

PHILIPPINE LONG DISTANCE TELEPHONE CO

Form 6-K

November 04, 2008

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 2008

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-_____)

Enclosure:

Announcement date: November 4, 2008

Exhibit 1.1 Management's Discussion and Analysis of Financial Condition and Results of Operations

Consolidated Financial Statements as at September 30, 2008 (unaudited) and
December 31, 2007 (audited) and for the nine months ended September 30, 2008
and 2007

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

PW-55

SEC Number
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, 2008

Period Ended Date

Not Applicable

(Secondary License Type and File Number)

November 4, 2008

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, we submit herewith three (3) 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, 2008.

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.				

PHILIPPINE LONG DISTANCE

TELEPHONE COMPANY

(Company's Full Name)

RAMON C OJUANGCO BLDG.

MAKATI AVE. MAKATI CITY

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

JUNE CHERYL A. CABAL-FURIGAY	816-8534
Contact Person	Company Telephone Number

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

<input type="checkbox"/> C	<input type="checkbox"/> F	<input type="checkbox"/> D	<input type="checkbox"/>	N/A	
Dept. Requiring this Doc.				Amended Articles Number/Section	

Total Amount of Borrowings
 2,183,934
 As at September 30, 2008
 N/A
 Total No. of Stockholders Domestic Foreign
 N/A

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, 2008

-

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 187,681,652 shares as at September 30, 2008

-

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

Yes 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 No

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

Yes No

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

Our consolidated financial statements as at September 30, 2008 (unaudited) and December 31, 2007 (audited) and for the nine months ended September 30, 2008 and 2007 (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 (please 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 International Financial Reporting Standards and 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 Php47.264 to US\$1.00, the volume weighted average exchange rate at September 30, 2008 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

	September 30, 2008	December 31, 2007	Increase (Decrease) Amount %	
(in millions, except for operational data, exchange rates and earnings per common share)	(Unaudited)	(Audited)		
Consolidated Balance Sheets				
Total assets	Php237,461	Php240,158	(Php2,697)	(1)
Property, plant and equipment net	158,210	159,414	(1,204)	(1)
Cash and cash equivalents and short-term investments	27,207	30,862	(3,655)	(12)
Total equity	99,359	112,511	(13,152)	(12)
Notes payable and long-term debt	68,110	60,640	7,470	12
Net debt(1) to equity ratio	0.41x	0.26x		
	Nine Months Ended September 30, 2008		Increase (Decrease) Amount %	
		2007(2)		
		(Unaudited)		
Consolidated Statements of Income				
Revenues and other income	Php113,035	Php106,420	Php6,615	6
Expenses	71,681	66,262	5,419	8
Income before income tax	41,354	40,158	1,196	3
Net income attributable to equity holders of PLDT	26,179	26,622	(443)	(2)
Pre-tax income margin	37%	38%		
Net income margin	24%	25%		
Earnings per common share				
Basic	137.15	139.32	(2.17)	(2)
Diluted	137.14	138.89	(1.75)	(1)
Consolidated Statements of Cash Flows				
Net cash provided by operating activities	Php60,076	Php56,276	Php3,800	7
Net cash used in investing activities	6,991	19,557	(12,566)	(64)
<i>Capital expenditures</i>	<i>16,841</i>	<i>14,529</i>	<i>2,312</i>	<i>16</i>
Net cash used in financing activities	48,514	44,757	3,757	8
Operational Data				
Number of cellular subscribers	34,176,370	28,260,095	5,916,275	21
Number of fixed line subscribers	1,773,091	1,751,468	21,623	1
Number of broadband subscribers	876,176	501,250	374,926	75
<i>Fixed Line</i>	<i>388,015</i>	<i>229,534</i>	<i>158,481</i>	<i>69</i>
<i>Wireless</i>	<i>488,161</i>	<i>271,716</i>	<i>216,445</i>	<i>80</i>
Number of employees	29,650	28,951	699	2
<i>Fixed Line</i>	<i>7,813</i>	<i>8,057</i>	<i>(244)</i>	<i>(3)</i>
<i>Wireless</i>	<i>5,622</i>	<i>5,345</i>	<i>277</i>	<i>5</i>
<i>Information and Communications Technology</i>	<i>16,215</i>	<i>15,549</i>	<i>666</i>	<i>4</i>

Exchange Rates	Php per US\$
September 30, 2008	Php47.264
December 31, 2007	41.411
September 30, 2007	44.974
December 31, 2006	49.045

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

(2) *2007 has been restated to reflect the change in revenue recognition policy for installation fees where we elected to defer and amortize our installation fees and corresponding costs over the expected average period of the customer relationship of our fixed line subscribers.*

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 SBI, our wireless broadband provider; Wolfpac Mobile, Inc., or Wolfpac, our wireless content operator; Mabuhay Satellite Corporation, or Mabuhay Satellite and ACeS Philippines Cellular Satellite Corporation, or ACeS Philippines, our satellite operator;
- *Fixed Line* fixed line telecommunications services primarily provided through PLDT. We also provide fixed line services through PLDT's subsidiaries, PLDT Clark Telecom, Inc., PLDT Subic Telecom, Inc., PLDT-Maratel, Inc., Piltel (on June 4, 2008, PLDT acquired the fixed line assets of Piltel), PLDT Global Corporation, or PLDT Global, Smart-NTT Multimedia, Inc., and Bonifacio Communications Corporation, which together account for approximately 2% 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 ePLDT, Inc., or ePLDT; knowledge processing solutions provided by SPi Technologies, Inc. and its subsidiaries, or SPi Group; customer interaction services provided under the umbrella brand name *ePLDT Ventus*, through ePLDT Ventus, Inc., or Ventus, Parlance Systems, Inc., or Parlance, and Vocativ Systems, Inc., or Vocativ; internet access and online gaming services provided by Infocom Technologies, Inc., or Infocom, Digital Paradise, Inc., or Digital Paradise, netGames, Inc., or netGames, 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 and Joint Ventures* to the accompanying unaudited consolidated financial statements.

We registered revenues and other income of Php113,035 million in the first nine months of 2008, an increase of Php6,615 million, or 6%, as compared with Php106,420 million in the same period in 2007 primarily due to an increase in our service revenues by Php4,937 million largely from our wireless business and a gain on derivative transactions of Php2,855 million from our fixed line business.

Expenses increased by Php5,419 million, or 8%, to Php71,681 million in the first nine months of 2008 from Php66,262 million in the same period in 2007, largely resulting from increases in foreign exchange losses, repairs and maintenance, selling and promotions expenses and taxes and licenses partly offset by lower net financing costs, compensation and employee benefits, cost of sales, and professional and other contracted services.

Net income attributable to equity holders of PLDT decreased by Php443 million, or 2%, to Php26,179 million in the first nine months of 2008 from Php26,622 million in the same period in 2007. The decrease is mainly attributable to the revaluation of our net foreign currency-denominated liabilities which resulted in foreign exchange losses of Php5,985 million in the first nine months of 2008 compared with a foreign exchange gain of Php1,662 million in the same period in 2007. Consequently, our basic and diluted earnings per common share decreased to Php137.15 and Php137.14 in the first nine months of 2008 from Php139.32 and Php138.89 in the same period in 2007, respectively.

Results of Operations

The table below shows the contribution by each of our business segments to our unaudited revenues and other income, expenses and net income for the nine months ended September 30, 2008 and 2007. Most of our revenues and other income are derived from our operations within the Philippines.

	Wireless	Fixed Line	ICT (in millions)	Inter-segment Transactions	Total
For the nine months ended September 30, 2008					
Revenues and other income	Php71,364	Php41,480	Php7,907	(Php7,716)	Php113,035
Expenses	38,552	32,817	7,955	(7,643)	71,681
Income (loss) before income tax	32,812	8,663	(48)	(73)	41,354
Net income (loss) for the period	21,473	5,388	(46)	(73)	26,742
Net income (loss) attributable to equity holders of PLDT	20,875	5,385	(8)	(73)	26,179

**For the nine months ended
September 30, 2007(1)**

Revenues and other income	68,683	36,951	7,610	(6,824)	106,420
Expenses	34,615	30,795	7,676	(6,824)	66,262
Income (loss) before income tax	34,068	6,156	(66)		40,158
Net income for the period	22,947	4,114	7		27,068
Net income attributable to equity holders of PLDT	22,465	4,111	46		26,622

Increase (Decrease)	Amount	%	Amount	%	Amount	%	Amount	Amount	%
Revenues and other income	Php2,681	4	Php4,529	12	Php297	4	(Php892)	Php6,615	6
Expenses	3,937	11	2,022	7	279	4	(819)	5,419	8
Income (loss) before income tax	(1,256)	(4)	2,507	41	18	27	(73)	1,196	3
Net income (loss) for the period	(1,474)	(6)	1,274	31	(53)	(757)	(73)	(326)	(1)
Net income (loss) attributable to equity holders of PLDT	(1,590)	(7)	1,274	31	(54)	(117)	(73)	(443)	(2)

(1) 2007 has been restated to reflect the change in revenue recognition policy for installation fees where we elected to defer and amortize our installation fees and corresponding costs over the expected average period of the customer relationship of our fixed line subscribers.

*Wireless****Total Revenues and Other Income***

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

The following table summarizes our unaudited total revenues and other income from our wireless business for the nine months ended September 30, 2008 and 2007 by service segment:

	2008		2007		Increase (Decrease) Amount %	
	(in millions)	%	(in millions)	%		%
Wireless Services:						
Service revenues						
Cellular	Php64,461	91	Php61,121	89	Php3,340	5
Wireless broadband, satellite and others	4,340	6	2,938	4	1,402	48
	68,801	97	64,059	93	4,742	7
Non-Service Revenues						
Sale of cellular handsets and SIM-packs	1,489	2	1,630	3	(141)	(9)
Interest income	976	1	860	1	116	13
Foreign exchange gains net			1,416	2	(1,416)	100
Loss on derivative transactions net	(158)				(158)	(100)
Others	256		718	1	(462)	(64)
Total Wireless Revenues and Other Income	Php71,364	100	Php68,683	100	Php2,681	4

Service Revenues

Our wireless service revenues increased by Php4,742 million, or 7%, to Php68,801 million in the first nine months of 2008 as compared with Php64,059 million in the same period in 2007, mainly as a result of the growth in the cellular and wireless broadband subscriber base. Short messaging service, or SMS, benefited from the larger subscriber base.

Voice revenues also increased due to the growth in call volumes partially offset by the unfavorable effect of a lower average Philippine peso to the U.S. dollar exchange rate on our dollar-linked revenues. As a percentage of our total wireless revenues and other income, service revenues contributed 97% in the first nine months of 2008 as compared with 93% in the same period in 2007.

Cellular Service

Our cellular service revenues consist of: (i) 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 and retailers; (ii) monthly service fees from postpaid subscribers, including (a) toll charges for national and international long distance calls; (b) charges for calls and text messages in excess of allocated free local calls and text messages, respectively; and (c) charges for value-added services, net of related content provider costs; (iii) 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 services; and (iv) other charges, including those for reconnection and migration.

Our cellular service revenues in the first nine months of 2008 amounted to Php64,461 million, an increase of Php3,340 million, or 5%, from Php61,121 million in the same period in 2007. Cellular service revenues accounted for 94% of our wireless service revenues in the first nine months of 2008 as compared with 95% in the same period in 2007.

Smart markets cellular communications services nationwide under the brand names *Smart Buddy*, *Smart Gold* and *Smart Infinity*. *Smart Buddy* is a prepaid service while *Smart Gold* and *Smart Infinity* 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 also provided through Smart's network.

Smart and Piltel have focused on segmenting the market by offering sector-specific, value-driven packages for its prepaid subscribers. These include new varieties of our top-up service which provide a fixed number of messages with prescribed validity periods and call packages which allow a fixed number of minutes or calls of preset duration. Starting out as purely on-network (Smart-to-Smart) packages, Smart's top-up services now offer text message bundles available to all networks. Smart also continues to offer *Smart 258*, a registration-based service which offers unlimited on-network (Smart-to-Smart) text messaging in various load denominations with designated expiration periods. In addition, Smart has a roster of 3G services which 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 the unaudited key measures of our cellular business as at and for the nine months ended September 30, 2008 and 2007:

	Nine Months Ended September 30,			
	2008	2007	Increase Amount	%
	(in millions)			
Cellular service revenues	Php64,461	Php61,121	Php3,340	5
<i>By service type</i>				
Prepaid	62,700	59,517	3,183	5
Postpaid	58,025	55,101	2,924	5
	4,675	4,416	259	6
<i>By component</i>				
Voice	62,700	59,517	3,183	5
Data	27,302	26,858	444	2
	35,398	32,659	2,739	8
<i>Others(1)</i>	1,761	1,604	157	10

(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.

	As at September 30,			
	2008	2007	Increase Amount	%
Cellular subscriber base	34,176,370	28,260,095	5,916,275	21
Prepaid	33,810,530	27,921,504	5,889,026	21
Smart	20,521,552	19,576,658	944,894	5
Piltel	13,288,978	8,344,846	4,944,132	59
Postpaid	365,840	338,591	27,249	8

	Nine Months Ended September 30,			
	2008	2007	Increase (Decrease) Amount	%
Systemwide traffic volumes (in millions)				
Calls (in minutes)	4,973	4,690	283	6
Domestic outbound	2,867	2,806	61	2
International	2,106	1,884	222	12
Inbound	1,940	1,737	203	12
Outbound	166	147	19	13
SMS count	184,515	168,949	15,566	9

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Text messages	183,276	167,436	15,840	9
Domestic	183,054	167,242	15,812	9
<i>Bucket-Priced</i>	<i>163,946</i>	<i>147,760</i>	<i>16,186</i>	<i>11</i>
<i>Standard</i>	<i>19,108</i>	<i>19,482</i>	<i>(374)</i>	<i>(2)</i>
International	222	194	28	14
Value-Added Services	1,218	1,480	(262)	(18)
Financial Services	21	33	(12)	(36)

Revenues attributable to our cellular prepaid service amounted to Php58,025 million in the first nine months of 2008, a 5% increase over the Php55,101 million earned in the same period in 2007. Prepaid service revenues in the first nine months of 2008 and 2007 accounted for 93% of voice and data revenues. Revenues attributable to Smart's postpaid service amounted to Php4,675 million in the first nine months of 2008, a 6% increase over the Php4,416 million earned in the same period in 2007, and accounted for 7% of voice and data revenues in the first nine months of 2008 and 2007.

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 Php444 million, or 2%, to Php27,302 million in the first nine months of 2008 from Php26,858 million in the same period in 2007 primarily due to the growth in call volumes, partially offset by the unfavorable effect of a lower average Philippine peso to the U.S. dollar exchange rate on our dollar-linked revenues. Cellular voice services accounted for 42% of cellular service revenues in the first nine months of 2008 as compared with 44% in the same period in 2007.

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 Php2,739 million, or 8%, to Php35,398 million in the first nine months of 2008 from Php32,659 million in the same period in 2007. Cellular data services accounted for 55% of cellular service revenues in the first nine months of 2008 as compared with 53% in the same period in 2007.

The following table shows the breakdown of our unaudited cellular data revenues for the nine months ended September 30, 2008 and 2007:

	Nine Months Ended September 30,		Increase (Decrease)	
	2008	2007	Amount	%
	(in millions)			
Text messaging				
Domestic	Php32,092	Php29,059	Php3,033	10
<i>Bucket-Priced</i>	20,362	14,038	6,324	45
<i>Standard</i>	11,730	15,021	(3,291)	(22)
International	1,433	1,383	50	4
	33,525	30,442	3,083	10
Value-added services				
Standard(1)	1,108	1,428	(320)	(22)
Rich Media(2)	390	254	136	54
<i>Pasa Load</i>	338	472	(134)	(28)
	1,836	2,154	(318)	(15)
Financial services				
<i>Smart Money</i>	34	60	(26)	(43)
Mobile Banking	3	3		
	37	63	(26)	(41)
Total	Php35,398	Php32,659	Php2,739	8

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

(2) Includes Multimedia Messaging System, internet browsing, General Packet Radio Service, or GPRS, etc.

Text messaging-related services contributed revenues of Php33,525 million in the first nine months of 2008, an increase of Php3,083 million, or 10%, compared with Php30,442 million in the same period in 2007, and accounted for 95% and 93% of the total cellular data revenues in the first nine months of 2008 and 2007, respectively. The increase in revenues from text messaging-related services resulted mainly from Smart's various bucket-priced text promotional offerings which more than offset the decline in our standard texting services. Text messaging revenues from the various bucket plans totaled Php20,362 million in the first nine months of 2008, an increase of Php6,324 million, or 45%, compared with Php14,038 million in the same period in 2007. On the other hand, standard text messaging revenues declined by Php3,291 million, or 22%, to Php11,730 million in the first nine months of 2008 compared with Php15,021 million in the same period in 2007.

Standard text messages totaled 19,108 million in the first nine months of 2008, a decrease of 374 million, or 2%, from 19,482 million in the same period in 2007 mainly due to a shift to bucket-priced text services. Bucket-priced text messages in the first nine months of 2008 totaled 163,946 million, an increase of 16,186 million, or 11%, as compared with 147,760 million in the same period in 2007. The growth in bucket-priced text traffic relative to revenue growth is reflective of a shift from unlimited text packages to low-denominated text packages with a fixed number of SMS, resulting in improved yield per SMS and increased text revenues.

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Value-added services, which contributed revenues of Php1,836 million in the first nine months of 2008, decreased by Php318 million, or 15%, from Php2,154 million in the same period in 2007 primarily due to lower usage of standard services and *Pasa Load* owing to the introduction of low-denomination top-ups, partially offset by higher usage of rich media services in the first nine months of 2008 as compared with the same period in 2007.

Subscriber Base, ARPU and Churn Rates

In the first nine months of 2008, Smart and Piltel cellular subscribers totaled 34,176,370, an increase of 5,916,275, or 21%, over their combined cellular subscriber base of 28,260,095 in the same period in 2007. Our cellular prepaid subscriber base grew by 21% to 33,810,530 in the first nine months of 2008 from 27,921,504 in the same period in 2007, while our postpaid subscriber base increased by 8% to 365,840 in the first nine months of 2008 from 338,591 in the same period in 2007. Prepaid and postpaid subscribers accounted for 99% and 1%, respectively, of our total subscriber base in the first nine months of 2008 and 2007. Prepaid and postpaid subscribers reflected net activations of 4,111,380 and 23,960, respectively, in the first nine months of 2008.

Our net subscriber activations for the nine months ended September 30, 2008 and 2007 were as follows:

	Nine Months Ended September 30,			
	2008	2007	Increase (Decrease) Amount %	
			(Unaudited)	
Prepaid	4,111,380	4,064,683	46,697	1
Smart	524,228	2,694,216	(2,169,988)	(81)
Piltel	3,587,152	1,370,467	2,216,685	162
Postpaid	23,960	20,028	3,932	20
Total	4,135,340	4,084,711	50,629	1

The following table summarizes our cellular ARPUs for the nine months ended September 30, 2008 and 2007:

	Nine Months Ended September 30,			
	Gross 2008	Decrease 2007	Net Amount %	Increase (Decrease) Amount %
Prepaid				

Prepaid

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Smart		Php290	Php314	(Php24)	(8)	Php228	Php257	(Php29)	(11)
Piltel		195	222	(27)	(12)	157	186	(29)	(16)
Prepaid	Blended	255	287						