2013 Compared to 2012

Wireless

Revenues

We generated revenues from our wireless business of Php119,323 million in 2013, an increase of Php3,391 million, or 3%, from Php115,932 million in 2012, which was primarily due to higher revenues from our cellular and wireless broadband services.

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

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

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

Service Revenues

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

Cellular Service

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

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

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

[1] *The December 31, 2012 comparative information was adjusted to reflect certain presentation adjustments to conform with the current presentation of our business segments.*
[2] *Refers to other non-subscriber-related revenues consisting primarily of inbound international roaming fees, share in revenues from PLDT's WeRoam and PLP services, a small number of leased line contracts, and revenues from Chikka and other Smart subsidiaries.*

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

	2013	2012	Increase (Decrease) Amount	%
Cellular subscriber base	70,045,627	69,866,458	179,169	–
Prepaid	67,667,750	67,611,537	56,213	–
Smart	*24,608,687*	*25,061,453*	*(452,766)*	*(2)*
Talk 'N Text	*29,485,017*	*28,445,053*	*1,039,964*	*4*
Sun Cellular	*13,574,046*	*14,105,031*	*(530,985)*	*(4)*
Postpaid	2,377,877	2,254,921	122,956	5
Sun Cellular	*1,488,181*	*1,571,441*	*(83,260)*	*(5)*
Smart	*889,696*	*683,480*	*206,216*	*30*
Systemwide traffic volumes (in million minutes)[1]				
Calls	55,344	53,288	2,056	4
Domestic	51,504	49,597	1,907	4
Inbound	*1,228*	*1,242*	*(14)*	*(1)*
Outbound	*50,276*	*48,355*	*1,921*	*4*
International	3,840	3,691	149	4
Inbound	*3,216*	*3,025*	*191*	*6*
Outbound	*624*	*666*	*(42)*	*(6)*
SMS/Data count (in million hits)[1]	506,702	501,964	4,738	1
Text messages	504,050	500,039	4,011	1
Domestic	503,176	499,191	3,985	1
Bucket-Priced/Unlimited	*471,298*	*468,898*	*2,400*	–
Standard	*31,878*	*30,293*	*1,585*	*5*
International	874	848	26	3
Value-Added Services	2,577	1,872	705	38
Financial Services	75	53	22	42
Mobile internet (in TB)	18,092	4,954	13,138	265

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

Revenues generated from our prepaid cellular services amounted to Php84,600 million in 2013, an increase of Php75 million as compared with Php84,525 million in 2012. Prepaid cellular service revenues accounted for 82% and 84% of cellular voice and data revenues in 2013 and 2012, respectively. Revenues generated from postpaid cellular service amounted to Php19,042 million in 2013, an increase of Php2,525 million, or 15%, as compared with Php16,517 million earned in 2012, and which accounted for 18% and 16% of cellular voice and data revenues in 2013 and 2012, respectively. The increase in revenues from our prepaid cellular services was primarily due to an increase in domestic outbound voice revenues and mobile internet, partially offset by a decline in international outbound revenues. The increase in our postpaid cellular service revenues was primarily due to an increase in postpaid subscribers of Smart from 889,696 in 2013 from 683,480 in 2012 due to higher activations.

Voice Services

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

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

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

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

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

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

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

International voice service revenues decreased by Php340 million, or 2%, to Php16,110 million in 2013 from Php16,450 million in 2012 primarily due to the decline in international outbound voice service revenues by Php424 million, or 16%, to Php2,188 million in 2013 from Php2,612 million in 2012, partially offset by higher international inbound voice service revenues by Php84 million, or 1%, to Php13,922 million in 2013 from Php13,838 million in 2012. The net decrease in international voice service revenues was due to lower outbound traffic and a decrease in inbound termination rates, partially offset by the increase in inbound traffic and the favorable effect of higher weighted average exchange rate of the Philippine peso to the U.S. dollar. International inbound and outbound calls totaled 3,840 million minutes, an increase of 149 million minutes, or 4%, from 3,691 million minutes in 2012.

Data Services

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

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

	2013	2012(1)	Increase (Decrease) Amount	%
		(in millions)		
Text messaging				
Domestic	Php41,822	Php42,719	(Php897)	(2)
Bucket-Priced/Unlimited	*29,411*	*28,752*	*659*	*2*
Standard	*12,411*	*13,967*	*(1,556)*	*(11)*
International	3,519	3,782	(263)	(7)
	45,341	46,501	(1,160)	(2)
Mobile internet(2)	4,968	3,121	1,847	59
Value-added services(3)	1,949	1,793	156	9
Total	Php52,258	Php51,415	Php843	2

(1) *The December 31, 2012 comparative information was adjusted to reflect certain presentation adjustments to conform with the current presentation of our business segments.*
(2) *Includes revenues from web-based services, net of allocated discounts and content provider costs.*
(3) *Includes revenues from SMS-based VAS (info-on-demand and voice text services, net of allocated discounts and content provider costs); multi-media messaging system, or MMS-based VAS (point-to-point MMS and content download services, such as ringtone, logo or music downloads, net of allocated discounts and content provider costs); 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 and Talk 'N Text 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); and revenues from financial services which include revenues from Smart Money Clicks via Smart Menu and mobile banking. Smart Money Clicks includes the following services: balance inquiry, re-load prepaid accounts, bills payment, card management and internet purchases.*

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

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

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

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

VAS contributed revenues of Php1,949 million in 2013, an increase of Php156 million, or 9%, as compared with Php1,793 million in 2012, primarily due to an increase in revenues from SMS-based VAS revenues, partially offset by lower *Pasa Load/Give-a-Load* and MMS-based VAS revenues.

Subscriber Base, ARPU and Churn Rates

As at December 31, 2013, our cellular subscribers totaled 70,045,627, an increase of 179,169 over the cellular subscriber base of 69,866,458 as at December 31, 2012. Our cellular prepaid subscriber base increased by 56,213 to 67,667,750 as at December 31, 2013 from 67,611,537 as at December 31, 2012, while our cellular postpaid subscriber base also increased by 122,956, or 5%, to 2,377,877 as at December 31, 2013 from 2,254,921 as at December 31, 2012. The increase in subscriber base was primarily due to the growth in *Talk 'N Text* prepaid subscribers by 1,039,964, partially offset by a net decrease in Smart and *Sun Cellular* subscribers by 246,550 and 614,245, respectively, resulting from lower average activations in 2013. Prepaid subscribers exclude those subscribers whose minimum balance is derived via accumulation from its rewards program. Prepaid subscribers accounted for 97% of our total subscriber base as at December 31, 2013 and 2012.

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

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

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

	2013	2012
	(in %)	
Prepaid		
Smart	*5.3*	*6.0*
Talk 'N Text	*5.2*	*4.1*
Sun Cellular	*10.6*	*11.0*
Postpaid		
Smart	*2.7*	*2.6*
Sun Cellular	*3.2*	*1.0*

For *Smart Prepaid* subscribers, the average monthly churn rate in 2013 and 2012 were 5.3% and 6.0%, respectively, while the average monthly churn rate for *Talk 'N Text* subscribers were 5.2% and 4.1% in 2013 and 2012, respectively. The average monthly churn rate for *Sun Cellular* prepaid subscribers were 10.6% and 11.0% in 2013 and 2012, respectively.

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

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

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

(1) *Gross monthly ARPU is calculated by dividing gross cellular service revenues for the month, gross of discounts, allocated content provider costs and interconnection income but excluding inbound roaming revenues, by the average number of subscribers in the month.*
(2) *Net monthly ARPU is calculated by dividing gross cellular service revenues for the month, including interconnection income, but excluding inbound roaming revenues, net of discounts and content provider costs, by the average number of subscribers in the month.*
(3) *The December 31, 2012 comparative information was adjusted to reflect certain presentation adjustments to conform with the current presentation of our business segments.*

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

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

(1) Gross monthly ARPU is calculated based on the average of the gross monthly ARPUs for the quarter.
(2) Net monthly ARPU is calculated based on the average of the net monthly ARPUs for the quarter.
(3) The December 31, 2012 comparative information was adjusted to reflect certain presentation adjustments to conform with the current presentation of our business segments.

Wireless Broadband, Satellite and Other Services

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

Wireless Broadband

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

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

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

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

Smart Broadband offers *myBro,* a fixed wireless broadband service being offered under PLDT's *Home* megabrand. *myBro* fixed wireless broadband service is powered either via a link to Smart's wireless broadband-enabled base stations which allows subscribers to connect to the internet using an outdoor aerial antenna installed in the subscriber's home or via Smart's *WiMAX* network. *myBro* revenues increased by Php332 million, or 8%, to Php4,314 million in 2013 from Php3,982 million in 2012 primarily due to an increase in subscriber base by 8,858, or 2%, to 436,094 as at December 31, 2013 from 427,236 as at December 31, 2012.

Satellite and Other Services

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

Non-Service Revenues

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

Expenses

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

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

					Increase (Decrease)	
	2013	%	2012[(1)]	%	Amount	%
			(in millions)			
Depreciation and amortization	Php16,358	19	Php19,000	23	(Php2,642)	(14)
Cost of sales	10,182	12	7,373	9	2,809	38
Rent	10,148	12	9,970	12	178	2
Compensation and employee benefits	8,730	11	8,586	10	144	2
Interconnection costs	8,141	10	8,458	10	(317)	(4)
Selling and promotions	7,944	9	7,933	10	11	–
Repairs and maintenance	7,861	9	7,843	9	18	–
Professional and other contracted services	4,841	6	4,149	5	692	17
Asset impairment	3,918	5	4,218	5	(300)	(7)
Taxes and licenses	2,410	3	2,410	3	–	–
Insurance and security services	1,156	1	1,033	1	123	12
Communication, training and travel	1,029	1	1,014	1	15	1
Amortization of intangible assets	1,018	1	921	1	97	11
Other expenses	938	1	809	1	129	16
Total	Php84,674	100	Php83,717	100	Php957	1

[(1)] *The December 31, 2012 comparative information was adjusted to reflect certain presentation adjustments to conform with the current presentation of our business segments and the adjustments on the application of the Revised PAS 19 – Employee Benefits.*

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

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

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

Compensation and employee benefits expenses increased by Php144 million, or 2%, to Php8,730 million primarily due to higher MRP costs as a result of the retroactive adjustment of the application of the Revised PAS 19 of Php537 million in 2013, as well as LTIP costs, partially offset by lower salaries employee benefits, and provision for pension benefits. Employee headcount decreased to 7,680 as at December 31, 2013 as compared with 8,663 as at December 31, 2012, primarily due to the availment of the MRP by DMPI employees as at December 31, 2013.

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

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

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

Professional and other contracted service fees increased by Php692 million, or 17%, to Php4,841 million primarily due to an increase in outsourced service costs and call center fees, partly offset by lower consultancy and technical service fees.

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

Taxes and licenses remained at Php2,410 million for 2013 and 2012.

Insurance and security services increased by Php123 million, or 12%, to Php1,156 million primarily due to higher office and site security expenses, partly offset by lower insurance and bond premiums.

Communication, training and travel expenses increased by Php15 million, or 1%, to Php1,029 million primarily due to higher expenses related to mailing and courier, as well as freight and hauling, partially offset by lower travel expenses, fuel consumption costs for vehicles and communication charges.

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

Other expenses increased by Php129 million, or 16%, to Php938 million primarily due to higher various business and operational-related expenses.

Other Income (Expenses)

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

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

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

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

Provision for Income Tax

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

Net Income

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

EBITDA

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

Core Income

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

Fixed Line

Revenues

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

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

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

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

Service Revenues

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

Local Exchange Service

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

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

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

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

International Long Distance Service

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

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

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

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

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

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

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

National Long Distance Service

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

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

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

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

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

Data and Other Network Services

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

	2013	2012[(1)]	Increase Amount	%
Data and other network service revenues (in millions)	Php27,472	Php25,059	Php2,413	10
Domestic	19,917	18,436	1,481	8
Broadband	*12,268*	*11,212*	*1,056*	*9*
Leased Lines and Others	*7,649*	*7,224*	*425*	*6*
International				
Leased Lines and Others	*5,787*	*5,524*	*263*	*5*
Data Centers	1,768	1,099	669	61
Subscriber base				
Broadband	*961,967*	*887,399*	*74,568*	*8*
SWUP	*30,302*	*22,720*	*7,582*	*33*

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

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

Domestic

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

Broadband

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

Broadband data revenues amounted to Php12,268 million in 2013, an increase of Php1,056 million, or 9%, from Php11,212 million in 2012 as a result of the increase in the number of subscribers by 74,568, or 8%, to 961,967 subscribers as at December 31, 2013 from 887,399 subscribers as at December 31, 2012. Broadband revenues accounted for 45% of total data and other network service revenues in each of 2013 and 2012.

Leased Lines and Others

Leased lines and other data services include: (1) Diginet, our domestic private leased line service providing Smart's fiber optic and leased line data requirements; (2) IP-VPN, a managed corporate IP network that offers a secure means to access corporate network resources; (3) Metro Ethernet, our high-speed wide area networking services that enable mission-critical data transfers; (4) *Shops.Work*, our connectivity solution for retailers and franchisers that links company branches to their head office; and (5) *SWUP*, our wireless VPN service that powers mobile point-of-sale terminals and off-site bank ATMs, as well as other retail outlets located in remote areas. As at December 31, 2013, *SWUP* had a total subscriber base of 30,302, up by 7,582, or 33%, from 22,720 subscribers in 2012. Leased lines and other data revenues amounted to Php7,649 million in 2013, an increase of Php425 million, or 6%, from Php7,224 million in 2012, primarily due to higher revenues from Metro Ethernet, Diginet and *Shops.Work*, partially offset by lower internet exchange revenues. The percentage contribution of leased lines and other data service revenues to the total data and other network services were 28% and 29% in 2013 and 2012, respectively.

International

Leased Lines and Others

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

Data Centers

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

Miscellaneous Services

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

Non-service Revenues

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

Expenses

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

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

	2013	%	2012[1]	%	Increase (Decrease) Amount	%
			(in millions)			
Depreciation and amortization	Php13,946	25	Php13,354	25	Php592	4
Compensation and employee benefits	12,668	23	13,439	26	(771)	(6)
Interconnection costs	8,196	15	7,623	14	573	8
Repairs and maintenance	5,930	10	5,325	10	605	11
Professional and other contracted services	3,794	7	3,566	7	228	6
Rent	2,794	5	2,374	5	420	18
Selling and promotions	1,860	3	1,786	3	74	4
Cost of sales	1,665	3	1,374	3	291	21
Asset impairment	1,625	3	1,068	2	557	52
Taxes and licenses	1,515	3	1,097	2	418	38
Insurance and security services	762	1	632	1	130	21
Communication, training and travel	546	1	482	1	64	13
Amortization of intangible assets	2	–	–	–	2	100
Other expenses	672	1	656	1	16	2
Total	Php55,975	100	Php52,776	100	Php3,199	6

[1] *The December 31, 2012 comparative information was adjusted to reflect certain presentation adjustments to conform with the current presentation of our business segments and the adjustments on the application of the Revised PAS 19 – Employee Benefits.*

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

Compensation and employee benefits expenses decreased by Php771 million, or 6%, to Php12,668 million primarily due to lower MRP costs, net of the retroactive adjustment of the application of the Revised PAS 19 of Php732 million in 2013, and lower provision for LTIP costs, partially offset by higher provision for pension costs an increase in salaries and employee benefits. Employee headcount decreased to 10,219 in 2013 as compared with 10,462 in 2012 mainly due to a decrease in Digitel's headcount as a result of the MRP.

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

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

Professional and other contracted service expenses increased by Php228 million, or 6%, to Php3,794 million primarily due to higher contracted service and bill printing fees, partially offset by lower technical service and consultancy fees.

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

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

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

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

Taxes and licenses increased by Php418 million, or 38%, to Php1,515 million as a result of higher municipal licenses and other business-related taxes.

Insurance and security services increased by Php130 million, or 21%, to Php762 million primarily due to higher expenses on office security services, partially offset by lower insurance and bond premiums.

Communication, training and travel expenses increased by Php64 million, or 13%, to Php546 million mainly due to higher local and foreign training and travel, partially offset by a decrease in mailing and courier, and fuel consumption charges.

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

Other expenses increased by Php16 million, or 2%, to Php672 million primarily due to higher various business and operational-related expenses.

Other Expenses

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

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

(1) *The December 31, 2012 comparative information was adjusted to reflect certain presentation adjustments to conform with the current presentation of our business segments and the adjustments on the application of the Revised PAS 19 – Employee Benefits.*

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

Benefit from Income Tax

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

Net Income

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

EBITDA

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

Core Income

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

Others

Expenses

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

Other Income

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

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

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

Net Income

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

EBITDA

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

Core Income

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