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, 2010

Period Ended Date

Not Applicable

(Secondary License Type and File Number)

May 13, 2010

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, 2010.

Very truly yours,

PHILIPPINE LONG DISTANCE TELEPHONE COMPANY

MA. LOURDES C. RAUSA-CHAN
Corporate Secretary

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
Contact Person

816-8534
Company Telephone Number

1 2 Month | 3 1 Day
Fiscal Year

SEC FORM 17-Q
FORM TYPE

0 6 Month | Every 2nd Tuesday Day
Annual Meeting

C F D
Dept. Requiring this Doc.

N/A
Amended Articles Number/Section

Total Amount of Borrowings

2,183,135 As of April 30, 2010	N/A	N/A
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

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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, 2010

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	186,797,312 shares as at March 31, 2010

11. Are any or all of these securities listed on the Philippine Stock Exchange?

Yes [X] 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 [X] No [ ]

(b) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

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PART I –– FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

Our consolidated financial statements as at March 31, 2010 (unaudited) and December 31, 2009 (audited) and for the three months ended March 31, 2010 and 2009 (unaudited) and related notes (pages F-1 to F-113) 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 of the accompanying unaudited consolidated financial statements for a list of these subsidiaries, including a description of their respective principal business activities).

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 has certain differences from International Financial Reporting Standards as issued by the International Accounting Standards Board. PFRS differ in certain significant respects from generally accepted accounting principles 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 Php45.29 to US$1.00, the volume weighted average exchange rate on March 31, 2010 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 and Section 21E of the U.S. Securities Exchange Act of 1934. 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

(in millions, except for earnings per common share, operational data and exchange rates)	March 31, 2010 (Unaudited)	December 31, 2009 (Audited)	Increase (Decrease) Amount	%
Consolidated Statements of Financial Position				
Total assets	Php289,044	Php280,148	Php8,896	3
Property, plant and equipment – net	160,052	161,256	(1,204)	(1)
Cash and cash equivalents and short-term investments	51,636	42,143	9,493	23
Total equity attributable to equity holders of PLDT	83,496	98,575	(15,079)	(15)
Notes payable and long-term debt	94,565	98,729	(4,164)	(4)
Net debt[(1)] to equity ratio	0.51x	0.57x	–	–

	Three Months Ended March 31, 2010	2009	Increase (Decrease) Amount	%
	(Unaudited)			
Consolidated Income Statements				
Revenues	Php36,514	Php36,927	(Php413)	(1)
Expenses	21,796	21,876	(80)	–
Other income (expenses)	323	(1,764)	2,087	118
Income before income tax	15,041	13,287	1,754	13
Net income for the period	11,374	9,832	1,542	16
Net income attributable to equity holders of PLDT				
Reported net income	11,421	9,580	1,841	19
Core income[(2)]	10,485	10,220	265	3
EBITDA[(3)]	21,183	21,852	(669)	(3)
EBITDA margin[(4)]	59%	60%	–	–
Earnings per common share				
Basic	60.53	50.55	9.98	20
Diluted	60.51	50.55	9.96	20
Consolidated Statements of Cash Flows				
Net cash provided by operating activities	Php19,566	15,146	Php4,420	29
Net cash provided by (used in) investing activities	(1,657)	1,619	(3,276)	(202)
Capital expenditures	*5,206*	*3,944*	1,262	32
Net cash provided by (used in) financing activities	(5,149)	604	(5,753)	(952)
Operational Data				
Number of cellular subscribers	43,207,323	36,926,699	6,280,624	17
Number of fixed line subscribers	1,859,998	1,776,291	83,707	5
Number of broadband subscribers	1,846,826	1,092,932	753,894	69
Fixed Line	*589,795*	*470,865*	*118,930*	*25*
Wireless	*1,257,031*	*622,067*	*634,964*	*102*
Number of employees	28,868	29,780	(912)	(3)
Fixed Line	*8,073*	*8,076*	*(3)*	*–*
Wireless	*5,553*	*5,486*	*67*	*1*
Information and Communications Technology	*15,242*	*16,218*	*(976)*	*(6)*

Exchange Rates	**Php per US$**
March 31, 2010	45.29
December 31, 2009	46.43
March 31, 2009	48.42
December 31, 2008	47.65

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

(2) *Core income for the period is measured as net income attributable to equity holders of PLDT, excluding foreign exchange gains (losses) – net, gains (losses) on derivative financial instruments – net after excluding hedge cost, asset impairment on noncurrent assets, other nonrecurring gains (losses), net of tax effect of aforementioned adjustments if appropriate and similar adjustments to equity in net earnings (losses) of associates and joint ventures.*

(3) *EBITDA is measured as net income excluding depreciation and amortization, amortization of intangible assets, asset impairment on noncurrent assets, financing costs, interest income, equity 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 nonrecurring gains (losses) – net.*

(4) *EBITDA margin is derived as a percentage of service revenues.*

Overview

We are the largest and most diversified telecommunications company in the Philippines. We have organized our business into three main business segments:

- *Wireless* — wireless telecommunications services provided by Smart Communications, Inc., or Smart, Pilipino Telephone Corporation, or Piltel, (on August 17, 2009, Smart acquired the cellular business of Piltel) and Connectivity Unlimited Resources Enterprises, or CURE, our cellular service providers; Smart Broadband, Inc., or SBI, Blue Ocean Wireless, or BOW, Airborne Access Corporation, and Primeworld Digital Systems, Inc., or PDSI, our wireless broadband service providers; Wolfpac Mobile, Inc., or Wolfpac, and Chikka Holdings Limited, or Chikka, and Subsidiaries, or Chikka Group, our wireless content operators; Mabuhay Satellite Corporation, or Mabuhay Satellite, and ACeS Philippines Cellular Satellite Corporation, or ACeS Philippines, our satellite operators;

- *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. (formerly known as Philcom Corporation), or Philcom, PLDT-Maratel, Inc., SBI, PDSI, Bonifacio Communications Corporation, and PLDT Global Corporation, or PLDT Global, all of which together account for approximately 4% of our consolidated fixed line subscribers; and

- *Information and Communications Technology, or ICT* — 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, and BayanTrade, Inc., BayanTrade; knowledge processing solutions provided by SPi Technologies, Inc. and its subsidiaries, or SPi Group; customer interaction solutions provided under the umbrella brand name *ePLDT Ventus*, through ePLDT Ventus, Inc., or Ventus, Parlance Systems, Inc. and Vocativ Systems, Inc.; internet access and online gaming services provided by Infocom Technologies, Inc., or Infocom, Digital Paradise, Inc., netGames, Inc. and Level Up!, Inc., or Level Up!; and e-commerce, and IT-related services provided by other investees of ePLDT, as discussed in *Note 10 – Investments in Associates and Joint Ventures* of the accompanying unaudited consolidated financial statements.

We registered consolidated revenues of Php36,514 million in the first quarter of 2010, a decrease of Php413 million, or 1%, as compared with Php36,927 million in the same period in 2009, primarily due to a decrease in our service revenues by Php348 million mainly due to a decrease in the service revenues of our wireless business as a result of lower revenues from text messaging services.

Consolidated expenses decreased by Php80 million to Php21,796 million in the first quarter of 2010 from Php21,876 million in the same period in 2009, largely resulting from decreases in compensation and employee benefits, depreciation and amortization, insurance and security services, and taxes and licenses partly offset by higher selling and promotions, rent, repairs and maintenance, and professional and other contracted services.

Consolidated other income – net in the first quarter of 2010 amounted to Php323 million, an improvement of Php2,087 million, or 118%, from consolidated other expenses – net of Php1,764 million in the same period in 2009 primarily due to the combined effects of the following: (i) net foreign exchange gains of Php708 million in the first quarter of 2010 as compared with net foreign exchange losses of Php592 million in the same period in 2009 as a result of the appreciation of the Philippine peso to the U.S. dollar to Php45.29 on March 31, 2010 from Php46.43 on December 31, 2009 as against the peso depreciation from Php47.65 on December 31, 2008 to Php48.42 on March 31, 2009; (ii) net gains on derivative financial instruments of Php512 million in the first quarter of 2010 as compared with net losses on derivative financial instruments of Php506 million in the first quarter of 2009 due to the mark-to-market valuation of principal only currency swaps; (iii) an increase in equity share in net earnings of associates and joint ventures by Php414 million mainly due to the share in net earnings of Manila Electric Company, or Meralco (acquired by Piltel on July 14, 2009); (iv) lower interest income by Php167 million due to lower average interest rate on money market placements and special deposits; and (v) an increase in net financing costs by Php290 million mainly due to higher interest on loans and other related items – net, on account of PLDT's and Smart's higher average loan balances and lower capitalized interest.

Consolidated net income increased by Php1,542 million, or 16%, to Php11,374 million in the first quarter of 2010 from Php9,832 million in the same period in 2009. The increase was mainly due to the combined effects of the following: (i) increase in other income by Php2,087 million; (ii) a decrease in consolidated expenses by Php80 million; (iii) increase in the consolidated provision for income tax by Php212 million due to higher taxable income of our fixed line business; and (iv) a decrease in consolidated revenues by Php413 million. Consolidated net income attributable to equity holders of PLDT increased by Php1,841 million, or 19%, to Php11,421 million in the first quarter of 2010 from Php9,580 million in the same period in 2009. The increase in our consolidated net income attributable to equity holders of PLDT is higher compared with the increase in our consolidated net income mainly due to the favorable effect of Smart's acquisition of equity interest from Piltel's non-controlling shareholders in 2009. Consolidated core income increased by Php265 million, or 3%, to Php10,485 million in the first quarter of 2010 from Php10,220 million in the same period in 2009. Our consolidated basic and diluted earnings per common share increased to Php60.53 and Php60.51, respectively, in the first quarter of 2010 from Php50.55 for each of our consolidated basic and diluted earnings per common share in the same period in 2009. The increase in consolidated basic and diluted earnings per share of Php9.98, or 20%, and Php9.96, or 20%, respectively, is due to a 19% increase in our reported net income attributable to equity holders of PLDT and a decrease in our weighted average common shares outstanding as a result of the share buyback program implemented since 2008. Our weighted average number of common shares is 186.8 million and 187.3 million in the three months ended March 31, 2010 and 2009, respectively.

Results of Operations

The table below shows the contribution by each of our business segments to our revenues, expenses, other income (expenses) and net income for the three months ended March 31, 2010 and 2009. The majority of our revenues are derived from our operations within the Philippines.

	Wireless		Fixed Line		ICT		Inter-segment Transactions	Total	
					(in millions)				
For the three months ended March 31, 2010 (Unaudited)									
Revenues	Php24,068		Php12,953		Php2,670		(Php3,177)	Php36,514	
Expenses	12,927		9,549		2,556		(3,236)	21,796	
Other income	257		113		12		(59)	323	
Income before income tax	11,398		3,517		126		–	15,041	
Net income for the period	8,665		2,574		135		–	11,374	
Net income attributable to equity holders of PLDT:									
Reported net income	8,713		2,571		137		–	11,421	
Core income	8,474		1,853		158		–	10,485	
EBITDA	14,440		6,314		370		59	21,183	
EBITDA margin	61%		49%		14%		–	59%	
For the three months ended March 31, 2009 (Unaudited)									
Revenues	24,362		12,828		2,669		(2,932)	36,927	
Expenses	12,603		9,536		2,718		(2,981)	21,876	
Other income (expenses)	(214)		(1,523)		22		(49)	(1,764)	
Income (loss) before income tax	11,545		1,769		(27)		–	13,287	
Net income (loss) for the period	8,572		1,285		(25)		–	9,832	
Net income (loss) attributable to equity holders of PLDT:									
Reported net income (loss)	8,315		1,283		(18)		–	9,580	
Core income (loss)	8,461		1,802		(43)		–	10,220	
EBITDA	15,022		6,578		203		49	21,852	
EBITDA margin	63%		52%		8%		–	60%	
Increase (Decrease)	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**Amount**	**%**
Revenues	(Php294)	(1)	Php125	1	Php1	–	(Php245)	(Php413)	(1)
Expenses	324	3	13	–	(162)	(6)	(255)	(80)	–
Other income (expenses)	471	220	1,636	107	(10)	(45)	(10)	2,087	118
Income (loss) before income tax	(147)	(1)	1,748	99	153	567	–	1,754	13
Net income for the period	93	1	1,289	100	160	640	–	1,542	16
Net income attributable to equity holders of PLDT:									
Reported net income	398	5	1,288	100	155	861	–	1,841	19
Core income	13	–	51	3	201	467	–	265	3
EBITDA	(582)	(4)	(264)	(4)	167	82	10	(669)	(3)

Wireless

Revenues

Revenues generated from our wireless business amounted to Php24,068 million in the first quarter of 2010, a decrease of Php294 million, or 1%, from Php24,362 million in the same period in 2009. The following table summarizes our total revenues from our wireless business for the three months ended March 31, 2010 and 2009 by service segment:

					Increase (Decrease)	
	2010	**%**	**2009**	**%**	**Amount**	**%**
			(in millions)			
Wireless Services:						
Service Revenues:						
Cellular	Php21,790	90	Php22,151	91	(Php361)	(2)
Wireless broadband, satellite and others						
Wireless broadband	1,589	7	1,289	5	300	23
Satellite and others	315	1	464	2	(149)	(32)
	23,694	98	23,904	98	(210)	(1)
Non-Service Revenues:						
Sale of cellular handsets, cellular SIM-packs and broadband data modems	374	2	458	2	(84)	(18)
Total Wireless Revenues	Php24,068	100	Php24,362	100	(Php294)	(1)

Service Revenues

Our wireless service revenues decreased by Php210 million, or 1%, to Php23,694 million in the first quarter of 2010 as compared with Php23,904 million in the same period in 2009, mainly as a result of lower revenues from our text messaging services. In particular, revenues from domestic and international text messaging services declined due to the increase in multiple SIM card holders, intense competition, the continued decline in SMS yield as a result of aggressive SMS offers, load validity extensions and the effect of the appreciation of the weighted average exchange rate of the Philippine peso to the U.S. dollar on our dollar-linked revenues to Php45.71 for the three months ended March 31, 2010 from Php48.45 for the three months ended March 31, 2009, partially offset by an increase in voice revenues due to the introduction of new unlimited voice offers in the second half of 2009. Since the growth in our cellular subscriber base was mainly due to the increase in multiple SIM card ownership especially in the lower income segment of the Philippine wireless market, average monthly cellular ARPUs for the first quarter of 2010 were lower as compared with the same period in 2009. Due to the popularity of unlimited voice offers and competitive pressure, we expect this trend to continue. As a percentage of our total wireless revenues, service revenues contributed 98% in both the first quarters of 2010 and 2009.

Cellular Service

Our cellular service revenues in the first quarter of 2010 amounted to Php21,790 million, a decrease of Php361 million, or 2%, from Php22,151 million in the same period in 2009. Cellular service revenues accounted for 92% of our wireless service revenues in the first quarter of 2010 as compared with 93% in the same period in 2009.

The following table shows the breakdown of our cellular service revenues and other key measures of our cellular business as at and for the three months ended March 31, 2010 and 2009:

	2010	2009	Increase (Decrease) Amount	%
		(in millions)		
Cellular service revenues	Php21,790	Php22,151	(Php361)	(2)
By service type	*21,109*	*21,545*	*(436)*	*(2)*
Prepaid	19,420	19,908	(488)	(2)
Postpaid	1,689	1,637	52	3
By component	*21,109*	*21,545*	*(436)*	*(2)*
Voice	10,706	9,459	1,247	13
Data	10,403	12,086	(1,683)	(14)
Others[(1)]	*681*	*606*	*75*	*12*

[(1)] *Refers to other non-subscriber-related revenues consisting primarily of inbound international roaming fees, revenues from Smart's public calling offices and share in PLDT's WeRoam and PLDT Landline Plus services, a small number of leased line contracts, revenues from Chikka, Wolfpac and other Smart subsidiaries.*

	2010	2009	Increase (Decrease) Amount	%
Cellular subscriber base	43,207,323	36,926,699	6,280,624	17
Prepaid	42,761,910	36,519,235	6,242,675	17
Smart Buddy	*25,033,946*	*20,921,438*	*4,112,508*	*20*
Talk 'N Text[(1)]	*17,445,697*	*15,565,400*	*1,880,297*	*12*
Red Mobile	*282,267*	*32,397*	*249,870*	*771*
Postpaid	445,413	407,464	37,949	9
Systemwide traffic volumes (in millions)				
Calls (in minutes)	6,160	2,028	4,132	204
Domestic – outbound	5,389	1,313	4,076	310
International	771	715	56	8
Inbound	*718*	*664*	*54*	*8*
Outbound	*53*	*51*	*2*	*4*
SMS count	82,215	66,656	15,559	23
Text messages	81,846	66,257	15,589	24
Domestic	81,768	66,182	15,586	24
Bucket-Priced	*77,190*	*61,408*	*15,782*	*26*
Standard	*4,578*	*4,774*	*(196)*	*(4)*
International	78	75	3	4
Value-Added Services	364	395	(31)	(8)
Financial Services	5	4	1	25

[(1)] *The transfer of Piltel's cellular business to Smart was completed on August 17, 2009.*

Revenues attributable to our cellular prepaid service amounted to Php19,420 million in the first quarter of 2010, a decrease of Php488 million, or 2%, compared with Php19,908 million earned in the same period in 2009. Prepaid cellular service revenues accounted for 92% of cellular voice and data revenues in each of the first quarters of 2010 and 2009. Revenues attributable to Smart's postpaid cellular service amounted to Php1,689 million in the first quarter of 2010, an increase of Php52 million, or 3%, over the Php1,637 million earned in the same period in 2009, and accounted for 8% of cellular voice and data revenues in each of the first quarters of 2010 and 2009.

Voice Services

Cellular revenues from our voice services, which include all voice traffic and voice value-added services, or VAS, such as voice mail and outbound international roaming, increased by Php1,247 million, or 13%, to Php10,706 million in the first quarter of 2010 from Php9,459 million in the same period in 2009 primarily due to the introduction of new unlimited voice offers in the second half of 2009 and the growth in inbound international call volumes, partially offset by the effect of the appreciation of the weighted average exchange rate of the Philippine peso to the U.S. dollar on our dollar-linked revenues to Php45.71 for the three months ended March 31, 2010 from Php48.45 for the three months ended March 31, 2009. Cellular voice services accounted for 49% of our cellular service revenues in the first quarter of 2010 as compared with 43% in the same period in 2009.

Domestic outbound calls totaled 5,389 million minutes in the first quarter of 2010, an increase of 4,076 million minutes, or 310%, as compared with 1,313 million minutes in the same period in 2009 mainly due to the increase in call volumes resulting from unlimited voice offerings. International inbound and outbound calls totaled 771 million minutes in the first quarter of 2010, an increase of 56 million minutes, or 8%, as compared with 715 million minutes in the same period in 2009, mainly due to an increase in cellular subscriber base.

On June 26, 2009, *Smartalk*, Smart's unlimited voice offering, was made available to *Smart Buddy* and *Smart Gold* subscribers nationwide. The new service does not require any change in SIM or cellular phone number and enables *Smart Buddy* and *Smart Gold* subscribers to make unlimited calls to any subscriber on the Smart network. Smart subscribers could avail of the service, via registration or via retailer loading, by purchasing loads for unlimited calls which come in two denominations: "*Smartalk 100*" which offers five days of unlimited calls for Php100 and "*Smartalk 500*" which offers 30 days of unlimited calls to any subscriber on the Smart network for Php500.

Buoyed by the widespread acceptance of the service, Smart launched a variant in October 2009, the *Smartalk Plus*, which offers unlimited calling and on-net texting during off-peak hours and reduced rates during peak hours. *Smartalk Plus'* Php100 load denomination is valid for five days and provides on-net unlimited calls and SMS from 10:01 p.m. to 5:00 p.m. and, call and SMS rates of Php2.50 per minute and Php0.20 per SMS, respectively, from 5:01 p.m. to 10:00 p.m.

Red Mobile subscriber calls to other *Red Mobile* subscribers are charged at Php0.50 per minute while calls by *Red Mobile* subscribers to *Smart Buddy, Talk 'N Text* and other networks' subscribers are charged Php6.50 per minute. On March 5, 2010, *Red Mobile* introduced its unlimited voice and SMS offer which utilizes a secondary prepaid network powered by Smart. The new service does not require prefix dialing, has no Php1 minimum requirement and no time limit. *Red Mobile Unlimited* offers unlimited Red-to-Red call and text in three denominations: Php25 valid for 1 day with 60 free texts to all networks, Php125 valid for 7 days with 300 free texts to all networks and Php500 valid for 30 days with 1,000 free texts to all networks.

Data Services

Cellular revenues from our data services, which include all text messaging-related services, as well as VAS, decreased by Php1,683 million, or 14%, to Php10,403 million in the first quarter of 2010 from Php12,086 million in the same period in 2009. Cellular data services accounted for 48% and 55% of our cellular service revenues in the first quarter of 2010 and 2009, respectively.

The following table shows the breakdown of our cellular data revenues for the three months ended March 31, 2010 and 2009:

			Increase (Decrease)	
	2010	**2009**	**Amount**	**%**
		(in millions)		
Text messaging				
Domestic	Php9,454	Php11,073	(Php1,619)	(15)
Bucket-Priced	*5,890*	*6,896*	*(1,006)*	*(15)*
Standard	*3,564*	*4,177*	*(613)*	*(15)*
International	326	396	(70)	(18)
	9,780	11,469	(1,689)	(15)
Value-added services				
Standard[1]	273	262	11	4
Rich Media[2]	245	243	2	1
Pasa Load	96	105	(9)	(9)
	614	610	4	1
Financial services				
Smart Money	8	6	2	33
Mobile Banking	1	1	–	–
	9	7	2	29
Total	Php10,403	Php12,086	(Php1,683)	(14)

[1] *Includes standard services such as info-on-demand, ringtone and logo downloads, etc.*
[2] *Includes Multimedia Messaging System, or MMS, internet browsing, General Packet Radio Service, or GPRS, etc.*

Text messaging-related services contributed revenues of Php9,780 million in the first quarter of 2010, a decrease of Php1,689 million, or 15%, as compared with Php11,469 million in the same period in 2009, and accounted for 94% and 95% of our total cellular data revenues in the first quarter of 2010 and 2009, respectively. The decrease in revenues from text messaging-related services resulted mainly from the increase in the number of subscribers who also hold SIM cards from other cellular operators and who selectively use such SIM cards in their calls and SMS, intense competition, the continued decline in SMS yield as a result of aggressive SMS offers, load validity extensions and cheaper alternative means of communication. Text messaging revenues from the various bucket-priced plans totaled Php5,890 million in the first quarter of 2010, a decrease of Php1,006 million, or 15%, as compared with Php6,896 million in the same period in 2009. Likewise, standard text messaging revenues decreased by Php613 million, or 15%, to Php3,564 million in the first quarter of 2010 from Php4,177 million in the same period in 2009. The decrease in international text messaging revenues was mainly due to the higher average/effective rate of roaming costs in the first quarter of 2010.

Standard text messages totaled 4,578 million in the first quarter of 2010, a decrease of 196 million, or 4%, as compared with 4,774 million in the same period in 2009. Bucket-priced text messages in the first quarter of 2010 totaled 77,190 million, an increase of 15,782 million, or 26%, as compared with 61,408 million in the same period in 2009.

VAS, which contributed revenues of Php614 million in the first quarter of 2010, increased by Php4 million, or 1%, as compared with Php610 million in the same period in 2009 primarily due to higher usage of standard and rich-media services partially offset by lower usage of *Pasa Load*, a service allowing prepaid subscribers to transfer small denominations of air time credits to other prepaid subscribers, owing to the continued patronage of low-denomination top-ups.

Subscriber Base, ARPU and Churn Rates

In the first quarter of 2010, Smart (including Piltel's *Talk 'N Text* subscribers which were transferred to Smart on August 17, 2009) and CURE cellular subscribers totaled 43,207,323, an increase of 6,280,624, or 17%, over their combined cellular subscriber base of 36,926,699 in the same period in 2009. Our cellular prepaid subscriber base grew by 17% to 42,761,910 in the first quarter of 2010 from 36,519,235 in the same period in 2009, while our cellular postpaid subscriber base increased by 9% to 445,413 in the first quarter of 2010 from 407,464 in the same period in 2009. Prepaid subscribers accounted for 99% of our total subscriber base in each of the first quarters of 2010 and 2009. Prepaid and postpaid subscribers reflected net activations of 1,868,812 and 9,870, respectively, in the first quarter of 2010 and 1,692,767 and 9,328, respectively, in the same period in 2009.

Our net subscriber activations for the three months ended March 31, 2010 and 2009 were as follows:

			Increase (Decrease)	
	2010	**2009**	**Amount**	**%**
Prepaid	1,868,812	1,692,767	176,045	10
Smart Buddy	*1,271,132*	*419,821*	*851,311*	*203*
Talk 'N Text[(1)]	*394,984*	*1,256,907*	*(861,923)*	*(69)*
Red Mobile	*202,696*	*16,039*	*186,657*	*1,164*
Postpaid	9,870	9,328	542	6
Total	1,878,682	1,702,095	176,587	10

[(1)] *The transfer of Piltel's cellular business to Smart was completed on August 17, 2009.*

For *Smart Buddy*, the average monthly churn rate for the first quarter of 2010 and 2009 was 4.2% and 4.3%, respectively, while the average monthly churn rate for *Talk 'N Text* subscribers was 5.2% and 4.1% in the first quarter of 2010 and 2009, respectively. The average monthly churn rate for *Red Mobile* subscribers was 5.1% in the first quarter of 2010.

The average monthly churn rate for Smart's postpaid subscribers were 1.1% and 2.2% for the first quarter of 2010 and 2009, respectively. Smart's policy is to redirect outgoing calls to an interactive voice response system if the postpaid subscriber's account is either 45 days overdue or if the subscriber has exceeded the prescribed credit limit. If the subscriber does not make a payment within 44 days of redirection, the account is temporarily disconnected. If the account is not settled within 30 days from temporary disconnection, the account is then considered as churned. From the time that temporary disconnection is initiated, a series of collection activities are implemented, involving the sending of a collection letter, call-out reminders and collection messages via text messaging.

The following table summarizes our cellular average monthly ARPUs for the three months ended March 31, 2010 and 2009:

	Gross[1]		Decrease		Net[2]		Decrease	
	2010	2009	Amount	%	2010	2009	Amount	%
Prepaid								
Smart Buddy	Php232	Php272	(Php40)	(15)	Php184	Php216	(Php32)	(15)
Talk 'N Text	140	176	(36)	(20)	115	144	(29)	(20)
Red Mobile	11	25	(14)	(56)	8	14	(6)	(43)
Prepaid – Blended[3]	193	232	(39)	(17)	155	186	(31)	(17)
Postpaid – Smart	1,686	1,863	(177)	(10)	1,286	1,364	(78)	(6)
Prepaid and Postpaid Blended[4]	209	250	(41)	(16)	167	199	(32)	(16)

[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 net of interconnection expense, but net of discounts and content-provider costs, by the average number of subscribers in the month.*
[3] *The average monthly ARPU of Smart Buddy, Talk 'N Text and Red Mobile.*
[4] *The average monthly ARPU of all prepaid and postpaid cellular subscribers.*

Prepaid service revenues consist mainly of charges for subscribers' actual usage of their loads. Prepaid blended gross average monthly ARPU in the first quarter of 2010 was Php193, a decrease of 17%, as compared with Php232 in the same period in 2009. The decrease was primarily due to a decline in the average outbound and inbound domestic voice and text messaging revenue per subscriber in the first quarter of 2010 as compared with the same period in 2009. On a net basis, prepaid blended average monthly ARPU in the first quarter of 2010 was Php155, a decrease of 17%, as compared with Php186 in the same period in 2009.

Gross average monthly ARPU for postpaid subscribers decreased by 10% to Php1,686 as net average monthly ARPU also decreased by 6% to Php1,286 in the first quarter of 2010 as compared with Php1,863 and Php1,364 in the same period in 2009, respectively. Prepaid and postpaid gross average monthly blended ARPU was Php209 in the first quarter of 2010, a decrease of 16%, as compared with Php250 in the same period in 2009. Net average monthly prepaid and postpaid blended ARPU decreased by 16% to Php167 in the first quarter of 2010 from Php199 in the same period in 2009.

Our average monthly prepaid and postpaid ARPUs per quarter for the first quarter of 2010 and four quarters of 2009 were as follows:

	Prepaid						Postpaid	
	Smart Buddy		Talk 'N Text		Red Mobile		Smart	
	Gross[1]	Net[2]	Gross[1]	Net[2]	Gross[1]	Net[2]	Gross[1]	Net[2]
2010								
First Quarter	Php232	Php184	Php140	Php115	Php11	Php8	Php1,686	Php1,286
2009								
First Quarter	272	216	176	144	25	14	1,863	1,364
Second Quarter	269	212	168	138	16	10	1,816	1,278
Third Quarter	249	197	148	122	19	12	1,801	1,307
Fourth Quarter	252	203	152	127	18	15	1,791	1,304

[1] *Gross monthly ARPU is calculated based on the average of the gross monthly ARPUs for the quarter.*
[2] *Net monthly ARPU is calculated based on the average of the net monthly ARPUs for the quarter.*

Wireless Broadband, Satellite and Other Services

Our revenues from wireless broadband, satellite and other services consist mainly of wireless broadband service revenues from SBI, 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 Php300 million, or 23%, to Php1,589 million in the first quarter of 2010 from Php1,289 million in the same period in 2009 primarily due to the growth in wireless broadband subscribers.

SBI offers a number of wireless broadband services and had a total of 1,226,195 subscribers in the first quarter of 2010, an increase of 629,781 subscribers, or 106%, as compared with 596,414 subscribers in the same period in 2009. Our postpaid wireless broadband subscriber base grew by 44,725, or 11%, to 457,460 in the first quarter of 2010 from 412,735 in the same period in 2009, while our prepaid wireless broadband subscriber base increased by 585,056, or 319%, to 768,735 in the first quarter of 2010 from 183,679 in the same period in 2009.

SmartBro, SBI's wireless broadband service linked to Smart's wireless broadband-enabled base stations, allows subscribers to connect to the internet using an outdoor aerial antenna installed in a subscriber's home.

We offer *SmartBro Plug-It*, which provides instant internet access, through the use of a wireless modem, in places where there is Smart network coverage. On April 13, 2008, we launched *SmartBro Plug-It Prepaid*, which offers 30-minute internet access for every Php10 worth of load. In March 2009, we introduced *SmartBro Share-It*, which allows users to share their broadband access with other computers in a home network via a WiFi router. *SmartBro Share-It* runs on a High Speed Packet Access, or HSPA, 850 network ready for transfer capacities of up to 2 Mbps. Effective December 3, 2009, various plans, where monthly fees depend on hours of internet usage, were replaced with Plan 999 which includes unlimited hours of internet usage and speed of up to 2Mbps. On February 28, 2010, we launched *SmartBro SurfTV*, a prepaid TV internet surfing service which comes with a small box device that connects to a television set to provide internet access using *SmartBro's* network coverage. A one-time charge for the *SmartBro SurfTV* kit, which includes a set top box with remote control, keyboard, mouse, *SmartBro Plug-It* modem and prepaid SIM, costs Php4,500. Internet access costs Php10 for every 30 minutes.

On May 24, 2009, Smart introduced *Sandbox*, the latest web platform from Smart which unites social networking, online media content downloading, as well as web services. Browsing on the portal is free of charge but downloading content is charged accordingly. Content is delivered straight to the subscriber's mobile and the cost for any requested music, game and video is automatically charged to the subscriber's prepaid load or added to the monthly service fee for postpaid subscribers.

Satellite and Other Services

Revenues from our satellite and other services decreased by Php149 million, or 32%, to Php315 million in the first quarter of 2010 from Php464 million in the same period in 2009 primarily due to lower satellite transponder rental revenues due to the sale of transponders by Mabuhay Satellite and the effect of the appreciation of the weighted average exchange rate of the Philippine peso to the U.S. dollar to Php45.71 for the three months ended March 31, 2010 from Php48.45 for the three months ended March 31, 2009 on our U.S. dollar and U.S. dollar-linked revenues. Please see *Note 9 – Property, Plant and Equipment* to the accompanying unaudited consolidated financial statements for the discussion on

Wholesale Transponder Lease Agreement between Mabuhay Satellite, ProtoStar Ltd., or ProtoStar, and ProtoStar III Ltd., or ProtoStar III.

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 Php84 million, or 18%, to Php374 million in the first quarter of 2010 as compared with Php458 million in the same period in 2009 primarily due to the lower average retail price of cellular phonekits and SIM-packs, partly offset by increased sales of broadband data modems.

Expenses

Expenses associated with our wireless business in the first quarter of 2010 amounted to Php12,927 million, an increase of Php324 million, or 3%, from Php12,603 million in the same period in 2009. A significant portion of this increase was attributable to professional and other contracted services, rent, selling and promotions, and taxes and licenses, partially offset by lower expenses related to compensation and employee benefits, asset impairment, and insurance and security services. As a percentage of our total wireless revenues, expenses associated with our wireless business accounted for 54% and 52% in the first quarter of 2010 and 2009, respectively.

Cellular business expenses accounted for 85% of our wireless business expenses, while wireless broadband, satellite and other business expenses accounted for the remaining 15% of our wireless business expenses in the first quarter of 2010 as compared with 87% and 13%, respectively, in the same period in 2009.

The following table summarizes the breakdown of our total wireless-related expenses for the three months ended March 31, 2010 and 2009 and the percentage of each expense item to the total:

					Increase (Decrease)	
	2010	**%**	**2009**	**%**	**Amount**	**%**
			(in millions)			
Wireless Services:						
Depreciation and amortization	Php3,263	25	Php3,230	26	Php33	1
Rent	2,728	21	2,637	21	91	3
Compensation and employee benefits[(1)]	1,585	12	1,635	13	(50)	(3)
Repairs and maintenance	1,210	10	1,187	9	23	2
Selling and promotions	1,053	8	971	8	82	8
Cost of sales	1,013	8	1,022	8	(9)	(1)
Professional and other contracted services	771	6	601	5	170	28
Taxes and licenses	462	4	428	3	34	8
Communication, training and travel	227	2	217	2	10	5
Asset impairment	172	1	206	2	(34)	(17)
Insurance and security services	170	1	188	1	(18)	(10)
Amortization of intangible assets	23	–	33	–	(10)	(30)
Other expenses	250	2	248	2	2	1
Total	Php12,927	100	Php12,603	100	Php324	3

(1) Includes salaries and employee benefits, long-term incentive plan, or LTIP, pension and manpower rightsizing program, or MRP, costs.

Depreciation and amortization charges increased by Php33 million, or 1%, to Php3,263 million in the first quarter of 2010 principally due to increased depreciation on the growing asset base of 3G and 2G networks, partly offset by a decrease in the depreciable asset base of our broadband network.

Rent expenses increased by Php91 million, or 3%, to Php2,728 million on account of an increase in international and domestic circuits leased by Smart from PLDT, as well as higher site rental expenses. In the first quarter of 2010, we had 5,595 cell sites, 9,727 cellular/mobile broadband base stations and 2,012 fixed wireless broadband-enabled base stations, as compared with 5,300 cell sites, 8,678 cellular/mobile broadband base stations and 1,996 fixed wireless broadband-enabled base stations in the same period in 2009.

Compensation and employee benefits expenses decreased by Php50 million, or 3%, to Php1,585 million primarily due to decreased provision for LTIP and pension benefits. The decrease was partly offset by merit-based increases and higher employee headcount of Smart and subsidiaries by 71 to 5,501 in the first quarter of 2010 as compared with 5,430 in the same period in 2009. For further discussion of our LTIP, please see *Note 25 – Share-based Payments and Employee Benefits* of the accompanying unaudited consolidated financial statements.

Repairs and maintenance expenses increased by Php23 million, or 2%, to Php1,210 million mainly due to an increase in cellular network maintenance costs, software maintenance expenses and higher fuel costs for power generation, partly offset by lower broadband facilities and IT hardware maintenance costs as well as lower electricity expense.

Selling and promotion expenses increased by Php82 million, or 8%, to Php1,053 million primarily due to higher spending on advertising and promotional campaigns.

Cost of sales decreased by Php9 million, or 1%, to Php1,013 million primarily due to the lower combined average cost of cellular phonekits and SIM-packs and lower average cost of retention packages, partly offset by higher sales volume of broadband data modems.

Professional and other contracted service fees increased by Php170 million, or 28%, to Php771 million primarily due to the increase in consultancy fees, customer interaction solutions service fees, management fees and collection agency fees, partly offset by lower contracted service fees, market research and technical service fees.

Taxes and licenses increased by Php34 million, or 8%, to Php462 million primarily due to higher business-related taxes and license fees.

Communication, training and travel expenses increased by Php10 million, or 5%, to Php227 million primarily due to higher mailing and courier charges, fuel and training expenses incurred in the first quarter of 2010.

Asset impairment decreased by Php34 million, or 17%, to Php172 million mainly due to lower provision for uncollectible subscriber receivables and provision for obsolescence of slow-moving network inventory.

Insurance and security services decreased by Php18 million, or 10%, to Php170 million primarily due to lower insurance and bond premiums.

Amortization of intangibles decreased by Php10 million, or 30%, to Php23 million primarily due to the full amortization, as at August 2009, of the technical application intangible asset relating to SBI.

Other expenses increased by Php2 million, or 1%, to Php250 million primarily due to higher 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, 2010 and 2009:

	2010	2009	Change Amount	Change %
		(in millions)		
Other Income (Expenses):				
Equity share in net earnings (losses) of associates	Php393	(Php36)	Php429	1,192
Foreign exchange gains (losses) – net	346	(206)	552	268
Interest income	212	371	(159)	(43)
Losses on derivative financial instruments – net	(1)	(2)	1	50
Financing costs – net	(779)	(592)	(187)	32
Others	86	251	(165)	(66)
Total	Php257	(Php214)	Php471	220

Our wireless business segment generated other income – net of Php257 million in the first quarter of 2010, an increase of Php471 million, or 220%, as against other expenses – net of Php214 million in the same period in 2009 primarily due to the combined effects of the following: (1) net foreign exchange gains of Php346 million in the first quarter of 2010 as against net foreign exchange losses of Php206 million in the same period in 2009 resulting from the appreciation of the Philippine peso against the U.S. dollar to Php45.29 on March 31, 2010 from Php46.43 on December 31, 2009 as compared with the depreciation of the Philippine peso against the U.S. dollar from Php47.65 on December 31, 2008 to Php48.42 on March 31, 2009; (2) equity share in net earnings of associates of Php393 million in the first quarter of 2010 as against equity share in net losses of associates of Php36 million in the same period in 2009 mainly due to the share in net earnings of Meralco (acquired by Piltel on July 14, 2009); (3) decrease in interest income by Php159 million mainly due to Smart's lower average level of short-term investments and lower average interest rate; (4) higher net financing costs by Php187 million primarily due to higher interest on loans and other related items on account of Smart's higher average loan balances; and (5) decrease in other income by Php165 million mainly due to lower consultancy services and lower gain on recovery of insurance claims.

Provision for Income Tax

Provision for income tax decreased by Php240 million, or 8%, to Php2,733 million in the first quarter of 2010 from Php2,973 million in the same period in 2009 due to lower taxable income. In the first quarter of 2010, the effective tax rate for our wireless business was 24% as compared with 26% in the same period in 2009. Smart and certain of its subsidiaries opted to use the optional standard deduction method in computing their taxable income in the first quarter of 2010 and 2009.

Net Income

Our wireless business segment recorded a net income of Php8,665 million in the first quarter of 2010, an increase of Php93 million, or 1%, from Php8,572 million recorded in the same period in 2009 on account of an increase of Php471 million in other income – net and a decrease of Php240 million in provision for income tax, partially offset by an increase in wireless-related expenses of Php324 million and a decrease in wireless service revenues by Php210 million. Our wireless business segment's net income attributable to equity holders increased by Php398 million, or 5%, to Php8,713 million in the first quarter of 2010 from Php8,315 million in the same period in 2009. The increase in our wireless business segment's net income attributable to equity holders is higher compared with the increase in net income mainly due to the favorable effect of Smart's acquisition of equity interest from Piltel's non-controlling shareholders in 2009. Our wireless business segment's core income increased by Php13 million to Php8,474 million in the first quarter of 2010 from Php8,461 million in the same period in 2009.

Fixed Line

Revenues

Revenues generated from our fixed line business amounted to Php12,953 million in the first quarter of 2010, an increase of Php125 million, or 1%, from Php12,828 million in the same period in 2009. The following table summarizes our total revenues from our fixed line business for the three months ended March 31, 2010 and 2009 by service segment:

					Increase (Decrease)	
	2010	**%**	**2009**	**%**	**Amount**	**%**
			(in millions)			
Fixed Line Services:						
Service Revenues:						
Local exchange	Php3,930	30	Php3,940	31	(Php10)	–
International long distance	1,519	12	1,613	13	(94)	(6)
National long distance	1,161	9	1,697	13	(536)	(32)
Data and other network	5,845	45	5,154	40	691	13
Miscellaneous	406	3	361	3	45	12
	12,861	99	12,765	100	96	1
Non-Service Revenues:						
Sale of computers	92	1	63	–	29	46
Total Fixed Line Revenues	Php12,953	100	Php12,828	100	Php125	1

Service Revenues

Our fixed line business provides local exchange service, international and national long distance services, data and other network services, and miscellaneous services. Our fixed line service revenues increased by Php96 million, or 1%, to Php12,861 million in the first quarter of 2010 from Php12,765 million in the same period in 2009 due to an increase in revenues from our data and other network services as a result of higher revenues contributed by our DSL and diginet services, and miscellaneous services, partially offset by the decrease in revenues from our national long distance, international 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, 2010 and 2009:

			Increase (Decrease)	
	2010	**2009**	**Amount**	**%**
Total local exchange service revenues (in millions)	Php3,930	Php3,940	(Php10)	–
Number of fixed line subscribers	1,859,998	1,776,291	83,707	5
Postpaid	1,693,562	1,536,644	156,918	10
Prepaid	166,436	239,647	(73,211)	(31)
Number of fixed line employees	8,073	8,076	(3)	–
Number of fixed line subscribers per employee	230	220	10	5

Revenues from our local exchange service decreased by Php10 million to Php3,930 million in the first quarter of 2010 from Php3,940 million in the same period in 2009 primarily owing to a decrease in ARPU on account of lower fixed charges due to the increase in demand for bundled voice and data services and lower installation and service connection charges, partially offset by an increase in the average number of postpaid billed lines as a result of the launching of *PLDT Landline Plus*. The percentage contribution of local exchange revenues to our total fixed line service revenues accounted for 31% in each of the first quarters of 2010 and 2009.

PLDT offers *PLDT Landline Plus*, a postpaid fixed wireless service where subscribers to the service benefit from a text-capable home phone which can be brought around the area where it was applied for. The monthly service fee is at Php600 with 600 local minutes free and Php1,000 with 1,000 local minutes free for residential and business subscribers, respectively. In March 2008, we introduced the prepaid variant of *PLDT Landline Plus*. As at March 31, 2010, there were a total of 265,127 active *PLDT Landline Plus* subscribers, of which 216,109 and 49,018 were postpaid and prepaid subscribers, respectively, whereas there were a total of 134,294 active *PLDT Landline Plus* subscribers as at March 31, 2009, of which 57,420 and 76,874 were postpaid and prepaid subscribers, respectively.

International Long Distance Service

The following table shows our international long distance service revenues and call volumes for the three months ended March 31, 2010 and 2009:

			Decrease	
	2010	**2009**	**Amount**	**%**
Total international long distance service revenues (in millions)	Php1,519	Php1,613	(Php94)	(6)
Inbound	1,280	1,323	(43)	(3)
Outbound	239	290	(51)	(18)
International call volumes (in million minutes, except call ratio)	496	466	30	6
Inbound	441	409	32	8
Outbound	55	57	(2)	(4)
Inbound-outbound call ratio	8.0:1	7.2:1	–	–

Our total international long distance service revenues decreased by Php94 million, or 6%, to Php1,519 million in the first quarter of 2010 from Php1,613 million in the same period in 2009 primarily due to a decrease in the average collection and settlement rates and the unfavorable effect of the appreciation of the weighted average exchange rate of the Philippine peso to the U.S. dollar to Php45.71 for the three months ended March 31, 2010 from Php48.45 for the three months ended March 31, 2009 partially offset by the increase in call volumes. The percentage contribution of international long distance service revenues to our total fixed line service revenues decreased to 12% in the first quarter of 2010 from 13% in the same period in 2009.

Our revenues from inbound international long distance service decreased by Php43 million, or 3%, to Php1,280 million in the first quarter of 2010 from Php1,323 million in the same period in 2009 due to the decrease in the settlement rate and the effect of the appreciation of the weighted average exchange rate of the Philippine peso to the U.S. dollar which decreased our inbound international long distance revenues, since settlement charges for inbound calls are primarily billed in U.S. dollars partially offset by the increase in inbound call volumes.

Our revenues from outbound international long distance service decreased by Php51 million, or 18%, to Php239 million in the first quarter of 2010 from Php290 million in the same period in 2009 primarily due to the decline in outbound international call volumes, lower average collection rate in dollar terms and the effect of the appreciation of the weighted average exchange rate of the Philippine peso to the U.S. dollar to Php45.71 for the three months ended March 31, 2010 from Php48.45 for the three months ended March 31, 2009, resulting in a decrease in the average billing rates to Php46.25 in the first quarter of 2010 from Php47.63 in the same period in 2009.

National Long Distance Service

The following table shows our national long distance service revenues and call volumes for the three months ended March 31, 2010 and 2009:

	2010	2009	Decrease Amount	%
Total national long distance service revenues (in millions)	Php1,161	Php1,697	(Php536)	(32)
National long distance call volumes (in million minutes)	331	517	(186)	(36)

Our national long distance service revenues decreased by Php536 million, or 32%, to Php1,161 million in the first quarter of 2010 from Php1,697 million in the same period in 2009 primarily due to a decrease in call volumes, partially offset by an increase in the average revenue per minute for our national long distance services due to cessation of certain promotions on our national long distance calling rates. The percentage contribution of national long distance revenues to our fixed line service revenues decreased to 9% in the first quarter of 2010 from 13% in the same period in 2009.

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, 2010 and 2009:

	2010	2009	Increase Amount	%
Data and other network service revenues (in millions)	Php5,845	Php5,154	Php691	13
Number of *DSL* broadband subscribers	589,795	470,865	118,930	25

In the first quarter of 2010, our data and other network services posted revenues of Php5,845 million, an increase of Php691 million, or 13%, as compared with Php5,154 million in the same period in 2009 primarily due to increases in leased lines, IP-based and packet-based data services, particularly global data connectivity and *PLDT DSL*, partially offset by a decrease in *PLDT Vibe* service subscribers. The percentage contribution of this service segment to our fixed line service revenues increased to 45% in the first quarter of 2010 from 40% in the same period in 2009.

IP-based products include *PLDT DSL* (*myDSL* and *BizDSL*), *PLDT Vibe* and I-Gate. *PLDT DSL* broadband internet service is targeted for heavy individual internet users as well as for small and medium enterprises, while *PLDT Vibe*, PLDT's dial-up/narrowband internet service, is for light internet users. I-Gate, our dedicated leased line internet access service, on the other hand, is targeted for enterprises and VAS providers.

DSL contributed revenues of Php1,990 million in the first quarter of 2010, an increase of Php391 million, or 24%, as compared with Php1,599 million in the same period in 2009 primarily due to an increase in the number of subscribers, which was partially offset by lower ARPU as a result of launching of lower-priced promotional plans. DSL subscribers increased by 25% to 589,795 subscribers in the first quarter of 2010 from 470,865 subscribers in the same period in 2009.

We also offer *PLDT WeRoam*, a broadband service, running on the PLDT Group's nationwide wireless network (using GPRS, EDGE, 3G/HSDPA/HSPA and WiFi technologies). This service had 17,821 subscribers in the first quarter of 2010 as compared with 17,009 subscribers in the same period in 2009 and contributed Php57 million to our data service revenues in the first quarter of 2010, increasing by Php2 million, or 4%, as compared with Php55 million in the same period in 2009.

Shops.Work Unplugged or SWUP, our VPN service that powers wireless point-of-sale terminals and a growing number of off-site bank ATMs, as well as other retail outlets located in remote areas, also sustained its penetration into the market with the introduction of its offering where one terminal can now accept all types of ATM debit and credit cards. This service is expected to contribute significantly to PLDT data service revenue in the near-term.

The continued growth in data services revenues can be attributed to the consistent growth of the global data business and domestic data business categories.

The steady demand for dedicated international connectivity or private networking from the corporate market, offshore and outsourcing industries, and semiconductor market to use PLDT's extensive international alliances and domestic data offerings – Fibernet, Arcstar, and other Global Service Providers such as BT-Infonet, Orange Business and Verizon. ISDN has been increasingly popular with corporate customers, especially the Primary Rate Interface type, I-Gate. International data service revenues increased by Php161 million, or 12%, to Php1,458 million in the first quarter of 2010 from Php1,297 million in the same period in 2009 primarily due to an increase in I-Gate revenues by Php102 million, or 24%, to Php534 million in the first quarter of 2010 from Php432 million in the same period in 2009 as a result of Smart's higher usage and monthly recurring charges.

Domestic data services contributed Php4,387 million in the first quarter of 2010, an increase of Php530 million, or 14%, as compared with Php3,857 million in the same period in 2009. Growth was driven by the continued increase in DSL subscribers, and IP-VPN and Metro Ethernet, our high-speed wide area networking services that enable mission-critical data transfers, as demand from the offshoring and outsourcing segment continues to increase.

Diginet, our domestic private leased line service, has been providing Smart's increasing fiber optic and leased line data requirements. Diginet revenues increased by Php80 million, or 4%, to Php1,916 million in the first quarter of 2010 from Php1,836 million in the same period in 2009 mainly due to an increase in Smart's domestic fiber optic network, or DFON, rental to Php1,464 million in the first quarter of 2010 from Php1,431 million in the same period in 2009.

Miscellaneous Services

Miscellaneous service revenues are derived mostly from directory advertising, facilities management and rental fees. In the first quarter of 2010, these service revenues increased by Php45 million, or 12%, to Php406 million from Php361 million in the same period in 2009 mainly due to an increase in facilities management fees and rental income owing to higher co-location charges. The percentage contribution of miscellaneous service revenues to our total fixed line service revenues was 3% in each of the first quarters of 2010 and 2009.

Non-service Revenues

Non-service revenues increased by Php29 million, or 46%, to Php92 million in the first quarter of 2010 from Php63 million in the same period in 2009 primarily due to higher computer sales and a decrease in the cost of fixed wireless service handsets.

Expenses

Expenses related to our fixed line business totaled Php9,549 million in the first quarter of 2010, an increase of Php13 million as compared with Php9,536 million in the same period in 2009. The increase was primarily due to higher repairs and maintenance, asset impairment, professional and other contracted services, rent, and selling and promotions expenses, which were partly offset by decreases in depreciation and amortization, compensation and employee benefits expenses, and taxes and licenses expenses. As a percentage of our total fixed line revenues, expenses associated with our fixed line business accounted for 74% in each of the first quarters of 2010 and 2009.

The following table shows the breakdown of our total fixed line-related expenses for the three months ended March 31, 2010 and 2009 and the percentage of each expense item to the total:

					Increase (Decrease)	
	2010	**%**	**2009**	**%**	**Amount**	**%**
			(in millions)			
Fixed Line Services:						
Depreciation and amortization	Php2,910	30	Php3,286	34	(Php376)	(11)
Compensation and employee benefits[(1)]	2,453	26	2,625	27	(172)	(7)
Repairs and maintenance	1,188	12	1,034	11	154	15
Rent	722	8	599	6	123	21
Professional and other contracted services	690	7	566	6	124	22
Selling and promotions	477	5	362	4	115	32
Asset impairment	382	4	253	3	129	51
Communication, training and travel	195	2	170	2	25	15
Taxes and licenses	181	2	293	3	(112)	(38)
Insurance and security services	107	1	162	2	(55)	(34)
Cost of sales	78	1	66	1	12	18
Other expenses	166	2	120	1	46	38
Total	Php9,549	100	Php9,536	100	13	–

(1) *Includes salaries and employee benefits, LTIP, pension and MRP costs.*

Depreciation and amortization charges decreased by Php376 million, or 11%, to Php2,910 million due to a lower depreciable asset base in the first quarter of 2010 as compared with the same period in 2009.

Compensation and employee benefits expenses decreased by Php172 million, or 7%, to Php2,453 million primarily due to lower provisions for pension costs and LTIP, partially offset by higher salaries and employee benefits due to CBA-related increases. For further discussion on our LTIP and pension benefits, please see *Note 25 – Share-based Payments and Employee Benefits* of the accompanying unaudited consolidated financial statements.

Repairs and maintenance expenses increased by Php154 million, or 15%, to Php1,188 million primarily due to higher maintenance costs of IT software, higher electricity charges, and domestic cable and wire facilities.

Rent expenses increased by Php123 million, or 21%, to Php722 million due to an increase in international leased circuit charges and office building rental charges, partially offset by a decrease in pole rental charges.

Professional and other contracted services increased by Php124 million, or 22%, to Php690 million primarily due to higher legal fees, contracted service fees for customer interaction solutions outsourcing project services, and payment facility fees.

Selling and promotion expenses increased by Php115 million, or 32%, to Php477 million primarily due to higher spending on advertising and promotions, and public relations in the first quarter of 2010.

Asset impairment increased by Php129 million, or 51%, to Php382 million due to higher provision for uncollectible customer receivables.

Communication, training and travel expenses increased by Php25 million, or 15%, to Php195 million due to higher mailing and courier charges, local travel expenses and communication charges.

Taxes and licenses decreased by Php112 million, or 38%, to Php181 million as a result of lower business-related taxes.

Insurance and security services decreased by Php55 million, or 34%, to Php107 million primarily due to lower insurance and bond premiums, and lower security services.

Cost of sales increased by Php12 million, or 18%, to Php78 million due to higher computer-bundled sales in relation to our DSL promotion and *WeRoam* subscriptions.

Other expenses increased by Php46 million, or 38%, to Php166 million due to increases in various business and fixed line operational-related expenses.

Other Income (Expenses)

The following table summarizes the breakdown of our total fixed line-related other income (expenses) for the three months ended March 31, 2010 and 2009:

			Change	
	2010	**2009**	**Amount**	**%**
		(in millions)		
Other Income (Expenses):				
Foreign exchange gains (losses) – net	Php394	(Php422)	Php816	193
Interest income	152	154	(2)	(1)
Equity share in net losses of joint ventures	(64)	(22)	(42)	191
Gains (losses) on derivative financial instruments – net	511	(504)	1,015	201
Financing costs – net	(1,057)	(954)	(103)	11
Others	177	225	(48)	(21)
Total	Php113	(Php1,523)	Php1,636	107

Our fixed line business segment generated other income – net of Php113 million in the first quarter of 2010 against other expenses – net of Php1,523 million in the same period in 2009. The change was due to the combined effects of the following: (i) net gains on derivative financial instruments of Php511 million in the first quarter of 2010 as against net losses on derivative financial instruments of Php504 million in the same period in 2009 due to the mark-to-market valuation on principal only currency swaps; (ii) net foreign exchange gains of Php394 million in the first quarter of 2010 as against net foreign exchange losses of Php422 million in the same period in 2009 as a result of the appreciation of the Philippine peso to the U.S. dollar to Php45.29 on March 31, 2010 from Php46.43 on December 31, 2009 as against the peso depreciation from Php47.65 on December 31, 2008 to Php48.42 on March 31, 2009; and (iii) an increase in net financing costs by Php103 million due to an increase in interest expense on loans and related items – net on account of higher average loan balances partially offset by lower average interest rate.

Provision for Income Tax

Provision for income tax amounted to Php943 million, an increase of Php459 million, or 95%, in the first quarter of 2010 as compared with Php484 million in the same period in 2009 primarily due to higher taxable income.

Net Income

In the first quarter of 2010, our fixed line business segment contributed a net income of Php2,574 million, an increase of Php1,289 million, or 100%, as compared with Php1,285 million in the same period in 2009 primarily as a result of increases in other income – net by Php1,636 million and fixed line revenues by Php125 million partially offset by higher provision for income tax by Php459 million and higher fixed line-related expenses by Php13 million. Our fixed line business segment's net income attributable to equity holders increased by Php1,288 million, or 100%, to Php2,571 million in the first quarter of 2010 from Php1,283 million in the same period in 2009. Our fixed line business segment's core income increased by Php51 million, or 3%, to Php1,853 million in the first quarter of 2010 from Php1,802 million in the same period in 2009.

Information and Communications Technology

Revenues

Our ICT business provides knowledge processing solutions, customer interaction solutions, internet and online gaming, and data center services.

In the first quarter of 2010, our ICT business generated revenues of Php2,670 million, an increase of Php1 million as compared with Php2,669 million in the same period in 2009. This increase was primarily due to the continued growth of our data center service revenues and the steady revenue contribution of our knowledge processing solutions and internet and online gaming businesses, partially offset by a decrease in the revenue contribution of our customer interaction solutions business.

The following table summarizes our total revenues from our ICT business for the three months ended March 31, 2010 and 2009 by service segment:

					Increase (Decrease)	
	2010	**%**	**2009**	**%**	**Amount**	**%**
			(in millions)			
Service Revenues:						
Knowledge processing solutions	Php1,242	46	Php1,232	46	Php10	1
Customer interaction solutions	774	29	913	34	(139)	(15)
Internet and online gaming	264	10	255	10	9	4
Data center and others	348	13	211	8	137	65
	2,628	98	2,611	98	17	1
Non-Service Revenues:						
Point-product sales	42	2	58	2	(16)	(28)
Total ICT Revenues	Php2,670	100	Php2,669	100	Php1	–

Service Revenues

Service revenues generated by our ICT business segment amounted to Php2,628 million in the first quarter of 2010, an increase of Php17 million, or 1%, as compared with Php2,611 million in the same period in 2009 primarily as a result of an increase in co-location revenues and disaster recovery revenues from our data center business complemented by the growth in online gaming business and steady growth of our knowledge processing solutions and internet businesses. This was partially offset by the decline in revenues from our customer interaction solutions business. As a percentage of our total ICT business revenues, service revenues remained stable at 98% in each of the first quarters of 2010 and 2009.

Knowledge Processing Solutions

We provide our knowledge processing solutions business primarily through the SPi Group. The knowledge processing solutions business contributed revenues of Php1,242 million in the first quarter of 2010, an increase of Php10 million, or 1%, as compared with Php1,232 million in the same period in 2009 primarily due to higher revenues contributed by SPi's publishing and medical billing services complemented by the inclusion of revenues from Laguna Medical which was acquired in September 2009. Knowledge processing solutions accounted for 47% of total service revenues of our ICT business in each of the first quarters of 2010 and 2009.

Customer Interaction Solutions

We provide our customer interaction solutions primarily through *ePLDT Ventus*. Revenues relating to our customer interaction solutions business decreased by Php139 million, or 15%, to Php774 million in the first quarter of 2010 from Php913 million in the same period in 2009 primarily due to the decrease in domestic and international dollar-denominated revenues. In total, we own and operate approximately 7,140 seats with 4,710 customer service representatives, or CSRs, in the first quarter of 2010 as compared with approximately 6,530 seats with 5,440 CSRs in the same period in 2009. As at March 31, 2010 and 2009, *ePLDT Ventus* had seven customer interaction solution sites. Customer interaction solution revenues accounted for 30% and 35% of total service revenues of our ICT business in the first quarter of 2010 and 2009, respectively.

Internet and Online Gaming

Revenues from our internet and online gaming businesses increased by Php9 million, or 4%, to Php264 million in the first quarter of 2010 from Php255 million in the same period in 2009 primarily due to an increase in the revenue contribution of Level Up! resulting from its new online games and Infocom's revenues from handling PLDT's DSL-related nationwide technical helpdesk operations. Our internet and online gaming business revenues accounted for 10% of total service revenues of our ICT business in each of the first quarters of 2010 and 2009.

Data Center and Others

ePLDT operates an internet data center under the brand name *Vitro*™, which provides co-location or rental services, server hosting, data disaster recovery and business continuity services, intrusion detection, security services such as firewalls and managed firewalls, and other data services. In the first quarter of 2010, our data center contributed revenues of Php348 million, an increase of Php137 million, or 65%, from Php211 million in the same period in 2009 primarily due to an increase in co-location or rental revenues and disaster recovery services. Our data center revenues accounted for 13% and 8% of total service revenues of our ICT business in the first quarter of 2010 and 2009, respectively.

Non-Service Revenues

Non-service revenues consist of sales generated from reselling certain software licenses, server solutions, networking products, storage products and data security products. In the first quarter of 2010, non-service revenues generated by our ICT business decreased by Php16 million, or 28%, to Php42 million from Php58 million in the same period in 2009 primarily due to lower revenues from sales of software licenses.

Expenses

Expenses associated with our ICT business totaled Php2,556 million in the first quarter of 2010, a decrease of Php162 million, or 6%, as compared with Php2,718 million in the same period in 2009 primarily due to lower compensation and employee benefits, cost of sales, communication, training and travel, and depreciation and amortization expenses, partially offset by higher professional and other contracted services, rent and other operating expenses. As a percentage of our total ICT revenues, expenses related to our ICT business accounted for 96% and 102% in the first quarter of 2010 and 2009, respectively.

The following table shows the breakdown of our total ICT-related expenses for the three months ended March 31, 2010 and 2009 and the percentage of each expense item to the total:

					Increase (Decrease)	
	2010	**%**	**2009**	**%**	**Amount**	**%**
			(in millions)			
ICT Services:						
Compensation and employee benefits[(1)]	Php1,507	59	Php1,715	63	(Php208)	(12)
Depreciation and amortization	188	7	192	7	(4)	(2)
Rent	167	7	158	6	9	6
Professional and other contracted services	156	6	122	5	34	28
Repairs and maintenance	152	6	153	6	(1)	(1)
Communication, training and travel	109	4	117	4	(8)	(7)
Cost of sales	79	3	94	3	(15)	(16)
Amortization of intangible assets	68	3	60	2	8	13
Taxes and licenses	31	1	24	1	7	29
Selling and promotions	26	1	27	1	(1)	(4)
Insurance and security services	17	1	16	1	1	6
Asset impairment	8	–	1	–	7	700
Other expenses	48	2	39	1	9	23
Total	Php2,556	100	Php2,718	100	(Php162)	(6)

(1) *Includes salaries and employee benefits, LTIP, pension and MRP costs.*

Compensation and employee benefits decreased by Php208 million, or 12%, to Php1,507 million mainly due to a decline in salaries and employee benefits as a result of a decrease in ePLDT and subsidiaries' employee headcount by 976, or 6%, to 15,242 in the first quarter of 2010 as compared with 16,218 in the same period in 2009, as well as lower provisions for LTIP partially offset by the increase in MRP costs and pension benefits.

Depreciation and amortization charges decreased by Php4 million, or 2%, to Php188 million primarily due to a decrease in the depreciable asset base of our knowledge processing solutions business on account of lower capital expenditures in the first quarter of 2010 as compared with the same period in 2009.

Rent expenses increased by Php9 million, or 6%, to Php167 million primarily due to higher office building and site rental charges.

Professional and other contracted services increased by Php34 million, or 28%, to Php156 million primarily due to higher technical service and contracted service fees incurred by the SPi Group related to its knowledge processing solutions business.

Repairs and maintenance expenses decreased by Php1 million, or 1%, to Php152 million primarily due to lower building, site, IT software and hardware repairs and maintenance costs particularly knowledge processing solutions service, partially offset by higher office and electricity charges.

Communication, training and travel expenses decreased by Php8 million, or 7%, to Php109 million primarily due to lower local and foreign training and travel expenses incurred by our customer interaction solutions and knowledge processing solutions businesses.

Cost of sales decreased by Php15 million, or 16%, to Php79 million primarily due to lower volume of sales of software licenses and hardware products.

Amortization of intangible assets increased by Php8 million, or 13%, to Php68 million due to additional game licenses acquired by our gaming business in late 2009 and the first quarter of 2010. Please see *Note 14 – Goodwill and Intangible Assets* of the accompanying unaudited consolidated financial statements for further discussion.

Taxes and licenses increased by Php7 million, or 29%, to Php31 million primarily due to higher business-related taxes.

Selling and promotion expenses decreased by Php1 million, or 4%, to Php26 million mainly due to the SPi Group's lower commission, advertising and marketing expenses.

Insurance and security services increased by Php1 million, or 6%, to Php17 million primarily due to higher security services.

Asset impairment increased by Php7 million, or 700%, to Php8 million primarily due to higher provision for uncollectible receivables in the first quarter of 2010.

Other expenses increased by Php9 million, or 23%, to Php48 million mainly due to higher various business and ICT operational-related costs.

Other Income

The following table summarizes the breakdown of our total ICT-related other income for the three months ended March 31, 2010 and 2009:

			Change	
	2010	**2009**	**Amount**	**%**
		(in millions)		
Other Income:				
Equity share in net earnings of associates	Php40	Php13	Php27	208
Interest income	8	6	2	33
Gains on derivative financial instruments – net	2	–	2	100
Foreign exchange gains (losses) – net	(32)	36	(68)	(189)
Financing costs – net	(44)	(36)	(8)	22
Others	38	3	35	1,167
Total	Php12	Php22	(Php10)	(45)

Our ICT business segment generated other income – net of Php12 million in the first quarter of 2010 compared with Php22 million in the same period in 2009 primarily due to the combined effects of the following: (i) net foreign exchange losses of Php32 million in the first quarter of 2010 as against net foreign exchange gains of Php36 million in the same period in 2009 due to the revaluation of net foreign currency-denominated assets as a result of the effect of the appreciation of the Philippine peso to the U.S. dollar in the first quarter of 2010; (ii) an increase in other income by Php35 million mainly due to insurance claim received in 2010; and (iii) an increase in equity share in net earnings of associates by Php27 million.

Benefit from Income Tax

Benefit from income tax increased by Php7 million, or 350%, to Php9 million in the first quarter of 2010 from Php2 million in the same period in 2009 primarily due to lower taxable income of Ventus.

Net Income (Loss)

In the first quarter of 2010, our ICT business segment registered a net income of Php135 million, an improvement of Php160 million, or 640%, from a net loss of Php25 million in the same period in 2009 mainly as a result of Php162 million decrease in ICT-related expenses, an increase in ICT service revenues by Php17 million and higher benefit from income tax of Php7 million. Our ICT business segment's net income attributable to equity holders increased by Php155 million, or 861%, to Php137 million in the first quarter of 2010 compared with net loss attributable to equity holders of Php18 million in the same period in 2009. Our ICT business segment's core income amounted to Php158 million in the first quarter of 2010, an improvement of 467%, as against a loss of Php43 million in the same period in 2009.

Liquidity and Capital Resources

The following table shows our consolidated cash flows for the three months ended March 31, 2010 and 2009 as well as our consolidated capitalization and other consolidated selected financial data as at March 31, 2010 and December 31, 2009:

	Three Months Ended March 31,	
	2010	**2009**
(in millions)	(Unaudited)	
Cash Flows		
Net cash provided by operating activities	Php19,566	Php15,146
Net cash provided by (used in) investing activities	(1,657)	1,619
Capital expenditures	*5,206*	*3,944*
Net cash provided by (used in) financing activities	(5,149)	604
Net increase in cash and cash equivalents	12,614	17,499

	March 31, 2010	**December 31, 2009**
(in millions)	(Unaudited)	(Audited)
Capitalization		
Long-term portion of interest-bearing financial liabilities – net of current portion:		
Long-term debt	Php81,457	Php86,066
Obligations under finance lease	11	13
	81,468	86,079
Current portion of interest-bearing financial liabilities:		
Notes payable	2,272	2,279
Long-term debt maturing within one year	10,836	10,384
Obligations under finance lease maturing within one year	50	51
	13,158	12,714
Total interest-bearing financial liabilities	94,626	98,793
Total equity attributable to equity holders of PLDT	83,496	98,575
	Php178,122	Php197,368
Other Selected Financial Data		
Total assets	Php289,044	Php280,148
Property, plant and equipment	160,052	161,256
Cash and cash equivalents	50,933	38,319
Short-term investments	703	3,824

As at March 31, 2010, our consolidated cash and cash equivalents and short-term investments totaled Php51,636 million. Principal sources of consolidated cash and cash equivalents in the first quarter of 2010 were cash flows from operating activities amounting to Php19,566 million, net proceeds from maturity of short-term investments of Php3,222 million and interest received of Php383 million. These funds were used principally for: (1) capital outlays of Php5,206 million; (2) total debt principal and interest payments of Php3,284 million and Php1,443 million, respectively; (3) settlement of derivative financial instruments of Php229 million; and (4) dividend payments of Php108 million.

Operating Activities

Our consolidated net cash flows from operating activities in the first quarter of 2010 increased by Php4,420 million, or 29%, to Php19,566 million from Php15,146 million in the same period in 2009 primarily due to higher collection of receivables and lower level of settlement of various payables.

Our wireless service business, which accounted for 60% and 61% of our total service revenues in the first quarter of 2010 and 2009, respectively. Revenues from our fixed line and ICT businesses accounted for 33% and 7%, respectively, of our total service revenues in the first quarter of 2010 as compared with 32% and 7%, respectively, in the same period in 2009.

Cash flows from operating activities of our wireless business amounted to Php13,339 million in the first quarter of 2010, a decrease of Php2,900 million, or 18%, as compared with Php16,239 million in the same period in 2009. The decrease in our wireless business segment’s cash flows from operating activities was a result of a higher level of outstanding receivables, mainly from dealers and other carriers, as well as a higher net settlement of various payables in the first quarter of 2010 as compared with the same period in 2009. Cash flows provided by operating activities of our fixed line business amounted to Php5,850 million in the first quarter of 2010 as compared with cash flows used in operating activities of Php1,347 million in the same period in 2009 primarily due to higher collection of accounts receivables, lower level of settlement of various current liabilities and absence of pension contributions made to the beneficial trust fund in the first quarter of 2010. On the other hand, cash flows from operating activities of our ICT business increased by Php130 million, or 52%, to Php382 million in the first quarter of 2010 from Php252 million in the same period in 2009 mainly due to lower working capital requirements in the first quarter of 2010.

Investing Activities

Consolidated net cash used in investing activities amounted to Php1,657 million in the first quarter of 2010, a decrease of Php3,276 million, or 202%, as compared with net cash provided by investing activities of Php1,619 million in the same period in 2009 primarily due to the combined effects of the following: (1) increase in capital expenditures by Php1,262 million in the first quarter of 2010; (2) lower net proceeds from the maturity of investments in debt securities by Php1,196 million; and (3) lower net proceeds from the maturity of short-term investments by Php661 million.

Our consolidated capital expenditures in the first quarter of 2010 totaled Php5,206 million, an increase of Php1,262 million, or 32%, as compared with Php3,944 million in the same period in 2009 primarily due to an increase in PLDT’s and Smart’s capital spending. PLDT's capital spending of Php2,653 million in the first quarter of 2010 was principally used to finance the expansion and upgrade of its domestic fiber optic network facilities, NGN roll-out, fixed line data and IP-based network services and outside plant rehabilitation. Smart's capital spending of Php2,411 million in the first quarter of 2010 was used primarily to build a secondary network for *Red Mobile Unlimited,* expand its 3G 2100 broadband network, and to further upgrade its core, access and transmission network facilities. ePLDT and its subsidiaries’ capital spending of Php113 million in the first quarter of 2010 was primarily used to fund the continued expansion of its customer interaction solutions facilities. 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.

In the first quarter of 2010 and 2009, dividends declared by Smart to PLDT amounted to Php7,000 million and Php20,440 million, respectively. The Php7,000 million declared in the first quarter of 2010 will be paid in July 2010 while of the Php20,440 million declared in the first quarter of 2009, Php14,800 million and Php5,640 million were paid on April 13, 2009 and September 11, 2009, respectively.

In the first quarter of 2010 and 2009, Piltel paid cash dividends to common shareholders amounting to Php9,931 and Php6,077 million, of which Php9,882 million and Php5,640 million, respectively, were paid to Smart.

Financing Activities

On a consolidated basis, net cash used in financing activities amounted to Php5,149 million in the first quarter of 2010, a decrease of Php5,753 million, or 952%, as compared with net cash provided by financing activities of Php604 million in the same period in 2009 resulting largely from the combined effects of the following: (1) proceeds from the issuance of long-term debt and notes payable by Php6,745 million in the first quarter of 2009 and none in the same period in 2010; (2) higher net payments of capital expenditures under long-term financing by Php577 million; (3) higher debt repayments by Php296 million; (4) higher interest payments by Php321 million; (5) lower settlement of derivative financial instruments by Php144 million; (6) lower cash dividend payments by Php383 million; and (7) lower share buyback in the first quarter of 2010 by Php1,665 million.

Debt Financing

Our consolidated long-term debt decreased by Php4,157 million, or 4%, to Php92,293 million in the first quarter of 2010 due to debt amortizations, prepayments and the appreciation of the exchange rate of the Philippine peso to the U.S. dollar to Php45.29 on March 31, 2010 from Php46.43 on December 31, 2009. Total long-term debt of PLDT and Smart decreased by 3% and 6% to Php52,037 million and Php40,117 million, respectively, as at March 31, 2010 as compared with December 31, 2009.

Approximately Php50,551 million principal amount of our consolidated outstanding long-term debt as at March 31, 2010 is scheduled to mature over the period from 2010 to 2013. Of this amount, Php27,350 million is attributable to Smart, Php23,062 million to PLDT, and the remainder to ePLDT.

For a complete discussion of our long-term debt, see *Note 20 – Interest-bearing Financial Liabilities – Long-term Debt* of 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 PLDT's debt instruments contain provisions wherein PLDT may be required to repurchase or prepay certain indebtedness in case of a change in control of PLDT.

Please see *Note 20 – Interest-bearing Financial Liabilities – Debt Covenants* of 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.

Consolidated cash dividend payments in the first quarter of 2010 amounted to Php108 million as compared with Php491 million paid to shareholders in the same period in 2009. On August 4, 2009, we declared a regular cash dividend of Php77 per share and on March 2, 2010, we declared regular and special cash dividends of Php76 and Php65 per share, respectively, representing approximately 100% payout of our 2009 earnings per share on an adjusted basis (excluding asset impairment on noncurrent assets and gains/losses on foreign exchange revaluation and derivatives).

Off-Statement of Financial Position Arrangements

There are no off-statement financial position 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

PLDT raised Php10 million from the exercise by certain officers and executives of stock options in the first quarter of 2009. In addition, through our subscriber investment plan which provides postpaid fixed line subscribers the opportunity to buy shares of our 10% Cumulative Convertible Preferred Stock as part of the upfront payments collected from subscribers, PLDT was able to raise Php1 million in each of the first quarters of 2010 and 2009 from this source.

As part of our goal to maximize returns to our shareholders, we obtained in 2008 an approval from the Board of Directors to conduct a share buyback program for up to five million PLDT common shares. As at March 31, 2010 and December 31, 2009, we had acquired a total of 2.7 million shares of PLDT's common stock at a weighted average price of Php2,387 per share for a total consideration of Php6,405 million. Please see to *Note 8 – Earnings Per Common Share, Note 19 – Equity* and *Note 28 – Financial Assets and Liabilities* of 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, see *Note 26 – Contractual Obligations and Commercial Commitments* of the accompanying unaudited consolidated financial statements.

Commercial Commitments

As at March 31, 2010 and December 31, 2009, our outstanding consolidated commercial commitments, in the form of letters of credit, amounted to Php1,807 million and Php1,317 million, 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. 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 26 – Contractual Obligations and Commercial Commitments* and *Note 28 – Financial Assets and Liabilities* of 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, 2010 and December 31, 2009:

	Fair Values	
	March 31, 2010	**December 31, 2009**
	(Unaudited)	**(Audited)**
(in millions)		
Noncurrent Financial Assets		
Available-for-sale financial assets		
Listed equity securities	Php70	Php68
Unlisted equity securities	62	66
Investments in debt securities	482	474
Advances and refundable deposits – net of current portion	750	732
Total noncurrent financial assets	1,364	1,340
Current Financial Assets		
Cash and cash equivalents	50,933	38,319
Short-term investments	703	3,824
Trade and other receivables - net	15,234	14,729
Derivative financial assets	6	6
Current portion of advances and refundable deposits	7	7
Total current financial assets	66,883	56,885
Total Financial Assets	**Php68,247**	**Php58,225**
Noncurrent Financial Liabilities		
Interest-bearing financial liabilities	Php84,852	Php88,395
Derivative financial liabilities	2,080	2,751
Customers' deposits	1,302	1,375
Deferred credits and other noncurrent liabilities	11,568	11,629
Total noncurrent financial liabilities	99,802	104,150
Current Financial Liabilities		
Accounts payable	16,016	17,698
Accrued expenses and other current liabilities	29,362	28,752
Interest-bearing financial liabilities	13,158	12,714
Dividends payable	28,061	1,749
Total current financial liabilities	86,597	60,913
Total Financial Liabilities	**Php186,399**	**Php165,063**

The following table sets forth the amount of consolidated gains (losses) recognized for the financial assets and liabilities for the three months ended March 31, 2010 and the year ended December 31, 2009:

	March 31, 2010 (Unaudited)	December 31, 2009 (Audited)
(in millions)		
Profit and Loss		
Interest income	Php366	Php1,539
Gains (losses) on derivative financial instruments – net	512	(1,006)
Accretion on financial liabilities – net	(288)	(1,062)
Interest on loans and other related items	(1,569)	(6,008)
Other Comprehensive Income		
Net gains available-for-sale financial assets	6	3
	(Php973)	**(Php6,534)**

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 2010 was 4.2% as compared with 6.9% in the same period in 2009. Moving forward, we expect inflation to increase, which may have an impact on our operations.

PART II – OTHER INFORMATION

Transfer of Piltel's Equity Interest in Meralco

On March 1, 2010, Piltel, Metro Pacific Investments Corporation, or MPIC, and Beacon Electric Asset Holdings, Inc., or Beacon, entered into an Omnibus Agreement, or OA. Beacon, formerly known as Rightlight Holdings, Inc., is a newly organized special purpose company with the sole purpose of holding the respective shareholdings in Meralco of Piltel and MPIC. Piltel and MPIC are Philippine affiliates of First Pacific and both hold equity shares in Meralco, see *Note 10 – Investments in Associates and Joint Ventures* to the accompanying unaudited consolidated financial statements for further discussion. Under the OA, Piltel and MPIC have agreed to set out their mutual agreement in respect of, among other matters, the capitalization, organization, conduct of business and the extent of their participation in the management of the affairs of Beacon.

Investment in Beacon

Prior to the transactions contemplated under the OA, MPIC beneficially owned the entire outstanding capital stock of Beacon consisting of 25,000 common shares of Beacon, with a total par value of Php25,000.

On April 29, 2010, the Philippine SEC approved Beacon's application to increase its authorized capital stock to Php5 billion consisting of 3 billion common shares with par value of Php1 per share and 2 billion preferred shares with par value of Php1 per share. The preferred shares of Beacon are non-voting, not convertible to common shares or any shares of any class of Beacon, have no pre-emptive rights to subscribe to any share or convertible debt securities or warrants issued or sold by Beacon. The preference shareholder is entitled to liquidation preference and yearly cumulative dividends at the rate of 7% of the issue value subject to: (a) availability of unrestricted retained earnings; and (b) dividend payment restrictions imposed by Beacon's bank creditors.

Under the OA, each of Piltel and MPIC has agreed to subscribe to 1,156.5 million common shares of Beacon, for a subscription price of Php20 per share or a total of Php23,130 million. Piltel and MPIC have also agreed that their resulting equity after such subscriptions and Piltel's purchase from MPIC of 12,500 Beacon common shares will be 50% each of the outstanding common shares of Beacon.

MPIC has additionally agreed to subscribe to 801 million shares of Beacon's preferred stock for a subscription price of Php10 per share or a total of Php8,010 million.

The completion of the subscription of MPIC to 1,156.5 million common shares and 801 million preferred shares of Beacon was subject to the following conditions, all of which have been satisfied: (a) approval of MPIC's Board of Directors, which was obtained on March 1, 2010; (b) approval of the shareholders of First Pacific, which was obtained on March 30, 2010; and (c) full payment of the subscription price, which was made on March 30, 2010. Consequently, on March 30, 2010, MPIC completed its subscription of 1,156.5 million common shares of Beacon and approximately 801 million preferred shares of Beacon in consideration of: (1) the transfer of 163.6 million Meralco shares at a price of Php150 per share, or Php24,540 million in the aggregate; and (2) Php6,600 million in cash, as further described below in "Transfer of Meralco Shares to Beacon".

The completion of the subscription of Piltel to 1,156.5 million common shares of Beacon was subject to the following conditions, all of which have been satisfied: (a) Piltel Board of Directors' approval, which was obtained on March 1, 2010; (b) the approval of the shareholders of First Pacific, which was obtained on March 30, 2010; (c) the approval of the shareholders of Piltel, which was obtained on May 7, 2010; and (d) the full payment of the subscription price, which was made on May 12, 2010.

Although Piltel has secured the approval of its shareholders only on May 7, 2010, such approval was deemed to be a formality as Smart owns 99.5% of Piltel's capital stock. Consequently, upon receipt of all other required approvals under the OA on March 30, 2010, including that of the shareholders of First Pacific, Piltel recognized as an asset the deposit for future stock subscription of Php23,130 million for its subscription to 1,156.5 million common shares of Beacon.

The subscription price of Piltel's and MPIC's subscription to Beacon shares was offset in full (in the case of Piltel) and in part (in the case of MPIC) against the consideration for the transfer of Meralco shares held by Piltel and MPIC as described below in "Transfer of Meralco Shares to Beacon" section below. In addition, MPIC settled its remaining balance in cash.

Transfer of Meralco Shares to Beacon

Concurrently with the subscription to the Beacon shares described above, Beacon agreed to purchase 154.2 million and 163.6 million Meralco shares, or the Transferred Shares, from Piltel and MPIC, respectively, for a consideration of Php150 per share or a total of Php23,130 million for the Piltel Meralco shares and Php24,540 million for the MPIC Meralco shares.

The completion of the sale of the MPIC Meralco shares to Beacon was subject to the following conditions, all of which have been satisfied: (a) approval of MPIC's

Board of Directors, which was obtained on March 1, 2010; (b) approval of the Board of Directors of First Pacific, which was obtained on March 1, 2010; (c) approval of the shareholders of First Pacific, which was obtained on March 30, 2010; and (d) release of the pledge over the MPIC Meralco shares, which was completed on March 30, 2010. Consequently, on March 30, 2010, MPIC transferred 163.6 million Meralco shares to Beacon at a price of Php150 per share for a total consideration of Php24,540 million.

The completion of the sale of the Piltel Meralco shares to Beacon was subject to the following conditions, all of which have been satisfied: (a) Piltel Board of Directors' approval, which was obtained on March 1, 2010; (b) the approval of the Board of Directors of First Pacific, which was obtained on March 1, 2010; (c) the approval of the shareholders of First Pacific, which was expected to be obtained on March 30, 2010; and (d) the approval of the shareholders of Piltel, which was obtained on May 7, 2010. Consequently, on May 12, 2010, Piltel transferred 154.2 million Meralco shares to Beacon at a price of Php150 per share for a total consideration of Php23,130 million. The transfer of legal title to the Meralco shares was implemented through a special block sale/cross sale in the PSE.

Although Piltel has secured the approval of its shareholders only on May 7, 2010, such approval was deemed to be a formality as Smart owns 99.5% of Piltel's capital stock. Consequently, upon receipt of all other required approvals under the OA on March 30, 2010, including that of the shareholders of First Pacific, PLDT recognized a Php15,084 million investment in Beacon representing the proportionate carrying cost of the 154.2 million Meralco shares transferred to Beacon under the OA.

Subject to rights over certain property dividends that may be declared or distributed in respect of the approximately 317.8 million Transferred Shares, which will be assigned to First Philippine Holdings Corporation, or FPHC, if the Call Option (as discussed below), is exercised, the rights, title and interest that will be transferred to Beacon by MPIC and Piltel in respect of the approximately 317.8 million Transferred Shares includes: (a) all shares issued by Meralco by way of stock dividends on the Transferred Shares from March 1, 2010; (b) all property or cash dividends declared or paid on the Transferred Shares from March 1, 2010; (c) all other rights accruing on the Transferred Shares from March 1, 2010; and (d) the proceeds of all of the foregoing.

Piltel may, at some future time and under such terms and conditions as may be agreed by Piltel and Beacon, transfer to Beacon its remaining 68.8 million Meralco common shares.

Call Option

Under the OA, MPIC has assigned its right to acquire the call option, or the Call Option, over 74.7 million common shares of Meralco currently held by FPHC, or the Option Shares, to Beacon. As a result of this assignment, Beacon and FPHC have executed an Option Agreement dated March 1, 2010 pursuant to which FPHC granted the Call Option over the Option Shares to Beacon.

The Call Option is exercisable at the option of Beacon during the period from March 15, 2010 until midnight of May 15, 2010. The exercise price for the Option Shares is Php300 per share or an aggregate exercise price of Php22,410 million. Beacon exercised the Call Option on March 30, 2010 and FPHC transferred the 74.7 million shares of Meralco common stock to Beacon in consideration of the payment by Beacon of Php22,410 million in cash on March 30, 2010.

Subject to rights over certain property dividends that may be declared or payable in respect of the 74.7 million shares of Meralco common stock, which are retained by FPHC following the Call Option exercise, the rights, title and interest transferred to Beacon by FPHC in respect of the Option Shares includes: (a) all shares issued by Meralco by way of stock dividends on the Option Shares from March 1, 2010; (b) all property or cash dividends declared or paid on the Transferred Shares from March 1, 2010; (c) all other rights hereafter accruing on the Transferred Shares from March 1, 2010; and (d) the proceeds of any sale or disposition of any of the foregoing.

Property Dividends

With respect to the approximately 317.8 million Transferred Shares, the remaining 68.8 million Meralco common shares held by Piltel and the 74.7 million Option Shares transferred by FPHC to Beacon pursuant to the Call Option, FPHC has the benefit of being assigned, or retaining in the case of the Option Shares, certain property dividends that may be declared on such shares.

Governance Arrangements

Beacon, Piltel and MPIC have also agreed on certain corporate governance matters, including Board composition, election of officers, shareholders' action, representation to the Meralco Board, nomination of the Meralco Board Committees, and nomination of Meralco officers. The corporate governance agreements and Beacon equity structure will result in a jointly-controlled entity.

On March 30, 2010, Beacon also entered into an Php18 billion ten-year corporate notes facility with First Metro Investment Corporation and PNB Capital and Investment Corporation as joint lead arrangers and various local financial institutions as noteholders. The proceeds of the notes facility partially financed the acquisition of Meralco shares by Beacon pursuant to its exercise of the Call Option. As at March 31, 2010, the amount drawn under this facility amounted to Php16,200 million (Php16,014 million, net of debt issuance cost of Php186 million); the remaining undrawn balance amounted to Php1,800 million.

As at March 31, 2010, Beacon held 392.5 million Meralco common shares representing approximately 34.8% equity interest in Meralco. The market value of Beacon's investment in Meralco as at March 31, 2010, based on a quoted price of Php176 per share amounted to Php69,081 million.

Corporate Merger of Vocativ, Parlance and Ventus

On June 26, 2009, ePLDT's Board of Directors approved the plan for merger of its wholly-owned subsidiaries, Vocativ and Parlance, as the absorbed companies, and Ventus, as the surviving entity. The Articles and Plan of Merger was approved by the Philippine SEC on April 8, 2010.

Related Party Transactions

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

ANNEX – AGING OF ACCOUNTS RECEIVABLE

The following table shows the aging of our consolidated receivables as at March 31, 2010:

Type of Accounts Receivable	Total	Current	31–60 Days	61–90 Days	Over 91 Days
			(In Millions)		
Corporate subscribers	Php9,245	Php1,815	Php1,544	Php670	Php5,216
Retail subscribers	7,738	2,002	912	332	4,492
Foreign administrations	4,576	1,491	1,087	447	1,551
Domestic carriers	1,628	188	133	141	1,166
Dealers, agents and others	4,511	3,797	43	20	651
Total	Php27,698	Php9,293	Php3,719	Php1,610	Php13,076
Less: Allowance for doubtful accounts	12,464				
Total Receivables - net	**Php15,234**				

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the registrant has duly caused this report for the first quarter of 2010 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
First Vice President and Controller
(Principal Accounting Officer)

Date: May 13, 2010