 million and Php174 million, respectively, in the first quarter of 2013, and Php213 million and Php303 million, respectively, in the same period in 2012.

Net Income

As a result of the foregoing, our other business segment registered a net income of Php626 million, an increase of Php198 million, or 46%, in the first quarter of 2013 from Php428 million in the same period in 2012.

EBITDA

As a result of the foregoing, negative EBITDA from our other business segment decreased by Php4 million, or 80%, to negative Php1 million in the first quarter of 2013 from negative Php5 million in the same period in 2012.

Core Income

Our other business segment's core income amounted to Php598 million in the first quarter of 2013, an increase of Php81 million, or 16%, as compared with Php517 million in the same period in 2012 mainly as a result of an increase in other income, partially offset by a decrease in the adjustment in equity share of Meralco.

Liquidity and Capital Resources

The following table shows our consolidated cash flows for the three months ended March 31, 2013 and 2012, as well as our consolidated capitalization and other consolidated selected financial data as at March 31, 2013 and December 31, 2012:

	Three Months Ended March 31,	
	2013	2012
	(in millions)	
Cash Flows		
Net cash provided by operating activities	Php14,302	Php18,592
Net cash used in investing activities	4,846	5,610
<i>Capital expenditures</i>	<i>3,066</i>	<i>2,751</i>
Net cash used in financing activities	7,470	12,102
Net increase in cash and cash equivalents	1,956	735
	March 31,	December 31,
	2013	2012⁽¹⁾
	(in millions)	
Capitalization		
Long-term portion of interest-bearing financial liabilities – net of current portion:		
Long-term debt	Php99,787	Php102,811
Obligations under finance lease	9	10
	<u>99,796</u>	<u>102,821</u>
Current portion of interest-bearing financial liabilities:		
Long-term debt maturing within one year	11,996	12,981
Obligations under finance lease maturing within one year	8	8
	<u>12,004</u>	<u>12,989</u>
Total interest-bearing financial liabilities	111,800	115,810
Total equity attributable to equity holders of PLDT	130,216	145,550
	<u>Php242,016</u>	<u>Php261,360</u>
Other Selected Financial Data		
Total assets ⁽¹⁾	Php407,046	Php405,815
Property, plant and equipment	195,755	200,078
Cash and cash equivalents	39,135	37,161
Short-term investments	1,587	574

⁽¹⁾ The December 31, 2012 comparative information was restated to reflect the adjustments on the adoption of the Revised PAS 19 – Employee Benefits. See Note 2 – Summary of Significant Accounting Policies – Changes in Accounting Policies and Disclosures to the accompanying unaudited consolidated financial statements for further discussion.

Our consolidated cash and cash equivalents and short-term investments totaled Php40,722 million as at March 31, 2013. Principal sources of consolidated cash and cash equivalents in the first quarter of 2013 were cash flows from operating activities amounting to Php14,302 million, proceeds from availment of long-term debt of Php5,255 million and interest received of Php320 million. These funds were used principally for: (1) debt principal and interest payments of Php9,415 million and Php1,501 million, respectively; (2) capital outlays of Php3,066 million; (3) net payment of capital expenditures under long-term financing of Php1,642 million; (4) payment for deposit for future PDRs' subscription of Php750 million; (5) settlements of derivative financial instruments of Php128 million; and (6) dividend payments of Php23 million.

Our consolidated cash and cash equivalents and short-term investments totaled Php47,399 million as at March 31, 2012. Principal sources of consolidated cash and cash equivalents in the first quarter of 2012 were cash flows from operating activities amounting to Php18,592 million, proceeds from availment of long-term debt and notes payable of Php10,136 million, interest received of Php358 million and dividends received of Php224 million. These funds were used principally for: (1) debt principal and interest payments of Php12,228 million and Php1,404 million, respectively; (2) Trust Fund and settlement for redemption of shares of Php5,849 million; (3) payment for purchase of investment in

an associate and purchase of shares of noncontrolling shareholders of Php3,427 million; (4) capital outlays of Php2,751 million; (5) net payment of capital expenditures under long-term financing of Php2,545 million; and (6) settlements of derivative financial instruments of Php141 million.

Operating Activities

Our consolidated net cash flows from operating activities decreased by Php4,290 million, or 23%, to Php14,302 million in the first quarter of 2013 from Php18,592 million in the same period in 2012, primarily due to lower operating income and lower collection of receivables, partially offset by higher settlement of accounts payable and other various liabilities.

Cash flows provided by operating activities of our fixed line business decreased by Php5,955 million, or 70%, to Php2,559 million in the first quarter of 2013 from Php8,514 million in the same period in 2012, primarily due to lower operating income, lower collection of receivables and higher level of settlement of accounts payable and other liabilities. Conversely, cash flows from operating activities of our wireless business increased by Php2,027 million, or 21%, to Php11,542 million in the first quarter of 2013 from Php9,515 million in the same period in 2012, primarily due to higher level of collection of outstanding receivables, lower level of settlement of accounts payable and higher operating income, partially offset by higher level of settlement of other current liabilities.

Investing Activities

Consolidated net cash used in investing activities amounted to Php4,846 million in the first quarter of 2013, a decrease of Php764 million, or 14%, from Php5,610 million in the same period in 2012, primarily due to the combined effects of the following: (1) lower payment for investments in joint venture and subsidiaries by Php3,420 million; (2) increase in short-term investments by Php965 million; (3) payment for deposit for PDRs' subscription of Php750 million in the first quarter of 2013; (4) the increase in capital expenditures by Php315 million; and (5) lower dividends received by Php203 million.

Our consolidated capital expenditures in the first quarter of 2013 totaled Php3,066 million, an increase of Php315 million, or 11%, as compared with Php2,751 million in the same period in 2012, primarily due to increases in the Digitel Group's, PLDT's and Smart Group's capital spending. Smart Group's capital spending of Php1,245 million in the first quarter of 2013 was used primarily to modernize and expand its 2G/3G cellular and mobile broadband networks, as well as to purchase additional customer premises equipment for the fixed wireless broadband business. PLDT's capital spending of Php1,435 million in the first quarter of 2013 was principally used to finance the expansion and upgrade of its submarine cable facilities, DFON facilities, NGN roll-out, fixed line data and IP-based network services and outside plant rehabilitation. Digitel's capital spending of Php177 million in the first quarter of 2013 was intended principally to finance the expansion of fixed mobile convergence and continued upgrade of its core and transmission network to increase penetration, particularly in provincial areas. The balance represented other subsidiaries' capital spending.

As part of our growth strategy, we may from time to time, continue to make acquisitions and investments in companies or businesses.

Dividends received in the first quarter of 2013 amounted to Php21 million, a decrease of Php203 million, or 91%, as compared with Php224 million in the same period in 2012. The dividends received in the first quarter of 2013 were from Philweb for the remaining shares related to the third and fourth tranches of the sale, as discussed in *Note 10 – Investment in Associates and Joint Ventures* to the accompanying unaudited consolidated financial statements. The dividends received in the first quarter of 2012 were from Meralco and Philweb.

Financing Activities

On a consolidated basis, net cash used in financing activities amounted to Php7,470 million, a decrease of Php4,632 million, or 38% as compared with Php12,102 million in the same period in 2012, resulting largely from the combined effects of the following: (1) creation of Trust Fund for the redemption of shares of Php5,708 million in 2012; (2) lower repayments of long-term debt and notes payable by Php2,813 million; (3) higher interest payment by Php97 million; (4) lower net settlement of capital expenditures under long-term financing by Php903 million; and (5) lower proceeds from the issuance of long-term debt and notes payable by Php4,881 million.

Debt Financing

Proceeds from availment of long-term debt for the three months ended March 31, 2013 amounted to Php5,255 million, mainly from PLDT's and Smart's drawings related to the financing of our capital expenditure requirements and maturing loan obligations. Payments of principal and interest on our total debt amounted to Php9,415 million and Php1,501 million, respectively, in the first quarter of 2013.

Our consolidated long-term debt decreased by Php4,009 million, or 3%, to Php111,783 million as at March 31, 2013 from Php115,792 million as at December 31, 2012, largely due to debt amortizations and prepayments, and the appreciation of the Philippine peso relative to the U.S. dollar to Php40.92 as at March 31, 2013 and Php41.08 as at December 31, 2012 from Php42.93 as at March 31, 2012 and Php43.92 as at December 31, 2011, partially offset by drawings from our term loan facilities. As at March 31, 2013, the long-term debt levels of Digitel and PLDT decreased by 9% and 7% to Php17,003 million and Php55,113 million, respectively, while Smart's long-term debt level increased by 4% to Php39,667 million, as compared with December 31, 2012.

On January 16, 2013, PLDT signed a US\$300 million term loan facility agreement with a syndicate of banks with the Bank of Tokyo-Mitsubishi UFJ, Ltd. as the facility agent. Proceeds from the facility will be used to finance capital expenditures and/or to refinance PLDT's existing obligations which were also used to finance capital expenditures for network expansion and improvement programs. The facility is payable over five years in nine equal semi-annual installments commencing on the date which falls 12 months after the date of the facility agreement, with final repayment on January 16, 2018. The amounts of US\$40 million and US\$160 million were partially drawn on March 6, 2013 and April 19, 2013, respectively, and the balance of US\$100 million remained undrawn as at May 7, 2013. The amount of US\$40 million, or Php1,637 million, remained outstanding as at March 31, 2013.

On January 28, 2013, Smart signed a US\$35 million five-year term loan facility with China Banking Corporation, to finance the equipment and service contracts for the modernization and expansion project. The loan is payable over five years in ten equal semi-annual installments. The amount of US\$35 million was fully drawn on May 7, 2013. There was no outstanding balance under this facility as at March 31, 2013.

On February 22, 2013, Smart signed a US\$45.51 million five-year term loan facility with Nordea Bank as the original lender, arranger and facility agent, to finance the supply and services contracts for the modernization and expansion project. Nordea Bank will subsequently assign its rights and obligations to the SEK guaranteed by EKN. The agreement is comprised of Tranche A1, Tranche A2, Tranche B1 and Tranche B2 in the amounts of US\$25 million, US\$19 million, US\$0.86 million and US\$0.65 million, respectively. No availment has been made on this facility as at May 7, 2013.

On March 25, 2013, Smart signed a US\$50 million five-year term loan facility with FEC as the original lender, to finance the supply and services contracts for the modernization and expansion project. The facility was arranged by the Bank of Tokyo-Mitsubishi UFJ, Ltd. and Mizuho Corporate Bank, Ltd. This facility is payable semi-annually in nine equal installments commencing six months after drawdown date. No availment has been made on this facility as at May 7, 2013.

As a result of the acquisition of Digitel, PLDT assumed the obligations of JG Summit Holdings, Inc., or JGSHI, as guarantor under the Digitel and DMPI loan agreements covered by guarantees from JGSHI. These loans and guarantees contained certain representations and covenants applicable to JGSHI including that on the ownership of JGSHI in Digitel. Digitel and DMPI obtained the required consents of the lenders and export credit agencies for the replacement of JGSHI by PLDT as guarantor under these loans. As at March 31, 2013, the outstanding balance of DMPI loans covered by PLDT guarantees is Php12,555 million. There are no outstanding Digitel loans covered by PLDT guarantees as at March 31, 2013.

Approximately Php60,021 million principal amount of our consolidated outstanding long-term debt as at March 31, 2013 is scheduled to mature over the period from 2013 to 2016. Of this amount, Php17,349 million is attributable to PLDT, Php30,081 million to Smart and Php12,591 million to the Digitel Group.

For a complete discussion of our long-term debt, see *Note 20 – Interest-bearing Financial Liabilities – Long-term Debt* to the accompanying unaudited consolidated financial statements.

Debt Covenants

Our consolidated debt instruments contain restrictive covenants, including covenants that require us to comply with specified financial ratios and other financial tests, calculated in conformity with PFRS, at relevant measurement dates, principally at the end of each quarterly period. We have complied with all of our maintenance financial ratios as required under our loan covenants and other debt instruments. Furthermore, certain of DMPI's debt instruments contain provisions wherein DMPI may be declared in default in case of a change in control in DMPI.

As at March 31, 2013, we were in compliance with all of our debt covenants.

See *Note 20 – Interest-bearing Financial Liabilities – Debt Covenants* to the accompanying unaudited consolidated financial statements for a detailed discussion of our debt covenants.

Financing Requirements

We believe that our available cash, including cash flow from operations, will provide sufficient liquidity to fund our projected operating, investment, capital expenditures and debt service requirements for the next 12 months.

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements that have or are reasonably likely to have any current or future effect on our financial position, results of operations, cash flows, changes in

stockholders' equity, liquidity, capital expenditures or capital resources that are material to investors.

Equity Financing

Our current dividend policy is to pay out 70% of our core earnings per share taking into consideration the interest of our shareholders as well as our working capital, capital expenditures and debt servicing requirements. The retention of earnings may be necessary to meet the funding requirements of our business expansion and development programs. However, in the event no investment opportunities arise, we may consider the option of returning additional cash to our shareholders in the form of special dividends up to the 30% balance of our core earnings or share buybacks. We were able to declare dividend payouts of approximately 100% of our core earnings for six consecutive years from 2007 to 2012. The accumulated equity in the net earnings of our subsidiaries, which form part of our retained earnings, are not available for distribution unless realized in the form of dividends from such subsidiaries.

Consolidated cash dividend payments in the first quarter of 2013 amounted to Php23 million as compared with Php33 million paid to shareholders in the same period in 2012.

The following table shows the dividends declared to common and preferred shareholders from the earnings for the three months ended March 31, 2013 and 2012:

Earnings	Date		Payable	Amount	
	Approved	Record		Per share	Total Declared
(in millions, except per share amount)					
2012					
Preferred					
Series IV Cumulative Non-convertible Redeemable Preferred Stock ⁽¹⁾	January 31, 2012	February 20, 2012	March 15, 2012	–	12
10% Cumulative Convertible Preferred Stock	Various	Various	Various	1.00	–
Charged to Retained Earnings					<u>12</u>
2013					
Preferred					
Series IV Cumulative Non-convertible Redeemable Preferred Stock ⁽¹⁾	January 29, 2013	February 28, 2013	March 15, 2013	–	12
10% Cumulative Convertible Preferred Stock	Various	Various	Various	1.00	–
Voting Preferred Stock	March 5, 2013	March 20, 2013	April 15, 2013		3
Charged to Retained Earnings					<u>Php15</u>

⁽¹⁾ Dividends were declared based on total amount paid up.

See Note 19 – Equity to the accompanying unaudited consolidated financial statements for further details.

Contractual Obligations and Commercial Commitments

Contractual Obligations

For a discussion of our consolidated contractual undiscounted obligations as at March 31, 2013 and 2012, see Note 27 – Financial Assets and Liabilities – Liquidity Risks to the accompanying unaudited consolidated financial statements.

Commercial Commitments

Our outstanding consolidated commercial commitments, in the form of letters of credit, amounted to Php41 million and Php342 million as at March 31, 2013 and December 31, 2012, respectively. These commitments will expire within one year.

Quantitative and Qualitative Disclosures about Market Risks

Our operations are exposed to various risks, including liquidity risk, foreign currency exchange risk, interest rate risk, credit risk and capital management risk. The importance of managing these risks has significantly increased in light of considerable change and continuing volatility in both the Philippine and international financial markets. With a view to managing these risks, we have incorporated financial risk management functions in our organization, particularly in our treasury operations, equity issues and sales of certain assets.

For further discussions of these risks, see *Note 27 – Financial Assets and Liabilities* to the accompanying unaudited consolidated financial statements.

The following table sets forth the estimated consolidated fair values of our financial assets and liabilities recognized as at March 31, 2013 and December 31, 2012:

	Fair Values	
	March 31, 2013 (Unaudited)	December 31, 2012 ⁽¹⁾ (As Adjusted)
	(in millions)	
Noncurrent Financial Assets		
Available-for-sale financial investments		
Listed equity securities	Php106	Php89
Unlisted equity securities	5,565	5,562
Investments in debt securities and other long-term investments – net of current portion	370	219
Advances and other noncurrent assets – net of current portion	1,289	912
Total noncurrent financial assets	<u>7,330</u>	<u>6,782</u>
Current Financial Assets		
Cash and cash equivalents	39,135	37,161
Short-term investments	1,587	574
Trade and other receivables – net	16,895	16,379
Current portion of investment in debt securities and other long-term investments	–	150
Current portion of advances and other noncurrent assets	7,895	7,915
Total current financial assets	<u>65,512</u>	<u>62,179</u>
Total Financial Assets	<u>Php72,842</u>	<u>Php68,961</u>
Noncurrent Financial Liabilities		
Interest-bearing financial liabilities	Php108,426	Php110,440
Derivative financial liabilities	2,688	2,802
Customers' deposits	2,119	2,200
Deferred credits and other noncurrent liabilities	17,077	18,176
Total noncurrent financial liabilities	<u>130,310</u>	<u>133,618</u>
Current Financial Liabilities		
Accounts payable	24,831	29,027
Accrued expenses and other current liabilities	55,435	56,662
Interest-bearing financial liabilities	12,004	12,989
Derivative financial liabilities	853	418
Dividends payable	25,010	827
Total current financial liabilities	<u>118,133</u>	<u>99,923</u>
Total Financial Liabilities	<u>Php248,443</u>	<u>Php233,541</u>

⁽¹⁾ The December 31, 2012 comparative information was adjusted to reflect certain presentation adjustments to conform with the current presentation of our business segments and the adjustments on the adoption of the Revised PAS 19 – Employee Benefits. See Note 2 – Summary of Significant Accounting Policies – Changes in Accounting Policies and Disclosures to the accompanying unaudited consolidated financial statements for further discussion.



The following table sets forth the amount of gains (losses) recognized for the financial assets and liabilities for the three months ended March 31, 2013 and for the year ended December 31, 2012:

	<u>March 31,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>
(in millions)		
Profit and Loss		
From continuing operations		
Interest income	Php299	Php1,370
Gains (losses) on derivative financial instruments – net	23	(1,981)
Accretion on financial liabilities	(261)	(1,053)
Interest on loans and other related items	(1,277)	(6,343)
Discontinued operations		
Interest income	3	16
Income on derivative financial instruments – net	–	28
Interest on loans and other related items	(4)	(24)
Other Comprehensive Income		
Net fair value gains on cash flow hedges – net of tax	(323)	92
Net gains on available-for-sale financial investments – net of tax	18	23

Impact of Inflation and Changing Prices

Inflation can be a significant factor in the Philippine economy, and we are continually seeking ways to minimize its impact. The average inflation rate in the Philippines in the first quarter of 2013 and 2012 was 3.2% and 3.1%, respectively. Moving forward, we currently expect inflation to increase, which may have an impact on our operations.

PART II – OTHER INFORMATION

Decrease in Authorized Capital Stock

On April 23, 2013, the Board of Directors approved the following actions: (a) decrease in PLDT’s authorized capital stock from Php9,395 million divided into two classes consisting of: (1) Preferred Capital Stock sub-classified into 150 million shares of Voting Preferred Stock of the par value of Php1.00 each and 807.5 million shares of Non-Voting Preferred Stock of the par value of Php10.00 each; and (2) 234 million shares of Common Capital Stock of the par value of Php5.00 each, to Php5,195 million, divided into two classes consisting of: (1) Preferred Capital Stock sub-classified into: 150 million shares of Voting Preferred Stock of the par value of Php1.00 each and 387.5 million shares of Non-Voting Preferred Stock of the par value of Php10.00 each; and (2) 234 million shares of Common Capital Stock of the par value of Php5.00 each; and (b) corresponding amendments to the Seventh Article of the Articles of Incorporation of PLDT, subject to the approval by the stockholders and the Philippine SEC.

Investment in PDRs of MediaQuest

In 2012, ePLDT made deposits totaling Php6 billion to MediaQuest, an entity wholly-owned by the BTF, for the issuance of PDRs to be issued by MediaQuest in relation to its indirect interest in Mediascape, Inc., or Mediascape. Mediascape is a wholly-owned subsidiary of Satventures, Inc., or Satventures, which is a wholly-owned subsidiary of MediaQuest. The Mediascape PDRs confer an economic interest in common shares of Mediascape indirectly owned by MediaQuest, and when issued, will provide ePLDT with a 40% economic interest in Mediascape. Mediascape operates a direct-to-home, or DTH, Pay-TV business under the brand name “Cignal TV”, which is the largest DTH Pay-TV operator in the Philippines with over 458 thousand subscribers as at March 31, 2013. As at May 7, 2013, the Mediascape PDRs have not been issued.

On March 5, 2013, PLDT's Board of Directors approved two further investments in additional PDRs of MediaQuest:

- a Php3.6 billion investment by ePLDT in PDRs to be issued by MediaQuest in relation to its interest in Satventures. The Satventures PDRs confer an economic interest in common shares of Satventures owned by MediaQuest, and when issued, will provide ePLDT with a 40% economic interest in Satventures; and
- a Php1.95 billion investment by ePLDT in PDRs to be issued by MediaQuest in relation to its interest in Hastings Holdings, Inc., or Hastings. The Hastings PDRs confer an economic interest in common shares of Hastings owned by MediaQuest, and when issued, will provide ePLDT with a 100% economic interest in Hastings. Hastings is a wholly-owned subsidiary of MediaQuest and holds all the print-related investments of MediaQuest, including minority positions in the three leading broadsheets: The Philippine Star, the Philippine Daily Inquirer, and Business World.

In March and April 2013, ePLDT made various deposits aggregating to Php1,750 million for its investment in Satventures PDRs of MediaQuest.

The PLDT Group's financial investment in PDRs of MediaQuest is part of the PLDT Group's overall strategy of broadening its distribution platforms and increasing the Group's ability to deliver multi-media content to its customers across the Group's broadband and mobile networks.

See *Note 10 – Investments in Associates and Joint Ventures and Deposit – Deposit for Future PDRs Subscription* to the accompanying unaudited consolidated financial statements for further discussion.

Sale of BPO Segment

On February 5, 2013, PLDT entered into an agreement to sell the BPO business owned by its wholly-owned subsidiary, SPi Global to Asia Outsourcing Gamma Limited, or AOGL, a company controlled by CVC Capital Partners, or CVC. The sale of the BPO business was completed on April 30, 2013. PLDT reinvested approximately US\$40 million of the proceeds from the sale in AOGL, resulting in an approximate 19.7% interest, and will continue to participate in the growth of the business as a partner of CVC. Upon the completion of the sale, PLDT will be subject to certain obligations, including: (1) an obligation, for a period of five years, not to carry on or be engaged or concerned or interested in or assist any business which competes with the business process outsourcing business as carried on at the relevant time or at any time in the 12 months prior to such time in any territory in which business is carried on (excluding activities in the ordinary course of PLDT's business); and (2) an obligation, for a period five years, to provide transition services on a most-favored-nation basis (i.e., no less favorable material terms (including pricing) than those offered by PLDT or any of its controlled affiliates to any other customer in relation to services substantially similar to those provided or to be provided). In addition, PLDT may be liable for certain damages actually suffered by the buyer arising out of, among others, breach of representation, tax matters and non-compliance of Indian employment laws by SPi Technologies India Pvt. Ltd., a wholly-owned subsidiary of SPi. See *Note 2 – Summary of Significant Accounting Policies – Discontinued Operations and Note 3 – Management's Use of Accounting Judgments, Estimates and Assumptions – Assets Held-for-Sale and Discontinued Operations* to the accompanying unaudited consolidated financial statements for a further discussion of the classification of the BPO segment as an asset held-for-sale.

Related Party Transactions

For a detailed discussion of the related party transactions, see *Note 24 –Related Party Transactions* to the accompanying unaudited consolidated financial statements.

ANNEX I – AGING OF ACCOUNTS RECEIVABLE

The following table shows the aging of our consolidated receivables as at March 31, 2013:

Type of Accounts Receivable	Total	Current	31–60 Days	61–90 Days	Over 91 Days
	(in millions)				
Corporate subscribers	Php9,770	Php1,426	Php959	Php729	Php6,656
Retail subscribers	9,529	1,863	843	234	6,589
Foreign administrations	5,447	1,190	1,000	811	2,446
Domestic carriers	1,167	230	108	149	680
Dealers, agents and others	4,794	3,476	210	207	901
Total	Php30,707	Php8,185	Php3,120	Php2,130	Php17,272
Less: Allowance for doubtful accounts	<u>13,812</u>				
Total Receivables - net	<u>Php16,895</u>				

ANNEX II – FINANCIAL SOUNDNESS INDICATORS

The following table shows our financial soundness indicators as at March 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Current Ratio ⁽¹⁾	0.61:1.0	0.69:1.0
Net Debt to Equity Ratio ⁽²⁾	0.55:1.0	0.54:1.0
Net Debt to EBITDA Ratio ⁽³⁾	0.94:1.0	1.01:1.0
Asset to Equity Ratio ⁽⁴⁾	3.13:1.0	2.79:1.0
Interest Coverage Ratio ⁽⁵⁾	6.67:1.0	6.80:1.0
Profit Margin ⁽⁶⁾	22%	24%
Return on Assets ⁽⁷⁾	9%	8%
Return on Equity ⁽⁸⁾	25%	21%
EBITDA Margin ⁽⁹⁾	50%	50%

⁽¹⁾ Current ratio is measured as current assets divided by current liabilities (including current portion – LTD, unearned revenues and mandatory tender option liability.)

⁽²⁾ Net Debt to equity ratio is measured as total debt (long-term debt, including current portion and notes payable) less cash and cash equivalent and short-term investments divided by total equity.

⁽³⁾ Net Debt to EBITDA ratio is measured as total debt (long-term debt, including current portion and notes payable) less cash and cash equivalent and short-term investments divided by EBITDA for the 12 months average period.

⁽⁴⁾ Asset to equity ratio is measured as total assets divided by total equity.

⁽⁵⁾ Interest coverage ratio is measured by EBIT, or earnings before interest and taxes for the 12 months average period, divided by total financing cost for the 12 months average period.

⁽⁶⁾ Profit margin is derived by dividing net income for the period with total revenues for the period.

⁽⁷⁾ Return on assets is measured as 12 months average net income for the period divided by average total assets.

⁽⁸⁾ Return on Equity is measured as 12 months average net income for the period divided by average total equity.

⁽⁹⁾ EBITDA margin for the period is measured as EBITDA divided by service revenues for the period.


EBITDA for the period is measured as net income for the period excluding depreciation and amortization, amortization of intangible assets, asset impairment on noncurrent assets, financing cost, interest income, equity share in net earnings (losses) of associated and joint ventures, foreign exchange gains (losses) – net, gains (losses) on derivative financial instruments – net, provision for (benefit from) income tax and other income (expenses) for the period.




SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the registrant has duly caused this report for the first quarter of 2013 to be signed on its behalf by the undersigned thereunto duly authorized.

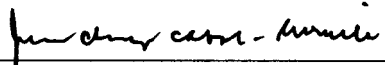
Registrant: **PHILIPPINE LONG DISTANCE TELEPHONE COMPANY**

Signature and Title: 

NAPOLEON L. NAZARENO
President and Chief Executive Officer

Signature and Title: 

ANABELLE LIM-CHUA
Senior Vice President and Treasurer
(Principal Financial Officer)

Signature and Title: 

JUNE CHERYL A. CABAL-REVILLA
First Vice President and Controller
(Principal Accounting Officer)

Date: May 7, 2013