SEC Number PW-55
File Number

PHILIPPINE LONG DISTANCE TELEPHONE COMPANY

(Company's Full Name)

Ramon Cojuangco Building
Makati Avenue, Makati City

(Company's Address)

(632) 816-8556

(Telephone Number)

Not Applicable

(Fiscal Year Ending)
(month & day)

SEC Form 17-Q

Form Type

Not Applicable

Amendment Designation (if applicable)

September 30, 2013

Period Ended Date

Not Applicable

(Secondary License Type and File Number)

PLDT

November 5, 2013

Securities & Exchange Commission
SEC Building, EDSA
Mandaluyong City

Attention: Atty. Justina F. 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-Q with Management's Discussion and Analysis and accompanying unaudited consolidated financial statements for the nine (9) months ended September 30, 2013.

Very truly yours,

MA. LOURDES C. RAUSA-CHAN
Corporate Secretary

COVER SHEET

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S.E.C. Registration No.

PHILIPPINE LONG DISTANCE

TELEPHONE COMPANY

(Company's Full Name)

RAMON COJUANGCO BLDG.

MAKATI AVE. MAKATI CITY

(Business Address: No. Street City/Town/Province)

MS. JUNE CHERYL A. CABAL-REVILLA
Contact Person

816-8534
Company Telephone Number

1 2	3 1	SEC FORM 17-Q	0 6	Every 2nd Tuesday
Month	Day	FORM TYPE	Month	Day
Fiscal Year			Annual Meeting	

C F D
Dept. Requiring this Doc.

N/A
Amended Articles Number/Section

Total Amount of Borrowings

12,031 As of September 30, 2013	N/A	N/A
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

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Document I.D.

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended September 30, 2013

2. SEC Identification Number PW-55 3. BIR Tax Identification No. 000-488-793

4. Philippine Long Distance Telephone Company
   Exact name of registrant as specified in its charter

5. Republic of the Philippines
   Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: (SEC Use Only)

7. Ramon Cojuangco Building, Makati Avenue, Makati City 0721
   Address of registrant's principal office Postal Code

8. (632) 816-8556
   Registrant's telephone number, including area code

9. Not Applicable
   Former name, former address, and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 of the SRC

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Capital Stock, Php5 par value	216,055,775 shares as at September 30, 2013

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

    Yes [X] No [ ]

12. Check whether the registrant

    (a) has filed all reports required to be filed by Section 17 of the SRC during the preceding ten months (or for such shorter period that the registrant was required to file such reports):

    Yes [X] No [ ]

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

    Yes [X] No [ ]

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PART I – FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

Our consolidated financial statements as at September 30, 2013 (unaudited) and December 31, 2012 (as adjusted) and for the nine months ended September 30, 2013 and 2012 (unaudited) and related notes (pages F-1 to F-140) are filed as part of this report on Form 17-Q.

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

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

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

The financial information appearing in this report and in the accompanying unaudited consolidated financial statements is stated in Philippine pesos. All references to "Philippine pesos," "Php" or "pesos" are to the lawful currency of the Philippines; all references to "U.S. dollars," "US$" or "dollars" are to the lawful currency of the United States; all references to "Japanese yen," "JP¥" or "yen" are to the lawful currency of Japan and all references to "Euro" or "€" are to the lawful currency of the European Union. Unless otherwise indicated, translations of Philippine peso amounts into U.S. dollars in this report and in the accompanying unaudited consolidated financial statements were made based on the exchange rate of Php43.54 to US$1.00, the volume weighted average exchange rate as at September 30, 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

	Nine Months ended September 30,		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	Php124,585	Php121,363	Php3,222	3
Expenses	89,220	88,134	1,086	1
Other income (expenses)	(2,168)	3,039	(5,207)	(171)
Income before income tax	33,197	36,268	(3,071)	(8)
Net income for the period	28,995	28,359	636	2
Continuing operations	*26,926*	*27,996*	*(1,070)*	*(4)*
Discontinued operations	*2,069*	*363*	*1,706*	*470*
Core income	28,786	27,690	1,096	4
Continuing operations	*28,885*	*27,332*	*1,553*	*6*
Discontinued operations	*(99)*	*358*	*(457)*	*(128)*
EBITDA from *continuing operations*	59,550	57,205	2,345	4
EBITDA margin[2]	49%	48%	–	–
Reported earnings per common share:				
Basic	133.81	131.20	2.61	2
Diluted	133.81	131.20	2.61	2
Core earnings per common share[3]:				
Basic	133.03	127.99	5.04	4
Diluted	133.03	127.99	5.04	4

	September 30,	December 31,	Increase (Decrease)	
	2013	2012[4]	Amount	%
Consolidated Statements of Financial Position				
Total assets	Php390,817	Php405,815	(Php14,998)	(4)
Property, plant and equipment – net	191,578	200,078	(8,500)	(4)
Cash and cash equivalents and short-term investments	30,374	37,735	(7,361)	(20)
Total equity attributable to equity holders of PLDT	139,337	145,550	(6,213)	(4)
Notes payable and long-term debt, including current portion	109,453	115,792	(6,339)	(5)
Net debt[5] to equity ratio	0.57x	0.54x	–	–

	Nine Months ended September 30,		Increase (Decrease)	
	2013	2012	Amount	%
Consolidated Statements of Cash Flows				
Net cash provided by operating activities	Php51,605	Php54,822	(Php3,217)	(6)
Net cash used in investing activities	8,001	22,765	(14,764)	(65)
Capital expenditures	*14,888*	*19,294*	*(4,406)*	*(23)*
Net cash used in financing activities	52,652	39,125	13,527	35
Operational Data				
Number of cellular subscribers	72,498,270	68,599,733	3,898,537	6
Number of fixed line subscribers	2,073,831	2,127,188	(53,357)	(3)
Number of broadband subscribers:	3,328,369	3,146,667	181,702	6
Fixed Line	*949,762*	*879,237*	*70,525*	*8*
Wireless	*2,378,607*	*2,267,430*	*111,177*	*5*
Number of employees:	18,135	19,086	(951)	(5)
Fixed Line	*9,892*	*10,619*	*(727)*	*(7)*
LEC	*7,151*	*7,811*	*(660)*	*(8)*
Others	*2,741*	*2,808*	*(67)*	*(2)*
Wireless	*8,243*	*8,467*	*(224)*	*(3)*

(1) *The September 30, 2012 comparative information was adjusted to reflect the discontinued operations of the Business Process Outsourcing, or BPO, segment and the adjustments on the application of the Revised PAS 19 – Employee Benefits. See "Other Information – Sale of BPO Segment" discussion and Note 2 – Summary of Significant Accounting Policies – Discontinued Operations and Changes in Accounting Policies and Disclosures to the accompanying unaudited consolidated financial statements for further discussion.*

(2) *EBITDA margin for the period is measured as EBITDA 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) *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 unaudited consolidated financial statements for further discussion.*

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

Exchange Rates – per US$	Month-end rates	Weighted average rates during the period
September 30, 2013	Php43.54	Php42.06
December 31, 2012	41.08	42.24
September 30, 2012	41.74	42.56
December 31, 2011	43.92	43.31

Overview

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

- *Wireless* — wireless telecommunications services provided by Smart Communications, Inc., or Smart, 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 12% of our consolidated fixed line subscribers; and information and communications infrastructure and services for internet applications, internet protocol, or IP-based solutions and multimedia content delivery provided by ePLDT, Inc., or ePLDT, IP Converge Data Services, Inc., or IPCDSI, ABM Global Solutions, Inc., or AGS, and its subsidiaries, or AGS Group, and netGames, Inc.; and bills printing and other value-added services, or VAS, -related services provided by ePDS, Inc., or ePDS; and

- *Others* — 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 unaudited consolidated financial statements.

As at September 30, 2013, our chief operating decision maker, or our Management Committee, views our business activities in three business units: Wireless, Fixed Line and Others. On December 4, 2012, our Board of Directors authorized the sale of our BPO segment. Consequently, as at December 31, 2012, the BPO segment was classified as discontinued operations and a disposal group held-for-sale. The BPO segment met the criteria of an asset to be classified as held-for-sale as at December 31, 2012 for the following reasons: (1) the BPO segment is available for immediate sale and can be sold to a potential buyer in its current condition; (2) the Board of Directors had approved the plan to sell the BPO segment and we entered into preliminary negotiations with a potential buyer and should negotiations with a potential buyer not lead to a sale, we expect to be able to seek other sale opportunities as a number of other potential buyers had been identified; and (3) the Board of Directors expected negotiations to be finalized and the sale to be completed in April 2013. Thus, we adjusted the comparative consolidated income statement for the nine months ended September 30, 2012 to present the results of operations of our BPO business as discontinued operations. See "Other Information – Sale of BPO Segment" section and *Note 2 – Summary of Significant Accounting Policies – Discontinued Operations* and *Note 3 – Management's Use of Accounting Judgments, Estimates and Assumptions* to the accompanying unaudited consolidated financial statements for further discussion.

Performance Indicators

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

EBITDA

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

Management's Financial Review

We use EBITDA and core income to assess our operating performance. The reconciliation of our consolidated EBITDA and our consolidated core income to our consolidated net income for the nine months ended September 30, 2013 and 2012 are set forth below.

The following table shows the reconciliation of our consolidated EBITDA to our consolidated net income for the nine months ended September 30, 2013 and 2012:

	2013	2012[1]
	(in millions)	
EBITDA from continuing operations	Php59,550	Php57,205
Add (deduct) adjustments to continuing operations:		
Other income	2,006	4,712
Equity share in net earnings of associates and joint ventures	1,903	1,440
Interest income	680	1,008
Gains (losses) on derivative financial instruments – net	492	(1,560)
Amortization of intangible assets	(736)	(1,019)
Retroactive effect of adoption of Revised PAS 19[2]	(1,269)	–
Foreign exchange gains (losses) – net	(2,004)	2,424
Financing costs – net	(5,245)	(4,985)
Provision for income tax	(6,271)	(8,272)
Depreciation and amortization	(22,180)	(22,957)
Total adjustments	(32,624)	(29,209)
Net income from continuing operations	26,926	27,996
Net income from discontinued operations	2,069	363
Consolidated net income	Php28,995	Php28,359

(1) *The September 30, 2012 comparative information was adjusted to reflect the discontinued operations of the BPO segment and the adjustments on the application of the Revised PAS 19 – Employee Benefits. See "Other Information – Sale of BPO Segment" discussion and Note 2 – Summary of Significant Accounting Policies – Discontinued Operations and Changes in Accounting Policies and Disclosures to the accompanying unaudited consolidated financial statements for further discussion.*

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

The following table shows the reconciliation of our consolidated core income to our consolidated net income for the nine months ended September 30, 2013 and 2012:

	2013	2012[1]
	(in millions)	
Core income from continuing operations	Php28,885	Php27,332
Core income from discontinued operations	(99)	358
Consolidated core income	28,786	27,690
Add (deduct) adjustments to continuing operations:		
Foreign exchange gains (losses) – net	(2,004)	2,424
Gains (losses) on derivative financial instruments – net, excluding hedge cost	719	(1,311)
Core income adjustment on equity share in net earnings (losses) of associates and joint ventures	32	(90)
Net income (loss) attributable to noncontrolling interests	41	(25)
Retroactive effect of adoption of Revised PAS 19[2]	(1,269)	–
Net tax effect of aforementioned adjustments	522	(334)
Total adjustments	(1,959)	664
Adjustment to discontinued operations	2,168	5
Net income from continuing operations	26,926	27,996
Net income from discontinued operations	2,069	363
Consolidated net income	Php28,995	Php28,359

(1) *The September 30, 2012 comparative information was adjusted to reflect the discontinued operations of the BPO segment and the adjustments on the application of the Revised PAS 19 – Employee Benefits. See "Other Information – Sale of BPO Segment" discussion and Note 2 – Summary of Significant Accounting Policies – Discontinued Operations and Changes in Accounting Policies and Disclosures to the accompanying unaudited consolidated financial statements for further discussion.*

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

Results of Operations

The table below shows the contribution by each of our business segments to our consolidated revenues, expenses, other income (expenses), income before income tax, provision for income tax, net income/segment profit, EBITDA, EBITDA margin and core income for the nine months ended September 30, 2013 and 2012. In each of the nine months ended September 30, 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 nine months ended September 30, 2013					
Revenues	Php88,232	Php47,180	Php–	(Php10,827)	Php124,585
Expenses	60,598	39,892	4	(11,274)	89,220
Other income (expenses)	(3,686)	(1,076)	2,895	(301)	(2,168)
Income before income tax	23,948	6,212	2,891	146	33,197
Provision for (benefit from) income tax	6,277	(81)	75	–	6,271
Net income/Segment profit	17,671	6,293	2,816	146	28,995
Continuing operations	17,671	6,293	2,816	146	26,926
Discontinued operations	–	–	–	–	2,069
EBITDA from continuing operations	41,152	17,955	(4)	447	59,550
EBITDA margin[1]	48%	39%	–	(4%)	49%
Core income	19,236	7,005	2,498	146	28,786
Continuing operations	19,236	7,005	2,498	146	28,885
Discontinued operations	–	–	–	–	(99)
For the nine months ended September 30, 2012[2]					
Revenues	86,337	44,831	–	(9,805)	121,363
Expenses	58,654	39,799	15	(10,334)	88,134
Other income (expenses)	671	(1,581)	4,159	(210)	3,039
Income before income tax	28,354	3,451	4,144	319	36,268
Provision for income tax	7,835	434	3	–	8,272
Net income/Segment profit	20,519	3,017	4,141	319	28,359
Continuing operations	20,519	3,017	4,141	319	27,996
Discontinued operations	–	–	–	–	363
EBITDA from continuing operations	41,978	14,713	(15)	529	57,205
EBITDA margin[1]	50%	33%	–	(4%)	48%
Core income	19,298	3,484	4,231	319	27,690
Continuing operations	19,298	3,484	4,231	319	27,332
Discontinued operations	–	–	–	–	358
Increase (Decrease)					
Revenues	Php1,895	Php2,349	Php–	(Php1,022)	Php3,222
Expenses	1,944	93	(11)	(940)	1,086
Other income (expenses)	(4,357)	505	(1,264)	(91)	(5,207)
Income before income tax	(4,406)	2,761	(1,253)	(173)	(3,071)
Provision for (benefit from) income tax	(1,558)	(515)	72	–	(2,001)
Net income/Segment profit	(2,848)	3,276	(1,325)	(173)	636
Continuing operations	(2,848)	3,276	(1,325)	(173)	(1,070)
Discontinued operations	–	–	–	–	1,706
EBITDA from continuing operations	(826)	3,242	11	(82)	2,345
Core income	(62)	3,521	(1,733)	(173)	1,096
Continuing operations	(62)	3,521	(1,733)	(173)	1,553
Discontinued operations	–	–	–	–	(457)

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

(2) *The September 30, 2012 comparative information was adjusted to reflect the discontinued operations of the BPO segment, certain presentation adjustments to conform with the current presentation of our business segments and the adjustments on the application of the Revised PAS 19 – Employee Benefits. See "Other Information – Sale of BPO Segment" discussion and Note 2 – Summary of Significant Accounting Policies – Discontinued Operations and Changes in Accounting Policies and Disclosures to the accompanying unaudited consolidated financial statements for further discussion.*

On a Consolidated Basis

Revenues

We reported consolidated revenues of Php124,585 million in the first nine months of 2013, an increase of Php3,222 million, or 3%, as compared with Php121,363 million in the same period in 2012, primarily due to higher revenues from data and other network, and miscellaneous services from our fixed line business, and higher cellular and broadband revenues from our wireless business, partially offset by lower revenues from national long distance, local exchange and international long distance services from our fixed line business, and satellite and other services from our wireless business.

The following table shows the breakdown of our consolidated revenues by business segment for the nine months ended September 30, 2013 and 2012:

	2013	%	2012[1]	%	Change Amount	Change %
			(in millions)			
Wireless	Php88,232	71	Php86,337	71	Php1,895	2
Fixed line	47,180	38	44,831	37	2,349	5
Inter-segment transactions	(10,827)	(9)	(9,805)	(8)	(1,022)	10
Consolidated	Php124,585	100	Php121,363	100	Php3,222	3

[1] *The September 30, 2012 comparative information was adjusted to reflect the discontinued operations of the BPO segment and certain presentation adjustments to conform with the current presentation of our business segments. See "Other Information – Sale of BPO Segment" discussion and Note 2 – Summary of Significant Accounting Policies – Discontinued Operations and Changes in Accounting Policies and Disclosures to the accompanying unaudited consolidated financial statements for further discussion.*

Expenses

Consolidated expenses increased by Php1,086 million, or 1%, to Php89,220 million in the first nine months of 2013 from Php88,134 million in the same period in 2012, as a result of higher expenses related to cost of sales, professional and other contracted services, asset impairment and communication, training and travel, partially offset by lower expenses related to depreciation and amortization, interconnection costs, amortization of intangible assets, selling and promotions, taxes and licenses, rent, and compensation and employee benefits, including the retroactive effect of the application of the Revised PAS 19 in our manpower rightsizing program, or MRP, costs of Php1,269 million in the first nine months of 2013.

The following table shows the breakdown of our consolidated expenses by business segment for the nine months ended September 30, 2013 and 2012:

	2013	%	2012[1]	%	Change Amount	Change %
			(in millions)			
Wireless	Php60,598	68	Php58,654	67	Php1,944	3
Fixed line	39,892	45	39,799	45	93	–
Others	4	–	15	–	(11)	(73)
Inter-segment transactions	(11,274)	(13)	(10,334)	(12)	(940)	9
Consolidated	Php89,220	100	Php88,134	100	Php1,086	1

[1] *The September 30, 2012 comparative information was adjusted to reflect the discontinued operations of the BPO segment, certain presentation adjustments to conform with the current presentation of our business segments and the adjustments on the application of the Revised PAS 19 – Employee Benefits. See "Other Information – Sale of BPO Segment" discussion and Note 2 – Summary of Significant Accounting Policies – Discontinued Operations and Changes in Accounting Policies and Disclosures to the accompanying unaudited consolidated financial statements for further discussion.*

Other Income (Expenses)

Consolidated other expenses amounted to Php2,168 million in the first nine months of 2013, a change of Php5,207 million as against other income of Php3,039 million in the same period in 2012, primarily due to the combined effects of the following: (i) foreign exchange losses of Php2,004 million in the first nine months of 2013 as against foreign exchange gains of Php2,424 million in the same period 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 Php43.54 as at September 30, 2013 from Php41.08 as at December 31, 2012 as against an appreciation of the Philippine peso relative to the U.S. dollar to Php41.74 as at September 30, 2012 from Php43.92 as at December 31, 2011; (ii) a decrease in other income by Php2,706 million mainly due to the realized portion of deferred gain on the transfer of Meralco shares to Beacon Electric Asset Holdings, Inc., or Beacon, of Php2,012 million in the first nine months of 2012 and lower dividend income by Php292 million, partially offset by a gain on insurance claims by Php193 million in the same period in 2013; (iii) lower interest income by Php328 million due to lower weighted average peso interest rate and lower weighted average level of dollar and peso investments, effect of lower weighted average exchange rate of the Philippine peso relative to the U.S. dollar, and shorter average tenor of dollar placements, partly offset by higher dollar interest rates and longer average tenors of Philippine peso placements; (iv) an increase in net financing costs by Php260 million mainly due to higher amortization of debt discount, lower capitalized interest and an increase in financing charges, partially offset by lower outstanding long-term debts by our fixed line and wireless businesses, lower interest on loans and other related items on account of lower interest rates and lower weighted average exchange rate of the Philippine peso relative to the U.S. dollar; (v) an increase in equity share in net earnings of associates and joint ventures by Php463 million; and (vi) net gains on derivative financial instruments of Php492 million in the first nine months of 2013 as against net losses on derivative financial instruments of Php1,560 million in the same period in 2012 due to the depreciation of the Philippine peso, maturity of the 2012 hedges and wider dollar and peso interest rate differentials in the first nine months of 2013.

The following table shows the breakdown of our consolidated other income (expenses) by business segment for the nine months ended September 30, 2013 and 2012:

					Change	
	2013	**%**	**2012[(1)]**	**%**	**Amount**	**%**
			(in millions)			
Wireless	(Php3,686)	171	Php671	22	(Php4,357)	(649)
Fixed line	(924)	42	(1,581)	(52)	657	(42)
Others	2,743	(127)	4,159	137	(1,416)	(34)
Inter-segment transactions	(301)	14	(210)	(7)	(91)	43
Consolidated	(2,168)	100	Php3,039	100	(Php5,207)	(171)

(1) *The September 30, 2012 comparative information was adjusted to reflect the discontinued operations of the BPO segment, certain presentation adjustments to conform with the current presentation of our business segments and the adjustments on the application of the Revised PAS 19 – Employee Benefits. See "Other Information – Sale of BPO Segment" discussion and Note 2 – Summary of Significant Accounting Policies – Discontinued Operations and Changes in Accounting Policies and Disclosures to the accompanying unaudited consolidated financial statements for further discussion.*

Net Income

Consolidated net income increased by Php636 million, or 2%, to Php28,995 million in the first nine months of 2013, from Php28,359 million in the same period in 2012. The increase was mainly due to the combined effects of the following: (i) an increase in consolidated revenues by Php3,222 million; (ii) higher income from discontinued operations of Php1,706 million mainly due to the gain on disposal of our BPO business; (iii) a decrease in consolidated provision for income tax by Php2,001 million, which was mainly due to lower taxable income of our wireless and other businesses; (iv) an increase in consolidated expenses by Php1,099 million; and (v) an increase in consolidated other expense – net by Php5,194 million. Our consolidated basic and diluted EPS, including EPS from discontinued operations, increased to Php133.81 in the first nine months of 2013 from consolidated basic and diluted EPS of Php131.20 in the same period in 2012. Our weighted average number of outstanding common shares was approximately 216.06 million in each of the nine months ended September 30, 2013 and 2012.

The following table shows the breakdown of our consolidated net income by business segment for the nine months ended September 30, 2013 and 2012:

	2013	%	2012(1)	%	Change Amount	Change %
			(in millions)			
Wireless	Php17,671	61	Php20,519	72	(Php2,848)	(14)
Fixed line	6,445	22	3,017	11	3,428	114
Others	2,664	9	4,141	15	(1,477)	(36)
Inter-segment transactions	146	1	319	1	(173)	(54)
Continuing operations	26,926	93	27,996	99	(1,070)	(4)
Discontinued operations	2,069	7	363	1	1,706	470
Consolidated	Php28,995	100	Php28,359	100	Php636	2

(1) *The September 30, 2012 comparative information was adjusted to reflect the discontinued operations of the BPO segment, certain presentation adjustments to conform with the current presentation of our business segments and the adjustments on the application of the Revised PAS 19 – Employee Benefits. See "Other Information – Sale of BPO Segment" discussion and Note 2 – Summary of Significant Accounting Policies – Discontinued Operations and Changes in Accounting Policies and Disclosures to the accompanying unaudited consolidated financial statements for further discussion.*

EBITDA

Our consolidated EBITDA from continuing operations, amounted to Php59,550 million in the first nine months of 2013, an increase of Php2,345 million, or 4%, as compared with Php57,205 million in the same period in 2012, primarily due to higher consolidated revenues, lower operating expenses related to compensation and employee benefits, excluding the retroactive effect of the application of the Revised PAS 19 in our MRP costs of Php1,269 million in the first nine months of 2013, lower selling and promotions expenses, and interconnection costs, partially offset by higher operating expenses driven by cost of sales, professional and other contracted services, asset impairment and communication, training and travel.

The following table shows the breakdown of our consolidated EBITDA from continuing operations by business segment for the nine months ended September 30, 2013 and 2012:

	2013	%	2012(1)	%	Change Amount	Change %
			(in millions)			
Wireless	Php41,152	69	Php41,978	73	(Php826)	(2)
Fixed line	17,955	30	14,713	26	3,242	22
Others	(4)	–	(15)	–	11	(73)
Inter-segment transactions	447	1	529	1	(82)	(16)
Continuing operations	Php59,550	100	Php57,205	100	Php2,345	4

(1) *The September 30, 2012 comparative information was adjusted to reflect the discontinued operations of the BPO segment, certain presentation adjustments to conform with the current presentation of our business segments and the adjustments on the application of the Revised PAS 19 – Employee Benefits. See "Other Information – Sale of BPO Segment" discussion and Note 2 – Summary of Significant Accounting Policies – Discontinued Operations and Changes in Accounting Policies and Disclosures to the accompanying unaudited consolidated financial statements for further discussion.*

Core Income

Our consolidated core income, including core income from discontinued operations, amounted to Php28,786 million in the first nine months of 2013, an increase of Php1,096 million, or 4%, as compared with Php27,690 million in the same period in 2012, primarily due to an increase in consolidated revenues and lower provision for income tax, partially offset by an increase in consolidated expenses, excluding the retroactive effect of the application of the Revised PAS 19 in our MRP costs of Php1,269 million in the first nine months of 2013. Our consolidated basic and diluted core EPS, including basic and diluted core EPS from discontinued operations, increased to Php133.03 in the first nine months of 2013 from Php127.99 in the same period in 2012.

The following table shows the breakdown of our consolidated core income by business segment for the nine months ended September 30, 2013 and 2012:

	2013	%	2012(1)	%	Change Amount	Change %
			(in millions)			
Wireless	Php19,236	67	Php19,298	70	(Php62)	–
Fixed line	7,157	25	3,484	13	3,673	105
Others	2,346	8	4,231	15	(1,885)	(45)
Inter-segment transactions	146	1	319	1	(173)	(54)
Continuing operations	28,885	101	27,332	99	1,553	6
Discontinued operations	(99)	(1)	358	1	(457)	(128)
Consolidated	Php28,786	100	Php27,690	100	Php1,096	4

(1) *The September 30, 2012 comparative information was adjusted to reflect the discontinued operations of the BPO segment, certain presentation adjustments to conform with the current presentation of our business segments and the adjustments on the application of the Revised PAS 19 – Employee Benefits. See "Other Information – Sale of BPO Segment" discussion and Note 2 – Summary of Significant Accounting Policies – Discontinued Operations and Changes in Accounting Policies and Disclosures to the accompanying unaudited consolidated financial statements for further discussion.*

On a Business Segment Basis

Wireless

Revenues

We generated revenues from our wireless business of Php88,232 million in the first nine months of 2013, an increase of Php1,895 million, or 2%, from Php86,337 million in the same period in 2012.

The following table summarizes our total revenues from our wireless business for the nine months ended September 30, 2013 and 2012 by service segment:

	2013	%	2012(1)	%	Increase (Decrease) Amount	Increase (Decrease) %
			(in millions)			
Service Revenues:						
Cellular	Php78,278	89	Php77,088	89	1,190	2
Wireless broadband, satellite and others						
Wireless broadband	7,073	8	6,384	7	689	11
Satellite and others	1,029	1	1,194	2	(165)	(14)
	86,380	98	84,666	98	1,714	2
Non-Service Revenues:						
Sale of cellular handsets, cellular subscriber identification module, or SIM,-packs and broadband data modems	1,852	2	1,671	2	181	11
Total Wireless Revenues	Php88,232	100	Php86,337	100	Php1,895	2

(1) *The September 30, 2012 comparative information was adjusted to reflect certain presentation adjustments to conform with the current presentation of our business segments.*

Service Revenues

Our wireless service revenues in the first nine months of 2013, increased by Php1,714 million, or 2%, to Php86,380 million as compared with Php84,666 million in the same period 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 internet-based VAS revenues, partially offset by a decrease in text messaging revenues, international voice and other VAS revenues. The increase in our wireless broadband revenues was mainly due to a 5% growth in our broadband subscriber base. Our dollar-linked revenues were negatively affected by the appreciation of the Philippine peso relative to the U.S. dollar, which decreased to a weighted average exchange rate of Php42.06 for the nine months ended September 30, 2013 from Php42.56 for the nine months ended September 30, 2012. With subscriber growth being driven more by multiple SIM card ownership, especially in the lower income segment of the Philippine wireless market, monthly cellular average revenue per unit/s, or ARPUs, for the first nine months of 2013 were lower as compared with the same period in 2012. As a percentage of our total wireless revenues, service revenues accounted for 98% in each of the first nine months of 2013 and 2012.

Cellular Service

Our cellular service revenues in the first nine months of 2013 amounted to Php78,278 million, an increase of Php1,190 million, or 2%, from Php77,088 million in the same period in 2012. Cellular service revenues accounted for 91% of our wireless service revenues in each of the first nine months 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 nine months ended September 30, 2013 and 2012:

			Increase (Decrease)	
	2013	**2012**[1]	**Amount**	**%**
		(in millions)		
Cellular service revenues	Php78,278	Php77,088	Php1,190	2
By service type	*76,584*	*75,139*	*1,445*	*2*
Prepaid	62,637	62,985	(348)	(1)
Postpaid	13,947	12,154	1,793	15
By component	*76,584*	*75,139*	*1,445*	*2*
Voice	37,789	36,875	914	2
Data	38,795	38,264	531	*1*
Others[2]	*1,694*	*1,949*	*(255)*	*(13)*

[1] *The September 30, 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 nine months ended September 30, 2013 and 2012:

			Increase (Decrease)	
	2013	**2012**	**Amount**	**%**
Cellular subscriber base	72,498,270	68,599,733	3,898,537	6
Prepaid	70,198,270	66,415,877	3,782,393	6
Smart	*23,867,643*	*25,377,864*	*(1,510,221)*	*(6)*
Talk 'N Text	*31,922,834*	*26,524,760*	*5,398,074*	*20*
Sun Cellular	*14,407,793*	*14,513,253*	*(105,460)*	*(1)*
Postpaid	2,300,000	2,183,856	116,144	5
Sun Cellular	*1,433,840*	*1,524,946*	*(91,106)*	*(6)*
Smart	*866,160*	*658,910*	*207,250*	*31*
Systemwide traffic volumes (in millions)[1]				
Calls (in minutes)	41,302	39,788	1,514	4
Domestic	38,616	37,273	1,343	4
Inbound	*889*	*910*	*(21)*	*(2)*
Outbound	*37,727*	*36,363*	*1,364*	*4*
International	2,686	2,515	171	7
Inbound	*2,206*	*2,216*	*(10)*	*–*
Outbound	*480*	*299*	*181*	*61*
SMS/Data count (in hits)(in millions)[1]	392,418	381,770	10,648	3
Text messages	381,221	374,454	6,767	2
Domestic	380,567	373,825	6,742	2
Bucket-Priced/Unlimited	355,036	350,668	4,368	1
Standard	25,531	23,157	2,374	10
International	654	629	25	4
Value-Added Services	11,129	7,276	3,853	53
Financial Services	68	40	28	70

[1] *The September 30, 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 Php62,637 million in the first nine months of 2013, a decrease of Php348 million, or 1%, as compared with Php62,985 million in the same period in 2012. Prepaid cellular service revenues accounted for 82% and 84% of cellular voice and data revenues in the first nine months of 2013 and 2012, respectively. Revenues generated from postpaid cellular service amounted to Php13,947 million in the first nine months of 2013, an increase of Php1,793 million, or 15%, as compared with Php12,154 million earned in the same period in 2012, and which accounted for 18% and 16% of cellular voice and data revenues in the first nine months of 2013 and 2012, respectively. The decrease in revenues from our prepaid cellular services was primarily due to a decline in our revenues from outbound domestic standard SMS and international SMS, inbound and outbound international calls, and MMS-based VAS, partially offset by an increase in revenues from domestic bucket-priced/unlimited SMS, internet/SMS-based VAS and financial services. 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 Php914 million, or 2%, to Php37,789 million in the first nine months of 2013 from Php36,875 million in the same period in 2012, primarily due to higher cellular domestic call revenues, partially offset by lower cellular international call revenues. Cellular voice services accounted for 48% of our cellular service revenues in each of the first nine months of 2013 and 2012.

The following table shows the breakdown of our cellular voice revenues for the nine months ended September 30, 2013 and 2012:

			Increase (Decrease)	
	2013	**2012[1]**	**Amount**	**%**
		(in millions)		
Voice services:				
Domestic				
Inbound	Php3,504	Php3,467	Php37	1
Outbound	22,419	21,102	1,317	6
	25,923	24,569	1,354	6
International				
Inbound	10,222	10,369	(147)	(1)
Outbound	1,644	1,937	(293)	(15)
	11,866	12,306	(440)	(4)
Total	Php37,789	Php36,875	Php914	2

(1) *The September 30, 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 Php1,354 million, or 6%, to Php25,923 million in the first nine months of 2013 from Php24,569 million in the same period in 2012, primarily due to an increase in domestic outbound and inbound voice service revenues by Php1,317 million and Php37 million, respectively.

Revenues from domestic outbound voice service increased by Php1,317 million, or 6%, to Php22,419 million in the first nine months of 2013 from Php21,102 million in the same period in 2012 mainly due to increased traffic on unlimited calls and improved yield on bucket offers. Domestic outbound call volume of 37,727 million minutes increased by 1,364 million minutes, or 4%, from 36,363 million minutes in the same period in 2012.

Revenues from our domestic inbound voice service increased by Php37 million, or 1%, to Php3,504 million in the first nine months of 2013 from Php3,467 million in the same period in 2012 primarily due to an increase in traffic originating from other domestic mobile carriers. Domestic inbound call volumes of 889 million minutes in the first nine months of 2013, decreased by 21 million minutes, or 2%, from 910 million minutes in the same period in 2012 primarily due to lower traffic from fixed line calls.

International voice service revenues decreased by Php440 million, or 4%, to Php11,866 million in the first nine months of 2013 from Php12,306 million in the same period in 2012 primarily due to lower international inbound voice service revenues by Php147 million, or 1%, to Php10,222 million in the first nine months of 2013 from Php10,369 million in the same period in 2012 and the decline in international outbound voice service revenues by Php293 million, or 15%, to Php1,644 million in the first nine months of 2013 from Php1,937 million in the same period in 2012. Average international termination rates also decreased in the first nine months of 2013. The decrease in international voice service revenues was also due to the unfavorable effect on dollar-linked revenues of lower weighted average exchange rate of Php42.06 for the nine months ended September 30, 2013 from Php42.56 for the nine months ended September 30, 2012. International inbound and outbound calls totaled 2,686 million minutes, an increase of 171 million minutes, or 7%, from 2,515 million minutes in the same period in 2012.

Data Services

Cellular revenues from our data services, which include all text messaging-related services, as well as VAS, increased by Php531 million, or 1%, to Php38,795 million in the first nine months of 2013 from Php38,264 million in the same period in 2012 primarily due to higher internet/SMS-based VAS, partially offset by lower text messaging revenues, MMS-based VAS and *Pasa Load/Give-a-Load* revenues. Cellular data services accounted for 50% in each of our cellular service revenues in the first nine months of 2013 and 2012.

The following table shows the breakdown of our cellular data service revenues for the nine months ended September 30, 2013 and 2012:

			Increase (Decrease)	
	2013	**2012**[1]	**Amount**	**%**
		(in millions)		
Text messaging				
Domestic	Php31,522	Php31,906	(Php384)	(1)
Bucket-Priced/Unlimited	22,150	21,366	784	4
Standard	9,372	10,540	(1,168)	(11)
International	2,618	2,841	(223)	(8)
	34,140	34,747	(607)	(2)
Value-added services				
Mobile internet[2]	3,388	2,182	1,206	55
SMS-based[3]	526	459	67	15
Pasa Load/Give-a-load[4]	400	510	(110)	(22)
MMS-based[5]	199	317	(118)	(37)
	4,513	3,468	1,045	30
Financial services	142	49	93	190
Total	Php38,795	Php38,264	Php531	1

(1) *The September 30, 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 info-on-demand and voice text services, net of allocated discounts and content provider costs.*

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

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

Text messaging-related services contributed revenues of Php34,140 million in the first nine months of 2013, a decrease of Php607 million, or 2%, as compared with Php34,747 million in the same period in 2012, and accounted for 88% and 91% of our total cellular data service revenues in the first nine months of 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 Php22,150 million in the first nine months of 2013, an increase of Php784 million, or 4%, as compared with Php21,366 million in the same period in 2012. Bucket-priced/unlimited text messages increased by 4,368 million, or 1%, to 355,036 million in the first nine months of 2013 from 350,668 million in the same period in 2012.

Standard text messaging revenues, which includes inbound and outbound standard SMS revenues, decreased by Php1,168 million, or 11%, to Php9,372 million in the first nine months of 2013 from Php10,540 million in the same period in 2012, primarily due to increased preference for unlimited SMS offers. Standard text messages increased by 2,374 million, or 10% to 25,531 million in the first nine months of 2013 from 23,157 million in the same period 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 Php2,618 million in the first nine months of 2013, a decrease of Php223 million, or 8%, from Php2,841 million in the same period in 2012 mainly due to the unfavorable effect of lower weighted average exchange rate on international inbound text messaging revenues, partially offset by the higher SMS traffic and effective dollar yield of international inbound SMS.

VAS contributed revenues of Php4,513 million in the first nine months of 2013, an increase of Php1,045 million, or 30%, as compared with Php3,468 million in the same period in 2012, primarily due to an increase in revenues from mobile internet service, which increased by Php1,206 million, or 55%, to Php3,388 million in the first nine months of 2013 from Php2,182 million in the same period in 2012.

Subscriber Base, ARPU and Churn Rates

As at September 30, 2013, our cellular subscribers totaled 72,498,270, an increase of 3,898,537, or 6%, over the cellular subscriber base of 68,599,733 as at September 30, 2012. Our cellular prepaid subscriber base grew by 3,782,393, or 6%, to 70,198,270 as at September 30, 2013 from 66,415,877 as at September 30, 2012, and our cellular postpaid subscriber base increased by 116,144, or 5%, to 2,300,000 as at September 30, 2013 from 2,183,856 as at September 30, 2012. The increase in subscriber base was primarily due to the growth in *Talk 'N Text* prepaid subscribers by 5,398,074, partially offset by a net decrease in Smart and *Sun Cellular* subscribers by 1,302,971 and 196,566, respectively, primarily due to lower average activations in the first nine months of 2013. Prepaid subscribers accounted for 97% of our total subscriber base as at September 30, 2013 and 2012.

Our net subscriber activations (reductions) for the nine months ended September 30, 2013 and 2012 were as follows:

	2013	2012	Increase (Decrease) Amount	%
Prepaid	2,586,733	4,623,085	(2,036,352)	(44)
Smart	*(1,193,810)*	*(2,633,657)*	*1,439,847*	*(55)*
Talk 'N Text	*3,477,781*	*6,057,585*	*(2,579,804)*	*(43)*
Sun Cellular	*302,762*	*1,199,157*	*(896,395)*	*(75)*
Postpaid	45,079	280,019	(234,940)	(84)
Smart	*182,680*	*108,162*	*74,518*	*69*
Sun Cellular	*(137,601)*	*171,857*	*(309,458)*	*(180)*
Total	2,631,812	4,903,104	(2,271,292)	(46)

Prepaid and postpaid subscribers reflected net activations of 2,586,733 and 45,079 subscribers, respectively, in the first nine months of 2013 as compared with net activations of 4,623,085 and 280,019, respectively, in the same period in 2012.

The following table summarizes our average monthly churn rates for the nine months ended September 30, 2013 and 2012:

	2013	2012
	(in %)	
Prepaid		
Smart	5.7	6.3
Talk 'N Text	3.8	4.3
Sun Cellular	10.1	10.4
Postpaid		
Smart	2.6	2.7
Sun Cellular	3.7	1.0

For *Smart Prepaid* subscribers, the average monthly churn rate in the first nine months of 2013 and 2012 were 5.7% and 6.3%, respectively, while the average monthly churn rate for *Talk 'N Text* subscribers were 3.8% and 4.3% in the first nine months of 2013 and 2012, respectively. The average monthly churn rate for *Sun Cellular* prepaid subscribers were 10.1% and 10.4% in the first nine months of 2013 and 2012, respectively.

The average monthly churn rate for *Smart Postpaid* subscribers were 2.6% and 2.7% in the first nine months of 2013 and 2012, respectively. The average monthly churn rate for *Sun Cellular* postpaid subscribers was 3.7% and 1.0% in the first nine months of 2013 and 2012, respectively.

The following table summarizes our average monthly cellular ARPUs for the nine months ended September 30, 2013 and 2012:

	Gross[1]		Increase (Decrease)		Net[2]		Increase (Decrease)	
	2013	2012[3]	Amount	%	2013	2012[3]	Amount	%
Prepaid								
Smart	Php161	Php169	(Php8)	(5)	Php142	Php146	(Php4)	(3)
Talk 'N Text	96	112	(16)	(14)	85	98	(13)	(13)
Sun Cellular	66	67	(1)	(1)	58	57	1	2
Postpaid								
Smart	1,149	1,270	(121)	(10)	1,135	1,252	(117)	(9)
Sun Cellular	479	394	85	22	475	391	84	21

(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 September 30, 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[1]		Smart		Sun Cellular[1]	
	Gross[2]	Net[3]	Gross[2]	Net[3]	Gross[2]	Net[3]	Gross[2]	Net[3]	Gross[2]	Net[3]
2013										
First Quarter	161	141	98	87	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
2012[4]										
First Quarter	176	153	116	102	68	57	1,292	1,269	390	388
Second Quarter	167	145	113	100	66	57	1,264	1,237	400	397
Third Quarter	163	141	107	93	67	58	1,253	1,251	391	388
Fourth Quarter	171	150	106	93	74	64	1,265	1,248	393	391

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

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

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

(4) *The September 30, 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 Php689 million, or 11%, to Php7,073 million in the first nine months of 2013 from Php6,384 million in the same period in 2012, primarily due to a 5% growth in broadband subscriber base.

The following table shows information of our wireless broadband subscriber base as at September 30, 2013 and 2012:

	2013	2012	Increase (Decrease) Amount	%
Wireless Broadband Subscribers	2,378,607	2,267,430	111,177	5
Prepaid	*1,597,186*	*1,515,849*	*81,337*	*5*
Smart Broadband	1,294,152	1,210,235	83,917	7
Sun Broadband	303,034	305,614	(2,580)	(1)
Postpaid	*781,421*	*751,581*	*29,840*	4
Smart Broadband	549,687	474,915	74,772	16
Sun Broadband	231,734	276,666	(44,932)	(16)

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 2,378,607 subscribers as at September 30, 2013, a net increase of 111,177 subscribers, or 5%, as compared with 2,267,430 subscribers as at September 30, 2012, primarily due to an increase by 158,689, or 9%, in *Smart Broadband* subscribers, partially offset by a decrease in *Sun Broadband* subscribers by 47,512, or 8%, as at September 30, 2013. Our prepaid wireless broadband subscriber base increased by 81,337 subscribers, or 5%, to 1,597,186 subscribers as at September 30, 2013 from 1,515,849 subscribers as at September 30, 2012, while our postpaid wireless broadband subscriber base increased by 29,840 subscribers, or 4%, to 781,421 subscribers as at September 30, 2013 from 751,581 subscribers as at September 30, 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 Php340 million, or 12%, to Php3,298 million in the first nine months of 2013 from Php2,958 million in the same period in 2012 primarily due to an increase in subscriber base by 37 thousand, or 9%, to 448 thousand as at September 30, 2013 from 411 thousand as at September 30, 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 Php165 million, or 14%, to Php1,029 million in the first nine months of 2013 from Php1,194 million in the same period in 2012, primarily due to the termination of wired and wireless leased line clients, a decrease in the number of ACeS Philippines' subscribers and the effect of lower weighted average exchange rate of Php42.06 for the nine months ended September 30, 2013 from Php42.56 for the nine months ended September 30, 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 Php181 million, or 11%, to Php1,852 million in the first nine months of 2013 from Php1,671 million in the same period 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 Php60,598 million in the first nine months of 2013, an increase of Php1,944 million, or 3%, from Php58,654 million in the same period in 2012. A significant portion of this increase was attributable to higher expenses related to cost of sales, compensation and employee benefits, professional and other contracted services, asset impairment, rent, and other operating expenses, partially offset by lower depreciation and amortization, amortization of intangible assets, taxes and licenses, and interconnection costs. As a percentage of our total wireless revenues, expenses associated with our wireless business accounted for 69% and 68% in the first nine months of 2013 and 2012, respectively.

The following table summarizes the breakdown of our total wireless-related expenses for the nine months ended September 30, 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	Php12,246	20	Php13,276	23	(Php1,030)	(8)
Rent	7,461	13	7,253	12	208	3
Cost of sales	7,369	12	5,587	9	1,782	32
Compensation and employee benefits	6,750	11	5,892	10	858	15
Interconnection costs	6,073	10	6,222	11	(149)	(2)
Repairs and maintenance	5,911	10	5,987	10	(76)	(1)
Selling and promotions	5,447	9	5,522	9	(75)	(1)
Professional and other contracted services	3,054	5	2,745	5	309	11
Taxes and licenses	1,716	3	1,891	3	(175)	(9)
Asset impairment	1,263	2	1,013	2	250	25
Communication, training and travel	1,134	2	1,021	2	113	11
Insurance and security services	777	1	696	1	81	12
Amortization of intangible assets	735	1	1,019	2	(284)	(28)
Other expenses	662	1	530	1	132	25
Total	Php60,598	100	Php58,654	100	Php1,944	3

[1] *The September 30, 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 unaudited consolidated financial statements for further discussion.*

Depreciation and amortization charges decreased by Php1,030 million, or 8%, to Php12,246 million primarily due to a lower depreciable asset base.

Rent expenses increased by Php208 million, or 3%, to Php7,461 million primarily due to an increase in leased circuit charges and office building rental, partially offset by lower site rental charges. In the nine months ended September 30, 2013, we had 9,452 cell sites, 20,657 cellular/mobile broadband base stations and 2,903 fixed wireless broadband base stations, of which approximately 10,000 are 4G-capable broadband stations, as compared with 10,033 cell sites, 18,586 cellular/mobile broadband base stations and 2,811 fixed wireless broadband base stations, of which 4,627 are 4G-capable broadband stations, in the same period in 2012.

Cost of sales increased by Php1,782 million, or 32%, to Php7,369 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.

Compensation and employee benefits expenses increased by Php858 million, or 15%, to Php6,750 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 the first nine months of 2013, as well as LTIP costs and salaries employee benefits, partially offset by lower provision for pension benefits. Employee headcount decreased to 8,243 as at September 30, 2013 as compared with 8,467 as at September 30, 2012, primarily due to the availment of the MRP by Smart and DMPI employees as at September 30, 2013.

Interconnection costs decreased by Php149 million, or 2%, to Php6,073 million primarily due to a decrease in interconnection charges on international calls and roaming SMS.

Repairs and maintenance expenses decreased by Php76 million, or 1%, to Php5,911 million mainly due to lower site electricity consumption and site facilities maintenance costs, partially offset by higher maintenance costs on IT hardware and software, and cellular and broadband network facilities.

Selling and promotion expenses decreased by Php75 million, or 1%, to Php5,447 million primarily due to lower advertising expenses, partially offset by higher commissions and public relations expenses.

Professional and other contracted service fees increased by Php309 million, or 11%, to Php3,054 million primarily due to an increase in outsourced service costs and call center fees, partly offset by lower consultancy and technical service fees.

Taxes and licenses decreased by Php175 million, or 9%, to Php1,716 million primarily due to lower business-related taxes and license fees.

Asset impairment increased by Php250 million, or 25%, to Php1,263 million primarily due to higher provision for uncollectible receivables, partially offset by lower provision for inventory obsolescence.

Communication, training and travel expenses increased by Php113 million, or 11%, to Php1,134 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 Php81 million, or 12%, to Php777 million primarily due to higher office and site security expenses, partly offset by lower insurance and bond premiums.

Amortization of intangible assets decreased by Php284 million, or 28%, to Php735 million primarily due to lower adjusted amortization of intangible assets related to customer list of DMPI.

Other expenses increased by Php132 million, or 25%, to Php662 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 nine months ended September 30, 2013 and 2012:

			Change	
	2013	2012[1]	Amount	%
		(in millions)		
Other Income (Expenses):				
Interest income	Php282	Php439	(Php157)	(36)
Gains (losses) on derivative financial instruments – net	(16)	(54)	38	(70)
Equity share in net losses of associates	(67)	(35)	(32)	91
Foreign exchange gains (losses) – net	(1,368)	1,788	(3,156)	(177)
Financing costs – net	(2,622)	(1,995)	(627)	31
Others	105	528	(423)	(80)
Total	(Php3,686)	Php671	(Php4,357)	(649)

[1] *The September 30, 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 Php3,686 million in the first nine months of 2013, a change of Php4,357 million as against other income of Php671 million in the same period in 2012, primarily due to the combined effects of the following: (i) net foreign exchange losses of Php1,368 million in the first nine months of 2013 as against net foreign exchange gains of Php1,788 million in the same period 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 Php43.54 as at September 30, 2013 from Php41.08 as at December 31, 2012 as against an appreciation of the Philippine peso relative to the U.S. dollar to Php41.74 as at September 30, 2012 from Php43.92 as at December 31, 2011; (ii) higher net financing costs by Php627 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 other income by Php423 million mainly due to lower income from consultancy and loss on disposal of fixed assets; (iv) a decrease in interest income by Php157 million mainly due to lower weighted average interest rates, lower principal amounts of dollar and peso placements, and the lower weighted average exchange rate of the Philippine peso to the U.S. dollar, partially offset by higher U.S. dollar interest rates and longer average tenor of Philippine peso placements in the first nine months of 2013; (v) an increase in equity share in net losses of associates by Php32 million; and (vi) lower loss on derivative financial instruments by Php38 million mainly on account of mark-to-market gain on derivatives as a result of the depreciation of the Philippine peso in the first nine months of 2013 as against the appreciation of the Philippine peso in the same period in 2012, maturity of the 2012 hedges and a wider dollar and peso interest rate differentials.

Provision for Income Tax

Provision for income tax decreased by Php1,558 million, or 20%, to Php6,277 million in the first nine months of 2013 from Php7,835 million in the same period in 2012 primarily due to lower taxable income. The effective tax rates for our wireless business were 26% and 28% in the first nine months of 2013 and 2012, respectively.

Net Income

As a result of the foregoing, our wireless business' net income decreased by Php2,848 million, or 14%, to Php17,671 million in the first nine months of 2013 from Php20,519 million recorded in the same period in 2012.

EBITDA

As a result of the foregoing, our wireless business' EBITDA decreased by Php826 million, or 2%, to Php41,152 million in the first nine months of 2013 from Php41,978 million in the same period in 2012.

Core Income

Our wireless business' core income decreased by Php62 million to Php19,236 million in the first nine months of 2013 from Php19,298 million in the same period in 2012 on account of a decrease in other income 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 the first nine months of 2013, partially offset by an increase in wireless revenues and a decrease in provision for income tax.

Fixed Line

Revenues

Revenues generated from our fixed line business amounted to Php47,180 million in the first nine months of 2013, an increase of Php2,349 million, or 5%, from Php44,831 million in the same period in 2012.

The following table summarizes our total revenues from our fixed line business for the nine months ended September 30, 2013 and 2012 by service segment:

	2013	%	2012[1]	%	Increase (Decrease) Amount	%
			(in millions)			
Service Revenues:						
Local exchange	Php12,194	26	Php12,378	28	(Php184)	(1)
International long distance	8,448	18	7,950	18	498	6
National long distance	3,481	7	3,873	9	(392)	(10)
Data and other network	20,338	43	18,553	41	1,785	10
Miscellaneous	1,529	3	1,427	3	102	7
	45,990	97	44,181	99	1,809	4
Non-Service Revenues:						
Sale of computers, phone units and SIM cards	1,190	3	650	1	540	83
Total Fixed Line Revenues	Php47,180	100	Php44,831	100	Php2,349	5

(1) *The September 30, 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 Php1,809 million, or 4%, to Php45,990 million in the first nine months of 2013 from Php44,181 million in the same period in 2012 due to an increase in the revenue contribution of our data and other network, international long distance and miscellaneous services, partially offset by decreases in national long distance and local exchange services.

Local Exchange Service

The following table summarizes the key measures of our local exchange service business as at and for the nine months ended September 30, 2013 and 2012:

	2013	2012[1]	Increase (Decrease) Amount	%
Total local exchange service revenues (in millions)	Php12,194	Php12,378	(Php184)	(1)
Number of fixed line subscribers	2,073,831	2,127,188	(53,357)	(3)
Postpaid	2,015,007	2,010,253	4,754	–
Prepaid	58,824	116,935	(58,111)	(50)
Number of fixed line employees	7,151	7,811	(660)	(8)
Number of fixed line subscribers per employee	290	272	18	7

(1) *The September 30, 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 Php184 million, or 1%, to Php12,194 million in the first nine months of 2013 from Php12,378 million in the same period in 2012, primarily due to lower weighted average billed lines, lower installation and activation charges, and a decrease in ARPU on account of lower fixed charges due to the increase in demand for bundled voice and data services. The percentage contribution of local exchange revenues to our total fixed line service revenues was 27% and 28% in the first nine months of 2013 and 2012, respectively.

International Long Distance Service

The following table shows our international long distance service revenues and call volumes for the nine months ended September 30, 2013 and 2012:

	2013	2012[(1)]	Increase (Decrease) Amount	%
Total international long distance service revenues (in millions)	Php8,448	Php7,950	Php498	6
Inbound	7,442	6,918	524	8
Outbound	1,006	1,032	(26)	(3)
International call volumes (in million minutes, except call ratio)	1,639	1,570	69	4
Inbound	1,343	1,218	125	10
Outbound	296	352	(56)	(16)
Inbound-outbound call ratio	4.5:1	3.5:1	–	–

(1) *The September 30, 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 Php498 million, or 6%, to Php8,448 million in the first nine months of 2013 from Php7,950 million in the same period in 2012, primarily due to the net increase in call volumes and the increase in average collection rates in dollar terms, partially offset by the unfavorable effect of lower weighted average exchange rate of the Philippine peso to the U.S. dollar to Php42.06 in the first nine months of 2013 from Php42.56 in the same period in 2012. The percentage contribution of international long distance service revenues to our total fixed line service revenues accounted for 18% in each of the first nine months of 2013 and 2012.

Our revenues from inbound international long distance service increased by Php524 million, or 8%, to Php7,442 million in the first nine months of 2013 from Php6,918 million in the same period in 2012 primarily due to the increase in inbound call volumes, partially offset by the decrease in average settlement rate in dollar terms and the unfavorable effect on our inbound revenues of a lower weighted average exchange rate of the Philippine peso to the U.S. dollar.

Our revenues from outbound international long distance service decreased by Php26 million, or 3%, to Php1,006 million in the first nine months of 2013 from Php1,032 million in the same period in 2012, primarily due to the decrease in call volumes and the unfavorable effect of lower weighted average exchange rate of the Philippine peso to the U.S. dollar to Php42.06 for the nine months ended September 30, 2013 from Php42.56 for the nine months ended September 30, 2012, and a decrease in the average billing rate to Php41.74 in the first nine months of 2013 from Php42.79 in the same period in 2012, partially offset by the increase in the average collection rate in dollar terms.

Our total international long distance service revenues, net of interconnection costs, decreased by Php77 million, or 2%, to Php3,417 million in the first nine months of 2013 from Php3,494 million in the same period in 2012. The decrease was primarily due to lower inbound net average settlement rate in dollar terms on account of higher interconnection costs, and the unfavorable effect of lower weighted average exchange rate of the Philippine peso to the U.S. dollar and the decrease in outbound call volumes, partly offset by an increase in inbound call volumes and higher outbound net average collection rate in dollar terms.

National Long Distance Service

The following table shows our national long distance service revenues and call volumes for the nine months ended September 30, 2013 and 2012:

	2013	2012[(1)]	Decrease Amount	%
Total national long distance service revenues (in millions)	Php3,481	Php3,873	(Php392)	(10)
National long distance call volumes (in million minutes)	644	747	(103)	(14)

(1) *The September 30, 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 Php392 million, or 10%, to Php3,481 million in the first nine months of 2013 from Php3,873 million in the same period in 2012, primarily due to a decrease in call volumes, partially offset by an increase in the average revenue per minute of our national long distance services. The percentage contribution of national long distance revenues to our fixed line service revenues was 8% and 9% in the first nine months of 2013 and 2012, respectively.

Our national long distance service revenues, net of interconnection costs, decreased by Ph279 million, or 9%, to Php2,699 million in the first nine months of 2013 from Php2,978 million in the same period in 2012, primarily due to a decrease in call volumes, partially offset by an increase in the average revenue per minute of our national long distance services.

Data and Other Network Services

The following table shows information of our data and other network service revenues for the nine months ended September 30, 2013 and 2012:

			Increase	
	2013	**2012[1]**	**Amount**	**%**
Data and other network service revenues (in millions)	Php20,338	Php18,553	Php1,785	10
Domestic	14,817	13,836	981	7
Broadband	*9,096*	*8,380*	716	9
Leased Lines and Others	*5,721*	*5,456*	265	5
International				
Leased Lines and Others	*4,247*	*4,035*	*212*	*5*
Data Centers	1,274	682	592	87
Subscriber base				
Broadband	*949,762*	*879,237*	*70,525*	*8*
SWUP	*28,339*	*20,838*	7,501	36

[1] *The September 30, 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 Php20,338 million in the first nine months of 2013, an increase of Php1,785 million, or 10%, from Php18,553 million in the same period in 2012, primarily due to higher revenues from *PLDT DSL*, data centers, and domestic leased line revenues resulting from the higher revenue contribution of Metro Ethernet, as well as higher international data revenues primarily from i-Gate. The percentage contribution of this service segment to our fixed line service revenues was 44% and 42% in the first nine months of 2013 and 2012, respectively.

Domestic

Domestic data services contributed Php14,817 million in the first nine months of 2013, an increase of Php981 million, or 7%, as compared with Php13,836 million in the same period in 2012 mainly due to higher DSL, Fibr and Metro Ethernet revenues, and *Shops.Work* subscribers as customer locations and bandwidth requirements continued to expand and demand for offshoring, outsourcing services increased, partially offset by lower IP-VPN revenues. The percentage contribution of domestic data service revenues to total data and other network services was 73% and 74% in the first nine months of 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 Php9,096 million in the first nine months of 2013, an increase of Php716 million, or 9%, from Php8,380 million in the same period in 2012 as a result of the increase in the number of subscribers by 70,525, or 8%, to 949,762 subscribers as at September 30, 2013 from 879,237 subscribers as at September 30, 2012. Broadband revenues accounted for 45% of total data and other network service revenues in each of the first nine months 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 September 30, 2013, *SWUP* had a total subscriber base of 28,339 up by 7,501, or 36%, from 20,838 subscribers in the same period in 2012. Leased lines and other data revenues amounted to Php5,721 million in the first nine months of 2013, an increase of Php265 million, or 5%, from Php5,456 million in the same period in 2012, primarily due to higher revenues from Metro Ethernet and *Shops.Work*, partially offset by lower internet exchange and IP-VPN revenues. The percentage contribution of leased lines and other data service revenues to the total data and other network services were 28% and 29% in the first nine months of 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 Php212 million, or 5%, to Php4,247 million in the first nine months of 2013 from Php4,035 million in the same period in 2012, primarily due to higher i-Gate revenues and an increase in revenues from various global service providers, partially offset by lower inland-cable lease and Fibernet revenues, and the unfavorable effect of the appreciation of the Philippine peso relative to the U.S. dollar. The percentage contribution of international data service revenues to total data and other network service revenues was 21% and 22% in the first nine months of 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 Php592 million, or 87%, to Php1,274 million in the first nine months of 2013 from Php682 million in the same period 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 was 6% and 4% in the first nine months of 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 Php102 million, or 7%, to Php1,529 million in the first nine months of 2013 from Php1,427 million in the same period 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 the first nine months of 2013 and 2012.

Non-service Revenues

Non-service revenues increased by Php540 million, or 83%, to Php1,190 million in the first nine months of 2013 from Php650 million in the same period in 2012, primarily due to higher revenues from *Telpad* units.

Expenses

Expenses related to our fixed line business totaled Php39,892 million in the first nine months of 2013, an increase of Php93 million as compared with Php39,799 million in the same period in 2012. The increase was primarily due to higher expenses related to interconnection costs, cost of sales, depreciation and amortization, professional and other contracted services, asset impairment, repairs and maintenance, and taxes and licenses, partly offset by lower expenses related to compensation and employee benefits, selling and promotions, insurance and security services, and communication, training and travel. As a percentage of our total fixed line revenues, expenses associated with our fixed line business accounted for 85% and 89% in the first nine months of 2013 and 2012, respectively.

The following table shows the breakdown of our total fixed line-related expenses for the nine months ended September 30, 2013 and 2012 and the percentage of each expense item to the total:

					Increase (Decrease)	
	2013	%	2012[1]	%	Amount	%
			(in millions)			
Depreciation and amortization	Php9,934	25	Php9,681	24	Php253	3
Compensation and employee benefits	9,807	25	10,751	27	(944)	(9)
Interconnection costs	6,021	15	5,579	14	442	8
Repairs and maintenance	4,102	10	4,030	10	72	2
Professional and other contracted services	2,580	7	2,501	6	79	3
Rent	1,930	5	1,928	5	2	–
Cost of sales	1,204	3	794	2	410	52
Selling and promotions	1,171	3	1,329	4	(158)	(12)
Taxes and licenses	872	2	835	2	37	4
Asset impairment	857	2	780	2	77	10
Communication, training and travel	555	1	605	2	(50)	(8)
Insurance and security services	417	1	490	1	(73)	(15)
Amortization of intangible assets	1	–	–	–	1	100
Other expenses	441	1	496	1	(55)	(11)
Total	Php39,892	100	Php39,799	100	Php93	–

(1) *The September 30, 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 unaudited consolidated financial statements for further discussion.*

Depreciation and amortization charges increased by Php253 million, or 3%, to Php9,934 million due to higher depreciable asset base.

Compensation and employee benefits expenses decreased by Php944 million, or 9%, to Php9,807 million primarily due to lower MRP costs, net of the retroactive adjustment of the application of the Revised PAS 19 of Php732 million in the first nine months of 2013, a decrease in salaries and employee benefits, and lower provision for LTIP costs, partially offset by higher provision for pension costs. Employee headcount decreased to 9,892 in the first nine months of 2013 as compared with 10,619 in the same period in 2012 mainly due to a decrease in PLDT's and Digitel's headcounts as a result of the MRP, partially offset by the number of employee headcount of IPCDSI, which was included in the consolidation beginning October 2012.

Interconnection costs increased by Php442 million, or 8%, to Php6,021 million primarily due to higher international long distance interconnection/settlement costs as a result of higher international received paid calls that terminated to other domestic carriers, partially offset by lower settlement costs for national long distance interconnection costs and data and other network services particularly Fibernet and Infonet.

Repairs and maintenance expenses increased by Php72 million, or 2%, to Php4,102 million primarily due to higher repairs and maintenance costs for IT software and hardware, and buildings, partially offset by a decrease in office and site electricity costs, lower repairs and maintenance costs on central office/telecoms equipment, cable and wire facilities, vehicles, furniture and other work equipment, and lower site fuel and electricity consumption.

Professional and other contracted service expenses increased by Php79 million, or 3%, to Php2,580 million primarily due to higher contracted service and bill printing fees, partially offset by lower consultancy and technical service fees.

Rent expenses increased by Php2 million to Php1,930 million primarily due to higher domestic leased circuit charges, and site and pole rentals, partially offset by lower international leased circuits charges.

Cost of sales increased by Php410 million, or 52%, to Php1,204 million primarily due to higher sale of *Telpad* units.

Selling and promotion expenses decreased by Php158 million, or 12%, to Php1,171 million primarily due to lower advertising and public relations expenses, partially offset by higher commissions expenses.

Taxes and licenses increased by Php37 million, or 4%, to Php872 million as a result of higher municipal licenses and other business-related taxes.

Asset impairment increased by Php77 million, or 10%, to Php857 million mainly due to higher provision for uncollectible receivables.

Communication, training and travel expenses decreased by Php50 million, or 8%, to Php555 million mainly due to a decrease in mailing and courier, and fuel consumption charges, partially offset by higher local and foreign training and travel.

Insurance and security services decreased by Php73 million, or 15%, to Php417 million primarily due to lower expenses on insurance and bond premiums, and office security services.

Amortization of intangible assets amounted to Php1 million in the first nine months of 2013 relating to the amortization of intangible assets related to customer list and licenses in relation to IPCDSI's acquisition.

Other expenses decreased by Php55 million, or 11%, to Php441 million primarily due to lower various business and operational-related expenses.

Other Expenses

The following table summarizes the breakdown of our total fixed line-related other expenses for the nine months ended September 30, 2013 and 2012:

			Change	
	2013	2012[1]	Amount	%
		(in millions)		
Other Income (Expenses):				
Gains (losses) on derivative financial instruments – net	Php508	(Php1,506)	Php2,014	134
Interest income	318	527	(209)	(40)
Equity share (losses) in net earnings of associates	(18)	114	(132)	(116)
Foreign exchange gains (losses) – net	(1,000)	636	(1,636)	(257)
Financing costs – net	(2,644)	(2,990)	346	(12)
Others	1,760	1,638	122	7
Total	(Php1,076)	(Php1,581)	Php505	(32)

[1] *The September 30, 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 unaudited consolidated financial statements for further discussion.*

Our fixed line business' other expenses amounted to Php1,076 million in the first nine months of 2013, a decrease of Php505 million, or 32%, from Php1,581 million in the same period in 2012. The decrease was due to the combined effects of the following: (i) net gains on derivative financial instruments of Php508 million in the first nine months of 2013 as against net losses on derivative financial instruments of Php1,506 million in the same period 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) lower financing costs by Php346 million mainly due to lower average interest rates on loans, partly offset by lower capitalized interest and higher financing charges; (iii) an increase in other income by Php122 million mainly due to the gain on insurance claims and dividend income in the first nine months of 2013; (iv) a decrease in interest income by Php209 million due to lower weighted average peso interest rate, lower principal amounts of dollar and peso placements, the lower weighted average exchange rate of the Philippine peso to the U.S. dollar and shorter average tenor of U.S. dollar placements, partially offset by higher U.S. dollar interest rates and longer average tenor of Philippine peso placements in the first nine months of 2013; (v) foreign exchange losses of Php1,000 million in the first nine months of 2013 as against foreign exchange gains of Php636 million in the same period 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 Php43.54 as at September 30, 2013 from Php41.08 as at December 31, 2012 as against an appreciation of the Philippine peso relative to the U.S. dollar to Php41.74 as at September 30, 2012 from Php43.92 as at December 31, 2011; and (vi) equity share in net losses of associates and joint ventures of Php18 million as against equity share in net earnings of associates of Php114 million in the same period in 2012 primarily due to the disposal of Philweb shares in 2012.

Provision for (Benefit from) Income Tax

Benefit from income tax amounted to Php81 million in the first nine months of 2013, a change of Php515 million, or 119%, as against a provision for income tax of Php434 million in the same period in 2012, primarily due to lower taxable income and the recognition of deferred tax assets on intangible assets. The effective tax rate for our fixed line business was negative 1% in the first nine months of 2013 and 13% in the same period in 2012.

Net Income

As a result of the foregoing, our fixed line business contributed a net income of Php6,293 million in the first nine months of 2013, increased by Php3,276 million, or 109%, as compared with Php3,017 million in the same period in 2012.

EBITDA

As a result of the foregoing, our fixed line business' EBITDA increased by Php3,242 million, or 22%, to Php17,955 million in the first nine months of 2013 from Php14,713 million in the same period in 2012.

Core Income

Our fixed line business' core income increased by Php3,521 million, or 101%, to Php7,005 million in the first nine months of 2013 from Php3,484 million in the same period in 2012, primarily as a result of higher fixed line revenues, a decrease in other expenses and a 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 the first nine months of 2013.

Others

Expenses

Expenses associated with our other business segment totaled Php4 million in the first nine months of 2013, a decrease of Php11 million, or 73%, as compared with Php15 million in the same period in 2012, primarily due to PCEV's lower other operating expenses.

Other Income

The following table summarizes the breakdown of other income for other business segment for the nine months ended September 30, 2013 and 2012:

	2013	2012	Change Amount	%
		(in millions)		
Other Income (Expenses):				
Equity share in net earnings of associates	Php1,988	Php1,361	Php627	46
Foreign exchange gains – net	364	–	364	100
Interest income	101	42	59	140
Others	442	2,756	(2,314)	(84)
Total	Php2,895	Php4,159	(Php1,264)	(30)

Other income decreased by Php1,264 million, or 30%, to Php2,895 million in the first nine months of 2013 from Php4,159 million in the same period in 2012 primarily due to lower other income by Php2,314 million mainly due to the realized portion of deferred gain on the transfer of Meralco shares to Beacon in the first nine months of 2012 and lower dividend income by Php314 million, partly offset by an increase in equity share in net earnings of associates by Php627 million mainly due to the increase in PCEV's share in the net earnings of Beacon, which includes its share in the results of operations of Meralco, and equity share in Asia Outsourcing Beta Limited, or Beta, a holding company of SPi Group, where we reinvested approximately US$40 million of the proceeds from the sale of our BPO business in 2013.

In the first nine months of 2013, Meralco's reported and core income amounted to Php13,644 million and Php13,558 million, respectively, compared with Php13,646 million and Php12,892 million, respectively, in the same period in 2012. The increase in consolidated core income is primarily due to the increase in billed customers, higher volume sold, partially offset by lower generation costs in the first nine months of 2013. Reported income remained stable in the first nine months of 2013. PCEV's share in the reported and core income of Meralco, including its share in Beacon's results of operations and amortization of fair value adjustment related to the acquisition of Meralco, amounted to Php1,805 million and Php1,785 million, respectively, in the first nine months of 2013, and Php1,361 million and Php1,451 million, respectively, in the same period in 2012.

Net Income

As a result of the foregoing, our other business segment registered a net income of Php2,816 million, a decrease of Php1,325 million, or 32%, in the first nine months of 2013 from Php4,141 million in the same period in 2012.

EBITDA

As a result of the foregoing, negative EBITDA from our other business segment decreased by Php11 million, or 73%, to negative Php4 million in the first nine months of 2013 from negative Php15 million in the same period in 2012.

Core Income

Our other business segment's core income amounted to Php2,498 million in the first nine months of 2013, a decrease of Php1,733 million, or 41%, as compared with Php4,231 million in the same period in 2012 mainly as a result of a lower other income, partially offset by an increase in the equity share of Beacon and equity share in Beta in 2013.

Liquidity and Capital Resources

The following table shows our consolidated cash flows for the nine months ended September 30, 2013 and 2012, as well as our consolidated capitalization and other consolidated selected financial data as at September 30, 2013 and December 31, 2012:

	Nine months ended September 30,	
	2013	2012
	(in millions)	
Cash Flows		
Net cash provided by operating activities	Php51,605	Php54,822
Net cash used in investing activities	8,001	22,765
Capital expenditures	*14,888*	*19,294*
Net cash used in financing activities	52,652	39,125
Net decrease in cash and cash equivalents	8,517	7,423

	September 30,	December 31,
	2013	2012[(1)]
	(in millions)	
Capitalization		
Long-term portion of interest-bearing financial liabilities – net of current portion:		
Long-term debt	Php95,201	Php102,811
Obligations under finance lease	7	10
	95,208	102,821
Current portion of interest-bearing financial liabilities:		
Long-term debt maturing within one year	14,252	12,981
Obligations under finance lease maturing within one year	6	8
	14,258	12,989
Total interest-bearing financial liabilities	109,466	115,810
Total equity attributable to equity holders of PLDT	139,337	145,550
	Php248,803	Php261,360
Other Selected Financial Data		
Total assets[(1)]	Php390,817	Php405,815
Property, plant and equipment	191,578	200,078
Cash and cash equivalents	29,779	37,161
Short-term investments	595	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 unaudited consolidated financial statements for further discussion.

Our consolidated cash and cash equivalents and short-term investments totaled Php30,374 million as at September 30, 2013. Principal sources of consolidated cash and cash equivalents in the first nine months of 2013 were cash flows from operating activities amounting to Php51,605 million, proceeds from availment of long-term debt of Php31,701 million, proceeds from disposal of investments, net of cash of deconsolidated subsidiaries, of Php12,075 million, proceeds from sale of Philweb shares of Php1,009 million, interest received of Php742 million and dividends received of Php426 million. These funds were used principally for: (1) debt principal and interest payments of Php42,473 million and Php3,832 million, respectively; (2) dividend payments of Php37,634 million; (3) capital outlays, net of capitalized interest, of Php14,888 million; (4) payment for purchase of investments in joint ventures, associates and deposits for PDR subscription of Php5,594 million; (5) net payment for purchase of investment in debt securities of Php501 million; and (6) settlements of derivative financial instruments of Php427 million.

Our consolidated cash and cash equivalents and short-term investments totaled Php37,890 million as at September 30, 2012. Principal sources of consolidated cash and cash equivalents in the first nine months of 2012 were cash flows from operating activities amounting to Php54,822 million, proceeds from availment of long-term debt and notes payable of Php41,449 million, interest received of Php980 million and dividends received of Php752 million. These funds were used principally for: (1) dividend payments of Php36,854 million; (2) debt principal and interest payments of Php30,749 million and Php4,195 million, respectively; (3) capital outlays, including capitalized interest, of Php19,294 million; (4) payment for purchase of investment in associates and deposits for PDR subscription of Php8,956 million and payment for purchase of shares of noncontrolling interest of Php772 million; (5) Trust Fund and settlement for redemption of shares of Php5,603 million; (6) net settlement of capital expenditures under long-term financing of Php1,992 million; and (7) settlements of derivative financial instruments of Php918 million.

Operating Activities

Our consolidated net cash flows from operating activities decreased by Php3,217 million, or 6%, to Php51,605 million in the first nine months of 2013 from Php54,822 million in the same period 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 and higher operating income.

Cash flows from operating activities of our wireless business decreased by Php2,889 million, or 8%, to Php32,732 million in the first nine months of 2013 from Php35,621 million in the same period in 2012, primarily due to higher level of settlement of other current liabilities and lower operating income, partially offset by lower level of settlement of accounts payable and higher level of collection of outstanding receivables. Conversely, cash flows provided by operating activities of our fixed line business increased by Php2,769 million, or 16%, to Php20,482 million in the first nine months of 2013 from Php17,713 million in the same period in 2012, primarily due to higher operating income and higher level of collection of receivables, partially offset by higher level of settlement of accounts payable and other liabilities, and higher pension contributions.

Investing Activities

Consolidated net cash used in investing activities amounted to Php8,001 million in the first nine months of 2013, a decrease of Php14,764 million, or 65%, from Php22,765 million in the same period 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 Php3,362 million, and acquisition of shares of noncontrolling interest by Php765 million; (3) the decrease in capital expenditures by Php4,406 million; (4) lower net proceeds from disposal of investments available for sale of Php3,578 million; (5) increase in notes receivable of Php1,024 million; and (6) lower dividends received by Php326 million.

Our consolidated capital expenditures, including capitalized interest, in the first nine months of 2013 totaled Php14,888 million, a decrease of Php4,406 million, or 23%, as compared with Php19,294 million in the same period 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 Php7,369 million in the first nine months of 2013 was principally used to finance the expansion and upgrade of its submarine cable facilities, DFON facilities, NGN roll-out, fixed line data and IP-based network services and outside plant rehabilitation. Smart Group's capital spending of Php6,874 million in the first nine months of 2013 was used primarily to modernize and expand its 2G/3G cellular and mobile broadband networks, as well as to purchase additional customer premises equipment for the fixed wireless broadband business. DMPI's capital spending of Php403 million in the first nine months of 2013 was intended principally to finance the expansion of fixed mobile convergence and continued upgrade of its core and transmission network to increase penetration, particularly in provincial areas. The balance represented other subsidiaries' capital spending.

As part of our growth strategy, we may 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 the first nine months of 2013 amounted to Php426 million, a decrease of Php326 million, or 43%, as compared with Php752 million in the same period in 2012. The dividends received in the first nine months of 2013 were from Beacon and Philweb. The dividends received in the first nine months of 2012 were from Meralco and Philweb.

Financing Activities

On a consolidated basis, net cash used in financing activities amounted to Php52,652 million, an increase of Php13,527 million, or 35% as compared with Php39,125 million in the same period in 2012, resulting largely from the combined effects of the following: (1) higher net payments of long-term debt and notes payable by Php11,724 million; (2) lower proceeds from the issuance of long-term debt and notes payable by Php9,748 million; (3) higher cash dividends paid by Php780 million; (4) creation of Trust Fund for the redemption of shares of Php5,603 million in 2012; (5) net additions to capital expenditures under long-term financing of Php2,165 million; (6) lower settlement of derivative financial instruments of Php491 million; and (7) lower interest payment by Php363 million.

Debt Financing

Proceeds from availment of long-term debt for the nine months ended September 30, 2013 amounted to Php31,701 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 Php42,473 million and Php3,832 million, respectively, in the first nine months of 2013.

Our consolidated long-term debt decreased by Php6,339 million, or 5%, to Php109,453 million as at September 30, 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 Php43.54 as at September 30, 2013 from Php41.08 as at December 31, 2012 as compared with the appreciation of the Philippine peso relative to the U.S. dollar to Php41.74 as at September 30, 2012 from Php43.92 as at December 31, 2011. As at September 30, 2013, PLDT's long-term debt level increased by 7% to Php61,319 million, respectively, while the long-term debt levels of Smart and Digitel decreased by 6% and 33% to Php35,726 million and Php12,408 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 partially drawn on March 6, 2013, April 19, 2013 and July 3, 2013, respectively. The amount of US$300 million, or Php13,063 million, remained outstanding as at September 30, 2013.

On January 28, 2013, Smart signed a US$35 million five-year 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 Php1,371 million, remained outstanding as at September 30, 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. Nordea Bank will subsequently assign its rights and obligations to the SEK guaranteed by EKN. This facility is payable semi-annually in ten equal installments commencing six months after the applicable mean delivery date. No availment has been made on this facility as at November 5, 2013.

On March 25, 2013, Smart signed a US$50 million five-year term loan facility agreement with FEC as the original lender, to finance the supply and services contracts for the modernization and expansion projects. The loan was arranged by the Bank of Tokyo-Mitsubishi UFJ, Ltd. and Mizuho Corporate Bank, Ltd. This loan is payable over five years in nine equal semi-annual installments commencing six months after drawdown date. The loan was partially drawn on September 16, 2013. The amount of US$17 million, or Php747 million, net of unamortized debt discount, remained outstanding as at September 30, 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$80 million, or Php3,483 million, net of unamortized debt discount, remained outstanding as at September 30, 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 Php1,376 million remained outstanding as at September 30, 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 programs 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 Php5,129 million, net of unamortized debt discount, remained outstanding as at September 30, 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 six-year notes amounting to Php1,735 million and Series B nine-year 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 September 30, 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 5th year from the issue date and the balance upon maturity on July 29, 2019. The amount of Php1,188 million remained outstanding as at September 30, 2013.

As a result of the acquisition of Digitel, PLDT assumed the obligations of JG Summit Holdings, Inc., or JGSHI, as guarantor under the Digitel and DMPI loan agreements covered by guarantees from JGSHI. These loans and guarantees contained certain representations and covenants applicable to JGSHI including that on the ownership of JGSHI in Digitel. Digitel and DMPI obtained the required consents of the lenders and export credit agencies for the replacement of JGSHI by PLDT as guarantor under these loans. As at September 30, 2013, the outstanding balance of DMPI loans covered by PLDT guarantees is Php12,408 million. There are no outstanding Digitel loans covered by PLDT guarantees as at September 30, 2013.

Approximately Php49,356 million principal amount of our consolidated outstanding long-term debt as at September 30, 2013 is scheduled to mature over the period from 2013 to 2016. Of this amount, Php19,076 million is attributable to PLDT, Php21,603 million to Smart and Php8,677 million to the Digitel Group.

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

Debt Covenants

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

As at September 30, 2013, we are in compliance with all of our debt covenants.

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

Financing Requirements

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

Off-Balance Sheet Arrangements

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

Equity Financing

Our current dividend policy is to pay out 70% of our core earnings per share taking into consideration the interest of our shareholders as well as our working capital, capital expenditures and debt servicing requirements. The retention of earnings may be necessary to meet the funding requirements of our business expansion and development programs. However, in the event 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 six consecutive years from 2007 to 2012. The accumulated equity in the net earnings of our subsidiaries, which form part of our retained earnings, are not available for distribution unless realized in the form of dividends from such subsidiaries.

Consolidated cash dividend payments in the first nine months of 2013 amounted to Php37,634 million as compared with Php36,854 million paid to shareholders in the same period in 2012.

The following table shows the dividends declared to common and preferred shareholders from the earnings for the nine months ended September 30, 2013 and 2012:

	Date			Amount	
Earnings			Payable	Per share	Total Declared
				(in millions, except per share amount)	
2012					
Common					
Regular Dividend	August 7, 2012	August 31, 2012	September 28, 2012	Php60	Php12,963
Preferred					
Series IV Cumulative Non-convertible Redeemable Preferred Stock[1]	August 7, 2012	August 22, 2012	September 15, 2012	–	25
10% Cumulative Convertible Preferred Stock	Various	Various	Various	1	–
Charged to Retained Earnings					12,988
2013					
Common					
Regular Dividend	August 7, 2013	August 30, 2013	September 27, 2013	63	13,612
Preferred					
Series IV Cumulative Non-convertible Redeemable Preferred Stock[1]	Various	Various	Various	–	25
10% Cumulative Convertible Preferred Stock	Various	Various	Various	1	–
Voting Preferred Stock	Various	Various	Various		8
Charged to Retained Earnings					Php13,645

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

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

Contractual Obligations and Commercial Commitments

Contractual Obligations

For a discussion of our consolidated contractual undiscounted obligations as at September 30, 2013 and 2012, see *Note 27 – Financial Assets and Liabilities – Liquidity Risks* to the accompanying unaudited consolidated financial statements.

Commercial Commitments

Our outstanding consolidated commercial commitments, in the form of letters of credit, amounted to Php29 million and Php342 million as at September 30, 2013 and December 31, 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 unaudited consolidated financial statements.

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

	Fair Values	
	September 30, 2013	June 30, 2013
	(Unaudited) (in millions)	
Noncurrent Financial Assets		
Available-for-sale financial investments		
Listed equity securities	Php102	Php107
Unlisted equity securities	5,571	5,586
Investments in debt securities and other long-term investments – net of current portion	770	695
Derivative financial assets – interest rate swap	22	38
Advances and other noncurrent assets – net of current portion	2,001	1,286
Total noncurrent financial assets	8,466	7,712
Current Financial Assets		
Cash and cash equivalents	29,779	40,133
Short-term investments	595	3,385
Trade and other receivables – net	16,808	17,234
Derivative financial assets	1	1
Current portion of investment in debt securities and other long-term investments	91	91
Current portion of advances and other noncurrent assets	7,993	7,873
Total current financial assets	55,267	68,717
Total Financial Assets	Php63,733	Php76,429
Noncurrent Financial Liabilities		
Interest-bearing financial liabilities	Php100,605	Php93,659
Derivative financial liabilities	1,962	2,114
Customers' deposits	2,067	2,051
Deferred credits and other noncurrent liabilities	17,695	15,325
Total noncurrent financial liabilities	122,329	113,149
Current Financial Liabilities		
Accounts payable	26,911	24,104
Accrued expenses and other current liabilities	56,713	54,662
Interest-bearing financial liabilities	14,258	30,639
Dividends payable	1,054	899
Derivative financial liabilities	117	554
Total current financial liabilities	99,053	110,858
Total Financial Liabilities	Php221,382	Php224,007

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

	September 30, 2013	June 30, 2013
	(in millions)	
Profit and Loss		
From continuing operations		
Interest income	Php680	Php485
Gains on derivative financial instruments – net	492	448
Accretion on financial liabilities	(1,514)	(697)
Interest on loans and other related items	(3,928)	(2,649)
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	68	(181)
Net gains on available-for-sale financial investments – net of tax	6	25

Impact of Inflation and Changing Prices

Inflation can be a significant factor in the Philippine economy, and we are continually seeking ways to minimize its impact. The average inflation rate in the Philippines in the first nine months of 2013 and 2012 was 2.8% and 3.2%, respectively. Moving forward, we currently expect inflation to increase, which may have an impact on our operations.

PART II – OTHER INFORMATION

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 to be issued by MediaQuest in relation to its indirect interest in Cignal TV, Inc., or Cignal TV (formerly Mediascape, Inc.) Cignal TV is a wholly-owned subsidiary of Satventures, Inc., or 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 over 540 thousand net subscribers as at September 30, 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 minority positions in the three leading broadsheets: *The Philippine Star*, the *Philippine Daily Inquirer*, and *Business World*.

For the nine months ended September 30, 2013, ePLDT made various deposits aggregating to Php3.6 billion and Php350 million for its investment in Satventures PDRs and Hastings PDRs of MediaQuest, respectively. Also in October 2013, ePLDT made additional deposit of Php400 million for its investment in Hastings PDRs of MediaQuest.

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

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 unaudited consolidated financial statements for further discussion.

Sale of BPO Segment

On February 5, 2013, PLDT entered into an agreement to sell the BPO business owned by its wholly-owned subsidiary, SPi Global to Asia Outsourcing Gamma Limited, or AOGL, a company controlled by CVC Capital Partners, or CVC. The sale of the BPO business was completed on April 30, 2013. PLDT reinvested approximately US$40 million of the proceeds from the sale in Asia Outsourcing Beta Limited, resulting in an 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 Held-for-Sale and Discontinued Operations* to the accompanying unaudited consolidated financial statements for a further discussion of the classification of the BPO segment as an asset held-for-sale.

Related Party Transactions

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

ANNEX I – AGING OF ACCOUNTS RECEIVABLE

The following table shows the aging of our consolidated receivables as at September 30, 2013:

Type of Accounts Receivable	Total	Current	31–60 Days	61–90 Days	Over 91 Days
			(in millions)		
Retail subscribers	Php12,125	Php3,317	Php1,168	Php381	Php7,259
Corporate subscribers	8,220	1,270	1,391	702	4,857
Foreign administrations	5,763	1,157	1,209	867	2,530
Domestic carriers	1,425	255	132	156	882
Dealers, agents and others	3,743	2,047	797	54	845
Total	31,276	Php8,046	Php4,697	Php2,160	Php16,373
Less: Allowance for doubtful accounts	14,468				
Total Receivables - net	Php16,808				

ANNEX II – FINANCIAL SOUNDNESS INDICATORS

The following table shows our financial soundness indicators as at September 30, 2013 and 2012:

	2013	2012
Current Ratio[1]	0.53:1.0	0.61:1.0
Net Debt to Equity Ratio[2]	0.57:1.0	0.61:1.0
Net Debt to EBITDA Ratio[3]	1.02:1.0	1.17:1.0
Asset to Equity Ratio[4]	2.80:1.0	2.83:1.0
Interest Coverage Ratio[5]	6.36:1.0	6.51:1.0
Profit Margin[6]	23%	23%
Return on Assets[7]	9%	7%
Return on Equity[8]	26%	20%
EBITDA Margin[9]	49%	48%

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

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

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

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

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

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

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

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

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

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

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the registrant has duly caused this report for the first nine months 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: November 5, 2013