COVER SHEET

SEC Registration Number

C	S	2	0	0	7	1	6	0	9	4

Company Name

CONVERGE INFORMATION AND COMMUNICATIONS TECHNOLOGY SOLUTIONS, INC.

Principal Office *(No./Street/Barangay/City/Town/Province)*

NEW STREET BUILDING MCARTHUR HIGHWAY BALIBAGO ANGELES CITY PAMPANGA

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
converge.sec@convergeict.com	-	09175774586
No. of Stockholders	**Annual Meeting Month/Day**	**Fiscal Year Month/Day**
	Last Friday of May of Each Year	Dec-31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
OWEN OCAMPO	okdocampo@convergeict.com	-	09328912603

CONTACT PERSON's ADDRESS

Reliance IT Center Bldg., Annex 1, No. 99, E. Rodriguez Jr. Ave., Brgy. Ugong, Pasig City

NOTE 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies

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 **June 30, 2024**

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. These consolidated financial statements also include Pentagon's subsidiary, Metroworks ICT Construction Inc. (Metroworks) as well as Metroworks' subsidiary, Myriad ICT Services Inc (Myriad). The Parent Company and its subsidiaries are collectively referred to here as the "Group".

The unaudited condensed consolidated financial statements for the periods ended June 30, 2024 (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, 2024. 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 the 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, with an exclusive focus on serving the Philippines with industry leading optical fiber-based connectivity services. This singular focus on industry leading fixed broadband 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 businesses: (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 FTTH network are the number of our FTTH subscribers as a percentage of total FTTH ports and for our HFC network is our number of HFC subscribers as a percentage of HFC homes passed. In line with our focus on FTTH network expansion and FTTH subscriber additions, we actively track and manage our FTTH port take-up or utilization rates. 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 June 30, 2024 and 2023.

	For the six months ended June 30				For the three months ended June 30			
	2024	2023	YoY change	YoY change %	2024	2023	YoY change	YoY change %
In PHP millions								
Revenues	19,519	17,362	2,157	12%	9,979	8,720	1,259	14%
Residential	*16,635*	*14,876*	*1,760*	*12%*	*8,469*	*7,477*	*992*	*13%*
Enterprise	*2,884*	*2,487*	*397*	*16%*	*1,511*	*1,244*	*267*	*21%*
Cost of services (COS)	(7,058)	(5,671)	1,387	24%	(3,728)	(2,858)	869	30%
Gross profit	12,461	11,691	770	7%	6,252	5,862	390	7%
General and administrative expenses (G&A)	(4,226)	(3,642)	584	16%	(2,061)	(1,808)	253	14%
Provision for impairment of trade and other receivables	(764)	(1,140)	(377)	-33%	(394)	(709)	(315)	-44%
Equity share in net income of joint ventures	55	21	34	162%	27	12	16	134%
Unrealized fair value (loss) gain on financial asset at FVTPL	(6)	8	(14)	-179%	4	11	(7)	-65%
Other income (expense), net	456	(215)	(671)	311%	230	(53)	(283)	-535%
Profit from operations	7,976	6,722	1,253	19%	4,058	3,315	743	22%
Finance costs	(973)	(1,092)	(119)	-11%	(479)	(559)	(80)	-14%
Profit before income tax	7,003	5,631	1,372	24%	3,579	2,756	823	30%
Income tax expense	(1,709)	(1,346)	363	27%	(837)	(643)	194	30%
Profit after income tax for the period	5,294	4,285	1,009	24%	2,742	2,113	630	30%
Other comprehensive (loss) income	-	-	-	-	-	-	-	-
Total comprehensive income for the period	**5,294**	**4,285**	**1,009**	**24%**	**2,742**	**2,113**	**630**	**30%**
Profit after income tax	5,294	4,285	1,009	24%	2,742	2,113	630	30%
Finance costs	973	1,092	(119)	-11%	479	559	(80)	-14%
Income taxes	1,709	1,346	363	27%	837	643	194	30%
Depreciation and amortization - COS	3,395	2,764	630	23%	1,757	1,315	441	34%
Depreciation and amortization - G&A	189	114	76	66%	94	3	91	2962%
Amortization of deferred contract costs - SAQ	332	455	(123)	-27%	151	250	(99)	-40%
EBITDA	**11,892**	**10,056**	**1,836**	**18%**	**6,060**	**4,884**	**1,176**	**24%**
EBITDA Margin	**60.9%**	**57.9%**			**60.7%**	**56.0%**		

Six months ended June 30, 2024 compared to six months ended June 30, 2023

B. OPERATING REVENUES

The Company earned ₱19,519 million of consolidated revenues in the first half of 2024, posting a 12% increase from the ₱17,362 million revenues in the same period of 2023. This growth was driven by the combined performance of our Residential and Enterprise Businesses.

Revenues from the Residential Business, which comprise for 85% of the total, grew by 12% or ₱1,760 million. This increase was on account of 19.4% rise in residential subscribers, despite the reduced blended ARPU of ₱1,183 as at June 30, 2024 from ₱1,211 as at June 30, 2023.

The Enterprise Business contributed ₱2,884 million in revenues, a 16% increase from ₱2,487 million in the first half of the previous year. This sector continues its significant growth trajectory, driven by its expanding customer base.

C. EXPENSES

Cost of services in the first half of 2024 amounted to ₱7,058 million, a 24% increase from ₱5,671 million in the same period of 2023. Costs went up at a higher pace than the growth in revenues resulting in lower gross margin at 64% from 67%. The increase in costs was due to higher depreciation and amortization, rent, and repairs and maintenance, partially offset by reduced amortization of deferred contract costs for active subscriber accounts and a decrease in bandwidth and leased line costs.

General and administrative expenses for the first half of 2024 totaled ₱4,226 million, a 16% increase from ₱3,642 million in the first half of 2023, mainly due to higher managed service fees, personnel costs, and promotional expenses.

Provision for impairment of trade and other receivables amounted to ₱764 million in the first half of 2024, a 33% decrease from ₱1,140 million in the same period of 2023. This reduction was primarily due to a lower trade receivable basis for loss and an improved outlook on collections.

Other income (loss), net, increased by 311%, shifting from a loss of ₱215 million to an income of ₱456 million. This improvement was attributed to higher interest income from short-term placements, net foreign exchange gains, and a decrease in the provision for impairment of customer modems.

For the first half of 2024, EBITDA reached ₱11,892 million, generating an 18% growth from the ₱10,056 million reported in the same period of 2023.

D. NET INCOME

Profit from Operations

As a result of the foregoing, profit from operations grew by 19% to ₱7,976 million in the first half of 2024, an increase of ₱1,253 million over the ₱6,722 million reported in the first half of 2023.

Finance Costs

Finance costs decreased by 11% to ₱973 million from ₱1,092 million, due to reduced interest expenses following loan repayments made during the second half of 2023 and the first half of 2024.

Profit Before Income Tax

Profit before income tax for the first half of 2024 reached ₱7,003 million, reflecting a 24% growth from ₱5,631 million in the same period of 2023.

Income Tax Expense

Income tax expense increased by 27%, rising from ₱1,346 million to ₱1,709 million, directly related to higher taxable income.

Profit for the Period

Net profit for the first half of 2024 amounted to ₱5,294 million, marking a substantial 24% growth over the ₱4,285 million net profit recorded in the first half of 2023.

E. CAPITAL EFFICIENCY AND LIQUIDITY

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)	Change (%)
Balance Sheet Data (in PHP millions)			
Total Assets	104,635	101,145	3%
Total Debt[(1)]	32,781	35,244	-7%
Total Stockholders' Equity	50,557	45,246	12%
Financial Ratios			
Total Debt to EBITDA (gross)	1.3x	1.6x	
Total Debt to EBITDA (net)	0.6x	1.0x	
Debt Service Coverage[(2)]	3.4x	3.6x	
Interest Coverage (gross) [(3)]	9.9x	10.4x	
Debt to Equity (gross) [(4)]	0.6x	0.8x	
Debt to Equity (net) [(5)]	0.3x	0.5x	
Return on Invested Capital [(6)]	17.3%	15.7%	

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 of June 30, 2024 amounted to ₽104,635 million compared to ₽101,145 million as of December 31, 2023. Consolidated cash, cash equivalents and short-term investments was at ₽16,990 million as of June 30, 2024 compared to ₽13,694 million as of December 31, 2023.

We had outstanding borrowings of ₽32,781 million as of June 30, 2024 compared to ₽35,244 million as of December 31, 2023. Our Net Debt position, defined as borrowings less cash and cash equivalents amounted to ₽15,791 million as of June 30, 2024 was lower compared to our December 31, 2023 position of ₽21,549 million mainly due to repayments and amortizations during the period, to finance our network expansion. Our resulting Net Debt to EBITDA ratio, based on the last twelve months EBITDA over the period from July 2023 to June 2024, was 0.7 times. This conservative leverage level gives us, together with our increasing and strong cash flow generation, ample headroom to execute our capital expenditure plans, and capitalize on the massive opportunity for high-speed fixed broadband infrastructure in the Philippines.

The financial tests under Converge's loan agreements subject us to a financial covenant, which requires us to maintain a minimum debt service coverage ("DSCR") ratio of 1.2x. As of June 30, 2024, Converge's DSCR ratio was 3.4x, well above the required minimum liquidity threshold.

Converge's capital efficiency measured by our Return on Invested Capital ("ROIC") was 17.3% in the first half of 2024 (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.

CONSOLIDATED CASH FLOWS

	For the six months ended June 30			
	2024	2023	YoY change	YoY change %
In PHP millions				
Cash flow from operating activities				
Profit before income tax	7,003	5,631	1,372	24%
Adjustments for operating income	5,601	6,337	(311)	15%
Adjustments for assets and liabilities	(402)	(4,143)	(3,741)	-90%
Cash from operations	12,200	7,825	4,801	76%
Interest received and income taxes paid	(988)	(1,725)	(310)	-43%
Net cash from operating activities	**11,212**	**6,100**	**5,111**	**84%**
Cash flow from investing activities				
Acquisition of property, plant, and equipment	(4,545)	(3,017)	1,527	51%
Others	(196)	(217)	(21)	-10%
Net cash used in investing activities	**(4,740)**	**(3,234)**	**1,506**	**47%**
Cash flow from financing activities				
Proceeds from borrowings	-	500	(500)	-100%
Payments of borrowings	(2,436)	(1,162)	1,275	110%
Others	(1,065)	(1,164)	(98)	-8%
Net cash used in financing activities	**(3,502)**	**(1,826)**	**1,676**	**92%**
Net increase in cash and cash equivalents	**2,970**	**1,041**	**1,929**	**185%**
Cash and cash equivalents, beginning	13,694	10,214	3,480	34%
Effects of exchange rate changes in cash and cash equivalents	327	6	321	5808%
Cash and cash equivalents, ending	**16,990**	**11,261**	**5,730**	**51%**

Net cash flows from operating activities

Net cash from operating activities was ₽11,212 million for the period ended June 30, 2024. Our cash flows generated from operating activities for 2024 are calculated by adjusting our profit before income tax of ₽7,003 million by (i) non-cash and other items, primarily comprising ₽3,584 million of depreciation and amortization, ₽973 million in finance costs, ₽786 million of amortization of deferred contract costs, and ₽764 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 a ₽1,440 million increase in trade and other current liabilities, increase in deferred revenue by ₽94 million and decrease in due from related parties by ₽62 million (iii) changes in certain working capital items that negatively impacted cash flows from operating activities, in particular a ₽1,102 million increase in deferred contract costs and a ₽610 million increase in trade and other receivables, increase in other current and non-current asset by ₽176 million, and increase in network materials and supplies by ₽49 million.

Net cash from operating activities was ₽6,100 million for the six months ended June 30, 2023. Our cash flows generated from operating activities for 2023 are calculated by adjusting our profit before income tax of ₽5,631 million by (i) non-cash and other items, primarily comprising ₽2,878 million of depreciation and amortization, ₽1,140 million in provision for impairment of trade and other receivables, ₽1,092 million in finance costs, ₽1,049 million of amortization of deferred contract costs and ₽226 million in provision for impairments of property, plant and equipment, (ii) changes in certain working capital items that positively impacted cash flows from operating activities, in particular increases in trade and other current liabilities of ₽495 million, and due to related parties of ₽86 million (iii) changes in certain working capital items that negatively impacted cash flows from operating activities, in particular a ₽2,479 million increase in trade and other receivables, a ₽892 million increase in deferred contract costs, a ₽358 million increase in network materials and supplies used, and a ₽407 million decrease in other current assets and non-current assets.

Net cash flows used in investing activities

Net cash used in investing activities was ₽4,740 million for the period ended June 30, 2024 lower by ₽1,506 million from ₽3,234 million for the period ended June 30, 2023. In both periods, we made significant 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 was ₽4,545 million for the period ended June 30, 2024, lower by ₽1,527 million from ₽3,017 million for the period ended June 30, 2023. 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 ₽3,502 million during the period ended June 30, 2024. Cash flows used in financing activities primarily consisted of ₽2,436 million loan amortizations and repayments and ₽1,056 million of payments for interest and lease liabilities.

Net cash used in financing activities was ₽1,826 million during the period ended June 30, 2023. Cash flows from financing activities primarily consisted of ₽500 million of loan availment, offset by ₽1,162 million loan amortizations and repayments, and ₽1,164 million of payments for interest and lease liabilities.

Commitments and Off-Balance Sheet Arrangements

As of June 30, 2024, we have unused credit lines from local banks amounting to ₱5.5 billion. As of June 30, 2024, we have entered into agreements with various suppliers for the construction, delivery and installation of property and equipment amounting to ₱15.0 billion. We did not have any 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.

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 June 30, 2024 where the expected credit losses ("ECL") model has been applied:

In Philippine Peso (millions)	At gross amounts	Allowance provided	Net carrying amount	Internal credit rating	Basis for recognition of ECL
Cash and cash equivalents	16,982	-	16,982	Performing	12-month ECL
Trade receivables					
Residential - Group 2	1,700	(99)	1,601	Collective assessment	Lifetime ECL
Residential - Group 3	1,342	(1,282)	60	Credit impaired	Lifetime ECL
Enterprise - Group 2	784	(264)	519	Collective assessment	Lifetime ECL
Enterprise - Group 3	930	(829)	101	Credit impaired	Lifetime ECL
Other receivables - Group 1	1,002	-	1,002	Performing	12-month ECL
Due from related parties	301	-	301	Performing	12-month ECL
	23,041	**(2,475)**	**20,566**		

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 June 30, 2024 amounting to ₱9 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 June 30, 2024, 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 ₱48 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, trade and other current liabilities denominated in US Dollar as of June 30, 2024.

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

At June 30, 2024, if the US Dollar had weakened or strengthened by 0.3% against the Philippine Peso, with all other variables held constant, pre-tax profit for the year ended June 30, 2024 and equity would have been ₱16 million lower or higher, 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 June 30, 2024, if interest rates increased/decreased by 10 basis points, with all other variables held constant, profit for the period ended June 30, 2024 would have been ₱22.9 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.

The Group's financial asset at FVTPL representing investment in exchangeable bonds issued by a related party is carried at fair value determined based on Level 3 category. The fair value measurement of investment in exchangeable bonds was computed based on the 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. Disclosure of valuation method, significant inputs to the valuation, and sensitivity analysis relating to the exchangeable bonds.

The carrying value of the financial assets and liabilities classified as current approximates its fair values as the impact of discounting is not considered significant as these financial assets and liabilities generally have short-term maturities. The fair value of long-term borrowings also approximates its carrying value as the nominal interest rates approximate market interest rates.

As of June 30, 2024, 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 ₱48 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 6.78%. 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 June 30, 2024, 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 June 30, 2024 would have been ₱6.8 million lower mainly as a result of higher BVAL rates while it would have been ₱8.3 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 June 30, 2024.

	Amount
Trade and other liabilities	15,405
Subscriber's deposit	1,320
Due to related parties	36
Borrowings	32,781
Lease liabilities, gross of discount	2,492

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, 2023 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, 2024 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, 2024 that are expected to have a material impact on the Group's financial statements.

IV. OTHER RELEVANT INFORMATION

CORPORATE DEVELOPMENTS

Residential and Enterprise segments post improved performance, reaccelerating to double digit growth

Highest quarterly fiber gross additions in 11 quarters
Consolidated revenues grew by 12.4% in 1H2024 to ₱19.5Bn from ₱17.4Bn in 1H2023 – reenforcing the Company's position as the fastest-growing fixed broadband service provider in the Philippines.

Residential business grew to ₱16.6Bn during the same period, representing 11.8% YoY growth. FiberX has seen a steady demand growth from 1H2023 with an 18.8% increase in gross additions and 83.3% increase in net additions. BIDA Fiber and Surf2Sawa continued to register all-time-high quarterly gross adds – a testament to the intact and growing demand for fiber broadband across all income segments. BIDA Fiber and Surf2Sawa now represent 5% of residential revenue and more than 13% of total residential subscriber base. Consolidated subscriber base reached 2,351,803 as of June 2024.

In 1H2024, enterprise revenue grew by 16.0% year-on-year to ₱2.9Bn from ₱2.5Bn in 1H2023. Small and medium enterprise ("SME") continued to be the fastest growing subsegment with 29.5% revenue growth.

EBITDA levels and profitability margins well above guidance owing to prudent cost management approach and maintaining moderate levels of leverage

EBITDA growth trajectory remains strong with profitability margins further outperforming initial guidance
The Company's EBITDA grew by double-digits at 18.3% to ₱11.9Bn in 1H2024 from ₱10.1Bn in 1H2023. Consolidated EBITDA margin improved to 60.9% in 1H2024 compared to 57.9% during the same period last year. Provision for impairment of trade and other receivables significantly improved to 3.9% cost margin due to improved efficiency and effectivity in collection.

Industry-Leading ROIC and Strong Balance Sheet
The Company maintained its industry-leading Return on Invested Capital ("ROIC") at 17.3% from 17.4% last quarter. This performance is a result of the Company's disciplined approach in deploying capital to expand its fiber network and improve its overall services.

Net income after tax grew by 23.6% from ₱4.3Bn in 1H2023 to ₱5.3Bn in 1H2024, resulting in a net income margin of 27.1% for 1H2024, higher than 1H2023 net income margin of 24.7%.

Converge has been able to maintain its strong balance sheet and cash flows with ample liquidity and gearing comfortably within bank covenants. The Company's net debt position (as measured by total financial debt less cash and cash equivalents) decreased from ₱20.1Bn as of March 31, 2024 to ₱15.8Bn as of June 30, 2024. The Company repaid a portion of its financial debt, reducing the balance to ₱32.8Bn. This slightly reduced the finance cost incurred in 2Q2024. The Company's debt service coverage ratio ("DSCR") was 3.4x, the net debt-to-total equity was at 0.3x, and gross debt-total equity was at 0.6x – well within the required financial covenants from its debt facilities.

Total cash CAPEX as of 1H2024 amounted to ₱4.7Bn.

Converge introduced innovative products to further empower microbusinesses and expand disaster recovery options for enterprises

Converge introduced MicrobizMax and Disaster Recovery as a Service("DRaaS") to improve our microbusiness portfolio and support businesses with disaster mitigation.

MicrobizMax is an upgrade to its earlier iteration Microbiz with improved speeds. This was designed to make pure fiber connectivity affordable for those businesses upgrading from other forms of connectivity, including legacy and mobile data. Understanding the needs of promising entrepreneurs, Converge aims to provide innovative solutions and ensure these enterprises have low-cost business-grade plans.

Powered by HPE Zerto, a subsidiary of Hewlett Packard Enterprise ("HPE"), DRaaS is a cloud computing product that provides business continuity and data protection capabilities to organizations using Continuous Data Protection ("CDP") technology in the event of a natural disaster, power outage, cyberattack, or other type of business disruption.

Designed as a disaster recovery solution, Converge DRaaS sees the company hosting, managing, and providing the tools and infrastructure to conduct corporate disaster recovery processes. The product assures that customers can quickly reestablish access to applications, data, and IT resources after an outage, switching over to a redundant set of servers and storage systems until the business' primary data center is functional again.

"In the age of shifting market conditions where cybersecurity is an important focus for businesses, digital resilience is fundamental for companies to be able to adapt and swiftly deal with disruptions," said Converge Senior Executive Vice President and Chief Operations Offer Jesus C. Romero. "Converge DRaaS is the reliable, hassle-free, affordable, and flexible support our enterprise clients can take advantage of to bolster their resilience capabilities," he adds.

Converge was recognized again as the Fastest Internet Service Provider in the Philippines by Ookla

For its reliable performance and fast speeds during the first half of the year, Converge was awarded by Ookla® as the fastest internet provider in the Philippines for the covered period with speed score of 147.77. This is the second year running that Converge surpassed industry peers. Ookla® is the global leader in mobile and broadband network intelligence, testing applications, and related technologies.

"What we're seeing is a changing of the guard in the industry and this comes as no surprise given our hard-earned investments into our fiber network. In the end, service excellence through innovation and technology ruled the day," shared Converge President and Co-Founder Grace Y. Uy.

Converge maintains commitment to UN Global Compact, Sustainable Development Goals

Converge submitted its Communication on Progress ("CoP") for 2023 to the United Nations ("UN") on strides made in the areas of human rights, labor, environment, and anti-corruption, as enshrined in the UN Global Compact.

The UN Global Compact is a call to companies to align their strategies and operations with ten universal principles related to human rights, labor, environment and anti-corruption, and take actions that advance societal goals and the implementation of the SDGs.

The Company continues to uphold customer privacy and data security, which is central to its Human Rights Policy. In the area of labor, Converge champions workforce welfare through offering various benefits, engagement programs, and talent development to build leaders within its ranks.

"Reporting on our sustainability gains is part of the push for transparency and accountability expected of signatories to the UN Global Compact. Converge is proud to share how we've been making progress in fulfilling the Ten Principles of the UNGC in 2023, which embody our responsibility to safeguard our people and our planet," said Converge Chief Sustainability Officer Benjamin B. Azada.

Please refer to the link below for Converge's Communication on Progress 2023: https://cop-report.unglobalcompact.org/COPViewer/2024?responseId=R_4V833x1X0BJJBUl

Supplementing the CoP, interested stakeholders may download the Sustainability Report through the link: https://corporate.convergeict.com/wp-content/uploads/2023/03/2023-Sustainability-Report.pdf

MAJOR STOCKHOLDERS

The following are the major stockholders of Converge as of June 30, 2024:

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	1,219,086,745	16.78%
Common Shares	PCD Nominee Corporation	Cloud Gateway Limited	Foreign	222,757,739***	3.07%
Common Shares	PCD Nominee Non-Filipino	Public Ownership	Foreign	1,026,505,796	14.13%

**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 scripless 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:

Name	Position	Citizenship
Dennis Anthony H. Uy	CEO, Founder & Executive Director	Filipino
Maria Grace Y. Uy	President, Chief Resources Officer, Chief Risk Officer, Founder & Executive Director	Filipino
Jose Pamintuan de Jesus	Chairman, Independent Non-Executive Director	Filipino
Amando M. Tetangco, Jr.	Independent Non-Executive Director	Filipino
Roman Felipe S. Reyes	Independent Non-Executive Director	Filipino
Francisco Ed. Lim	Non-Executive Director	Filipino
Estela M. Perlas-Bernabe	Independent Non-Executive Director	Filipino

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: 8/13/2024

Christine R. Blabagno
Treasurer

DATE SIGNED: 8/13/2024

Converge Information and Communications Technology Solutions, Inc. and Subsidiaries

Condensed Consolidated Interim Financial Statements

As at June 30, 2024 and December 31, 2023 and
for the periods ended June 30, 2024 and 2023

Converge Information and Communications Technology Solutions, Inc. and Subsidiaries

Consolidated Interim Statements of Financial Position
As at June 30, 2024 and December 31, 2023
(All amounts in Philippine Peso)

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
ASSETS		
Current assets		
Cash and cash equivalents	16,990,394,332	13,694,146,438
Trade and other receivables, net	3,325,978,711	3,456,033,681
Due from related parties, net, current portion	150,900,478	208,826,337
Network materials and supplies, net	1,860,386,220	2,024,306,899
Deferred contract costs, current portion	1,334,121,663	984,137,068
Other current assets	2,362,666,839	1,787,508,625
Total current assets	26,024,448,243	22,154,959,048
Non-current assets		
Property, plant and equipment, net	68,719,071,752	67,530,453,203
Right-of-use assets, net	2,561,911,146	2,853,200,305
Intangible assets, net	2,071,929,245	2,144,828,845
Advances to fixed assets suppliers	2,800,653,901	3,604,811,224
Due from related parties, net of current portion	149,785,727	153,511,427
Deferred contract costs, net of current portion	237,376,996	271,013,411
Deferred income tax assets, net	1,454,059,267	1,545,774,996
Financial asset at fair value through profit or loss (FVTPL)	47,643,390	53,404,739
Investment in associate and joint ventures	445,631,584	706,388,781
Other non-current assets	122,936,239	126,679,587
Total non-current assets	78,610,999,247	78,990,066,518
Total assets	104,635,447,490	101,145,025,566
LIABILITIES AND EQUITY		
Current liabilities		
Trade and other current liabilities	16,493,936,124	16,199,040,539
Due to related parties	35,833,231	42,054,912
Subscribers' deposits, current portion	1,244,649,927	1,265,006,828
Deferred revenue, current portion	652,226,182	557,939,207
Borrowings, current portion	5,559,938,354	5,258,188,019
Lease liabilities, current portion	448,386,245	460,388,134
Income tax payable	560,308,906	135,309,283
Total current liabilities	24,995,278,969	23,917,926,922
Non-current liabilities		
Borrowings, net of current portion	27,221,119,358	29,985,396,190
Lease liabilities, net of current portion	1,786,514,729	1,908,201,413
Retirement benefit obligation	-	12,199,590
Subscribers' deposits, net of current portion	75,613,115	75,613,115
Total non-current liabilities	29,083,247,202	31,981,410,308
Total liabilities	54,078,526,171	55,899,337,230
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	12,127,324,907	16,833,317,171
Appropriated	24,000,000,000	14,000,000,000
Share-based compensation reserve	279,847,906	262,622,659
Reserve for remeasurements of retirement benefit obligation, net of tax	20,318,331	20,318,331
	50,556,608,819	45,245,375,836
Non-controlling interest	312,500	312,500
Total equity	50,556,921,319	45,245,688,336
Total liabilities and equity	104,635,447,490	101,145,025,566

(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 six-month periods ended June 30, 2024 and 2023, and of the three-month periods ended June 30, 2024 and 2023
(All amounts in Philippine Peso)

	Six-month period ended June 30		Three-month period ended June 30	
	2024	**2023**	**2024**	**2023**
Revenues	19,519,006,565	17,362,050,907	9,979,435,193	8,720,384,246
Cost of services	(7,058,341,191)	(5,671,128,633)	(3,727,556,218)	(2,858,202,141)
Gross profit	12,460,665,374	11,690,922,274	6,251,878,975	5,862,182,105
General and administrative expenses	(4,226,100,237)	(3,641,919,874)	(2,061,051,173)	(1,807,630,444)
Provision for impairment of trade and other receivables	(763,513,694)	(1,140,026,351)	(393,873,459)	(708,822,576)
Equity share in net income of joint ventures	54,888,703	20,982,629	27,444,352	11,710,860
Unrealized fair value (loss) gain on financial asset at FVTPL	(6,130,431)	7,739,553	(3,706,624)	10,618,006
Other income (expense), net	455,761,525	(215,491,718)	237,207,687	(52,885,318)
Profit from operations	7,975,571,240	6,722,206,513	4,057,899,758	3,315,172,634
Finance costs	(972,777,794)	(1,091,647,889)	(478,750,049)	(559,106,072)
Profit before income tax	7,002,793,446	5,630,558,624	3,579,149,709	2,756,066,562
Income tax expense	(1,708,785,710)	(1,345,692,147)	(836,875,190)	(643,335,670)
Profit for the period	5,294,007,736	4,284,866,477	2,742,274,519	2,112,730,892
Other comprehensive loss				
Item that will not be reclassified to profit or loss				
Remeasurement loss on retirement benefit obligation, net of tax	-	-	-	-
Total comprehensive income for the period	5,294,007,736	4,284,866,477	2,742,274,519	2,112,730,892
Profit attributable to:				
Owners of the Parent Company	5,294,007,736	4,284,866,477	2,742,274,519	2,112,730,892
Non-controlling interest	-	-	-	-
	5,294,007,736	4,284,866,477	2,742,274,519	2,112,730,892
Total comprehensive income attributable to:				
Owners of the Parent Company	5,294,007,736	4,284,866,477	2,742,274,519	2,112,730,892
Non-controlling interest	-	-	-	-
	5,294,007,736	4,284,866,477	2,742,274,519	2,112,730,892
Earnings per share				
Basic and diluted	0.72	0.59	0.38	0.29

(The notes on pages 1 to 13 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 Six-month periods ended June 30, 2024 and 2023
(All amounts in Philippine Peso)

	Share capital	Additional paid-in capital	Treasury shares	Retained earnings Appropriated	Retained earnings Unappropriated	Reserve for remeasurements of retirement benefit obligation, net of tax	Share-based compensation reserve	Non-controlling interest	Total
Balances at January 1, 2023	1,881,573,615	18,746,088,245	(6,498,544,185)	-	21,736,512,003	45,413,619	199,463,422	312,500	36,110,819,219
Share-based compensation							34,450,493		34,450,493
Comprehensive income									
Profit for the period					4,284,866,477				4,284,866,477
Other comprehensive income for the period									-
Total comprehensive income for the period					4,284,866,477	-			4,284,866,477
Appropriation of retained earnings				14,000,000,000	(14,000,000,000)				-
Balances at June 30, 2023	1,881,573,615	18,746,088,245	(6,498,544,185)	14,000,000,000	12,021,378,480	45,413,619	233,913,915	312,500	40,430,136,189
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	20,318,331	262,622,659	312,500	45,245,688,336
Share-based compensation							17,225,247		17,225,247
Comprehensive income									
Profit for the period					5,294,007,736				5,294,007,736
Other comprehensive income for the period									-
Total comprehensive income for the period					5,294,007,736	-			5,294,007,736
Appropriation of retained earnings				10,000,000,000	(10,000,000,000)				-
Balances at June 30, 2024	1,881,573,615	18,746,088,245	(6,498,544,185)	24,000,000,000	12,127,324,907	20,318,331	279,847,906	312,500	50,556,921,319

(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 Six-month periods ended June 30, 2024 and 2023
(All amounts in Philippine Peso)

	Six-month period ended June 30	
	2024	**2023**
Cash flows from operating activities		
Profit before income tax	7,002,793,445	5,630,558,624
Adjustments for:		
Depreciation and amortization	3,584,120,546	2,878,271,531
Amortization of deferred contract costs	785,805,524	1,049,494,198
Provision for impairment of trade and other receivables	763,513,694	1,140,026,351
Provision for impairment of property, plant and equipment	-	225,860,347
Finance costs	972,777,794	1,091,647,889
Unrealized loss on FVTPL	6,130,431	(7,739,553)
Unrealized foreign exchange (gain) loss, net	(243,865,035)	68,690,064
Share-based compensation expense	17,225,246	34,450,493
Loss (gain) on disposal of property, plant and equipment	4,064,059	(51,043,047)
Interest income on cash and cash equivalents	(228,477,510)	(63,547,651)
Interest income on finance lease receivable	(4,805,675)	(4,915,436)
Interest income on financial asset at FVTPL	(2,030,181)	(2,009,495)
Share in net income of joint venture	(54,888,703)	(20,982,629)
Operating income before changes in assets and liabilities	12,602,363,635	11,968,761,686
(Increase) decrease in assets:		
Trade and other receivables	(609,646,577)	(2,479,270,883)
Due from related parties	61,651,560	(268,345,960)
Network materials and supplies	(49,479,367)	(357,844,663)
Deferred contract costs	(1,102,153,704)	(891,898,339)
Other current assets and non-current assets	(175,680,589)	(407,330,878)
Increase (decrease) in liabilities:		
Trade and other current liabilities	1,440,429,670	495,205,977
Subscribers' deposits	(20,356,901)	(10,742,104)
Due to related parties	(6,221,682)	86,367,524
Retirement benefit obligation	(35,173,909)	(60,784,151)
Deferred revenue	94,286,976	(248,360,327)
Cash from operations	12,200,019,112	7,825,757,882
Interest received	204,665,363	63,547,651
Income taxes paid	(1,193,111,909)	(1,788,849,207)
Net cash from operating activities	11,211,572,566	6,100,456,326
Cash flows from investing activities		
Acquisitions of property plant, and equipment	(4,544,557,455)	(3,017,361,777)
Acquisitions of intangible assets	(195,581,635)	(216,545,383)
Net cash used in investing activities	(4,740,139,090)	(3,233,907,160)
Cash flows from financing activities		
Proceeds from borrowings	-	500,000,000
Payments of borrowings	(2,436,477,569)	(1,161,898,018)
Interest paid on borrowings	(920,568,559)	(1,018,797,465)
Payments on lease liabilities	(66,504,565)	(56,591,999)
Interest paid on lease liabilities	(78,182,119)	(88,350,403)
Net cash used in financing activities	(3,501,732,812)	(1,825,637,885)
Net increase in cash and cash equivalents	2,969,700,664	1,040,911,281
Cash and cash equivalents, beginning	13,694,146,438	10,214,065,832
Effects of exchange rate changes in cash and cash equivalents	326,547,230	5,526,822
Cash and cash equivalents, ending	16,990,394,332	11,260,503,935

(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 June 30, 2024 and December 31, 2023 and
for the Six-month periods ended June 30, 2024 and 2023
(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 Commissions (SEC) on October 17, 2007 to construct, install, maintain and operate in the Philippines information and communications system, ICT network and associated equipment and facilities for the purpose of supplying at competitive and reasonable cost and without discrimination 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 "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 June 30, 2023, there has been no follow-on offering after the initial public offering.

Subsequent to the listing, the Parent Company eventually became 63.74% owned by Comclark Network and Technology Corp. (Comclark), 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 June 30, 2024 and December 31, 2023:

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 June 30, 2024 have been approved and authorized for issuance by the Parent Company's Board of Directors (BOD) on August 13, 2024.

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, 2023.

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 P4,523,579,910.

   Significant acquisitions mainly pertain to investments in outside plant equipment amounting to P3,326,249,831, 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 P169,117,840, which primarily consists of active network equipment. Other acquisitions pertain to customer premise equipment amounting to P680,451,150, and other general IT related investments.

   These additions are partially offset by the recognition of depreciation expense for the period ended June 30, 2024.

4. Related party transactions include collections, reimbursement of expenses, management service fees, 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, and leases with related parties.

	Transactions for the six-month period ended June 30		Outstanding balances as of	
	2024	2023	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Due from related parties				
Collections made on behalf of the Group				
Immediate parent company	31,924,790	30,295,537	49,794,411	39,708,487
Entities under common control	2,355,073	11,542,239	72,086,391	70,145,618
	34,279,863	41,837,776	121,880,802	109,854,105
Reimbursements of expenses from related parties				
Immediate parent company	5,169,062	355,431,125	128,286	63,087,044
Joint ventures	1,559,125	12,273,663	1,122,657	279,532
	6,728,187	367,704,788	1,250,943	63,366,576
Sale of property, plant and equipment and intangibles				
Immediate parent company	10,948,136	-	10,948,136	31,207,956
Management service fees				
Joint ventures	-	1,680,000	672,000	672,000
Finance lease receivable				
Entities under common control	-	-	149,785,727	153,511,427
Interest income from finance lease receivable				
Entities under common control	14,937,497	14,937,497	14,937,497	3,725,700
Interest income from financial asset at FVTPL				
Ultimate parent company	1,661,100	-	1,661,100	-
			300,686,205	362,337,764
Due from related parties, net - current			150,900,478	208,826,337
Due from related parties, net - non-current			149,785,727	153,511,427
			300,686,205	362,337,764
Trade and other receivables				
Interest income from financial asset at FVTPL				
Ultimate parent company	-	-	10,138,870	10,138,870
Financial asset at FVTPL				
Ultimate parent company	-	-	47,643,390	53,404,739

(3)

	Transactions for the Six-month period ended June 30		Outstanding balances as of	
	2024	2023	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Accruals				
Service fees				
Entities under common control	178,879,838	285,739,694	85,108,154	35,980,980
Reimbursements of expenses to related parties				
Immediate parent company	28,587,085	-	51,142,065	-
Joint ventures	1,738,521	-	-	-
	30,325,606	-	51,142,065	-
	209,205,444	285,739,694	136,250,219	35,980,980
Due to related parties				
Collections made on behalf of related parties				
Entities under common control	9,615,829	103,170,612	4,365,111	5,112,268
Reimbursements of expenses to related parties				
Immediate parent company	6,848,077	39,960,000	6,848,077	20,201,544
Entities under common control	9,615,829	-	24,307,543	16,428,600
	9,615,829	39,960,000	31,155,620	36,630,144
Advances from a related party				
Shareholder	-	-	312,500	312,500
			35,833,231	42,054,912
Lease liabilities				
Immediate parent company	-	-	1,159,717,428	1,285,668,374
Entities under common control	-	-	440,725,333	482,009,565
	-	-	1,600,442,761	1,767,677,939

5. Below is the disaggregation of the Group's revenue from contracts with customers recognized over time for the period ended June 30, 2024 and 2023:

	Six months ended June 30	
	2024	2023
Residential	16,635,365,474	14,875,528,285
Corporate	2,883,641,091	2,486,521,622
	19,519,006,565	17,362,050,907

6. For the period ended June 30, 2024, the total gross receipts of the Parent Company amounted to P18,857,664,686.

7. 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.

8. 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.

9. As of June 30, 2024, the Group has entered into agreements with various suppliers for the construction, delivery and installation of property and equipment amounting to P15.0 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 is material to investors.

10. As of June 30, 2024, the Parent Company has borrowings composed of loans payable amounting to P22,868,271,686 and bonds payable amounting to P9,912,786,026. 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 June 30, 2024.

11. On June 25, 2024, the Group made an additional contribution of P39,402,171 to the Group-designated trustee for the retirement plan of its employees. As of June 30, 2024, the fair value pf the fund assets exceeded the present value of benefit obligations thus, the Group recognized retirement benefit asset of P2,128,720.

12. 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.

13. 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.

14. 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:

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
At amortized cost		
Cash and cash equivalents	16,990,394,332	13,694,146,438
Trade and other receivables, gross	5,758,792,560	5,940,000,071
Due from related parties	300,686,205	362,337,764
	23,049,873,097	19,996,484,273
At FVTPL	47,643,390	53,404,739
	23,097,516,487	20,049,889,012

Trade and other receivables above exclude advances to employees which are subject to liquidation as at June 30, 2024 amounting to P42,344,149 (December 31, 2023 - P27,677,915) and are presented gross of allowance for impairment amounting to P2,475,157,999 (December 31, 2023 - P2,511,644,305).

As at June 30, 2024, 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:

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Trade and other liabilities	15,405,441,539	14,980,242,974
Subscribers' deposits	1,320,263,042	1,340,619,943
Due to related parties	35,833,231	42,054,912
Borrowings	32,781,057,712	35,243,584,209
Lease liabilities	2,234,900,974	2,368,589,547
	51,777,496,498	53,975,091,585

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

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Deferred output VAT	988,233,493	664,809,444
Payable to government agencies	100,261,093	553,988,121
	1,088,494,586	1,218,797,565

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
June 30, 2024					
Cash and cash equivalents	16,981,634,584	-	16,981,634,584	Performing	12-month ECL
Trade receivables					
Residential - Group 2	1,700,445,375	(99,613,978)	1,600,831,397	Collective assessment	Lifetime ECL
Residential - Group 3	1,341,706,026	(1,282,327,204)	59,378,822	Credit impaired	Lifetime ECL
Enterprise - Group 2	783,679,811	(264,391,510)	519,288,301	Collective assessment	Lifetime ECL
Enterprise - Group 3	930,085,958	(828,825,307)	101,260,651	Credit impaired	Lifetime ECL
Other receivables - Group 1	1,002,875,390	-	1,002,875,390	Performing	12-month ECL
Due from related parties					
Group 1	300,686,205	-	300,686,205	Performing	12-month ECL
	23,041,113,349	(2,475,157,999)	20,565,955,350		
December 31, 2023					
Cash and cash equivalents	13,685,175,631	-	13,685,175,631	Performing	12-month ECL
Trade receivables					
Residential - Group 2	1,864,831,994	(95,368,549)	1,769,463,445	Collective assessment	Lifetime ECL
Residential - Group 3	1,235,940,329	(1,151,086,354)	84,853,975	Credit impaired	Lifetime ECL
Enterprise - Group 2	782,783,422	(221,380,497)	561,402,925	Collective assessment	Lifetime ECL
Enterprise - Group 3	1,179,394,120	(1,043,808,905)	135,585,215	Credit impaired	Lifetime ECL
Other receivables - Group 1	877,050,206	-	877,050,206	Performing	12-month ECL
Due from related parties					
Group 1	362,337,764	-	362,337,764	Performing	12-month ECL
	19,987,513,466	(2,511,644,305)	17,475,869,161		

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 June 30, 2024 amounting to P8,759,748 (December 31, 2023 - P8,970,807) which is not subject to credit risk.

As at June 30, 2024, 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 June 30, 2024 is the carrying amount of the investments aggregating to P47,643,390 (December 31, 2023 - P53,404,739). 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 June 30, 2024 and December 31, 2023.

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
June 30, 2024					
Carrying amount, gross	1,450,625,805	189,511,797	53,129,489	7,178,284	1,700,445,375
Loss allowance	17,525,039	59,347,585	16,840,552	5,900,802	99,613,978
December 31, 2023					
Carrying amount, gross	1,332,334,042	317,594,847	115,410,842	99,492,263	1,864,831,994
Loss allowance	5,014,900	5,457,437	7,974,569	76,921,643	95,368,549

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 June 30, 2024, credit impaired receivables from certain residential subscribers amounting P1,341,706,026 (December 31, 2023 - P1,235,940,329) 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
June 30, 2024						
Carrying amount, gross	224,203,373	194,822,023	81,305,736	514,848	282,833,831	783,679,811
Loss allowance	32,508,100	28,617,775	11,907,019	75,928	191,282,688	264,391,510
December 31, 2023						
Carrying amount, gross	293,062,687	152,064,858	7,903,437	82,973,580	246,778,860	782,783,422
Loss allowance	41,131,652	21,802,730	1,123,775	11,923,391	145,398,949	221,380,497

As at June 30, 2024, credit impaired receivables from certain Enterprise subscribers (Group 3) amounting P930,085,958 (December 31, 2023 - P1,179,394,120) 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 June 30, 2024 and December 31, 2023.

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

At June 30, 2024, if the US Dollar had weakened or strengthened by 0.25% (December 31, 2023 - 1.84%) against the Philippine Peso, with all other variables held constant, pre-tax profit for the year ended June 30, 2024 and equity would have been P15,742,600 lower or higher (December 31, 2023 - P63,725,003 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 June 30, 2024, if interest rates increased/decreased by 10 basis points, with all other variables held constant, profit for the period ended June 30, 2024 would have been P22,950,000 (December 31, 2023 - 10 basis points; P25,419,697) 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.

The Group's financial asset at FVTPL representing investment in exchangeable bonds issued by a related party is carried at fair value determined based on Level 3 category. The fair value measurement of investment in exchangeable bonds was computed based on the 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. Disclosure of valuation method, significant inputs to the valuation, and sensitivity analysis relating to the exchangeable bonds.

The carrying value of the financial assets and liabilities classified as current approximates its fair values as the impact of discounting is not considered significant as these financial assets and liabilities generally have short-term maturities. The fair value of long-term borrowings also approximates its carrying value as the nominal interest rates approximate market interest rates.

As at June 30, 2024, 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 P47,643,390 (December 31, 2023 - P53,404,739). 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 6.78% (December 31, 2023 - 6.60%). 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 at June 30, 2024, 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 June 30, 2024 would have been P6,754,609 (December 31, 2023 - P6,565,984) lower mainly as a result of higher BVAL rates while it would have been P8,268,711 (December 31, 2022 - P8,094,087) higher mainly as a result of lower BVAL rates.

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 June 30, 2024, 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
June 30, 2024			
Trade and other liabilities	15,405,441,539	-	15,405,441,539
Subscribers’ deposits	1,244,649,927	75,613,115	1,320,263,042
Due to related parties	35,833,231	-	35,833,231
Borrowings	5,559,938,354	27,221,119,358	32,781,057,712
Lease liabilities, gross of discount	503,459,447	1,988,896,918	2,492,356,365
Future interest payable	1,444,930,814	2,176,825,846	3,621,756,660
	24,194,253,312	31,462,455,237	55,656,708,549
December 31, 2023			
Trade and other liabilities	14,980,242,974	-	14,980,242,974
Subscribers’ deposits	1,265,006,828	75,613,115	1,340,619,943
Due to related parties	42,054,912	-	42,054,912
Borrowings	5,258,188,019	29,985,396,190	35,243,584,209
Lease liabilities, gross of discount	496,594,407	1,984,990,238	2,481,584,645
Future interest payable	1,635,935,372	3,107,215,492	4,743,150,864
	23,678,022,512	35,153,215,035	58,831,237,547

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 Six-month period ended June 30, 2024 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, 2023 and any public announcements made by the Group during the Six-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, 2024 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, 2024 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
JUNE 30, 2024

The table below shows the aging analysis of the Group's trade receivables as of June 30, 2024:

	Current	1-30 days	31-60 days	61-90 days	Over 90 days	Total
Residential subscribers	1,454,986,237	194,745,237	68,250,298	24,343,779	1,299,825,851	3,042,151,401
Corporate subscribers	224,978,745	196,276,313	82,882,257	1,292,875	1,208,335,579	1,713,765,769

CONVERGE INFORMATION AND COMMUNICATIONS TECHNOLOGY SOLUTIONS, INC. AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATOR
JUNE 30, 2024

	June 30, 2024	December 31, 2023
Current ratio[a]	1.0x	0.9x
Acid test ratio[b]	0.9x	0.7x
Solvency ratio[c]	0.5x	0.5x
Debt-to-equity ratio[d]	0.6x	0.8x
Asset-to-equity ratio[e]	2.1x	2.2x
Interest rate coverage ratio[f]	9.9x	10.4x
Debt service coverage ratio[g]	3.4x	3.6x
Net debt/ EBITDA[h]	0.6x	1.0x
Earnings per share (PHP) [i]	0.73	1.25
Book value per share[j]	6.96	6.23
Return on Assets[k]	5.13%	8.91%
Return on Equity[l]	10.76%	20.73%
Net profit margin[m]	27.12%	25.73%

[a]Current assets/ current liabilities
[b]Cash and cash equivalents + Trade and other receivables, net + Due from related parties current portion / Current liabilities
[c]Net operating profit after tax + depreciation and amortization for the last 12 months / Loans payable
[d]Loans payable/ Total equity
[e]Total assets/ Total equity
[f]Earnings before interest, taxes, depreciation and amortization, amortization for SAC for the last 12 months / Interest expense
[g]Earnings before interest, taxes, depreciation and amortization, amortization for SAC for the last 12 months / (annual debt service requirements due over the same corresponding period which are the interests, principal and lease payments.)
[h]Loans payable less cash and cash equivalents/ Earnings before interest, taxes, depreciation and amortization, amortization for SAC for the last 12 months
[i]Net income attributable to ordinary equity holders of the Parent Company/ Weighted average number of ordinary shares
Earnings per share information have been retroactively adjusted to reflect the stock split
[j]Total equity less Preferred Equity/ Total number of shares outstanding
Book value per share information have been retroactively adjusted to reflect the stock split
[k]Net income attributable to owners of the Parent Company / Average total assets
[l]Net income attributable to owners of the Parent Company / Average total equity
[m]Net income/ Revenues