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	MSRD	

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
converge.sec@convergeict.com	-	09175774586

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
	Last Friday of May of Each Year	Dec-31

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

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

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

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **June 30, 2021**

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	**7,526,294,461 Shares**

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

The unaudited condensed consolidated financial statements for the six months ended June 30, 2021 (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 six months ended June 30, 2021. 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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I. OVERVIEW OF OUR BUSINESS

Converge Information and Communications Technology Solutions, Inc. (“Converge”) is the fastest-growing highspeed fixed broadband operator in the Philippines, with our residential subscriber base growing from approximately 731,000 as of June 30, 2020 to more than 1,355,000 as of June 30, 2021.

Furthermore, we are the only pure-play high-speed fixed broadband provider, with an exclusive focus on serving the Philippines with industry leading optical fiber-based connectivity services. This singular focus on industry leading highspeed fixed broadband services is deeply ingrained in our organization, which we believe permeates all aspects of our operations, including our network rollout, product and service offerings, sales and customer service.

We operate two businesses: (i) our residential business (“Residential Business”), which primarily offers high-speed fixed broadband 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. With almost 76,500 kilometers of fiber as of June 30, 2021, our network is among the most extensive in the country. Our network is comprised of a fiber backbone reaching from the Luzon Island to the Visayas and Mindanao regions. Our extensive fiber distribution and last-mile network covers over 400 cities and municipalities across the country (including Metro Manila), as of June 30, 2021. Our network reached more than 8.3 million homes as of June 30, 2021 covering approximately 56.9% of households in Luzon and 32.5% of households nationwide. In April 2021, we have completed connecting our backbone network to the islands of Visayas and Mindanao.

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 for our Residential Business is calculated by dividing (i) the revenue generated by residential 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.

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

AVERAGE MONTHLY CHURN RATE

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

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

PORT UTILIZATION

Our port utilization rates for our FTTH network is the number of our FTTH subscribers as a percentage of total FTTH ports and for our HFC network is our number of HFC subscribers as a percentage of HFC homes passed. In line with our focus on FTTH network expansion and FTTH subscriber additions, we actively track and manage our FTTH port take-up or utilization rates. Each utilized port generates revenue for us.

EBITDA

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

NET INCOME

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

EBITDA AND NET INCOME MARGIN

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

RETURN ON INVESTED CAPITAL ("ROIC")

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

CONVERGE ICT SOLUTIONS INC.

III. FINANCIAL AND OPERATIONAL RESULTS

A. FINANCIAL AND OPERATING SUMMARY

SUMMARY OF STATEMENTS OF COMPREHENSIVE INCOME

	For the six months ended June 30				For the three months ended June 30			
	2021	2020	YoY change	YoY change %	2021	2020	YoY change	YoY change %
	(in ₱ millions)							
Revenues	11,781	6,490	5,291	82%	6,235	3,469	2,765	80%
Residential	*10,212*	*4,978*	*5,234*	*104%*	*5,415*	*2,691*	*2,724*	*101%*
Enterprise	*1,569*	*1,512*	*57*	*4%*	*819*	*778*	*41*	*5%*
Cost of services	(4,825)	(3,018)	1,807	60%	(2,495)	(1,578)	(917)	58%
Gross profit	6,956	3,472	3,485	100%	3,740	1,891	1,848	98%
General and administrative expenses	(2,125)	(1,077)	(1,048)	97%	(1,189)	(555)	(634)	114%
Provision for impairment of trade and other receivables	(524)	(324)	200	62%	(273)	(172)	(101)	58%
Other income (loss), net	178	74	104	141%	112	16	96	N/M
Profit from operations	4,485	2,145	2,341	109%	2,390	1,180	1,210	102%
Finance costs	(264)	(347)	(84)	-24%	(131)	(203)	72	-36%
Profit before income tax	4,222	1,797	2,425	135%	2,259	977	1,282	131%
Income tax expense	(970)	(539)	431	80%	(556)	(292)	(264)	90%
Profit after income tax for the year/ period	**3,252**	**1,259**	**1,993**	**158%**	**1,703**	**685**	**1,018**	**149%**
Other comprehensive income	-	(19)	19	-100%	-	(6)	6	-100%
Total comprehensive income	3,252	1,239	2,013	162%	1,703	679	1,024	151%
Profit after income tax	3,252	1,259			1,703	685		
Finance costs	264	347			131	203		
Income taxes	970	539			556	292		
Depreciation and amortization – cost of services	1,628	952			849	508		
Depreciation and amortization – general and administrative expenses	103	83			54	42		
Amortization of subscriber acquisition costs	277	135			149	70		
EBITDA	**6,494**	**3,314**			**3,442**	**1,800**		
EBITDA Margin	**55.1%**	**51.1%**			**55.2%**	**51.9%**		

CONVERGE
ICT SOLUTIONS INC.

SUMMARY OF SELECTED OPERATING INFORMATION

	2020				2021		YoY Change %
	1Q	2Q	3Q	4Q	1Q	2Q	2Q2020 vs 2Q2021
Residential							
Revenues	**2,287**	**2,691**	**3,435**	**4,215**	**4,797**	**5,415**	**101%**
FTTH	1,614	1,992	2,679	3,509	4,086	4,771	140%
HFC	673	698	756	707	711	644	-8%
Customers	**615,466**	**731,563**	**900,531**	**1,038,321**	**1,181,723**	**1,355,079**	**85%**
FTTH	405,784	512,597	673,005	822,791	964,644	1,139,290	122%
HFC	209,682	218,966	227,526	215,530	217,079	215,789	-1%
Homes Passed	**3,599,533**	**4,111,661**	**5,112,591**	**6,177,845**	**7,172,033**	**8,303,553**	**102%**
FTTH(1)	2,789,112	3,301,240	4,281,768	5,342,008	6,330,536	7,462,056	126%
HFC(2)	810,421	810,421	830,823	835,837	841,497	841,497	4%
Ports	**2,204,977**	**2,461,041**	**2,971,707**	**3,506,841**	**4,006,765**	**4,572,525**	**86%**
FTTH(3)	1,394,556	1,650,620	2,140,884	2,671,004	3,165,268	3,731,028	126%
HFC(4)	810,421	810,421	830,823	835,837	841,497	841,497	4%
Household Coverage(5) (%)	**14.5%**	**16.6%**	**20.6%**	**24.5%**	**28.3%**	**32.5%**	**96%**
ARPU(6)	**1,284**	**1,287**	**1,352**	**1,408**	**1,390**	**1,372**	**7%**
FTTH	1,417	1,405	1,467	1,516	1,481	1,455	4%
HFC	1,046	1,033	1,046	1,044	1,014	967	-6%
Customer Churn(7) (%)	**0.39**	**1.08**	**1.63**	**1.35**	**1.16**	**1.11**	**2%**
FTTH	0.34	0.78	1.28	0.61	1.14	0.97	25%
HFC	0.49	1.74	2.55	3.84	1.27	1.79	3%
Port Utilization(8) (%)	**27.9**	**29.7**	**30.3**	**29.6**	**29.5**	**29.6**	**0%**
FTTH	29.1	31.1	31.4	30.8	30.5	30.5	-2%
HFC	25.9	27.0	27.4	25.8	25.8	25.6	-5%
Enterprise							
Revenues	**734**	**778**	**752**	**760**	**750**	**819**	**5%**
Customers	**10,378**	**10,498**	**10,953**	**11,090**	**12,400**	**17,539**	**74%**
ARPU(9)	**23,910**	**26,569**	**21,675**	**23,002**	**21,269**	**18,247**	**-31%**
Customer Churn(10) (%)	**0.30**	**0.33**	**0.49**	**1.61**	**0.72**	**0.35**	**6%**

Notes:
(1) FTTH homes passed is derived from the number of homes within a 300-meter radius from a network access point (“NAP”) that we have installed in a coverage area. Each NAP has eight or sixteen ports, and one port serves one home.
(2) HFC homes passed refers to the number of homes and other residential units that are within a 200-meter radius from our HFC ports, and can be connected to our network.
(3) The number of FTTH ports installed represents both activated FTTH connections and ports available for immediate activation once a new subscription is approved.
(4) The number of HFC ports installed refers to a slot on a network device allowing for the transmission of data between our HFC network and the equipment at the customer premises.
(5) Household coverage is calculated as total homes passed over total number of homes in the Philippines, which is estimated at 25.6 million as of June 2021, extrapolated from MPA data.
(6) Monthly ARPU for our Residential Business is calculated by dividing (i) the revenue generated 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.
(7) Blended churn rate refers to the combined FTTH and HFC churn rate. Churn rate for our Residential Business 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.
(8) Our port utilization rates for our FTTH network is our number of FTTH subscribers as a percentage of total FTTH ports and for our HFC network is our number of HFC subscribers as a percentage of HFC homes passed.
(9) ARPU for our Enterprise Business is calculated by dividing (i) the revenue generated during a period by (ii) the average number of enterprise users during that period, then dividing the quotient by the number of months during that period. The average number of enterprise users during a period, is calculated by the sum of the enterprise users at the beginning and at the end of the period, divided by two.
(10) Customer churn rate for our Enterprise Business is calculated by dividing (i) the sum of the number of permanent customer deactivations in a month, by (ii) the average number of customers during the respective month and multiplying the result by 100%. The average number of customers during a month is calculated by the sum of the circuits at the beginning and at the end of the month, divided by two.

Six months ended June 30, 2021 compared to six months ended June 30, 2020

B. OPERATING REVENUES

The Company earned ₱11,781 million of consolidated revenues in the first six months of 2021, representing an 82% increase (YoY). The significant growth in revenue is coming from our residential business showing a 105% increase from ₱4,978 million for the first six months of 2020 to ₱10,212 million in the first half of 2021. Converge's monthly residential ARPU steadily increased from ₱1,287 in the first six months of 2020 to ₱1,372 during the same period in 2021, representing a 7% growth. The steady ARPU increase was driven by the continuous demand for our fiber plans including increased take-up of add-on plans and premium packages.

For the period ended June 30, 2021, Converge's enterprise business is ₱1,569 million, which is a 4% increase from the revenues for the same segment for the first six months of 2020, amounting to ₱1,512 million. The successful launch of the Company's SME product flexiBIZ earlier this year allowed us to almost double our SME customer base in 2Q2021 from the same period last year. Our overall enterprise customer base increased from 10,498 unique customers as of June 30, 2020 to 17,539 as of June 30, 2021.

C. COST OF SERVICES, G&A EXPENSES AND PROVISIONS

For the first half of 2021, Converge's total cost of services, amounted to ₱4,825 million, up by 60% from ₱3,018 million reported in the same period last year. As the strong revenue growth of 82% over the period exceeded cost of services growth of 60%, total gross margins grew from 53% in the first six months of 2020 to 59% in the first six months of 2021.

Converge achieved an EBITDA of ₱6,494 million for the first six months of 2021, representing an increase of 96% (YoY), as a result of the Company's revenue growth outpacing the increase in expenses. Converge's consolidated EBITDA margins improved from 51.1% to 55.1% for the first six months of 2020 and the first six months of 2021, respectively.

Cost of Services

Cost of services increased by 60%, or ₱1,807 million, from ₱3,018 million for the six months ended June 30, 2020 to ₱4,825 million for the six months ended June 30, 2021. The increase was primarily attributable to increases in depreciation and amortization costs, network materials and supplies used, amortization of deferred contract cost, and personnel cost.

Depreciation and amortization costs increased by 71%, or ₱677 million, from ₱952 million for the six months ended June 30, 2020 to ₱1,628 million for the six months ended June 30, 2021 primarily due to the expansion of our fiber network and additional customer premises equipment issued to subscribers.

Network materials and supplies used increased by 101%, or ₱501 million, from ₱493 million for the six months ended June 30, 2020 to ₱994 million for the six months ended June 30, 2021 due to material issuances used in our subscriber installations.

Amortization of deferred contract cost increased by 136%, or ₱432 million, from ₱316 million for the six months ended June 30, 2020 to ₱748 million for the six months ended June 30, 2021 reflecting an increase in subscriber acquisition costs from our residential subscriber base expansion.

Personnel costs increased by 126%, or ₱161 million, from ₱128 million for the six months ended June 30, 2020 to ₱289 million for the six months ended June 30, 2021 due to increase in headcount and key hires for the period from July 2020 to June 2021, to support the Company's growing business, and the issuance of the share options to selected employees.

Gross Profit

Gross profit increased by 100%, or ₱3,485 million, from ₱3,472 million for the six months ended June 30, 2020 to ₱6,956 million for the six months ended June 30, 2021. Gross margin, or gross profit as a percentage of revenue, increased from 53% in 2020 to 59% in 2021. The increase in gross margin was primarily due to the growth in revenue which was more than the growth in some of our significant costs, as discussed above.

The table below summarizes our cost of services for the periods indicated.

	For the six months ended June 30				For the three months ended June 30			
	2021	2020	YoY change	YOY change %	2021	2020	YoY change	YoY change %
				(in ₱ millions)				
Depreciation and amortization	1,628	952	677	71%	850	508	342	67%
Network materials and supplies used	994	493	501	102%	535	264	271	103%
Amortization of deferred contract cost	748	316	432	136%	398	169	230	136%
Bandwidth and leased line costs	516	643	(127)	-20%	238	340	(101)	-30%
Service fees	316	296	20	7%	149	149	-	0%
Personnel costs	289	128	161	126%	162	71	91	129%
Rent	148	57	91	159%	95	26	69	265%
Repairs and maintenance expense	120	-	120	N/M	36	-	36	N/M
Utilities	47	39	8	20%	25	16	9	55%
Retirement benefit expense	3	1	2	241%	1	0	1	241%
Others	16	93	(77)	-83%	6	35	(29)	-83%
Total cost of services	**4,825**	**3,018**	**1,807**	**60%**	**2,495**	**1,578**	**917**	**58%**
Gross profit	**6,956**	**3,472**	**3,485**	**100%**	**3,740**	**1,891**	**1,848**	**98%**
Gross profit margin	**59.0%**	**53.5%**			**60.0%**	**54.5%**		

General and Administrative Expenses

General and administrative expenses increased by 97%, or ₱1,048 million, from ₱1,077 million for the six months ended June 30, 2020 to ₱2,125 million for the six months ended June 30, 2021. The increase was primarily attributable to an increase in personnel costs, outside services, managed service fees, and taxes and licenses.

Personnel costs increased by 49%, or ₱238 million, from ₱481 million for the six months ended June 30, 2020 to ₱719 million for the six months ended June 30, 2021 due to an increase in headcount during the period, and the issuance of the employee share options, including the accrued fringe benefits tax of the share options.

Managed service fees increased by 314%, or ₱254 million, from ₱81 million for the six months ended June 30, 2020 to ₱335 million for the six months ended June 30, 2021 due to additional MSPs to cater to our growing subscriber base, as well as, our MSPs achieving their targets for the period, which has increased their commissions and other incentives.

Outside services increased by 245%, or ₱148 million, from ₱60 million for the six months ended June 30, 2020 to ₱208 million for the six months ended June 30, 2021 significantly from the increase in our call center service providers, to improve on our customer support while we scale up our business.

Taxes and licenses increased by 317%, or ₱145 million, from ₱46 million for the six months ended June 30, 2020 to ₱190 million for the six months ended June 30, 2021, as the Company paid higher business taxes in 2021 due to the growth of the business.

Additional provision for contingencies amounting to ₱18 million, for the six months ended June 30, 2021 which represents our best estimate of the probable cost that may arise from certain ongoing operational contingencies in the ordinary course of business.

Provision for Impairment of Trade and Other Receivables

Provision for impairment of trade and other receivables increased by 62%, or ₱200 million, from ₱324 million for the six months ended June 30, 2020 to ₱524 million for the six months ended June 30, 2021 primarily due to a higher amount of receivables outstanding as of June 30, 2021. As a result of the expansion of subscriber base by 623,516, our provisions as a percentage of revenue decreased from 5.0% in 2020 to 4.4% in 2021.

The table below summarizes our general and administrative expenses for the periods indicated.

	For the six months ended June 30				For the three months ended June 30			
	2021	**2020**	**YoY change**	**YoY change %**	**2021**	**2020**	**YoY change**	**YoY change %**
				(in ₱ millions)				
Personnel costs	719	481	238	49%	424	235	190	81%
Managed service fees[1]	335	81	254	314%	215	45	170	379%
Outside services	208	60	148	245%	122	31	91	299%
Taxes and licenses	190	46	145	317%	119	27	92	339%
Depreciation and amortization	103	83	20	24%	54	42	12	27%
Promotions	87	33	53	160%	45	12	33	268%
Repairs and maintenance	82	74	8	11%	44	58	(13)	-23%
Professional fees	80	110	(30)	-27%	15	68	(53)	-77%
Office supplies	40	8	32	414%	24	2	22	N/M
Utilities	49	28	20	72%	24	16	8	52%
Other general and administrative expenses	231	72	159	220%	103	19	30	N/M
Total G&A expenses	**2,125**	**1,077**	**1,048**	**97%**	**1,189**	**555**	**634**	**114%**
Provision for impairment of receivables	(524)	(324)	(200)	62%	(273)	(172)	(101)	58%
Other income/(expenses)	178	74	104	141%	112	16	96	N/M
Operating profit	**4,485**	**2,145**	**2,341**	**109%**	**2,390**	**1,180**	**1,210**	**103%**
Operating profit margin	**38.1%**	**33.0%**			**38.3%**	**34.0%**		

Note:

(1) Previously referred to as commission expense

D. OTHER INCOME STATEMENT ITEMS

For the first six months of 2021, Converge achieved a net income for the period of ₱3,252 million, representing an increase of 158% YoY, and a net income margin of 28% compared to the net income for the six months ended June 30, 2020 amounting to ₱1,259, with a net income margin of 19%, highlighting the acceleration of the profitability of our business.

The table below summarizes our other income statement items for the periods indicated.

	For the six months ended June 30				For the three months ended June 30			
	2021	2020	YoY change	YoY change %	2021	2020	YoY change	YoY change %
				(in ₱ millions)				
Net foreign exchange gain/(loss)...........................	116	110	5	5%	70	66	4	6%
Gain on transfer of network materials....................	13	7	6	86%	2	6	(4)	-6%
Interest income - cash and cash equivalents..........	32	21	11	53%	28	8	20	260%
Miscellaneous income/(expense)...........................	17	(64)	75	-127%	11	(65)	76	-117%
Total Other income, net	**178**	**74**	**104**	**141%**	**112**	**16**	**96**	**N/M**
Operating profit	4,485	2,145	2,341	109%	2,390	1,180	1,210	102%
Finance cost..	(264)	(347)	84	-24%	(131)	(203)	72	-36%
Profit before income tax................................	4,222	1,797	2,425	135%	2,259	977	1,282	131%
Income tax expense.....................................	(970)	(539)	(431)	80%	(556)	(292)	(264)	90%
Net income	**3,252**	**1,259**	**1,993**	**158%**	**1,703**	**685**	**1,018**	**149%**
Net income margin	**27.6%**	**19.4%**			**27.3%**	**19.7%**		

Other Income (Expenses), net

Other income, net increased by P63 million or 55% from P114 million for the six months ended June 30, 2020 to P178 million for the six months ended June 30, 2021. For the six months June 30, 2021, other income, net is primarily related to net foreign exchange gain on the strengthening of the Philippine Peso against the US Dollar, which had a favorable impact in our financials since we are in a net liability position in our USD denominated balances. We also had higher interest income for the quarter, from our short-term placements.

Profit from Operations

Profit from operations increased by 109%, or ₱2,341 million, from ₱2,145 million for the six months ended June 30, 2020 to ₱4,485 million for the six months ended June 30, 2021 for the reasons described above, in particular the increase in gross profit, partially offset by the increases in general and administrative expenses and provision for impairment of trade and other receivables.

Finance Costs

Finance costs decreased by 24%, or ₱84 million, from ₱347 million for the six months ended June 30, 2020 to ₱264 million for the six months ended June 30, 2021 as we paid out ₱1.8 billion of our long-term loans early in 2021 and we only had additional loans availments in the month of June 2021.

Profit Before Income Tax

Profit before income tax increased by 135%, or ₱2,425, from ₱1,797 million for the six months ended June 30, 2020 to ₱4,222 million for the six months ended June 30, 2021 for the reasons described above, in particular the 109%, increase in profit from operations in 2021, coupled with lower debt servicing costs.

Income Tax Expense

Income tax expense increased by 80%, or ₱431 million, from ₱539 million for the six months ended June 30, 2020 to ₱970 million for the six months ended June 30, 2021 due to the increase in profit before income tax described above. Our effective tax rate, which is our income tax expenses as a percentage of profit before income tax, was 23% for the six months ended June 30, 2021 compared to 30% for the six months ended June

30, 2020, which has decreased because of the impact of the CREATE bill, approved in March 2021, which lowers the corporate income tax rate from 30% to 25%. Further decreasing the effective tax rate to 23% is the reversal of the 2020 provision for income tax rates since the 25% tax rate is effective starting July 1, 2020, and one of our major subsidiaries electing the optional standard deduction in their income tax filings in 2021.

Profit for the Period

For the reasons discussed above, profit for the period increased by 158%, or ₱1,993 million, from ₱1,259 million for the six months ended June 30, 2020 to ₱3,252 million for the six months ended June 30, 2021.

E. CAPITAL EFFICIENCY AND LIQUIDITY

	June 30, 2021	December 31, 2020	Change (%)
Balance Sheet Data (in ₱ millions)			
Total Assets	63,964	56,712	13%
Total Debt(1)	12,409	11,314	10%
Total Stockholders' Equity	31,027	27,775	12%
Financial Ratios			
Total Debt to EBITDA (gross)	1.1x	1.4x	
Total Debt to EBITDA (net)	0.6x	-0.2x	
Debt Service Coverage(2)	3.0x	2.3x	
Interest Coverage (gross) (3)	24.4x	14.9x	
Debt to Equity (gross) (4)	0.4x	0.4x	
Debt to Equity (net) (5)	0.2x	-0.1x	
Return on Invested Capital (6)	21.6%	20.0%	

Notes:
(1) Total Debt is the sum of current and noncurrent loans payable
(2) Debt Service Coverage is computed as last twelve month's ("LTM") EBITDA divided by the sum of current loans payable, 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 2021 and 30% for 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

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

Converge's consolidated assets as of June 30, 2021 amounted to ₱63,964 million compared to ₱56,712 million as of December 31, 2020. Consolidated cash, cash equivalents and short-term investments was at ₱6,070 million as of June 30, 2021 compared to ₱12,957.4 million as of December 31, 2020.

We had outstanding loan payables of ₱12,409 million as of June 30, 2021 compared to ₱11,313.8 million as of December 31, 2020. Our Net Debt position, defined as loan payables less cash and cash equivalents amounted to ₱6,338 million as of June 30, 2021 compared to our Net Cash position of ₱1,643.6 million as of December 31, 2020. The move from a net cash position to net debt position is due to our CAPEX expenditures as well as the Company starting to use the IPO proceeds for its intended use. Our resulting Net Debt to EBITDA ratio, based on the last twelve months EBITDA over the period from July 2020 to June 2021, was 0.58 times. This conservative leverage level gives us, together with our increasing and strong cash flow generation, ample headroom to execute our capital expenditure plans, and capitalize on the massive opportunity for high-speed fixed broadband infrastructure in the Philippines.

The financial tests under Converge's loan agreements subject us to a financial covenant, which requires us to maintain a minimum debt service coverage ("DSCR") ratio of 1.2x. As of June 30, 2021, Converge's DSCR ratio was 3.0x, well above the required minimum liquidity threshold.

Converge's capital efficiency measured by our Return on Invested Capital ("ROIC") was 21.6% in the first six months of 2021 (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.

CONVERGE
ICT SOLUTIONS INC.

CONSOLIDATED CASH FLOWS

	For the six months ended June 30			
	2021	2020	YoY change	YoY change %
	(in ₱ millions)			
Cash flow from operating activities				
Profit before income tax	4,222	1,797	2,425	135%
Adjustments for operating income	3,109	1,999	1,110	56%
Adjustments for assets and liabilities	(1,935)	(1,032)	(903)	88%
Cash from operations	5,396	2,765	2,631	95%
Interest received and income taxes paid	(747)	(709)	(38)	5%
Net cash from operating activities	**4,649**	**2,055**	**2,594**	**126%**
Cash flow from investing activities				
Acquisition of property, plant, and equipment	(11,569)	(5,051)	(6,519)	129%
Others	(624)	(248)	(376)	248%
Net cash (used in) investing activities	**(12,194)**	**(5,299)**	**(6,894)**	**130%**
Cash flow from financing activities				
Proceeds from loans payable	2,900	3,474	(574)	-17%
Proceeds from issuance of convertible preferred shares	-	4,566	(4,566)	-100%
Payment of loans payable	(1,805)	(914)	(891)	97%
Others	(419)	(1,087)	667	-61%
Net cash from/(used in) financing activities	**676**	**6,039**	**(5,364)**	**-89%**
Net increase/(decrease) in cash and cash equivalents	**(6,869)**	**2,796**	**(9,664)**	**-346%**
Cash and cash equivalents, beginning	12,957	6,233	6,724	108%
Effects of exchange rate changes in cash and cash equivalents	(18)	(46)	28	-60%
Cash and cash equivalents, ending	**6,070**	**8,982**	**(2,912)**	**-32%**

Net cash flows from operating activities

Net cash from operating activities was ₱4,649 million for the six months ended June 30, 2021. Our cash flows generated from operating activities for 2021 are calculated by adjusting our profit before income tax of ₱4,222 million by (i) non-cash and other items, primarily comprising ₱1,731 million of depreciation and amortization, ₱524 million in provision for impairment of trade and other receivables, ₱748 million of amortization of deferred contract costs and ₱263 million in finance costs, (ii) changes in certain working capital items that positively impacted cash flows from operating activities, in particular increases in trade and other payables of ₱3,258 million, due from related parties of ₱226 million, and deferred revenue of ₱209 million (iii) changes in certain working capital items that negatively impacted cash flows from operating activities, in particular a ₱1,170 million increase in trade and other receivables, a ₱1,525 million increase in network materials and supplies and a ₱1,054 million increase in other deferred contract costs.

Net cash flows used in investing activities

Net cash used in investing activities was ₱12,194 million for the six months ended June 30, 2021. During each such period, we made significant investments in capital expenditures to develop additional property, plant and equipment (our end-to-end fiber network) and acquire key intangible assets (our customer list, telecommunication franchise, and software and licenses).

Cash used for acquisitions of property, plant and equipment was ₱11,569 million, for the six months ended June 30, 2021, respectively. Over that period, we made the following significant investments: (i) additions in outside plant equipment, which primarily consists of passive network equipment related to the construction of our end-to-end fiber network, (ii) additions in inside plant equipment, which primarily consists of active network equipment such as dense wavelength division multiplexing equipment and routers and (iii) additions in other property, plant and equipment, which primarily consists of purchases of customer premise equipment, and general IT related investments such as laptop computers and other office IT equipment.

	As of the period			
	June 30, 2021	June 30, 2020	YoY Change	YoY Change %
	(in millions)			
Total additions to property, plant and equipment	**11,188**	**4,685**	**6,503**	**139%**
Total cash capital expenditures[(1)]	**11,569**	**5,051**		
Cash capital expenditures[(1)] / Revenue	**-196%**	**-153%**		

Notes:
(1) Include property, plant and equipment, intangibles and right-of-use assets, acquired as of report date

Net cash flows used in financing activities
Net cash used in financing activities was ₱676 million during the six months ended June 30, 2021. Cash flows used in financing activities primarily consisted of ₱1,805 million of loan repayments, and ₱419 million payments for interests and lease liabilities, offset by ₱2,900 million loan availments.

Commitments and Off-Balance Sheet Arrangements
As of June 30, 2021, we have unused credit lines from local banks amounting to ₱20.5B. As of June 30, 2021, we have entered into agreements with various suppliers for the construction, delivery and installation of property and equipment amounting to ₱12.4B. We did not have any other off-balance sheet arrangements or obligations that were likely to have a current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

F. QUANTITATIVE AND QUALITATIVE DISCLOSURE OF FINANCIAL RISK

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

Credit Risk

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

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

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

The Group has the following financial assets as at June 30, 2021 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	6,070	-	6,070	Performing	12-month ECL
Trade receivables					
Residential - Group 2	2,102	(512)	1,590	Collective assessment	Lifetime ECL
Residential - Group 3	260	(260)	1.0	Credit impaired	Lifetime ECL
Corporate - Group 1	301		301	Collective assessment	Lifetime ECL
Corporate - Group 2	889	(164)	725	Collective assessment	Lifetime ECL
Corporate - Group 3	490	(476)	14	Credit impaired	Lifetime ECL
Other receivables - Group 1	178	-	178	Performing	12-month ECL
Due from related parties	1,347	-	1,347	Performing	12-month ECL
	11,637	**(1,412)**	**10,225**		

Credit quality of subscribers and counterparties are classified as follows:

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

Cash and cash equivalents

Cash and cash equivalents exclude cash on hand as of June 30, 2021 amounting to ₱6.82 million. which is not subject to credit risk. To minimize credit risk exposure from cash, the Group deposits its cash in banks with universal banks, all with good credit ratings.

As at June 30, 2021, 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 and investment in short-term government securities, with the maximum exposure amounting to ₱71.9 million and ₱5.5 million, respectively. 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 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.

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

Group 1 corporate 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 corporate subscribers, expected loss rates are based on the payment profiles of subscription and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on factors such as gross domestic product and inflation rate affecting the ability of the subscribers to settle the receivables.

Other receivables

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

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

Due from related parties

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

Foreign Currency Exchange Risk

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

The Group has transactional currency exposures. Such exposures arise mainly from cash, trade and other current liabilities denominated in US Dollar as of June 30, 2021.

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

At June 30, 2021, if the US Dollar had weakened or strengthened by 2.40% against the Philippine Peso, with all other variables held constant, pre-tax profit for the period ended June 30, 2021 and equity would have been ₱67M lower or higher, mainly as a result of foreign exchange losses or gains on translation of net US Dollar denominated monetary liabilities. The assumed shift in foreign currency exchange rate used in the sensitivity analysis is the rate of change between the US Dollar and the Philippine Peso at the end of the reporting period and the Philippine Peso equivalent determined 30 days after the reporting period, by which management is expected to settle or receive the Group's foreign currency denominated monetary assets or liabilities.

Interest Rate Risk

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

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

As of June 30, 2021, if interest rates increased/decreased by 10 basis points, with all other variables held constant, profit for the period ended June 30, 2021 would have been ₱1.9 million lower/higher, mainly as a result of higher/lower interest expense based on variable rates.

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

Liquidity Risk

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

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

The table below presents the Group's financial liabilities as of June 30, 2021.

	Amount
Trade and other liabilities	15,128
Due to related parties	314
Loans payable	12,409
Lease liabilities, gross of discount	1,851
	29,702

Trade and other liabilities presented above include non-current portion of subscribers' deposits as at June 30, 2021 amounting to ₱770 million and 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 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 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 financial statements of the Group have been prepared in accordance with Philippine Accounting Standards (PAS 34) - Interim Financial Reporting. These financial statements should be read in conjunction with annual consolidated financial statements as at and for the year ended December 31, 2020, which have been prepared in accordance with PFRS.

The preparation of consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group's accounting policies.

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, 2020.

IV. OTHER RELEVANT INFORMATION

CORPORATE DEVELOPMENTS

Early Inclusion in the Philippine Stock Exchange Index
On August 5, 2021, the Philippine Stock Exchange ("PSE") announced that Converge will be included in the Philippine Stock Exchange Index ("PSEi") effective August 16, 2021 after qualifying for early inclusion. The PSE approved amendments to its index management policy, one of which was that companies with trading history of six months (from previous requirement of 12 months) will be eligible for early inclusion, provided that the company's market capitalization is ranked at least in the 25th position at the end of the review period, subject to meeting the free float and liquidity criteria. With the support of the investing public, the Company was able to meet all the necessary requirements for early inclusion, and was therefore added to the 30-company index, which serves as a barometer of the general state of the business climate in the country. Converge will further be included in the PSE Services Index, representing one of the main six sector-based indices of the local exchange.

Completed Connecting Visayas and Mindanao to our Nationwide Backbone
Converge has completed the initial phases of our domestic subsea cable network to the VisMin region, which led to the activation of an end-to-end nationwide backbone reaching from northern Luzon down to Davao region on the southern tip of the Philippine archipelago. More than 11,800 kilometers of fiber optic cable were added during the second quarter of the year, expanding our backbone and distribution network to almost 76,500 kilometers from about 64,600 kilometers laid down last quarter. By July 2021, our fiber backbone had reached 80,500 kilometers. With our network expansion, we were able to extend our coverage to an additional 53 cities and municipalities during 2Q2021, extending our services this quarter to new provinces, including Ilocos Norte, Cebu, and Davao, among others. These provinces rank amongst the top regions in the Philippines in terms of GDP. Central Visayas (Cebu) and Davao Region (Davao) are in the top five while Ilocos Region (Ilocos Norte) is eighth out of 17 regions based on 2020 GDP, highlighting the potential high demand from residential and enterprise clients in these new markets. As of June 30, 2021, the Company's network has now reached over 400 cities and municipalities nationwide, and we plan to broaden our reach further as Converge continues to deepen the reach of its nationwide fiber backbone network.

Continued Investment in Network Upgrades to Deliver Best Results
To respond to the increasing needs of the network and customers, Converge is preparing for a substantial network upgrade that will double the data transmission capacity of its metro backbone from the existing 400 Gigabit per second to 800 Gbps, in anticipation of the use of next-generation, hyperscale capacity applications over its fiber optic network. This aims to reduce latency and to allow for high-speed data transfers needed for next-generation technologies such as the Internet of Things and smart cities.

With customer satisfaction in mind, the Company continues to invest in technological improvements for better quality of service. This is evidenced by the consistent top ranking of Converge in the Netflix ISP Speed Index for the Philippines, which ranks internet service providers in terms of prime-time Netflix performance.

The global leader in internet testing and analysis Ookla recently verified Converge ICT Solutions Inc. as the most consistent fixed internet provider in six regions, including Metro Manila, based on the recent Ookla Speedtest Intelligence analysis for the second quarter of the year. The other regions with consistent Converge internet connectivity are Calabarzon (Cavite-Laguna-Batangas-Rizal-Quezon), Ilocos, Central Luzon, Bicol and the Cordillera Administrative Region.

Augmenting our International Subsea Cable Portfolio
In June 2021, Converge acquired the shares of Digitel Crossing, Inc. ("DCI") and Asia Netcom Philippines Corporation ("ANPC") previously owned by Digital Telecommunications Phils, Inc for US$7.5 million. DCI maintains and operates the cable landing stations in the Philippines for EAC and C2C cable systems, while ANPC owns the land assets where the EAC cable landing station is located. The EAC and C2C cable systems, in which Converge has an existing IRU, are owned and operated by Telstra. With the acquisition, the Company has secured strategic cable landing stations for the international subsea networks that it draws from.

This allows Converge to ensure sufficient and cost-effective international connectivity for its fast growing customer base.

In May 2021, Converge further secured its participation in the Bifrost Cable System with the signing of definitive agreements with Keppel Telecommunications & Transportation's wholly-owned subsidiary, Keppel Midgard Holdings Pte. Ltd. ("KMH"). The agreement aims to grant Converge an IRU for one fiber pair on the main trunk of Bifrost Cable System, which directly connects Singapore to the west coast of North America. KMH and Converge will also jointly develop a branch on the Bifrost Cable System that will land in Davao, Philippines, with Converge also being granted an IRU on the entire Davao branch. The additional branch will significantly increase internet speeds and network diversity for businesses and consumers in the Philippines. Converge will invest over U.S.$100 million (around ₱5 billion) for the whole project.

Launch of Entertainment Service "VISION"

In July 2021, Converge in partnership with Pacific Kabelnet Holding Co. Inc. ("PKN"), an affiliate cable company, launched its "VISION" branded entertainment service. This new entertainment add-on gives existing and new subscribers access to local and international television channels like USA Today News, USA Today Sports, Pocketwatch, and Ryan & friends, using Converge's fiber network. For an affordable price of P99 per month for 65 channels and P299 per month for 82 channels, VISION comes with a set-to-box called Xperience Box, a full Android, all-in-one entertainment device, that allows Converge subscribers to enjoy multi-genre TV programs and shows in the comfort of their homes. This add-on product is aimed to support our ARPU, as well boost customer loyalty.

Enabled via Wi-Fi and Bluetooth, the Vision Xperience Box does not require connectivity to any cable TV line and also allows easy connection to a mouse, gamepad, keypad, and other devices. This easy-to-set-up service comes with reliable security features and an enhanced artificial intelligence that provides a quick, one-click access to channels, Google apps, online games, and OTT apps like HBO Go, Amazon Prime, YouTube and Spotify.

Introduction of the New Omnichannel Customer Relationship Management System

Last May 29, 2021, the Company launched the new Omnichannel Customer Relationship Management ("CRM") system. This tool allows the Company's contact agents to handle customer requests and complaints via various touchpoints, decreasing the effort required from the customer in raising his concerns and getting these addressed at the soonest possible time. It allows the Company to improve the proper distribution with faster response time to customer concerns from a single, universal system, in addition to being able to reach out to customers as the need arises. In this new platform, all the existing customer touchpoints such as calls, email, social media platforms, SMS and self service channels like ticket creation webforms, will flow through a single system to improve contact agent service levels.

We believe that "self-help" is a key factor to swiftly and efficiently address potential customer issues. As a new feature on our mobile application, registered subscribers can now monitor the health status of their routers, specifically the speed and temperature of the device. This allows the subscriber to detect possible causes of unreliable connectivity and provide first aid using step-by-step instructions presented in our mobile application.

Continued Commitment to Improving Customer Experience

The Company continues to commit to providing a quality customer experience for both existing and potential new subscribers. Converge continues to be highly focused on enhancing the overall customer experience by strengthening our customer care functions and digitizing the journey of our customers.

In 2Q2021, Converge installed more than 93% of new NCR subscribers within seven days and 63% within one day of application, respectively. In addition, we have continued to expand our contact agent team by adding almost 100 seats during the second quarter to cater to our customer queries from our expanding subscriber base. Our Answer Call Rates, which measures the number of voice calls that our contact centers answered during the quarter divided by all of the voice calls received (during both peak and off-peak hours), further improved from 94% in 1Q2021 to more than 96% during 2Q2021.

During the third quarter of 2020, the Company rolled out its mobile application Converge Xperience App, which offers a convenient channel for its customers to review and pay their bills, and allows customers to log tickets online. As of June 30, 2021, more than 532,000 subscribers have registered in the application, representing almost 40% of residential subscribers as of the end of the period. We intend to continue refining and upgrading our mobile application using new technologies for innovation, which will provide new ways of customer engagement.

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We believe that "self-help" is a key factor to swiftly and efficiently address potential customer issues. As a new feature on our mobile application, registered subscribers can now monitor the health status of their routers, specifically the speed and temperature of the device. This allows the subscriber to detect possible causes of unreliable connectivity and provide first aid using step-by-step instructions presented in our mobile application.

Affirmed Commitment to Environmental, Social and Governance

Since the start of the year, Converge has been working on the Company's Sustainability Framework that goes beyond compliance reporting. The framework will underscore our commitment to ensuring that the Company adheres to global standards in environmental, social, and governance best-practices. The Company has arranged workshops for our management to refine the materiality assessment, establish internal monitoring processes and identify Environmental, Social, and Governance ("ESG") targets and strategies. These workshops promoted critical thinking in determining key pillars and crafting strategies relating to our sustainability framework. In addition, the Company has engaged with key stakeholders for consultations in identifying relevant metrics and targets to disclose. With these, Converge has finalized its Sustainability Commitment as guide in our day-to-day operations: "We empower the Filipino people and the nation through technology. We respect humanity and the environment as we create a prosperous nation and sustainable future for all."

The Company also strengthened its Enterprise Risk and Business Continuity Management functions with seasoned talent in these areas, overseen by Ms. Grace Uy as the Chief Risk Officer. With the recent natural threats occurring, such as earthquakes, typhoons, floods, and imminent volcanic eruption, the Company continues to test and improve its business continuity practices. Our Board Risk Oversight Committee led by Gov. Amando Tetangco oversees the company's Enterprise Risk Management system as well as our sustainability efforts.

Membership in Internet Watch Foundation

Converge joined the UK-based Internet Watch Foundation ("IWF") in its fight to clamp down on internet sexual abuse against children anywhere in the world. Joining the ranks of global technology companies such as Facebook, Google, Apple, Twitter, and TikTok on the fight against online sexual abuse and exploitation of children, Converge was recently admitted as member of the online watchdog IWF which have already removed over 250,000 individual webpages of criminal content, mostly child sexual abuse images and videos.

As an IWF member, Converge will have access to this suite of IWF's online tools. This includes a URL list, a master database of online child sexual abuse webpages for easier tagging and blocking, and an 'Image Hash List' an award-winning tool that's essentially a database of codes representing the illicit content, which can then be matched with content on Converge's network and removed. The latter tool may even help in preemptively detecting and blocking the upload of the criminal image or video onto the network. So far, Converge has removed nearly 10,000 sites that are deemed unsafe for children and will continue to closely monitor online activities within its network to make sure that no illegal activities are carried through its network.

Corporate Social Responsibility Activities

During the second quarter, the Company has done various corporate social responsibility initiatives in line with our Sustainability Commitment.

- Converge conducted good governance training workshops for employees, including Anti-Money Laundering, Information Security and Intellectual Property, and Anti-Bribery and Anti-Corruption

- Converge partnered with environmental group Abacan River and Angeles Watershed Advocacy Council, Inc. (“ARAW-ACI”) and the Angeles City local government unit for the planting of a total of 2,000 tree seedlings in Barangay Sapangbato.

- The Company also conducted vaccine education webinar to properly inform employees of the COVID disease and the benefits getting inoculated. Dr. Lulu Bravo from the University of the Philippines and Dr. Beverly Lorraine Ho from the Department of Health were the speakers during the webinar.

- In coordination with the Batangas Provincial Disaster Risk Reduction and Management Office, the Company provided high-speed fiber broadband connectivity to four evacuation centers in the province.

- The Company has provided a dedicated fiber connection to facilitate the vaccination program of the local government units of Angeles City in Pampanga and San Juan City in Metro Manila

- With the unrest of the Taal Volcano, Converge arranged outreach programs to provide food and connectivity to evacuees in partnership with the various local government units (“LGUs”) in Batangas. Converge turned over 1,000 each of 5-kilogram packs of rice and 5-liter purified water in slim containers for the affected families in the province. The Company also provided survival kits to its employees living within the proximity of the restive volcano.

MAJOR STOCKHOLDERS

The following are the major stockholders of Converge as of June 30, 2021:

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 Maria Grace Y. Uy Shareholders of Comclark Network and Technology Corp	Filipino	4,797,417,274	63.74%
Common Shares	Coherent Cloud Investments B.V.	Funds ultimately managed by affiliates of Warburg Pincus LLC	Dutch	1,191,412,844	15.83%
Common Shares	PCD Nominee Non-Filipino	Public Ownership	Foreign	1,183,134,385	15.72%
Common Shares	PCD Nominee Filipino	Public Ownership	Filipino	354,161,953	4.71%

BOARD OF DIRECTORS ("BOD")

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, 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
Saurabh N. Agarwal	Non-Executive Director	Indian

SIGNATURES

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

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

Dennis Anthony H. Uy
Chief Executive Officer

DATE SIGNED: 8/6/2021

Christine R. Blabagno
Treasurer

DATE SIGNED: 8/06/2021

Converge Information and Communications Technology Solutions, Inc. and Subsidiaries

Condensed Consolidated Interim Financial Statements

As at June 30, 2021, December 31, 2020, and
for each of the three months ended June 30, 2021 and 2020

Converge Information and Communications Technology Solutions, Inc. and Subsidiaries

Consolidated Statements of Financial Position
As at June 30, 2021 and December 31, 2020
(All amounts in Philippine Peso)

	June 30, 2021	December 31, 2020
ASSETS		
Current assets		
Cash and cash equivalents	6,070,099,256	12,957,408,688
Trade and other receivables, net	2,817,961,927	2,172,669,790
Due from related parties, current portion	1,183,690,919	1,408,259,424
Network materials and supplies, net	2,576,744,719	2,031,358,171
Deferred contract costs, current portion	1,423,586,985	1,109,716,644
Other current assets	2,253,970,326	1,591,424,876
Total current assets	16,326,054,132	21,270,837,593
Non-current assets		
Property, plant and equipment, net	38,528,327,049	28,127,033,243
Advances to fixed assets suppliers	3,292,833,636	2,507,879,161
Right-of-use assets, net	1,838,701,033	1,859,298,827
Intangible assets, net	1,282,414,195	1,154,646,550
Deferred contract costs, net of current portion	535,505,561	543,161,211
Deferred input value-added tax, net of current portion	614,237,237	138,911,552
Deferred income tax assets, net	854,466,522	788,364,030
Investment in joint ventures	369,964,318	-
Due from related parties, net of current portion	163,422,374	163,422,374
Financial asset at fair value through profit or loss (FVTPL)	71,904,900	71,904,900
Other non-current assets	86,623,893	86,623,893
Total non-current assets	47,638,400,718	35,441,245,741
Total assets	63,964,454,850	56,712,083,334
LIABILITIES AND EQUITY		
Current liabilities		
Trade and other current liabilities	15,929,210,058	13,252,779,907
Loans payable, current portion	836,904,762	731,214,286
Lease liabilities, current portion	294,469,993	325,737,209
Due to related parties	313,809,878	217,976,119
Deferred revenue, current portion	633,054,042	463,619,256
Income tax payable	650,523,694	393,924,516
Total current liabilities	18,657,972,427	15,385,251,293
Non-current liabilities		
Deferred revenue, net of current portion	244,899,989	205,105,237
Loans payable, net of current portion	11,571,726,190	10,582,607,143
Lease liabilities, net of current portion	1,556,937,010	1,507,853,434
Retirement benefit obligation	135,599,246	123,146,658
Subscribers' deposits, net of current portion	770,123,045	1,132,965,276
Total non-current liabilities	14,279,285,480	13,551,677,748
Total liabilities	32,937,257,907	28,936,929,041
Equity		
Attributable to owners of the Parent Company		
Share capital		
Common shares	1,881,573,615	1,881,573,615
Additional paid-in capital	18,746,088,245	18,746,088,245
Retained earnings		
Unappropriated	10,391,092,264	7,139,049,614
Reserve for remeasurements of retirement benefit obligation, net of tax	8,130,319	8,130,319
	31,026,884,443	27,774,841,793
Non-controlling interest	312,500	312,500
Total equity	31,027,196,943	27,775,154,293
Total liabilities and equity	63,964,454,850	56,712,083,334

CONVERGE
ICT SOLUTIONS INC.

Converge Information and Communications Technology Solutions, Inc. and Subsidiaries

Consolidated Statements of Total Comprehensive Income
For each of the six months ended June 30, 2021 and 2020, and
for each of the three months ended June 30, 2021 and 2020

(All amounts in Philippine Peso)

	For six months ended June 30		For three months ended June 30	
	2021	**2020**	**2021**	**2020**
Revenues	11,781,348,735	6,489,943,180	6,234,545,807	3,469,139,218
Cost of services	(4,824,934,041)	(3,018,104,084)	(2,494,906,684)	(1,577,758,533)
Gross profit	6,956,414,694	3,471,839,096	3,739,639,123	1,891,380,685
General and administrative expenses	(2,124,566,095)	(1,076,667,657)	(1,189,173,609)	(554,872,000)
Provision for impairment of trade and other receivables	(524,241,429)	(324,319,630)	(272,832,045)	(172,159,815)
Unrealized fair value loss on financial asset at FVTPL		(40,615,039)		(40,615,039)
Other income, net	177,867,582	114,406,419	112,151,715	56,374,367
Profit from operations	4,485,474,752	2,144,643,189	2,389,785,184	1,180,108,198
Finance costs	(263,572,764)	(347,302,254)	(130,576,641)	(202,699,447)
Profit before income tax	4,221,901,988	1,797,340,935	2,259,208,543	977,408,751
Income tax expense	(969,859,338)	(538,639,535)	(556,296,678)	(292,309,195)
Profit for the period	**3,252,042,650**	**1,258,701,400**	**1,702,911,865**	**685,099,556**
Other comprehensive income				
Item that will not be reclassified to profit or loss				
Remeasurement gain on retirement benefit obligation, net of tax	-	(19,443,562)	-	(5,986,013)
Total comprehensive income for the period	**3,252,042,650**	**1,239,257,838**	**1,702,911,865**	**679,113,543**

CONVERGE ICT SOLUTIONS INC.

Converge Information and Communications Technology Solutions, Inc. and Subsidiaries

Consolidated Statements of Changes in Equity
For each of the six months ended June 30, 2021 and 2020
(All amounts in Philippine Peso)

	Share capital		Additional paid-in capital	Retained earnings		Reserve for remeasurements of retirement benefit obligation, net of tax	Other equity reserves	Non-controlling interest	Total
	Common shares	Convertible preferred shares		Appropriated	Unappropriated				
Balances at January 1, 2020	1,250,000,000	306,818,180	6,541,191,820	2,200,000,000	1,814,215,854	55,240,879	-	312,500	12,167,779,233
Transaction with owners									
Issuance of shares	-	204,545,450	4,361,358,764	-	-	-	-	-	4,565,904,214
Declaration of dividends	-	-	-	-	-	-	-	-	-
Total transactions with owners for the period	-	204,545,450	4,361,358,764	-	-	-	-	-	4,565,904,214
Comprehensive income									
Profit for the period	-	-	-	-	1,258,701,400	-	-	-	1,258,701,400
Other comprehensive loss for the period	-	-	-	-	-	(19,443,562)	-	-	(19,443,562)
Total comprehensive income for the period	-	-	-	-	1,258,701,400	(19,443,562)	-	-	1,239,257,838
Balances at June 30, 2020	1,250,000,000	511,363,630	10,902,550,584	2,200,000,000	3,072,917,254	35,797,317	-	312,500	17,972,941,285

	Share capital		Additional paid-in capital	Retained earnings		Reserve for remeasurements of retirement benefit obligation, net of tax	Other equity reserves	Non-controlling interest	Total
	Common shares	Convertible preferred shares		Appropriated	Unappropriated				
Balances at January 1, 2021	1,881,573,615	-	18,746,088,245	-	7,139,049,614	8,130,319	-	312,500	27,775,154,293
Comprehensive income									
Profit for the period	-	-	-	-	3,252,042,650	-	-	-	3,252,042,650
Other comprehensive loss for the period	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	3,252,042,650	-	-	-	3,252,042,650
Balances at June 30, 2021	1,881,573,615	-	18,746,088,245	-	10,391,092,264	8,130,319	-	312,500	31,027,196,943

Converge Information and Communications Technology Solutions, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
For the three months ended June 30, 2021 and 2020
(All amounts in Philippine Peso)

	Six months ended June 30	
	2021	**2020**
Cash flows from operating activities		
Profit before income tax	4,221,901,988	1,797,340,935
Adjustments for:		
Depreciation and amortization	1,731,039,649	1,034,415,330
Provision for impairment of trade and other receivables	524,241,429	324,319,630
Amortization of deferred contract costs	748,017,842	316,428,356
Finance costs	263,572,764	347,302,254
Retirement benefit expense	11,646,255	4,209,868
Unrealized foreign exchange (gain) loss, net	(130,729,060)	(74,883,703)
Interest income	(31,915,486)	(26,480,914)
Share in net income of joint venture	(6,499,318)	
Loss (gain) on disposal of property, plant and equipment	19,192	33,254,626
Unrealized loss on FVTPL		40,615,039
Operating income before changes in assets and liabilities	7,331,295,255	3,796,521,421
(Increase) decrease in assets:		
Trade and other receivables, net	(1,169,533,566)	(840,242,009)
Due from related parties	225,679,926	(321,566,757)
Network materials and supplies	(1,525,045,641)	(1,643,082,570)
Deferred contract costs	(1,054,232,533)	(434,886,463)
Other current assets	(662,545,450)	(266,691,671)
Deferred input valued-added tax	(949,337,940)	(400,459,644)
Increase (decrease) in liabilities:		
Trade and other payables	3,257,753,368	2,577,151,520
Subscribers deposits	(362,842,231)	211,044,731
Due to related parties	95,833,759	(21,350,215)
Deferred revenue	209,229,538	108,333,241
Cash from operations	5,396,254,485	2,764,771,584
Interest received	30,804,065	20,831,184
Income taxes paid	(777,773,690)	(730,199,354)
Net cash from operating activities	4,649,284,860	2,055,403,414
Cash flows from investing activities		
Acquisitions of property plant, and equipment	(11,569,388,043)	(5,050,840,845)
Acquisitions of intangible assets	(260,817,070)	(143,938,024)
Acquisition of subsidiary		(104,510,000)
Acquisition of joint venture	(363,465,000)	
Net cash used in investing activities	(12,193,670,113)	(5,299,288,869)
Cash flows from financing activities		
Proceeds from issuance of convertible preferred shares		4,567,949,670
Payment of share issuance costs		(2,045,456)
Proceeds from loans payable	2,900,000,000	3,473,750,001
Payments of loans payable	(1,805,190,477)	(914,125,000)
Payment of dividends		(635,313,051)
Interest paid on loans payable	(241,454,071)	(275,922,702)
Payments on lease liabilities	(117,275,247)	(116,101,759)
Interest paid on lease liabilities	(60,509,335)	(58,801,050)
Net cash (used in) from financing activities	675,570,870	6,039,390,653
Net increase in cash and cash equivalent	(6,868,814,383)	2,795,505,198
Cash and cash equivalent, beginning	12,957,408,688	6,233,043,005
Effects of exchange rate changes in cash and cash equivalent	(18,495,049)	(46,482,003)
Cash and cash equivalent, ending	**6,070,099,256**	**8,982,066,200**

Converge Information and Communications Technology Solutions, Inc. and Subsidiaries

Aging of Trade Receivables

The following table shows the aging of our consolidated trade receivables as at June 30, 2021:

	Total	Current	0-30 days	31-60 days	61-90 days	More than 90 days
			(in millions)			
Residential	2,362	1,057	295	76	77	857
Corporate	1,680	235	179	138	89	1,039
Total trade receivables, gross	**4,042**	**1,292**	**474**	**214**	**166**	**1,896**
Less: Allowance for doubtful accounts	(1,412)					
Total trade receivables, net	2,630					
Other receivables	188					
Total trade and other receivables	**2,818**					