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-C

Form Type

Not Applicable

Amendment Designation (if applicable)

December 31, 2013

Period Ended Date

Not Applicable

(Secondary License Type and File Number)

PLDT

March 4, 2014

Securities & Exchange Commission
SEC Building, EDSA
Mandaluyong City

Attention: Atty. Justina Callangan
Acting Director – Corporate Governance & 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-C with Management's Discussion and Analysis and accompanying audited consolidated financial statements as at and for the year ended December 31, 2013.

Very truly yours,

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-REVILLA

Contact Person

816-8534

Company Telephone Number

1 2 3 1

Month Day

Fiscal Year

SEC FORM 17-C

FORM TYPE

0 6 Every 2nd Tuesday

Month Day

Annual Meeting

C F D

Dept. Requiring this Doc.

N/A

Amended Articles Number/Section

Total Amount of Borrowings

11,993
As of January 31, 2014

Total No. of Stockholders

N/A

Domestic

N/A

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks: Please use black ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION
CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.1

1. March 4, 2014
Date of Report (Date of earliest event reported)

2. SEC Identification Number PW-55

3. BIR Tax Identification No. 000-488-793

4. PHILIPPINE LONG DISTANCE TELEPHONE COMPANY
Exact name of issuer as specified in its charter

5. PHILIPPINES
Province, country or other jurisdiction of Incorporation

6. ____________ (SEC Use Only)
Industry Classification Code

7. Ramon Cojuangco Building, Makati Avenue, Makati City — 1200
Address of principal office — Postal Code

8. (632) 816-8553
Issuer's telephone number, including area code

9. Not Applicable
Former name or former address, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code and Sections 4 and 8 of the Revised Securities Act

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Stock	216,055,775 [(1)]
Amount of Debt Outstanding	Php104,090 million as at December 31, 2013

(1) Represents the total outstanding common shares (net of 2,724,111 Treasury shares).

TABLE OF CONTENTS

PART I – FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

Our consolidated financial statements as at December 31, 2013 and 2012 (as restated) and for the years ended December 31, 2013 and 2012 and related notes (pages F-1 to F-145) are filed as part of this report on Form 17-C.

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

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

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

The financial information appearing in this report and in the accompanying audited 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 audited consolidated financial statements were made based on the exchange rate of Php44.40 to US$1.00, the volume weighted average exchange rate as at December 31, 2013 quoted through the Philippine Dealing System.

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

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

Financial Highlights and Key Performance Indicators

	Years ended December 31,		Increase (Decrease)	
	2013	2012[(1)]	Amount	%
(in millions, except for EBITDA margin, earnings per common share, net debt to equity ratio and operational data)				
Revenues	Php168,331	Php163,033	Php5,298	3
Expenses	125,515	122,529	2,986	2
Other income (expenses)	(1,184)	3,102	(4,286)	(138)
Income before income tax from continuing operations	41,632	43,606	(1,974)	(5)
Net income for the period	35,453	36,099	(646)	(2)
Continuing operations	*33,384*	*35,556*	*(2,172)*	*(6)*
Discontinued operations	*2,069*	*543*	*1,526*	*281*
Core income	38,717	36,907	1,810	5
Continuing operations	*38,816*	*36,356*	*2,460*	*7*
Discontinued operations	*(99)*	*551*	*(650)*	*(118)*
EBITDA from continuing operations	77,552	75,388	2,164	3
EBITDA margin[(2)]	47%	47%	–	–
Reported earnings per share attributable to common equity holders of PLDT:				
Basic	163.67	167.07	(3.40)	(2)
Diluted	163.67	167.07	(3.40)	(2)
Core earnings per common share[(3)]:				
Basic	178.93	170.58	8.35	5
Diluted	178.93	170.58	8.35	5

	December 31,		Increase (Decrease)	
	2013	2012[(1)]	Amount	%
Consolidated Statements of Financial Position				
Total assets	Php399,638	Php405,815	(Php6,177)	(2)
Property, plant and equipment – net	192,665	200,078	(7,413)	(4)
Cash and cash equivalents and short-term investments	32,623	37,735	(5,112)	(14)
Total equity attributable to equity holders of PLDT	137,147	145,550	(8,403)	(6)
Notes payable and long-term debt, including current portion	104,090	115,792	(11,702)	(10)
Net debt[(4)] to equity ratio[(5)]	0.52x	0.54x	–	–

	Years ended December 31,		Increase (Decrease)	
	2013	2012	Amount	%
Consolidated Statements of Cash Flows				
Net cash flows provided by operating activities	Php73,763	Php80,370	(Php6,607)	(8)
Net cash flows used in investing activities	21,045	39,058	(18,013)	(46)
Capital expenditures[(6)]	*28,838*	*36,396*	*(7,558)*	*(21)*
Net cash flows used in financing activities	59,813	48,628	11,185	23
Operational Data				
Number of cellular subscribers	70,045,627	69,866,458	179,169	–
Number of fixed line subscribers	2,069,419	2,063,794	5,625	–
Number of broadband subscribers:	3,415,793	3,246,423	169,370	5
Fixed Line	*961,967*	*887,399*	*74,568*	*8*
Wireless	*2,453,826*	*2,359,024*	*94,802*	*4*
Number of employees:	17,899	19,125	(1,226)	(6)
Fixed Line	*10,219*	*10,462*	*(243)*	*(2)*
LEC	*7,415*	*7,546*	*(131)*	*(2)*
Others	*2,804*	*2,916*	*(112)*	*(4)*
Wireless	*7,680*	*8,663*	*(983)*	*(11)*

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

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

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

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

(5) *Net debt to equity ratio is measured as total debt (long-term debt, including current portion and notes payable) less cash and cash equivalent and short-term investments divided by total equity attributable to equity holders of PLDT.*

(6) *Capital expenditures consist of additions to property, plant and equipment and interest paid – capitalized to property, plant and equipment.*

Exchange Rates – per US$	Month-end rates	Weighted average rates during the year
December 31, 2013	Php44.40	Php42.44
December 31, 2012	41.08	42.24
December 31, 2011	43.92	43.31

Overview

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

- *Wireless* — wireless telecommunications services provided by Smart Communications, Inc., or Smart, and Digital Mobile Philippines, Inc., or DMPI, which owns the *Sun Cellular* business and is a wholly-owned subsidiary of Digital Telecommunications Philippines, Inc., or Digitel, our cellular service providers; Smart Broadband, Inc., or SBI, and Primeworld Digital Systems, Inc., or PDSI, our wireless broadband service providers; Chikka Holdings Limited, or Chikka, and its subsidiaries, or Chikka Group, our wireless content operators; and ACeS Philippines Cellular Satellite Corporation, or ACeS Philippines, our satellite operator;

- *Fixed Line* — fixed line telecommunications services primarily provided by PLDT. We also provide fixed line services through PLDT's subsidiaries, namely, PLDT Clark Telecom, Inc., PLDT Subic Telecom, Inc., PLDT-Philcom, Inc. or Philcom, and its subsidiaries, or Philcom Group, PLDT-Maratel, Inc., SBI, PDSI, Bonifacio Communications Corporation, PLDT Global Corporation, or PLDT Global, and Digitel, all of which together account for approximately 8% of our consolidated fixed line subscribers; and information and communications infrastructure and services for internet applications, internet protocol, or IP-based solutions and multimedia content delivery provided by ePLDT, Inc., or ePLDT, IP Converge Data Services, Inc., or IPCDSI, ABM Global Solutions, Inc., or AGS, and its subsidiaries, or AGS Group, and Curo Teknika, Inc.; and bills printing and other value-added services, or VAS, related services provided by ePDS, Inc., or ePDS; and

- *Others* — Philippine Global Investment Holdings, Inc., PLDT Global Investments Corporation and PLDT Communications and Energy Ventures, Inc., or PCEV, our investment companies.

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

As at December 31, 2013, our chief operating decision maker, or our Management Committee, views our business activities in three business units: Wireless, Fixed Line and Others. On December 4, 2012, our Board of Directors authorized the sale of our BPO segment, which was completed in April 2013. Consequently, as at December 31, 2012, the BPO segment was classified as discontinued operations and a disposal group held-for-sale. The BPO segment met the criteria of an asset to be classified as held-for-sale as at December 31, 2012. The results of operations of our BPO business for the years ended December 31, 2012 and 2011 were presented as discontinued operations. See "Other Information – Sale of BPO Segment" section and *Note 2 – Summary of Significant Accounting Policies – Discontinued Operations* and *Note 3 – Management's Use of Accounting Judgments, Estimates and Assumptions* to the accompanying audited consolidated financial statements for further discussion.

Performance Indicators

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

EBITDA

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

Core Income

Core income for the year is measured as net income attributable to equity holders of PLDT (net income less net income attributable to noncontrolling interests), excluding foreign exchange gains (losses) – net, gains (losses) on derivative financial instruments – net (excluding hedge costs), asset impairment on noncurrent assets, other non-recurring gains (losses), net of tax effect of aforementioned adjustments, as applicable, and similar adjustments to equity share in net earnings (losses) of associates and joint ventures. The core income results are monitored by the management for each business unit separately for purposes of making decisions about resource allocation and performance assessment. Also, core income is used by the management as a basis of determining the level of dividend payouts to shareholders and basis of granting incentives to employees. Core income should not be considered as an alternative to income before income tax or net income determined in accordance with PFRS as an indicator of our performance. Unlike income before income tax, core income does not include foreign exchange gains and losses, gains and losses on derivative financial instruments, asset impairments and other non-recurring gains and losses. We compensate for these limitations by using core income as only one of several comparative tools, together with PFRS-based measurements, to assist in the evaluation of operating performance. Such PFRS-based measurements include income before income tax and net income. Our calculation of core income may be different from the calculation methods used by other companies and, therefore, comparability may be limited.

Management's Financial Review

In addition to consolidated net income, we use EBITDA and core income to assess our operating performance. The reconciliation of our consolidated EBITDA and our consolidated core income to our consolidated net income for the years ended December 31, 2013 and 2012 are set forth below.

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

	2013	2012[(1)]
	(in millions)	
EBITDA from continuing operations	Php77,552	Php75,388
Add (deduct) adjustments to continuing operations:		
Other income	4,113	5,813
Equity share in net earnings of associates and joint ventures	2,742	1,538
Interest income	932	1,354
Gains (losses) on derivative financial instruments – net	511	(2,009)
Amortization of intangible assets	(1,020)	(921)
Retroactive effect of adoption of Revised PAS 19[(2)]	(1,269)	1,287
Asset impairment	(2,143)	(2,896)
Foreign exchange gains (losses) – net	(2,893)	3,282
Financing costs – net	(6,589)	(6,876)
Provision for income tax	(8,248)	(8,050)
Depreciation and amortization	(30,304)	(32,354)
Total adjustments	(44,168)	(39,832)
Net income from continuing operations	33,384	35,556
Net income from discontinued operations	2,069	543
Consolidated net income	Php35,453	Php36,099

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

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

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

	2013	2012[(1)]
	(in millions)	
Core income from continuing operations	Php38,816	Php36,356
Core income from discontinued operations	(99)	551
Consolidated core income	38,717	36,907
Add (deduct) adjustments to continuing operations:		
Gains (losses) on derivative financial instruments – net, excluding hedge cost	816	(1,689)
Core income adjustment on equity share in net earnings (losses) of associates and joint ventures	59	(91)
Net income (loss) attributable to noncontrolling interests	33	(49)
Casualty losses due to Typhoon Yolanda	(878)	–
Retroactive effect of adoption of Revised PAS 19[(2)]	(1,269)	1,287
Asset impairment	(2,143)	(2,896)
Foreign exchange gains (losses) – net	(2,893)	3,282
Net tax effect of aforementioned adjustments	843	(644)
Total adjustments	(5,432)	(800)
Adjustment to discontinued operations	2,168	(8)
Net income from continuing operations	33,384	35,556
Net income from discontinued operations	2,069	543
Consolidated net income	Php35,453	Php36,099

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

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

Results of Operations

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

	Wireless	Fixed Line	Others	Inter-segment Transactions	Consolidated
			(in millions)		
For the year ended December 31, 2013					
Revenues	Php119,323	Php63,567	Php–	(Php14,559)	Php168,331
Expenses	84,674	55,975	5	(15,139)	125,515
Other income (expenses)	(3,866)	(481)	3,597	(434)	(1,184)
Income before income tax	30,783	7,111	3,592	146	41,632
Provision for (benefit from) income tax	8,862	(698)	84	–	8,248
Net income/Segment profit	21,921	7,809	3,508	146	35,453
Continuing operations	21,921	7,809	3,508	146	33,384
Discontinued operations	–	–	–	–	2,069
EBITDA from continuing operations	54,703	22,274	(5)	580	77,552
EBITDA margin[1]	47%	36%	–	(4%)	47%
Core income	26,499	9,061	3,110	146	38,717
Continuing operations	26,499	9,061	3,110	146	38,816
Discontinued operations	–	–	–	–	(99)
For the year ended December 31, 2012[2]					
Revenues	115,932	60,246	–	(13,145)	163,033
Expenses	83,717	52,776	18	(13,982)	122,529
Other income (expenses)	893	(1,781)	4,358	(368)	3,102
Income before income tax	33,108	5,689	4,340	469	43,606
Provision for (benefit from) income tax	8,094	(51)	7	–	8,050
Net income/Segment profit	25,014	5,740	4,333	469	36,099
Continuing operations	25,014	5,740	4,333	469	35,556
Discontinued operations	–	–	–	–	543
EBITDA from continuing operations	54,480	20,089	(18)	837	75,388
EBITDA margin[1]	48%	34%	–	(6%)	47%
Core income	25,694	5,769	4,424	469	36,907
Continuing operations	25,694	5,769	4,424	469	36,356
Discontinued operations	–	–	–	–	551
Increase (Decrease)					
Revenues	Php3,391	Php3,321	Php–	(Php1,414)	Php5,298
Expenses	957	3,199	(13)	(1,157)	2,986
Other income (expenses)	(4,759)	1,300	(761)	(66)	(4,286)
Income before income tax	(2,325)	1,422	(748)	(323)	(1,974)
Provision for (benefit from) income tax	768	(647)	77	–	198
Net income/Segment profit	(3,093)	2,069	(825)	(323)	(646)
Continuing operations	(3,093)	2,069	(825)	(323)	(2,172)
Discontinued operations	–	–	–	–	1,526
EBITDA from continuing operations	223	2,185	13	(257)	2,164
Core income	805	3,292	(1,314)	(323)	1,810
Continuing operations	805	3,292	(1,314)	(323)	2,460
Discontinued operations	–	–	–	–	(650)

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

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

On a Consolidated Basis

Revenues

We reported consolidated revenues of Php168,331 million in 2013, an increase of Php5,298 million, or 3%, as compared with Php163,033 million in 2012, primarily due to higher cellular and broadband revenues from our wireless business, and higher revenues from data and other network, and miscellaneous services from our fixed line business, partially offset by lower revenues from national long distance, local exchange and international long distance services from our fixed line business, and lower satellite and other services from our wireless business.

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

					Change	
	2013	%	2012[1]	%	Amount	%
			(in millions)			
Wireless	Php119,323	71	Php115,932	71	Php3,391	3
Fixed line	63,567	38	60,246	37	3,321	6
Inter-segment transactions	(14,559)	(9)	(13,145)	(8)	(1,414)	11
Consolidated	Php168,331	100	Php163,033	100	Php5,298	3

[1] *The December 31, 2012 comparative information was adjusted to reflect certain presentation adjustments to conform with the current presentation of our business segments. See Note 2 – Summary of Significant Accounting Policies –Changes in Accounting Policies and Disclosures to the accompanying audited consolidated financial statements for further discussion.*

Expenses

Consolidated expenses increased by Php2,986 million, or 2%, to Php125,515 million in 2013 from Php122,529 million in 2012, as a result of higher expenses related to cost of sales, professional and other contracted services, repairs and maintenance, taxes and licenses, asset impairment, insurance and security, rent, and communication, training and travel, partially offset by lower expenses related to depreciation and amortization, compensation and employee benefits, including the retroactive effect of the application of the Revised PAS 19 on our manpower rightsizing program, or MRP, costs of Php1,269 million in 2013, and interconnection costs.

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

					Change	
	2013	%	2012[1]	%	Amount	%
			(in millions)			
Wireless	Php84,674	67	Php83,717	68	Php957	1
Fixed line	55,975	45	52,776	43	3,199	6
Others	5	–	18	–	(13)	(72)
Inter-segment transactions	(15,139)	(12)	(13,982)	(11)	(1,157)	8
Consolidated	Php125,515	100	Php122,529	100	Php2,986	2

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

Other Income (Expenses)

Consolidated other expenses amounted to Php1,184 million in 2013, a change of Php4,286 million, or 138%, as against other income of Php3,102 million in 2012, primarily due to the combined effects of the following: (i) foreign exchange losses of Php2,893 million in 2013 as against foreign exchange gains of Php3,282 million in 2012 mainly due to the revaluation of net foreign-currency denominated liabilities as a result of the effect of the depreciation of the Philippine peso relative to the U.S. dollar to Php44.40 as at December 31, 2013 from Php41.08 as at December 31, 2012 as against an appreciation of the Philippine peso relative to the U.S. dollar to Php41.08 as at December 31, 2012 from Php43.92 as at December 31, 2011; (ii) a decrease in other income by Php1,700 million mainly due to the realized portion of deferred gain on the transfer of Manila Electric Company, or Meralco, shares to Beacon Electric Asset Holdings, Inc., or Beacon, of Php2,012 million in 2012, lower dividend income by

Php718 million and reversal of prior years' inventory provision, partially offset by the reversal of provision for NTC fees assessment as a result of a favorable Supreme Court decision, higher gain on the sale of Philweb shares by Php297 million, pension savings in 2013, higher income from consultancy and gain on insurance claims ; (iii) lower interest income by Php422 million due to lower weighted average peso and dollar interest rates, lower amount of Philippine peso placements and shorter average tenor of dollar placements, partly offset by higher amount of dollar placements, longer average tenors of Philippine peso placements and the depreciation of the Philippine peso to the U.S. dollar; (iv) a decrease in net financing costs by Php287 million mainly due to lower average interest rates on loans, lower outstanding debt balance in 2013 and lower financing charges, partly offset by higher amortization of debt discount and lower capitalized interest; (v) an increase in equity share in net earnings of associates and joint ventures by Php1,204 million; and (vi) net gains on derivative financial instruments of Php511 million in 2013 as against net losses on derivative financial instruments of Php2,009 million in 2012 due to the maturity of the 2012 hedges, depreciation of the Philippine peso and wider dollar and peso interest rate differentials in 2013.

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

					Change	
	2013	%	2012[1]	%	Amount	%
			(in millions)			
Wireless	(Php3,866)	326	Php893	29	(Php4,759)	(533)
Fixed line	(481)	41	(1,781)	(57)	1,300	(73)
Others	3,597	(304)	4,358	140	(761)	(17)
Inter-segment transactions	(434)	37	(368)	(12)	(66)	18
Consolidated	(Php1,184)	100	Php3,102	100	(Php4,286)	(138)

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

Net Income

Consolidated net income decreased by Php646 million, or 2%, to Php35,453 million in 2013, from Php36,099 million in 2012. The decrease was mainly due to the combined effects of the following: (i) an increase in consolidated other expense – net by Php4,286 million; (ii) an increase in consolidated expenses by Php2,986 million; (iii) an increase in consolidated provision for income tax by Php198 million, which was mainly due to higher taxable income of our wireless and other businesses, partially offset by lower taxable income of our fixed line business; (iv) an increase in consolidated revenues by Php5,298 million; and (v) higher income from discontinued operations of Php1,526 million mainly due to the gain on disposal of our BPO business. Our consolidated basic and diluted EPS, including EPS from discontinued operations, decreased to Php163.67 in 2013 from consolidated basic and diluted EPS of Php167.07 in 2012. Our weighted average number of outstanding common shares was approximately 216.06 million in each of the years ended December 31, 2013 and 2012.

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

					Change	
	2013	%	2012[1]	%	Amount	%
			(in millions)			
Wireless	Php21,921	62	Php25,014	69	(Php3,093)	(12)
Fixed line	7,809	22	5,740	16	2,069	36
Others	3,508	10	4,333	12	(825)	(19)
Inter-segment transactions	146	–	469	1	(323)	(69)
Continuing operations	33,384	94	35,556	98	(2,172)	(6)
Discontinued operations	2,069	6	543	2	1,526	281
Consolidated	Php35,453	100	Php36,099	100	(Php646)	(2)

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

EBITDA

Our consolidated EBITDA from continuing operations amounted to Php77,552 million in 2013, an increase of Php2,164 million, or 3%, as compared with Php75,388 million in 2012, primarily due to higher consolidated revenues, and lower operating expenses related to compensation and employee benefits, excluding the retroactive effect of the application of the Revised PAS 19 on our MRP costs of Php1,269 million in 2013, and interconnection costs, partially offset by higher cost of sales, provision for doubtful accounts, and operating expenses related to professional and other contracted services, repairs and maintenance costs, taxes and licenses, and insurance and security services.

The following table shows the breakdown of our consolidated EBITDA from continuing operations by business segment for the years ended December 31, 2013 and 2012:

					Change	
	2013	%	2012[(1)]	%	Amount	%
			(in millions)			
Wireless	Php54,703	70	Php54,480	72	Php223	–
Fixed line	22,274	29	20,089	27	2,185	11
Others	(5)	–	(18)	–	13	(72)
Inter-segment transactions	580	1	837	1	(257)	(31)
Continuing operations	Php77,552	100	Php75,388	100	Php2,164	3

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

Core Income

Our consolidated core income, including core income from discontinued operations, amounted to Php38,717 million in 2013, an increase of Php1,810 million, or 5%, as compared with Php36,907 million in 2012, primarily due to an increase in consolidated revenues, partially offset by an increase in consolidated expenses, excluding the retroactive effect of the application of the Revised PAS 19 on our MRP costs of Php1,269 million in 2013, higher other expenses and lower core income contribution from discontinued operations and higher provision for income tax. Our consolidated basic and diluted core EPS, including basic and diluted core EPS from discontinued operations, increased to Php178.93 in 2013 from Php170.58 in 2012.

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

					Change	
	2013	%	2012[(1)]	%	Amount	%
			(in millions)			
Wireless	Php26,499	69	Php25,694	70	Php805	3
Fixed line	9,061	23	5,769	16	3,292	57
Others	3,110	8	4,424	12	(1,314)	(30)
Inter-segment transactions	146	–	469	1	(323)	(69)
Continuing operations	38,816	100	36,356	99	2,460	7
Discontinued operations	(99)	–	551	1	(650)	(118)
Consolidated	Php38,717	100	Php36,907	100	Php1,810	5

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

On a Business Segment Basis

Wireless

Revenues

We generated revenues from our wireless business of Php119,323 million in 2013, an increase of Php3,391 million, or 3%, from Php115,932 million in 2012.

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

	2013	%	2012[1]	%	Increase (Decrease) Amount	%
			(in millions)			
Service Revenues:						
Cellular	Php105,875	89	Php103,604	89	Php2,271	2
Wireless broadband, satellite and others						
Wireless broadband	9,432	8	8,606	8	826	10
Satellite and others	1,372	1	1,569	1	(197)	(13)
	116,679	98	113,779	98	2,900	3
Non-Service Revenues:						
Sale of cellular handsets, cellular subscriber identification module, or SIM,-packs and broadband data modems	2,644	2	2,153	2	491	23
Total Wireless Revenues	Php119,323	100	Php115,932	100	Php3,391	3

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

Service Revenues

Our wireless service revenues in 2013, increased by Php2,900 million, or 3%, to Php116,679 million as compared with Php113,779 million in 2012, mainly as a result of higher revenues from our cellular and wireless broadband services, partially offset by lower revenues from our satellite and other services. The increase in our cellular revenues was mainly due to higher domestic voice, and mobile internet revenues, partially offset by the decrease in text messaging revenues, lower international voice and other cellular service revenues. The increase in our wireless broadband revenues was mainly due to a 4% growth in our broadband subscriber base. Our dollar-linked revenues were affected by the depreciation of the Philippine peso relative to the U.S. dollar, which increased to a weighted average exchange rate of Php42.44 for the year ended December 31, 2013 from Php42.24 for the year ended December 31, 2012. As a percentage of our total wireless revenues, service revenues accounted for 98% in each of 2013 and 2012.

Cellular Service

Our cellular service revenues in 2013 amounted to Php105,875 million, an increase of Php2,271 million, or 2%, from Php103,604 million in 2012. Cellular service revenues accounted for 91% of our wireless service revenues in each of 2013 and 2012.

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

The following table shows the breakdown of our cellular service revenues for the years ended December 31, 2013 and 2012:

	2013	2012[1]	Increase (Decrease) Amount	%
		(in millions)		
Cellular service revenues	Php105,875	Php103,604	Php2,271	2
By service type	*103,642*	*101,042*	*2,600*	*3*
Prepaid	84,600	84,525	75	–
Postpaid	19,042	16,517	2,525	15
By component	*103,642*	*101,042*	*2,600*	3
Voice	51,384	49,627	1,757	4
Data	52,258	51,415	843	2
Others[2]	*2,233*	*2,562*	*(329)*	*(13)*

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

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

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

	2013	2012	Increase (Decrease) Amount	%
Cellular subscriber base	70,045,627	69,866,458	179,169	–
Prepaid	67,667,750	67,611,537	56,213	–
Smart	*24,608,687*	*25,061,453*	*(452,766)*	*(2)*
Talk 'N Text	*29,485,017*	*28,445,053*	*1,039,964*	*4*
Sun Cellular	*13,574,046*	*14,105,031*	*(530,985)*	*(4)*
Postpaid	2,377,877	2,254,921	122,956	5
Sun Cellular	*1,488,181*	*1,571,441*	*(83,260)*	*(5)*
Smart	*889,696*	*683,480*	*206,216*	*30*
Systemwide traffic volumes (in million minutes)[1]				
Calls	55,094	53,025	2,069	4
Domestic	51,504	49,597	1,907	4
Inbound	*1,228*	*1,242*	*(14)*	*(1)*
Outbound	*50,276*	*48,355*	*1,921*	*4*
International	3,590	3,428	162	5
Inbound	*3,216*	*3,025*	*191*	*6*
Outbound	*374*	*403*	*(29)*	*(7)*
SMS/Data count (in million hits)[1]	506,702	501,964	4,738	1
Text messages	504,050	500,039	4,011	1
Domestic	503,176	499,191	3,985	1
Bucket-Priced/Unlimited	471,298	468,898	2,400	–
Standard	31,878	30,293	1,585	5
International	874	848	26	3
Value-Added Services	2,577	1,872	705	38
Financial Services	75	53	22	42
Mobile internet (in TB)	18,092	4,954	13,138	265

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

Revenues generated from our prepaid cellular services amounted to Php84,600 million in 2013, an increase of Php75 million as compared with Php84,525 million in 2012. Prepaid cellular service revenues accounted for 82% and 84% of cellular voice and data revenues in 2013 and 2012, respectively. Revenues generated from postpaid cellular service amounted to Php19,042 million in 2013, an increase of Php2,525 million, or 15%, as compared with Php16,517 million earned in 2012, and which accounted for 18% and 16% of cellular voice and data revenues in 2013 and 2012, respectively. The increase in revenues from our prepaid cellular services was primarily due to an increase in domestic outbound voice revenues and mobile internet, partially offset by a decline in international outbound revenues. The increase in our postpaid cellular service revenues was primarily due to a higher subscriber base.

Voice Services

Cellular revenues from our voice services, which include all voice traffic and voice VAS, such as voice mail and outbound international roaming, increased by Php1,757 million, or 4%, to Php51,384 million in 2013 from Php49,627 million in 2012, primarily due to higher cellular domestic voice revenues, partially offset by lower cellular international voice revenues. Cellular voice services accounted for 49% and 48% of our cellular service revenues in 2013 and 2012, respectively.

The following table shows the breakdown of our cellular voice revenues for the years ended December 31, 2013 and 2012:

			Increase (Decrease)	
	2013	**2012**[(1)]	**Amount**	**%**
		(in millions)		
Voice services:				
Domestic				
Inbound	Php4,655	Php4,737	(Php82)	(2)
Outbound	30,619	28,440	2,179	8
	35,274	33,177	2,097	6
International				
Inbound	13,922	13,838	84	1
Outbound	2,188	2,612	(424)	(16)
	16,110	16,450	(340)	(2)
Total	Php51,384	Php49,627	Php1,757	4

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

Domestic voice service revenues increased by Php2,097 million, or 6%, to Php35,274 million in 2013 from Php33,177 million in 2012, primarily due to an increase in domestic outbound voice service revenues by Php2,179 million, partially offset by lower domestic inbound voice service revenues by Php82 million.

Revenues from domestic outbound voice service increased by Php2,179 million, or 8%, to Php30,619 million in 2013 from Php28,440 million in 2012 mainly due to increased traffic on unlimited calls and improved yield on bucket offers. Domestic outbound call volume of 50,276 million minutes increased by 1,921 million minutes, or 4%, from 48,355 million minutes in 2012.

Revenues from our domestic inbound voice service decreased by Php82 million, or 2%, to Php4,655 million in 2013 from Php4,737 million in 2012. Domestic inbound call volumes of 1,228 million minutes in 2013, decreased by 14 million minutes, or 1%, from 1,242 million minutes in 2012 primarily due to lower traffic from fixed line calls.

International voice service revenues decreased by Php340 million, or 2%, to Php16,110 million in 2013 from Php16,450 million in 2012 primarily due to the decline in international outbound voice service revenues by Php424 million, or 16%, to Php2,188 million in 2013 from Php2,612 million in 2012, partially offset by higher international inbound voice service revenues by Php84 million, or 1%, to Php13,922 million in 2013 from Php13,838 million in 2012. The net decrease in international voice service revenues was due to lower outbound traffic and a decrease in inbound termination rates, partially offset by the increase in inbound traffic and the favorable effect of higher weighted average exchange rate of the Philippine peso to the U.S. dollar. International inbound and outbound calls totaled 3,590 million minutes, an increase of 162 million minutes, or 5%, from 3,428 million minutes in 2012.

Data Services

Cellular revenues from our data services, which include all text messaging-related services, as well as VAS, increased by Php843 million, or 2%, to Php52,258 million in 2013 from Php51,415 million in 2012 primarily due to higher mobile internet and VAS revenues, partially offset by lower text messaging revenues. Cellular data services accounted for 49% and 50% of our cellular service revenues in 2013 and 2012, respectively.

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

	2013	2012[1]	Increase (Decrease) Amount	%
		(in millions)		
Text messaging				
Domestic	Php41,822	Php42,719	(Php897)	(2)
Bucket-Priced/Unlimited	29,411	28,752	659	2
Standard	12,411	13,967	(1,556)	(11)
International	3,519	3,782	(263)	(7)
	45,341	46,501	(1,160)	(2)
Mobile internet[2]	4,968	3,121	1,847	59
Value-added services[3]	1,786	1,719	67	4
Financial services	163	74	89	120
Total	Php52,258	Php51,415	Php843	2

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

(2) *Includes revenues from web-based services, net of allocated discounts and content provider costs.*

(3) *Includes revenues from SMS-based VAS (info-on-demand and voice text services, net of allocated discounts and content provider costs); multi-media messaging system, or MMS-based VAS (point-to-point MMS and content download services, such as ringtone, logo or music downloads, net of allocated discounts and content provider costs); and Pasa Load (which allows prepaid and postpaid subscribers to transfer small denominations of air time credits to other prepaid subscribers and Dial *SOS which allows Smart prepaid subscribers to borrow Php4 of load (Php3 on-net SMS plus Php1 air time) from Smart which will be deducted upon their next top-up).*

Text messaging-related services contributed revenues of Php45,341 million in 2013, a decrease of Php1,160 million, or 2%, as compared with Php46,501 million in 2012, and accounted for 87% and 90% of our total cellular data service revenues in 2013 and 2012, respectively. The decrease in revenues from text messaging-related services resulted mainly from lower domestic standard and international messaging revenues, partially offset by higher text messaging revenues from the various bucket-priced/unlimited SMS offers. Text messaging revenues from the various bucket-priced/unlimited SMS offers totaled Php29,411 million in 2013, an increase of Php659 million, or 2%, as compared with Php28,752 million in 2012. Bucket-priced/unlimited text messages increased by 2,400 million to 471,298 million in 2013 from 468,898 million in 2012.

Standard text messaging revenues, which includes inbound and outbound standard SMS revenues, decreased by Php1,556 million, or 11%, to Php12,411 million in 2013 from Php13,967 million in 2012, mainly due to decrease in outbound standard SMS revenues primarily as a result of increased preference for bucket and unlimited SMS offers, partly offset by higher inbound revenues due to higher text messages from other carriers. Standard text messages increased by 1,585 million, or 5% to 31,878 million in 2013 from 30,293 million in 2012, as a result of increased domestic inbound SMS volume, partially offset by the decline in domestic outbound standard SMS volume.

International text messaging revenues amounted to Php3,519 million in 2013, a decrease of Php263 million, or 7%, from Php3,782 million in 2012 mainly due to lower outbound international SMS revenues driven by the decline in outbound traffic, partially offset by higher inbound traffic, higher effective dollar yield of international inbound SMS and the favorable effect of higher weighted average exchange rate of the Philippine peso to the U.S. dollar.

Mobile internet service revenues increased by Php1,847 million, or 59%, to Php4,968 million in 2013 from Php3,121 million in 2012 as a result of higher traffic for mobile internet browsing. Mobile internet service registered 18,092 TB in 2013, an increase of 13,138 TB, or 265%, from 4,954 TB in 2012.

VAS contributed revenues of Php1,786 million in 2013, an increase of Php67 million, or 4%, as compared with Php1,719 million in 2012, primarily due to an increase in revenues from SMS-based VAS revenues, partially offset by lower *Pasa Load/Give-a-Load* and MMS-based VAS revenues.

Subscriber Base, ARPU and Churn Rates

As at December 31, 2013, our cellular subscribers totaled 70,045,627, an increase of 179,169 over the cellular subscriber base of 69,866,458 as at December 31, 2012. Our cellular prepaid subscriber base increased by 56,213 to 67,667,750 as at December 31, 2013 from 67,611,537 as at December 31, 2012, while our cellular postpaid subscriber base also increased by 122,956, or 5%, to 2,377,877 as at

December 31, 2013 from 2,254,921 as at December 31, 2012. The increase in subscriber base was primarily due to to the growth in *Talk 'N Text* prepaid subscribers by 1,039,964, partially offset by a net decrease in Smart and *Sun Cellular* subscribers by 246,550 and 614,245, respectively, resulting from lower average activations in 2013. Prepaid subscribers exclude those subscribers whose minimum balance is derived via accumulation from its rewards program. Prepaid subscribers accounted for 97% of our total subscriber base as at December 31, 2013 and 2012.

Our net subscriber activations (reductions) for the years ended December 31, 2013 and 2012 were as follows:

			Increase (Decrease)	
	2013	2012	Amount	%
Prepaid	56,213	5,818,745	(5,762,532)	(99)
Smart	*(452,766)*	*(2,950,068)*	*2,497,302*	*(85)*
Talk 'N Text	*1,039,964*	*7,977,878*	*(6,937,914)*	*(87)*
Sun Cellular	*(530,985)*	*790,935*	*(1,321,920)*	*(167)*
Postpaid	122,956	351,084	(228,128)	(65)
Smart	*206,216*	*132,732*	*73,484*	*55*
Sun Cellular	*(83,260)*	*218,352*	*(301,612)*	*(138)*
Total	179,169	6,169,829	(5,990,660)	(97)

Prepaid and postpaid subscribers reflected net activations of 56,213 and 122,956 subscribers, respectively, in 2013, as compared with of 5,818,745 and 351,084, respectively, in 2012.

The following table summarizes our average monthly churn rates for the years ended December 31, 2013 and 2012:

	2013	2012
	(in %)	
Prepaid		
Smart	5.3	6.0
Talk 'N Text	5.0	4.1
Sun Cellular	10.6	11.0
Postpaid		
Smart	2.7	2.6
Sun Cellular	3.2	1.0

For *Smart Prepaid* subscribers, the average monthly churn rate in 2013 and 2012 were 5.3% and 6.0%, respectively, while the average monthly churn rate for *Talk 'N Text* subscribers were 5.0% and 4.1% in 2013 and 2012, respectively. The average monthly churn rate for *Sun Cellular* prepaid subscribers were 10.6% and 11.0% in 2013 and 2012, respectively.

The average monthly churn rate for *Smart Postpaid* subscribers were 2.7% and 2.6% in 2013 and 2012, respectively. The average monthly churn rate for *Sun Cellular* postpaid subscribers was 3.2% and 1.0% in 2013 and 2012, respectively.

The following table summarizes our average monthly cellular ARPUs for the years ended December 31, 2013 and 2012:

	Gross[1]		Increase (Decrease)		Net[2]		Increase (Decrease)	
	2013	2012[3]	Amount	%	2013	2012[3]	Amount	%
Prepaid								
Smart	Php164	Php167	(Php3)	(2)	Php144	Php145	(Php1)	–
Talk 'N Text	96	111	(15)	(14)	85	97	(12)	(12)
Sun Cellular	68	69	(1)	(1)	61	59	2	3
Postpaid								
Smart	1,140	1,268	(128)	(10)	1,127	1,251	(124)	(10)
Sun Cellular	483	394	89	23	480	391	89	23

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

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

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

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

	Prepaid						Postpaid			
	Smart		Talk 'N Text		Sun Cellular		Smart		Sun Cellular	
	Gross(1)	Net(2)	Gross(1)	Net(2)	Gross(1)	Net(2)	Gross(1)	Net(2)	Gross(1)	Net(2)
2013										
First Quarter	160	141	98	87	66	57	1,168	1,154	458	455
Second Quarter	160	141	98	87	66	58	1,167	1,153	499	495
Third Quarter	161	142	92	82	66	60	1,111	1,099	479	476
Fourth Quarter	174	153	96	85	72	68	1,113	1,102	495	493
2012(3)										
First Quarter	170	148	116	102	68	57	1,292	1,269	390	388
Second Quarter	164	143	113	100	66	57	1,264	1,237	400	397
Third Quarter	162	140	107	93	67	58	1,253	1,251	391	388
Fourth Quarter	170	149	106	93	74	64	1,265	1,248	393	391

(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.*

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

Wireless Broadband, Satellite and Other Services

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

Wireless Broadband

Revenues from our wireless broadband services increased by Php826 million, or 10%, to Php9,432 million in 2013 from Php8,606 million in 2012, primarily due to an increase in prepaid revenues by Php356 million, or 14%, to Php2,823 million in 2013 from Php2,467 million in 2012, and increase in postpaid revenues by Php470 million, or 8%, to Php6,609 million in 2013 from Php6,139 million in 2012.

The following table shows information of our wireless broadband revenues and subscriber base as at and for the years ended December 31, 2013 and 2012:

			Increase (Decrease)	
	2013	**2012**	**Amount**	**%**
Wireless Broadband Revenues	Php9,432	Php8,606	Php826	10
Prepaid	2,823	2,467	356	14
Postpaid	6,609	6,139	470	8
Wireless Broadband Subscribers	2,453,826	2,359,024	94,802	4
Prepaid	*1,669,618*	*1,587,160*	*82,458*	*5*
Smart	1,359,862	1,231,092	128,770	*10*
Sun	309,756	356,068	(46,312)	(13)
Postpaid	*784,208*	*771,864*	*12,344*	2
Smart	549,347	495,802	53,545	11
Sun	234,861	276,062	(41,201)	(15)

Smart Broadband and *Sun Broadband Wireless*, SBI's and DMPI's broadband services, respectively, offer a number of wireless broadband services and had a total of 2,453,826 subscribers as at December 31, 2013, a net increase of 94,802 subscribers, or 4%, as compared with 2,359,024 subscribers as at December 31, 2012, primarily due to an increase by 182,315, or 11%, in *Smart Broadband* subscribers, partially offset by a decrease in *Sun Broadband* subscribers by 87,513, or 14%, as at December 31, 2013. Our prepaid wireless broadband subscriber base increased by 82,458 subscribers, or 5%, to 1,669,618 subscribers as at December 31, 2013 from 1,587,160 subscribers as at December 31, 2012, while our postpaid wireless broadband subscriber base increased by 12,344 subscribers, or 2%, to 784,208 subscribers as at December 31, 2013 from 771,864 subscribers as at December 31, 2012.

Smart Broadband offers *myBro,* a fixed wireless broadband service being offered under PLDT's *Home* megabrand. *myBro* fixed wireless broadband service is powered either via a link to Smart's wireless broadband-enabled base stations which allows subscribers to connect to the internet using an outdoor aerial antenna installed in the subscriber's home or via Smart's WiMAX (Worldwide Interoperability for Microwave Access) network. *myBro* revenues increased by Php332 million, or 8%, to Php4,314 million in 2013 from Php3,982 million in 2012 primarily due to an increase in subscriber base by 9 thousand, or 2%, to 436 thousand as at December 31, 2013 from 427 thousand as at December 31, 2012.

Smart Broadband also offers mobile internet access through *SmartBro Plug-It,* a wireless modem and *SmartBro Pocket Wifi*, a portable wireless router which can be shared by up to five users at a time. Both provide instant connectivity at varying speeds in places where there is Smart network coverage provided by either 3G high speed packet access (HSPA), 4G HSPA+ or Long Term Evolution, or LTE, technology. *SmartBro Plug-It* and *SmartBro Pocket Wifi* are available in both postpaid and prepaid variants. Smart Broadband also offers unlimited internet surfing for *SmartBro Plug-It* and *Pocket Wifi Prepaid* subscribers. *SmartBro LTE* offers the latest broadband technology with speeds of up to 42 Mbps. *SmartBro LTE Plug-It* and *SmartBro LTE Pocket Wifi* are also available in both postpaid and prepaid variants. We also have an additional array of load packages that offer time period-based charging and longer validity periods, as well as *Always On* packages, which offers volume over time-based buckets catering to subscribers with varying data surfing requirements.

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

Satellite and Other Services

Revenues from our satellite and other services decreased by Php197 million, or 13%, to Php1,372 million in 2013 from Php1,569 million in 2012, primarily due to a decrease in the number of ACeS Philippines' subscribers and lower revenue contribution from mobile virtual network operations of PLDT Global, partially offset by the effect of higher weighted average exchange rate of Php42.44 for the year ended December 31, 2013 from Php42.24 for the year ended December 31, 2012 on our U.S. dollar and U.S. dollar-linked satellite and other service revenues.

Non-Service Revenues

Our wireless non-service revenues consist of proceeds from sales of cellular handsets, cellular SIM-packs and broadband data modems. Our wireless non-service revenues increased by Php491 million, or 23%, to Php2,644 million in 2013 from Php2,153 million in 2012, primarily due to increased availments for broadband *Pocket WiFi* and cellular retention packages, partly offset by lower quantity of broadband *Plug-It* modem and cellular handsets/SIMpacks issued for activation.

Expenses

Expenses associated with our wireless business amounted to Php84,674 million in 2013, an increase of Php957 million, or 1%, from Php83,717 million in 2012. A significant portion of this increase was attributable to higher expenses related to cost of sales, professional and other contracted services, rent, communication, training and travel, compensation and employee benefits, and insurance and security services, partially offset by lower depreciation and amortization, interconnection costs and asset impairment. As a percentage of our total wireless revenues, expenses associated with our wireless business accounted for 71% and 72% in 2013 and 2012, respectively.

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

	2013	%	2012[1]	%	Increase (Decrease) Amount	%
			(in millions)			
Depreciation and amortization	Php16,358	19	Php19,000	23	(Php2,642)	(14)
Cost of sales	10,182	12	7,373	9	2,809	38
Rent	10,148	12	9,970	12	178	2
Compensation and employee benefits	8,727	11	8,586	10	141	2
Interconnection costs	8,141	10	8,458	10	(317)	(4)
Selling and promotions	7,944	9	7,933	10	11	–
Repairs and maintenance	7,861	9	7,843	9	18	–
Professional and other contracted services	4,290	5	3,733	4	557	15
Asset impairment	3,918	5	4,218	5	(300)	(7)
Taxes and licenses	2,411	3	2,410	3	1	–
Communication, training and travel	1,580	2	1,430	2	150	10
Insurance and security services	1,157	1	1,033	1	124	12
Amortization of intangible assets	1,018	1	921	1	97	11
Other expenses	939	1	809	1	130	16
Total	Php84,674	100	Php83,717	100	Php957	1

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

Depreciation and amortization charges decreased by Php2,642 million, or 14%, to Php16,358 million primarily due to a lower depreciable asset base.

Cost of sales increased by Php2,809 million, or 38%, to Php10,182 million primarily due to increased issuances for cellular retention and higher average cost of handsets/SIMpacks issued for activation purposes, complemented by higher average cost for broadband *Pocket WiFi*, partially offset by lower quantity of handsets/SIMpacks issued for activation and decreased issuances for broadband *Plug-It* modems.

Rent expenses increased by Php178 million, or 2%, to Php10,148 million primarily due to an increase in leased circuit charges and office building rental, partially offset by lower site rental charges. As at December 31, 2013, we had 10,455 cell sites, 20,770 cellular/mobile broadband base stations and 2,915 fixed wireless broadband base stations, of which 10,000 are 4G-capable broadband stations, as compared with 11,132 cell sites, 20,096 cellular/mobile broadband base stations and 2,871 fixed wireless broadband base stations, of which 7,561 are 4G-capable broadband stations, as at December 31, 2012.

Compensation and employee benefits expenses increased by Php141 million, or 2%, to Php8,727 million primarily due to higher MRP costs as a result of the retroactive adjustment of the application of the Revised PAS 19 of Php537 million in 2013, as well as LTIP costs, partially offset by lower salaries employee benefits, and provision for pension benefits. Employee headcount decreased to 7,680 as at December 31, 2013 as compared with 8,663 as at December 31, 2012, primarily due to the availment of the MRP by DMPI employees as at December 31, 2013.

Interconnection costs decreased by Php317 million, or 4%, to Php8,141 million primarily due to a decrease in interconnection charges on international calls and roaming SMS.

Selling and promotion expenses increased by Php11 million to Php7,944 million primarily due to higher expenses on events, commissions and public relations, partially offset by lower advertising expenses.

Repairs and maintenance expenses increased by Php18 million to Php7,861 million mainly due to higher maintenance costs on IT software and hardware, and cellular and broadband network facilities, partially offset by lower site facilities maintenance and site electricity consumption costs.

Professional and other contracted service fees increased by Php557 million, or 15%, to Php4,290 million primarily due to an increase in outsourced service costs and call center fees, partly offset by lower consultancy and technical service fees.

Asset impairment decreased by Php300 million, or 7%, to Php3,918 million primarily due to lower impairment on certain network equipment of DMPI, partially offset by higher provision for uncollectible receivables.

Taxes and licenses increased by Php1 million to Php2,411 million due to slightly higher business-related taxes.

Communication, training and travel expenses increased by Php150 million, or 10%, to Php1,580 million primarily due to higher expenses related to mailing and courier, as well as freight and hauling, partially offset by lower travel expenses, fuel consumption costs for vehicles and communication charges.

Insurance and security services increased by Php124 million, or 12%, to Php1,157 million primarily due to higher office and site security expenses, partly offset by lower insurance and bond premiums.

Amortization of intangible assets increased by Php97 million, or 11%, to Php1,018 million primarily due to license fees paid for exclusive partnership and use of music catalogues.

Other expenses increased by Php130 million, or 16%, to Php939 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 years ended December 31, 2013 and 2012:

			Change	
	2013	**2012[(1)]**	**Amount**	**%**
		(in millions)		
Other Income (Expenses):				
Interest income	Php324	Php565	(Php241)	(43)
Losses on derivative financial instruments – net	(18)	(51)	33	(65)
Equity share in net losses of associates	(54)	(78)	24	(31)
Foreign exchange gains (losses) – net	(1,814)	2,419	(4,233)	(175)
Financing costs – net	(3,232)	(2,683)	(549)	20
Others	928	721	207	29
Total	(Php3,866)	Php893	(Php4,759)	(533)

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

Our wireless business' other expenses amounted to Php3,866 million in 2013, a change of Php4,759 million as against other income of Php893 million in 2012, primarily due to the combined effects of the following: (i) net foreign exchange losses of Php1,814 million in 2013 as against net foreign exchange gains of Php2,419 million in 2012 on account of the revaluation of net foreign currency-denominated liabilities due to the depreciation of the Philippine peso relative to the U.S. dollar to Php44.40 as at December 31, 2013 from Php41.08 as at December 31, 2012 as against an appreciation of the Philippine peso relative to the U.S. dollar to Php41.08 as at December 31, 2012 from Php43.92 as at December 31, 2011; (ii) higher net financing costs by Php549 million primarily due to higher amortization of debt discount, lower capitalized interest and an increase in financing charges, partly offset by lower outstanding debt balance and lower weighted average interest rates on loans; (iii) a decrease in interest income by Php241 million mainly due to lower weighted average interest rates and lower principal amounts of dollar and peso placements, partially offset by higher U.S. dollar interest rates, longer average tenor of Philippine peso placements in 2013 and the depreciation of the Philippine peso to the U.S. dollar; (iv) a decrease in equity share in net losses of associates by Php24 million; (v) lower loss on derivative financial instruments by Php33 million mainly on account of lower notional outstanding interest rate swaps not designated as hedges and higher interest rates in 2013; and (vi) an increase in other income by Php207 million mainly due to pension income recognized in 2013, reversal of prior year provision, higher gain on disposal of fixed assets and higher income from consultancy, partly offset by casualty losses due to Typhoon Yolanda.

Provision for Income Tax

Provision for income tax increased by Php768 million, or 9%, to Php8,862 million in 2013 from Php8,094 million in 2012 primarily due to higher taxable income. The effective tax rates for our wireless business were 29% and 24% in 2013 and 2012, respectively.

Net Income

As a result of the foregoing, our wireless business' net income decreased by Php3,093 million, or 12%, to Php21,921 million in 2013 from Php25,014 million recorded in 2012.

EBITDA

As a result of the foregoing, our wireless business' EBITDA increased by Php223 million to Php54,703 million in 2013 from Php54,480 million in 2012.

Core Income

Our wireless business' core income increased by Php805 million, or 3%, to Php26,499 million in 2013 from Php25,694 million in 2012 on account of an increase in wireless revenues, partially offset by a increase in other expenses and higher wireless-related operating expenses, excluding the retroactive effect of the application of the Revised PAS 19 in our MRP costs of Php537 million in 2013, and an increase in provision for income tax.

Fixed Line

Revenues

Revenues generated from our fixed line business amounted to Php63,567 million in 2013, an increase of Php3,321 million, or 6%, from Php60,246 million in 2012.

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

	2013	%	2012[1]	%	Increase (Decrease) Amount	%
			(in millions)			
Service Revenues:						
Local exchange	Php16,274	26	Php16,470	27	(Php196)	(1)
International long distance	11,422	18	10,789	18	633	6
National long distance	4,583	7	5,046	8	(463)	(9)
Data and other network	27,472	43	25,059	42	2,413	10
Miscellaneous	2,119	3	1,707	3	412	24
	61,870	97	59,071	98	2,799	5
Non-Service Revenues:						
Sale of computers, phone units and SIM cards	1,697	3	1,175	2	522	44
Total Fixed Line Revenues	Php63,567	100	Php60,246	100	Php3,321	6

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

Service Revenues

Our fixed line business provides local exchange service, national and international long distance services, data and other network services, and miscellaneous services. Our fixed line service revenues increased by Php2,799 million, or 5%, to Php61,870 million in 2013 from Php59,071 million in 2012 due to an increase in the revenue contribution of our data and other network, international long distance and miscellaneous services, partially offset by decreases in national long distance and local exchange services.

Local Exchange Service

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

	2013	2012[1]	Increase (Decrease) Amount	%
Total local exchange service revenues (in millions)	Php16,274	Php16,470	(Php196)	(1)
Number of fixed line subscribers	2,069,419	2,063,794	5,625	–
Postpaid	2,009,593	1,997,671	11,922	1
Prepaid	59,826	66,123	(6,297)	(10)
Number of fixed line employees	7,415	7,546	(131)	(2)
Number of fixed line subscribers per employee	279	273	6	2

[1] *The December 31, 2012 comparative information was adjusted to reflect certain presentation adjustments to conform with the current presentation of our business segments.*

Revenues from our local exchange service decreased by Php196 million, or 1%, to Php16,274 million in 2013 from Php16,470 million in 2012, primarily due to lower weighted average billed lines, a decrease in ARPU on account of lower fixed charges due to the increase in demand for bundled voice and data services, partially offset by higher installation and activation charges. The percentage contribution of local exchange revenues to our total fixed line service revenues were 26% and 28% in 2013 and 2012, respectively.

International Long Distance Service

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

	2013	2012[1]	Increase (Decrease) Amount	%
Total international long distance service revenues (in millions)	Php11,422	Php10,789	Php633	6
Inbound	10,105	9,455	650	7
Outbound	1,317	1,334	(17)	(1)
International call volumes (in million minutes, except call ratio)	2,185	2,150	35	2
Inbound	1,806	1,691	115	7
Outbound	379	459	(80)	(17)
Inbound-outbound call ratio	4.8:1	3.7:1	–	–

[1] *The December 31, 2012 comparative information was adjusted to reflect certain presentation adjustments to conform with the current presentation of our business segments.*

Our total international long distance service revenues increased by Php633 million, or 6%, to Php11,422 million in 2013 from Php10,789 million in 2012, primarily due to the net increase in call volumes and the increase in average billing rate in dollar terms, as well as the favorable effect of higher weighted average exchange rate of the Philippine peso to the U.S. dollar to Php42.44 for the year ended December 31, 2013 from Php42.24 for the year ended December 31, 2012. The percentage contribution of international long distance service revenues to our total fixed line service revenues accounted for 19% and 18% in 2013 and 2012, respectively.

Our revenues from inbound international long distance service increased by Php650 million, or 7%, to Php10,105 million in 2013 from Php9,455 million in 2012 primarily due to the increase in inbound call volumes and the favorable effect on our inbound revenues of a higher weighted average exchange rate of the Philippine peso to the U.S. dollar, partially offset by the decrease in average settlement rate in dollar terms.

Our revenues from outbound international long distance service decreased by Php17 million, or 1%, to Php1,317 million in 2013 from Php1,334 million in 2012, primarily due to the decrease in call volumes and a decrease in the exchange rate of the U.S. dollar to Philippine peso, partially offset by the increase in the average billing rate in dollar terms.

Our total international long distance service revenues, net of interconnection costs, decreased by Php53 million, or 1%, to Php4,554 million in 2013 from Php4,607 million in 2012. The decrease was primarily due to higher interconnection costs as a result of higher call volumes terminating to domestic carriers, partly offset by an increase in international long distance revenues, gross of interconnection costs.

National Long Distance Service

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

			Decrease	
	2013	2012[(1)]	Amount	%
Total national long distance service revenues (in millions)	Php4,583	Php5,046	(Php463)	(9)
National long distance call volumes (in million minutes)	852	971	(119)	(12)

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

Our national long distance service revenues decreased by Php463 million, or 9%, to Php4,583 million in 2013 from Php5,046 million in 2012, primarily due to a decrease in call volumes, partially offset by an increase in the average revenue per minute of our national long distance services. The percentage contribution of national long distance revenues to our fixed line service revenues were 7% and 9% in 2013 and 2012, respectively.

Our national long distance service revenues, net of interconnection costs, decreased by Ph357 million, or 9%, to Php3,547 million in 2013 from Php3,904 million in 2012, primarily due to a decrease in call volumes, partially offset by an increase in the average revenue per minute of our national long distance services.

Data and Other Network Services

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

			Increase	
	2013	2012[(1)]	Amount	%
Data and other network service revenues (in millions)	Php27,472	Php25,059	Php2,413	10
Domestic	19,917	18,436	1,481	8
Broadband	*12,307*	*11,246*	1,061	9
Leased Lines and Others	*7,610*	*7,190*	420	6
International				
Leased Lines and Others	*5,787*	*5,524*	*263*	*5*
Data Centers	1,768	1,099	669	61
Subscriber base				
Broadband	*961,967*	*887,399*	*74,568*	*8*
SWUP	*30,302*	*22,720*	7,582	33

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

Our data and other network services posted revenues of Php27,472 million in 2013, an increase of Php2,413 million, or 10%, from Php25,059 million in 2012, primarily due to higher revenues from *PLDT DSL*, data centers, higher international data revenues primarily from i-Gate and domestic leased line revenues resulting from the higher revenue contribution of Metro Ethernet. The percentage contribution of this service segment to our fixed line service revenues was 45% and 42% in 2013 and 2012, respectively.

Domestic

Domestic data services contributed Php19,917 million in 2013, an increase of Php1,481 million, or 8%, as compared with Php18,436 million in 2012 mainly due to higher DSL, Metro Ethernet, Fibr and Diginet revenues, and *Shops.Work* subscribers as customer locations and bandwidth requirements continued to expand and demand for offshoring, outsourcing services increased. The percentage contribution of domestic data service revenues to total data and other network services were 73% and 74% in 2013 and 2012, respectively.

Broadband

Broadband data services include *DSL* broadband internet service, which is intended for individual internet users, small and medium enterprises, and large corporations with multiple branches, and *Fibr*, our most advanced broadband internet connection, which is intended for individual internet users.

Broadband data revenues amounted to Php12,307 million in 2013, an increase of Php1,061 million, or 9%, from Php11,246 million in 2012 as a result of the increase in the number of subscribers by 74,568, or 8%, to 961,967 subscribers as at December 31, 2013 from 887,399 subscribers as at December 31, 2012. Broadband revenues accounted for 45% of total data and other network service revenues in each of 2013 and 2012.

Leased Lines and Others

Leased lines and other data services include: (1) Diginet, our domestic private leased line service providing Smart's fiber optic and leased line data requirements; (2) IP-VPN, a managed corporate IP network that offers a secure means to access corporate network resources; (3) Metro Ethernet, our high-speed wide area networking services that enable mission-critical data transfers; (4) *Shops.Work*, our connectivity solution for retailers and franchisers that links company branches to their head office; and (5) *SWUP*, our wireless VPN service that powers mobile point-of-sale terminals and off-site bank ATMs, as well as other retail outlets located in remote areas. As at December 31, 2013, *SWUP* had a total subscriber base of 30,302, up by 7,582, or 33%, from 22,720 subscribers in 2012. Leased lines and other data revenues amounted to Php7,610 million in 2013, an increase of Php420 million, or 6%, from Php7,190 million in 2012, primarily due to higher revenues from Metro Ethernet, Diginet and *Shops.Work*, partially offset by lower internet exchange revenues. The percentage contribution of leased lines and other data service revenues to the total data and other network services were 28% and 29% in 2013 and 2012, respectively.

International

Leased Lines and Others

International leased lines and other data services consist mainly of: (1) i-Gate, our premium dedicated internet access service that provides high speed, reliable and managed connectivity to the global internet, and is intended for enterprises and VAS providers; (2) Fibernet, which provides cost-effective and reliable bilateral point-to-point private networking connectivity, through the use of our extensive international alliances to offshore and outsourcing, banking and finance, and semiconductor industries; and (3) other international managed data services in partnership with other global service providers, which provide data networking services to multinational companies. International data service revenues increased by Php263 million, or 5%, to Php5,787 million in 2013 from Php5,524 million in 2012, primarily due to higher i-Gate revenues and an increase in revenues from various global service providers and IP-VPN local access services, as well as the favorable effect of higher weighted average exchange rate of the Philippine peso relative to the U.S. dollar, partially offset by lower inland-cable lease and Fibernet revenues. The percentage contribution of international data service revenues to total data and other network service revenues were 21% and 22% in 2013 and 2012, respectively.

Data Centers

Data centers provide co-location or rental services, server hosting, disaster recovery and business continuity services, intrusion detection, security services, such as firewalls and managed firewalls. Data center revenues increased by Php669 million, or 61%, to Php1,768 million in 2013 from Php1,099 million in 2012 mainly due to higher co-location and managed services as a result of the consolidation of IPCDSI in October 2012. The percentage contribution of this service segment to our total data and other network service revenues were 6% and 4% in 2013 and 2012, respectively.

Miscellaneous Services

Miscellaneous service revenues are derived mostly from rental and facilities management fees, internet and online gaming, and directory advertising. These service revenues increased by Php412 million, or 24%, to Php2,119 million in 2013 from Php1,707 million in 2012 mainly due to higher outsourcing fees and co-location charges, and the revenue contribution of PGNL, which is the exclusive distributor and licensee of the programs, shows, films and channels of TV5 abroad, the distribution of which is via syndication and international linear channels. The percentage contribution of miscellaneous service revenues to our total fixed line service revenues was 3% in each of 2013 and 2012.

Non-service Revenues

Non-service revenues increased by Php522 million, or 44%, to Php1,697 million in 2013 from Php1,175 million in 2012, primarily due to higher revenues from *Telpad* units.

Expenses

Expenses related to our fixed line business totaled Php55,975 million in 2013, an increase of Php3,199 million, or 6%, as compared with Php52,776 million in 2012. The increase was primarily due to higher expenses related to repairs and maintenance, depreciation and amortization, interconnection costs, asset impairment, rent, taxes and licenses, cost of sales, and professional and other contracted services, partly offset by lower expenses related to compensation and employee benefits. As a percentage of our total fixed line revenues, expenses associated with our fixed line business accounted for 88% in each of 2013 and 2012.

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

					Increase (Decrease)	
	2013	%	2012[1]	%	Amount	%
			(in millions)			
Depreciation and amortization	Php13,946	25	Php13,354	25	Php592	4
Compensation and employee benefits	12,671	23	13,439	26	(768)	(6)
Interconnection costs	8,196	15	7,623	15	573	8
Repairs and maintenance	5,930	11	5,325	10	605	11
Professional and other contracted services	3,547	6	3,296	6	251	8
Rent	2,794	5	2,374	5	420	18
Selling and promotions	1,860	3	1,786	3	74	4
Cost of sales	1,665	3	1,374	3	291	21
Asset impairment	1,625	3	1,068	2	557	52
Taxes and licenses	1,514	3	1,097	2	417	38
Communication, training and travel	793	1	752	1	41	5
Insurance and security services	761	1	632	1	129	20
Amortization of intangible assets	2	–	–	–	2	100
Other expenses	671	1	656	1	15	2
Total	Php55,975	100	Php52,776	100	Php3,199	6

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

Depreciation and amortization charges increased by Php592 million, or 4%, to Php13,946 million due to higher depreciable asset base.

Compensation and employee benefits expenses decreased by Php768 million, or 6%, to Php12,671 million primarily due to lower MRP costs, net of the retroactive adjustment of the application of the

Revised PAS 19 of Php732 million in 2013, and lower provision for LTIP costs, partially offset by higher provision for pension costs an increase in salaries and employee benefits. Employee headcount decreased to 10,219 in 2013 as compared with 10,462 in 2012 mainly due to a decrease in Digitel's headcount as a result of the MRP.

Interconnection costs increased by Php573 million, or 8%, to Php8,196 million primarily due to higher international long distance interconnection/settlement costs as a result of higher volume of international received paid calls that terminated to other domestic carriers, partially offset by lower settlement costs for national long distance interconnection costs and data and other network services particularly Fibernet and Infonet.

Repairs and maintenance expenses increased by Php605 million, or 11%, to Php5,930 million primarily due to higher repairs and maintenance costs for IT software and hardware, buildings, and other various facilities, partially offset by a decrease in site electricity costs, lower repairs and maintenance costs on central office/telecoms equipment, as well as lower cost of janitorial services.

Professional and other contracted service expenses increased by Php251 million, or 8%, to Php3,547 million primarily due to higher contracted service and bill printing fees, partially offset by lower technical service and consultancy fees.

Rent expenses increased by Php420 million, or 18%, to Php2,794 million primarily due to higher domestic leased circuit charges, and site, pole and building rentals.

Selling and promotion expenses increased by Php74 million, or 4%, to Php1,860 million primarily due to higher commissions and public relations expenses, partially offset by lower advertising costs.

Cost of sales increased by Php291 million, or 21%, to Php1,665 million primarily due to higher sale of *Telpad* units.

Asset impairment increased by Php557 million, or 52%, to Php1,625 million mainly due to higher provision for uncollectible receivables.

Taxes and licenses increased by Php417 million, or 38%, to Php1,514 million as a result of higher municipal licenses and other business-related taxes.

Communication, training and travel expenses increased by Php41 million, or 5%, to Php793 million mainly due to higher local and foreign training and travel, partially offset by a decrease in mailing and courier, and fuel consumption charges.

Insurance and security services increased by Php129 million, or 20%, to Php761 million primarily due to higher expenses on office security services, partially offset by lower insurance and bond premiums.

Amortization of intangible assets amounted to Php2 million in 2013 relating to the amortization of intangible assets related to customer list and licenses in relation to IPCDSI's acquisition.

Other expenses increased by Php15 million, or 2%, to Php671 million primarily due to higher various business and operational-related expenses.

Other Expenses

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

	2013	2012[1]	Change Amount	Change %
		(in millions)		
Other Income (Expenses):				
Gains (losses) on derivative financial instruments – net	Php523	(Php1,958)	Php2,481	127
Interest income	392	713	(321)	(45)
Equity share (losses) in net earnings of associates	(86)	108	(194)	(180)
Foreign exchange gains (losses) – net	(1,503)	863	(2,366)	(274)
Financing costs – net	(3,390)	(4,193)	803	(19)
Others	3,583	2,686	897	33
Total	(Php481)	(Php1,781)	Php1,300	(73)

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

Our fixed line business' other expenses amounted to Php481 million in 2013, a decrease of Php1,300 million, or 73%, from Php1,781 million in 2012. The decrease was due to the combined effects of the following: (i) net gains on derivative financial instruments of Php523 million in 2013 as against net losses on derivative financial instruments of Php1,958 million in 2012 due to maturity of the 2012 hedges, the depreciation of the Philippine peso and a wider dollar and peso interest rate differentials; (ii) an increase in other income by Php897 million mainly due to the reversal of provision for assessment as a result of a favorable Supreme Court decision, higher gain on sale of Philweb shares and an increase in insurance claims, partially offset by casualty losses on Typhoon Yolanda; (iii) lower financing costs by Php803 million mainly due to lower average interest rates on loans and lower financing charges, partly offset by lower capitalized interest; (iv) equity share in net losses of associates and joint ventures of Php86 million as against equity share in net earnings of associates of Php108 million in 2012 primarily due to the share in net losses of Cignal TV for the period from October 1 to December 31, 2013 and disposal of Philweb shares in 2012; (v) a decrease in interest income by Php321 million due to lower principal amounts of dollar and peso placements, lower peso interest rates and shorter average tenor of U.S. dollar placements, partially offset by higher U.S. dollar interest rates, longer average tenor of Philippine peso placements in 2013 and the depreciation of the Philippine peso relative to the U.S. dollar; and (vi) foreign exchange losses of Php1,503 million in 2013 as against foreign exchange gains of Php863 million in 2012 on account of revaluation of net foreign currency-denominated liabilities due to the depreciation of the Philippine peso relative to the U.S. dollar to Php44.40 as at December 31, 2013 from Php41.08 as at December 31, 2012 as against an appreciation of the Philippine peso relative to the U.S. dollar to Php41.08 as at December 31, 2012 from Php43.92 as at December 31, 2011.

Provision for (Benefit from) Income Tax

Benefit from income tax amounted to Php698 million in 2013, an increase of Php647 million from Php51 million in 2012, primarily due to recognition of deferred tax assets, partially offset by higher taxable income. The effective tax rate for our fixed line business were negative 10% and negative 1% in 2013 and 2012, respectively.

Net Income

As a result of the foregoing, our fixed line business contributed a net income of Php7,809 million in 2013, increased by Php2,069 million, or 36%, as compared with Php5,740 million in 2012.

EBITDA

As a result of the foregoing, our fixed line business' EBITDA increased by Php2,185 million, or 11%, to Php22,274 million in 2013 from Php20,089 million in 2012.

Core Income

Our fixed line business' core income increased by Php3,292 million, or 57%, to Php9,061 million in 2013 from Php5,769 million in 2012, primarily as a result of higher fixed line revenues, a decrease in other expenses and a higher benefit from income tax, partially offset by higher fixed line expenses, excluding the retroactive effect of the application of the Revised PAS 19 in our MRP costs of Php732 million in 2013.

Others

Expenses

Expenses associated with our other business segment totaled Php5 million in 2013, a decrease of Php13 million, or 72%, as compared with Php18 million in 2012, primarily due to PCEV's lower other operating expenses.

Other Income

The following table summarizes the breakdown of other income for other business segment for the years ended December 31, 2013 and 2012:

			Change	
	2013	2012	Amount	%
		(in millions)		
Other Income (Expenses):				
Equity share in net earnings of associates	Php2,882	Php1,508	Php1,374	91
Foreign exchange gains – net	424	–	424	100
Interest income	249	76	173	228
Gains on derivative financial instruments – net	6	–	6	100
Others	36	2,774	(2,738)	(99)
Total	Php3,597	Php4,358	(Php761)	(17)

Other income decreased by Php761 million, or 17%, to Php3,597 million in 2013 from Php4,358 million in 2012 primarily due to lower other income by Php2,738 million mainly due to the realized portion of deferred gain on the transfer of Meralco shares to Beacon in 2012 and lower dividend income by Php720 million, partly offset by an increase in equity share in net earnings of associates by Php1,374 million mainly due to the increase in PCEV's share in the net earnings of Beacon and equity share in the net earnings of Asia Outsourcing Beta Limited, or Beta, a holding company of SPi Technologies, Inc., or SPi, and its subsidiaries, where we reinvested approximately US$40 million of the proceeds from the sale of our BPO business in 2013.

Net Income

As a result of the foregoing, our other business segment registered a net income of Php3,508 million, a decrease of Php825 million, or 19%, in 2013 from Php4,333 million in 2012.

EBITDA

As a result of the foregoing, negative EBITDA from our other business segment improved by Php13 million, or 72%, to negative Php5 million in 2013 from negative Php18 million in 2012.

Core Income

Our other business segment's core income amounted to Php3,110 million in 2013, a decrease of Php1,314 million, or 30%, as compared with Php4,424 million in 2012 mainly as a result of a lower other income, partially offset by an increase in the equity share in the net earnings of Beacon in 2013.

Liquidity and Capital Resources

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

	Years ended December 31,	
	2013	2012
	(in millions)	
Cash Flows		
Net cash flows provided by operating activities	Php73,763	Php80,370
Net cash flows used in investing activities	21,045	39,058
Capital expenditures	*28,838*	*36,396*
Net cash flows used in financing activities	59,813	48,628
Net decrease in cash and cash equivalents	(6,391)	(7,761)
	December 31,	
	2013	2012[(1)]
	(in millions)	
Capitalization		
Long-term portion of interest-bearing financial liabilities – net of current portion:		
Long-term debt	Php88,924	Php102,811
Obligations under finance lease	6	10
	88,930	102,821
Current portion of interest-bearing financial liabilities:		
Long-term debt maturing within one year	15,166	12,981
Obligations under finance lease maturing within one year	5	8
	15,171	12,989
Total interest-bearing financial liabilities	104,101	115,810
Total equity attributable to equity holders of PLDT	137,147	145,550
	Php241,248	Php261,360
Other Selected Financial Data		
Total assets[(1)]	Php399,638	Php405,815
Property, plant and equipment	192,665	200,078
Cash and cash equivalents	31,905	37,161
Short-term investments	718	574

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

Our consolidated cash and cash equivalents and short-term investments totaled Php32,623 million as at December 31, 2013. Principal sources of consolidated cash and cash equivalents in 2013 were cash flows from operating activities amounting to Php73,763 million, proceeds from availment of long-term debt of Php39,798 million, proceeds from disposal of investments, net of cash of deconsolidated subsidiaries, of Php12,075 million, proceeds from net assets held-for-sale of Php2,298 million, net additions to capital expenditures under long-term financing of Php868 miliion, interest received of Php845 million and dividends received of Php438 million. These funds were used principally for: (1) debt principal and interest payments of Php57,033 million and Php4,959 million, respectively; (2) dividend payments of Php37,804 million; (3) capital outlays, including capitalized interest, of Php28,838 million; (4) payment for purchase of investments in joint ventures, associates and deposits for PDR subscription of Php5,557 million; (5) net payment for purchase of investment in debt securities of Php2,046 million; (6) increase in notes receivable of Php1,224 million; and (7) settlements of derivative financial instruments of Php453 million.

Our consolidated cash and cash equivalents and short-term investments totaled Php37,735 million as at December 31, 2012. Principal sources of consolidated cash and cash equivalents in 2012 were cash flows from operating activities amounting to Php80,370 million, proceeds from availment of long-term debt and notes payable of Php52,144 million, net proceeds from disposal of investment available for sale of Php3,563 million, proceeds from net assets classified as held-for-sale of Php1,913 million, interest received of Php1,294 million and dividends received of Php784 million. These funds were used principally for: (1) debt principal and interest payments of Php50,068 million and Php5,355 million, respectively; (2) dividend payments of Php36,934 million; (3) capital outlays, including capitalized interest, of Php36,396 million; (4) payment for purchase of investment in an associate and purchase of shares of noncontrolling shareholders of Php10,500 million; (5) creation of a Trust Fund for the redemption of preferred shares of Php5,561 million; (6) net payment of capital expenditures under long-term financing of Php1,471 million; and (7) settlements of derivative financial instruments of Php1,126 million.

Operating Activities

Our consolidated net cash flows from operating activities decreased by Php6,607 million, or 8%, to Php73,763 million in 2013 from Php80,370 million in 2012, primarily due to higher settlement of accounts payable and other various liabilities, and higher pension contributions, partially offset by higher level of collection of receivables.

Cash flows from operating activities of our wireless business decreased by Php3,518 million, or 7%, to Php50,601 million in 2013 from Php54,119 million in 2012, primarily due to higher level of settlement of other current liabilities, higher income taxes paid and lower operating income, partially offset by higher level of collection of outstanding receivables and lower level of settlement of accounts payable. Conversely, cash flows provided by operating activities of our fixed line business increased by Php5,467 million, or 22%, to Php29,869 million in 2013 from Php24,402 million in 2012, primarily due to higher operating income and and lower settlement of other noncurrent liabilities, partially offset by lower level of collection of receivables and prepayments, higher level of settlement of other liabilities, higher income taxes paid and higher refund of customers' deposits.

Investing Activities

Consolidated net cash flows used in investing activities amounted to Php21,045 million in 2013, a decrease of Php18,013 million, or 46%, from Php39,058 million in 2012, primarily due to the combined effects of the following: (1) proceeds from sale of BPO business, net of cash of deconsolidated subsidiaries, of Php12,075 million; (2) lower payment for investment in joint ventures, associates and deposits for PDR subscription by Php3,285 million, and acquisition of subsidiaries and shares of noncontrolling interest by Php1,646 million; (3) the decrease in capital expenditures by Php7,558 million; (4) lower net proceeds from disposal of investments available for sale of Php3,579 million; (5) net payment for purchase of investment in debt securities of Php2,218 million; (6) increase in notes receivable of Php1,224 million; (7) higher proceeds from sale of Philweb shares by Php385 million; and (7) lower dividends received by Php346 million.

Our consolidated capital expenditures, including capitalized interest, in 2013 totaled Php28,838 million, a decrease of Php7,558 million, or 21%, as compared with Php36,396 million in 2012, primarily due to decreases in the Digitel Group's and Smart Group's capital spending, partially offset by PLDT's higher capital spending. PLDT's capital spending of Php11,302 million in 2013 was principally used to finance the expansion and upgrade of its submarine cable facilities, DFON facilities, NGN roll-out, fixed line data and IP-based network services and outside plant rehabilitation. Smart Group's capital spending of Php16,595 million in 2013 was used primarily to modernize and expand its 2G/3G cellular and mobile broadband networks, as well as to purchase additional customer premises equipment for the fixed wireless broadband business. DMPI's capital spending of Php500 million in 2013 was intended principally to finance the expansion of fixed mobile convergence and continued upgrade of its core and transmission network to increase penetration, particularly in provincial areas. The balance represented other subsidiaries' capital spending.

As part of our growth strategy, we may continue to make acquisitions and investments in companies or businesses whenever we deem such acquisitions and investments will contribute to our growth.

Dividends received in 2013 amounted to Php438 million, a decrease of Php346 million, or 44%, as compared with Php784 million in 2012. The dividends received in 2013 were from Beacon and Philweb. The dividends received in 2012 were from Meralco and Philweb.

Financing Activities

On a consolidated basis, net cash flows used in financing activities amounted to Php59,813 million, an increase of Php11,185 million, or 23% as compared with Php48,628 million in 2012, resulting largely from the combined effects of the following: (1) higher net payments of long-term debt and notes payable by Php6,965 million; (2) lower proceeds from the issuance of long-term debt and notes payable by Php12,346 million; (3) higher cash dividends paid by Php870 million; (4) creation of a Trust Fund for the redemption of preferred shares of Php5,561 million in 2012; (5) net additions to capital expenditures under long-term financing of Php2,339 million; (6) lower settlement of derivative financial instruments of Php673 million; and (7) lower interest payment by Php396 million.

Debt Financing

Proceeds from availment of long-term debt for the year ended December 31, 2013 amounted to Php39,798 million, mainly from PLDT's and Smart's drawings related to the financing of our capital expenditure requirements and maturing loan obligations. Payments of principal and interest on our total debt amounted to Php57,033 million and Php4,959 million, respectively, in 2013.

Our consolidated long-term debt decreased by Php11,702 million, or 10%, to Php104,090 million as at December 31, 2013 from Php115,792 million as at December 31, 2012, primarily due to debt amortizations and prepayments, partially offset by drawings from our term loan facilities and the depreciation of the Philippine peso relative to the U.S. dollar to Php44.40 as at December 31, 2013 from Php41.08 as at December 31, 2012. As at December 31, 2013, the long-term debt levels of PLDT, Smart and Digitel decreased by 1%, 6% and 39% to Php58,584 million, Php35,754 million and Php11,172 million as compared with December 31, 2012.

On January 16, 2013, PLDT signed a US$300 million term loan facility agreement with a syndicate of banks with the Bank of Tokyo-Mitsubishi UFJ, Ltd., as the facility agent, to finance capital expenditures and/or to refinance existing obligations which were utilized for network expansion and improvement programs. The loan is payable over five years in nine equal semi-annual installments commencing on the date which falls 12 months after the date of the loan, with final installment on January 16, 2018. The amounts of US$40 million, US$160 million and US$100 million were drawn on March 6, 2013, April 19, 2013 and July 3, 2013, respectively. The amount of US$300 million, or Php13,319 million, remained outstanding as at December 31, 2013.

On January 28, 2013, Smart signed a US$35 million term loan facility agreement with China Banking Corporation to finance the equipment and service contracts for the modernization and expansion projects. The loan is payable over five years in ten equal semi-annual installments. The loan was fully drawn on May 7, 2013. The amount of US$31 million, or Php1,398 million, remained outstanding as at December 31, 2013.

On February 22, 2013, Smart signed a US$46 million five-year term loan facility agreement with Nordea Bank as the original lender, arranger and facility agent, to finance the supply and services contracts for the modernization and expansion project. On July 3, 2013, Nordea Bank assigned its rights and obligations to the SEK guaranteed by EKN. The loan is comprised of Tranches A1 and A2 in the amounts of US$25 million and US$19 million, respectively, and Tranches B1 and B2 in the amounts of US$0.9 million and US$0.7 million, respectively. The facility is payable semi-annually in ten equal installments commencing six months after the applicable mean delivery date. The loan was partially drawn on December 19, 2013 for Tranche A1 and B1 in the amounts of US$18 million and US$0.9 million, respectively. The aggregate amount of US$18 million, or Php787 million, net of unamortized debt discount, remained outstanding as at December 31, 2013.

On March 25, 2013, Smart signed a US$50 million term loan facility agreement with FEC as the original lender, to finance the supply and services contracts for the modernization and expansion project. The loan was arranged by the Bank of Tokyo-Mitsubishi UFJ, Ltd. and Mizuho Corporate Bank, Ltd. The loan is payable over five years in nine equal semi-annual installments commencing six months after drawdown date. The amount of US$18 million was partially drawn on September 16, 2013 and subsequently, the amount of US$6 million on November 19, 2013. The amount of US$23 million, or Php1,030 million, net of unamortized debt discount, remained outstanding as at December 31, 2013.

On May 31, 2013, Smart signed a US$80 million term loan facility agreement with China Banking Corporation to refinance existing loan obligations which were utilized for network expansion and improvement programs of Smart. The loan is payable over five years in ten equal semi-annual installments commencing six months after drawdown date, with final installment on May 31, 2018. The loan was fully drawn on September 25, 2013. The amount of US$72 million, or Php3,197 million, remained outstanding as at December 31, 2013.

On June 19, 2013, Smart issued Php1,376 million fixed rate corporate notes under a Notes Agreement dated June 14, 2013, comprised of Series A five-year notes amounting to Php742 million and Series B ten-year notes amounting to Php634 million. Proceeds from the issuance of these notes were used primarily for debt refinancing of Smart. The Series A note facility has annual amortization equivalent to 1% of the principal amount starting June 19, 2014 with the balance of 97% payable on March 20, 2017. The Series B note facility has annual amortization equivalent to 1% of the principal amount starting June 19, 2014 with the balance of 92% payable on March 19, 2022. The aggregate amount of Php1,345 million, net of unamortized debt discount, remained outstanding as at December 31, 2013.

On June 20, 2013, Smart signed a US$120 million term loan facility agreement with Mizuho Corporate Bank, Ltd. and Sumitomo Mitsui Banking Corporation, as the lead arrangers and creditors with Sumitomo Mitsui Banking Corporation, as the facility agent. Proceeds of the facility will be used to refinance existing loan obligations which were utilized for network expansion and improvement program of Smart. The loan is payable over five years in eight equal semi-annual installments commencing six months after drawdown date, with final installment on June 20, 2018. The loan was fully drawn on September 25, 2013. The amount of US$118 million, or Php5,238 million, net of unamortized debt discount, remained outstanding as at December 31, 2013.

On June 21, 2013, PLDT issued Php2,055 million fixed rate corporate notes under a Fixed Rate Corporate Notes Facility Agreement, dated June 14, 2013, comprised of Series A notes amounting to Php1,735 million and Series B notes amounting to Php320 million. Proceeds from the issuance of these notes were used to refinance existing loan obligations which were used for capital expenditures for network expansion and improvement. The Series A notes are payable over six years with an annual amortization rate of 1% of the issued price up to the fifth year and the balance payable upon maturity on September 21, 2019. The Series B notes are payable over nine years with an annual amortization rate of 1% of the issue price up to the eight year and the balance payable upon maturity on September 21, 2022. The aggregate amount of Php2,034 million remained outstanding as at December 31, 2013.

On July 29, 2013, PLDT issued Php1,188 million fixed rate corporate note under a Fixed Rate Corporate Notes Facility Agreement, dated July 19, 2013. Proceeds from the issuance of these notes were used to finance capital expenditures for network expansion and improvement. The notes are payable over six years with an annual amortization rate of 1% of the issue price on the first year up to the fifth year from the issue date and the balance upon maturity on July 29, 2019. The amount of Php1,188 million remained outstanding as at December 31, 2013.

On November 13, 2013, PLDT signed a Php2,000 million term loan facility agreement with Bank of the Philippine Islands, or BPI, to finance capital expenditures and/or refinance existing loan obligations. The loan is payable over seven years with an annual amortization rate of 1% on the first year up to the sixth year from initial drawdown date and the balance payable upon maturity on November 22, 2020. The amount of Php1,000 million was partially drawn on November 22, 2013 and remained outstanding as at December 31, 2013. The loan was fully drawn on February 11, 2014.

On November 25, 2013, Smart signed a Php3,000 million term loan facility agreement with Metrobank to refinance existing loan obligations of Smart. The loan is payable over seven years in six annual amortization rate of 10% of the total amount drawn with final installment on November 27, 2020. The amount of Php3,000 million was fully drawn on November 29, 2013. The amount of Php2,985 million, net of unamortized debt discount, remained outstanding as at December 31, 2013.

On December 3, 2013, Smart signed a Php3,000 million term loan facility agreement with BPI to refinance existing loan obligations of Smart. The loan is payable over seven years in six annual amortization rate of 1% of the total amount drawn with final installment on December 10, 2020. The amount of Php3,000 million was fully drawn on December 10, 2013. The amount of Php2,985 million, net of unamortized debt discount, remained outstanding as at December 31, 2013.

On February 6, 2014, PLDT issued Php15,000 million SEC-registered fixed rate peso retail bonds under the Indenture dated January 22, 2014. Proceeds from the issuance of these bonds will be used to finance capital expenditures and/or refinance existing obligations which were used for capital expenditures for network expansion and improvements. The amount comprises of Php12.4 billion and Php2.6 billion bonds due in 2021 and 2024, with a coupon rate of 5.2250% and 5.2813%, respectively.

Approximately Php67,840 million principal amount of our consolidated outstanding long-term debt as at December 31, 2013 is scheduled to mature over the period from 2014 to 2017. Of this amount, Php34,749 million is attributable to PLDT, Php23,667 million to Smart and Php9,424 million to DMPI.

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

Debt Covenants

As a result of the acquisition of Digitel, PLDT assumed the obligations of JG Summit Holdings, Inc., or JGSHI, as guarantor under the Digitel and DMPI loan agreements covered by guarantees from JGSHI. These loans and guarantees contained certain representations and covenants applicable to JGSHI including that on the ownership of JGSHI in Digitel. Digitel and DMPI obtained the required consents of the lenders and export credit agencies for the replacement of JGSHI by PLDT as guarantor under these loans. As at December 31, 2013, the outstanding balance of DMPI loans covered by PLDT guarantees is Php11,398 million. There are no outstanding Digitel loans covered by PLDT guarantees as at December 31, 2013.

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

As at December 31, 2013, we are in compliance with all of our debt covenants.

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

Financing Requirements

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

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements that have or are reasonably likely to have any current or future effect on our financial position, results of operations, cash flows, changes in stockholders' equity, liquidity, capital expenditures or capital resources that are material to investors.

Equity Financing

Our current dividend policy is to pay out 70% of our core earnings per share taking into consideration the interest of our shareholders as well as our working capital, capital expenditures and debt servicing requirements. The retention of earnings may be necessary to meet the funding requirements of our business expansion and development programs. However, in the event that no investment opportunities arise, we may consider the option of returning additional cash to our shareholders in the form of special dividends up to the 30% balance of our core earnings or share buybacks. We were able to declare dividend payouts of approximately 100% of our core earnings for seven consecutive years from 2007 to 2013. The accumulated equity in the net earnings of our subsidiaries, which form part of our retained earnings, are not available for distribution unless realized in the form of dividends from such subsidiaries.

Our subsidiaries pay dividends subject to the requirements of applicable laws and regulations and availability of unrestricted retained earnings, without any restriction imposed by the terms of contractual agreements. Notwithstanding the foregoing, the subsidiaries of PLDT may, at any time, declare and pay such dividends depending upon the results of operations and future projects and plans, the respective subsidiary's earnings, cash flow, financial condition, capital investment requirements and other factors.

Consolidated cash dividend payments in 2013 amounted to Php37,804 million as compared with Php36,934 million paid to shareholders in 2012.

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

	Date			Amount	
Earnings	Approved	Record	Payable	Per share	Total Declared
				(in millions, except per share amount)	
2012					
Common					
Regular Dividend	August 7, 2012	August 31, 2012	September 28, 2012	60.00	Php12,964
Regular Dividend	March 5, 2013	March 19, 2013	April 18, 2013	60.00	12,963
Special Dividend	March 5, 2013	March 19, 2013	April 18, 2013	52.00	11,235
					37,162
Preferred					
Series IV Cumulative Non-convertible Redeemable Preferred Stock[(1)]	Various	Various	Various	–	49
10% Cumulative Convertible Preferred Stock	Various	Various	Various	1.00	–
Voting Preferred Stock	December 4, 2012	December 19, 2012	January 15, 2013		2
Charged to Retained Earnings					Php37,213
2013					
Common					
Regular Dividend	August 7, 2013	August 30, 2013	September 27, 2013	63.00	13,611
Regular Dividend	March 4, 2014	March 18, 2014	April 16, 2014	62.00	13,395
Special Dividend	March 4, 2014	March 18, 2014	April 16, 2014	54.00	11,667
					38,673
Preferred					
Series IV Cumulative Non-convertible Redeemable Preferred Stock[(1)]	Various	Various	Various	–	49
10% Cumulative Convertible Preferred Stock	Various	Various	Various	1.00	–
Voting Preferred Stock	Various	Various	Various		10
Charged to Retained Earnings					Php38,732

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

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

Contractual Obligations and Commercial Commitments

Contractual Obligations

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

Commercial Commitments

Our outstanding consolidated commercial commitments, in the form of letters of credit, amounted to Php20 million and Php342 million as at December 31, 2013 and 2012, respectively. The outstanding commitments will expire within one year.

Quantitative and Qualitative Disclosures about Market Risks

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

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

The following table sets forth the estimated consolidated fair values of our financial assets and liabilities recognized as at December 31, 2013 and September 30, 2013:

	Fair Values	
	December 31, 2013	September 30, 2013
	(Audited)	(Unaudited)
	(in millions)	
Noncurrent Financial Assets		
Available-for-sale financial investments		
Listed equity securities	Php97	Php102
Unlisted equity securities	123	5,571
Investments in debt securities and other long-term investments – net of current portion	2,668	770
Derivative financial assets – interest rate swap	24	22
Advances and other noncurrent assets – net of current portion	2,043	2,001
Total noncurrent financial assets	4,955	8,466
Current Financial Assets		
Derivative financial assets	10	1
Total current financial assets	10	1
Total Financial Assets	Php4,965	Php8,467
Noncurrent Financial Liabilities		
Interest-bearing financial liabilities	Php93,171	Php100,605
Derivative financial liabilities	1,869	1,962
Customers' deposits	2,044	2,067
Deferred credits and other noncurrent liabilities	18,696	17,695
Total noncurrent financial liabilities	115,780	122,329
Current Financial Liabilities		
Derivative financial liabilities	105	117
Total current financial liabilities	105	117
Total Financial Liabilities	Php115,885	Php122,446

The following table sets forth the amount of gains (losses) recognized for the financial assets and liabilities for the year ended December 31, 2013 and and for the nine months ended September 30, 2013:

	December 31, 2013	September 30, 2013
	(in millions)	
Profit and Loss		
From continuing operations		
Interest income	Php932	Php680
Gains on derivative financial instruments – net	511	492
Accretion on financial liabilities	(1,541)	(1,514)
Interest on loans and other related items	(5,086)	(3,928)
Discontinued operations		
Interest income	3	3
Interest on loans and other related items	(4)	(4)
Other Comprehensive Income		
Net fair value gains (losses) on cash flow hedges – net of tax	(16)	68
Net gains on available-for-sale financial investments – net of tax	(8)	6

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 2013 and 2012 was 2.9% and 3.1%, respectively. Moving forward, we currently expect inflation to increase, which may have an impact on our operations.

PART II – OTHER INFORMATION

IPCDSI's Acquisition of Rack I.T. Data Center, Inc., or Rack IT

On January 28, 2014, IPCDSI entered into a Sale and Purchase Agreement to acquire 100% ownership in Rack IT for an indicative purchase price of Php170 million subject to certain pre-closing price adjustments. Rack IT was incorporated to engage in the business of providing data center services, encompassing all the information technology and facility-related components or activities that support the projects and operations of a data center. As at the date of this report, Rack IT is still at pre-operating phase and construction of its data center facility which is located in Sucat, Parañaque is still ongoing.

PLDT issued Php15 billion Fixed Rate Retail Bonds

On January 23, 2014, the SEC approved the registration and issued the permit to offer for sale relating to our peso fixed rate retail bonds with a base offer size of Php10 billion, with an option for oversubscription of up to Php5 billion.

The bonds were offered to the public from January 24 to 30, 2014. PLDT exercised its oversubscription option and increased the total issue size from Php10 billion to Php15 billion. Of the total issue size, Php12.4 billion was allocated to the seven-year tranche due 2021, or the Fixed Rate Bonds due 2021, carrying a coupon rate of 5.2250% per annum, and the remaining Php2.6 billion to the ten-year tranche due 2024, or the Fixed Rate Bonds due 2024, carrying a coupon rate of 5.2813% per annum.

On February 6, 2014, the Fixed Rate Bonds Due 2021 and Fixed Rate Bonds Due 2024 were issued and listed for trading on the Philippine Dealing Exchange. These bonds may be sold and traded only in the Philippines.

Proceeds from the issuance of these bonds will be used to finance capital expenditure and/or refinance existing obligations, the proceeds of which were utilized for service improvements and expansion.

PLDT's inaugural bonds were rated by Credit Rating and Investors Service Philippines, Inc., or CRISP, as "AAA" with a stable outlook, the highest on the scale.

Automated Fare Collection System Project Awarded to Ayala-First Pacific Consortium

In 2013, Smart, along with other companies of conglomerates Metro Pacific Investments Corporation, or MPIC, and Ayala Corporation, or Ayala, embarked on a venture to bid for the Automated Fare Collection System, or AFCS, project of the Department of Transportation and Communication, or DOTC, and Light Rail Transit Authority. The project aims to upgrade the Light Rail Transit 1 and 2, and Metro Rail Transit ticketing systems by substantially speeding up payments, reducing queuing time and facilitating efficient passenger transfer to other rail lines. The AF Consortium led by MPIC and Ayala, composed of AC Infrastructure Holdings Corporation, BPI Card Finance Corporation, and Globe Telecom, Inc., for the Ayala Group, and MPIC, Meralco Financial Services Corporation, and Smart for the MPIC Group bidded for the AFCS Project and on January 30, 2014, received a Notice of Award from the DOTC declaring it as the winning bidder. The AF Consortium will form a corporation with Smart taking 20% ownership.

PLDT's Acquisition of Subscription Assets of Digitel

On July 1, 2013, PLDT entered into an agreement to acquire the subscription assets of Digitel for a total cost of approximately Php5.3 billion. The agreement covers the transfer, assignment and conveyance of Digitel's subscription agreements and subscriber list, and includes a transition mechanism to ensure uninterrupted availability of services to the Digitel subscribers until migration to the PLDT network is completed.

Decrease in Authorized Capital Stock

On April 23, 2013 and June 14, 2013, the Board of Directors and stockholders, respectively, approved the following actions: (1) decrease in PLDT's authorized capital stock from Php9,395 million divided into two classes consisting of: (a) Preferred Capital Stock sub-classified into 150 million shares of Voting Preferred Stock of the par value of Php1.00 each and 807.5 million shares of Non-Voting Serial Preferred Stock of the par value of Php10.00 each; and (b) 234 million shares of Common Capital Stock of the par value of Php5.00 each, to Php5,195 million, divided into two classes consisting of: (a) Preferred Capital Stock sub-classified into: 150 million shares of Voting Preferred Stock of the par value of Php1.00 each and 387.5 million shares of Non-Voting Serial Preferred Stock of the par value of Php10.00 each; and (b) 234 million shares of Common Capital Stock of the par value of Php5.00 each; and (2) corresponding amendments to the Seventh Article of the Articles of Incorporation of PLDT. On October 3, 2013, the Philippine SEC approved the decrease in authorized capital stock and Amendments to the Articles of Incorporation of PLDT.

Investment in PDRs of MediaQuest

In 2012, ePLDT made deposits totaling Php6 billion to MediaQuest, an entity wholly-owned by the BTF, for the issuance of PDRs by MediaQuest in relation to its indirect interest in Cignal TV, Inc., or Cignal TV. Cignal TV is a wholly-owned subsidiary of Satventures, which is a wholly-owned subsidiary of MediaQuest. The Cignal TV PDRs confer an economic interest in common shares of Cignal TV indirectly owned by MediaQuest, and when issued, will provide ePLDT with a 40% economic interest in Cignal TV. Cignal TV operates a direct-to-home, or DTH, Pay-TV business under the brand name "Cignal TV", which is the largest DTH Pay-TV operator in the Philippines with 602 thousand net subscribers as at December 31, 2013.

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

- a Php3.6 billion investment by ePLDT in PDRs to be issued by MediaQuest in relation to its interest in Satventures. The Satventures PDRs confer an economic interest in common shares of Satventures owned by MediaQuest, and when issued, will provide ePLDT with a 40% economic interest in Satventures; and

- a Php1.95 billion investment by ePLDT in PDRs to be issued by MediaQuest in relation to its interest in Hastings Holdings, Inc., or Hastings. The Hastings PDRs confer an economic interest in common shares of Hastings owned by MediaQuest, and when issued, will provide ePLDT with a 100% economic interest in Hastings. Hastings is a wholly-owned subsidiary of MediaQuest and holds all the print-related investments of MediaQuest, including equity positions in three leading broadsheets: The Philippine Star, the Philippine Daily Inquirer, and Business World. See *Note 25 – Employee Benefits – Unlisted Equity Investments – Investment in MediaQuest*.

The Php6 billion Cignal TV PDRs and Php3.6 billion Satventures PDRs were issued on September 27, 2013. These PDRs provided ePLDT an aggregate of 64% economic interest in Cignal TV.

On March 4, 2014, PLDT's Board of Directors approved an additional investment of up to Php500 million in Hastings PDRs to be issued by MediaQuest, which will increase ePLDT's investment in Hastings PDRs from Php1.95 billion up to Php2.45 billion representing a 60% economic interest in Hastings. Also, a new investor will subscribe for a 40% economic interest in Hastings either directly through Hastings or PDRs to be issued by MediaQuest in relation to its interest in Hastings.

ePLDT's deposit for future PDRs subscription amounted to Php1.95 billion for Hastings PDRs as at December 31, 2013 and Php6 billion for Cignal TV PDRs as at December 31, 2012.

As at the date of issuance of this report, the Hastings PDRs have not yet been issued.

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

See *Note 10 – Investments in Associates, Joint Ventures and Deposits – Investment in MediaQuest* to the accompanying audited consolidated financial statements for further discussion.

Sale of BPO Segment

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

Supreme Court Temporary Restraining Order on December 2013 Increase in Billing Rate

On December 9, 2013, the Energy Regulatory Commission, or ERC, gave clearance to the request of Meralco to implement a staggered collection over three months covering the December billing month for the increase in generation charge and other bill components such as value-added tax, local franchise tax, transmission charge, and system loss charge, which reflected a total increase of Php4.15/kWh for a 200-kWh residential consumer. The generation costs for the November 2013 supply month increased significantly because of the use of the more expensive liquid fuel by the natural gas-fired power plants that were affected by the Malampaya Gas Field, or Malampaya, shutdown from November 11 to December 10, 2013. This was compounded by the aberrant spike in the Wholesale Electricity Spot Market, or WESM, charges on account of the scheduled, and extended shutdown, and the forced outages of several base load power plants, as well as the non-compliance with WESM Rules by certain plants resulting in significant power generation capacities not being offered and dispatched.

The Department of Justice commenced an investigation while the House of Representatives and the Senate conducted separate hearings to determine the underlying reasons for the price increase, including any possible collusion among the power firms. In the meantime, Meralco proceeded with billing its captive customers with the ERC approval.

On December 19, 2013, several party-list representatives in the House of Representatives, filed a Petition against Meralco, ERC and the Department of Energy, or DOE, before the Supreme Court of the Philippines, or SC, questioning the ERC clearance granted to Meralco to charge the Php4.15/kWh price increase, alleging lack of hearing and due process. They also sought for the declaration of the unconstitutionality of Sections 6 and 29 of Republic Act No. 9136, "The Electric Power Industry Reform Act of 2001", or EPIRA, which essentially declared the generation and supply sectors competitive and open, and not considered public utilities. A similar Petition was filed by a consumer group and several private homeowners associations challenging also the legality of the Automatic Generation Rate Adjustment, or AGRA, that the ERC had promulgated. Both Petitions prayed for the issuance of a Temporary Restraining Order, or TRO, and Writ of Preliminary Injunction.

On December 23, 2013, the SC consolidated the two Petitions and granted the application for TRO effective immediately for a period of 60 days which effectively enjoined the ERC and Meralco from implementing the Php4.15/kWh price increase. The SC also ordered Meralco, ERC and DOE to file their respective comments to the Petitions and set the hearing for Oral Arguments on January 21, 2014. The SC further set two more Oral Arguments on February 4, 2014 and February 11, 2014. After the conclusion of the Oral Arguments, the SC ordered all the Parties to the consolidated Petitions to file their respective Memoranda on or before February 26, 2014 after which the Petitions will be deemed submitted for resolution of the SC. Meralco has complied with said directive and filed its Memorandum on said date.

On February 18, 2014, acting on the motion filed by the Petitioners, the SC extended the TRO for another period of 60 days or until April 22, 2014 that was originally issued against Meralco and ERC on December 23, 2013. The TRO was also similarly applied to the generating companies, specifically Masinloc Power Partners Co. Ltd., San Miguel Energy Corporation, South Premier Power Corporation, First Gas Power Corporation, the National Grid Corporation of the Philippines, and the Philippine Electricity Market Corporation, or PEMC, (the administrator of WESM and market operator) who were all enjoined from collecting from Meralco the deferred amounts representing the Php4.15/kWh price increase for the November 2013 supply month.

In the meantime, on January 30, 2014, Meralco filed an Omnibus Motion with Manifestation with the ERC for the latter to direct PEMC to conduct a re-run or re-calculation of the WESM prices for the supply months of November to December 2013. Subsequently, on February 17, 2014, Meralco filed with the ERC an Application for the recovery of deferred generation costs for the December 2013 supply month praying that it be allowed to recover the same over a six-month period.

As at March 4, 2014, Meralco is still awaiting the decisions of the SC and ERC.

Related Party Transactions

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

ANNEX I – AGING OF ACCOUNTS RECEIVABLE

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

Type of Accounts Receivable	Total	Current	31–60 Days	61–90 Days	Over 91 Days
			(in millions)		
Retail subscribers	Php12,563	Php3,413	Php1,198	Php390	Php7,562
Corporate subscribers	7,904	1,706	1,329	683	4,186
Foreign administrations	5,840	1,687	1,201	576	2,376
Domestic carriers	1,461	351	151	147	812
Dealers, agents and others	4,320	2,866	434	102	918
Total	32,088	Php10,023	Php4,313	Php1,898	Php15,854
Less: Allowance for doubtful accounts	14,524				
Total Receivables - net	Php17,564				

ANNEX II – FINANCIAL SOUNDNESS INDICATORS

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

	2013	2012
Current Ratio[1]	0.52:1.0	0.69:1.0
Net Debt to Equity Ratio[2]	0.52:1.0	0.54:1.0
Net Debt to EBITDA Ratio[3]	0.92:1.0	1.04:1.0
Total Debt to EBITDA Ratio[4]	1.34:1.0	1.54:1.0
Asset to Equity Ratio[5]	2.91:1.0	2.79:1.0
Interest Coverage Ratio[6]	7.03:1.0	7.13:1.0
Profit Margin[7]	20%	22%
Return on Assets[8]	8%	9%
Return on Equity[9]	24%	24%
EBITDA Margin[10]	47%	47%

(1) Current ratio is measured as current assets divided by current liabilities (including current portion – LTD, unearned revenues and mandatory tender option liability.)
(2) Net Debt to equity ratio is measured as total debt (long-term debt, including current portion and notes payable) less cash and cash equivalent and short-term investments divided by total equity.
(3) Net Debt to EBITDA ratio is measured as total debt (long-term debt, including current portion and notes payable) less cash and cash equivalent and short-term investments divided by EBITDA for the year.
(4) Total Debt to EBITDA ratio is measured as total debt (long-term debt, including current portion and notes payable) divided by EBITDA for the year.
(5) Asset to equity ratio is measured as total assets divided by total equity.
(6) Interest coverage ratio is measured by EBIT, or earnings before interest and taxes for the year, divided by total financing cost for the year.
(7) Profit margin is derived by dividing net income for the year with total revenues for the year.
(8) Return on assets is measured as net income for the year divided by average total assets.
(9) Return on Equity is measured as net income for the year divided by average total equity.
(10) EBITDA margin for the yearis measured as EBITDA divided by service revenues for the year.
EBITDA for the year is measured as net income for the year excluding depreciation and amortization, amortization of intangible assets, asset impairment on noncurrent assets, financing cost, interest income, equity share in net earnings (losses) of associated and joint ventures, foreign exchange gains (losses) – net, gains (losses) on derivative financial instruments – net, provision for (benefit from) income tax and other income (expenses) for the year.

PLDT

SIGNATURES

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

Registrant: PHILIPPINE LONG DISTANCE TELEPHONE COMPANY

Signature and Title: ______________________________

NAPOLEON L. NAZARENO
President and Chief Executive Officer

Signature and Title: Anabelle Lim-Chua

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

Signature and Title: June Cheryl Cabal-Revilla

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

Date: March 4, 2014