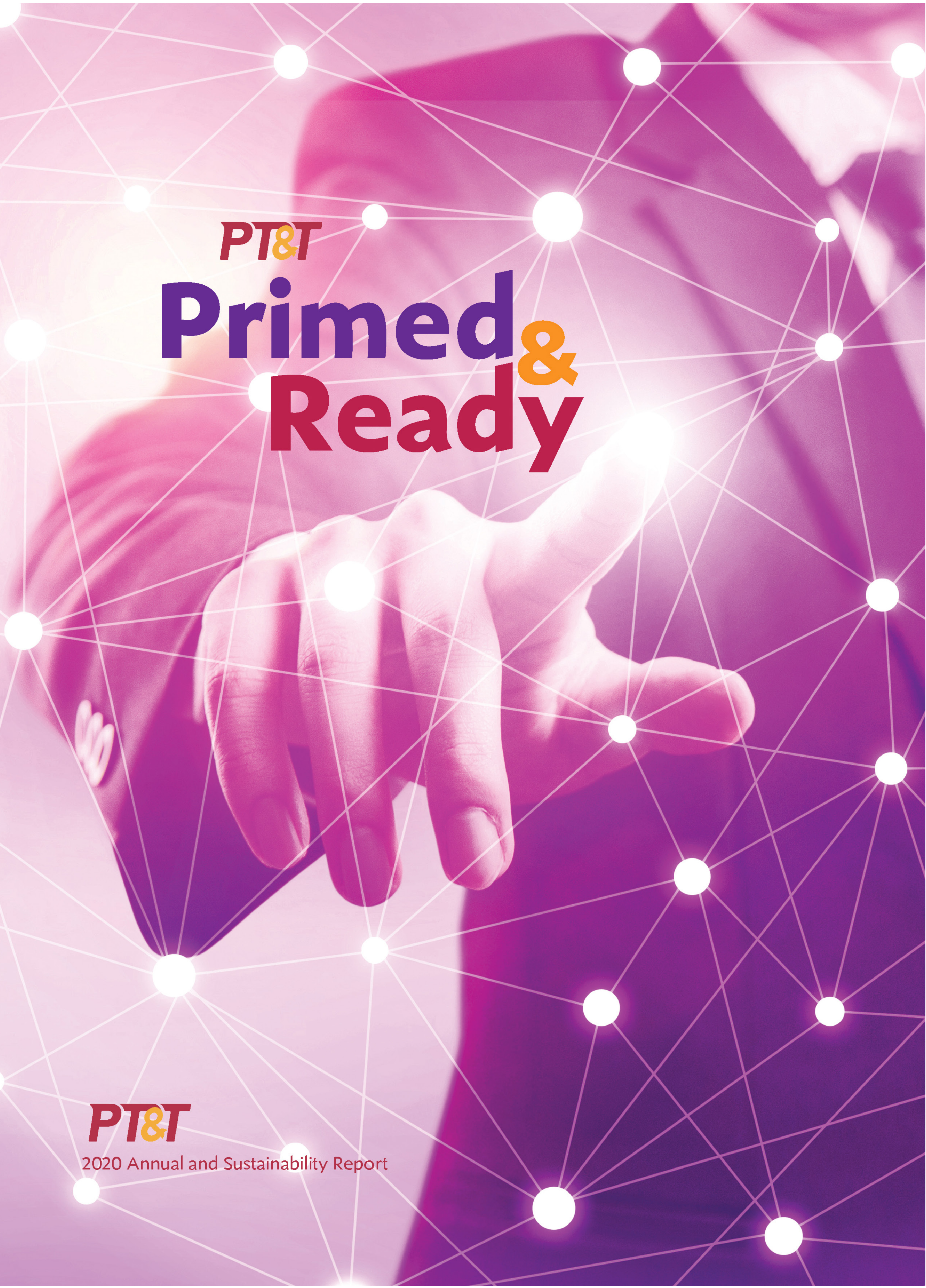

PT&T

Primed & Ready

PT&T

2020 Annual and Sustainability Report

ABOUT US

Incorporated in 1962, Philippine Telegraph & Telephone Corporation (PT&T or the Company) is a diversified telecommunications and information and communications technology services provider. The Company caters to corporate, small/medium businesses, and residential segments across the country.

Decades of experience have earned PT&T an established reputation for being at the forefront of telecommunications technology. Having originally provided the Philippines with key services such as PocketBell (pager/beeper), Telex, Telegraph, Vodex, Leased Channels, Digital Data Services, Fax Gram, Public Switched Data Network, and Voice Transmission (call capabilities) – PT&T has now evolved into one of the leading providers of wireless systems and broadband internet in both the National Capital Region (NCR) and Cavite, Laguna, Batangas, and Rizal (CALABARzone) areas.

PT&T continues to specialize in adapting its services to the needs of its enterprise and institutional end users. At present, PT&T's business activities are categorized into two major businesses: Connectivity and IT Services.

Connectivity business is focused on providing broadband high-speed internet – dedicated or shared internet access service, via fiber or wireless, and operates a 10+ Gbps broadband network. It primarily caters to the requirement of Enterprise, Wholesale, Retail/SMEs, and Residential segments.

Apart from telecommunications, PT&T has a broader goal of not just providing connectivity requirements, but also becoming a digital services provider. In 2019, the Company forayed into the IT Services business and now provides a wide range of offerings under Infrastructure, Productivity, Cybersecurity, Resiliency, and Communication. These services offer accessible and enterprise grade solutions to complement the Company's Connectivity portfolio.

PT&T has a 25-year National Legislative Franchise which allows the Company to establish, maintain, and operate both wired and wireless telecommunications systems for domestic and international communication in the country until 2041.

The Company has various Certificates of Public Convenience and Necessities (CPCNs) granted by the National Telecommunications Commission (NTC) for the conduct of its telecommunications activities. These CPCNs enables PT&T to provide data communications services, to implement its expansion and improvement programs which includes the installation, operation, and maintenance of an integrated digital network in NCR and to install, operate, and maintain a national packet data network with the accompanying authority to charge rates for said services.

PT&T was also granted with a Certificate of Registration as a value-added service (VAS) provider for 5 years until 2026 by the NTC, allowing the Company to offer the following services: Internet Access Service, Virtual Private Network Service, Electronic Mail (E-Mail) Service, Messaging Service, Web Hosting, Electronic Commerce, Firewall Service, E-Learning, Business Applications, Network Security, Business Resiliency, and Data and Analytics.

PT&T is a Publicly Listed Company with the Philippine Stock Exchange (PSE).

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Primed & Ready

PT&T takes off from where it stood ground last year—that of us being Primed & Ready.

We are ready to take on tomorrow with our legacy of resilience and commitment to adapt and innovate for the future.

PRIMED means we are prepared given our experience dealing with innovation as a matter of survival. READY means we have our future plans laid out and are ready to execute the next phases as we always promised.

We want to show we have delivered on promises made as early as 2017 in terms of our road map and we can now execute the plan we have always had in mind.

Our Mission, Vision, and Core Values

We are the leading digital service provider of world-class solutions that enable Filipinos everywhere – to enrich their lives, connect communities, and contribute to nation-building.

Commitment to Excellence
We consistently deliver results based on world class and excellent standards.

Customer-Centricity
We are driven by our customers' lifestyle and business needs.

Collaboration
We work effectively with all function areas and job levels to positively impact business performance.

Honor
We are true to our promise.

Agility
We are determined to be efficient, effective, and responsive in an ever-changing environment.

Accountability
We take personal responsibility for our actions and outcomes. We drive our objectives to successful completion.

Innovation
We will be a leader and driver of innovation.

Nation
We will contribute to nation-building.

Stakeholder Value
We engage all our stakeholders to enhance and extend our value as an organization.

About this Report

Note on Forward-Looking Statements

Certain statements and illustrations contained in this report may constitute "forward-looking statements" within the meaning of applicable securities laws and regulations. These statements (including plans, objectives, projections, and estimates) and illustrations include information that does not relate solely to historical or current facts, and can be identified by the use of words such as "may," "believe," "expect," "anticipate," "assume," "estimate," "plan" or "continue," and similar expressions or by future or conditional verbs such as "should," "would" and "could."

Such statements are based on current expectations of future events, estimates, and certain assumptions of our management. These are therefore subject to certain risk factors and uncertainties, some of which are beyond our control, and which could cause the actual results, financial situation, or performance to differ materially from the estimates or developments that are implied in these forward-looking statements. We do not assume any obligation to update these forward-looking statements to reflect actual results, changes in assumptions, or changes in other factors affecting such statements.

Reporting Standards

This report covers all financial information and environmental, social, and governance performance of PT&T's major businesses namely Connectivity and IT Services.

The information contained in this report covers the period from January 1 to December 31, 2020. The report is anchored on materiality and discloses performance data that have been validated across the Company. Data have been presented over a three-year period for comparability where possible. This report has been prepared in accordance with the GRI Standards: Core option.

Financial Statements

Alas Oplas & Co., CPAs is the external auditor of PT&T's financial statements, with Ma. Criselda S. Oplas as the lead engagement partner. More information about the audit process is found on pages 89 and 90, while the financial statements can be found on pages 122 to 220.

Feedback

PT&T welcomes inquiries and feedback on this report. Please e-mail investors@ptt.com.ph.

Scan the QR code to access this report for online browsing.

Our COVID-19 Response

PREVENTION

- Workplace Health and Safety Policy
- Adoption of alternative and flexible work arrangements
- Transportation support
- Strict implementation of safety protocols
- Regular and timely COVID Health and Safety advisory
- COVID-19 Health Kit for all employees
- PT&T COVID-19 Task Force to strengthen overall COVID-19 response

DETECTION

- Mandatory Workforce Testing with the Philippine Red Cross
- RT-PCR Test for all close contacts and suspected COVID-19 cases

MONITORING

- Daily Health Monitoring Survey (DHMS)
- COVID-19 Case Bulletin to monitor cases
- Occupational Health and Safety Officer or company nurse monitors symptomatic employees

Leading the safety and welfare of our employees through a concrete plan and consistent communication.

ASSISTANCE

- Inter-Agency Task Force (IATF) Rapid Pass and Certificates of Employment to aid transportation during the lockdown
- Teleconsult assistance
- Reaching out to employees to check their overall wellness
- Assistance during hospitalization/ isolation/home quarantine
- Daily monitoring by the company nurse
- Community partnership with *I am Hope Organization* and Manila Health Center

VACCINATION

- PT&T Town Hall with the Department of Health
- Free Moderna vaccines for employees
- Assistance for LGU vaccination program registration
- Transportation support to vaccination sites
- As of September 2021, vaccination rate of PT&T employees stands at 96%

Our COVID-19 Response

Nurturing our relationship with the Community by getting involved in local efforts.

Because there is such urgent need for connectivity, we forged some partnerships to get involved and help the country navigate this national emergency.

Department of Health (DOH)

To support its COVID-19 response, DOH tapped PT&T as its connectivity and technology partner. This allowed us to provide several services for DOH:

1. Supply of multi-redundant leased Line installed in less than a week from project kickoff
2. Provision of Cisco ISR Router
3. Set-up of security service to prevent Anti-DDoS attack
4. Border Gateway Protocol (BGP) implementation for high availability and Domain Name System (DNS) configuration in its Manila Headquarters

City of Manila

We also became a partner of the City of Manila to connect all its barangay health centers in bringing primary healthcare to its community. We also continuously provided direct internet access to our long-time government agency clients.

University of Santo Tomas and Lenovo

We teamed up with the Engineering Department of the University of Santo Tomas and Lenovo to provide internet and IT services to critical health facilities in Manila and installed internet connections at Delpan Evacuation Center, Belmonte Health Center, and Health Center District Office. These centers monitor and provide support to suspected and confirmed COVID-19 cases in the city.

I Am Hope Organization

We also recognize the need to assist our community during this health crisis. PT&T provided logistical support to *I Am Hope Organization*, a not for profit organization aiding frontliners, hospitals, and other sectors of the community in need of assistance.

Go Philippines

While COVID-19 has transformed education dramatically when schools shutdown all over the country, we quickly redirected our efforts and acknowledged the distinctive rise of e-learning and the adoption of distance learning tools to overcome the challenges of this pandemic. Partnering with Go Philippines allowed us to offer critical Broadband Internet solutions for the academe, improving user experience for quality education, as well as to support our nation in providing the telecommunications infrastructure for the education sector.

Maintaining our customers' loyalty and trust during times of uncertainty by putting their interests first.

The year 2020 was by far the most challenging year of any decade in the present century. The pandemic has brutally impacted all our customers most especially SMEs, some of which were forced to stop operating due to the global crisis. The need for a deeper understanding of the customer journey in time of crisis became even more crucial for the Customer Service Division (CSD) to explore and adapt to. It became incumbent upon the CSD team together with top management to create new and enhanced protocols to primarily:

1. Assist customers in redefining their new work arrangements (Work from Anywhere) to ensure the health and safety of their employees; and
2. Provide financial relief to those that were heavily impacted by the situation.

Understanding the journey from our customers' perspective and identifying opportunities to make their lives easier prompted CSD to develop and launch the "Kamustahan" program in 2020. This program is geared towards engaging with our customers more, checking in on them regularly, finding out the operational adjustments they have implemented to protect their employees, determining the areas that PT&T could lend support to make it easy for our customers in the short term, and identifying opportunities to provide assistance, when and where needed. Among the challenges that customers sought assistance on were:

1. Bandwidth upgrades for customers who employed better technology and requiring higher speeds;
2. Bandwidth downgrades from their current subscription as majority of employees were forced to work from home; and
3. Financial relief for customers who were forced to either go on temporary business suspension, cost cutting and worse, business closure.

In all these challenges, PT&T stood hand in hand with customers by speeding up the processing of their requests to meet the urgency of their needs at very affordable or discounted rates. For customers that went on temporary business suspension, PT&T allowed customers to temporarily disconnect their circuits to prevent the bill from piling up. Financial assistance was extended to customers through easy payment plans, bill discounts for the months that the ECQ was implemented, and even extended the payment terms for a maximum period of 6 months.

For those who continued their business operations, PT&T Customer Service remained operational at 100% capacity, in all contact points, 24x7. In addition, all technical teams were on hand to resolve any service-related trouble issue experienced by them.

PT&T has always focused on becoming a customer-centric brand in an industry where customer service is a common pain point. While 2020 may be a most memorable year with all the difficulties that the global pandemic brought with it, it also spawned the deepening of relationships with our customers through shared sacrifices. As such, our customer satisfaction (CSAT) grew from 80% in end-2020 to 87% as of June 2021, while our Net Promoter Score (NPS) increased from 33% in end-2020 to 58% as of June 2021.

2020 ESG Highlights

ENVIRONMENTAL

420 kilograms papers saved

broadband network with **16,561** FIBER KILOMETERS

GOVERNANCE

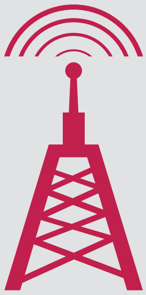
ISO 9001:2015 CERTIFICATION*
Quality Management System (QMS) awarded by BQSR**

* as of June 2021
** globally recognized ISO Certification body accredited by the International Accreditation Service (IAS) USA

SOCIAL

2,016
SUBSCRIBERS

62% Enterprise
24% Residential
14% Wholesale and Carrier

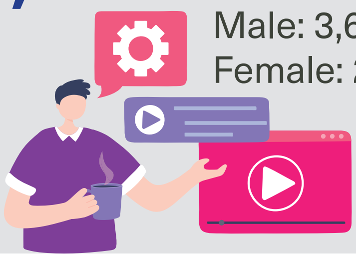


10,766
CLIENTS SERVED
by our wireless Internet service provider (WISP) partners

232
TOTAL EMPLOYEES
142 Male, 90 Female

354
TRAINING COURSES
via classroom, virtual, and e-learning

5,978 TRAINING HOURS
Male: 3,659
Female: 2,319



73,040
safe man-hours*

*since new management take-over in August 2017

BOARD COMMITEES

Executive Committee
Corporate Governance Committee
Audit Committee
Remuneration Committee
Nomination Committee
Risk Committee
Related Party Transactions Committee

BOARD COMPOSITION

Salvador B. Zamora II (non-executive; chairman)
James G. Velasquez (executive; director)
Miguel Marco A. Bitanga (executive; director)
Salvador T. Zamora III (non-executive; director)
Ma. Cristina Z. Borra (non-executive; director)
Serafin C. Ledesma Jr. (non-executive; independent director)
Roberto B. Ortiz (non-executive; independent director)
Bienvenido S. Santos (non-executive; independent director)
Carlos Andres V. Reyes (non-executive; independent director)

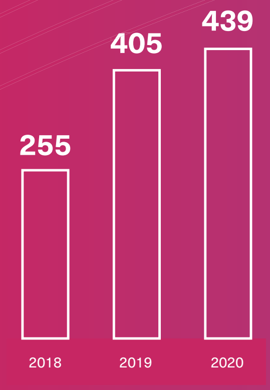
2020 Financial Highlights

ECONOMIC PERFORMANCE

(in thousand PHP)

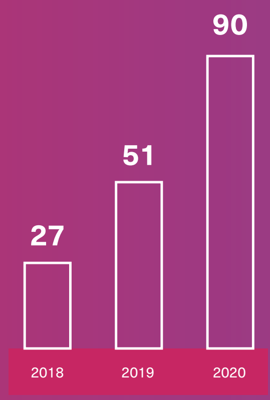
	2020	2019	2018
Direct economic value generated			
Revenues	**408,344**	396,044	245,520
Other income	**30,280**	8,645	9,093
Direct economic value distributed			
Operating costs	**156,348**	140,701	174,167
Employee wages and benefits	**191,342**	203,824	126,996
Payments to suppliers, other operating costs	**56,377**	66,405	16,772
Dividends given to stockholders and interest payments to loan providers	**40,027**	39,935	33,473
Taxes given to government	**22,056**	3,352	3,561
Non-core income	**-**	-	-
Income Tax	**3,795**	2,873	-
Economic value retained	**(31,321)**	(52,403)	(100,356)

FINANCIAL HIGHLIGHTS
(in million PHP)



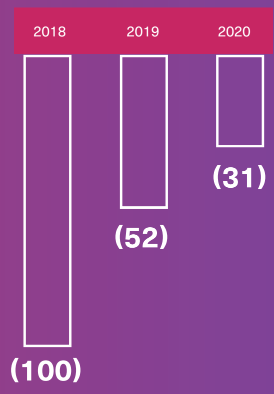
REVENUE[1]

8% ▲
YoY 2020



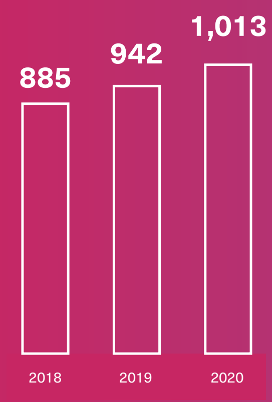
CORE EBITDA

75% ▲
YoY 2020

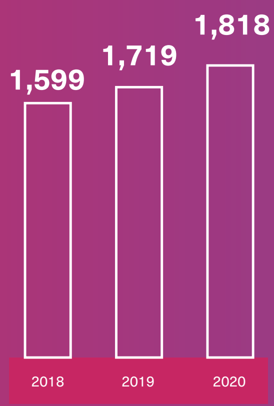


NET INCOME (LOSS)

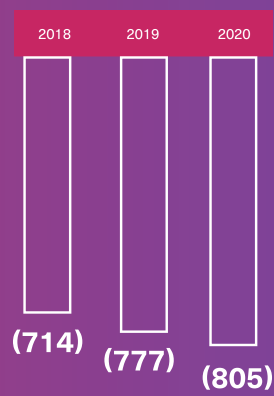
40% ▲
YoY 2020



TOTAL ASSETS



TOTAL LIABILITIES



TOTAL EQUITY
(Capital Deficiency)

[1] *includes Other Income (from Rent)*

Geographic Reach

We have expanded our nationwide network coverage over the past three years covering almost 40% of the total Philippine population that contributes to nearly 55% of the country's gross domestic product (GDP). These territories include high growth potential areas where access or distribution is still underdeveloped.

1. National Capital Region (NCR)
2. Cavite, Laguna, Batangas, and Rizal (CALABAR-zone)
3. Bulacan
4. Pampanga

16,561 fiber kms
from 9,000 in 2017

36 distribution equipment

39 nodes
from 36 in 2017 (+15 ready for activation)

16 backhaul radios
maintained

14,000 poles
from 12,000 in 2017 (+46,000 via Join Pole Agreement)

47 manholes
maintained and upgraded

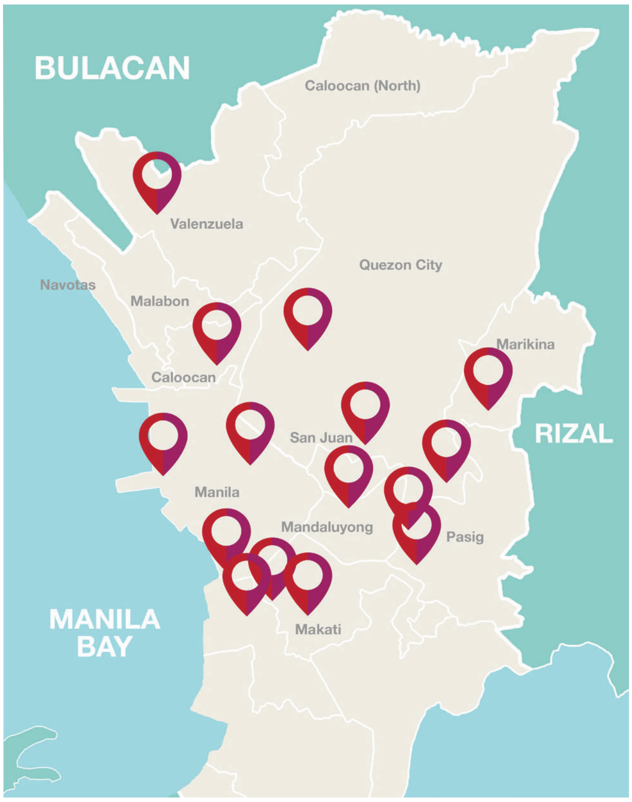
24 towers
maintained and upgraded

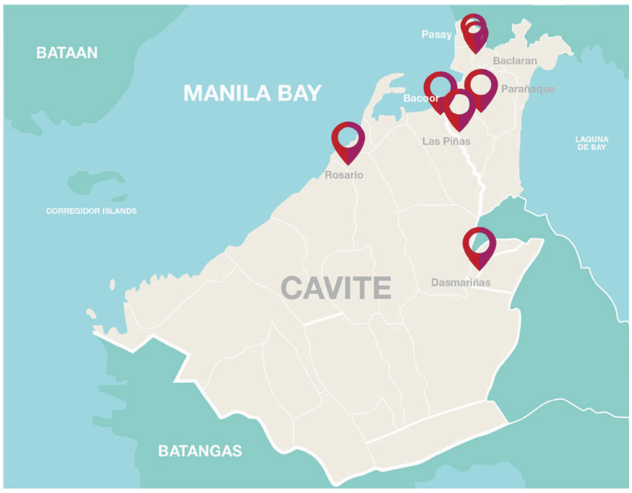
NORTH RING

Addressable Market	12,462,000
Subscribers/Clients	962
Monthly Recurring Revenue (MRR)	₱15 million
Nodes	15
Fiber Kilometers	8,763
Backbone	*3,917*
Access	*3,428*
Last Mile	*1,419*

SOUTH RING

Addressable Market	4,035,000
Subscribers/Clients	719
Monthly Recurring Revenue (MRR)	₱13 million
Nodes	11
Fiber Kilometers	2,541
Backbone	*1,746*
Access	*362*
Last Mile	*433*





Radius of Access

LAKE RING

Addressable Market	4,035,000
Subscribers/Clients	335
Monthly Recurring Revenue (MRR)	₱4 million
Nodes	13
Fiber Kilometers	5,257
Backbone	*2,653*
Access	*1,714*
Last Mile	*890*

Milestones & Opportunities

Fellow Shareholders,

Resilience is central to our culture and our business, as well as to the ecosystem in which we live and work.

At PT&T, we continue to strive to becoming a leading digital service provider in the Philippines with world-class solutions that is gradually penetrating areas in Metro Manila, Cavite, Laguna, Batangas, and Rizal (CALABAR-zone), and eventually nationwide. This desire is strengthened by the commitment and drive of our management team who are highly competent and seasoned employees with expertise in the field of telecommunications and information technology.

2020, however, has unfolded as one of the most challenging years in our history. The global crisis brought about by the COVID-19 pandemic outbreak was catastrophic—disrupting many industries around the world and causing significant negative impact eminently on travel and supply chain. Companies, without choice, adopted an alternative work scheme to maintain their businesses and employees. Still, many businesses have undergone massive losses and were unable to continue their operations. This in turn made millions of Filipinos fear for the loss of their jobs.

The Philippine government has implemented a series of lockdowns as a precautionary and safety measure to prevent the transmission and surge of cases. As social distancing measures and mobility restrictions impede face-to-face interactions and transactions, the availability of digital technologies transpired as a key determining factor of resilience. Consequently, the significant demand and accelerated adoption of digitalization drove PT&T to rebuild, rethink, and transform.

Rising to the challenges of COVID-19, we successfully implemented our business continuity plan which translated to undisrupted business operations. Our work from home arrangement was maintained and the mandated workplace guidelines, protocols, and capacity have been strictly observed. Several teams including our technical, linemen, and customer support group, geared with proper personal protective equipment (PPE), continued in action, and provided services to our customers without delay.

Today, PT&T has progressed at an accelerated pace, far from where it was in 2017. During the year, our Connectivity and IT Services segments showed an exceptional performance with both businesses successively winning sizeable deals with the public and private sectors, including local government units, public health care, state universities, and private businesses.

MESSAGE OF THE CHAIRMAN

"Today, PT&T has progressed at an accelerated pace, far from where it was in 2017. During the year, our Connectivity and IT Services segments showed an exceptional performance with both businesses successively winning sizeable deals."

PT&T logos through the years

1964 -1994

1995 - 2012

True broadband

2013 - 2017

2018 - present

One of our major wins is our partnership with the Department of Health (DOH), which allowed us to provide a fully redundant gigabit connection during the height of the pandemic. We also became a partner of the City of Manila to connect all its barangay health centers in bringing primary healthcare to its community. We also continuously provided direct internet access to our long-time government agency clients.

Thriving in these uncertain times, PT&T saw an opportunity for growth. Opportunity that underpins our Company's vision to expand our network to reach throughout the country. These expansion plans include upgrading and utilizing our existing network in CALABAR-zone, building a nationwide backbone for both our wholesale and retail markets, investing in data centers and cloud infrastructure, and lastly, using our allocated 200 MHz of high band frequency spectrum awarded to us by the National Telecommunications Commission (NTC).

Our Key Milestones

From telecommunications company to becoming a digital services provider.

1962

PT&T WAS FOUNDED

A national carrier for 58 years delivering some of the Philippines' first services such as *Pocketbell* (pager/ beeper) and Telegram.

1980

Became the dominant message and data carrier throughout the Philippines.

1981-1990

Expanded the range and footprint of services to include the country's first national packet data, leased long lines, and private and public long-distance network interchange.

Turning to the future, PT&T will ensure that we only focus on creating the best experience for our customers. In the first half of 2021, we completed and received our first ISO certification for Quality Management System, ISO 9001:2015. We are also looking forward to receiving another certification for Information Security Management System, ISO 27001:2013 by the end of the same year.

As our Company prepares for the relisting of our shares of stocks on the Philippine Stock Exchange (PSE), we are thrilled that this major milestone will open us to more business opportunities.

On behalf of our Board of Directors, I would like to thank all our loyal shareholders for their patience, continued support, and inspiration. I am confident that PT&T will soon reap the rewards of all its hard work and diligent efforts in making things happen for all Filipinos.

SALVADOR B. ZAMORA II
Chairman

2012

Extension of Corporate Term to another 50 years (up to 2062).

2016

Extension of Franchise to another 25 years (up to 2041).

2017

2017

THE NEW PT&T

The new PT&T's built for purpose infrastructure means that clients are provided highly efficient, low latency and high value data connectivity.

Resilience & Innovation

Dear Shareholders,

Resilience along with innovation is what carries PT&T forward. It is what drives our team to stay engaged and deliver reliably even in trying times—it is what 2020 has been about.

Rehabilitation Milestones

From the time the new management team took over in 2017, we have embedded the philosophy of good governance and compliance practices with the goal of making PT&T not just a company listed in the PSE but more importantly, a valuable one.

To this end, we are committed to provide all the necessary safeguards to protect the Company's financial and operational viability, including the successful implementation of our Rehabilitation Plan. In brief, the salient features of the plan center around the (1) Increase of PT&T's authorized capital stock to accommodate the (2) ₱8.7 billion debt-to-equity through the issuance of preferred shares and eventually (3) Enroll and list all these preferred shares as freely tradeable stocks with the Philippine Stock Exchange (PSE).

Even in the peak of the COVID-19 pandemic, we have stayed ahead and made strides in addressing any compliance-related concerns and requirements of the SEC and the PSE. And from our perspective, we came through the year well, with good progress on our relisting efforts.

The monumental change happened when we finally secured from the SEC the two key compliance elements in this rehabilitation journey—our Certificate of Good Standing in April 2021 and the Lifting of Suspension of our Registration Statement in August 2021. We then submitted these documents along with our Comprehensive Corporate Disclosure (CCD) to the PSE as part of the requirements to resume trading.

By and large, we are confident that we will be able to execute and settle all the directives under the Rehabilitation Plan ahead of its 2025 scheduled end date. We look forward to seeing our shares actively trading with the PSE very soon and the collective efforts of PT&T's business lines paying-off over time.

REPORT OF THE PRESIDENT

"Resilience along with innovation is what carries PT&T forward. It is what drives our team to stay engaged and deliver reliably even in trying times—it is what 2020 has been about."

REHABILITATION PLAN SALIENT FEATURES

- Increase of authorized capital stock
- ₱8.7 billion debt-to-equity conversion through the issuance of preferred shares
- Enroll and list all preferred shares as freely tradeable stocks with the PSE

REHABILITATION PLAN MILESTONES

Under New Ownership and Management

SEC updates

PSE updates

MARCH 2018

PT&T inquired status of its compliance with Markets and Securities Regulation Department (MSRD)

APRIL 2018

MSRD issued show cause letters to PT&T

JUNE 2018

After PT&T submitted written explanation, MSRD issued an Order imposing the ₱7 million penalty and other directives

SEPTEMBER 2018

PSE penalized PT&T for ₱3.8 million and required to submit its 2011-2017 Annual Reports and September 2011- March 2018 Quarterly Reports

PT&T held its first ASM since 2003 (after 14 years)

****

PT&T's increase of Authorized Capital Stock approved by the SEC

OCTOBER 2018

PT&T submitted and complied with the June 2018 Order including the payment of ₱7 million penalty

2020 Performance

Across the globe, 2020 has been a year dominated by the economic turmoil and unparalleled uncertainties brought about by the COVID-19 pandemic. Despite the challenges, I am pleased to report that PT&T endured the impact and continued to grow.

PT&T recorded ₱439 million revenues, an 8% year-on-year increase attributed to subscriber base growth of 15%. Our Connectivity segment reached ₱383 million in revenues, increasing by 8% compared to previous year. This reflects the increased demand for connectivity to support work-from-home and online learning arrangements. Our IT Services segment, on the other hand, reported ₱24 million in revenues, down by 43% year-on-year as some of our IT commitment projects were deferred due to the pandemic.

Still, the business contributed 6% to our total revenues driven by several contracts closed in IT infrastructure and business applications.

With the tempered growth in operating expenses, our core EBITDA exceeded last year's performance by 75% to ₱90 million. And as a result, we sustained a significant reduction in net loss which now stands at ₱31 million, a 40% improvement versus 2019.

Our 2020 performance was encouraging and provides a baseline for our plans moving forward with consumer activity bouncing back as the country started to roll out the vaccination program. We enter 2021 with a golden opportunity to be better equipped as a digital services provider, while building a roadmap for recovery and resilience around the pillars of nation-building and customer-centricity.

PT&T accomplished PSE Reportorial Requirements including audited FS and paid penalties

****

PT&T requested to lift trading suspension: PSE required PT&T to submit CCD, Certificate of Good Standing, and Order Lifting of Trading the Suspension of Registration Statement

2019 - 2020

PT&T secured Deeds of Assignment from creditors amounting to ₱300 million

APRIL 2021

PT&T's reversal of the increase in Authorized Capital Stock

****

PT&T secured its Certificate of Good Standing

MAY 2021

PT&T submitted Amended Registration Statement with Prospectus

PT&T requested PSE the Lifting of its Trading Suspension together with the submission of these 3 documents: CCD, Certificate of Good Standing, and Order Lifting the Suspension of Registration Statement

AUGUST 2021

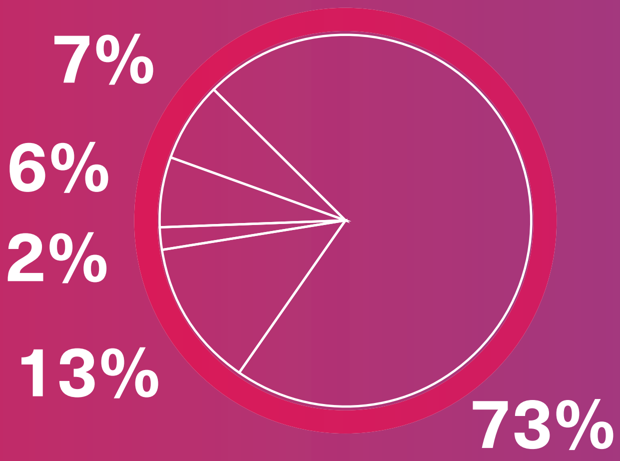
SEC lifting of suspension of PT&T's Registration Statement

SEPTEMBER 2021

PT&T plans to increase Authorized Capital Stock for approval of SEC

2020
PERFORMANCE HIGHLIGHTS

REVENUE PER SEGMENT
(in percentage)



73% ENTERPRISE
13% WHOLESALE AND CARRIER
2% RESIDENTIAL
6% IT SERVICES
7% OTHER INCOME

REVENUE PER SEGMENT
(in million PHP)

	2020	2019	2018
Connectivity	**384**	354	246
Enterprise	**319**	284	240
Wholesale and Carrier	**57**	65	2
Residential	**7**	5	4
IT Services*	**24**	42	-
Other Income	**30**	9	9
TOTAL	**439**	**405**	**255**

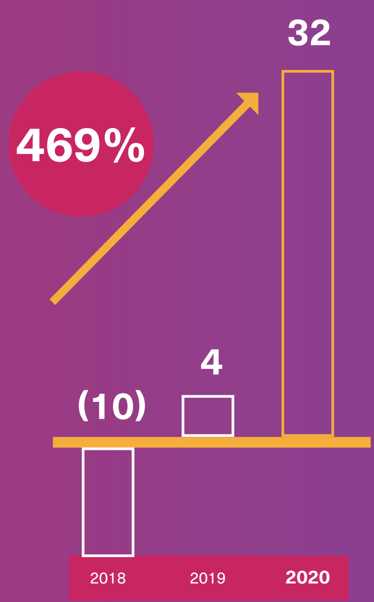
**started operations in June 2019*

₱439M
Revenues

₱90M
Core EBITDA

₱31M
Net loss

CORE EARNINGS
(in million PHP)



First Half 2021 Performance

Our revenues picked up to ₱221 million, growing by 7% versus last year, mainly driven by the increase in our subscriber base by 15% and an 8% revenue contribution from our IT Services business. At the same time, our core operating expenses rose by 11% to ₱190 million, to enable the Company to adapt to the new normal while investing in operations to support the growing business. This led to a 16% contraction year-on-year in our core EBITDA to ₱31 million and a net loss of ₱27 million or -36% year-on-year.

By the second half of the year, we believe that positive catalysts will give an upside to our overall performance such as the 12% economic expansion in the second quarter, a focused vaccination program by the government, an expected surge in spending for the 2022 election campaigns, and the start of the holiday season. We also expect to see continued improvement in our bottom line as demand remains strong.

Our COVID-19 Response

In combatting COVID-19, our priority was to lead the safety and welfare of our employees through a concrete plan and consistent communication.

Internally, we established a COVID Workplace Safety and Health Policy that is in accordance with public health standards and policies of the Department of Health, Department of Labor, and Inter-Agency Task Force. The policy covers helping our employees increase their physical and mental resilience and reducing the transmission of the virus through strict adherence to safety protocols.

We also made upfront investments to address the threat of COVID-19. This includes (1) Prevention, where necessary support to our employees was provided such as flexible work arrangements, transportation, health kit, and regular and timely COVID Health and Safety Advisory; (2) Detection, where a mandatory workforce testing with the Philippine Red Cross is done and free RT-PCR test for all close contacts and those with suspected COVID-19; (3) Regular monitoring for employees via our Daily Health Survey and presence of an Occupational Health and Safety Officer or company nurse; (4) Assistance via teleconsulting and hospitalization/isolation/home quarantine to those who are affected. In addition, we provided paid leaves on top of the regular sick and vacation leaves should an employee be confirmed positive for COVID-19; and (5) Vaccination where free Moderna vaccines for employees were provided, as well as assistance to Local Government Unit (LGU) vaccination program registration and transportation support to vaccination sites.

I am happy to report that as of as of September 2021, the vaccination rate of PT&T employees is at 96%. Our focus is to make sure that this is a holistic process for all our employees as we address the threat of the pandemic.

Staying true to our Mission and Vision

Let me share some accomplishments where PT&T's actions in progress are exemplified. These case studies demonstrate our differentiation from other telecommunications companies—because in our vision, it is not just offering connectivity services, but also providing world-class solutions while being a digital organization.

(1) Laguna State Polytechnic University (LSPU) partners with PT&T for an Information and Communications Technology (ICT) upgrade and ITS assistance to its flexible e-Learning Buses
Being the 3rd largest state university in the country with close to 30,000 students, LSPU has become one of our largest and most valuable clients.

We could have only provided them with what they thought they needed, which is a connectivity requirement, but to set a precedent, we helped them beyond that and ultimately improved their operations through a full ICT upgrade.

We successfully implemented the entire project before COVID-19 hit, so when it did happen, their campuses were used by the government as command centers to manage the threat of the pandemic.

We are also very proud to share that we assisted them in their E-Learning Laboratories and Bus which is an innovative way of providing flexible learning options for hard-to-reach students in Laguna where connectivity does not exist.

(2) DERMALOG partners with PT&T to provide Connectivity and IT Services for its newly launched online portal of the Land Transportation Office (LTO)
LTO is one of the country's most essential authorities providing all services related to land transportation.

German-based biometrics company DERMALOG supported by PT&T launched a new solution that will automate everything from renewal of license, make use of biometrics and facial recognition features, and enable online payment. PT&T provided managed connectivity, security services, and SMS messaging to the LTO main office as well as 25 connected LTO branches.

With our partner DERMALOG, our goal is to eventually roll out these services available to all LTO branches across the country, making LTO more responsive to the needs of the Filipino.

“In our vision, it is not just offering connectivity services, but also providing world-class solutions while being a digital organization.”

(3) Calamba Premiere International Park (CPIP) partners with PT&T for a Digital Transformation Project and its Accounting and Water Billing System
CPIP was recently recognized by the State of Laguna as a model for industrial parks in the province. I believe we had a hand in this.

Other than providing connectivity to 25 of the locators in the park, we listened to CPIP and found that they have several issues we can solve. In this endeavor, we assisted them to have an online presence to better manage the park, designed and implemented a water billing system to plug leakages and serve locators better with improved cash position.

(4) Department of Health (DOH) partners with PT&T for a Network and Connectivity Project
To support its COVID-19 response, DOH tapped PT&T as its connectivity and technology partner. Being at the front, back, and center of the pandemic, DOH required stable and highly available network and connectivity.

Working with Cisco, we supported DOH's requirement for fast, secure, and highly reliable connection to support the department. I am proud to highlight that PT&T in its own way is helping the country navigate this national emergency through our services.

PT&T is also a partner of the Manila City Health Office. We power grassroots internet service in 40 Barangay Health Centers, providing timely administration of primary healthcare and steady flow of health information between the City Health Office and the different Barangay Health Centers.

(5) Creating history through latest partnerships and collaboration with industry leaders
Through our partnerships and collaboration with industry leaders, we will continue to build and create stakeholder value and aid in nation-building.

We teamed up with VMware Inc. to help enterprises manage their bandwidth usage; we tapped Status Pros' technology and support, to allow companies to work and manage workforce from anywhere; we Partnered with Go Philippines, a social enterprise, to offer critical Broadband Internet solutions for the academe; and we Supported *I Am Hope Organization* in their mission to aid frontliners, hospitals, and other sectors of the community in need of assistance.

"We aim to expand our footprint nationwide and solidify our IT services. We have stepped up our efforts to expand our range of IT solutions to fuel innovation in the digital economy and help enterprises in their digital transformation."

10-year Ambition

As technology continues to play a critical role in the evolution of society, we aim to expand our footprint nationwide and solidify our IT services. We have stepped up our efforts to expand our range of IT solutions to fuel innovation in the digital economy and help enterprises in their digital transformation. We also opened ourselves to interested business partners who share in our mission to serve underdeveloped and underserved needs of our country to drive economic growth and social impact.

Our clear strategy is to reposition ourselves to focus in these four pillars of expansion plans based on using own build, a shared resource, and other partners.

(1) Organic Expansion
Our 1st phase of the expansion plan is to cover 24 cities and 115 municipalities. To achieve that, we need to upgrade and utilize our existing network in NCR and CALABAR-zone by adding new networks and optimizing the Own Build and Lease Facilities concept. This has a potential of additional more than 90,000 fiber kilometers, allowing us to pass 7 million households and businesses which is an important aspect as we aspire to aggressively grow our business.

(2) Nationwide Network Backbone
The 2nd phase is to build a nationwide backbone to reach 125 cities and 640 municipalities. Our approach is unique from other telecommunications companies: it is to build a nationwide backbone for both wholesale and retail markets through minimizing our Own Build and maximizing leasing Fiber Optic Routes from our partners. By doing so, it presents us an opportunity to expand faster from where we are than starting from ground up. This has a potential to add over 200,000 fiber kilometers, allowing us to pass 19 million households and businesses.

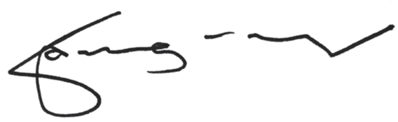
(3) 5G Fixed Wireless Access
Recently, PT&T was allocated 200 MHz bandwidth of 5G or High Band Frequency Spectrum by the National Telecommunications Commission (NTC). We are now undergoing Proof of Concept on this new technology. As a company, we will continue to innovate and look for new technology to serve our clients better.

(4) IT Infrastructure, Services, and Applications
Finally, as a digital services provider, we will continue to offer IT Services. We have started this transformation in 2019 and I hope we have shown you examples of how we can serve our existing and future clients. Our future investment in this space will be: to offer a "One Stop e-center" or managed services for Government and Enterprise clients; invest in Data Centers and hosting capabilities; and provide Security and "Cyber Security" Services and Applications.

While PT&T has not been spared by the disruption brought on by the pandemic, our Company is all set to usher in sweeping changes throughout technology and economic developments. This lesson reminds us of something important that still rings true to this day, that innovation is not a luxury, but a matter of survival.

To our board of directors, stockholders, creditors, suppliers, alliances, and PT&T employees who are all stakeholders in our Company, allow me again to extend my sincerest gratitude for your unrelenting trust and support.

Together, let us look forward to the next decade as we are primed and ready to carry our legacy of innovation into the future.



JAMES G. VELASQUEZ
President and Chief Executive Officer

Expansion & Development

BUSINESS REVIEW

CONNECTIVITY

Accelerating & Transcending

"Living our core value of nation-building, we ensure that we only deliver fast, reliable, and affordable connectivity solutions that the country needs to achieve inclusive economic growth."

CONNECTIVITY BUSINESS

PT&T is currently focused on broadband internet access services as a result of the growth in mobile systems and the rise of broadband internet demand. As such, our main source of revenue is broadband internet access services. We offer dedicated or shared internet access service, via fiber or wireless, and operate a 10+ Gbps broadband network across the NCR, and Regions III and IV catering to businesses and residential customers.

Living our core value of nation-building, we ensure that we only deliver fast, reliable, and affordable connectivity solutions that the country needs to achieve inclusive economic growth. To enable extensive network reach, we offer Direct Internet Access and Direct Local Loop services across all market segments, utilizing primarily our own Fiber broadband facility:

1. Where a fiber facility is not present, we use wireless radio access technology as a last mile option for customers.
2. Where there are customers outside of PT&T's existing network, we collaborate and network-interface with all other major network service providers to utilize various last mile access technologies, be it fiber, cable, wireless, or satellite based, to serve the internet requirements of customers nationwide, thereby broadening our capabilities to serve rural customers near or far.

Increasingly, we have found a niche in positioning ourselves as a second line or redundant link provider given our attractive price points, and especially as more enterprise accounts strengthen their network resiliency to ensure maximum uptime in their operations.

The year saw strategic wins in the previously untapped Enterprise segment where Connectivity was bundled with IT solutions. Working on saturating areas to improve port utilization geographically, we have been successful in closing numerous contracts with customers in the IT, Logistics, and Education industries. The Company began to offer IT services such as Microsoft 365, PT&T Cloud, eLearning, and other IT solutions to help businesses in their digital transformation journey.

PT&T is also teaming up with strategic partners for domestic backbone expansion covering Luzon, Visayas and Mindanao as well as international presence in Asia and in the US.

PT&T's scope and reach may be on the national level, but we believe that every interaction with each of our customers is valuable, hence, we continue to seek opportunities to engage directly with them. PT&T has always focused on becoming a customer-centric brand in an industry where customer service is a common pain point. Part of our customer-centric philosophy is the formation of our Customer Service Department (CSD) team.

They serve as the backbone of PT&T's approach to frictionless customer experience. The team provides convenience and ease of access to PT&T's customers through remote issue resolution via hotline as well as enhanced client servicing that is measured by customer satisfaction surveys. While 2020 may be a most memorable year with all the difficulties that the global pandemic brought with it, it also spawned the deepening of relationships with our customers through shared sacrifices which is evident in our 33% Net Promoter Score (NPS) and 80% Customer Satisfaction (CSAT), both as of end-2020.

For those who continued their business operations, PT&T's CSD remained operational at 100% capacity, in all contact points, 24x7. In addition, all technical teams were on hand to resolve any service-related trouble issues experienced by them.

MARKET SEGMENT: WHOLESALE BUSINESS (Wholesale and Resellers)

Our Wholesale Business market segment was formed in 2018 to look after the needs of ISPs, Cable Operators, VAS Resellers, and Cooperatives. The Carrier Relations team was able to establish a Network to Network Interconnection (NNI) partnership with different Telco Partners that allowed the Wholesale team to reach and activate our reseller partners located in the outskirts of NCR that are outside the coverage area of PT&T.

These clients provide internet connection to their respective areas that utilize residential, SMEs, LGUs, and other government agencies to cater internet connectivity which contributed to ₱23.5 million revenues in 2019 from 3,602 WISP subscribers with a total bandwidth of 5 Gbps. In 2020, the revenue increased to ₱43.5 million translating to an 85% revenue growth year-on-year, with 3,581 new WISP subscribers and additional bandwidth of 10 Gbps. This catered to the needs of online learning, online business, and work-from-home arrangements which were embraced from a national standpoint when the pandemic surfaced towards the early part of 2020.

"In 2020, the revenue increased to ₱43.5 million translating to an 85% revenue growth year-on-year, with 3,581 new subscribers and additional bandwidth of 10 Gbps."

Since its formation, the Wholesale Business market segment has earned PT&T a significant increase in its client base from 1,998% in 2019 to 1,076% in 2020 translating to a total of 10,766 WISP subscribers. One of the largest contributors of this outperformance are the Wireless Internet Service Providers (WISPs). These are independent providers who distribute Internet service using wireless last mile access to deliver internet in their localities.

From 0% market share in 2018, PT&T now holds 10% of the WISP market share in 2020 and is looking at 15% market share in 2021. The Wholesale team is looking at 500% revenue growth in 2021 and optimistic to see progress within the next 10 years as these internet-dependent practices continue to develop locally and globally.

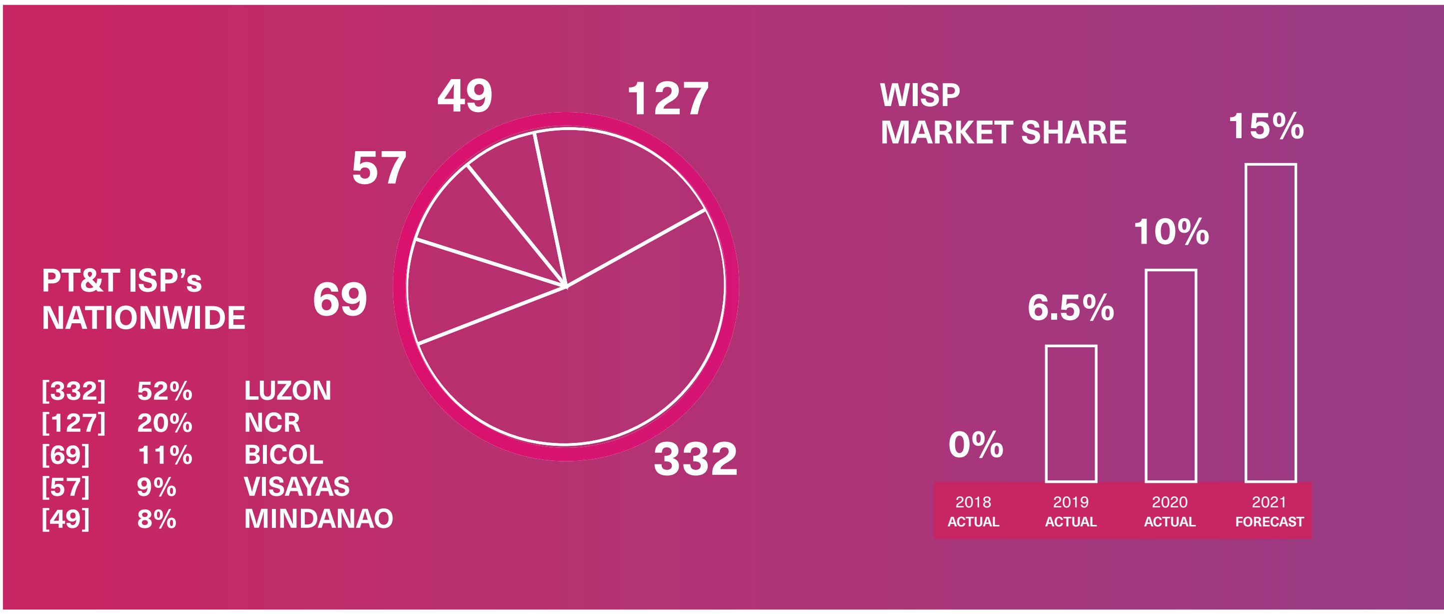
Further in 2020, the Government Relations team has made it possible to authorize PT&T WISP partners by complying with the NTC's application requirements for the areas outside the coverage of PT&T.

INDUSTRY OUTLOOK

The Philippines is a country with enormous potential for sustainable growth, but access to reliable internet is still a challenge and the quality of service varies significantly by area. Fixed broadband using FTTx or more commonly known as fiber anywhere technology remains largely underdeveloped in the country.

As of June 2020, FTTH penetration in the Philippines stands at 6% according to Media Partners Asia. Specifically, the current market for fixed broadband comes to only 3.5 million households, with 1.5 million on FTTx, 1.5 million on xDSL, and 500,000 on HFC. Of these technologies, only FTTx and HFC can be considered as high-speed broadband, as xDSL is predominantly supported by a legacy copper network. At the same time, there are approximately 1.6 million households that are on FWA services, primarily powered by 3G/4G mobile networks. For these reasons, we are convinced that there is a strong case for PT&T to build our stake in the FTTx space. We anticipate further growth in the FTTx market in the next five years driven by more discriminating demand for high-speed and reliable internet. Of great importance in this respect is affordability. At present, FTTx has reached price parity with xDSL and FWA services at ₱1,500 per month subscription level. Against this backdrop, when customers who spend ₱1,500 for mobile internet are considered, the addressable market who can afford FTTx is estimated at 18.5 million households and is projected to grow substantially to 22.6 million households by 2025.

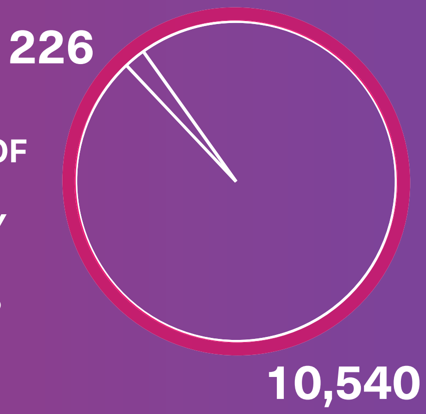
The commercial landscape for the enterprise wired connectivity market is also set to change as a result of the urgency to strengthen business continuity measures. These include increasing data demand for corporate information and communications technology services, the growing prevalence of setting up greater network resiliency and redundancy, and the distributed working and increasing usage of bandwidth intensive applications such as video-conferencing platforms.



VALUE PROPOSITION

Pure Fiber where available, Wireless where none, 3rd Party where viable.

Given the current limited scope of PT&T's Fiber network in NCR and Region IV-A, we provide appropriate options to customers. Primarily, PT&T offers high-speed Fiber internet services where the Company has facilities. Outside of the reach of the Fiber network, however, PT&T offers wireless last-mile access via radio where a clean line of sight and strong signal are deemed feasible. Beyond this, and especially where the Company has multi-site customers, PT&T leases last mile facilities from other Telco partners. PT&T has also established partnerships with Satellite and other wireless service providers to allow greater connectivity options in remote locations for its customers. Whatever the access technology used, however, PT&T ensures that it delivers only fast, reliable, and affordable connectivity solutions.



NUMBER OF CLIENTS SERVED BY OUR WISP PARTNERS

[10,540]
97.9% WISP SUBSCRIBERS

[226]
2.1% WHOLESALE SUBSCRIBERS

DISTRIBUTION METHOD OF PRODUCTS AND SERVICES

As a primary method of distribution, PT&T has a direct internal sales force consisting of several Account Managers who cover three major market segments we serve: Enterprise, SMEs/Retail, and Wholesale, to look after customer acquisition as well as product and support systems designed to meet the specific needs of each segment. Within each team, our account managers bring their competence and experience to position our services and demonstrate our value proposition to the market they serve.

The Enterprise team serves the top 1,000 corporations in the country, while the Retail/SME team handles the rest, including micro-enterprise. Meanwhile, the Wholesale group works with cable operators, cooperatives, ISPs, and VAS resellers. The connectivity requirements of both Enterprise and Wholesale segments vary, therefore we tailor our services according to the specific needs of the customer. For Retail/SMEs, on the other hand, we provide two classes of standard Internet service offered at different speeds corresponding to company size:

1. PT&T Fiber DSL – a value-for-money burstable service that is designed for SMEs with simple internet requirement; and
2. PT&T Dedicated Internet – a dedicated internet service that is suited to heavier and mission-critical internet requirements of more discriminating enterprise users.

In addition, PT&T has authorized resellers who offer connectivity solutions, whether bundled with other services or as stand-alone, to their own network of customers. Typically, these are internet service providers, system integrators, and project contractors. Resellers are managed by the Company's Senior Account Managers.

For microenterprise and residential segments, PT&T utilizes third party sales channels which are mostly marketing sales agencies which provide the manpower needed for saturation drives like house-to-house selling operations.

Where viable, we provide residential services on a very limited scale. We deploy external marketing sales agencies to identify a cluster of areas for residential saturation. We also allow our SME Sales team to offer residential packages to their customer base.

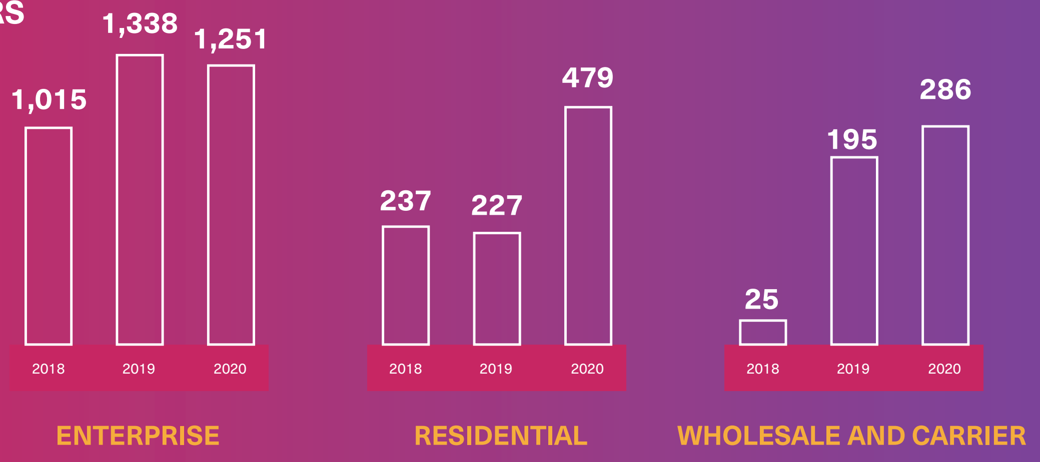
The Company also utilizes its website and other digital sales platforms like Linkedin, Google, and Facebook to generate leads and awareness. PT&T also has Customer Referral Programs that reward existing subscribers when they refer new business opportunities to the Company.

CUSTOMERS

PT&T primarily caters to the connectivity requirements of Enterprise and Wholesale/Retail segments. Wholesale, which accounts for 11% of total revenues, includes services used by cable operators, cooperatives, ISPs, and VAS resellers. For Enterprise, the main industries served are in the Wholesale/Retail (22% of revenues), Infotech (20%), Education (10%), Logistics (9%), and Healthcare (6%) sectors.

NUMBER OF SUBSCRIBERS
(per Segment)

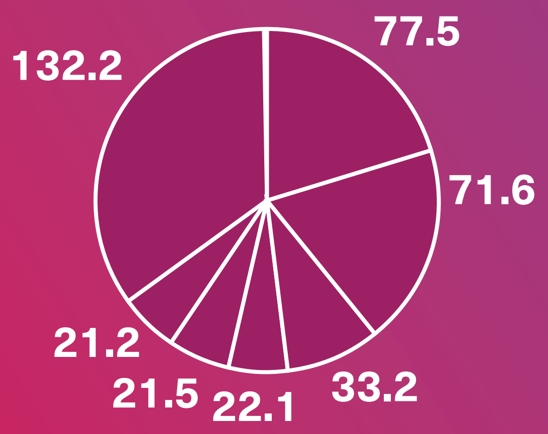
15% ▲ YoY



REVENUES
(in million PHP)

8% ▲ YoY

MONTHLY RECURRING REVENUES
(by Industry)



TOTAL MRR (in million PHP)

₱379M
monthly recurring revenue (MRR)

1.	Information and Communication	77.5
2.	Wholesale & Retail Trade; Repair of Motor Vehicles, Motorcycles	71.6
3.	Education	33.2
4.	Transportation and Storage	22.1
5.	Accommodation and Food Service Activities	21.5
6.	Human Health and Social Work Activities	21.2
7.	All Other Industries	132.2

2020 STRATEGIC AND OPERATIONAL PARTNERS

DATA CENTER PARTNERS

- PLDT Global
- IP Converge Data Services, Inc. (IPC)
- Total Information Management Corp. (TIM)

DOMESTIC TELCO PARTNERS

- Converge ICT
- Eastern Telecommunications Philippines Inc. (ETPI)
- Globe Telecom, Inc.
- NOW Telecom
- Responsible Internet Sustainability Effort, Inc. (RISE)
- Radius Telecoms, Inc.

INTERNATIONAL TELCO PARTNERS

- HGC Global Communications Limited (HGC)
- Experio
- China Mobile International (CMI)
- PCCW Global
- Verizon Communications Inc.
- Telstra
- Telekom Malaysia
- Tata Communications
- Cogent Communications
- BRUHAAS
- Global Transit Communications
- China Telecom Corporation Limited

2020 PERFORMANCE

Despite the challenges of the pandemic, our subscriber base grew 15% in 2020, pushing our year-on-year Connectivity revenues up by 8% to ₱384 million due to increased demand in connectivity to support work-from-home and online learning arrangements. 88% of PT&T subscribers are on Fiber and contribute 86% to our consolidated revenues. Wireless, on the other hand, accounted for 9% of subscribers and 10% to our revenues. A major growth driver is in Wholesale where PT&T supports the entry of new ISPs around the country targeting homes and small businesses especially in underserved areas.

As of end-2020, PT&T has a network reach of 16,561 fiber kilometers in high-growth areas, with almost 40% coverage nationwide. We entered 2021 better equipped as a digital services provider while building a roadmap for recovery around the pillars of nation-building and customer-centricity. We see a steady growth trajectory towards the end of 2021 following the country's vaccination program.

As PT&T nears its "total exit" from corporate rehabilitation, our goal is to become a leading Philippine digital services provider, sustain the strength of our current businesses, and pursue aggressive growth for new businesses. We stand ready to accelerate targeted, profitable growth, and increased levels of investment beyond our existing businesses and coverage areas.

Our strategic focal points are:

- **Organic Expansion and WiFi projects.** PT&T will upgrade and use the existing network in CALABARZON with a potential of additional 90,000 fiber kilometers and implement last mile (including WiFi) projects. Capital expenditure to complete the project is ₱1.45 billion. The residential business is an important facet of the Company's future growth as a major telco player and will be a key undertaking in its network expansion plans. To enable the Company's growth aspirations in this segment, the Company has established pilot areas in a few communities in NCR so it can build a scalable model which PT&T plans to deploy upon rollout, particularly in CALABARZON where demand continues to be underserved. In addition to these investments, the Company is also developing the process and systems that will allow for a simple customer journey for its residential service.
- **Nationwide Network Backbone.** PT&T aims to build a nationwide backbone for both Enterprise, Wholesale and Carrier markets with a potential of an additional 200,000 fiber kilometers, requiring future capital expenditure of ₱62.5 billion. This development may take time, but the Company has built the foundation required to scale the Company's business successfully. Included here are plans which will allow us to serve an even larger market with much needed, improved internet services in the country. In the near-term, the Company is prioritizing network rollout inside industrial parks in CALABARZON such as Calamba Premiere International Park, Cavite Export Processing Zone Authority, First Philippine Industrial Park, and in new buildings within the Central Business District areas (Makati, Ortigas, and Bonifacio Global City) targeting Enterprises and SMEs.

2020 KEY WINS

ENTERPRISE

- Department of Health (DOH)
- Technical Education and Skills Development Authority (TESDA)
- UniPeso Financial Technology Inc.
- Chiyoda Corporation
- Home Shopping Network, Inc.
- Sanitary Care Products Asia, Inc.
- Triple Crown Properties
- DMCI Homes
- Shopee Pte Ltd
- Foodpanda

WHOLESALE AND CARRIER

- Now Corporation
- AirLive Communications, Inc.
- iOne Resources, Inc.
- IP Converge Data Services, Inc. (IPC)
- Telectronic Systems, Inc. (TSI) - Wir Broadband
- Broadband Everywhere Corp.
- Telmarc Cable
- Pakil Cable International Co.

IT SERVICES

Spearheading & Trailblazing

"Partnered with top technology partners, PT&T IT Services stands to offer global technologies to a local footprint."

IT SERVICES BUSINESS

The IT Services business plays a key role in making PT&T's vision of becoming a digital service provider a reality. It has since embarked on an ambitious agenda of providing IT solutions that are a natural addition to the connectivity core business.

In January 2019, PT&T introduced a new business segment, IT Services, delivering cutting edge hardware, software and services solutions that cater to Small and Medium, Large Enterprises as well as the Public Sector. Partnered with top technology providers such as Microsoft, IBM, VMware, Nutanix, Lenovo, Cisco, Maxava, Dell/EMC and others, the PT&T IT Services team stands to offer global technologies to a local footprint. At the same time, the Company has developed readily available solutions including Cloud Computing and Data Backup, in pipe Distributed Denial-of-Service (DDoS) mitigation, Software-Defined Networking in a Wide Area Network (SD-WAN), Virtual Desktop Infrastructure (VDI), Firewall, Short Message Service (SMS) Gateway, Payment Gateway, and Managed Connectivity, and IT Services.

In this new market, the Company draws from its strength to turn its strategy into action: our leadership. Led by veterans in the IT industry, PT&T's team is composed of multi-skilled solution consultants, experienced service delivery and operations managers, and product innovation professionals. Specifically, the Company's President and CEO who served as the Chairman, President, and Country General Manager of IBM Philippines where he led both IBM's domestic and global delivery growth. PT&T's General Manager for IT Services is also an IBM Philippines alumna where she handled Large Enterprise Accounts and client relationships across several industries including banking, manufacturing, insurance, and retail and distribution.

PT&T IT Services

Whatever your business size or need, our team of IT veterans can help develop favorable outcomes for your business.

SCALE

Infrastructure
Cloud

Productivity
Microsoft 365

SECURE

Cybersecurity
Anti-DDos
Firewall

Resiliency
SD-WAN
Disaster Recovery

SPECIALIZE

Communication
SMS Gateway

Digitization
Document
Management Solutions

₱388B

Forecasted Philippine IT spending

INDUSTRY OUTLOOK

Trends strongly indicate that the scope to grow the Company's business is especially promising. Supporting this is the International Trade Administration's Philippine IT spending forecast which is estimated to reach US$8 billion (₱388 billion) by 2023.

Economic and population growth further intensifies the need to invest more in modernizing digital infrastructure, which has only been accelerated by the pandemic. Digitization efforts had been called for and should progress due to the pandemic. Recognizing the challenges and current realities, enterprise customers as well as the government are embarking on a digital transformation program to innovate. Immediate priorities include a cloud data center, software development for business process improvement, and cybersecurity solutions for data privacy protection. The Philippine government, the business process outsourcing (BPO) industry, the financial sector, health, education, and the telecommunications industry are key vertical markets for IT.

VALUE PROPOSITION

PT&T IT Services' approach is business outcome led that is enabled by technology, which promotes that companies leverage technologies to support their business initiatives and not the other way around. This differentiated strategy delivers ongoing business value that impacts companies' bottom line and drives value.

Some of our key qualifications that make us the IT Services partner of choice are:

- **Strong operations, support processes, and tools.** PT&T has a robust suite of processes and tools that have been developed as a result of PT&T's own operational needs. These processes and tools are focused to the requirements of operational managers to have real-time feedback and insight to how the system is performing and to allow them to diagnose and act quickly to resolve system problems. In addition to real-time tools, the Company has created administrative tools and processes that support areas where the Company typically sees problems or spends excess time in administration. PT&T has also developed several best practice guides that document the features of third-party tools and their interoperability. These best practices coupled with the Company's tools, procedures, scripts, processes, and training programs optimize the delivery of services to customers.

- **Expertise to provide recommendations to optimize and improve current processes and technologies.** The Company's thorough understanding of its customer's architecture, high level design and implementation/ deployment plans along with PT&T's experience in designing, implementing, and managing the end-user computing ecosystem allow us to enhance overall efficiency through a complementary blend of service offers designed to improve end-user experience and operational efficiency.

- **Home-grown experience in Managed Support Services.** PT&T's IT Services Delivery Team is also part of the team supporting the PT&T IT and Connectivity customers. They are equipped with technical skills including designing, implementing, supporting, and managing IT infrastructure and even implementing open-source technology for PT&T's internal use to save on cost. PT&T's consultants have an average of more than 15 years of experience in building and supporting information technology environments that help customers improve the effectiveness and efficiency of their end user computing platform.

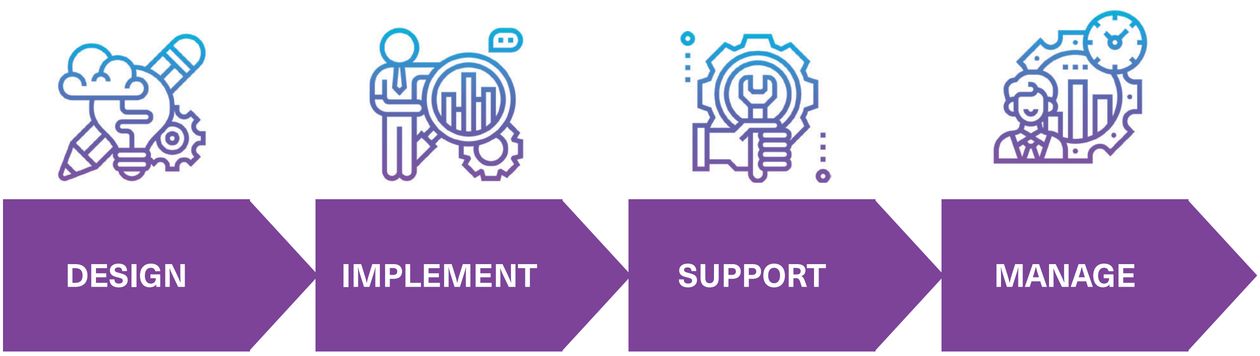
- **End-to-end Connectivity and IT Services expertise.** PT&T's Connectivity business unit combined with PT&T IT Services is able to offer a higher quality of expertise in ICT, helping clients solve common business challenges. PT&T's Architectural expertise brings independent consulting around strategy and roadmaps, design and implementation, ecosystem architecture, and ongoing managed services.

- **Deep collaboration and partnership with third party vendors.** PT&T's alliance aims to develop and maintain an ecosystem of best-of-breed technology partnerships and alliances that result in a world-class solution stack and consulting service offering addressing business technology and support requirements of our customers. PT&T's joint Product Innovation teams aim to integrate and optimize joint solutions, conduct porting, testing, tuning and certification activities and integrate joint services delivery and training. We have "insider" access to a global community of third-party vendor's internal resources including engineering and R&D and external resources as well. With our best-of-breed technology solutions, we are able to offer flexible deployment options in the public cloud, managed cloud, or on-premises—across our portfolio, making us a trusted advisor for driving high impact business outcomes.

DISTRIBUTION METHOD OF PRODUCTS AND SERVICES

PT&T IT Services enters into several distribution and supply agreements with various distributors of IT Solutions including IBM, Cisco, and Dell/EMC. The products of these IT Solution Providers are sold through designated distributors. IT Services, in turn, enters into a reseller agreement with the distributors. These IT products will be sold by the Company separately or bundled with other company's products and services to both private and government sector clientele.

In providing IT Services to clients, we either engage the services of legitimate subcontractors or provide the services in-house through the Company's own personnel. This method of providing the services can be adopted by the Company either during the design, installation/implementation phase or in providing after sales support.



PT&T President and CEO Mr. James Velasquez with His Excellency New Zealand Ambassador Peter Kell during the Maxava Disaster Recovery event on March 2020

CUSTOMERS

PT&T is a partner of an ecosystem of best-of-breed technology partnerships and alliances such as IBM, Cisco, Fortinet, Maxava and others. PT&T is a reseller of this world-class solution stack and sells hardware, software, and services directly to its customers.

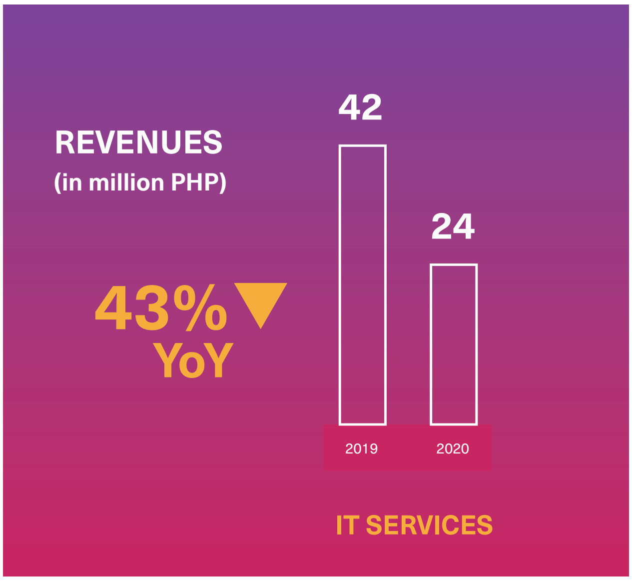
PT&T IT Services is not dependent on a single customer or a few customers. To date, the IT Services business' customer base grew from an initial 10 distinct customers in 2019 to more than 21distinct customers in 2020. IT Services was also focused on growing Annuity Services revenue in 2020 which the Company aims to contribute 15% of total IT Services revenue in 2021. ITS Annuity Services is fueled principally through PT&T's cloud and backup solutions (in partnership with Virtalus) which help reduce the overhead IT computing expenses of companies who may have significantly reduced operations and/or are on hibernate mode entirely. In the same way, the ITS' team office productivity offerings (in partnership with Microsoft) are aimed at alleviating the work from home needs of the clients. Moreover, the Company secured Connectivity offerings allowing us to protect our Connectivity clients from DDoS attacks.

21
Corporate Clients

2020 PERFORMANCE

PT&T's IT Services business has had a challenging year in 2020. When the pandemic hit and locked down the country, several of our customers were greatly affected by the slowdown in the economy, resulting in a decline in our revenues to ₱24 million. Despite the slowdown, here are a few of our notable projects:

- Laptops, tablets, and mobile Wi-Fi for a Large University installed inside the University service bus to provide distance learning tools for those students who lack access to tools and adequate internet access.
- Server and Network Security infrastructure for a government agency and a mining Company.
- Network infrastructure for a government agency requiring secure bandwidth for the COVID taskforce, including internet connectivity design, project implementation and network management for the head office.
- Managed support for a Government Agency to provide resilient Internet Connectivity, including internet connectivity design, project implementation and network management.
- Collaboration tools for a power generation Company migrating 300 users from a plain email system to an enterprise collaboration tool for office productivity.
- Cloud services for small and medium enterprises migrating from on-premises infrastructure.



2020 MEMBERSHIPS

2020 TECHNOLOGY PARTNERS

We are powered by partnerships that allow us to offer excellent price to performance solutions for a wide variety of IT needs.

2020 ITS EVENTS AND PRODUCTS LAUNCHED

EVENT	PRODUCTS
Maxava Dinner	Maxava/Disaster Recovery
ITIP Interest Group Webinar – Maxava	Maxava/Disaster Recovery
PT&T Webinar #1: The Virtual Office in the new normal: How to keep your company running with a remote workforce	Virtalus/Cloud and Status Pros/VDI
BCMAP Virtual Forum – Velo Cloud	VMWAre/SDWAN
PT&T Webinar #2: Bridging the Gap between online and digital learning and how it is impacting the academe	E-learning/Go Philippines
ITIP Natcon Gold Plus Sponsorship – Status Pros	Status Pros/VDI

Technologies & Trends

OUTLOOK AND STRATEGY

Pioneering & Revolutionizing

"To help the country succeed, our strategy is to step up our infrastructure investments and innovative digital solutions to drive economic growth and social impact for many of our stakeholders."

As global experience suggests, high-speed internet has rapidly become a building block of innovation and digital technology.

In the Philippines, the country has committed to create a national broadband plan including a national broadband network to address the need for universal, faster, and affordable internet access, particularly in remote areas. It has three major broad strategies, namely:

1. Establishment of policy and regulatory reforms;
2. Government investment in broadband infostructure; and
3. Support for the stimulation of broadband demand.

To help the country succeed, our strategy is to step up our infrastructure investments and innovative digital solutions to drive economic growth and social impact for many of our stakeholders. This includes expanding our coverage and upgrading our network infrastructure to ensure network reliability and performance, as well as investing in new access technologies such as 5G for Fixed Wireless applications where the Company is set to deploy a pilot test in the latter part of 2021. We are also building capabilities in cyber security, Internet of Things (IoT), and smart cities.

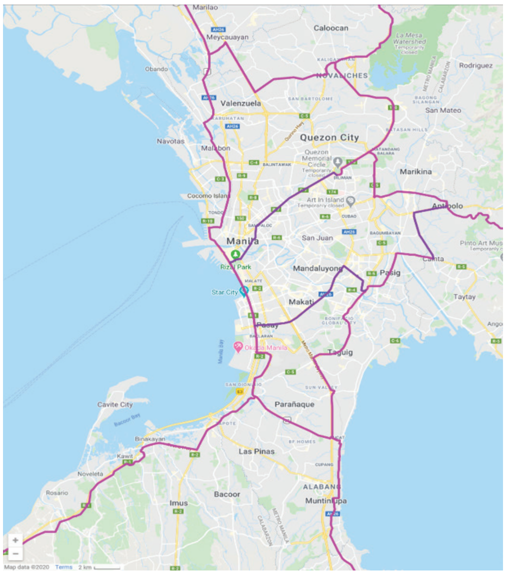
To achieve these objectives, we have identified several projects to position ourselves in line with our geographical expansion throughout the country. These projects are currently undergoing evaluation and are based on using our own network, a shared resource, and other partners.

CONNECTIVITY BUSINESS

Organic Expansion. PT&T is committed to enhance and expand the Company's major network footprint in the National Capital Region (NCR) and CALABAR-zone area to meet its continuously growing demand for faster and more advanced services.

These parts of the country cover almost 40% of the population and contribute nearly 55% to the country's GDP. Hence, it is valuable to provide a telecommunication infrastructure which also enables PT&T to act as a Digital Service Provider (DSP) and cater to the services our clients need with the highest possible standard at a very affordable cost.

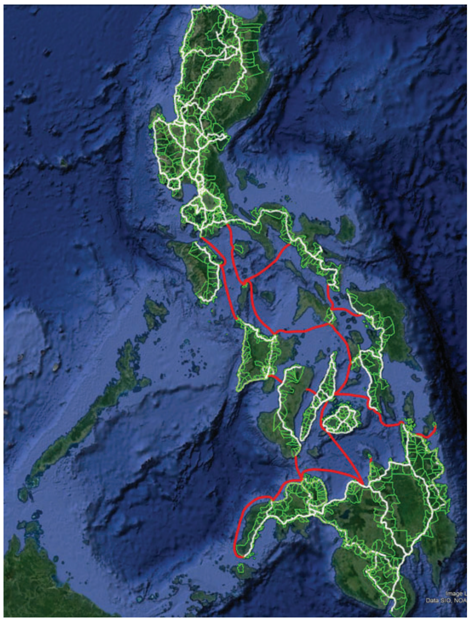
The network will be upgraded and enlarged by utilizing the most advanced Metro Dense Wavelength Division Multiplexing (DWDM) technology providing high-capacity IP transport. It is an End-to-End Fiber Optic Network, designed and built to support the concept of a DSP. Client connection "Last Mile" will be wired or wireless.



National Capital Region (NCR) and CALABAR-zone (Region IV-A)

TIMELINE	MARKET SEGMENTS	NETWORK COVERAGE
1st phase of the overall Implementation Plan	Business, SME's, Residential. Focus on Malls, PEZA's, Schools, Hotels, Hospitals, Government Agencies, Residential Areas (subdivisions and MDU's) for Wholesale and Retail market	24 Cities and 115 Municipalities connected

Nationwide Network Backbone. One of the challenges – if not barriers to entry – for any telecom service provider in the country is the requirement to build and interconnect the major islands of the Philippine archipelago using terrestrial and submarine fiber optic network for seamless communications. The need to build a nationwide IP transport backbone is a major endeavor and a requirement to handle high-speed internet access deployment across the country.



Philippine Nationwide Network Backbone

With this in mind, PT&T is in the detailed engineering phase to build a multiple 100 Gbps capacity nationwide backbone to provide a wholesale and retail service all over the country, including network capacities for mobility services in the future. Our national IP network is based on the latest SDN DWDM technology which aims to support traffic growth, increased reliance on internet services, and evolving needs from all customer segments. The objective is to deliver a converged IP and an ethernet network that can keep up with all current and future services including the explosion of consumers demand for video services like YouTube, Netflix, and other similar content.

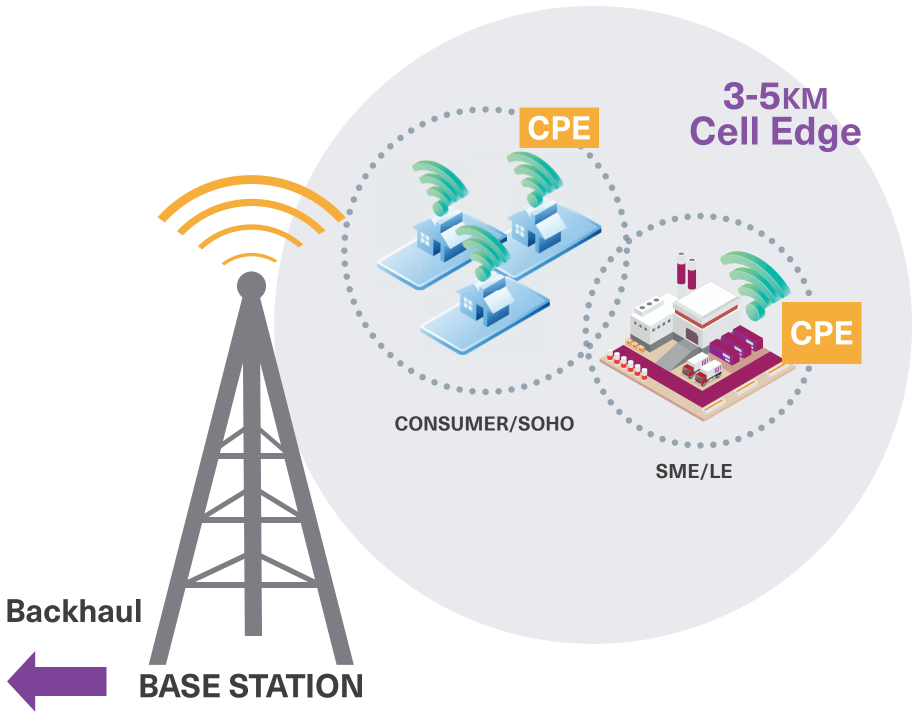
Today, residential and small and medium-sized enterprises are moving away from traditional telco products in favor of IP-based solutions to reduce their costs. Cloud or data center hosted business applications have become popular with unified communications and collaboration solutions supporting the entire IT portfolio. Ethernet services are also growing in terms of footprint and nominal speed. Mobile network initiative will require cost effective and high-speed backhaul solutions to connect PT&T's macro and small cell infrastructure to designated radio access network central units and core locations. To match these requirements, we are designing the network to cope with most customer segments and avoid investing in specific per product infrastructure.

Due to the challenges that are inherent in interconnecting the country through terrestrial and submarine fiber optic networks, PT&T is evaluating an alternative technology solution which augments the traditional way to connect, and which is faster to deploy to support the nationwide requirement of the Company. This alternative uses satellite technology and provides investment on low latency and high-capacity LEO satellite communications, seen to complement terrestrial fiber optic network for backhaul and high-speed internet access, particularly in rural areas and other remote locations in the country. We believe this setup is well-suited even in times of calamities to support disaster recovery efforts. To support us in this endeavor, we are looking into the experience of companies which have introduced LEO satellite communication systems ahead, such as Starlink, to offer global high-speed broadband internet.

TIMELINE	MARKET SEGMENTS	NETWORK COVERAGE
Implementation in phases in accordance with the business plan	Business, SME's, Residential. Focus on Malls, PEZA's, Schools, Hotels, Hospitals, Government Agencies, Airports, CATV operators, WISP's and Residential Areas (subdivisions and MDU's)	125 Cities and 640 Municipalities connected

5G Fixed Wireless Access. PT&T is keen to pursue providing mobile broadband services in the country as smartphone penetration continuously grows as well as 5G use cases. With the allocated 5G frequency spectrum in the 28GHz High Band, PT&T is in the implementation phase of a proof of concept (POC) for its 5G FWA which will give us headway with the Company's mobile initiative. Completion of the POC will be in Q4 2021. Complementing the fixed broadband network, 5G technology will enable us to offer a unified network access for the Company's customers and be able to process an ever-increasing volume of data more cost-effectively, at the same time provide various services on a single infrastructure with high reliability at faster speeds.

MARKET SEGMENTS	NETWORK COVERAGE	USE CASES
"Last Mile" option primarily for SMEs and Large Enterprise clients especially for areas where the conventional fixed wired connectivity or fiber optic cable is not an option.	The technology shall be used in selected cities and municipalities nationwide.	• BUSINESS: SME Clients, Vertical Industries, Surveillance Networks • RESIDENTIAL: Tele-working, Remote-Learning, Tele-medic Consultation • Wireless FBB capable of 100-600 Mb/s Download (DL) and 100Mb/s Upload (UL) speeds per client 1 to 3 km from site • Target client capacity per site – 60 to 240 clients, depending on the site configuration (Sectors 1 to 4)



IT SERVICES BUSINESS

IT Infrastructure, Services, and Applications. 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. As such, adopting ICT among businesses is key for their development, which is why we make it our priority to encourage businesses to fully embrace digital technologies. We are also stepping up our efforts to invest in innovative digital solutions to drive economic growth and social impact.

PT&T's IT Services business unit focuses on projects, services, and applications such as but not limited to:

1. Offer a "One Stop E-Center". Another large project in the Company's pipeline is providing a common IT infrastructure to host all kinds of e-services. This includes e-learning, e-government, e-commerce, telemedicine, and applications in order to fully support the government's initiatives as well as the increasing requirements and demands of the private sector.
2. Build Data Centers. Over time, data centers have evolved from traditional vendor-specific hardware and software appliances to common-off-the-shelf server hardware and open-source software hosting individual network functions and services. Accordingly, the Company is building data centers that will shelter fixed broadband, IT, and mobile telecom infrastructure for contents, applications, and other network services. PT&T will employ the latest data center technology to reduce total cost of ownership across the different network domains and to offer end-to-end services to its customers. Specifically, the Company plans to deploy software through Network Function Virtualization (NFV), and for virtualization to scale, the Company will set up a cloud environment that will enable automated network operations and can save significant operational costs. And because the service is implemented entirely in software, the Company will be able to innovate more rapidly and drive new service revenues. New IT Services offerings will include co-location / hosting services, cloud solutions such as Infrastructure-As-A-Service (IaaS), Software-As-A-Service (SaaS), DR-As-A-Service (DRaaS) and other Managed Services.
3. Offer Security and "Cyber Security" Services and Applications. PT&T aims to dramatically simplify IT security and compliance with best-in-class solutions that leverage next generation SIEM platform combined with crowdsourced global intelligence. The combination of this infrastructure with PT&T security experts provides enterprises unparalleled security protection and threat awareness. The Company have partnered with the leading security services provider with a complete set of security tools and services offering a variety of flexible delivery options that allow us to serve customers of all sizes and complexity. The Company's various alliances with global IT Security experts aims to develop and maintain an ecosystem of best of breed technology partnerships and alliances that result in a world-class IT Security solution stack and consulting services that offers best-fit technology and support requirements of its customers.

RESEARCH AND DEVELOPMENT

In the past three years, PT&T invested a total of ₱31.5 million to jumpstart the development of its targeted projects. Specifically, our Company spent ₱6.0 million, ₱6.0 million, and ₱19.5 million in 2020, 2019 and 2018, respectively, which represent 1.3%, 1.5% and 7.7% of revenues. Expenses for 2020 and 2019 pertain to in-house team developing proof of concepts for new products and technologies PT&T can deploy, while expenses in 2018 are incurred for the development activities done by the Company in relation to its bid as the new major player of the NTC.

Reinvention & Adaptation

SUSTAINABILITY

SUSTAINABILITY STORY

Protecting & Contributing

"The telecommunications and information technology industry will play a critical role in building a sustainable future of digital transformation. We, as an industry, need to come together to dramatically reduce our collective environmental impact as broad adoption takes hold."

MATERIALITY PROCESS

Addressing sustainability across all industries is now so nearly universally adopted, that the few companies not yet reporting will find themselves critically out of step with the global norm.

The telecommunications and information technology industry will play a critical role in building a sustainable future of digital transformation. We, as an industry, need to come together to dramatically reduce our collective environmental impact as broad adoption takes hold.

In 2020, PT&T reported its second Sustainability Report with a consultative materiality assessment process guided by the Global Reporting Initiative (GRI) standards and aligned with the United Nations Sustainable Development Goals (SDG). This process, fully supported by the Board of Directors and Senior Management, determined key areas relevant to our mission, vision, and core values which impact a wide range of our stakeholders, including customers, workforce, business and government partners, suppliers, regulators, communities, surrounding environment, investing public, and the overall economy.

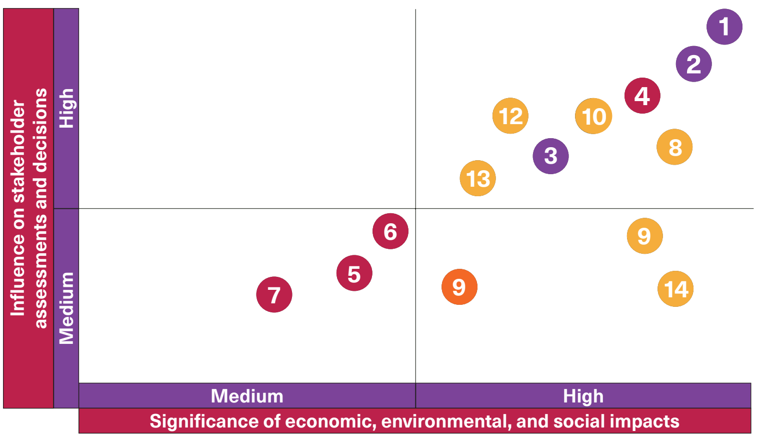
We undertook various steps in identifying, assessing, and prioritizing material topics that created a positive and lasting impact and addressed the evolving needs of our stakeholders. Together with both our internal and external stakeholders, after having done a series of focus group discussions, interviews, workshops, and benchmarking, we have identified a total of 14 areas of focus and assessed their levels of relevance based on substantive influence on the business and stakeholders vis-à-vis economic, environmental, and social impacts over time.

After an extensive review and careful assessment, the following were then approved as our priority material sustainability themes:

FINANCIAL PERFORMANCE	LEADERSHIP AND GOVERNANCE[1]	BUSINESS CONTINUITY	PEOPLE AND CULTURE[2]
Strengthening financial viability, including risk management towards effective business strategies and efficient decision-making	**promoting sound corporate governance and business integrity, upholding transparency, and compliance**	**preparedness to deal and protect assets in the event of business and operational disruptions**	**a holistic approach to professional development and welfare of its workforce**

[1] Commitments to ethical business operations can be found in the Code of Business Conduct and Ethics available at the PT&T web page www.ptt.com.ph/code-of-business-conduct-and-ethics/.
[2] Commitment to employees, contractors, local community, and environment can be found in company policies available at the PT&T web page www.ptt.com.ph/policies/.

Materiality Matrix for Sustainability Issues



ECONOMIC
1 Economic Impact and Financial Performance
2 Leadership and Governance
3 Procurement Practices

ENVIRONMENTAL
4 Business Continuity and Crisis Management
5 Materials and Efficiency
6 GHG Emissions
7 Waste and Effluents Management

SOCIAL
8 Employee Training and Development
9 Occupational Health and Safety
10 Supply Chain Management
11 Community Relations
12 Customer Service and Retention
13 Marketing and Labeling
14 Customer Privacy and Data Security

SUSTAINABILITY FRAMEWORK

PT&T have adopted a sustainability framework that articulates our commitment to consider the full set of risks and opportunities faced by the business including environmental, social, and governance (ESG) factors. This outlines a way forward that integrates sustainability into the way we work while ensuring our long-term survival and the viability of our business. It shows that central to our mission, vision, core values, and overall decision-making is our responsibility to be accountable for managing our exposures to ESG risks.

ECONOMIC

- Economic Impact and Financial Performance
- Leadership and Governance
- Procurement Practices

ENVIRONMENTAL

- Business Continuity and Crisis Management
- Materials and Efficiency
- GHG Emissions
- Waste and Effluents Management

SOCIAL

- Employee Training and Development
- Occupational Health and Safety
- Supply Chain Management
- Community Relations
- Customer Service and Retention
- Marketing and Labeling
- Customer Privacy and Data Security

STAKEHOLDER ENGAGEMENT

We acknowledge that key to value creation is building trust in the way we conduct business, and that trust is built through quality product and services, strong corporate governance, and effective engagement with internal and external stakeholders. We have therefore instituted ways to facilitate and encourage stakeholder engagement and established appropriate venues and platforms for feedback and business discussions. Our management approach is set out in more detail in the Sustainability Performance of this report.

Employees

It is only possible to achieve our strategic objectives with highly engaged and talented employees. That is why our People and Culture (P&C) Team implements policies and programs to promote a culture of health and safety, fairness and openness, team spirit and professional development among employees.

Towards this goal, our talent management strategies are designed and delivered within the framework of our policies to ensure that our obligations to our shareholders and other stakeholders are clearly understood and met. These policies include: 1) Whistle-Blowing Policy; 2) Conflict of Interest Policy; 3) Insider Trading Policy; 4) Related Party Transactions Policy; 5) Policy and Data Relating to Health, Safety, and Welfare of Employees Including Company Sponsored Trainings; and 6) Non-Discrimination and Anti-Harassment Policy.

Yet a healthy culture is not only established by policies and procedures, it is also underpinned by a wider employee engagement experience. Our People Agenda is geared towards creating a performance-based and values driven organization whilst providing an exceptional employee experience. To this end, we communicate meaningfully with our employees through a range of formal and informal channels such as new employee onboarding, meetings, development programs, performance reviews, focus group discussions, surveys, our internal PT&T CHAINS Facebook group, and our online learning platform PT&T Academy. We also promote a "fun culture" through thematic employee events.

Customers

Our scope and reach may be on the national level, but we believe that every interaction with each of our customers is valuable, so we continue to seek opportunities to engage directly with them. Part of that customer-centric philosophy is the formation of our Customer Retention (CRD) team. They serve as the backbone of our approach to frictionless customer experience. They provide convenience and ease of access to our customers through remote issue resolution via our hotline as well as enhanced client servicing that is measured by customer satisfaction surveys.

Suppliers and Service Providers

Our suppliers and contractors are our partners, and central to our transformation and success. We engage with them through meetings, consultations, workshops, and trade associations. At the same time, we require them to observe our Code of Business Conduct and Ethics following their selection and accreditation process as they fulfil their contractual obligations toward PT&T and ensure compliance with its requirements

Investors

Although we have yet to relist our shares on the Philippine Stock Exchange, we remain engaged with investors throughout the years, both proactively and upon request, to discuss our performance and developments, provide them with a fair and complete picture of our financial and operational condition, as well as to gather feedback. Our activities are: one-on-one and group meetings, regulatory reporting including annual and quarterly financial reports and continuing disclosures, our annual stockholders' meeting, site visits, as well as through our corporate website.

General Public

We employ various engagement initiatives to keep the general public updated on company news and events, including our website, news releases, and social media platforms such as Facebook, Twitter, YouTube, and LinkedIn.

SUSTAINABILITY PERFORMANCE

Our Economic Performance

OUR BUSINESS AND LEADERSHIP

As part of the telecommunications and IT services industry, we play a vital role in making a positive contribution towards economic sustainability for all stakeholders. The very nature of our business — of providing broadband high-speed internet and IT services — is inherently good and fundamental to social and economic development. Take for example the benefits of our solutions to both the public and private sectors. In the government ecosystem, we support improved delivery of services, such as healthcare, safety, and security to the broader population as well as collaboration between agencies. In the private sector, we provide a platform for businesses big and small to expand their markets and improve their operations, creating new enterprises in the process and ultimately driving the country's economy forward.

But to really make a difference, it is not enough that we provide reliable and efficient service at reasonable cost. Living up to our mission also means becoming a responsible company that would contribute to nation-building. To that end, our leadership is passionate about the economic dimension of our sustainability agenda so we could continue delivering and distributing economic value to our stakeholders. Since the new management took over in 2017, our Board of Directors and Senior Management have established and reviewed our business strategy, including risk management for effective decision-making. We have adopted new corporate goals and strategies that are anchored to our mission, vision, and core values. We have employed sound and prudent management of operational investments, strict internal controls in managing our resources, effective risk management program, constant check of efficiency in our day-to-day activities as well as strong quality assurance of our products and services.

As a result, our Connectivity and IT Services generated ₱408 million in direct economic value in 2020. Of this amount, about ₱191 million was distributed to our employees through wages and benefits, ₱40 million to our capital providers through dividends and interest payments and ₱56 million to our suppliers and service providers through professional fees and contractual payments. We also directly contributed ₱22 million to the government by paying taxes, which enables it to operate and fund its public services.

Direct Economic Value Generated and Distributed

Disclosure (amounts in '000 Philippine pesos)	2020
Direct economic value generated	
a. Revenue	408,344
b. Other income	30,280
Direct economic value distributed	
a. Operating costs	156,348
b. Employee wages and benefits	191,342
c. Payments to suppliers, other operating costs	56,377
d. Dividends given to stockholders and interest payments to loan providers	40,027
e. Taxes given to government	22,056
f. Non-core income	-
g. Income tax	3,795
Economic value retained	(31,321)

OUR GOVERNANCE

We believe that effective corporate governance is a necessary component of what constitutes strategic business management and we have therefore committed ourselves to continuously undertake every effort necessary to create awareness on good governance practices within our organization.

In promoting a higher standard of quality and business integrity, we emphasize our commitment to ethical business operations through our Code of Business Conduct and Ethics which is openly available and widely disseminated to our stakeholders. It is found on our website and is also extensively discussed in the requisite onboarding orientation sessions for new employees. It includes our policies and approaches on: 1) compliance and regulatory issues; 2) relationship and fair dealing; 3) conflict of interest; 4) confidentiality; 5) risk management; 6) shareholder and investor relations; and 7) corporate social responsibility.

These written policies are reinforced with robust processes that are monitored and improved by the Board. For example, our zero-tolerance approach to bribery or corruption is actively communicated through training and information sessions. In 2019, 100% of our employees, business partners, directors and management received anti-corruption training, resulting in zero incidents of corruption within our organization.

Training on Anti-corruption Policies and Procedures

Disclosure	
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100%
Percentage of directors and management that have received anti-corruption training	100%
Percentage of employees that have received anti-corruption training	100%

Incidents of Corruption

Disclosure	
Number of incidents in which directors were removed or disciplined for corruption	None
Number of incidents in which employees were dismissed or disciplined for corruption	None
Number of incidents when contracts with business partners were terminated due to incidents of corruption	None
Number of incidents in which directors were removed or disciplined for corruption	None

PT&T likewise completed and received its first ISO certification for Quality Management System, ISO 9001:2015. This will greatly enhance the corporate governance, policies, and practices within the Company.

OUR APPROACH TO PROCUREMENT

Procurement practices impact our business operations and quality of service and offer areas for us to improve our cost-efficiency. With this in mind, we implement procurement policies that uphold our core values of fairness, accountability, integrity, and transparency in our businesses. In particular, we require our suppliers to undergo an accreditation process before they engage in any activity with our Company.

Our Accreditation Policy summarizes our approach and standards to supplier engagement. It sets the processes of vendor accreditation and competitive bidding as the general rule, while maintaining equal opportunity and honest treatment of suppliers in all business transactions. The policy establishes practices to ensure that contracts are awarded only to qualified and duly accredited suppliers and vendors with proven track record to deliver requirements and who offer the best value for money. Each offer is assessed based on objective criteria and alignment with our business goals, which take into account market intelligence and insight on how we can make informed decisions in key aspects such as which technologies to procure and vendors to partner with.

In 2020, we had a total of 83 suppliers, 80 of which or 96% were local companies.

Proportion of spending on local suppliers

Disclosure (amounts in '000 Philippine pesos)	
Procurement budget used for significant locations of operations that is spent on local suppliers	₱4,212

OUR RISK MANAGEMENT AND BUSINESS CONTINUITY

Despite the challenging effects brought about by the COVID-19 pandemic, our Company managed to continue its operations and serve the needs of our clients throughout the mandated quarantines. Our resiliency and adaptability are the result of effective implementation of our risk management program which includes the Company's strategies on enterprise risk management and plans for business continuity. In particular, our risk management framework provides guidelines for dealing with: 1) operational risks; 2) cybersecurity risks; 3) risks from new technologies; 4) risks from competition; 5) regulatory risks; 6) reputational risks; and 7) climate-related risks. It has been informed by intelligence on new markets, government policies and climate change impacts and is regularly updated to ensure that these risks are constantly examined and addressed to minimize possible financial impacts.

Part of our risk management strategies is our Business Continuity Plan (BCP) which identifies potential risks and impacts of various types of business and operational disruptions on the Company's operation, and outlines actions needed to be implemented to mitigate those risks. The plan aims to facilitate immediate recovery and continuity of business operations as well as the protection of personnel and assets, so they are able to function in the event of any possible operational and climate-related risks. Implementation of this strategy is headed by our Board Risk Oversight Committee (BROC), and assisted by the Head of the Legal Department, Corporate Secretary, Financial Controller, Audit and Risk Officer, Vice-President for Network Engineering and Operations Management.

Other actions contained in our BCP that we have started implementing are: formation of a Crisis Management Plan in light of climate-related risks, provision of incidental expenses associated with such risks, conduct of regular emergency drills and continuation of providing medical insurance to its employees. For incident management, we have equipped contingency vehicles and business continuity responders.

"Our resiliency and adaptability are the result of effective implementation of our strategies on enterprise risk management and plans for business continuity."

Our Environmental Performance

We only have one planet, so we take it upon ourselves to reduce our negative impacts to the environment. We do this by being mindful of our consumption, enjoining our employees to do the same and investing in new technologies that are environmentally friendly.

ENVIRONMENTAL COMPLIANCE

In 2020, as in previous years, we have not incurred penalties or sanctions for non-compliance with environmental law and regulations. This is a testament to our commitment and actions to ensure compliance with all requirements. While the Environmental Management Bureau (EMB) of the DENR issued us a Certificate of Non-Coverage (CNC) to cover all our operational activities, we still consistently analyze how we can maintain public trust, particularly towards our connection activities. For example, we hold regular meetings on Health, Safety, and Security before and after operational activities to ensure that our fieldwork does not disturb local ecosystems, including cutting of trees, and improper disposal of large volumes of fiber-optic cables.

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	None	PhP
No. of non-monetary sanctions for non-compliance withenvironmental laws and/or regulations	None	#
No. of cases resolved through dispute resolution mechanism	None	#

CONSUMPTION

As we are being more mindful of our carbon footprint, we record and monitor our energy and water consumption for the year, as well as the volume of materials we have utilized in our operational activities.

These baseline figures make us aware of how our business contributes to the overall depletion of the planet's resources and would thus be our basis for our reduction targets to ensure sustainability of our operations. In 2020, we have recorded our electricity consumption at 427,440.00 kWh in our head office, diesel consumption at 33,581.96 liters for our fleet, and water use at 8,229 cubic meters.

In managing our energy consumption, the logistics and administration team implements a regular time-based schedule of switching of lights, aircon, workstations, and other electrical equipment to conserve energy. Carpooling is also encouraged on business trips to save on fuel. We also started implementing a once-a-week work-from-anywhere (WFA) arrangement as early as December 2019 for all qualified employees and continue to do so in 2020 as a broad-based remote work arrangement when we were impacted by the COVID-19 pandemic. This has allowed us to significantly lower our carbon footprint and operational costs.

For water consumption, while we have not presented comparative data for 2019, we regard our current performance as an already reduced consumption owing to the measures we have implemented during the year in response to the 2019 water supply crisis across Metro Manila. Among these measures are employee awareness initiatives through email announcements and restroom signages as well as lowered water pressure in all restrooms to control water flow and avoid spillage. Our monthly inspections also aimed to avoid water wastage from faucet and toilet leaks.

Energy consumption within the organization

Disclosure	Quantity	Units
Energy consumption (renewable sources)	None	GJ
Energy consumption (gasoline)	None	GJ
Energy consumption (LPG)	None	GJ
Energy consumption (diesel)	33,581.96[1]	Liters
Energy consumption (electricity)	427,440.00[2]	kWh

[1]Annual fuel consumption of PT&T's fleet.
[2]Annual electricity consumption at PT&T's head office

Reduction of energy consumption

Disclosure	Quantity	Units
Energy reduction (gasoline)	Minimal	GJ
Energy reduction (LPG)	None	GJ
Energy reduction (diesel)	Minimal	GJ
Energy reduction (electricity)	Minimal	kWh

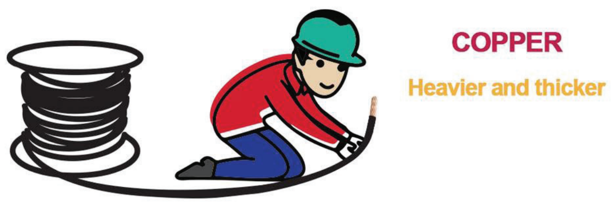
Water consumption within the organization

Disclosure	Quantity	Units
Water withdrawal	None	Cubic meters
Water consumption	8,229[1]	Cubic meters
Water recycled and reused	None	Cubic meters
Energy reduction (electricity)	Minimal	kWh

[1]Annual water consumption at PT&T's head office.

Materials Used

We use fiber-optic cables that are made from extremely abundant silica (quartz sand) which is considered a rapidly renewable material. We however acknowledge that improper maintenance of fiber-optic cables is a risk and may result in injuries or accidents of employees. We address this risk by providing proper training to employees on care and maintenance procedures of fiber-optic cables. Unused damaged fiber-optic cables are also properly collected and disposed of.



Materials used by the organization

Disclosure	Quantity	Units
Materials used by weight or volume		
renewable (batteries)	50	kg/month
non-renewable (fiber-optic cables)	50	kg/month
Percentage of recycled input materials used to manufacture the organization's primary products and services	10	%

Ecosystems and Biodiversity (whether in upland/ watershed or coastal/marine)

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	None[1]	
Habitats protected or restored	None	ha
IUCN[17] Red List species and national conservation list species with habitats in areas affected by operations	None	

[1]Prior to setting up fiber-optic cables, DICT/NTC carves out protected areas as per the National Integrated Protected Areas System of DENR.

Air Emissions GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	Data Not yet Available[1]	Tonnes CO2e
Energy indirect (Scope 2) GHG Emissions	Data Not yet Available[1]	Tonnes CO2e
Emissions of ozone-depleting substances (ODS)	Data Not yet Available[1]	Tonnes

[1]Although these are not yet included in PT&T's environmental performance index, we assure that moving forward, data for GHG will be tracked for Sustainability reporting purposes.

Air Pollutants

Disclosure	Quantity	Units
NOx	None	kg
SOx	None	kg
Persistent organic pollutants (POPs)	None	kg
Volatile organic compounds (VOCs)	None	kg
Hazardous air pollutants (HAPs)	None	kg
Particulate matter (PM)	None	kg

Environmental Impact Management

Usage of air conditioning (AC) systems release chlorofluorocarbons (CFCs) and hydrochlorofluorocarbons (HCFCs) which both contribute to global warming and ozone depletion. As of 2020, we had 52 units of AC units (mix of window type, floor, and wall mounted) in our head office building that are regularly in operation during work hours (8:00 AM-5:00 PM). To lessen our impact, our logistics and administration team controls the usage of these AC systems and implements routine check and maintenance to ensure efficiency.

While exact figures of our GHG emissions are not available at the time of reporting, we are committed to lessen our carbon footprint through shifting to AC systems with HCFCs refrigerants for our future purchases instead of CFCs since the former poses lower impacts to the ozone.

Solid and Hazardous Waste

We recognize that improper solid waste disposal can cause health risks to our employees, customers, and communities. That is why we strictly comply with the local government's proper solid waste disposal regulations and implement segregation of biodegradable food wastes from non-biodegradables and recyclables. Collected recyclables are also reused or collected and then sold as scrap materials.

“Our efforts to positively contribute to the social sector of the country are anchored on our mission to enable Filipinos to enrich their lives and connect communities through digital service.”

Solid Waste

Disclosure	Quantity	Units
Total solid waste generated (Food Waste, Cardboards, Papers, Plastic Bottles)	70	kg/month
Reusable (Cardboards, Papers, Plastic Bottles)	2	kg/month
Recyclable (Cardboards, Papers, Plastic Bottles)	2	kg/month
Composted	None	kg
Incinerated	None	kg
Residuals/Landfilled	None	kg

Hazardous Waste

Disclosure	Quantity	Units
Total weight of hazardous waste generated	None	kg
Total weight of hazardous waste transported	None	kg

Effluents

Disclosure	Quantity	Units
Total volume of water discharges	None	Cubic meters
Percent of wastewater recycled	None	%

Most of the materials we use are supplies in the office and facilities related to our day-to-day operations and marketing/advertising collaterals. In 2020, we have recorded a total of 70 kg solid waste per month, of which 4 kgs are reusable and recyclable including papers, carton boxes, plastic bags, and plastic bottles in the head office which are recycled, sold, or properly collected and disposed of. Other solid waste generated were old tires from the Company’s fleet which we sold to third party contractors through proper bidding.

Going forward, we plan to implement Project Zero (going electronic; paperless environment) in 2021 and we see huge potential from this strategy to decrease our environmental impact and CO_2 footprint.

Our Social Performance

Our efforts to positively contribute to the social sector of the country are anchored on our mission to enable Filipinos to enrich their lives and connect communities through digital service. Years 2017 to 2020 have been notably productive years for us in terms of increasing our social impact as we have transitioned during this period to the new PT&T under new ownership, stronger management team, and expanded nationwide coverage which covers 40% of the country's population in high growth developing areas.

EMPLOYEE MANAGEMENT

Our people are our most important resource in bringing PT&T forward and creating lasting value. With this in view, we seek to enhance their development, guarantee full respect for human rights, and uphold the dignity of our human resources. From recruitment to growth, retention and engagement, policies and practices have been put in place to ensure that we maintain fair employment practices that are free from discrimination, harassment and all forms of sexual intimidation and exploitation, and give equal access and opportunities to all employees.

As mindful practitioners of the equal opportunity hiring process, prospective employees are selected based on their educational qualifications, professional skills, and relevant work experience. Our recruitment framework adheres to the Labor Code, Code of Conduct and RA 10911 or known as the Anti-Age Discrimination in Employment Act.

We employed 232 individuals in 2020, of which 38.79% are females and 61.21% are males. While the gender-balance ratio reflects the lower labor participation rate of women in the country's workforce, we continue to encourage female talent and support mentoring opportunities from our senior employees to add richness to our diverse and inclusive culture.

Employee data

Disclosure	Quantity	Units
Total number of employees[1]	232	#
Female employees	90	#
Male employees	142	#
Attrition rate[2]	3.86	rate
Ratio of lowest paid employee against minimum wage	N/A	ratio

[1] Employees are individuals who are in an employment relationship with the organization, according to national law or its application (GRI Standards 2016 Glossary)
[2] Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

Diversity and Equal Opportunity

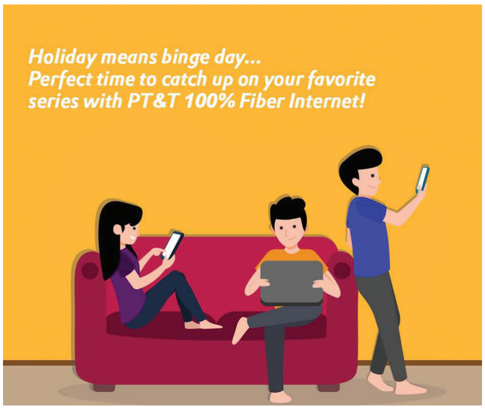
Disclosure	Quantity	Units
% of female workers in the workforce	38.79%	%
% of male workers in the workforce	61.21%	%
Number of employees from indigenous communities and/or vulnerable sector[1]	9	#

[1] Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).

Our remuneration practices are linked to the Company's values and to the successful delivery of our long-term goals for the benefit of our shareholders and our wider stakeholders. Our compensation and benefits include a fair base salary, government-mandated benefits, and a provision for foreseeable needs of our employees, including but not limited to medical coverage for their families, calamity fund and life and accident insurance.

All our regular employees are entitled to:

1. Base Salary;
2. Medical Coverage for Employees and their spouses/children;
3. Employees' Annual Medical Check-Ups;
4. Life and Accident Insurance;
5. Annual Vacation Leave – 15 days;
6. Annual Sick Leave – 15 days;
7. Maternity Benefit;
8. Salary Loans; and
9. Flexible Working Arrangement.



Utilization of these benefits for the year 2020 has been summarized in the table below:

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	5.56%	5.63%
PhilHealth	Y	7.78%	4.93%
Pag-ibig	Y	2.10%	5.70%
Parental leaves	Y	3.33%	3.52%
Vacation leaves	Y	96.97%	78.17%
Sick leaves	Y	50.00%	24.65%
Medical benefits (aside from PhilHealth)	Y	30.00%	20.00%
Housing assistance (aside from Pag-ibig)	N	N/A	N/A
Retirement fund (aside from SSS)	N	N/A	N/A
Further education support	N	N/A	N/A
Company stock options	N	N/A	N/A
Telecommuting	Y	100.00%	100.00%
Flexible-working Hours	Y	N/A	N/A

In response to the outbreak of COVID-19 during the year, we have identified roles which are critical for our operations at the office and roles that can be executed remotely. We then turned our once-a-week work-from-anywhere (WFA) arrangement into a broad-based remote work policy for 69.50% of our employees. This allowed most of our employees to work off-site and only report to the office whenever deemed necessary. We plan to continue with this arrangement on account of sustained productivity and positive feedback we have gathered from our employees, but most importantly, to ensure their health and safety amidst the pandemic.

As a testament to our efforts into taking care of our employees, we have recorded a lower attrition rate from the past year. In 2019, our attrition rate was 29%; compared to 2020, it went down to 19%.

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees		
Female employees	90	2,319 hours
Male employees	142	3,659 hours
Average training hours provided to employees		
Female employees	90	25.77 hours/ employee
Male employees	142	25.77 hours/ employee

Across the Company, our culture and practices determine our approach to recruitment and people management, ensuring that we have access to the appropriate skill sets required across the business and that our people are fully engaged. In the area of development, we have adopted a holistic approach for professional development so both our staff and management can envision and plan their personal growth and career development knowing that they are supported by the organization. To give a sense on how we integrate learning opportunities, the table above shows our training and development data.

At a more detailed level, a total of 232 employees have undergone training on business, leadership, technical, and behavioral courses throughout the year. Our female and male employees equally received an average training hours of 25.77 hours per employee, emphasizing our commitment to providing gender equality in our workforce.

Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	None	%
Number of consultations conducted with employees concerning employee-related policies	None	#

None of our employees are covered by Collective Bargaining Agreements. We ensure that we maintain a working environment that is conducive to open discussion and collaboration, with the goal of enabling everyone to work together towards better working conditions and enhancing the organization's overall productivity. In 2020, we have no reported issues on labor management relations, and we recorded a 91% rating for employee engagement participation – a testament to our efforts in making our employees feel that they can raise any concerns that may affect their stay with us.

WORKPLACE CONDITIONS, LABOR STANDARDS, AND HUMAN RIGHTS

We consistently comply with all applicable governmental regulations designed to protect the overall well-being of our employees. We provide health care services directed at prevention of disease, protection from health hazards, and maintenance of health. We implement programs designed to promote a culture of healthy lifestyle and disease prevention and maintain a workplace that is free from drug abuse. In addition, we regularly provide learning sessions to increase the skills of our employees in managing their personal finances, mental health and even their spiritual well-being. Our Policy and Data Relating to Health, Safety, and Welfare of Employees Including Company Sponsored Trainings can be found here: https://www.ptt.com.ph/policies/#health-safety-welfare

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	73,040[1]	Man-hours
No. of work-related injuries	None	#
No. of work-related fatalities	None	#
No. of work-related ill-health	16[2]	#
No. of safety drills	1	#

[1]*Since new management took over in August 2017.*

[2]*Due to COVID-19.*

We follow both principles of fairness and openness in all our employee-related process. We do not use forced or compulsory labor, and do not use child labor or employ people under minimum employment age limit. We strictly comply with government regulations on basic human rights as provided under the Philippine Constitution and the Universal Declaration of Human Rights. We however recognize the need to explicitly denounce forced labor and child labor in our policies and are committed to enact necessary revisions. We are actively coordinating with several groups, agencies, and organizations that focus on human/labor rights to further shape our current policy and impose the rule of law against forced and child labor.

Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	None	#

RELATIONSHIP WITH COMMUNITY

Because there is such urgent need for connectivity, we forged some partnerships to get involved and help the country navigate this national emergency.

To support its COVID-19 response, the Department of Health (DOH) tapped PT&T in 2020 as its connectivity and technology partner and was renewed in 2021. PT&T services include:

1. Supply of a multi-redundant 1Gbps Leased Line installed in less than a week from Project Kickoff;
2. Provision of Cisco ISR Router with 1Gb Capacity;
3. Set-up of security service to prevent Anti-DDoS attack; and
4. BGP Implementation for high availability and DNS Configuration in its Manila Headquarters.

PT&T is also the primary connectivity partner of the Manila City Health Office. We power grassroots Internet service in 40 Barangay Health Centers, providing timely administration of primary healthcare at the community level and exchange and steady flow of health information between the City Health Office and the different Barangay Health Centers.

We teamed up with the Engineering Department of the University of Santo Tomas and Lenovo to provide internet and IT services to critical health facilities in Manila and installed internet connections at Delpan Evacuation Center, Belmonte Health Center, and Health Center District Office. These centers monitor and provide support to suspected and confirmed COVID cases in the city.

We also recognize the need to assist our community during this health crisis. PT&T provided logistical support to I Am Hope Organization, a not for profit organization aiding frontliners, hospitals, and other sectors of the community in need of assistance.

While COVID-19 has transformed education dramatically when schools shut down all over the country, we quickly redirected our efforts and acknowledged the distinctive rise of e-learning and

Department of Health (DOH) partners with PT&T for a Network and Connectivity Project

Go Philippines partners with PT&Tto offer critical Broadband Internet solutions for the academe.

the adoption of distance learning tools to overcome the challenges of this pandemic. Partnering with Go Philippines allowed us to offer critical Broadband Internet solutions for the academe, improving user experience for quality education, as well as to support our nation in providing telecommunications infrastructure for the education sector.

Our affordable rates and customized services have allowed us to realize our goal of connecting communities and empowering Filipinos to enrich their lives through digital service. Our diverse client base is in itself a testament of how we positively contribute to nation-building through our digital services.

As we embark on a network transformation plan, rollouts may have to be made in areas where indigenous people reside. We plan to consult these communities to promote healthy collaboration, support them economically, and build trust-based relationships. We also see an opportunity to focus on our communication and stakeholder engagement while ensuring minimal to no collision with the surrounding local community where projects/plans are to be rolled-out. Beyond compliance, our commitment to sustainability is realized through continuous interactions with the affected stakeholders, most importantly with local communities.

CUSTOMER MANAGEMENT

The year 2020 was by far the most challenging year of any decade in the present century. The pandemic has brutally impacted all our customers most especially SME's, some of which were forced to stop operating due to the global crisis. The need for a deeper understanding of the Customer Journey in times of crisis became even more crucial for the Customer Service (CSD) team to explore and adapt to. It became incumbent upon the CSD team together with top management to create new and enhanced protocols to primarily:

1. Assist customers in redefining their new work arrangements (Work from Anywhere) to ensure the health and safety of their employees; and
2. Provide financial relief to those that were heavily impacted by the situation.

Understanding the journey from our customer's perspective and identifying opportunities to make their lives easier prompted CSD to develop and launch the "Kamustahan" program for 2020. This program is geared towards engaging with our customers more, checking in on them regularly, find out the operational adjustments they have implemented to protect their employees, determine the areas that PT&T could lend support to make it easy for our customers in the short term, and identify opportunities to provide assistance, when and where needed. Among the challenges that customers sought assistance on were:

1. Bandwidth upgrades for customers who employed better technology and requiring higher speeds;
2. Bandwidth downgrades from their current subscription as majority of employees were forced to work from home; and
3. Financial relief for customers who were forced to either go on temporary business suspension, cost cutting and worst, business closure.

In all these challenges, PT&T stood hand in hand with customers by speeding up the processing of their requests to meet the urgency of their needs at very affordable or discounted rates. For customers that went on temporary business suspension, PT&T allowed customers to temporarily disconnect their circuits to prevent the bill from piling up. Financial assistance was extended to customers through easy payment plans, bill discounts for the months that the ECQ was implemented, and even extended the payment terms for a maximum period of 6 months.

For those who continued their business operations, PT&T Customer Service remained operational at 100% capacity, in all contact points, 24x7. In addition, all technical teams were on hand to resolve any service-related trouble issue experienced by them.

While 2020 may be a most memorable year with all the difficulties that the global pandemic brought with it, it also spawned the deepening of relationships with our customers through shared sacrifices. As such, our customer satisfaction (CSAT) grew from 80% in end-2020 to 87% as of June 2021, while our Net Promoter Score (NPS) increased from 33% in end-2020 to 58% as of June 2021.

Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction	80%	N

Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety[1]	None	#
No. of complaints addressed	None	#

[1]Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

PT&T's marketing and labelling efforts are mostly evident through the maintenance of its website at www.ptt.com.ph, which caters to its stakeholders including regulators, clients, customers, and future investors. The Company also does on ground activations where branding messages and labeling are apparent on its marketing materials.

PT&T assures that all materials sealed with its branding are clear and concise. The Company also guarantees that it complies with the Department of Trade and Industry's (DTI) policies and regulations.

PT&T is also present in social media platforms (i.e. Facebook, Twitter, YouTube, and LinkedIn). As false information on websites and other social media platforms are becoming rampant, PT&T ensures that all data uploaded and posted on its website and social media platforms are accurate, secured, and up to date.

The impact of digitalization has acted as a catalyst for employment growth and the digital revolution created new roles in the workforce. Thus, the Company sees an opportunity for its employees to learn and explore more about digital marketing. As a telecom and IT services company, PT&T is on its way to improving its marketing and labelling strategies by shaping its employees to be in the forefront of digital marketing.

Marketing and Labelling

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and Labelling[1]	None	#
No. of complaints addressed	117	#

[1]Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

Customer Privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy[1]	None	#
No. of complaints addressed	None	#
No. of customers, users, and account holders whose information is used for secondary purposes	None	#

[1]Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

PT&T strictly complies with Republic Act No. 10173 otherwise known as the Data Privacy Act of 2012.

PT&T recognizes the importance of maintaining the confidentiality of all its proprietary information and the employees categorically agree to prevent loss, misuse, theft, fraud, and improper access of such confidential and proprietary information. The Company commits to protect all its customers' proprietary and confidential information and ensures that these are strictly adhered by the management and employees as part of the Company's Code of Business Conduct and Ethics.

As trust in all technology-based businesses are declining due to concerns over data privacy, security, and falsification of posted information on website and other social media platforms are becoming rampant, the Company continues to adopt information security measures that outlines policies, procedures, and processes that effectively protect data of its customers from any internal or external security threats. The Company adopts the principle of privacy by design and will ensure that the definition and planning of all new or significantly changed systems that collect, or process personal data will be subject to due consideration of privacy issues, including the completion of one or more privacy impact assessments.

Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data	None	#

PT&T is committed towards securing the confidentiality, integrity, and availability of information for the day-to-day business and technical operations covering all business units. The security of information and other assets is therefore regarded as fundamental for the Company's successful business operations. The Company regularly updates its security/software to protect all of its confidential and proprietary information. This also helps show visibility of any possible security threat and stop any possible breach before it actually happens.

As outdated security software triggers vulnerability of the overall data security system of the Company, loss of proprietary and confidential information leads to reputational risk. To prevent this, PT&T guarantees that there is a continuous upgrade of its firewall, endpoint security and anti-virus definition to ensure safety of its servers and workstations. Web Application Firewall (WAF) is also regularly configured for the security of the Company's web-based applications and its data. The Company's Anti-DDOS system also monitors possible network and server threats that can compromise data security. The Company and its employees follow the policy to be fair and proportionate when considering the actions to be taken to inform affected parties of breach or misuse of any sensitive data.

A standardized and well implemented data security management steer clears any possible additional operational expense and reputational damage to the company. PT&T warrants a regular and constant update of its data security programs. Preventive security measures like data backup, recovery, and firewall are in place. The Company acknowledges the need for continual improvement and has introduced methods to ensure its effectiveness to further strengthen data security processes. The Company also takes precautions and educates its employees not to share any sensitive and confidential information.

UN SUSTAINABLE DEVELOPMENT GOALS

Connectivity Business

We provide connectivity through broadband high-speed internet access via fiber and wireless. We define our value creation by promoting a culture of responsible stewardship so we can empower the public and private sector to advance the Philippine economy's progress and growth.

PT&T's Connectivity business is aligned with SDGs 1, 4, 5, 8, 9, 10, 11, 12, 13.

IT Services Business

We aspire to become a digital services provider to offer services beyond connectivity and to attract new clients to serve the needs of an untapped market. We enable corporate and small and medium businesses, as well as the public sector, to be market relevant through our wide range of offerings under Infrastructure, Cybersecurity, Communication, Productivity, and Resiliency segments.

PT&T's IT Services business is aligned with SDGs 1, 4, 5, 8, 9, 10, 11.

Commitment & Compliance

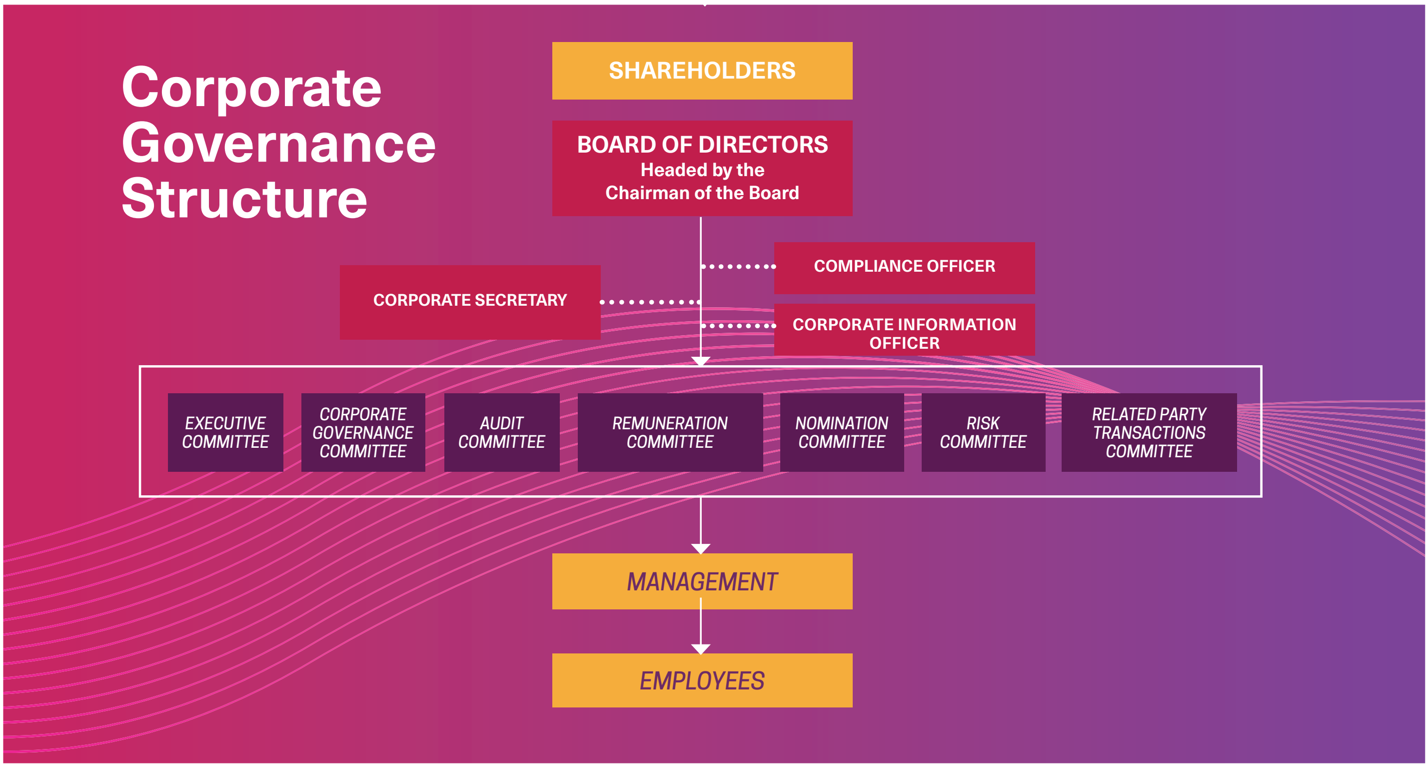
CORPORATE GOVERNANCE

Corporate Governance

Philippine Telegraph & Telephone Corporation (PT&T or Company) is strongly committed in observing the highest standards of corporate governance to serve the best interests of all stakeholders. PT&T believes that effective corporate governance is a necessary component of what constitutes sound strategic business management. By implementing the principles of corporate governance throughout its operations, PT&T will not only maximize its resources but will also ensure the long-term viability of the Company.

Maintaining this strong foundation of good governance becomes more essential as a guide to PT&T's attainment of its corporate goals as it grows both in its existing space and in the new markets it enters. PT&T hereby declares its continuing commitment to its Vision, Mission, and Corporate Values. To this end, PT&T undertakes to continuously exert every effort necessary to improve its corporate governance practices and increase awareness of corporate governance principles within its organization.

To supplement the Company's Articles of Incorporation and By-Laws and institutionalize the principles of good corporate governance practices within the Company, the Board of Directors approved PT&T's Revised Manual on Corporate Governance which may be found on the PT&T website. By implementing the Revised Manual, the Board can ensure that PT&T is fully compliant with the requirements of the Code of Corporate Governance for Public Companies and Registered Issuers as approved by the Securities and Exchange Commission (SEC) under Memorandum Circular No. 24-2019, the rules of the Philippine Stock Exchange (PSE), and other relevant regulations issued and adopted by the SEC.



BOARD OF DIRECTORS

Key Roles and Responsibilities for Corporate Governance

Compliance with the principles of good governance shall start with the Board of Directors (Board). It shall be the Board's responsibility to foster the long-term success of the Company and secure its sustained competitiveness in the global environment in a manner consistent with its fiduciary responsibility which it shall exercise in the best interest of the Company, its stockholders, and other stakeholders. The Board is primarily responsible for the Corporate Governance of the Company. In the performance of its responsibilities and functions, the Board shall ensure that it conducts itself with utmost honesty and integrity.

- To ensure good governance in the Company, the Board should establish the vision and mission, strategic objectives, and key policies and procedures for the management of the Company. The Board shall likewise establish a mechanism for monitoring and evaluating Management's performance.
- To the extent set forth above, the Board shall orient all its activities towards three (3) general guidelines:
    - All actions taken by the Board are subject to the principle of legal permissibility. The Board must not violate any law, rule or regulation, and the Company's constitutive documents.
    - All actions taken by the Board are subject to the principle of economic usefulness. The Board should contribute to increasing the value of the Company in a sustainable manner.
    - The Board should, when carrying out its duties, be aware of its duty as the governing body of a publicly listed company.
- The Board shall also ensure that the Company complies with all relevant laws, regulations and as far as possible best business practices and that all the Directors, Executive Officers and employees adhere to the Company's Manual on Corporate Governance and its Code of Business Conduct and Ethics;
- To ensure that the Company remains current and updated with developments in corporate governance practices, the Board shall also cause the Company to participate in various Corporate Governance forums, seminars, conferences, and initiatives such as the Corporate Governance Scorecard.
- The Board shall ensure the presence and adequacy of internal control mechanisms for good governance. The minimum internal control mechanisms for the Board's oversight responsibility include, but shall not be limited to:
    - Ensuring the presence of organizational and procedural controls, supported by an effective management information system and risk management reporting system;
    - Reviewing conflict-of-interest situations and providing appropriate remedial measures for the same;
    - Appointing a Chief Executive Officer (CEO) with the appropriate ability, integrity, experience, and defining the duties and responsibilities of the CEO;
    - Reviewing proposed senior management appointments;
    - Ensuring the selection, appointment and retention of qualified and competent management;
    - Reviewing the Company's personnel and human resources policies, compensation plan, and the management succession plan;
    - Institutionalizing the internal audit function; and
    - Ensuring the presence of, and regularly reviewing, the performance and quality of external audit.

Composition

The Board is composed of nine (9) directors who are elected annually by the Company's stockholders. Each Director shall hold office for one (1) year and until their successors are elected and qualified in accordance with the By-Laws of the Company.

The Board shall have at least four (4) Independent Directors or such number of Independent Directors that constitute one-third (1/3) of the number of the members of the Board, whichever is higher.

As of 31 December 2020, the Company has nine (9) Directors, four (4) of which are Independent Directors.

The membership of the Board may be a combination of executive and non-executive Directors (which include Independent Directors) in order that no director or small group of directors can dominate the decision-making process.

As a board diversity policy, no director or candidate for directorship shall be discriminated upon by reason of gender, age, disability, ethnicity, nationality, or political, religious, or cultural backgrounds.

Lead Director

To ensure independent views and perspectives and avoid the abuse of power and authority, and potential Conflict of Interest, the Board shall designate one Lead Director among the Independent Directors.

The Company's Lead Director as of 31 December 2020 is Mr. Roberto B. Ortiz.

QUALIFICATIONS AND DISQUALIFICATIONS OF DIRECTORS

To ensure the effectiveness and impartiality of the Board, the Company adheres to the minimum qualifications required under the Code of Corporate Governance and ensures that all its Directors possess the qualifications and none of the disqualifications in accordance with the Company's Revised Manual on Corporate Governance and the Charter of the Board.

Qualifications of Directors

In addition to the qualifications for membership in the Board provided for in the Revised Corporation Code, Securities Regulation Code, and other relevant laws, a Director shall have the following qualifications:

- Ownership of at least one (1) share of the capital stock of the Company;
- College education or equivalent academic degree;
- Practical understanding of the business of the corporation and/or business experience;
- Membership in good standing in relevant industry, business or professional organizations; and
- Possesses integrity, probity, and shall be diligent and assiduous in the performance of his functions.

L to R: President and CEO James G. Velasquez, Chairman Salvador B. Zamora II, and Corporate Secretary Kenneth Joey H. Maceren during the 2020 virtual Annual Stockholders' Meeting, Makati City

Disqualifications of Directors

- Any person convicted by a competent judicial or administrative body of any crime that (a) involves purchase or sale of securities, e.g., propriety or non-proprietary membership certificate, commodity futures, contract, or interest in common trust fund, preneed plan, pension plan or life plan; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;
- Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the SEC or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities;

  The disqualification shall also apply if such person is currently the subject of an order of the SEC or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the SEC or Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the SEC or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership participation or association with a member or participant of the organization;
- Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;
- Any person who has been adjudged by final judgment or order of the SEC, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of Corporation Code, Securities Regulation Code or any other law administered by the SEC or BSP, or any of its rule, regulation or order;
- Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation;
- Any person judicially declared as insolvent;
- Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the foregoing paragraphs above;
- Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment;
- Any person engaged in any business which competes with or is antagonistic to that of the Company. Without limiting the generality of the foregoing, a person shall be deemed to be so engaged –
  - If he is an officer, manager or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of any corporation) other than one in which the Company owns at least 30% of the capital stock) engaged in a business which the Board, or at least three-fourths (3/4) vote, determines to be competitive or antagonistic to that of the Company; or
  - If he is an officer, manager or controlling person of, or the owner of any outstanding class of shares of any other corporation or

entity engaged in any line of business of the Corporation, when in the judgment of the Board, by at least three-fourths (3/4) vote, the laws against combinations in restraint of trade shall be violated by such person's membership in the Board; or
- If the Board, in exercise of its judgment in good faith, determines by at least three-fourths (3/4) votes that he is the nominee of any person set forth in the foregoing paragraphs.
- In determining whether or not a person is a controlling person, beneficial owner, or the nominee of another, the Board may take into account such factors as business and family relations.

Temporary Disqualifications of Directors

A Director may be temporarily disqualified for any of the following reasons:

- Refusal to fully disclose the extent of his business interest as required to comply by the Securities Regulation Code and its Implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists;
- Dismissal or termination for cause as a director of any corporation. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination;
- Being placed under preventive suspension by the Company for any reason;
- If any of the judgments or order cited in the grounds for disqualification of Directors has not yet become final; or
- Absence in more than fifty percent (50%) of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless his absence is due to justifiable reasons, such as illness, death in the immediate family, and serious accidents. This ground shall only disqualify a Director from being re-elected in the immediately succeeding election.

Except for the ground cited under paragraph (e), a temporarily disqualified Director shall, within sixty (60) business days from his receipt of notice of such temporary disqualification from the Board, take the appropriate action to remedy or correct the disqualification. If he unjustifiably fails or refuses to do so, the disqualification shall become permanent upon the lapse of the 60-day period.

Additional Qualifications for Independent Directors

To further bolster the objectivity of the Board, the Company ensures that its Independent Directors possess the additional qualifications prescribed by the Code of Corporate Governance.

Independent Directors shall hold no interests or relationships with the Company that may hinder their independence from the Company or Management which may interfere with the exercise of independent judgment. If an Independent Director subsequently becomes an officer or employee of the Company, the Company shall forthwith cease to consider him as an Independent Director.

Ideally, an Independent Director refers to a person who:

- Is not, or has not been a senior officer or employee of the Company unless there has been a change in the controlling ownership of the Company;
- Is not, and has not been, in the three (3) years immediately preceding the election, a Director of the Company; a Director, officer, employee of the Company's subsidiaries, associates, affiliates or related companies; or a director,

officer, employee of the Company's substantial shareholders and its related companies;
- Has not been appointed in the Company, its subsidiaries, associates, affiliates or related companies as chairman "emeritus," "ex-officio" director/officer or member of any advisory board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities within three (3) years immediately preceding his election;
- Is not an owner of more than two percent (2%) of the outstanding shares of the Company, its subsidiaries, associates, affiliates or related companies;
- Is not a relative of a Director, officer, or substantial shareholder of the Company or any of its related companies or of any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister and the spouse of such child, brother or sister;
- Is not acting as a nominee or representative of any Director of the Company or any of its related companies;
- Is not a securities broker-dealer of listed companies and registered issuers of securities. "Securities broker-dealer" refers to any person holding any office of trust and responsibility in a broker-dealer firm, which includes, among others, a Director, Officer, principal stockholder, nominee of the firm to the PSE, an associated person or salesman, and an authorized clerk of the broker or dealer;
- Is not retained, either in his personal capacity or through a firm, as a professional adviser, auditor, consultant, agent or counsel of the Company, any of its related companies or substantial shareholder, or is otherwise independent of Management and free from any business or other relationship within the three (3) years immediately preceding the date of his election;
- Does not engage or has not engaged, whether by himself or with other persons or through a firm of which he is a partner, director, or substantial shareholder, in any transaction with the Company or any of its related companies or substantial shareholders, other than such transactions that are conducted at arm's length and could not materially interfere with or influence the exercise of his independent judgment;
- Is not affiliated with any non-profit organization that receives significant funding from the Company or any of its related companies or substantial shareholders; and
- Is not employed as an executive officer of another company where any of the Company's executive officers serve as Directors.

Related companies, as used in this section, refer to (i) the Company's holding/parent company; (ii) its subsidiaries; and (iii) subsidiaries of its holding/parent company.

Annual Training
The Company provides its Directors with relevant trainings and seminars, including an orientation program for first time Directors and annual training for all Directors. The Company likewise ensures that these trainings shall comply with the requirements of the SEC.

In 2020, all the Directors and officers of the Company completed their annual governance training as conducted by an SEC-accredited training provider – the Center for Global Best Practices Foundation.

MEMBERS OF THE BOARD OF DIRECTORS AND ATTENDANCE TO BOARD MEETINGS

The members of the Board for the year 2020 are the following:

NAME	POSITION	STATUS
Salvador B. Zamora II	Chairman	Incumbent
James G. Velasquez	Director	Incumbent
Miguel Marco A. Bitanga	Director	Incumbent
Salvador T. Zamora III	Director	Incumbent
Ma. Cristina Z. Borra	Director	Elected on 25 September 2020
Serafin C. Ledesma, Jr.	Independent Director	Incumbent
Bienvenido S. Santos	Independent Director	Incumbent
Roberto B. Ortiz	Independent Director	Incumbent
Carlos Andres V. Reyes	Independent Director	Elected on 25 September 2020

Board Meetings and Quorum Requirement
The Directors should attend and actively participate in the regular and special meetings in person or through teleconferencing or videoconferencing or by any other technological means allowed by the SEC.

Independent Directors should always attend Board meetings. Unless otherwise provided in the By-Laws, their absence shall not affect the quorum requirement. However, the Board may, to promote transparency, require the presence of at least one (1) Independent Director in all its meetings.

The Board shall designate the days when it shall meet, but it shall meet at least six (6) times each calendar year.

In 2020, the Board held three (3) regular board meetings, four (4) special board meetings, and one (1) organizational meeting. The table below summarizes the record of attendance of the Directors at the meetings held in 2020.

DIRECTOR	Jan 3 (S)	Feb 20 (S)	April 14 (R)	May 12 (S)	Jul 8 (S)	Jul 24 (R)	Sep 25 (O)	Dec 22 (R)	Summary
Salvador B. Zamora II	√	√	√	√	√	√	√	√	8/8
James G. Velasquez	√	x	√	√	√	√	√	√	7/8
Miguel Marco A. Bitanga	√	√	√	√	√	√	√	√	8/8
Salvador T. Zamora III	√	√	√	√	x	√	√	√	7/8
Serafin C. Ledesma, Jr.	x	x	√	x	x	√	√	√	4/8
Roberto B. Ortiz	x	√	√	√	√	√	√	√	7/8
Bienvenido S. Santos	x	x	√	x	x	√	√	√	4/8
Ma. Cristina Z. Borra	-	-	-	-	-	-	√	√	2/2
Carlos Andres V. Reyes	-	-	-	-	-	-	√	√	2/2

Legend:
(√) – present; (X) – absent; (R) – Regular Board Meeting; (S) – Special Board Meeting; (O) – Annual Stockholders'/Organizational Meeting

President and CEO James Velasquez during the 2020 virtual Annual Stockholders' Meeting

BOARD COMMITTEES

The Board may create such committees as it may deem necessary to support it in the performance of its functions and to aid in the implementation of corporate governance principles. The Board may delegate part of its rights and responsibilities to any of its committees.

The Board Committees shall be composed of Directors specifically chosen for their background and areas of expertise that will allow them to adequately perform the functions assigned to their committee. Membership of the committees shall also be reviewed annually, subject to the approval of the Board.

The Board is supported by seven (7) committees, namely: the (i) Executive Committee, (ii) Nomination Committee, (iii) Audit Committee, (iv) Compensation and Remuneration Committee, (v) Board Risk Oversight Committee, (vi) Related Party Transactions Committee, and (vii) Corporate Governance Committee. These committees are required to report to the Board a summary of the actions taken on matters submitted to them for consideration.

Each Board Committee shall have its own charter stating its respective purposes, memberships, structures, operations, reporting processes, resources, procedures and other relevant information. The Board Committee charters shall be reviewed annually, and current versions shall be posted on the Company website. The Board Committees shall be supported by the Office of the Corporate Secretary in the performance of their functions.

The Board may establish such other committees as may be deemed necessary for the best interest of the Company and other stakeholders.

<u>Executive Committee</u>

The Executive Committee shall be composed of three (3) members consisting of the Chairman of the Board, the President and a Director to be jointly appointed by the Chairman and the President. In the exercise of its functions, the Executive Committee shall be assisted by the Chief Financial Officer, Financial Controller, General Manager for Fixed Broadband, General Manager for IT Services and other officer as may be deemed necessary by the

Committee. The Executive Committee has the power to pass and act upon all matters as the Board may entrust to it for action in between meetings of the Board except those actions which, under the law, require the approval of the Board as a whole and/or shareholders.

The following are the members of the Executive Committee as of 31 December 2020:

Chairman	Salvador B. Zamora II
Member	James G. Velasquez
Member	Miguel Marco A. Bitanga

Corporate Governance Committee

The Corporate Governance Committee shall be composed of at least three (3) members, majority of whom shall be Independent Directors including the Chairman. In the exercise of its functions, the Corporate Governance Committee shall be assisted by the Corporate Secretary, Investor Relations Manager and Corporate Information Officer. One of its tasks is to ensure compliance to corporate governance principles and practices including legal and regulatory compliance.

As of 31 December 2020, all members of the Corporate Governance Committee are Independent Directors.

Chairman	Carlos Andres V. Reyes
Member	Serafin C. Ledesma, Jr.
Member	Bienvenido S. Santos

Audit Committee

The Audit Committee shall be composed of at least three (3) members, majority of which shall be Independent Directors. An Independent Director shall chair the Audit Committee. Each member of the Audit Committee shall, as far as practicable, understand accounting and auditing principles in general and of the Company's financial management systems.

In the exercise of its functions, the Audit Committee shall be assisted by the Chief Financial Officer, Financial Controller, Audit and Risk Officer, and appropriate personnel from the Finance Department. One of its tasks is to review the financial statements and related disclosures and reports certified by the Chief Financial Officer and released to the public or submitted to the Securities and Exchange Commission for compliance with regulatory requirements.

As of 31 December 2020, all members of the Audit Committee are Independent Directors.

Chairman	Roberto B. Ortiz
Member	Carlos Andres V. Reyes
Member	Bienvenido S. Santos

Related Party Transactions (RPT) Committee

The RPT Committee shall be composed of at least (3) members, majority of whom shall be Independent Directors. An Independent Director shall chair the RPT Committee. The members of the RPT Committee shall, as far as practicable, have an adequate working knowledge, experience or expertise that is relevant to the Company's operations and financial management systems and controls, and, in particular, an understanding of the Company's regulatory environment.

In the exercise of its functions, the RPT Committee shall be assisted by the Chief Finance Officer, Financial Controller, Head of the Legal Department and representative from the Treasury. One of its tasks is to support the Board in the optimal performance of its responsibilities in ensuring checks and balances in material related party transactions.

The RPT Committee is responsible for periodically reviewing the Company's RPT Policy as well as overseeing the implementation thereof. The RPT Policy may be viewed on the Company website at https://www.ptt.com.ph/policies/#related-party-transactions.

As of 31 December 2020, all members of the RPT Committee are Independent Directors.

Chairman	Serafin C. Ledesma, Jr.
Member	Carlos Andres V. Reyes
Member	Bienvenido S. Santos

Nomination Committee

The Nomination Committee shall be composed of three (3) incumbent members of the Board and one (1) of whom shall be an Independent Director who shall chair the Nomination Committee. In the exercise of its functions, the Nomination Committee shall be assisted by the Chief People and Culture Officer, Investor Relations Manager, Corporate Information Officer and other officers as may be deemed necessary by the Nomination Committee. One of its tasks is to screen and shortlist individuals nominated for Directors to ensure that all of them has the qualifications and none of the disqualifications specified under applicable laws, rules and regulations issued by appropriate government agencies including those provided in the Company's By-Laws and Manual on Corporate Governance.

As of 31 December 2020, the Nomination Committee is chaired by an Independent Director with the following members:

Chairman	Carlos Andres V. Reyes
Member	Ma. Cristina Z. Borra
Member	Miguel Marco A. Bitanga

Remuneration Committee

The Remuneration Committee shall be composed of such number of members as the Board shall designate but shall in no case be less than three (3) incumbent members of the Board. In the exercise of its functions, the Remuneration Committee shall be assisted by the Chief People and Culture Officer and Financial Controller. One of its tasks is to establish a formal and transparent procedure for developing a policy on executive remuneration and for the fixing of remuneration packages of Directors and officers and provide oversight over remuneration of officers and other key personnel, ensuring that compensation is consistent with the Company's culture, strategy, and control environment.

The following are the members of the Remuneration Committee as of 31 December 2020:

Chairman	Salvador T. Zamora III
Member	James G. Velasquez
Member	Miguel Marco A. Bitanga

Risk Committee

The Risk Committee shall be composed of three (3) members, majority of whom shall be Independent Directors. An Independent Director shall chair the Risk Committee. In the exercise of its functions, the Risk Committee shall be assisted by the Head of the Legal Department, Corporate Secretary, Financial Controller, Audit and Risk Officer, Vice-President for Network Engineering and Operations Management and other officers as may be deemed necessary by the Risk Committee. One of its tasks is to develop a formal enterprise risk management plan which contains the following information: (i) registry of risks, (ii) well-defined risk management goals, objectives and oversight, (iii) uniform processes of assessing risks and developing strategies to manage prioritized risks, (iv) designing and implementing risk management strategies, and (v) continuing assessments to improve risk management strategies, processes and measures.

As of 31 December 2020, the Risk Committee is chaired by an Independent Director with the following members:

Chairman	Bienvenido S. Santos
Member	Roberto B. Ortiz
Member	James G. Velasquez

The table below summarizes the memberships of the Directors in the different Board Committees:

NAME OF DIRECTORS	COMMITTEE MEMBERSHIP
Salvador B. Zamora II	Executive (Chairman)
James G. Velasquez	Executive Remuneration Risk
Miguel Marco A. Bitanga	Executive Nomination Remuneration
Salvador T. Zamora III	Remuneration (Chairman)
Ma. Cristina Z. Borra	Nomination
Serafin C. Ledesma, Jr.	Related Party Transactions (Chairman) Corporate Governance
Roberto B. Ortiz	Audit (Chairman) Risk
Bienvenido S. Santos	Risk (Chairman) Corporate Governance Audit Related Party Transactions
Carlos Andres V. Reyes	Nomination (Chairman) Corporate Governance (Chairman) Audit Related Party Transactions

MANAGEMENT

Management stands as the locus of decision-making for the day-to-day affairs of the Company. It determines the Company's activities by putting the Company's targets in concrete terms and by formulating the basic strategies for achieving these targets. It also puts in place the infrastructure for the Company's success by establishing the following mechanisms in the organization:

- Purposeful legal and organizational structures that work effectively and efficiently in attaining the goals of the Company;
- Useful planning, control, and risk management systems that assess risks on an integrated cross-functional approach;
- Information systems that are defined and aligned with Information Technology strategy and the business goals of the Company;
- A plan of succession that formalizes the process of identifying, training and selection of successors in key positions in the Company.

Management is primarily accountable to the Board for the operations of the Company. As part of its accountability, it is also obligated to provide the Board with complete, adequate information on the operations and affairs of the Company in a timely manner.

Executive Officers

The Executive Officers of the Company are the President/CEO, Treasurer, Corporate Secretary, and the Compliance Officer. Other Executive Officers of the Company include the Chief Operating Officer, General Managers, and Vice President. Executive Officers of the Company shall provide assistance to the President/CEO in the performance of his functions, shall perform their duties set forth in the By-Laws, and shall perform such other duties and functions as may be delegated to them by the Board.

To ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision-making, the roles of Chairman and the President/CEO are kept separate.

Corporate Secretary

The Board is assisted in its duties by a Corporate Secretary who is a separate individual from the Compliance Officer of the Company. The Corporate Secretary ensures that the Board and the Management will follow internal and external rules and regulations. He facilitates clear communications and work fairly and objectively with the Board, Management, stockholders, and other stakeholders. He also serves as an adviser to the Directors on their responsibilities and obligations.

Considering his varied functions and responsibilities, the Corporate Secretary must possess organizational and interpersonal skills, and the legal skills of a Chief Legal Officer. He must also have some financial and accounting knowledge. The incumbent Corporate Secretary of the Company is Atty. Kenneth Joey H. Maceren.

Compliance Officer

To ensure adherence to corporate principles and best practices, the Board shall appoint a Compliance Officer. The Compliance Officer monitors compliance by the Company with the Manual on Corporate Governance as well as the rules and regulations of various regulatory agencies. He is primarily liable to the Company and its shareholders, and not to the Chairman or the CEO. The Company's incumbent Compliance Officer is Atty. Renato M. Lee.

THE INTERNAL AUDIT

The Internal Audit conducts an independent, objective assurance, and consulting activity designed to add value and improve the Company's operations. The Internal Audit shall perform its functions faithfully and independently from the Management and controlling shareholders. The Internal Audit shall perform the following duties:

- The Internal Audit shall provide independent and objective assurance and advisory services to the Company designed to add value and improve on the Company's operations. It shall perform its auditing functions faithfully by maintaining independence from the Management and controlling shareholders;
- Provide the Board, Management, the stockholders, and other stakeholders an effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the Company for the benefit of all stockholders and other stakeholders. It shall also provide reasonable assurance that the Company's key organizational and procedural controls are effective, appropriate, and complied with;
- The Internal Audit shall review, audit and report on, among others, the effectiveness of the system of organizational controls, taking into account the nature and complexity of the business and the business culture, the volume, size and complexity of transactions, the degree of risk, the degree of centralization and delegation of authority, the extent and effectiveness of information technology, and the extent of regulatory compliance;
- The Internal Audit shall be headed by a qualified Internal Audit Group Head appointed by the Board and shall preferably be a Certified Public Accountant and/ or a Certified Internal Auditor. The Internal Audit Head shall report to the Audit Committee of the Board.
- The Internal Audit shall monitor and evaluate the Company's governance processes.

THE INDEPENDENT EXTERNAL AUDITOR

The Board, through the Audit Committee, shall recommend to the stockholders a duly accredited external auditor who shall undertake an independent audit and shall provide an objective assurance on the way in which the financial statements shall have been prepared and presented. The External Auditor of the Company as of 31 December 2020 is Alas Oplas & Co., CPAs.

The External Auditor shall:

- Perform fair audits independently from the Company, its management and controlling shareholders, so that shareholders and other users may maintain confidence in the Company's accounting information;
- Check whether any fact conflicts with the audit results in the information disclosed regularly with the audited financial statements, and demand correction, if necessary;
- Attend the annual stockholders meeting and answer any questions on audit reports and on themselves, their work and their remuneration;
- Perform such other functions as may be approved by the Board in its engagement of the auditor provided, however, that non-audit work shall not conflict with the functions of the auditor as External Auditor.

The appointment, reappointment, removal, and fees of the External Auditor shall be recommended by the Audit Committee, approved by the Board and ratified by the shareholders. The approved audit fees of the Company for 2019 and 2020 are summarized in the table below:

External Audit Fees	Audit and Audit-related Fees of the Company	
	CY 2020	CY 2019
Expenses	₱990,000	₱990,000
VAT	₱118,800	₱118,800
TOTAL	**₱1,108,800**	**₱1,108,800**

For removal of the External Auditor, the reasons for removal or change shall be disclosed to the regulators and the public through the Company website and required disclosures. Said report shall include a discussion of any disagreement with said former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which if not resolved to the satisfaction of the former auditor, would have caused making reference to the subject matter of the disagreement in connection with its report.

If the External Auditor believes that the statements made in an annual report, information statement or proxy statement filed during his engagement is incorrect or incomplete, he shall also present his views in said reports.

CODE OF BUSINESS CONDUCT AND ETHICS

The Company's Code of Business Conduct and Ethics aims to promote a higher standard of quality and business integrity to support the Company's business principles and nine core values which are Commitment to Excellence, Customer-Centricity, Collaboration, Honor, Agility, Accountability, Innovation, Nation, and Stakeholder Value. It embodies this unwavering commitment, and sets forth policies and guidelines on the following:

Compliance and Regulatory Issues

The Company shall strictly adhere and comply with all laws, rules and regulations especially those which are enacted for the purpose of regulating the Company's business and operations. The Company recognizes the importance of this policy being a publicly listed company whose operations and services are imbued with public interest.

Internally, the Company shall impose rules and regulations that would ensure that the Directors, officers and employees shall adhere to all applicable laws, rules and regulations and to faithfully comply with the policies of the Company which are intended to achieve such goal.

To ensure that fraud, manipulation or any other fraudulent practices and illegal activities will be prevented and/or penalized, PT&T implemented an Insider Trading Policy which may be viewed at https://www.ptt.com.ph/policies/#insider-trading.

Relationship and Fair Dealing

The Company shall provide adequate, reliable and efficient service at reasonable cost to all customers. The Company shall always be mindful that it is a grantee of a legislative franchise that is tasked, first and foremost, to provide a basic service to the public.

The Company shall treat its employees fairly and will not tolerate acts of discrimination on account of gender, religion, age, nationality, family status or other reasons prohibited by law. The hiring, compensation, promotion and other personnel development within the Company shall be strictly based on qualification and performance.

The Company renounces any forms of sexual harassment and implements a zero tolerance for sexual intimidation and exploitation. To supplement the Code of Business Ethics and Conduct, PT&T implements a Non-Discrimination and Anti-Harassment Policy which may be viewed at https://www.ptt.com.ph/policies/#discrimination.

The Company shall promote a culture that would develop harmonious relationship between different departments and among its employees based on mutual understanding, trust and respect. The Company shall treat everyone with respect.

In all its transactions and dealings with its customers, business partners, suppliers and employees, the Company shall always be guided by the principle of good faith and professionalism.

Conflict of Interest

As a policy, the Company shall ensure that its Directors, officers and employees shall always act in the best interest of the Company and avoid activities or dealings which could impair their ability to uphold the best interest of the Company.

There is a conflict of interest when the private interest of a Director, officer or employee ("Concerned Personnel"), their spouse or any of their relatives within the fourth degree of consanguinity or affinity interferes or appears to interfere with the interests of the Company. Conflict of interest likewise arise when the Company enters into a contract with any firm or entity whose controlling interest are owned, directly or indirectly, by the Concerned Personnel, their spouse or any of his relatives within the fourth degree of consanguinity or affinity.

The Concerned Personnel are strongly advised to avoid any situation that may create a conflict between their personal interests and that of the Company. If a conflict-of-interest situation arises, it must be disclosed in writing to the Company in order to determine the appropriate course of action. In resolving conflict of interest cases, the interests of the Company and its shareholders shall always be protected and shall not be compromised.

PT&T's policy on Conflict of Interest is posted on the Company website at https://www.ptt.com.ph/policies/#conflict-of-interest.

Confidentiality

The Company shall enact policies that are intended to protect its proprietary and confidential information and to ensure that the said policies are strictly adhered to by the Directors, officers and employees of the Company. All Directors, employees and other personnel are required to sign contracts with adequate confidentiality clauses intended to protect any confidential information pertaining to the Company, its Directors, officers, other employees and clients.

The employees recognize the importance of maintaining the confidentiality of all the Company's proprietary information and the employees categorically agree to prevent loss, misuse, theft, fraud and improper access of such confidential and proprietary information.

Risk Management

The Company recognizes that risks are inherent in every business or commercial undertaking. Given the interest of the public on the services that the Company provides and its duties and responsibilities to its shareholders and investors, there is an imperative need for the Company to prevent and minimize the risks in every transaction or business venture that it will be engaging in to.

The Company continuously refines its risk management program, including enterprise risk management and plans for business continuity. In particular, PT&T's risk management framework provides guidelines for dealing with:

- operational risks,
- cybersecurity risks,
- risks from new technologies,
- risks from competition,
- regulatory risks,
- reputational risks, and
- climate-related risks.

Shareholder and Investor Relations

The Company shall, at all times, respect and protect the rights and interests of its shareholders and investors. In all its business dealings and transactions, the Company shall be mindful of the shareholders and investors right of a fair return of their investment. The Company or any of its Directors, officers or employees shall not act or omit to perform any act that would tend to put at risk and jeopardize the value of investments made in the Company.

The Company shall recognize the right of every shareholder to inspect the Company's books and records in accordance with the law. The Company shall refrain from doing acts which tends directly or indirectly deny such right of the shareholder except in cases allowed by law.

To ensure transparency in the Company's true financial condition, the Company shall engage the services of a reputable independent auditor who will audit and prepare the Company's financial statements.

Corporate Social Responsibility

The Company shall initiate or support socioeconomic programs and activities that will help promote and improve the lives of the Filipinos.

The Company shall ensure that it will be conducting its operations in a safe manner not only to protect the lives and welfare of its employees but more importantly, to ensure that the public will not be harmed and affected in any of the Company's activities.

Copies of the Company's Code of Business Conduct and Ethics have been distributed to all Directors, officers, and employees to inform them of the mandates and policies of the Company as they are required to adhere to it. The Code of Business Conduct and Ethics is also posted on the Company website at https://www.ptt.com.ph/code-of-business-conduct-and-ethics/.

Any director, officer, or employee who does not comply with the provisions of the Company's Code of Business Conduct and Ethics shall be subject to a range of disciplinary actions, up to and including dismissal, without prejudice to any civil or criminal proceedings that the Company or appropriate regulators may file for violation of existing laws. In addition, violations of these guidelines could result in criminal penalties and/or civil liabilities.

WHISTLEBLOWING POLICY

In line with its thrust on honesty, accountability and transparency, the Company adopted a mechanism to encourage its Directors, officers and employees to report or disclose their concerns, in good faith and without fear of reprisal, on any unethical, dishonest, fraudulent, illegal behavior within the organization including acts or omissions that violates the policies of the Company. PT&T's Whistleblowing Policy may be viewed on the Company website at https://www.ptt.com.ph/policies/#structure.

SUSTAINABILITY

The Company recognizes the importance of the interdependence between business and society and promote a mutually beneficial relationship that allows the Company to grow its business, while contributing to the advancement of the society where it operates. Living up to our mission also means becoming a responsible company that would contribute to nation-building. To that end, the Company is passionate about the economic dimension of our sustainability agenda so we could continue delivering and distributing economic value to our stakeholders.

COMPANY WEBSITE

In the pursuit of the PT&T's drive to continuously improve awareness of best practices in the conduct of its business and operations especially in corporate governance across the organization, including dealings with its business partners and customers, the Company constantly updates its website, www.ptt.com.ph, with a section dedicated to Corporate Governance and Investor Relations.

The Corporate Governance section of the website contains all disclosures made by PT&T to the PSE and SEC, as well as its Manual, the Code, the Charters of the Board and its Committees, the Policies and other matters and information of relevance to all stakeholders. PT&T discloses its corporate governance practices, corporate events calendar, and other material information on its website in a timely manner.

The Investor Relations section houses all information that may be required by the investors, shareholders, and stakeholders. The site has been enhanced to be user-friendly and is accessible to the public at all times.

Board of Directors

Salvador B. Zamora II
Chairman

Mr. Zamora II has been the Chairman of PT&T since August of 2017. He is a renowned industry player throughout the country. He is also the Chairman and Chief Executive Officer of Tranzen Group Inc., a wholly owned Filipino holding company engaged in renewable energy generation, agro industries, and resort development.

He carved a name for himself in the Philippine mining industry in the 1970's by establishing Nickel Asia Corporation, the largest lateritic nickel ore producer in the Philippines and one of the largest in the world. He was the former President of Nickel Asia Corporation's operational sites: Hinatuan Mining Corporation, Taganito Mining Corporation and Cagdianao Mining Corporation. He served as the President and Chief Executive Officer of Nickel Asia Corporation from 2006 to 2009.

Mr. Zamora II formed Tranzen Group Inc. in 2008 with a vision to become a leading diversified conglomerate in the country. Tranzen Group along with Carbon Assets Fund of Cayman Island built the Philippines' first methane production plant in Rizal. Also in Tranzen Group's pipeline are significant projects in hydro power generation and mining interest in Dinagat Island.

He is also the Chairman of Philippine Phosphate Fertilizer Corporation, Bacavalley Energy, Inc., One Pacstar Realty Corporation, Two Pactstar Realty Corporation, Agusan Power Corporation, Philphos Trading Inc., Lear Aero Ltd., Inc., Libjo Mining Corporation, and Lake Mainit Hydro Holdings Corporation.

Mr. Zamora II graduated from Ateneo de Manila University in the Philippines and received his master's degree in Business Administration from New York University in the USA.

James G. Velasquez
Director

Mr. Velasquez has been a Director of PT&T since March of 2018 and has served as its President since June of the same year. Mr. Velasquez was a Senior Executive for IBM Global Technology Services – Asia Pacific, with 30 years' experience in running several business units in the Philippines, ASEAN and in Asia Pacific, focusing on P&L, IT Business Management, Operations, IT Infrastructure Management, and Regional Sales. He was previously the President and Country General Manager of IBM Philippines where he was responsible for the overall IBM business operations and led the company to both domestic and global delivery growth.

He previously served as Chairman of IBM Philippines and associated IBM subsidiaries, Board of Trustees of the PBSP, Board Member of the Management Association of the Philippines, Director of Asia Pacific College, and Board Trustees of UST Engineering Alumni Association. He is currently a board member of the Disaster Recovery Institute of the Philippines.

He was a recipient of the following recognitions: UST Engineering Centennial Award for Industry Leadership, UST's The Outstanding Alumni Award for Business Management, and Letran Alumni Award for Industry. He also received the CEO EXCel Awards in 2011 in addition to garnering various recognitions for IBM in the Philippines in the areas of Corporate Social Responsibility, Marketing Excellence, HR, and ICT.

Miguel Marco A. Bitanga
Director

Mr. Bitanga was a Director of PT&T from August of 2017 to September of 2018 and from June of 2019 to the present. He previously held the following positions: Managing Director of Benisons Shopping Center, Corporate Information Officer of MRC Allied, Inc. and Business Director of Flux Design Labs. He also sat on the Junior Advisory Board of Mano Amiga Academy, a non-profit organization that provides free education to children in need and employment to their mothers.

Mr. Bitanga graduated Cum Laude from Ateneo de Manila University with a Bachelor of Arts Degree in Interdisciplinary Studies. In 2015, he received a master's degree in Business Administration from IESE Business School in Barcelona, Spain.

Salvador T. Zamora III
Director

Mr. Zamora III has been a Director of PT&T since August of 2017. He is also currently connected with the following Corporations either as Director, Treasurer, or Corporate Secretary: Libjo Mining Corporation, Isarog Renewable Energy Corporation, SkytacticAero Philippines, Inc., Bacavalley Energy, Inc., La Costa Development Corporation, Inc., Lear Aero Ltd., Inc., Philippine Phosphate Fertilizer Corporation, Tranzen Group, Inc., and 5G Security Inc.

He received his Bachelor of Arts Degree in Music Business from University of New Haven (Connecticut) and MM Music Technology from New York University.

Ma. Cristina Z. Borra
Director

Ms. Borra has been a Director of PT&T since September of 2020. Ms. Borra's work experience spans 24 years. She started her career in 1996 as a part-time Executive Assistant at Hinatuan International Inc. In 1998, she conducted research on both local and international political issues and institutional policies for the Zamora Research Group. She started teaching Literature classes in 2000 for freshmen, sophomore, and graduate students at the University of Asia & the Pacific (UA&P). Deepening her career in teaching, she moved to Manresa School in 2015 as a full-time English Teacher. Most recently, Ms. Borra taught a fully online class for the Junior Academic Assistance Program of UA&P under Wordprime Reading Lab where she guided students in writing academic essays.

Ms. Borra received her Bachelor of Arts Degree in Humanities from the Center for Research and Communication – College of Arts and Sciences (CRC-CAS), now known as University of Asia & the Pacific. She took her master's degree in Liberal Studies under the Draper Program of New York University.

Serafin C. Ledesma, Jr.
Independent Director

Mr. Ledesma has served as an Independent Director of PT&T since July of 2018. He is from Davao City. He was a former Station Manager, News Director, and Program Director of various radio stations and news agencies in Mindanao. He was also a Branch Manager of Telefast Communications from 1976-1978. He served as Area Manager of Philippine Telegraph and Telephone Corporation from 1978-1982 and later on, the company's Vice-President for Mindanao from 1982-2001. From 1986-2001, he was a Co-Chairman of the Technical Working Group for the Interconnection of Telecommunications Network in Mindanao. He also served as a Director of Davao City Water District from 2014-2016 and is currently a columnist and opinion writer of Sun Star Davao and Philippine News Agency, respectively.

Mr. Ledesma is likewise active with various civic organizations. He is the former President of the following organizations: Davao Integrated Press Club (1974-1977), Media Dabaw (1978-1980), and Rotary Club of Davao (1997-1998).

Mr. Ledesma received his Bachelor of Science Degree in Natural Science from the Mindanao Colleges (now University of Mindanao).

Roberto B. Ortiz
Independent Director

Mr. Ortiz has served as an Independent Director for PT&T since July of 2018. He has over 27 years of experience in Finance, Corporate Governance, and Investment Banking.

Prior to this, he worked for Price Waterhouse (now PricewaterhouseCoopers) from 1987-1994. He was the former Vice-President for Finance of Consolidated Industrial Gases Inc. from 1994-2003. Mr. Ortiz was also the Chief Finance Officer of All Asian Countertrade, Inc. and its subsidiaries: Sweet Crystals Integrated Sugar Mill Corporation and Basecom Inc. from 2003-2009. He also served as Director and Chief Finance Officer of Total Nutrition Corporation since 2010.

Currently, Mr. Ortiz is a Director and CFO of Premiere Horizon Alliance Corporation (PHA) formerly Premiere Entertainment Philippines, Inc. He is also the Chairman of the Board of Goshen Land Capital Inc., a major real property developer in Baguio and Benguet. Due to his expertise and extensive experience in finance, he also serves as a financial advisor of various companies engaged in fintech and stock market investment.

Mr. Ortiz received his Degree of B.S. in Management Engineering from Ateneo de Manila University in 1973.

Bienvenido S. Santos
Independent Director

Mr. Santos has been an Independent Director of PT&T since June of 2019. He is the Chairman of several corporations including, BC Net, Asian Carmakers Corporation, GND Holdings, and Beebeelee. He is also the Vice-Chairman of Sta. Rosa Motor Works, Inc., Eurobrands Distributor Inc., Columbian Motors Corporation, Columbian Manufacturing Corporation, and Subic Air, Inc. He is also a Director and President of several other corporations operating different businesses in the Philippines.

Mr. Santos received his Bachelor of Science Degree in Management Engineering from Ateneo de Manila University.

Carlos Andres V. Reyes
Independent Director

Mr. Reyes has been an Independent Director of PT&T since September of 2020. He is currently the Assistant Vice President for Metro Manila Sales of Bluefire LPG Marketing.

Mr. Reyes received his Bachelor of Science Degree in Business Administration Major in Marketing Management from De La Salle College of Saint Benilde.

Management Team

MIGUEL MARCO A. BITANGA

JAMES G. VELASQUEZ

ANGELO MIGUEL R. ISIP

CONCEPCION D.S. ROXAS

JEFFREY E. JULIAN

PATRICK VINCENT G. PEÑA

ALBERTO P. AMBUYO

ELLA MAE ORTEGA-CORPUZ

JUANITA C. RIMANDO

KENNETH JOEY H. MACEREN

RENATO M. LEE

MARIA NIKKA N. ESPIRITU

MANAGEMENT TEAM PROFILE

JAMES G. VELASQUEZ
President and Chief Executive Officer

Mr. Velasquez has been a Director of PT&T since March of 2018 and has served as its President since June of the same year. Mr. Velasquez was a Senior Executive for IBM Global Technology Services – Asia Pacific, with 30 years' experience in running several business units in the Philippines, ASEAN and in Asia Pacific, focusing on P&L, IT Business Management, Operations, IT Infrastructure Management, and Regional Sales. He was previously the President and Country General Manager of IBM Philippines where he was responsible for the overall IBM business operations and led the company to both domestic and global delivery growth.

He previously served as Chairman of IBM Philippines and associated IBM subsidiaries, Board of Trustees of the PBSP, Board Member of the Management Association of the Philippines, Director of Asia Pacific College, and Board Trustees of UST Engineering Alumni Association. He is currently a board member of the Disaster Recovery Institute of the Philippines.

He was a recipient of the following recognitions: UST Engineering Centennial Award for Industry Leadership, UST's The Outstanding Alumni Award for Business Management, and Letran Alumni Award for Industry. He also received the CEO EXCel Awards in 2011 in addition to garnering various recognitions for IBM in the Philippines in the areas of Corporate Social Responsibility, Marketing Excellence, HR, and ICT.

MIGUEL MARCO A. BITANGA
Chief Operating Officer and Treasurer

Mr. Bitanga was a Director of PT&T from August of 2017 to September of 2018 and from June of 2019 to the present. He previously held the following positions: Managing Director of Benisons Shopping Center, Corporate Information Officer of MRC Allied, Inc. and Business Director of Flux Design Labs. He also sat on the Junior Advisory Board of Mano Amiga Academy, a non-profit organization that provides free education to children in need and employment to their mothers.

Mr. Bitanga graduated Cum Laude from Ateneo de Manila University with a Bachelor of Arts Degree in Interdisciplinary Studies. In 2015, he received a master's degree in Business Administration from IESE Business School in Barcelona, Spain.

ANGELO MIGUEL R. ISIP
Chief Finance Officer

Mr. Isip joined PT&T in 2018 as the Financial Controller. He has extensive experience in financial planning and analysis, financial reporting and analytics, strategic planning, corporate governance, and financial risk management.

Prior to joining PT&T, Mr. Isip served as a Finance Business Partner for the Lending Business of Globe Fintech Innovations, Inc. (Mynt); he was promoted shortly after to the position of Financial Controller. He also served as a Senior Financial Services Risk Advisory Associate in SGV & Co./EY Philippines.

He graduated Cum Laude from University of the Philippines with a Bachelor of Science Degree in Business Administration and Accountancy. He is a licensed Certified Public Accountant.

CONCEPCION D.S. ROXAS
Chief People and Culture Officer

Ms. Roxas is an experienced human resource practitioner. She was employed by companies in various capacities in the field of human resources: Supervisor, Manager, Recruitment Manager, Senior Manager, Consultant, Senior Consultant, and HR Director.

In the field of telecommunications, she worked for Smart Communications, Inc. from 1994-2005 where she held the following positions: Recruitment Consultant, Recruitment Manager, and Senior Manager. After leaving in 2005, she returned to Smart Communications, Inc. in 2015 as its Senior HR Consultant for Organizational Development. Before joining PT&T, Ms. Roxas was the HR Director of Conduit Global.

She is a graduate of University of Santo Tomas where she received her Bachelor of Science Degree in Psychology.

PATRICK VINCENT G. PEÑA
General Manager, Fixed Broadband

Mr. Peña's experience in the telecommunications industry started in 1996 when he worked for Smart Communications, Inc. His work focused primarily on sales and marketing. From 2000-2006, he was the Vice President for Sales and Marketing for Meridian Telekoms Inc., spending the last two years from 2004-2006 establishing Meridian's Broadband Wireless Product for the PLDT Group. In 2007 he was named as the Vice President and later, the Senior Vice President for Postpaid, Broadband, New Business, and Marketing Services of Digitel Mobile Phils., Inc. (Sun Cellular).

Mr. Peña received his Bachelor of Science Degree in Industrial Engineering from University of the Philippines - Diliman.

ELLA MAE ORTEGA-CORPUZ
General Manager, IT Services

Ms. Ortega-Corpuz is a Senior Executive with over 22 years of leadership experience in multinational businesses in the Information Technology and Services Industry. She started her career in IBM Philippines and developed her career as a Sales Professional and eventually a Sales Manager for 14 years. She gained her experience, knowledge, and skills in sales management, route to market management, customer relationship management, marketing, business, and sales operations by running several business units in the Philippines and in the ASEAN. Her last position in IBM Philippines was Territory Manager for Large Enterprise Accounts managing client relationships across the banking, manufacturing, insurance, and retail and distribution industry.

After her 14-year career in IBM Philippines, she served as the Vice President of Sales and Marketing for Fritz & Macziol Asia, Inc. which is an IT Systems Integrator based in Germany. She led a team of client executives, solution architects, sales operations, and marketing associates. Prior to joining PT&T, she also served as the Country Manager for Teradata Philippines from 2014-2018.

Ms. Ortega-Corpuz graduated Cum Laude with a Bachelor 's Degree in Business Administration at University of the Philippines - Diliman.

JEFFREY E. JULIAN
Chief Technical Officer

Mr. Julian has 21 years of experience in the telecommunications industry having worked in various capacities in different telecommunications companies in the Philippines and abroad. His prior experience includes stints as Senior Project Manager, Senior Consultant, Project Director, and National Project Head in various telecommunications projects with Nextel, Sun Cellular, Huawei, Ericsson, and Fiber Home.

Mr. Julian received his Bachelor of Science Degree in Electronics and Communications Engineering from University of Santo Tomas.

ALBERTO P. AMBUYO
Chief Information Officer

Mr. Ambuyo has been working in the IT industry for the past 30 years and has been involved in its various aspects. He has been part of database and systems management vendor teams for the past four years, specializing in pre and post sales consulting. Albert has also taken on technical support and implementation responsibilities for some of the projects that he has helped sell.

He has managed large-scale projects, implemented large-scale data warehouses and business intelligence projects, country-wide networks and large-scale solutions integration projects.

JUANITA C. RIMANDO
Vice President, Carrier and Wholesale Business

Ms. Rimando has 29 years of sales and executive work experience in the field of information and communications technology. Before joining PT&T, she was the Vice President for Business and Operations in Source Telecoms. She also worked at Wificity as Vice President for Business Development; Comclark Network & Technology Corporation as Division Head for Sales; Bayan Telecommunications, Inc. where she held various sales positions, where last of which was Head for Corporate Key Accounts and in Eastern Telecommunications, Inc.

She was formerly a Board of Director of Philippine Electronics and Telecommunications Federation (PETEF) and is currently a member of the Board of Director of Philippine Information and Communications Technology Organization (PICTO).

She is a graduate of Polytechnic University of the Philippines where she completed a bachelor's in Office Administration degree. She also completed a Six Sigma Greenbelt Course in Motorola University in Malaysia and master's degree in Development Management in Asian Institute of Management in Makati.

RENATO M. LEE
Compliance Officer

Mr. Lee acts as the Chief Legal Counsel of PT&T. He concurrently serves as the Managing Partner of R.M. Lee & Associates Law Offices. Previously, he worked as Corporate Secretary and Legal Counsel of the following companies: First Asia Mobile, Inc., Let's Do Mobile Philippines, Inc., Cellular Distributors and Connectivity, Inc., Totally Enhanced Mobile Solutions Corp., and PGA Group of Companies. He also served as the Legal Counsel for the following companies: Pilipino Cable, Neung Yule Eduphone, Inc., Philsteel Group of Companies. Prior to that, he was Assistant Vice President – Legal and Corporate Secretary for Tesco Services, Inc. He also served as Legal Consultant and Corporate Secretary of Optimum Healthcare Systems, Inc. He worked as a Legal Officer for Utilities Management Corporation. He was also an Associate Lawyer of Luna, Sison, Manas Law Office and a Legal Assistant of Paterno R. Canlas Law Offices.

Mr. Lee was affiliated with the following: Member of Integrated Bar of the Philippines – Makati chapter; Member of Telecommunications & Broadcast Attorneys of the Philippines, Inc. (TELEBAP); Member of Philippine Association on Voluntary Arbitration (PAVA); and FEU Law Alumni Association.

Mr. Lee received his degree of Bachelor of Laws from Far Eastern University.

KENNETH JOEY H. MACEREN
Corporate Secretary

Mr. Maceren is a lawyer with litigation and corporate practice. For his litigation practice, he handles criminal, civil, and labor cases. His corporate practice includes incorporation, business organization restructuring, and corporate housekeeping. Before joining PT&T, he previously worked for two publicly-listed companies as Legal Counsel of Megawide Construction Corporation and Legal Counsel and Corporate Secretary of MRC Allied, Inc. He also worked in a Makati-based law firm immediately after passing the Bar Examinations.

He graduated from San Beda University with a College of Law Degree and was admitted to the Philippine Bar in 2007.

MARIA NIKKA N. ESPIRITU
Assistant Corporate Secretary

Ms. Espiritu is a corporate lawyer and is the Assistant Corporate Secretary of PT&T. Before joining PT&T, she worked as an Associate Legal Counsel for the publicly listed construction firm Megawide Construction Corporation where she handled commercial transactions, 12 real property acquisitions, and project claims. She was also in charge of managing Megawide's labor and administrative issues. Prior to that, she was an Associate Lawyer of Puregold Priceclub, Inc. representing the company in various civil and criminal cases.

She obtained her bachelor's degree in Political Science from De La Salle University in 2011. She graduated with a Bachelor of Laws from San Beda University in 2016 and was admitted to the Bar the following year.

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In Accordance – Core Option

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GRI 102-1	Name of Organization	Philippine Telegraph & Telephone Corp. (PT&T)
GRI 102-2	Activities, brands, products, and services	30-47
GRI 102-3	Location of headquarters	Back cover
GRI 102-4	Location of operations	12-13
GRI 102-5	Ownership and Legal form	213
GRI 102-6	Markets served	30-47
GRI 102-7	Scale of the organization	9, 71
GRI 102-8	Information on employees and other workers	69-72
GRI 102-9	Supply chain	64
GRI 102-10	Significant changes to the organization and its supply chain	None
GRI 102-11	Precautionary Principle or approach	64-65
GRI 102-12	External initiatives	PT&T adheres to all Philippine laws, rules, and regulations as well as the laws in all other countries where the Company operates.
GRI 102-13	Membership of associations	46 Other memberships: 1. Philippine Cable Television Association Inc. (PCTA) 2. Philippine Network Operators Group (PhNOG) 3. Philippine Information Communication Technology Organization (PICTO)
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GRI 102-14	Statement from senior decision maker	14-27
GRI 102-15	Key impacts, risks, and opportunities	30-47, 64-65
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GRI 102-16	Values, principles, standards, and norms of behavior	2
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Reporting practice		
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GRI 102-46	Defining report content and topic Boundaries	60, 106-107
GRI 102-47	List of material topics	60
GRI 102-48	Restatements of information	None
GRI 102-49	Changes in reporting	None
GRI 102-50	Reporting period	This report covers the period of January 01, 2020 to December 31, 2020.
GRI 102-51	Publication date of most recent report	September 2020
GRI 102-52	Reporting cycle	Annual
GRI 102-53	Contact point for questions regarding the report	Jhonna Cañeja Corporate Information Officer and Investor Relations Manager investors@ptt.com.ph
GRI 102-54	Claims of reporting in accordance with the GRI Standards	3
GRI 102-55	GRI content index	106-107
GRI 102-56	External assurance	PT&T did not subscribe to external assurance except for its financial statements.

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GRI 201: ECONOMIC PERFORMANCE	Management Approach	18-27
GRI 201-1	Direct Economic Value Generated & Distributed	10
GRI 201-4	Financial assistance received from the gov't.	PT&T has not received any financial assistance or subsidy from the government for the current year.
GRI 203: INDIRECT ECONOMIC IMPACTS	Management Approach	18-27
GRI 203-1	Infrastructure investments and services supported	8-9, 75
GRI 204: PROCUREMENT PRACTICES	Management Approach	64
GRI 204-1	Proportion of spending on local suppliers	64
GRI 205: ANTI-CORRUPTION	Management Approach	63-64
GRI 205-2	Communication & training about anti-corruption policies & procedures	63-64

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GRI 302: ENERGY	Management Approach	66
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GRI 302-4	Reduction of energy consumption	66
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Equitable & Accountable

FINANCIAL REPORT

Scan the QR code to know more about PT&T's Financial Performance in 2020.

Corporate Information

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Twitter: www.twitter.com/PTTInternet
LinkedIn: www.linkedin.com/company/pttfiberinternet

Connectivity Inquiries: inquiries@ptt.com.ph
IT Services Inquiries: its@ptt.com.ph

Other Inquiries
For inquiries or concerns from analysts, institutional investors, the financial community, and the general public, please contact: investors@ptt.com.ph

For career opportunities and latest job openings, please contact: careers@ptt.com.ph

Shareholder Services and Assistance
For inquiries regarding dividend payments, change of address and account status, lost or damaged stock certificates, please contact:

Professional Stock Transfer, Inc.
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Makati City, 1226 Philippines
Email: info@professionalstocktransfer.com
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Copywriting and Copy Editing:	Rachelle Paunlagui – Onward Investor Relations Inc.
Photography	
Portraiture:	James Ona and Paul Quiambao
Operational:	PT&T Employees
Printer:	Primex Printers Inc.

The PT&T 2020 Annual and Sustainability Report cover was printed on Master White FSC-certified paper. The main pages were printed on Planner Paper Natural PEFC-certified paper.

Equitable & Accountable

FINANCIAL REPORT

Scan the QR code to know more about PT&T's Financial Performance in 2020.

Management's 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, 2020 and 2019 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 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.

Results of Operations based on Audited Financial Statements

	Audited	Audited	Audited			Audited
	One-year period	One-year period	Six-month period	Six-month period	Six-month period	One-year period
(in '000 Philippine pesos)	December 31, 2020	December 31, 2019	December 31, 2018	June 30, 2018	December 31, 2017	June 30, 2018
REVENUES	408,344	396,044	129,572	115,949	84,865	200,814
OTHER INCOME	30,280	8,645	3,900	5,192	6,378	11,571
	438,624	**404,688**	**133,472**	**121,141**	**91,243**	**212,385**
Core expenses						
SG&A	292,711	287,241	127,546	83,195	49,044	132,238
Leased channel	19,452	18,055	14,302	2,470	2,287	4,757
Cost of sales	36,925	48,351	-	-	-	-
CORE EXPENSES	**349,088**	**353,646**	**141,848**	**85,665**	**51,331**	**136,996**
CORE EBITDA	**89,536**	**51,042**	**(8,376)**	**35,476**	**39,913**	**75,389**
CORE EBITDA %	**20.41%**	**12.61%**	**(6.28%)**	**29.28%**	**43.74%**	**35.50%**
Depreciation and amortization	53,885	43,731	20,909	15,631	14,110	29,741
Interest expense	3,352	2,996	233	-	-	-
CORE EARNINGS	**32,299**	**4,315**	**(29,518)**	**19,845**	**25,803**	**45,648**
Non-core charges						
Penalties and fines	3,800	-	3,825	7,088	-	7,088
Non-core expense	19,350	13,909	34,930	11,366	-	11,366
Rehab interest expense	36,676	39,935	19,879	13,594	13,951	27,545
Non-core income	-	-	-	-	(53,880)	(53,880)
NON-CORE CHARGES	**59,825**	**53,845**	**58,634**	**32,048**	**(39,929)**	**(7,881)**
TOTAL EARNINGS (LOSSES)	**(27,526)**	**(49,529)**	**(88,153)**	**(12,203)**	**65,732**	**53,529**
Income tax expense/benefit	3,795	2,873	-	-	28,800	28,800
NET INCOME (LOSS)	**(31,321)**	**(52,403)**	**(88,153)**	**(12,203)**	**36,933**	**24,729**

Financial Highlights based on calendar year financial statements

	December 31, 2020				December 31, 2019				December 31, 2018		
(in '000 Philippine pesos)	Broadband Services	IT Services	Others		Broadband Services	IT Services	Others		Broadband Services	Others	
REVENUES[1]	**384,007**	**24,337**	**-**	**408,344**	**353,784**	**42,260**	**-**	**396,044**	**245,520**	**-**	**245,520**
OTHER INCOME	**-**	**-**	**30,280**	**30,280**	**-**	**-**	**8,645**	**8,645**	**-**	**9,093**	**9,093**
	384,007	24,337	30,280	438,624	353,784	42,260	8,645	404,688	245,520	9,093	254,613
Core expenses											
SG&A	258,676	28,179	5,856	292,711	253,427	16,626	17,188	287,241	177,409	33,332	210,741
Leased channel[2]	19,452	-	-	19,452	18,055	-	-	18,055	16,772	-	16,772
Cost of sales	15,117	21,807	-	36,925	16,582	31,769	-	48,351	-	-	-
CORE EXPENSES	**293,246**	**49,986**	**5,856**	**349,088**	**288,064**	**48,395**	**17,188**	**353,646**	**194,181**	**33,332**	**227,513**
CORE EBITDA[1]	**90,761**	**(25,649)**	**24,424**	**89,536**	**65,720**	**(6,134)**	**(8,543)**	**51,042**	**51,339**	**(24,239)**	**27,100**
CORE EBITDA %	**23.64%**	**-105.39%**	**80.66%**	**20.41%**	**18.58%**	**(14.5%)**	**(98.8%)**	**12.61%**	**20.91%**	**(266.6%)**	**10.64%**
Depreciation	52,857	1,028	-	53,885	42,061	1,629	41	43,731	35,917	623	36,540
Interest expense	-	-	3,352	3,352	2,650	222	123	2,996	186	47	233
CORE EARNINGS	**37,904**	**(26,676)**	**21,072**	**32,299**	**21,008**	**(7,986)**	**(8,707)**	**4,315**	**15,236**	**(24,909)**	**(9,673)**
Non-core charges											
Penalties and fines	-	-	3,800	3,800	-	-	-	-	-	10,913	10,913
Non-core expense	-	-	19,350	19,350	-	-	13,909	13,909	-	46,297	46,297
Rehab interest expense	-	-	36,676	36,676	-	-	39,935	39,935	-	33,473	33,473
Non-core income	-	-	-	-	-	-	-	-	-	-	-
NON-CORE CHARGES	**-**	**-**	**59,825**	**59,825**	**-**	**-**	**53,845**	**53,845**	**-**	**90,683**	**90,683**
TOTAL EARNINGS (LOSSES)	**37,904**	**(26,676)**	**(38,753)**	**(27,526)**	**21,008**	**(7,986)**	**(62,552)**	**(49,529)**	**15,236**	**(115,592)**	**(100,356)**
Income tax expense	-	-	3,795	3,795	-	-	2,873	2,873	-	-	-
NET INCOME (LOSS)	**37,904**	**(26,676)**	**(42,548)**	**(31,321)**	**21,008**	**(7,986)**	**(65,425)**	**(52,403)**	**15,236**	**(115,592)**	**(100,356)**

[1]Revenue allocation among segments has been adjusted in the prior years to improve comparability
[2]Leased channel allocation among segments has been adjusted in the prior years to improve comparability

Results of Operations (in '000 Philippine pesos)	December 31, 2020	December 31, 2019	December 31, 2018
REVENUES	**408,344**	396,044	245,520
OTHER INCOME	**30,280**	8,645	9,093
	438,624	404,688	254,613
Core expenses			
Selling, general and administrative expenses	**292,711**	287,241	210,741
Leased channel and interconnect cost	**19,452**	18,055	16,772
Cost of sales	**36,925**	48,351	-
CORE EXPENSES	**349,088**	353,646	227,513
CORE EBITDA[1]	**89,536**	51,042	27,100
CORE EBITDA %	**20.41%**	12.61%	10.64%
Depreciation and amortization	**53,885**	43,731	36,540
Interest expense	**3,352**	2,996	233
CORE EARNINGS	**32,299**	4,315	(9,673)
Non-core charges			
Penalties and fines	**3,800**	-	10,913
Non-core expense	**19,350**	13,909	46,297
Rehab interest expense	**36,676**	39,935	33,473
Non-core income	**-**	-	-
NON-CORE CHARGES	**59,825**	53,845	90,683
TOTAL EARNINGS (LOSSES)	**(27,526)**	(49,529)	(100,356)
Income tax expense/benefit	**3,795**	2,873	-
NET INCOME (LOSS)	**(31,321)**	(52,403)	(100,356)

[1]Core EBITDA has been adjusted for prior years to reflect changes in accounting standards to improve comparability.

Revenue

For the year ended December 31, 2020, the Company improved its growth rate in the number of data services circuits over the prior years 2019 and 2018. It recorded a total of 2,016 circuits as of December 31, 2020 compared to 1,760 and 1,277 as of years 2019 and 2018, respectively. The increase in the number of data circuits resulted in operating revenues of ₱408.3 million for the year ended December 31, 2020 compared to ₱396.0 million and ₱245.5 million in 2019 and 2018, respectively.

Additionally, new revenue stream from IT Services made a significant impact on the revenue performance as the Company was able to generate additional ₱24.3 million in revenues. IT Services is expected to provide new opportunities for the Company in the coming years.

Cost and expenses

In 2019, the Company enhanced its organizational capabilities in the technical and support areas to sustain the growth in operations, translating to an increase in personnel related expenses amounting to ₱203.8 million in 2019 from ₱127.0 million in 2018. This is driven by the increase in workforce and benefits, both to retain excellent people assets and attract new talents to support the business. For the year ended December 31, 2020, personnel related expenses decreased to ₱193.1 million driven by the decrease in salaries due to the pandemic. The number of personnel decreased from 234 at the start of the year to 232 at year-end.

Premises-related expenses continuously increased to ₱24.5 million in 2020 from ₱21.4 million in 2019 and ₱17.0 million in 2018. In 2020, the Company recognized provisions for doubtful accounts to consider its subscribers that were affected by the pandemic. This impacted other selling, general and administrative expenses from ₱66.7 million in 2018 and ₱62.0 million in 2019 to ₱76.9 million in 2020. However, in terms of the total selling, general and administrative expenses, the Company managed to limit the overall increase to ₱292.7 million. Additional upstream connections and international connectivity to support expansion and growth contributed to the increase in leased channel expenses to ₱19.5 million from ₱18.1 million in 2019 and ₱16.8 million in 2018. Lastly, cost of sales contributed ₱36.9 million in core expenses indicating new product offerings provided by the Company to its growing customer base.

The decrease in operating costs and expenses due to the pandemic is aligned with the Company's strategy and is necessary to sustain its businesses.

Profitability Performance
Over the past three years, the Company has produced core EBITDA during the years 2020, 2019 and 2018 in the respective amounts of ₱89.5 million, ₱51.0 million, and ₱27.1 million. Since 2018, EBITDA margin performance has been increasing due to the initiatives for growth. Investment in people assets and network operations, which are necessary expenditures to grow the business, limited the core EBITDA margin in 2018 to 10.6%. Consequently, due to these investments, the Company experienced an improvement in core EBITDA margin in 2019 and 2020.

The Company posted ₱31.3 million net loss for the year ended December 31, 2020 compared to net loss of ₱52.4 million in 2019.

Financial Condition			
(in '000 Philippine pesos)	**December 31, 2020**	December 31, 2019	December 31, 2018
Current assets	**498,141**	486,941	78,726
Non-current assets	**514,913**	454,966	805,768
ASSETS	**1,013,054**	941,907	884,494
Current liabilities	**1,448,542**	1,388,749	1,302,966
Non-current liabilities	**369,835**	329,894	295,735
LIABILITIES	**1,818,377**	1,718,643	1,598,700
Share capital	**10,935,992**	10,935,992	10,935,992
Retained deficit	**(11,850,525)**	(11,819,295)	(11,766,892)
Other equity items	**109,211**	106,567	116,693
EQUITY	**(805,322)**	(776,736)	(714,207)
LIABILITIES AND EQUITY	**1,013,054**	941,907	884,494

The Company's total assets amounted to ₱1,013.0 million as of December 31, 2020 compared to ₱941.9 million and ₱884.4 million as of December 31, 2019 and December 31, 2018, respectively. The increase in assets is driven by increase of working capital from growth in Connectivity operations and new IT Services business, and investments in fixed and plant assets to support the expansion of the Company's business.

Increase in total liabilities pertain to payables to suppliers and other operating accrued expenses, and accrued interest payable under the rehabilitation plan.

Improvement in equity in 2018 is brought about by the increase in authorized capital stock and subsequent reclassification of deposit for future stock subscription from liabilities to equity.

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 investment 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 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 Wi-Fi 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 Wi-Fi 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 substantially reducing cost and implementation period.

As of December 31, 2020, the Company has a total of 232 employees and the Company projects that the said number will increase to 296 by the end of 2021.

Key Performance Indicators

Key Performance Indicators	Full year ended December 31, 2020	Full year ended December 31, 2019	Full year ended December 31, 2018
Net income (loss)	**(31,320,531)**	(52,402,835)	(100,355,941)
Core EBITDA	**89,536,171**	51,042,053[1]	27,100,026[2]
Core EBITDA %	**20.41%**	12.61%	6.13%
Operating Revenue Growth	**3.11%**	61.31%	60.74%
Operating Revenue	**408,344,051**	396,043,723	245,520,351
Number of Active Circuits	**2,016**	1,760	1,277
ARPU (in P)	**15,100**	14,426	15,643
Recurring Revenue (in P)	**365,296,397**	304,682,660	239,707,183

[1]Non-core items include fees for the rehab-related initiatives.
[2]Non-core items include accrued penalties, rehab-related initiatives and third telco initiatives.

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 and 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 Connectivity business, the Company reduced its net loss in 2020 to 40% of 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 fewer 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 (eg, 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.

Core EBITDA remains positive throughout the years. The Company started investing in its people assets and network operations which lowered the core EBITDA in 2018 but was able to achieve almost two-fold increase in 2019. This continued in 2020 as the Company experienced a 75% growth in Core EBITDA. This growth, which significantly exceeded last year's performance, is attributable to the increase in revenues and savings in operating expenses.

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.

For the past 3 years, the Company has consistently achieved positive revenue growth. In 2018 and 2019, it experienced a steady revenue growth of around 60% mainly due to the growing subscribers of the Company and the launch of IT services as a new revenue stream. In 2020, operating revenue growth significantly decreased to 3% due to the impact of the COVID-19 pandemic. This is expected to increase, however, due to the imperative need to bridge the technological gap of connectivity and IT solutions.

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 more than 50% for the past two years, contributing greatly to revenue growth. Enterprise subscribers comprised 65% of subscribers and are the main source of Connectivity 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 2019, the Company's ARPU slightly dropped versus 2018 due to competition and promotions to encourage more subscribers. In 2020, however, ARPU slightly rose compared to 2019 indicating an increase in value of newly acquired subscribers.

Financial Statements

The Audited Financial Statements for the year ended December 31, 2020 are attached for reference.

Information on Independent Auditors and Other Related Matters

Independent Auditors' Fees and Services

The external auditor of the Company is the audit firm of Alas, Oplas & Co. ("AOC"). The Board approved the reappointment of AOC as the Company's independent auditor for 2020 based on its performance and qualifications. The re-appointment of AOC was presented and approved to the stockholders last June 28, 2019. The Company paid ₱990,000 for the audit of the financial statements for full year ending December 31, 2019. In the same manner, the Company accrued ₱990,000 for its December 31, 2020 calendar year audit.

Changes in and Disagreements with Independent Auditors on Accounting and Financial Disclosure

To the best of our knowledge, there are no disagreements on any matter of accounting principles or practices, financial statement disclosure or accounting scope or procedure with the Company's external auditor.

PT&T

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Makati City, Metro Manila Philippines, 1229
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STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, as at December 31, 2020 and 2019, and for the years ended December 31, 2020, 2019 and six-month period ended December 31, 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein and submits the same to the stockholders.

Alas, Oplas & Co., CPAs, the independent auditors, appointed by the Management, have audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in their reports to the Management, have expressed their opinion on the fairness of presentation upon completion of such audit.

SALVADOR B. ZAMORA II
Chairman of the Board

JAMES G. VELASQUEZ
Chief Executive Officer

ANGELO MIGUEL R. ISIP
Chief Financial Officer

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
DATE APR 15 2021
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PRECIOSA C. JAVIER

14 APR 2021

Signed this ___ day of _______ 2021

14 APR 2021

SUBSCRIBED AND SWORN to before me this ___ day of _____ 2021 affiants exhibiting to me their government issued IDs, as follows:

NAMES	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
Salvador B. Zamora II	P9664400A	November 21, 2018	Manila
James G. Velasquez	P3536307A	June 30, 2017	Manila
Angelo Miguel R. Isip	P5067379B	March 7, 2020	Manila

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Page No : 53
Book No : 145
Series of : 2021

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ROLL NO. 28947/ MCLE 6 /3-22-19
PTR NO. MKT.8533046/1-4-21 APPT NO. M-16

Alas Oplas & Co., CPAs

Alas Oplas & Co., CPAs
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Makati City, Philippines 1200
Phone: (632) 7759-5090 / 92
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**INDEPENDENT AUDITORS' REPORT
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE
SECURITIES AND EXCHANGE COMMISSION**

The Board of Directors and Stockholders
PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
Spirit of Communications Center,
106 C. Palanca Street, Legaspi Village
Makati City

We have examined the financial statements of **PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION** (the "Company") as at December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019, and six-month period ended December 31, 2018, on which we have rendered the attached report dated March 31, 2021.

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the Company has a total number of three thousand six hundred twenty-eight (3,628) stockholders owning more than one hundred (100) shares.

LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
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ALAS, OPLAS & CO., CPAs
BOA Registration No. 0190, valid from September 4, 2019 to October 30, 2022
SEC A.N. (Firm) 0321-FR-1, issued on February 7, 2019; effective until February 6, 2022
TIN 002-013-406-000
BIR A.N. 08-001026-000-2021, issued on January 11, 2021; effective until January 10, 2024

By:

Ma Criselda S Oplas

MA. CRISELDA S. OPLAS
Partner
CPA License No. 0063314
SEC A.N. (Individual) 63314-SEC, issued on November 17, 2020; effective until November 16, 2025
TIN 132-466-039-000
BIR A.N. 08-001026-002-2021, issued on January 11, 2021; effective until January 10, 2024
PTR No. 8533765, issued on January 4, 2021, Makati City

March 31, 2021
Makati City, Philippines

Alas Oplas & Co., CPAs

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
Spirit of Communications Center,
106 C. Palanca Street, Legaspi Village
Makati City

BUREAU OF INTERNAL REVENUE
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LARGE TAXPAYERS ASSISTANCE DIVISION
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Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of **PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION** (the "Company"), which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of loss, statements of comprehensive loss, statements of changes in capital deficiency and statements of cash flows for the years ended December 31, 2020, 2019 and six-month period ended December 31, 2018 and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows years ended December 31, 2020, 2019, and six-month period ended December 31, 2018 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines ("Code of Ethics") together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which indicates that the Company has incurred net losses amounting to ₱31,320,532, ₱52,402,835 and ₱88,152,538 for the years ended December 31, 2020, 2019 and six-month period ended December 31, 2018, respectively, resulting to accumulated deficit amounting to ₱11,850,615,049 and ₱11,819,294,517 as at December 31, 2020 and 2019, respectively, and capital deficiency amounting to ₱805,412,028, and ₱776,735,639, as at December 31, 2020 and 2019, respectively.

We further draw attention to Note 1 to the financial statements, which indicates that on August 6, 2018, the Regional Trial Court Branch 66 of Makati City (the "Rehab Court") has granted the Company's request to exit from rehabilitation subject to certain requirements in line with the court-approved rehabilitation plan (the "Rehab Plan"). Corporate rehabilitation was approved by the Rehab Court on April 1, 2011 and on December 21, 2018, the Company received an order from the Rehab Court denying the opposition and motions for reconsideration filed by the creditors of the Company on the Rehab Court's August 6, 2018 order which allowed the Company to exit from rehabilitation subject to the fulfillment of certain conditions.

In the same order, the Rehab Court confirmed that the Company substantially complied with the conditions provided for under the August 6, 2018 order. In view of the said substantial compliance, the Rehab Court declared that the Company is now out of rehabilitation and its exit is no longer conditional.

Alas Oplas & Co., CPAs

The Company's management, to achieve effective implementation of the Rehab Plan and exit in the corporate rehabilitation status, is undertaking the following action plans, to attain sustainable financial stability, improve its financial position, and to restore and reinstate to its former position of successful operation and solvency through, among others:

- Infusing significant capital expenditures, through its owners, MENLO, to improve, modernize and increase the capacity of its existing broadband assets;
- Use of internally generated cash, in addition to above, to implement area roll outs to expand the Company's fiber footprint and network into Greater Metropolitan Area and surrounding areas;
- New products and services in the information technology space to offer services beyond connectivity and to attract new clients to serve the needs of the market; and
- Foreign partnership to recapitalize the Company and scale up its broadband business model on a nationwide coverage using the latest state-of-the-art fixed and mobile broadband infrastructure and enter into agreements with the Philippine government, through National Telecommunications Committee, to use its nationwide fiber optic assets.

These events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter. We performed audit procedures to evaluate management's plans for such future actions as to likelihood to improve the situation and as to feasibility under the circumstances.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Accounting for Court-Approved Rehabilitation Plan

On April 1, 2011, the Rehab Court approved the Rehab Plan submitted by the Company on August 20, 2009. There is a risk that the Company's financial position and result are influenced through management bias in interpreting of and accounting for the Rehab Court's order. Specifically, these risks which are highly subjective and involves significant judgments and estimates such as: (1) settlement through conversion of obligation to 12-year serial redeemable preferred shares; and (2) applicability and accrual of 6% legal interest on each obligation. The Company's assessment of these significant accounting judgment and estimates are disclosed in Note 6 to the financial statements.

Audit Response

Our audit procedures included, among others: evaluating the legal opinion of the rehabilitation receiver and rehabilitation counsel as to interpretation of and accounting for: (1) settlement through conversion of obligation to 12-year serial redeemable preferred shares; and (2) application and accrual of 6% legal interest on each obligation; involving our lawyers to assist and perform independent assessment of the legal opinion; considering the financial reporting bulletin issued by the Philippine Securities and Exchange Commission (SEC); and recalculating the interest following the provisions of the Rehab Court-approved Rehab Plan. We assessed the potential risk of management bias and the adequacy of the disclosure in the financial statements.

Alas Oplas & Co., CPAs

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019 but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020 are expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern; and

Alas Oplas & Co., CPAs

- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations No.15-2010 in Note 38 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of **PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION**. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditors' report is Ma. Criselda S. Oplas.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
DATE APR 15 2021
RECEIVED
PRECIOSA C. JAVIER

ALAS, OPLAS & CO., CPAs
BOA Registration No. 0190, valid from September 4, 2019 to October 30, 2022
SEC A.N. (Firm) 0321-FR-1, issued on February 7, 2019; effective until February 6, 2022
TIN 002-013-406-000
BIR A.N. 08-001026-000-2021, issued on January 11, 2021; effective until January 10, 2024

By:

Ma Criselda S Oplas
MA. CRISELDA S. OPLAS
Partner
CPA License No. 0063314
SEC A.N. (Individual) 63314-SEC, issued on November 17, 2020; effective until November 16, 2025
TIN 132-466-039-000
BIR A.N. 08-001026-002-2021, issued on January 11, 2021; effective until January 10, 2024
PTR No. 8533765, issued on January 4, 2021, Makati City

March 31, 2021
Makati City, Philippines

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019
In Philippine Pesos

	Notes	**2020**	2019 (As reclassified – Note 37)	January 1, 2019 (As reclassified – Note 37)
ASSETS				
Current Assets				
Cash	7	**46,981,468**	23,916,220	11,847,930
Receivables – net	8	**60,499,438**	73,685,408	43,892,294
Due from related parties	24	**11,457,404**	2,206,395	6,777,680
Other current assets	9	**33,785,534**	8,452,626	16,208,129
Non-current assets held for sale	10	**368,594,244**	378,680,744	–
Total Current Assets		**521,318,088**	486,941,393	78,726,033
Non-current Assets				
Land	11	–	–	360,360,000
Property and equipment at cost – net	12	**151,010,894**	156,422,917	168,176,468
Right-of-use assets – net	31	**76,934,406**	30,116,102	–
Investment properties at cost	13	**212,100,808**	225,708,208	235,794,708
Intangible assets at cost – net	14	**2,343,583**	–	–
Other non-current assets – net	15	**48,726,539**	42,718,611	41,436,782
Total Non-current Assets		**491,116,230**	454,965,838	805,767,958
TOTAL ASSETS		**1,012,434,318**	941,907,231	884,493,991

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019
In Philippine Pesos

	Notes	2020	2019 (As reclassified – Note 37)	January 1, 2019 (As reclassified – Note 37)
LIABILITIES AND CAPITAL DEFICIENCY				
Current Liabilities				
Trade and other payables	16	**237,530,463**	259,122,263	157,508,893
Statutory obligations	17	**606,037,286**	594,364,876	613,514,035
Accrued interests, expenses and other liabilities	18	**270,680,964**	245,106,464	214,835,177
Lease liabilities – current portion	31	**26,901,555**	11,223,922	–
Loans payable – current portion	19	**1,214,441**	667,583	1,106,680
Due to related parties	24	**296,389,480**	269,006,260	303,683,544
Income tax payable		**9,257,523**	9,257,523	12,317,465
Total Current Liabilities		**1,448,011,712**	1,388,748,891	1,302,965,794
Non-current Liabilities				
Lease liabilities – net of current portion	31	**52,277,000**	19,922,556	–
Loans payable – net of current portion	19	**3,904,523**	844,668	1,494,964
Deposit for subscription in accordance with the court-approved rehabilitation plan	20	**130,000,000**	130,000,000	130,000,000
Retirement benefits liability	21	**136,707,747**	133,313,602	114,096,777
Deferred tax liabilities	30	**46,945,364**	45,813,153	50,142,957
Total Non-current Liabilities		**369,834,634**	329,893,979	295,734,698
TOTAL LIABILITIES		**1,817,846,346**	1,718,642,870	1,598,700,492
Capital Deficiency				
Share capital	22	**10,935,991,894**	10,935,991,894	10,935,991,894
Revaluation surplus	11	**102,102,000**	102,102,000	102,102,000
Accumulated actuarial gain on retirement benefits	21	**7,379,307**	4,795,356	14,898,232
Unrealized valuation loss on equity investments	15	**(270,180)**	(330,372)	(306,945)
Deficit		**(11,850,615,049)**	(11,819,294,517)	(11,766,891,682)
Total Capital Deficiency		**(805,412,028)**	(776,735,639)	(714,206,501)
TOTAL LIABILITIES AND CAPITAL DEFICIENCY		**1,012,434,318**	941,907,231	884,493,991

See accompanying Notes to the Financial Statements.

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
STATEMENTS OF LOSS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND SIX-MONTH PERIOD ENDED DECEMBER 31, 2018
In Philippine Pesos

	Notes	**December 31, 2020 (Twelve months)**	December 31, 2019 (Twelve months)	December 31, 2018 (Six months – Note 3.03)
REVENUES	25	**408,344,053**	396,043,723	129,571,642
OTHER INCOME				
Rent	13,31	**687,258**	1,578,240	1,624,023
Other income	26	**29,687,103**	7,066,274	2,276,160
		30,374,361	8,644,514	3,900,183
COST AND EXPENSES				
Selling, general and administrative expenses	27	**311,965,734**	301,072,936	168,428,499
Depreciation and amortization	12,14,31	**53,885,207**	43,731,398	14,716,397
Interest expenses	29	**40,027,393**	42,930,558	20,111,802
Upstream internet connectivity	18	**34,569,447**	34,636,552	14,301,585
Cost of sales	25	**21,807,105**	31,768,838	–
Penalty and surcharge		**3,989,457**	77,318	4,066,080
		466,244,343	454,217,600	221,624,363
LOSS BEFORE INCOME TAX		**(27,525,929)**	(49,529,363)	(88,152,538)
INCOME TAX	30	**(3,794,603)**	(2,873,472)	–
NET LOSS		**(31,320,532)**	(52,402,835)	(88,152,538)
BASIC LOSS PER SHARE	23	**(0.02)**	(0.03)	(0.06)

See accompanying Notes to the Financial Statements.

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
STATEMENTS OF COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND SIX-MONTH PERIOD ENDED DECEMBER 31, 2018
In Philippine Pesos

	Notes	**December 31, 2020 Twelve months)**	December 31, 2019 (Twelve months)	December 31, 2018 (Six months – Note 3.03)
NET LOSS		**(31,320,532)**	(52,402,835)	(88,152,538)
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified to profit or loss in subsequent periods				
Unrealized valuation gain (loss) on equity investments	15	**60,192**	(23,427)	(28,044)
Actuarial income (loss) on retirement benefits liability	21	**2,583,951**	(10,102,876)	16,431,445
		2,644,143	(10,126,303)	16,403,401
TOTAL COMPREHENSIVE LOSS		**(28,676,389)**	(62,529,138)	(71,749,137)

See accompanying Notes to the Financial Statements.

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
STATEMENTS OF CHANGES IN CAPITAL DEFICIENCY
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND SIX-MONTH PERIOD ENDED DECEMBER 31, 2018
In Philippine Pesos

	Paid-up capital (Note 22)		Deposit for subscription in accordance with the court-approved rehabilitation plan (Note 22)	Revaluation surplus (Note 11)	Accumulated actuarial gain (loss) on retirement benefits (Note 21)	Unrealized valuation gain (loss) on equity investments (Note 15)	Deficit	Total
	Common	Preferred						
Balances at June 30, 2018	2,224,255,313	–	–	102,102,000	(1,533,213)	(278,901)	(11,678,739,144)	(9,354,193,945)
Deposit for future stock subscription	–	–	8,711,736,581	–	–	–	–	8,711,736,581
Net loss for the six-month period	–	–	–	–	–	–	(88,152,538)	(88,152,538)
Other comprehensive income (loss)	–	–	–	–	16,431,445	(28,044)	–	16,403,401
Total comprehensive income (loss)	–	–	–	–	16,431,445	(28,044)	(88,152,538)	(71,749,137)
Balances at December 31, 2018	2,224,255,313	–	8,711,736,581	102,102,000	14,898,232	(306,945)	(11,766,891,682)	(714,206,501)
Net loss for the year	–	–	–	–	–	–	(52,402,835)	(52,402,835)
Other comprehensive loss	–	–	–	–	(10,102,876)	(23,427)	–	(10,126,303)
Total comprehensive loss	–	–	–	–	(10,102,876)	(23,427)	(52,402,835)	(62,529,138)
Balances at December 31, 2019	2,224,255,313	–	8,711,736,581	102,102,000	4,795,356	(330,372)	(11,819,294,517)	(776,735,639)
Issuance of share capital		969,695	(969,695)	–	–	–	–	–
Net loss for the year	–	–	–	–	–	–	(31,320,532)	(31,320,532)
Other comprehensive income	–	–	–	–	2,583,951	60,192	–	2,644,143
Total comprehensive income (loss)	–	–	–	–	2,583,951	60,192	(31,320,532)	(28,676,389)
Balances at December 31, 2020	**2,224,255,313**	**969,695**	**8,710,766,886**	**102,102,000**	**7,379,307**	**(270,180)**	**(11,850,615,049)**	**(805,412,028)**

See accompanying Notes to the Financial Statements.

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND SIX-MONTH PERIOD ENDED DECEMBER 31, 2018
In Philippine Pesos

	Notes	**December 31, 2020 (Twelve months)**	December 31, 2019 (Twelve months)	December 31, 2018 (Six months – Note 3.03)
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before income tax		**(27,525,929)**	(49,529,363)	(88,152,538)
Adjustments for:				
Depreciation and amortization	12,14,31	**53,885,207**	43,731,398	14,716,397
Interest expense	29	**40,027,393**	42,930,558	20,111,802
Reversal of long outstanding accruals	26	**(11,922,857)**	(552,894)	–
Movement in retirement benefits liability	21	**9,816,117**	8,219,990	6,360,139
Provision for ECL	27	**7,986,290**	780,496	669,809
Gain on sale of properties	26	**(13,106,100)**	–	–
Unrealized forex gain	26	**(1,543,691)**	(1,461,009)	(379,561)
Loss on asset written off	27	**495,158**	–	–
Unrealized forex loss	27	**356,146**	152,028	6,476
Interest income	26	**(85,283)**	(71,532)	(24,407)
Dividend income	26	**(13,167)**	(12,312)	(6,156)
Operating income (loss) before working capital changes		**58,369,284**	44,187,360	(46,698,039)
Decrease (increase) in operating assets:				
Receivables – net		**5,199,680**	(30,573,610)	(35,565,535)
Due from related parties		**(9,251,009)**	4,571,285	865,161
Other current assets		**(29,597,865)**	7,578,749	(10,598,984)
Other non-current assets		**(6,302,200)**	(1,453,912)	(24,786,845)
Increase (decrease) in operating liabilities:				
Trade and other payables		**(22,779,378)**	101,613,370	57,353,670
Statutory obligations		**11,672,410**	(19,149,159)	(18,080,885)
Accrued interests, expenses and other liabilities		**13,785,878**	8,219,953	15,363,422
Net cash generated from (used in) operations		**21,096,800**	114,994,036	(62,148,035)
Benefits paid		**(2,730,614)**	(3,435,845)	–
Interest paid		**(209,833)**	(11,147,339)	(6,616,103)
Interest received		**85,283**	71,532	24,407
Income tax paid		**–**	(5,933,414)	–
Net cash generated from (used in) operating activities		**18,241,636**	94,548,970	(68,739,731)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of property and equipment	12,36	**(26,349,834)**	(27,901,336)	(14,816,168)
Proceeds from sale of properties	10,13	**36,800,000**	–	–
Acquisition of intangible asset	14	**(2,375,000)**	–	–
Dividend received	26	**13,167**	12,312	6,156
Net cash generated from (used in) investing activities		**8,088,333**	(27,889,024)	(14,810,012)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of lease liabilities	31	**(21,668,316)**	(13,330,841)	–
Proceeds from (payments to) related parties		**14,831,572**	(40,182,533)	86,720,040
Payments of loans	19	**(650,295)**	(1,074,910)	(508,526)
Proceeds from loans	19	**4,224,000**	–	3,078,400
Net cash generated from (used in) financing activities		**(3,263,039)**	(54,588,284)	89,289,914
EFFECT OF CHANGES IN FOREIGN EXCHANGE RATE IN CASH	7	**(1,682)**	(3,372)	(6,476)
NET INCREASE IN CASH		**23,065,248**	12,068,290	5,733,695
CASH AT BEGINNING OF YEAR/PERIOD	7	**23,916,220**	11,847,930	6,114,235
CASH AT END OF YEAR/PERIOD	7	**46,981,468**	23,916,220	11,847,930

See accompanying Notes to the Financial Statements.

1. CORPORATE INFORMATION

1.01 Company Profile

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

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

The registered office address of the Company is Spirit of Communications Center, 106 C. Palanca, Street, Legaspi Village, Makati City and is domiciled in the Philippines.

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

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

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

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

Public Hearing on Franchise
The Company is a grantee of the franchise to establish, install, maintain and operate wire and/or wireless telecommunications systems, lines, circuits and stations throughout the Philippines for public and international communications. On February 20, 2018, the Subcommittee on Oversight (Legislative Franchise) (the "Subcommittee") of the House of Representatives conducted a public hearing on the alleged sale of the Company's ownership interest to MENLO without Congressional approval. Under Section 14 of RA No. 10894 the grantee shall not sell, lease, transfer, grant the usufruct of, nor assign this franchise or the rights and privileges acquired thereunder to any person, firm, company, corporation, or other commercial or legal entity, nor merge with any other corporation or entity, nor shall transfer the controlling interest of the grantee, whether as a whole or in parts, and whether simultaneously or contemporaneously, to any person, firm, company, corporation or entity without the prior approval of Congress of the Philippines. Further, the Congress shall be informed of any sale, lease, transfer, grant of usufruct, or assignment of franchise or the rights and privileges acquired thereunder, or of the merger, or transfer of the controlling interest within sixty (60) days after the completion of said transaction. Furthermore, failure to report to Congress such change of ownership shall render the franchise ipso facto revoked.

The Subcommittee have opened an inquiry into the alleged non-compliance by the Company with Section 14 of RA No. 10894. The Company made clear its position that based on the applicable law on the matter and the factual circumstances surrounding the sale of the Company's shares, the approval by Congress is not required before the new investors can enter the Company. Considering there are other items that the Subcommittee wants to be clarified, the Company was required to submit a Position Paper to clarify all concerns on the compliance by the Company of the provisions of its franchise.

The Company complied with the requirement and submitted a Position Paper on March 7, 2018 followed by a Supplemental Position Paper on March 21, 2018. As at the date of this report, the inquiry is still pending and the Company has yet to receive any response or any resolution from the Subcommittee. Moreover, the Company has not received any response or action on its Position Paper and Supplemental Position Paper. Considering the facts and the applicable laws involved in this inquiry, the Company is of the opinion that the inquiry will be resolved in its favor. As such, the management is of the opinion that the inquiry does not have an impact on the Company's operations.

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

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

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

On September 7, 2017, the PSE responded to the Company's request dated August 29, 2017 mentioning that without the SEC approval of the temporary exemptive relief, the Company may be found non-compliant with the structured reportorial requirements of the PSE given the Company's non-submission of the annual and quarterly reports. Furthermore, the PSE requested additional information from the Company which include, among others, updates on the implementation of the court-approved rehabilitation plan (the "Rehab 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 the Company'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. On October 15, 2020, the Company received a letter from the MSRD informing the Company of the findings made by the OGA on the Audited Financial Statements as at December 31, 2019 and Unaudited Interim Financial Statements (UIFS) as at March 31, 2020. On November 2, 2020, the Company submitted its response to the MSRD on the findings made by the OGA. On March 10, 2021, the Company received the comments of the OGA on the response submitted by the Company on findings on the UIFS as at March 31, 2020 and findings on the UIFS as at September 30, 2020.

As at date of this report, the Company has yet to submit its response on the findings of the OGA on the UIFS as at September 30, 2020.

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

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

a) 4,500,000,000 common shares at ₱1 par value per share;
b) 230,000,000 Serial Cumulative Convertible Redeemable Preferred Shares at ₱10 par value per share;

c) 6,750,000,000 Series A Serial Redeemable Preferred Shares at ₱1 par value per share;
d) 1,800,000,000 Series B Serial Redeemable Preferred Shares at ₱1 par value per share; and
e) 250,000,000 Series C Serial Redeemable Preferred Shares at ₱1 par value per share.

The amendment was approved by the SEC on October 31, 2018. In 2020, the Company has issued in favor of creditors share certificates covering Series "B" Serial Redeemable Preferred Shares amounting to ₱969,695 (see Note 22).

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 (MR) before the Selection Committee of the NTC. In a letter dated November 12, 2018, the Selection Committee denied the Company's MR.

As approved by the BOD, the Company filed a Petition for Certiorari with the Supreme Court (SC) on November 16, 2018 to assail the decision of the Selection Committee in disqualifying the Company. On December 12, 2018, the BOD 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 was filed with the SC on December 12, 2018. As at the date of this report, the Amended Petition is still pending. While the respondents have already filed their respective Comments and Oppositions, the SC have not rendered a decision on the Amended Petition. Considering that the Amended Petition pertains to the Company's participation in government procurement, the management is of the opinion that this case does not have an impact on the Company's operations.

Status of Operations
In 2008, the Company adopted to the changes in technology and shifted its products and services to offer broadband data services, fixed wireless services, Point to Point and Point to Multipoint Wireless Communications Services and Network Operations Center using the same LEC Network (see Note 33).

The Company is currently focused on broadband internet access services as a result on growth of wireless/mobile systems and the rise of broadband internet demand. As such, the Company's main source of revenue is broadband internet access services (see Note 25). The Company offers dedicated or shared internet access service, via fiber or wireless, and operates a broadband network across the NCR, and Regions III and IV catering corporate, business and residential customers.

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

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

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

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

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

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

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

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

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

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

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

On December 4, 2017, the RETELCOM Group filed Petition for Certiorari before the SC requesting the SC to review the CA Decision citing that the CA erred in dismissing the petition for Corp Rehab indicating the following arguments:

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

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

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

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

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

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

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

As discussed above, the increase in authorized capital stock was filed by the Company with the SEC on October 9, 2018. 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 ordered by the Rehab Court amounting to ₱8,711,736,581 on October 31, 2018. As at date of this report, the Company has issued in favor of creditors share certificates covering Series “B” Serial Redeemable Preferred Shares amounting to ₱969,695.

On March 1, 2018, the Company filed an Omnibus Motion with the NTC requesting for a re-computation of NTC’s SRF assessment as contained in its Resolution dated March 31, 2017. This Omnibus Motion for re-computation was subsequently denied by the NTC on September 28, 2018.

On October 1, 2018, the Company filed a Petition for Review with the CA assailing the amount of the SRF assessed by the NTC.

On December 21, 2018, the Company received an order from the Rehab Court denying the opposition and motions for reconsideration filed by the creditors of the Company on the Rehab Court's August 6, 2018 order which allowed the Company to exit from rehabilitation subject to the fulfillment of certain conditions.

In the same order, the Rehab Court confirmed that the Company substantially complied with the conditions provided for under the August 6, 2018 order. In view of the said substantial compliance, the Rehab Court declared that the Company is now out of rehabilitation and its exit is no longer conditional.

On March 11 and 15, 2019, petitioners filed Petitions for Certiorari assailing the Orders dated December 20, 2018 which upheld the August 6, 2018 Order. One of the petitioners prayed for issuance of a TRO.

On April 3, 2019, the CA issued a resolution which denied the application of one of the petitioners for issuance of TRO with the petitioners filing a MR on May 15, 2019.

On April 25, 2019, the Company filed a Motion to Consolidate the Petitions for Certiorari. On May 2, 2019, the Company filed its comments to the CA.

On May 24, 2019, the CA issued a Resolution consolidating the two petitions filed by the creditors. The petition of one of the creditors was subsequently dismissed for failure to comply with the resolution of CA. The MR filed by the said creditor was likewise denied. On February 17, 2020, the CA issued a resolution denying the MR of the TRO and dismissing the Petitions of Certiorari.

On June 10, 2019, the Company filed a Memorandum manifesting NTC to recompute the SRF assessment on the March 31, 2017 Resolution of the NTC.

On November 27, 2019, the CA rendered a Decision partially granting the Company’s petition and set aside the Order of the NTC dated September 28, 2018. The CA remanded the case to the NTC for re-computation of the SRF by segregating from the assessment the portion pertaining to the Redeemable Preferred Shares which are subject to debt-to-equity conversion under the Company’s approved Rehab Plan. The CA likewise directed the NTC to hold in abeyance the assessment and collection of SRF for the said segregated portion pending the resolution by the SC on the Company’s rehabilitation. The Company filed a Motion for Partial

Reconsideration but the same was subsequently denied by the CA in a Resolution dated August 20, 2020.

On October 20, 2020 the Company filed a Petition for Review with the SC to assail the Decision and Resolution of the CA. The NTC likewise filed its own Petition for Review with the SC on the Decision and Resolution of the CA.

As at date of this report, the said petition is still pending.

<u>Coronavirus disease 2019 (Covid-19)</u>

On March 8, 2020, Presidential Proclamation No. 922 was issued, declaring a State of Public Health Emergency throughout the Philippines due to Covid-19. In a move to contain the Covid-19 pandemic, on March 12, 2020, the Office of the President of the Philippines issued a memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020.

On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six months from March 17, 2020, unless earlier lifted or extended as circumstances may warrant.

On March 24, 2020, RA No. 11469, otherwise known as the “Bayanihan to Heal As One Act”, was signed into law, declaring a state of national emergency over the entire country, and authorizing the President of the Philippines to exercise certain powers necessary to address the Covid-19 pandemic.

On September 15, 2020, RA No. 11494 or the “Bayanihan to Recover As One Act” took effect, providing for Covid-19 response and recovery interventions and providing mechanisms to accelerate the recovery and bolster the resiliency of the Philippine economy, providing funds therefore and for other purposes. Apart from authorizing the President to exercise powers necessary to undertake certain Covid-19 response and recovery interventions, RA No. 11494 also affirmed the existence of a continuing national emergency, in view of unabated spread of the Covid-19 virus and the ensuing economic disruption therefrom (see Note 30).

On September 16, 2020, Presidential Proclamation No. 1021 was issued, extending the State of Calamity throughout the Philippines due to Covid-19 for a period of one-year effective September 13, 2020 to September 12, 2021, unless earlier lifted or extended as circumstances may warrant.

Various proclamation and memorandums directive to impose stringent social distancing throughout the country were released during the year. These and other measures have affected and caused disruption to businesses and economic activities, and its impacts on businesses continue to evolve. Significant impact on the Company’s financial statement includes but not limited to Income Taxes, Bayanihan to Recover as One Act (see Note 30) and Estimating allowance for expected credit losses (ECL) (see Note 6.02).

As disclosed to the SEC and PSE on March 13, 2020, the Company is business as usual despite the community quarantine brought upon by Covid-19. The Company had initiatives in terms of ensuring the clients health and safety by providing various payment channels to settle accounts without any inconvenience. Despite the pandemic, the Company made sure that customer services are available 24/7, and the technical team was constantly providing service amidst the threat of Covid-19 to ensure that the facilities were up and running, hence ensuring customer satisfaction.

The Company has taken additional measures to ensure that all stakeholders –clients, employees, and partners alike– are not exposed to unnecessary or additional risk. The Company purchased personal protective equipment to front liners and safety kit for all its employees.

As at the date of this report, Covid-19 has continued to spread globally, with the number of reported cases and related deaths increasing daily and exponentially.

The management has considered the impact of Covid-19 on future performances but due to the evolving nature of Covid-19 and the uncertainty it has produced around the world, the management believes that it is impossible to predict the Covid-19's cumulative and ultimate impact on the future business, results of operations, and financial condition and therefore on the measurement of some assets and liabilities or on liquidity that might be significant and might therefore require disclosure in the financial statements. However, the management has determined that these do not create a material uncertainty that casts significant doubt upon the Company's ability to continue as a going concern.

Going Concern
The Company has incurred net losses amounting to ₱31,320,532, ₱52,402,835 and ₱88,152,538 for the years ended December 31, 2020, 2019 and six-month period ended December 31, 2018, respectively, resulting to accumulated deficit amounting to ₱11,850,615,049 and ₱11,819,294,517 as at December 31, 2020 and 2019, respectively, and capital deficiency amounting to ₱805,412,028, and ₱776,735,639, as at December 31, 2020 and 2019, respectively. These events or conditions indicate the existence of a material uncertainty which may cast doubt about the Company's ability to continue as a going concern.

The Company's management, to achieve effective implementation of the court-approved Rehab Plan and exit in the Corp Rehab status, is undertaking the following action plans, to attain sustainable financial stability, improve its financial position, and to restore and reinstate to its former position of successful operation and solvency through, among others:

- Infusing significant capital expenditures, through its new owners, MENLO, to improve, modernize and increase the capacity of its existing broadband assets;
- Use of internally generated cash, in addition to above, to implement area roll outs to expand the Company's fiber footprint and network into Greater Metropolitan Area and surrounding areas;
- New products and services in the information technology (IT) space to offer services beyond connectivity and to attract new clients to serve the needs of the market; and
- Foreign partnership to recapitalize the Company and scale up its broadband business model on a nationwide coverage using the latest state-of-the-art fixed and mobile broadband infrastructure and enter into agreements with the Philippine government, through NTC, to use its nationwide fiber optic assets (see Note 18).

On December 21, 2018, the Rehab Court confirmed that the Company substantially complied with the conditions and declared that the Company is out of rehabilitation and its exit is no longer conditional.

The Company's financial statements have been prepared as a going concern. As such, the Company's accompanying financial statements do not include any adjustments relating to the recoverability and classification of asset carrying values or the amount and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Authorization for Issue of the Financial Statements
The financial statements of the Company as at December 31, 2020 and 2019, were authorized for issue on March 31, 2021.

2. CORPORATE REHABILITATION

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

1. Modification of the rehabilitation period from 15 years to a 2-year moratorium and 12-year debt payment period;
2. Waiver of any and all interest, penalties and surcharges on all obligations of the Company to all claimants listed in the Rehab Plan except the legal interest of 6% from the approval of the plan until the full payment of the obligation (see Note 17);
3. Each of the petitioners to: (i) immediately settle, out of the proceeds of the liberated escrow account pursuant to the Rehab Court's orders dated September 3, 2010 and October 20, 2010, the petitioners' obligations to the SSS in accordance with the SSS Condonation Law of 2009 and SSS Circular No. 2010-2004 for delinquent premium contributions and SSS Circular No. 2010-2005 for delinquent loan amortizations, including, but not limited to, delinquent employees compensation contributions through the SSS (see Notes 1 and 17); (ii) immediately settle out of the proceeds from the recovery of any advances and deposits or garnished/levied assets and the proceeds of the sale of the petitioners' other assets pursuant to the pertinent orders issued by the courts, all unpaid wages, salaries and benefits inclusive of whatever amount have been deducted from said wages and salaries which the petitioners have not remitted to the appropriate contractual entity such as, but not limited to, the SSS and the Pag-Ibig Fund, of all existing and resigned/retired or separated employees, pursuant to law and to respective petitioners' employment policies including, but not limited to, collective bargaining agreements; and (iii) to immediately settle out of the proceeds from the recovery of any advances and deposits or garnished/levied assets and the proceeds of the sale of the sale of the petitioners' other assets pursuant to the pertinent orders issued by the Rehab Court, all unpaid retirement/separation pay for the retired or separated employees, pursuant to law and to the respective petitioners' employment policies including, but not limited to, collective bargaining agreement;
4. The petitioners to avail, whenever necessary, financing and advances from owners to finance their working capital requirements prior to the entry of the new investor, which financing and advances from owners shall be payable/repaid out of the new money to be infused by the new investor (see Note 24);
5. The full conversion of all outstanding liabilities into 12-year serial redeemable preferred shares except for statutory obligations, financing and advances from owners and certain liabilities in the nature of suppliers' credits, and that the corresponding amount will be lodged in the petitioner's books as "Deposit for Subscription" pending approval by the SEC of the increase in authorized capital stock (see Note 20);
6. The Company, from receipt thereof, to amend its articles of incorporation increasing its authorized capital stock from ₱3,800,000,000 (consisting of 1,500,000,000 common shares at ₱1 par value and 230,000,000 serial cumulative convertible redeemable preferred shares at ₱10 par value) to ₱10,187,150,000 (consisting of 1,387,150,000 common shares at ₱1 par value and 7,500,000 serial cumulative convertible preferred shares at ₱10 par value and 8,800,000,000 serial redeemable preferred shares at ₱1 par value), and to immediately issue the corresponding stock certificates to the claimants concerned (see Note 22);
7. The Company to enroll and list all of its authorized Series "A", Series "B" and Series "C" redeemable preferred shares as freely "tradable" stocks with the PSE;
8. The SEC shall approve the Company's request for temporary exemptive relief under the SRC Rule 72.2, without sanctions or penalties whatsoever, monetary or otherwise, and the PSE to lift the suspension of the trading of the Company's common shares without any sanctions or penalties whatsoever, monetary or otherwise, and the Company shall faithfully comply with all the applicable rules and regulations of the SEC and PSE so that the trading of all the authorized shares of the Company shall not in any way be suspended or restricted except as provided by law;
9. Immediately settle obligations to petitioners such as salaries, wages and benefits out of escrow account; and

10. Any sale or disposition of the petitioner's properties, whether real or personal shall also be subject to the Rehab Court's evaluation and approval.

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

On July 30, 2018, in its Regular Meeting, the BOD of the Company approved to increase the authorized capital stock of the company from ₱3,800,000,000 to ₱15,600,000,000 and debt-to-equity conversion or other equity conversion as mandated by the Rehab Court. The Company will conduct debt-to-equity conversion under the Company's Rehab Plan, in order to pay the claims of its creditors amounting to ₱8,800,000,000, more or less. Said debts will be converted to equity through the issuance of Series "A", "B", and "C" Redeemable Serial Preferred Shares. The increase and debt-to-equity conversion or other equity conversion were approved by the stockholders in the Company's Annual Stockholders' Meeting held on September 20, 2018.

The Company has filed with the SEC the increase in authorized capital stock on October 9, 2018 which was approved on October 31, 2018 (see Note 1).

On December 21, 2018, the Rehab Court confirmed that the Company substantially complied with the conditions and declared that the Company is out of rehabilitation and its exit is no longer conditional (see Note 1).

On August 30, 2019, the Company availed of SSS condonation program to settle ₱12,908,618 of obligations including interest of ₱1,012,344 (see Note 1).

In 2020, the Company has issued in favor of creditors share certificates covering Series "B" Serial Redeemable Preferred Shares amounting to ₱969,695 (see Note 22).

3. FINANCIAL REPORTING FRAMEWORK

3.01 Statement of Compliance

The Company's financial statements have been prepared in compliance with the Philippine Financial Reporting Standards (PFRSs).

3.02 Basis of Preparation

The financial statements are prepared on a going concern basis under the historical cost convention, except where PFRSs requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements.

3.03 Comparative Information

The financial statements of the Company as of December 31, 2018 and for the period July 1 to December 31, 2018 were prepared because of the change in the accounting period, from fiscal year ending June 30 to a calendar year ending December 31, as disclosed in Note 1. The said change was approved by the SEC on October 31, 2018.

Accordingly, the amounts presented in the statement of loss, statement of comprehensive loss, statement of changes in capital deficiency, statement of cash flows and the related notes for the period ended December 31, 2018 are for six months only and are not comparable to the same statements and notes for the years ended December 31, 2020 and 2019.

3.04 Presentation and Functional Currency

Items included in the financial statements of the Company are measured using Philippine Peso, the currency of the primary economic environment in which the Company operates (the "functional currency"). The Company chose to present its financial statements using its functional currency. All presented financial information has been rounded to the nearest peso, except when otherwise indicated.

4. ADOPTION OF NEW AND REVISED STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS

The Philippine Financial Reporting Standards Council (FRSC) approved the issuance of new and revised PFRSs. The term PFRSs in general includes all applicable PFRSs, Philippine Accounting Standards (PAS), and Interpretations issued by the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the FRSC and adopted by SEC.

The new and revised PFRSs prescribe new accounting recognition, measurement, and disclosure requirement applicable to the Company. When applicable, the adoption of the new standards was made in accordance with their transitional provisions, otherwise the adoption is accounted for as change in accounting policy under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

4.01 New and Amended Accounting Standards Effective on January 1, 2020

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following standards, amendments to previously issued PFRSs, PAS and Philippine Interpretations based on IFRIC, which were effective on January 1, 2020.

Adoption of these new standard and amendments to PFRS, PAS and Philippine Interpretations did not have any significant impact on the Company's financial position or performance unless otherwise indicated.

- Amendments to PFRS 3, *Business Combinations, Definition of a Business*

  The amendment to PFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the Company but may impact future periods should the Company enter into any business combinations.

- Amendments to PAS 1 and PAS 8, *Definition of Material*

  The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of, nor is there expected to be any future impact to the Company.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

  The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the International Accounting Standards Board (IASB) in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

- Amendments to PFRS 16, *Covid-19 Related Rent Concessions*

  The amendments provide relief to lessees from applying the standard's guidance on lease modification accounting for rent arising as a direct consequence of Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from Covid-19 related rent concession the same way it would account for the change under the standard, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on of after June 1, 2020. Earlier application is permitted. These amendments have no impact Company as there are no rent concessions granted during the year.

4.02 Standards Issued But Not Yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements to have a significant impact on its financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective Beginning on or after January 1, 2021

- Amendments to PFRS 9, *Financial Instruments*, PFRS 7, *Financial Instruments: Disclosures*, PFRS 4, *Insurance Contracts*, and PFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR), is replaced with an alternative nearly risk-free interest rate (RFR).

  - Practical expedients expedient for changes in the basis for determining the contractual cash flows as a result of IBOR Reform;
  - Relief from discontinuing hedging relationships; and
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component;

  The Company also disclose information about:

  - The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
  - Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition.

The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and must be applied retrospectively, however, the Company is required to restate prior periods. These amendments will apply to some of the financial instruments which are linked to the old interest rate benchmark. The Company is anticipating the discontinuance of LIBOR as benchmark by 2022. Therefore, the amendments will have no significant impact on the Company.

- Amendments to PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

  The amendments are not applicable to the Company since it has no activities that are predominantly connected with insurance or issue insurance contacts.

Effective Beginning on or after January 1, 2022

- Amendments to PFRS 3, *Business Combinations, Reference to the Conceptual Framework*

  The amendments are intended to replace a reference to the *Framework for the Preparation and Presentation of Financial Statements,* issued in 1989, with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. An exception to the recognition principle of PFRS 3 was added to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37 or IFRIC 221 *Levies,* if incurred separately.

  At the same time, the existing guidance in PFRS 3 for contingent assets that would not be affected was clarified by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively. The amendments are not expected to have a material impact on the Company.

- Amendments to PAS 16, *Property, Plant and Equipment*: *Proceeds before Intended Use*

  In May 2020, Property, Plant and Equipment — Proceeds before Intended Use was issued, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

- Amendments to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* – Onerous Contracts – Costs of Fulfilling a Contract

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

Annual Improvements to PFRS Standards 2018-2020 Cycle

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards* – Subsidiary as a first-time adopter

  The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

- PFRS 9, *Financial Instruments* – Fees in ’10 per cent’ test for derecognition of financial liabilities

  The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

- PFRS 16, *Lease Incentives*

  The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

- PAS 41, *Agriculture* – Taxation in fair value measurements

  The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

  An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Company.

Effective Beginning on or after January 1, 2023

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

  In January 2020, amendments were issued to paragraphs 69 to 76 of the Standard to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Deferred Effective Date

Amendments to PFRS 10, Consolidated Financial Statements, and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the FRSC deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The Company does not expect any effect on its financial statements upon adoption.

5. SIGNIFICANT ACCOUNTING POLICIES

Principal accounting and financial reporting policies applied by the Company in the preparation of its financial statements are enumerated below and are consistently applied to all the years presented, unless otherwise stated.

5.01 Financial Instruments

<u>*5.01.01 Initial Recognition and Subsequent Measurement*</u>
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets

Initial Recognition and Measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under PFRS 15 (see Note 5.16).

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent Measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

a) Financial assets at amortized cost (debt instruments)
b) Financial asset at FVOCI with recycling of cumulative gains and losses (debt instruments)
c) Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
d) Financial assets at FVPL

The Company does not have any financial asset at FVOCI with recycling of cumulative gains and losses (debt instruments) and financial assets at FVPL as at December 31, 2020 and 2019.

Financial assets at amortized cost (debt instruments)
The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost include cash, receivables, and due from related parties, and long-outstanding trade receivables and refundable security deposits included under "Other non-current assets".

- Cash

  In the statements of cash flows, cash includes cash on hand and cash in banks.

  Cash on hand includes petty cash fund and other cash items not yet deposited with the banks. Cash in banks include demand deposits which are unrestricted as to withdrawal.

Cash is valued at face value. Cash in foreign currency is valued at the current exchange rate. If a bank holding the funds of the Company is in bankruptcy or financial difficulty, cash is written down to estimated realizable value if the amount recoverable is estimated to be lower than the face amount.

- Receivables (*excluding contract asset and advances to suppliers*) and long outstanding receivables

  Receivables are amounts due from customers for sale of goods and services performed in the ordinary course of business.

  Receivables are recognized initially at the fair value and subsequently measured at amortized cost using effective interest rate (EIR) method, less provision for impairment.

- Due from related parties

  Due from related parties represent non-interest-bearing advances handed by the Company to its related parties for working capital requirements.

- Long outstanding trade receivables

  Long-outstanding trade receivables represent due from customers related to the LEC business (landline-based telephone and long-distance service) of the Company.

- Refundable security deposits

  Refundable security deposits represent deposits on various space rental for central office equipment and telecommunication nodes.

Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (Equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the Statements of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Company's equity instrument measures at FVOCI with no recycling of cumulative gains and losses upon derecognition includes financial asset at FVOCI under "other non-current assets".

Impairment
The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, allowance for ECL is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes ECLs based on lifetime loss allowances at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Derecognition
A financial asset is primarily derecognized when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying value of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial Liabilities

Initial recognition and Measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.
All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company does not designate any financial liabilities at FVPL as at December 31, 2020 and 2019.

Subsequent Measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at amortized cost (loans and borrowings)
This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method.

Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the Statements of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

The Company's financial liabilities include trade and other payables excluding non-refundable other payables and contract liability, due to related parties, deposit for subscription in accordance with the court-approved rehabilitation plan, accrued interest, expenses, and other liabilities, lease liabilities, and loans payable.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying values is recognized in the statements of profit or loss.

5.01.02 Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

5.02 Fair Value Measurement

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 35.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; or
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

5.03 Other Current Assets

Other current assets include deposit, prepayments, creditable withholding taxes (CWTs), final withholding value-added tax (FWVs) and deferred input VAT.

Deposit
Deposit pertains to non-refundable down payment made for future acquisition of capital asset which will be applied as part of payments upon execution of sale. This is recognized at cost.

Prepayments
Prepayments are expenses paid in advance and recorded as asset, before these are used or consumed, as the service or benefit will be received in the future. Prepayments expire and are recognized as expenses either with the passage of time or through use or consumption.

CWTs
CWTs are tax withheld from income subject to expanded withholding taxes. CWTs can be utilized as payment for income taxes provided that they are properly supported by certificates of creditable withholding tax withheld at source subject to the rules in Philippine income taxation. CWTs are expected to be utilized as payment for income taxes within twelve (12) months and are classified as current assets.

FWVs
FWVs are tax withheld from are tax withheld from vatable sale to government. FWVs can be utilized as payment for net value-added tax (VAT) payable provided that they are properly supported by certificates of final withholding VAT withheld at source subject to the rules in Philippine taxation and declared in the ‘creditable value-added tax withheld’ portion of the VAT return. FWVs are expected to be utilized as payment for income taxes within 12 months and are classified as current assets.

Deferred Input VAT
Deferred input VAT includes input VAT on purchase of capital goods exceeding ₱1,000,000. The related input VAT is amortized over 5 years or the useful life of the capital goods, whichever is shorter and unpaid purchase of services.

5.04 Non-current Assets Held for Sale

The Company classifies non-current assets and disposal groups as held for sale if their carrying values will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying value and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment are not depreciated or amortized once classified as held for sale. Assets classified as held for sale are presented separately as current items in the statements of financial position.

5.05 Property and Equipment

Cost Model
Property and equipment, except land, are stated at cost less accumulated depreciation and accumulated impairment in value, if any.

The initial cost of property and equipment comprises the purchase price or construction cost, including import duties, non-refundable purchase taxes and any directly attributable costs of bringing the property and equipment to its working condition and location for its intended use.

Such cost includes the cost of replacing parts of such property and equipment, if the recognition criteria are met. All other repairs and maintenance are charged to current operations during the financial period in which these are incurred.

Construction in progress (CIP) is stated at cost. This includes cost of construction of property and equipment and other direct costs. CIP is not depreciated until such time that the relevant assets are completed and becomes available for use.

Deferred income tax is provided on the temporary difference between the carrying value of the revalued property and equipment and its tax base. Any taxable temporary difference reflects the tax consequences that would follow from the recovery of the carrying value of the asset through sale (non-depreciable assets) and through use (depreciable assets), using the applicable tax rate.

Gain and loss on disposal of an asset are determined as the difference between the net disposal proceeds and the carrying value of the asset and are recognized in the statements of loss. On disposal of the revalued asset, the relevant revaluation surplus, included in the reserve account, is transferred directly to retained earnings.

The Company's future retained earnings is restricted to the extent of the revaluation surplus recognized in equity.

Depreciation
Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Type of Asset	Estimated Useful Life in Years
Buildings and improvements	25
Telecommunications equipment:	
Cable and wire facilities	14
Network equipment	5
Other work equipment	5

The assets' residual values estimated recoverable reserves and useful lives are reviewed and adjusted, if appropriate, at each end of the reporting period.

Property and equipment is depreciated from the moment the assets are available for use and after the risks and rewards are transferred to the Company. Depreciation ceases when the assets are fully depreciated, or at the earlier of the period that the item is classified as held for sale (or included in the disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the period the item is derecognized.

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each end of the reporting period.

Fully depreciated property and equipment are retained in the accounts until they are no longer in use.

Revaluation Model
Following initial recognition, land is carried at revalued amounts, which represent fair value at date of revaluation less any accumulated impairment in value.

Valuations are performed frequently enough to ensure that the fair value of a revalued property and equipment does not significantly differ from its carrying value. The increase of the carrying value of the land as result of a revaluation is credited directly to other comprehensive income under "revaluation surplus" account, unless it reverses a revaluation decrease previously recognized as an expense, in which case it is credited in profit or loss. A revaluation decrease is charged directly against any related revaluation surplus, with any excess being recognized as an expense in profit or loss.

Derecognition
An item of property and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying value of the asset and is recognized in the statements of revenues and expenses.

5.06 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company as a Lessee

Beginning January 1, 2019
The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payment and right-of-use assets representing the right to use the underlying assets.

- *Right-of-Use-Assets*
  The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Type of Asset	Estimated Useful Life in Years
Network equipment	1-10
Other work equipment	1-10

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment following the accounting policy on Impairment of non-financial assets (see Note 5.09).

- *Lease Liabilities*
  At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

  In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying value of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Prior to January 1, 2019
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

The Company as a Lessor
Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statements of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying value of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

5.07 Investment Properties

Investment properties of the Company pertain to various land held for lease or held for capital appreciation. Investment properties are measured initially at cost, including transaction costs.

The carrying value includes the cost of replacing part of an existing investment properties at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are carried at cost less any impairment in value.

Investment property is derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the statements of loss in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending 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 sale.

For a transfer from investment property to owner-occupation, commencement of operating lease to another party or ending of construction or development, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the owner occupied becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

5.08 Intangible Asset

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives, which does not exceed five (5) years.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the statement of profit or loss.

5.09 Other Non-current Assets

Other non-current assets include long-outstanding trade receivables, plant supplies, refundable security deposits and financial asset at FVOCI . These are carried at historical cost and classified as non-current since the Company expects to utilize the assets beyond 12 months from the end of the reporting period.

Plant supplies are carried at lower of cost and net realizable value (NRV). NRV is the estimated future sales price of the product that the entity expects to realize when the product is processed and sold, less estimated costs to complete production and bring the product to sale. Where the time value of money is material, these future prices, and costs to complete are discounted.

Cost of plant supplies comprise all costs of purchase and other costs incurred in bringing the plant supplies to their present location and condition. A regular review is undertaken to determine the extent of any provision for obsolescence.

5.10 Impairment of Non-financial Assets

Other Current Assets
At each end of the reporting period, these assets are reviewed to determine whether there is any indication that those assets have suffered impairment loss. If there is an indication of possible impairment, the recoverable amount of assets are estimated and compared with their carrying values. If the estimated recoverable amount is lower, the carrying value is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in the profit or loss.

Non-current Assets Held For Sale, Property and Equipment, Right-of-Use Assets, Investment Properties, and Intangible Assets
The Company assesses at each reporting period whether there is an indication that an asset may be impaired when events or changes in circumstances indicate that the carrying values of the said assets may not be recoverable. If any such indication exists and if the carrying value exceeds the estimated recoverable amount, the assets or Cash Generating Units (CGUs) are written down to their recoverable amounts. An asset’s recoverable amount is the higher of an asset’s or CGU’s fair value less costs to sell and its value-in-use (VIU) and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing VIU, 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. Impairment losses of continuing operations are recognized in the statements of loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each end of the reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognized. If that is the case, the carrying value of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying value that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statements of comprehensive loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset’s revised carrying value, less any residual value, on a systematic basis over its remaining useful life.

Plant Supplies
At each end of the reporting period, plant supplies are assessed for impairment by comparing the carrying value of each item of plant supplies (or group of similar items) with its NRV. If an item of plant supplies (or group of similar items) is impaired, its carrying value is reduced to NRV, and an impairment loss is recognized immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying value of plant supplies is increased to the revised NRV, but not in excess of the amount that would have been determined had no impairment loss has been recognized. A reversal of impairment loss is recognized immediately in profit or loss.

5.11 Provisions and Contingencies

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each end of the reporting period and adjusted to reflect the current best estimate. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognized as finance cost in the statements of loss. Where the Company expects some or all of the provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented on the statements of loss, net of any reimbursement.

Contingencies
Contingent liabilities are not recognized in the financial statements. These are, however, disclosed in the notes to financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed in the notes to financial statements when an inflow of economic benefits is probable.

5.12 Retirement Benefits Liability

Retirement benefits liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a retirement benefits asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Retirement benefits costs comprise the following:

- service cost
- net interest on the retirement benefits liability or asset
- remeasurements of retirement benefits liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the statements of loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the retirement benefits liability or asset is the change during the period in the retirement benefits liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the retirement benefits liability or asset. Net interest on the retirement benefits liability or asset is recognized as expense or income in the statements of loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which these arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Remeasurements recognized in other comprehensive income (loss) after the initial adoption of revised PAS 19 are not closed to any other equity account.

5.13 Capital Deficiency

Share capital is measured at par value for all shares issued. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as additional paid-in capital (APIC). Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Retained earnings represent the cumulative balance of periodic net income or loss, dividend contributions, prior period adjustments, effect of changes in accounting policy and other capital adjustments. When the retained earnings account has a debit balance, it is called “deficit”. A deficit is not an asset but a deduction from equity.

5.14 Other Comprehensive Income (Loss)

Other comprehensive income (loss) represents income and expenses, including reclassification adjustments that are not recognized in the statements of loss as required or permitted by PFRSs.

5.15 Deposit for Subscription

Deposit for subscription pertains to debts to be converted into equity as serial redeemable preferred shares based on the court-approved Rehab Plan (see Notes 2 and 20).

5.16 Loss Per Share

Basic
Basic loss per share is calculated by dividing the net loss attributable to ordinary stockholders of the Company by the weighted average number of common shares outstanding during the year, excluding common shares purchased by the Company and held as treasury shares.

Diluted
Diluted loss per share is calculated by dividing the net loss attributable to ordinary stockholders of the company by the weighted average number of common shares outstanding, adjusted for any stock dividends declared during the year plus weighted average number of ordinary shares that would be issued on the conversion of all potentially dilutive common shares during the period.

5.17 Revenue from Contracts with Customers

The Company is in the business of providing communications and technology solutions. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Broadband Internet Access Services Contracts
The Company provides broadband internet access services ranging from shared access to fully redundant (first to last mile) high availability service. These include fiber optic dedicated internet, e-line or shared broadband internet, wireless dedicated or shared broadband access and customized and value-added services.

Services may be rendered separately or bundled with other services. The specific recognition criteria are as follows:

Service arrangements may include fixed monthly charges (including excess of consumable fixed monthly service fees) generated from fixed line and other network services primarily through broadband and leased line services, which the Company recognize on a straight-line basis over the customer's subscription period. Services provided to customers are billed throughout the month according to the billing cycles. Services availed by customers in addition to these fixed fee arrangements are charged separately at their stand-alone selling prices and recognized as the additional service is provided or as availed by the customers.

Installation fees for services are not capable of being distinct from the sale of modem since the customer obtains benefit from the combined output of the installation services and the device and is recognized upon delivery of the modem and performance of modem installation. The related incremental costs are recognized in the same manner in the statements of comprehensive loss, if such costs are expected to be recovered.

Revenues from shared lines or shared access are recognized net of content provider's share in revenue. Revenue is recognized upon service availment. Revenue from server hosting, co-location services, and customer support services are recognized at point in time as the services are performed.

Upon signing of subscription agreement, customers are required to make payments equivalent to 2 months advance and 1 month deposit of internet broadband monthly subscription fee. These customers' deposits are refundable and/or to be applied to unpaid receivables of the customers. The Company recognized these advance payments and deposit as contract liability and "Customers' deposits" as part of liabilities, respectively (see Note 16).

IT Services Contracts
The Company also provides IT services and products from IT infrastructure, applications, network security, and others.

Revenue from sale of IT infrastructure is recognized at the point in time when control of the asset is transferred to the customer, generally upon delivery of the equipment or software at the customer's location. Revenue from services is recognized when the service to the customer is performed, generally via milestone achievement.

Contract Balances

- Contract Asset

  A contract asset is initially recognized for revenue earned from installation services because the receipt of consideration is conditional on successful completion of the installation. Upon completion of the installation and acceptance by the customer, the amount recognized as contract assets is reclassified to trade receivables.

  Contract assets are subject to impairment assessment.

- Trade Receivables

  A receivable is recognized if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due).

- Contract Liability

  A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract.

Rental Income
Rent income is recognized on a straight-line basis over the term of the lease. The Company does not provide any ancillary services to the tenants of the investment property. The lease payments therefore relate entirely to rental and are recognized as rent income. It was not necessary to separate the considerations between lease and non-lease components on the adoption of PFRS 15.

Dividend Income
Dividend income is recognized when the Company's right to receive payment is established.

Interest Income
Interest Income from bank deposit is recognized on a time proportion basis using the effective interest rate that takes into account the effective yield on the asset. The Company does not consider this to be 'revenue' as the earning of interest is not part of the Company's ordinary activities but rather an incidental benefit.

5.18 Costs and Expense Recognition

Cost and expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Costs and expenses are recognized in profit or loss in the following manner:

- On the basis of a direct association between costs incurred and the earning of specific items of income;
- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and association with income can only be broadly or indirectly determined;
- Immediately when an expenditure procedures no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statements of financial position as an asset; or
- Expense encompasses losses as well as those expenses that arise in the course of the ordinary activities of the Company.

5.19 Foreign Currency Transactions and Translation

Transactions in currencies other than Philippine Peso are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date the fair value was determined. Gains and losses arising on retranslation are included in profit or loss for the period, except for exchange differences arising on non-monetary assets and liabilities when the gains and losses of such non-monetary items are recognized directly in equity. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are not retranslated.

5.20 Related Parties and Related Party Transactions

Related Party Relationship
Related party relationship exists when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting entity, or between and/ or among the reporting entity and its key management personnel, directors, and shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related Party Transactions
Related party transactions are transfer of resources, services or obligations between related parties, regardless of whether a price is charged. Transactions between related parties are accounted for at arm's length prices or on terms similarly offered to non-related entities in an economically comparable market.

5.21 Income Taxes

Current tax is determined in accordance with is the amount reported on the Company's income tax return for the period in conformity with tax laws and regulations. Deferred tax is income tax payable (recoverable) in respect of the taxable profit (loss) for future reporting periods as a result of past transactions or events. The past transactions or events are those that have not yet been included in the Company's income tax return although they have been included when measuring profit or loss in conformity with PFRSs or have been included in the Company's income tax return although they have been not yet been included when measuring profit or loss in conformity with PFRSs.

The Company recognizes a deferred tax asset or liability for tax recoverable or payable in future periods as a result of past transactions or events. Such tax arises from the difference between the amounts recognized for the Company's assets and liabilities in the statements of financial position and the recognition of those assets and liabilities by the tax authorities, and the carry-forward of currently unused tax losses and tax credits. In most cases, those differences between the amounts in the statements of financial position and the amounts recognized by the tax authorities are accompanied by corresponding differences between profit or loss as measured by PFRSs and taxable profit or loss. If the Company expects to recover the carrying value of an asset or settle the carrying value of a liability without affecting taxable profit, no deferred tax arises in respect of the asset or liability.

The Company measures its deferred tax liabilities (assets) using the tax rates and laws that have been enacted or substantively enacted by the reporting date. When different tax rates apply to different levels of taxable profit, the Company measures deferred tax expense (income) and related deferred tax liabilities (assets) using the average enacted or substantively enacted rates that it expects to be applicable to the taxable profit (loss) of the periods in which it expects the deferred tax asset to be realized or the deferred tax liability to be settled.

The Company does not discount deferred tax assets and liabilities. The carrying value of a deferred tax asset shall be reviewed at the end of each reporting period. An entity shall reduce the carrying value of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that recognized deferred tax asset to be utilized. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Carry-forward benefit of unused tax losses (net operating loss carryover or NOLCO) and unused tax credits (excess minimum corporate income tax or MCIT) arising in the current period which can be applied against the entity's future taxable income and future tax liability, respectively, should be recognized as an asset to the extent that it is probable that sufficient taxable profit will allow the unused tax losses or unused tax credits be utilized.

5.22 Value-Added Tax

Revenues, expenses and assets are recognized, net of the amount of VAT except:

- where VAT incurred on a purchase of assets or services is not recoverable the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of VAT included.
- deferred input VAT to be amortized in subsequent periods.

5.23 Events after the Reporting Period

Post year-end events that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material (see Note 38).

6. INFORMATION ABOUT KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGMENTS

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements and related disclosures. The estimates and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from such estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis to ensure they incorporate all relevant information available at the reporting date. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

6.01 Critical Judgments in Applying Accounting Policies

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those including estimations and assumptions, which have the most significant effect on the amount recognized in the financial statements.

Determination of the Functional Currency
Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be the Philippine peso. In making this judgment, the Company considered the following:

a) The currency that mainly influences sales prices for financial instruments and services (this will often be the currency in which sales price for its financial instruments and services are denominated and settled);
b) The currency in which funds from financing activities are generated; and
c) The currency in which receipts from operating activities are usually retained.

The Philippine peso is the currency of the primary economic environment in which the Company operates.

Distinction between Property and Equipment and Investment Properties
The Company determines whether a property qualifies as property and equipment or an investment property. In making this judgment, for investment properties, the Company considers whether the property generates cash flows largely independent of the other assets and is held primarily to earn rentals or for capital appreciation. Property and equipment are held for use in the supply of services or for administrative purposes. The Company considers each property separately in making its judgment.

Classification of CIP as Property and Equipment
The Company has renovations intended to improve the property while it is being used, thus classifies the CIP on assets recognized under non-current assets held for sale (NCAHFS) as property and equipment. Once completed, the CIP will be reclassified as building improvements or as leasehold improvements if the planned sale and leaseback will be consummated.

Classification as Non-current Assets Held for Sale
The Company classifies its assets as NCAHFS by identifying if their carrying value will be recovered principally through a sale transaction rather than through continuing use and if the sale is considered highly probable. The Company commits to the plan to sell the asset and expects the sale to be completed within one year from the date of the classification (subject to limited exceptions). Actions required to complete the plan indicates that it is unlikely that plan will be significantly changed or withdrawn.

Classification of Financial Instruments
The Company exercises judgments in classifying a financial instrument on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position.

In addition, the Company classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether the quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

Settlement of Obligations Through Conversion to Equity
The Company determines whether an obligation is settled if the obligation is replaced by another from the same lender on substantially different terms, or terms of an existing liability are substantially modified, such an exchange or modification is considered as settlement of the original liability. As such, conversion of obligations to equity, in accordance with the court-approved Rehab Plan, is considered as full settlement of the obligation as the terms with the same creditor are substantially modified. Thus, creditors are now considered as owners of the Company pending actual issuance of the serial redeemable preferred shares. As at December 31, 2020 and 2019, deposit for subscription in accordance with the court-approved Rehab Plan amounted to ₱8,710,766,886 and ₱8,711,736,581, respectively (see Note 22).

In 2020, the Company has issued in favor of creditors share certificates covering Series "B" Serial Redeemable Preferred Shares amounting to ₱969,695 (see Note 22).

Revenue Recognition

Identifying Performance Obligations
The Company identifies performance obligations by considering whether the promised services in the contract are distinct services. A service is distinct when the customer can benefit from the service on its own or together with other resources that are readily available to the customer and the Company's promise to transfer the service to the customer is separately identifiable from the other promises in the contract.

Revenues earned from multiple element arrangements offered by the Company's fixed line and wireless businesses are split into separately identifiable performance obligations based on their relative stand-alone selling price in order to reflect the substance of the transaction. The transaction price represents the best evidence of standalone selling price for the services the Company offers since this is the observable price being charge if the services are sold separately.

Timing of Revenue Recognition
The Company recognizes revenue from contracts with customers over time or at a point in time depending on the evaluation of when the customer obtains control of the promised services and based on the extent of progress towards completion of the performance obligation. For the telecommunication service which is generally provided over the contract period of two years, because control is transferred over time, revenue is recognized monthly as we provide the service.

Identifying Methods for Measuring Progress of Revenue Recognized Over Time
The Company determines the appropriate method of measuring progress which is either through the use of input or output methods. Input method recognizes revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation while output method recognizes revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date.

Revenue from telecommunication services is recognized through the use of input method wherein recognition is over time based on the customer subscription period since the customer simultaneously receives and consumes the benefits as the seller renders the services.

Determining the Lease Term of Contracts with Renewal and Terminal Options – The Company as a Lessee – Beginning January 1, 2019
The Company determined the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Company included the renewal period as part of the lease term for leases of office premises, network equipment, and service vehicles with shorter non-cancellable period (i.e., three to five years). The Company typically exercises its option to renew for these leases because there will be significant negative effect on production if a replacement asset is not readily available. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Classification of Leases – The Company as a Lessor
The Company classifies leases as finance or operating lease in accordance with the substance of the contractual agreement and the transfer of the risks and rewards incidental to the ownership of the leased item. Leases where management has determined that the risks and rewards related to the leased items are transferred to the lessees are classified as finance lease. Otherwise, these are accounted for as operating lease.

The Company has entered into leases on its investment property portfolio. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of these properties and accounts for the contracts as operating leases.

Determining Taxable Profit, Tax Bases, Unused Tax Losses, Unused Tax Credits and Tax Rates
Upon adoption of the Philippine Interpretation IFRIC 23, the management assesses whether the Company has any uncertain tax position and applies significant judgment in identifying uncertainties over its income tax treatments.

The Company determined based on management's assessment that it is probable that the income tax treatments will be accepted by the taxation authorities. Accordingly, the interpretation did not have a significant impact on the financial statements.

6.02 Estimates and Assumptions

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying values of assets and liabilities recognized in the financial statements within the next financial year are discussed below.

Estimation of Allowance for ECL on Receivables including Contract Asset and Long-outstanding Trade Receivables included under "Other Non-current Assets"
The Company uses a provision matrix to calculate ECLs for receivables including contract asset and long-outstanding trade receivable included under "Other non-current assets". The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns by service type and customer type and rating. The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables is disclosed in Note 34.02.

There have been no significant changes in the provision matrix used by the Company for calculating ECL on receivables including contract asset and long-outstanding trade receivable included under "Other non-current assets". However, the Company considered the severity of impact of Covid-19, changes in economic conditions in 2020 and the expected timing of recovery from the pandemic in the calculation of ECL. The changes resulted to higher provision for ECL for the year ended December 31, 2020.

Provision for ECL on receivables amounted to ₱7,986,290, ₱780,496 and ₱669,809 for the years ended December 31, 2020, 2019 and six-month period ended December 31, 2018, respectively (see Note 27).

As at December 31, 2020 and 2019, the carrying values of receivables amounted to ₱60,499,438 and ₱73,685,408, respectively, net of allowance for ECL amounting to ₱11,532,485 and ₱3,546,195 as at December 31, 2020 and 2019, respectively (see Note 8).

The Company recognized contract asset amounted to nil and ₱13,578,633 as at December 31, 2020 and 2019, respectively, no allowance for ECL have been recognized (see Note 8).

As at December 31, 2020 and 2019, the carrying values of long-outstanding trade receivables amounted to nil, net of allowance for ECL amounting to ₱1,381,525,501 as at December 31, 2020 and 2019 (see Note 15).

Estimation of Impairment of Non-Financial Assets

Other Current Assets
The Company reviewed if there is an indication of possible impairment, the recoverable amount of assets is estimated and compared with their carrying values and determined that there is no indication that the assets have suffered impairment loss.

The carrying values of other current assets amounted to ₱33,785,534 and ₱8,452,626 as at December 31, 2020 and 2019, respectively (see Note 9).

Non-current Assets Held For Sale, Property and Equipment, Right-of-Use Assets, Investment Properties, and Intangible Assets
The Company evaluates whether the assets have suffered any impairment either annually or when circumstances indicate that related carrying values are no longer recoverable. The recoverable amounts of these assets have been determined based on either VIU or fair value, whichever is higher.

Estimation of VIU requires the use estimate and assumptions in determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets. Fair value is based on the results of assessment done by independent appraisers engaged by the Company. The approach utilizes prices recently paid for similar assets with adjustments made to the indicated market price to reflect condition and utility of the appraised assets relative to the market comparable. Any resulting impairment loss could have a material adverse impact on the financial position and financial performance. No impairment loss was recognized by the Company for the years ended December 31, 2020, 2019 and six-month period ended December 31, 2018.

The total carrying values of assets classified as NCAHFS amounted to ₱368,594,244 and ₱378,680,744 as at December 31, 2020 and 2019, respectively (see Note 10).

The carrying values of property and equipment amounted to ₱151,010,894 and ₱156,422,917 as at December 31, 2020 and 2019, respectively (see Note 12).

The carrying values of investment properties amounted to ₱212,100,808 and ₱225,708,208 as at December 31, 2020 and 2019, respectively (see Note 13).

The carrying values of intangible assets amounted to ₱2,343,583 and nil as at December 31, 2020 and 2019, respectively (see Note 14).

Plant Supplies
The Company maintains an allowance for impairment losses at a level considered adequate to reflect the excess of cost of plant supplies over its NRV as these are not expected to be utilized within one year from the reporting date. NRV of plant supplies are assessed regularly based on prevailing estimated selling prices of plant supplies and the corresponding cost of disposal. Increase in the NRV of inventories will increase cost of inventories but only to the extent of original acquisition costs.

As at December 31, 2020 and 2019, the carrying values of plant supplies amounted to ₱35,657,708 and ₱29,805,455, respectively, both net of allowance for impairment losses amounting to ₱65,987,835. Reversal of allowance for impairment on plant supplies amounted to both nil for the years ended December 31, 2020, 2019, and ₱40,000 for the six-month period ended December 31, 2018 (see Note 15).

Estimation of Useful Lives of Property and Equipment, except Land, Right-of-use Assets, and Intangible Assets
The Company estimates the useful lives and residual values of property and equipment, except land, right-of-use assets, and intangible assets based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of similar businesses, internal technical evaluation, and experience with similar assets. The estimated useful lives of the property and equipment, except land, right-of-use assets, and intangible assets are reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the property and equipment. It is possible, however, that future financial performance could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property and equipment would increase the recorded depreciation expense and decrease the carrying value of the assets. There were no changes in the estimated useful lives of the property and equipment, except land, right-of-use assets and intangible assets as at December 31, 2020 and 2019.

The carrying values of property and equipment amounted to ₱151,010,894 and ₱156,422,917 as at December 31, 2020 and 2019, respectively (see Note 12).

The carrying values of right-of-use assets amounted to ₱76,934,406 and ₱30,116,102 as at December 31, 2020 and 2019, respectively (see Note 31).

The carrying values of intangible assets amounted to ₱2,343,583 and nil as at December 31, 2020 and 2019, respectively (see Note 14).

Depreciation and amortization expense recognized for the years ended December 31, 2020, 2019, and six-month period ended December 31, 2018 amounted to ₱53,885,207, ₱43,731,398, and ₱14,716,397, respectively (see Notes 12, 14, and 31).

Estimation of Fair Value of Non-current Assets Held for Sale and Investment Properties
The fair value of NCAHFS and investment properties were determined based on appraisal performed by an independent firm of appraisers who holds a recognized and relevant professional qualification and an industry specialist in valuing these types of investment properties. The valuation of NCAHFS and investment properties were estimated using the sales comparison approach method, which is a comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison.

Management engages appraisers to assesses and review the fair value of NCAHFS and investment properties every 3 years.

As at December 31, 2020 and 2019, the fair value of the NCAHFS amounted to ₱450,000,000 and ₱467,700,000, respectively which are based on the selling price as negotiated with prospective buyers of the Company (see Note 10).

As at December 31, 2020 and 2019, the fair value of the investment properties as determined using the sales comparison approach amounted to ₱502,434,000 and ₱351,319,5000, respectively (see Note 13).

Estimation of Retirement Benefits
The costs of defined retirement benefits as well as the present value of the provision for retirement benefits are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future retirement increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, retirement benefit liability is highly sensitive to changes in these assumptions. All assumptions are reviewed at each end of the reporting period.

Retirement benefits costs amounted to ₱9,816,117, ₱8,219,990, and ₱6,360,139 for the years ended December 31, 2020, 2019 and six-month period ended December 31, 2018, respectively (see Note 28). Retirement benefits liability amounted to ₱136,707,747 and ₱133,313,602 as at December 31, 2020 and 2019, respectively (see Note 21).

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit retirement liability. Further details about the assumptions used are provided in Note 21.

Assessment of Realizability of Deferred Income Tax Assets
The Company reviews the carrying values of deferred income taxes assets at the end of each reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred income tax assets to be utilized. Accordingly, the Company did not recognize deferred tax assets in respect of deductible temporary differences and unused tax losses. As at December 31, 2020 and 2019, unrecognized deferred income tax assets amounted to ₱610,094,067 and ₱596,004,773, respectively, as the Company believes that the carry forward benefit would not be realized in the future prior to their expiration (see Note 30).

In Philippine Peso

Estimation of Provisions and Contingencies on Legal Proceedings
The Company is currently involved in various legal proceedings which are pending resolution in view of the Company's ongoing Corp Rehab. The estimate of the probable costs for the resolution of these claims has been developed in consultation with in-house and outside counsels handling the Company's defense in these matters and is based upon an analysis of potential results. The Company's management and legal counsels have made judgment that, while the proceedings are legally defensible, they cannot anticipate with certainty the progress and the outcome of the legal proceedings, the appreciation of the available evidence by the relevant courts or tribunal involved and the evolution of jurisprudence or similar cases that will be decided by the highest court, which will be relevant to these pending cases. The Company currently assessed that these proceedings will not have a material adverse effect on its financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings. No provisions were made in relation to these ongoing legal proceedings (see Note 32).

Estimation of Accrued Interest Based on Court-Approved Rehab Plan
The Company determines the accrued interest based on the outstanding balances of its unpaid obligations to all claimants listed in the Rehab Plan. These obligations are subject to 6% legal interest in accordance with the court-approved Rehab Plan (see Note 2). The management believes that the accrued interest recognized by the Company is reasonable and appropriate following the interpretation of the court-approved Rehab Plan.

As at December 31, 2020 and 2019, accrued interest on these obligations amounted to ₱221,948,710 and ₱197,619,536, respectively (see Note 18). Interest expense recognized for the years ended December 31, 2020, 2019 and six-month period ended December 31, 2018 amounted to ₱23,343,152, ₱27,500,155, and ₱13,463,929, respectively (see Note 29).

The Company settled labor-related statutory obligations covered by Corp Rehab amounting to ₱8,884,890 and ₱17,324,413 in 2020 and 2019, respectively, with waiver of interest amounting to nil and ₱3,112,818, respectively (see Notes 17 and 26).

Leases – Estimating the incremental borrowing rate
When the Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Company estimates IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

7. CASH

	2020	2019
Cash on hand	**240,000**	155,000
Cash in banks	**46,741,468**	23,761,220
	46,981,468	23,916,220

Cash in banks earn interest at the respective bank deposit rates. Interest income earned amounted to ₱85,283, ₱71,532 and ₱24,407 for the years ended December 31, 2020, 2019 and six-month period ended December 31, 2018, respectively (see Note 26).

In Philippine Peso

The Company's foreign currency denominated cash and their Philippine peso equivalents restated at reference rate of prevailing market rate are as follows:

		2020		2019
Foreign currency denominated	**$**	**15,101**	$	28,041
Philippine peso equivalents	**₱**	**725,380**	₱	1,422,898

The Company recognized unrealized foreign exchange loss from translating foreign currency denominated cash amounting to ₱1,682, ₱3,372, and ₱6,476 for the years ended December 31, 2020, 2019, and six-month period ended December 31, 2018, respectively, recorded as part of unrealized foreign exchange loss under "Selling, general and administrative expenses" (see Note 27).

8. RECEIVABLES – net

	2020	2019
Trade		
Third parties	**59,918,717**	57,462,042
Related party (Note 24)	**5,105,238**	332,686
Contract asset	**–**	13,578,633
Advances to suppliers	**5,099,675**	4,211,579
Others	**1,908,293**	1,646,663
	72,031,923	77,231,603
Allowance for ECL	**(11,532,485)**	(3,546,195)
	60,499,438	73,685,408

Trade receivables arise from broadband internet access services. Trade receivables are noninterest-bearing and are generally collectible on 30-60 days' terms.

Contract asset pertains to the revenue earned from the IT-related services of the Company with which the receipt of consideration is conditional on successful completion of the service.

Advances to suppliers include prepayments made to suppliers for services related to promotions, information technology solutions, networks and telecommunication.

Others consist of receivables from space rental and revenue-share from resell of digital subscriber line which were fully provided with allowance.

Movements in allowance for ECL of receivables are as follow:

	Trade receivables	Other receivables	Total
Balance as at December 31, 2018	2,229,050	536,649	2,765,699
Provision for ECL for the year (Note 27)	754,956	25,540	780,496
Balance as at December 31, 2019	2,984,006	562,189	3,546,195
Provision for ECL for the year (Note 27)	7,938,847	47,443	7,986,290
Balance as at December 31, 2020	**10,922,853**	**609,632**	**11,532,485**

In Philippine Peso

9. OTHER CURRENT ASSETS

	2020	2019
Deposit	**23,266,667**	–
Deferred input VAT	**6,013,691**	5,293,017
FWVs	**1,906,600**	856,220
Prepaid expenses	**1,717,248**	1,082,394
CWTs	**854,619**	–
Others	**26,709**	190,978
	33,785,534	8,452,626

Deposit pertains to down payments made for possible purchase of a capital asset which will be applied as part of payments upon execution of sale.

Deferred input VAT pertains to input VAT on capital goods of which the acquisition cost exceeds ₱1,000,000 to be amortized in subsequent periods and input VAT and input VAT of unpaid purchase of services.
FWVs represent taxes withheld that can be claimed as credit against the Company's VAT payable.

Prepaid expenses pertain to unamortized portion of software licenses, marketing fees, and insurance.

CWTs represent taxes withheld that can be claimed as credit against the Company's future tax liabilities.

Others pertain to various prepayments including association dues and registration fees.

During the year, the Company has written-off portion of CWTs and FWVs totaling to ₱495,158, recorded as part of loss on asset written off under "Selling, general and administrative expenses" (see Note 27).

10. NON-CURRENT ASSETS HELD FOR SALE

	2020	2019
Land (Note 11)	**360,360,000**	360,360,000
Property and equipment (Note 12)	**8,234,244**	8,234,244
Investment properties (Note 13)	**–**	10,086,500
	368,594,244	378,680,744

Land
In 2019, the Company decided to sell its parcel of land which was previously held as an owner-occupied property.

Property and equipment
In 2019, the Company decided to sell its building and building improvements which was previously held as on owner-occupied property.

Investment properties
In 2019, the Company decided to sell its investment property which pertains to an idle vacant and residential lots previously held for capital appreciation.

The assets classified as held for sale was measured at the lower of its carrying value and fair value less estimated cost to sell at the time of reclassification (see Notes 11, 12 and 13).

In 2020, the Company sold its idle lands with carrying value of ₱10,086,500 for ₱17,700,000 resulting to gain amounting to ₱7,613,500 recorded as part of gain on sale of properties under “Other income” (see Note 26).

As at date of this report, sale of other NCAHFS are not yet perfected due to delays caused by events beyond the Company’s control including but not limited to processing of required documentary requirements. The management remains committed to its plan to sell the asset and is actively in contact with the prospective buyer.

As at December 31, 2020 and 2019, the fair value of the NCAHFS amounted to ₱450,000,000 and ₱467,700,000, respectively which are based on the selling price as negotiated with prospective buyers of the Company.

11. LAND

In 2017, the Company revalued its land based on estimated fair values as indicated in the independent appraiser’s report dated October 15, 2017. The fair value was estimated using the sales comparison approach method, which is a comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison.

The market value of the land amounted to ₱360,360,000 and the existing utility represents the highest and best use of the land. The cost of the land amounted to ₱214,500,000.

Accordingly, as at date of revaluation, the Company recognized an increase of ₱72,072,000 which was directly credited to revaluation surplus, net of deferred income tax amounting to ₱30,888,000.

In 2019, the Company’s management informed its shareholders its plan to sell the Company’s land and building under property and equipment and some idle lots under investment properties in order to procure funds for the execution of the Company’s exit of the Corp Rehab. The Company reclassified its revalued land to “Non-current assets held for sale” as part of the current assets.

As at December 31, 2020 and 2019, revaluation surplus of the revalued land amounted to ₱102,102,000, net of ₱43,758,000 tax effect. The revaluation surplus is not available for distribution to stockholders until this is realized through sale.

The land reclassified as “Non-current assets held for sale” amounted to ₱360,360,000 which is the carrying value as at date of reclassification. The fair value less estimated cost to sell of the land at the time of reclassification amounted to ₱417,949,826 (see Note 10).

In Philippine Peso

12. PROPERTY AND EQUIPMENT AT COST – net

		Telecommunications Equipment				
2020	**Building and Improvements**	**Network equipment**	**Cable and wire Facilities**	**Other work equipment**	**Construction in progress**	**Total**
Cost:						
Balance at beginning of year	**–**	**249,689,284**	**208,601,901**	**27,506,257**	**–**	**485,797,442**
Additions	**–**	**2,099,520**	**14,356,337**	**8,258,756**	**3,808,819**	**28,523,432**
Balance at end of year	**–**	**251,788,804**	**222,958,238**	**35,765,013**	**3,808,819**	**514,320,874**
Accumulated depreciation:						
Balance at beginning of year	**–**	**199,309,619**	**115,796,141**	**14,268,765**	**–**	**329,374,525**
Depreciation	**–**	**14,999,729**	**15,015,314**	**3,920,412**	**–**	**33,935,455**
Balance at end of year	**–**	**214,309,348**	**130,811,455**	**18,189,177**	**–**	**363,309,980**
Net carrying value	**–**	**37,479,456**	**92,146,783**	**17,575,836**	**3,808,819**	**151,010,894**

		Telecommunications Equipment				
2019	Buildings and Improvements	Network equipment	Cable and wire Facilities	Other work equipment	Construction in progress	Total
Cost:						
Balance at beginning of year	44,388,215	237,951,237	186,193,620	23,632,126	14,958,721	507,123,919
Additions	–	1,618,924	22,408,281	3,874,131	–	27,901,336
Reclassification of construction in progress	4,839,598	10,119,123	–	–	(14,958,721)	–
Reclassification to NCAHFS	(49,227,813)	–	–	–	–	(49,227,813)
Balance at end of year	–	249,689,284	208,601,901	27,506,257	–	485,797,442
Accumulated depreciation:						
Balance at beginning of year	40,845,299	185,995,469	101,907,593	10,199,090	–	338,947,451
Depreciation	148,270	13,314,150	13,888,548	4,069,675	–	31,420,643
Reclassification to NCAHFS	(40,993,569)	–	–	–	–	(40,993,569)
Balance at end of year	–	199,309,619	115,796,141	14,268,765	–	329,374,525
Net carrying value	–	50,379,665	92,805,760	13,237,492	–	156,422,917

In Philippine Peso

Additions to property and equipment amounting to ₱19,255,264 were paid in cash.

CIP pertains to costs incurred in the on-going renovation of offices in the Company's place of business including but not limited to structural engineering investigation and architectural designs, labor, and materials. The CIP has 40% percentage of completion as at December 31, 2020.

Service vehicles under other work equipment with carrying value amounting to ₱6,423,481 and ₱2,386,443 as at December 31, 2020 and 2019, respectively serve as collaterals for the chattel mortgage for the loan acquired from a local bank and a financial institution (see Note 19). Aside from the service vehicles, no amount of property and equipment has been pledged to secure borrowings as at December 31, 2020 and 2019.

Fully depreciated properties still in use amounted to ₱190,229,658 and ₱186,101,470 as at December 31, 2020 and 2019. There are no idle property and equipment as at December 31, 2020 and 2019.

Except for the expected cost to complete the on-going renovation, the Company has no outstanding contractual commitments to acquire additional property and equipment.

In 2019, the building including improvements with carrying value of ₱8,234,244, was reclassified as "Non-current assets held for sale" as part of the current assets in the statements of financial position. The fair value less estimated cost to sell of the said assets at the time of reclassification amounted to ₱9,550,174 (see Note 10).

The Company carried out a review of the recoverable amounts of its property and equipment and determined that there is no indication that an impairment loss has occurred.

13. INVESTMENT PROPERTIES AT COST

	2020	2019
Balance at beginning of year	**225,708,208**	235,794,708
Disposals during the year	**(13,607,400)**	–
Reclassification to NCAHFS (Note 10)	**–**	(10,086,500)
Balance at end of year	**212,100,808**	225,708,208

The Company's investment properties consist of lands in various locations in NCR, and Regions 3 and 4. Some of these lands are rented out for a fee to third parties for one (1) to five (5) years lease term and are renewable subject to mutual consent of both parties, while others are held for capital appreciation.

The Company assessed that the highest and best use of the parcels of land are for commercial use. Based on the appraisals made in November 11, 17, and December 1, 2020 and July 7, 18 and October 15, 2019 covering valuation date as at December 31, 2020 and 2019, the fair value of the investment properties as determined using the sales comparison approach amounted to ₱502,434,000 and ₱351,319,500, respectively.

In 2019, investment properties with carrying value of ₱10,086,500, was reclassified as "Non-current assets held for sale" as part of the current assets in the statements of financial position. The fair value less estimated cost to sell of the said assets at the time of reclassification amounted to ₱16,815,000 (see Note 10).

In 2020, the Company sold investment properties with related cost of ₱13,607,400 for ₱20,000,000 resulting to gain amounting to ₱5,492,600 recorded as part of gain on sale of properties under "Other income" (see Note 26). There are no restrictions on the realizability of investment property or the remittance of income and proceeds of disposal.

In Philippine Peso

For the years ended December 31, 2020, 2019 and six-month period ended December 31, 2018, the Company recognized rental income from these investment properties amounting to ₱687,258, ₱1,578,240, and ₱1,624,023, respectively (see Note 31).

As at December 31, 2020 and 2019, the Company has no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance, or enhancements.

The Company carried out a review of the recoverable amounts of its investment properties and determined that there is no indication that an impairment loss has occurred.

14. INTANGIBLE ASSET AT COST – net

	2020	2019
Cost:		
Balance at beginning of year	**–**	–
Additions	**2,375,000**	–
Balance at end of year	**2,375,000**	–
Accumulated amortization:		
Balance at beginning of year	**–**	–
Amortization	**31,417**	–
Balance at end of year	**31,417**	–
Net carrying value	**2,343,583**	–

Intangible asset pertains to the accounting software license to be used in business operations.

As at December 31, 2020, the Company has no intangible asset that has a restricted title and/or is pledged as security for liabilities.

The Company carried out a review of the recoverable amounts of its intangible asset and determined that there is no indication that an impairment loss has occurred.

15. OTHER NON-CURRENT ASSETS – net

	2020	2019
Long-outstanding trade receivables	**1,381,525,501**	1,381,525,501
Plant supplies	**101,645,543**	95,793,290
Refundable security deposits	**12,839,691**	12,744,208
Financial asset at FVOCI	**229,140**	168,948
	1,496,239,875	1,490,231,947
Allowance for ECL and impairment	**(1,447,513,336)**	(1,447,513,336)
	48,726,539	42,718,611

Long-outstanding trade receivables represent due from customers related to the LEC business (landline-based telephone and long-distance service) of the Company. These long-outstanding receivables are fully provided with allowance for ECL as at December 31, 2020 and 2019.

Plant supplies pertain to capitalizable assets used for the installation of cable and wires facilities. The Company provides allowance for impairment losses when the asset becomes obsolete.

In Philippine Peso

As at December 31, 2020 and 2019, the carrying values of plant supplies amounted to ₱35,657,708 and ₱29,805,455, respectively, net of allowance for impairment losses of ₱65,987,835 as at December 31, 2020 and 2019.

Refundable security deposits represent deposits on various space rental for central office equipment and telecommunication nodes.

The Company's foreign currency denominated refundable security deposits and their Philippine peso equivalents restated at reference rate of prevailing market rate are as follows:

		2020		2019
Foreign currency denominated	**$**	**76,000**	$	76,000
Philippine peso equivalents	**₱**	**3,650,736**	₱	3,856,544

The Company recognized unrealized foreign exchange loss from translating foreign currency denominated security refundable deposits amounting to ₱354,464, ₱148,656 and nil for the years ended December 31, 2020, 2019, and six-month period ended December 31, 2018, respectively, recorded as part of unrealized foreign exchange loss under "Selling, general and administrative expenses" (see Note 27).

Financial asset at FVOCI as at December 31, 2020 pertain to investment in shares of a listed telecommunications entity. The Company's business model for managing these financial assets refers to how it manages its financial assets in order to generate cash flows.

Movements of financial asset at FVOCI are as follows:

	2020	2019
Balances at beginning of year	**168,948**	192,375
Unrealized valuation gain (loss) for the year	**60,192**	(23,427)
Balances at end of year	**229,140**	168,948

The cumulative net unrealized valuation gain (loss) on changes in fair values of financial asset at FVOCI account as at December 31, 2020 and 2019 is recognized under "Unrealized valuation gain (loss) on equity investments" account which is a separate component under the equity section in the statements of financial position.

Movements of unrealized valuation losses on financial asset at FVOCI:

	2020	2019
Balances at beginning of year	**(330,372)**	(306,945)
Changes in fair value of financial asset at FVOCI	**60,192**	(23,427)
Balances at end of year	**(270,180)**	(330,372)

For the years ended December 31, 2020, 2019 and six-month period ended December 31, 2018, the Company recognized dividend income from financial asset at FVOCI amounting to ₱13,167, ₱12,312, and ₱6,156, respectively (see Note 26).

In Philippine Peso

Movements in allowance for ECL of long outstanding trade receivables and impairment of plant supplies are as follow:

	Long-outstanding trade receivables	**Plant Supplies**	**Total**
Balances as at December 31, 2018	1,381,525,501	65,987,835	1,447,513,336
Provision for ECL for the year	–	–	–
Balance as at December 31, 2019	1,381,525,501	65,987,835	1,447,513,336
Provision for ECL for the year	–	–	–
Balance as at December 31, 2020	**1,381,525,501**	**65,987,835**	**1,447,513,336**

16. TRADE AND OTHER PAYABLES

	2020	2019
Trade	**79,274,918**	92,418,072
Customers' deposits	**148,640,307**	156,539,608
Contract liability	**9,319,330**	9,925,131
Others	**295,908**	239,452
	237,530,463	259,122,263

Trade payables are non-interest bearing and are settled on a 30 to 120 days' term. Included in the trade payables are suppliers' credits under Corp Rehab amounting to ₱15,726,642 as at December 31, 2020 and 2019.

Customers' deposits include 1 month deposit of internet broadband monthly subscription fee from customers and reservation deposits/fees from prospective buyer of the Company's NCAHFS which are refundable upon expiration and/or termination of the subscription and consummation of the agreement, respectively.

Contract liability pertains to 2 months advance payment of internet broadband monthly subscription fee from customers which are to be applied before expiration and/or termination of the subscription.

Others represent refundable short-term rental deposits. These are refundable and/or to be applied to uncollected receivables from the lessees upon expiration and/or termination of the contract of lease.

In Philippine Peso

17. STATUTORY OBLIGATIONS

The statutory obligations consist of liabilities to the Philippine government agencies and labor-related liabilities summarized as follows:

	2020	2019
Covered by Corporate Rehabilitation (Note 2)		
Labor-related	**162,838,629**	171,723,519
BIR	**138,514,480**	138,514,480
NTC	**65,724,944**	65,724,944
Home Development Mutual Fund (HDMF)	**28,448,186**	28,448,186
SSS	**15,101,233**	15,101,233
Philippine Health Insurance Corporation (PHIC)	**12,145,658**	12,145,658
National Home Mortgage Finance Corp. (NHFMC)	**1,132,874**	1,132,874
Other government agencies	**7,231,637**	7,231,637
	431,137,641	440,022,531
Outside Corporate Rehabilitation:		
NTC	**124,845,901**	113,724,624
BIR	**28,180,203**	20,197,996
Labor-related	**10,843,927**	7,130,970
SSS	**619,831**	213,100
PHIC	**228,001**	114,064
HDMF	**63,735**	75,706
Other government agencies	**10,118,047**	12,885,885
	174,899,645	154,342,345
	606,037,286	594,364,876

Labor-related
This pertains to unpaid salaries and wages of employees, and National Labor Relation Commission (NLRC) fees. NLRC, as arbiter, is handling labor-related cases against the Company. Some of these cases are already carried up to the courts (see Note 32).

The Company settled labor-related statutory obligations covered by Corp Rehab amounting to ₱8,884,890 and ₱17,324,413 in 2020 and 2019, respectively, with waiver on interest amounting to nil and ₱3,112,818, respectively (see Note 26).

BIR
This pertains to various unpaid liabilities to BIR including but not limited to final other percentage tax, overseas communication tax, withholding tax on compensation, expanded withholding tax, VAT, and others.

NTC
This pertains to unpaid SRF and Spectrum User Fees. SRF collected by the NTC from telecommunications company with valid legislative franchise.

HDMF and PHIC
These pertain to unremitted employer and employees' contributions.

SSS
This pertains to unremitted employer and employee contributions, and employee loans. On September 3, 2010, the Rehab Court ordered Philippine National Bank Trust Banking Group (PNB-TBG), as escrow agent under Escrow Agreement entered into by the Company and PNB-TBG on June 2, 1999, to release the escrow fund to pay obligations to SSS under the condonation program in RA No. 9903 and SSS Circular No. 2010-2005. In November 2010, the Company paid ₱32,466,271 out of the escrow fund (see Notes 1 and 2).

In Philippine Peso

On August 30, 2019, the Company availed of SSS condonation program and to settle ₱12,908,618 of obligations including interest of ₱1,012,344 (see Notes 1 and 2).

NHFMC
This pertains to unremitted employee housing loans deducted from employees' salaries.

Other government agencies
These include liabilities with SEC for the unpaid filing fees, Department of Public Works & Highways for the excavation fees, Department of Environment and Natural Resources for area clearing permits, and City Treasurer of various municipalities for the real property tax.

Statutory obligations outside Corp Rehab are current obligations which are incurred after the Rehab Plan was filed with the Rehab Court. These obligations are paid on a regular basis as part of its normal business operations on a 5 to 30 days' term.

18. ACCRUED INTERESTS, EXPENSES AND OTHER LIABILITIES

	2020	2019
Accrued interests	**221,948,710**	197,619,536
Accrued upstream internet connectivity	**30,535,650**	18,453,777
Accrued expenses	**14,651,248**	25,330,294
Accrued retainers and professional fees	**1,996,111**	2,152,482
Others	**1,549,245**	1,550,375
	270,680,964	245,106,464

Pursuant to the order of the Rehab Court to pay 6% legal interest from the approval of the Rehab Plan until full payment of the obligation (see Note 2). Interest expense for the years ended December 31, 2020, 2019 and six-month period ended December 31, 2018, amounted to ₱23,343,152, ₱27,500,155, and ₱13,463,929, respectively (see Note 29).

Accrued expenses pertain to utilities and outside services which were incurred subsequent to the approval of the Rehab Plan.

The Company entered into a contract agreement with an international telecommunication company and a local company to install and provide additional upstream internet connectivity. Upstream internet connectivity pertains to fees incurred for a leased channel, a premium internet connectivity product, normally delivered over fiber, which provides uncontended, symmetrical bandwidth with full-duplex traffic used to provide internet services to the customers. The Company recognized upstream internet connectivity amounting to ₱34,569,447, ₱34,636,552 and ₱14,301,585 for the years ended December 31, 2020, 2019, and six-month period ended December 31, 2018, respectively, as presented in the statements of loss.

The Company's foreign currency denominated accrued upstream internet connectivity and their Philippine peso equivalents restated at reference rate of prevailing market rate are as follows:

	2020	2019
Foreign currency denominated	**$ 281,649**	$ 324,322
Philippine peso equivalents	**₱ 13,529,270**	₱ 16,456,098

The Company recognized unrealized foreign exchange gain from translating foreign currency denominated accrued upstream internet connectivity amounting to ₱762,704, ₱770,764 and ₱149,095 for the years ended December 31, 2020, 2019, and six-month period ended December 31, 2018, respectively, recorded as part of unrealized foreign exchange gain under "Other income" (see Note 26).

In Philippine Peso

The Company has written-off unreversed long outstanding accruals amounting to ₱11,922,857, ₱552,894 and nil, for the years ended December 31, 2020, 2019 and six-month period ended December 31, 2018, respectively recorded as reversal of long outstanding accruals under “Other income” (see Note 26).

19. LOANS PAYABLE

The Company obtained several loans from a local bank of which the proceeds were used to finance the purchase of other work equipment for the Company's use. These service vehicles serve as collaterals for the chattel mortgage for the loans. Below are the details of the loans:

	Principal amount	Annual interest rate	Maturity date	Amount outstanding		Monthly amortization	Term (months)
				2020	2019		
Loan 1	780,000	18.59%	12/13/2022	**429,126**	604,692	22,801	48
Loan 2	780,000	18.59%	12/13/2022	**429,126**	606,549	22,801	48
Loan 3	1,518,400	20.03%	05/04/2020	**–**	301,010	77,300	24
Loan 4	746,400	12.17%	12/02/2025	**752,887**	–	16,018	60
Loan 5	746,400	12.17%	12/02/2025	**752,887**	–	16,018	60
Loan 6	902,400	12.07%	12/02/2025	**910,242**	–	19,360	60
Loan 7	914,400	12.05%	12/02/2025	**922,348**	–	19,624	60
Loan 8	914,400	12.05%	12/02/2025	**922,348**	–	19,624	60
				5,118,964	1,512,251		

See below carrying values and movements of loans payable:

	2020	2019
Balance at beginning of year	**1,512,251**	2,601,644
Additions	**4,224,000**	–
Accretion of interest (Note 29)	**242,841**	385,432
Payments	**(860,128)**	(1,474,825)
Balance at end of year	**5,118,964**	1,512,251

The outstanding balances of the Company’s loans payable as at December 31, 2020 and 2019 are as follows:

	2020	2019
Current	**1,214,441**	667,583
Non-current	**3,904,523**	844,668
	5,118,964	1,512,251

As at December 31, 2020 and 2019, the carrying value of service vehicles recorded as part of other work equipment pledged as collaterals for the chattel mortgages amounted to ₱6,423,481 and ₱2,386,443, respectively (see Note 12).

The Company paid loan principal amounting to ₱650,295 and ₱1,074,910 in 2020 and 2019, respectively. Interest expenses for the years ended December 31, 2020, 2019 and six-month period ended December 31, 2018 relating to these loans amounted to ₱242,841, ₱385,432, and ₱232,848, respectively (see Note 29).

In Philippine Peso

Amount of principal repayment required in each of the 5 years are as follows:

	Loan 1	Loan 2	Loan 4	Loan 5	Loan 6	Loan 7	Loan 8	Total
2021	212,607	212,607	130,569	130,569	157,861	159,966	159,966	1,166,166
2022	209,727	209,727	134,284	134,284	162,352	164,518	164,518	1,181,432
2023	–	–	148,979	148,979	180,119	182,521	182,521	843,119
2024	–	–	165,282	165,282	199,830	202,495	202,495	935,384
2025	–	–	167,287	167,287	202,239	204,899	204,899	946,611

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

As discussed in Note 2 in the financial statements, the Rehab Court has ordered the Company the full conversion of all outstanding liabilities into 12-year serial redeemable preferred shares except for statutory obligations, financing and advances from owners and certain liabilities in the nature of 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 Company has filed with the SEC the increase in authorized capital stock on October 9, 2018. The increase in authorized capital was approved by the SEC on October 31, 2018 pending issuance of share certificates to the creditors (see Note 2) and the full implementation of the Company's debt-to-equity conversion as ordered by the Rehab Court amounting to ₱8,711,736,581 (see Note 22.02), thus, "Deposit for subscription" was already recognized in equity. No oppositions were made by the creditors except as discussed in Note 2.

Total deposit for subscription under liabilities as at December 31, 2020 and 2019 amounted to ₱130,000,000. The balance of deposit for stock subscription under liabilities as at December 31, 2020 and 2019 pertains to the subscribed common shares of RETELCOM.

21. RETIREMENT BENEFITS LIABILITY

The Company has a noncontributory defined benefit plan covering all regular and permanent employees. Benefits are based on the employee's final plan salary and at least 10 years of service ranging from 12.5% to 130%.

The latest actuarial valuation report as at December 31, 2020 is determined using the projected unit credit actuarial cost method. Currently, the Company has no plan asset established for the funding of the retirement benefits liability.

The following tables summarize the retirement benefits liability recognized in the statements of financial position and the components of retirement benefits costs recognized in the statements of loss for the retirement plan:

In Philippine Peso

Retirement benefits costs recognized in the statements of loss (see Note 28):

	December 31, 2020 (Twelve months)	December 31, 2019 (Twelve months)	December 31, 2018 (Six months – Note 3.03)
Current service cost	**7,993,610**	6,279,902	2,304,676
Interest expense on defined benefit plan	**1,822,507**	1,940,088	4,055,463
	9,816,117	8,219,990	6,360,139

Retirement benefits cost attributable to key management personnel amounted to ₱2,334,402, ₱2,459,211 and ₱786,181 for the years ended December 31, 2020, 2019 and six-month period ended December 31, 2018, respectively (see Note 24).

Other comprehensive income (loss) in the statements of financial position pertains to the cumulative actuarial gains on non-contributory defined benefit plan:

	2020	2019
Balance at beginning of year	**4,795,356**	14,898,232
Actuarial gains (losses) due to:		
Experience adjustments	**6,915,438**	(12,915,983)
Changes in demographic assumptions	**–**	3,189,985
Changes in financial assumptions	**(3,224,080)**	(4,706,682)
Actuarial gains (losses) recognized for the year	**3,691,358**	(14,432,680)
Tax effect	**(1,107,407)**	4,329,804
Actuarial gains (losses) recognized for the year – net of tax	**2,583,951**	(10,102,876)
Balance at end of year	**7,379,307**	4,795,356

Changes in the present value of the retirement benefits liability are as follows:

	2020	2019
Balance at beginning of year	**133,313,602**	114,096,777
Current service cost	**7,993,610**	6,279,902
Interest expense on retirement benefits liability	**1,822,507**	1,940,088
Actuarial losses (gains) due to:		
Experience adjustments	**(6,915,438)**	12,915,983
Changes in demographic assumptions	**–**	(3,189,985)
Changes in financial assumptions	**3,224,080**	4,706,682
Benefits paid	**(2,730,614)**	(3,435,845)
Balance at end of year	**136,707,747**	133,313,602

In 2009, the Company applied for Corp Rehab which was later approved on April 1, 2011 by the Rehab Court. As per Rehab Court's order, the Company may put on hold the benefits of separated employees for service rendered prior to August 24, 2009 Stay Order (see Note 1).

As at December 31, 2020 and 2019, the Company has retirement benefits liability attributable to separated employees amounting to ₱83,370,733.

In Philippine Peso

The principal actuarial assumptions used to determine pension for the Company are as follows:

	2020	2019	2018
Discount rate	**3.85%**	4.92%	7.36%
Salary increase rate	**5.00%**	5.00%	5.00%
Mortality rate	2017 Philippine Intercompany Mortality Table		
Disability rate	1925 Disability Study, Period 2, Benefit 5		
Turnover rate	A scale ranging from 9% at age 18 to 0% at age 60		

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2020, assuming all other assumptions were held constant:

	Increase (decrease)	**Active**	**Deferred**	**Total**
Discount rates	**4.85% (Actual + 1.00%)**	**50,298,439**	**83,370,733**	**133,669,172**
	3.85% (Actual)	**53,337,013**	**83,370,733**	**136,707,746**
	2.85% (Actual - 1.00%)	**56,849,453**	**83,370,733**	**140,220,186**
Salary increase rate	**6.00% (Actual + 1.00%)**	**57,062,268**	**83,370,733**	**140,433,001**
	5.00% (Actual)	**53,337,013**	**83,370,733**	**136,707,746**
	4.00% (Actual - 1.00%)	**50,041,189**	**83,370,733**	**133,411,922**

Shown below is the maturity analysis of the Company's undiscounted benefit payments as at December 31, 2020:

	Normal retirement	**Other than normal retirement**	**Deferred benefit**	**Total**
Less than 1 year	**18,702,463**	**628,422**	**83,370,733**	**102,701,618**
1 to less than 5 years	**18,755,932**	**2,392,836**	**–**	**21,148,768**
5 to less than 10 years	**22,080,384**	**5,052,455**	**–**	**27,132,839**
10 to less than 15 years	**39,760,408**	**7,609,970**	**–**	**47,370,378**
15 to less than 20 years	**25,035,198**	**10,090,798**	**–**	**35,125,996**
20 years and above	**103,716,839**	**18,090,618**	**–**	**121,807,457**
	228,051,224	**43,865,099**	**83,370,733**	**355,287,056**

The average duration of the retirement benefits liability at the end of December 31, 2020 and 2019 is 16.87 and 16.43 years.

In Philippine Peso

22. SHARE CAPITAL

22.01 Paid-up Capital

The Company's paid-up capital consist of the following:

	2020	2019
Common shares – ₱1 par value		
Authorized – 4,500,000,000 shares		
Issued – 1,500,000 shares	**1,500,000,000**	1,500,000,000
Subscribed shares – nil shares	**–**	–
APIC	**724,255,313**	724,255,313
	2,224,255,313	2,224,255,313
Preferred shares		
Authorized		
Preferred – ₱10 par value – 230,000,000 shares		
Series "A" – ₱1 par value – 6,750,000,000 shares		
Series "B" – ₱1 par value –1,800,000,000 shares		
Series "C" – ₱1 par value – 250,000,000 shares		
Issued		
Preferred – ₱10 par value – nil shares	**–**	–
Series "A" – ₱1 par value – nil shares	**–**	–
Series "B" – ₱1 par value – 969,695 shares	**969,695**	–
Series "C" – ₱1 par value – nil shares	**–**	–
	969,695	–
	2,225,225,008	2,224,255,313

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

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

22.02 Deposit for Subscription in Accordance with the Court-Approved Rehabilitation Plan

As discussed in Note 2 to the financial statements, the Rehab Court approved the Company to amend its articles of incorporation increasing its authorized capital stock from ₱3,800,000,000 to ₱10,187,150,000, and to immediately issue the corresponding stock certificates to the claimants concerned.

The Company has filed with the SEC the increase in authorized capital stock from ₱3,800,000,000 to ₱15,600,000,000 on October 9, 2018 which was approved on October 31, 2018. As at December 31, 2020 and 2019, the Company has yet to issue the share certificates to the creditors amounting to ₱8,710,766,886 and ₱8,711,736,581, respectively.

In 2020, the Company has issued in favor of creditors share certificates covering Series "B" Serial Redeemable Preferred Shares amounting to ₱969,695 (see Note 1).

In Philippine Peso

23. BASIC/DILUTED LOSS PER SHARE

Basic loss per share is calculated by dividing the net loss attributable to stockholders of the Company by the weighted average number of ordinary shares in issue during the year/period, excluding ordinary shares purchased by the Company and held as treasury shares.

Loss per share are as follows:

	December 31, 2020 (Twelve months)	December 31, 2019 (Twelve months)	December 31,2018 (Six months – Note 3.03)
Net loss shown in the statements of comprehensive loss	**(31,320,532)**	(52,402,835)	(88,152,538)
Weighted average number of common shares for basic and diluted loss per share	**1,500,000,000**	1,500,000,000	1,500,000,000
Basic and diluted loss per share	**(0.02)**	(0.03)	(0.06)

24. RELATED PARTY TRANSACTIONS

24.01 Related Party Relationships

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by, or are under common control with the Company, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

The related parties in these financial statements are as follows:

Related party	Relationship	Nature of Transaction
TSI	Entity with significant influence over the Company	Advances to/from / Resell of data transport
MENLO	Entity with significant influence over the Company	Advances to/from
CWI	Affiliate	Advances to/from
PWI	Affiliate	Advances to/from
RETELCOM	Affiliate	Advances to/from
TIMCO	Affiliate	Advances to/from
WPI	Affiliate	Advances to/from
Stockholders	Other related party	Advances to/from

Affiliate refers to an entity that is neither a parent, a subsidiary, nor an associate, but has stockholders common to the Company or under common control.

In the normal course of business, transactions with related parties consist mainly of rendering of, unsecured non-interest bearing, short-term cash advances for working capital requirements of the Company, which are due and demandable.

In Philippine Peso

24.02 Related Party Transactions

Transactions and outstanding balances with related parties as at December 31, 2020 and 2019 which consist mainly of advances intended for working capital requirements are as follows:

Category	Year	Volume/ Amount	Outstanding Balance	Terms	Conditions
Entities with significant influence over the Company					
TSI					
Revenues /	**2020**	**6,636,913**	**5,105,238**	Due and demandable,	Unimpaired
Receivables	2019	16,589,121	332,686	cash settled	
Due to related parties	**2020**	**1,123,863**	**41,820,322**	Due and demandable,	Unsecured
	2019	454,083	40,696,459	cash settled	Unguaranteed
MENLO					
Due from related parties	**2020**	**2,548,500**	**2,548,500**	Due and demandable,	Unimpaired
	2019	–	–	cash settled	Unguaranteed
Due to related parties	**2020**	**(7,721,550)**	**11,292,063**	Due and demandable,	Unsecured
	2019	(41,329,188)	19,013,613	cash settled	Unguaranteed
Affiliates					
CWI					
Due from related parties	**2020**	**2,571,100**	**3,456,331**	Due and demandable,	Unimpaired
	2019	(2,365,687)	885,231	cash settled	
Due to related parties	**2020**	**–**	**440,000**	Due and demandable,	Unsecured
	2019	–	440,000	cash settled	
PWI					
Due from related parties	**2020**	**2,432,614**	**3,704,847**	Due and demandable,	Unimpaired
	2019	(2,215,153)	1,272,233	cash settled	
Due to related parties	**2020**	**19,995,000**	**19,995,000**	Due and demandable,	Unsecured
	2019	–	–	cash settled	
RETELCOM					
Due to related parties	**2020**	**501,180**	**7,114,884**	Due and demandable,	Unsecured
	2019	661,212	6,613,704	cash settled	Unguaranteed
TIMCO					
Due to related parties	**2020**	**–**	**38,355,000**	Due and demandable,	Unsecured
	2019	–	38,355,000	cash settled	
WPI					
Due from related parties	**2020**	**11,006**	**59,937**	Due and demandable,	Unimpaired
	2019	9,555	48,931	cash settled	
Other related parties					
Other individual and corporate stockholders					
Due from related parties	**2020**	**1,687,789**	**1,687,789**	Due and demandable,	Unimpaired
	2019	–	–	cash settled	
	2020	**13,484,726**	**158,830,104**	Due and demandable,	Unsecured
Due to related parties	2019	(658,885)	157,691,990	cash settled	

In Philippine Peso

Category	Year	Volume/ Amount	Outstanding Balance	Terms	Conditions
Interest expenses // Due to related parties – accrued interest	**2020**	**13,332,635**	**18,542,106**	6% interest rate per annum	
	2019	12,434,887	6,195,494		
Revenues (Note 25) / Receivables (Note 8)	**2020**	**6,636,913**	**5,105,238**		
	2019	16,589,121	332,686		
Due from related parties	**2020**	**9,251,009**	**11,457,404**		
	2019	2,206,395	2,206,395		
Due to related parties	**2020**	**28,369,242**	**296,389,480**		
	2019	(28,437,891)	269,006,260		
Interest expenses (Note 29)	**2020**	**13,332,635**			
	2019	12,434,887			

Due from related parties pertain to non-interest-bearing advances handed by the Company to its related parties for working capital requirements.

Due to related parties represent interest and non-interest bearing, unsecured, and short-term financing and advances from related parties obtained by the Company mainly for working capital requirements prior to the entry of the new investor in accordance with the court-approved Rehab Plan (see Note 2).

The Company's foreign currency denominated due to related parties and their Philippine peso equivalents restated at reference rate of prevailing market rate are as follows:

	2020	2019
Foreign currency denominated	**$ 288,805**	$ 288,805
Philippine peso equivalents	**₱ 13,873,037**	₱ 14,653,978

The Company recognized unrealized foreign exchange gain from translating foreign currency denominated due to related parties amounting ₱780,987, ₱690,245 and ₱230,466 for the years ended December 31, 2020, 2019, and six-month period ended December 31, 2018, respectively, recorded as part of unrealized foreign exchange gain under "Other income" (see Note 26).

24.03 Key Management Remuneration

Compensation of key management personnel of the Company are as follows:

	2020	2019
Short-term employee benefits	**34,132,109**	32,988,303
Retirement benefits cost (Note 21)	**2,334,402**	2,459,211
	36,466,511	35,447,514

The Company recognized short-term employee benefits of key management personnel recorded as part of personnel cost under "Selling, general, and administrative expenses" (see Note 27).

In Philippine Peso

25. REVENUES AND COST OF SALES

The components of revenues are as follows:

	December 31, 2020 (Twelve months)	December 31, 2019 (Twelve months)	December 31, 2018 (Six months – Note 3.03)
Broadband internet access services:			
Direct customers	**338,822,910**	304,163,387	116,931,071
Resellers	**39,999,767**	41,766,571	3,468,741
Information technology services	**24,337,379**	42,260,011	–
Other services	**5,183,997**	7,853,754	9,171,830
	408,344,053	396,043,723	129,571,642

Revenue Sharing Agreement with IPS, Inc. (IPS)
The Company and IPS entered into an agreement where IPS is allowed to use the Company's last mile as local transport, as compensation, the Company collects monthly recurring rate depending on the bandwidth transported as agreed on subscription agreements.

Collection Agent Agreement with IPS
The Company agreed to act as the collecting agent of IPS. The Company shall perform the billing and collection of monthly subscription fee on behalf of IPS. In return, the Company shall be compensated equivalent to 3% of the gross receipts, net of VAT.

Facilities Exchange and Revenue Sharing Agreement with TSI
On February 13, 2013, the Company and TSI entered into a Memorandum of Understanding where both parties agree to exchange usufruct including, but not limited to, the Company's fiber facilities, capacities, and upgrades which were funded by TSI, TSI's multiplex and other equipment upgrades. These facilities shall be used to provide data transport facilities to clients for which the Company and TSI shall share revenue based on gross receipts. TSI and the Company's revenue sharing varies from 30:70, 50:50 and 40:60, respectively. TSI shall be an authorized reseller of the Company's data transport services. The Memorandum of Understanding shall be effective for a period of 15 years from the execution date.

Revenue disaggregation are as follows:

	December 31, 2020 (Twelve months)	December 31, 2019 (Twelve months)	December 31, 2018 (Six months – Note 3.03)
Contracts:			
Revenue with IPS	**11,918,647**	25,177,451	1,270,169
Company's revenue-share from resell of data transport (Note 24)	**6,636,913**	16,589,121	3,468,741
Collection agreement with IPS	–	–	65,612
Other individual and corporate contracts	**389,788,493**	354,277,151	124,767,120
	408,344,053	396,043,723	129,571,642

In Philippine Peso

	December 31, 2020 (Twelve months)	December 31, 2019 (Twelve months)	December 31, 2018 (Six months – Note 3.03)
Type of customers:			
Government	**63,700,677**	58,064,700	5,981,346
Non-government	**344,643,376**	337,979,023	123,590,296
	408,344,053	396,043,723	129,571,642
Timing of recognition of revenue:			
Over time	**378,612,448**	346,288,274	122,124,088
At a point in time	**29,731,605**	49,755,449	7,447,554
	408,344,053	396,043,723	129,571,642
Geographical markets:			
Metro Manila	**316,384,972**	289,788,118	102,690,928
Luzon	**82,526,333**	98,846,675	26,880,714
Mindanao	**5,675,982**	4,116,072	–
Visayas	**3,756,765**	3,292,858	–
	408,344,052	396,043,723	129,571,642

Cost of sales related to IT services contracts consists of costs incurred in the delivery of IT services and products from IT infrastructure, applications, network security, and others. This account includes costs of equipment or software placed and installed at the customer's location.

	December 31, 2020 (Twelve months)	December 31, 2019 (Twelve months)	December 31, 2018 (Six months – Note 3.03)
IT services	**9,357,052**	14,613,665	–
IT equipment and software	**12,450,053**	17,155,173	–
	21,807,105	31,768,838	–

Equipment and software issued and installed for IT services contracts are purchased based on contractual agreements as necessity arise. Furthermore, the Company do not maintain inventories related to IT services.

In Philippine Peso

26. OTHER INCOME

The components of other income are as follows:

	December 31, 2020 (Twelve months)	December 31, 2019 (Twelve months)	December 31, 2018 (Six months – Note 3.03)
Gain on sale of properties (Notes 10 and 13)	**13,106,100**	–	–
Reversal of long outstanding accruals (Note 18)	**11,922,857**	552,894	–
Rack rental income (Note 31)	**2,608,356**	1,372,581	1,589,373
Unrealized foreign exchange gain (Notes 18 and 24)	**1,543,691**	1,461,009	379,561
Realized foreign exchange gain	**94,361**	–	103,054
Interest income (Note 7)	**85,283**	71,532	24,407
Dividend income (Note 15)	**13,167**	12,312	6,156
Interest waived from labor-related statutory obligations (Note 17)	–	3,112,818	–
Reversal of allowance for ECL	–	–	133,609
Reversal of impairment of plant supplies	–	–	40,000
Miscellaneous	**313,288**	483,128	–
	29,687,103	7,066,274	2,276,160

27. SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

The components of selling, general, and administrative expenses are as follows:

	December 31, 2020 (Twelve months)	December 31, 2019 (Twelve months)	December 31, 2018 (Six months – Note 3.03)
Personnel cost (Note 28)	**193,173,112**	203,824,120	83,024,788
Taxes, licenses, and other fees	**22,055,924**	14,458,986	34,566,130
Utilities and supplies	**19,444,011**	21,656,070	9,401,508
Outside services	**14,142,541**	9,493,864	4,614,261
Professional and other contracted services	**10,752,615**	16,079,410	15,996,534
Trustee fee	**13,187,500**	5,312,500	–
Representation and entertainment	**9,296,449**	6,808,727	3,096,093
Provision for ECL (Note 8)	**7,986,290**	780,496	669,809
Marketing and commission	**7,053,941**	11,117,342	5,842,771
Software licenses	**3,373,725**	1,479,295	214,907
Repairs and maintenance	**1,553,795**	1,882,800	871,209
Seminar expense	**1,094,649**	917,330	833,566
Insurance expense	**548,316**	845,277	303,121
Loss on asset written off (Note 9)	**495,158**	–	–
Unrealized foreign exchange loss (Notes 7 and 15)	**356,146**	152,028	6,476
Realized foreign exchange loss	**139,519**	195,142	–
Rent (Note 31)	**–**	–	6,192,759
Miscellaneous expense	**7,312,043**	6,069,549	2,794,567
	311,965,734	301,072,936	168,428,499

Outside services pertain to expenses from janitorial, security and other services acquired from third party.

In Philippine Peso

Trustee fee pertains to the amount paid by the Company in relation with the transfer of records of its Mortgage Trust Indenture wherein a trustee was appointed to act as an impartial intermediary between the Company and its creditors in the administration of properties securing the Company's loans.

Miscellaneous includes association dues, membership fees, postage and mailing, access fee, bank charges, and other incidental business expenses of the Company.

28. PERSONNEL COST

The components of personnel cost are as follows:

	December 31, 2020 (Twelve months)	December 31, 2019 (Twelve months)	December 31, 2018 (Six months – Note 3.03)
Salaries and wages	**140,892,674**	144,714,467	62,027,385
Retirement benefit costs (Note 21)	**9,816,117**	8,219,990	6,360,139
Other benefits	**42,464,321**	50,889,663	14,637,264
	193,173,112	203,824,120	83,024,788

Other benefits include government contributions, short-term compensated absences, bonuses, non-monetary benefits and other short-term benefits.

29. INTEREST EXPENSES

The components of interest expenses are as follows:

	December 31, 2020 (Twelve months)	December 31, 2019 (Twelve months)	December 31, 2018 (Six months – Note 3.03)
Corporate rehabilitation obligations (Note 18)	**23,343,152**	27,500,155	13,463,929
Due to related parties (Note 24)	**13,332,635**	12,434,887	6,217,444
Lease liabilities (Note 31)	**2,963,754**	2,227,216	–
Bank loans (Note 19)	**242,841**	385,432	232,848
Others	**145,011**	382,868	197,581
	40,027,393	42,930,558	20,111,802

Others pertain to interest expenses paid by the Company to various suppliers.

In Philippine Peso

30. INCOME TAX

30.01 Income Tax Recognized in Profit or Loss

The components of income tax expense are as follows:

	December 31, 2020 (Twelve months)	December 31, 2019 (Twelve months)	December 31, 2018 (Six months – Note 3.03)
Income tax expense – current:			
Minimum corporate income tax at 2%	**3,769,799**	2,873,472	–
Income tax expense – deferred:			
Unrealized foreign exchange gain	**24,804**	–	–
Income tax expense reported in the statements of comprehensive loss	**3,794,603**	2,873,472	–

The reconciliation of income tax computed at the statutory income tax rate to provision for income tax as shown in the statements of comprehensive loss is as follows:

	December 31, 2020 (Twelve months)	December 31, 2019 (Twelve months)	December 31, 2018 (Six months – Note 3.03)
Loss at statutory income tax rate	**(8,257,780)**	(14,858,809)	(26,445,761)
Income tax effects of:			
Change in unrecognized deferred income tax assets	**14,089,294**	16,595,787	23,416,616
Gain on disposal of parcels of land subjected to capital gains tax	**(3,931,830)**	–	–
Non-deductible expenses	**1,924,454**	1,161,648	3,038,314
Interest income subjected to final tax	**(25,585)**	(21,460)	(7,322)
Dividend income	**(3,950)**	(3,694)	(1,847)
	3,794,603	2,873,472	–

Net deferred income tax recognized in the statements of loss and statements of financial position are as follows:

	2020	2019
Deferred income tax liabilities		
Balance at beginning of year	**45,813,153**	43,758,000
Movement directly charged to profit (loss):		
Unrealized foreign exchange gain	**24,804**	–
Movement directly charged to other comprehensive income:		
Actuarial gain on retirement benefits	**1,107,407**	2,055,153
Balance at end of year	**46,945,364**	45,813,153

In Philippine Peso

As at December 31, 2020 and 2019, no deferred income tax assets have been recognized on the following tax bases because management believes that it is not probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized.

	2020	2019
Provision for ECL on long outstanding trade receivables (Note 15)	**1,381,525,501**	1,381,525,501
Accrued interests (Note 18)	**221,948,710**	197,619,536
Retirement costs	**147,249,614**	140,164,111
NTC outside Corp Rehab (Note 17)	**124,845,901**	113,724,624
Provision for impairment losses on plant supplies (Note 15)	**65,987,835**	65,987,835
NOLCO	**37,245,480**	67,133,911
Due to related parties – accrued interest	**18,542,107**	6,195,494
Provision for ECL on receivables (Note 8)	**11,532,485**	3,546,195
Leases – PFRS 16	**2,420,903**	1,207,130
Unrealized foreign exchange loss	**204,118**	–
	2,011,502,654	1,977,104,337
MCIT	**6,643,271**	2,873,472
Total	**2,018,145,925**	1,979,977,809

Unrecognized deferred tax assets are as follows:

	2020	2019
Provision for ECL on long outstanding trade receivables	**414,457,650**	414,457,650
Accrued interests	**66,584,613**	59,285,861
Retirement costs	**44,174,884**	42,049,233
NTC outside Corp Rehab	**37,453,770**	34,117,387
Provision for impairment losses on plant supplies	**19,796,351**	19,796,351
NOLCO	**11,173,644**	20,140,173
Due to related parties – accrued interest	**5,562,632**	1,858,648
Provision for ECL on receivables	**3,459,746**	1,063,859
Leases – PFRS 16	**726,271**	362,139
Unrealized foreign exchange loss	**61,235**	–
	603,450,796	593,131,301
MCIT	**6,643,271**	2,873,472
Total	**610,094,067**	596,004,773

As at December 31, 2020, the Company has NOLCO that can be claimed as deductions from future taxable income as follows:

Period of recognition	**Availment period**	**NOLCO**	**Applied**	**Expired**	**Balance**
2018	2019-2021	57,735,119	(29,888,431)	–	27,846,688
2019	2020-2022	9,398,792	–	–	9,398,792
2020	2021-2025	–	–	–	–
		93,325,344	**(29,888,431)**	**–**	**37,245,480**

In Philippine Peso

30.02 Republic Act No. 11494 otherwise known as "Bayanihan to Recover as One Act"

Under Section 34(D)(3) of the NIRC of 1997, as amended, the net operating loss of the business or enterprise for any taxable year, except taxable years 2020 and 2021, which had not been previously offset as deduction from gross income shall be carried over as a deduction from gross income for the next three (3) consecutive taxable years immediately following the year of such loss. For taxable years 2020 and 2021, the net operating loss incurred shall be carried over as a deduction from the gross income for the next five (5) consecutive years following the year of such loss under Section 4 of RA No. 11494, otherwise known as the "Bayanihan to Recover as One Act".

As at December 31, 2020, the Company has MCIT that can be claimed as deductions from future taxable income as follows:

Period of recognition	Availment period	MCIT	Applied	Expired	Balance
2019	2020-2022	2,873,472	–	–	2,873,472
2020	2021-2025	3,769,799	–	–	3,769,799
		6,643,271	**–**	**–**	**6,643,271**

30.03 Corporate Recovery and Tax Incentives for Enterprises Act, or CREATE, Bill

On February 3, 2021, the final provisions of Senate Bill No. 1357 and House Bill No. 4157 or the CREATE Bill, which seeks to reform corporate income taxes and incentives in the country, had been ratified by the Senate and the House of Representatives of the Philippines.

Under the proposed law, effective July 1, 2020, the corporate income tax will be reduced from the current 30% to 20% for domestic corporations with total assets not exceeding P100 million, excluding land, and total net taxable income of not more than P5 million. The corporate income tax of all other corporations (domestic and resident foreign), meanwhile, will be lowered to 25%. The bill would also lower the MCIT from 2% to 1% effective July 1, 2020 until June 30, 2023.

Other key provisions of the CREATE bill include:

The CREATE bill provides for the following reduction in corporate income tax rates, among others:

- Lower corporate income tax from 30% to 25%, retroactive to July 1, 2020, for both domestic and foreign corporations;
- Effective January 1, 2021, income tax rate for nonresident foreign corporation is reduced from 30% to 25%.
- Preferential income tax rate for proprietary educational institutions and hospitals which are nonprofit is reduced from 10% to 1% effective July 1, 2020 to June 30, 2023.
- Effective January 1, 2022, regional operating headquarters (ROHQ) currently enjoying 10% preferential income tax rate shall be subject to RCIT.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.
- Foreign-sourced dividends received by domestic corporations are exempt from income tax subject to the following conditions:
  - The funds from such dividends actually received or remitted into the Philippines are reinvested in the business operations of the domestic corporation in the Philippines within the next taxable year from the time the foreign-sourced dividends were received;
  - Shall be limited to funding the working capital requirements, capital expenditures, dividend payments, investment in domestic subsidiaries, and infrastructure project; and
  - The domestic corporation holds directly at least 20% of the outstanding shares of the foreign corporation and has held the shareholdings for a minimum of 2 years at the time of the dividend distribution.

In Philippine Peso

- Qualified export enterprises shall be entitled to 4 to 7 years income tax holiday (ITH) to be followed by 10 years 5% special corporate income tax (SCIT) or enhanced deductions (ED).
- Qualified domestic market enterprises shall be entitled to 4 to 7 years ITH to be followed by 5 years ED.
- For investments prior to effectivity of CREATE:
  - Registered business enterprises (RBEs) granted only an ITH – can continue with the availment of the ITH for the remaining period of the ITH.
  - RBEs granted an ITH followed 5% GIT or are currently enjoying 5% GIT – allowed to avail of the 5% GIT for 10 years.

The said bill was signed into law on March 26, 2021, as disclosed in Note 38, except for certain provisions that were vetoed, by the President of the Philippines.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Company would have been subjected to lower MCIT rate of 1% effective July 1, 2020.

This will result in lower provision for current income tax for the year ended December 31, 2020 amounting to ₱2,827,349, or a reduction of ₱942,450. The reduced amounts which will be reflected in the Company's 2020 annual income tax return but will only be recognized for financial reporting purposes in its 2021 financial statements.

Also, this will result in lower unrecognized deferred tax assets of ₱1,823,414 and deferred tax liabilities charged to profit or loss and other comprehensive income by ₱2,066 and ₱92,283, respectively, as at December 31, 2020. Provision for deferred tax for the year ended December 31, 2020 will be lower by ₱2,006. These reductions will be recognized in the 2021 financial statements.

	Old rate	New tax rate	Decrease (Increase)
Statement of Financial Position			
Total assets	**1,012,434,318**	**1,013,376,768**	**942,450**
Prepaid income tax	**854,619**	**1,797,069**	**942,450**
Total liabilities	**1,817,846,346**	**1,817,844,280**	**(2,066)**
Deferred tax liabilities	**46,945,364**	**46,943,298**	**(2,066)**
Actuarial gain on retirement benefits	**46,920,560**	**46,920,560**	**–**
Unrealized foreign exchange gain	**24,804**	**22,738**	**(2,066)**
Capital deficiency	**805,412,028**	**804,375,229**	**(1,036,799)**
Deficit	**11,850,615,049**	**11,849,670,533**	**(944,516)**
Accumulated actuarial gain on retirement benefits	**7,379,307**	**7,471,590**	**92,283**
Statement of Loss			
Net loss	**31,320,532**	**30,376,016**	**(944,516)**
Income tax expense – current	**3,769,799**	**2,827,349**	**(942,450)**
Income tax expense – deferred	**24,804**	**22,738**	**(2,066)**
Statement of Comprehensive Loss			
Total comprehensive loss	**28,676,389**	**27,639,590**	**(1,036,799)**
Other comprehensive loss	**2,644,143**	**2,736,426**	**92,283**
Actuarial gain on retirement benefits liability	**2,583,951**	**2,676,234**	**92,283**

In Philippine Peso

31. LEASES

a. The Company as a Lessee

The Company has lease contracts for various network equipment for cell sites telecommunications equipment locations and leased poles and other work equipment for car rentals used in its operations which generally have lease terms between 1 and 10 years. The Company's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Company is restricted from assigning and subleasing the leased assets and some contracts require the Company to maintain certain financial ratios. There are several lease payments which are further discussed below.

Set out below are the carrying values and movements of right-of-use assets:

2020	**Network equipment**	**Other work equipment**	**Total**
Cost:			
Balance at beginning of year	**40,160,065**	**2,266,792**	**42,426,857**
Additions	**66,736,639**	**–**	**66,736,639**
Balance at end of year	**106,896,704**	**2,266,792**	**109,163,496**
Accumulated depreciation:			
Balance at beginning of year	**11,321,656**	**989,099**	**12,310,755**
Depreciation	**18,913,127**	**1,005,208**	**19,918,335**
Balance at end of year	**30,234,783**	**1,994,307**	**32,229,090**
Net carrying value	**76,661,921**	**272,485**	**76,934,406**

2019	Network equipment	Other work equipment	Total
Cost:			
Balance at beginning of year	40,160,065	2,266,792	42,426,857
Additions	–	–	–
Balance at end of year	40,160,065	2,266,792	42,426,857
Accumulated depreciation:			
Balance at beginning of year	–	–	–
Depreciation	11,321,656	989,099	12,310,755
Balance at end of year	11,321,656	989,099	12,310,755
Net carrying value	28,838,409	1,277,693	30,116,102

Set out below are the carrying values and movements of lease liabilities:

	2020	2019
Balance at beginning of year	**31,146,478**	42,250,103
Additions	**66,736,639**	–
Accretion of interest (Note 29)	**2,963,754**	2,227,216
Payments	**(21,668,316)**	(13,330,841)
Balance at end of year	**79,178,555**	31,146,478

In Philippine Peso

The following is the current and non-current portion of lease liabilities:

	2020	2019
Current	**26,901,555**	11,223,922
Non-current	**52,277,000**	19,922,556
	79,178,555	31,146,478

The maturity analysis of lease liabilities is disclosed below:

2020	**Network and office premises**	**Other work equipment**	**Total**
Lease payments:			
Within 1 Year	**30,627,926**	**279,538**	**30,907,464**
1-2 Years	**28,817,392**	–	**28,817,392**
2-3 Years	**21,980,682**	–	**21,980,682**
3-4 Years	**1,777,102**	–	**1,777,102**
4-5 Years	**3,635,563**	–	**3,635,563**
	86,838,665	**279,538**	**87,118,203**
Finance charges:			
Within 1 Year	**3,998,535**	**8,738**	**4,007,273**
1-2 Years	**2,407,248**	–	**2,407,248**
2-3 Years	**866,061**	–	**866,061**
3-4 Years	**242,569**	–	**242,569**
4-5 Years	**416,497**	–	**416,497**
	7,930,910	**8,738**	**7,939,648**
Net present values:			
Within 1 Year	**26,629,391**	**270,800**	**26,900,191**
1-2 Years	**26,410,144**	–	**26,410,144**
2-3 Years	**21,114,621**	–	**21,114,621**
3-4 Years	**1,534,533**	–	**1,534,533**
4-5 Years	**3,219,066**	–	**3,219,066**
	78,907,755	**270,800**	**79,178,555**

In Philippine Peso

2019	Network and office premises	Other work equipment	Total
Lease payments:			
Within 1 Year	11,722,653	1,163,085	12,885,738
1-2 Years	7,393,733	255,567	7,649,300
2-3 Years	5,731,389	–	5,731,389
3-4 Years	8,935,243	–	8,935,243
4-5 Years	296,075	–	296,075
	34,079,093	1,418,652	35,497,745
Finance charges:			
Within 1 Year	1,514,043	127,070	1,641,113
1-2 Years	993,162	8,337	1,001,499
2-3 Years	644,257	–	644,257
3-4 Years	1,052,184	–	1,052,184
4-5 Years	12,214	–	12,214
	4,215,860	135,407	4,351,267
Net present values:			
Within 1 Year	10,208,611	1,036,015	11,244,626
1-2 Years	6,400,571	247,230	6,647,801
2-3 Years	5,087,132	–	5,087,132
3-4 Years	7,883,059	–	7,883,059
4-5 Years	283,860	–	283,860
5-10 Years	–	–	–
	29,863,233	1,283,245	31,146,478

The following are the amounts recognized in profit or loss:

	December 31, 2020 (Twelve months)	December 31, 2019 (Twelve months)	December 31, 2018 (Six months – Note 3.03)
Depreciation expense of right-of-use assets	**19,918,335**	12,310,755	–
Interest on lease liabilities (Note 29)	**2,963,754**	2,227,216	–
Rent (Note 27)	–	–	6,192,759
	22,882,089	14,537,971	6,192,759

b. The Company as a Lessor

The Company has entered into various lease agreements on its investment properties and telecommunication rack spaces. The operating lease agreements are short-term periods ranging from 1 to 12 months from the date of contracts.

Total rental income earned by the Company from its investment properties amounted to ₱687,258, ₱1,578,240, and ₱1,624,023 for the years ended December 31, 2020, 2019 and six-month period ended December 31, 2018, respectively (see Note 13).

Total rental income earned by the Company from its leased telecommunication rack spaces amounted to ₱2,608,356, ₱1,372,581, and ₱1,589,373 for the years ended December 31, 2020, 2019 and six-month period ended December 31, 2018, respectively (see Note 26).

During the year, all of the lease agreements expired and were no longer renewed.

In Philippine Peso

Maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date is as follows:

	2020	2019
Less than one year	**–**	49,376

32. LEGAL CONTINGENCIES

The Company is a party to various legal cases and assessments which are pending in courts or are under protest. The Company's management and the Company's legal counsels, both in-house and external, strongly believe that the liabilities, if any, that may result from the final outcome of these cases and assessments will not materially affect the Company's financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these cases and assessments. The disclosure of additional details beyond the present disclosures may seriously prejudice the Company's position and negotiation strategies with respect to these matters. Thus, as allowed by PAS 37, only a general description is provided.

33. SEGMENT REPORTING

The Company has only one operating segment which is the broadband internet access services which include, among others: (a) fiber optic dedicated, e-line or shared broadband; (b) wireless dedicated or shared broadband; (c) very small aperture terminal; and (d) gateway peering. Revenues derived from these services consists of fixed monthly subscription rate plus installation charges and other one-time fees associated with the customer service.

The Company shifted its products and services from LEC to broadband data services, fixed wireless services Point to Point and Point to Multipoint Wireless Communications Services and Network Operations Center using the same LEC Network (see Note 1).

The Company monitors the operating results based on earnings before interest, taxes and depreciation and amortization (EBITDA).

The Company's EBITDA are as follows:

	December 31, 2020 (Twelve months)	December 31, 2019 (Twelve months)	December 31, 2018 (Six months – Note 3.03)
Net loss	**(31,320,532)**	(52,402,835)	(88,152,538)
Interest expenses (Note 29)	**40,027,393**	42,930,558	20,111,802
Depreciation (Notes 12, 14, and 31)	**53,885,207**	43,731,398	14,716,397
Income tax (Note 30)	**3,794,603**	2,873,472	–
	66,386,671	37,132,593	(53,324,339)

In Philippine Peso

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

34.01 General Risk Management Principles

The Company's principal financial instruments comprise of cash in banks, receivables, due to/from related parties, trade and other payables and loans payables. The main purpose of these financial instruments is to finance the Company's operations. The Company has various other financial instruments such as refundable security deposits, accrued expenses and other liabilities, which arise directly from its operations.

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, interest risk, and currency risk. The BOD reviews and approves policies for managing each of these risks.

The carrying value of financial assets and liabilities recorded by category are as follows:

	2020	2019
Financial assets:		
Cash in banks	**46,741,468**	23,761,220
Receivables – net*	**55,399,763**	55,895,196
Due from related parties	**11,457,404**	2,206,395
Refundable security deposits	**12,839,691**	12,744,208
Financial asset at FVOCI	**229,140**	168,948
	126,667,466	94,775,967

	2020	2019
Financial liabilities:		
Trade and other payables**	**227,915,225**	248,957,680
Due to related parties	**296,389,480**	269,006,260
Accrued interest, expenses, and other liabilities	**270,680,964**	245,106,464
Lease liabilities	**79,178,555**	31,146,478
Loans payable	**5,118,964**	1,512,251
Deposit for subscription in accordance with the court-approved rehabilitation plan	**130,000,000**	130,000,000
	1,009,283,188	925,729,133

**Excluding advances to suppliers and contract assets totaling to ₱5,099,675 and ₱17,790,212 as at December 31, 2020 and 2019, respectively.*
** Excluding non-refundable other payables and contract liability of ₱9,615,238 and ₱10,164,583 as at December 31, 2020 and 2019, respectively.*

34.02 Credit and Counterparty Risk

Credit risk is the risk that a counterparty will not meet its obligation under a financial instrument leading to a financial loss. The Company is exposed to credit risk from its operating activities, primarily receivables.
Concentration of credit risk relating to customer receivables is limited due to the large number of customers.

The Company trades only with recognized and creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis to reduce the Company's exposure to bad debts.

In Philippine Peso

The Company aims to minimize the credit risk of liquid assets and non-current financial assets. Credit limit are set based on each counterparty's size and risk of default. The methodology used to set the credit limit considers the counterparty's credit ratings and default probabilities. Counterparties are monitored regularly, taking into consideration the evolution of the above parameters. The Company's credit quality review process allows it to assess the potential loss as a result of the risks to which it is exposed and to take corrective actions. As a result of this review, changes on credit limits and risk allocation are carried out.

The Company's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Company during the year. The Company has not identified significant risk concentrations arising from the nature, type or location of collateral and other credit enhancements held against the Company's credit exposures.

The maximum exposure to credit risk resulting from financial activities, without considering netting agreements and without taking into account any collateral held or other credit enhancements, is equal to the carrying value of the Company's financial assets.

Credit risk arising from the inability of a counterparty to meet the terms of the Company's financial instruments is generally limited to the amount, if any, by which the counterparty's obligations exceed the obligation of the Company.

With respect to credit risk arising from the other financial assets of the Company, which comprise cash, financial asset at FVOCI and refundable security deposits, the Company's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying value of these instruments.

Credit Risk Exposure

Credit information and maximum exposure of the Company's financial assets are as follows:

	2020	2019
Financial assets:		
Cash in banks	**46,741,468**	23,761,220
Receivables*	**66,932,248**	59,441,391
Long-outstanding trade receivables	**1,381,525,501**	1,381,525,501
Due from related parties	**11,457,404**	2,206,395
Refundable security deposits	**12,839,691**	12,744,208
Financial asset at FVOCI	**229,140**	168,948
	1,519,725,452	1,479,847,663

**Excluding advances to suppliers and contract assets totaling to ₱5,099,675 and ₱17,790,212 as at December 31, 2020 and 2019, respectively.*

- *Trade Receivables and Contract Assets*
  The Company's exposures to credit risk is influenced mainly by the individual characteristics of each customer. The Company maintains a defined credit policy to ensure that the credit is given only to customers with an appropriate credit history. The Company principally transacts with its members.

  The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Company defines counterparties as having similar characteristics if they are related entities.

In Philippine Peso

The Company applies the provision matrix in providing for ECL for trade and other receivables which permits the use of the lifetime expected loss provision. The ECL rates are based on Company's observed historical default experience, as well as the future prospects of the industries obtained from economic expert reports, financial analyst reports and considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. The Company has calculated allowance for ECL of ₱1,393,057,986, and ₱1,385,074,696 as at December 31, 2020 and 2019.

The Company evaluates the concentration of risk with respect to trade receivables and contract assets as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

Risk Concentration of the Maximum Exposure to Credit Risk
Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location. Such credit risk concentrations, if not properly managed, may cause significant losses that could threaten the Company's financial strength and undermine public confidence.

Given the Company's diverse base counterparties, it is not exposed to large concentration of credit risks.

Credit Quality of Financial Assets

The credit risk exposure on the Company's trade receivables and contract assets using a provision matrix are as follows:

		Trade Receivables*					
			Past Due				
	Contract assets	**Current**	**<30 days**	**31-60 days**	**61-90 days**	**>90 days**	**Total**
2020:							
Expected Credit Loss Rate	**0%**	**0%-3.7%**	**7.3%-9.20%**	**9.30%-11.70%**	**13.20%-16.50%**	**47.20%-100%**	
Estimated total gross amount at default	**–**	**21,174,053**	**13,431,946**	**4,406,771**	**4,406,039**	**1,405,038,940**	**1,448,457,749**
Expected Credit Loss	**–**	**1,065,108**	**2,610,341**	**852,123**	**894,665**	**1,387,635,749**	**11,532,485**

**Including long outstanding trade receivables but excluding advances to suppliers amounting to ₱5,099,675.*

		Trade Receivables*					
			Past Due				
	Contract assets	Current	<30 days	31-60 days	61-90 days	>90 days	Total
2019:							
Expected Credit Loss Rate	0%	0%-3.7%	7.3%-9.2%	9.3%-11.7%	13.2%-16.5%	47.2%-100%	
Estimated total gross amount at default	13,578,633	39,385,235	5,179,994	3,653,943	2,208,092	1,390,539,628	1,440,966,892
Expected Credit Loss	–	301,397	33,985	14,468	555,988	1,384,165,858	1,385,071,696

**Including long outstanding trade receivables but excluding advances to suppliers amounting to ₱4,211,579.*

Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with the Company's policy. The Company manages its credit risk by depositing its cash with high credit quality banking institutions. Investments of surplus funds are made only with the approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Company's management on an annual basis and may be updated throughout the year subject to approval of the Company's BOD. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through counterparty's potential failure to make payments.

In Philippine Peso

The Company's maximum exposure to credit risk for the components of the statements of financial position as at December 31, 2020 and 2019 is the carrying values of current and long outstanding trade receivables amounting to ₱55,399,763 and ₱55,895,196, excluding advances to suppliers and contract asset amounting ₱5,099,675 and ₱17,790,212, respectively.

34.03 Liquidity Risk

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of availments and extensions of advances to and from related parties. The contractual maturity of the Company's trade and nontrade payables is generally within 30 to 90 days after the recognition of the liability.

The maturity profile of the Company's liabilities based on contractual undiscounted repayment obligations are as follows:

2020	**Within 1 Year**	**1 – 5 Years**	**Total**
Financial liabilities:			
Trade and other payables*	**227,915,225**	**–**	**227,915,225**
Due to related parties	**296,389,480**	**–**	**296,389,480**
Accrued interest, expenses and other liabilities	**270,680,964**	**–**	**270,680,964**
Lease liabilities	**26,901,555**	**52,277,001**	**79,178,556**
Loans payable	**1,214,441**	**3,904,523**	**5,118,964**
Deposit for subscription in accordance with the court-approved rehabilitation plan	**–**	**130,000,000**	**130,000,000**
	823,101,665	**186,181,524**	**1,009,283,189**
Financial assets:			
Cash in banks	**46,741,468**	**–**	**46,741,468**
Receivables**	**66,932,248**	**–**	**66,932,248**
Due from related parties	**11,457,404**	**–**	**11,457,404**
Refundable security deposits	**–**	**12,839,691**	**12,839,691**
Financial asset at FVOCI	**–**	**229,140**	**229,140**
	125,131,120	**13,068,831**	**138,199,951**

**Excluding non-refundable other payables and contract liability of ₱9,615,238.*
*** Excluding advances to suppliers totaling to ₱5,099,675.*

2019	Within 1 Year	1 – 5 Years	Total
Financial liabilities:			
Trade and other payables*	248,957,680	–	248,957,680
Due to related parties	269,006,260	–	269,006,260
Accrued interest, expenses and other liabilities	245,106,464	–	245,106,464
Lease liabilities	11,223,922	19,922,556	31,146,478
Loans payable	667,583	844,668	1,512,251
Deposit for subscription in accordance with the court-approved rehabilitation plan	–	130,000,000	130,000,000
	774,961,909	150,767,224	925,729,133
Financial assets:			
Cash in banks	23,761,220	–	23,761,220
Receivables**	59,441,391	–	59,441,391
Due from related parties	2,206,395	–	2,206,395
Refundable security deposits	–	12,744,208	12,744,208
Financial asset at FVOCI	–	168,948	168,948
	85,409,006	12,913,156	98,153,214

**Excluding advance rental of ₱10,164,583.*
*** Excluding advances to suppliers and contract assets totaling to ₱17,790,212.*

In Philippine Peso

The table analyses the maturity profile of the Company's financial assets in order to provide a complete view of the Company's contractual commitments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity dates.

34.04 Interest Rate Risk

The Company is exposed to interest risk as it borrows funds at both fixed and floating interest rates. For floating rate liabilities, the sensitivity analysis is prepared assuming the amount of liability outstanding at year end was outstanding for the whole year.

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. A 50-basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

	2020	2019
Profit before tax	**+/-421,236**	+/-163,207
Equity*	**+/-294,865**	+/-114,245

**Equity is based on 70% of the total exposure.*

34.05 Currency Risk

The Company undertakes transactions denominated in foreign currencies of United States Dollar (USD); consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilizing forward foreign exchange contracts.
The carrying values of the Company's foreign currency denominated monetary assets and monetary liabilities are as follows:

	2020		2019	
	USD	**PHP**	USD	PHP
Financial assets				
Cash in bank (Note 7)	**15,101**	**725,380**	28,041	1,422,898
Refundable security deposits (Note 15)	**76,000**	**3,651,040**	76,000	3,856,544
	91,101	**4,376,420**	104,041	5,279,442
Financial liabilities				
Accrued expenses (Note 18)	**281,649**	**13,529,270**	324,322	16,456,098
Due from related parties (Note 24)	**288,805**	**13,873,037**	288,805	14,653,978
	570,454	**27,402,307**	613,127	31,110,076
Exposure	**(479,353)**	**(23,025,887)**	(509,086)	(25,830,634)

The balances have been restated at ₱48.04 and ₱50.744 per USD, which is based on the reference rate of prevailing market rate as at December 29, 2020 and December 27, 2019, respectively.

The Company's sensitivity to a 5% increase and decrease in the PHP against USD are as follows:

	2020	2019
Profit before tax	**+/-1,151,294**	+/-1,291,532
Equity*	**+/-805,906**	+/-904,072

**Equity is based on 70% of the total exposure.*

In Philippine Peso

The sensitivity rate of 5% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Company where the denomination of the loan is in a currency other than the currency of the lender or the borrower.

A positive number indicates an increase in profit and other equity where the PHP strengthens 5% against the USD. For a 5% weakening of the PHP against the USD, there would be a comparable impact on the profit and other equity, and the balances below would be negative.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year. The Company mitigates its exposure to foreign currency risk by monitoring its foreign currency cash flows.

The foreign exchange gain (loss) recognized in the statements of loss are as follows:

	December 31, 2020 (Twelve months)	December 31, 2019 (Twelve months)	December 31, 2018 (Six months – Note 3.03)
Realized foreign exchange gain (loss) – net (see Notes 26 and 27)	**(45,159)**	(195,142)	103,054
Unrealized foreign exchange gain – net (see Notes 8, 15, 18 and 24)	**1,187,545**	1,308,981	373,085

34.06 Capital Management

The Company manages its capital to ensure that it will be able to continue as a going concern, while maximizing the return on investments of stockholders. The Company is currently on Corp Rehab proceedings. The details of the Rehab Plan are disclosed in Note 2. The capital structure of the Company consists of equity comprising of paid-up capital, revaluation surplus, due to related parties, deposit for subscription in accordance with the court-approved Rehab Plan and deficit.

The capital structure of the Company consists of the following:

	2020	2019
Paid-up capital	**2,225,225,008**	2,224,255,313
Revaluation surplus	**102,102,000**	102,102,000
Due to related parties	**296,389,480**	269,006,260
Deposit for subscription in accordance with the court-approved rehabilitation plan	**8,580,766,886**	8,581,736,581
Deficit	**(11,850,615,049)**	(11,819,294,517)
	(646,131,675)	(642,194,363)

35. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability.

In Philippine Peso

A comparison by category and by class of carrying and fair values of all the Company's financial assets and financial liabilities, other than those with carrying values that are measurable approximations of fair values such as, cash in banks, current and long-term, receivables excluding advances to suppliers and contract asset, due from related parties, trade and other payables excluding non-refundable other payables and contract liability, due to related parties, deposit for subscription in accordance with the court-approved rehabilitation plan, and accrued interest, expenses and other liabilities are as follows:

	Carrying Value	**Fair Value**			
2020		**Quoted (Unadjusted) Prices in Active Markets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Financial assets					
Refundable security deposits	**12,839,691**	**–**	**–**	**12,839,691**	**12,839,691**
Financial asset at FVOCI	**229,140**	**229,140**	**–**	**–**	**229,140**
	13,068,831	**229,140**	**–**	**12,839,691**	**13,068,831**
Financial Liabilities					
Lease liabilities	**79,178,556**	–	**79,178,556**	–	**79,178,556**
Loans payable	**5,118,964**	–	**5,118,964**	–	**5,118,964**
	84,297,520	–	**84,297,520**	–	**84,297,520**

	Carrying Value	Fair Value			
2019		Quoted (Unadjusted) Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Financial assets					
Refundable security deposits	12,744,208	–	–	12,744,208	12,744,208
Financial asset at FVOCI	168,948	168,948	–	–	168,948
	12,913,156	12,913,156	–	–	12,913,156
Financial Liabilities					
Lease liabilities	31,146,478	–	31,146,478	–	31,146,478
Loans payable	1,512,251	–	1,512,251	–	1,512,251
	32,658,729	–	32,658,729	–	32,658,729

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate on such date:

Refundable Security Deposits
The fair value of refundable security deposits cannot be readily determined nor reliably measured because the actual timing of the payment cannot be reasonably predicted as these deposits are generally re-deposited every renewal of contracts. The management deemed that the difference of fair value and carrying value of the refundable security deposit is insignificant.

Financial asset at FVOCI under PFRS 9
The fair values of financial asset at FVOCI is determined by reference to quoted market bid prices at the close of business on the reporting date.

Lease Liabilities
The Company recognizes lease liabilities based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

In Philippine Peso

Loans Payable
The Company did not discount its outstanding loans payable since the management deemed that the effect of discounting the difference of market rate and interest rate of the loan is insignificant.

Fair Value Hierarchy
The Company has assets for which its fair values are disclosed such as non-current assets held for sale (see Note 10), land (see Note 11), and investment properties (see Note 13). These assets were categorized under Level 1 of the fair value hierarchy, its fair values have been determined based on current market valuations using the sales comparison approach method.

36. NOTES TO CASH FLOWS

The following are the financing activities resulting to changes in the Company's liabilities:

2020	**Beginning of year**	**Cashflows**	**Effect of foreign exchange**	**Others**	**End of year**
Due to related parties	**269,006,260**	**14,831,572**	**780,987**	**11,770,661**	**296,389,480**
Lease liabilities*	**31,146,478**	**(21,668,316)**	**–**	**69,700,393**	**79,178,555**
Loans payable**	**1,512,251**	**(650,295)**	**–**	**4,257,008**	**5,118,964**
	301,664,989	(7,487,039)	780,987	85,728,062	380,686,999

**Cashflows include payment of principal and interest portion amounting to ₱18,704,562 and ₱2,963,754, respectively (see Note 30).*

2019	Beginning of year	Cashflows	Effect of foreign exchange	Others	End of year
Due to related parties	303,683,544	(40,182,533)	(690,245)	6,195,494	269,006,260
Lease liabilities*	42,250,103	(13,330,841)	–	2,227,216	31,146,478
Loans payable	2,601,644	(1,074,910)	–	(14,483)	1,512,251
	348,535,291	(54,588,284)	(690,245)	8,408,227	301,664,989

**Cashflows include payment of principal and interest portion amounting to ₱11,103,625 and ₱2,227,216, respectively (see Note 30).*

2018	July 1, 2018	Net cashflows	Effect of foreign exchange	Others	December 31, 2018
Due to related parties	217,193,970	86,720,040	(230,466)	–	303,683,544
Loans payable	–	2,569,874	–	31,770	2,601,644
	217,193,970	89,289,914	(230,466)	31,770	306,285,188

Others include the effect of accretion of loans payable and effect of recognition and accretion of lease liabilities, effect of accrued but not yet paid interest on interest-bearing loans and borrowings as at year end.

36.01 Non-cash Activities

In 2020, significant non-cash investing and financing activities of the Company pertains to unpaid purchases of property and equipment amounting to ₱2,173,598 and additional recognition of right-of-use assets and lease liabilities amounting to ₱66,736,639 (see Note 31).

In 2019, significant non-cash investing and financing activities of the Company pertains to initial recognition of right-of-use assets and lease liabilities amounting to ₱42,426,857 and ₱42,250,103, respectively (see Note 31) and transfers from land, property and equipment, and investment properties to NCAHFS amounting to ₱360,360,000, ₱8,234,244, and ₱10,086,500, respectively (see Note 10).

In Philippine Peso

For the six-month period ended December 31, 2018, the Company has no significant non-cash activities.

37. RECLASSIFICATION OF COMPARATIVE AMOUNTS

Certain changes in presentation provide more reliable and relevant information and better understanding of the financial statements. Amounts have been reclassified to enhance the comparability with the current year's financial statements as shown below:

December 31, 2019	Before reclassification	Amount reclassified	After reclassification
Trade and other payables	339,811,158	(80,688,895)	259,122,263
Statutory Obligations	480,640,252	113,724,624	594,364,876
Accrued Interests, Expenses, and other liabilities	278,142,193	(33,035,729)	245,106,464
	1,098,593,603	–	1,098,593,603

January 1, 2019	Before reclassification	Amount reclassified	After reclassification
Trade and other payables	238,197,788	(80,688,895)	157,508,893
Statutory Obligations	499,789,411	113,724,624	613,514,035
Accrued Interests, Expenses, and other liabilities	247,870,906	(33,035,729)	214,835,177
	985,858,105	–	985,858,105

Management believes that such reclassification resulted in a better presentation of accounts and did not have any impact on the prior years' statements of loss, statements of comprehensive loss and statements of cash flows.

38. EVENTS AFTER THE REPORTING PERIOD

The following are the material and/or significant events after December 31, 2020:

- In a meeting held on March 19, 2021, the Board of Directors authorized the management to commence discussion with the Securities and Exchange Commission (SEC) to propose the possible reversal by the SEC of the previously approved increase in the Company's authorized capital.

  The authorized capital of the Company was increased to accommodate the conversion of its debts to equity as mandated under its Rehab Plan. Considering the nature of the documentary requirements imposed by the SEC in converting the debts to equity, the Company deems it proper to first address the said documentary requirements before implementing any debt-to-equity conversion and increase in its authorized capital.

  This proposal of the Company will not affect the provisions of its Rehab Plan. The debt-to-equity conversion mandated under the Rehab Plan will still be implemented by the Company but the same will be done in several tranches or every time the Company completes the documentary requirements imposed by the SEC.

In Philippine Peso

- On March 26, 2021, the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Bill was signed into law by President Rodrigo Duterte. The said law will take effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation.

  The CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the passage of the CREATE Act into law on March 26, 2011 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes. See Note 30 for full discussion of the law and its impact to the financial statements.

39. SUPPLEMENTARY INFORMATION REQUIRED UNDER REVENUE REGULATIONS NO. 15-2010

On November 25, 2010, the BIR issued RR No. 15-2010, amending certain provisions of RR No. 21-2002, implementing Section 6 (H) of the tax code of 1997, prescribing the manner of compliance with the preparation and submission of financial statements accompanying the tax returns. It includes provisions for additional disclosure requirements in the notes to the financial statements, particularly on taxes and licenses pair or accrued during the period. The Company also reported and/or paid the following types of taxes for the period:

39.01 Value-added taxes

The National Internal Revenue Code of 1997 provides for the imposition of VAT on sales of goods and services. Accordingly, the Company’s sales are subject to output VAT while its importations and purchases from other VAT-registered individuals or corporations are subject to input VAT. Details of the Company’s net sales/receipts, output VAT and input VAT accounts are as follows:

Output VAT

Details on the Company’s VAT output tax declared are as follows:

	2020	
	Tax base	**Output VAT**
Sale of services	**305,577,241**	**36,669,269**
Sales to government	**54,156,010**	**6,498,721**
Exempt	**15,269,088**	–
	375,002,339	**43,167,990**

The Company’s sale of services as reported in the VAT returns are based on actual collections received, hence, such may not be same with amounts accrued in profit or loss.

Exempt pertains to transactions with PEZA-registered entities and educational institutions which are exempt from VAT under Section 109 of the NIRC, as amended.

In Philippine Peso

Input VAT

The amount of VAT input taxes claimed are broken down into:

	2020
Beginning balance of input VAT	–
Add:	
Current year's domestic purchases/importations for:	
Goods other than capital goods	**1,218,657**
Services	**7,702,596**
Capital goods < 1M	**785,165**
Capital goods > 1M	–
Input VAT on purchase of capital goods from previous period	**1,560,099**
Sale to government closed to expense	**3,790,921**
Current year's deferred input VAT on unpaid purchase of:	
Total	**21,071,129**
Application against output tax	**(15,057,438)**
End of year	–

The input VAT is being deferred when the accumulated purchases of capital goods for each month equals to ₱1,000,000 or more. The input VAT is amortized over 5 years or the life of the capital goods, whichever is shorter.

39.02 Taxes and Licenses

Details consist of the following:

	2020
National tax:	
SRF	**11,121,277**
Capital gains tax	**3,125,700**
BIR annual registration fee	**500**
Others	**145,250**
Local tax:	
Real property taxes	**4,469,617**
Permit fees	**3,117,727**
Others	**75,853**
	22,055,924

39.03 Withholding Taxes

Details of withholding taxes are as follows:

	2020
Withholding taxes on compensation	**24,912,990**
Expanded withholding taxes	**3,265,066**
	28,178,056

39.04 Others

The Company has no outstanding tax cases in any other court or bodies outside of the BIR as at December 31, 2020.

Alas Oplas & Co., CPAs

REPORT ON THE ADDITIONAL COMPONENTS OF FINANCIAL STATEMENTS UNDER REVISED SECURITIES REGULATION CODE RULE 68

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
DATE APR 15 2021
RECEIVED
PRECIOSA C. JAVIER

The Board of Directors and Stockholders
PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
Spirit of Communications Centre,
106 C. Palanca Street, Legaspi Village
Makati City

We have audited the basic financial statements of **PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION** as at December 31, 2020 and 2019, and for the years ended December 31, 2020, 2019 and six-month period ended December 31, 2018, in accordance with Philippine Standards on Auditing, on which we have rendered the attached report dated March 31, 2021.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are presented for purposes of compliance with the requirements under Revised Securities Regulation Code Rule 68, and are not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards.

Such supplementary information are the responsibility of the management of **PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION**. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ALAS, OPLAS & CO., CPAs
BOA Registration No. 0190, valid from September 4, 2019 to October 30, 2022
SEC A.N. (Firm) 0321-FR-1, issued on February 7, 2019; effective until February 6, 2022
TIN 002-013-406-000
BIR A.N. 08-001026-000-2021, issued on January 11, 2021; effective until January 10, 2024

By:

Ma Criselda S Oplas

MA. CRISELDA S. OPLAS
Partner
CPA License No. 0063314
SEC A.N. (Individual) 63314-SEC, issued on November 17, 2020; effective until November 16, 2025
TIN 132-466-039-000
BIR A.N. 08-001026-002-2021, issued on January 11, 2021; effective until January 10, 2024
PTR No. 8533765, issued on January 4, 2021, Makati City

March 31, 2021
Makati City, Philippines

Alas Oplas & Co., CPAs

INDEPENDENT AUDITORS' REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

REVENUE
DATE APR 15 2021
RECEIVED
PRECIOSA C. JAVIER

The Board of Directors and Stockholders
PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
Spirit of Communications Centre,
106 C. Palanca Street, Legaspi Village
Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of **PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION** (the "Company") as at December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and six-month period ended December 31, 2018, and have issued our report thereon dated March 31, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission and is not a required part of the basic financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019, and six-month period ended December 31, 2018 and no material exceptions were noted.

ALAS, OPLAS & CO., CPAs
BOA Registration No. 0190, valid from September 4, 2019 to October 30, 2022
SEC A.N. (Firm) 0321-FR-1, issued on February 7, 2019; effective until February 6, 2022
TIN 002-013-406-000
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By:

Ma Criselda S Oplas

MA. CRISELDA S. OPLAS
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PTR No. 8533765, issued on January 4, 2021, Makati City

March 31, 2021
Makati City, Philippines

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2020

*These schedules, which are required by Revised SRC Rule 68, have been omitted because they are either not required, not applicable or the information required to be presented is included/shown in the related financial statements or in the notes thereto.

SCHEDULE I
RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION

As of December 31, 2020

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
Spirit of Communications Center, 106 C. Palanca Street, Legaspi Village, Makati City

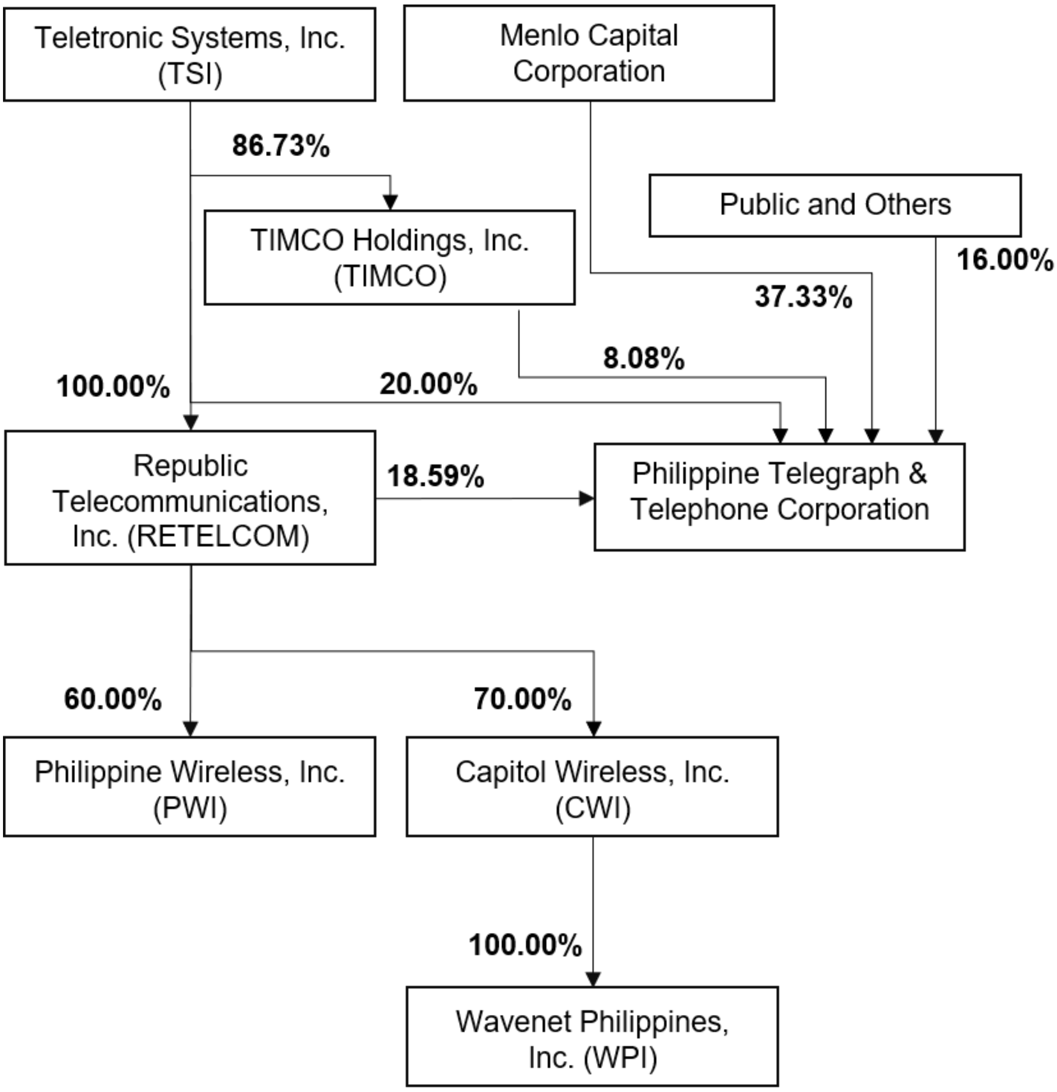
NOT APPLICABLE

SCHEDULE II
PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
SCHEDULE SHOWING FINANCIAL SOUNDNESS
PURSUANT TO REVISED SRC RULE 68

		As at	
Ratio	**Formula**	**2020**	2019
Liquidity Ratio:			
Current ratio	Total Current Assets divided by Total Current Liabilities Total Current Assets 521,318,088 Divide by: Total Current Liabilities 1,448,011,712 Current ratio 0.36	**0.36:1**	0.35:1
Quick ratio	Quick Assets (*Cash add Receivables – net*) divided by Total Current Liabilities Quick Assets 107,480,906 Divide by: Total Current Liabilities 1,448,011,712 Quick ratio 0.07	**0.07:1**	0.07:1
Solvency Ratio:			
Debt ratio / Debt-to-asset ratio	Total Liabilities divided by Total Assets Total Liabilities 1,817,846,346 Divide by: Total Assets 1,012,434,318 Debt-to-asset ratio 1.80	**1.80:1**	1.82:1
Debt-to-equity ratio	Total Liabilities divided by Total Capital Deficiency Total Liabilities 1,817,846,346 Divide by: Total Capital Deficiency (805,412,028) Debt-to-equity ratio (2.26)	**(2.26):1**	(2.21):1
Asset-to-equity ratio	Total assets divided by Total Capital Deficiency Total Assets 1,012,434,318 Divide by: Total Capital Deficiency (805,412,028) Asset-to-equity ratio 1.26	**1.26:1**	(1.21):1
Interest Rate Coverage Ratio:	Earnings Before Interest, Taxes and Depreciation and Amortization (EBITDA) divided by Interest Expenses EBITDA 66,386,672 Divide by: Interest Expenses 40,027,393 Interest rate coverage ratio 1.66	**1.66:1**	0.86:1

		As at	
Ratio	**Formula**	**2020**	2019
Profitability Ratios:			
Return on assets	Net Loss divided by Average Total Assets (*Total Assets as of December 31, 2020 add Total Assets as of December 31, 2019 divided by two)* Net Loss (31,320,532) Divide by: Average Total Assets 977,170,775 Return on assets (3.21%)	**(3.21%)**	(5.74%)
Return on equity	Net Loss divided by Average Total Capital Deficiency (*Total Capital Deficiency as of December 31, 2020 add Total Capital Deficiency as of December 31, 2019 divided by two)* Net Loss (31,320,532) Divide by: Avg. Total Capital Deficiency (791,073,834) Return on equity (3.96%)	**(3.96%)**	7.03%
Gross profit margin	Gross Profit (*Revenues less Direct Expenses*) divided by Revenues Gross Profit 211,060,352 Divide by: Revenues 408,344,053 Gross profit margin 51.69%	**51.69%**	34.39%
Activity Ratio:			
Asset turnover	Revenues divided by Average Total Capital Deficiency (*Total Capital Deficiency as of December 31, 2020 add Total Capital Deficiency as of December 31, 2019 divided by two)* Revenues 408,344,053 Divide by: Avg. Total Capital Deficiency (791,073,834) Asset turnover (0.52)	**(0.52):1**	(0.53):1

SCHEDULE III
PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
A MAP SHOWING THE RELATIONSHIP
BETWEEN AND AMONG
THE COMPANY AND ITS ULTIMATE PARENT COMPANY,
MIDDLE PARENT AND ITS CO-SUBSIDIARIES
PURSUANT TO REVISED SRC RULE 68
As at December 31, 2020



SCHEDULE IV
PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
SCHEDULE A
FINANCIAL ASSETS
DECEMBER 31, 2020

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Income received and accrued

NOT APPLICABLE

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
SCHEDULE B
AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2020

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period

NOT APPLICABLE

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
SCHEDULE C
AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOT APPLICABLE

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
SCHEDULE D
LONG TERM DEBT
DECEMBER 31, 2020

Name of issuer and type of obligation	Total Outstanding Balance	Amount shown under caption "Current portion of long-term debt"	Amount shown caption "Long-term Debt"
Car Loans:			
Philippine Savings Bank	**5,118,964**	**1,214,441**	**3,904,523**

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
SCHEDULE E
INDEBTEDNESS TO RELATED PARTIES (LONG - TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2020

Name of the Related Party	Balance at beginning of period	Balance at end of period

NOT APPLICABLE

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
SCHEDULE F
GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2020

Name of the issuing entity of securities guaranteed by the company for which the statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is lifted	Nature of guarantee

NOT APPLICABLE

PHILIPPINE TELEGRAPH & TELEPHONE CORPORATION
SCHEDULE G
CAPITAL STOCK
DECEMBER 31, 2020

Title of Issue	Number of Shares Authorized	Number of shares issued and outstanding as shown under related financial position caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common	4,500,000,000	1,500,000,000	–	1,260,000,246	19	239,999,754
Preferred	230,000,000	–	–	–	–	–
Preferred – Series "A"	6,750,000,000	–	–	–	–	–
Preferred – Series "B"	1,800,000,000	969,695	–	–	–	–
Preferred – Series "C"	250,000,000	–	–	–	–	–
	13,530,000,000	1,500,969,695	–	1,260,000,246	19	239,999,754

Corporate Information

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Design and Layout:	Cybele Manlapaz and Raymund Vicente
Copywriting and Copy Editing:	Rachelle Paunlagui – Onward Investor Relations Inc.
Photography	
Portraiture:	James Ona and Paul Quiambao
Operational:	PT&T Employees
Printer:	Primex Printers Inc.

The PT&T 2020 Annual and Sustainability Report cover was printed on Master White FSC-certified paper. The main pages were printed on Planner Paper Natural PEFC-certified paper.

PT&T

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