PHILIPPINE LONG DISTANCE TELEPHONE CO
Form 6-K
November 06, 2007

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6 -K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16

of the Securities Exchange Act of 1934

For the month of November 2007

Commission File Number 1-03006

Philippine Long Distance Telephone Company

(Exact Name of Registrant as specified in its Charter)

Ramon Cojuangco Building

Makati Avenue

Makati City

Philippines

(Address of principal executive offices)

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

Form 20-F: √ Form 40-F:

(Indicate by check mark whether by furnishing the information contained in this form, the registrant is also thereby furnishing the information to the commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act 1934.)

Yes: No: √

(If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-_____)

EXHIBITS

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PHILIPPINE LONG DISTANCE TELEPHONE COMPANY

By: /s/Ma. Lourdes C. Rausa-Chan
Ma. Lourdes C. Rausa-chan
Senior Vice President, Corporate Affairs and Legal Services Head and Corporate Secretary

Date: November 6, 2007

SEC Number **PW-55**
File Number

PHILIPPINE LONG DISTANCE

TELEPHONE COMPANY

(Company s Full Name)

Ramon Cojuangco Building

Makati Avenue, Makati City

(Company s Address)

(632) 816-8556

(Telephone Number)

Not Applicable

____

(Fiscal Year Ending)

(month & day)

SEC Form 17-Q

____

Form Type

Not Applicable

____

Amendment Designation (if applicable)

September 30, 2007

____

Period Ended Date

Not Applicable

____

(Secondary License Type and File Number)

November 6, 2007

Securities & Exchange Commission

Money Market Operations Department

SEC Building, EDSA

Mandaluyong City

Attention: Director Justina Callangan

Corporations Finance Department

Gentlemen:

In accordance with Section 17.1(b) of the Securities Regulation Code and SRC Rule 17.1, we submit herewith five (5) copies of SEC Form 17-Q with Management s Discussion and Analysis and accompanying unaudited financial statements of the Company for the nine (9) months ended September 30, 2007.

Very truly yours,

PHILIPPINE LONG DISTANCE TELEPHONE COMPANY

/s/Ma. Lourdes C. Rausa-Chan

MA. LOURDES C. RAUSA-CHAN

Corporate Secretary

COVER SHEET

	P	W	-	5	5	
	S.E.C. Registration No.					

P	H	I	L	I	P	P	I	N	E		L	O	N	G		D	I	S	T	A	N	C	E

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(Company s Full Name)

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M	A	K	A	T	I		A	V	E	.		M	A	K	A	T	I		C	I	T	Y

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

ATTY. MA. LOURDES C. RAUSA-CHAN		816-8405
Contact Person		**Company Telephone Number**

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

Fiscal Year			

C F D		N/A
Dept. Requiring this Doc.		Amended Articles Number/Section

Total Amount of Borrowings

2,186,117

N/A

As of September 30, 2007

N/A

Total No. of Stockholders

Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number		LCU

Document I.D.		Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE (SRC) AND

SRC 17 (2) (b) THEREUNDER

1. For the quarterly period ended September 30, 2007

-

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 188,708,152 shares as of September 30, 2007

-

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

Yes [X] No [ ]

12. Check whether the registrant

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

Yes [X] No [ ]

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

Yes [X] No [ ]

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Exhibit 1.1

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

Our financial statements as at September 30, 2007 (unaudited) and December 31, 2006 (audited) and for the nine months ended September 30, 2007 and 2006 (unaudited) and related notes (pages F-1 to F-95) 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 (see Note 2 Summary of Significant Accounting Policies and Practices to the accompanying unaudited consolidated financial statements for a list of these subsidiaries, including a description of their respective principal business activities).

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the accompanying unaudited consolidated financial statements and the related notes. Our unaudited consolidated financial statements, and the financial information discussed below, have been prepared in accordance with Philippine Financial Reporting Standards, which differ in certain significant respects from generally accepted accounting principles in the United States.

The financial information appearing in this report and in the accompanying unaudited consolidated financial statements is stated in Philippine pesos. All references to pesos, Philippine pesos or Php 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 ¥ are to the lawful currency of Japan and all references to Euro or are to the lawful currency of the European Union. 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 Php44.974 to US$1.00, the volume weighted average exchange rate at September 30, 2007 quoted through the Philippine Dealing System.

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

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

Financial Highlights and Key Performance Indicators

(in millions, except for operational data, exchange rates and earnings per common share)	September 30, 2007 (Unaudited)	December 31, 2006 (Audited)	Decrease Amount	%
Consolidated Balance Sheets				
Total assets	Php227,971	Php241,892	(Php13,921)	(6)
Property, plant and equipment net	159,288	164,190	(4,902)	(3)
Cash and cash equivalents and short-term investments	19,993	25,197	(5,204)	(21)
Total equity	103,692	104,523	(831)	(1)
Notes payable and long-term debt	64,725	80,154	(15,429)	(19)
Net debt(1) to equity ratio	0.43x	0.53x		

	Nine Months Ended September 30, 2007	2006	Increase (Decrease) Amount	%
	(Unaudited)			
Consolidated Statements of Income				
Revenues and other income	Php103,468	Php95,400	Php8,068	8
Expenses	63,488	65,902	(2,414)	(4)
Income before income tax	39,980	29,498	10,482	36
Net income	26,952	26,367	585	2
Net income attributable to equity holders of PLDT	26,506	25,744	762	3
Net income margin	26%	27%		
Earnings per common share basic	138.71	138.71		
Consolidated Statements of Cash Flows				
Net cash provided by operating activities	55,499	56,146	(647)	(1)
Net cash used in investing activities	19,557	25,261	(5,704)	(23)
Capital expenditures	*14,529*	*16,872*	*(2,343)*	*(14)*
Net cash used in financing activities	43,980	41,763	2,217	5
Operational Data				
Number of cellular subscribers	28,260,095	22,929,431	5,330,664	23
Number of fixed line subscribers	1,751,468	1,747,357	4,111	
Number of broadband subscribers	501,250	219,601	281,649	128
Fixed Line	*229,534*	*118,679*	110,*855*	93
Wireless	*271,716*	*100,922*	*170,794*	169
Number of employees	26,135	26,610	(475)	(2)
Fixed Line	*8,057*	*9,110*	*(1,053)*	*(12)*
Wireless	*5,345*	*5,328*	17	
Information and Communications Technology	*12,733*	*12,172*	561	*5*

Exchange Rates Php per US$

September 30, 2007	Php44.974
December 31, 2006	49.045
September 30, 2006	50.249
December 31, 2005	53.062

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

Overview

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

• *Wireless* wireless telecommunications services provided by Smart Communications, Inc., or Smart, and Pilipino Telephone Corporation, or Piltel, our cellular service providers; Smart Broadband, Inc., or Smart Broadband, our wireless broadband provider; Wolfpac Mobile, Inc., or Wolfpac, our wireless content operator; Mabuhay Satellite Corporation, or Mabuhay Satellite, ACeS Philippines Cellular Satellite Corporation, or ACeS Philippines, and Telesat, Inc., or Telesat, our satellite and very small aperture terminal, or VSAT, operators;

• *Fixed Line* fixed line telecommunications services are primarily provided through PLDT. We also provide fixed line services through PLDT s subsidiaries PLDT Clark Telecom, Inc., Subic Telecommunications Company, Inc., PLDT-Maratel, Inc., Piltel, PLDT Global Corporation, or PLDT Global, Smart-NTT Multimedia, Inc. and Bonifacio Communications Corporation, which together account for approximately 3% of our consolidated fixed line subscribers; and

• *Information and Communications Technology, or ICT* information and communications infrastructure and services for internet applications, internet protocol, or IP-based solutions and multimedia content delivery provided by PLDT s subsidiary ePLDT, Inc., or ePLDT; business process outsourcing, or BPO, provided by SPi Technologies, Inc. and its subsidiaries, or SPi Group (consolidated on July 11, 2006); call center services provided under the umbrella brand name *ePLDT Ventus*, include ePLDT Ventus, Inc., or Ventus, Parlance Systems, Inc., or Parlance, and Vocativ Systems, Inc., or Vocativ; internet access and online gaming services provided by ePLDT s subsidiaries, Infocom Technologies, Inc., or Infocom, Digital Paradise, Inc., or Digital Paradise, Digital Paradise Thailand, Ltd., or Digital Paradise Thailand, netGames, Inc., or netGames, Airborne Access Corporation, or Airborne Access and Level Up!, Inc., or Level Up!; and e-commerce, and IT-related services provided by other investees of ePLDT, as discussed in *Note 9 Investments in Associates* to the accompanying unaudited consolidated financial statements.

We registered total revenues and other income of Php103,468 million in the first nine months of 2007, an increase of Php8,068 million, or 8%, as compared to Php95,400 million in the same period in 2006 primarily due to an increase in our service revenues by Php8,467 million largely from our wireless business.

Expenses decreased by Php2,414 million, or 4%, to Php63,488 million in the first nine months of 2007 from Php65,902 million in the same period in 2006, largely resulting from decreases in depreciation and amortization, and financing costs partly offset by higher compensation and benefits, professional and other contracted services, and taxes and licenses.

Net income attributable to equity holders of PLDT increased by Php762 million, or 3%, to Php26,506 million in the first nine months of 2007 from Php25,744 million in the same period in 2006. However, despite the increase in our net income in 2007, our basic earnings per common share in the first nine months of 2007 and 2006 resulted in the same amount of Php138.71 due to the corresponding increase in the weighted average number of common shares outstanding from 183.1 million in the first nine months of 2006 to 188.6 million in the same period in 2007.

Results of Operations

The table below shows the contribution by each of our business segments to our revenues and other income, expenses and net income for the nine months ended September 30, 2007 and 2006. Most of our revenues are derived from our operations within the Philippines.

	Wireless	**Fixed Line**	**ICT**	**Inter-segment Transactions**	**Total**
(in millions)					
For the nine months ended September 30, 2007					
(Unaudited)					
Revenues and other income	Php66,407	Php36,242	Php7,643	(Php6,824)	Php103,468
Service	64,059	35,664	7,416	(6,669)	100,470
Non-service	1,630	119	200	(89)	1,860
Other income	718	459	27	(66)	1,138
Expenses	32,339	30,264	7,709	(6,824)	63,488
Income (loss) before income tax	34,068	5,978	(66)		39,980
Net income for the period	22,947	3,998	7		26,952
Net income attributable to equity holders of PLDT	22,465	3,995	46		26,506

For the nine months ended September 30, 2006									
(Unaudited)									
Revenues and other income	60,488		36,629		4,146		(5,863)	95,400	
Service	58,016		35,901		3,788		(5,702)	92,003	
Non-service	1,842		71		339		(92)	2,160	
Equity share in net income of associates					1			1	
Other income	630		657		18		(69)	1,236	
Expenses	31,655		35,982		4,128		(5,863)	65,902	
Income before income tax	28,833		647		18			29,498	
Net income for the period	25,757		587		23			26,367	
Net income attributable to equity holders of PLDT	25,098		586		60			25,744	
Increase (Decrease)	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**Amount**	**%**
Revenues and other income	Php5,919	10	(Php387)	(1)	Php3,497	84	(Php961)	Php8,068	8
Service	6,043	10	(237)	(1)	3,628	96	(967)	8,467	9
Non-service	(212)	(12)	48	68	(139)	(41)	3	(300)	(14)
Equity share in net income of associates					(1)	(100)		(1)	(100)
Other income	88	14	(198)	(30)	9	50	3	(98)	(8)
Expenses	684	2	(5,718)	(16)	3,581	87	(961)	(2,414)	(4)
Income before income tax	5,235	18	5,331	824	(84)	(467)		10,482	36
Net income for the period	(2,810)	(11)	3,411	581	(16)	(70)		585	2
Net income attributable to equity holders of PLDT	(2,633)	(10)	3,409	582	(14)	(23)		762	3

Wireless

Revenues and Other Income

Our wireless business segment offers cellular services as well as wireless broadband, satellite, VSAT and other services.

The following table summarizes our service and non-service revenues and other income from our wireless business for the nine months ended September 30, 2007 and 2006 by service segment:

Nine Months Ended September 30,

	2007	%	2006	%	Increase (Decrease) Amount	%
(in millions)			(Unaudited)			
Wireless services:						
Service Revenues						
Cellular	Php61,121	92	Php56,086	93	Php5,035	9
Wireless broadband, satellite, VSAT and others	2,938	5	1,930	3	1,008	52
	64,059	97	58,016	96	6,043	10
Non-service Revenues						
Sale of cellular handsets and SIM-packs	1,630	2	1,842	3	(212)	(12)
Other Income	718	1	630	1	88	14
Total Wireless Revenues and Other Income	Php66,407	100	Php60,488	100	Php5,919	10

Service Revenues

Our wireless service revenues increased by Php6,043 million, or 10%, to Php64,059 million in the first nine months of 2007 as compared with Php58,016 million in the same period in 2006, mainly as a result of the growth in the cellular and wireless broadband subscriber base, an increase in inbound international traffic and inbound roaming revenues, partially offset by an increase in interconnection costs and the unfavorable effect of the appreciation of the Philippine peso on dollar-linked revenues. As a percentage of our total wireless revenues and other income, service revenues contributed 97% in the first nine months of 2007 as compared to 96% in the same period in 2006.

Cellular Service

Our cellular service revenues consist of:

- revenues derived from actual usage of the network by prepaid subscribers and any unused peso value of expired prepaid cards or electronic air time loads, net of content costs and discounts given to dealers;

- monthly service fees from postpaid subscribers, including: (1) charges for calls in excess of allocated free local calls; (2) toll charges for national and international long distance calls; (3) charges for text messages of our service customers in excess of allotted free text messages; and (4) charges for value-added services, net of related content provider costs;

- revenues generated from incoming calls and messages to our subscribers, net of interconnection expenses; fees from reciprocal traffic from international correspondents; and revenues from inbound international roaming calls for the service; and

- other charges, including those for reconnection and migration.

Our cellular service revenues in the first nine months of 2007 amounted to Php61,121 million, an increase of Php5,035 million, or 9%, from Php56,086 million in the same period in 2006. Cellular service revenues accounted for 95% of our wireless service revenues in the first nine months of 2007 as compared to 97% in the same period in 2006.

Smart markets nationwide cellular communications services under the brand names *Smart Buddy, Smart Gold, addict mobile,* and *Smart Infinity*. *Smart Buddy* is a prepaid service while *Smart Gold, Smart Infinity* and *addict mobile* are postpaid services, which are all provided through Smart's digital network. Piltel markets its cellular prepaid service under the brand name *Talk N Text* which is provided through Smart s network.

Since 2006, Smart has focused on segmenting its market by offering sector-specific, value-driven packages such as *All Text*, a new variety of top-up service providing a fixed number of messages with prescribed validity periods. Offerings include *All Text 10 Bonus*, with a suggested retail price of Php12, which includes 10 messages to all networks plus five bonus on-network messages with a one-day validity period and, effective March 24, 2007, *All Text Plus*, which offers 90 on-network messages plus 10 messages to all networks for Php20, with one day validity period. *All Text Plus* is in effect until January 26, 2008. *All Text* also has a voice counterpart in *All Talk Call,* a call package which allows three calls of up to three minutes each for local on-network calls for Php20, valid for one day. Other voice offerings include: (a) the *Flat Rate Plus Call*, which allows a subscriber to make: (1) an on-network call of up to three minutes for Php10 or extend the call to five minutes for Php15; or (2) an off-network call of up to two minutes for Php10 or extend the call up to three minutes for Php15, effective March 29, 2007; and (b) *Tipid Talk*, a call package which allows a subscriber to make four calls of up to 30 seconds each for local on-network calls, valid for one day for Php10 and another variant allowing four calls of up to 15 seconds each for local on-network calls, valid for one day for Php5.50. *All Text 10 Bonus, All Talk Call, Tipid Talk* and *Flat Rate Plus Call* are now permanent offerings. Smart also continues to offer *Smart 258*, a registration-based service which offers unlimited on-network text messaging in load denominations of Php15, Php30 and Php60 with corresponding expiration periods of 1, 2 and 4 days, respectively.

On January 18, 2007, Smart introduced *LAHATxt*, a top-up service for Smart prepaid subscribers which offers a bundle of text messages available to all networks. *LAHATxt 35* provides for 100 text messages to all networks for Php35 with a one day validity period. Likewise, *Talk N Text* subscribers have *LAHATxt 20* which allows a subscriber to make 50 text messages to all networks for Php20, also valid for one day. A variant of the *All Text* promotion, *Gaantxt Plus* is specifically targeted at *Talk N Text* subscribers. For a load of Php10, the promotion gives 40 *Talk N Text* to *Talk N Text* messages plus five messages to all networks valid for one day. The *Gaantxt Plus* promotion is valid until February 1, 2008.

In May 2007, Smart introduced the *Ask-for-Load* service which offers a maximum of three Php5 air time load requests per day to all Smart and *Talk N Text* subscribers.

On October 3, 2007, we offered the *Talk N Text GaanSIM* for Php30 with pre-stored air time of Php1 plus 25 free SMS. The promotion period will run until November 18, 2007.

Smart likewise has in place various promotions to stimulate international usage. These include *International Budget Text* packages, which have a limited duration and a varying number of allowable messages, allow subscribers to send international text to pre-registered recipients of the subscriber s choice, on supported overseas carriers.

Smart also has a roster of 3G services which it commercially launched in May 2006. These services include video calling, video streaming, high-speed internet browsing and downloading of special 3G content, offered at rates similar to those of 2G services.

The following table summarizes key measures of our cellular business as at and for the nine months ended September 30, 2007 and 2006:

	Nine Months Ended September 30,			
			Increase	
	2007	**2006**	**Amount**	**%**
(in millions)		(Unaudited)		
Cellular service revenues	Php61,121	Php56,086	Php5,035	9
By component	*59,517*	*54,608*	*4,909*	*9*
Voice	26,858	26,168	690	3
Data	32,659	28,440	4,219	15
By service type	*59,517*	*54,608*	*4,909*	*9*
Prepaid	55,101	50,921	4,180	8
Postpaid	4,416	3,687	729	20
Others(1)	*1,604*	*1,478*	*126*	*9*

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

	September 30,			
			Increase	
	2007	**2006**	**Amount**	**%**
		(Unaudited)		
Cellular subscriber base	28,260,095	22,929,431	5,330,664	23
Prepaid	27,921,504	22,618,675	5,302,829	23
Smart	*19,576,658*	*16,238,917*	*3,337,741*	*21*
Piltel	*8,344,846*	*6,379,758*	*1,965,088*	*31*
Postpaid	338,591	310,756	27,835	9

	Nine Months Ended September 30,			
			Increase (Decrease)	
	2007	**2006**	**Amount**	**%**
		(Unaudited)		
Systemwide traffic volumes (in millions)				
Calls (in minutes)	4,690	4,208	482	11
Domestic outbound	2,806	2,578	228	9
International	1,884	1,630	254	16
Inbound	*1,737*	*1,509*	*228*	*15*
Outbound	*147*	*121*	*26*	*21*
SMS count	160,168	178,420	(18,252)	(10)
Text messages	158,655	176,640	(17,985)	(10)
Standard	*19,278*	*23,823*	*(4,545)*	*(19)*
Bucket-Priced	*139,183*	*152,654*	*(13,471)*	*(9)*
International	*194*	*163*	*31*	*19*
Value-Added Services	1,480	1,756	(276)	(16)
Financial Services	33	24	9	38

As at September 30, 2007, Smart and Piltel cellular subscribers totaled 28,260,095, an increase of 5,330,664, or 23%, over their combined cellular subscriber base of 22,929,431 as at September 30, 2006. Prepaid subscribers accounted for 99% of our total subscriber base as at September 30, 2007 and 2006. Prepaid and postpaid subscribers totaled 27,921,504 and 338,591 as at September 30, 2007, reflecting net subscriber activations of 4,064,683 and 20,028, respectively, in the first nine months of 2007.

Revenues attributable to our cellular prepaid service amounted to Php55,101 million in the first nine months of 2007, an 8% increase over the Php50,921 million earned in the same period in 2006. Prepaid service revenues in the first nine months of 2007 and 2006 accounted for 93% of voice and data revenues. Revenues attributable to Smart s postpaid service amounted to Php4,416 million in the first nine months of 2007, a 20% increase over the Php3,687 million earned in the same period in 2006, and accounted for 7% of voice and data revenues in 2007 and 2006.

Voice Services

Cellular revenues from voice services, which include all voice traffic and voice value-added services such as voice mail and international roaming, increased by Php690 million, or 3%, to Php26,858 million in the first nine months of 2007 from Php26,168 million in the same period in 2006 primarily due to an increase in domestic voice, international long distance and voice roaming revenues, and domestic and international inbound revenues. The increase in domestic and international outbound and inbound revenues may be attributed to increased traffic mainly on account of subscriber growth.

Air time rates for postpaid subscribers vary depending on the type of postpaid plan selected by subscribers.

Data Services

Cellular revenues from data services, which include all text messaging-related services as well as value-added services, increased by Php4,219 million, or 15%, to Php32,659 million in the first nine months of 2007 from Php28,440 million in the same period in 2006. Cellular data services accounted for 53% of cellular service revenues in the first nine months of 2007 as compared to 51% in the same period in 2006.

The following table shows the breakdown of cellular data revenues for the nine months ended September 30, 2007 and 2006:

	Nine Months Ended September 30,			
			Increase (Decrease)	
	2007	**2006**	**Amount**	**%**
(in millions)		(Unaudited)		
Text messaging				
Domestic	Php29,059	Php24,156	Php4,903	20
Standard	*15,021*	*16,640*	*(1,619)*	*(10)*
Bucket-Priced	*14,038*	*7,516*	*6,522*	*87*
International	1,383	1,425	(42)	(3)
	30,442	25,581	4,861	19
Value-added services				
Standard(1)	1,428	1,967	(539)	(27)
Rich Media(2)	254	200	54	27
Pasa Load	472	642	(170)	(26)
	2,154	2,809	(655)	(23)
Financial services				
Smart Money	60	47	13	28

Mobile Banking	3 63	3 50	13	26
Total	Php32,659	Php28,440	Php4,219	15

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(1) Includes standard services such as info-on-demand, ringtone and logo downloads, etc.

(2) Includes MMS, WAP, GPRS, etc.

Text messaging-related services contributed revenues of Php30,442 million in the first nine months of 2007, an increase of Php4,861 million, or 19%, compared to Php25,581 million in the same period in 2006, and accounted for 93% and 90% of the total cellular data revenues in the first nine months of 2007 and 2006, respectively. The increase in revenues from text messaging-related services resulted mainly from Smart s various bucket-priced text promotional offerings. Text messaging revenues from the various bucket plans totaled Php14,038 million in the first nine months of 2007, an increase of Php6,522 million, or 87%, compared to Php7,516 million in the same period in 2006.

Standard text messages totaled 19,278 million in the first nine months of 2007, a decrease of 4,545 million, or 19%, from 23,823 million in the same period in 2006 mainly due to a shift to bucket-priced text services. Bucket-priced text messages in the first nine months of 2007 totaled 139,183 million, a decrease of 13,471 million, or 9%, as compared to 152,654 million in the same period in 2006 mainly on account of the introduction in late 2006 of low-denomination text packages with a fixed number of SMS including off-network messages. While these promotional text offerings resulted in reduced traffic for *Smart 258 Unlimited Text* service, the yield per SMS improved significantly resulting in increased text revenues.

Value-added services, which contributed revenues of Php2,154 million in the first nine months of 2007, decreased by Php655 million, or 23%, from Php2,809 million in the same period of 2006 primarily due to lower usage of standard services and *Pasa Load*, partially offset by higher usage of rich media services in the first nine months of 2007 as compared to the same period in 2006.

Subscriber Base, ARPU and Churn Rates

Prepaid subscribers accounted for approximately 99% of our 28,260,095 subscribers as at September 30, 2007, while postpaid subscribers accounted for the remaining 1%. The cellular prepaid subscriber base grew by 23% to 27,921,504 as at September 30, 2007 from 22,618,675 as at September 30, 2006, whereas the postpaid subscriber base increased by 9% to 338,591 as at September 30, 2007 from 310,756 as at September 30, 2006.

Our net subscriber activations for the nine months ended September 30, 2007 and 2006 were as follows:

	Nine Months Ended September 30,			
			Increase (Decrease)	
	2007	2006	Amount	%
	(Unaudited)			
Prepaid	4,064,683	2,490,132	1,574,551	63
Smart	2,694,216	1,094,799	1,599,417	146
Piltel	1,370,467	1,395,333	(24,866)	(2)
Postpaid	20,028	30,678	(10,650)	(35)
Total	4,084,711	2,520,810	1,563,901	62

The following table summarizes our cellular ARPUs for the nine months ended September 30, 2007 and 2006:

	Nine Months Ended September 30,							
	Gross		Increase (Decrease)		Net		Increase (Decrease)	
	2007	2006	Amount	%	2007	2006	Amount	%
	(Unaudited)							
Prepaid								
Smart	Php314	Php341	(Php27)	(8)	Php257	Php290	(Php33)	(11)
Piltel	222	231	(9)	(4)	186	197	(11)	(6)
Prepaid Blended	287	312	(25)	(8)	236	265	(29)	(11)
Postpaid Smart	2,086	1,893	193	10	1,491	1,401	90	6
Prepaid and Postpaid Blended	309	333	(24)	(7)	252	280	(28)	(10)

ARPU is computed for each month by dividing the revenues for the relevant services for the month by the average of the number of subscribers at the beginning and at the end of the month. Gross monthly ARPU is computed by dividing the revenues for the relevant services, gross of discounts and allocated content-provider costs, including interconnection income but excluding inbound roaming revenues, by the average number of subscribers. Net monthly ARPU, on the other hand, is calculated based on revenues net of discounts and allocated content-provider costs and interconnection income net of interconnection expense. ARPU for any period of more than one month is calculated as the simple average of the monthly ARPUs in that period.

Prepaid service revenues consist mainly of charges for subscribers actual usage of their loads. Prepaid blended ARPU in the first nine months of 2007 was Php287, a decrease of 8%, compared to Php312 in the same period in 2006. The average outbound domestic and international voice as well as the average value-added services and inbound revenue per subscriber declined in the first nine months of 2007 compared to the same period in 2006, but were partly offset by an increase in the average text messaging revenue per subscriber. On a net basis, prepaid blended ARPU in the first nine months of 2007 was Php236, a decrease of 11%, compared to Php265 in the same period in 2006.

Monthly ARPU for Smart s postpaid services is calculated in a manner similar to that of prepaid service, except that the revenues consist mainly of monthly service fees and charges on usage in excess of the monthly service fees.

Gross monthly ARPU for postpaid subscribers increased by 10% to Php2,086 while net monthly ARPU increased by 6% to Php1,491 in the first nine months of 2007 as compared to Php1,893 and Php1,401 in the same period in 2006, respectively. Prepaid and postpaid monthly gross blended ARPU was Php309 in the first nine months of 2007, a decrease of 7%, compared to Php333 in the same period in 2006. Monthly net blended ARPU decreased by 10% to Php252 in the first nine months of 2007 as compared to Php280 in the same period in 2006.

Our quarterly prepaid and postpaid ARPUs for the nine months ended September 30, 2007 and 2006 were as follows:

	Prepaid				**Postpaid**	
	Smart		**Piltel**		**Smart**	
	Gross	**Net**	**Gross**	**Net**	**Gross**	**Net**
			(Unaudited)			
2007						
First Quarter	Php323	Php267	Php228	Php187	Php2,045	Php1,483
Second Quarter	324	265	233	198	2,141	1,526
Third Quarter	293	239	206	173	2,073	1,464
2006						
First Quarter	Php356	Php294	Php245	Php207	Php1,867	Php1,386
Second Quarter	344	294	234	202	1,920	1,414
Third Quarter	323	280	213	184	1,891	1,403
Fourth Quarter	332	286	213	184	1,939	1,425

Churn, or the rate at which existing subscribers have their service cancelled in a given period, is computed based on total disconnections in the period, net of reconnections in the case of postpaid subscribers, divided by the average of the number of subscribers at the beginning and at the end of a month, all divided by the number of months in the same period.

We recognize a prepaid cellular subscriber as an active subscriber when that subscriber activates and uses the SIM card in the subscriber s handset, which contains pre-stored air time. The pre-stored air time, equivalent to Php1 plus 50 free SMS, can only be used upon purchase or reload of air time of any value. Subscribers can reload their air time by purchasing prepaid call and text cards; by purchasing additional air time over the air via *Smart Load, All Text* or *Smart Connect*; and by receiving loads of Php2, Php5, Php10 and Php15 via *Pasa Load*, or through their handsets using *Smart Money*. Reloads have validity periods ranging from one day to two months, depending on the amount reloaded. A prepaid cellular subscriber is disconnected if the subscriber does not reload within four months after the full usage or expiry of the last reload. Our current policy is to recognize a prepaid subscriber as active only when the subscriber activates and uses the SIM card and reloads at least once during the month of initial activation or in the immediate succeeding month.

For Smart prepaid, the average monthly churn rate for the first nine months of 2007 and 2006 were 3.1% and 3.2%, respectively, while the average monthly churn rate for *Talk N Text* subscribers was 3.5% in the first nine months of 2007 and 2006.

The average monthly churn rate for Smart's postpaid subscribers for the first nine months of 2007 was 1.3% compared to 1.2% in the same period in 2006. Smart's policy is to redirect outgoing calls to an interactive voice response system if the postpaid subscriber's account is either 45 days overdue or the subscriber has exceeded the prescribed credit limit. If the subscriber does not make a payment within 44 days of redirection, the account is disconnected. Within this 44-day period, a series of collection activities are implemented, involving the sending of a collection letter, call-out reminders and collection messages via text messaging.

Wireless Broadband, Satellite, VSAT and Other Services

Our revenues from wireless broadband, satellite, VSAT and other services consist of wireless broadband service revenues for Smart Broadband, rentals received for the lease of Mabuhay Satellite s transponders and Telesat s VSAT facilities to other companies, charges for ACeS Philippines satellite information and messaging services and service revenues generated from PLDT Global s subsidiaries. Gross revenues from these services for the first nine months of 2007 amounted to Php2,938 million, an increase of Php1,008 million, or 52%, from Php1,930 million in the same period in 2006 principally due to the growth in our wireless broadband business partially offset by lower satellite transponder rental revenues.

Smart Broadband offers a number of wireless broadband services and had 259,477 subscribers as at September 30, 2007 as compared to 92,922 in the same period in 2006. *SmartBro*, the fixed wireless broadband service of Smart linked to Smart s wireless broadband-enabled base stations, allows people to connect to the internet using an outdoor aerial antenna installed in a subscriber s home. Wireless broadband revenues contributed Php1,597 million in the first nine months of 2007, increasing by Php1,088 million, or 214%, from Php509 million in the same period in 2006.

We also offer *PLDT WeRoam*, a wireless broadband service, running on Smart s nationwide wireless network (using GPRS, EDGE and WiFi technologies) and PLDT s extensive IP infrastructure. Some of the recent enhancements to this service are the inclusion of international roaming in key roaming countries all over the world and national WiFi roaming access. Principally targeted at the corporate market, this service had 12,239 subscribers as at September 30, 2007 compared to 8,000 subscribers as at September 30, 2006 and contributed Php92 million to our data revenues, increasing by 64% from Php56 million in the same period in 2006**.**

Non-service Revenues

Our wireless non-service revenues consist of:

- proceeds from sales of cellular handsets; and
- proceeds from sales of cellular SIM-packs.

Our wireless non-service revenues decreased by Php212 million, or 12%, to Php1,630 million in the first nine months of 2007 as compared to Php1,842 million in the same period in 2006 primarily due to a lower volume of postpaid handsets sold and a lower average revenue per handset and SIM-pack, partly offset by a higher volume of prepaid handsets and SIM-packs sold in the first nine months of 2007.

Other Income

All other income/gains such as rental income, gain on disposal of property and which do not fall under service and non-service revenues are included under this classification. Our wireless business segment generated other income of Php718 million in the first nine months of 2007, an increase of Php88 million, or 14%, as compared to Php630 million in the same period in 2006.

Expenses

Expenses associated with our wireless business in the first nine months of 2007 amounted to Php32,339 million, an increase of Php684 million, or 2%, from Php31,655 million in the same period in 2006. A significant portion of this increase was attributable to higher depreciation and amortization, rent and selling and promotions expenses partially offset by net financing gains. As a percentage of our total wireless revenues and other income, expenses associated with our wireless business accounted for 49% and 52% in the first nine months of 2007 and 2006, respectively.

Cellular business expenses accounted for 92% of our wireless business expenses, while wireless broadband, satellite, VSAT and other business expenses accounted for the remaining 8% of our wireless business expenses in the first nine months of 2007 and 2006.

The following table summarizes the breakdown of our wireless-related expenses for the nine months ended September 30, 2007 and 2006 and the percentage of each expense item to the total:

	Nine Months Ended September 30,					
					Increase (Decrease)	
	2007	**%**	**2006**	**%**	**Amount**	**%**
			(Unaudited)			
(in millions)						
Wireless services						
Depreciation and amortization	Php8,907	28	Php7,948	25	Php959	12
Rent	6,274	19	5,157	16	1,117	22
Compensation and benefits(1)	3,730	12	3,928	12	(198)	(5)
Cost of sales	3,443	11	3,600	11	(157)	(4)
Selling and promotions	2,836	9	2,032	7	804	40
Maintenance	2,635	8	2,688	9	(53)	(2)
Professional and other contracted services	1,632	5	1,332	4	300	23
Taxes and licenses	922	3	754	2	168	22
Communication, training and travel	773	2	632	2	141	22
Insurance and security services	564	2	620	2	(56)	(9)
Provisions	272	1	397	1	(125)	(31)
Amortization of intangible assets	124		236	1	(112)	(47)
Financing costs (gains)	(527)	(2)	1,845	6	(2,372)	(129)
Other expenses	754	2	486	2	268	55
Total	Php32,339	100	Php31,655	100	Php684	2

(1) Includes salaries and benefits, incentive plan, pension and manpower rightsizing program, or MRP, costs.

Depreciation and amortization charges increased by Php959 million, or 12%, to Php8,907 million in the first nine months of 2007, principally due to an increase in our depreciable asset base mainly transmission facilities, 3G and broadband networks, and broadband customer-deployed equipment.

Rent expenses increased by Php1,117 million, or 22%, to Php6,274 million on account of an increase in domestic fiber optic network, or DFON, facilities and transmission circuits leased by Smart from PLDT, as well as higher site rental expenses. As at September 30, 2007, we had 4,817 GSM cell sites and 7,401 base stations, compared with 4,365 GSM cell sites and 6,079 base stations as at September 30, 2006.

Compensation and benefits expenses decreased by Php198 million, or 5%, to Php3,730 million primarily due to lower accrued long-term incentive plan, or LTIP, benefit and MRP costs, partly offset by employees basic pay increase, higher accrued bonuses and other employee benefits of Smart. Smart and subsidiaries employee headcount increased by 20 to 5,294 in the first nine months of 2007 as compared to 5,274 in the same period in 2006. For further discussion on our LTIP, please see *Note 21 Employee Benefits* to the accompanying unaudited consolidated financial statements.

Cost of sales decreased by Php157 million, or 4%, to Php3,443 million due to lower average cost of handsets and SIMs. The breakdown of cost of sales for our wireless business for the nine months ended September 30, 2007 and 2006 is as follows:

	Nine Months Ended September 30,			
			Decrease	
	2007	**2006**	**Amount**	**%**
	(Unaudited)			
(in millions)				
Cost of cellular handsets and SIM-packs sold	Php3,321	Php3,454	(Php133)	(4)
Cost of satellite air time and terminal units	122	146	(24)	(16)
	Php3,443	Php3,600	(Php157)	(4)

Selling and promotion expenses increased by Php804 million, or 40%, to Php2,836 million due to higher advertising, promotion and commission expenses, partly offset by a decrease in printing cost of prepaid cards with the prevalence of e-loading.

Maintenance expenses decreased by Php53 million, or 2%, to Php2,635 million mainly due to lower repairs and maintenance costs for network facilities and IT software, and a decrease in fuel costs for power generation, partly offset by higher expenses for electricity consumption for cell sites.

Professional and other contracted services increased by Php300 million, or 23%, to Php1,632 million primarily due to higher expenses for contracted services, consultancy and technical services, market research and advisory fees.

Taxes and licenses increased by Php168 million, or 22%, to Php922 million primarily due to higher non-creditable input tax and the Philippine National Telecommunications Commission, or NTC, licenses and fees, partly offset by lower business-related taxes and licenses.

Communication, training and travel expenses increased by Php141 million, or 22%, to Php773 million mainly due to higher mailing and courier charges, and local travel expenses.

Insurance and security services decreased by Php56 million, or 9%, to Php564 million primarily due to the decrease in site security expenses and lower charges on insurance contracts.

Provisions decreased by Php125 million, or 31%, to Php272 million primarily due to a lower level of write-down of slow-moving handsets to net realizable values.

Amortization of intangible assets decreased by Php112 million, or 47%, to Php124 million mainly due to intangible assets relating to technology application arising from the acquisition of Wolfpac which was fully amortized by the end of 2006.

We recognized net financing gains of Php527 million in the first nine months of 2007 as compared to a net financing costs of Php1,845 million in the same period in 2006 due to lower accretion on financial liabilities due to the settlement of Piltel s debt complemented by the appreciation of the Philippine peso to the U.S. dollar in 2007, partly offset by lower interest income and capitalized interest. The breakdown of our financing costs (gains) for our wireless business for the nine months ended September 30, 2007 and 2006 is as follows:

	Nine Months Ended September 30,			
			Change	
	2007	**2006**	**Amount**	**%**
	(Unaudited)			
(in millions)				
Interest on loans and related items	Php1,205	Php1,274	(Php69)	(5)
Accretion on financial liabilities net	665	2,887	(2,222)	(77)
Financing charges	37	33	4	12
Dividends on preferred stock subject to mandatory redemption	14	113	(99)	(88)
Gain on derivative transactions net	(48)	(24)	(24)	100
Capitalized interest	(124)	(205)	81	(40)
Interest income	(860)	(911)	51	(6)
Foreign exchange gains net	(1,416)	(1,322)	(94)	7
	(Php527)	Php1,845	(Php2,372)	(129)

Other expenses increased by Php268 million, or 55%, to Php754 million primarily due to various business and operational-related expenses.

Provision for Income Tax

Provision for income tax increased by Php8,045 million, or 262%, to Php11,121 million in the first nine months of 2007 from Php3,076 million in the same period in 2006. In the first nine months of 2007, the effective tax rate for our wireless business was 33% as compared to 11% in the same period in 2006 mainly due to the recognition of deferred tax assets of Piltel in 2006.

Net Income

Our wireless business segment recorded a net income of Php22,947 million in the first nine months of 2007, a decrease of Php2,810 million, or 11%, over Php25,757 million registered in the same period in 2006 on account of higher provision for income tax largely due to Piltel s recognition of deferred tax assets in 2006.

Fixed Line

Revenues and Other Income

Our fixed line business provides local exchange service, international and national long distance services, data and other network services, and miscellaneous services. Total fixed line revenues generated from our fixed line business in the first nine months of 2007 totaled Php36,242 million, a decrease of Php387 million, or 1%, from Php36,629 million in the same period in 2006.

The following table summarizes revenues from our fixed line business for the nine months ended September 30, 2007 and 2006 by service segment:

	Nine Months Ended September 30,					
					Increase (Decrease)	
	2007	**%**	**2006**	**%**	**Amount**	**%**
			(Unaudited)			
(in millions)						
Fixed line services:						
Service Revenues						
Local exchange	Php11,889	33	Php12,862	35	(Php973)	(8)
International long distance	6,685	19	7,434	20	(749)	(10)
National long distance	4,864	13	5,117	14	(253)	(5)
Data and other network	11,180	31	9,420	26	1,760	19
Miscellaneous	1,046	3	1,068	3	(22)	(2)
	35,664	99	35,901	98	(237)	(1)

Non-Service Revenues	119		71		48	68
Other Income	459	1	657	2	(198)	(30)
Total Fixed Line Revenues and Other Income	Php36,242	100	Php36,629	100	(Php387)	(1)

Service Revenues

Local Exchange Service

Our local exchange service revenues consist of:

• flat monthly fees for our postpaid and fixed charges for our bundled and data services;

• installation charges and other one-time fees associated with the establishment of customer service;

• revenues from usage of prepaid cards for calls within the local area and any unused peso value of expired prepaid cards; and

• charges for special features, including bundled value-added services such as call waiting, call forwarding, multi-party conference calling, speed calling and caller ID.

The following table summarizes key measures of our local exchange service business as at and for the nine months ended September 30, 2007 and 2006:

	Nine Months Ended September 30,			
			Increase (Decrease)	
	2007	**2006**	**Amount**	**%**
	(Unaudited)			
Total local exchange service revenues (in millions)	Php11,889	Php12,862	(Php973)	(8)

Number of fixed line subscribers	1,751,468	1,747,357	4,111	
Postpaid	1,454,678	1,443,893	10,785	1
Prepaid	296,790	303,464	(6,674)	(2)
Number of fixed line employees	8,057	9,110	(1,053)	(12)
Number of fixed line subscribers per employee	217	192	25	13

Revenues from our local exchange service decreased by Php973 million, or 8%, to Php11,889 million in the first nine months of 2007 from Php12,862 million in the same period in 2006. The decrease was primarily due to the appreciation of the peso which required us to make downward adjustments in our monthly local service rates and the change in subscriber base mix in favor of prepaid subscribers with lower average revenue per user. The percentage contribution of local exchange revenues to our total fixed line service revenues decreased to 33% in the first nine months of 2007 as compared to 36% in the same period in 2006.

Initially intended as an affordable alternative telephone service for consumers under difficult economic conditions, our prepaid fixed line services now form an important part of our overall churn and credit risk exposure management and subscriber retention strategy. PLDT currently has three prepaid fixed line services: *Teletipid* and *Telesulit,* both funded by consumable prepaid cards, and the *Telepwede*, which is funded by e-loads (available at Smart or PLDT e-load retailers). *Telepwede* subscribers are charged Php115 to receive incoming calls and can reload for as low as Php30 to make outgoing calls. Local call rates are made more affordable at Php2 per call, unlimited. Upon the launch of *Telepwede*, PLDT stopped offering *Teletipid* and *Telesulit* to new subscribers. PLDT is constrained to discontinue *Teletipid* and *Telesulit* as they run on an old technology platform which has now become obsolete and such platform will be fully retired by May 1, 2008. Last day of reloading was set last November 1, 2007 allowing subscribers ample time to consume their account balances and complete the maximum account life up to May 1, 2008. Subscribers of *Teletipid* and *Telesulit* were advised via print ads, direct mailers and call outs of their option to upgrade to *Telepwede* or to regular PLDT postpaid.

In March 2007, PLDT launched the PLDT Landline Plus, a fixed wireless service where subscribers to the service benefit from a text-capable home phone. This service is initially offered outside Metro Manila with the phone unit at Php2,400 and a monthly service fee of Php600 and Php1,000 for residential and business subscribers, respectively. As at September 30, 2007, there were a total of 13,250 PLDT Landline Plus subscribers.

Pursuant to a currency exchange rate adjustment, or CERA, mechanism authorized by the NTC, we adjust our postpaid monthly local service rates upward or downward by 1% for every Php0.10 change in the peso-to-dollar exchange rate relative to a base rate of Php11.00 to US$1.00. In the first nine months of 2007, we implemented five downward adjustments and one upward adjustment in our monthly local service rates, while there were six downward adjustments and three upward adjustments in the same period in 2006. The average Philippine peso to U.S. dollar rate factored in our monthly local service rates in the first nine months of 2007 was Php48.30 to US$1.00, compared to an average of Php52.03 to US$1.00 in the same period in 2006. This change in the average peso-to-dollar rate translated to a peso appreciation of 7%, which resulted in a net decrease of approximately 7% in our average monthly local service rates in the first nine months of 2007. In its letter dated July 16, 2007, the NTC has approved our request to use annual average exchange rates as our basis in CERA computation instead of the currently used monthly averages. Accordingly, effective August 18, 2007, our CERA computation is based on the average Philippine peso to U.S. dollar exchange rate of Php49.76 covering the period July 2006 to June 2007.

International Long Distance Service

Our international long distance service revenues, which we generate through our international gateway facilities, consist of:

- inbound call revenues representing settlements from foreign telecommunications carriers for inbound international calls, virtual transit and hubbing service and reverse charged calls such as received collect and home country direct service;

- access charges paid to us by other Philippine telecommunications carriers for terminating inbound international calls to our local exchange network; and

- outbound call revenues representing amounts billed to our customers (other than our cellular customers) for outbound international calls, net of amounts payable to foreign telecommunications carriers for terminating calls in their territories.

The following table shows information about our international fixed line long distance business for the nine months ended September 30, 2007 and 2006:

	Nine Months Ended September 30,			
			Increase (Decrease)	
	2007	2006	Amount	%
	(Unaudited)			
Total international long distance service revenues (in millions)	Php6,685	Php7,434	(Php749)	(10)
Inbound	5,506	6,220	(714)	(11)
Outbound	1,179	1,214	(35)	(3)
International call volumes (in million minutes, except call ratio)	1,702	1,582	120	8
Inbound	1,493	1,442	51	4
Outbound	209	140	69	49
Inbound-outbound call ratio	7.1:1	10.3:1		

Our total international long distance service revenues decreased by Php749 million, or 10%, to Php6,685 million in the first nine months of 2007 from Php7,434 million in the same period in 2006 primarily due to the peso appreciation and a decrease in average termination rates for inbound calls mitigated by an increase in call volumes. The percentage contribution of international long distance service revenues to our total fixed line service revenues decreased to 19% in the first nine months of 2007 from 21% in the same period in 2006.

Our revenues from inbound international long distance service decreased by Php714 million, or 11%, to Php5,506 million due to the appreciation of the Philippine peso to the U.S. dollar coupled with a decrease in average rate per minute due to the change in call mix with more traffic terminating to cellular operators where the net revenue kept by us is lower. These decreasing effects were partially offset by an increase in inbound traffic volume by 51 million minutes to 1,493 million minutes in the first nine months of 2007. The appreciation of the Philippine peso to the U.S. dollar with average exchange rates of Php47.53 in the first nine months of 2007 and Php52.19 in the same period in 2006 contributed to the decrease in our inbound international long distance revenues in peso terms, since settlement charges for inbound calls are billed in U.S. dollars or in special drawing rights, an established method of settlement among international telecommunications carriers using values based on a basket of foreign currencies that are translated into pesos at the time of billing.

Our revenues from outbound international long distance service decreased by Php35 million, or 3%, to Php1,179 million in the first nine months of 2007 primarily due to a decline in average revenue per minute as a result of a lower average collection rate with the introduction of low-rate services such as *PLDT ID-DSL* and *Budget Card*, and the peso appreciation in 2007, which more than offset the increase in outbound international call volumes in 2006.

National Long Distance Service

Our national long distance service revenues consist of:

- per minute charges for calls made by our fixed line customers outside of the local service areas but within the Philippines, net of interconnection charges payable for calls carried through the backbone network of, and/or terminating to the customer of, another telecommunications carrier;

- access charges received from other telecommunications carriers for calls carried through our backbone network and/or terminating to our customers; and

- fixed charges paid by other telephone companies, charges retained by PLDT for calls terminating to cellular subscribers within the local area, and local access charges paid by cellular operators for calls by cellular subscribers that terminate to our local exchange network.

The following table shows our national long distance service revenues and call volumes for the nine months ended September 30, 2007 and 2006:

	Nine Months Ended September 30,			
			Decrease	
	2007	2006	Amount	%
	(Unaudited)			
Total national long distance service revenues (in millions)	Php4,864	Php5,117	(Php253)	(5)
National long distance call volumes (in million minutes)	1,652	1,688	(36)	(2)

Our national long distance service revenues decreased by Php253 million, or 5%, to Php4,864 million in the first nine months of 2007 from Php5,117 million in the same period in 2006 primarily due to a decrease in call volumes coupled with a lower average revenue per minute in the first nine months of 2007. The percentage contribution of national long distance revenues to our fixed line service revenues accounted for 14% in the first nine months of 2007 and 2006.

Data and Other Network Services

Our data and other network service revenues include charges for leased lines, IP-based, packet-based and switched-based services. These services are used for domestic and international communications such as private networking, broadband and narrowband internet-based data communications, and packet-based communication.

The following table shows information about our data and other network service revenues for the nine months ended September 30, 2007 and 2006:

	Nine Months Ended September 30,			
			Increase (Decrease)	
	2007	2006	Amount	%
	(Unaudited)			
Data and other network service revenues (in millions)	Php11,180	Php9,420	Php1,760	19
Number of DSL broadband subscribers	229,534	118,679	110,855	93
Number of *PLDT Vibe* narrowband subscribers	268,984	294,778	(25,794)	(9)

In the first nine months of 2007, our data and other network services posted revenues of Php11,180 million, an increase of Php1,760 million, or 19%, from Php9,420 million in the same period in 2006 primarily due to increases in leased lines, IP-based and switched-based data services, particularly Diginet and DFON rental, and *PLDT DSL* mitigated by lower *PLDT Vibe* services. The percentage contribution of this service segment to our fixed line service revenues increased to 31% in the first nine months of 2007 from 26% in the same period in 2006.

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

DSL contributed revenues of Php2,764 million in the first nine months of 2007, an increase of Php432 million, or 19%, from Php2,332 million in the same period in 2006 primarily due to an increase in the number of subscribers. *DSL* reached 229,534 subscribers as at September 30, 2007 compared with 118,679 subscribers in the same period in 2006. *DSL* offers a number of packages with maximum speeds ranging from 88 kbps to 5 Mbps depending on the plan.

PLDT Vibe revenues decreased by Php82 million, or 28%, to Php206 million in the first nine months of 2007 from Php288 million in the same period in 2006 primarily due to lower number of plan subscribers as well as the declining usage of Vibe prepaid. The declining number of Vibe plans and regular monthly users for Vibe prepaid may be attributed to the migration from Vibe dial-up to *DSL* which is now priced more competitively. As at September 30, 2007, *PLDT Vibe* registered users totaled 268,984, of which 76,122 were exclusive postpaid users, 187,263 were exclusive prepaid users, and 5,599 were both postpaid and prepaid users. As at September 30, 2006, *PLDT Vibe* registered users totaled 294,778, of which 111,137 were exclusive postpaid users, 168,815 were exclusive prepaid users, and 14,826 were both postpaid and prepaid users.

In support of the growing data requirements of the small and medium enterprise market, the network footprints of BRAINS, IP-VPN and *Shops.work,* PLDT s private local networking services, have been expanded with the roll-out of Next Generation Network, or NGN, facilities in key business areas across the country.

The continued growth in data services revenues can be attributed to several product offerings. The steady demand for dedicated connectivity or private networking from the corporate market using PLDT s traditional international and domestic data offerings Fibernet, Arcstar, Acacia, I-Gate, Diginet, BRAINS, IP-VPN and *Shops.work*, among others continues to provide us with a stable revenue source.

On October 17, 2007, PLDT, with its robust and reliable nationwide telecommunications network, teamed up with Intel to offer the Simplified Networks on Auto Pilot, or SNAP, a turn-key and cost-effective IT networking solution that can help increase profitability and competitiveness. For a flat monthly fee arrangement, SNAP handles a company s IT requirements which includes the latest Intel processors and hardware components, server solutions, technical support and broadband connectivity.

Diginet, our domestic private leased line service, has been providing Smart s increasing fiber optic and leased line data requirements. Diginet revenues increased by Php841 million, or 20%, to Php5,118 million in the first nine months of 2007 as compared to Php4,277 million in the same period in 2006 mainly due to Smart s DFON rental of Php3,833 million and Php3,011 million in the first nine months of 2007 and 2006, respectively.

Miscellaneous

Miscellaneous service revenues are derived mostly from directory advertising and facilities management and rental fees. In the first nine months of 2007, these revenues decreased by Php22 million, or 2%, to Php1,046 million from Php1,068 million in the same period in 2006 mainly due to a decline in facilities management fees, mitigated by an increase in rental income owing to higher co-location charges. The percentage contribution of miscellaneous service revenues to our total fixed line service revenues was 3% in the first nine months of 2007 and 2006.

Non-service Revenues

Non-service revenues increased by Php48 million, or 68%, to Php119 million in the first nine months of 2007 from Php71 million in the same period in 2006 primarily due to higher computer sales in relation to our DSL promotion.

Other Income

All other income/gains such as rental income and gain on disposal of property, which do not fall under service and non-service revenues, are included under this classification. In the first nine months of 2007, our fixed line business segment registered a decrease in other income of Php198 million, or 30%, to Php459 million from Php657 million in the same period in 2006 mainly due to lower income from disposal of assets and various materials.

Expenses

Expenses related to our fixed line business totaled Php30,264 million in the first nine months of 2007, a decrease of Php5,718 million, or 16%, as compared to Php35,982 million in the same period in 2006. The decrease was primarily due to lower depreciation and amortization, selling and promotion expenses, and financing costs partially offset by higher professional and other contracted services, taxes and licenses, and compensation and benefits.

The following table shows the breakdown of our total fixed line-related expenses for the nine months ended September 30, 2007 and 2006 and the percentage of each expense item to the total:

	Nine Months Ended September 30,					
					Increase (Decrease)	
	2007	**%**	**2006**	**%**	**Amount**	**%**
			(Unaudited)			
(in millions)						
Fixed line services:						
Depreciation and amortization	Php9,330	31	Php15,248	42	(Php5,918)	(39)
Compensation and benefits(1)	7,879	26	7,519	21	360	5
Financing costs	4,386	15	5,331	15	(945)	(18)
Maintenance	2,730	9	2,442	7	288	12
Professional and other contracted services	1,243	4	682	2	561	82
Rent	1,205	4	1,202	3	3	
Provisions	857					