CONVERGE ICT SOLUTIONS INC.

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*

CONVERGE ICT SOLUTIONS INC.

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 **September 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 September 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 September 30, 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, serving the Philippines with industry leading optical fiber-based connectivity services. Our dedication to providing 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 business segments: (i) our residential business ("Residential Business"), which primarily offers high-speed fixed broadband postpaid and prepaid internet services to our residential customers; and (ii) our enterprise business ("Enterprise Business"), which offers high-speed fixed broadband internet services, private data network solutions, cloud and colocation services and other connectivity solutions to our enterprise customers of varying sizes, industries and types.

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

II. KEY PERFORMANCE INDICATORS

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

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

AVERAGE REVENUE PER UNIT ("ARPU")

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

AVERAGE MONTHLY CHURN RATE

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

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

PORT UTILIZATION

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

EBITDA

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

NET INCOME

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

EBITDA AND NET INCOME MARGIN

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

RETURN ON INVESTED CAPITAL ("ROIC")

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

III. FINANCIAL AND OPERATIONAL RESULTS

A. FINANCIAL AND OPERATING SUMMARY

SUMMARY OF STATEMENTS OF COMPREHENSIVE INCOME

The following discussion provides a description of the key line items of our consolidated statements of total comprehensive income for the period ended September 30, 2024 and 2023.

	For the nine months ended September 30				For the three months ended September 30			
	2024	2023	YoY change	YoY change %	2024	2023	YoY change	YoY change %
In PHP millions								
Revenues	29,938	26,248	3,690	14%	10,419	8,886	1,533	17%
Residential	*25,441*	*22,470*	*2,971*	*13%*	*8,806*	*7,595*	*1,211*	*16%*
Enterprise	*4,497*	*3,778*	*719*	*19%*	*1,613*	*1,292*	*322*	*25%*
Cost of services (COS)	(10,583)	(8,929)	(1,654)	19%	(3,525)	(3,258)	267	8%
Gross profit	19,355	17,319	2,035	12%	6,894	5,628	1,266	22%
General and administrative expenses (G&A)	(6,433)	(5,221)	(1,212)	23%	(2,206)	(1,579)	(628)	40%
Provision for impairment of trade and other receivables	(1,167)	(1,771)	605	-34%	(403)	(631)	228	-36%
Equity share in net income of joint ventures	82	31	52	169%	27	10	18	186%
Unrealized fair value gain on financial asset at FVTPL	5	7	(1)	-21%	11	(1)	12	N/M
Other income (expense), net	468	(388)	856	N/M	12	(173)	185	N/M
Profit from operations	12,311	9,976	2,335	23%	4,335	3,254	1,081	33%
Finance costs	(1,458)	(1,576)	(118)	-7%	(485)	(484)	1	0%
Profit before income tax	10,853	8,401	2,452	29%	3,850	2,770	1,080	39%
Income tax expense	(2,641)	(2,032)	609	30%	(932)	(687)	245	36%
Profit after income tax for the period	8,212	6,368	1,844	29%	2,918	2,083	835	40%
Other comprehensive (loss) income	-	-	-	-	-	-	-	-
Total comprehensive income for the period	**8,212**	**6,368**	**1,844**	**29%**	**2,918**	**2,083**	**835**	**40%**
Profit after income tax	8,212	6,368	1,844	29%	2,918	2,083	835	40%
Finance costs	1,458	1,576	(118)	-7%	485	484	1	0%
Income taxes	2,641	2,032	609	30%	932	687	245	36%
Depreciation and amortization - COS	5,173	4,339	833	19%	1,778	1,575	203	13%
Depreciation and amortization - G&A	264	145	118	81%	74	32	43	135%
Amortization of deferred contract costs - SAQ	506	688	(182)	-26%	173	232	(59)	-25%
EBITDA	**18,253**	**15,149**	**3,105**	**20%**	**6,361**	**5,093**	**1,268**	**25%**
EBITDA Margin	**61.0%**	**57.7%**			**61.1%**	**57.3%**		

Nine months ended September 30, 2024 compared to nine months ended September 30, 2023

B. OPERATING REVENUES

For the nine months ended September 30, 2024, the Company achieved consolidated revenues of ₱29,938 million marking a 14% increase from the ₱26,248 million revenues reported in the same period of 2023. This growth reflects strong performance across both our Residential and Enterprise Businesses.

Revenues from the Residential Business, representing 85% of total revenues, grew by 13% year-over-year, contributing ₱2,971 million to overall growth. This increase was largely attributed to a 20.1% rise in the number of residential subscribers.

Our Enterprise Business also showed robust expansion, generating ₱4,497 million in revenues, a 19% increase from ₱3,778 million in 2023. This growth trajectory reflects the continued expansion of our Enterprise customer base, reaching more than 60,000 customers as of September 30, 2024.

C. EXPENSES

For the nine months ended September 30, 2024, the Group's cost of services rose to ₱10,583 million, a 19% increase from ₱8,929 million in the same period of 2023. This cost percentage increase led to a slight reduction in gross margin to 65%, compared to 66% in 2023. The primary drivers of the increase in cost of serving were higher depreciation and amortization, rent, repairs, and maintenance. These costs were partially offset by reduced amortization of deferred contract costs for active subscribers and lower bandwidth and leased line expenses.

General and administrative expenses for the nine-month period totaled ₱6,433 million, up 23% from ₱5,221 million in the prior year. The increase was mainly due to higher managed service fees, elevated promotional expenses to support customer acquisition and retention, and increased personnel costs to support business expansion.

The provision for impairment of trade and other receivables decreased by 34% year-over-year, totaling ₱1,167 million compared to ₱1,771 million in 2023. This decrease was due to lower basis for trade receivable losses, supported by an improved outlook on collections.

Other income (loss), net, saw a significant improvement, shifting from a loss of ₱388 million in 2023 to an income of ₱468 million, or a 220% increase. This positive shift was driven by higher interest income from short-term placements, net foreign exchange gains, and a reduced provision for impairment of customer modems.

EBITDA for the nine months ended September 30, 2024, amounted to ₱18,253 million, marking a 20% increase from the ₱15,149 million reported in the same period of 2023. This growth in EBITDA was brought about by effective cost management and improved operating efficiency, contributing to a stronger overall margin.

D. NET INCOME

Profit from Operations

Driven by the factors discussed above, profit from operations rose by 23% year-over-year, reaching ₱12,311 million for the nine months ended September 30, 2024. This represents an increase of ₱2,335 million over the ₱9,976 million reported in the same period of 2023. The growth reflects strong revenue performance, particularly in the Residential and Enterprise Businesses, combined with prudent cost management.

Finance Costs

Finance costs declined by 7% to ₱1,458 million compared to ₱1,576 million in 2023. This reduction was primarily due to lower interest expenses resulting from loan repayments made from October 2023 to September 2024.

Profit Before Income Tax

Profit before income tax for the nine months ended September 30, 2024, reached ₱10,853 million, a 29% increase from ₱8,401 million in the prior year. This growth underscores our operational efficiency and the positive impacts of our cost reduction initiatives.

Income Tax Expense

Income tax expense rose by 30% year-over-year, amounting to ₱2,641 million, up from ₱2,032 million in 2023. The increase in tax expense was due to higher taxable income generated during the period, reflective of the Company's improved profitability.

Profit for the Period

Net profit for the nine months ended September 30, 2024, reached ₱8,212 million, a 29% increase from the ₱6,368 million recorded in the same period last year. This substantial growth in net profit highlights our successful revenue growth and effective cost management efforts, positioning the Company well for sustained profitability.

E. CAPITAL EFFICIENCY AND LIQUIDITY

	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)	Change (%)
Balance Sheet Data (in PHP millions)			
Total Assets	105,430	101,145	4%
Total Debt[(1)]	30,899	35,244	-12%
Total Stockholders' Equity	52,105	45,246	15%
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)]	12.6x	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)]	18.0%	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 at September 30, 2024 amounted to ₱105,430 million compared to ₱101,145 million as at December 31, 2023. Consolidated cash, cash equivalents and short-term investments was at ₱16,882 million as at September 30, 2024 compared to ₱13,694 million as at December 31, 2023.

As at September 30, 2024, our outstanding borrowings stood at ₱30,899 million down from ₱35,244 million as of December 31, 2023. Our Net Debt position, defined as borrowings less cash and cash equivalents, was ₱14,017 million as at September 30, 2024, a decrease from ₱23,056 million as at December 31, 2023. This improvement is primarily attributed to debt repayments and amortizations during the period, aimed at supporting network expansion and strengthening our financial position. Our Net Debt-to-EBITDA ratio, based on the last twelve months' EBITDA from October 2023 to September 2024, stood at a conservative 0.6x. This low leverage level, supported by robust cash flow generation, provides us with significant financial flexibility to execute our capital expenditure plans and capitalize on the growing demand for high-speed fixed broadband infrastructure in the Philippines.

Converge's loan agreements include a financial covenant that requires us to maintain a minimum Debt Service Coverage Ratio (DSCR) of 1.2x. As at September 30, 2024, our DSCR was 3.4x, significantly exceeding the required threshold.

Converge's capital efficiency measured by our Return on Invested Capital ("ROIC") was 18.0% in the nine months ended September 30, 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 nine months ended September 30			
	2024	2023	YoY change	YoY change %
In PHP millions				
Cash flow from operating activities				
Profit before income tax	10,853	8,401	2,452	29%
Adjustments for operating income	8,770	9,486	(716)	-8%
Adjustments for assets and liabilities	(1,746)	(4,879)	(3,133)	-64%
Cash from operations	17,877	13,008	4,869	37%
Interest received and income taxes paid	(1,702)	(1,629)	(73)	4%
Net cash from operating activities	**16,175**	**11,379**	**4,796**	**42%**
Cash flow from investing activities				
Acquisition of property, plant, and equipment	(6,998)	(4,968)	2,029	41%
Others	(535)	(232)	304	131%
Net cash used in investing activities	**(7,533)**	**(5,200)**	**2,333**	**45%**
Cash flow from financing activities				
Proceeds from borrowings	-	500	(500)	-100%
Payments of borrowings	(4,378)	(2,422)	(1,956)	81%
Others	(1,162)	(1,883)	(721)	-38%
Net cash used in financing activities	**(5,540)**	**(3,805)**	**1,735**	**46%**
Net increase in cash and cash equivalents	**3,102**	**2,375**	**728**	**31%**
Cash and cash equivalents, beginning	13,694	10,214	3,480	34%
Effects of exchange rate changes in cash and cash equivalents	86	591	(505)	-85%
Cash and cash equivalents, ending	**16,882**	**13,180**	**3,592**	**27%**

Net cash flows from operating activities

Net cash from operating activities was ₱16,175 million for the period ended September 30, 2024. Our cash flows generated from operating activities for 2024 are calculated by adjusting our profit before income tax of ₱10,853 million by (i) non-cash and other items, primarily comprising ₱5,437 million of depreciation and amortization, ₱1,458 million in finance costs, ₱1,204 million of amortization of deferred contract costs, and ₱1,167 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 ₱1,921 million increase in trade and other current liabilities, a ₱143 million increase in deferred revenue and a ₱93 million decrease in due from related parties (iii) changes in certain working capital items that negatively impacted cash flows from operating activities, in particular a ₱1,874 million increase in deferred contract costs, a ₱1,709 million increase in trade and other other receivables, and a ₱4 million increase in other current and non-current assets.

Net cash from operating activities was ₱11,379 million for the nine months ended September 30, 2023. Our cash flows generated from operating activities for 2023 are calculated by adjusting our profit before income tax of ₱8,401 million by (i) non-cash and other items, primarily comprising ₱4,485 million of depreciation and amortization, ₱1,771 million in provision for impairment of trade and other receivables, ₱1,576 million in finance costs, ₱1,568 million of amortization of deferred contract costs and ₱402 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 decreases in network materials and supplies of ₱1,548 million, and due from related parties of ₱218 million, increases in subscriber's deposit of ₱412 million, and due to related parties of ₱233 million, (iii) changes in certain working capital items that negatively impacted cash flows from operating activities, in particular a ₱4,047 million increase in trade and other receivables, a ₱1,560 million increase in deferred contract costs, and a ₱482 million decrease in other current assets and non-current assets.

Net cash flows used in investing activities

Net cash used in investing activities was ₱7,533 million for the period ended September 30, 2024 higher by ₱2,333 million from ₱5,200 million for the period ended September 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 ₱6,998 million for the period ended September 30, 2024, higher by ₱2,029 million from ₱4,968 million for the period ended September 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 ₱5,540 million during the period ended September 30, 2024. Cash flows used in financing activities primarily consisted of ₱4,378 million of loan amortizations and repayments, and ₱1,162 million of payments for interest and lease liabilities.

Net cash used in financing activities was ₱3,805 million during the period ended September 30, 2023. Cash flows from financing activities primarily consisted of ₱500 million of loan availment, offset by ₱2,422 million of loan amortizations and repayments, and ₱1,883 million of payments for interest and lease liabilities.

Commitments and Off-Balance Sheet Arrangements

As of September 30, 2024, we have unused credit lines from local banks amounting to ₱5.5B. Kindly refer to Note 2 of the attached financial statements for more details on the Company's commitments and other off-balance sheet arrangements.

F. QUANTITATIVE AND QUALITATIVE DISCLOSURE OF FINANCIAL RISK

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

Credit Risk

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

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

The maximum exposure to credit risk equals the carrying amount of the financial assets, except for trade receivables secured by subscribers' deposits which cover for anticipated losses on default payments.
The Group has the following financial assets as at September 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	16,874	-	16,874	Performing	12-month ECL
Trade receivables					
Residential - Group 2	1,967	(337)	1,630	Collective assessment	Lifetime ECL
Residential - Group 3	1,083	(794)	289	Credit impaired	Lifetime ECL
Enterprise - Group 2	1,141	(268)	873	Collective assessment	Lifetime ECL
Enterprise - Group 3	1,215	(1,079)	136	Credit impaired	Lifetime ECL
Other receivables - Group 1	1,046	-	1,046	Performing	12-month ECL
Due from related parties	269	-	269	Performing	12-month ECL
	23,595	**(2,478)**	**21,117**		

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 September 30, 2024 amounting to ₱8 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 September 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 ₱59 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 September 30, 2024.

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

At September 30, 2024, if the US Dollar had weakened or strengthened by 4.0% against the Philippine Peso, with all other variables held constant, pre-tax profit for the year ended September 30, 2024 and equity would have been ₱173 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 September 30, 2024, if interest rates increased/decreased by 10 basis points, with all other variables held constant, profit for the period ended September 30, 2024 would have been ₱21.6 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 September 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 ₱59 million. Profit or loss would increase or decrease as a result of gains or losses on this financial asset measured at fair value at the end of each reporting period. Management monitors such financial asset based on discounted value of future cash flows using the applicable BVAL rates adjusted for the issuer's credit spread and premium on the embedded exchange option or which in this case is at 7.20%. 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 September 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 September 30, 2024 would have been ₱7.2 million lower mainly as a result of higher BVAL rates while it would have been ₱8.9 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 September 30, 2024.

	Amount
Trade and other liabilities	15,482
Subscriber’s deposit	1,315
Due to related parties	21
Borrowings	30,899
Lease liabilities, gross of discount	2,439
Future interest payable	3,327
	53,483

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 nine-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

Converge introduced product enhancement and innovation on Residential and Enterprise subsegments

Residential
With a focus on providing better and more reliable internet experience, Converge launched Boost Mode for all existing and new residential subscribers. This is a free automatic speed boost of an additional 100 Mbps for all FiberX plans plus Wi-Fi 6 capabilities to FiberX plans starting from ₱1,699.

"At Converge, our vision has always centered on giving amazing digital experiences. With our subscriber base exceeding 2 million this year, we want to continue providing customers with substantial speed increases." Converge EVP & Chief Commercial Officer Benjamin B. Azada adds, "for Year 5, we've decided to give it a name; Boost Mode is only the most recent step in Converge's vision of bridging the gap with the best in the world."

Converge also recently announced a new collaboration with Netflix, the world's largest streaming service in terms of subscriber base. This new collaboration will be headlined by the new Converge Netflix Bundle, where new and existing FiberX customers will be able to have both an internet and Netflix plan, all in one. This offering aims to provide countless entertainment options and a better streaming experience for FiberX users.

This Converge Netflix Bundle is offered with the abovementioned Boost Mode, a new WiFi-6 Next Gen Modem, and a Converge Xperience Box with Freemium Channels. The Converge Xperience Box is a Google-certified Android TV box that allows the customer to download apps such as YouTube, Spotify, and streaming apps like Netflix.

Enterprise
Converge Sky+++ integrates world-class cutting-edge technology with the Company's renowned high-speed broadband internet to create a comprehensive hospitality solution. This innovative all-in-one smart tv solution promises to streamline hotel operations and to elevate guests' experiences, marking a new era in hospitality technology.

"In today's competitive hospitality landscape, providing a personalized, tech-forward experience is no longer a luxury—it's a necessity," noted Mr. Azada. "Converge Sky+++ offers hotels the tools they need to meet and exceed guest expectations while optimizing their operations. This product represents our vision for the future of hospitality that will set a new standard for guests' satisfaction and operational efficiency in hotels across the country."

Converge's Dividend Policy and maiden Special Cash Dividend since IPO approved by the Board of Directors

In September, Converge's Board of Directors has approved its dividend policy aimed at maintaining a dividend payment ratio for all outstanding common shares of the Company of approximately 25% to 30% of its net income based on the latest audited net income.

Converge will share part of its profits with the Company's common equity shareholders - adhering to one of the pillars of the G20/OECD Principles of Corporate Governance 2023's rights and equitable treatment of shareholders.

"We are really thankful to all shareholders who have believed in our mission to provide world-class connectivity services to the Filipino people. We are committed to ensuring that we deliver value to our shareholders as we continue to improve our performance," said Converge CEO and Co-Founder Dennis

Anthony Uy.

Under its dividend policy, the Company's Board has sole discretion to determine the amount, type, and date of payment of the dividends to the shareholders, taking into account various factors, including, but not limited to:

- the level of its earnings, cash flow, return on equity and retained earnings;
- its results for and financial condition at the end of the year in respect of which the dividend is to be paid and expected financial performance;
- the projected levels of capital expenditures and other investment programs;
- restrictions on payments of dividends that may be imposed on the company by any current or future financing arrangements and current or prospective debt service requirements; and
- such other factors as the Board deems appropriate.

The Company's Board may, at any time, modify this dividend policy, including the dividend payout ratio.

"With the continued strength of the earnings growth and operating cash flow generation at Converge, we remain well positioned to support the dividend policy going forward. The approval of this dividend policy reflects the Company's commitment to delivering value to shareholders while investing in the continued growth of the business," said President and Co-Founder Maria Grace Uy.

Following its robust performance in the first half of the year and having considered future cash requirements for expansion and growth, Converge also declared a special cash dividend amounting to ₱1.31 billion or ₱0.18 per share to all outstanding common shareholders on record as of September 24, 2024, ahead of its 2025 target dividend declaration announced during its initial public offering (IPO) in October 2020.

Converge keeps Three Golden Arrow rating in ASEAN Corporate Governance Scorecard

Converge sustained its outstanding corporate governance practice, receiving the Three Golden Arrow Award at the 2024 Golden Arrow Awards. Presented by the Institute of Corporate Directors (ICD) annually, the Golden Arrow Awards range from 1-Arrow Recognition up to Five-Arrow recognition and are based on the company's rating on the Asean Corporate Governance Scorecard (ACGS).

The ACGS measures companies' corporate governance performance in the areas of facilitating the rights and the equitable treatment of shareholders, how they relate to their different stakeholders, ensuring transparency and accountability through timely disclosure of material information, and how the board guides the company strategically, monitors the management, and ensures the board's accountability to the company and the shareholders.

"We continue to strive to improve our Corporate Governance rating in all areas of governance, allowing Converge to steadily underscore matters that we can improve on, amid the policy and business environment we have today," said Atty. Laurice Esteban-Tuason, Converge SVP and Corporate Compliance and Data Protection Officer.

In the period under review, Converge made strides to strengthen its corporate governance policies and practices; the company reported zero incidents of customer data breaches for 2023, exhibiting the robust oversight and control of its Data Privacy and Corporate Governance teams.

Converge joins ASEAN Circular Economy Business Alliance

Converge has become the first Filipino company to join the private sector-led ASEAN Circular Economy Business Alliance (ACEBA) that seeks to promote business action towards the adoption of circular economy strategies and practices in the southeast Asian region.

Facilitated by country leads in participating members states of the Association of Southeast Asian Nations

(ASEAN) and supported through the ASEAN Responsible And Inclusive Business Alliance (ARAIBA), ACEBA seeks to provide visibility for its members and to serve as a voice to its participating companies to ASEAN, its entities and government and business sectors in ASEAN members.

Converge is committed to creating policies and implementing more programs that will help address the resource gaps that will continue to promote a circular economy.

The ASEAN Business Advisory Council and the ASEAN Corporate Social Responsibility Network conceptualized the ACEBA as an ASEAN-centric initiative of and for businesses to catalyze leadership and action for the regional Circular Economy transition in Southeast Asia.

MAJOR STOCKHOLDERS

The following are the major stockholders of Converge as of September 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	1,148,998,302	15.81%
Common Shares	PCD Nominee Corporation	Cloud Gateway Limited	Foreign	222,757,739***	3.07%
Common Shares	PCD Nominee Non-Filipino	Public Ownership	Foreign	1,096,589,239	15.09%

**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: 11/12/2024

Robert Leo A. Yu
Chief Finance Officer

DATE SIGNED: 11/12/2024

Converge Information and Communications Technology Solutions, Inc. and Subsidiaries

Condensed Consolidated Interim Financial Statements
As at September 30, 2024 and December 31, 2023 and for the periods ended September 30, 2024 and 2023

Converge Information and Communications Technology Solutions, Inc. and Subsidiaries

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

	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
ASSETS		
Current assets		
Cash and cash equivalents	16,882,362,378	13,694,146,438
Trade and other receivables, net	4,029,661,484	3,456,033,681
Due from related parties, net, current portion	132,859,854	208,826,337
Network materials and supplies, net	1,732,282,119	2,024,306,899
Deferred contract costs, current portion	1,405,508,526	984,137,068
Other current assets	2,110,449,008	1,787,508,625
Total current assets	26,293,123,369	22,154,959,048
Non-current assets		
Property, plant and equipment, net	68,877,336,247	67,530,453,203
Right-of-use assets, net	2,109,668,329	2,853,200,305
Intangible assets, net	2,307,094,510	2,144,828,845
Advances to fixed assets suppliers	3,072,238,805	3,604,811,224
Due from related parties, net of current portion	136,448,676	153,511,427
Deferred contract costs, net of current portion	520,127,664	271,013,411
Deferred income tax assets, net	1,449,749,053	1,545,774,996
Financial asset at fair value through profit or loss (FVTPL)	59,276,353	53,404,739
Investment in associate and joint ventures	466,715,968	706,388,781
Other non-current assets	138,059,342	126,679,587
Total non-current assets	79,136,714,947	78,990,066,518
Total assets	105,429,838,316	101,145,025,566
LIABILITIES AND EQUITY		
Current liabilities		
Trade and other current liabilities	16,577,692,229	16,199,040,539
Dividend payable	1,307,983,151	-
Due to related parties	21,336,588	42,054,912
Subscribers' deposits, current portion	1,293,955,017	1,265,006,828
Deferred revenue, current portion	700,443,497	557,939,207
Borrowings, current portion	5,529,361,265	5,258,188,019
Lease liabilities, current portion	369,431,740	460,388,134
Income tax payable	666,866,949	135,309,283
Total current liabilities	26,467,070,436	23,917,926,922
Non-current liabilities		
Borrowings, net of current portion	25,369,907,085	29,985,396,190
Lease liabilities, net of current portion	1,466,713,953	1,908,201,413
Retirement benefit obligation	-	12,199,590
Subscribers' deposits, net of current portion	21,410,285	75,613,115
Total non-current liabilities	26,858,031,323	31,981,410,308
Total liabilities	53,325,101,759	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	13,737,323,118	16,833,317,171
Appropriated	24,000,000,000	14,000,000,000
Share-based compensation reserve	217,664,933	262,622,659
Reserve for remeasurements of retirement benefit obligation, net of tax	20,318,331	20,318,331
	52,104,424,057	45,245,375,836
Non-controlling interest	312,500	312,500
Total equity	52,104,736,557	45,245,688,336
Total liabilities and equity	105,429,838,316	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 nine-month periods ended September 30, 2024 and 2023, and of the three-month periods ended September 30, 2024 and 2023
(All amounts in Philippine Peso)

	Nine-month period ended September 30		Three-month period ended September 30	
	2024	**2023**	**2024**	**2023**
Revenues	29,938,156,324	26,248,405,806	10,419,149,759	8,886,354,899
Cost of services	(10,583,385,779)	(8,929,070,892)	(3,525,044,588)	(3,257,942,259)
Gross profit	19,354,770,545	17,319,334,914	6,894,105,171	5,628,412,640
General and administrative expenses	(6,432,539,322)	(5,220,755,469)	(2,206,439,084)	(1,578,835,596)
Provision for impairment of trade and other receivables	(1,166,637,237)	(1,771,208,297)	(403,123,543)	(631,181,946)
Equity share in net income of joint ventures	82,333,055	30,568,484	27,444,352	9,585,855
Unrealized fair value (loss) gain on financial asset at FVTPL	5,317,992	6,693,368	11,448,423	(1,046,184)
Other income (expense), net	467,537,934	(388,470,721)	11,776,408	(172,979,005)
Profit from operations	12,310,782,967	9,976,162,279	4,335,211,727	3,253,955,764
Finance costs	(1,457,798,973)	(1,575,524,958)	(485,021,179)	(483,877,069)
Profit before income tax	10,852,983,994	8,400,637,321	3,850,190,548	2,770,078,695
Income tax expense	(2,640,994,896)	(2,032,457,905)	(932,209,186)	(686,765,758)
Profit for the period	8,211,989,098	6,368,179,416	2,917,981,362	2,083,312,937
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	8,211,989,098	6,368,179,416	2,917,981,362	2,083,312,937
Profit attributable to:				
Owners of the Parent Company	8,211,989,098	6,368,179,416	2,917,981,362	2,083,312,937
Non-controlling interest	-	-	-	-
	8,211,989,098	6,368,179,416	2,917,981,362	2,083,312,937
Total comprehensive income attributable to:				
Owners of the Parent Company	8,211,989,098	6,368,179,416	2,917,981,362	2,083,312,937
Non-controlling interest	-	-	-	-
	8,211,989,098	6,368,179,416	2,917,981,362	2,083,312,937
Earnings per share				
Basic and diluted	1.13	0.88	0.40	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 nine-month periods ended September 30, 2024 and 2023
(All amounts in Philippine Peso)

	Share capital	Additional paid-in capital	Treasury shares	Retained earnings		Reserve for remeasurements of retirement benefit obligation, net of tax	Share-based compensation reserve	Non-controlling interest	Total
				Appropriated	Unappropriated				
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							51,675,739		51,675,739
Comprehensive income									
Profit for the period					6,368,179,416				6,368,179,416
Other comprehensive income for the period									-
Total comprehensive income for the period					6,368,179,416	-			6,368,179,416
Appropriation of retained earnings				14,000,000,000	(14,000,000,000)				-
Balances at September 30, 2023	1,881,573,615	18,746,088,245	(6,498,544,185)	14,000,000,000	14,104,691,419	45,413,619	251,139,161	312,500	42,530,674,374
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
Transaction with owners									
Dividends declared					(1,307,983,151)				(1,307,983,151)
Share-based compensation							(44,957,726)		(44,957,726)
Comprehensive income									
Profit for the period					8,211,989,098				8,211,989,098
Other comprehensive income for the period									-
Total comprehensive income for the period					8,211,989,098	-			8,211,989,098
Appropriation of retained earnings				10,000,000,000	(10,000,000,000)				-
Balances at September 30, 2024	1,881,573,615	18,746,088,245	(6,498,544,185)	24,000,000,000	13,737,323,118	20,318,331	217,664,933	312,500	52,104,736,557

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

	Nine-month period ended September 30	
	2024	2023
Cash flows from operating activities		
Profit before income tax	10,852,983,994	8,400,637,321
Adjustments for:		
Depreciation and amortization	5,436,505,413	4,484,695,977
Amortization of deferred contract costs	1,203,806,932	1,568,196,274
Provision for impairment of trade and other receivables	1,166,637,237	1,771,208,297
Provision for impairment of property, plant and equipment	-	402,341,745
Provision for inventory obsolescence	128,830,794	178,694,381
Finance costs	1,457,798,973	1,575,524,958
Unrealized gain on FVTPL	(5,317,992)	(6,693,368)
Unrealized foreign exchange gain, net	(48,765,549)	(292,994,640)
Non-cash share-based payments	(44,957,727)	51,675,739
Gain on disposal of property, plant and equipment	(31,974,214)	(58,185,467)
Gain on termination of leases	(60,287,007)	-
Interest income on cash and cash equivalents	(339,749,103)	(147,092,347)
Interest income on finance lease receivable	(7,208,513)	(7,373,154)
Interest income on financial asset at FVTPL	(3,045,272)	(3,014,242)
Share in net income of joint venture	(82,333,055)	(30,568,484)
Operating income before changes in assets and liabilities	19,622,924,911	17,887,052,990
(Increase) decrease in assets:		
Trade and other receivables	(1,708,854,603)	(4,046,797,573)
Due from related parties	93,029,235	218,000,886
Network materials and supplies	(230,345,851)	1,547,560,082
Deferred contract costs	(1,874,292,643)	(1,560,358,103)
Other current assets and non-current assets	(4,492,994)	(482,402,939)
Increase (decrease) in liabilities:		
Trade and other current liabilities	1,920,699,331	(857,259,524)
Subscribers' deposits	(25,254,642)	412,133,533
Due to related parties	(20,718,324)	232,768,871
Retirement benefit obligation	(38,183,716)	(52,562,499)
Deferred revenue	142,504,291	(290,221,448)
Cash from operations	17,877,014,995	13,007,914,276
Interest received	308,338,665	147,092,347
Income taxes paid	(2,010,069,481)	(1,775,995,101)
Net cash from operating activities	16,175,284,179	11,379,011,522
Cash flows from investing activities		
Acquisitions of property plant, and equipment	(6,997,723,132)	(4,968,315,169)
Acquisitions of intangible assets	(535,451,579)	(231,656,800)
Net cash used in investing activities	(7,533,174,711)	(5,199,971,969)
Cash flows from financing activities		
Proceeds from borrowings	-	500,000,000
Payments of borrowings	(4,377,942,841)	(2,422,013,696)
Interest paid on borrowings	(891,294,566)	(1,484,208,238)
Payments on lease liabilities	(154,993,985)	(268,418,645)
Interest paid on lease liabilities	(115,565,894)	(129,894,553)
Net cash used in financing activities	(5,539,797,286)	(3,804,535,132)
Net increase in cash and cash equivalents	3,102,312,182	2,374,504,421
Cash and cash equivalents, beginning	13,694,146,438	10,214,065,832
Effects of exchange rate changes in cash and cash equivalents	85,903,758	591,358,016
Cash and cash equivalents, ending	16,882,362,378	13,179,928,269

(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 September 30, 2024 and December 31, 2023 and
for the nine-month periods ended September 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 September 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 September 30, 2024 have been approved and authorized for issuance by the Parent Company's Board of Directors (BOD) on November 12, 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 P6,073,295,997 accrual basis, cash basis at P6,997,723,132.

   Significant acquisitions mainly pertain to investments in outside plant equipment amounting to P4,426,105,826, 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 P354,026,659, which primarily consists of active network equipment. Other acquisitions pertain to customer premise equipment amounting to P965,798,247, and other general IT related investments.

   These additions are partially offset by the recognition of depreciation expense for the period ended September 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, sale of materials and leases with related parties.

	Transactions for the nine-month period ended September 30		Outstanding balances as of	
	2024	2023	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Due from related parties				
Collections made on behalf of the Group				
Immediate parent company	47,982,159	66,316,277	22,158,258	39,708,487
Entities under common control	3,642,272	52,232,236	72,313,921	70,145,618
	51,624,431	118,548,513	94,472,179	109,854,105
Reimbursements of expenses from related parties				
Immediate parent company	5,169,062	7,772,708	128,286	63,087,044
Joint ventures	1,559,125	271,827	701,094	279,532
Entities under common control	-	499,698	-	-
	6,728,187	8,544,233	829,380	63,366,576
Asset construction				
Joint venture	-	136,880,896	-	-
Sale of property, plant and equipment and network materials and supplies				
Immediate parent company	21,729,594	124,938	21,729,594	31,207,956
Management service fees				
Joint ventures	-	1,680,000	-	672,000
Finance lease receivable				
Entities under common control		-	136,448,676	153,511,427
Interest income from finance lease receivable				
Entities under common control	13,337,051	14,937,497	13,337,051	3,725,700
Interest income from financial asset at FVTPL				
Ultimate parent company	2,491,650	-	2,491,650	-
			269,308,530	362,337,764
Due from related parties, net - current			132,859,854	208,826,337
Due from related parties, net - non-current			136,448,676	153,511,427
			269,308,530	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	-	-	59,276,353	53,404,739

	Transactions for the nine-month period ended September 30		Outstanding balances as of	
	2024	2023	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Accruals				
Service fees				
Entities under common control	257,321,475	234,586,325	168,105,757	35,980,980
Reimbursements of expenses to related parties				
Immediate parent company	215,906,277	1,618,500	47,088,561	-
Entities under common control	64,543,458	-	46,527,059	
Joint ventures	2,730,909	-	992,388	-
	283,180,644	1,618,500	94,608,008	-
	540,502,119	236,204,825	262,713,765	35,980,980
Due to related parties				
Collections made on behalf of related parties				
Entities under common control	13,552,724	57,575,511	5,202,254	5,112,268
Reimbursements of expenses to related parties				
Immediate parent company	106,496,480	192,450,409	8,528,900	20,201,544
Entities under common control	-	-	7,292,934	16,428,600
	106,496,480	192,450,409	15,821,834	36,630,144
Advances from a related party				
Shareholder	-	-	312,500	312,500
			21,336,588	42,054,912
Lease liabilities				
Immediate parent company	-	-	1,107,456,661	1,285,668,374
Entities under common control	-	-	38,543,504	482,009,565
	-	-	1,146,000,165	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 September 30, 2024 and 2023:

	Nine months ended September 30	
	2024	2023
Residential	25,441,228,388	22,470,122,679
Corporate	4,496,927,936	3,778,283,127
	29,938,156,324	26,248,405,806

6. For the period ended September 30, 2024, the total gross receipts of the Parent Company amounted to P28,958,291,364. .

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 September 30, 2024, the Group has entered into agreements with various suppliers for the construction, delivery and installation of property and equipment amounting to P14.9 billion. There were no other off-balance sheet arrangements or obligations that were likely to have a current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

10. As of September 30, 2024, the Parent Company has borrowings composed of loans payable amounting to P20,979,361,264 and bonds payable amounting to P9,919,907,086. 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 September 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 September 30, 2024, the fair value of the fund assets exceeded the present value of benefit obligations thus, the Group recognized retirement benefit asset of P17,251,824. Retirement benefit asset is presented as part of other non-current assets in the consolidated statements of financial position.

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:

	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
At amortized cost		
Cash and cash equivalents	16,882,362,378	13,694,146,438
Trade and other receivables, gross	6,451,391,886	5,940,000,071
Due from related parties	269,308,530	362,337,764
	23,603,062,794	19,996,484,273
At FVTPL	59,276,353	53,404,739
	23,662,339,147	20,049,889,012

Trade and other receivables above exclude advances to employees which are subject to liquidation as at September 30, 2024 amounting to P56,551,140 (December 31, 2023 - P27,677,915) and are presented gross of allowance for impairment amounting to P2,478,281,542 (December 31, 2023 - P2,511,644,305).

As at September 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:

	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Trade and other liabilities	15,481,950,935	14,980,242,974
Subscribers' deposits	1,315,365,302	1,340,619,943
Due to related parties	21,336,588	42,054,912
Borrowings	30,899,268,350	35,243,584,209
Lease liabilities	1,836,145,693	2,368,589,547
	49,554,066,868	53,975,091,585

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

	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Deferred output VAT	995,187,905	664,809,444
Payable to government agencies	100,553,389	553,988,121
	1,095,741,294	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
September 30, 2024					
Cash and cash equivalents	16,874,017,169	-	16,874,017,169	Performing	12-month ECL
Trade receivables					
Residential - Group 2	1,966,757,638	(337,088,651)	1,629,668,987	Collective assessment	Lifetime ECL
Residential - Group 3	1,082,937,890	(794,319,124)	288,618,766	Credit impaired	Lifetime ECL
Enterprise - Group 2	1,140,938,771	(267,506,809)	873,431,962	(267,506,809)	Lifetime ECL
Enterprise - Group 3	1,215,305,502	(1,079,366,958)	135,938,544	(1,079,366,958)	Lifetime ECL
Other receivables - Group 1	1,045,452,084	-	1,045,452,084	Performing	12-month ECL
Due from related parties					
Group 1	269,308,530	-	269,308,530	Performing	12-month ECL
	23,594,717,584	(2,478,281,542)	21,116,436,042		
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 September 30, 2024 amounting to P8,345,209 (December 31, 2023 - P8,970,807) which is not subject to credit risk.

As at September 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 September 30, 2024 is the carrying amount of the investments aggregating to P59,276,353 (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 September 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
September 30, 2024					
Carrying amount, gross	1,399,338,997	303,118,741	132,842,665	131,457,235	1,966,757,638
Loss allowance	127,523,132	67,062,356	33,871,151	108,632,012	337,088,651
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 September 30, 2024, credit impaired receivables from certain residential subscribers amounting P1,082,937,890 (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
September 30, 2024						
Carrying amount, gross	349,229,079	179,129,415	11,815,001	153,589,543	447,175,733	1,140,938,771
Loss allowance	32,818,298	17,003,417	1,112,495	14,623,642	201,948,957	267,506,809
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 September 30, 2024, credit impaired receivables from certain Enterprise subscribers (Group 3) amounting P1,215,305,502 (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 September 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 September 30, 2024, if the US Dollar had weakened or strengthened by 4.01% (December 31, 2023 - 1.84%) against the Philippine Peso, with all other variables held constant, pre-tax profit for the year ended September 30, 2024 and equity would have been P173,212,385 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 September 30, 2024, if interest rates increased/decreased by 10 basis points, with all other variables held constant, profit for the period ended September 30, 2024 would have been P21,550,000 (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 September 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 P59,276,353 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 7.20% (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 September 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 September 30, 2024 would have been P7,206,662 (December 31, 2023 - P6,565,984) lower mainly as a result of higher BVAL rates while it would have been P8,784,015 (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 September 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
September 30, 2024			
Trade and other liabilities	15,481,950,935	-	15,481,950,935
Subscribers' deposits	1,293,955,017	21,410,285	1,315,365,302
Due to related parties	21,336,588	-	21,336,588
Borrowings	5,529,361,265	25,369,907,085	30,899,268,350
Lease liabilities, gross of discount	514,149,957	1,924,671,852	2,438,821,809
Future interest payable	1,407,736,135	1,919,272,562	3,327,008,697
	24,248,489,897	29,235,261,784	53,483,751,681
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 September 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 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 nine-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

SEPTEMBER 30, 2024

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

	Current	1-30 days	31-60 days	61-90 days	Over 90 days	Total
Residential subscribers	1,405,220,604	310,287,872	146,595,500	157,139,703	1,030,451,850	3,049,695,528
Corporate subscribers	355,995,907	187,680,127	16,253,805	168,018,007	1,628,296,427	2,356,244,273
Gross trade receivables						5,405,939,801
Allowance for doubtful accounts						(2,478,281,542)
Net trade receivables						2,927,658,259
Other receivables						1,102,003,225
Trade and other receivables, net						4,029,661,484

CONVERGE INFORMATION AND COMMUNICATIONS TECHNOLOGY SOLUTIONS, INC. AND SUBSIDIARIES

SCHEDULE OF FINANCIAL SOUNDNESS INDICATOR
SEPTEMBER 30, 2024

	September 30, 2024	December 31, 2023
Current ratio[a]	1.0x	0.9x
Acid test ratio[b]	0.8x	0.7x
Solvency ratio[c]	0.6x	0.5x
Debt-to-equity ratio[d]	0.6x	0.8x
Asset-to-equity ratio[e]	2.0x	2.2x
Interest rate coverage ratio[f]	12.6x	10.4x
Debt service coverage ratio[g]	3.4x	3.6x
Net debt/ EBITDA[h]	0.6x	1.0x
Earnings per share (PHP) [i]	1.13	1.25
Book value per share[j]	7.17	6.23
Return on Assets[k]	7.95%	8.91%
Return on Equity[l]	16.87%	20.73%
Net profit margin[m]	27.43%	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