

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **March 31, 2025**
2. SEC Identification number **CS200716094**
3. BIR Tax Identification No. **006-895-049**
4. **Converge Information and Communications Technology Solutions, Inc.**
Exact name of registrant as specified in its charter
5. **Republic of the Philippines**
Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code: (SEC Use Only)
7. **New Street Bldg., Mc Arthur Highway, Balibago, Angeles City, Pampanga** **2009**
Address of registrant's principal office Postal Code
8. **(02) 8667-0888**
Registrant's telephone number, including area code
9. **Not applicable**
Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of Each Class	No. of Shares of Common Stock Issued & Outstanding
Common Stock, P0.25 par value	7,266,573,061 Shares
Fixed Rate Bonds	10,000,000,000
11. Are any or all of the securities listed on a Stock Exchange?
Yes [] No []

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange, Common Stock

12. Indicate by check mark whether the registrant:
 - (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [] No []
 - (b) has been subject to such filing requirements for the past ninety (90) days

Yes [] No []

PART I - FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

Our unaudited condensed consolidated financial statements include the financial statements of the Parent Company and its subsidiaries namely, Pentagon Holding Co., Inc. (Pentagon), Converge ICT Solutions (Global) Limited (Converge Global), Converge ICT Singapore Pte. Ltd. (Converge Singapore), Cyan Azurite Properties and Development Corp, and Converge Venture Holdings Inc. (Converge Ventures). These consolidated financial statements also include Pentagon's subsidiary, Metroworks ICT Construction Inc. (Metroworks); Metroworks' subsidiary, Myriad ICT Services Inc (Myriad); and Converge Venture's subsidiaries Pentagon Digital Global Corp., Ametrine Properties & Prime Development Corp., and Rev21 Labs Inc. The Parent Company and its subsidiaries are collectively referred to here as the "Group".

The unaudited condensed consolidated financial statements for the periods ended March 31, 2025 (filed as Annex 1 of this report) have been prepared in accordance with Philippine Accounting Standard 34, Interim Financial Reporting and hence do not include all of the information required in the annual audited financial statements.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A") OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion and analysis of Converge's financial performance for the period ended March 31, 2025. The prime objective of this MD&A is to help the readers understand the dynamics of the Company's business and the key factors underlying its financial results. This section focuses on key statistics from the unaudited consolidated financial statements and pertains to known risks and uncertainties relating to the telecommunications industry in the Philippines where we operate up to the stated reporting period. However, Converge's MD&A should not be considered all inclusive, as it excludes unknown risks, uncertainties and changes that may occur in the general economic, political and environmental condition after the stated reporting period. Converge has adopted an expanded corporate governance approach in managing its business risks. An Enterprise Risk Management Policy was developed to systematically view the risks and to manage these risks in the context of normal business processes such as strategic planning, business planning, operational and support processes.

The Company's MD&A should be read in conjunction with its unaudited consolidated financial statements and the accompanying notes. All financial information is reported in Philippine Pesos (₱) unless otherwise stated.

Any references in this MD&A to "we", "us", "our", "Company" means the Converge and references to "Converge" mean Converge Information and Communications Technology Solutions, Inc. Additional information about the Company, including annual and quarterly reports, can be found on our corporate website <https://www.convergeict.com/>

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This report may contain forward looking statements and information that are, by their nature, subject to significant risks, uncertainties, and assumptions. Many factors could make or cause the actual results, performance or achievements to be materially different from those expressed or implied in this release. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein.

I. OVERVIEW OF OUR BUSINESS

Converge Information and Communications Technology Solutions, Inc. (“Converge”) is a high-speed fixed broadband operator in the Philippines. We are the only pure-play high-speed fixed broadband provider, serving the Philippines with industry leading optical fiber-based connectivity services. Our dedication to providing industry leading fixed broadband and technology services is deeply ingrained in our organization, which we believe permeates all aspects of our operations, including our network rollout, product and service offerings, sales and customer service.

We operate two business segments: (i) our residential business (“Residential Business”), which primarily offers high-speed fixed broadband postpaid and prepaid internet services to our residential customers; and (ii) our enterprise business (“Enterprise Business”), which offers high-speed fixed broadband internet services, private data network solutions, cloud and colocation services and other connectivity solutions to our enterprise customers of varying sizes, industries and types.

We own and operate the fastest-growing, end-to-end fiber network in the Philippines, which is also one of the newest in the country. Our network is comprised of a fiber backbone that stretches from the northernmost tip of Luzon Island to the southernmost region of Mindanao, as well as a fiber distribution and last-mile network.

II. KEY PERFORMANCE INDICATORS

Converge is committed to efficiently managing the Company's resources and enhancing shareholder value. The Company regularly reviews its performance against its operating and financial plans and strategies, and uses key performance indicators to monitor its progress.

Some of its key performance indicators are set out below. Except for Net Income, these key performance indicators are not measurements in accordance with Philippine Financial Reporting Standards ("PFRS") and should not be considered as an alternative to net income or any other measure of performance which are in accordance with PFRS.

AVERAGE REVENUE PER UNIT ("ARPU")

ARPU is calculated by dividing (i) the revenue generated by subscribers during a period by (ii) the average number of subscribers during that period, then dividing the quotient by the number of months during that period. The average number of subscribers during a period, is calculated by the sum of the subscribers at the beginning and at the end of the period, divided by two.

AVERAGE MONTHLY CHURN RATE

The percentage measure of the number of customers who have, voluntarily or involuntarily, discontinued a service for which the customer had subscribed for the relevant period over the number of customers for that period.

Our churn rate is calculated by dividing (i) the sum of the number of permanent subscriber discontinuations in a month, by (ii) the average number of subscribers during the respective month and multiplying the result by 100%. The average number of subscribers during a month, is calculated by the sum of the subscribers at the beginning and at the end of the month, divided by two.

PORT UTILIZATION

Our port utilization rates for our fiber network are the number of our fiber subscribers as a percentage of total fiber ports deployed. Each residential subscriber is connected through one port. Each utilized port generates revenue for us.

EBITDA

EBITDA is calculated as our profit for the year before depreciation and amortization (other than amortization of installation fees as their corresponding revenue impact has not been adjusted), finance costs, income tax expense. This measure provides useful information regarding a company's ability to generate cash flows, incur and service debt, finance capital expenditures and working capital changes. As the Company's method of calculating EBITDA may differ from other companies, it may not be comparable to similarly titled measures presented by other companies.

NET INCOME

As presented in the unaudited condensed consolidated financial statements for applicable periods, net income provides an indication of how well the Company performed after all costs of the business have been factored in.

EBITDA AND NET INCOME MARGIN

EBITDA and Net Income Margins are calculated as a percentage of revenues.

RETURN ON INVESTED CAPITAL (“ROIC”)

Return on Invested Capital is tax-adjusted (25% corporate income tax rate with the CREATE Law approved this year to be applied starting July 2020) profit from operations divided by average invested capital. Invested Capital is the sum of our total equity and total debt (comprising loans payable (non-current and current portions)), less cash and cash equivalents and capital expenditures in progress. This measure provides useful information regarding a company’s ability to deploy capital efficiently.

III. FINANCIAL AND OPERATIONAL RESULTS

A. FINANCIAL AND OPERATING SUMMARY

SUMMARY OF STATEMENTS OF COMPREHENSIVE INCOME

The following discussion provides a description of the key line items of our consolidated statements of total comprehensive income for the period ended March 31, 2025 and 2024.

In PHP millions	For the three months ended March 31			
	2025	2024	YoY change	YoY change %
Revenues	10,796	9,540	1,257	13%
<i>Residential</i>	<i>9,109</i>	<i>8,167</i>	<i>942</i>	<i>12%</i>
<i>Enterprise</i>	<i>1,687</i>	<i>1,373</i>	<i>314</i>	<i>23%</i>
Cost of services (COS)	(3,661)	(3,331)	(330)	10%
Gross profit	7,136	6,209	927	15%
General and administrative expenses (GAE)	(2,473)	(2,165)	(308)	14%
Provision for impairment of trade and other receivables	(435)	(370)	(66)	18%
Equity in net income of joint ventures	29	27	1	4%
Unrealized fair value loss on financial asset at fair value through profit or loss (FVTPL)	(0)	(2)	2	-98%
Other income, net	168	219	(51)	-23%
Profit from operations	4,424	3,918	506	13%
Finance costs	(427)	(494)	67	-14%
Profit before income tax	3,997	3,424	573	17%
Income tax expense	(978)	(872)	(106)	12%
Profit after income tax for the period	3,019	2,552	467	18%
Other comprehensive income	4	-	4	N/M
Total comprehensive income for the period	3,023	2,552	471	18%
Profit after income tax	3,019	2,552	467	18%
Finance costs	427	494	(67)	-14%
Income taxes	978	872	106	12%
Depreciation and amortization - COS	1,765	1,638	127	8%
Depreciation and amortization - GAE	121	95	26	27%
Amortization of deferred contract costs - SAQ	383	181	202	111%
EBITDA	6,693	5,832	861	15%
EBITDA Margin	62.0%	61.1%		

Three months ended March 31, 2025 compared to three months ended March 31, 2024

B. OPERATING REVENUES

The Group achieved consolidated revenues of ₱10,796 million in the first quarter of 2025, reflecting a 13% year-over-year increase from ₱9,540 million in the same period of the previous year, primarily driven by strong performance of our Residential and Enterprise Businesses.

The Residential Business generated ₱9,109 million in revenues, marking a 12% increase compared to the previous year, driven by the increase in the number of residential subscribers.

Our Enterprise Business also posted robust growth, contributing ₱1,687 million in revenues, surpassing its previous record of ₱1,373 million in the first quarter of last year. This 23% growth trajectory is also attributable to the continued expansion of our Enterprise customer base.

C. EXPENSES

Cost of services increased by 10% to ₱3,661 million for the first quarter of 2025, from ₱3,331 million for the same period of 2024. This was primarily due to higher amortization of deferred contract costs, increased depreciation and amortization, as well as higher repairs and maintenance expenses. These costs increases were partially offset by a reduction in rental expenses for the period.

General and administrative expenses for the first three months of 2025 totaled ₱2,473 million, 14% higher than ₱2,165 million for the same period of last year. This was on account of higher managed service fees, outside services, professional fees, and higher personnel costs to sustain business expansion.

Provision for impairment of trade and other receivables amounted to ₱435 million, an 18% increase over previous year's ₱370 million, due to higher trade receivable basis for credit loss provisioning.

Other income, net, declined by 23% from ₱219 million to ₱168 million, merely attributable to foreign exchange rate movements during the period.

EBITDA for the three months ended March 31, 2025, rose a solid 15% compared to the previous year's ₱5,832 million, achieving a record ₱6,693 million. The double-digit EBITDA growth was driven by the 13% rise in consolidated revenues, coupled with effective cost management and improved operating efficiency, resulting in a stronger overall margin.

D. NET INCOME

Profit from Operations

As a result of the foregoing, profit from operations grew by 13% to ₱4,424 million in the first quarter of 2025, an increase of ₱506 million from the ₱3,918 million reported in the same period of 2024.

Finance Costs

Finance costs showed a 14% reduction from ₱494 million to ₱427 million, as interest expense decreased on account of loan repayments during the period.

Profit Before Income Tax

Our profit before income tax for the first three months of 2025 reached ₱3,997 million, posting a solid 17% growth from ₱3,424 million for the same period of 2024.

Income Tax Expense

Income tax expense increased by 12% from ₱872 million to ₱978 million directly related to higher taxable income.

Profit for the Period

Our net profit for the first quarter of 2025 amounted to ₱3,019, registering a hefty growth of 18% over the ₱2,552 million net profit for the first quarter of 2024.

E. CAPITAL EFFICIENCY AND LIQUIDITY

	March 31, 2025 (Unaudited)	December 31, 2024 (Audited)	Change (%)
Balance Sheet Data (in PHP millions)			
Total Assets	108,090	107,054	1%
Total Debt ⁽¹⁾	28,255	29,515	-4%
Total Stockholders' Equity	54,589	54,691	0%
Financial Ratios			
Total Debt to EBITDA (gross)	1.1x	1.2x	
Total Debt to EBITDA (net)	0.4x	0.5x	
Debt Service Coverage ⁽²⁾	3.2x	3.1x	
Interest Coverage (gross) ⁽³⁾	13.7x	12.8x	
Debt to Equity (gross) ⁽⁴⁾	0.5x	0.5x	
Debt to Equity (net) ⁽⁵⁾	0.2x	0.2x	
Return on Invested Capital ⁽⁶⁾	18.4%	18.3%	

Notes:

(1) Total Debt is the sum of current and noncurrent borrowings

(2) Debt Service Coverage is computed as last twelve month's ("LTM") EBITDA divided by the sum of current borrowings, LTM interest expense, and current lease liabilities

(3) Interest Coverage (gross) is computed as LTM EBITDA divided by LTM finance costs

(4) Debt to Equity (gross) is computed as total debt divided by total shareholders' equity

(5) Debt to Equity (net) is computed as the difference between total debt and cash and cash equivalents divided by total shareholders' equity

(6) Return on Invested Capital is tax-adjusted (25% assumed effective tax rate for 2024 and 2023) profit from operations divided by average invested capital. Invested Capital is the sum of our total equity and total debt (comprising borrowings (non-current and current portions)), less cash and cash equivalents and capital expenditures in progress

Converge's balance sheet and cash flows remain strong with ample liquidity and gearing comfortably within bank covenants.

Converge's consolidated assets as at March 31, 2025 amounted to ₱108,090 million compared to ₱107,054 million as at December 31, 2024. Consolidated cash, cash equivalents and short-term cash placements was at ₱18,001 million as at March 31, 2025 compared to ₱16,981 million as at December 31, 2024.

As at March 31, 2025, our outstanding borrowings stood at ₱28,255 million, a decrease of ₱1,260 from ₱29,515 million as of December 31, 2024. Our Net Debt position, defined as borrowings less cash, cash equivalents and short-term cash placements, was ₱10,255 million as at March 31, 2025, lower than ₱12,534 million as at December 31, 2024. This improvement was primarily attributed to debt repayments and amortizations during the period. Our Net Debt-to-EBITDA ratio, based on the last twelve months' EBITDA from April 2024 to March 2025, stood at a conservative 0.4x. This low leverage level, supported by robust cash flow generation, provides us with significant financial flexibility to execute our capital expenditure plans and capitalize on the growing demand for high-speed fixed broadband infrastructure in the Philippines.

Converge's loan agreements include a financial covenant that requires us to maintain a minimum Debt Service Coverage Ratio (DSCR) of 1.2x. As at March 31, 2025, our DSCR was 3.2x, significantly exceeding the required threshold.

Converge’s capital efficiency measured by our Return on Invested Capital (“ROIC”) was 18.4% for the period ended March 31, 2025 (annualized). This industry-leading performance is a result of Converge adopting a disciplined approach in deploying capital to expand its fiber network, focusing on capital efficiency to ensure consistently high ROIC.

As at March 31, 2025, total stockholder’s equity was ₱54,589 million, a decrease of ₱102 million from ₱54,691 million as at December 31, 2024. The decrease was due to dividends approved on March 17, 2025, paid on April 16, 2025, which exceeded the net profit for the period.

CONSOLIDATED CASH FLOWS

	For the nine months ended March 31			
	2025	2024	YoY change	YoY change %
In PHP millions				
Cash flow from operating activities				
Profit before income tax	3,997	3,424	573	17%
Adjustments for operating income	3,345	2,778	567	20%
Adjustments for assets and liabilities	(2,277)	(1,455)	(822)	56%
Cash from operations	5,065	4,746	319	7%
Interest received and income taxes paid	88	71	17	24%
Net cash from operating activities	5,152	4,817	335	7%
Cash flow from investing activities				
Acquisition of property, plant, and equipment	(2,591)	(2,963)	372	-13%
Proceeds from disposal of assets	175	-	175	N/M
Short term cash placements	4,575	-	4,575	N/M
Net cash used in investing activities	2,160	(2,963)	5,123	-173%
Cash flow from financing activities				
Payment of borrowings	(1,267)	(1,040)	(226)	22%
Interest paid on borrowings	(406)	(467)	61	-13%
Others	(110)	(87)	(23)	27%
Net cash used in financing activities	(1,783)	(1,595)	(188)	12%
Net increase in cash and cash equivalents	5,529	259	5,270	N/M
Cash and cash equivalents, beginning	8,454	13,694	(5,240)	-38%
Effects of exchange rate changes in cash and cash equivalents	(7)	111	(117)	-106%
Cash and cash equivalents, ending	13,976	14,064	(88)	-1%

Net cash flows from operating activities

Net cash from operating activities was ₱5,152 million for the three months ended March 31, 2025. Our cash flows generated from operating activities for 2025 are calculated by adjusting our profit before income tax of ₱3,997 million by (i) non-cash and other items, primarily comprising ₱1,886 million of depreciation and amortization, ₱427 million in finance costs, ₱706 million of amortization of deferred contract costs, and ₱435 million in provision for impairment of trade and other receivables, (ii) changes in certain working capital items that positively impacted cash flows from operating activities, in particular, decrease in network materials and supplies by ₱77 million, increase in due to related parties by ₱46 million and increase in retirement benefit obligation by ₱8 million (iii) changes in certain working capital items that negatively impacted cash flows from operating activities, in particular a ₱883 million increase in trade and other current receivables, a ₱660 million increase in deferred contract costs, a ₱784 million decrease in trade and other liabilities and an ₱39 million increase in due from related parties.

Net cash from operating activities was ₱4,817 million for the three months ended March 31, 2024. Our cash flows generated from operating activities for 2024 are calculated by adjusting our profit before income tax of ₱3,424 million by (i) non-cash and other items, primarily comprising ₱1,733 million of depreciation and amortization, ₱494 million in finance costs, ₱407 million of amortization of deferred contract costs, and ₱370

million in provision for impairment of trade and other receivables, (ii) changes in certain working capital items that positively impacted cash flows from operating activities, in particular decrease in other current and non-current asset by P639 million, decrease in network materials and supplies by P84 million and increase in deferred revenue by P37 million (iii) changes in certain working capital items that negatively impacted cash flows from operating activities, in particular a P1,194 million decrease in trade and other current liabilities, a P640 million increase in deferred contract costs and a P394 million increase in trade and other receivables.

Net cash flows from (used in) investing activities

Net cash from investing activities was ₱2,160 million for the three months ended March 31, 2025 higher by ₱5,123 million from ₱2,963 million net cash used for the three months ended March 31, 2024 mainly due to the maturity of short-term cash placements and proceeds from disposal of assets. These were partially offset by investments in capital expenditures to construct and deploy additional property, plant and equipment (our end-to-end fiber network).

Cash used for acquisitions of property, plant and equipment and intangible assets was ₱2,591 million for the three months ended March 31, 2025, lower by ₱372 million from ₱2,963 million for the three months ended March 31, 2024. In both periods, we made the following significant investments in: (i) outside plant equipment, which primarily consists of passive network equipment related to the construction of our end-to-end fiber network, (ii) inside plant equipment, which primarily consists of active network equipment such as dense wavelength division multiplexing equipment and routers and (iii) other property, plant and equipment, which primarily consists of purchases of customer premise equipment, vehicles, and general IT related investments such as laptop computers and other office IT equipment.

Net cash used in financing activities

Net cash used in financing activities was ₱1,783 million during the three months ended March 31, 2025. Cash flows used in financing activities primarily consisted of ₱1,267 million loan amortizations and repayments and ₱406 million of payments for interest on borrowings.

Net cash used in financing activities was ₱1,595 million during the three months ended March 31, 2024. Cash flows used in financing activities primarily consisted of ₱1,040 million loan amortizations and repayments and ₱467 million of payments for interest on borrowings.

Commitments and Off-Balance Sheet Arrangements

As of March 31, 2025, we have unused credit lines from local banks amounting to ₱5.5 billion. Kindly refer to Note 2 of the attached financial statements for more details on the Company's commitments and other off-balance sheet arrangements.

F. QUANTITATIVE AND QUALITATIVE DISCLOSURE OF FINANCIAL RISK

We are exposed to the financial risks described below in the course of our normal business activities. These financial risks principally involve the possibility of adverse consequences on our results of operations due to factors that generally beyond our control.

Credit Risk

Credit risk is the risk of financial loss to the Company if a subscriber or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from its subscribers.

The Company continuously reviews credit policies and processes and implements various credit actions, depending on assessed risks, to minimize credit exposure. Applications for service are subjected to standard

credit evaluation and verification procedures. Receivable balances of subscribers are being monitored on a regular basis and appropriate credit treatments are applied at various stages of delinquency.

The maximum exposure to credit risk equals the carrying amount of the financial assets, except for trade receivables secured by subscribers' deposits which cover for anticipated losses on default payments.

The Group has the following financial assets as at March 31, 2025 where the expected credit losses ("ECL") model has been applied:

In PHP millions	At gross amounts	Allowance provided	Net carrying amount	Internal credit rating	Basis for recognition of ECL
Cash and cash equivalents	13,967	-	13,967	Performing	12-month ECL
Short-term cash placements	4,024	-	4,024	Performing	12-month ECL
Trade receivables					
Residential - Group 2	2,531	(264)	2,267	Collective assessment	Lifetime ECL
Residential - Group 3	926	(688)	238	Credit impaired	Lifetime ECL
Enterprise - Group 2	1,629	(584)	1,045	Collective assessment	Lifetime ECL
Enterprise - Group 3	969	(864)	105	Credit impaired	Lifetime ECL
Other receivables - Group 1	1,174	-	1,174	Performing	12-month ECL
Due from related parties - Group 1	320	-	320	Performing	12-month ECL
Construction bonds and rental deposits - Group 1	266	-	266	Performing	12-month ECL
	25,806	(2,401)	23,405		

Credit quality of subscribers and counterparties are classified as follows:

- Group 1 - Subscriber and counterparty balances without history of default and assessed to be fully recoverable.
- Group 2 - Subscriber and counterparty balances with some defaults in the past.
- Group 3 - Individually assessed subscribers and counterparties with defaults and which the Group no longer expects to recover the balance despite its collection efforts.

Cash and cash equivalents

Cash and cash equivalents exclude cash on hand as of March 31, 2025 amounting to ₱10 million, which is not subject to credit risk. To minimize credit risk exposure from cash, the Group deposits its cash in banks with universal banks, all with good credit ratings.

As at March 31, 2025, the Group is also exposed to credit risk in relation to its investment in exchangeable bonds that are measured at fair value through profit or loss with the maximum exposure amounting to ₱54 million. The Group's investments in exchangeable bonds and short-term government securities are considered to be low risk investments. The credit ratings of the investments are monitored for credit deterioration.

Trade receivables

Trade receivables from residential and enterprise subscribers are secured by subscribers' deposits which cover anticipated losses on default payments. The Group does not hold any collateral as security for the rest of the financial assets.

To measure the ECL, residential subscription receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of subscribers and the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as gross domestic product and inflation rate affecting the ability of the subscribers to settle the receivables.

In relation to enterprise subscription receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each corporate subscriber. The credit quality of enterprise subscription receivables is further classified and assessed by reference to historical information about each of the counterparty's historical default rates.

Group 1 enterprise subscribers have no history of default and assessed to be fully recoverable. ECL on these balances have therefore been assessed to be insignificant.

For Group 2 enterprise subscribers, expected loss rates are based on the payment profiles of subscription and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on factors such as gross domestic product and inflation rate affecting the ability of the subscribers to settle the receivables.

Other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty. The credit quality of other receivables is further classified and assessed by reference to historical information about each of the counterparty's historical default rates.

Credit risk on other receivables have been assessed to be insignificant considering no historical defaults and counterparties' high credit ratings.

Due from related parties

Based on assessment of qualitative and quantitative factors that are indicative of the risk of default, including but not limited to, availability of accessible highly liquid asset and internal and external funding of related parties, the Group has assessed that the outstanding balances are exposed to low credit risk. ECL on these balances have therefore been assessed to be insignificant.

Foreign Currency Exchange Risk

Foreign currency exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the Group's functional currency.

The Group has transactional currency exposures. Such exposures arise mainly from cash and cash equivalents, short-term cash placements, trade payables and other liabilities denominated in US Dollar as of March 31, 2025.

The Group manages its US Dollar exchange risk by maintaining sufficient cash in US Dollar to cover its maturing obligations.

At March 31, 2025, the exchange rate used to translate US Dollar denominated monetary assets and liabilities is P57.21/\$. If the US Dollar had weakened or strengthened by 1.2% against the Philippine Peso, with all other variables held constant, pre-tax profit for the year ended March 31, 2025 and equity would have been ₱61 million higher or lower, mainly as a result of foreign exchange losses or gains on translation of net US Dollar denominated monetary assets. The assumed shift in foreign currency exchange rate used in the sensitivity analysis is the rate of change between the US Dollar and the Philippine Peso at the end of the reporting period and the Philippine Peso equivalent determined 30 days after the reporting period, by which management is expected to settle or receive the Group's foreign currency denominated monetary assets or liabilities.

Interest Rate Risk

Cash flow interest rate risk is the risk that the future cash flows of financial assets and liabilities will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of financial assets and liabilities will fluctuate because of changes in market interest rates.

The Group's exposure to cash flow interest rate risk relates to borrowings which are subject to interest rates that are repriced at periodic intervals in accordance with the terms of the agreement. The Group's practice is to manage its interest cost by reference to current market rates in borrowings.

As of March 31, 2025, if interest rates increased/decreased by 10 basis points, with all other variables held constant, profit for the period ended March 31, 2025 would have been ₱0.7 million lower/higher, mainly as a result of higher/lower interest expense based on variable rates.

Changes in the market interest rates of the Group's borrowing with fixed interest rates only affect income if these are measured at their fair value. As such, the Group's financial liabilities with fixed interest rates that are measured at amortized cost are not subject to fair value interest rate risk as defined in PFRS 7.

As of March 31, 2025, the Group is exposed to fair value interest rate risk in relation to its investment in financial asset carried at fair value through profit or loss amounting to ₱54 million. Profit or loss would increase or decrease as a result of gains or losses on this financial asset measured at fair value at the end of each reporting period. Management monitors such financial asset based on discounted value of future cash flows using the applicable BVAL rates adjusted for the issuer's credit spread and premium on the embedded exchange option or which in this case is at 7.47%. This financial asset is managed on an individual basis thereby reducing the Group's exposure to equity price risk at an acceptably low level.

As of March 31, 2025, if BVAL rates increased/decreased by 100 basis points, with all other variables held constant, the financial asset carried at fair value through profit or loss as at March 31, 2025 would have been ₱7.0 million lower mainly as a result of higher BVAL rates while it would have been ₱8.6 million higher mainly as a result of lower BVAL rates.

Liquidity Risk

Liquidity risk arises from the possibility that the Group will encounter difficulty in raising funds to meet associated commitments with financial instruments.

The Group manages the liquidity risk by maintaining a balance between continuity of funding and flexibility in operations. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements. Management closely monitors the Group's future and contingent obligations and sets up required cash reserves and reserve borrowing facilities as necessary in accordance with internal policies. Short-term loans are availed to cover for immediate expenses and maturing obligations. The Group is also able to defer payments of some of its due to related party balances.

The table below presents the Group’s financial liabilities as of March 31, 2025.

	Amount
Trade and other liabilities	15,155
Dividends payable	3,125
Subscribers’ deposit	1,357
Due to related parties	75
Borrowings	28,255
Lease liabilities, gross of discount	2,075
Future interest payable	2,831
	52,873

Trade and other liabilities presented above exclude non-financial liabilities such as deferred output VAT payable, payable to government agencies, and provision for contingencies.

Capital Risk Management

Our objectives when managing capital are to safeguard Converge’s ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, Converge may consider declaring dividends paid to shareholders, return capital to shareholders, obtain borrowings from banks or related parties, and issue new shares. The capital that Converge manages is the total equity attributable to owners of the Parent Company less reserve for remeasurements of retirement benefit obligation and other reserves as shown in the consolidated statements of financial position.

Converge is not subject to any externally imposed capital requirements.

Converge loan agreements include compliance with certain ratios.

BASIS OF PREPARATION

The consolidated interim financial statements of the Group have been prepared in accordance with Philippines Accounting Standard (PAS) 34 Interim Financial Reporting. These policies have been consistently applied to all the periods presented, unless otherwise stated.

The condensed consolidated interim financial statements do not include all the notes normally included in an annual financial statement. Accordingly, this report is to be read in conjunction with the annual financial statements for the year ended December 31, 2024 and any public announcements made by the Group during the three-month period.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

There are no new accounting standards or amendments effective January 1, 2025 that have a material impact on these condensed consolidated interim financial statements.

There are no other future standards, amendments or interpretations that are effective beginning on or after January 1, 2025 that are expected to have a material impact on the Group's financial statements.

IV. OTHER RELEVANT INFORMATION

CORPORATE DEVELOPMENTS

Converge introduced product enhancements and bundled packages for both Residential and Enterprise segments

Residential

For a more comprehensive entertainment experience for its residential subscribers, Converge introduced Super FiberX, which includes bundled FiberX plan with automatic boosted speeds of 100Mbps, Xperience Box with a SkyTV Standard or Premium Plan and Freemium channels, BlastTV access, and WiFi-6 modem. The Converge Xperience Box is a Google-certified Android TV box that allows the customer to download apps such as YouTube, Spotify, and streaming apps like Netflix.

This provides residential subscribers options to choose their all-in-one connectivity and entertainment experience either with Super FiberX or the Converge Netflix Bundles launched last year depending on their viewing preferences.

Enterprise

Converge engaged with Starlink to become an authorized satellite broadband reseller and can now offer end-to-end solutions from installation, network management, to maintenance to remote areas in the country. Converge CEO and Founder Dennis Anthony Uy said they target businesses and government agencies in far-flung areas for the Starlink service, including those in agriculture, retail, and even fisheries and cruise vessels. The Company will also bundle Starlink's satellite technology with its own fiber network offering redundancy in case one service is disrupted.

Mr. Uy adds, "We're among the few in the Philippines authorized by Starlink to resell its services—an acknowledgment of our deep market expertise and commitment to meeting the evolving needs of both enterprise and government clients. More importantly, this is about transforming the way businesses operate. We're bringing solutions that empower industries to scale and innovate, even in the most remote areas."

Converge has also partnered with another US tech firm, Ribbon Communications, to help improve internet services in the country. Uy said the Nasdaq-listed company is an expert on AI-enabled data transmission technology and they will integrate this into the Converge fiber network nationwide.

This collaboration expands nationwide the initial tie up between Converge and Ribbon to integrate the US firm's cutting-edge 5 nanometer – 140Gbaud transmission chipset, which boosts the firm's network capacity to 1.2 Terabits per second. This technology was first rolled out in the metro and regional sites of Converge across North and Central Luzon.

Now, the said optical transmission solution will be implemented throughout the rest of the network infra sites of Converge across the country, bringing about substantial improvements in the company's overall data transmission capacity and operational efficiency nationwide.

Converge awarded by Ookla® for service quality covering 2H2024

For the second half of 2024, Converge cemented its status as the Philippines' top internet provider, sweeping multiple accolades from Ookla®. In February 2025, Converge was recognized as the Fastest Fixed Network, delivering download speeds of up to 561.51 Mbps and upload speeds of up to 509.08 Mbps. The Company's commitment to high-quality streaming was also acknowledged, earning the Best ISP Video Experience award with a Video Score of 78.17, ensuring smooth and uninterrupted entertainment for users. Beyond speed, Converge proved its dominance in gaming and overall connectivity. With an impressive Game Score™ of 83.06, Converge secured the title of Best ISP Gaming Experience, guaranteeing low-latency and seamless gameplay for Filipino gamers. Additionally, its Overall Connectivity Score of 76.13 solidified its position as

the Best Fixed Network, showcasing unmatched reliability and consistency. These achievements reinforce the Company’s relentless pursuit to deliver world-class internet services to Filipino households and businesses.

Converge MSCI rating climbs to ‘AA’ following enhanced ESG practices

Converge improved its Environment, Social, and Governance (ESG) rating by MSCI to ‘AA’ which marks Converge as a “Leader” within its industry in managing ESG risks. According to MSCI’s latest assessment which covered the company’s 2023 data, the upgrade from last year’s average ‘A’ rating reflects the stronger board-level oversight and enhanced auditing of ethics practices within Converge. Its implementation of a comprehensive data security framework, including robust breach mitigation measures, also contributed to the upgrade.

“Enhancing our ESG practices to align with global best practices has been central to our strategy because we believe this is how we can build a stronger and more sustainable business. Our improved standing shows that we are on the right track, particularly in areas like labor management, governance, and data security,” said Converge Chief Commercial Officer and Chief Sustainability Officer Benjamin Azada.

“We are proud to have our efforts recognized and we remain committed to further advancing our ESG initiatives, especially in topics that matter most to our stakeholders,” he added.

Since the rated period, Converge has further strengthened its ESG efforts, including its refurbishment program for reclaimed modems from churned subscribers. More than 80 percent of the modems it recovered last year were refurbished and reused compared to only about 50 percent in 2023. Likewise, Converge brought down its network Scope 1 and 2 greenhouse gas intensity from 2.3 to 1.4 tCO₂e/petabyte amid its increased use of renewable energy and better energy management.

In addition, the Company also showed progress in promoting continuous education among its workforce with its average training hours increasing to 57 hours last year from 33 hours in 2023 as it provided multiple avenues and platforms for employee learning.

MAJOR STOCKHOLDERS

The following are the major stockholders of Converge as of March 31, 2025:

Title of Class	Name of Record Owner	Name of Beneficial Owner	Citizenship	Number of Shared held	Percentage of Ownership
Common Shares	Comclark Network and Technology Corp.	Dennis Anthony H. Uy and Grace Y. Uy	Filipino	4,515,776,677	62.14%
Common Shares	PCD Nominee Corporation *	Comclark Network and Technology Corp**	Filipino	281,640,597	3.88%
Common Shares	PCD Nominee Filipino	Public Ownership	Filipino	1,299,844,427	17.89%
Common Shares	PCD Nominee Corporation	Cloud Gateway Limited	Foreign	222,757,739***	3.07%
Common Shares	PCD Nominee Non-Filipino	Public Ownership	Foreign	945,788,114	13.01%

*PCD Nominee Corporation is not related to the Company

**These shares of Comclark Network and Technology Corp. in the amount of 281,640,597 are scrippless shares. The ultimate Beneficial Owners are Dennis Anthony H. Uy and Grace Y. Uy

***Dennis Anthony H. Uy and Grace Y. Uy are the ultimate beneficial owners of shares registered under Cloud Gateway Limited

BOARD OF DIRECTORS

The following table sets forth our Board of Directors:

<u>Name</u>	<u>Gender</u>	<u>Position</u>	<u>Citizenship</u>	<u>Board Member Since</u>	<u>Stakeholder Represented</u>
Dennis Anthony H. Uy	Male	CEO, Founder & Executive Director	Filipino	Jul 2012	Majority shareholder
Maria Grace Y. Uy	Female	President, Chief Resources Officer, Chief Risk Officer, Founder & Executive Director	Filipino	Jan 2014	Majority shareholder
Jose P. de Jesus	Male	Chairman, Independent Non-Executive Director	Filipino	Jun 2020	
Amando M. Tetangco, Jr.	Male	Independent Non-Executive Director	Filipino	Jun 2020	
Roman Felipe S. Reyes	Male	Independent Non-Executive Director	Filipino	Jun 2020	
Francisco Ed. Lim	Male	Non-Executive Director	Filipino	Jun 2020	
Estela M. Perlas-Bernabe	Female	Independent Non-Executive Director	Filipino	May 2023	

SIGNATURES


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

Issuer: **Converge Information and Communications Technology Solutions, Inc.**



Dennis Anthony H. Uy
Chief Executive Officer

DATE SIGNED: 5/14/2025



Robert Leo A. Yu
Chief Finance Officer

DATE SIGNED: 5/14/2025

***Converge
Information and
Communications
Technology Solutions,
Inc. and Subsidiaries***

**Condensed Consolidated Interim Financial Statements
As at March 31, 2025 (Unaudited) and December 31, 2024
(Audited) and for the periods ended March 31, 2025 and 2024**

Converge Information and Communications Technology Solutions, Inc. and Subsidiaries

Consolidated Interim Statements of Financial Position As at March 31, 2025 and December 31, 2024 (All amounts in Philippine Peso)

	Notes	March 31, 2025 (Unaudited)	December 31, 2024 (Audited)
Assets			
Current assets			
Cash and cash equivalents		13,976,494,252	8,453,706,396
Short-term cash placements		4,024,091,828	8,526,947,283
Trade and other receivables, net, current portion		4,598,234,708	4,132,065,391
Due from related parties, current portion		128,855,564	116,340,616
Network materials and supplies, net		1,323,078,350	1,560,243,852
Deferred contract costs, current portion		1,460,965,917	1,395,108,280
Other current assets		1,857,910,100	1,663,154,657
Total current assets		27,369,630,719	25,847,566,475
Non-current assets			
Property, plant and equipment, net		69,691,573,676	70,053,186,580
Right-of-use assets, net		2,133,762,508	2,236,584,279
Intangible assets, net		1,892,426,969	2,046,345,655
Advances to fixed asset suppliers		3,856,578,233	3,810,638,674
Due from related parties, net of current portion		144,775,051	145,826,760
Deferred contract costs, net of current portion		337,937,769	450,328,577
Deferred income tax assets, net		1,765,222,436	1,594,514,382
Other receivables, net of current portion		258,074,786	258,074,786
Financial asset at fair value through profit or loss (FVTPL)		54,341,473	54,142,902
Investment in associate and joint ventures		537,235,122	508,721,605
Other non-current assets		48,263,361	48,263,360
Total non-current assets		80,720,191,384	81,206,627,560
Total assets		108,089,822,103	107,054,194,035
Liabilities and Equity			
Current liabilities			
Trade payables and other liabilities, current portion		12,983,890,703	14,512,799,004
Dividends payable		3,124,626,416	-
Due to related parties		75,288,780	28,797,542
Subscribers' deposits, current portion		1,357,056,506	1,343,855,868
Deferred revenue		693,648,671	720,266,635
Borrowings, current portion		5,705,692,702	5,572,451,771
Lease liabilities, current portion		427,146,162	425,909,567
Income tax payable		2,025,720,165	932,348,645
Total current liabilities		26,393,070,105	23,536,429,032
Non-current liabilities			
Trade payables and other liabilities, net of current portion		2,981,096,444	3,244,129,913
Borrowings, net of current portion		22,549,696,960	23,942,362,158
Lease liabilities, net of current portion		1,552,750,407	1,606,148,867
Retirement benefit obligation, net		24,405,185	17,014,914
Subscribers' deposits, net of current portion		-	17,512,639
Total non-current liabilities		27,107,948,996	28,827,168,491
Total liabilities		53,501,019,101	52,363,597,523
Equity			
Attributable to owners of the Parent Company			
Share capital		1,881,573,615	1,881,573,615
Additional paid-in capital		18,746,088,245	18,746,088,245
Treasury shares		(6,498,544,185)	(6,498,544,185)
Retained earnings			
Unappropriated		18,232,149,844	16,338,022,848
Appropriated		22,000,000,000	24,000,000,000
Other equity reserves		227,222,983	223,143,489
		54,588,490,502	54,690,284,012
Non-controlling interest over consolidated subsidiaries		312,500	312,500
Total equity		54,588,803,002	54,690,596,512
Total liabilities and equity		108,089,822,103	107,054,194,035

(The notes on pages 1 to 12 are integral part of these condensed consolidated interim financial statements)

Converge Information and Communications Technology Solutions, Inc. and Subsidiaries

Consolidated Interim Statements of Total Comprehensive Income
For each of the three-month periods ended March 31, 2025 and 2024
(All amounts in Philippine Peso)

	Three-month period ended	
	March 31	
	2025	2024
	(Unaudited)	(Unaudited)
Revenues	10,796,235,852	9,539,571,372
Cost of services	(3,660,714,444)	(3,330,784,973)
Gross profit	7,135,521,408	6,208,786,399
General and administrative expenses	(2,472,987,351)	(2,165,049,064)
Provision for impairment of trade and other receivables	(435,308,433)	(369,640,235)
Equity in net income of joint ventures	28,513,517	27,444,352
Unrealized fair value loss on financial asset at FVTPL	(42,868)	(2,423,806)
Other income, net	167,914,586	218,553,835
Profit from operations	4,423,610,859	3,917,671,481
Finance costs	(426,615,479)	(494,027,745)
Profit before income tax	3,996,995,380	3,423,643,736
Income tax expense	(978,241,968)	(871,910,520)
Profit for the period	3,018,753,412	2,551,733,216
Other comprehensive income		
<i>Item that will not be reclassified to profit or loss</i>		
Remeasurement loss on retirement benefit obligation, net of tax	4,079,494	-
Total comprehensive income for the period	3,022,832,906	2,551,733,216
Profit attributable to:		
Owners of the Parent Company	3,018,753,412	2,551,733,216
Non-controlling interest	-	-
	3,018,753,412	2,551,733,216
Total comprehensive income attributable to:		
Owners of the Parent Company	3,022,832,906	2,551,733,216
Non-controlling interest	-	-
	3,022,832,906	2,551,733,216
Earnings per share		
Basic and diluted	0.42	0.35

(The notes on pages 1 to 12 are integral part of these condensed consolidated interim financial statements)

Converge Information and Communications Technology Solutions, Inc. and Subsidiaries

Consolidated Interim Statements of Changes in Equity
For each of the three-month periods ended March 31, 2025 (Unaudited) and 2024 (Unaudited)
(All amounts in Philippine Peso)

	Share capital	Additional paid-in capital	Treasury shares	Retained earnings		Other equity reserves	Non-controlling interest	Total
				Appropriated	Unappropriated			
Balances at January 1, 2024	1,881,573,615	18,746,088,245	(6,498,544,185)	14,000,000,000	16,833,317,171	282,940,990	312,500	45,245,688,336
Comprehensive income								
Profit for the period	-	-	-	-	2,551,733,216	-	-	2,551,733,216
Other comprehensive income for the period						-		-
Total comprehensive income for the period	-	-	-	-	2,551,733,216	-	-	2,551,733,216
Share-based compensation	-	-	-	-	-	17,225,247	-	17,225,247
Balances at March 31, 2024	1,881,573,615	18,746,088,245	(6,498,544,185)	14,000,000,000	19,385,050,387	300,166,237	312,500	47,814,646,799
Balances at January 1, 2025	1,881,573,615	18,746,088,245	(6,498,544,185)	24,000,000,000	16,338,022,848	223,143,489	312,500	54,690,596,512
Comprehensive income								
Profit for the period					3,018,753,412	-	-	3,018,753,412
Other comprehensive income for the period	-	-	-	-	-	4,079,494	-	4,079,494
Total comprehensive income for the period	-	-	-	-	3,018,753,412	-	-	3,022,832,906
Release of appropriated retained earnings				(2,000,000,000)	2,000,000,000			-
Transactions with owners								
Declaration of dividends	-	-	-	-	(3,124,626,416)	-	-	(3,124,626,416)
Balances at March 31, 2025	1,881,573,615	18,746,088,245	(6,498,544,185)	22,000,000,000	18,232,149,844	227,222,983	312,500	54,588,803,002

(The notes on pages 1 to 12 are integral part of these condensed consolidated interim financial statements)

Converge Information and Communications Technology Solutions, Inc. and Subsidiaries

Consolidated Statements of Cash Flows For each of the three-month periods ended March 31, 2025 and 2024 (All amounts in Philippine Peso)

	Three-month period ended March 31	
	2025 (Unaudited)	2024 (Unaudited)
Cash flows from operating activities		
Profit before income tax	3,996,995,380	3,423,643,736
Adjustments for:		
Depreciation and amortization	1,885,859,711	1,733,096,010
Amortization of deferred contract costs	706,145,570	407,408,585
Provision for impairment of trade and other receivables	435,308,433	369,640,235
Finance costs	426,615,479	494,027,745
Unrealized foreign exchange (gain) loss, net	71,550,902	(78,496,815)
Loss on lease terminations	3,818,555	-
Unrealized loss on FVTPL	42,868	2,423,806
Interest income on financial asset at FVTPL	(1,075,345)	(1,015,091)
Interest income on finance lease receivable	(2,212,664)	(2,402,838)
Gain on disposal of property, plant and equipment	(26,398,119)	(8,911,995)
Share in net income of joint venture	(28,513,517)	(27,444,352)
Interest income on cash and cash equivalents and short-term cash placements	(126,221,409)	(127,493,635)
Share-based compensation expense	-	17,225,247
Operating income before changes in assets and liabilities	7,341,915,844	6,201,700,638
(Increase) decrease in assets:		
Trade and other receivables	(882,869,855)	(393,554,425)
Due from related parties	(38,654,691)	5,581,375
Network materials and supplies	77,050,437	84,150,991
Deferred contract costs	(659,612,399)	(639,770,846)
Other current assets and non-current assets	(12,906,030)	638,742,070
Increase (decrease) in liabilities:		
Trade and other current liabilities	(783,622,994)	(1,194,100,125)
Subscribers' deposits	(4,312,001)	(12,763,381)
Due to related parties	46,491,238	2,143,847
Retirement benefit obligation	8,060,846	17,312,730
Deferred revenue	(26,617,964)	36,821,192
Cash from operations	5,064,922,431	4,746,264,066
Interest received	87,530,757	70,853,776
Income taxes paid	-	-
Net cash from operating activities	5,152,453,188	4,817,117,842
Cash flows from investing activities		
Acquisitions of property plant, and equipment	(2,518,674,210)	(2,701,593,668)
Acquisitions of intangible assets	(72,485,157)	(261,533,167)
Proceeds from disposal of assets	175,224,242	-
Short-term cash placements	4,575,490,339	-
Net cash from (used in) investing activities	2,159,555,214	(2,963,126,835)
Cash flows from financing activities		
Payments of borrowings	(1,266,759,068)	(1,040,364,785)
Interest paid on borrowings	(405,989,985)	(467,409,003)
Payments on lease liabilities	(77,983,573)	(47,299,257)
Interest paid on lease liabilities	(31,986,765)	(39,565,320)
Net cash used in financing activities	(1,782,719,391)	(1,594,638,365)
Net increase in cash and cash equivalents	5,529,289,011	259,352,642
Cash and cash equivalents, beginning	8,453,706,396	13,694,146,438
Effects of exchange rate changes in cash and cash equivalents	(6,501,155)	110,606,079
Cash and cash equivalents, ending	13,976,494,252	14,064,105,158

(The notes on pages 1 to 12 are integral part of these condensed consolidated interim financial statements)

Converge Information and Communications Technology Solutions, Inc. and Subsidiaries

Notes to the Consolidated Interim Financial Statements
As at March 31, 2025 and December 31, 2024 and
for the three-month periods ended March 31, 2025 and 2024
(In the notes, all amounts are shown in Philippine Peso unless otherwise stated)

Note 1 - General information

1.1 Business information

Converge Information and Communications Technology Solutions, Inc. (the “Parent Company”) is a domestic corporation registered with the Securities and Exchange Commission (SEC) on October 17, 2007 to construct, install, maintain and operate in the Philippines information and communications system, information and communications technology network and associated equipment and facilities for the purpose of supplying at competitive and reasonable cost and without discrimination of information and communications services within the Philippines to government agencies including all its instrumentalities, to corporations and consumers and all other entities and utilities that might use such information and communications services. The Parent Company is a grantee of a congressional franchise (under Republic Act No. 9707) to construct, install, establish, operate and maintain telecommunications systems throughout the Philippines and between the Philippines and other countries and territories. The term of the franchise is twenty-five (25) years effective until August 2034.

On September 24, 2020 and September 30, 2020, the Philippine SEC and Philippine Stock Exchange (PSE), respectively, approved the Parent Company’s application for its initial public offering. The Parent Company attained its status as a “public company” on October 26, 2020 when it listed its shares in the main board of the PSE. As a public company, it is covered by the Securities Regulation Code (SRC) Rule 68.

As at March 31, 2025 and December 31, 2024, there has been no follow-on offering after the initial public offering.

As at March 31, 2025 and December 31, 2024, the Parent Company is 66.02% owned by Comclark Network and Technology Corp. (Comclark or the “Immediate Parent Company”), a company organized and existing under the laws of the Philippines. Its ultimate parent company is Pentastar Holding Co. Inc. (Pentastar), a company organized and existing under the laws of the Philippines to, among others, purchase or otherwise acquire and own, hold, use, manage, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description, without however engaging as an investment company under the Investment Company Act or a finance company or as a dealer in securities or stocks or as real estate broker or a real estate development company but only holds the foregoing assets for purely investment purposes. Pentastar’s ultimate beneficial owners are Dennis Anthony H. Uy and Maria Grace Y. Uy.

The total shares outstanding are held by the following shareholders as of March 31, 2025 and December 31, 2024:

Comclark Network and Technology Corp. and Founders	69.09%
Publicly held	30.91%
	100.00%

1.2 Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of services and the type or class of customers. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The Group's management assesses the performance and allocates the resources of the Group as a whole, as all of the Group's activities are considered to be primarily the operation of telecommunications systems throughout the Philippines. Therefore, management considers there is only one operating segment under the requirements of PFRS 8, Operating Segments. In this regard, no segment information is presented.

No geographic information is shown as the revenue and profit from operations of the Company are presently solely derived from its activities in the Philippines.

1.3 Approval of the condensed consolidated interim financial statements

The condensed consolidated interim financial statements of the Group as at March 31, 2025 have been approved and authorized for issuance by the Parent Company's Board of Directors (BOD) on May 8, 2025.

Note 2 - Additional notes in compliance with PAS 34

Selected Notes to the Condensed Consolidated Interim Financial Statements

1. The same accounting policies and methods of computation were followed in the interim consolidated financial statements consistent with those adopted for the Group's annual consolidated financial statements for the year ended December 31, 2024.
2. There are no seasonal aspects that have a material effect on the condensed consolidated interim financial statements.
3. The Group had total additions to property, plant and equipment amounting to P1,498,070,443 on accrual basis and P2,518,674,210 on cash basis.

Significant acquisitions mainly pertain to investments in outside plant equipment amounting to P364,654,453, which primarily consists of passive network equipment related to the construction of its end-to-end fiber network, and inside plant and facilities amounting to P252,781,670, which primarily consists of active network equipment. Other acquisitions pertain to customer premise equipment amounting to P779,656,056, and other general IT related investments.

These additions are partially offset by the recognition of depreciation expense for the periods ended March 31, 2025.

4. Related party transactions include collections, reimbursement of expenses, sale of property, plant and equipment, management service fees, advances, finance lease receivable, interest income from finance lease receivable, financial asset at fair value through profit or loss, interest income from financial asset at fair value through profit or loss, rental expenses, and lease liabilities with related parties.

	Transactions for the three-month period ended March 31		Outstanding balances as of	
	2025 (Unaudited)	2024 (Unaudited)	March 31, 2025 (Unaudited)	December 31, 2024 (Audited)
Due from related parties				
<i>Collections made on behalf of the Group</i>				
Immediate parent company	11,011,037	16,082,078	27,712,878	25,010,175
Entities under common control	1,306,185	1,247,871	9,053,677	7,945,169
	12,317,222	17,329,949	36,766,555	32,955,344
<i>Reimbursements of expenses from related parties</i>				
Immediate parent company	-	5,169,062	334,193	334,611
Joint ventures	-	716,000	701,094	701,094
Entities under common control	-	-	53,448,378	54,010,490
	-	5,885,062	54,483,665	55,046,195
<i>Sale of property, plant and equipment and intangibles</i>				
Entity under common control	5,321,429	-	7,125,269	1,803,840
<i>Transfer of network materials and supplies</i>				
Immediate parent company	3,202,136	-	24,531,899	21,638,770
<i>Advances to related parties</i>				
Immediate parent company	-	-	937,500	937,500
<i>Finance lease receivable</i>				
Entities under common control	-	-	144,775,051	145,826,760
<i>Interest income from finance lease receivable</i>				
Entities under common control	1,051,709	14,937,497	5,010,676	3,958,967
			273,630,615	262,167,376
Due from related parties, net - current			128,855,564	116,340,616
Due from related parties, net - non-current			144,775,051	145,826,760
			273,630,615	262,167,376
Trade and other receivables				
<i>Interest income from financial asset at FVTPL</i>				
Ultimate parent company	1,075,345	830,550	15,310,638	14,235,293
Financial asset at FVTPL				
Ultimate parent company	-	-	54,341,473	54,142,902

	Transactions for the three-month period ended March 31		Outstanding balances as of	
	2025 (Unaudited)	2024 (Unaudited)	March 31, 2025 (Unaudited)	December 31, 2024 (Audited)
Accruals				
<i>Service fees</i>				
Entities under common control	57,371,883	93,449,250	37,777,827	62,229,098
<i>Reimbursements of expenses to related parties</i>				
Immediate parent company	3,242,127	37,126,467	3,242,127	1,080,709
Joint venture	649,672	734,976	649,672	-
Entities under common control	-	41,752,418	-	-
	3,891,799	79,613,861	3,891,799	1,080,709
	61,263,682	173,063,111	41,669,626	63,309,807
Due to related parties				
<i>Collections made on behalf of related parties</i>				
Entities under common control	2,810,776	5,235,408	10,761,103	10,150,829
<i>Reimbursements of expenses to related parties</i>				
Ultimate parent company	-	-	15,867	15,867
Immediate parent company	156,371,245	-	57,190,570	10,099,408
Entities under common control	-	-	7,009,240	8,219,438
	156,371,245	-	64,215,677	18,334,713
<i>Advances from a related party</i>				
Shareholder	-	-	312,000	312,000
			75,288,780	28,797,542
Lease liabilities				
Immediate parent company			1,167,947,135	1,476,234,075
Entities under common control			34,467,437	43,254,394
			1,202,414,572	1,519,488,469

5. Below is the disaggregation of the Group's revenue from contracts with customers recognized over time for the period ended March 31, 2025 and 2024:

	Three months ended March 31	
	2025 (Unaudited)	2024 (Unaudited)
Residential	9,109,081,536	8,166,638,467
Enterprise	1,687,154,316	1,372,932,905
	10,796,235,852	9,539,571,372

6. There were no items not in the ordinary course of business that affected assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence.
7. There were no changes in management's use of estimates, assumptions and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities. There were no other off-balance sheet arrangements or obligations that were likely to have a current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.
8. As of March 31, 2025, the Group has entered into agreements with various suppliers for the construction, delivery and installation of property and equipment amounting to P15.9 billion. There were no other off-balance sheet arrangements or obligations that were likely to have a current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.
9. As of March 31, 2025, the Parent Company has borrowings composed of loans payable amounting to P18,320,920,633 and bonds payable amounting to P9,934,469,029. The Parent Company has unused credit lines from local banks amounting to P5.5 billion.

The Parent Company is compliant with its debt covenants as of March 31, 2025.

10. As of March 31, 2025, the present value of benefit obligations exceeded the fair value of the fund assets thus, the Group recognized retirement benefit obligation of P24,405,185.
11. Aside from interest earnings from the Group's cash deposits, there are no significant elements of income or loss that did not arise from the issuer's continuing operations.
12. Any material changes from period to period in any line items of the Group's condensed consolidated interim financial statements that have not been explained were the results of normal fluctuations in operations.
13. The condensed consolidated interim financial statements have been prepared in conformity with Philippine Financial Reporting Standards and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

Note 3 - Additional disclosures on risk management and financial instruments

3.1 Financial risk factor

The Group's activities expose it to a variety of financial risks and these activities involve the analysis, evaluation and management of some degree of risk or combination of risks. The Group's over-all risk management program focuses on the unpredictability of financial markets, aims to achieve an appropriate balance between risk and return and seeks to minimize potential adverse effects on the Group's financial performance.

The most important types of risk the Group manages are credit risk, market risk and liquidity risk. Market risk includes foreign currency exchange risk, interest rate risk and price risk.

3.2 Components of financial assets and financial liabilities

3.2.1 Financial assets

Details of the Group's financial assets are as follows:

	March 31, 2025 (Unaudited)	December 31, 2024 (Audited)
<i>At amortized cost</i>		
Cash and cash equivalents	13,976,494,252	8,453,706,396
Short-term cash placements	4,024,091,828	8,526,947,283
Trade and other receivables	7,229,278,920	6,299,392,761
Due from related parties	273,630,615	262,167,376
Constructions bonds and rental deposits	265,979,893	249,915,669
	25,769,475,508	23,792,129,485
<i>At financial assets at FVTPL</i>	54,341,473	54,142,902
	25,823,816,981	23,846,272,387

Trade and other receivables above exclude advances to employees which are subject to liquidation as at March 31, 2025 amounting to P27,956,135 (December 31, 2024 - P56,364,542) and are presented gross of allowance for impairment amounting to P2,400,925,561 (December 31, 2024 - P1,965,617,126).

As at March 31, 2025, financial asset at FVTPL pertains to the Group's investment in exchangeable bonds issued by its Ultimate Parent. The Group has classified these debt instruments as financial assets at FVTPL considering the contractual terms do not give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3.2.2 Financial liabilities

The Group's financial liabilities, categorized as liabilities at amortized cost, are as follows:

	March 31, 2025 (Unaudited)	December 31, 2024 (Audited)
Trade and other liabilities	15,154,675,372	16,680,839,654
Dividends payable	3,124,626,416	-
Subscribers' deposits	1,357,056,506	1,361,368,507
Due to related parties	75,288,780	28,797,542
Borrowings	28,255,389,662	29,514,813,929
Lease liabilities	1,979,896,569	2,032,058,434
	49,946,933,305	49,617,878,066

Trade and other liabilities presented above exclude the following non-financial liabilities:

	March 31, 2025 (Unaudited)	December 31, 2024 (Audited)
Deferred output VAT	347,460,587	675,056,766
Payable to government agencies	462,851,189	401,032,497
	810,311,776	1,076,089,263

3.3 Credit risk

Credit risk is the risk of financial loss to the Group if a subscriber or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from its subscribers.

The Group continuously reviews credit policies and processes and implements various credit actions, depending on assessed risks, to minimize credit exposure. Applications for service are subjected to standard credit evaluation and verification procedures. Receivable balances of subscribers are being monitored on a regular basis and appropriate credit treatments are applied at various stages of delinquency.

The maximum exposure to credit risk equals the carrying amount of the financial assets, except for trade receivables secured by subscribers' deposits which cover for anticipated losses on default payments.

The Group has the following financial assets as at reporting dates where the expected credit losses (ECL) model has been applied:

	At gross amounts	Allowance provided	Net carrying amount	Internal credit rating	Basis for recognition of ECL
<i>March 31, 2025 (Unaudited)</i>					
Cash and cash equivalents	13,966,803,259	-	13,966,803,259	Performing	12-month ECL
Short-term cash placements	4,024,091,828	-	4,024,091,828	Performing	12-month ECL
Trade receivables					
Residential - Group 2	2,530,707,398	(264,050,448)	2,266,656,950	Collective assessment	Lifetime ECL
Residential - Group 3	926,379,983	(688,159,551)	238,220,432	Credit impaired	Lifetime ECL
Enterprise - Group 2	1,629,147,387	(584,318,548)	1,044,828,839	Collective assessment	Lifetime ECL
Enterprise - Group 3	969,460,141	(864,397,015)	105,063,126	Credit impaired	Lifetime ECL
Other receivables - Group 1	1,173,584,012	-	1,173,584,012	Performing	12-month ECL
Due from related parties - Group 1	320,083,552	-	320,083,552	Performing	12-month ECL
Construction bonds and rental deposits - Group 1	265,979,893	-	265,979,893	Performing	12-month ECL
	25,806,237,453	(2,400,925,562)	23,405,311,891		
<i>December 31, 2024 (Audited)</i>					
Cash and cash equivalents	8,444,251,403	-	8,444,251,403	Performing	12-month ECL
Short-term cash placements	8,526,947,283	-	8,526,947,283	Performing	12-month ECL
Trade receivables					
Residential - Group 2	2,312,844,166	(205,154,381)	2,107,689,785	Collective assessment	Lifetime ECL
Residential - Group 3	548,043,585	(430,840,089)	117,203,496	Credit impaired	Lifetime ECL
Enterprise - Group 2	1,574,553,556	(518,692,037)	1,055,861,519	Collective assessment	Lifetime ECL
Enterprise - Group 3	903,841,005	(810,930,619)	92,910,386	Credit impaired	Lifetime ECL
Other receivables - Group 1	960,110,449	-	960,110,449	Performing	12-month ECL
Due from related parties - Group 1	262,167,376	-	262,167,376	Performing	12-month ECL
Construction bonds and rental deposits - Group 1	249,915,669	-	249,915,669	Performing	12-month ECL
	23,782,674,492	(1,965,617,126)	21,817,057,366		

Credit quality of subscribers and counterparties are classified as follows:

- Group 1 - Subscriber and counterparty balances without history of default and assessed to be fully recoverable.
- Group 2 - Subscriber and counterparty balances with some defaults in the past.
- Group 3 - Individually assessed subscribers and counterparties with defaults and which the Group no longer expects to recover the balance despite its collection efforts.

Cash and cash equivalents exclude cash on hand as at March 31, 2025 amounting to P9,690,993. (December 31, 2024 - P9,454,993) which is not subject to credit risk.

As at March 31, 2025, the Company is also exposed to credit risk in relation to its investment in exchangeable bonds that are measured at fair value through profit or loss and investment in short-term government securities. The maximum exposure at March 31, 2025 is the carrying amount of the investments aggregating to P54,341,473 (December 31, 2024 - P54,142,902). The Company's investments in exchangeable bonds and short-term government securities are considered to be low risk investments. The credit ratings of the investments are monitored for credit deterioration.

Trade receivables from residential and corporate subscribers are secured by subscribers' deposits which cover anticipated losses on default payments. The Group does not hold any collateral as security for the rest of the financial assets.

None of the fully performing financial assets have been renegotiated during the periods ended March 31, 2025 and December 31, 2024.

Cash and cash equivalents

To minimize credit risk exposure from cash, the Group deposits its cash in universal banks with good credit ratings.

Trade receivables

Residential subscribers

To measure the ECL, residential subscription receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of subscribers and the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors such as gross domestic product and inflation rate affecting the ability of the subscribers to settle the receivables.

On that basis, the loss allowances as at reporting dates were determined as follows:

	Current	1-30 days	31-60 days	61-90 days	Total
<i>March 31, 2025</i>					
Carrying amount, gross	1,632,223,005	333,085,462	362,341,313	203,057,618	2,530,707,398
Loss allowance	50,654,997	16,562,740	53,312,817	143,519,894	264,050,448
<i>December 31, 2024</i>					
Carrying amount, gross	1,366,536,026	613,132,083	180,765,361	152,410,696	2,312,844,166
Loss allowance	14,532,544	19,505,972	44,628,594	126,487,271	205,154,381

As a result of management's review of receivables provisioning, management has transferred balances from certain residential subscribers from Group 2 to Group 3 and full provisioning have been made to these individually impaired accounts.

As at March 31, 2025, credit impaired receivables from certain residential subscribers amounting P926,379,983 (December 31, 2024 - P548,043,585) which are deemed uncollectible despite collection efforts have been provided with an allowance for impairment equal to the total receivables of the subscribers net of advances and deposits collected from them.

Enterprise subscribers

In relation to Enterprise subscription receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each corporate subscriber. The credit quality of enterprise subscription receivables is further classified and assessed by reference to historical information about each of the counterparty's historical default rates.

Group 1 enterprise subscribers have no history of default and assessed to be fully recoverable. ECL on these balances have therefore been assessed to be insignificant.

For Group 2 enterprise subscribers, expected loss rates are based on the payment profiles of subscription and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on factors such as gross domestic product and inflation rate affecting the ability of the subscribers to settle the receivables.

On that basis, the loss allowances were determined as follows:

	Current	1-30 days	31-60 days	61-90 days	Over 90 days	Total
<i>March 31, 2025</i>						
Carrying amount, gross	413,380,021	229,919,095	157,754,230	160,862,380	667,231,661	1,629,147,387
Loss allowance	37,384,240	21,030,749	14,520,218	14,832,582	496,550,759	584,318,548
<i>December 31, 2024</i>						
Carrying amount, gross	451,277,338	285,348,738	19,383,922	184,025,100	634,518,458	1,574,553,556
Loss allowance	56,350,047	36,117,967	2,447,176	23,472,779	400,304,068	518,692,037

As at March 31, 2025, credit impaired receivables from certain Enterprise subscribers (Group 3) amounting P969,460,141 (December 31, 2024 - P903,841,005) which are deemed uncollectible despite collection efforts have been provided with an allowance for impairment equal to the total receivables of the subscribers net of advances and deposits collected from them.

Other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty. The credit quality of other receivables is further classified and assessed by reference to historical information about each of the counterparty's historical default rates.

Credit risk on other receivables have been assessed to be insignificant considering no historical defaults and counterparties' high credit ratings.

Due from related parties

Based on assessment of qualitative and quantitative factors that are indicative of the risk of default, including but not limited to, availability of accessible highly liquid asset and internal and external funding of related parties, the Group has assessed that the outstanding balances are exposed to low credit risk. ECL on these balances have therefore been assessed to be insignificant.

3.4 Market risk

a) Foreign currency exchange risk

Foreign currency exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the Group's functional currency.

The Group has transactional currency exposures. Such exposures arise mainly from cash, trade and other receivables, trade and other current liabilities denominated in US Dollar as at March 31, 2025 and December 31, 2024.

The Group manages its US Dollar exchange risk by maintaining sufficient cash in US Dollar to cover its maturing obligations.

As at March 31, 2025, the exchange rate used to translate US Dollar denominated monetary assets and liabilities is P57.21/\$ (December 31, 2024 - P57.85/\$). If the US Dollar had weakened or strengthened by 1.15% (December 31, 2024 - 0.89%) against the Philippine Peso, with all other variables held constant, pre-tax profit for the year ended March 31, 2025 and equity would have been P61,048,353 higher or lower (December 31, 2024 - P24,365,480 higher or lower), mainly as a result of foreign exchange losses or gains on translation of net US Dollar denominated monetary asset. The assumed shift in foreign currency exchange rate used in the sensitivity analysis is the rate of change between the US Dollar and the Philippine Peso at the end of the reporting period and the Philippine Peso equivalent determined 30 days after the reporting period, by which management is expected to settle or receive the Group's foreign currency denominated monetary assets or liabilities.

b) *Cash flow and fair value interest rate risks*

Cash flow interest rate risk is the risk that the future cash flows of financial assets and liabilities will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of financial assets and liabilities will fluctuate because of changes in market interest rates.

The Group's exposure to cash flow interest rate risk relates to borrowings which are subject to interest rates that are repriced at periodic intervals in accordance with the terms of the agreement. The Group's practice is to manage its interest cost by reference to current market rates in borrowings.

As at March 31, 2025, if interest rates increased/decreased by 10 basis points, with all other variables held constant, profit for the period ended March 31, 2025 would have been P702,947 (December 31, 2024 - 10 basis points; P752,075) lower/higher, mainly as a result of higher/lower interest expense based on variable rates.

Changes in the market interest rates of the Group's borrowing with fixed interest rates only affect income if these are measured at their fair value. As such, the Group's financial liabilities with fixed interest rates that are measured at amortized cost are not subject to fair value interest rate risk as defined in PFRS 7.

As at March 31, 2025, the Group is exposed to fair value interest rate risk in relation to its investment in financial asset carried at fair value through profit or loss amounting to P54,341,473 (December 31, 2024 - P54,142,902). Profit or loss would increase or decrease as a result of gains or losses on this financial asset measured at fair value at the end of each reporting period. Management monitors such financial asset based on discounted value of future cash flows using the applicable BVAL rates adjusted for the issuer's credit spread and premium on the embedded exchange option or which in this case is at 7.47% (December 31, 2024 - 6.74%). This financial asset is managed on an individual basis thereby reducing the Group's exposure to equity price risk at an acceptably low level.

The sensitivity of the FVTPL to changes in the principal assumptions are as follows:

	March 31, 2025 (Unaudited)			December 31, 2024 (Audited)		
	Impact on FVTPL			Impact on FVTPL		
	Change in assumption	Increase in assumption	Decrease in assumption	Change in assumption	Increase in assumption	Decrease in assumption
Adjusted BVAL rate	+/-1.00%	(7,042,507)	8,615,089	+/-1.00%	(7,146,455)	8,686,300

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the FVTPL to significant assumptions, the same method has been applied as when calculating the FVTPL recognized within the consolidated statement of financial position.

c) Price risk

As at March 31, 2025, the Group has no financial assets and liabilities that are price sensitive nor does it hold significant equity investments that are subject to price fluctuations. As such, the Group is not exposed to significant price risk.

3.5 Liquidity risk

Liquidity risk arises from the possibility that the Group will encounter difficulty in raising funds to meet associated commitments with financial instruments.

The Group manages the liquidity risk by maintaining a balance between continuity of funding and flexibility in operations. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements. Management closely monitors the Group's future and contingent obligations and sets up required cash reserves and reserve borrowing facilities as necessary in accordance with internal policies. Short-term loans are availed to cover for immediate expenses and maturing obligations. The Group is also able to defer payments of some of its due to related party balances.

The table below presents the Group's financial liabilities as at reporting dates:

	Within 12 Months	More than 12 months	Total
<i>March 31, 2025 (Unaudited)</i>			
Trade and other liabilities	12,173,578,928	2,981,096,444	15,154,675,372
Dividends payable	3,124,626,416	-	3,124,626,416
Subscribers' deposits	1,339,543,867	17,512,639	1,357,056,506
Due to related parties	75,288,780	-	75,288,780
Borrowings	5,705,692,702	22,549,696,960	28,255,389,662
Lease liabilities, gross of discount	488,296,282	1,587,041,946	2,075,338,228
Future interest payable	1,349,358,552	1,481,475,461	2,830,834,013
	<u>24,256,385,527</u>	<u>28,616,823,450</u>	<u>52,873,208,977</u>
<i>December 31, 2024 (Audited)</i>			
Trade and other liabilities	13,436,709,741	3,244,129,913	16,680,839,654
Subscribers' deposits	1,343,855,868	17,512,639	1,361,368,507
Due to related parties	28,797,542	-	28,797,542
Borrowings	5,572,451,771	23,942,362,158	29,514,813,929
Lease liabilities, gross of discount	543,680,700	2,196,734,547	2,740,415,247
Future interest payable	1,470,247,709	2,041,343,970	3,511,591,679
	<u>22,395,743,331</u>	<u>31,442,083,227</u>	<u>53,837,826,558</u>

Lease liabilities disclosed above represent the contractual undiscounted cash flows.

The Group expects to settle the above financial obligations due within 12 months in accordance with their contractual maturity of 30 to 60 days.

There are no trends, demands, commitments, events or uncertainties known to management that will have a material adverse impact on the Group's liquidity.

3.6 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, obtain borrowings from banks or related parties, and issue new shares. The capital that the Group manages is the total equity attributable to owners of the Parent Company less reserve for remeasurements of retirement benefit obligation and other reserves as shown in the consolidated statements of financial position.

The Group is not subject to any externally imposed capital requirements.

The Group's loan agreements include compliance with certain ratios.

Note 4 - Basis of preparation

This condensed consolidated interim financial statements for the three-month period ended March 31, 2025 has been prepared in accordance with Philippines Accounting Standard (PAS) 34 Interim Financial Reporting. These policies have been consistently applied to all the periods presented, unless otherwise stated.

The condensed consolidated interim financial statements do not include all the notes normally included in an annual financial statements. Accordingly, this report is to be read in conjunction with the annual financial statements for the year ended December 31, 2024 and any public announcements made by the Group during the three-month period.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

There are no new accounting standards or amendments effective January 1, 2025 that have a material impact on these condensed consolidated interim financial statements.

There are no other future standards, amendments or interpretations that are effective beginning on or after January 1, 2025 that are expected to have a material impact on the Group's financial statements.

CONVERGE INFORMATION AND COMMUNICATIONS TECHNOLOGY SOLUTIONS, INC. AND SUBSIDIARIES

AGING ANALYSIS OF RECEIVABLES

MARCH 31, 2025 (UNAUDITED)

The table below shows the aging analysis of the Group's trade receivables as of March 31, 2025:

	Current	1-30 days	31-60 days	61-90 days	Over 90 days	Total
Residential	1,639,167,446	343,813,184	464,414,575	348,104,710	661,587,466	3,457,087,381
Enterprise	419,830,061	240,757,928	170,131,771	178,061,832	1,589,825,936	2,598,607,528
Gross trade receivables						6,055,694,909
Allowance for doubtful accounts						(2,400,925,562)
Net trade receivables						3,654,769,347
Other receivables, current						943,465,361
Trade and other receivables, net, current portion						4,598,234,708
Other receivables, net of current portion						258,074,786

CONVERGE INFORMATION AND COMMUNICATIONS TECHNOLOGY SOLUTIONS, INC. AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATOR
MARCH 31, 2025

	March 31, 2025 (Unaudited)	December 31, 2024 (Audited)
Current ratio ^a	1.0x	1.1x
Acid test ratio ^b	0.9x	0.9x
Solvency ratio ^c	0.8x	0.6x
Debt-to-equity ratio ^d	0.5x	0.5x
Asset-to-equity ratio ^e	2.0x	2.0x
Interest coverage ratio ^f	13.7x	12.8x
Debt service coverage ratio ^g	3.2x	3.1x
Net debt/ EBITDA ^h	0.4x	0.5x
Earnings per share (PHP) ⁱ	0.42	1.49
Book value per share ^j	7.51	7.53
Return on Assets ^k	2.81%	10.39%
Return on Equity ^l	5.52%	21.64%
Net profit margin ^m	27.96%	26.63%

^aCurrent assets / Current liabilities

^bCash and cash equivalents + Short-term cash placements + Trade and other receivables, net + Due from related parties (current portion) / Current liabilities

^cLast twelve months' ("LTM") net operating profit after tax + LTM depreciation and amortization and amortization of subscriber acquisition costs / Borrowings

^dLoans payable / Total equity

^eTotal assets / Total equity

^fLTM Earnings before interest, taxes, depreciation and amortization, amortization of subscriber acquisition costs / LTM interest expense

^gParent Company's LTM earnings before interest, taxes, depreciation and amortization, amortization of subscriber acquisition costs / Parent Company's LTM annual debt service requirements due over the same corresponding period which are the interests, principal and lease payments

^hBorrowings less cash and cash equivalents and short-term cash placements/ LTM earnings before interest, taxes, depreciation and amortization, amortization of subscriber acquisition costs

ⁱNet income attributable to ordinary equity holders of the Parent Company / Weighted average number of ordinary shares

^jTotal equity less Preferred Equity / Total number of shares outstanding

^kNet income attributable to owners of the Parent Company / Average total assets

^lNet income attributable to owners of the Parent Company / Average total equity

^mNet income / Revenues