



PHILIPPINE TELEGRAPH AND 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)

March 31, 2012
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 quarterly period ended March 31, 2012
2. Commission Identification Number 21817 3. BIR Tax Identification No. 470-000-530-631
4. **Philippine Telegraph and Telephone Corp. (PT&T)**
Exact name of registrant as specified in its charter:
5. Metro Manila, Philippines 6. (SEC Use Only)
Province, Country or other jurisdiction of Industry Classification Code:
incorporation or organization
7. **Spirit of Communication Centre Building,**
106 Carlos Palanca Jr. St., Legaspi Village, Makati City 1229
Address of principal office Postal Code
8. **(632)815-9961 to 65**
Registrant's telephone number, including area code
N/A
9. Former name, former address, and former fiscal year, if changed since last report.
9. Securities registered pursuant to Sections 8 and 12 of the Code, or 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</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:

PSE Common stock

12. Indicate by check mark 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 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 90 days.

Yes [] No []

PHILIPPINE TELEGRAPH AND TELEPHONE CORP. (PT&T)
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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
For the quarter ended: March 31, 2012
INTERIM CONDENSED FINANCIAL STATEMENTS

PHILIPPINE TELEGRAPH & TELEPHONE CORP.
Statement of Financial Position
(In Thousand pesos)

	Interim unaudited	Audited
	As of	As of
	March 31, 2012	June 30, 2011
ASSETS		
Current Assets		
Cash	251	675
Accounts receivables - net	2,287	2,195
Other current assets	9,842	10,672
Total Current Assets	12,380	13,542
Non-current Assets		
Property, plant and equipment - net	404,337	419,762
Investment Properties	235,795	235,795
Other non-current assets	2,757	2,711
Total Non-current Assets	642,889	658,268
TOTAL ASSETS	655,269	671,810
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Trade and other payables	110,002	111,009
Statutory obligations	497,015	496,704
Accrued expenses and other liabilities	103,798	66,175
Due to related parties	196,152	175,075
Total Current Liabilities	906,967	848,963
Non-current Liabilities		
Deposit for future stock subscription	8,841,737	8,841,737
Retirement benefits liability	71,732	71,732
Total Non-current Liabilities	8,913,469	8,913,469
Total Liabilities	9,820,436	9,762,432
Capital Deficiency		
Paid-up capital	2,224,255	2,224,255
Unrealized valuation loss on AFS investments	(104)	(104)
Deficit	(11,389,317)	(11,314,773)
Total Capital Deficiency	(9,165,166)	(9,090,622)
TOTAL LIABILITIES AND CAPITAL DEFICIENCY	655,269	671,810

PHILIPPINE TELEGRAPH & TELEPHONE CORP.
STATEMENT OF INCOME (LOSS)

(In thousand pesos except per share data)

	<u>Interim unaudited</u> For the nine-month period ending March 2012	<u>Interim unaudited</u> For the nine-month period ending March 2011	<u>Interim unaudited</u> For the three-month period ending March 2012	<u>Interim unaudited</u> For the three-month period ending March 2011
REVENUES	14,563	8,957	4,954	3,253
COSTS AND EXPENSES				
Personnel costs	21,633	28,493	7,565	9,769
Depreciation and amortization	16,262	14,619	6,516	4,873
Utilities and supplies	3,785	4,779	1,260	1,432
Rent	3,887	2,529	1,154	520
Marketing and commission	761	799	427	254
Professional and other contracted services	1,464	2,146	423	592
Taxes and licenses	11,850	11,038	2,052	3,784
Outside services	3,803	2,725	2,510	817
Representation and entertainment	410	230	212	80
Others	3,888	3,688	1,178	724
	<u>67,742</u>	<u>71,046</u>	<u>23,294</u>	<u>22,845</u>
OTHER INCOME (CHARGES)				
Interest expense, net of revenue	(21,365)	(21,329)	(7,124)	(7,125)
	<u>(21,365)</u>	<u>(21,329)</u>	<u>(7,124)</u>	<u>(7,125)</u>
LOSS BEFORE INCOME TAX	(74,544)	(83,418)	(25,464)	(26,716)
INCOME TAX				
NET LOSS	(74,544)	(83,418)	(25,464)	(26,716)
WEIGHTED AVERAGE COMMON STOCK	1,500,000	1,500,000	1,500,000	1,500,000
INCOME (LOSS) PER SHARE				
Basic	(0.05)	(0.06)	(0.02)	(0.02)
Diluted	(0.05)	(0.06)	(0.02)	(0.02)

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
Statement of Comprehensive Income
(In thousand pesos)

	<u>Interim unaudited</u> <u>For the nine-month</u> <u>period ending</u> <u>March 2012</u>	<u>Interim unaudited</u> <u>For the nine-month</u> <u>period ending</u> <u>March 2011</u>	<u>Interim unaudited</u> <u>For the three-month</u> <u>period ending</u> <u>March 2012</u>	<u>Interim unaudited</u> <u>For the three-month</u> <u>period ending</u> <u>March 2011</u>
NET LOSS	(74,544)	(83,418)	(25,464)	(26,716)
OTHER COMPREHENSIVE INCOME (LOSS)				
Unrealized valuation gain on AFS investements	-	-	-	-
	-	-	-	-
TOTAL COMPREHENSIVE INCOME (LOSS)	(74,544)	(83,418)	(25,464)	(26,716)

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
Statement of Changes in Equity
(In thousand pesos)

	Common Stock	Unrealized Valuation Loss on AFS investments	Deficit	Total
Balance as of June 30, 2011	2,224,255	(104)	(11,314,773)	(9,090,622)
Net Loss for the nine-month period			(74,544)	(74,544)
Comprehensive income (loss) for the three-month period ending March 31, 2012			-	-
Balance as of March 31, 2012	2,224,255	(104)	(11,389,317)	(9,165,166)
Balance as of June 30, 2010	2,224,255	(89)	(11,231,753)	(9,007,587)
Net Loss for the nine-month period			(83,418)	(83,418)
Comprehensive income (loss) for the three-month period ending March 31, 2011			-	-
Balance as of March 31, 2011	2,224,255	(89)	(11,315,171)	(9,091,005)

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
Statement of Cash Flows
(In thousand pesos)

	<u>Interim unaudited</u> <u>For the nine-month</u> <u>period ending</u> <u>March 31, 2012</u>	<u>Interim unaudited</u> <u>For the nine-month</u> <u>period ending</u> <u>March 31, 2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(74,544)	(83,418)
Adjustments for:		
Depreciation and amortization	16,262	14,619
Other charges	21,365	21,329
	<u>(36,917)</u>	<u>(47,470)</u>
Decrease (increase) in operating assets		
Accounts receivables	(92)	511
Other current assets	830	(616)
Other non-current assets	(46)	3,970
Increase (decrease) in current liabilities		
Trade and accounts payable	(1,008)	11,517
Statutory obligations	311	13,661
Accrued interest, expenses and other liabilities	16,258	1,827
Other liabilities	21,077	15,455
NET CASH PROVIDED (USED) FROM OPERATING ACTIVITIES	413	(1,145)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment & other fixed (net)	(837)	-
NET CASH PROVIDED (USED) FROM INVESTING ACTIVITIES	(837)	-
NET INCREASE IN CASH	(424)	(1,145)
CASH BALANCE, Beginning	675	2,044
CASH BALANCE, Ending	251	897

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
Aging of Receivables
(In thousand pesos)

SERVICES	CURRENT TO 30 DAYS	31 TO 60 DAYS	61 TO 90 DAYS	OVER 91 DAYS	TOTAL
Trade Receivables	617	28	20	825	1,490
Less: Allowance for doubtful accounts					16
NET TRADE RECEIVABLES					1,474
Other Receivables					813
RECEIVABLES					
net of allowance for doubtful accounts					2,287

PHILIPPINE TELEGRAPH AND TELEPHONE CORPORATION
NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)

1. General

Incorporation:

The Philippine Telegraph & Telephone Company (PT&T), is a diversified telecommunications entity catering to the corporate, small/medium business and residential segments across the nation. It was incorporated on November 14, 1962 and operates under the jurisdiction of National Telecommunications Commission (NTC).

Legislative Franchise:

On June 20, 1964, the Company was granted a 25-year national legislative franchise, Republic Act (R.A.) No. 4161 for telecommunications activities. An amendment to the franchise was made in 1967 under RA 5048 granting the Company, among others, equal privileges against any competing franchisee.

Philippine Stock Exchange (PSE):

PT&T is listed with PSE for the trading of the common shares but requested voluntary suspension of trading effective December 13, 2004.

As further discussed below, the Retelcom Group is undergoing rehabilitation under a court-appointed rehabilitation Receiver (the Rehab Receiver) pursuant to the Order dated April 01, 2011 (the Rehab Order) issued by the Regional Trial Court (RTC) Branch 66 of Makati City (the Rehab Court) under Case no. M-6853 entitled Petition for Rehabilitation and Suspension of Payments of the Retelcom Group of Companies.

Status of Operations and Management Plans

The economic slowdown resulting from the decline of the Philippine peso vis-à-vis the U.S. dollar beginning in 1997, the intra corporate litigation in the Company in 1998 which resulted in the non-realization of the planned capital infusion into the three operating companies, increasing competitive pressure among industry players, technology changes in particular the growing preference for short messaging services, and deregulation have all contributed to decreased margins in the fixed line telecommunications industry and market shift to mobile phones. These, in turn, severely affected the Group's ability to settle their respective maturing obligations.

Consequently, the Retelcom Group consisting of the Republic Telecommunications Holdings, Inc. (Parent Company) and its affiliates/subsidiaries PT&T, Philippine Wireless, Inc.(PWI) and Capitol Wireless, Inc. (CAPWIRE) and its 100%-owned subsidiary Wavenet Philippines, Inc. (WPI) 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 Petition). 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 Regional Trial Court (RTC) – Makati City, Branch 66 (the Rehab Court). Subsequently, the Rehab Court issued an order on August 24, 2009 (the Stay Order) staying claims against the Retelcom Group and appointing a rehabilitation receiver (the Rehab Receiver).

The Company received on April 06, 2011 the immediately executory Order dated April 01, 2011 of the Rehab Court approving subject to certain modifications in accordance with Section 22 Rule 3 A.M. 00-08-10-SC, the proposed Rehab Plan (the Rehab Plan).

The Retelcom Group continues to operate albeit at a significantly reduced level. For optimum cost-benefit impact, PT&T has ceased operations of its legacy business and instead concentrated on providing internet and data-related services in Metro-Manila. PWI has focused on its international short messaging service operations under the brand name "Textwise" with a lower manpower complement. CAPWIRE continues to maintain several clients for IP-based data services.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying financial statements are prepared in conformity with the Philippine Financial Reporting Standards (PFRS) and under the historical cost convention, except for property and equipment as of June 30, 1998 which are carried at revalued amounts.

Adoption of New and Revised Accounting Standards

The Company adopted the following new and revised accounting standards, which are based on revised IAS and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). The new and revised accounting standards became effective for annual periods beginning on or after January 1, 2005. The Accounting Standards Council (ASC) has renamed the standards that it issues to correspond better to the issuances of IASB. Philippine Accounting Standard (PAS) correspond to adopted IAS, while PFRS correspond to adopted IFRS. Previously, standards issued by the ASC were designated as Statements of Financial Accounting Standards (SFAS).

- PAS 19/IAS 19, *Employees Benefits*, requires the use of the projected unit credit method in measuring retirement benefit expense and a change in the manner of computing benefit expense relating to past service cost and actuarial gains and losses. It also requires a company to determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity.
- PAS 21/IAS 21, *The Effects of Changes in Foreign Exchange Rates*, eliminates option to capitalize foreign exchange adjustments even under severe currency devaluation. It introduces the concept of functional currency and presentation currency; requires companies to determine their functional currency based on certain criteria, and to measure their results and financial position based on such functional currency. It also provides a simplified translation method (i.e., current rate method) for foreign operations, as well as translation of financial statements from functional currency into any presentation currency.
- PAS 32/IAS 32, *Financial Instruments: Disclosure and Presentation*, covers the disclosure and presentation of all financial instruments. The standard requires more comprehensive disclosures about an entity's financial instruments, whether recognized or unrecognized in the financial statements. New disclosure requirements include terms and conditions of financial instruments used by the entity, types of risks, associated with both recognized and unrecognized financial instruments (market risk, foreign exchange risk, price risk, credit risk, liquidity risk and cash flow risk), fair value information of both recognized and unrecognized financial assets and financial liabilities, and the entity's financial risk management policies and objectives. The standard also requires financial instruments to be classified as debt or equity in accordance with their substance and not their legal form.
- PAS 39/IAS 39, *Financial Instruments: Recognition and Measurement*, establishes the accounting and reporting standards for the recognition and measurement of the company's financial assets and financial liabilities. It requires a financial asset or a financial liability to be recognized initially at cost including related transaction costs. Subsequent to initial recognition, an entity should measure financial assets at their fair values, except for loans and receivables and held-to-maturity investments, which are measured at amortized cost using the effective interest rate method. Financial liabilities are subsequently measured at amortized cost, except for liabilities designated as fair value through profit and loss and derivatives, which are subsequently measured at fair value.

PAS 39 also establishes the accounting and reporting standards requiring that every derivative instrument (including certain derivatives embedded in other contracts) be recorded in the balance sheets as either an asset or liability measured at its fair value. It requires that changes in the derivative's fair value be recognized currently in the statements of income unless specific hedges allow a derivative's gains and losses to offset related results on the hedged item in the statements of income, or deferred in the stockholders' equity as "Cumulative translation adjustment." It requires that an entity must formally document, designate and assess the effectiveness of transactions that receive hedge accounting treatment.

Derivatives that are not designated and do not qualify as hedges are adjusted to fair value through income.

- PAS 40/IAS 40, *Investment Property*, establishes the accounting and reporting standards for investment property. Investment property is defined as property (land or a building or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for: (a) use in the production or supply of goods or services or for administrative purposes; or (b) sale in the ordinary course of business. Under this standard, an entity is permitted to choose either the fair value model or cost model in the subsequent measurement of a qualifying investment property. Fair value model requires an investment property to be measured at fair value with fair value changes recognized directly in the statements of income. Cost model requires an investment property to be measured at cost less any accumulated depreciation and impairment losses.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner-occupation, commencement of an operating lease to another party or by the end of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell.

Revenue Recognition

Operating revenues consist of value of all services provided and are accounted for on the accrual basis. These are as follows:

Business Convergence (BCON)

PT&T has categorized its Business Convergence (BCON) into broadband service and the traditional bandwidth services, including local area network extension.

Broadband Services:

Broadband/Internet Based Services includes Internet Protocol-Virtual Private Network (IP-VPN), Digital Subscriber Lines (DSL) and wireless technology. These are designed to provide full high capacity connectivity solutions to specific wholesale market niche and the more expansive industry retail sector.

Broadband/Internet revenues are recognized based on contracted rates as the service is provided to the customers. Installation charges and other one-time fees associated with the installation are charged to capital expenditures.

Traditional Bandwidth Services:

Traditional Bandwidth Services include high speed point-to-point leased lines that are dedicated, on-line and protocol-transparent, communication links to facilitate service either voice, fax, data or video transmission. Revenues are recognized based on contracted rates as the service is provided to the customers.

Cash

Cash includes cash on hand and in banks.

Receivables and Allowance for Doubtful Accounts

Receivables are recognized and carried at billable amounts less allowance for doubtful accounts. An allowance for doubtful accounts is maintained at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectibility of the accounts. A review of the age and status of receivables, designed to identify accounts to be provided with allowance, is made by the Company on a continuous basis.

- Customers

Substantially full allowance is provided for receivables from permanently and temporarily disconnected subscribers. Permanent and temporary disconnections are made after a series of

collection steps following nonpayment by subscribers. Such permanent and temporary disconnections generally occur within ninety days from due date. Additional provisions are made for other accounts specifically identified by the Company to be doubtful of collection.

Inventories and Supplies

Inventories and supplies are valued at the lower of cost or net realizable value less allowance for inventory losses. Cost is determined using the first-in, first-out method. Net realizable value is the current replacement cost.

Property and Equipment

Property and equipment are carried at revalued amounts as determined on June 30, 1998 by an independent firm of appraisers.

The net appraisal increment resulting from the revaluation was credited to the Revaluation Increment in Property account shown under stockholders' equity in the balance sheets. The amount of the revaluation increment absorbed through depreciation and impairment loss was transferred to the Deficit account in the balance sheets.

The initial cost of property and equipment comprises its purchase price, including import duties and nonrefundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost also includes interest, foreign exchange differentials and other financing charges on borrowed funds used to finance the acquisition of property and equipment to the extent incurred during the period of installation, provided the carrying amount of the related fixed asset does not exceed the lower of the replacement cost and the amount recoverable from the use or sale of the asset. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance costs, are normally charged to income in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over their estimated useful lives or the term of the related lease, whichever is shorter. The average estimated useful lives of property and equipment are as follows:

<u>Category</u>	<u>Number of Years</u>
Telecommunications equipment:	
Central office equipment	15-18
Cable and wire facilities	15

The useful lives and depreciation method are reviewed periodically to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

When assets are sold or retired, their cost, accumulated depreciation and amortization and any impairment in value are eliminated from the accounts and any gain or loss resulting from their disposal is charged to current operations.

Projects under construction are transferred to the related property account when the construction or installation and related activities necessary to prepare the property for its intended use are complete and the property is ready for service.

Additional continuing disclosures on the Company's property and equipment are disclosed in SEC Form 17-A previously submitted.

Impairment of Assets

Starting July 1, 2002, the carrying values of property and equipment and other non-current assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of the assets is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses, if any, are charged against the revaluation increment for revalued assets and in the statements of income for assets carried at cost.

Investments

The Company's investment in its associate, Philippine Wireless, Inc. (PWI, 20% owned), is accounted for under the equity method. PWI is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture of the Company. The investment in PWI is carried in the balance sheets at cost plus post-acquisition changes in the Company's share in the net assets of PWI, less any impairment in value.

Other investments are carried at cost less allowance for any substantial and presumably permanent decline in their market value.

Income Taxes

Deferred income tax is provided using the liability method. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial reporting bases of assets and liabilities and their related tax bases. Deferred income tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which (a) those temporary differences are expected to be recovered or settled. A valuation allowance is provided for the portion of deferred income tax assets which is not expected to be realized in the future.

Retirement Costs

Retirement costs are determined on an actuarial basis using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Retirement costs include current service cost plus amortization of past service cost, experience adjustments and changes in actuarial assumptions over the expected average remaining working lives of covered employees.

Foreign Currency Transactions

Foreign currency transactions are recorded in Philippine peso based on the exchange rates prevailing at the date of the transaction. Foreign currency-denominated assets and liabilities are translated into Philippine peso using the closing exchange rate prevailing at the balance sheet date. Exchange gains or losses arising from foreign currency transactions are credited or charged to current operations, except those considered as borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset which are capitalized as part of the cost of the related assets to the extent of their recoverable values.

Earnings Per Share (EPS)

Basic EPS is computed by dividing the net income or loss for the year attributable to common stockholders by the weighted average number of common shares issued during the year including fully paid but unissued shares as of the end of the year.

Related Party Transactions

The Company, in its regular conduct of business, has engaged in transactions with affiliates, principally consisting of various telecommunication services.

Tax Liabilities

On March 05, 2008, the Company filed for amnesty for non-withholding tax obligations covering the period until December 31, 2005.

3. Other Matters

Key Performance Indicators

The Company assessed its performance based on the following key performance indicators:

	<u>March 2012</u>	<u>March 2011</u>	<u>% Change</u>
REVENUES (in thousand pesos)	14,563	8,957	63%
EBITDA Margin	-253%	-530%	188%
EBIT Margin	-512%	-931%	158%

-
- (1) EBITDA is defined as Earnings Before Interest, Taxes, Depreciation, Amortization and Other Income/Charges. EBITDA is computed by deducting costs and expenses (excluding Depreciation and Amortization) from net operating revenues. EBITDA Margin is calculated by dividing EBITDA over net operating revenues.
 - (2) EBIT is defined as Earnings Before Interest, Taxes and Other Income/Charges. EBIT is computed by deducting costs and expenses from net operating revenues. EBIT margin is calculated by dividing EBIT over net operating margin.

Seasonality or cyclicity 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.

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 of Financial condition and Results 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 except in the financial statement presentation of rental income and deferred income tax.

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 annual balance sheet date, 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&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 P42.66 vis-à-vis U.S.\$1.00, the average exchange rate of the U.S. dollar at March 31, 2012.

FINANCIAL HIGHLIGHTS

Results of Operations (In Philippine thousand pesos)	Quarter ending March 31, 2012	Quarter ending March 31, 2011
Revenues and income	14,563	8,957
Operating expenses	51,481	56,427
Earnings before interest, taxes, depreciation and amortization (EBITDA)	(36,917)	(47,470)
EBITDA Margin	-253%	-530%
Depreciation	16,262	14,619
Interest and other charges	21,365	21,329
Net Loss	(74,544)	(83,418)

Revenue

Net operating revenues of P14.5 million for nine months ended March 31, 2012 increased by P5.6 million or 63% as compared to March 31, 2011 of P8.9 million substantially due to additional clients. The revenues consist of Broadband and Rental Services representing 72% and 28% respectively of the total revenue. Contributing to the increase in revenues were increase in circuit as well as ARPC (average revenue per circuit). Activities for the broadband group included street level saturations on major nodes and account management of existing subscribers. Sales force is focused mainly on the business market segment.

Costs and expenses

Costs and expenses of P51.4 million for nine months ended March 31, 2012 decreased by P4.9 million or 8% as compared to March 31, 2011 of P56.4 million because of the continuous cost reduction.

Profitability Performance

Despite the high revenue growth, the higher growth in expenses resulted in nearly an EBITDA neutral performance for the quarter ending March 31, 2011. Depreciation and amortization and other non-core expenses attributable to Court Rehabilitation Exit-related expenses accounted for P37.6 million versus a P35.9 million in the comparative quarter last year. The loss before taxes, depreciation and amortization margin is computed at 0%.

The Company's net loss for the quarter ending March 31, 2012 is at P74 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

Financial Condition (In Philippine thousand pesos)	March 31, 2012	June 30, 2011
Current Assets	12,380	13,542
Non-current Assets	642,889	658,268
Total Assets	655,269	671,810
Current Liabilities	906,967	848,963
Non-current Liabilities	8,913,469	8,913,469
Total Liabilities	9,820,436	9,762,432
Capital Deficiency	(9,165,166)	(9,090,622)
Total Liabilities and Capital	655,269	671,810

The Company's total assets amounted to ₱655 million as of March 31, 2012. Cash is at ₱251 thousand, a decreased by ₱424 thousand as compared to June 30, 2011. Accounts receivable of ₱2.2 million as of March 31, 2012 increased by ₱92 thousand or 4% as compared to June 30, 2011 due to increase in other non-trade receivables.

Trade and other payables increased by ₱58 million or 7% as of March 31, 2012. A major portion of this account is attributable to trade transactions with suppliers which resulting in a total trade payables of ₱110 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 ₱11.3 billion and the total capital stock deficiency is at ₱9.1 billion.

Current ratio as of 31 March 2012 is at 0.01:1 as compared to 30 June 2011 of 0.02:1.

B.) Financial Risk Disclosure

General

Philippine Telegraph & Telephone Corp. (PT&T) 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 companies business operations and environment.

Financial Risk

1. Quarterly report submitted to the Rehab receiver. (Refer to Item 1 Other Events G)
2. Currency Risk
The company has no foreign denominated transactions/ accounts in the financial statements.

3. Interest Rate Risk

Under the approved Rehabilitation program, the Rehab Court ordered that the interest with the creditors as of August 2009 be fixed at 6% per annum and subsequent obligations are at mutually agreed rate.

4. 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.

5. 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 (page 10) shows that the receivable as of March 31, 2011 of P1.4 million is adequately covered by provisions.

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

The Management has no 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

The Management has no 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 except as those 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 I – OTHER INFORMATION

a) Disclosure made under SEC Form 17-C:

This is in compliance with SEC Form 17-C of the Securities Regulation Code and SRC Rule 17.2 c regarding current reporting. Other than the explanations presented in Items 1 & 2, Management has no knowledge of any current events, known facts, or existing uncertainties that will reasonably affect the decision of investors to buy or sell securities or will have a material impact on the Company's financial position and operation.

b) Quarterly Rehabilitation Report:

Pursuant to the Rules of Procedure on Corporate Rehabilitation (A.M. NO. 00-8-10-SC) and foreseeing the impossibility of meeting its debts when they respectively fall due, on August 20, 2009, Republic Telecommunications Holdings, Inc. (Retelcom) proceeded to file with the designated commercial court of Makati City a Petition for Corporate Rehabilitation and Suspension of Payments, together with its subsidiary companies Philippine Telegraph & Telephone Corp. (PT&T), Philippine Wireless, Inc. (PWI), and Capitol Wireless, Inc. (CWI) and its subsidiary Wavenet Philippines, Inc. (WPI) (the Petition).

The Petition was filed in order to restore Retelcom and its subsidiaries to a position of successful operation and solvency, by showing that its continuance of operation is economically feasible and its claimants can recover by way of the present value of payments projected in the plan more if the corporation continued as a going concern than if they were immediately liquidated.

The Petition is docketed as SP. PROC. NO. M-6853 at the Regional Trial Court, National Capital Judicial Region, Branch 66, Makati City (the Rehab Court). Together with the said Petition is the proposed 15-year rehabilitation plan (the Rehab Plan) which will pursue three (3) objectives for its business targets and goals, namely:

- (a) transformation of the Retelcom Group into one of the leading providers of next-generation wireless broadband access;
- (b) orderly settlement of claims through payment thereof at full value via redeemable serial preferred shares, except for statutory and certain liabilities in the nature of suppliers' credits or short term working capital loans which were approved by the creditors; and
- (c) enhance the success of the Rehab Plan by settlement of statutory obligations and the availment of suppliers' credits or debtor-in-possession (DIP-type) financing.

A Stay Order was issued by the Rehabilitation Court on August 24, 2009 (the Stay Order) covering the following:

- (i) appointment of rehabilitation receiver, in the person of Atty. Pamela Labayen;
- (ii) staying enforcement of all claims against the petitioners and guarantors/sureties not solidarily liable with the petitioners;
- (iii) prohibiting sale, encumbrance, transfer or disposal of properties except in the ordinary course of business;
- (iv) prohibiting petitioners from making any payment of liabilities outstanding as of August 20, 2009;
- (v) prohibiting suppliers from withholding supply of goods and services in the ordinary course of business for so long as payments are made for those supplied after the Stay Order; and
- (vi) directing petitioners to pay in full all administrative expenses.

The Company received on April 06, 2011 the immediately executory Order dated April 01, 2011 of the Rehabilitation Court (the Rehab Court) approving, subject to certain modifications in accordance with Section 22 Rule 3 of A.M. 00-8-10-SC, the proposed rehabilitation plan and several orders summarized as follows:

- a) 12-year debt payment period after 2-year moratorium;
- b) Waiver of any and all interest, penalties, and surcharges except legal interest of 6% from approval of the plan until full payment of obligations;

- c) Any compromise agreement shall be subject to the Rehab Court approval, which compromise shall include release of mortgaged properties, substantial reduction of the debt, withdrawal of any and all complaints, cases or any legal action, discharge and remise of sureties from any and all suretyship obligations;
- d) Any sale or disposition of real or personal properties shall be subject to Rehab Court's evaluation and approval;
- e) Meralco and all other companies contracted for rentals or services shall recognize only and accept as basis for determination of rentals such facilities being actually and actively used;
- f) Each petitioner to: (i) immediately settle obligations to the Social Security System (SSS) under the condonation programs out of the liberated escrow account pursuant to the Rehab Court's Orders dated September 03, 2010 and October 20, 2010; (ii) immediately settle out of the proceeds from the recovery of any advances and deposits or garnished/levied assets and sale of other assets all unpaid wages, salaries, and benefits inclusive of unremitted deductions therefrom; (iii) immediately settle from the same abovesaid proceeds all unpaid retirement/separation pay of retired or separated employees;
- g) Immediately sell all its properties at reasonable market price and use the proceeds of the said sale to immediately settle statutory obligations including unpaid wages, salaries, and benefits and retirement/separation pay;
- h) Avail whenever necessary, debtor-in-possession (DIP) financing with interest at market rate which shall be payable/repaid out of the new money to be infused by the new investor;
- i) Full conversion to equity of the principal of all debts/liabilities except statutory obligations and suppliers and DIP-type credits by way of 12-year redeemable serial preferred shares classified as Series "A" for secured obligations or obligations in the form of leasing or sale in installment; Series "B" for unsecured obligations and Series "C" for obligations for affiliate companies, with a further order to:
 - (i.1) the petitioners to issue confirmation letters to the respective claimants that their debts/liabilities have been fully converted to 12-year serial redeemable preferred shares as of the filing of the petition and has been lodged in the books as "deposit for subscription" pending approval by the Securities and Exchange Commission (SEC) of the increase in authorized capital stock;
 - (i.2) the petitioners to amend their Articles of Incorporation increasing the authorized capital stock and upon approval thereof by the SEC, to immediately issue the corresponding stock certificates (the details of which are presented in the Order's item (i.3) to (i.6));
 - (i.7) PT&T to accept swap arrangements with the same amount and matching class of PWI, CWI, and Retelcom redeemable serial preferred shares subject to further increase of PT&T's authorized capital stock; and
 - (i.8) PT&T to enroll and list all of its authorized Series "A", Series "B", and Series "C" redeemable preferred shares as freely "tradeable" stocks with the Philippine Stock Exchange (PSE);
- j) Transformation of the Retelcom Group into a leading provider of broadband wireless access (BWA) services through PT&T as the investment vehicle after consolidations and stock swaps pursuant to the rehabilitation;
 - (j.1) majority shareholders of Retelcom shall swap their common shareholdings of PWI and CWI with PT&T common shares at the respective swap ratio of 4.00 PWI:1.00 PT&T and 3.36 CWI:1.00 PT&T;
 - (j.2) the majority shareholder of Retelcom are given similar swap option within 60 days after Retelcom's majority shareholder exercise of similar swap;
 - (j.3) the majority shareholder of PWI and CWI are given similar option to swap their common shareholdings in said companies with PT&T common shares within 60 days after majority shareholders exercise of similar swap; and
 - (j.4) further directives to: (i) SEC to approve PT&T's request for temporary exemptive relief without any sanctions or penalties whatsoever; and (ii) PSE to lift the suspension of trading of PT&T's common stocks without sanctions and penalties whatsoever; and (iii) PT&T to faithfully comply with all the applicable rules of the SEC and PSE; and
- k) Petitioners to submit a quarterly consolidated status report to the rehabilitation receiver and the Rehab Court.

In accordance with item (k) of the Order dated April 1, 2011 (the "Order") of Makati RTC Br. 66 (the "Rehab Court"), the Retelcom Group hereby submits to the rehabilitation receiver (the "Rehab Receiver") and the Rehab Court this quarterly report regarding the implementation, execution and developments of the approved rehabilitation of the Retelcom Group of Companies:

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

The total number of letters released as of March 31, 2012 have remained the same as in the previous quarterly report: a total of 796 letters released through registered postal services except for the very few which were hand-delivered due to proximity. The release of the remaining confirmation letters have significantly slowed down due to difficulties in getting the correct recipient's addresses.

The initial review of employee-claimants (former and existing employees) was based on a decision of the National Conciliation and Mediation Board (NCMB) under a labor case of Philippine Telegraph & Telephone Corp. (PT&T) which progressed into voluntary arbitration involving 156 union members. In so far as non-union members are concerned, a total of 291 employees are involved. Pursuant to the Rehab Court Order, PT&T will settle the statutory obligations to said employee-claimants (former and existing employees) like unpaid salaries and wages and retirement and separation pay out of the proceeds of the sale of its properties as further discussed below.

The Retelcom Group still awaits developments regarding the certiorari appeals of the Order with the Court of Appeals by three (3) creditor-shareholders. Two (2) of the said three (3) cases have been Consolidated pursuant to the appeal of the Petitioners at the Court of Appeals.

B. Settlement of statutory obligations out of proceeds of liberated escrow accounts and/or recovered advances and deposits or garnished accounts or sale of Petitioners' properties [items (f) and (g) of Order]:

The Petitioners received additional offers from other interested parties through non-exclusive brokers/agents for the sale of its Legaspi Village, Makati real estate property. Negotiations are ongoing.

Meantime, the Petitioners await comments/reactions from the buyers on the draft contracts to sell that have been issued to them in conjunction with the negotiation proceedings. Once the said contract to sell is executed, the same shall be filed with the Rehab Court for their approval.

Likewise, as previously reported, the Retelcom Group entertains other revenue-generating arrangements such as leasing or renting the real estate properties pending consummation of sale transactions.

Capitol Wireless, Inc. (CWI) and Philippine Wireless, Inc. (PWI) await further congressional action for the extension and grant of their respective legislative franchises.

As of the date of this report, the mortgage trustees of the Retelcom Group have not yet returned the various owner's duplicate copies of the transfer certificates of title (TCTs) of the mortgaged real estate properties. The successor-mortgage trustee of PT&T under the Mortgage Trust Indenture, Export and Industry Bank, is now facing liquidation proceedings.

New Investor

The Retelcom Group continues to entertain potential investors within the purview of the respective non-disclosure agreements. The Petitioners' Board of Directors and the Rehab Receiver are duly apprised of developments especially for those with apparently serious interests. In instances where the potential investor has operational requirements, the Retelcom Group provides the required services in the ordinary course of business. However, in due time, the Rehab Court's approval, if necessary, will be procured.

Other matters

This report together with the Petitioner's interim-unaudited financial statements for the 3rd quarter of fiscal year 2012 (i.e., 3rd quarter ending March 31, 2012) is presented in the Petitioner's respective regular Board of Directors' meetings on May 09, 2012 (with the attendance of the Rehabilitation Receiver).

The said interim-unaudited financial statements are attached for reference and which, in the case of publicly listed PT&T, shall be submitted to the Securities and Exchange Commission (SEC) under SEC Form 17-Q, copy-furnished the Philippine Stock Exchange (PSE).

On a consolidated basis, Retelcom and its Subsidiaries posted 3rd quarter (year-to-date) operating revenues from data services of Php14.0 million or a decline of 15% compared to the previous fiscal year's operating revenues of Php16.5 million.

However, due to successful control of operating costs and expenses, the Petitioners posted an 18.1% improvement due to the reduction of said costs and expenses for the 3rd quarter (year-to-date) from Php81.5 million to Php66.7 million. Significant savings were derived from staff related and premises related expenses.

Thus, for the 3rd quarter ended March 31, 2012, the Petitioners showed a 19% improvement in EBITDA, albeit still negative at Php52.7 million compared to the previous year's negative EBITDA of Php65.0 million. The Petitioners continue to depend on DIP financing as well as non-operational fund sourcing like rental income from premises in order to support their working capital requirements amidst the negative EBITDA performance.

On a consolidated basis, the Retelcom Group's total assets, as well as total liabilities and stockholders' equity, remained relatively flat at Php1.5 billion as of March 31, 2012.

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
Corporate Secretary

May 22, 2019



ALFREDO T. DIVINO JR.
Chief Finance Officer

May 22, 2019