



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, 2017
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, 2017**
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 799,998,728 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.

The financial statements are filed as part of this SEC Form 17-Q.

BALANCE SHEETS (In PhP thousands)

	March 31, 2017 (Interim - Unaudited)	June 30, 2016 UNAUDITED	VARIANCE	%
ASSETS				
Current Assets				
Cash	25,325	17,722	7,603	43%
Receivables, net of Allow. for Doubtful Accounts	2,683	1,771	912	51%
Other current assets	19,529	12,874	6,655	52%
Total Current Assets	47,537	32,367	15,170	47%
Noncurrent Assets				
Property and equipment at cost	683,323	616,963	66,360	11%
Deferred income tax	438,216	438,216	-	0%
Other assets	109,685	103,958	5,727	6%
Total Noncurrent Assets	1,231,224	1,159,137	72,087	6%
TOTAL ASSETS	1,278,761	1,191,504	87,257	7%
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities				
Trade and other payables	1,062,689	969,847	92,842	10%
Total Current Liabilities	1,062,689	969,847	92,842	10%
Stockholders' Equity				
Capital Stock				
Common Stock	1,979,254	1,979,254	-	0%
Preferred Stock	75,000	75,000	-	0%
Redeemable Preferred Stock (see page 24)	8,711,737	8,711,737	-	0%
Deficit	(10,549,919)	(10,544,334)	(5,585)	0%
Total Stockholders' Equity	216,072	221,657	(5,585)	-3%
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	1,278,761	1,191,504	87,257	7%

STATEMENTS OF INCOME & RETAINED EARNINGS(DEFICIT)
(In PhP thousands, Except Loss Per Share)

	For the Nine (9) Months Ended		For the Three (3) Months Ended	
	March 31, 2017	March 31, 2016	Jan-Mar '17	Jan-Mar '16
OPERATING REVENUES	97,659	71,858	35,649	26,592
COSTS AND EXPENSES				
Operations	65,909	55,020	24,546	19,478
Provisions for doubtful accounts	-	-	-	-
EBITDA	31,750	16,838	11,103	7,114
Depreciation and amortization	29,725	23,086	10,080	9,432
INCOME (LOSS) FROM OPERATIONS	2,025	(6,248)	1,023	(2,318)
OTHER CHARGES				
Others	7,610	2,211	3,860	819
	7,610	2,211	3,860	819
LOSS BEFORE INCOME TAX	5,585	8,459	2,837	3,137
PROVISION FOR INCOME TAX	-	-	-	-
NET LOSS	5,585	8,459	2,837	3,137
DEFICIT, Beg.	10,544,334	10,533,434	10,547,082	10,538,756
DEFICIT, End	10,549,919	10,541,893	10,549,919	10,541,893
Loss Per Share				
The loss per share amounts were computed as follows:				
Net Loss	5,585	8,459	2,837	3,137
Add: Cumulative dividends on preferred shares	-	-	-	-
	5,585	8,459	2,837	3,137
Divided by:				
Weighted average number of common shares issued and outstanding	1,254,999	1,254,999	1,254,999	1,254,999
LOSS PER SHARE				
Basic	0.004	0.007	0.002	0.002

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(In PhP thousands)

	Preferred Stock	Common Stock	Redeemable Preferred Stock	Deficit	Total
Balance as of June 30, 2016	75,000	1,979,254	8,711,737	(10,544,334)	221,657
Net income for the month				866	866
Balance as of July 31, 2016	75,000	1,979,254	8,711,737	(10,543,468)	222,523
Net loss for the month				(1,370)	(1,370)
Balance as of August 31, 2016	75,000	1,979,254	8,711,737	(10,544,838)	221,153
Net loss for the month				(343)	(343)
Balance as of September 30, 2016	75,000	1,979,254	8,711,737	(10,545,181)	220,810
Net loss for the month				(995)	(995)
Balance as of October 31, 2016	75,000	1,979,254	8,711,737	(10,546,176)	219,815
Net income for the month				130	130
Balance as of November 30, 2016	75,000	1,979,254	8,711,737	(10,546,046)	219,945
Net loss for the month				(1,036)	(1,036)
Balance as of December 31, 2016	75,000	1,979,254	8,711,737	(10,547,082)	218,909
Net loss for the month				(2,558)	(2,558)
Balance as of January 31, 2017	75,000	1,979,254	8,711,737	(10,549,640)	216,351
Net income for the month				308	308
Balance as of February 28, 2017	75,000	1,979,254	8,711,737	(10,549,332)	216,659
Net loss for the month				(587)	(587)
Balance as of March 31, 2017	75,000	1,979,254	8,711,737	(10,549,919)	216,072

	Preferred Stock	Common Stock	Redeemable Preferred Stock	Deficit	Total
Balance as of June 30, 2015	75,000	1,979,254	8,711,737	(10,530,716)	235,275
Net loss for the month				(617)	(617)
Balance as of July 31, 2015	75,000	1,979,254	8,711,737	(10,531,333)	234,658
Net loss for the month				(748)	(748)
Balance as of August 31, 2015	75,000	1,979,254	8,711,737	(10,532,081)	233,910
Net loss for the month				(2,296)	(2,296)
Balance as of September 30, 2015	75,000	1,979,254	8,711,737	(10,534,377)	231,614
Net loss for the month				(1,334)	(1,334)
Balance as of October 31, 2015	75,000	1,979,254	8,711,737	(10,535,711)	230,280
Net loss for the month				(1,371)	(1,371)
Balance as of November 30, 2015	75,000	1,979,254	8,711,737	(10,537,082)	228,909
Net loss for the month				(1,674)	(1,674)
Balance as of December 31, 2015	75,000	1,979,254	8,711,737	(10,538,756)	227,235
Net loss for the month				(862)	(862)
Balance as of January 31, 2016	75,000	1,979,254	8,711,737	(10,539,618)	226,373
Net loss for the month				(444)	(444)
Balance as of February 28, 2016	75,000	1,979,254	8,711,737	(10,540,062)	225,929
Net loss for the month				(1,831)	(1,831)
Balance as of March 31, 2016	75,000	1,979,254	8,711,737	(10,541,893)	224,098

**STATEMENT OF CASH FLOWS
AS OF MARCH 31, 2017 and 2016
(In PhP thousands)**

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
NET LOSS	(5,586)	(8,459)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and Amortization	29,725	23,086
Other charges	7,610	2,211
EBITDA	31,749	16,838
Changes in operating assets and liabilities:		
Decrease (increase) in current asset		
Accounts Receivable	(912)	(510)
Deposits and Other Assets	(5,727)	35
Other Current Assets	(6,655)	(1,107)
	(13,294)	(1,582)
Increase in current liabilities		
Trade and Accounts Payable	85,232	5,584
	85,232	5,584
NET CASH PROVIDED BY OPERATING ACTIVITIES	103,687	20,840
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in Property , Plant and Equipment & Others (net)	(96,084)	(12,249)
	(96,084)	(12,249)
NET INCREASE IN CASH	7,603	8,591
CASH BALANCE , BEGINNING	17,722	4,806
CASH BALANCE , ENDING	25,325	13,397

AGING SCHEDULE OF ACCOUNTS RECEIVABLE - TRADE
AS OF MARCH 31, 2017
(In PhP thousands)

SERVICES	CURRENT TO 30 DAYS	31 TO 60 DAYS	61 TO 90 DAYS	OVER 91 DAYS	TOTAL
DATA SERVICES					
BROADBAND	1,221	147	30	307	1,705
DATA COM SERVICES	218	0.12	-	103	321
RESIDENTIAL	22	-	-	-	22
V-SAT	17	-	-	-	17
SUB-TOTAL DATA SERVICES	1,478	147	30	410	2,065
TOTAL	1,478	147	30	410	2,065
LESS: PROVISIONS	125				125
NET RECEIVABLES					1,940
Other Receivables					743
RECEIVABLES, net of Allow. For Doubtful Accounts					2,683

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).

The SEC on November 26, 2012, approved PT&T's amendment to Articles IV of its Amended Articles of Incorporation, thereby extending the company's corporate life for another 50 years.

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. On November 15, 1990, the 4th Congress of the Republic of the Philippines, amended the aforesaid legislative franchise with RA 6970 thereby extending it for another 25 years.

On July 21, 2016 PT&T's new 25 year franchise covered by R.A 10894 has lapsed into law. Its effectivity will be after 15 days from the date of its publication in the newspaper of general circulation.

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.

PT&T's financial statements as of June 30, 2016, 2015, 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005 and 2004 under another independent auditor are still pending as of report date awaiting resolution of certain issues raised by PT&T management to their board of directors and creditors. In a letter dated October 28, 2004, its independent auditor informed PT&T management that the completion of its audit depends on the resolution of three pending items as follows: (i) ongoing negotiations with the creditors; (ii) manner of settlement of liabilities with government entities. As a result of the non-completion of the audit, PT&T was not able to submit to the SEC and the Philippine Stock Exchange (PSE) the required reports based on the audited financial statements. As a consequence, PT&T requested SEC for temporary exemptive relief in complying with the submission of annual reports, thereby precluding the holding of its annual stockholders' meeting, and the PSE for a voluntary suspension in the trading of its shares. PT&T however, continues to file with the SEC their prescribed quarterly and periodic informational reports and with the PSE their required disclosure statements, as well as the annual fiscal year income tax return based on interim un-audited financial statements with the Bureau of Internal Revenue (BIR). The abovesaid report to the SEC and PSE are in addition to the quarterly rehabilitation reports submitted to the Rehab Receiver and Rehab Court in compliance to the Rehab Order dated April 01, 2011.

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 simplifies 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.

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.

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:

Category	Number of Years
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.

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>MAR 2017</u>	<u>MAR 2016</u>	<u>% CHANGE</u>
REVENUES (in PhP thousands)	97,659	71,858	0.36
EBITDA Margin (1)	33%	23%	0.39
EBIT Margin (2)	0.06	0.12	(0.51)
Cash flow provided by operating activities (in PhP thousands)	103,687	20,840	3.98
Debt to equity ratio (3)	4.92:1	4.30:1	0.15

-
- (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.
- (3) Debt to equity ratio is computed by dividing total debt to total equity.

Seasonality or cyclical nature 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

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 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 P50.35 vis-à-vis U.S.\$1.00, the average exchange rate of the U.S. dollar at March 31, 2017.

FINANCIAL HIGHLIGHTS

(Amounts in PhP Thousands)

	Mar 31, 2017	June 30, 2016		
	(Unaudited)	(Unaudited)	Change	%
Balance Sheet Data				
Total Assets	1,278,761	1,191,504	87,257	7%
Total Debts	1,062,689	969,847	92,842	10%
Total Equity	216,072	221,657	(5,585)	-3%
Property, Plant & Equipment	683,323	616,963	66,360	11%
Current Assets	47,537	32,367	15,170	47%
Current Liabilities	1,062,689	969,847	92,842	10%
Financial Ratios				
Debt to Equity Ratio	4.92:1	4.37:1		
Current Ratio	0.04:1	0.03:1		
Profit and Loss Data				
	Mar 31, 2017	Mar 31, 2016		
	(Unaudited)	(Unaudited)	Change	%
Net Operating Revenues	97,659	71,858	25,801	36%
Costs and Expenses	65,909	55,020	(10,889)	-20%
EBITDA	31,750	16,838	14,912	89%
Income (Loss) from Operations	2,025	(6,248)	(8,273)	132%
Net Loss	(5,585)	(8,459)	(2,874)	34%
Profitability Ratios				
Operating Margin	-2%	9%		
EBITDA Margin	33%	23%		
Cash Flow Statement				
Net Cash from Operation	103,687	8,466	95,221	1125%
Net Cash Flows	7,603	2,430	5,173	213%
Other Data				
Loss per Share	(0.004)	(0.007)		
Book Value per Share	0.17	0.18		
Peso/Dollar Exchange Rate	50.35	47.01		

FINANCIAL CONDITION

A.) Balance sheet

Cash of P25.3 million as of March 31, 2017 increased by P7.6 million or 43% as compared to June 30, 2016 due to increase in revenues from internet services.

Accounts Receivable of P2.6 million as of March 31, 2017 increased by P912 thousand or 51% as compared to June 30, 2016 due to increase in revenue.

Property and equipment of P683 million as of March 31, 2017 increased by P66.3 million or 11% as compared to June 30, 2016 essentially due to additional property and equipment and other assets.

Total deficit of P10,549,919 as of March 31, 2017 increased by P5.5 million as compared to June 30, 2016 brought about by the net loss for the period.

Debt-to-equity ratio is a 4.92:1 as of March 31, 2017 compared to June 30, 2016 of 4.37:1.

Current ratio as of March 31, 2017 is at 0.04:1 as compared to June 30, 2016 of 0.03:1.

B.) Profit and Loss

Net operating revenues of P97 million for nine (9) months ended March 31, 2017 increased by P25.8 million or 36% as compared to March 31, 2016 of P71.8 million substantially due to additional clients.

Costs and expenses of P65.9 million for nine (9) months ended March 31, 2017 increased by P10.8 million or 20% as compared to March 31, 2016 of P55 million in support to increase in revenues.

The Company's EBITDA (earnings before interest, taxes, depreciation and amortization) amounted to positive P31.7 million as of March 31, 2017 increased by P14.9 million as compared to March 31, 2016 of positive P16.8 million because of increase in revenues.

C.) 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 company's business operations and environment.

Financial Risk

1. Quarterly report submitted to the Rehab receiver. (Refer to Results of Operations Item VII.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 a 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 8) shows that the receivable as of September 30, 2016 of P1 million is adequately covered by the provisions.

RESULTS OF OPERATIONS

I.) REVENUE

Overview:

The Company has achieved a 36% increase in revenue performance for the nine (9) months ended March 31, 2017 as compared to the same period last year.

Contributing to the increase in Revenues were increased in circuit as well as ARPC (average revenue per circuit), and offset by decline in messaging.

OPERATING REVENUES - Net

(In PhP Thousands)

	FOR THE NINE(9) MONTHS ENDED MARCH 31				FOR THE 3RD QTR. ENDED			
	2017	2016	VAR	%	MAR. 2017	MAR. 2016	VARIANCE	%
Broadband	88,782	63,276	25,506	40%	32,671	23,796	8,875	37%
Rental Income/Others	8,877	8,582	295	3%	2,978	2,796	182	7%
TOTAL REVENUES	97,659	71,858	25,801	36%	35,649	26,592	9,057	34%

Results of Operation:

BROADBAND

For the nine (9) months ended March 31, 2017, broadband reached a 40% increase in sales performance as compared to the same period last year.

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.

RENTAL

For the nine (9) months ended March 31, 2017, Rental Income/Other Income reached a 3% increase in rental revenue as compared to the same period last year due to additional spaces leased by third parties.

II.) COSTS AND EXPENSES

The following table shows the Company's comparative total costs and expenses for the nine (9) months ended March 31, 2017 and 2016

COSTS & EXPENSES (In PhP Thousands)

	FOR THE NINE(9) MONTHS ENDED MARCH 31				FOR THE 3RD QTR. ENDED			
	2017	2016	VAR	%	MAR. 2017	MAR. 2016	VARIANCE	%
Operating Expenses	65,909	55,020	10,889	20%	24,546	19,478	5,068	26%
Staff related expenses	33,686	24,809	(8,877)	-36%	12,812	8,690	4,122	47%
Premises related expenses	12,596	11,526	(1,070)	-9%	4,800	3,937	863	22%
Other operations related expenses	19,627	18,685	(942)	-5%	6,934	6,851	83	1%

1.) Operating Expenses

For the 3rd quarter ended March 31, 2017, the Company posted an operating expenses of P65.9 million resulting in 20% or P10.8 million higher than the same period last year of P55 million.

Staff Related Expenses

For the 3rd quarter ended March 31, 2017, the Company's staff related expenses amounted to P33.6 million as compared to the same period last year of P24.8 million for an increase of P8.8 million or 36% due to additional manpower.

Premises Related Expenses

For the 3rd quarter ended March 31, 2017, the Company's premises related expenses amounted to P12.6 million as compared to the same period last year of P11.5 million for an increase of P1 million or 9% due to higher rate of kilowatt per hour.

Other Operations Related Expenses

For the 3rd quarter ended March 31, 2017, the Company's other operations related expenses amounted to P19.6 million as compared to the same period last year of P18.7 million for an increase of P942 thousand or 5% due to higher overhead costs.

2.) Provisions for Doubtful Accounts

For the 3rd quarter ended March 31, 2017, the Company did not provide for doubtful accounts. Management believes that the current provision is adequate to cover for losses that may arise from a non-collection.

3.) Depreciation and Amortization Expenses

For the 3rd quarter ended March 31, 2017, the Company's depreciation charges amounted to P29.7 million.

III.) INTEREST AND OTHER INCOME –NET

OTHER CHARGES- Net (In PhP Thousands)

	3rd Qtr. FY 2017	3rd Qtr. FY 2016	VARIANCE	%
Other charges	7,610	2,211	5,399	244%
	7,610	2,211	5,399	244%

IV.) NET OPERATING LOSS

As a result of the factors discussed above, the Company registered a net loss from operations of P5.5 million for the nine (9) months ended March 31, 2017 as compared to the same period last year of P8.4 million for a decrease of P2.8 million or 34%.

V.) EBITDA

COSTS & EXPENSES (In PhP Thousands)

	FOR THE NINE(9) MONTHS ENDED MARCH 31				FOR THE 3RD QTR. ENDED			
	2017	2016	VAR	%	MAR. 2017	MAR. 2016	VARIANCE	%
OPERATING REVENUES	97,659	71,858			35,649	26,592	9,057	0
Operating Expenses	65,909	55,020	(10,889)	-20%	24,546	19,478	(5,068)	-26%
Staff related expenses	33,686	24,809	(8,877)	-36%	12,812	8,690	4,122	47%
Premises related expenses	12,596	11,526	(1,070)	-9%	4,800	3,937	863	22%
Other operations related expenses	19,627	18,685	(942)	-5%	6,934	6,851	83	1%
EBITDA	31,750	16,838	(14,912)	-89%	11,103	7,114	(3,989)	-56%
EBITDA MARGIN	33%	23%			31%	27%		

The Company's Earnings Before Interest Expenses, Taxes and Depreciation & Amortization (EBITDA) for the nine (9) months ended March 31, 2017 amounted to a positive P31.7 million, versus P16.8 million of the same period last year. The increase in EBITDA was brought about by the increase in revenues.

VI.) CASH FLOWS

A.) NET CASH FLOWS FROM OPERATIONS

For the 3rd quarter period ended March 31, 2017, the Company generated a positive cash flow from operations amounting to P7.6 million.

B.) NET CASH FLOWS FROM FINANCING

The Company principally sourced its funding requirements during the period from operations.

VII.) 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:

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 submits to the rehabilitation receiver (the "Rehab Receiver") and the Rehab Court the quarterly report regarding the implementation, execution and developments of the approved rehabilitation of the Retelcom Group of Companies for the quarter ended June 30, 2016.

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

1. In accordance with the rehabilitation Order, the liabilities that have been settled by way of its conversion to serial redeemable preferred shares remain lodged as deposit for future subscription in the respective books of account of the Retelcom Group of Companies pending increase of their respective 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.

2. On July 21, 2016 PT&T's new 25 year franchise identified as R.A 10894 has lapsed into law. Its effectivity will be after 15 days from the date of its publication in the newspaper of general circulation.

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]:

1. The Retelcom Group, with the involvement of the Rehab Receiver, continues to entertain offers on the sale of its assets particularly the head office in Makati City (the Spirit of Communications Center also known as the SCC). On October 23, 2015 the Rehabilitation Court had an initial hearing of the Retelcom Groups 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.

The Group received threats of public auction of certain properties due to delinquency in payment of real property taxes. Fortunately, the threats were removed upon representation by the Group's counsels and Rehabilitation Receiver of the ongoing court-approved rehabilitation.

2. Pending conclusion of asset sale transactions, the Retelcom Group 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.

C. New Investor

1. The Retelcom Group continues to entertain potential investors and possible partners 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 interest.

In the meantime, pending entry of a strategic investor or a possible partner, the Retelcom Group continues to pursue business relationships at the operational level under mutually beneficial arrangements that will also restore the Retelcom Group's viability with very minimal capital outlay. More important, such arrangements pave the groundwork for future growth in a more focused market niche.

2. A fruitful result of the strategic alliances is the Retelcom Group's upgrade of its telecommunication nodes in Metro Manila and nearby Rizal and Laguna provinces thereby giving the Group new growth opportunities for both fiber and wireless markets. Likewise, creative partnership arrangements enabled Retelcom Group to reach Pampanga. Further arrangements are being pursued so that the Group can establish a wider and more reliable fiber distribution network in Metro Manila and nearby town of Rizal and Laguna.

D. Other matters

1. This report is presented together with the Petitioner's interim-unaudited financial statements for the fiscal year ending June 30, 2016 (which is also the 4th quarter ending June 30 2016), a copy of which is attached for reference.
2. On a consolidated basis, Retelcom and its Subsidiaries posted for the fiscal-year ending June 30, 2016 total operating revenues from internet and data services as well as other non-operating revenues like rental income of Php99.8 million or an improvement of 45% compared to the previous fiscal year's revenues of Php68.7 million.

The Retelcom Group has continued its sales thrust for internet services whose revenues have increased by 54% compared to the previous fiscal year's comparative period. Unfortunately, revenues from the legacy services like textwise significantly dropped but fortunately, in the case of datacom services, the downward trend reversed and showed an increase of 155%.

3. On the expense side, the revenue growth was accompanied by a modest increase in operational expenses at around 7% increase only, principally brought about by increase in staff-related expenses. Thus, with the strong revenue growth for the fiscal year ending June 30, 2016, the Retelcom Group showed a positive EBITDA of Php36.8 million compared to FY 2015 due to higher revenue by 45%.

In terms of cash flows, the sales thrust and strong collection performance resulted to a higher level of operating cash inflow, from Php71.5 million in the previous comparative period to Php107.5 million for fiscal year ending June 30, 2016, or an increase of 50%. Meanwhile, with better cash inflows, the Group was able to further normalize operational disbursements as well as support capital expenditures, which doubled from Php7.6 million in the previous comparative year to Php17.4 million for fiscal year ending June 30, 2016.

Thus, the Retelcom Group ended fiscal year June 30 2016 with a healthy cash balance of Php17.9 million or 439% higher than the ending cash balance of the previous fiscal year.

4. On a consolidated basis, the Retelcom Group's total assets, as well as total liabilities and stockholders' equity, remained relatively flat at Php1.5billion as of the fiscal year ending June 30, 2016. Net loss for fiscal year ending June 30, 2016 amounted to Php3.5 million compared to the previous fiscal year's level of Php23.5 million.

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.

Principal Financial/Accounting Officer/Controller:



Signature and Title: **ARTURO T. FALCO**
Senior Vice President

Date: May 17, 2017