



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

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

(632) 8815-9961
(Telephone Number)

December 31
(Calendar Year Ending)
(month & day)

Form 17-Q
Form Type

Amended Designation (if applicable)

June 30, 2020
Period Ended Date

(Secondary License Type and File No.)

**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17 – Q**

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

1. For the quarter ended **June 30, 2020**
2. SEC Identification Number **21817**
3. BIR Tax Identification No. **470-000-530-631**
4. **Philippine Telegraph and Telephone Corp. (PT&T)**
Exact name of issuer as specified in its charter:
5. **Metro Manila, Philippines**
Province, Country or other jurisdiction of
Incorporation or organization
6. (SEC Use Only)
Industry Classification Code:
7. **Spirit of Communication Centre Building,
106 Carlos Palanca Jr. St., Legaspi Village, Makati City**
Address of principal office
- 1229
Postal Code
8. **(632)815-9961 to 65**
Issuer's telephone number, including area code
9. **Not Applicable**
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

<u>Title of each class</u>	<u>Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding as of Date of Report</u>
Common stock	Php1.00 par value 1,500,000,000 shares

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

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

Item 1. Financial Statements

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
For the quarter ended: June 30, 2020
INTERIM CONDENSED FINANCIAL STATEMENTS

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

	Interim unaudited as of June 30, 2020	Audited as of December 31, 2019
ASSETS		
Current Assets		
Cash	27,107	23,916
Receivables - net	101,849	73,685
Due from related parties	140	2,206
Other current assets	12,101	8,453
Non-current assets held for sale	368,594	378,681
Total Current Assets	509,791	486,941
Non-current Assets		
Property, plant and equipment at cost - net	146,250	156,423
Right-of-use assets - net	23,970	30,116
Investment Properties at cost	225,708	225,708
Other non-current assets -net	43,055	42,719
Total Non-current Assets	438,983	454,966
TOTAL ASSETS	948,774	941,907

	Interim unaudited as of June 30, 2020	Audited as of December 31, 2019
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Trade and other payables	227,694	339,811
Statutory obligations	568,436	480,640
Accrued interests, expenses and other liabilities	328,775	278,142
Lease liabilities - current portion	4,626	11,224
Loans payable - current portion	200	668
Due to related parties	270,664	269,006
Income tax payable	9,257	9,257
Total Current Liabilities	1,409,652	1,388,748
Non-current Liabilities		
Lease liabilities - net of current portion	19,922	19,923
Loans payable - net of current portion	845	845
Deposit for future stock subscription	130,000	130,000
Retirement benefits liability	138,714	133,314
Deferred income tax liability	45,813	45,813
Total Non-current Liabilities	335,294	329,895
Total Liabilities	1,744,946	1,718,643
Capital Deficiency		
Share capital	10,935,992	10,935,992
Revaluation surplus	102,102	102,102
Accumulated actuarial gain on retirement benefits	4,795	4,795
Unrealized valuation loss on equity investments	(266)	(330)
Deficit	(11,838,795)	(11,819,295)
Total Capital Deficiency	(796,172)	(776,736)
TOTAL LIABILITIES AND CAPITAL DEFICIENCY	948,774	941,907

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION**Statement of Income (Loss)**

(In thousand pesos except per share data)

	Interim unaudited for the quarter ended		Interim unaudited for six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
REVENUES	99,924	90,564	206,989	166,611
INCOME (LOSSES)				
Rent income	150	461	387	1,114
Other income	7,834	708	7,908	1,569
	107,908	91,733	215,284	169,294
COST AND EXPENSES				
Selling, general and administrative expenses	71,880	77,960	157,942	155,679
Leased channel	11,496	11,230	22,085	19,866
Cost of sales	5,700	-	13,843	-
Depreciation and amortization	12,166	7,733	23,495	15,486
Penalty and surcharge	3,804	29	3,829	40
Interest expense	6,760	10,145	13,590	13,951
	111,806	107,097	234,784	205,022
LOSS BEFORE INCOME TAX	(3,898)	(15,364)	(19,500)	(35,728)
INCOME TAX	-	-	-	-
NET INCOME (LOSS)	(3,898)	(15,364)	(19,500)	(35,728)
WEIGHTED AVERAGE COMMON STOCK	1,500,000	1,500,000	1,500,000	1,500,000
INCOME (LOSS) PER SHARE				
Basic	(0.00)	(0.01)	(0.01)	(0.02)
Diluted	(0.00)	(0.01)	(0.01)	(0.02)

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION

Statement of Comprehensive Income

(In thousand pesos except per share data)

	Interim unaudited for the quarter ended		Interim unaudited for six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
NET LOSS	(3,898)	(15,364)	(19,500)	(35,728)
OTHER COMPREHENSIVE INCOME (LOSS)				
Unrealized valuation gain on AFS investments	64	-	64	-
	64	-	64	-
TOTAL COMPREHENSIVE LOSS	(3,834)	(15,364)	(19,436)	(35,728)

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

	Paid up capital		Deposit for subscription in accordance with the court-approved rehabilitation plan	Revaluation Surplus	Accumulated actuarial gain (loss) on retirement benefits	Unrealized valuation loss on equity investments	Deficit	Total
	Common Stock	Preferred Stock						
Balance as of December 31, 2019	2,224,255	-	8,711,737	102,102	4,795	(330)	(11,819,295)	(776,736)
Issuance of shares	-	970	(970)	-	-	-	-	-
Net loss for the quarter ended March 31, 2020	-	-	-	-	-	-	(15,602)	(15,602)
Net loss for the quarter ended June 30, 2020	-	-	-	-	-	-	(3,898)	(3,898)
Other comprehensive income	-	-	-	-	-	64	-	64
Balance as of June 30, 2020	2,224,255	970	8,710,767	102,102	4,795	(266)	(11,838,795)	(796,172)
Balance as of December 31, 2018	2,224,255	-	8,711,737	102,102	14,898	(307)	(11,766,891)	(714,206)
Net loss for the quarter ended March 31, 2019	-	-	-	-	-	-	(20,364)	(20,364)
Net loss for the quarter ended June 30, 2019	-	-	-	-	-	-	(15,364)	(15,364)
Balance as of June 30, 2019	2,224,255	-	8,711,737	102,102	14,898	(307)	(11,802,619)	(749,934)

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

	Interim unaudited for six-months ended June 30, 2020	Interim unaudited for six-months ended June 30, 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(19,500)	(35,728)
Adjustments for:		
Depreciation and amortization	23,495	15,486
Interest expense	20,927	-
Movement in retirement benefit liability	6,000	-
Other income and charges	(7)	20,413
	30,915	171
Decrease (increase) in operating assets:		
Accounts receivables	(28,163)	(12,190)
Other current assets	(1,582)	323
Other non-current assets	9,813	2,496
Increase (decrease) in current liabilities:		
Trade and accounts payable	(112,117)	6,624
Statutory obligations	87,796	29,368
Accrued interest, expenses and other liabilities	36,376	(8,850)
Other liabilities	(13,348)	(6,360)
NET CASH PROVIDED (USED) FROM OPERATING ACTIVITIES	9,690	11,582
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment & other fixed (net)	(6,506)	(17,489)
Dividend received	7	-
NET CASH PROVIDED (USED) FROM INVESTING ACTIVITIES	(6,499)	(17,489)
NET INCREASE IN CASH	3,191	(5,907)
CASH BALANCE, Beginning	23,916	11,848
CASH BALANCE, Ending	27,107	5,941

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

SERVICES	CURRENT TO 30 DAYS	31 TO 60 DAYS	61 TO 90 DAYS	OVER 91 DAYS	TOTAL
Trade Receivables	31,131	16,459	13,384	41,603	102,577
Less: Allowance for doubtful accounts					2,984
NET TRADE RECEIVABLES					99,593
Other Receivables					2,256
RECEIVABLES, net of allowance for doubtful accounts					101,849

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

1. CORPORATE INFORMATION

Philippine Telegraph and Telephone Corporation ("PT&T" or the "Company") is a diversified telecommunication, and information and communications technology services provider catering to corporate, small and medium business, and residential segments.

PT&T was incorporated on October 16, 1962 and subsequently registered with the Philippine Securities and Exchange Commission ("SEC") on November 14, 1962 under the laws of the Philippines. On October 19, 2012, at the Special Stockholders' Meeting, the stockholders representing at least two-thirds of the outstanding capital stock approved the amended articles of incorporation extending the corporate term for another 50 years until November 14, 2062 which was subsequently approved by the SEC on November 26, 2012.

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

PT&T was granted a 25-year national legislative franchise on June 20, 1964 under Republic Act ("RA") No. 4161, as amended by RA Nos. 5048 and 6970. On July 21, 2016, under RA No. 10894, the Company was granted an extension of its franchise for another 25 years. PT&T's franchise allows the Company to establish, install, maintain, and operate wire and/or wireless telecommunications systems, lines, circuits, and stations throughout the Philippines for public domestic and international communications.

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

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

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

Recent Developments

Entry of New Investor

Six years after the approval of the RETELCOM Group of Companies' Rehabilitation Plan, a new investor decided to provide the financial resources to revive PT&T. In August 2017, Menlo Capital Corporation ("Menlo") acquired substantial interest in PT&T through the acquisition of PT&T shares owned by Republic Telecommunications Holdings Co.

Menlo immediately sought the implementation of the more important directives of the approved Rehabilitation Plan. In particular, PT&T conducted a Stockholders' Meeting last September 20, 2018. Prior to this, the last stockholders meeting conducted by PT&T was in 2003. During the September 20, 2018 Stockholders' Meeting, the stockholders approved, among others, to increase PT&T's authorized capital stock from ₱3,800,000,000.00 to ₱15,600,000,000.00. This will allow PT&T to pay its creditors through debt-to-equity conversion as mandated under the approved Rehabilitation Plan. The increase in the authorized capital stock was subsequently approved by the Securities and Exchange Commission ("SEC") last October 31, 2018.

Given the steps undertaken by PT&T to comply with the mandate of the approved Rehabilitation Plan, PT&T sought to exit from rehabilitation ahead of the other members of the RETELCOM Group of Companies. This request was approved by the Rehabilitation Court in an Order dated December 20, 2018.

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

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

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

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

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

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

On June 5, 2018, MSRD issued letter to the Company and cited liable for violating the pertinent provisions of Rules 17, 20 and 68 of the implementing rules and regulations of the Securities Regulation Code (SRC), as amended, for the Company's failure to (i) conduct its annual stockholders' meeting and (ii) file its audited financial statements and (iii) annual information statements.

The Company's registration statement was suspended and shall be lifted only upon full compliance with necessary requirements.

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

On October 3, 2018, the Company submitted the required documents and reports in full compliance of the Order dated June 5, 2018.

On February 5, 2020, the Company Registration and Monitoring Department (CRMD) issued a certification relating to PT&T's good standing with the SEC.

On March 16, 2020, the Company filed its Revised Amended Registration Statements to update the SEC on the events that occurred from October 3, 2018 filing up to the filing of the report.

Increase in Authorized Capital Stock

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

On October 31, 2018, the SEC approved the increase in the Company's authorized capital stock from ₱3,800,000,000 to ₱15,600,000,000 broken down as follows:

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

Third Telco Bidding

On November 7, 2018, the Company joined the selection for the new major player in the Philippine Telecommunication Market ("Third Telco Bidding") wherein the Selection Committee disqualified the Company. The disqualification is not warranted for the lacking document in question is the subject of the Petition for Declaratory Relief filed by the Company last November 6, 2018 with the Regional Trial Court of Makati City, Branch 134.

On November 9, 2018, the Company filed a Motion for Reconsideration before the Selection Committee of the NTC. In a letter dated November 12, 2018, the Selection Committee denied the Company's Motion for Reconsideration.

As approved by the Board of Directors, the Company filed a Petition for Certiorari with the SC on November 16, 2018 to assail the decision of the Selection Committee in disqualifying the Company. On December 12, 2018, the Board of Directors of the Company approved the filing of an Amended Petition for Certiorari with the SC. The amendments intend to supplement and further strengthen the arguments previously raised in the Petition for Certiorari. The Amended Petition for Certiorari was filed with the SC on December 12, 2018, pending resolution from SC as at March 27, 2019.

IT Services Business

In the Company's Annual Stockholders' Meeting held on September 20, 2018, the stockholders approved and ratified, among others, the amendments in the Company's Amended Articles of Incorporation to include "information and communications technology".

In 2019, the Company established its IT Services business unit to offer services beyond connectivity and to attract new clients to serve the needs of an untapped market. Currently, bulk of the IT Services pipeline is business application, covering more than half of sales prospects.

2. CORPORATE REHABILITATION

Filing of the petition for rehabilitation and the approval of the Rehabilitation Plan

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

To address this, the Company restructured a substantial portion of its outstanding obligations with various creditor banks and suppliers. On November 26, 2002, the creditors of the Company representing 75% of liabilities approved the Company's debt restructuring proposal and signed the Master Restructuring Agreement, Dollar Facility Agreement, Peso Facility Agreement, and other related documents ("Debt Restructuring Agreements"). On October 27, 2003, the creditors who signed the Debt Restructuring Agreements increased to 93%.

After the Debt Restructuring Agreements failed to materialize, RETELCOM, the Company, Philippine Wireless, Inc. ("PWI"), CWI, and Wavenet Philippines, Inc. ("WPI") (collectively "RETELCOM Group") jointly filed a Petition for Corporate Rehabilitation and Suspension of Payments on August 20, 2009. The petition was assigned to the Regional Trial Court

of Makati City, Branch 66 (now, assigned to Branch 148, "Rehabilitation Court"). On August 24, 2009, the Rehabilitation Court appointed a Rehabilitation Receiver and issued a Stay Order restraining the enforcement of all claims, whether for money or otherwise, against the RETELCOM Group.

On April 1, 2011, the Rehabilitation Court issued an Order approving the RETELCOM Group's Rehabilitation Plan. The approved Rehabilitation Plan is immediately executory and provides for the following:

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

To comply with the foregoing directives, the Company conducted its Annual Stockholders' Meeting last September 20, 2018 where the following actions, among others, were approved by the stockholders:

- i. increase the authorized capital stock of the company to ₱15,600,000,000; and
- ii. conducting debt-to-equity conversion of up to ₱8,800,000,000.

As discussed above, the increase in authorized capital stock was approved by the SEC last October 31, 2018. With the increase in its authorized capital stock, the Company can now accommodate the issuance of Series "A", "B" and "C" Serial

Redeemable Preferred Shares through a debt-to-equity conversion in the amount of P 8,711,736,581 as mandated under the Rehabilitation Plan.

Given the compliance by the Company on the directives under the Rehabilitation Plan, the Company requested the Rehabilitation Court that it be allowed to exit from rehabilitation. The said request was granted by the Rehabilitation Court, subject to the fulfillment of certain conditions, in an Order dated December 21, 2018.

Legal proceedings after the approval of the Rehabilitation Plan

After the Rehabilitation Plan was approved, certain creditors, representing 8.5% and 12.8% of the secured and unsecured creditors, respectively, assailed with the Court of Appeals the approval of the Company's Rehabilitation Plan.

On May 19, 2017, the Court of Appeals rendered a Decision in favor of the creditors and ordered the reversal and setting aside of the approval of the Company's Rehabilitation Plan. The Company filed a Motion for Reconsideration but the same was denied by the Court of Appeals on October 11, 2017.

On December 4, 2017, the RETELCOM Group assailed the Decision of the Court of Appeals before the Supreme Court. In a Resolution dated July 11, 2018, the Supreme Court required the respondent creditors to file their comment on the petition filed by the Company.

The case still pending resolution with the Supreme Court.

Legal proceedings after the Company's exit from rehabilitation

After the Rehabilitation Court issued an Order last December 21, 2018 allowing the Company to exit from rehabilitation, two creditors filed separate Petitions for Certiorari with the Court of Appeals questioning the propriety of the said Order. Both petitions are still pending resolution with the Court of Appeals as at 30 June 2020.

3. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

Basis of Preparation

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

The interim financial statements do not include all the information and disclosures required in the annual audited financial statements and should be read in conjunction with the Company's annual financial statements as at June 30, 2019.

Changes in Accounting Policies and Disclosures

The Company has adopted all applicable accounting standards effective as of December 31, 2019. The accounting policies adopted are consistent with prior years. The adoption of new accounting standards did not have any significant impact on the Company's financial position or performance.

4. NON-CURRENT ASSETS HELD FOR SALE

	June 30, 2020	December 31, 2019
Land at revalued amounts	360,360,000	360,360,000
Property and equipment at cost – net	8,234,244	8,234,244
Investment properties at cost	-	10,086,500
	368,594,244	378,680,744

Land at revalued amounts

The Company decided to sell its parcel of land which is held as an owner-occupied property awaiting disposal.

Property and equipment at cost – net

The Company decided to sell its building and building improvements which is held as an owner-occupied property awaiting disposal.

Investment properties at cost

The investment property which has been decided to be sold by the Company pertains to an idle vacant and residential lots held for capital appreciation.

5. PROPERTY AND EQUIPMENT AT COST - net

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

June 30, 2020 (in thousand pesos)	Telecommunications Equipment			Total
	Central Office Equipment	Cable and Wire Facilities	Other Work Equipment	
Cost:				
Balance at beginning of year	248,861	208,602	28,334	485,797
Additions	1,062	5,039	405	6,506
Balance at end of the 2nd quarter	249,923	213,641	28,739	492,303
Accumulated depreciation	206,543	123,195	16,315	346,053
Net Book Value	43,380	90,446	12,424	146,250

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

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

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

The Company sent confirmation letters to all claimants concerned that the principal amount of their debts/liabilities have been fully converted to equity, by way of 12-year serial redeemable preferred shares and that the corresponding amount of ₱8,841,736,581 was lodged in the Company's books as "Deposit for subscription". The SEC approved the increase in authorized capital stock filed by the Company allowing the issuance of Series "A", Series "B" and Series "C" Preferred Shares and the implementation of the Company's debt-to-equity conversion as agreed by the Rehab Court amounting to ₱8,711,736,581, is booked as "Deposit for subscription" and was already recognized in equity. As of June 30, 2020, the Company has issued share certificates to creditors amounting to ₱969,695.

Total deposit for subscription as at June 30, 2020, amounted to ₱130,000,000 pertains to the subscribed common shares of RETELCOM previously lodged under paid up capital.

7. SHARE CAPITAL

7.01 Paid-up Capital

As at June 30, 2020, the Company's paid up capital consist of the following:

	June 30, 2020	December 31, 2019
Common shares - ₱1 par value		
Authorized - 4,500,000,000 shares		
Issued - 1,500,000,000 shares	1,500,000,000	1,500,000,000

Subscribed - nil shares		
APIC	724,255,313	724,255,313
Preferred shares Series B - ₱1 par value		
Issued – 969,695 shares	969,695	-
	2,225,225,008	2,224,255,313

The preferred shares pertain to Series “B” Serial Redeemable Preferred Shares which was issued pursuant to the Rehabilitation Plan and has the following terms and conditions:

1. Has no voting rights or right to be voted except as provided by law.
2. Its redemption period, including its rights and features shall be fixed by the BOD.

As of June 30, 2020, the Company has issued share certificates to creditors amounting to ₱969,695.

7.02 Deposit for Subscription in Accordance with The Court – Approved Rehabilitation Plan

In compliance with the directive of the Rehabilitation Plan, the Company increased its authorized capital stock from ₱3,800,000,000 to ₱15,600,000,000, and the same was approved by the SEC last October 31, 2018.

As of June 30, 2020, the Company has issued share certificates to creditors amounting to ₱969,695.

8. FINANCIAL RISK DISCLOSURE

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

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

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

Financial Risks

Foreign Currency Risk

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

Interest Rate Risk

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

Liquidity Risk

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

Credit Risk

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

The aging of the receivables shows that the receivable as of June 30, 2020, of ₱99.5 million is adequately covered by the provisions.

9. OTHER MATTERS

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

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

Issuances, repurchases, and repayments of debt and equity securities

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

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

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

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

A. Management Discussion and Analysis

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our audited financial statements and the related notes as at December 31, 2019 and 2018 included elsewhere in this Annual Report. This discussion contains forward-looking statements that reflect our current views with respect to future events and our future financial performance. These statements involve risks and uncertainties, and our actual results may differ materially from those anticipated in these forward-looking statements.

In the Company's Annual Stockholders' Meeting held on September 20, 2018, the stockholders approved and ratified the amendment to the Company's By-Laws pertaining to change of accounting period from a fiscal year starting July 1 and ending on June 30 the following to calendar year commencing on January 1 and ending on December 31 of the same year.

We believe that it is that the discussion and analysis of our financial condition and results of operations should reflect comparative financial statements on a calendar year basis in order to have more meaningful information and insight. Nonetheless, we ensure that these figures tie up to the audited financial statements released and issued for the previous periods.

Financial Highlights

Results of Operations (in '000 Philippine pesos)	6 months ended June 30, 2020	6 months ended June 30, 2019
REVENUES	207,170	166,804
OTHER INCOME	500	2,489
	207,670	169,294
Core expenses		
Selling, general and administrative expenses	136,847	137,506
Leased channel	10,618	13,834
Cost of sales	23,317	6,032
CORE EXPENSES	170,782	157,371
CORE EBITDA	36,888	11,922
CORE EBITDA %	17.76%	7.04%
Depreciation and amortization	25,488	22,340
Interest expense	-	-
CORE EARNINGS (LOSSES)	11,401	(10,418)
Non-core charges		
Non-core expenses (net of non-core income)	9,974	4,897
Rehabilitation-related interest	20,927	20,413
NON-CORE CHARGES	30,901	25,310
TOTAL EARNINGS (LOSSES)	(19,500)	(35,728)
Income tax expense/benefit	-	-
NET INCOME (LOSS)	(19,500)	(35,728)

¹Core EBITDA adjusted to reflect changes in accounting standards to improve comparability

Revenue

The Company, for the six months ending June 30, 2020, reported total revenues and income of ₱207.7 million, (excluding non-core income of ₱7 million) or an improvement of 23% as compared to the previous year's revenue of ₱169 million. The Company ended the quarter with 1,862 data services circuits, notably broadband connections which is a key performance

indicator for an increase of 22% over the same period of last year. For the six-month period ending June 30, 2020, operating revenues for broadband reached ₱191 million, a 15% increase in operating revenue performance vs. last year. Activities for the broadband group included street level saturations on major nodes, optimization of existing infrastructure in commercial buildings and establishments and account management of existing subscribers.

Another key performance indicator known as monthly recurring revenue (MRR) per each data service circuit was steady at around ₱16,000 per circuit despite being diluted by the significant increase in the number of data circuits.

Cost and expenses

The Company's personnel related expenses for the six-month period ending June 30, 2020, amounted to ₱97.9 million compared to last year's level of ₱100.4 million driven by the decrease in salaries due to pandemic. The number of personnel decreased from 234 at the start of the year to 229 at the end of June 2020.

Premises-related expenses slightly increased to ₱15.8 million as compared to the same period last year of ₱15.1 million while other selling, general and administrative expenses increased to ₱26.4 million from ₱25.9 million due to increased mobility for the sales and technical crews. Cost of sales grew to ₱23.3 million from ₱6.0 million in the previous year due to higher cost of revenue of IT services projects and products and an increase in the services provided by the Company to its growing customer base while, leased channel decreased to ₱10.6 million from ₱13.8 million.

The increase in operating costs and expenses is manageable and aligned with the Company's strategy and is necessary to grow the broadband business.

Profitability Performance

Despite the growth in expenses to support the expanding operations, the higher growth in revenues resulted in ₱36.9 million core EBITDA for the six months ending June 30, 2020 compared to ₱11.9 million last year, thus pulling up the Core EBITDA margin at 17.8%. Depreciation and amortization increased to ₱25.2 million vs. a ₱22.3 million in the comparative period last year as the Company invests in more property and equipment to support the business.

The Company's net loss for the period ending June 30, 2020, is at ₱19.5 million. Additional expenses such as recognition of the legal interest rate of 6% p.a. on unsettled obligations as directed by the Rehabilitation Court, and rehab-related expenses affected the net loss for the period.

<i>Financial Condition (in '000 Philippine pesos)</i>	June 30, 2020	June 30, 2019
Current Assets	509,791	84,686
Non-current Assets	438,983	805,275
TOTAL ASSETS	948,774	889,961
Current Liabilities	1,409,652	1,350,521
Non-current Liabilities	335,294	289,375
Total Liabilities	1,744,946	1,639,896
Capital Deficiency	(796,172)	(749,935)
TOTAL LIABILITIES AND CAPITAL	948,774	889,961

The Company's total assets amounted to ₱948.7 million as of June 30, 2020. Cash is at ₱27.1 million, an increase by ₱21.2 million or 356% as compared to June 30, 2019. Accounts receivable of ₱101.8 million as of June 30, 2020 increased by ₱49 million or 93% as compared to June 30, 2019 due to increase of working capital from growth in fixed broadband operations and new IT Services business.

Trade and other payables increased by ₱71.2 million or 5% as of June 30, 2020. A major portion of this account is attributable to trade transactions with suppliers which resulted in total trade payables of ₱227 million as of quarter end. Finally, the other payables are generally due to related parties which represent non-interest bearing, unsecured and short-term Philippine

currency denominated financing and advances to support the Company's working capital requirements as part of the approved rehabilitation plan of the Company.

Total deficit is at ₱11.8 billion and the total capital stock deficiency is at ₱796.1 million.

Current ratio as of June 30, 2020 is at 0.36:1 as compared to June 30, 2019 of 0.06:1.

B. Plan of Operation

PT&T believes that information and communication technologies are the backbone of innovation. But no innovation can occur without the high-speed broadband network. The future of countries, businesses and individuals will depend more than ever on whether they embrace technology and many of those who stand to gain the most are not yet connected.

The Company holds an optimistic view on the Philippines' broadband industry through our efforts to improve coverage and spur subscriber growth. PT&T aims to expand coverage and upgrade its network infrastructure which will help to cope with the growing demand and ensure that network congestion would be minimized.

The Philippines has made huge investments in the national broadband network and ramping up network modernization investments in order to take advantage of the huge data opportunities in a fast-growing nation. The Company continues to believe that the market can accommodate more players which would be beneficial to innovations and long-term growth. The local economy's remarkable momentum will continue to be fueled by strong sequential gains in investment activity and private consumption.

Innovation is increasingly based on digital technologies and business models, which can drive economic and social gains from ICT if channeled in a smart way. The way businesses adopt ICT is key for leveraging them for development, so encouraging businesses to fully embrace the powers of digital technologies is a priority of PT&T. The Company aims to step up efforts to invest in innovative digital solutions to drive economic growth and social impact. This will include building capabilities in cyber security, Internet of Things, and smart cities.

PT&T also aims to help shape the high-speed internet connection as a true and open platform and as a driver of economic development and social progress.

In order to achieve these objectives, the Company has several projects lined up which will expand PT&T's capability to provide telecommunications service throughout the country.

PT&T is currently serving Metro Manila and the nearby CALABARZON. In order to increase its subscribers' base, PT&T is in the process of completing its plan to expand its existing telecommunications network. The network expansion will initially focus on key cities in the National Capital Region, CALABARZON, and parts of Northern Luzon. Once fully implemented, the expanded network will be capable of servicing at least 40% of the Philippine population.

The network expansion will include the deployment of massive fiber optic infrastructure to support all network services and capacities. It will also provide a Full IP Network based on the latest Service Oriented Network Architecture and Self-Service Oriented Network Architecture.

PT&T also entered into a service agreement with entities designated to implement the government's project to provide Public WiFi Services in several provinces. Under these agreements, PT&T will provide the required infrastructure allowing it to commercialize the excess capacities out of the said infrastructure. This arrangement will enable PT&T to establish 9,000 points of presence throughout the Philippines and the commercial WiFi services will then be offered as an "add-on" to PT&T's product portfolio to serve residential and enterprise clients.

The Company plans on building its nationwide backbone to support its objective to provide a nationwide wholesale and retail service including the capability to provide mobile services in the future. This project involves the deployment of in-land (terrestrial) and off-shore (submarine) networks connecting all major islands throughout the Philippine archipelago. Full IP Network based on the latest Software Defined Network will be used.

Lastly, despite the rapidly evolving technology, PT&T is still keen on its interests to provide mobile services in the Philippines since the smartphone penetration continues to grow and the advent of 5G technology provides an ability for PT&T to enhance various applications.

PT&T is likewise exploring and studying the latest network concepts in implementing “virtualization” of network components into data centers. This will expectedly reduce the numbers of network elements deployed throughout the country and will substantially reduce cost and implementation period.

As of June 30, 2029, the Company has a total of 229 employees and the Company estimated that the said number will increase to 251 by the end of 2020. As the Company commences the expansion of its operations, it expects to further increase its manpower complement.

C. Key Financial Performance Indicator

<i>Key Performance Indicators</i>	Six months ended June 30, 2020	Six months ended June 30, 2019
Net income (loss) (in '000)	(19,500)	(35,728)
Core EBITDA (in '000)	36,888 ¹	11,922 ²
Core EBITDA %	17.76%	7.04%
Operating Revenue Growth	24.20%	37.69%
Operating Revenue (in '000)	207,170	166,804
Number of Active Circuits	1,862	1,526
ARPU (in ₱)	16,293	14,944
Recurring Revenue (in '000)	182,028	136,825

¹Non-core items include fees for the rehab-related initiatives

²Non-core items include rehab-related initiatives; Core EBITDA adjusted to reflect changes in accounting standards to improve comparability

Net income

Net income is a key performance metric that indicates how well the Company performed after all costs of the business have been considered.

PT&T made significant investments in network and operations to build sustainable growth since 2018. These investments to rehabilitate its network and improve the Company's operational capabilities have resulted in an increase in expenses that affected the net income. However, because of the new IT services revenue stream and the continuously growing fixed broadband business, the Company reduced its net loss to more than half compared to the previous year.

Core EBITDA and Core EBITDA Margin

Core EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization) is calculated as operating revenues and income less operating expenses attributable to the core business of the Company. Non-core expenditures pertain to those that are not related to the core business of the Company but are connected to improve PT&T's financial condition (e.g., rehab-related expenses, SEC fees for increase in capital stock for rehab exit, etc.). This metric provides an indication how well the core business of the Company is performing before considering those initiatives being subsidized by operations. Core EBITDA has been adjusted for prior years to reflect changes in accounting standards to improve comparability.

Growing fixed broadband business and new IT Services revenue stream along with tempered growth in operating expenses positively impacted the Core EBITDA performance from ₱11.9 million to ₱36.9 million. Core EBITDA margin improved accordingly from 7.0% to 17.8%.

Operating Revenue Growth

Revenue growth provides an indication on how well the Company generates revenue to support its operations and initiatives versus the comparative period.

The Company has consistently achieved positive revenue growth. The 22% increase in active circuits translated to higher revenues for the Company in addition to the opportunities brought in by IT Services.

Number of billable/active circuits

Number of billable/active circuits pertain to the number of subscription lines or customers in the PT&T network.

The number of subscribers increased by 22% contributing greatly to revenue growth. Enterprise clients comprised 70% of subscribers and are the main source of fixed broadband revenue.

Average revenue per unit (ARPU)

Average revenue per unit measures the recurring revenue generated for each circuit connected to the PT&T network. This is computed by dividing the recurring revenue for the period by the average number of active circuits and then dividing the resulting amount by the number of months in the period.

In the 2nd quarter of 2020, the Company's ARPU slightly rose indicating an increase in value of newly acquired subscribers.

D. Other Events

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

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

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

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

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

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

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

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

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

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

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

Please refer to Item G.

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

Please refer to Part II – Other Information.

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

Please refer to Item G.

PART II - OTHER INFORMATION

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

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

- (i.) In accordance with the approved Rehabilitation Plan, the liabilities of the Company that are to be settled by way of its conversion to Serial Redeemable Preferred Shares has been lodged as part of equity representing "deposit for subscription". In instances where the amount of liabilities that were recognized in the rehabilitation proceedings are being challenged, the creditor-shareholders may be entertained by the Company for proper reconciliation of the numbers.
- (ii.) Pursuant to the approved Rehabilitation Plan, the statutory obligations may be settled out of the proceeds of the sale of the Company's assets. For this purpose, the Rehabilitation Court issued an Order allowing the Company to sell its assets and use the proceeds of the sale to settle the Company's statutory obligations.

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

In addition to previous disclosures and clarifications made to the PSE and SEC in the 1st quarterly report ending March 31, 2020, the Company submitted the following applicable disclosures and clarifications using the required disclosures forms during the 2nd quarter covered by this report:

- (i) Disclosure under SEC Form 17-C and PSE Disclosure Form 4-8 – Change in Directors and/or Officers (Resignation, Removal or Appointment, Election and/or Promotion) submitted on January 3, 2020.
- (ii) Disclosure under SEC Form 17-C and PSE Disclosure Form 4-30 – Material Information submitted on March 16, 2020.
- (iii) *Disclosure under SEC Form 17-C and PSE Disclosure Form ETF-12 – Material Information submitted on April 15, 2020.*
- (iv) *Disclosure under SEC Form 17-C and PSE Disclosure Form 7-2 – Postponement of Annual Stockholders Meeting submitted on April 15, 2020.*

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

12 August 2020


ANGELO MIGUEL R. ISIP
Chief Finance Officer

12 August 2020