



**PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION**  
(Company's Full Name)

**Spirit of Communications Centre,**  
**106 C. Palanca Jr. St., Legaspi Village, Makati City**  
(Company's Address)

**(632)815-9961**  
(Telephone Number)

**June 30**  
(Fiscal Year Ending)  
(month & day)

**Form 17-Q**  
Form Type

\_\_\_\_\_  
Amended Designation (if applicable)

**December 31, 2018**  
Period Ended Date

\_\_\_\_\_  
(Secondary License Type and File No.)

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 quarter ended December 31, 2018
2. SEC Identification Number 21817
3. BIR Tax Identification No. 470-000-530-631
4. Philippine Telegraph and Telephone Corp. (PT&T)  
Exact name of issuer as specified in its charter:
5. Metro Manila, Philippines  
Province, Country or other jurisdiction of  
incorporation or organization
6.  (SEC Use Only)  
Industry Classification Code:
7. Spirit of Communication Centre Building,  
106 Carlos Palanca Jr. St., Legaspi Village, Makati City  
Address of principal office
8. 1229  
Postal Code
8. (632)815-9961 to 65  
Issuer's telephone number, including area code
9. Not Applicable  
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

<u>Title of each class</u>	<u>Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding as of Date of Report</u>
Common stock	PhP1.00 par value 1,500,000,000 shares

11. Are any or all of these securities listed on a Philippine Stock Exchange?  
Yes  No   
If yes, state the name of such Stock Exchange and the class/es of securities listed therein:  
Philippine Stock Exchange (PSE) – Common Stock
12. Indicate by check mark whether the issuer:  
(a) has filed all reports required to be filed by Section 17 of the SRC and the SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports):  
Yes  No   
(b) has been subject to such filing requirements for the past ninety (90) days.  
Yes  No

**PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION (PT&T)**  
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# **PART I - FINANCIAL INFORMATION**

## **Item 1. Financial Statements**

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION  
For the quarter ended: December 31, 2018  
INTERIM CONDENSED FINANCIAL STATEMENTS

**PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION**  
**Statement of Financial Position**  
(In Thousand pesos)

	Interim unaudited As of December 31, 2018	Audited As of June 30, 2018
<b>A S S E T S</b>		
<b>Current Assets</b>		
Cash	11,908	6,114
Accounts receivables – net	51,972	16,639
Other current assets	19,076	5,609
<b>Total Current Assets</b>	<b>82,956</b>	<b>28,362</b>
<b>Non-current Assets</b>		
Property, plant and equipment – net	531,187	528,437
Deferred income tax	235,795	235,795
Other non-current assets –	41,535	16,678
<b>Total Non-current Assets</b>	<b>808,517</b>	<b>780,910</b>
<b>TOTAL ASSETS</b>	<b>891,473</b>	<b>809,272</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables	553,752	398,038
Statutory obligations	508,012	517,870
Accrued expenses and other liabilities	247,106	219,193
Income tax payable	12,317	12,317
<b>Total Current Liabilities</b>	<b>1,321,187</b>	<b>1,147,418</b>
<b>Non-current Liabilities</b>		
Deposit for future stock subscription	130,000	8,841,737
Retirement benefits liability	131,210	131,210
Deferred income tax liability	43,101	43,101
<b>Total Non-current Liabilities</b>	<b>304,311</b>	<b>9,016,048</b>
<b>Total Liabilities</b>	<b>1,625,498</b>	<b>10,163,466</b>
<b>Capital Deficiency</b>		
Paid-up capital	10,935,991	2,224,255
Revaluation surplus	102,102	102,102
Accumulated actuarial loss on retirement benefits	(1,533)	(1,533)
Unrealized valuation loss on AFS investments	(268)	(279)
Deficit	(11,770,317)	(11,678,739)
<b>Total Capital Deficiency</b>	<b>(734,025)</b>	<b>(9,354,194)</b>
<b>TOTAL LIABILITIES AND CAPITAL DEFICIENCY</b>	<b>891,473</b>	<b>809,272</b>

**PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION**

**Statement of Income**

(In thousand pesos except per share data)

	Interim unaudited For the six-month period ending December 31, 2018	Interim unaudited For the six-month period ending December 31, 2017	Interim unaudited For the three-month period ending December 31, 2018	Interim unaudited For the three-month period ending December 31, 2017
<b>REVENUES</b>	129,391	84,836	69,029	46,373
<b>COSTS AND EXPENSES</b>				
Personnel costs	86,252	26,592	46,427	14,629
Depreciation and amortization	14,745	9,190	7,426	4,622
Utilities and supplies	9,212	5,373	5,843	2,673
Rent	5,782	3,800	3,226	1,991
Marketing and commission	6,833	3,527	2,474	2,356
Professional and other contracted services	15,115	1,756	6,860	780
Taxes and licenses	33,842	1,236	31,695	717
Outside services	4,600	1,729	2,121	817
Representation and entertainment	2,396	1,034	1,372	446
Others	25,111	3,540	7,276	2,005
	<b>203,888</b>	<b>57,777</b>	<b>114,720</b>	<b>31,036</b>
<b>OTHER INCOME (CHARGES)</b>				
Interest expense, net of revenue	(20,345)	(13,949)	(13,459)	(6,973)
Rent income	3,363	6,407	2,655	3,109
Provision for doubtful accounts	(266)	-	(266)	-
Others	167	-	(645)	-
	<b>(17,081)</b>	<b>(7,542)</b>	<b>(11,715)</b>	<b>(3,864)</b>
<b>LOSS BEFORE INCOME TAX</b>	<b>(91,578)</b>	<b>19,517</b>	<b>(57,406)</b>	<b>11,473</b>
<b>INCOME TAX</b>	<b>-</b>			
<b>NET LOSS</b>	<b>(91,578)</b>	<b>19,517</b>	<b>(57,406)</b>	<b>11,473</b>
<b>WEIGHTED AVERAGE COMMON STOCK</b>	<b>1,500,000</b>	<b>1,500,000</b>	<b>1,500,000</b>	<b>1,500,000</b>
<b>INCOME (LOSS) PER SHARE</b>				
Basic	(0.06)	0.01	(0.04)	0.01
Diluted	(0.06)	0.01	(0.04)	0.01

**PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION**

**Statement of Comprehensive Income**

(In thousand pesos except per share data)

	<u>Interim unaudited</u> <u>For the six-month</u> <u>period ending</u> <u>December 31, 2018</u>	<u>Interim unaudited</u> <u>For the six-month</u> <u>period ending</u> <u>December 31, 2017</u>	<u>Interim unaudited</u> <u>For the three-month</u> <u>period ending</u> <u>December 31, 2018</u>	<u>Interim unaudited</u> <u>For the three-month</u> <u>period ending</u> <u>December 31, 2017</u>
<b>NET LOSS</b>	(91,578)	19,517	(57,406)	11,473
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
Unrealized valuation gain on AFS investments	-	-	-	-
	-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>(91,578)</b>	<b>19,517</b>	<b>(57,406)</b>	<b>11,473</b>

**PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION**

**Statement of Changes in Equity**

(In thousand pesos)

	Common Stock	Redeemable Preferred Stock	Revaluation Surplus	Accumulated Actuarial Gain on Retirement Benefits	Unrealized Valuation Loss on AFS Investments	Deficit	Total
Balance as of June 30, 2018	2,224,255		102,102	(1,533)	(279)	(11,678,739)	(9,354,194)
Increase in Capital Stock		8,711,736					8,711,736
Comprehensive income (loss) for the six-month period ending December 31, 2018					11	(91,578)	(91,567)
Balance as of December 31, 2018	2,224,255	8,711,736	102,102	(1,533)	(268)	(11,770,317)	(734,025)
Balance as of June 30, 2017	2,054,254		102,102	3,163	(192)	(11,403,467)	(9,244,140)
Comprehensive income (loss) for the six-month period ending December 31, 2017						19,517	19,517
Balance as of December 31, 2017	2,054,254	-	102,102	3,163	(192)	(11,383,950)	(9,224,623)

**PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION**

**Statement of Cash Flows**

(In thousand pesos)

	Interim unaudited For the six-month period ending December 31, 2018	Interim unaudited For the six-month period ending December 31, 2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before income tax	(91,578)	19,517
Adjustments for:		
Depreciation and amortization	14,745	9,190
Other charges	20,444	13,949
	(56,389)	42,656
Decrease (increase) in operating assets		
Accounts receivables	(35,599)	(5,308)
Other current assets	(13,467)	(4,160)
Deposits and other assets	(24,847)	(11,008)
Increase (decrease) in current liabilities		
Trade and accounts payable	155,881	28,014
Statutory obligations	(9,858)	1,477
Accrued interest, expenses and other liabilities	7,568	(2,131)
Other liabilities	-	(14,670)
<b>NET CASH PROVIDED (USED) FROM OPERATING ACTIVITIES</b>	<b>23,289</b>	<b>34,870</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment & other fixed (net)	(17,495)	(18,744)
<b>NET CASH PROVIDED (USED) FROM INVESTING ACTIVITIES</b>	<b>(17,495)</b>	<b>(18,744)</b>
<b>NET INCREASE IN CASH</b>	<b>5,794</b>	<b>16,126</b>
<b>CASH BALANCE, Beginning</b>	<b>6,114</b>	<b>4,887</b>
<b>CASH BALANCE, Ending</b>	<b>11,908</b>	<b>21,013</b>

**PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION**

**Aging Schedule of Receivables**

(In thousand pesos)

<b>SERVICES</b>	<b>CURRENT TO 30 DAYS</b>	<b>31 TO 60 DAYS</b>	<b>61 TO 90 DAYS</b>	<b>OVER 91 DAYS</b>	<b>TOTAL</b>
Trade Receivables	5,390	1,290	270	2,229	9,179
Less: Allowance for doubtful accounts					1,824
<b>NET TRADE RECEIVABLES</b>					<b>7,355</b>
Other Receivables					44,617
<b>RECEIVABLES net of allowance for doubtful accounts</b>					<b>51,972</b>

**PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION**  
**Selected Explanatory Notes to the Financial Statements**  
**(UNAUDITED)**

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**1. CORPORATE INFORMATION**

Philippine Telegraph & Telephone Corporation (the "Company") was incorporated on October 16, 1962 and subsequently registered with the Philippine Securities and Exchange Commission ("SEC") on November 14, 1962 under the laws of the Philippines as a diversified telecommunications entity catering to the corporate, small and medium business and residential segments. On October 19, 2012, at the Special Stockholders' Meeting, the stockholders representing at least 2/3 of the outstanding capital stock approved the amended articles of incorporation extending the corporate term for another 50 years until November 14, 2062. On November 26, 2012, SEC approved the Company's extension of corporate term for another 50 years.

As at June 30, 2016, the Company is 70.05%-owned subsidiary of Republic Telecommunications Holdings, Inc. ("RETELCOM"). The Company's ultimate parent company is Teletronics Systems, Inc. (TSI).

On August 25, 2017, RETELCOM and Menlo Capital Corporation ("MENLO") entered into a Sale and Transfer Agreement wherein RETELCOM agreed to sell and transfer 560,000,000 common shares, representing 37.33% ownership interest, of the Company in favor of MENLO.

The registered office address of the Company is 106 Carlos Palanca, Jr. St., Legaspi Village, Makati City and is domiciled in the Philippines.

Legislative Franchise

On June 20, 1964, the Company was granted a 25-year national legislative franchise under Republic Act ("RA") No. 4161, as amended by RA Nos. 5048 and 6970, allowing the Company to establish, install, maintain and operate wire and/or wireless telecommunications systems, lines, circuits and stations throughout the Philippines for public domestic and international communications, and to provide domestic record communications services which consisted of telex, telegraph, and private leased circuits. On July 21, 2016, the Company was granted an extension of its franchise for another 25 years under RA No. 10894, An Act Extending to Another Twenty-Five (25) Years the Franchise Granted to the Philippine Telegraph & Telephone Corporation (PT&T) to Establish, Install, Maintain and Operate Wire and/or Wireless Telecommunications Systems, Lines, Circuits and Stations Throughout the Philippines for Public Domestic and International Communications under Republic Act No. 4161, as Amended.

The Company has various Certificates of Public Convenience and Necessities ("CPCNs") and Provisional Authorities ("PAs") granted by the National Telecommunications Commission ("NTC") for the conduct of its telecommunications activities. These CPCNs and PAs include, among others, enabling the Company to provide data communications services, to implement its expansion and improvement programs covering among others the installation, operation, and maintenance of an integrated digital network in the National Capital Region ("NCR"), and to install, operate and maintain a national packet data network with the accompanying authority to charge rates for said services.

Aside from NTC-authorized Datacom services, the Company was granted a CPCN that enable the Company to participate in the government's liberalization of telecommunications industry as mandated under Executive Order ("EO") No. 109. While beforehand the Company was already operating as inter-exchange carrier pursuant to the NTC Case No. 90-129 which enabled the Company to provide inter-exchange trunk facilities to connect with local exchange carriers ("LEC") and public calling offices for long distance toll service, the said EO 109 thereafter enabled the Company to become a LEC operator authorized under NTC Case No. 94-022. As a LEC operator, the Company was granted Region IV-A comprising of the provinces of Aurora, Laguna, Marinduque, Quezon, Rizal, and Romblon for LEC services. The Company, along with its related party, Capitol Wireless, Inc. ("CWI"), has been granted the CPCN to establish, operate and maintain international gateway facilities to/from foreign countries as authorized under NTC Case Nos. 93-144 and 94-022.

The Company was also granted with certificate of registration as a value-added service ("VAS") provider by the NTC. As part of the VAS, the Company offers internet access service; virtual private network, electronic mail (e-mail), messaging services, web hosting, electronic commerce, firewall service and e-learning. The VAS is valid from September 6, 2013 up to September 5, 2022.

Public Hearing on Franchise

The Company is a grantee of the franchise to establish, install, maintain and operate wire and/or wireless telecommunications systems, lines, circuits and stations throughout the Philippines for public and international communications. On February 20, 2018, the Subcommittee on Oversight (Legislative Franchise) ("Subcommittee") of the House of Representatives conducted a public hearing on the alleged sale of the Company's ownership interest to MENLO without Congressional approval. As stated in Republic Act (RA) No. 10894, Section 14, the grantee shall not sell, lease, transfer, grant the usufruct of, nor assign this franchise or the rights and privileges acquired thereunder to any person, firm, company, corporation, or other commercial or legal

entity, nor merge with any other corporation or entity, nor shall transfer the controlling interest of the grantee, whether as a whole or in parts, and whether simultaneously or contemporaneously, to any person, firm, company, corporation or entity without the prior approval of Congress of the Philippines. Further, the Congress shall be informed of any sale, lease, transfer, grant of usufruct, or assignment of franchise or the rights and privileges acquired thereunder, or of the merger, or transfer of the controlling interest within sixty (60) days after the completion of said transaction. Furthermore, failure to report to Congress such change of ownership shall render the franchise ipso facto revoked.

The Subcommittee have opened an inquiry into the non-compliance with the terms and conditions of the franchise. The Company made clear its position that based on the applicable law on the matter and the factual circumstances surrounding the sale of the Company's shares, the approval by Congress is not required before the new investors can enter the Company. Considering there are other items that the Subcommittee on Oversight wants to be clarified, the Company was required to submit a Position Paper to clarify all concerns on the compliance by the Company of the provisions of its franchise.

#### Status of Shares Listing in the Philippine Stock Exchange ("PSE")

The Company listed its shares in the PSE. On December 10, 2004, the Company requested the voluntary suspension of trading of its shares citing the non-completion of audit of financial statements which was approved by the PSE on December 13, 2004.

The Company, however, continues to file with the SEC for the prescribed quarterly and periodic information reports, PSE for the required disclosure statements and Bureau of Internal Revenue (BIR) for the quarterly and annual income tax return based on interim unaudited financial statements.

On August 29, 2017, the Company requested for the lifting of the voluntary suspension of the trading of its shares with the PSE appealing that the Makati City Regional Trial Court - Branch 66 (the "Rehab Court") acknowledged the importance of the lifting of the suspension of trading of the Company's shares with the PSE in going forward with its business.

On September 7, 2017, the PSE responded to the Company's request dated August 29, 2017 mentioning that without the SEC approval of the temporary exemptive relief, the Company may be found non-compliant with the structured reportorial requirements of the PSE given the Company's non-submission of the annual and quarterly reports. Furthermore, the PSE requested additional information from the Company which include, among others, updates on the implementation of the court-approved rehabilitation plan to proceed with the evaluation of the request.

On April 20, 2018, the Company received show cause letters from the Markets and Securities Regulation Department (MSRD) all dated April 19, 2018 requiring the Company to submit a written explanation on alleged violations and/or deficiencies.

On April 26, 2018, the Company replied to show cause letters explaining support of the Company's argument that it should not be held administratively liable by the SEC.

On June 5, 2018, MSRD issued letter to the Company and cited that the Company is liable for violating the pertinent provisions of Rules 17, 20 and 68 of the implementing rules and regulations of the Securities Regulation Code (SRC), as amended, for the Company's failure to (i) conduct its annual stockholders meeting and file (ii) its audited financial statements and (iii) annual information statements. In line with this, the Company's registration statement was suspended and shall be lifted only upon full compliance with necessary requirements. The Company was directed to pay a monetary penalty and to file pertinent reports and documents within four months from the suspension.

On June 14, 2018, the Company paid the monetary penalties assessed by the MSRD amounting to ₱7,000,000 for the non-compliance with the SEC's reportorial requirements. In addition, the Company conducted its Stockholders' Meeting on September 20, 2018.

On October 3, 2018, the Company submitted the required documents and reports in full compliance of the Order dated June 5, 2018. The management is positive that this will lead to a favorable turning point in the Company's compliance requirements.

#### Increase in Authorized Capital Stock

The Company is currently focused on broadband internet access services as a result on growth of wireless/mobile systems and the rise of broadband internet demand. As such, the Company's main source of revenue is broadband internet access services. The Company offers dedicated or shared internet access service, via fiber or wireless, and operates a 10+ Gbps broadband network across the NCR, and Regions III and IV catering corporate, business and residential customers.

In a meeting dated July 30, 2018, the Board of Directors of the Company approved to increase the authorized capital stock of the company from ₱3,800,000,000 to ₱15,600,000,000. The increase was approved by the stockholders in the Company's Annual Stockholders' Meeting held on September 20, 2018.

On October 9, 2018, the Company has filed the amendment of Article 7 of the Amended Articles of Incorporation with the SEC to increase the authorized capital stock from ₱3,800,000,000 to ₱15,600,000,000 broken down as follows:

- a) 4,500,000,000 common shares at ₱1 par value per share;
- b) 230,000,000 Serial Cumulative Convertible Redeemable Preferred Shares at ₱10 par value per share;
- c) 6,750,000,000 Series A Serial Redeemable Preferred Shares at ₱1 par value per share;
- d) 1,800,000,000 Series B Serial Redeemable Preferred Shares at ₱1 par value per share; and
- e) 250,000,000 Series C Serial Redeemable Preferred Shares at ₱1 par value per share.

The amendment was approved by the SEC on October 31, 2018.

#### Status of Operations

The Company is currently focused on broadband internet access services as a result on growth of wireless/mobile systems and the rise of broadband internet demand. As such, the Company's main source of revenue is broadband internet access services. The Company offers dedicated or shared internet access service, via fiber or wireless, and operates a 10+ Gbps broadband network across the NCR, and Regions III and IV catering corporate, business and residential customers.

In 1998, the decline of the Philippine peso vis-à-vis the U.S. dollar, intra-corporate litigations in RETELCOM which resulted in non-realization of RETELCOM's planned additional capital infusion into the Company, increasing competitive pressure among industry players, market and technology changes, in particular short messaging services (i.e., SMS, more popularly known as text messaging), and deregulation have all contributed to decreased margins in the telecommunications industry and market shift to mobile phones. This, in turn, severely affected the Company's ability to settle its maturing obligations.

In response to these economic events and financial pressures, the Company has reviewed its businesses with the objective of optimizing revenues, reducing expenses and improving service quality. The Company's medium-term strategy now focuses on the emerging internet era with its offering of broadband internet access and other value-added services to e-business providers. In addition, as discussed below, the Company finalized the restructuring of a substantial portion of its outstanding obligations to its various creditor banks and certain suppliers.

On November 26, 2002, the Company's creditors, representing 75% of the outstanding liabilities being restructured, approved the Company's debt restructuring proposal and accordingly signed the Master Restructuring Agreement, Dollar Facility Agreement, Peso Facility Agreement and other documents, collectively called the "Definitive Agreements", covering the said debt restructuring. On October 27, 2003, the Company's lenders who have signed the Definitive Agreements represent 93% of the outstanding liabilities restructured.

In 2008, the Company has ceased its LEC operations.

On August 20, 2009, after the Definitive Agreements did not materialize, RETELCOM, the Company, Philippine Wireless, Inc. (PWI), CWI, and Wavenet Philippines, Inc. (WPI) (collectively referred to as the "RETELCOM Group") jointly filed a petition for Corporate Rehabilitation and Suspension of Payments pursuant to the Rules of Procedure on Corporate Rehabilitation, A.M. No. 00-8-10-SC. The said petition was accompanied by the RETELCOM Group's proposed rehabilitation plan (the "Rehab Plan") and was docketed as SP. Proc. No. M-6853 and raffled to the Rehab Court. On August 24, 2009, the Rehab Court issued an order staying enforcement of all claims, whether for money or otherwise against the RETELCOM Group ("Stay Order") and appointing a rehabilitation receiver (the "Rehab Receiver").

On April 1, 2011, the Rehab Court approved the proposed Rehab Plan subject to certain modifications, which was immediately executory (see Note 2).

In 2011, certain creditors, representing 8.5% and 12.8% of the secured and unsecured creditors, respectively, filed before the Court of Appeals ("CA") a petition for review with prayer for Temporary Restraining Order and/or Writ of Preliminary Injunction.

On May 19, 2017, the CA granted the review of the consolidated petitions, and reversed, set aside and dismissed the Rehab Court's decision dated April 1, 2011 in SP Proc. No. M-6853 ("CA Decision").

On June 13, 2017, the RETELCOM Group filed a Motion for Reconsideration in relation to the CA Decision dated May 19, 2017 citing, among others, that rehabilitation is still the better option to take for the Company to settle its obligations and to reinstate to its former position of successful operation and solvency. The RETELCOM Group further indicated in the Motion for Reconsideration that the said creditors who filed the petition before the CA represent only 8.5% and 12.8% of the secured and unsecured creditors, respectively, and that it will be a grave injustice to the remaining 91.5% and 87.2% of the other secured and unsecured creditors, respectively. Consequently, the creditors filed their comments and opposition to the RETELCOM Group's Motion for Reconsideration.

On October 10, 2017, the RETELCOM Group filed a consolidated reply respectfully reiterating that the judgment be rendered anew reconsidering the CA Decision and a resolution be issued granting instant Motion for Reconsideration, thereby dismissing the appeals in these cases based on the following, among others:

- Entry of MENLO as the new owner of the Company and its impact.
- Capabilities and credentials of MENLO which will enable the Company to fulfill its obligations under the court-approved Rehab Plan.
- The Company is envisaged as the third player in telecommunications industry.
- The Philippine telecommunications market is in need of more competition in order that the Filipino people can avail of efficient, greater capacity internet broadband connectivity with low latency at very affordable rates.
- The Company has the competitive edge to compete in the broadband market place. The Company is not saddled with the legacy investments in 2G/3G networks, thereby enabling it to leapfrog to the next 5G generation network.

On October 11, 2017, the CA denied the Motion for Reconsideration as it finds no cogent reason to warrant a reconsideration of the assailed decision.

On December 4, 2017, the RETELCOM Group filed petition for certiorari before the Supreme Court (SC) requesting the SC to review the CA Decision citing that the CA erred in dismissing the petition for corporate rehabilitation indicating the following arguments:

- Rehabilitation proceeding is a relief that is accorded to financially distressed corporations, partnerships, and associations. As opposed to liquidation, rehabilitation is preferred relief. The rationale of a rehabilitation proceeding is to effect feasible and viable rehabilitation by preserving a foundering business as going concern, because the assets of a business are often more valuable when so maintained than they would be when liquidated.
- The Company is on the road to financial vigor. The Company is talking to potential investors to form strategic partnerships with the aim of becoming a major player in the Philippine market which is a sign of its way to financial recovery. To scuttle these plans by outright rejecting them through the dismissal of its Rehab Plan would mean injustice not only to its investors but to its employees, creditors, stockholders, and the general public.
- The said creditors who filed the petition before the CA represent only 8.5% and 12.8% of the secured and unsecured creditors, respectively, and that it will be a grave injustice to the remaining 91.5% and 87.2% of the other secured and unsecured creditors, respectively, to resort to the Company's liquidation, especially in the light of recent developments in the takeover of the Company's management. These creditors have shown continuous support for the ongoing rehabilitation and have not actually opposed the order dated April 1, 2011.
- The Company's improved, and still improving, fortunes provide the needed breathing room for their rehabilitation and have created an attractive business environment, thereby opening the Company to interested third parties that are very keen on participating in the development of broadband internet service to serve underdeveloped and underserved needs of our country.

On March 7, 2018, the SC dismissed the appeal of RETELCOM Group for allegedly being filed beyond the required period of on or before December 4, 2017. On June 4, 2018, the Company filed a Motion for Reconsideration arguing that the SC erred in dismissing for the same was actually filed on December 4, 2017. In a Resolution dated July 11, 2018, the SC granted the Company's Motion for Reconsideration and reinstated the Company's appeal assailing the decision of the CA.

On June 20, 2018, one of the creditors who assailed the approval of the Rehab Plan served a Manifestation with Motion to Suspend, pending before SC, that the new ownership and management that recently took over the reins of the Company may be able to reverse the financial condition of the latter. In line with this, the creditor moved for the suspension of pending SC proceedings while the parties study and review the business plans of the new owner and management.

On July 27, 2018, the Company requested the Rehab Court that it be allowed to exit from rehabilitation subject to certain requirements with which was granted by the Rehab Court on August 6, 2018. Part of the compliance is for the Company to conduct a shareholders' meeting to increase its authorized capital stock. This will enable the Company to pay its debt through debt-to-equity conversion as mandated by the approved Rehabilitation Plan. Given the circumstances, the Company can strategically proceed with its operations and at the same time settling the claims of its various creditors.

In the Company's Annual Stockholders' Meeting held on September 20, 2018, the stockholders approved and ratified the following items:

- Amendment of the Amended Articles of Incorporation to increase the authorized capital stock of the company to ₱15,600,000,000;
- Conducting debt-to-equity conversion or other equity conversion of up to ₱8,800,000,000;
- Listing the common and serial cumulative convertible redeemable preferred shares in the PSE;
- Amending further the Amended By-Laws to change the accounting period to calendar year commencing on January 1 and ending on December 31 of the same year;

- Amending further the Amended Articles of Incorporation to include "information and communications technology" in the company's purpose;
- Participating in the bidding for the New Major Player in Telecommunications Market;
- Authorizing and confirming the acts of the Company in negotiating and execution of relevant documents with National Transmission Corporation or National Grid Corporation of the Philippines;
- Authorizing the Company to establish long term incentive plan; and
- Authorizing the Company to secure the necessary funding for the Company's operations and expansion programs through financing, loans and equity offering.

On December 20, 2018, the Rehab Court ordered that the Company's exit from the rehabilitation proceedings granted on August 6, 2018 is no longer conditional as the Company has fulfilled substantially all the conditions set forth in the Order.

## 2. CORPORATE REHABILITATION

As discussed in Note 1, on April 1, 2011, the Rehab Court approved the Rehab Plan which was immediately executory and petitioners as well as all claimants and creditors are enjoined and strictly comply include, among others, the following:

1. Modification of the rehabilitation period from 15 years to a 2-year moratorium and 12-year debt payment period;
2. Waiver of any and all interest, penalties and surcharges on all obligations of the Company to all claimants listed in the Rehab Plan except the legal interest of 6% from the approval of the plan until the full payment of the obligation;
3. Each of the petitioners to: (i) immediately settle, out of the proceeds of the liberated escrow account pursuant to the Rehab Court's orders dated September 3, 2010 and October 20, 2010, the petitioners' obligations to the SSS in accordance with the SSS Condonation Law of 2009 and SSS Circular No. 2010-2004 for delinquent premium contributions and SSS Circular No. 2010-2005 for delinquent loan amortizations, including, but not limited to, delinquent employees compensation contributions through the SSS; (ii) immediately settle out of the proceeds from the recovery of any advances and deposits or garnished/levied assets and the proceeds of the sale of the petitioners' other assets pursuant to the pertinent orders issued by the courts, all unpaid wages, salaries and benefits inclusive of whatever amount have been deducted from said wages and salaries which the petitioners have not remitted to the appropriate contractual entity such as, but not limited to, the SSS and the Pag-Ibig Fund, of all existing and resigned/retired or separated employees, pursuant to law and to respective petitioners' employment policies including, but not limited to, collective bargaining agreements; and (iii) to immediately settle out of the proceeds from the recovery of any advances and deposits or garnished/levied assets and the proceeds of the sale of the sale of the petitioners' other assets pursuant to the pertinent orders issued by the Rehab Court, all unpaid retirement/separation pay for the retired or separated employees, pursuant to law and to the respective petitioners' employment policies including, but not limited to, collective bargaining agreement;
4. The petitioners to avail, whenever necessary, financing and advances from owners to finance their working capital requirements prior to the entry of the new investor, which financing and advances from owners shall be payable/repaid out of the new money to be infused by the new investor;
5. The full conversion of all outstanding liabilities into 12-year serial redeemable preferred shares except for statutory obligations, financing and advances from owners and certain liabilities in the nature of suppliers' credits, and that the corresponding amount will be lodged in the petitioner's books as "Deposit for Subscription" pending approval by the SEC of the increase in authorized capital stock;
6. The Company, from receipt thereof, to amend its articles of incorporation increasing its authorized capital stock from ₱3,800,000,000 (consisting of 1,500,000,000 common shares at ₱1 par value and 230,000,000 serial cumulative convertible redeemable preferred shares at ₱10 par value) to ₱10,187,150,000 (consisting of 1,387,150,000 common shares at ₱1 par value and 7,500,000 serial cumulative convertible preferred shares at ₱10 par value and 8,800,000,000 serial redeemable preferred shares at ₱1 par value), and to immediately issue the corresponding stock certificates to the claimants concerned;
7. The Company to enroll and list all of its authorized Series "A", Series "B" and Series "C" redeemable preferred shares as freely "tradable" stocks with the PSE;
8. The SEC shall approve the Company's request for temporary exemptive relief under the SRC Rule 72.2, without sanctions or penalties whatsoever, monetary or otherwise, and the PSE to lift the suspension of the trading of the Company's common shares without any sanctions or penalties whatsoever, monetary or otherwise, and the Company shall faithfully comply with all the applicable rules and regulations of the SEC and PSE so that the trading of all the authorized shares of the Company shall not in any way be suspended or restricted except as provided by law;
9. Immediately settle obligations to petitioners such as salaries, wages and benefits out of escrow account; and
10. Any sale or disposition of the petitioner's properties, whether real or personal shall also be subject to the Rehab Court's evaluation and approval.

On July 27, 2018, the Company requested the Rehab Court that it be allowed to exit from rehabilitation subject to certain requirements with which was granted by the Rehab Court on August 6, 2018.

On December 20, 2018, the Rehab Court ordered that the Company's exit from the rehabilitation proceedings granted on August 6, 2018 is no longer conditional as the Company has fulfilled substantially all the conditions set forth in the Order.

### 3. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

#### Basis of Preparation

This Company's interim financial statements has been prepared in accordance with Philippine Accounting Standard (PAS) 34 *Interim Financial Reporting*.

The interim financial statements do not include all the information and disclosures required in the annual audited financial statements and should be read in conjunction with the Company's annual financial statements as at June 30, 2018.

#### Changes in Accounting Policies and Disclosures

The Company has adopted all applicable accounting standard effective as of December 31, 2018. The accounting policies adopted are consistent with prior years. The adoption of new accounting standards for did not have any significant impact on the Company's financial position or performance

### 4. LAND AND PROPERTY, PLANT AND EQUIPMENT

As at December 31, 2018, the land used in the operations is revalued at ₱360.4 million.

The Company also has property and equipment used in operations as follows:

December 31, 2018 (in thousand pesos)	Telecommunications Equipment				Total
	Buildings and Improvements	Central Office Equipment	Cable and Wire Facilities	Other Work Equipment	
Cost					
Balance at beginning of year	44,370	236,206	177,461	19,312	477,349
Additions	18	1745	8,733	6,999	17,495
<b>Balance at end of the period</b>	<b>44,388</b>	<b>237,951</b>	<b>186,194</b>	<b>26,311</b>	<b>494,844</b>
<b>Accumulated depreciation</b>	<b>40,808</b>	<b>185,995</b>	<b>101,908</b>	<b>10,227</b>	<b>338,938</b>
<b>Net Book Value</b>	<b>3,580</b>	<b>51,956</b>	<b>84,286</b>	<b>16,084</b>	<b>155,906</b>

The Company also has Construction in progress pertaining to renovation of elevators and architectural designs of the Company's registered office address amounting to ₱14.9 million.

### 5. DEPOSIT FOR SUBSCRIPTION IN ACCORDANCE WITH THE COURT-APPROVED REHABILITATION PLAN

As discussed in Note 2 in the financial statements, the Rehab Court has ordered the Company the full conversion of all outstanding liabilities into 12-year serial redeemable preferred shares except for statutory obligations, financing and advances from owners and certain liabilities suppliers' credits, under respective classifications as shown below:

Type of Redeemable Serial Preferred Shares	Type of obligation
Series "A"	Secured obligations
Series "B"	Unsecured obligations
Series "C"	Obligations to affiliated companies

The Company sent confirmation letters to all claimants concerned that the principal amount of their debts/liabilities have been fully converted to equity, by way of 12-year serial redeemable preferred shares and that the corresponding amount of ₱8,711,736,581 was lodged in the Company's books as "Deposit for subscription" pending approval by the SEC of the increase in authorized capital stock (see Note 2). No oppositions were made by the creditors except as discussed in Note 1.

On October 31, 2018, the SEC approved the increase in authorized capital stock filed by the Company (see Note 1) allowing the issuance of Series "A", Series "B" and Series "C" Preferred Shares and the implementation of the Company's debt-to-equity conversion as ordered by the Rehab Court amounting to ₱8,711,736,581.

## 6. PAID-UP CAPITAL

As at December 31, 2018, the Company has authorized capital stock of ₱ 15,600,000.000 which consist of the following:

	December 31, 2018	June 30, 2018
Common shares - ₱1 par value		
Authorized - 4,500,000,000 shares		
Issued - 1,500,000,000 shares	1,500,000,000	1,500,000,000
Subscribed - nil shares		
APIC	724,255,313	724,255,313
	<b>2,224,255,313</b>	<b>2,224,255,313</b>
Preferred shares - ₱10 par value		
Authorized - 230,000,000 shares		
Issued and subscribed - nil shares		
Series A Serial Redeemable Preferred Shares - ₱1 par value		
Authorized - 6,750,000,000 shares		
Issued and subscribed - 6,726,392,238 shares	6,726,392,238	-
Series B Serial Redeemable Preferred Shares - ₱1 par value		
Authorized - 1,800,000,000 shares		
Issued and subscribed - 1,767,043,721 shares	1,767,043,721	-
Series C Serial Redeemable Preferred Shares - ₱1 par value		
Authorized - 250,000,000 shares		
Issued and subscribed - 218,301,553 shares	218,300,622	-
	<b>8,711,736,581</b>	<b>-</b>

Preferred shares pertain to serial cumulative convertible redeemable preferred shares with the following terms and conditions:

1. Has no voting rights or right to be voted except as provided by law.
2. Entitled to cumulative and non-participating dividends.
3. Convertible into common shares as determined by the BOD.
4. Redemption period shall be fixed by the BOD and may be re-issued upon redemption as preferred or as common shares at the option of the BOD.

No preferred shares were subscribed and/or issued as at December 31, 2018 and June 30, 2018. As discussed in Note 2 in the financial statements, the Rehab Court approved the Company to amend its articles of incorporation increasing its authorized capital stock from ₱3,800,000,000 (consisting of 1,500,000,000 common shares at ₱1 par value and 230,000,000 serial cumulative convertible redeemable preferred shares at ₱10 par value) to ₱10,187,150,000 (consisting of 1,387,150,000 common shares at ₱1 par value and 7,500,000 serial cumulative convertible preferred shares at ₱10 par value and 8,800,000,000 serial redeemable preferred shares at ₱1 par value), and to immediately issue the corresponding stock certificates to the claimants concerned.

The Company has filed with the SEC the increase in authorized capital stock from ₱3,800,000,000 to ₱15,600,000,000 on October 9, 2018 which was approved on October 31, 2018 (see Note 1).

## 7. FINANCIAL RISK DISCLOSURE

The Company adopts an expanded corporate governance approach in managing its business risks. There is a systematic review of the risks and a better understanding of the different risks that could threaten the achievement of and to provide emphasis on how management and employee play a vital role in achieving the company's mission, vision, strategies and goals.

The policies are not intended to eliminate risk, but to manage it in such a way that opportunities to create value for the stakeholders are achieved. Risk management takes place in the context of the normal processes such as strategic planning, business planning, operational and support processes.

The risks are managed through the delegation of management and functional authority and individual accountability as documented in employment contracts, consultancy contracts, key result areas, terms of reference and other policies that provide guidelines for managing specific risks arising from the company's business operations and environment.

#### Financial Risks

##### *Foreign Currency Risk*

The company has no foreign denominated transactions/ accounts in the financial statements.

##### *Interest Rate Risk*

Under the approved rehabilitation program, the Rehabilitation Court ordered that the interest or unpaid principal obligations to the creditors as of August 2009 be fixed at 6% per annum.

##### *Liquidity Risk*

Under the rehabilitation program, except for the statutory obligations, all obligations are converted to redeemable preferred stock while statutory obligations shall be settled from the proceeds of the sale of the company's real estate assets.

##### *Credit Risk*

The Company assesses the business status of prospective customers before accepting post-paid arrangements. It also requires an adequate deposit and encourages substantial upfront payments in exchange for attractive discounts. Review of the adequacy of the provision is being made on a regular basis.

The aging of the receivables shows that the receivable as of 31 December 2018 of ₱9.2 million is adequately covered by the provisions.

8. OTHER MATTERS

**Seasonality or cyclicalness of interim operations**

The revenues of the Company that are received seasonally, cyclically or occasionally within financial year, if any were not anticipated or deferred as of an interim date, hence, such revenues are recognized when they occur.

**The nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidents**

The Company has no items considered unusual because of their nature, size, or incidents that will affect assets, liabilities, equity, net income or cash flows for the period except as already disclosed in Financial Position section of this report, such as the deposit for subscription in accordance with the court-approved rehabilitation plan.

**Issuances, repurchases, and repayments of debt and equity securities**

The Company did not issue, repurchase and repay any debts and equity securities during the period under review.

**Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period**

There are no material events subsequent to the end of the interim period that has not been reflected in the financial statements for the interim period.

## Item 2. Management's Discussion and Analysis and Plan of Operation

### A. Management Discussion and Analysis

The following discussion and analysis should be read in conjunction with the accompanying financial statements and the related notes. PT&T's financial statements and the financial information discussed below have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

The Company has selected and applied accounting policies so that financial statements will comply with all the requirements of Statement of Financial Accounting Standard and Interpretations. If there are no specific requirements, management has developed policies to ensure that the financial statements provide relevant and reliable information.

The Company maintains and adopted no change in accounting principle or practice, or in the method of applying any accounting principle or practice which affects relevance, reliability and comparability of the financial statements with those of prior periods.

The Company has no significant change in accounting estimates of the amount reported during the interim period of the financial year and in the other interim period or changes in estimates of amounts reported in prior financial years.

Since the last audited annual balance sheet date as of 30 June 2018, the Company has no change in contingent liabilities and contingent assets during the interim financial period reported.

The Company is contingently liable for various claims arising in the ordinary conduct of business and certain tax assessments, which are being contested. Additional details of the disclosures are disclosed in the SEC Form 17-A and its attachments previously submitted.

During the interim period, there is no change in the Company's composition with regards to business combination, acquisition or disposal of subsidiaries and long-term investments and discontinuing operations, other than the explanations presented in Items 1 and 2 and Notes to Financial Statements.

The financial information appearing in this report and in the accompanying financial statements is stated in Philippine pesos. Translation into Philippine peso amounts into U.S. dollar in this report and in the accompanying financial statements were based on the exchange rate of P53.27 vis-à-vis U.S.\$1.00, the average exchange rate of the U.S. dollar at 31 December 2018.

### Financial Highlights

<b>Results of Operations (in Philippine thousand pesos)</b>	<b>Quarter ending December 31, 2018</b>	<b>Quarter ending December 31, 2017</b>
<b>Revenues and income</b>	<b>71,684</b>	<b>49,482</b>
Operating revenues	69,029	46,373
Other income	2,655	3,109
<b>Operating expenses</b>	<b>107,294</b>	<b>26,414</b>
<b>Earnings before interest, taxes, depreciation and amortization (EBITDA)</b>	<b>(35,610)</b>	<b>23,068</b>
EBITDA Margin	-50%	47%
Depreciation	7,426	4,622
Interest and other charges	14,370	6,973
Income tax expense/benefit		
<b>Net loss</b>	<b>(57,406)</b>	<b>11,473</b>

## Revenue

The Company, for the quarter ending December 31, 2018, reported total revenues and income of ₱71.7 million, or an improvement of 45% as compared to the previous year's same quarter revenue of ₱49.5 million. The Company ended the quarter with more than 1,200 data services circuits, notably broadband connections which is a key performance indicator for an increase of more than 57% over the same quarter of the previous year. For the quarter ending December 31, 2018, operating revenues for broadband reached ₱69.0 million, a 49% increase in operating revenue performance as compared to the same period last year. Activities for the broadband group included street level saturations on major nodes, optimization of existing infrastructure in commercial buildings and establishments and account management of existing subscribers. Additional sales personnel were hired during the period.

Another key performance indicator known as monthly recurring revenue (MRR) per each data service circuit was steady at around ₱20,000 per circuit despite being diluted by the significant increase in the number of data circuits.

## Cost and expenses

To support the growth in operations, the Company enhanced its organizational capabilities in the technical and support areas. The number of personnel increased from 162 at the start the fiscal year to 218 at the end of December 31, 2018. In addition, mobility for the sales and technical crews were continuously improved through the acquisition of service vehicles, and international connectivity and upstream connections are increased as the Company prepares for expansion and growth in the coming months. The increase in operation cost and expenses is manageable and aligned with the Company's strategy and is necessary to grow the broadband business.

## Profitability Performance

The Company's personnel related expense for the six-month period ending December 31, 2018 amounted to ₱46.4 million compared to last year's level of ₱14.6 million driven by the increase in manpower and benefits, both to retain excellent people assets and attract new talents to support the business. Premises-related expenses also increased to ₱9.1 million as compared to the same period last year of ₱4.7 million as we expand our node connectivity. Lastly, other operations related expenses also increased to ₱28.0 million as compared to the same period last year of ₱7.1 million due to additional upstream connections and international connectivity, marketing expenses, professional and other contracted services, and taxes and licenses. In addition, the Company also incurred expenses related to the application and subsequent approval of the increase in authorized capital stock as required by the Rehabilitation Court amounting to ₱23.7 million.

Despite the high revenue growth, the higher growth in expenses and the one-time SEC expenses resulted in a significant decrease in EBITDA performance for the quarter ending December 31, 2018 at a loss before taxes, depreciation and amortization of ₱35.6 million vs a ₱23.1 million EBITDA in the comparative previous quarter. The loss before taxes, depreciation and amortization margin is computed at 50%.

The Company's net loss for the quarter ending December 31, 2018 is at ₱57.4 million. Additional expenses such as recognition of the legal interest rate of 6% p.a. on unsettled obligations as directed by the Rehabilitation Court, the increases in operating expenses and increase in depreciation as the Company invests in more property and equipment to support the business affected the net income for the quarter.

Financial Condition (in Philippine thousand pesos)	December 31, 2018	December 31, 2017
Current Assets	82,956	97,410
Non-current Assets	808,517	708,207
<b>Total Assets</b>	<b>891,473</b>	<b>805,617</b>
Current Liabilities	1,321,187	1,154,449
Non-current Liabilities	304,311	8,875
Total Liabilities	1,625,498	10,030,240
Capital Deficiency	(734,025)	(9,224,623)
<b>Total Liabilities and Capital</b>	<b>891,473</b>	<b>805,617</b>

The Company's total assets amounted to ₱891.4 million as of December 31, 2018. Cash is at ₱11.9 million, an increased by ₱5.8 million or 95% as compared to June 30, 2018. Accounts receivable of ₱51.8 million as of December 31, 2018 increased by ₱35.9 million or 212% as compared to June 30, 2018 due to additional receivables.

Trade and other payables increased by ₱155.7 million or 10% as of December 31, 2018. A major portion of this account is attributable to trade transactions with suppliers which resulting in a total trade payables of ₱553.7 million as of quarter end. Finally, the other payables are generally due to related parties which represent non-interest bearing, unsecured and short-term Philippine currency denominated financing and advances to support the Company's working capital requirements as part of the approved rehabilitation plan of the Company.

Total deficit is at ₱11.8 billion and the total capital stock deficiency is at the ₱734 million which is reduced significantly due to the implementation of the debt-to-equity conversion as approved by the Rehab Court.

Current ratio as of 31 December 2018 is at 0.06:1 as compared to 30 June 2018 of 0.02:1.

## **B. Plan of Operation**

The Company has been working aggressively towards exiting from rehabilitation and was granted by the Rehab Court an early exit, subject to certain conditions, last August 6, 2018. On December 20, 2018, the Company is officially out of a court-assisted corporate rehabilitation after substantial compliance with the conditions set forth in the previous court order. This corporate rehabilitation exit allows the Company to grow its footprint in its Broadband/Fiber Business. The Company is currently serving Metro Manila and the nearby CALABARZON area and will continue to expand in Region III and IV-A. In addition, the Company will implement its plans in building a nationwide backbone in the next 2 years.

While current operations are sufficiently funded by internally-generated cash flows, capital expenditures and one-off expenses related to the approved Rehab Plan and the resulting statutory obligations needs to be funded by advances from shareholders. Expansion into new areas, increasing capacity and new businesses to be undertaken in the next 12 months will also require raising capital through debts and equity.

The Company will also be offering additional services in line with its core Broadband/Fiber Business. These additional services will include information technology and telecommunications services. Broadband and corporate data products will be updated as may be necessary given market developments, availability of new technology or feedback from customers. Assuming plans on the fiber transmission backbone pushes through, the Company could potentially launch a wholesale bandwidth business.

The Company is considering the sale of some of its properties located in different areas in the Philippines. The proceeds of the sale of these selected properties will be used to settle the Company's statutory obligations and to fund the operational requirements of the Company.

As of December 31, 2018, the Company has a total of 218 employees and the Company estimated that the said number will increase to 400 by the end of 2019. As the Company commences the expansion of its operations, it expects to further increase its manpower complement.

**C. Other Events**

**A.) Any known trends, demands, commitments, events, or uncertainties that will have a material impact on the issuer's liquidity**

The Management has no knowledge of any known trends, demands, commitments, events, or uncertainties that will have a material impact on the company's liquidity except as those disclosed in Tax Liabilities and Financial Position and other sections of this report and in SEC Form 17-A previously submitted.

**B.) Any material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures**

Other than the Clarification of News Reports submitted to PSE under Disclosure Form 4-13 and SEC Form 17-C dated October 12, 2017 wherein the company clarified its intention of regaining its status as a major telecommunications company, expanding its existing business across the country, and looking for strategic partnerships, the Management has no further knowledge of any material commitments for capital expenditures, the general purpose of such commitments and the expected sources of the funds for such expenditures.

**C.) Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations**

Other than the explanation under item (B) above, the Management has no further knowledge of any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations, and except also as those further disclosed in Results of Operations section of this report and in SEC Form 17-A previously submitted.

**D.) Any significant elements of income or loss that did not arise from the issuer's continuing operations**

The Management has no knowledge of any significant elements of income or loss that did not arise from the Company's continuing operations.

**E.) Any seasonal aspects that had a material effect on the financial condition or results of operations**

The Management has no knowledge of any seasonal aspect, events or uncertainties that will have a material impact on the Company's financial position or operation except as those disclosed in Financial Position and Results of Operations and other sections of this report and in SEC Form 17-A previously submitted.

**F.) Whether or not the Company is having or anticipates having within the next 12 months any cash flow or liquidity problem**

Please refer to Item G.

**G.) Whether or not the Company is in default or breach of any note, loan, lease or other indebtedness of financing arrangement requiring it to make payments**

Please refer to Part II – Other Information.

**H.) Whether or not a significant amount of the Company's trade payables have not been paid within the stated trade terms**

Please refer to Item G.

## PART II - OTHER INFORMATION

In accordance with the Rehab Order dated April 1, 2011, PT&T is undertaking the rehabilitation certain details of which are discussed below:

### A. Full conversion to equity of all debts/liabilities not categorized as statutory obligations and DIP financing [item (i) of Order]:

(i.) In accordance with the Rehab Order, the liabilities that have been settled by way of its conversion to serial redeemable preferred shares has been lodged as part of non-current liabilities representing "deposit for subscription in accordance with the court-approved rehabilitation" pending increase of the Company's authorized capital stocks upon entry of the new investor. However, in instances wherein the amount of liabilities that were recognized in the rehabilitation are being challenged, the creditor-shareholders are being entertained for proper reconciliation of the numbers. Included in the ongoing review and reconciliation of obligations are the court-decided labor-related collection cases with judgment awards that differ from the liabilities presented and approved under the rehabilitation program.

(ii.) Pursuant to the Rehab Order, the statutory obligations may be settled out of proceeds of the liberated escrow accounts and/or recovered advances and deposits or garnished accounts or the sale of Petitioners' properties [items (f) and (g) of the Rehab Order]: In this regard, the Rehab Court had an initial hearing on October 23, 2015 of the RETELCOM Group's Motion for Leave to Sell and/or Dispose Certain Assets more specifically real properties. The said Motion is preparatory to concluding the sale to interested parties of the Makati property as well as 7 other properties in Rizal and Laguna provinces. However, opposition to the sale were file by the secured creditors, notably Asset Pool A.

Pending conclusion of asset sale transactions, PT&T continues to pursue the leasing or renting out of the unutilized or vacant premises both in Metro Manila and the provinces, in the ordinary course of business.

### B. Disclosures and Clarifications submitted to PSE and SEC during the quarterly period covered by this Report

In addition to previous disclosures and clarifications made to the PSE and SEC in the 2nd quarterly reports ending December 31, 2018, the Company submitted the following applicable disclosures and clarifications using the required disclosures forms during the 1st quarter covered by this report:

- (i) Disclosures under SEC Form 17-C and PSE Disclosures Form 4-8 submitted July 2, 2018 regarding the appointment of new officers of PTT effective July 02, 2018 with Alfredo T. Divino as Chief Finance Officer, Concepcion S. Roxas as Chief People Officer and Patrick Vincent G. Pena – GM, Fixed Broadband and the resignation/removal or replacement of Gerardo R. De Leon as SVP-CFAO effective June 30, 2018;
- (ii) Disclosures under SEC Form 17-C and PSE Disclosures Form 4-8 submitted on July 3, 2018 regarding the election and appointment of James G. Velasquez as President & Chief Executive Officer (CEO) of PTT effective July 2, 2018;
- (iii) Disclosures under SEC Form 17-C and PSE Disclosures Form 4-26 submitted on July 3, 2018 to update the Exchange on the legal proceedings involving the corporate rehabilitation of PTT;
- (iv) Disclosures under SEC Form 17-C and PSE Disclosures Form 7-1 submitted July 31, 2018 to notify the Public of the Annual Stockholders' Meeting;
- (v) Disclosures under SEC Form 17-C and PSE Disclosures Form 4-8 submitted on July 31, 2018 regarding the Resignation of Atty. Mario C. Lorenzo as Independent Director and election of Roberto B. Ortiz as his replacement, and the election of Mr. Serafin C. Ledesma, Jr, as Independent Director in replacement of Mr. Jose B. Zuniga;
- (vi) Disclosures under SEC Form 17-C and PSE Disclosures Form 16-1 submitted on July 31, 2018 to update the Exchange that the Company requested the Rehabilitation Court that it be allowed to exit from rehabilitation subject to certain requirements;
- (vii) Disclosures under SEC Form 17-C and PSE Disclosures Form 4-32 submitted August 2, 2018 regarding *Reply to the Exchange's Correspondence dated August 1, 2018, seeking clarification on the effect of the request filed by PT&T to exit from rehabilitation to the Regional Trial Court of Makati, Branch 66 (Rehabilitation Court)*;
- (viii) Disclosures under SEC Form 17-C and PSE Disclosures Form 16-1 submitted August 8, 2018 to update the Exchange that the request of PTT to exit from rehabilitation was granted by the Rehabilitation Court subject to certain requirements;
- (ix) Disclosures under SEC Form 17-C and PSE Disclosures Form 16-1 submitted August 20, 2018 to update the Exchange regarding legal proceedings involving PTT's corporate rehabilitation as the Supreme Court, in a Resolution dated July 11, 2018, granted PTT's Motion for Reconsideration and reinstated PTT's appeal assailing the decision of the Court of Appeals;
- (x) Disclosures under SEC Form 17-C and PSE Disclosures Form 4-3 – Amendments to Article of Incorporation submitted on August 20, 2018 disclosing the increase in the authorized capital stock of the company from P3,800,000,000 to P15,600,000,000;

- (xi) Disclosures under SEC Form 17-C and PSE Disclosures Form 7-1 – Notice of Annual or Special Stockholders’ Meeting scheduled to be held on 14 September 2018, with Record dated of 13 August 2018;
- (xii) Disclosures under SEC Form 17-C and PSE Disclosures Form 7-1 submitted on August 30, 2018 – Notice of Annual or Special Stockholders’ Meeting regarding the *Rescheduling of Annual Stockholders’ Meeting*;
- (xiii) Disclosures under SEC Form 17-C and PSE Disclosures Form 4-9 submitted on September 14, 2018 *Change in External Auditors from Sycip, Gorres Velayo & Co. To Alas Oplas & Co., CPA’s*;
- (xiv) Disclosures under SEC Form 17-C and PSE Disclosures Form 4-8 submitted on September 14, 2018 regarding the *Appointment of Officer Mr. Henry T. Galingan as Chief Technical Officer*;
- (xv) Disclosures under SEC Form 17-C and PSE Disclosures Form 4-26 submitted on September 17, 2018 regarding the request of PTT exit from Rehabilitation subject to certain requirements;
- (xvi) Disclosures under SEC Form 17-C and PSE Disclosures Form 4-8 submitted on September 18, 2018 regarding the *Appointment of Mr. Renato B. Garcia as Executive Vice President effective March 1, 2018*;
- (xvii) Disclosures under SEC Form 17-C and PSE Disclosures Form 4-24 submitted on September 20, 2018 regarding the *Results of the Annual Stockholders’ Meeting*;
- (xviii) Disclosures under SEC Form 17-C and PSE Disclosures Form 4-3 – Amendments to Articles of Incorporation submitted on September 20, 2018 regarding the approval by the stockholders of the increase the authorized capital stock of the company from P3,800,000,000 to P15,600,000,000 in the Company’s Annual Stockholders’ Meeting held on September 20, 2018;
- (xix) Disclosures under SEC Form 17-C and PSE Disclosures Form 4-30 submitted on September 20, 2018 regarding the *President’s Report presented during PTT’s Annual Stockholders’ Meeting held on September 20, 2018*;
- (xx) Disclosures under SEC Form 17-C and PSE Disclosures Form 4-9 submitted on September 20, 2018 regarding *Change in External Auditor from Sycip, Gorres Velayo & Co. Alas Oplas & Co., CPA’s effective July 18, 2018*
- (xxi) Disclosures under SEC Form 17-C and PSE Disclosures Form 4-3 – Amendments to Articles of Incorporation submitted on September 21, 2018 amending *Article 2 of the Articles of Incorporation to include the phrase “information and communications technology” in the “PURPOSE” of the Corporation*;
- (xxii) Disclosures under SEC Form 17-C and PSE Disclosures Form 4-30 submitted on September 21, 2018 regarding the Company’s *Debt-to- Equity Conversion*;
- (xxiii) Disclosures under SEC Form 17-C and PSE Disclosures Form 4-4 submitted on September 21, 2018 regarding the *Amendments of By-Laws*;
- (xxiv) Disclosures under SEC Form 17-C and PSE Disclosures Form 4-13 – Clarification of News Reports submitted on September 24, 2018 regarding clarification of new article on *BusinessWorld Online* entitled *PT&T plans P7-B fund raising for broadband expansion*.
- (xxv) Disclosures under SEC Form 17-C and PSE Disclosures Form 4-30 – Material Information/Transactions submitted on October 1, 2018;
- (xxvi) Disclosures under SEC Form 17-C and PSE Disclosures Form 16-1 – Update on Corporate Actions/Material Transactions/Agreements;
- (xxvii) Disclosures under SEC Form 17-C and PSE Disclosures Form 4-13 – Clarifications of News Reports submitted on October 02, 2018;
- (xxviii) Disclosures under SEC Form 17-C and PSE Disclosures Form 4-3 – Amendments to Articles of Incorporation submitted on October 09, 2018
- (xxix) Disclosures under SEC Form 17-C and PSE Disclosures Form 4-4 - Amendments to By-Laws submitted on October 09, 2018;
- (xxx) Disclosures under SEC Form 17-C and PSE Disclosures Form 16-1 – Update on Corporate Actions/Material Transactions/Agreements submitted on October 09, 2018;
- (xxxi) Disclosures under SEC Form 17-C and PSE Disclosures Form 4-3 – Amendments to Articles of Incorporation submitted on October 10, 2018;
- (xxxii) Disclosures under SEC Form 17-C and PSE Disclosures Form 4-30 – Material Information/Transactions submitted on October 10, 2018;
- (xxxiii) Disclosures under SEC Form 17-C and PSE Disclosures Form 4-8 – Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion submitted on October 29, 2018;
- (xxxiv) Disclosures under SEC Form 17-C and PSE Disclosures Form 4-3 – Amendments to Articles of Incorporation submitted on November 06, 2018;
- (xxxv) Disclosures under SEC Form 17-C and PSE Disclosures Form 4-4 – Amendments to By- Law submitted on November 06, 2018;
- (xxxvi) Disclosures under SEC Form 17-C and PSE Disclosures Form 4-3 - Amendments to Articles of Incorporation submitted on November 06, 2018;
- (xxxvii) Disclosures under SEC Form 17-C and PSE Disclosures Form 4-30 – Material Information/Transactions submitted on November 06, 07 and 08, 2018;
- (xxxviii) Disclosures under SEC Form 17-C and PSE Disclosures Form 4-26 – Legal Proceedings submitted on November 08, 2018;
- (xxxix) Disclosures under SEC Form 17-C and PSE Disclosures Form 4-30 – Material Information/Transactions submitted on November 09, 13 and 19, 2018;
- (xl) Disclosures under SEC Form 17-C and PSE Disclosures Form 4-8 – Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion submitted on December 04, 2018;
- (xli) Disclosures under SEC Form 17 – C and PSE Disclosures Form 4-30 – Material Information/Transactions submitted on December 12, 13 and 21, 2018.

## SIGNATURES

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

By: PHILIPPINE TELEGRAPH & TELEPHONE CORP.  
Issuer



KENNETH JOEY H. MACEREN  
Legal Counsel

14 February 2019



ALFREDO T. DIVINO, JR.  
Chief Finance Officer

14 February 2019