SEC Number 1177
File Number ____

GLOBE TELECOM, INC.
(Company's Full Name)

5th Floor Globe Telecom Plaza (Pioneer Highlands)
Pioneer corner Madison Streets, 1552 Mandaluyong City
(Company's Address)

(632) 730-2000
(Telephone Numbers)

31 March 2006
(Quarter Ending)

SEC FORM 17-Q
(Form Type)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **31 March 2006**

2. Commission identification number: **1177**

3. BIR Tax Identification No. **000-768-480-000**

4. Exact name of registrant as specified in its charter: **GLOBE TELECOM, INC.**

5. Province, country or other jurisdiction of incorporation or organization: **PHILIPPINES**

6. Industry Classification Code: [ ] (SEC Use Only)

7. Address of registrant's principal office:
   5th Floor, Globe Telecom Plaza (Pioneer Highlands)
   Pioneer corner Madison Streets
   1552 Mandaluyong City

8. Registrant's telephone number, including area code: **(632) 730-2000**

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

10. Securities registered pursuant to Sections in Securities Regulation Code

Title of each class	Number of shares of stock outstanding
Common Stock, P50.00 par value	**131,909,616**
Preferred Stock, P5.00 par value	**158,515,021**

11. Are any or all of the Securities listed on the Philippine Stock Exchange? **Yes**

12. Indicate whether the registrant:

    a) Has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the SRC and SRC Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period the registrant was required to file such reports).
    Yes

    b) Has been subject to such filing requirements for the past 90 days.
    Yes

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Our unaudited consolidated financial statements include the accounts of Globe Telecom, Inc. and its wholly owned subsidiaries, Innove Communications, Inc.("Innove") and G-Xchange, Inc. ("GXI"), collectively referred to as the "Globe Group" in this report.

The unaudited consolidated financial statements for the quarter ended 31 March 2006 have been prepared in accordance with generally accepted accounting principles in the Philippines ("Philippine GAAP") and are filed as Annex I of this report.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS ("MD&A")

The following is a discussion and analysis of Globe Group's financial performance for the quarter ended 31 March 2006. The prime objective of this MD&A is to help the readers understand the dynamics of our Company's business and the key factors underlying our financial results. Hence, our MD&A is comprised of a discussion of our core business, and our analysis of the results of operations for each business segment. This section also focuses on key statistics from the consolidated financial statements and pertains to known risks and uncertainties relating to the telecommunications industry in the Philippines where we operate up to the stated reporting period. However, our MD&A should not be considered all inclusive, as it excludes unknown risks, uncertainties and changes that may occur in the general economic, political and environmental condition after the stated reporting period.

Our MD&A should be read in conjunction with our unaudited consolidated financial statements and the accompanying notes. All financial information is reported in Philippine Pesos (Php) unless otherwise stated.

Any references in this MD&A to "we", "us", "our", "Company" means the Globe Group and references to "Globe" mean Globe Telecom, Inc., not including its wholly owned subsidiaries.

Additional information about our Company, including annual and quarterly reports, can be found on our corporate website www.globe.com.ph.

The following is a summary of the key sections of this MD&A:

OVERVIEW OF OUR BUSINESS

Our company is a leading telecommunications company in the Philippines. We continue to grow and engage our customers through our clear commitment of *"Making Great Things Possible"*.

The Globe Group is comprised of the following three focused companies:

- Globe provides our wireless telecommunications services;

- Innove, a wholly-owned subsidiary, provides our fixed line telecommunications services and information and communications infrastructure and services for internal applications, internet protocol-based solutions and multimedia content delivery. Innove also currently offers cellular services under the *TM* prepaid brand. The *TM* brand is supported in the integrated cellular networks of Globe and Innove; and

- As part of its wireless business, Globe also provides mobile commerce services through its wholly-owned subsidiary, G-Xchange, Inc. (GXI) which was incorporated in 2004.

Wireless Business: Products and Services

Our Company offers its wireless services including local, national long distance, international long distance, international roaming and other value-added services through three brands: *Globe Handyphone*, *Globe Handyphone Prepaid* and *TM*.

Globe Handyphone is the postpaid brand of Globe. This includes all postpaid plans such as *G-Plans* and consumable *G-Flex Plans*, *Platinum* (for the high-end market), and *GlobeSolutions* (for corporate and business needs).

Globe Handyphone Prepaid and *TM* are the prepaid brands of the Globe Group. Each brand is positioned at different market segments. *Globe Handyphone Prepaid* is focused on the mainstream, broad market classes while *TM* is focused on value-conscious, working class market.

To cater to a wide variety of our prepaid subscribers, we provide various top up facilities at each subscriber's convenience. Our *Globe Handyphone Prepaid* and *TM* subscribers can reload airtime value or credits using various reloading channels.

They can purchase *Globe Prepaid Call and Text cards* in ₱100, ₱300 and ₱500 denominations while *TM Call and Text cards* are available in ₱50, ₱100 and ₱300 denominations. They can also utilize *Globe AutoloadMAX*, our over-the- air (OTA) reload channel, which offers the most affordable and flexible load credits in ₱1 increments from ₱10 to ₱150 for our *TM* subscribers, and ₱25 to ₱150 for our *Globe Handyphone Prepaid* subscribers. *Globe AutoLoadMAX* is available in over 700 thousand retailers nationwide. Subscribers can also top up using bank channels like ATMs, credit cards, Internet banking and Bank of the Philippine Islands (BPI) 24 Hour Call Center, *Express Phone*.

A consumer to consumer top up facility, *Share A Load,* is also available whereby our *Globe Handyphone Prepaid* and *TM* subscribers can share prepaid load credits among themselves in denominations of ₱1 to ₱150 (in ₱1 increment). In addition, our *Globe Handyphone Postpaid* subscribers can *Share A Load* to our prepaid subscribers in ₱1 to ₱150, ₱300 and ₱500 denominations. A recent addition to our reloading channels is *G-Cash Load*, where *Globe Handyphone Prepaid* and *TM* subscribers can top up their own or somebody else's mobile phone by converting their *G-Cash* to prepaid load credits in ₱25 increments for ₱25 to ₱150 denominations. Moreover, *G-Cash Load* provides an automatic 5% *G-Cash* rebate on all *G-Cash Load* transactions.

Additionally, Globe has customized services and benefits to address specific market segments, each with its own unique positioning and service offerings: *Globe Gizmo Prepaid* to cater to kids, *GenTxt* for the mainstream youth, *Globe Girlfriends* for females and *Globe Kababayan* for the Overseas Filipino Worker (OFW) and their families in the Philippines, and *Platinum*, a service offering for the high-end users market.

Globe also provides our subscribers with mobile payment and remittance services under the *G-Cash* brand, which was formally launched last October 2004. This service enables our subscribers to perform international and domestic remittance transactions, pay annual business registration fees, income taxes for professionals, and utility bills, avail of micro-finance transactions, donate to charitable institutions, and buy Globe prepaid reloads.

Wireline Business: Products and Services

Innove, a wholly-owned subsidiary, provides our wireline voice communications services, including local, national long distance, international long distance and other value-added services, through its postpaid, prepaid and payphone lines, under the brand name *Globelines*. On June 17, 2005, Innove was awarded by the National Telecommunications Commission (NTC) with a nationwide franchise for our wireline business, allowing us to expand our network to bring together the whole nation.

Under *Globelines*, we offer the following products and services to cater to a wide variety of our subscribers:

Globelines provides state-of-the-art digital communications technologies to homes and small and medium enterprises. With the availability of postpaid or prepaid options, subscription to Globelines comes with standard features and value-added services such as IDD, NDD, Phone Lock, Caller ID, Call Waiting, Multi-Calling, Call Forwarding, Voice Mail and Duplex Number.

Business Plus is a feature packed yet cost-effective telephone system that lets our clients enjoy big business efficiency on a small business overhead.

Globelines Broadband is a high speed internet connection that keeps our subscribers online all the time and get instant access to communication, knowledge and entertainment.

Globe1 is our one-card for all communications needs. This prepaid card allows our customers to call using our *Globelines* landline, *Globe Payphone*, *Globe Handyphone* and *TM*. This versatile and convenient product is offered in denominations of ₱100 and ₱300 and is available in our Globelines Payments and Services Centers and prepaid card dealers.

For our wireline data services, Innove's *GlobeQUEST* brand offers end-to-end corporate data solutions including international and domestic data services, wholesale and corporate internet access services, data center services and segment-specific solutions customized to the needs of vertical industries.

Under *GlobeQUEST,* we offer the following products and services to cater to a wide variety of our corporate clients:

GlobeQUEST Broadband Internet offers our clients a complete range of Internet services that operate at broadband speeds using Innove's Internet backbone which, at more than 2.5 Gbps, is one of the largest in the Philippines. Catering to both wholesale and corporate customers, some of the services currently being offered are:

- Burstable GIX – this flexible package allows customers to start with minimum bandwidth required and scale up to high speed levels depending on the actual growth of their internet traffic. Primarily used by wholesale customers and large enterprises, this service provides the pricing flexibility that supports the ever-changing business requirements of these companies.
- Internet Direct – offers guaranteed service levels delivered over leased line facilities, especially offered to those corporate clients running mission-critical applications.
- Corporate DSL services – has three main variants: Basic, Pro, and Pro+. These variants differ in service level guarantees, and value-added services packaged with it.
- Universal Access services – These are subscription plans available for corporate users, which enables WiFi and dial up access through a single user account.

WIZ (Wireless Internet Zone), powered by *GlobeQUEST,* is Innove's brand for its WiFi (Wireless Fidelity)-enabled network providing broadband access on 802.11b/g-enabled strategic locations called "hotspots" such as airports, hotels, coffee shops and business lounges. *WIZ* has more than 200 hotspots to date, including deployment to "hotzones" such as Ayala Center Greenbelt and Glorietta malls, Ayala Center Cebu, Alabang Town Center, NCCC Mall in Davao, Supercat Terminals in the Visayas, Mactan International Airport and Davao International Airport.

WIZ also provides the infrastructure and internet access to Innove's WorldPass, Globe's Handyphone through *Wiz On* (text to 2333) service, and to *GlobeQUEST*-owned Universal Access and DSL corporate customers. *WIZ* also provides international roaming service with its partners, *GoRemote, iPass, T-Systems* among others.

GlobeQUEST Private Networks offers a variety of dedicated communications services that allow customers to run various data applications, access LANs or corporate intranets and extranets with integrated voice services on high speed, efficient and reliable connections. These include domestic and international leased lines, frame relay, IPVPN, and remote access services. International data services are offered in partnership with global network service providers.

GlobeQUEST DataCentres optimizes the security of mission-critical information and applications through secure data centers operated and supported by a team of IT experts. In August 2005, *GlobeQUEST* took over the operations of Global Data Hub in Pasong Tamo, which brought the number of its commercially available data centers to six (6), namely: MK1 (Valero Data Center), MK2 (Pasong Tamo), MD1 (Sheridan), MD2 (Pioneer), Cebu and Laguna DataCentres. These offer complementary services to *GlobeQUEST* network services, ensuring that corporate customers are given end-to-end capabilities and solutions.

GlobeQUEST Corporate Voice provides a full suite of telephony services, from basic direct lines to ISDN services, 1800-, IDD and NDD access as well as managed voice solutions which enables companies to access advanced telecommunications technology, such as managed IP communications. With the advent of VOIP technology, *GlobeQUEST* is introducing new functionalities on their Corporate Voice portfolio which will drive the voice business.

GlobeQUEST BroadBand Access is a network access solution that provides our customers ultra-high speed fiber optic network connectivity, over a fully redundant and diverse DWDM-based fiber backbone. This service is designed for wholesale and corporate customers with huge bandwidth requirements, mission-critical applications and rapidly growing needs, and who demand uninterrupted access for their business operations. This service offering ranges from high speed leased lines to Ethernet services and even Escon or fibre channel connections for disaster-recovery service connectivity. Today, these services are heavily used by service providers, call centers and BPO (Business Process Outsourcing) companies as well as banking and manufacturing institutions.

KEY PERFORMANCE INDICATORS

Our Company acknowledges the importance of our shareholders and is dedicated to optimize profitability and efficiently manage our use of capital resources with a view to increasing shareholder value.

We constantly review and monitor our activities and key performance indicators which we believe are important to measuring whether the implementation of our operating and financial strategies, plans and programs are successful. Some of our key performance indicators are set out below. Except for Net Income, these key performance indicators are not measurements in accordance with Philippine GAAP and should not be considered as an alternative to net income or any other measure of performance which are in accordance with Philippine GAAP.

GROSS AVERAGE REVENUE PER UNIT (GROSS ARPU)

Gross ARPU measures the average monthly gross revenue generated for each subscriber. This is computed by dividing recurring gross service revenues for a business segment for the period by the average number of the segment's subscribers and then dividing the quotient by the number of months in the period.

NET AVERAGE REVENUE PER UNIT (NET ARPU)

Net ARPU measures the average monthly net revenue generated for each subscriber. This is computed by dividing recurring net service revenues of the segment for the period (net of discounts and interconnection charges to external carriers) by the average number of the segment's subscribers and then dividing the quotient by the number of months in the period.

SUBSCRIBER ACQUISITION COST (SAC)

SAC is computed by totaling marketing costs (including commissions and handset/SIM subsidies) for the segment divided by the gross incremental subscribers and then divided by the number of months in the period.

AVERAGE MONTHLY CHURN

The average monthly churn rate is computed by dividing total disconnections (net of reconnections) for the segment by the average number of the segment's subscribers, and then divided by the number of months in the period. This is a measure of the average number of customers who leave/switch/change to another type of service or to another service provider and is usually stated as a percentage.

EBITDA

The EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization) measure is calculated as net service revenues less subsidy and operating expenses plus other income and expenses. Operating expenses and other income and expenses exclude all property and equipment-related gains and losses. Subsidy is the difference between non-service revenues and cost of sales. The Globe Group's presentation of EBITDA differs from the general definition by excluding property and equipment-related gains and losses. EBITDA is used because it is generally accepted as providing useful information regarding a company's ability to generate cash flows, incur and service debt, finance capex and working capital changes. The Globe Group's presentation of EBITDA may not be comparable to similarly titled measures presented by other companies because not all companies and analysts calculate EBITDA in the same manner.

EBITDA MARGIN

EBITDA margin is calculated as EBITDA divided by total net service revenues. Total net service revenues is equal to total net operating revenues less non-service revenues. This is useful in measuring the extent to which subsidies, operating expenses (excluding property and equipment-related gains and losses) and other income and expenses, use up revenue.

EBIT

EBIT is defined as earnings before interest, property and equipment-related gains and losses and income taxes. This measure is calculated by deducting depreciation and amortization and other property and equipment-related gains and losses from EBITDA. Globe Group's method of calculating EBIT may differ from other companies, hence, may not be comparable to similar measures presented by other companies.

NET INCOME

As presented in the unaudited consolidated financial statements for the quarters ended 31 March 2006 and 2005, net income provides an indication of how well our Company is performing after all costs of the business have been factored in. See "*Financial and Operational Results*" below.

FINANCIAL AND OPERATIONAL RESULTS

GROUP FINANCIAL HIGHLIGHTS

For the Quarter ended 31 March 2006

- Globe posted a net income of ₱3.5 billion for the first quarter of 2006, 19% higher than the same period in 2005, due to higher net service revenues, controlled spending on subsidy and operating expenses. This net income improvement was in spite of a 202% increase in provisions for income tax compared to the same period in 2005 driven by a higher corporate tax rate and the expiration of Globe's income tax holiday last March 2005.

- EBITDA and EBIT for the first quarter of 2006 are at a historic high, driven by higher revenues and lower levels of spending on subsidies and operating expenses. EBITDA for the first quarter of 2006 reached ₱9.7 billion, a 23% increase over 2005 levels, while EBIT of ₱5.7 billion was 39% higher compared to the same period in 2005. EBITDA margins were at 68% of service revenues, up from 59% in Q1 2005, while EBIT margins were at 41%, up from 31% last year.

- Service revenues for both the wireless and wireline business groups likewise increased year-on-year driven by growth in the wireless voice and wireline data segments. Total subscriber levels for both the wireless and wireline business groups increased by 2% and 7%, respectively due to improving price competitiveness and focused subscriber acquisition and retention promotions targeted at specific customer segments.

- Year-on-year, total capital expenditures decreased by 42% to ₱2.9 billion from ₱5.1 billion as Globe winds down its 2G wireless network expansion program. At the end of 31 March 2006, network coverage is now at 93% while population coverage reached 98%. As of 31 March 2006, total cell site count increased by 29% to 5,316 from 4,106 for the same period in 2005.

- Free cash flow continued to be robust at ₱8.9 billion by the end of the first quarter or 46% of full year 2005 level of ₱19.5 billion.

GROUP RESULTS OF OPERATIONS

The following table details the consolidated results of operations for the Globe Group for the first quarter of 2006 and fourth quarter of 2005, and year-to-date ended 31 March 2006 and 2005.

	Globe Group					
Results of Operations (In millions of pesos)	**Q1 2006**	**Q4 2005**	**QoQ Change (%)**	**Q1 2006**	**Q1 2005 (Audited)**	**YoY Change (%)**
Profit & Loss Data						
Net Operating Revenues ………………………	**15,040**	**15,381**	**-2%**	**15,040**	**14,230**	**6%**
Service Revenues ……………………………………	14,187	14,629	-3%	14,187	13,454	5%
Non-Service Revenues……………………………….	853	752	13%	853	776	10%
Costs and Expenses ………………………………	**5,338**	**5,960**	**-8%**	**5,338**	**6,352**	**-16%**
Cost of Sales……………………………………	1,229	991	24%	1,229	1,519	-19%
Operating Expenses ……………………………	4,109	4,969	-17%	4,109	4,833	-15%
EBITDA ……………………………………………	**9,702**	**9,421**	**3%**	**9,702**	**7,878**	**23%**
EBITDA Margin…………………………………..	**68%**	**64%**		**68%**	**59%**	
Depreciation and Amortization………………..	3,955	4,148	-5%	3,955	3,731	6%
EBIT ………………………………………………	**5,747**	**5,273**	**9%**	**5,747**	4,147	**39%**
Financing……………………………………….	(971)	531	-283%	(971)	(688)	41%
Interest Income…………………………………	215	155	39%	215	121	78%
Others - net…………………………………….	(1)	(476)	-100%	(1)	(167)	-99%
Provision for Income Tax………………………...	**(1,537)**	**(1,609)**	**-4%**	**(1,537)**	**(509)**	**202%**
Net Income ……………………………...............	**3,453**	**3,874**	**-11%**	**3,453**	**2,904**	**19%**

GROUP OPERATING REVENUES

Service Revenues

For the first quarter of 2006, the Globe Group's total net operating revenues improved by 6% to ₱15,040 million from ₱14,230 million for the same period in 2005 while net service revenues increased by 5% to ₱14,187 million compared to ₱13,454 million in 2005.

Wireless service revenues, which accounted for 89% of net service revenues for the first quarter of 2006, grew by 6% year-on-year to ₱12,600 million. Meanwhile, wireline service revenues, which accounted for the remaining 11% of consolidated net service revenues in the first quarter, grew by 2% year-on-year to ₱1,587 million.

Non-Service Revenues

The Globe Group registered non-service revenues of ₱853 million for the first quarter of 2006, a 10% increase from last year's ₱776 million due mostly to higher year-on-year handset sales contributed by subscriber acquisitions. Non-service revenues are reported net of discounts on phonekits and SIM (Subscriber Identification Module) packs. The cost related to the sale of handsets and SIM packs are shown under cost of sales. The difference between non-service revenues and cost of sales is referred to as subsidy.

For the first quarter of 2006, subsidies dropped by 49% to ₱376 million from ₱743 million for the same period in 2005. This is in line with the decline in gross subscriber additions following the end of the SIM swap activities last May 2005, and as part of an overall thrust to reduce subsidies in favor of more cost-effective subscriber acquisition and loyalty programs.

GROUP OPERATING REVENUES BY SEGMENTS

	Globe Group					
Operating Revenues By Segments (in millions of pesos)	**Q1 2006**	**Q4 2005**	**QoQ Change (%)**	**Q1 2006**	**Q1 2005 (Audited)**	**YoY Change (%)**
Wireless	**13,450**	**13,669**	**-2%**	**13,4**	**12,6**	
Service Revenues……………………………………….	12,600	12,972	-3%	12,6	11,8	
Non-Service Revenues…………………………………	850	697	22%	8	7	
Wireline	**1,590**	**1,712**	**-7%**	**1,5**	**1,5**	
Service Revenues……………………………………….	1,587	1,657	-4%	1,5	1,5	
Non-Service Revenues…………………………………	3	55	-95%			
Total Net Operating Revenues………………………….	**15,040**	**15,381**	**-2%**	**15,0**	**14,2**	**6%**

A. <u>Wireless Business</u>

	Globe					
Wireless Revenues (in millions of pesos)	**Q1 2006**	**Q4 2005**	**QoQ Change (%)**	**Q1 2006**	**Q1 2005 (Audited)**	**YoY Change (%)**
Service						
Voice [1] ……………………………………………………	7,320	7,561	-3%	7,320	6,798	8%
Data [2]…………………………………………………	5,280	5,411	-2%	5,280	5,094	4%
Wireless Net Service Revenues……………………..……...	**12,600**	**12,972**	**-3%**	**12,600**	**11,892**	**6%**

[1] Wireless voice net service revenues include the following:

a) Monthly service fees on postpaid plans;
b) Charges for intra-network and outbound calls in excess of the free minutes for various *Globe Handyphone* postpaid plans, including currency exchange rate adjustments, or CERA net of marketing promotions credited to subscriber billings;
c) Airtime fees from prepaid reload denominations (for *Globe Handyphone Prepaid* and *TM)* for intra network and outbound calls recognized upon the earlier of actual usage of the airtime value or expiration of the unused value of the prepaid reload denomination which occurs between 1 and 60 days after activation depending on the prepaid value reloaded by the subscriber net of (i) bonus credits* ii) prepaid reload discounts; and
d) Revenues generated from inbound international and national long distance calls and international roaming calls; and

Revenues from (b) to (d) are net of any interconnection or settlement payouts to international and local carriers.

** Included airtime on SIM cards provided under Globe's SIM swap program which was concluded last May 2005.*

[2] Wireless data net service revenues consist of revenues from value-added services such as inbound and outbound SMS and MMS, content downloading,, subscription fees on prepaid services and infotext net of any interconnection or settlement payouts to international and local carriers and content providers.

Overall, the wireless business recorded a 6% year-on-year increase on its net operating revenues to reach ₱13,450 million for the quarter ended 31 March 2006. Both voice and data segments registered growth.

These results are further driven by the following key drivers set out in the table below:

	Globe					
KEY DRIVERS	**Q1 2006**	**Q4 2005**	**QoQ Change (%)**	**Q1 2006**	**Q1 2005**	**YoY Change (%)**
<u>Cumulative Subscribers (or SIMs*)</u> – Net (End of period)	**13,197,163**	**12,403,575**	**6%**	**13,197,163**	**12,955,810**	**2%**
Postpaid . …………………………………	609,060	594,142	3%	609,060	641,889	-5%
Prepaid ..……………………………………	12,588,103	11,809,433	7%	12,588,103	12,313,921	2%
Globe Handyphone Prepaid ………………	8,875,700	8,699,687	2%	8,875,700	10,192,380	-13%
TM ………………………………………	3,712,403	3,109,746	19%	3,712,403	2,121,541	75%
<u>Average Revenue Per Subscriber</u> (ARPU)						
Gross ARPU						
Postpaid . ……………………………………	2,285	2,349	-3%	2,285	2,060	11%
Prepaid[1]						
Globe Handyphone Prepaid ………………	393	399	-2%	393	368	7%
TM …………………………………………	289	350	-17%	289	334	-13%
Net ARPU						
Postpaid . …………………………………	1,679	1,722	-2%	1,679	1,524	10%
Prepaid						
Globe Handyphone Prepaid …………….	293	288	2%	293	258	14%
TM ………………………………………	216	250	-14%	216	192	13%
<u>Subscriber Acquisition Cost (SAC)</u>						
Postpaid . …………………………………	7,430	4,303	73%	7,430	7,587	-2%
Prepaid						
Globe Handyphone Prepaid …………….	114	205	-44%	114	226	-50%
TM ………………………………………	72	59	22%	72	87	-17%
<u>Average Monthly Churn Rate (%)</u>						
Postpaid . …………………………………	0.97%	2.60%		0.97%	1.80%	
Prepaid						
Globe Handyphone Prepaid …………….	5.01%	8.20%		5.01%	8.35%	
TM …………………………………….....	4.32%	6.70%		4.32%	14.03%	

**The word "subscriber" may be used interchangeably with the term "SIM."*

[1] Revenue from a prepaid subscriber is realized upon actual usage of the airtime value (pre-loaded airtime value of SIM cards and subsequent top-ups) for voice, SMS, MMS, content downloading and infotext services net of free SMS allocation, bonus credits (*included airtime on SIM cards provided under Globe's SIM swap program which was concluded last May 2005)* or the expiration of the unused value, whichever comes earlier. Proceeds from the sale of prepaid cards, airtime value through electronic load services such as ATM and airtime value through over-the-air (OTA) reloading are treated as deferred or unearned revenues are shown under the liabilities section of the balance sheet since the service has not yet been rendered.

Wireless net service revenues registered a 6% year-on-year growth from ₱11,892 million to ₱12,600 million for the first quarter 2005 and 2006, respectively. The 6% growth was driven by a higher subscriber base and increasing ARPUs despite the introduction of various value-based tariff offers. Quarter-on-quarter, wireless service revenues decreased by 3% given that fourth quarter demand is traditionally at its peak with the Christmas season.

Total gross subscriber additions for the first quarter 2006 decreased by 33% year-on-year to 2.6 million compared to 3.8 million for the same period in 2005 which is still inflated by last year's acquisitions of non-revenue-generating subscribers from the SIM swap program. However, this quarter's net additions of 0.8 million represents an 80% year-on-year improvement from last year's 0.4 million, and a significant turnaround from last quarter's net reduction of about 5,700 SIMs, as a result of lower churn across all brands brought about by successful subscriber retention campaigns.

Wireless data net service revenues increased by 4% to ₱5,280 million during the first quarter of 2006 from ₱5,094 million for the same period in 2005 due mainly to increased usage of regular person-to-person SMS and International SMS and MMS services. .

To expand its wireless data business, Globe continued and sustained its value promotions to different customer segments, including its *Globe Text NonStop*, *TM's Todo Text* and *TM-TM discounted SMS* campaigns. Starting last 7 February 2006, Globe made *Text NonStop,* now known as Globe *UNLIMITXT,* a permanent offering to its postpaid and prepaid subscribers. With Globe *UNLIMITXT,* heavy SMS users have the option to send unlimited intra-network text messages for ₱15 for 1 day, ₱25 for 2 days and ₱50 for 5 days. This was followed by Globe's discounted International MMS rates and recently, the *₱0.90/ text to all networks* promotion that charges ₱0.90/SMS sent by both postpaid and prepaid subscribers to mobile subscribers of other networks. Launched last 16 April, this ₱0.90 tariff for SMS to all networks is currently the lowest inter-network rate in the market today.*(See Wireless Promotions section for more details)*

On the voice revenue side, wireless voice net service revenues increased by 8% year-on-year from ₱6,798 million last year to ₱7,320 million this quarter, driven by improvements in local and international voice, as well as roaming services.

Globe continued to offer various voice services designed to promote acquisition, stimulate usage, and encourage loyalty among new and existing subscribers. For heavy voice users within our network, we offered *Globe CelebRATE! Call* (₱10 for a 3-minute call). This was supplemented by Globe's introduction of per-second charging with its *10 centavos per second* local call rate for Globe to Globe and *TM* to *TM* calls. For IDD users, we introduced *Budget IDD* rates at US$0.20 per minute for IDD calls to selected destinations and a ₱7.50 per minute IDD call rate and ₱1.00 international SMS to SingTel Mobile subscribers. Recently, Globe carried over its breakthrough offer of per-second charging to the IDD arena with *IDD per Second* charging. *(See Wireless Promotions section for more details)*

The succeeding sections cover the key segments and brands of the wireless business – GHP postpaid, GHP prepaid, and *TM*.

Postpaid

For the first quarter ended 2006, our postpaid segment comprised approximately 5% of our total subscriber base. Our postpaid subscriber base reached 609,060 or 3% higher than the fourth quarter of 2005 but 5% lower compared to the same quarter year. For the first quarter, gross additions totaled 32,355 while net additions reached 14,918 as a result of lower churn at 0.97%, which is significantly below last year's level churn rate of 1.8% and last quarter's 2.6%. The improvements in churn in the current quarter can be attributed to the success of continuing subscriber loyalty programs and positive retention results due to the various usage and tariff promotions introduced.

The postpaid segment posted a net ARPU of ₱1,679 this quarter, a 10% increase from last year's average of ₱1,524 while gross ARPU increased by 11% to ₱2,285 from ₱2,060. The growth in both gross and net ARPUs was driven by increased revenues from voice services and supported by higher contributions from international SMS and VAS services.

Subscriber acquisition costs remained at the same level year-on-year while the 73% quarter-on-quarter increase is attributable to increased handset releases to new postpaid subs who availed of 3G and other postpaid acquisition campaigns. Handset subsidies accounted for about 95% of total acquisition cost in the first quarter of 2006 compared to 87% for the same period in 2005.

Prepaid

For the first quarter 2006, our prepaid segment made up 95% of our total subscriber base.

Prior to the third quarter of 2004, a prepaid subscriber was recognized upon the activation and use of a new SIM card. The subscriber was provided with 60 days (first expiry) to utilize the preloaded airtime value. If the subscriber did not reload prepaid credits within the first expiry period, the subscriber retained the use of the wireless number, but was entitled only to receive incoming voice calls and text messages for another 120 days (second expiry), except for the first reload of SIM-swappers that was required to reload credits within only 30 days from the first expiry. However, if the subscriber did not reload prepaid credits within the second expiry period, the account would be permanently disconnected and considered part of churn. The first expiry periods of reloads vary depending on the denominations, ranging from 1 day for ₱10 to 60 days for ₱300 to ₱1,000 reloads. The second expiry is 120 days from the date of the first expiry. The first expiry is reset based on the longest expiry period among current and previous reloads. Under this policy, subscribers are included in the subscriber count until churned.

Acknowledging the changing dynamics of the industry and the introduction of the SIM-swap program, Globe updated its policy in recognizing a subscriber in its total count based on subscriber intent to use the service. Starting third quarter of 2004, a SIM-swapper was only considered a subscriber upon making the first reload. Non-SIM swap subscribers or regular subscribers are recognized upon activation and use of a new SIM. Accordingly, subscribers not considered in the subscriber count were not considered as part of churn. The nationwide SIM-swap program has since been discontinued beginning May 2005.

Overall, our consolidated prepaid subscribers increased by 2% to 12.6 million in the first quarter of 2006 from 12.3 million for the same period in 2005. Total prepaid gross additions in the first quarter of 2006 were lower by 33% at 2.5 million compared to 3.8 million in 2005 due to the then-ongoing SIM-swap program. However, our total net incremental prepaid subscriber base improved by 81% to 0.8 million in the first quarter of 2006 compared to 0.4 million generated in 2005 due to improved overall prepaid churn across the *Globe Handyphone Prepaid* and *TM* brands.

The succeeding sections discuss *Globe Handyphone Prepaid* and *TM* in more detail.

Globe Handyphone Prepaid

The *Globe Handyphone Prepaid* subscriber base totaled 8.9 million by the end of the first quarter of 2006 which is 2% higher than last quarter's 8.7 million, but 13% lower than the 10.2 million subscribers in the same quarter of 2005. While gross additions were lower year-on-year and quarter-on-quarter, lower churn has led to a net increase in cumulative subscribers for the *Globe Handyphone Prepaid* brand.

Globe Handyphone Prepaid's quarterly churn for the past four quarters has been trending around the 8% level (except for 2Q05) due to stiff competition and the termination of non-revenue generating subscribers. These non-revenue subscribers were mainly SIM-swappers and "trade scoopers" who were subsequently churned out after their second expiry. However, due to positive retention results from our loyalty and churn management programs, average monthly churn rate for the first quarter of 2006 improved to 5.01% from 8.35% during the first quarter of 2005 and 8.2% from last quarter

Gross and net ARPUs for *Globe Handyphone Prepaid* likewise increased by 7% and 14% respectively brought about by higher revenues from voice (local and IDD) and supported by higher contributions from international SMS. The increased ARPUs were likewise spurred by increased usage due to our tariff promotions, particularly *Globe CelebRATE! Call* (₱10 for a 3-minute call), the *Budget IDD* and the *10 centavos/second* promotions. *(See Wireless Promotions section for more details)*

SAC dropped by 50% on a year-on-year basis to ₱114 for the first quarter of 2006 from ₱226 the previous year due to targeted acquisitions and more focused spending on marketing costs and subsidies. For the first quarter of 2006, handset subsidies comprised 72% of total SAC while advertising and promotions contributed 25%, with commissions making up the balance of 3%. For 2005, SAC composition was 47% handset subsidies, 52% ad and promo, while commissions were at 1%.

TM

TM continued to post significant gains in the first quarter of 2006 as cumulative subscribers reached 3.7 million by the end of the period compared to last year's 2.1 million subscribers and last quarter's 3.1 million. The relaunch of *TM* in January 2005, supported by value promotions customized to the needs of specific market segments, resulted in the continued strong expansion of the *TM* subscriber base.

The average monthly churn rate for *TM* showed significant improvements and continued to trend downwards. Current quarter's churn level is 4.32% from 14.03% for the same period in 2005, and from last quarter's 6.7%. *TM's* churn was affected by Globe-initiated terminations of *TM* SIMs found engaging in International Simple Resale (ISR) activities which are illegal in the Philippines. If we exclude terminations due to ISR activities, the average monthly churn rate for *TM* for the first quarter of 2006 would only be at 3.5%. Because of early detection of this illegal usage and the immediate SIM disconnection, the impact to the Company's financial performance has been minimized. *(See related discussion in ILD section)*

TM's net ARPU for the first quarter of 2006 improved by 13% to ₱216 from ₱192 for the same period in 2005. The increased ARPU was driven by higher intra network local voice calls and regular SMS revenues because of *TM's* expanded subscriber base and supported by the *Todo Tawag 15/15* (₱15 for a 15 minute *TM* to *TM* call), *10 centavos/second* call and the *TM* Power Piso SMS (₱0.75 for *TM* to *TM* SMS) promotions.

SAC dropped by 17% to ₱72 for the first quarter of 2006 from ₱87 the previous year. For the first quarter of 2006, handset subsidies comprised 4% of total SAC, advertising and promotions contributed 94%, and commissions made up the balance of 2%, compared to last year's composition of 50% for handset subsidy and 50% for both advertising/promotions and commissions.

Wireless Promotions

From the first quarter of 2006 to date, Globe introduced the following tariff promotions and new services to its subscribers:

- On 9 February 2006, we introduced a US$0.30 per minute IDD call rate to Saudi Arabia and Japan;
- On 12 February 2006, we launched a ₱7.50 per minute IDD call rate to *Hong Kong CSL* subscribers;
- From 12 February 2006 to 18 February 2006, we offered a 50% discount on our international SMS rates;
- On 21 February 2006, we offered our *Tipid IDD Rates* promotion which offers a rate of ₱7.50 per minute for IDD calls to the US and Canada during off-peak periods;
- On 1 March 2006, we partnered with FAI Japan to offer unlimited calls to *Globe Handyphone* and *TM* subscribers in the Philippines for a fixed monthly fee;
- On 22 March 2006, we included a 5-day *UnlimiTxt* sampler to all new prepaid *Globe Handyphone* and *TM* subscribers;
- On 31 March 2006, we launched our *Tipid IDD Kada Segundo* or *IDD per Second Charging* which allows per-second charging of US$0.003 to 12 select countries and US$0.007 for other destinations for all our Globe and *TM* subscribers;
- On 16 April 2006, we introduced ₱0.90/text (to all networks) for our subscribers.
- On 30 April 2006, we commercially launched our 3G services under *Globe 3G Mobile Broadband with HSDPA*. Subscribers can now use Globe's 3G services using HSDPA (High Speed Downlink Packet Access, commonly referred to as "3.5G") technology to make and receive video calls and do Multimedia Streaming. Additionally, HSDPA allows for high-speed Internet browsing of up to 1.8 Mbps (megabits/second) compared to previous speeds of 384 kbps (kilobits/second) available on 3G, or 25X faster than dial-up speeds (with an HSDPA laptop data card). Globe is the 1st mobile network operator in the Asia Pacific region to have deployed a commercial HSDPA service.

G-Cash

G-Cash continues to grow and establish presence in the mobile commerce industry. From *G-Cash*'s initial thrust towards money-transfers, purchase of goods and services from retail outlets, and sending and receiving domestic and international remittances, the service, over a span of one year, created a whole new series of creative possibilities in the field of mobile commerce. Today, *G-Cash* allows *Globe Handyphone* and *TM* subscribers to pay for the following using their mobile phone's text messaging service:

1. utility bills
2. interest and amortization of loans
3. insurance premiums
4. donations to various institutions and organizations
5. sales commissions
6. school tuition fees
7. micro tax payments (for annual business registration)
8. electronic loads and pins
9. online purchases

As of 31 March 2006, *G-Cash* handled an average monthly value transaction size of almost ₱5.2 billion generated from over 1.3 million registered users and 600 partner establishments with over 4,000 outlets nationwide including more than 300 international partner outlets in 15 countries.

B. Wireline Business

In order to meet focused customer demands and grow specific market segment opportunities, Innove initially organized its wireline businesses into two main groups – Residential & Business and Corporate. The Residential & Business group, which operates under the *Globelines* brand, handled the consumer and small and medium business (SME) segments. On the other hand, the Corporate group, which operates under the *GlobeQUEST* brand, is in charge of enterprises, wholesalers, resellers and our channel partners.

As Globe and Innove have continued to adopt a more customer-centric market approach to allow for the development of products based on specific business requirements and to better serve the varied needs of its customers, four (4) focused groups now cover the wireline and wireless business segments – Consumer Broadband (handling the needs of the consumer wireline segment), Globe Bizworks (handling the SME segment's wireless and wireline requirements) and two (2) business groups under the Enterprise Business Group or EBG. The EBG was developed in response to the corporate customers' changing needs and preferences for integrated mobile and wireline communications solutions. The EBG consists of *GlobeSolutions*, which is the corporate wireless business group of Globe, and *GlobeQUEST*, the corporate wireline group of Innove.

For the first quarter of 2006, our wireline business recorded a 2% growth in total wireline net service revenues to ₱1,587 million from ₱1,562 million for the same period in 2005. This growth was driven by a 7% growth in wireline data net service revenues, which compensated for flat voice revenues.

	Innove					
Service Revenues (in millions of pesos)	**Q1 2006**	**Q4 2005**	**QoQ Change (%)**	**Q1 2006**	**Q1 2005 (Audited)**	**YoY Change (%)**
Service						
Voice [1] ………………………………………………	1,081	1,091	-1%	1,081	1,089	-1%
Data [2]………………………………………………	506	566	-11%	506	473	7%
Wireline Net Service Revenues……………………..……...	**1,587**	**1,657**	**-4%**	**1,587**	**1,562**	**2%**

[1] Wireline voice net service revenues consist of the following:

a) Monthly service fees including CERA;
b) Revenues from local, international and national long distance calls made by postpaid, prepaid wireline subscribers and payphone customers, net of (i) prepaid and payphone call card discounts (ii) bonus credits and (iii) marketing promotions credited to subscriber billings;
c) Revenues from inbound local, international and national long distance calls from other carriers terminating on our network; and
d) Installation charges and other one-time fees associated with the establishment of the service.

Revenues from (b) and (c) are net of any interconnection or settlement payments to domestic and international carriers.

[2] Wireline data net service revenues consist of revenues from:

a) Monthly service fees from International and domestic leased lines;
b) Monthly service fees on Corporate Internet services and charges in excess of free allocation;
c) One-time connection charges associated with the establishment of service.
d) Other wholesale transport services and
e) Revenues from value-added services.

Wireline Voice

KEY DRIVERS	Innove Q1 2006	Q4 2005	QoQ Change (%)	Q1 2006	Q1 2005	YoY Change (%)
Cumulative Voice Subscribers - Net (End of period)……………......................	**366,930**	**362,143**	**1%**	**366,930**	**341,877**	**7%**
Consumer Broadband Subscribers – Net (End of period) [1] ………………………	25,880	22,479	15%	25,880	10,437	148%
Average Revenue Per Subscriber (ARPU)						
Gross ARPU………………………………..	1,153	1,182	-2%	1,153	1,228	-6%
Net ARPU………………………………….	1,018	1,048	-3%	1,018	1,077	-5%
Average Monthly Churn Rate ..……………..	**1.9%**	**2.2%**		**1.9%**	**1.3%**	

[1] Broadband subscriptions by existing fixed line subscribers.

As of 31 March 2006, Innove increased its total wireline voice subscribers by 7% to 366,930 from 341,877 for the same period in 2005, and by 1% from last quarter's level of 362,143. For the first quarter of 2006, 62% of total subscribers were postpaid while 38% were prepaid subscribers, while for the first quarters of 2006 and 2005, the business to residential mix ratio was 22:78 and 23:77, respectively.

Wireline voice service revenues for the first quarter of 2006 dropped by 1% to ₱1,081 million from ₱1,089 million in 2005 due to lower voice maintenance (including IDD) revenues despite an expanded subscriber base. The lower gross and net ARPUs have also been affected by a drop in collection rates but were partially offset by higher consumer broadband revenues. With our growing broadband business, consumer broadband subscribers registered a significant year-on-year increase of 148% to 25,880 by the end of the first quarter of 2006. This is attributable to the increasing affordability of our consumer broadband offerings as well as the various complementary VOIP-related offers introduced such as the *VoIP Softphone* service and the *US$0.05 per minute VoIP calling rate* to over 50 destinations, including USA, Canada, Saudi Arabia, Japan and Korea.

Churn rates for the first quarter of 2006 have also increased year-on-year to 1.9% from 1.3%, but were down from last quarter's level of 2.2%. Churn was driven mostly by higher disconnections in the postpaid service due to company-initiated clean up of delinquent accounts.

Wireline Data

Wireline Data Revenues (in millions of pesos)	Innove					
	Q1 2006	Q4 2005	QoQ Change (%)	Q1 2006	Q1 2005 (Audited)	YoY Change (%)
Wireline Data						
International …..………………………………	161	169	-5%	161	182	-12%
Domestic …… ……………………………….	189	191	-1%	189	182	4%
Others [1] ………………………………………	156	206	-24%	156	109	43%
Total Wireline Data Service Revenues………………….	**506**	**566**	**-11%**	**506**	**473**	**7%**

[1] Includes revenues from value-added services and corporate internet services.

On the wireline data front, total operating revenues grew by 7% to ₱506 million at the end of the first quarter of 2006 from ₱473 million for the same period in 2005. Year-on-year revenue growth was driven mostly by corporate internet services due to increased data circuits subscribed and higher bandwidth usage. Compared to the fourth quarter of 2005, wireline data revenues for the first quarter of 2006 were down 11% as fourth quarter 2005 revenues included one-time proceeds from the sale of hardware and equipment. Excluding one-time proceeds from the sale of equipment, service revenue growth is relatively flat.

Wireline Promotions

From the first quarter of 2006 to date, Innove has introduced the following tariff promotions and new services to its subscribers:

- Last December 2005, we introduced our *Touchpoint* solution, the first Multi-Channel Delivery Platform enabling enterprises to allow their customers to interact with them using different access methods such as Web, WAP, SMS, and IVRS.
- On 3 March 2006, we launched *GlobeQuest WebPhone*, the first webphone service in the Philippines that can use traditional telephone prepaid cards.
- On 13 March 2006 we introduced *MVS (Managed Voice Services)* a suite of managed voice solutions specifically tailored for the burgeoning call center sector.
- On 25 March 2006, *Globelines* offered its *Globelines Postpaid Plus*, a new telephone service package which includes unlimited dialup internet access and toll-free NDD calls to any Globelines telephone anywhere in the country, for a monthly service fee of ₱795 that is fixed, i.e. not subject to fluctuations caused by FCA (Foreign Currency Adjustments) charges.

OTHER GLOBE GROUP REVENUES

International Long Distance (ILD) Services

	Globe Group					
ILD Revenues and Minutes	**Q1 2006**	**Q4 2005**	**QoQ Change (%)**	**Q1 2006**	**Q1 2005**	**YoY Change (%)**
Total ILD Revenues (in millions of pesos) ………………						**1**
Total ILD Revenues as a percentage of net service revenues						
Total ILD Minutes (in million minutes) [1]………………						**4**
Inbound………………………………………………						46%
Outbound.……………………………………………						20%
ILD Inbound / Outbound Ratio (x) ………………….						

[1] ILD minutes originating from and terminating to Globe and Innove networks.

On a consolidated basis, ILD revenues from the Wireless and Wireline services increased by 18% to ₱3,703 million in the first quarter of 2006 compared to ₱3,136 million for the same period in 2005. The increased revenue was due to higher inbound and outbound ILD minutes, mainly from the wireless business, as a result of sustained IDD tariff promotions starting in the second half of 2005 until the first quarter of 2006.

Both Globe and Innove offer ILD services which cover international calls between the Philippines and over 200 countries. This service generates revenues from both inbound and outbound international call traffic with pricing based on agreed international termination rates for inbound traffic revenues and NTC-approved ILD rates for outbound traffic revenues.

On 1 June 2005, Globe started its *IDD CelebRATE!* promo aimed at heavy IDD users among its wireless postpaid subscribers. For selected destinations, the promo initially offered an IDD rate of US$0.20 per minute after the first 4 minutes, with the first 4 minutes to be charged the prevailing rate of US$0.40 per minute. This promotion subsequently included *Globe Handyphone prepaid* subscribers and ended on 27 September 2005. On 28 September 2005, the *Globe Budget IDD* promotion was launched to all wireless subscribers, with a flat rate offering of US$0.20 per minute, starting on the first minute, for IDD calls to 10 destinations namely, US, Canada, China, Malaysia, Hong Kong, Singapore, Thailand, South Korea, Taiwan and Australia. Due to the positive response to this promo, the offer was subsequently extended to the fourth quarter of 2005 then up to February 2006, with IDD destinations expanded to include the United Kingdom and Kuwait. Additionally, during the first quarter of 2006, Globe launched reduced IDD rates to countries with large OFW groups (Saudi Arabia, Japan, Hong Kong), and offered off-peak rates to the US and Canada. Launched during the fourth quarter of 2005 and sustained until the first quarter of 2006, Globe also offered lowered international voice and SMS rates to Singapore through a partnership with *Singtel Mobile*. As mentioned in the wireless promotions section, Globe introduced another pioneering tariff last March 31 when it launched its per-second IDD charging, the first such offering in the local market.

On 14 September 2005, *Globelines* launched its *Lowest IDD rates* promotion for its *Globelines* subscribers, *Globe1* card users and *Globelines Broadband* subscribers. *Globelines* postpaid subscribers were charged US$0.20 per minute for IDD calls to selected countries while, starting November 2005, *Globe1* card users could make IDD calls for ₱4.50 per minute to 10 destinations from *Globelines* postpaid and prepaid lines including payphones nationwide.

To ensure that the company fully benefits from the increased ILD volume, we continue to actively monitor ISR operations passing through our networks. An ISR operation is a method of terminating inbound international calls without passing through the normal International Gateway Facility (IGF). ISR operations involve routing inbound international calls through private leased lines or IP data lines, and then terminate to the called party through a local cellular or fixed line number. As the ISR operators terminate an inbound IDD call as a local call, they are able to offer lower rates to foreign carriers than current termination rates. If ISR operations are unchecked, Globe will not be able to realize the full inbound international revenue and instead earn only normal domestic termination charges for local or NDD calls or access charges from other carriers, which are lower than international termination rates.

To reduce ISR activities, Globe initiated increased detection and blocking procedures including closer coordination of detected ISR lines with other industry players. The Company also implemented arrangements with international carriers to reduce arbitrage opportunities for ISR operators. The Company further tightened its fraud and risk evaluation process for corporate and individual accounts and is implementing legal, commercial and technical solutions to the ISR concern, such as the immediate termination of SIMs detected as being used for ISR operations and the suspension of *AutoLoad* Max retailers identified as having significant loading transactions to ISR SIMs. The Company has also coordinated with the NTC and other government agencies in addressing this concern. Because of these ongoing efforts, ISR losses have significantly decreased compared to last year.

Interconnection

Domestically, the Globe Group pays interconnection charges to other carriers for calls originating from its network terminating to other carriers' networks, and hauling charges for calls that pass through Globe's network terminating in another network.

Internationally, the Globe Group also incurs payouts for outbound international calls. These charges are based on a negotiated price per minute.

The interconnection expenses paid as a percentage of gross service revenues for the first quarter 2006 registered at 15% from 21% for the same period in 2005.

The Globe Group also collects termination fees from local and foreign carriers whose calls terminate in Globe Group's network. Domestic calls terminating to wireless networks are charged a termination rate of ₱4.00 per minute (from ₱4.50 per minute in 2003) while calls terminating to wireline voice networks are charged a termination rate of ₱3.00 per minute (from ₱2.50 per minute in 2003).

GROUP OPERATING EXPENSES

For the first quarter 2006, the Globe Group's total operating expenses decreased by 15% to ₱4,109 million from ₱4,833 million for the same period in 2005.

Costs and Expenses (in millions of pesos)	Globe Group Q1 2006	Q4 2005	QoQ Change (%)	Q1 2006	Q1 2005 (Audited)	YoY Change (%)
Cost of sales……………………………………………..	1,229	991	24%	1,229	1,519	-19%
Less: Non-service revenues………………………………	853	752	13%	853	776	10%
Subsidy	**376**	**239**	**57%**	**376**	**743**	**-49%**
Selling, Advertising and Promotions…………………	628	1,355	-54%	628	1,104	-43%
Staff Costs ……………………………………………	803	925	-13%	803	826	-3%
Utilities, Supplies & Other Administrative Expenses…	492	541	-9%	492	479	3%
Rent……………………………………………………	490	482	2%	490	423	16%
Repairs and Maintenance………………………………	554	511	8%	554	458	21%
Provisions (Reversal of Allowance) …………………	46	(60)	-177%	46	286	-84%
Services and Others……………………………………						
Insurance and security……………………………	387	403	-4%	387	398	-3%
Professional and Other contracted services……….	271	405	-33%	271	407	-33%
Taxes and Licenses……………………………….	234	137	71%	234	267	-12%
Others…………………………………………….	204	270	-24%	204	185	10%
Operating Expenses……………………………………….	**4,109**	**4,969**	**-17%**	**4,109**	**4,833**	**-15%**
Depreciation and Amortization ………………………….	**3,955**	**4,148**	**-5%**	**3,955**	**3,731**	**6%**
Costs and Expenses………………………………………	**8,440**	**9,356**	**-10%**	**8,440**	**9,307**	**-9%**

Selling, Advertising and Promotions

Marketing expenses accounted for 15% of total operating expenses but accounted for the largest reductions at 43% year-on-year and 54% quarter-on-quarter as a result of focused marketing spending due to targeted acquisitions and improved effectiveness of tariff offers in acquiring and retaining subscribers. Also, marketing spending for the first quarter of 2005 included expenses related to the then ongoing SIM-swap exercise.

Staff Costs

Staff costs decreased by 3% year-on-year to ₱803 million on account of improved productivity leading to lower overtime charges and lower headcount.

Utilities, Supplies and Other Administrative Expenses

Utilities, Supplies and Other Administrative expenses registered a 3% year-on-year increase to ₱492 million mainly due to higher power and utilities charges to support the Globe Group's expanded network facilities in 2006.

Rent Expenses

Rent expenses of ₱490 million increased by 16% year-on-year and 2% quarter-on-quarter due to increases in charges for cell sites, warehouse and interconnection facilities in support of the Globe Group's continued network expansion.

Repairs and Maintenance Expenses

Repairs and Maintenance expenses likewise increased by 21% year-on-year and 8% quarter-on-quarter due to additional technical service agreements necessary for the repair and maintenance of the Globe Group's expanded network facilities and equipment. Globe's total cellsites increased from 4,106 to 5,316, as of the end of March 2006, on a year-on-year basis.

Provisions

The provisions account includes provisions related to trade and traffic receivables and inventory. Provisions for doubtful accounts for trade receivables decreased by 43% to ₱142 million for the first quarter 2006 compared to ₱250 million for the same period in 2005 due to improved recovery from delinquent accounts. A reversal of provisions for doubtful accounts for traffic receivables registered ₱19 million during the first quarter of 2006 compared to a ₱14 million provision for the same period in 2005 due to adjustments made after confirmation and settlement of various accounts. As a result, total provisions for doubtful accounts, including provisions for non-trade accounts, amounted to ₱123 million for the first quarter 2006 against ₱265 million for the same period in 2005. Provisions are net of inventory valuation reversals during the quarter.

Services and Others

Services and Others decreased by 13% to ₱1,096 million as a result of decreased marketing-related expenses and positive results of cost-management initiatives in the first quarter of 2006. Professional and other contracted services, including janitorial, clerical, courier and delivery expenses, were 33% lower at ₱271 million in the current quarter due to lower charges from marketing-related activities. Additionally, insurance and security services, taxes and licenses were 3% and 12% lower respectively, on a year-on-year basis.

Depreciation and Amortization

Depreciation and amortization on a consolidated basis increased by 6% to ₱3,955 million for the first quarter of 2006 compared to ₱3,731 million for the same period in 2005. This increase reflected the additional depreciation charges related to various telecommunications equipment placed in service during the period as total cellsites increased compared to 2005. Depreciation is computed using the straight-line method over the estimated useful life (EUL) of the assets, where the weighted EUL of all depreciable assets is set at 10.0 years.

Other Income Statement Items

Details of Consolidated Other (Income)/Expenses for the following periods are as follows:

	Globe Group					
	Q1 2006	**Q4 2005**	**QoQ Change (%)**	**Q1 2006**	**Q1 2005 (Audited)**	**YoY Change (%)**
Financing Costs – net						
Interest Expense………………………………………	(1,094)	(1,127)	-3%	(1,094)	(1,098)	0%
Loss on derivative instruments – net……………………	(716)	4	-18,000%	(716)	(460)	56%
Swap costs and other financing costs……………………	(122)	(133)	-8%	(122)	(202)	-40%
Foreign Exchange (loss)gain – net………………………	961	1,787	-46%	961	1,072	-10%
	(971)	**531**	**-283%**	**(971)**	**(688)**	**41%**
Interest Income ……………………………………………	215	155	39%	215	121	78%
Others – net	(1)	(476)	-100%	(1)	(167)	-99%
Total Other Expenses……………………………………	**(757)**	**210**	**-460%**	**(757)**	**(734)**	**3%**

Globe registered a 40% decrease in swap costs and other financing charges to ₱122 million during the first quarter of 2006 from ₱202 million for the same period in 2005.

For the first quarter 2006, the Globe Group registered net foreign exchange gains of ₱961 million compared to ₱1,072 million for the same period last year due to the Globe Group being in a net dollar liabilities position and the appreciation of the peso against the US$ from ₱54.747 to ₱51.158 by the end of the first quarter of 2006. Loss on derivatives instrument arose from the mark-to-market valuation of Globe Group's various financial instruments. *(See related discussion in Foreign Exchange and Interest Rate Exposure section)*

The Globe Group also recognized net provisions for probable losses on property and equipment amounting to ₱8 million for the first quarter of 2006 included under Others-net compared to ₱174 million net provisions for the same period in 2005. Net reduction in provision resulted mainly from minimal losses on asset disposals/retirements in the first quarter of 2006 compared to the same period in 2005.

The consolidated provision for current and deferred income tax for the Globe Group increased by 202% to ₱1,537 million for the first quarter of 2006 from ₱509 million for the same period in 2005, mainly as a result of the expiry of the income tax holiday incentive of Globe on 31 March 2005 and Innove's shift to a taxable income position subject to the regular corporate tax rates in 2005. As a result, our consolidated effective income tax rate was 31% for the first quarter of 2006 compared to 15% for the same period in 2005. Republic Act (RA) 9337, effective November 1, 2005, mandated the use of 35% as the corporate tax rate.

As a result of the above, the Globe Group's consolidated net income increased by 19% year-on-year to ₱3,453 million for the first quarter of 2006 from ₱2,904 million for the same period in 2005. Excluding foreign exchange and mark-to-market gains and losses, net income after tax would have been ₱3,256 million or a 40% improvement from a comparable 2005 level of ₱2,321 million.

Accordingly, consolidated basic earnings per common share were ₱26.07 and ₱20.83 (as restated) and consolidated diluted earnings per common share were ₱25.97 and ₱20.78 (as restated) for the first quarter 2006 and 2005, respectively.

LIQUIDITY AND CAPITAL RESOURCES

	Globe Group		
As of and for the quarter ended (in millions of pesos)	**Q1 2006**	**Q1 2005**	**YoY change (%)**
Balance Sheet Data			
Total Assets ……	125,135	124,320	1%
Total Debt ……	45,856	53,218	-14%
Total Stockholders' Equity ……	52,428	46,728	12%
Financial Ratios (x)			
Current Ratio……	0.90	0.66	
Total Debt to EBITDA ……	1.18	1.69	
Interest Cover (Gross) ……	8.76	7.09	
Debt to Equity (Gross) ……	0.88	1.14	
Debt to Equity (Net) [1]……	0.61	0.94	
Total Debt to Total Capitalization (Book) ……	0.47	0.53	
Total Debt to Total Capitalization (Market) ……	0.28	0.31	

[1] Net debt is calculated by subtracting cash, cash equivalents and short term investments from total debt.

Globe Group's consolidated assets as of 31 March 2006 amounted to ₱125,135 million compared to ₱124,320 million as of 31 March 2005.

As of 31 March 2006, current ratio on a consolidated basis was 0.90:1. Consolidated cash, cash equivalents and short term investments was at ₱14,106 million at the end of the first quarter of 2006, 48% higher than the ₱9,529 million than the same period in 2005. Gross debt to equity ratio as of 31 March 2006 was 0.88:1 on a consolidated basis and remains well within the 2:1 debt to equity limit dictated by certain debt covenants. Net debt to equity ratio was at 0.61:1 as of 31 March 2006.

The financial tests under Globe's loan agreements include compliance with the following ratios:

- Total debt to equity not exceeding 2:1;
- Total debt to EBITDA not exceeding 3:1;
- Debt service coverage[1] exceeding 1.3 times (except for refinancing of the 2009 bond which the lenders consented to exclude from the computation);
- Secured debt ratio[2] not exceeding 0.2 times.

[1] Debt service coverage ratio is defined as the ratio of EBITDA to required debt service, where debt service includes subordinated debt but excludes shareholder loans.

[2] Secured debt ratio is defined as the ratio of the total amount for the period of all present consolidated obligations for payment, whether actual or contingent and as defined in the loan agreement to the total amount of consolidated debt.

Consolidated Net Cash Flows

	Globe Group		
For the quarter ended (in millions of pesos)	**Q1 2006**	**Q1 2005**	**YoY change (%)**
Net Cash from Operating Activities …………………………………….	10,832	9,079	19%

Consolidated net cash flow from operations (excluding capex) amounted to ₱10,832 million for the period ended 31 March 2006, a 19% increase from ₱9,079 million for the same period in 2005.

	Globe Group		
For the quarter ended (in millions of pesos)	**Q1 2006**	**Q1 2005**	**YoY change (%)**
Capital Expenditures (Cash) ……………………………………..	2,517	4,508	-44%
Increase (Decrease) in Liabilities related to Acquisition of PPE …	434	556	-22%
Total Capital Expenditures[1] ……………………………………	**2,951**	**5,064**	**-42%**
Total Capital Expenditures / Service Revenues (%)…………..	**21%**	**38%**	

[1] Consolidated capital expenditures include property and equipment, acquired as of report date regardless of whether payment has been made or not, but excludes capitalized costs during the period. *(See related discussion in Liquidity and Capital Resources Section)*

Consolidated net cash used in investing activities amounted to ₱3,316 million for the first quarter 2006, a 10% decrease from the ₱3,684 million in 2005. Consolidated capital expenditures amounted to ₱2,951 million for the first quarter 2006, a decrease of 42% from the previous year. For 2006, Globe has earmarked approximately US$250 million for capital expenditures to expand its wireless and wireline network, and upgrade the necessary facilities for 3G and increase capacity for areas where traffic is expected to surge. The 2006 capital expenditure program will be funded through internally-generated cash and debt financing.

Consolidated net cash used in financing activities for the first quarter 2006 amounted to ₱6,528 million, a 32% decline compared to ₱9,599 million in 2005 due to Globe's reacquisition of its common shares via a tender offer and higher dividend payments in 2005. Consolidated total debt as of 31 March 2006 amounted to ₱45,856 million, a 14% decrease from the ₱53,218 million in 2005 as Globe prepaid US$41 million of its long term loans in addition to US$161 million of maturing loans in 2005. Loan repayments of Globe for the first quarter 2006 amounted to ₱3,824 million compared to the ₱3,853 million paid in 2005.

As of 31 March 2006, gross debt dropped to ₱46 billion, 63% of which are denominated in US$. Of the 63%, 30% has been swapped to pesos. As a result, the amount of US$ debt swapped into pesos and peso-denominated debt accounts for approximately 56% of consolidated loans as of 31 March 2006.

Below is the schedule of debt maturities for Globe for the years stated below based on total outstanding debt as of 31 March 2006:

Year Due	**Principal (US$ millions)**
2006 …………	97
2007 …………	131
2008…………	97
2009…………	153
2010 through 2012 …………	418
Total	**896**

Stockholders' equity was ₱52,428 million as of 31 March 2006 resulting in a 12% increase from the ₱46,728 million in 2005.

On 1 February 2005, the Board of Directors (BOD) of Globe Telecom approved an offer to purchase one share for every fifteen shares of the outstanding common stock of Globe from all shareholders of record as of 10 February 2005, at a price of P950 per share. The approval allowed Globe to purchase up to 9 million shares representing 6.7% of its outstanding common shares. Each shareholder was entitled to tender a proportionate number of shares owned at the 1:15 ratio, referred to as the Tender Ratio, for purchase by Globe upon and subject to the terms and conditions of the tender offer. On 3 February 2005, Globe commenced the tender offer which expired on 3 March 2005 after a one-day extension. Also, on 1 February 2005, the BOD approved the retirement of the purchased shares and the existing 12 million treasury shares acquired in 2003 from DeTeAsia.

On 8 March 2005, Globe announced that it had accepted 8 million common shares that were tendered by the stockholders. The accepted shares represented 86% of shares eligible for tender. The value of the tendered shares totaled ₱7.66 billion which were eventually crossed at the exchange on 15 March 2005 and payment made on 16 March 2005. *(Please refer to page 34 for the shareholder structure as of 31 March 2006)*

As of 31 March 2006, Globe's capital stock consists of:

1. Preferred stock Series "A" at a par value of ₱5 per share of which 158 million shares are outstanding out of a total authorized of 250 million shares.

   Preferred stock "Series A" has the following features:
   (a) Convertible to one common share after 10 years from issue date at a price which shall not be less than the prevailing market price of the common stock less the par value of the preferred shares;
   (b) Cumulative and non-participating;
   (c) Floating rate dividend (set at MART 1 plus 2% average for a 12-month period);
   (d) Issued at ₱5 par;

(e) Voting rights;
(f) Globe has the right to redeem the preferred shares at par plus accrued dividends at any time after 5 years from date of issuance in 2001; and
(g) Preferences as to dividend in the event of liquidation.

2. Common shares at par value of ₱50 per share of which 132 million are issued and outstanding out of a total authorized of 180 million shares. In the last annual stockholders meeting on 4 April 2005, Globe's stockholders authorized the cancellation of its treasury shares and the reduction in the authorized capital stock of the Company. On October 28, 2005, the Securities and Exchange Commission approved the reduction in capital stock. After the reduction, total authorized common shares are now 179,934,373, of which 131,900,430 are outstanding.

   On 1 February 2005, the BOD declared the first semi-annual cash dividend in 2005 of ₱20 per common share with a record date of 18 February 2005 with payment made on 15 March 2005. On 2 August 2005, the Board of Directors declared the second semi-annual cash dividend for 2005 amounting to ₱20 per common share outstanding as of record date 19 August 2005, and payment was made on 14 September 2005. This is consistent with our cash dividend policy of distributing 50% of prior year's net income and represents an increase of 11% over the previous year.

   On 7 February 2006, the BOD approved the declaration of first semi-annual cash dividends in 2006 of ₱20 per share to common stockholders of record as of 21 February 2006 and paid last 15 March 2006.

Consolidated Return on Average Equity (ROE) for the quarter ended 31 March 2006 stood at 27% compared to 23% for the same period last year.

On 1 July 2004, Globe Telecom granted additional stock options to key executives and senior management personnel of the Globe Group under the Executive Stock Option Plan 2. It required the grantees to pay a nonrefundable option purchase price of ₱1,000. The agreement provides for an exercise price of ₱840.75 per share. 50% of the options become exercisable from 1 July 2006 to 30 June 2014, while the remaining 50% become exercisable from 1 July 2007 to 30 June 2014. As of 31 March 2006, outstanding stock options granted to key executives and senior management personnel totaled 1,281,350. In order to avail of the privilege, the grantees must remain with Globe Telecom or its affiliates from grant date up to the beginning of the exercise period of the corresponding shares.

FOREIGN EXCHANGE AND INTEREST RATE EXPOSURE

The Philippine Peso stood at ₱51.158 as of 31 March 2006, a 7% appreciation vs. ₱54.747 at the end of the first quarter of 2005. Compared to the 31 December 2005 level of ₱53.062 to the US dollar, the peso strengthened by 4%.

The foreign exchange differentials arising from revaluation of foreign currency-denominated accounts are charged/credited to against current operations. Globe Group's net foreign exchange gains credited to current operations amounted to ₱961 million and ₱1,072 million for the first quarter of 2006 and 2005, respectively.

To mitigate foreign exchange risk, the Globe Group enters into short-term foreign currency forwards and long-term foreign currency swap contracts. Short-term forward contracts are used to manage our foreign exchange exposure related to foreign currency-denominated monetary assets and liabilities. For certain long term foreign currency denominated loans, we enter into long term foreign currency and interest rate swap contracts to manage its foreign exchange and interest rate exposures.

As of 31 March 2006, our Company had US$154 million in outstanding foreign currency swap agreements, some of which have option features. The Company also had US$16 million in short-term forward contracts, some of which also have option features. We also had sold covered currency options with total notional amount of US$14 million with maturities ranging from September 2006 to March 2007.

Interest rate swaps are used to manage our interest rate risk in a cost-efficient manner. As of 31 March 2006, our Company had US$40 million in notional amount of US$ swaps under which it effectively swapped some of its floating rate US$ denominated loans into fixed rate, with semi-annual payment intervals up to August 2007. We also have US$5 million in notional amount of US$ swaps under which the Company effectively swapped the 9.75% fixed coupon of its 2012 Senior Notes to a floating rate based on LIBOR, subject to a cap. The performance of the swap is linked to the 10-year and 30-year US$ Constant Maturity Swap Rates. Our Company also has a fixed to floating interest rate swap contract with a notional amount of ₱1 billion, in which it effectively swaps a fixed rate Philippine peso denominated bond into floating rate with quarterly payment intervals up to February 2009.

The Group also has embedded forwards and options in certain financial and non-financial contracts with total notional amount of US$23 million. Globe's 2012 Senior Notes also contain embedded call options which give us the right to prepay the Notes at a certain call price per year.

Gains on derivative instruments represent the net mark-to-market (MTM) gains (losses) on derivative instruments. Beginning 2005, MTM values have to be booked as required by PAS 39. The estimated unrealized mark-to-market gain on the outstanding derivatives (including embedded derivatives) of the Globe Group amounted to ₱37 million based on valuation as of 31 March 2006 while losses on derivative instruments arising from changes in MTM values reflected in the consolidated income statements amounted to ₱716 million for the quarter ended 31 March 2006. *(See related discussion under Results of Operations)*

Consolidated foreign currency-linked revenues were 30% and 26% of total net revenues for the periods ended 31 March 2006 and 2005, respectively. Foreign currency linked revenues include those that are: (1) billed in foreign currency and settled in foreign currency, or (2) billed in Pesos at rates linked to a foreign currency tariff and settled in Pesos, or (3) wireline monthly service fees and the corresponding application of the Currency Exchange Rate Adjustment or CERA mechanism, under which our Group has the ability to pass the effects of local currency depreciation to its subscribers. These revenues serve as a natural hedge to our foreign exchange exposure.

RECENT DEVELOPMENTS

Globe is an intervenor in and Innove is a party to Civil Case No. Q-00-42221 entitled "Isla Communications Co., Inc. et. al., versus National Telecommunications Commission ('NTC') et al.," before the Regional Trial Court ('RTC') of Quezon City by virtue of which Globe and Innove, together with other cellular operators, sought and obtained a preliminary injunction against the implementation of NTC Memorandum Circular ('MC') No. 13-6-2000 from the RTC of Quezon City. NTC MC 13-6-2000 prescribed new billing requirements for cellular service providers. The NTC appealed the issuance of the injunction to the Court of Appeals. On 25 October 2001, we received a copy of the decision of the Court of Appeals ordering the dismissal of the case before the RTC for lack of jurisdiction, but without prejudice to the wireless companies' seeking relief before the NTC, which the Court of Appeals claims had jurisdiction over the matter. On 22 February 2002, we filed a Petition for Review with the Supreme Court ('SC') to annul and reverse the decision of the Court of Appeals. The Supreme Court ('SC'), on 2 September 2003, overturned the CA's earlier dismissal of the petitions filed by SMART and Globe. In its 13-page decision, the SC said that the Quezon City trial court could hear and decide the case, contrary to NTC's argument. The SC has also since denied the NTC's motion for reconsideration. We are currently awaiting resumption of the proceedings before the RTC of Quezon City.

OTHER MATTERS

MAJOR STOCKHOLDERS

The following are the major stockholders of Globe Telecom as of 31 March 2006:

Stockholders	Common	% of Common	Preferred	% of Preferred	Total	% of Total
Ayala Corp*	45,640,787	35%	-	-	45,640,787	16%
ST	58,833,614	44%	-	-	58,833,614	20%
Asiacom			158,515,021	100%	158,515,021	55%
Public	27,435,215	21%	-	-	27,435,215	9%
Total	**131,909,616**	**100%**	**158,515,021**	**100%**	**290,424,637**	**100%**

** Ayala Corporation's holdings are based on records of the stock transfer agent as of 31 March 2006.*

BOARD OF DIRECTORS

As of 31 March 2006, the Board of Directors of the Globe Group are as follows:

Jaime Augusto Zobel de Ayala II	Chairman
Delfin L. Lazaro	Co-Vice Chairman
Lim Chuan Poh	Co-Vice Chairman
Gerardo C. Ablaza, Jr.	Director
Romeo L. Bernardo	Director
Koh Kah Sek*	Director
Fernando Zobel de Ayala	Director
Dr. Roberto F. de Ocampo	Director
Xavier P. Loinaz	Director
Guillermo D. Luchangco	Director
Jesus P. Tambunting	Director

** Replaced Jeann Low effective 07 February 2006.*

KEY OFFICERS

As of 31 March 2006, the key officers of the Globe Group are as follows:

Name	Position
Gerardo C. Ablaza, Jr.	President and Chief Executive Officer
Ferdinand M. de la Cruz	Head – Consumer Business
Rebecca V. Eclipse	Head – Strategic Execution Center
Rodell A. Garcia	Chief Information Officer
Gil B. Genio	Chief Executive Officer - Innove
Delfin C. Gonzalez, Jr.	Chief Financial Officer
Rodolfo A. Salalima	Head - Corporate Affairs and Regulatory Matters

Renato O. Marzan	Corporate Secretary

Consultants	Position
Andrew Buay	Chief Operating Adviser
Robert L. Wiggins	Chief Technical Adviser

SIGNATURES

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

Registrant GLOBE TELECOM, INC.

CHRISTINE R. BLABAGNO Head – Financial Reporting	8 May 2006
EDITH C. SANTIAGO Vice President – Financial Control	8 May 2006

GLOBE TELECOM, INC. AND SUBSIDIARIES

Condensed Consolidated Financial Statements
March 31, 2006 and 2005
(Unaudited)

GLOBE TELECOM, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	March 31		December 31
	2006	2005	2005
		(In Thousand Pesos)	
ASSETS			
Current Assets			
Cash and cash equivalents (Note 10)	**₱11,898,745**	₱9,377,005	₱10,910,961
Short-term investments	**2,207,641**	152,048	1,253,759
Receivables - net (Note 10)	**6,877,271**	5,773,531	6,764,130
Inventories and supplies	**1,247,142**	1,514,269	1,372,459
Prepayments and other current assets (Note 10)	**1,263,915**	1,226,040	1,232,525
Total Current Assets	**23,494,714**	18,042,893	21,533,834
Noncurrent Assets			
Property and equipment - net	**96,909,458**	101,164,833	98,554,670
Investment property - net	**255,063**	274,187	259,538
Intangible assets - net	**1,115,710**	1,021,919	1,100,727
Deferred income tax - net (Note 7)	**1,056,048**	2,203,872	1,163,943
Investments in associates, joint venture and others - net (Note 13)	**76,153**	85,089	76,897
Other noncurrent assets (Notes 6 and 10)	**2,227,581**	1,527,508	2,412,781
Total Noncurrent Assets	**101,640,013**	106,277,408	103,568,556
	₱125,134,727	₱124,320,301	₱125,102,390
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and accrued expenses (Notes 3 and 10)	**₱15,626,350**	₱15,796,725	₱14,236,333
Income taxes payable	**1,411,416**	279,718	291,348
Unearned revenues	**1,611,093**	1,904,681	1,301,684
Current portion of:			
Long-term debt (Note 10)	**7,490,384**	9,278,152	7,858,150
Other long-term liabilities (Note 10)	**98,839**	148,249	269,737
Total Current Liabilities	**26,238,082**	27,407,525	23,957,252
Noncurrent Liabilities			
Deferred income tax - net (Note 7)	**4,447,477**	3,373,447	4,432,867
Long-term debt - net of current portion (Note 10)	**38,366,035**	43,940,031	41,835,238
Other long-term liabilities - net of current portion (Note 10)	**3,654,764**	2,871,755	3,258,223
Total Noncurrent Liabilities	**46,468,276**	50,185,233	49,526,328
Total Liabilities	**72,706,358**	77,592,758	73,483,580
Stockholders' Equity (Note 4)			
Paid-up capital	**33,323,791**	39,438,331	33,315,408
Cost of share-based payments	**330,876**	209,311	312,644
Cumulative translation adjustment	**(267,661)**	(259,865)	(235,892)
Retained earnings	**19,041,363**	23,208,194	18,226,650
Treasury stock - common	**–**	(15,868,428)	–
Total Stockholders' Equity	**52,428,369**	46,727,543	51,618,810
	₱125,134,727	₱124,320,301	₱125,102,390

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

GLOBE TELECOM, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Three Months Ended March 31	
	2006	2005
	(In Thousand Pesos, Except Per Share Figures)	
INCOME (Note 11)		
Service revenues	**₱14,187,479**	₱13,454,313
Nonservice revenues	**852,733**	775,947
Interest income	**214,520**	120,821
Other income - net	**68,853**	97,029
	15,323,585	14,448,110
COSTS AND EXPENSES		
General, selling and administrative (Note 5)	**4,127,722**	4,639,265
Depreciation and amortization	**3,954,668**	3,731,190
Cost of sales	**1,229,031**	1,519,259
Financing costs (Note 5)	**971,823**	688,467
Provisions (reversal of provision) for:		
Doubtful accounts	**123,626**	264,637
Inventory losses, obsolescence and market decline	**(81,446)**	12,352
Losses on property and equipment and other probable losses	**8,076**	174,135
Equity in net losses of an associate and joint venture	**598**	5,736
	10,334,098	11,035,041
INCOME BEFORE INCOME TAX	**4,989,487**	3,413,069
PROVISION FOR INCOME TAX (Note 7)		
Current	**1,391,523**	242,768
Deferred	**145,180**	266,319
	1,536,703	509,087
NET INCOME	**₱3,452,784**	₱2,903,982
Earnings Per Share (Note 9)		
Basic	**₱26.07**	₱20.83
Diluted	**₱25.97**	₱20.78
Cash dividends declared per common share (Note 4)	**₱20.00**	₱20.00

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

GLOBE TELECOM, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)

	Capital Stock*	Additional Paid-in Capital	Cost of Share-Based Payments	Treasury Shares	Cumulative Translation Adjustment	Retained Earnings	Total
				For the Three Months Ended March 31, 2006 (In Thousand Pesos)			
As of January 1, 2006	₱7,333,741	₱25,981,667	₱312,644	₱–	(₱235,892)	₱18,226,650	₱51,618,810
Changes in fair value of cash flow hedges	–	–	–	–	(228,336)	–	(228,336)
Transferred to income and expense for the period for cash flow hedges	–	–	–	–	154,644	–	154,644
Tax effect of items taken directly to or transferred from equity	–	–	–	–	31,579	–	31,579
Changes in fair value of available-for-sale equity investments	–	–	–	–	10,344	–	10,344
Expense recognized directly in equity	–	–	–	–	(31,769)	–	(31,769)
Net income for the period	–	–	–	–	–	3,452,784	3,452,784
Total income (expense) for the period	–	–	–	–	(31,769)	3,452,784	3,421,015
Dividends on common stock (Note 4)	–	–	–	–	–	(2,638,071)	(2,638,071)
Cost of share-based payments	–	–	22,875	–	–	–	22,875
Collection of subscriptions receivable - net of refunds	602	–	–	–	–	–	602
Exercise of stock options	459	7,322	(4,643)	–	–	–	3,138
As of March 31, 2006	**₱7,334,802**	**₱25,988,989**	**₱330,876**	**₱–**	**(₱267,661)**	**₱19,041,363**	**₱52,428,369**
				For the Three Months Ended March 31, 2005 (In Thousand Pesos)			
As of January 1, 2005	₱8,323,023	₱31,112,554	₱193,096	(₱8,192,770)	(₱151,008)	₱23,102,289	₱54,387,184
Changes in fair value of cash flow hedges	–	–	–	–	(328,646)	–	(328,646)
Transferred to income and expense for the period for cash flow hedges	–	–	–	–	167,338	–	167,338
Tax effect of items taken directly to or transferred from equity	–	–	–	–	53,517	–	53,517
Changes in fair value of available-for-sale equity investments	–	–	–	–	(1,066)	–	(1,066)
Net loss recognized directly in equity	–	–	–	–	(108,857)	–	(108,857)
Net income for the period	–	–	–	–	–	2,903,982	2,903,982
Total income (expense) for the period	–	–	–	–	(108,857)	2,903,982	2,795,125
Acquisition of treasury shares for the period (Note 4)	–	–	–	(7,675,658)	–	–	(7,675,658)
Dividends on common stock (Note 4)	–	–	–	–	–	(2,798,077)	(2,798,077)
Cost of share-based payments	–	–	29,431	–	–	–	29,431
Collection of subscriptions receivable - net of refunds	2,924	–	–	–	–	–	2,924
Exercise of stock options	–	(170)	(13,216)	–	–	–	(13,386)
As of March 31, 2005	₱8,325,947	₱31,112,384	₱209,311	(₱15,868,428)	(₱259,865)	₱23,208,194	₱46,727,543

*Net of subscriptions receivable of ₱53.25 million and ₱61.90 million as of March 31, 2006 and 2005, respectively.

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

GLOBE TELECOM, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Three Months Ended March 31	
	2006	2005
	(In Thousand Pesos)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱4,989,487**	₱3,413,069
Adjustments for:		
Depreciation and amortization	**3,954,668**	3,731,190
Interest expense (Note 5)	**1,094,345**	1,098,286
Loss on derivative instruments - net	**715,433**	459,659
Interest income	**(214,520)**	(120,821)
Cost of share-based payments	**22,875**	29,431
Provision for losses on property and equipment and other probable losses	**8,076**	174,135
Loss (gain) on disposal of property and equipment	**(2,729)**	1,660
Equity in net losses of an associate and joint venture	**598**	5,736
Dividend income	**(211)**	(85)
Operating income before working capital changes	**10,568,022**	8,792,260
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	**(665,244)**	(1,342,762)
Inventories and supplies	**125,317**	(394,885)
Prepayments and other current assets	**(105,782)**	(52,759)
Increase (decrease) in:		
Accounts payable and accrued expenses	**1,391,551**	2,584,617
Unearned revenues	**309,409**	171,933
Other long-term liabilities	**(189,034)**	(77,715)
Cash generated from operations	**11,434,239**	9,680,689
Interest paid	**(602,658)**	(601,849)
Net cash flows provided by operating activities	**10,831,581**	9,078,840
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment and intangible assets	**(2,516,858)**	(4,508,007)
Proceeds from sale of property and equipment	**19,171**	5,459
Decrease (increase) in:		
Short-term investments	**(943,538)**	561,341
Other noncurrent assets	**(35,933)**	108,387
Interest received	**160,924**	148,513
Dividends received	**211**	85
Net cash flows used in investing activities	**(3,316,023)**	(3,684,222)

(Forward)

	Three Months Ended March 31	
	2006	2005
	(In Thousand Pesos)	
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of:		
Long-term borrowings	**(₱3,824,377)**	₱-
Short-term borrowings	**-**	(3,853,346)
Payments of dividends to:		
Common shareholders (Note 4)	**(2,638,071)**	(2,798,077)
Preferred shareholders	**(68,334)**	(75,128)
Collection of subscription receivable and exercise of stock options - net of related expenses	**3,008**	2,754
Proceeds from long-term borrowings	**-**	4,800,000
Purchase of treasury stock - common	**-**	(7,675,658)
Net cash flows used in financing activities	**(6,527,774)**	(9,599,455)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**987,784**	(4,204,837)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**10,910,961**	13,581,842
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱11,898,745**	₱9,377,005

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

GLOBE TELECOM, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Financial Statement Preparation

The accompanying condensed consolidated financial statements have been prepared in accordance with Philippine Accounting Standard (PAS) 34, *Interim Financial Reporting*. Accordingly, the condensed consolidated financial statements do not include all of the information and footnotes required by generally accepted accounting principles in the Philippines (Philippine GAAP) for complete financial statements as set forth in Philippine Financial Reporting Standards (PFRS). The same accounting policies and methods of computation adopted in the December 31, 2005 annual audited financial statements are followed in the accompanying condensed consolidated financial statements.

The preparation of the financial statements in conformity with Philippine GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions used in the accompanying condensed consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the condensed consolidated financial statements. Actual results could differ from such estimates.

The March 31, 2005 comparative condensed consolidated financial statements were restated for certain adjustments to conform with the current period's presentation.

The condensed consolidated financial statements include the accounts of Globe Telecom, Inc. (herein referred to as "Globe Telecom" or "Globe") and its wholly owned subsidiaries Innove Communications, Inc. (herein referred to as "Innove") and G-Xchange, Inc. (herein referred to as "GXI"), collectively referred to as "Globe Group."

2. Adoption of New Accounting Standards

Effective January 1, 2006, the Globe Group adopted the Amendment to PAS 19, *Recognition of Actuarial Gains and Losses Outside of Profit or Loss*, which introduces an additional option for recognition of actuarial gains and losses in post-employment defined benefit plans. The amendment permits an entity to recognize actuarial gains and losses in the period in which they occur outside profit or loss. The amendment also requires additional disclosures on the entity's pension plan. The adoption of amendment to PAS 19 does not have an effect on the Globe Group's result of operations and financial position. The Globe Group elected to continue to recognize a portion of actuarial gains and losses in profit and loss if the cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceeded the greater of 10% of the present value of defined obligation or 10% of the fair value of plan assets. Additional disclosures required by this amendment were included in the Globe Group's condensed consolidated financial statements, where applicable (see Note 6).

The Globe Group did not early adopt PFRS 7, *Financial Instruments - Disclosures* - The revised disclosures on financial instruments provided by this standard will be included in the Globe Group's condensed consolidated financial statements when the standard is adopted in 2007.

3. Arrangements and Commitments with Suppliers

Globe Telecom and Innove have entered into agreements with various suppliers for the delivery, installation, or construction of its property and equipment. Under the terms of these agreements, delivery, installation or construction commences only when purchase orders are served. Billings are based on the progress of the project installation or construction. While the construction is in progress, project costs are accrued based on the billings received. When the installation or construction is completed and the property is ready for service, the balance of the related purchase orders is accrued. The consolidated accrued project costs as of March 31, 2006 and 2005 and December 31, 2005 included in "Accounts payable and accrued expenses" account in the condensed consolidated balance sheets amounted to ₱2,668.53 million, ₱3,001.91 million and ₱2,444.11 million, respectively. As of March 31, 2006, the consolidated expected future payments amounted to ₱2,243.22 million. The settlement of these liabilities is dependent on the payment terms agreed with the suppliers and contractors.

4. Stockholders' Equity

Treasury Shares

On February 1, 2005, the Board of Directors (BOD) approved an offer to purchase one share for every fifteen shares (1:15) of the outstanding common stock of Globe Telecom from all stockholders of record as of February 10, 2005 at ₱950.00 per share. Each shareholder is entitled to tender a proportionate number of shares at the 1:15 ratio for purchase by Globe Telecom upon and subject to the terms and conditions of the tender offer.

On March 15, 2005, Globe Telecom acquired 8,064,094 shares at a total cost of ₱7,675.66 million, including incidental costs.

On April 4, 2005, Globe Telecom's stockholders approved the cancellation of the 20,065,627 treasury shares and the amendments of the articles of incorporation of Globe Telecom to reduce accordingly the authorized capital stock of Globe Telecom from ₱11,250.00 million to ₱10,246.72 million. On April 29, 2005, Globe Telecom applied for the retirement and cancellation of the existing treasury shares with the Securities and Exchange Commission (SEC), which the latter approved on October 28, 2005. Accordingly, Globe Telecom cancelled the existing treasury shares at cost. The difference between the par value and cost of treasury shares was charged to "Additional paid in capital" and "Retained earnings" accounts amounting to ₱5,179.35 million and ₱9,685.80 million, respectively.

Cash Dividends
On February 1, 2005, the BOD declared the first semi-annual cash dividend in 2005 of ₱20.00 per share payable to common stockholders of record as of February 18, 2005 and subsequently paid the total dividends amounting to ₱2,798.08 million on March 15, 2005.

On February 7, 2006, the BOD declared the first semi-annual cash dividend in 2006 of ₱20.00 per share payable to common stockholders of record as of February 21, 2006 and subsequently paid the total dividends amounting to ₱2,638.07 million on March 15, 2006.

Restrictions on Retained Earnings
The retained earnings include the undistributed net earnings of consolidated subsidiaries and the accumulated equity in net earnings of associates and joint venture accounted for under the equity method totaling ₱4,004.67 million as of March 31, 2006. This amount is not available for dividend declaration until received in the form of dividends from subsidiaries, associates and joint venture. The Globe Group is also subject to loan covenants that restrict its ability to pay dividends.

5. General, Selling and Administrative and Financing Costs

General, selling and administrative costs consist of:

	Three Months Ended March 31	
	2006	2005
	(In Thousand Pesos)	
Staff costs	**₱803,183**	₱826,265
Selling, advertising and promotions	**628,210**	1,103,733
Repairs and maintenance	**554,317**	457,882
Utilities, supplies and other administrative expenses	**491,403**	479,535
Rent	**490,105**	422,650
Insurance and security services	**387,404**	398,251
Professional and other contracted services	**270,837**	406,502
Taxes and licenses	**233,715**	266,903
Others	**268,548**	277,544
	₱4,127,722	₱4,639,265

Financing costs consist of:

	Three Months Ended March 31	
	2006	2005
	(In Thousand Pesos)	
Interest expense - net of amortization of bond premium	**₱1,094,345**	₱1,098,286
Foreign exchange gain - net	**(961,126)**	(1,071,722)
Loss on derivative instruments - net	**716,098**	459,659
Swap and other financing costs	**122,506**	202,244
	₱971,823	₱688,467

6. Pension Plans

The information below represents the additional disclosures required under the amendments to PAS 19 (see Note 2):

The pension expense (included in staff costs under "Operating costs and expenses") in the condensed consolidated statements of income amounted to ₱14.81 million for the three months ended March 31, 2006 and 2005. The pension expense includes Innove's actuarial gain determined based on the corridor approach in recognizing the cumulative actuarial gains or losses. Globe did not recognize any actuarial gain or loss as the cumulative unrecognized actuarial gain was below the corridor as defined in the standard.

The funded status and amounts recognized under "Other noncurrent assets" in the condensed consolidated balance sheets for the pension plan of Globe Telecom and Innove are as follows:

	Three Months Ended March 31		Year Ended December 31
	2006	2005	2005
	(In Thousand Pesos)		
Benefit obligation	**₱663,631**	₱612,914	₱648,825
Plan assets	**(1,077,985)**	(1,042,035)	(1,066,441)
	(414,354)	(429,121)	(417,616)
Unrecognized net actuarial gains (Note 2)	**165,138**	129,187	153,592
Asset recognized in the condensed consolidated balance sheets	**(₱249,216)**	(₱299,934)	(₱264,024)

The following tables present the changes in the present value of defined benefit obligation and fair value of plan assets:

	Three Months Ended March 31		Year Ended December 31
	2006	2005	2005
	(In Thousand Pesos)		
Balance at beginning of period	**₱648,825**	₱603,622	₱603,622
Interest cost	**20,301**	20,301	81,207
Current service cost	**23,327**	23,327	93,305
Benefits paid	**(22,558)**	(4,491)	(69,980)
Actuarial gains	**(6,264)**	(29,845)	(59,329)
Balance at end of period	**₱663,631**	₱612,914	₱648,825

	Three Months Ended March 31		Year Ended December 31
	2006	2005	2005
	(In Thousand Pesos)		
Balance at beginning of period	**₱1,066,441**	₱1,018,309	₱1,018,309
Expected return	**28,208**	28,208	112,833
Contributions	**–**	5,515	14,023
Benefits paid	**(22,558)**	(4,491)	(69,980)

Actuarial gains/(losses)	**5,894**	(5,506)	(8,744)
Balance at end of period	**₱1,077,985**	₱1,042,035	₱1,066,441

The allocation of the fair value of plan assets of Globe Telecom follows:

	March 31		December 31
	2006	2005	2005
Investments in debt securities	**80.00%**	86.00%	84.00%
Investments in equity securities	**17.00%**	12.00%	15.00%
Others	**3.00%**	2.00%	1.00%

The allocation of the fair value of plan assets of Innove follows:

	March 31		December 31
	2006	2005	2005
Investments in debt securities	**88.00%**	85.00%	89.00%
Investments in equity securities	**7.00%**	9.00%	7.00%
Others	**5.00%**	6.00%	4.00%

As of March 31, 2006, the pension plan assets of Globe Telecom and Innove include shares of stock of Globe Telecom with total fair value of ₱15.46 million and shares of stock of other related parties with total fair value of ₱8.89 million.

The overall expected rate of return on plan assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

7. Income Taxes

Republic Act (RA) No. 7229
In July 2001, the Board of Investment (BOI) approved Globe Telecom's application as an expanding operator of telecommunications systems and granted its Phase 8 expansion project a pioneer status. In March 2002, the BOI issued the certificate of registration, which entitled Globe Telecom to income tax holiday (ITH) for the next three years. The ITH commenced on April 1, 2002, the date when Phase 8 expansion was placed in commercial operations. The ITH expired on March 31, 2005. The availment of ITH resulted in an increase by ₱1.93 in basic earnings per share for the three months ended March 31, 2005.

RA No. 9337
RA No. 9337 was enacted into law amending various provisions in the existing 1997 National Internal Revenue Code. On October 18, 2005, the Supreme Court has rendered its final decision declaring the validity of the RA No. 9337. Among the reforms introduced by the said RA, which became effective on November 1, 2005, are as follows:

- Increase in the corporate income tax rate from 32% to 35% with a reduction thereof to 30% beginning January 1, 2009;

- Increase in value-added tax (VAT) rate from 10% to 12% effective February 1, 2006 as authorized by the Philippine President pursuant to the recommendation of the Secretary of Finance;
- Revision of invoicing and reporting requirements for VAT;

- Expansion of scope of transactions subject to VAT; and
- Provision of thresholds and limitations on the amounts of VAT credits that can be claimed.

The reconciliation of the provision for income tax at statutory tax rate and the provision for income tax follows:

	Three Months Ended March 31	
	2006	2005
	(In Thousand Pesos)	
Provision at statutory income tax rate	**₱1,746,320**	₱1,092,182
Add (deduct) tax effects of:		
Effect of tax rate difference arising from the change in expected timing of deferred tax assets'/liabilities' reversal	**(261,694)**	
Income subjected to lower tax rates	**(50,235)**	(27,946)
Equity in net losses of an associate and joint venture	**(209)**	1,836
Unearned revenues under ITH	**-**	(365,344)
Income under ITH	**-**	(254,486)
Others	**102,521**	62,845
Provision for income tax	**₱1,536,703**	₱509,087

8. Contingencies

Globe Telecom and Innove are contingently liable for various claims arising in the ordinary conduct of business and certain tax assessments which are either pending decision by the courts or are being contested, the outcome of which are not presently determinable. In the opinion of management and legal counsel, the eventual liability under these claims, if any, will not have a material or adverse effect on the Globe Group's financial position and results of operations. There are no new material legal claims and no developments on previously disclosed legal cases for this quarter.

9. Earnings Per Share

Globe Group's earnings per share amounts were computed as follows:

	Three Months Ended March 31	
	2006	2005
	(In Thousand Pesos and Number of Shares, Except Per Share Figures)	
Net income attributable to common shareholders for basic earnings per share	**₱3,436,822**	₱2,885,746
Add dividends on preferred shares	**15,962**	18,236
Net income attributable to common shareholders for diluted earnings per share	**3,452,784**	2,903,982
Weighted average number of shares for basic earnings per share	**131,840**	138,561
Dilutive shares arising from:		
Convertible preferred shares	**947**	868
Stock options	**159**	321

Adjusted weighted average number of common stock for diluted earnings per share	**132,946**	139,750
Basic earnings per share	**₱26.07**	₱20.83
Diluted earnings per share	**₱25.97**	₱20.78

10. Financial Instruments

Derivative Financial Instruments

Globe Group's freestanding and embedded derivative financial instruments are accounted for as hedges or transactions not designated as hedges. The table below sets out the information about Globe Group's derivative financial instruments as of March 31, 2006 and 2005:

	2006			
	Notional Amount	Notional Amount	Derivative Asset	Derivative Liability
	(In Thousands)			
Derivative instruments designated as hedges:				
Cash flow hedges:				
Currency and cross currency swaps	US$76,487	₱–	₱983	₱630,534
Interest rate swaps	22,131	–	18,524	–
Derivative instruments not designated as hedges:				
Freestanding:				
Currency swaps and cross currency swaps	77,568	–	1,592	513,326
Non-deliverable forwards	15,720	–	–	10,307
Interest rate swaps	23,000	1,000,000	110,755	24,603
Sold currency call options (including premiums receivable)	14,000	–	–	521
Embedded:				
Call option on 2012 Senior Notes	300,000	–	1,083,526	–
Embedded forwards	21,635	–	30,418	29,657
Embedded options	1,013	–	73	–
Net	US$551,554	₱1,000,000	₱1,245,871	₱1,208,948

	2005			
	Notional Amount	Notional Amount	Derivative Asset	Derivative Liability
	(In Thousands)			
Derivative instruments designated as hedges:				
Cash flow hedges:				
Currency and cross currency swaps	US$91,454	₱-	₱77,133	₱308,659
Interest rate swaps	18,182	-	-	1,135
Derivative instruments not designated as hedges:				
Freestanding:				
Currency swaps and cross currency swaps	137,382	-	254,021	263,740

Interest rate swaps	59,013	1,000,000	65,398	64,594
Sold currency call options (including premiums receivable)	16,000	-	17,801	10,411
Non deliverable forwards	2,964	-	-	-
Embedded:				
Embedded Forwards in Dollar Linked-Peso Note	2,777	-	-	720
Call option on 2012 Senior Notes	300,000	-	612,619	-
Embedded forwards	71,367	-	230,393	12,866
Embedded options	2,734	-	1,045	-
Net	US$701,873	₱1,000,000	₱1,258,410	₱662,125

Information on Globe Group's foreign currency-denominated monetary assets and liabilities and their Philippine peso equivalents are as follows:

	March 31				December 31	
	2006		2005		2005	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
			(In Thousands)			
Assets						
Cash and cash equivalents	**$76,078**	**₱3,892,003**	$110,850	₱6,068,705	$78,901	₱4,186,627
Traffic settlements receivables	**56,583**	**2,899,765**	39,469	2,160,809	50,162	2,661,691
Prepayments and other current assets	**5,531**	**282,945**	2,795	153,018	5,238	277,948
	138,192	**7,074,713**	153,114	8,382,532	134,301	7,126,266
Liabilities						
Accounts payable and accrued expenses	**44,037**	**2,252,838**	63,023	3,450,320	42,240	2,241,384
Traffic settlements payable	**11,488**	**587,693**	13,966	764,597	11,294	599,306
Long-term debt	**565,665**	**28,938,288**	662,029	36,244,102	611,487	32,446,723
Other long-term liabilities	**25,636**	**1,311,516**	47,038	2,575,189	25,889	1,373,734
	646,826	**33,090,335**	786,056	43,034,208	690,910	36,661,147
Net foreign currency-denominated liabilities	**$508,634**	**₱26,015,622**	$632,942	₱34,651,676	$556,609	₱29,534,881

Fair Value Changes on Derivatives

The net movements in fair value changes of all derivative instruments are as follows (amounts in thousand pesos):

	Three Months Ended March	
	2006	2005
Balance at beginning of period	**₱817,145**	₱146,477
Net changes in fair value of derivatives:		
Designated as accounting hedges	**(228,336)**	334,578
Not designated as accounting hedges	**(479,109)**	140,095
	109,700	621,150
Less fair value of settled instruments	**72,777**	24,865
Balance at end of period	**₱36,923**	₱596,285

11. Segment Reporting

The Globe Group's reportable segments consist of:

Wireless Communications Services - represents cellular telecommunications services that allow subscribers to make and receive local, domestic long distance and international long distance calls to and from any place within the coverage area. Revenues principally consist of one-time registration fees, fixed monthly service fees for postpaid, subscription fees for prepaid, revenues from value-added services such as text messaging, proceeds from sale of handsets and other phone accessories, upfront fees from activation of simpacks/simcards and per minute airtime and toll fees for basic services which vary based primarily on the monthly volume of calls and the network on which the call terminates.

Wireline Communications Services - represents fixed line telecommunications services which offer subscribers local, domestic long distance and international long distance services in addition to a number of value-added services in various service areas covered by the Provisional Authority granted by the National Telecommunications Commission (NTC). Revenues consist principally of fixed monthly basic fee for service and equipment, one-time fixed line service connection fee, value-added service charges, and toll fees for domestic and international long distance calls and internet subscription fees of wireline voice subscribers. The services also include also a variety of telecommunications services tailored to meet the specific needs of corporate communications such as leased lines, Very Small Aperture Terminal (VSAT), international packet-switching services, broadband, and internet services.

The segment's performance is evaluated based on earnings before income taxes, interest income, financing costs, property and equipment related gains and losses and depreciation, and amortization (EBITDA).

The Globe Group's segment information follows (in millions):

<u>March 31, 2006</u>

	Wireless Communications Services	Wireline Communications Services	Total
Revenues	₱13,450	₱1,590	₱15,040
Other income	50	15	65
Operating expenses	(4,528)	(875)	(5,403)
EBITDA [1]	8,972	730	9,702
Depreciation and amortization	(3,297)	(658)	(3,955)
EBIT	5,675	72	5,747
Financing costs	(970)	(2)	(972)
Interest income	196	18	214
Other expenses - net*	–	–	–
Income before income tax	₱4,901	₱88	₱4,989

*This pertains to property and equipment related income and charges.

March 31, 2005

	Wireless Communications Services	Wireline Communications Services	Total
Revenues	₱12,665	₱1,565	₱14,230
Other income	87	6	93
Operating expenses	(5,547)	(898)	(6,445)
EBITDA[1]	7,205	673	7,878
Depreciation and amortization	(3,082)	(649)	(3,731)
EBIT	4,123	24	4,147
Financing costs	(626)	(62)	(688)
Interest income	109	12	121
Other expenses - net*	(167)	–	(167)
Income (loss) before income tax	₱3,439	(₱26)	₱3,413

*This pertains to property and equipment related income and charges.

The segment assets and liabilities as of March 31, 2006 and 2005 and December 31, 2005 are as follows (in millions):

March 31, 2006

	Wireless Communications Services	Wireline Communications Services	Total
Segment assets[2]	₱105,243	₱18,836	₱124,079
Segment liabilities[2]	₱65,614	₱2,644	₱68,258

March 31, 2005

	Wireless Communications Services	Wireline Communications Services	Total
Segment assets [2]	₱101,992	₱20,124	₱122,116
Segment liabilities [2]	₱72,330	₱1,889	₱74,219

December 31, 2005

	Wireless Communications Services	Wireline Communications Services	Total
Segment assets [2]	₱103,828	₱20,110	₱123,938
Segment liabilities [2]	₱66,823	₱2,228	₱69,051

The Globe Group's capitalized expenditures for the three months ended March 31 (in millions):

	2006	2005
Wireless communications services	**₱1,796**	₱4,230
Wireline communications services	**547**	232
	₱2,343	₱4,462

[1] EBITDA is a non-Philippine GAAP measure presented because it is generally accepted as providing useful information regarding a company's ability to generate cash flows and incur and service debt. The Globe Group's presentation of EBITDA may not be comparable to similarly titled measures presented by other companies because not all companies and analysts calculate EBITDA in the same manner.

[2] Segment assets and liabilities do not include deferred income taxes.

12. Notes to Condensed Consolidated Statements of Cash Flows

The principal noncash transactions are as follows:

	March 31		December 31
	2006	2005	2005
	(In Thousand Pesos)		
Increase (decrease) in liabilities related to the acquisition of property and equipment	**₱433,676**	₱556,127	(₱1,163,860)
Dividends on preferred shares	**–**	–	68,334
Capitalized asset retirement obligation	**18,275**	43,499	44,433

13. Other Matters

On February 17, 2006, the NTC issued to Innove a provisional authority (valid for 18 months from date of approval) to establish, install, operate and maintain Local Exchange Carrier, particularly integrated local telephone service with public payphone facilities and public calling stations, and to render and provide international and domestic leased line services within the territorial jurisdiction of the Subic Bay Metropolitan Authority.

On March 8, 2006, the BOD approved the sale of Innove's 4.25% investment in C2C Holdings to C2C Group Limited. C2C Holdings is the holding company for equity investments of all cable landing parties in C2C Pte. Ltd (C2C). In October 2005, the creditors of C2C appointed receivers and in January 2006, manifested their intention to take over the management of C2C. Innove has previously recognized a full provision for its investment in C2C Holdings amounting to ₱894.55 million as of March 31, 2006.

14. Approval of the Condensed Consolidated Financial Statements

On May 8, 2006, the BOD approved and authorized the release of the condensed consolidated financial statements of Globe Telecom, Inc. and Subsidiaries as of and for the three months ended March 31, 2006 and 2005.

ANNEX II

Globe Telecom, Inc. and Subsidiaries
Balance Sheet Accounts Variance Analysis (March 31, 2006 vs. March 31, 2005)

a) Cash and Cash Equivalents – Increased by 27% or P2.5 billion mainly due to increase in cashflows provided by operating activities.
b) Short-term Investments – Increased by P2.1 billion due to investment in treasury bills.
c) Receivables - net – Up by 19% as compared to same period last year due to higher receivable from various carriers.
d) Inventories and Supplies - net – Decreased due to lower acquisition of simpacks and simcards during the quarter and lower ending inventory of handsets and phonekits.
e) Intangible Assets – Increased by 9% or P94 million due to acquisition of various capitalizable software and licenses supporting the expanded network and subscriber base.
f) Deferred Tax Assets – Pertains to lower deferred revenues, utilization of tax benefit on bad debts written-off and utilization of DIT on MCIT and slightly due to difference in tax rates of 35% for Q1 2006 vs 32% for Q1 2005.
g) Investments in Associates, Joint Venture and Others – Declined by P8.9 million due to equity in net loss on Bridge Mobile Alliance.
h) Other Noncurrent Assets – Increased by P700.1 million due to increase of prepaid rent because of increase in cellsites and increase in MTM gain on derivatives set up during the year.
i) Income Tax Payable – Increased by P1.1 billion due to expiration of income tax holiday on March 31, 2005.
j) Unearned Revenues – Decreased by 15% or P293.6 million due to faster consumption of prepaid airtime credits as a result of ongoing promos offered during the period (text unlimited, lower call rates).
k) Other Long-term Liabilities – Increased due to additional asset retirement obligation, accrued lease and MTM loss on derivative liabilities.
l) Deferred Tax Liabilities – Globe's net deferred tax liabilities increased by 32% due to increase in liabilities arising from depreciation claimed under SYD method vs. straight line and partly also due to 3% increase in tax rate for assets and liabilities reversing until 2008.
m) Long-term Debt – Decreased by 13% due to scheduled loan installment repayment to Foreign banks in April to December 2005 and up to March 2006.
n) Paid-up Capital – Decreased due to retirement of treasury shares in October 2005 net of issuances.
o) Stock Options – Increase represents additional compensation expense during the year net of the amount transferred to additional paid-in capital for the exercised portion of stock options.
p) Treasury Stock - Common – Decreased by P15.9 million due to retirement of treasury shares in October 2005.

Aging of Accounts Receivable as of March 31, 2006

Trade Receivables	(In Thousand Pesos)
Current	P2,671,289
More than 90 days past due	317,902
More than 120 days past due	234,202
More than 150 days past due	169,399
More than 180 days past due	4,374,562
	7,767,354
Traffic Settlement Receivables	3,412,294
Other Receivables	202,446
Total Receivables	11,382,094
Less: Allowance for doubtful debts	(4,504,823)
Receivables - net	P6,877,271

Globe Telecom, Inc. and Subsidiaries
Breakdown of Liabilities

		3/31/2005	3/31/2006
A.	Accounts Payable	6,501.8	7,589.1
	Accrued Expense	4,792.4	4,691.5
	Accrued Project Cost	3,001.9	2,668.5
	Traffic Settlements	1,449.6	1,740.6
	Provisions	290.3	221.8
	Dividends Payable	-	-
	Derivative Liabilities	40.4	126.3
		16,076.4	17,037.8
B.	Unearned Revenues	1,904.7	1,611.1
C.	Long Term Debt (LTD)		
	Current Portion of LTD		
	Banks	8,828.0	7,410.3
	Suppliers	403.2	29.0
	Current portion of unamortized bond premium and issuance costs - 2012 Senior Notes and Retail Bond	47.0	51.1
		9,278.2	7,490.4
	LTD - net of current portion		
	Banks	19,436.9	15,737.6
	Corporate Notes	4,570.0	3,909.0
	Suppliers	31.1	-
		24,038.0	19,646.6
	Senior Notes		
	2012 Senior Notes - net of current portion of unamortized bond premium and issuance cost[1]	16,924.1	15,727.8
	Retail Bonds - net of unamortized debt issuance cost in March 31, 2006 of P14million[1]	2,978.0	2,991.6
E	Other long-term liabilities		
	Current	148.2	98.8
	Non-current	2,871.8	3,654.8
		3,020.0	3,753.6

[1] March 31, 2005 balance includes premium but excludes unamortized debt issuance costs. March 31, 2006 balance is presented inclusive of unamortized bond premium and debt issuance cost of P423 million.

Certified True and Correct:

CHRISTINE R. BLABAGNO
Head – Financial Reporting

EDITH C. SANTIAGO
Vice President – Financial Control