

PHILIPPINE LONG DISTANCE TELEPHONE CO

Form 6-K

May 08, 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 May 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

Exhibit Number		Page
1.1	Announcement date May 8, 2007	
	Management's Discussion and Analysis of Financial Condition and Results of Operations	43
	Consolidated Financial Statements as at March 31, 2007 (unaudited) and December 31, 2006 (audited) and for the three months ended March 31, 2007 and 2006 (unaudited)	97

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

Date: May 8, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the Three Months Ended March 31, 2007

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 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 Php48.217 to US\$1.00, the volume weighted average exchange rate at March 31, 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

	March 31, 2007	December 31, 2006	Increase (Decrease) Amount	%
	(Unaudited)	(Audited)		
(in millions, except for operational data, exchange rates and earnings per common share)				
Consolidated Balance Sheets				
Total assets	Php251,597	Php241,892	Php9,705	4
Property, plant and equipment	164,492	164,190	302	
Cash and cash equivalents and short-term investments	38,473	25,197	13,276	53
Total equity	104,245	104,523	(278)	
Notes payable and long-term debt	74,913	80,154	(5,241)	(7)
Net debt(1) to equity ratio	0.35x	0.52x		
	Three Months Ended March 31, 2007	2006	Increase (Decrease) Amount	%
		(Unaudited)		
Consolidated Statements of Income				
Revenues and other income	Php33,836	Php30,852	2,984	10
Expenses	20,525	19,580	945	5
Income before income tax	13,311	11,272	2,039	18
Net income attributable to equity holders of PLDT	8,575	8,581	(6)	
Net income	8,731	8,762	(31)	
Net income margin	26%	28%		
Earnings per common share basic	44.87	46.74	(1.87)	(4)
Consolidated Statements of Cash Flows				
Net cash provided by operating activities	Php25,001	Php15,404	Php9,597	62
Net cash used in investing activities	13,672	5,824	7,848	135
<i>Capital expenditures</i>	5,937	4,908	1,029	21
Net cash used in financing activities	5,934	3,971	1,963	49
Operational Data				
Number of cellular subscribers	25,483,459	20,899,631	4,583,828	22
Number of fixed line subscribers(2)	1,847,084	1,854,364	(7,280)	
Number of broadband subscribers	327,467	145,193	182,274	126
<i>Fixed Line</i>	152,645	101,195	51,450	51
<i>Wireless</i>	174,822	43,998	130,824	297
Number of employees	26,058	20,134	5,924	29
<i>Fixed Line</i>	8,702	9,160	(458)	(5)
<i>Wireless</i>	5,295	5,076	219	4
<i>Information and Communications Technology</i>	12,061	5,898	6,163	104

Exchange Rates Php per US\$

March 31, 2007	Php48.217
December 31, 2006	49.045
March 31, 2006	51.158
December 31, 2005	53.062

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

(2) *Previously set forth as number of fixed lines in service. 2006 was restated to reflect the effect of the change in parameters used to align with the PLDT Group's policy on subscriber count with the planned use of an integrated billing system for our 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 Smart Broadband (formerly known as Meridian Telekoms, Inc., or Meridian), 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., PLDT Global Corporation, or PLDT Global, Piltel, Smart-NTT Multimedia, Inc., or SNMI and Bonifacio Communications Corporation, which together account for approximately 3% of our consolidated fixed line subscribers; and
- *Information and Communications Technology* information and communications infrastructure and services for Internet applications, Internet protocol-based solutions and multimedia content delivery provided by PLDT's subsidiary ePLDT, Inc., or ePLDT; call center services provided under *ePLDT Ventus*, include Parlance Systems, Inc., or Parlance, and Vocativ Systems, Inc., or Vocativ; business process outsourcing, or BPO, provided by SPi Technologies, Inc., or SPi (consolidated on July 11, 2006); Internet access and 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, 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 Php33,836 million in the first quarter of 2007, an increase of Php2,984 million, or 10%, as compared to Php30,852 million in the same period in 2006, primarily due to an increase in our service revenues and other income by Php3,035 million and Php78 million, respectively.

Expenses increased by Php945 million, or 5%, to Php20,525 million in the first quarter of 2007 from Php19,580 million in the same period in 2006, largely resulting from increases in compensation and benefits, financing costs, and professional and other contracted services, partly offset by lower depreciation and amortization, and cost of sales.

Net income attributable to equity holders of PLDT decreased by Php6 million to Php8,575 million in the first quarter of 2007 from Php8,581 million in the same period in 2006. Basic earnings per common share decreased to Php44.87 in the first quarter of 2007 from Php46.74 in the same period in 2006 due to an increase in the weighted average number of common shares outstanding to 188.6 million in the first quarter of 2007 from 181.2 million in the same period in 2006.

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 three months ended March 31, 2007 and 2006. Most of our revenues are derived from our operations within the Philippines.

(in millions)	Wireless	Fixed Line	ICT	Inter-segment Transactions	Total	
For the three months ended March 31, 2007 (Unaudited)						
Revenues and other income	Php21,450	Php12,007	Php2,466	(Php2,087)	Php33,836	
Service	20,811	11,828	2,425	(2,052)	33,012	
Non-service	576	15	33	(11)	613	
Other income	63	164	8	(24)	211	
Expenses	10,866	9,430	2,316	(2,087)	20,525	
Income before income tax	10,584	2,577	150		13,311	
Net income for the period	6,894	1,678	159		8,731	
Net income attributable to equity holders of PLDT	6,729	1,678	168		8,575	
For the three months ended March 31, 2006 (Unaudited)						
Revenues and other income	19,670	12,269	872	(1,959)	30,852	
Service	18,944	12,151	813	(1,931)	29,977	
Non-service	679	13	53	(3)	742	
Equity share in net income of associates			2		2	
Other income	47	105	4	(25)	131	
Expenses	9,545	11,136	858	(1,959)	19,580	
Income before income tax	10,125	1,133	14		11,272	
Net income for the period	7,891	842	29		8,762	
Net income attributable to equity holders of PLDT	7,693	842	46		8,581	
Increase (Decrease)	Amount	%	Amount	%	Amount	%
Revenues and other income	Php1,780	9	(Php262)	(2)	Php1,594	183
Service	1,867	10	(323)	(3)	1,612	198
					(Php128)	(121)
					3,035	10

Edgar Filing: PHILIPPINE LONG DISTANCE TELEPHONE CO - Form 6-K

Non-service	(103)(15)	2	15	(20)	(38)	(8)	(129)	(17)	
Equity share in net income of associates				(2)	(100)		(2)	(100)	
Other income	16	34	59	56	4	100	1	80	61
Expenses	1,321	14	(1,706)	(15)	1,458	170	(128)	945	5
Income before income tax	459	5	1,444	127	136	971	2,039	18	
Net income for the period	(997)(13)		836	99	130	448	(31)		
Net income attributable to equity holders of PLDT	(964)(13)		836	99	122	265	(6)		