SEC Number PW-55
File Number ____________

PHILIPPINE LONG DISTANCE TELEPHONE COMPANY

(Company's Full Name)

Ramon Cojuangco Building
Makati Avenue, Makati City

(Company's Address)

(632) 816-8556

(Telephone Number)

Not Applicable

(Fiscal Year Ending)
(month & day)

SEC Form 17-Q

Form Type

Not Applicable

Amendment Designation (if applicable)

March 31, 2014

Period Ended Date

Not Applicable

(Secondary License Type and File Number)

PLDT

May 6, 2014

Securities & Exchange Commission
SEC Building, EDSA
Mandaluyong City

Attention: Mr. Vicente Graciano P. Felizmenio, Jr.
Director – Markets and Securities Regulation Dept.

Gentlemen:

In accordance with Section 17.1(b) of the Securities Regulation Code and SRC Rule 17.1, we submit herewith two (2) copies of SEC Form 17-Q with Management's Discussion and Analysis and accompanying unaudited consolidated financial statements for the three (3) months ended March 31, 2014.

Very truly yours,

MA. LOURDES C. RAUSA-CHAN
Corporate Secretary

COVER SHEET

P	W	-	5	5

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
Month Day
Fiscal Year

SEC FORM 17-Q
FORM TYPE

0 6 | Every 2nd Tuesday
Month Day
Annual Meeting

C F D
Dept. Requiring this Doc.

N/A
Amended Articles Number/Section

Total Amount of Borrowings

11,989
As of March 31, 2014
Total No. of Stockholders

N/A
Domestic

N/A
Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended March 31, 2014

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

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

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

6. Industry Classification Code: (SEC Use Only)

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

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

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

10. Securities registered pursuant to Sections 8 of the SRC

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Capital Stock, Php5 par value	216,055,775 shares as at March 31, 2014

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 [ ]

TABLE OF CONTENTS

PART I – FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

Our consolidated financial statements as at March 31, 2014 (unaudited) and December 31, 2013 (audited) and for the three months ended March 31, 2014 and 2013 (unaudited) and related notes (pages F-1 to F-159) 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 Php44.81 to US$1.00, the volume weighted average exchange rate as at March 31, 2014 quoted through the Philippine Dealing System.

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

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

Financial Highlights and Key Performance Indicators

	Three Months ended March 31,		Increase (Decrease)	
	2014	2013	Amount	%
(in millions, except for EBITDA margin, earnings per common share, net debt to equity ratio and operational data)				
Revenues	Php42,543	Php40,960	Php1,583	4
Expenses	30,377	29,040	1,337	5
Other expenses	(29)	(189)	160	(85)
Income before income tax	12,137	11,731	406	3
Net income for the period	9,392	9,187	205	2
Continuing operations	*9,392*	*9,062*	*330*	*4*
Discontinued operations	*–*	*125*	*(125)*	*(100)*
Core income	9,762	9,580	182	2
Continuing operations	*9,762*	*9,456*	*306*	*3*
Discontinued operations	*–*	*124*	*(124)*	*(100)*
EBITDA	19,657	20,141	(484)	(2)
EBITDA margin(1)	48%	50%	–	–
Reported earnings per common share:				
Basic	43.34	42.42	0.91	2
Diluted	43.34	42.42	0.91	2
Core earnings per common share(2):				
Basic	45.12	44.28	0.84	2
Diluted	45.12	44.28	0.84	2

	March 31,	December 31,	Increase (Decrease)	
	2014	2013	Amount	%
Consolidated Statements of Financial Position				
Total assets	Php426,848	Php399,638	Php27,210	7
Property, plant and equipment – net	188,105	192,665	(4,560)	(2)
Cash and cash equivalents and short-term investments	61,076	32,623	28,453	87
Total equity attributable to equity holders of PLDT	120,201	137,147	(16,946)	(12)
Notes payable and long-term debt, including current portion	123,257	104,090	19,167	18
Net debt(3) to equity ratio	0.52x	0.52x	–	–

	Three Months ended March 31,		Increase (Decrease)	
	2014	2013	Amount	%
Consolidated Statements of Cash Flows				
Net cash provided by operating activities	Php17,341	Php14,302	Php3,039	21
Net cash used in investing activities	4,366	4,846	(480)	(10)
Capital expenditures	*2,221*	*3,066*	*(845)*	*(28)*
Net cash provided by (used in) financing activities	15,687	(7,470)	23,157	310
Operational Data				
Number of cellular subscribers	70,495,472	71,699,263	(1,203,791)	(2)
Number of fixed line subscribers	2,103,516	2,063,522	39,994	2
Number of broadband subscribers:	3,551,910	3,146,682	405,228	13
Fixed Line	*1,000,028*	*907,703*	*92,325*	*10*
Wireless	*2,551,882*	*2,238,979*	*312,903*	*14*
Number of employees:	17,962	17,894	68	–
Fixed Line	*10,282*	*9,772*	*510*	*5*
LEC	*7,515*	*7,005*	*510*	*7*
Others	*2,767*	*2,767*	*–*	*–*
Wireless	*7,680*	*8,122*	*(442)*	*(5)*

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

(2) *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.*

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

Exchange Rates – per US$	Month-end rates	Weighted average rates during the period
March 31, 2014	Php44.81	Php44.88
December 31, 2013	44.40	42.44
March 31, 2013	40.92	40.70
December 31, 2012	41.08	42.24

Overview

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

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

- *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 7% of our consolidated fixed line subscribers; and information and communications infrastructure and services for internet applications, internet protocol, or IP-based solutions and multimedia content delivery provided by ePLDT, Inc., or ePLDT, IP Converge Data Services, Inc., or IPCDSI, ABM Global Solutions, Inc., or AGS, and its subsidiaries, or AGS Group, and Curo Teknika, Inc.; distribution of Filipino channels and content provided by Pilipinas Global Network Limited and its subsidiaries; air transportation services provided by Pacific Global One Aviation Co., 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.

As at March 31, 2014, our chief operating decision maker, or our Management Committee, views our business activities in three business units: Wireless, Fixed Line and Others. On December 4, 2012, our Board of Directors authorized the sale of our BPO segment, which was completed in April 2013. Consequently, the results of operations of our BPO business in the first three months of 2013 were presented as discontinued operations. See *Note 2 – Summary of Significant Accounting Policies* to the accompanying unaudited consolidated financial statements for further discussion.

Management's Financial Review

In addition to consolidated net income, we use EBITDA and core income to assess our operating performance. The reconciliation of our consolidated EBITDA and our consolidated core income to our consolidated net income for the first three months ended March 31, 2014 and 2013 are set forth below.

The following table shows the reconciliation of our consolidated EBITDA to our consolidated net income for the three months ended March 31, 2014 and 2013:

	2014	2013
	(in millions)	
EBITDA from continuing operations	Php19,657	Php20,141
Add (deduct) adjustments to continuing operations:		
Other income	935	330
Equity share in net earnings of associates and joint ventures	716	553
Interest income	192	296
Gains on derivative financial instruments – net	187	23
Retroactive effect of adoption of Revised PAS 19[(1)]	–	(791)
Amortization of intangible assets	(286)	(202)
Foreign exchange gains (losses) – net	(735)	213
Financing costs – net	(1,324)	(1,604)
Provision for income tax	(2,745)	(2,669)
Depreciation and amortization	(7,205)	(7,228)
Total adjustments	(10,265)	(11,079)
Net income from continuing operations	9,392	9,062
Net income from discontinued operations	–	125
Consolidated net income	Php9,392	Php9,187

[(1)] *The Revised Philippine Accounting Standards, or PAS, 19, Employee Benefits, or PAS 19, modifies the timing of recognition for termination benefits. The modification requires termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized.*

The following table shows the reconciliation of our consolidated core income to our consolidated net income for the three months ended March 31, 2014 and 2013:

	2014	2013
	(in millions)	
Core income from continuing operations	Php9,762	Php9,456
Core income from discontinued operations	–	124
Consolidated core income	9,762	9,580
Add (deduct) adjustments to continuing operations:		
Gains on derivative financial instruments – net, excluding hedge cost	265	92
Net income attributable to noncontrolling interests	13	9
Retroactive effect of adoption of Revised PAS 19[(1)]	–	(791)
Core income adjustment on equity share in net earnings of associates and joint ventures	(21)	14
Foreign exchange gains (losses) – net	(735)	213
Net tax effect of aforementioned adjustments	108	69
Total adjustments	(370)	(394)
Adjustment to discontinued operations	–	1
Net income from continuing operations	9,392	9,062
Net income from discontinued operations	–	125
Consolidated net income	Php9,392	Php9,187

[(1)] *The Revised PAS 19 modifies the timing of recognition for termination benefits. The modification requires termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized.*

Results of Operations

The table below shows the contribution by each of our business segments to our consolidated revenues, expenses, other income (expenses), income before income tax, provision for income tax, net income/segment profit, EBITDA, EBITDA margin and core income for the three months ended March 31, 2014 and 2013. In each of the three months ended March 31, 2014 and 2013, we generated a majority of our revenues from our operations within the Philippines.

	Wireless	Fixed Line	Others	Inter-segment Transactions	Consolidated
			(in millions)		
For the three months ended March 31, 2014					
Revenues	Php29,731	Php16,545	Php–	(Php3,733)	Php42,543
Expenses	20,721	13,488	1	(3,833)	30,377
Other income (expenses)	(658)	(185)	914	(100)	(29)
Income before income tax	8,352	2,872	913	–	12,137
Provision for income tax	1,985	732	28	–	2,745
Net income/Segment profit	6,367	2,140	885	–	9,392
EBITDA	13,204	6,354	(1)	100	19,657
EBITDA margin[1]	46%	40%	–	(3%)	48%
Core income from continuing operations	6,782	2,094	886	–	9,762
For the three months ended March 31, 2013[2]					
Revenues	28,972	15,711	–	(3,723)	40,960
Expenses	19,017	13,952	1	(3,930)	29,040
Other income (expenses)	(178)	(541)	632	(102)	(189)
Income before income tax	9,777	1,218	631	105	11,731
Provision for income tax	2,379	285	5	–	2,669
Net income/Segment profit	7,398	933	626	105	9,187
Continuing operations	7,398	933	626	105	9,062
Discontinued operations	–	–	–	–	125
EBITDA from continuing operations	14,326	5,609	(1)	207	20,141
EBITDA margin[1]	50%	37%	–	(6%)	50%
Core income	7,370	1,369	612	105	9,580
Continuing operations	7,370	1,369	612	105	9,456
Discontinued operations	–	–	–	–	124
Increase (Decrease)					
Revenues	Php759	Php834	Php–	(Php10)	Php1,583
Expenses	1,704	(464)	–	97	1,337
Other income (expenses)	(480)	356	282	2	160
Income before income tax	(1,425)	1,654	282	(105)	406
Provision for income tax	(394)	447	23	–	76
Net income/Segment profit	(1,031)	1,207	259	(105)	205
Continuing operations	(1,031)	1,207	259	(105)	330
Discontinued operations	–	–	–	–	(125)
EBITDA	(1,122)	745	–	(107)	(484)
Core income	(588)	725	274	(105)	182
Continuing operations	(588)	725	274	(105)	306
Discontinued operations	–	–	–	–	(124)

(1) EBITDA margin for the month is measured as EBITDA from continuing operations divided by service revenues.
(2) The March 31, 2013 comparative information was adjusted to reflect certain presentation adjustments to conform with the current presentation of our business segments.

On a Consolidated Basis

Revenues

We reported consolidated revenues of Php42,543 million in the first three months of 2014, an increase of Php1,583 million, or 4%, as compared with Php40,960 million in the same period in 2013, primarily due to higher revenues from data and other network, local exchange and miscellaneous services from our fixed line business, and higher cellular and broadband revenues from our wireless business, partially offset by lower revenues from international and national long distance services from our fixed line business, and lower satellite and other services from our wireless business, as well as an increase in our non-service revenues.

The following table shows the breakdown of our consolidated revenues by business segment for the three months ended March 31, 2014 and 2013:

	2014	%	2013[1]	%	Change Amount	%
			(in millions)			
Wireless	Php29,731	70	Php28,972	71	Php759	3
Fixed line	16,545	39	15,711	38	834	5
Inter-segment transactions	(3,733)	(9)	(3,723)	(9)	(10)	–
Consolidated	Php42,543	100	Php40,960	100	Php1,583	4

(1) The March 31, 2013 comparative information was adjusted to reflect certain presentation adjustments to conform with the current presentation of our business segments.

Expenses

Consolidated expenses increased by Php1,337 million, or 5%, to Php30,377 million in the first three months of 2014 from Php29,040 million in the same period in 2013, as a result of higher expenses related to cost of sales, professional and other contracted services, selling and promotions, repairs and maintenance, interconnection costs, amortization of intangible assets, rent, communication, training and travel, and asset impairment, partially offset by lower expenses related to compensation and employee benefits, as a result of the retroactive effect of the application of the Revised PAS 19 on our manpower rightsizing program, or MRP, costs of Php791 million for the three months ended March 31, 2013, depreciation and amortization, and other operating expenses.

The following table shows the breakdown of our consolidated expenses by business segment for the three months ended March 31, 2014 and 2013:

	2014	%	2013[1]	%	Change Amount	%
			(in millions)			
Wireless	Php20,721	68	Php19,017	66	Php1,704	9
Fixed line	13,488	45	13,952	48	(464)	(3)
Others	1	–	1	–	–	–
Inter-segment transactions	(3,833)	(13)	(3,930)	(14)	97	(2)
Consolidated	Php30,377	100	Php29,040	100	Php1,337	5

(1) The March 31, 2013 comparative information was adjusted to reflect certain presentation adjustments to conform with the current presentation of our business segments.

Other Expenses

Consolidated other expenses amounted to Php29 million in the first three months of 2014, a decrease of Php160 million, or 85%, from Php189 million in the same period in 2013, primarily due to the combined effects of the following: (i) an increase in other income by Php605 million mainly due to higher income from consultancy and an increase in rental income; (ii) a decrease in net financing costs by Php280 million mainly due to decreases on accretion on financial liabilities, average interest rates on loans, and financing charges, partly offset by lower capitalized interest, higher outstanding debt balance and the effect of the depreciation of the weighted average exchange rate of the Philippine peso to the U.S. dollar; (iii) higher gains on derivative financial instruments by Php164 million due to the depreciation of the Philippine peso and wider dollar and peso interest rate differential; (iv) an increase in the equity share in net earnings of associates by Php163 million; (v) lower interest income by Php104 million due to lower weighted average peso and dollar interest rates, and lower principal amounts of dollar placements, partly offset by higher principal amounts of Philippine peso placements, and the effect of the depreciation of the weighted average exchange rate of the Philippine peso to the U.S. dollar; and (vi) foreign exchange losses of Php735 million in the first three months of 2014 as against foreign exchange gains of Php213 million in the same period in 2013 mainly due to the revaluation of net foreign-currency denominated liabilities as a result of the effect of the depreciation of the Philippine peso relative to the U.S. dollar to Php44.81 as at March 31, 2014 from Php44.40 as at December 31, 2013 as against an appreciation of the Philippine peso relative to the U.S. dollar to Php40.92 as at March 31, 2013 from Php41.08 as at December 31, 2012.

The following table shows the breakdown of our consolidated other income (expenses) by business segment for the three months ended March 31, 2014 and 2013:

	2014	2013(1)	Increase (Decrease) Amount	%
Wireless	(Php658)	(Php178)	(Php480)	270
Fixed line	(185)	(541)	356	(66)
Others	914	632	282	45
Inter-segment transactions	(100)	(102)	2	(2)
Consolidated	(Php29)	(Php189)	Php160	(85)

(1) The March 31, 2013 comparative information was adjusted to reflect certain presentation adjustments to conform with the current presentation of our business segments.

Net Income

Consolidated net income increased by Php205 million, or 2%, to Php9,392 million in the first three months of 2014, from Php9,187 million, including net income from discontinued operations of Php125 million, in the same period in 2013. The increase was mainly due to the combined effects of the following: (i) an increase in consolidated revenues by Php1,583 million; (ii) a decrease in consolidated other expenses – net by Php160 million; (iii) an increase in consolidated provision for income tax by Php76 million, which was mainly due to higher taxable income of our fixed line business; (iv) income from discontinued operations of Php125 million in 2013; and (v) an increase in consolidated expenses by Php1,337 million. Our consolidated basic and diluted EPS increased to Php43.34 in the first three months of 2014 from consolidated basic and diluted EPS of Php42.43 in the same period in 2013. Our weighted average number of outstanding common shares was approximately 216.06 million in each of the first three months of 2014 and 2013.

The following table shows the breakdown of our consolidated net income by business segment for the three months ended March 31, 2014 and 2013:

	2014	%	2013(1)	%	Change Amount	Change %
			(in millions)			
Wireless	Php6,367	68	Php7,398	81	(Php1,031)	(14)
Fixed line	2,140	23	933	10	1,207	129
Others	885	9	626	7	259	41
Inter-segment transactions	–	–	105	1	(105)	(100)
Continuing operations	9,392	100	9,062	99	330	4
Discontinued operations	–	–	125	1	(125)	(100)
Consolidated	Php9,392	100	Php9,187	100	Php205	2

(1) The March 31, 2013 comparative information was adjusted to reflect certain presentation adjustments to conform with the current presentation of our business segments.

EBITDA

Our consolidated EBITDA from continuing operations amounted to Php19,657 million in the first three months of 2014, a decrease of Php484 million, or 2%, as compared with Php20,141 million in the same period in 2013, primarily due to higher cost of sales, professional and other contracted services, selling and promotions, repairs and maintenance costs, interconnection costs, amortization on intangible assets, rent and asset impairment, partially offset by higher consolidated revenues and lower operating expenses related to compensation and employee benefits, excluding the retroactive effect of the application of the Revised PAS 19 in our MRP costs of Php791 million in the first three months of 2013.

The following table shows the breakdown of our consolidated EBITDA from continuing operations by business segment for the three months ended March 31, 2014 and 2013:

	2014	%	2013(1)	%	Change Amount	Change %
			(in millions)			
Wireless	Php13,204	67	Php14,326	71	(Php1,122)	(8)
Fixed line	6,354	32	5,609	28	745	13
Others	(1)	–	(1)	–	–	–
Inter-segment transactions	100	1	207	1	(107)	(52)
Continuing operations	Php19,657	100	Php20,141	100	(Php484)	(2)

(1) The March 31, 2013 comparative information was adjusted to reflect certain presentation adjustments to conform with the current presentation of our business segments.

Core Income

Our consolidated core income amounted to Php9,762 million in the first three months of 2014, an increase of Php182 million, or 2%, as compared with Php9,580 million, including core income from discontinued operations of Php124 million, in the same period in 2013, primarily due to an increase in consolidated revenues and lower other expenses, partially offset by higher provision for income tax and higher consolidated expenses, excluding the retroactive effect of the application of the Revised PAS 19 in our MRP costs of Php791 million in the first three months of 2013. Our consolidated basic and diluted core EPS, increased to Php45.12 in the first three months of 2014 from Php44.28 in the same period in 2013.

The following table shows the breakdown of our consolidated core income by business segment for the three months ended March 31, 2014 and 2013:

	2014	%	2013(1)	%	Change Amount	Change %
			(in millions)			
Wireless	Php6,782	70	Php7,370	77	(Php588)	(8)
Fixed line	2,094	21	1,369	14	725	53
Others	886	9	612	7	274	45
Inter-segment transactions	–	–	105	1	(105)	(100)
Continuing operations	9,762	100	9,456	99	306	3
Discontinued operations	–	–	124	1	(124)	(100)
Consolidated	Php9,762	100	Php9,580	100	Php182	2

(1) The March 31, 2013 comparative information was adjusted to reflect certain presentation adjustments to conform with the current presentation of our business segments.

On a Business Segment Basis

Wireless

Revenues

We generated revenues from our wireless business of Php29,731 million in the first three months of 2014, an increase of Php759 million, or 3%, from Php28,972 million in the same period in 2013.

The following table summarizes our total revenues from our wireless business for the three months ended March 31, 2014 and 2013 by service segment:

	2014	%	2013(1)	%	Increase (Decrease) Amount	Increase (Decrease) %
			(in millions)			
Service Revenues:						
Cellular	Php26,078	88	Php25,709	89	Php369	1
Wireless broadband, satellite and others						
Wireless broadband	2,474	8	2,321	8	153	7
Satellite and others	316	1	354	1	(38)	(11)
	28,868	97	28,384	98	484	2
Non-Service Revenues:						
Sale of cellular handsets, cellular subscriber identification module, or SIM,-packs and broadband data modems	863	3	588	2	275	47
Total Wireless Revenues	Php29,731	100	Php28,972	100	Php759	3

(1) The March 31, 2013 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 three months of 2014 increased by Php484 million, or 2%, to Php28,868 million as compared with Php28,384 million in the same period in 2013, 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 mobile internet, voice and VAS revenues, partially offset by the decrease in text messaging revenues. The increase in our wireless broadband revenues was mainly due to a 14% growth in our broadband subscriber base. Our dollar-linked revenues were affected by the depreciation of the Philippine peso relative to the U.S. dollar, which increased to a weighted average exchange rate of Php44.88 in the first three months of 2014 from Php40.70 for the three months ended March 31, 2013. As a percentage of our total wireless revenues, service revenues accounted for 97% and 98% in the first three months of 2014 and 2013, respectively.

Cellular Service

Our cellular service revenues in the first three months of 2014 amounted to Php26,078 million, an increase of Php369 million, or 1%, from Php25,709 million in the same period in 2013. Cellular service revenues accounted for 90% and 91% of our wireless service revenues in the first three months of 2014 and 2013, respectively.

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 months and call packages which allow a fixed number of calls of preset duration. Starting out as purely on-net packages, buckets now also offer voice, text and hybrid bundles available to all networks. Smart and *Sun Cellular* also provide packages with unlimited voice, text, data, and combinations thereof, whose denominations depend on the duration and nature of the unlimited packages.

The following table shows the breakdown of our cellular service revenues for the three months ended March 31, 2014 and 2013:

			Increase (Decrease)	
	2014	**2013**[(1)]	**Amount**	**%**
		(in millions)		
Cellular service revenues	Php26,078	Php25,709	Php369	1
By service type	*25,426*	*25,100*	*326*	*1*
Prepaid	20,311	20,731	(420)	(2)
Postpaid	5,115	4,369	746	17
By component	*25,426*	*25,100*	*326*	1
Voice	12,868	12,187	681	6
Data	12,558	12,913	(355)	(3)
Others[(2)]	*652*	*609*	*43*	*7*

(1) *The March 31, 2013 comparative information was adjusted to reflect certain presentation adjustments to conform with the current presentation of our business segments.*

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

The following table shows other key measures of our cellular business as at and for the three months ended March 31, 2014 and 2013:

	2014	2013	Increase (Decrease) Amount	%
Cellular subscriber base	70,495,472	71,699,263	(1,203,791)	(2)
Prepaid	68,030,812	69,628,396	(1,597,584)	(2)
Smart	*24,959,498*	*24,593,169*	*366,329*	*1*
Talk 'N Text	*29,490,125*	*30,570,909*	*(1,080,784)*	*(4)*
Sun Cellular	*13,581,189*	*14,464,318*	*(883,129)*	*(6)*
Postpaid	2,464,660	2,070,867	393,793	19
Sun Cellular	*1,536,270*	*1,303,590*	*232,680*	*18*
Smart	*928,390*	*767,277*	*161,113*	*21*
Systemwide traffic volumes (in million minutes)[1]				
Calls	13,227	14,024	(797)	(6)
Domestic	12,416	13,118	(702)	(5)
Inbound	*280*	*305*	*(25)*	*(8)*
Outbound	*12,136*	*12,813*	*(677)*	*(5)*
International	811	906	(95)	(10)
Inbound	*731*	*807*	*(76)*	*(9)*
Outbound	*80*	*99*	*(19)*	*(19)*
SMS/Data count (in million hits)[1]	113,524	127,900	(14,376)	(11)
Text messages	113,030	127,493	(14,463)	(11)
Domestic	112,834	127,283	(14,449)	(11)
Bucket-Priced/Unlimited	105,326	119,518	(14,192)	(12)
Standard	7,508	7,765	(257)	(3)
International	196	210	(14)	(7)
Value-Added Services	491	397	94	24
Financial Services	3	10	(7)	(70)
Mobile internet (in TB)	6,549	2,603	3,946	152

(1) *The March 31, 2013 comparative information was adjusted to reflect certain presentation adjustments to conform with the current presentation of our business segments.*

Revenues generated from our prepaid cellular services amounted to Php20,311 million in the first three months of 2014, a decrease of Php420 million, or 2%, as compared with Php20,731 million in the same period in 2013. Prepaid cellular service revenues accounted for 80% and 83% of cellular voice and data revenues in the first three months of 2014 and 2013, respectively. Revenues generated from postpaid cellular service amounted to Php5,115 million in the first three months of 2014, an increase of Php746 million, or 17%, as compared with Php4,369 million earned in the same period in 2013, and which accounted for 20% and 17% of cellular voice and data revenues in the first three months of 2014 and 2013, respectively. The decrease in revenues from our prepaid cellular services was primarily due to a decline in international outbound revenues and lower text messaging revenues, partially offset by an increase in mobile internet and domestic outbound voice revenues. The increase in our postpaid cellular service revenues was primarily due to a higher subscriber base.

Voice Services

Cellular revenues from our voice services, which include all voice traffic and voice VAS, such as voice mail and outbound international roaming, increased by Php681 million, or 6%, to Php12,868 million in the first three months of 2014 from Php12,187 million in the same period in 2013, primarily due to higher cellular domestic and international voice revenues. Cellular voice services accounted for 49% and 48% of our cellular service revenues in the first three months of 2014 and 2013, respectively.

The following table shows the breakdown of our cellular voice revenues for the three months ended March 31, 2014 and 2013:

	2014	2013[(1)]	Increase (Decrease) Amount	%
		(in millions)		
Voice services:				
Domestic				
Inbound	Php1,077	Php1,137	(Php60)	(5)
Outbound	7,948	7,238	710	10
	9,025	8,375	650	8
International				
Inbound	3,343	3,268	75	2
Outbound	500	544	(44)	(8)
	3,843	3,812	31	1
Total	Php12,868	Php12,187	Php681	6

(1) *The March 31, 2013 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 Php650 million, or 8%, to Php9,025 million in the first three months of 2014 from Php8,375 million in the same period in 2013, primarily due to an increase in domestic outbound voice service revenues by Php710 million, partially offset by lower domestic inbound voice service revenues by Php60 million.

Revenues from domestic outbound voice service increased by Php710 million, or 10%, to Php7,948 million in the first three months of 2014 from Php7,238 million in the same period in 2013 mainly due to higher revenues on bucket/unlimited voice, partially offset by decline in standard voice. Domestic outbound call volumes of 12,136 million minutes decreased by 677 million minutes, or 5%, from 12,813 million minutes in the same period in 2013.

Revenues from our domestic inbound voice service decreased by Php60 million, or 5%, to Php1,077 million in the first three months of 2014 from Php1,137 million in the same period in 2013. Domestic inbound call volumes of 280 million minutes in the first three months of 2014, decreased by 25 million minutes, or 8%, from 305 million minutes in the same period in 2013 primarily due to lower traffic from other mobile carriers.

International voice service revenues increased by Php31 million, or 1%, to Php3,843 million in the first three months of 2014 from Php3,812 million in the same period in 2013 primarily due to higher international inbound voice service revenues by Php75 million, or 2%, to Php3,343 million in the first three months of 2014 from Php3,268 million in the same period in 2013, partially offset by the decline in international outbound voice service revenues by Php44 million, or 8%, to Php500 million in the first three months of 2014 from Php544 million in the same period in 2013. The net increase in international voice service revenues was due to the favorable effect of higher weighted average exchange rate of the Philippine peso to the U.S. dollar and higher average inbound termination rate in U.S. dollar, partially offset by lower international voice traffic. International inbound and outbound calls totaled 811 million minutes, a decrease of 95 million minutes, or 10%, from 906 million minutes in the same period in 2013.

Data Services

Cellular revenues from our data services, which include all text messaging-related services, as well as VAS and mobile internet, decreased by Php355 million, or 3%, to Php12,558 million in the first three months of 2014 from Php12,913 million in the same period in 2013 primarily due to lower text messaging revenues, partially offset by higher mobile internet and VAS revenues. Cellular data services accounted for 48% and 50% of our cellular service revenues in the first three months of 2014 and 2013, respectively.

The following table shows the breakdown of our cellular data service revenues for the three months ended March 31, 2014 and 2013:

	2014	2013[1]	Increase (Decrease) Amount	%
		(in millions)		
Text messaging				
Domestic	Php9,574	Php10,699	(Php1,125)	(11)
Bucket-Priced/Unlimited	6,707	7,454	(747)	(10)
Standard	2,867	3,245	(378)	(12)
International	807	862	(55)	(6)
	10,381	11,561	(1,180)	(10)
Mobile internet[2]	1,769	979	790	81
Value-added services[3]	403	347	56	16
Financial services	5	26	(21)	(81)
Total	Php12,558	Php12,913	(Php355)	(3)

(1) *The March 31, 2013 comparative information was adjusted to reflect certain presentation adjustments to conform with the current presentation of our business segments.*

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

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

Text messaging-related services contributed revenues of Php10,381 million in the first three months of 2014, a decrease of Php1,180 million, or 10%, as compared with Php11,561 million in the same period in 2013, and accounted for 83% and 90% of our total cellular data service revenues in the first three months of 2014 and 2013, respectively. The decrease in revenues from text messaging-related services resulted mainly from lower various bucket-priced/unlimited SMS and standard offers, as well as lower international text messaging revenues. Text messaging revenues from the various bucket-priced/unlimited SMS offers totaled Php6,707 million in the first three months of 2014, a decrease of Php747 million, or 10%, as compared with Php7,454 million in the same period in 2013. Bucket-priced/unlimited text messages decreased by 14,192 million, or 12%, to 105,326 million in the first three months of 2014 from 119,518 million in the same period in 2013.

Standard text messaging revenues, which includes inbound and outbound standard SMS revenues, decreased by Php378 million, or 12%, to Php2,867 million in the first three months of 2014 from Php3,245 million in the same period in 2013, mainly due to decrease in outbound standard SMS revenues primarily as a result of increased preference for messaging through various mobile applications and social networking sites, partly offset by higher inbound revenues due to increased text messages from all-net offers of other carriers. Standard text messages decreased by 257 million, or 3% to 7,508 million in the first three months of 2014 from 7,765 million in the same period in 2013, as a result of the decline in domestic outbound standard SMS volume, partially offset by increased domestic inbound SMS volume.

International text messaging revenues amounted to Php807 million in the first three months of 2014, a decrease of Php55 million, or 6%, from Php862 million in the same period in 2013 mainly due to lower SMS traffic, partially offset by the favorable effect of higher weighted average exchange rate of the Philippine peso to the U.S. dollar.

Mobile internet service revenues increased by Php790 million, or 81%, to Php1,769 million in the first three months of 2014 from Php979 million in the same period in 2013 as a result of higher traffic for mobile internet browsing. Mobile internet service registered 6,549, terabyte, or TB, in the first three months of 2014, an increase of 3,946 TB, or 152%, from 2,603 TB in the same period in 2013.

VAS contributed revenues of Php403 million in the first three months of 2014, an increase of Php56 million, or 16%, as compared with Php347 million in the same period in 2013, primarily due to an increase in revenues from SMS and MMS-based VAS revenues, partially offset by lower revenues from *Pasa Load/Give-a-Load* VAS.

Subscriber Base, ARPU and Churn Rates

As at March 31, 2014, our cellular subscribers totaled 70,495,472 a decrease of 1,203,791, or 2%, over the cellular subscriber base of 71,699,263 as at March 31, 2013. Our cellular prepaid subscriber base decreased by 1,597,584, or 2%, to 68,030,812 as at March 31, 2014 from 69,628,396 as at March 31, 2013, while our cellular postpaid subscriber base increased by 393,793, or 19%, to 2,464,660 as at March 31, 2014 from 2,070,867 as at March 31, 2013. The decrease in subscriber base was primarily due to lower *Talk 'N Text* subscribers by 1,080,784 and a net decrease in *Sun Cellular* subscribers by 650,449, partially offset by an increase in Smart subscribers by 527,442. Prepaid subscribers exclude those subscribers whose minimum balance is derived via accumulation from its rewards program. Prepaid subscribers accounted for 97% of our total subscriber base as at March 31, 2014 and 2013.

Our net subscriber activations (reductions) for the three months ended March 31, 2014 and 2013 were as follows:

			Increase (Decrease)	
	2014	**2013**	**Amount**	**%**
Prepaid	363,062	2,016,859	(1,653,797)	(82)
Smart	*350,811*	*(468,284)*	*819,095*	*175*
Talk 'N Text	*5,108*	*2,125,856*	*(2,120,748)*	*(100)*
Sun Cellular	*7,143*	*359,287*	*(352,144)*	*(98)*
Postpaid	86,783	(184,054)	270,837	147
Smart	*38,694*	*83,797*	*(45,103)*	*(54)*
Sun Cellular	*48,089*	*(267,851)*	*315,940*	*118*
Total	449,845	1,832,805	(1,382,960)	(75)

Prepaid and postpaid subscribers reflected net activations of 363,062 and 86,783 subscribers, respectively, in the first three months of 2014, as compared with net activations of 2,016,859 and net reductions of 184,054 subscribers, respectively, in the same period in 2013.

The following table summarizes our average monthly churn rates for the three months ended March 31, 2014 and 2013:

	2014	**2013**
	(in %)	
Prepaid		
Smart	5.1	5.7
Talk 'N Text	5.2	3.0
Sun Cellular	9.6	9.6
Postpaid		
Smart	2.5	1.9
Sun Cellular	1.6	8.6

For *Smart Prepaid* subscribers, the average monthly churn rate in the first three months of 2014 and 2013 were 5.1% and 5.7%, respectively, while the average monthly churn rate for *Talk 'N Text* subscribers were 5.2% and 3.0% in the first three months of 2014 and 2013, respectively. The average monthly churn rate for *Sun Cellular* prepaid subscribers was 9.6% in each of the first three months of 2014 and 2013.

The average monthly churn rate for *Smart Postpaid* subscribers were 2.5% and 1.9% in the first three months of 2014 and 2013, respectively. The average monthly churn rate for *Sun Cellular* postpaid subscribers was 1.6% and 8.7% in the first three months of 2014 and 2013, respectively.

The following table summarizes our average monthly cellular ARPUs for the three months ended March 31, 2014 and 2013:

	Gross[1]		Increase (Decrease)		Net[2]		Increase (Decrease)	
	2014	2013[3]	Amount	%	2014	2013[3]	Amount	%
Prepaid								
Smart	Php147	Php160	(Php13)	(8)	Php132	Php141	(Php9)	(6)
Talk 'N Text	97	98	(1)	(1)	87	87	–	–
Sun Cellular	75	66	9	14	67	57	10	18
Postpaid								
Smart	1,098	1,168	(70)	(6)	1,086	1,154	(68)	(6)
Sun Cellular	478	458	20	4	476	455	21	5

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

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

(3) *The March 31, 2013 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 for the first quarter of 2014 and for the four quarters in 2013 were as follows:

	Prepaid						Postpaid			
	Smart		Talk 'N Text		Sun Cellular		Smart		Sun Cellular	
	Gross[1]	Net[2]	Gross[1]	Net[2]	Gross[1]	Net[2]	Gross[1]	Net[2]	Gross[1]	Net[2]
2014										
First Quarter	147	132	97	87	75	67	1,098	1,086	478	476
2013[3]										
First Quarter	160	141	98	87	66	57	1,168	1,154	458	455
Second Quarter	160	141	98	87	66	58	1,167	1,153	499	495
Third Quarter	161	142	92	82	66	60	1,111	1,099	479	476
Fourth Quarter	174	153	96	85	72	68	1,113	1,102	495	493

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

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

(3) *The March 31, 2013 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 MVNO of PLDT Global's subsidiary.

Wireless Broadband

Revenues from our wireless broadband services increased by Php153 million, or 7%, to Php2,474 million in the first three months of 2014 from Php2,321 million in the same period in 2013, primarily due to an increase in prepaid revenues by Php96 million, or 14%, to Php774 million in the first three months of 2014 from Php678 million in the same period in 2013, and higher postpaid revenues by Php57 million, or 3%, to Php1,700 million in the first three months of 2014 from Php1,643 million in the same period in 2013.

The following table shows information of our wireless broadband revenues and subscriber base as at and for the three months ended March 31, 2014 and 2013:

	2014	2013	Increase Amount	%
Wireless Broadband Revenues	Php2,474	Php2,321	Php153	7
Prepaid	774	678	*96*	*14*
Postpaid	1,700	1,643	57	*3*
Wireless Broadband Subscribers	2,551,882	2,238,979	312,903	14
Prepaid	*1,731,103*	*1,498,167*	*232,936*	16
Smart	1,435,216	1,226,054	209,162	17
Sun	295,887	272,113	23,774	9
Postpaid	*820,779*	*740,812*	*79,967*	11
Smart	568,217	514,518	53,699	10
Sun	252,562	226,294	26,268	12

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 2,551,882 subscribers as at March 31, 2014, a net increase of 312,903 subscribers, or 14%, as compared with 2,238,979 subscribers as at March 31, 2013, primarily due to an increase by 262,861, or 15%, in *Smart Broadband* subscribers, complemented by an increase in *Sun Broadband* subscribers by 50,042, or 10%, as at March 31, 2014. Our prepaid wireless broadband subscriber base increased by 232,936 subscribers, or 16%, to 1,731,103 subscribers as at March 31, 2014 from 1,498,167 subscribers as at March 31, 2013, while our postpaid wireless broadband subscriber base increased by 79,967 subscribers, or 11%, to 820,779 subscribers as at March 31, 2014 from 740,812 subscribers as at March 31, 2013.

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) or TDD LTE (Time Division Duplex Long Term Evolution) network. *myBro* revenues decreased by Php1 million to Php1,066 million in the first three months of 2014 from Php1,067 million in the same period in 2013, while subscriber base increased by 7 thousand, or 2%, to 445 thousand as at March 31, 2014 from 438 thousand as at March 31, 2013.

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 ten 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-based charging with different validity periods, as well as *Always On* packages, which offer volume-based charging. All packages are 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 Php38 million, or 11%, to Php316 million in the first three months of 2014 from Php354 million in the same period in 2013, primarily due to a decrease in the number of ACeS Philippines' subscribers and lower revenue contribution from MVNO of PLDT Global, partially offset by the effect of higher weighted average exchange rate of Php44.88 in the first three months of 2014 from Php40.70 for the three months ended March 31, 2013 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 Php275 million, or 47%, to Php863 million in the first three months of 2014 from Php588 million in the same period in 2013, primarily due to increased availments for broadband *Pocket WiFi,* higher cellular retention packages, partly offset by lower cellular handsets/SIMpacks issued for activation and lower quantity of broadband *Plug-It* modems.

Expenses

Expenses associated with our wireless business amounted to Php20,721 million in the first three months of 2014, an increase of Php1,704 million, or 9%, from Php19,017 million in the same period in 2013. A significant portion of this increase was attributable to higher expenses related to cost of sales, asset impairment, rent, selling and promotions, repairs and maintenance, professional and other contracted services, interconnection costs, amortization of intangible assets, and communication, training and travel, partially offset by lower compensation and employee benefits, depreciation and amortization and other operating expenses. As a percentage of our total wireless revenues, expenses associated with our wireless business accounted for 70% and 66% in the first three months of 2014 and 2013, respectively.

The following table summarizes the breakdown of our total wireless-related expenses for the three months ended March 31, 2014 and 2013 and the percentage of each expense item in relation to the total:

					Increase (Decrease)	
	2014	**%**	**2013**[1]	**%**	**Amount**	**%**
			(in millions)			
Depreciation and amortization	Php3,908	19	Php4,051	21	(Php143)	(4)
Cost of sales	2,926	14	2,100	11	826	39
Rent	2,724	13	2,518	13	206	8
Repairs and maintenance	2,153	10	1,987	10	166	8
Interconnection costs	2,036	10	1,942	10	94	5
Compensation and employee benefits	1,940	9	2,132	11	(192)	(9)
Selling and promotions	1,706	8	1,514	8	192	13
Professional and other contracted services	1,026	5	902	5	124	14
Asset impairment	599	3	295	2	304	103
Taxes and licenses	592	3	575	3	17	3
Communication, training and travel	395	2	353	2	42	12
Insurance and security services	306	2	282	2	24	9
Amortization of intangible assets	286	1	201	1	85	42
Other expenses	124	1	165	1	(41)	(25)
Total	Php20,721	100	Php19,017	100	Php1,704	9

(1) *The March 31, 2013 comparative information was adjusted to reflect certain presentation adjustments to conform with the current presentation of our business segments.*

Depreciation and amortization charges decreased by Php143 million, or 4%, to Php3,908 million primarily due to a lower depreciable asset base.

Cost of sales increased by Php826 million, or 39%, to Php2,926 million primarily due to increased handset issuances for cellular retention and higher average cost of handsets/SIMpacks issued for activation purposes.

Rent expenses increased by Php206 million, or 8%, to Php2,724 million primarily due to an increase in leased circuit charges, and site and office building rental charges. As at March 31, 2014, we had 11,575 cell sites, 20,934 cellular/mobile broadband base stations and 3,133 fixed wireless broadband base stations, of which 10,174 are 4G-capable broadband stations, as compared with 10,494 cell sites, 14,845 cellular/mobile broadband base stations and 2,898 fixed wireless broadband base stations, of which 8,393 are 4G-capable broadband stations, as at March 31, 2013.

Repairs and maintenance expenses increased by Php166 million, or 8%, to Php2,153 million mainly due to higher maintenance costs on cellular and broadband network facilities, as well as higher site facilities maintenance, site gas and fuel, and site electricity consumption costs, partially offset by lower maintenance costs on IT software.

Interconnection costs increased by Php94 million, or 5%, to Php2,036 million primarily due to higher domestic SMS driven by all-net offers and increase in roaming data charges, partially offset by a decrease in interconnection charges on international calls.

Compensation and employee benefits expenses decreased by Php192 million, or 9%, to Php1,940 million primarily due to lower salaries and employee benefits, MRP and LTIP costs, partly offset by higher provision for pension benefits. Employee headcount decreased to 7,680 as at March 31, 2014 as compared with 8,122 as at March 31, 2013, primarily due to the availment of the MRP by DMPI employees in 2013.

Selling and promotion expenses increased by Php192 million, or 13%, to Php1,706 million primarily due to higher events, commissions and public relations expenses, partially offset by lower advertising costs.

Professional and other contracted service fees increased by Php124 million, or 14%, to Php1,026 million primarily due to an increase in outsourced service costs, consultancy, payment facility and bill printing fees, partly offset by lower call center, contracted service technical service and management fees.

Asset impairment increased by Php304 million to Php599 million primarily due to higher provision for uncollectible receivables.

Taxes and licenses increased by Php17 million, or 3%, to Php592 million due to higher business-related taxes.

Communication, training and travel expenses increased by Php42 million, or 12%, to Php395 million primarily due to higher training and travel, freight and hauling, and fuel consumption costs for vehicles, partially offset by lower expenses related to mailing and courier.

Insurance and security services increased by Php24 million, or 9%, to Php306 million primarily due to higher group health insurance, insurance and bond premiums, and site security expenses, partly offset by lower office security expenses.

Amortization of intangible assets increased by Php85 million, or 42%, to Php286 million primarily due to license fees paid for exclusive partnership and use of music catalogues.

Other expenses decreased by Php41 million, or 25%, to Php124 million primarily due to lower various business and operational-related expenses.

Other Expenses

The following table summarizes the breakdown of our total wireless-related other income (expenses) for the three months ended March 31, 2014 and 2013:

			Change	
	2014	2013[1]	Amount	%
		(in millions)		
Other Income (Expenses):				
Interest income	Php52	Php143	(Php91)	(64)
Equity share in net losses of associates	–	(33)	33	(100)
Gains (losses) on derivative financial instruments – net	(2)	3	(5)	(167)
Foreign exchange gains (losses) – net	(544)	188	(732)	(389)
Financing costs – net	(391)	(631)	240	(38)
Others	227	152	75	49
Total	(Php658)	(Php178)	(Php480)	270

[1] *The March 31, 2013 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 Php658 million in the first three months of 2014, an increase of Php480 million from Php178 million in the same period in 2013, primarily due to the combined effects of the following: (i) net foreign exchange losses of Php544 million in the first three months of 2014 as against net foreign exchange gains of Php188 million in the same period in 2013 on account of the revaluation of net foreign currency-denominated liabilities due to the depreciation of the Philippine peso relative to the U.S. dollar to Php44.81 as at March 31, 2014 from Php44.40 as at December 31, 2013 as against an appreciation of the Philippine peso relative to the U.S. dollar to Php40.92 as at March 31, 2013 from Php41.08 as at December 31, 2012; (ii) a decrease in interest income by Php91 million mainly due to lower cash levels and lower weighted average interest rates on account of low interest rate environment, partly offset by the effect of the depreciation of the weighted average exchange rate of the Philippine peso to the U.S. dollar; (iii) loss on derivative financial instruments of Php2 million in the first three months of 2014 as against gain on derivative financial instruments of Php3 million in the same period in 2013 mainly on account of lower U.S. dollar forward interest rates, partly offset by wider dollar and peso interest rate differentials and the favorable effect of the depreciation of the Philippine peso to the U.S. dollar; (iv) equity share in net losses of associates of Php33 million in the first three months of 2013; (v) an increase in other income by Php75 million mainly due to higher income from consultancy; and (vi) lower net financing costs by Php240 million primarily due to decreases on accretion on financial liabilities and average interest rates on loans, partly offset by lower capitalized interest, an increase in financing charges, higher outstanding debt balance and the effect of the depreciation of the weighted average exchange rate of the Philippine peso to the U.S. dollar.

Provision for Income Tax

Provision for income tax decreased by Php394 million, or 17%, to Php1,985 million in the first three months of 2014 from Php2,379 million in the same period in 2013 primarily due to lower taxable income. The effective tax rates for our wireless business was 24% in each of the first three months of 2014 and 2013.

Net Income

As a result of the foregoing, our wireless business' net income decreased by Php1,031 million, or 14%, to Php6,367 million in the first three months of 2014 from Php7,398 million recorded in the same period in 2013.

EBITDA

Our wireless business' EBITDA decreased by Php1,122 million, or 8%, to Php13,204 million in the first three months of 2014 from Php14,326 million in the same period in 2013.

Core Income

Our wireless business' core income decreased by Php588 million, or 8%, to Php6,782 million in the first three months of 2014 from Php7,370 million in the same period in 2013 on account of higher wireless-related operating expenses, excluding the retroactive effect of the application of the Revised PAS 19 of Php119 million in our MRP costs in the first three months of 2013, and an increase in other expenses, 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 Php16,545 million in the first three months of 2014, an increase of Php834 million, or 5%, from Php15,711 million in the same period in 2013.

The following table summarizes our total revenues from our fixed line business for the three months ended March 31, 2014 and 2013 by service segment:

	2014	%	2013[(1)]	%	Increase (Decrease) Amount	%
			(in millions)			
Service Revenues:						
Local exchange	Php4,111	25	Php4,036	26	Php75	2
International long distance	2,859	17	2,968	19	(109)	(4)
National long distance	1,099	7	1,155	7	(56)	(5)
Data and other network	7,430	45	6,626	42	804	12
Miscellaneous	583	3	491	3	92	19
	16,082	97	15,276	97	806	5
Non-Service Revenues:						
Sale of computers, phone units and SIM cards	463	3	435	3	28	6
Total Fixed Line Revenues	Php16,545	100	Php15,711	100	Php834	5

(1) *The March 31, 2013 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 Php806 million, or 5%, to Php16,082 million in the first three months of 2014 from Php15,276 million in the same period in 2013 due to an increase in the revenue contribution of our data and other network, local exchange and miscellaneous services, partially offset by decreases in international and national long distance services.

Local Exchange Service

The following table summarizes the key measures of our local exchange service business as at and for the three months ended March 31, 2014 and 2013:

	2014	2013[(1)]	Increase (Decrease) Amount	%
Total local exchange service revenues (in millions)	Php4,111	Php4,036	Php75	2
Number of fixed line subscribers	2,103,516	2,063,522	39,994	2
Postpaid	2,041,830	2,000,666	41,164	2
Prepaid	61,686	62,856	(1,170)	(2)
Number of fixed line employees	7,515	7,005	510	7
Number of fixed line subscribers per employee	280	295	(15)	(5)

(1) *The March 31, 2013 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 increased by Php75 million, or 2%, to Php4,111 million in the first three months of 2014 from Php4,036 million in the same period in 2013, primarily due to increase in ARPU and higher weighted average billed lines, partially offset by lower installation and activation charges. The percentage contribution of local exchange revenues to our total fixed line service revenues were 25% and 26% in the first three months of 2014 and 2013, respectively.

International Long Distance Service

The following table shows our international long distance service revenues and call volumes for the three months ended March 31, 2014 and 2013:

	2014	2013[(1)]	Increase (Decrease) Amount	%
Total international long distance service revenues (in millions)	Php2,859	Php2,968	(Php109)	(4)
Inbound	2,545	2,668	(123)	(5)
Outbound	314	300	14	5
International call volumes (in million minutes, except call ratio)	510	584	(74)	(13)
Inbound	429	480	(51)	(11)
Outbound	81	104	(23)	(22)
Inbound-outbound call ratio	5.3:1	4.6:1	–	–

(1) *The March 31, 2013 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 decreased by Php109 million, or 4%, to Php2,859 million in the first three months of 2014 from Php2,968 million in the same period in 2013, primarily due to the decrease in call volumes, partially offset by the net increase in average settlement and billing rates in dollar terms, as well as the favorable effect of higher weighted average exchange rate of the Philippine peso to the U.S. dollar to Php44.88 as at March 31, 2014 from Php40.70 as at March 31, 2013. The percentage contribution of international long distance service revenues to our total fixed line service revenues accounted for 18% and 20% in the first three months of 2014 and 2013, respectively.

Our revenues from inbound international long distance service decreased by Php123 million, or 5%, to Php2,545 million in the first three months of 2014 from Php2,668 million in the same period in 2013 primarily due to the decrease in inbound call volumes, partially offset by the increase in average settlement rate in dollar terms and the favorable effect on our inbound revenues of a higher weighted average exchange rate of the Philippine peso to the U.S. dollar.

Our revenues from outbound international long distance service increased by Php14 million, or 5%, to Php314 million in the first three months of 2014 from Php300 million in the same period in 2013, primarily due to the increase in the average billing rate in dollar terms and an increase in the exchange rate of the U.S. dollar to Philippine peso, partially offset by the decrease in call volumes.

Our total international long distance service revenues, net of interconnection costs, decreased by Php95 million, or 8%, to Php1,100 million in the first three months of 2014 from Php1,195 million in the same period in 2013. The decrease was primarily due to lower international long distance revenues, gross of interconnection costs, partially offset by lower interconnection costs as a result of lower call volumes terminating to domestic carriers.

National Long Distance Service

The following table shows our national long distance service revenues and call volumes for the three months ended March 31, 2014 and 2013:

			Decrease	
	2014	**2013**[1]	**Amount**	**%**
Total national long distance service revenues (in millions)	Php1,099	Php1,155	(Php56)	(5)
National long distance call volumes (in million minutes)	200	212	(12)	(6)

[1] *The March 31, 2013 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 Php56 million, or 5%, to Php1,099 million in the first three months of 2014 from Php1,155 million in the same period in 2013, primarily due to a decrease in call volumes, partially offset by an increase in the average revenue per minute of our national long distance services. The percentage contribution of national long distance revenues to our fixed line service revenues were 7% and 8% in the first three months of 2014 and 2013, respectively.

Our national long distance service revenues, net of interconnection costs, decreased by Php39 million, or 4%, to Php865 million in the first three months of 2014 from Php904 million in the same period in 2013, 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 three months ended March 31, 2014 and 2013:

	2014	2013[(1)]	Increase Amount	%
Data and other network service revenues (in millions)	Php7,430	Php6,626	Php804	12
Domestic	5,347	4,822	525	11
Broadband	*3,414*	*2,893*	521	18
Leased Lines and Others	*1,933*	*1,929*	4	–
International				
Leased Lines and Others	*1,592*	*1,374*	*218*	*16*
Data Centers	491	430	61	14
Subscriber base				
Broadband	*1,000,028*	*907,703*	*92,325*	*10*
SWUP	*30,607*	*24,980*	5,627	23

(1) *The March 31, 2013 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 Php7,430 million in the first three months of 2014, an increase of Php804 million, or 12%, from Php6,626 million in the same period in 2013, primarily due to higher revenues from *PLDT DSL*, international data revenues primarily from i-Gate, data centers and domestic leased line revenues. The percentage contribution of this service segment to our fixed line service revenues was 46% and 43% in the first three months of 2014 and 2013, respectively.

Domestic

Domestic data services contributed Php5,347 million in the first three months of 2014, an increase of Php525 million, or 11%, as compared with Php4,822 million in the same period in 2013 mainly due to higher DSL and Fibr revenues, and *Shops.Work* subscribers as customer locations and bandwidth requirements continued to expand and demand for offshoring, outsourcing services increased. The percentage contribution of domestic data service revenues to total data and other network services were 72% and 73% in the first three months of 2014 and 2013, 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 Php3,414 million in the first three months of 2014, an increase of Php521 million, or 18%, from Php2,893 million in the same period in 2013 as a result of the increase in the number of subscribers by 92,325, or 10%, to 1,000,028 subscribers as at March 31, 2014 from 907,703 subscribers as at March 31, 2013. Broadband revenues accounted for 46% and 44% of total data and other network service revenues in the first three months of 2014 and 2013, respectively.

Leased Lines and Others

Leased lines and other data services include: (1) Diginet, our domestic private leased line service providing Smart's fiber optic and leased line data requirements; (2) IP-VPN, a managed corporate IP network that offers a secure means to access corporate network resources; (3) Metro Ethernet, our high-speed wide area networking services that enable mission-critical data transfers; (4) *Shops.Work*, our connectivity solution for retailers and franchisers that links company branches to their head office; and (5) *SWUP*, our wireless VPN service that powers mobile point-of-sale terminals and off-site bank ATMs, as well as other retail outlets located in remote areas. As at March 31, 2014, *SWUP* had a total subscriber base of 30,607, up by 5,627, or 23%, from 24,980 subscribers as at March 31, 2013. Leased lines and other data revenues amounted to Php1,933 million in the first three months of 2014, an increase of Php4 million from Php1,929 million in the same period in 2013, primarily due to higher revenues from *Shops.Work* and IP-VPN, partially offset by lower Metro Ethernet and Diginet revenues. The percentage contribution of leased lines and other data service revenues to the total data and other network services were 26% and 29% in the first three months of 2014 and 2013, 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 Php218 million, or 16%, to Php1,592 million in the first three months of 2014 from Php1,374 million in the same period in 2013, primarily due to higher i-Gate and Fibernet revenues, IP-VPN local access services, and an increase in revenues from various global service providers, as well as the favorable effect of higher weighted average exchange rate of the Philippine peso relative to the U.S. dollar, partially offset by lower inland-cable lease revenues. The percentage contribution of international data service revenues to total data and other network service revenues was 21% in each of the first three months of 2014 and 2013.

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 Php61 million, or 14%, to Php491 million in the first three months of 2014 from Php430 million in the same period in 2013 mainly due to higher revenues from co-location and managed services. The percentage contribution of this service segment to our total data and other network service revenues were 7% and 6% in the first three months of 2014 and 2013, respectively.

Miscellaneous Services

Miscellaneous service revenues are derived mostly from rental, outsourcing and facilities management fees, internet and online gaming, and directory advertising. These service revenues increased by Php92 million, or 19%, to Php583 million in the first three months of 2014 from Php491 million in the same period in 2013 mainly due to higher outsourcing and management fees and co-location charges. The percentage contribution of miscellaneous service revenues to our total fixed line service revenues was 4% and 3% in the first three months of 2014 and 2013, respectively.

Non-service Revenues

Non-service revenues increased by Php28 million, or 6%, to Php463 million in the first three months of 2014 from Php435 million in the same period in 2013, primarily due to higher revenues from sale of *PLP* units, and equipment for *PLDT UNO*, a managed unified communications offering, partially offset by lower revenues from sale of *Telpad* units.

Expenses

Expenses related to our fixed line business totaled Php13,488 million in the first three months of 2014, a decrease of Php464 million, or 3%, as compared with Php13,952 million in the same period in 2013. The decrease was primarily due to lower expenses related to compensation and employee benefits, asset impairment, rent, interconnection costs, and taxes and licenses, partly offset by higher expenses related to cost of sales, depreciation and amortization, communication, training and travel, and other operating expenses. As a percentage of our total fixed line revenues, expenses associated with our fixed line business accounted for 82% and 89% in the first three months of 2014 and 2013, respectively.

The following table shows the breakdown of our total fixed line-related expenses for the three months ended March 31, 2014 and 2013 and the percentage of each expense item to the total:

	2014	%	2013[(1)]	%	Increase (Decrease) Amount	%
			(in millions)			
Depreciation and amortization	Php3,297	25	Php3,177	23	Php120	4
Compensation and employee benefits	3,225	24	3,641	26	(416)	(11)
Interconnection costs	2,073	15	2,085	15	(12)	(1)
Repairs and maintenance	1,496	11	1,494	11	2	–
Professional and other contracted services	968	7	965	7	3	–
Rent	573	4	708	5	(135)	(19)
Cost of sales	523	4	311	2	212	68
Selling and promotions	416	3	413	3	3	1
Taxes and licenses	329	3	337	2	(8)	(2)
Communication, training and travel	211	2	198	2	13	7
Insurance and security services	169	1	165	1	4	2
Asset impairment	38	–	307	2	(269)	(88)
Amortization of intangible assets	–	–	1	–	(1)	(100)
Other expenses	170	1	150	1	20	13
Total	Php13,488	100	Php13,952	100	(Php464)	(3)

(1) *The March 31, 2013 comparative information was adjusted to reflect certain presentation adjustments to conform with the current presentation of our business segments.*

Depreciation and amortization charges increased by Php120 million, or 4%, to Php3,297 million due to higher depreciable asset base.

Compensation and employee benefits expenses decreased by Php416 million, or 11%, to Php3,225 million primarily due to lower MRP costs, as a result of the retroactive adjustment of the application of the Revised PAS 19 of Php672 million in the first three months of 2013, partially offset by higher provision for pension benefits and LTIP costs, and an increase in salaries and employee benefits. Employee headcount increased to 10,282 in the first three months of 2014 as compared with 9,772 in the same period in 2013 mainly due to an increase in PLDT's headcount.

Interconnection costs decreased by Php12 million, or 1%, to Php2,073 million primarily due to lower international and national long distance interconnection/settlement costs as a result of lower international received paid and national sent paid calls that terminated to other domestic carriers, partially offset by higher data and other network interconnection/settlement costs particularly Fibernet.

Repairs and maintenance expenses increased by Php2 million to Php1,496 million primarily due to increase in cable and wire facilities primarily due to higher facilities restoration and preventive maintenance costs, and higher repairs and maintenance costs on central office/telecoms equipment and IT software, partially offset by lower repairs and maintenance costs for buildings and other various facilities, and lower office electricity costs and janitorial services.

Professional and other contracted service expenses increased by Php3 million to Php968 million primarily due to higher contracted and technical service fees, partially offset by lower consultancy and legal fees.

Rent expenses decreased by Php135 million, or 19%, to Php573 million primarily due to decrease in leased circuit, site and pole rental charges.

Cost of sales increased by Php212 million, or 68%, to Php523 million primarily due to higher sale of *PLP* units and *PLDT UNO* equipment.

Selling and promotion expenses increased by Php3 million, or 1%, to Php416 million primarily due to higher commissions and events costs, partially offset by lower advertising costs and public relations expenses.

Taxes and licenses decreased by Php8 million, or 2%, to Php329 million as a result of lower municipal licenses and other business-related taxes.

Communication, training and travel expenses increased by Php13 million, or 7%, to Php211 million mainly due to higher local and foreign training, and communication charges, partly offset by lower local and foreign travel and fuel consumption costs.

Insurance and security services increased by Php4 million, or 2%, to Php169 million primarily due to higher expenses on office security services, partially offset by lower insurance and bond premiums.

Asset impairment decreased by Php269 million, or 88%, to Php38 million mainly due to lower provision for uncollectible receivables.

Other expenses increased by Php20 million, or 13%, to Php170 million primarily due to higher various business and operational-related expenses.

Other Expenses

The following table summarizes the breakdown of our total fixed line-related other income (expenses) for the three months ended March 31, 2014 and 2013:

			Change	
	2014	2013[1]	Amount	%
		(in millions)		
Other Income (Expenses):				
Gains on derivative financial instruments – net	Php182	Php20	Php162	(810)
Interest income	75	145	(70)	(48)
Equity share in net earnings (losses) of associates	26	(6)	32	(533)
Foreign exchange gains (losses) – net	(207)	25	(232)	(928)
Financing costs – net	(945)	(973)	28	(3)
Others	684	248	436	176
Total	(Php185)	(Php541)	Php356	(66)

[1] *The March 31, 2013 comparative information was adjusted to reflect certain presentation adjustments to conform with the current presentation of our business segments.*

Our fixed line business' other expenses amounted to Php185 million in the first three months of 2014, a decrease by Php356 million, or 66%, from Php541 million in the same period in 2013 due to the combined effects of the following: (i) an increase in other income by Php436 million; (ii) higher gains on derivative financial instruments by Php162 million due to the effect of the depreciation of the Philippine peso and wider dollar and peso interest rate differentials; (iii) equity share in net earnings of associates of Php26 million in the first three months of 2014 as against equity share in net losses of associates of Php6 million in the same period in 2013; (iv) lower financing costs by Php28 million mainly due to lower financing charges, lower average interest on loans and higher capitalized interest, partly offset by higher outstanding debt balance, and the effect of the depreciation of the weighted average exchange rate of the Philippine peso to the U.S. dollar; (v) a decrease in interest income by Php70 million due to lower weighted average interest rates and shorter average tenor of placements, partly offset by higher amount of placements and the depreciation of the Philippine peso to the U.S. dollar; and (vi) foreign exchange losses of Php207 million in the first three months of 2014 as against foreign exchange gains of Php25 million in the same period in 2013 on account of revaluation of net foreign currency-denominated liabilities owing to the depreciation of the Philippine peso relative to the U.S. dollar to Php44.81 as at March 31, 2014 from Php44.40 as at December 31, 2013 as against an appreciation of the Philippine peso relative to the U.S. dollar to Php40.92 as at March 31, 2013 from Php41.08 as at December 31, 2012.

Provision for Income Tax

Provision for income tax amounted to Php732 million in the first three months of 2014, an increase of Php447 million, or 157%, from Php285 million in the same period in 2013 primarily due to higher taxable income. The effective tax rates for our fixed line business were 25% and 23% in the first three months of 2014 and 2013, respectively.

Net Income

As a result of the foregoing, our fixed line business contributed a net income of Php2,140 million in the first three months of 2014, an increase of Php1,207 million, or 129%, as compared with Php933 million in the same period in 2013.

EBITDA

Our fixed line business' EBITDA increased by Php745 million, or 13%, to Php6,354 million in the first three months of 2014 from Php5,609 million in the same period in 2013.

Core Income

Our fixed line business' core income increased by Php725 million, or 53%, to Php2,094 million in the first three months of 2014 from Php1,369 million in the same period in 2013, primarily as a result of higher fixed line revenues and lower other expenses, partially offset by higher fixed line expenses and provision for income tax.

Others

Other Income

The following table summarizes the breakdown of other income for other business segment for the three months ended March 31, 2014 and 2013:

			Change	
	2014	2013	Amount	%
		(in millions)		
Other Income (Expenses):				
Equity share in net earnings of associates	Php690	Php592	Php98	17
Interest income	77	8	69	863
Foreign exchange gains – net	16	–	16	100
Gains on derivative financial instruments – net	7	–	7	100
Others	124	32	92	288
Total	Php914	Php632	Php282	45

Other income increased by Php282 million, or 45%, to Php914 million in the first three months of 2014 from Php632 million in the same period in 2013 primarily due to an increase in equity share in net earnings of associates by Php98 million mainly due to the increase in PCEV's share in the net earnings of Beacon and equity share in the net earnings of Asia Outsourcing Beta Limited, or Beta, a holding company of SPi Technologies, Inc., or SPi, and its subsidiaries, where we reinvested approximately US$40 million of the proceeds from the sale of our BPO business in 2013, an increase in interest income by Php69 million, higher other income by Php92 million, foreign exchange gains of Php16 million and gain on derivative financial instruments of Php7 million in the first three months of 2014.

Net Income

As a result of the foregoing, our other business segment registered a net income of Php885 million, an increase of Php259 million, or 41%, in the first three months of 2014 from Php626 million in the same period in 2013.

Core Income

Our other business segment's core income amounted to Php886 million in the first three months of 2014, an increase of Php274 million, or 45%, as compared with Php612 million in the same period in 2013 mainly as a result of higher other income, partially offset by an increase in provision for income tax.

Liquidity and Capital Resources

The following table shows our consolidated cash flows for the three months ended March 31, 2014 and 2013, as well as our consolidated capitalization and other consolidated selected financial data as at March 31, 2014 and December 31, 2013:

	For the Three months ended March 31,	
	2014	2013
	(in millions)	
Cash Flows		
Net cash flows provided by operating activities	Php17,341	Php14,302
Net cash flows used in investing activities	4,366	4,846
Capital expenditures	*2,221*	*3,066*
Net cash flows provided by (used in) financing activities	15,687	(7,470)
Net increase in cash and cash equivalents	28,548	1,956

	March 31,	December 31,
	2014	2013
	(in millions)	
Capitalization		
Long-term portion of interest-bearing financial liabilities – net of current portion:		
Long-term debt	Php109,140	Php88,924
Obligations under finance lease	5	6
	109,145	88,930
Current portion of interest-bearing financial liabilities:		
Long-term debt maturing within one year	14,117	15,166
Obligations under finance lease maturing within one year	5	5
	14,122	15,171
Total interest-bearing financial liabilities	123,267	104,101
Total equity attributable to equity holders of PLDT	120,201	137,147
	Php243,468	Php241,248
Other Selected Financial Data		
Total assets	Php426,848	Php399,638
Property, plant and equipment	188,105	192,665
Cash and cash equivalents	60,453	31,905
Short-term investments	623	718

Our consolidated cash and cash equivalents and short-term investments totaled Php61,076 million as at March 31, 2014. Principal sources of consolidated cash and cash equivalents in the first three months of 2014 were proceeds from availment of long-term debt of Php23,571 million, cash flows from operating activities amounting to Php17,341 million, proceeds from disposal of property, plant and equipment of Php168 million, interest received of Php163 million and increase in short-term investments of Php103 million. These funds were used principally for: (1) debt principal and interest payments of Php4,889 million and Php1,153 million, respectively; (2) capital outlays, including capitalized interest, of Php2,221 million; (3) net payment of capital expenditures under long-term financing of Php1,565 million; (4) net payment for purchase of investment in debt securities of Php539 million; (5) deposit for future PDRs subscription of Php300 million; (6) payment for acquisition of shares of minority shareholders and purchase of investment in subsidiaries – net of cash acquired of Php164 million; (7) settlement of derivative financial instruments of Php166 million; and (8) dividend payments of Php25 million.

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

Operating Activities

Our consolidated net cash flows provided by operating activities increased by Php3,039 million, or 21%, to Php17,341 million in the first three months of 2014 from Php14,302 million in the same period in 2013, primarily due to lower settlement of other liabilities, lower pension contributions, higher level of collection of receivables and higher operating income, partially offset by higher corporate taxes paid and higher level of settlement of accounts payable.

Cash flows provided by operating activities of our fixed line business increased by Php3,358 million, or 131%, to Php5,917 million in the first three months of 2014 from Php2,559 million in the same period in 2013, primarily due to lower level of settlement of accounts payable, higher operating income, higher level of collection of receivables and lower pension contributions, partially offset by higher level of settlement of other liabilities. Cash flows from operating activities of our wireless business decreased by Php17 million to Php11,525 million in the first three months of 2014 from Php11,542 million in the same period in 2013, primarily due to higher level of settlement of accounts payable, lower level of collection of outstanding receivables and lower operating income, partially offset by lower level of settlement of other liabilities.

Investing Activities

Consolidated net cash flows used in investing activities amounted to Php4,366 million in the first three months of 2014, a decrease of Php480 million, or 10%, from Php4,846 million in the same period in 2013, primarily due to the combined effects of the following: (1) net proceeds from short-term investments by Php1,124 million; (2) the decrease in capital expenditures by Php845 million; (3) lower payment for deposit for future PDRs subscription of Php450 million; (4) net payment for purchase of investment in debt securities of Php539 million; and (5) higher payment for acquisition of shares of minority shareholders and purchase of investment in subsidiaries – net of cash acquired of Php157 million.

Our consolidated capital expenditures, including capitalized interest, in the first three months of 2014 totaled Php2,221 million, a decrease of Php845 million, or 28%, as compared with Php3,066 million in the same period in 2013, primarily due to PLDT's, Smart Group's and DMPI's lower capital spending. Smart Group's capital spending of Php1,052 million in the first three months of 2014 was used primarily to modernize and expand its 3G/4G cellular and mobile broadband networks, and the roll-out of LTE network, as well as to purchase additional customer premises equipment for the fixed wireless broadband business. PLDT's capital spending of Php1,036 million in the first three months of 2014 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. DMPI's capital spending of Php31 million in the first three months of 2014 was intended principally to finance the 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.

Financing Activities

On a consolidated basis, cash flows provided by financing activities amounted to Php15,687 million, as against cash flows used in financing activities amounted to Php7,470 million in the same period in 2013, resulting largely from the combined effects of the following: (1) higher proceeds from availment of long-term debt by Php18,316 million; (2) lower net payments of long-term debt and notes payable by Php4,526 million; (3) lower interest payment by Php348 million .

Debt Financing

Proceeds from availment of long-term debt for the three months ended March 31, 2014 amounted to Php23,571 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 Php4,889 million and Php1,153 million, respectively, in the first quarter of 2014.

Our consolidated long-term debt increased by Php19,167 million, or 18%, to Php123,257 million as at March 31, 2014 from Php104,090 million as at December 31, 2013, primarily due to our issuance of Php15 billion fixed rate retail bonds in 2014, drawings from our term loan facilities and the depreciation of the Philippine peso relative to the U.S. dollar to Php44.81 as at March 31, 2014 from Php44.40 as at December 31, 2013 as against an appreciation of the Philippine peso relative to the U.S. dollar to

Php40.92 as at March 31, 2013 from Php41.08 as at December 31, 2012, partially offset by debt amortizations and prepayments. As at March 31, 2014, the long-term debt levels of PLDT and Smart increased by 21% and 16%, to Php70,725 million and Php41,419 million, respectively, while DMPI's long-term debt level decreased by 1%, to Php11,114 million, as compared with December 31, 2013.

On January 29, 2014, Smart signed a Php3,000 million term loan facility agreement with Land Bank of the Philippines, or LBP, to finance capital expenditures for its network upgrade and expansion program. The loan is payable over seven years with an annual amortization rate of 1% of the principal amount on the first year up to the sixth year commencing on the first anniversary of the initial drawdown and the balance payable upon maturity on February 5, 2021. The amount of Php3,000 million was fully drawn on February 5, 2014. The amount of Php2,985 million, net of unamortized debt discount, remained outstanding as at March 31, 2014.

On February 3, 2014, Smart signed a Php500 million term loan facility agreement with LBP to finance capital expenditures for its network upgrade and expansion program. The loan is payable over seven years with an annual amortization rate of 1% of the principal amount on the first year up to the sixth year commencing on the first anniversary of the initial drawdown and the balance payable upon maturity on February 5, 2021. The loan was fully drawn on February 7, 2014 and remained outstanding as at March 31, 2014.

On February 6, 2014, PLDT issued Php15,000 million SEC-registered fixed rate peso retail bonds under the Indenture dated January 22, 2014. Proceeds from the issuance of these bonds are intended to be used to finance capital expenditures and/or refinance existing obligations which were used for capital expenditures for network expansion and improvements. The amount comprises of Php12.4 billion and Php2.6 billion bonds due in 2021 and 2024, with a coupon rate of 5.2250% and 5.2813%, respectively. The amount of Php15,000 million remained outstanding as at March 31, 2014.

On March 7, 2014, Smart signed a US$100 million term loan facility agreement with the Bank of Tokyo-Mitsubishi UFJ, Ltd. to finance the equipment and service contracts for the modernization and expansion project. The loan is payable over five years in nine equal semi-annual installments commencing twelve months after drawdown date, with final installment on March 7, 2019. The amount of US$35 million was partially drawn on March 24, 2014. The amount of US$33 million, or Php1,494 million, remained outstanding as at March 31, 2014.

On March 26, 2014, Smart signed a Php2,000 million term loan facility agreement with Union Bank of the Philippines to finance capital expenditures for its network upgrade and expansion program. The loan is payable over seven years with an annual amortization rate of 1% of the principal amount on the first year up to the sixth year commencing on the first anniversary of the initial drawdown and the balance payable upon maturity on March 29, 2021. The loan was fully drawn on March 28, 2014 and remained outstanding as at March 31, 2014.

On April 2, 2014, PLDT signed a Php1,500 million term loan facility agreement with Philam Life to finance capital expenditures and/or refinance existing loan obligations, the proceeds of which were utilized for service improvements and expansion programs. The loan is payable in full upon maturity on April 4, 2024. The loan was fully drawn on April 4, 2014.

On April 2, 2014, Smart signed a Php500 million term loan facility agreement with BDO Unibank, Inc. to finance capital expenditures for its network upgrade and expansion program. The loan is payable over seven years with an annual amortization rate of 1% of the principal amount on the first year up to the sixth year commencing on the first anniversary of the initial drawdown and the balance payable upon maturity on April 2, 2021. The loan was fully drawn on April 4, 2014.

Approximately Php65,149 million principal amount of our consolidated outstanding long-term debt as at March 31, 2014 is scheduled to mature over the period from 2014 to 2017. Of this amount, Php32,559 million is attributable to PLDT, Php23,455 million to Smart and Php9,135 million to DMPI.

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

Debt Covenants

As a result of the acquisition of Digitel, PLDT assumed the obligations of JG Summit Holdings, Inc., or JGSHI, as guarantor under the Digitel and DMPI loan agreements covered by guarantees from JGSHI. These loans and guarantees contained certain representations and covenants applicable to JGSHI including that on the ownership of JGSHI in Digitel. Digitel and DMPI obtained the required consents of the lenders and export credit agencies for the replacement of JGSHI by PLDT as guarantor under these loans. As at March 31, 2014, the outstanding balance of DMPI loans covered by PLDT guarantees is Php11,114 million. There are no outstanding Digitel loans covered by PLDT guarantees as at March 31, 2014.

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

As at March 31, 2014 and December 31, 2013, we are in compliance with all of our debt covenants.

See *Note 20 – Interest-bearing Financial Liabilities – Debt Covenants* to the accompanying 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 as regular dividends 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 of up to the 30% balance of our core earnings or to undertake share buybacks. We were able to pay out approximately 100% of our core earnings for seven consecutive years from 2007 to 2013. The accumulated equity in the net earnings of our subsidiaries, which form part of our retained earnings, are not available for distribution unless realized in the form of dividends from such subsidiaries.

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

Consolidated cash dividend payments in the first quarter of 2014 amounted to Php25 million as compared with Php23 million paid to shareholders in the same period in 2013.

The following table shows the dividends declared to common and preferred shareholders from the earnings for the three months ended March 31, 2014 and 2013:

	Date			Amount	
Earnings	Approved	Record	Payable	Per share	Total Declared
				(in millions, except per share amount)	
2013					
Preferred					
Series IV Cumulative Non-convertible Redeemable Preferred Stock[1]	January 29, 2013	February 28, 2013	March 15, 2013	–	12
10% Cumulative Convertible Preferred Stock	Various	Various	Various	1.00	–
Voting Preferred Stock	March 5, 2013	March 20, 2013	April 15, 2013		3
Charged to Retained Earnings					Php15
2014					
Preferred					
Series IV Cumulative Non-convertible Redeemable Preferred Stock[1]	January 28, 2014	February 27, 2014	March 15, 2014	–	12
10% Cumulative Convertible Preferred Stock	Various	Various	Various	1.00	–
Voting Preferred Stock	March 4, 2014	April 15, 2014	March 20, 2014		3
Charged to Retained Earnings					Php15

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

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

Contractual Obligations and Commercial Commitments

Contractual Obligations

For a discussion of our consolidated contractual undiscounted obligations as at March 31, 2014 and December 31, 2013, see *Note 27 – Financial Assets and Liabilities – Liquidity Risks* to the accompanying unaudited consolidated financial statements.

Commercial Commitments

Our outstanding consolidated commercial commitments, in the form of letters of credit, amounted to Php41 million and Php20 million as at March 31, 2014 and December 31, 2013, 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 March 31, 2014 and December 31, 2013 other than those whose carrying amounts are reasonable approximations of fair values:

	Fair Values	
	March 31, 2014	December 31, 2013
	(Unaudited)	(Audited)
	(in millions)	
Noncurrent Financial Assets		
Available-for-sale financial investments		
Listed equity securities	Php95	Php97
Unlisted equity securities	126	123
Investments in debt securities and other long-term investments – net of current portion	2,899	2,668
Derivative financial assets – interest rate swap	36	24
Advances and other noncurrent assets – net of current portion	3,129	2,043
Total noncurrent financial assets	6,285	4,955
Current Financial Assets		
Derivative financial assets	–	10
Total current financial assets	–	10
Total Financial Assets	Php6,285	Php4,965
Noncurrent Financial Liabilities		
Interest-bearing financial liabilities	Php112,825	Php93,171
Derivative financial liabilities	1,606	1,869
Customers' deposits	1,976	2,044
Deferred credits and other noncurrent liabilities	17,007	18,696
Total noncurrent financial liabilities	133,414	115,780
Current Financial Liabilities		
Derivative financial liabilities	109	105
Total current financial liabilities	109	105
Total Financial Liabilities	Php133,523	Php115,885

The following table sets forth the amount of gains (losses) recognized for the financial assets and liabilities for the three months ended March 31, 2014 and for the year ended December 31, 2013:

	March 31, 2014	December 31, 2013
	(in millions)	
Profit and Loss		
From continuing operations		
Interest income	Php192	Php932
Gains on derivative financial instruments – net	187	511
Accretion on financial liabilities	(33)	(1,541)
Interest on loans and other related items	(1,213)	(5,086)
Discontinued operations		
Interest income	–	3
Interest on loans and other related items	–	(4)
Other Comprehensive Income		
Net fair value gains (losses) on cash flow hedges – net of tax	5	(16)
Net gains on available-for-sale financial investments – net of tax	–	(8)

Impact of Inflation and Changing Prices

Inflation can be a significant factor in the Philippine economy, and we are continually seeking ways to minimize its impact. The average inflation rate in the Philippines in the first quarter of 2014 and 2013 was 4.1% and 3.2%, respectively. Moving forward, we currently expect inflation to increase, which may have an impact on our operations.

PART II – OTHER INFORMATION

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

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

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

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

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

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

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

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

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

On March 3, 2014, the ERC issued an Order voiding the Luzon WESM process given that the prices in WESM during the November and December 2013 supply months on the basis of the preliminary findings of its Investigating Unit that these are not reasonable, rational and competitive. PEMC was given seven (7) days upon receipt of the Order to calculate these regulated prices and implement the same in the revised WESM bills of the concerned. PEMC's recalculated power bills for the supply month of December 2013 resulted in a net reduction of the December supply month bill of the WESM by Php9,274 million. The timing of amounts to be credited to Meralco is dependent on the reimbursement of PEMC from associated generator companies.

In view of the pendency of the various submissions before the Commission and mindful of the complexities in the implementation of ERC's Order dated March 3, 2014, the ERC directed PEMC to provide the market participants an additional period of 45 days to comply with the settlement of their respective adjusted WESM bills.

On April 22, 2014, the SC extended indefinitely the TRO issued on December 23, 2013 and February 18, 2014 and directed generating companies not to collect from Meralco.

Related Party Transactions

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

ANNEX I – AGING OF ACCOUNTS RECEIVABLE

The following table shows the aging of our consolidated receivables as at March 31, 2014:

Type of Accounts Receivable	Total	Current	31–60 Days	61–90 Days	Over 91 Days
			(in millions)		
Retail subscribers	Php13,244	Php3,469	Php1,378	Php380	Php8,017
Corporate subscribers	7,846	1,528	1,441	716	4,161
Foreign administrations	5,829	1,135	1,102	1,273	2,319
Domestic carriers	1,167	364	134	182	487
Dealers, agents and others	4,114	3,106	180	79	749
Total	32,200	Php9,602	Php4,235	Php2,630	Php15,733
Less: Allowance for doubtful accounts	14,816				
Total Receivables - net	Php17,384				

ANNEX II – FINANCIAL SOUNDNESS INDICATORS

The following table shows our financial soundness indicators as at March 31, 2014 and 2013:

	2014	2013
Current Ratio[1]	0.63:1.0	0.61:1.0
Net Debt to Equity Ratio[2]	0.52:1.0	0.55:1.0
Net Debt to EBITDA Ratio[3]	0.81:1.0	0.94:1.0
Total Debt to EBITDA Ratio[4]	1.60:1.0	1.48:1.0
Asset to Equity Ratio[5]	3.55:1.0	3.13:1.0
Interest Coverage Ratio[6]	7.40:1.0	6.91:1.0
Profit Margin[7]	22%	22%
Return on Assets[8]	9%	9%
Return on Equity[9]	28%	26%
EBITDA Margin[10]	48%	50%

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

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the registrant has duly caused this report for the first quarter of 2014 to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant: PHILIPPINE LONG DISTANCE TELEPHONE COMPANY

Signature and Title: ______________________________

NAPOLEON L. NAZARENO
President and Chief Executive Officer

Signature and Title: ______________________________

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

Signature and Title: ______________________________

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

Date: May 6, 2014