SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA
Mandaluyong City

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

1. For the quarterly period ended : **MARCH 31, 2018**

2. SEC Identification Number : **4409**

3. BIR Tax Identification Number : **000-313-401-000**

4. Exact name of issuer as specified in its charter : **2GO GROUP, INC.**

5. Province, country, or other jurisdiction of incorporation or organization : **PHILIPPINES**

6. Industry Classification Code: *(SEC Use Only)*

7. Address of issuer's principal office : **8TH FLOOR, TOWER 1, DOUBLEDRAGON PLAZA, MACAPAGAL BLVD. CORNER EDSA EXTENSION, PASAY CITY 1302**

8. Issuer's telephone number, including area code : **(02) 528-7171**

9. Former name, former address and former fiscal year, if changed since last report : **N/A**

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

TITLE OF EACH CLASS	NUMBER OF SHARES OF COMMON STOCK OUTSTANDING AND AMOUNT OF DEBT OUTSTANDING
Common shares	2,446,136,400
Total liabilities as of March 31, 2018	11,631,632,000

11. Are any or all of the securities listed on a Stock Exchange? : YES [**X**] NO [ ]

PHILIPPINE STOCK EXCHANGE
COMMON STOCK

12. (a) The Registrant 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.

(b) The Registrant has been subject to such filing requirements for the past ninety (90) days.

DOCUMENTS INCORPORATED BY REFERENCE

1. Quarterly Consolidated Financial Statements of 2GO Group, Inc. as of 31 March 2018, attached as Exhibit I and Referred to herein as the “Quarterly Financial Report.”

2. Management’s Discussion and Analysis of Financial Condition and Results of Operations, Attached as Exhibit II.

PART I
FINANCIAL INFORMATION

Item 1. Financial Statements.

Please refer to attached Exhibit I.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Please refer to attached Exhibit II.

PART II
OTHER INFORMATION

Information not previously reported and made in this report in lieu of report on SEC Form 17-C. - **NONE**

EXHIBIT I

QUARTERLY CONSOLIDATED FINANCIAL REPORT

MARCH 31, 2018

2GO Group, Inc. and Subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements
As of and for the Quarter Ended
March 31, 2018
(With Comparative Figures
For the Three Months Ended March 31, 2017 and
As of December 31, 2017)

COVER SHEET

SEC Registration Number

4	4	0	9							

COMPANY NAME

2GO GROUP, INC. AND
SUBSIDIARIES

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

8TH FLOOR, TOWER ONE DOUBLE DR
AGON PLAZA DD MERIDIAN PARK CO
RNER MACAPAGAL AVE EDSA EXTENS
ION, BAY AREA PASAY CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
N/A	(02) 554-8777	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,891	April 05	December 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
Atty. Elmer Serrano	elmer.serrano@mvgslaw.com	(02) 554-8777	N/A

CONTACT PERSON's ADDRESS

8th Floor, Tower 1, Double Dragon Plaza, DD Meridian Park corner Macapagal Avenue and Edsa Extension, Bay Area, Pasay City, Metro Manila

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.*

2GO GROUP, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

March 31, 2018

(With Comparative Figures as of December 31, 2017)

(Amounts in Thousands)

	Note	**March 31, 2018 (Unaudited)**	December 31, 2017 (Audited)
ASSETS			
Current Assets			
Cash and cash equivalents	*6*	**₱2,063,957**	₱2,095,850
Trade and other receivables, net	*7, 15, 18*	**3,640,991**	4,428,276
Inventories	*8*	**568,586**	555,697
Other current assets	*9*	**1,568,305**	1,530,462
Total Current Assets		**7,841,839**	8,610,285
Noncurrent Assets			
Property and equipment	*10, 15, 16*	**6,695,015**	7,096,852
Investments in associates and joint ventures	*11*	**278,160**	275,676
Deferred tax assets, net	*25*	**86,205**	82,700
Other noncurrent assets	*12*	**437,162**	441,596
Total Noncurrent Assets		**7,496,542**	7,896,824
TOTAL ASSETS		**₱15,338,381**	₱16,507,109
LIABILITIES AND EQUITY			
Current Liabilities			
Short-term notes payable	*13*	**₱3,011,550**	₱2,644,950
Trade and other payables	*14, 18*	**5,985,008**	6,506,865
Income tax payable		**21,900**	17,174
Current portion of:			
Long-term debt	*15*	**2,081,880**	3,121,315
Obligations under finance lease	*10, 16*	**94,184**	97,311
Total Current Liabilities		**11,194,522**	12,387,615
Noncurrent Liabilities			
Long-term debt - net of current portion	*15*	**-**	1,481
Obligations under finance lease - net of current portion	*10, 16*	**198,910**	218,430
Accrued retirement benefits	*24*	**272,117**	260,115
Other noncurrent liabilities		**6,083**	6,082
Total Noncurrent Liabilities		**477,110**	486,108
Total Liabilities		**₱11,671,632**	₱12,873,723

(Forward)

	Note	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Equity	*20*		
Share capital		**₱2,484,653**	₱2,484,653
Additional paid-in capital		**910,901**	910,901
Acquisition of non-controlling interest		**(3,243)**	(3,243)
Excess of cost of investments over net assets of a subsidiary		**(9,835)**	(9,835)
Other comprehensive losses – net		**(89,839)**	(89,839)
Retained earnings		**369,842**	327,638
Treasury shares		**(58,715)**	(58,715)
Equity Attributable to Equity Holders of the Parent Company		**3,603,764**	3,561,560
Non-controlling Interests		**62,985**	71,826
Total Equity		**3,666,749**	3,633,386
TOTAL LIABILITIES AND EQUITY		**₱15,338,381**	₱16,507,109

See Notes to the Unaudited Interim Condensed Consolidated Financial Statements.

2GO GROUP, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(With Comparative Figures for the Three Months Ended March 31, 2017)
(Amounts in Thousands, Except for Earnings Per Common Share)

		Three Months Ended March 31	
	Note	**2018 (Unaudited)**	2017 (Audited)
REVENUES	*5*		
Shipping	*18*	**₱1,906,353**	₱2,325,901
Nonshipping:			
Logistics and other services	*18*	**1,891,025**	1,597,344
Sale of goods		**1,572,271**	924,261
		5,369,649	4,847,506
COST OF SERVICES AND GOODS SOLD	*20*	**4,806,386**	4,195,667
GROSS PROFIT		**563,263**	651,839
GENERAL AND ADMINISTRATIVE EXPENSES	*21*	**435,194**	711,457
OPERATING INCOME (LOSS)		**128,069**	(59,618)
OTHER INCOME (CHARGES)			
Equity in net earnings of associates and joint ventures	*11*	**2,482**	5,743
Financing charges	*22*	**(87,597)**	(92,768)
Others – net	*22*	**28,716**	(29,187)
		(56,399)	(116,212)
INCOME (LOSS) BEFORE INCOME TAX		**71,670**	(175,830)
PROVISION FOR INCOME TAX	*25*		
Current		**33,695**	91,246
Deferred		**(2,935)**	(2,213)
		30,760	89,033
NET INCOME (LOSS)		**₱40,910**	(₱264,863)
Attributable to:			
Equity holders of the Parent Company		**₱42,204**	(₱265,846)
Non-controlling interests		**(1,294)**	983
		₱40,910	(₱264,863)
Basic/Diluted Earnings (Loss) Per Share	*26*	**₱0.0173**	(₱0.1087)

See Notes to the Unaudited Interim Condensed Consolidated Financial Statements.

2GO GROUP, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(With Comparative Figures for the Three Months Ended March 31, 2017)
(Amounts in Thousands)

		Three Months Ended March 31	
	Note	**2018 (Unaudited)**	2017 (Audited)
NET INCOME (LOSS)		**₱40,910**	(₱264,863)
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax			
Item that will be reclassified subsequently to profit or loss:			
Net changes in unrealized gain on AFS investments	*12*	–	–
Item that will not be reclassified subsequently to profit or loss:			
Remeasurement gains (losses) on net defined benefit liability	*24*	–	–
Income tax effect	*25*	–	–
		–	–
Share in remeasurement gains on retirement benefits of associates and joint ventures	*11*	–	–
		–	–
TOTAL COMPREHENSIVE INCOME (LOSS)		**₱40,910**	(₱264,863)
Attributable to:			
Equity holders of the Parent Company		**₱42,204**	(₱265,846)
Non-controlling interests		**(1,294)**	983
		₱40,910	(₱264,863)

See Notes to the Unaudited Interim Condensed Consolidated Financial Statements.

2GO GROUP, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(With Comparative Figures for the Three Months Ended March 31, 2017)
(Amounts in Thousands)

	Attributable to Equity Holders of the Parent Company													
					Other Comprehensive Income (Losses)									
	Share Capital (Note 20)	Additional Paid-in Capital	Acquisition of Non-controlling Interests	Excess of Cost of Investments Over Net Assets of a Subsidiary (Note 20)	Unrealized Gain on Available-for-sale Financial Assets (Note 13)	Share in Cumulative Translation Adjustment of Associates	Remeasurement Losses on Accrued Retirement Benefits - Net of tax (Note 26)	Share in Remeasurement Gains (Losses) on Accrued Retirement Benefits of Associates and Joint Ventures (Note 11)	Subtotal	Retained Earnings	Treasury Shares (Note 20)	Total	Non-controlling Interests	Total Equity
BALANCES AT DECEMBER 31, 2017	**₱2,484,653**	**₱910,901**	**(₱3,243)**	**(₱9,835)**	**₱657**	**₱5,294**	**(₱101,992)**	**₱6,202**	**(₱89,839)**	**₱327,638**	**(₱58,715)**	**₱3,561,560**	**₱71,826**	**₱3,633,386**
Noncontrolling interest of divested subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	**(7,547)**	**(7,547)**
Net income (loss) for the period	–	–	–	–	–	–	–	–	–	**42,204**	–	**42,204**	**(1,294)**	**40,910**
Other comprehensive income for the period	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total comprehensive income (loss) for the period	–	–	–	–	–	–	–	–	–	**42,204**	–	**42,204**	**(1,294)**	**40,910**
BALANCES AT MARCH 31, 2018 (Unaudited)	**₱2,484,653**	**₱910,901**	**(₱3,243)**	**(₱9,835)**	**₱657**	**₱5,294**	**(₱101,992)**	**₱6,202**	**(₱89,839)**	**₱369,842**	**(₱58,715)**	**₱3,603,764**	**₱62,985**	**₱3,666,749**
BALANCES AT DECEMBER 31, 2016	₱2,484,653	₱910,901	(₱3,243)	(₱9,835)	₱657	₱5,294	(₱115,440)	₱6,202	(₱103,287)	₱643,412	(₱58,715)	₱3,863,886	₱65,626	₱3,929,512
Net income (loss) for the period	–	–	–	–	–	–	–	–	–	(265,846)	–	(265,846)	983	(264,863)
Other comprehensive income for the period	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total comprehensive income (loss) for the period	–	–	–	–	–	–	–	–	–	(265,846)	–	(265,846)	983	(264,863)
BALANCES AT MARCH 31, 2017 (Audited)	₱2,484,653	₱910,901	(₱3,243)	(₱9,835)	₱657	₱5,294	(₱115,440)	₱6,202	(₱103,287)	₱377,566	(₱58,715)	₱3,598,040	₱66,609	₱3,664,649

See Notes to the Unaudited Interim Condensed Consolidated Financial Statements.

2GO GROUP, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(With Comparative Figures for the Three Months Ended March 31, 2017)
(Amounts in Thousands)

		Three Months Ended March 31	
	Note	**2018 (Unaudited)**	2017 (Audited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax		**₱71,670**	(₱175,830)
Adjustments for:			
Depreciation and amortization of property and equipment and software	*10, 12, 20, 21*	**464,788**	442,301
Financing charges	*22*	**87,597**	92,768
Provision for doubtful accounts, asset write-down, cargo losses and damages and inventory obsolescence, net of any reversal	*7, 8, 18*	**17,821**	279,826
Interest income	*22*	**(1,625)**	(2,191)
Equity in net earnings of associates and joint ventures	*11*	**(2,482)**	(5,743)
Loss (gain) on disposal and sale of property and equipment	*22*	**(3,551)**	370
Gain on divestment of a subsidiary	*22*	**(7,101)**	–
Unrealized foreign exchange losses		**174**	5,566
Retirement benefit cost	*24*	**16,630**	17,254
Operating cash flows before working capital changes		**643,921**	654,321
Decrease (increase) in:			
Trade and other receivables		**780,107**	(17,791)
Inventories		**(12,888)**	(210,729)
Other current assets		**19,773**	(140,935)
Increase (decrease) in trade and other payables and other noncurrent liabilities		**(367,718)**	50,070
Cash generated from operations		**1,063,195**	334,936
Contribution for retirement fund		**(4,282)**	(14,673)
Interest received		**(2,904)**	5,106
Income taxes paid, including creditable withholding taxes		**(87,157)**	(69,855)
Net cash flows provided by operating activities		**968,852**	255,514
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property and equipment	*10*	**(₱256,831)**	(₱540,774)
Software	*12*	**(564)**	(2,898)
Proceeds from:			
Sale/disposal of property and equipment	*10*	**4,903**	693
Divestment of a subsidiary		**15,000**	–
Decrease (increase) in other noncurrent assets		**741**	(80,995)
Net cash flows used in investing activities		**(236,751)**	(623,974)

(Forward)

	Note	Three Months Ended March 31 2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availments of:			
Short-term notes payable	*13*	**₱1,422,700**	₱1,863,230
Long-term debt	*15*	**–**	715,661
Payments of:			
Short-term notes payable	*13*	**(1,056,100)**	(1,626,466)
Long-term debt	*15*	**(1,040,915)**	(172,036)
Obligations under finance lease	*16*	**(10,247)**	(17,833)
Interest and financing charges	*22*	**(79,883)**	(90,616)
Net cash flows provided by (used in) financing activities		**(764,445)**	668,940
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**451**	408
NET INCREASE IN CASH AND CASH EQUIVALENTS		**(31,893)**	300,888
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		**2,095,850**	1,412,380
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	*6*	**₱2,063,957**	₱1,713,268

See Notes to the Unaudited Interim Condensed Consolidated Financial Statements

2GO GROUP, INC. AND SUBSIDIARIES
NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands, Except Number of Shares, Earnings per Share, Exchange Rate Data and When Otherwise Indicated)

1. Corporate Information and Approval of the Unaudited Interim Condensed Consolidated Financial statements

2GO Group, Inc. (2GO or the Company) was incorporated in the Philippines on May 26, 1949. Its corporate life was extended and will expire on May 25, 2045. The Company's registered office address is 15^{th} Floor, Times Plaza Building, United Nations Avenue corner Taft Avenue, Ermita, Manila, while its principal place of business is Pier 2 and Pier 4, North Harbor, Tondo, Manila. On January 18, 2018, the Board of Directors (BOD) approved the change in its principal office address to 8th Floor Tower 1, Double Dragon Plaza, DD Meridian Park corner Macapagal Avenue and EDSA Extension, Bay Area, Pasay City, Metro Manila. The change in principal office address and the corresponding amendment to the Company's Articles of Incorporation were approved by the Company's shareholders during the Annual Shareholders' Meeting held last April 5, 2018.

2GO and its subsidiaries (collectively referred to as the Group) provide shipping, logistics and distribution services to small and medium enterprises, large corporations, and government agencies throughout the Philippines. The shipping group operates ocean-going freighters, roll-on/roll-off freight and passenger vessels, and fast ferry passenger vessels. The logistics group offers transportation, warehousing and distribution, cold chain solutions, domestic and international ocean and air forwarding services, customs brokerage, project logistics, and express and last mile package and e-commerce delivery. The distribution group leverages 2GO's shipping and logistics services to provide value-added distribution services to principals and customers.

2GO's shares of stock are publicly traded in the Philippine Stock Exchange (PSE). As at March 31, 2018 and December 31, 2017, the Company is 88.3%-owned subsidiary of Negros Navigation Co., Inc. ("NN" or the "Parent Company"). NN is a 59.6%-owned subsidiary of KGLI-NM Holdings, Inc. (KGLI-NM). Its ultimate parent is Chelsea Logistics Holdings Corp (Chelsea). KGLI-NM and Chelsea are both incorporated and domiciled in the Philippines.

On February 23, 2018, the BOD approved the internal restructuring of the Group via merger of 2GO with its parent company, NN, with 2GO as the surviving entity. This will simplify the Group's corporate structure and is in line with the Group's efforts to streamline operations, reduce costs and increase shareholder value.

The accompanying unaudited interim condensed consolidated financial statements as at and for the quarter ended March 31, 2018, with comparative figures for the quarter ended March 31, 2017 and as at December 31, 2017, were approved and authorized for issue by the BOD on May 7, 2018.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

The unaudited interim condensed consolidated financial statements have been prepared on a historical cost basis, except for quoted available-for-sale (AFS) investments which are measured at fair value. The unaudited interim condensed consolidated financial statements are presented in Philippine peso (Peso), which is the Group's functional and presentation currency. All values are presented to the nearest thousands, except when otherwise indicated.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures that are normally required in presenting the annual audited financial statements and as such should be read in conjunction with the Group's available audited annual consolidated financial statements as at and for the year ended December 31, 2017.

Statement of Compliance

The unaudited interim condensed consolidated financial statements of the Group are prepared in accordance with PAS 34, *Interim Financial Reporting*.

Basis of Consolidation

The unaudited interim condensed consolidated financial statements include the accounts of 2GO and the subsidiaries listed below, all incorporated in the Philippines:

	Nature of Business	Percentage of Ownership
The Supercat Fast Ferry Corporation (SFFC)	Transporting passenger	**100.0**
Special Container and Value Added Services, Inc. (SCVASI)	Transportation/logistics	**100.0**
2GO Express, Inc. (2GO Express)	Transportation/logistics	**100.0**
2GO Logistics, Inc. (2GO Logistics)	Transportation/logistics	**100.0**
Scanasia Overseas, Inc. (SOI)	Sales of goods	**100.0**
Hapag-Lloyd Philippines, Inc. (HLP)	Transportation/logistics	**100.0**
WRR Trucking Corporation (WTC)	Transportation	**100.0**
2GO Rush Delivery, Inc. (RUSH)[3]	Transportation/logistics	**100.0**
NN-ATS Logistics Management and Holdings Co., Inc. (NALMHCI)	Holding and logistics management	**100.0**
J&A Services Corporation (JASC)	Vessel support services	**100.0**
Red.Dot Corporation (RDC)	Manpower services	**100.0**
Supersail Services, Inc. (SSI)	Manpower provider and vessel support services	**100.0**
Astir Engineering Works, Inc. (AEWI)	Engineering services	**100.0**
North Harbor Tugs Corporation (NHTC)	Tug assistance	**58.9**
Super Terminals, Inc. (STI)[2][4]	Passenger terminal operator	**50.0**
Sungold Forwarding Corporation (SFC)[5]	Transportation/logistics	**51.0**
WG&A Supercommerce, Incorporated (WSI)[1]	Vessels' hotel management	**100.0**

[1] *Ceased commercial operations in February 2006.*
[2] *Ceased commercial operations in 2017.*
[3] *Incorporated in December 2016 but has not yet started business operations.*
[4] *NALMHCI has control over STI since it has the power to cast the majority of votes at the BOD's meeting and the power to govern the financial and reporting policies of STI.*
[5] *Divested ownership in March 2018.*

The unaudited interim condensed consolidated financial statements are prepared using the uniform accounting policies for like transactions and other events in similar circumstances. All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognized in assets, liabilities and equities are eliminated in full on consolidation.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in the unaudited interim condensed consolidated financial statements, except for the changes in accounting policies explained below:

Adoption of New or Revised Accounting Standards, Amendments to Standards and Interpretation
The Group has adopted the following amendments to standards starting January 1, 2018. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Group's unaudited interim condensed consolidated financial statements:

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

- PFRS 9, *Financial Instruments*
  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, Financial Instruments: Recognition and Measurement, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The Group is assessing the potential impact on its consolidated financial statements resulting from the application of PFRS 9.

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*
  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

- PFRS 15, *Revenue from Contracts with Customers*
  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

Based on its initial assessment, the requirements of PFRS 15 on the following may have an impact on the Group's consolidated financial position, performance and disclosures:

- Identification of performance obligations, particularly on the loyalty programs offered by the Group
- Variable considerations such as volume rebates
- Significant financing component in relation to advance payments received from customers
- Accounting for extended warranties provided to customers
- Principal versus agent considerations on contracts where the Group agrees with its customers to acquire, on their behalf, special fire prevention equipment produced by foreign suppliers

In addition, as the presentation and disclosure requirements in PFRS 15 are more detailed than under current PFRSs, the Group is currently assessing what necessary changes it needs to make on its current systems, internal controls, policies and procedures to enable the Group to collect and disclose the required information.

The recognition and measurement requirements in PFRS 15 also apply to gains or losses on disposal of nonfinancial assets (such as items of property and equipment and intangible assets), when that disposal is not in the ordinary course of business. However, on transition, the effect of these changes is not expected to be material for the Group.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)
  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*
  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration* clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Standards Issued But Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2018. The Group has not applied the following new or amended standards in preparing these unaudited interim condensed consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Group's unaudited interim condensed consolidated financial statements.

The Group will adopt the following new or revised standards, amendments to standards and interpretations on the respective effective dates, as applicable:

Effective January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
  The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

- PFRS 16, *Leases* sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

  PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group is currently assessing the impact of adopting PFRS 16.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
  The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:
  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

  The Group is currently assessing the impact of adopting this interpretation.

Deferred effectivity

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

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

4. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the unaudited interim condensed consolidated financial statements in compliance with PFRSs requires management to make judgments, accounting estimates and assumptions that affect the amounts reported in the unaudited interim condensed consolidated financial statements and accompanying notes. These judgments, estimates and assumptions are based on management's evaluation of relevant facts and circumstances as at the date of the unaudited interim condensed consolidated financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the unaudited interim condensed consolidated financial statements:

Revenue Recognition

The Group's revenue arises from its shipping and non-shipping business. Revenue from shipping business comprised mainly of freight and passenger services while the revenue from non-shipping business comprised mainly of logistics and sale of goods. These revenue transactions are subject to risk of recognizing revenue in the improper period or inappropriate measurement due to numerous manual adjustments. Further, the sale of goods is also subject to risk of inappropriate or untimely capture of material revenue-related adjustments such as sales discounts, allowances, returns and bad goods. The Group considers these risks over revenue recognition and makes judgment in recognizing and determining appropriate amount of revenue and material revenue-related adjustments in the proper period.

Determining whether the Group is acting as principal or an agent

The Group assesses its revenue arrangements against the following criteria to determine whether it is acting as a principal or an agent:

- whether the Group has primary responsibility for providing the services;
- whether the Group has inventory risk;
- whether the Group has discretion in establishing prices; and
- whether the Group bears the credit risk.

If the Group has determined it is acting as a principal, the Group recognizes revenue on a gross basis with the amount remitted to the other party being accounted as part of costs and expenses. If the Group has determined it is acting as an agent, only the net amount retained is recognized as revenue.

The Group assessed its revenue arrangements and concluded that it is acting as principal in all arrangements.

Classification of Leases - the Group as a Lessee

The Group has entered into commercial property leases on its distribution warehouses, sales outlets, trucking facilities and administrative office locations. Management has determined that all the significant risks and benefits of ownership of these properties remain with the lessor and thus, accounts for these leases as operating leases.

The Group has also entered into finance lease agreements covering certain property and equipment. The Group has determined that it bears substantially all the risks and benefits incidental to ownership of said properties based on the terms of the contracts (such as existence of bargain purchase option and the present value of minimum lease payments amount to at least substantially all of the fair value of the leased asset). Refer to Note 16.

Classification of Leases - the Group as a Lessor
The Group has entered into short-term leases or chartering arrangements, which provide no transfer of ownership to the lessee. The Group has determined that, based on an evaluation of the terms and conditions of the arrangements, it retains all the significant risks and rewards of ownership of these equipment and accounts for these as operating leases.

Evaluation of Events after the Reporting Period
Management exercises judgment in determining whether an event, favorable or unfavorable, occurring between the end of reporting period and the date when the unaudited interim condensed consolidated financial statements are authorized for issue, is an adjusting event or nonadjusting event. Adjusting events provide evidence of conditions that existed at the end of the reporting period whereas nonadjusting events are events that are indicative of conditions that arose after the reporting period. Management evaluated that there are no significant adjusting or nonadjusting events after the reporting period.

Estimates and Assumptions
The following are the key assumptions concerning the future and other key sources of estimation uncertainty, at the end of reporting period that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Estimation of Allowance for Doubtful Receivables
The Group maintains allowances for doubtful accounts on trade and other receivables at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by the Group on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Group's relationship with debtors, their payment behavior and known market factors. The Group reviews the age and status of the receivables, and identifies accounts that are to be provided with allowance on a continuous basis. The amount and timing of recorded expenses for any period would differ if the Group made different judgment or utilized different estimates. An increase in the Group's allowance for impairment losses would increase the Group's recorded expenses and decrease current assets.

The main considerations for impairment assessment include whether any payments are overdue or if there are any known difficulties in the cash flows of the counterparties. The Group assesses impairment into two areas: individually assessed allowances and collectively assessed allowances.

The Group determines allowance for each significant receivable on an individual basis. Among the items that the Group considers in assessing impairment is the inability to collect from the counterparty based on the contractual terms of the receivables. Receivables included in the specific assessment are the accounts that have been endorsed to the legal department, nonmoving account receivables and accounts of defaulted agents.

For collective assessment, allowances are assessed for receivables that are not individually significant and for individually significant receivables where there is no objective evidence of individual impairment. Impairment losses are estimated by taking into consideration the aging profile of the receivables, historical loss rates and other factors that may affect collectability. Refer to Note 7.

Determination of NRV of Inventories
The Group's estimates of the NRV of inventories are based on the most reliable evidence available at the time the estimates are made, of the amount that the inventories are expected to be realized. These estimates consider the fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the reporting period. A new assessment is made of NRV in each subsequent period. When the circumstances that

previously caused inventories to be written down below cost no longer exist or when there is a clear evidence of an increase in NRV because of change in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV. In estimating the allowance for inventory obsolescence, the Group also considers the physical condition of inventory stocks and expiration dates of inventories. Management estimates the provisioning rates to be applied to the age brackets of expiring inventories based on the Group's historical expiration experience. Refer to Note 8.

Estimation of Probable Losses on CWTs and Input VAT
The Group makes an estimate of the provision for probable losses on its CWTs and input VAT. Management's assessment is based on historical experience and other developments that indicate that the carrying value may no longer be recoverable. As at March 31, 2017 and December 31, 2017, the Group assessed that the aggregate carrying values of CWTs, input VAT and deferred input VAT are fully recoverable. Refer to Notes 9 and 12.

Estimation of Useful Lives of Property and Equipment
The useful life of each of the Group's items of property and equipment is estimated based on the period over which the asset is expected to be available for use until it is derecognized. Such estimation is based on a collective assessment of similar businesses, internal technical evaluation and experience with similar assets. Specifically, in evaluating the useful lives of the vessels and related assets, management takes into account the intended life of the vessel fleet being operated, the estimate of the economic life from the date purchased or manufactured, development in the domestic shipping regulations, the fleet deployment plans including the timing of fleet replacements, the changes in technology, as well as the repairs and maintenance program, among others.

The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property and equipment would increase the recorded depreciation expenses and decrease the carrying value of property and equipment. Refer to Note 10.

Assessment of Impairment and Estimation of Recoverable Amount of Property and equipment and Investments in associates and joint ventures
The Group assesses at the end of each reporting period whether there is any indication that the nonfinancial assets listed below may be impaired. If such indication exists, the entity shall estimate the recoverable amount of the asset, which is the higher of an asset's fair value less costs to sell and its VIU. In determining fair value less costs to sell, an appropriate valuation model is used, which can be based on quoted prices or other available fair value indicators. In estimating the VIU, the Group is required to make an estimate of the expected future cash flows from the CGU and also to choose an appropriate discount rate in order to calculate the present value of those cash flows.

Determining the recoverable amounts of the nonfinancial assets, which involves the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the use of estimates and assumptions that can materially affect the unaudited interim condensed consolidated financial statements. Future events could indicate that these nonfinancial assets are impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations of the Group.

The preparation of estimated future cash flows involves significant judgment and estimations. While the Group believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect its assessment of recoverable values and may lead to future additional impairment charges under PFRSs.

Assets that are subject to impairment testing when impairment indicators are present (such as obsolescence, physical damage, significant changes to the manner in which the asset is used, worse than expected economic performance, a drop in revenues or other external indicators) are as follows:

	Note	**March 31, 2018 (Unaudited)**	December 31, 2017 (Audited)
		(In Thousands)	
Property and equipment	*10*	**₱6,695,015**	₱7,096,852
Investments in associates and joint ventures	*11*	**278,160**	275,676

As at March 31, 2018, and December 31, 2017, management evaluated the recoverable amount of the property and equipment based on its value in use. No impairment loss was recognized on the Group's property and equipment as the recoverable amount of the assets are higher than their carrying values.

Management determined that there are no impairment indicators on its investments in associates and joint ventures since the associates and joint ventures have profitable operations.

Impairment of Goodwill
The Group determines whether goodwill is impaired on an annual basis. This requires an estimation of the VIU of the CGUs to which the goodwill is allocated. Estimating the VIU requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Estimation of Retirement Benefits Costs and Obligation
The determination of the obligation and cost for pension and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions were described in Note 25 and include, among others, discount rate and future salary increase. While it is believed that the Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's pension and other retirement obligations.

The discount is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled. Refer to Note 24.

Recognition of Deferred Tax Assets
The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences and carryforward benefits of excess MCIT and NOLCO is based on the projected taxable income in future periods. Based on the projection, not all deductible temporary differences and carryforward benefits of excess MCIT and NOLCO will be realized. Consequently, only a portion of the Group's deferred tax assets was recognized. Refer to Note 25.

Estimation of Provisions for Contingencies
The Group is involved in certain legal and administrative proceedings arising from the ordinary course of business. Provisions are reviewed at each reporting date and are adjusted to reflect the

current best estimates. These estimates are based on consultations with independent outside parties, historical experience and other available data. The Group does not believe that these proceedings will have a material adverse effect on its financial position and performance. It is possible, however, that significant differences in actual experience or assumption may materially affect the recorded provision. The inherent uncertainty over the outcome of these legal proceedings and other claims is brought about by the difference in the interpretation and implementation of the relevant laws and regulations. Refer to Note 17.

5. Operating Segment Information

The Group has identified two reportable operating segments as follows:

- The shipping segment provides ocean-going transportation of passengers, rolling cargo, and freight cargo.
- The nonshipping segment provides logistics, sale of goods, supply chain management and other services.

The BOD monitors the operating results of its two operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with the operating profit or loss in the unaudited interim condensed consolidated financial statements.

Segment revenue includes revenue from services between operating segments. Such revenue and related costs are fully eliminated in the consolidation. Further, there were no revenue transactions with a single customer that accounts for 10.0% or more of total revenues.

Revenues, expenses, results of operations, assets, liabilities and other information about the business segments are as follows:

	For the Three Months Ended March 31, 2018 (Unaudited)			
	Shipping	Non Shipping	Eliminations/ Adjustments	Consolidated Balance
	(In Thousands)			
External customers	₱1,906,353	₱3,463,296	₱-	₱5,369,649
Intersegment revenue	194,654	203,779	(398,433)	-
Revenues	**₱2,101,007**	**₱3,667,075**	**(₱398,433)**	**₱5,369,649**
Income (loss) before income tax	(₱14,152)	₱96,865	(₱11,043)	₱71,670
Provision for income tax	(4,511)	(26,249)	-	(30,760)
Segment Profit (Loss)	**(₱18,663)**	**₱70,616**	**(₱11,043)**	**₱40,910**
Other Information:				
Capital expenditures	₱251,643	₱34,914	₱–	₱286,557
Depreciation and amortization	419,668	45,120	–	464,788
Provision for doubtful accounts - net	–	11,707	–	11,707
Cargo losses and damages	1,017	7,718	–	8,735
Dividend income	–	(5,000)	5,000	–
Equity in net earnings (losses) of associates and joint ventures	(4,242)	6,724	–	2,482

	As of March 31, 2018 (Unaudited)			
	Shipping	Non Shipping	Eliminations/ Adjustments	Consolidated Balance
	(In Thousands)			
Segment Assets	**₱11,760,298**	**₱7,582,810**	**(₱4,004,727)**	**₱15,338,381**
Segment Liabilities	**₱7,139,722**	**₱7,542,576**	**(₱3,010,666)**	**₱11,671,632**

	For the Three Months Ended March 31, 2017 (Audited)			
	Shipping	Non Shipping	Eliminations/ Adjustments	Consolidated Balance
		(In Thousands)		
External customers	₱2,336,033	₱2,511,473	₱–	₱4,847,506
Intersegment revenue	368,035	262,640	(630,675)	–
Revenues	₱2,704,068	₱2,774,113	(₱630,675)	₱4,847,506
Income (loss) before income tax	₱188,776	(₱366,136)	₱1,530	(₱175,830)
Provision for income tax	(65,982)	(23,051)	–	(89,033)
Segment Profit (Loss)	₱122,794	(₱389,187)	₱1,530	(₱264,863)
Other Information:				
Capital expenditures	₱557,800	₱140,494	₱–	₱698,294
Depreciation and amortization	403,008	39,292	–	442,300
Provision for doubtful accounts - net	21,665	221,129	6,241	249,035
Provision for cargo losses and inventory write-down	8,188	54,514	398	63,100
Dividend income	–	–	–	–
Equity in net losses of associates and joint ventures	4,152	1,591	–	5,743

	As of December 31, 2017 (Audited)			
	Shipping	Non Shipping	Eliminations/ Adjustments	Consolidated Balance
		(In Thousands)		
Segment Assets	₱13,655,184	₱8,089,480	(₱5,237,555)	₱16,507,109
Segment Liabilities	₱9,170,188	₱8,162,782	(₱4,459,247)	₱12,873,723

6. Cash and Cash Equivalents

This account consists of:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
	(In Thousands)	
Cash on hand and in banks	**₱1,952,423**	₱1,907,953
Cash equivalents	**111,534**	187,897
	₱2,063,957	₱2,095,850

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are placements for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at prevailing market rates.

7. Trade and Other Receivables

This account consists of:

		March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
		(In Thousands)	
Trade	*18*	**₱3,715,653**	₱4,213,384
Nontrade	*18*	**1,080,777**	1,291,980
Due from related parties	*18*	**184,840**	217,180
Advances to officers and employees		**30,165**	49,626
		5,011,435	5,772,170
Less allowance for doubtful receivables		**1,370,444**	1,343,894
		₱3,640,991	₱4,428,276

a. Trade receivables are noninterest-bearing and are generally on 30 to 60 days terms. Freight receivables of the Group amounting to ₱601.5 million as at December 31, 2017 have been assigned to secure one of its long-term debts (see Note 15).

b. Nontrade receivables include advances to principals, suppliers and contractors, passage bonds, receivable from trustee fund and insurance from other claims. These receivables are noninterest-bearing and collectible on demand.

The following tables set out the rollforward of the allowance for doubtful receivables as of March 31, 2018 and December 31, 2017:

		March 31, 2018 (Unaudited)		
	Note	**Trade**	**Nontrade**	**Total**
		(In Thousands)		
Beginning		**₱863,051**	**₱541,791**	**₱1,404,842**
Provision	*21*	**5,493**	**6,214**	**11,707**
Write off		**(45,730)**	**-**	**(45,730)**
Adjustments		**(173)**	**(202)**	**(375)**
Ending		**₱822,641**	**₱5547,803**	**₱1,370,444**

		December 31, 2017 (Audited)		
	Note	Trade	Nontrade	Total
		(In Thousands)		
Beginning		₱758,340	₱446,554	₱1,204,894
Provision		180,073	127,525	307,598
Reversal		(11,263)	(1,887)	(13,150)
Write-off		(145,034)	(8,380)	(153,414)
Adjustments		19,987	(22,021)	(2,034)
Ending		₱802,103	₱541,791	₱1,343,894

The Group has not provided allowance for doubtful accounts on amounts due from related parties and advances to officers and employees as of March 31, 2018 and December 31, 2017.

8. Inventories

This account consists of:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
	(In Thousands)	
Trading goods	**₱436,371**	₱428,010
Fuel, oil and lubricants	**113,686**	95,467
Materials, parts and supplies	**18,529**	32,220
	₱568,586	₱555,697

The allowance for inventory obsolescence as at March 31, 2018 and December 31, 2017 amounted to ₱36.4 million and ₱41.8 million, respectively.

9. Other Current Assets

This account consists of:

	Note	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
		(In Thousands)	
CWTs		**₱1,109,673**	₱1,052,055
Prepaid expenses and others		**126,868**	145,797
Input VAT		**101,395**	102,297
Refundable deposits - current portion	*12*	**77,633**	77,577
Restricted time deposits		**152,736**	152,736
		₱1,568,305	₱1,530,462

a. CWTs represents creditable tax certificates which can be applied against any related income tax liability of a company in the Group to which the CWTs relate.

b. Prepaid expenses and others include prepaid rent, insurance and taxes, and advances to a supplier.

c. Restricted time deposit pertains to the time deposit collateralized by the Parent Company for the OLSA (see Note 15).

10. Property and Equipment

	March 31, 2018 (Unaudited)										
	Vessels in Operations	Containers and Reefer Vans	Terminal and Handling Equipment	Furniture and Other Equipment	Land Improvements	Buildings and Warehouses	Transportation Equipment	Spare parts and Service Equipment	Leasehold Improvements	Construction-In-Progress	Total
						(In Thousands)					
Cost											
January 1, 2018	₱11,015,321	₱2,033,474	₱1,303,737	₱772,800	₱489,864	₱138,878	₱687,878	₱443,034	₱663,982	₱71,207	₱17,620,175
Additions	165,396	-	1,667	13,044	1,796	1,918	997	1,343	96,117	4,279	286,557
Disposals/retirements	(14)	(54,667)	(50)	(4,840)	-	-	(822)	-	(2,856)	(180)	(63,429)
Reclassifications/adjustments	(173,945)	(5)	(508)	(56)	-	(4)	-	-	(16,447)	(35,935)	(226,900)
March 31, 2018	11,006,758	1,978,802	1,304,846	780,948	491,660	140,792	688,053	444,377	740,796	39,371	17,616,403
Accumulated Depreciation and Amortization											
January 1, 2018	5,895,413	1,412,472	1,034,052	685,902	152,823	95,110	569,147	112,131	566,272	-	10,523,322
Depreciation and amortization	398,675	17,465	8,631	12,389	2,313	1,042	9,917	3,629	7,215	-	461,276
Disposals/retirements	(462)	(54,601)	(50)	(4,234)	-	-	(822)	-	(3,041)	-	(63,210)
Reclassifications/adjustments	-	-	-	-	-	-	-	-	-	-	-
March 31, 2018	6,293,626	1,375,336	1,042,633	694,057	155,136	96,152	578,242	115,760	570,446	-	10,921,388
Net carrying amounts	₱4,713,132	₱603,466	₱262,213	₱86,891	₱336,524	₱44,640	₱109,811	₱328,617	₱170,350	₱39,371	₱6,695,015

	December 31, 2017 (Audited)										
	Vessels in Operations	Containers and Reefer Vans	Terminal and Handling Equipment	Furniture and Other Equipment	Land Improvements	Buildings and Warehouses	Transportation Equipment	Spare parts and Service Equipment	Leasehold Improvements	Construction-In-Progress	Total
						(In Thousands)					
Cost											
January 1, 2017	₱9,205,969	₱1,941,480	₱1,155,577	₱759,927	₱455,361	₱139,127	₱626,098	₱422,195	₱617,187	₱731,440	₱16,054,361
Additions	1,053,294	163,005	103,038	52,888	34,909	1,987	86,816	48,370	31,657	298,190	1,874,154
Disposals/retirements	(214,633)	(13,481)	(388)	(30,331)	–	(305)	(8,780)	(1,574)	(7,115)	–	(276,607)
Reclassifications/adjustments	970,690	(57,530)	45,510	(9,684)	(406)	(1,931)	(16,256)	(25,957)	22,253	(958,423)	(31,734)
December 31, 2017	11,015,320	2,033,474	1,303,737	772,800	489,864	138,878	687,878	443,034	663,982	71,207	17,620,174
Accumulated Depreciation and Amortization											
January 1, 2017	4,522,633	1,315,946	993,821	660,809	143,394	90,496	532,886	86,931	488,046	–	8,834,962
Depreciation and amortization	1,535,245	69,283	41,121	53,103	9,442	4,834	43,657	32,263	78,620	–	1,867,568
Disposals/retirements	(162,525)	(13,480)	(107)	(28,338)	–	(220)	(7,504)	(394)	(7,115)	–	(219,683)
Reclassifications/adjustments	60	40,723	(783)	328	(13)	–	108	(6,669)	6,721	–	40,475
December 31, 2017	5,895,413	1,412,472	1,034,052	685,902	152,823	95,110	569,147	112,131	566,272	–	10,523,322
Net carrying amounts	₱5,119,907	₱621,002	₱269,685	₱86,898	₱337,041	₱43,768	₱118,731	₱330,903	₱97,710	₱71,207	₱7,096,852

Noncash Additions - Property and Equipment under Finance Lease
Containers, reefer vans, isotanks, cargo handling equipment and transportation equipment include units acquired under finance lease arrangements (see Note 16).

Noncash additions include costs of leased assets as of March 31, 2018 and 2017 amounting to nil and ₱21.5 million, respectively.

Unpaid acquisition costs of property and equipment amounted to ₱48.4 million and ₱74.8 million as of March 31, 2018 and December 31, 2017, respectively.

Residual Value of Vessels
The Group reviews the residual value of the vessels periodically to ensure that the amount is consistent with the future economic benefits embodied in these vessels at the point of disposal. The residual value for vessels is based on the lightweight and the market price of scrap metals.

Management determined that the changes in the market scrap rates of metals during the period did not result to changes in the residual value of vessels.

Vessels under Construction
In 2016, the Group contracted Austal Philippines Pty Ltd. for the construction of two (2) passenger ferries, M/V St. Camael and M/V St. Sariel. Both passenger ferries were completed and entered in service during 3rd Quarter of 2017. The Group incurred construction cost of ₱272.6 million for the year ended December 31, 2017. Included in this amount are capitalized borrowing costs related to the loans payable amounting to ₱3.6 million for the year ended December 31, 2017, calculated using the interest rate of 6.5% (see Note 15).

Capitalization of Drydocking Costs
Vessels in operations also include capitalized drydocking costs incurred amounting to ₱151.6 million and ₱133.4 million for the three months ended March 31, 2018 and 2017, respectively. The related depreciable life of drydocking costs ranges from two years to two-and-a-half years.

Sale and Disposal of Property and Equipment
The Group disposed certain property and equipment for net cash proceeds of ₱4.9 million and ₱0.7 million for the three months ended March 31, 2018 and 2017, respectively.

Property and Equipment Held as Collateral
The Group's vessels in operations with total carrying value of ₱2,994.9 million and ₱3,279.9 million are mortgaged to secure certain obligations as at March 31, 2018 and December 31, 2017, respectively (see Note 15). Containers and other equipment held as collateral for finance leases as at March 31, 2018 and December 31, 2017 amounted to ₱348.7 million and ₱390.8 million, respectively (see Note 16).

11. Investments in Associates and Joint Ventures

Details of investments in associates and joint ventures are as follows:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
	(In Thousands)	
Acquisition – cost	**₱28,175**	₱28,175
Accumulated equity in net earnings:		
Balances at beginning of year	**236,005**	242,975
Equity in net earnings (losses) during the year	**2,482**	(6,970)
Balances at end of year	**238,487**	236,005
Share in remeasurement gain on retirement benefits of associates and joint ventures	**6,204**	6,202
Share in cumulative translation adjustment of associates	**5,294**	5,294
	₱278,160	₱275,676

12. Other Noncurrent Assets

This account consists of:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
	(In Thousands)	
Deferred input VAT	**₱213,973**	₱243,309
Refundable deposits - net of current portion	**107,508**	107,036
Software	**42,187**	45,134
Investment property	**9,763**	9,763
Available-for-sale (AFS) financial assets	**2,666**	3,411
Others	**61,065**	32,943
	₱437,162	₱441,596

a. Deferred input VAT relates primarily to the major capital expenditures and drydocking of vessels.

b. Refundable deposits consist of amounts paid for rental deposits which can be applied as rental payment at the end of the lease term or can be collected in cash upon termination of the lease.

c. Additions to software amounted to ₱0.6 million and ₱2.9 million for the three months ended March 31, 2018 and 2017, respectively.

d. The Group's investment property as at March 31, 2018 and December 31, 2017 amounting to ₱9.8 million pertains to a parcel of land not currently being used in operations. The fair value of the investment property based on the latest appraisal report dated February 16, 2015 amounted to
₱59.8 million. This was determined based on the valuation performed by independent appraisers using the Market Data Approach.

The Group assessed that the fair value determination for the investment property was Level 3 since significant unobservable inputs were used in the valuation. Significant changes to the estimated price per square meter in isolation would result in a significantly higher or lower fair value. Management assessed that there was no significant changes on the fair value of investment property as at March 31, 2018.

For the three months ended March 31, 2018 and 2017, there were no income and expenses arising from the Group's investment property.

e. AFS financial assets consist of unquoted and quoted equity investments. The unquoted shares of stocks amounted to ₱2.6 million as of December 31, 2017.

   Meanwhile, the quoted equity investments of the Group are listed shares of stocks that are carried at market value. The recurring fair value is classified under Level 1. Unrealized gains or losses on AFS financial assets are recognized in other comprehensive income and included in the equity amounting to ₱0.7 million as at March 31, 2018 and December 31, 2017.

f. Others include advances for future investment amounting to ₱50.0 million and ₱25.0 million as of March 31, 2018 and December 31, 2017, respectively.

13. Short-term Notes Payable

As at March 31, 2018 and December 31, 2017, notes payable amounting to ₱3,011.6 million and ₱2,645.0 million, respectively, represent unsecured short-term peso-denominated notes payable obtained by the Group from local banks with annual interest rates ranging from 4.25% to 4.50%.

Total interest expense incurred by the Group for the short-term notes payable amounted to ₱29.8 million and ₱33.2 million for the three months ended March 31, 2018 and 2017, respectively (see Note 22).

14. Trade and Other Payables

This account consists of:

	Note	**March 31, 2018 (Unaudited)**	December 31, 2017 (Audited)
		(In Thousands)	
Trade:			
Third parties		**₱2,185,692**	₱2,369,395
Related parties	*18*	**493,289**	388,927
Nontrade - Third parties		**492,784**	872,653
Accrued expenses:			
Third parties		**770,036**	1,756,201
Related parties	*18*	**1,041,144**	460,728
Due to related parties	*18*	**775,741**	457,821
Other payables		**225,322**	201,140
		₱5,985,008	₱6,506,865

a. Trade and other payables are noninterest-bearing and normally have 30 to 45 days terms. Trade payables from related parties are payable on demand.

b. Nontrade payables consists of customers' deposits, advances from principals and contractors, payables due to government agencies and others.

c. Details of accrued expenses are as follows:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
	(In Thousands)	
Outside services	**₱309,863**	₱163,009
Salaries and wages	**272,915**	223,881
Fuel and lube	**252,735**	181,061
Repairs and maintenance	**209,473**	293,139
Rent	**140,568**	247,003
Freight and handling	**135,900**	387,571
Co-loading	**129,175**	44,790
Insurance	**99,952**	99,446
Taxes and licenses	**46,040**	75,035
Food and subsistence	**40,017**	-
Communication, light and water	**30,785**	78,825
Vessel lease	**23,000**	-
Advertising and promotions	**16,716**	40,788
Interest	**12,840**	37,999
Pick-up and delivery	**10,292**	163,880
Commission	**9,734**	-
Pilotage and berthing	**8,709**	11,929
Others	**62,466**	168,573
	₱1,811,180	₱2,216,929

d. Other payables include unearned revenue from ticket sales and provision for cargo losses and damages, and provision for contingencies.

Unearned revenue consists of ticket sales that are not yet used by the passengers and are not yet expired. Tickets expire after a year from the date of scheduled boarding.

Provision for cargo losses and damages refers to the cost of claims for breakages, cargo losses, cargo short weight or passenger claims which are not covered by insurance. Provisions recognized amounted to ₱6.1 million and ₱30.8 million for the three months ended March 31, 2018 and 2017, respectively. The actual claims amounted to ₱2.6 million and ₱32.1 million for the three months ended March 31, 2018 and 2017, respectively (see Note 20).

Provision for contingencies amounted to ₱47.0 million as of March 31, 2018 and December 31, 2017, respectively (see Note 17).

15. Long-term Debt

Long-term debt consists of:

	Note	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
		(In Thousands)	
Banco de Oro Unibank, Inc. (BDO)	*18*	**₱1,271,884**	₱2,293,161
United Coconut Planters Bank (UCPB)		**428,571**	446,429
Development Bank of the Philippines (DBP)		**370,000**	370,000
AUB Bank		**12,000**	13,903
RCBC Savings Bank		**-**	2,472
Unamortized debt arrangement fees		**(575)**	(3,169)
		2,081,880	3,122,796
Current portion		**(2,081,880)**	(3,121,315)
Noncurrent portion		**₱-**	₱1,481

BDO

BDO Omnibus Loan and Security Agreement

On June 11, 2013, the Company (as Borrower and Assignor), BDO (as Lender), NN, SOI, 2GO Express, 2GO Logistics (as Sureties and Assignors), and SFFC (as Assignor), executed an Omnibus Loan and Security Agreement ("OLSA"). Under the OLSA, the Company availed of a ₱3.6 billion term loan (i) to refinance the Company's existing loans and (ii) to fund various capital expenditures such as drydocking and major repairs of vessels, capital expenditures related to the supply chain business, and other general corporate requirements. Interest is fixed for fifty percent (50.0%) of the principal amount, while the remaining fifty percent (50.0%) has a quarterly floating annual interest rate, provided, such floating interest rate shall have a minimum of 5.0% per annum. The principal of the term loan is subject to thirteen (13) quarterly amortizations which commenced in June 2015 through June 2018.

The OLSA is secured by vessels, real properties, and accounts receivables. As at March 31, 2018 and December 31, 2017, the Company, NN and SFFC collateralized their vessels under Mortgage Trust Indenture (MTI) with carrying values amounting to ₱2,994.9 million and ₱3,279.9 million; and certain outstanding customers receivables amounting to nil and ₱601.5 million, respectively (see Notes 7 and 10).

In accordance with the Omnibus Loan, the Group is required to maintain the following financial ratios based on NN consolidated financial statements at each testing date: minimum current ratio of 1.0 times; maximum debt-to-equity ratio of 2.2 times; and, minimum DSCR of 2.0 times. Testing date means: (i) with respect to the December 31 consolidated audited financial statements of NN, April 30 of the succeeding year and (ii) with respect to the June 30 consolidated unaudited financial statements of NN, September 30 of the same year.

UCPB

On March 14, 2017, the Company availed of a ₱500.0 million term loan from UCPB payable in 28 quarterly amortizations through March 14, 2024. Interest is fixed at 7.03% in the first year. The succeeding interest rates shall be based on the prevailing market rate of 5-year PDST-R2 plus 2.5%, subject to review and repricing at the option of UCPB. The loan is guaranteed by NN through a continuing suretyship agreement with UCPB.

In accordance with the UCPB term loan agreement, the Company is required to maintain a debt service coverage ratio of at least 1.5:1 and debt to equity ratio not exceeding 2.2:1 based on the latest audited annual consolidated financial statements of the Company.

DBP

On May 20, 2016, SFFC obtained a long-term loan facility from DBP of ₱370 million at 6.5% interest payable up to 15 years to finance the construction of the two (2) vessels (see Note 10).

In accordance with the loan agreement, SFFC is required to maintain debt-to-equity ratio of 2.3:1 and maintain debt service coverage ratio of 2:1 at each testing date. Should SFFC fail to meet the required financial ratios, the parties should use the consolidated financial statements of the Group as the basis for determining the said ratios.

Borrowing Costs and Debt Transaction Costs

Interests from long-term borrowings of the Group recognized as expense totaled ₱45.7 million and ₱47.9 million for the three months ended March 31, 2018 and 2017, respectively (see Note 22).

Amortization of debt transaction costs included under interest and financing charges totaled ₱2.6 million and ₱1.3 million for the three months ended March 31, 2018 and 2017, respectively (see Note 22).

Compliance with debt covenants

The Group did not meet the minimum current ratio as of December 31, 2017 required under the Group's long-term loan agreements. Accordingly, the Group reclassified the noncurrent portion of its long-term debts that are subject to such covenants or has cross-default provision in the loan agreements, from noncurrent liabilities to current liabilities amounting to ₱370.0 million and ₱731.3 million as of March 31, 2018 and December 31, 2017, respectively. However, the Group has not received a notice of default from its creditors and continues to pay long-term loans based on original credit terms.

16. Obligations Under Finance Lease

The Group has various finance lease arrangements with third parties for the lease of containers, reefer vans, isotanks, cargo handling equipment and transportation equipment. The lease agreements provide for a purchase option to the Company, 2GO Express and SCVASI at the end of the lease term, which among other considerations met the criteria for a finance lease. Therefore, the leased assets were capitalized. The lease agreements do not include restrictions, contingent rentals and escalation clauses.

The future minimum lease payments on the obligations under finance lease together with the present value of the net minimum lease payments are as follows:

	Future Minimum Lease Payment		Interest		Present Value of Minimum Lease Payments	
	March 31, 2018	December 31, 2017	**March 31, 2018**	December 31, 2017	**March 31, 2018**	December 31, 2017
			(In Thousands)			
Less than one year	**₱106,357**	₱111,166	**₱12,173**	₱13,855	**₱94,184**	₱97,311
Between one and five years	**212,099**	233,674	**13,189**	15,244	**198,910**	218,430
	₱318,456	₱344,840	**₱25,362**	₱29,099	**₱293,094**	₱315,741

The net carrying values of the above equipment held by the Group under finance leases under various property and equipment accounts in Note 10 to the unaudited interim condensed consolidated financial statements are summarized as follows.

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
	(In Thousands)	
Cost	**₱601,129**	₱630,091
Less accumulated depreciation	**252,380**	239,338
Net book value	**₱348,749**	₱390,753

The interest expense recognized related to these leases amounted to ₱4.2 million and ₱4.1 million for the three months ended March 31, 2018 and 2017, respectively (see Note 22).

17. Provisions and Contingencies

There are certain legal cases filed against the Group in the normal course of business. Management and its legal counsel believe that the Group has substantial legal and factual bases for its position and are of the opinion that losses arising from these cases, if any, will not have a material adverse impact on the interim condensed consolidated financial statements.

The Group recognized provision for probable losses arising from these legal cases amounting to ₱ 47.0 million as of March 31, 2018 and December 31, 2017 (see Note 15).

18. Related Parties

In the normal course of business, the Group has transacted with the following related parties:

Relationship	Name
Parent Company	Negros Navigation Co., Inc. (NN)
Subsidiaries of the Parent Company	Negrense Marine Integrated Services, Inc. (NMISI)
	Brisk Nautilus Dock Integrated Services, Inc. (BNDISI)
	Sea Merchants Inc. (SMI)
	Bluemarine Inc. (BMI)
Subsidiaries	2GO Express, Inc. (2GO Express)
	2GO Logistics, Inc. (2GO Logistics)
	Scanasia Overseas, Inc. (SOI)
	Hapag-Lloyd Philippines, Inc. (HLP)
	WRR Trucking Corporation (WTC)
	Special Container and Value Added Services, Inc. (SCVASI)
	The Supercat Fast Ferry Corporation (SFFC)
	2GO Rush, Inc. (Rush)
	NN-ATS Logistics Management and Holdings Corporation, Inc. (NALMHCI)
	Super Terminals, Inc. (STI)
	J&A Services Corporation (JASC)
	Red.Dot Corporation (RDC)
	North Harbor Tugs Corporation (NHTC)
	Supersail Corporation (SSI)
	Astir Engineering Works, Inc. (AEWI)
	United South Dockhandlers, Inc. (USDI)
	WG & A Supercommerce, Inc. (WSI)
Associates	MCC Transport Philippines, Inc. (MCCP)
	Hansa Meyer Projects (Phils.), Inc. (HMPPI)
Joint Ventures	KLN Logistics Holdings Philippines, Inc. (KLN)
	Kerry Logistics (Phils.), Inc. (KLI)
Stockholders of the Parent Company	Chelsea Logistics Holdings Corporation
Other Affiliated Companies	Chelsea Marine Power Resources, Inc.

Relationship	Name
	Phoenix Petroleum Philippines, Inc. Supervalue, Inc. BDO Unibank, Inc.

The following are the revenue and income (costs and expenses) included in the unaudited interim consolidated statement of profit or loss with related parties which are not eliminated:

	Nature	**March 31, 2018 (Unaudited)**	March 31, 2017 (Audited)
		(In Thousands)	
Parent Company	Vessel leasing	**(₱56,000))**	(₱138,000)
	Other overhead expense	**(50,892)**	(129,206)
	Freight income	**4,642**	14,623
Associates	Service fees	**–**	9,473
Entities under Common Control	Other revenue	**12,000**	2,147
	Outside services	**(56,241)**	(108,702)
	Steward supplies	**(42,561)**	(29,975)
	Repairs and maintenance	**(7,519)**	(70,134)
	Food and subsistence	**(12)**	(15,255)
	Transportation and delivery	**(669)**	(17,709)
Key Management Personnel	Short-term employee benefits	**(36,939)**	(62,040)
	Post-employment benefits	**(5,356)**	(15,394)
Stockholders of the Parent Company	Co-loading	**(68,353)**	–
Other Affiliated Companies	Fuel and lubricant	**(586,207)**	–
	Food and beverage	**(33,088)**	–
	Rent	**(2,471)**	–
	Outside services	**(2,492)**	–

The unaudited interim consolidated statements of financial position include the following amounts with respect to the balances with related parties:

	Financial Statement Account	Terms and Conditions	**March 31, 2018 (Unaudited)**	December 31, 2017 (Audited)
			(In Thousands)	
Parent Company	Due from related parties	On demand; noninterest-bearing; no impairment	**₱3,974**	₱13,263
	Trade payables	30 to 60 days; noninterest-bearing	**(176,749)**	(239,915)
	Accrued expenses	30 to 60 days; noninterest-bearing	**(223,363)**	(197,645)
	Due to related parties	30 to 60 days; noninterest-bearing	**(775,741)**	(457,751)
Associate	Due from related parties	On demand; noninterest-bearing	**157,777**	179,965
	Trade payables	30 to 60 days; noninterest-bearing	**(51)**	(8,314)
	Accrued expenses	30 to 60 days; noninterest-bearing	**(26)**	(63,974)
Entities under Common Control	Due from related parties	On demand; noninterest-bearing	**23,089**	23,952
	Trade payables	30 to 60 days; noninterest-bearing	**(78,129)**	(140,698)
	Accrued expenses	30 to 60 days; noninterest-bearing	**(78,304)**	(199,109)
	Due to related parties	30 to 60 days; noninterest-bearing	**–**	(70)
Other Affiliated Company	Long-term debt	Based on OLSA (see Note 15)	**(1,271,884)**	(2,293,161)
	Cash in bank	On demand	**1,350,845**	1,247,214
	Trade payables	30 to 60 days; noninterest-bearing	**(238,360)**	(42,192)

Financial Statement Account	Terms and Conditions	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
		(In Thousands)	
Accrued expenses	30 to 60 days; noninterest-bearing	**(739,451)**	(50,874)

The outstanding related party balances are unsecured and settlement is expected to be in cash, unless otherwise indicated. The Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken at each reporting period through examining the financial position of the related parties and the market in which these related parties operate.

Other terms and conditions related to the above related party balances and transactions are as follows:

Transactions with NN

- The Company entered into vessel leasing arrangements with NN involving four (4) of NN's vessels at a fixed monthly rate for a period of one (1) year, subject to renewal as agreed by the parties (see Note 27).
- NN charges shared cost to the Company and its subsidiaries.

Transactions with Subsidiaries, Associates and Other Related Parties under Common Control

- Transactions with other associates and related companies consist of shipping services, management services, ship management services, agency fee for manpower services, purchase of steward supplies, availment of stevedoring, arrastre, trucking, and repair services and rental.
- The Company's transactions with 2GO Express Group include shipping and forwarding services, commission and trucking services.
- The Company provided management services to SFFC, 2GO Express, 2GO Logistics, HLP and SOI at fees based on agreed rates.

Transactions and Balances with Related Parties Eliminated during Consolidation

The following are the transactions and balances among related parties which are eliminated in the interim condensed consolidated financial statements:

Revenue and Other Income Recognized by:	Costs and Expenses Recognized by:	Nature	March 31, 2018 (Unaudited)	March 31, 2017 (Audited)
			(In Thousands)	
2GO	2GO Express	Freight	**₱55,579**	₱96,452
		Service fees	**24,000**	28,476
	2GO Logistics	Freight	**22,691**	22,426
		Service fees	–	29,119
	SFFC	Service fees	–	17,317
		Interest	–	4,712
	NALMHCI	Service fees	–	7,470
		Freight	–	1,084
	SCVASI	Service fees	**40,000**	9,829
		Freight	**37,018**	163,432
2GO Express	2GO	Commission	**1,073**	–
		Services fees	**4,608**	3,726
JASC/SSI	2GO	Purchase/sale of water	**6,071**	6,434
		Outside services	**25,738**	10,726

Amounts owed to:	Amounts owed by:	Terms and Conditions	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
			(In Thousands)	
2GO	2GO Express	On demand; noninterest-bearing	**₱100,848**	₱76,972
	SFFC	6.5% interest-bearing	**187,789**	187,789
	SOI	On demand; noninterest-bearing	**1,061,004**	1,075,796
	2GO Express/2GO Logistics/Others	On demand; noninterest-bearing	**874,418**	1,162,427
AEWI	2GO	30 to 60 days; noninterest-bearing	**14,422**	17,882
2GO Express	2GO	On demand; noninterest-bearing	**42,371**	24,223
	SCVASI	30 to 60 days; noninterest-bearing	**1,477**	724
2GO Logistics	2GO	On demand; noninterest-bearing	**67,650**	67,650
SOI	2GO	On demand; noninterest-bearing	**44,000**	44,000
SFFC	2GO/2GO Express	30 to 60 days; noninterest-bearing	**334**	442
NALMHCI	2GO/2GO Express /2GO Logistics	30 days; noninterest-bearing	**2,644**	2,144
JASC	2GO/NHTC	30 days; noninterest-bearing	**6,508**	3,280
RDC	2GO Logistics/ SOI/NALMHCI	30 days; noninterest-bearing	**49,627**	49,152
SSI	2GO/2GO Express/ 2GO Logistics	30 days; noninterest-bearing	**95,811**	97,427
STI	2GO	30 days; noninterest-bearing	**77**	82
NHTC	2GO/JASC	30 days; noninterest-bearing	**3,168**	3,777
SCVASI	2GO	On demand; noninterest-bearing	**58,086**	61,646

19. Equity

a. Share Capital

Details of share capital as at March 31, 2018 and December 31, 2017 are as follows:

	Number of Shares	Amount
		(In Thousands)
Authorized common shares at ₱1.00 par value each	4,070,343,670	₱4,070,344
Issued and outstanding common shares	2,446,136,400	₱2,446,136

Issued and outstanding common shares are held by 1,891 and 1,893 equity holders as of March 31, 2018 and December 31, 2017 respectively.

b. Retained earnings is net of undistributed earnings amounting to ₱209.2 million and ₱168.2 million as of March 31, 2018 and December 31, 2017, representing accumulated equity in net earnings of subsidiaries and associates, which are not available for dividend declaration until received in the form of dividends from such subsidiaries and associates. Retained earnings is further restricted to the extent of the cost of the shares held in treasury and deferred income tax assets recognized as of March 31, 2018 and December 31, 2017.

c. Excess of cost of investment over net assets pertains to the Group's excess investment cost over the net assets of acquired entities under common control during the time of the acquisition.

20. Cost of Services and Goods Sold

This account consists of the following:

	Note	Three Months Ended March 31 2018 (Unaudited)	2017 (Audited)
		(In Thousands)	
Cost of Services			
Outside services	*18*	**₱1,015,936**	₱912,283
Fuel, oil and lubricants	*8*	**700,052**	603,701
Depreciation and amortization	*10, 12*	**449,856**	426,116
Personnel costs	*23, 24*	**252,849**	259,906
Rent	*18, 27*	**184,491**	219,887
Transportation and delivery	*18*	**161,739**	235,273
Repairs and maintenance	*18*	**114,805**	115,109
Food and beverage	*8*	**96,286**	94,602
Vessel leasing	*18,27*	**71,077**	90,588
Arrastre and stevedoring		**69,573**	52,769
Material and supplies used	*8*	**45,447**	57,239
Insurance		**43,621**	48,474
Sales-related expenses		**34,231**	39,361
Communication, light and water		**30,702**	29,443
Food and subsistence		**28,904**	34,361
Taxes and licenses		**15,931**	18,948
Cargo losses and damages	*14*	**8,735**	63,100
Others		**52,753**	89,607
		3,376,988	3,390,767
Cost of Goods Sold	*8*	**1,429,398**	804,900
		₱4,806,386	₱4,195,667

21. General and Administrative Expenses

This account consists of the following:

	Note	Three Months Ended March 31 2018 (Unaudited)	2017 (Audited)
		(In Thousands)	
Personnel costs		**₱153,464**	₱142,039
Shared cost reimbursable	*18*	**51,910**	91,686
Outside services	*18*	**44,471**	28,614
Rent	*18. 27*	**29,428**	11,596
Taxes and licenses		**28,391**	25,302
Transportation and travel	*18*	**20,359**	33,031
Communication, light and water		**18,147**	14,354
Depreciation and amortization		**14,932**	16,184
Computer charges		**11,953**	8,261
Provision for doubtful accounts	7	**11,707**	249,035
Advertising and promotion		**10,523**	39,421
Special projects		**10,500**	6,243
Repairs and maintenance	*18*	**8,780**	3,397

	Note	Three Months Ended March 31 2018 (Unaudited)	2017 (Audited)
		(In Thousands)	
Entertainment, amusement and recreation		**7,864**	16,784
Insurance		**5,712**	4,387
Office supplies	*8*	**2,232**	3,941
Others		**4,821**	17,182
		₱435,194	₱711,457

Others consists of various expenses that are individually immaterial.

22. Other Income (Charges)

Financing Charges

	Note	Three Months Ended March 31 2018 (Unaudited)	2017 (Audited)
		(In Thousands)	
Interest expense on:			
Long-term debt	*15*	**₱45,670**	₱47,850
Short-term notes payable	*13*	**29,843**	33,228
Bank charges		**1,138**	859
Amortization of:			
Obligations under finance lease	*16*	**4,231**	4,126
Debt transaction costs	*15*	**2,593**	1,330
Other financing charges		**4,122**	5,375
		₱87,597	₱92,768

Other financing charges comprise of items that are individually immaterial.

Others - net

	Note	Three Months Ended March 31 2018 (Unaudited)	2017 (Audited)
		(In Thousands)	
Interest income		**₱1,625**	₱2,191
Recovery from principal		**21,530**	–
Gain (loss) on sale/disposal of:			
A subsidiary		**7,101**	–
Property and equipment	*10*	**3,551**	(370)
Foreign exchange loss		**(1,459)**	(5,974)
Others - net		**(3,632)**	(25,034)
		₱28,716	(₱29,187)

Others - net comprise of prompt payment discount and other items that are individually immaterial.

23. Personnel Costs

Details of personnel costs are as follows:

		Three Months Ended March 31	
	Note	**2018 (Unaudited)**	2017 (Audited)
		(In Thousands)	
Salaries and wages		**₱301,647**	₱274,831
Retirement benefit cost	*24*	**16,630**	17,255
Other employee benefits		**88,036**	109,859
		₱406,313	₱401,945

24. Retirement Benefits

The Group has funded defined benefit pension plans covering all regular and permanent employees. The benefits are based on employees' projected salaries and number of years of service. The Group's retirement plans meet the minimum requirement specified under Republic Act No. 7641, *Retirement Pay Law.*

The fund is administered by trustee banks under the supervision of the Board of Trustees who is also responsible for the investment strategy of the plan. The investment strategy of the Group's defined benefit plans is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risks of the plans. The Group expects to contribute ₱55.3 million to the retirement fund in 2018. The Group's transaction with the plan pertain to contribution and benefit payments.

The following tables summarize the components of retirement benefit cost included in the unaudited interim consolidated statement of profit or loss are as follows:

	Three Months Ended March 31	
	2018 (Unaudited)	2017 (Audited)
	(In thousands)	
Current service cost	**₱16,630**	₱15,987
Net interest cost	-	1,268
	₱16,630	₱17,255

The following tables summarize the funded status and amounts recognized in the unaudited interim consolidated statements of financial position:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
	(In Thousands)	
Defined benefit obligation	**₱492,013**	₱475,383
Fair value of plan assets	**(219,896)**	(215,268)
	₱272,117	₱260,115

No curtailment gain or loss was recognized for the three months ended March 31, 2018 and 2017. As of March 31, 2018 and December 31, 2017 the Group has no transactions with its retirement funds such as loans, investments, gratuities, or surety. The fund also does not have investments in debt or equity securities of the companies in the Group.

The cost of defined benefit pension plan as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions.

25. Income Taxes

a. The components of provision for income tax are as follows:

	Three Months Ended March 31	
	2018 (Unaudited)	2017 (Audited)
	(In Thousands)	
Current:		
RCIT	**₱26,440**	₱88,507
MCIT	**7,255**	2,739
	33,695	91,246
Deferred	**(2,935)**	(2,213)
	₱30,760	₱89,033

b. The components of the Group's recognized net deferred tax assets and liabilities are as follows:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
	(In Thousands)	
Directly recognized in profit or loss		
Deferred income tax assets on:		
Allowances for:		
Accrued retirement benefits	**₱49,190**	₱44,201
Past service cost	**4,712**	9,491
Unrealized foreign exchange loss	**-**	3,438
Accruals and others	**2,645**	3,064
	56,547	60,194
Deferred income tax liabilities on other taxable temporary differences	**(173)**	(7,325)
	56,374	52,869
Directly recognized in OCI		
Deferred income tax asset on remeasurement of accrued retirement benefit costs	**29,831**	29,831
	₱86,205	₱82,700

26. Earnings (Loss) Per Share (EPS)

Basic and diluted earnings per share were computed as follows:

	Three Months Ended March 31	
	2018 (Unaudited)	2017 (Audited)
	(In Thousands)	
Net income (loss) for the year attributable to equity holders of the Parent Company	**₱42,204**	(₱265,846)
Weighted average number of common shares outstanding for the year	**2,446,136**	2,446,136
Earnings (Loss) per common share	**₱0.0173**	(₱0.1087)

There are no potentially dilutive common shares as at March 31, 2018 and December 31, 2017.

27. Agreements and Commitments

a. The Group has entered into various operating lease agreements for its office spaces, container yards, warehouses and owned outlets. The future minimum rentals payable under the noncancelable operating leases are as follows:

	Three Months Ended March 31	
	2018 (Unaudited)	2017 (Audited)
	(In Thousands)	
Within one year	**₱603,143**	₱366,072
After one year but not later than five years	**866,341**	478,029
	₱1,469,484	₱844,101

The lease agreements did not include restrictions, contingent rentals, purchase options and escalation clauses. Renewal of the lease agreements is at the option of the Group.

b. The Group annually enters into several vessel leasing agreements. For the three months ended March 31, 2018 and 2017 vessel lease rates are based on total agreed monthly rent of ₱18.7 million and ₱23.0 million, respectively (see Notes 18 and 20).

28. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents, short-term notes payable, long-term debt and obligations under finance lease. The main purpose of these financial instruments is to raise financing for the Group's operations. The Group has other various financial assets and liabilities such as trade and other receivables and trade and other payables, which arise directly from operations.

The main risks arising from the Group's financial instruments are credit risk involving possible exposure to counter-party default, primarily, on its trade and other receivables; liquidity risk in terms of the proper matching of the type of financing required for specific investments and maturing obligations; foreign exchange risk in terms of foreign exchange fluctuations that may significantly affect its foreign currency denominated placements and borrowings; and interest rate risk resulting from movements in interest rates that may have an impact on interest bearing financial instruments.

There has been no change to the Group's exposure to credit, liquidity, foreign exchange, interest rate and equity price risks on the manner in which it manages and measures the risks since prior years.

Credit Risk
To manage credit risk, the Group has policies in place to ensure that all customers that wish to trade on credit terms are subject to credit verification procedures and approval of the Credit Committee. In addition, receivable balances are monitored on an ongoing basis to reduce the Group's exposure to bad debts. The Group has policies that limit the amount of credit exposure to any particular customer.

The Group does not have any significant credit risk exposure to any single counterparty. The Group's exposures to credit risks are primarily attributable to cash and collection of trade and other receivables with a maximum exposure equal to the carrying amount of these financial instruments. As of March 31, 2018 and December 31, 2017, the Group did not hold collateral from any counterparty.

The aging per class of financial assets that were past due but not impaired is as follows:

As of March 31, 2018 (Unaudited)

	Neither Past Due nor Impaired	Past Due but not Impaired					Impaired Financial Assets	Total
		Less than 30 Days	31 to 60 Days	61 to 90 Days	91 to 120 Days	121 to over 360 Days		
				(In Thousands)				
Loans and receivables:								
Cash in banks	**₱1,845,310**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,845,310**
Cash equivalents	**111,534**	**–**	**–**	**–**	**–**	**–**	**–**	**111,534**
Trade receivables	**1,575,687**	**840,820**	**281,976**	**67,195**	**40,608**	**86,727**	**822,640**	**3,715,653**
Nontrade receivables	**132,055**	**98,909**	**37,762**	**36,543**	**42,097**	**181,679**	**551,732**	**1,080,777**
Due from related parties	**–**	**–**	**4,687**	**960**	**–**	**179,193**	**–**	**184,840**
Advances to officers and employees	**16,874**	**3,913**	**–**	**–**	**–**	**9,378**	**–**	**30,165**
Refundable deposits	**77,633**	**–**	**–**	**–**	**–**	**–**	**–**	**77,633**
Restricted time deposit	**152,736**	**–**	**–**	**–**	**–**	**–**	**–**	**152,736**
AFS financial assets	**2,666**	**–**	**–**	**–**	**–**	**–**	**–**	**2,666**
Total	**₱3,866,621**	**₱943,642**	**₱324,425**	**₱104,698**	**₱82,705**	**₱456,977**	**₱1,374,372**	**₱7,153,440**

As at December 31, 2017 (Audited)

	Neither Past Due nor Impaired	Past Due but not Impaired					Impaired Financial Assets	Total
		Less than 30 Days	31 to 60 Days	61 to 90 Days	91 to 120 Days	121 to over 360 Days		
				(In Thousands)				
Loans and receivables:								
Cash in banks	₱1,835,492	₱–	₱–	₱–	₱–	₱–	₱–	₱1,835,492
Cash equivalents	187,897	–	–	–	–	–	–	187,897
Trade receivables	1,503,429	731,448	260,727	121,624	363,847	430,206	802,103	4,213,384
Nontrade receivables	86,356	235,931	103,331	34,578	32,829	240,164	541,791	1,274,980
Due from related parties	59,473	1,621	29,458	15,707	37,196	73,725	–	217,180
Advances to officers and employees	11,129	14,056	7,140	960	–	16,341	–	49,626
Refundable deposits	184,613	–	–	–	–	–	–	184,613
Restricted time deposit	152,736	–	–	–	–	–	–	152,736

	Neither Past Due nor Impaired	Past Due but not Impaired					Impaired Financial Assets	Total
		Less than 30 Days	31 to 60 Days	61 to 90 Days	91 to 120 Days	121 to over 360 Days		
				(In Thousands)				
AFS financial assets	3,411	–	–	–	–	–	–	3,411
Total	₱4,024,536	₱983,056	₱400,656	₱172,869	₱433,469	₱760,839	₱1,343,894	₱8,119,319

Liquidity Risk
The Group manages its liquidity profile to be able to finance its capital expenditures and service its maturing debt by maintaining sufficient cash during the peak season of the passage business. The Group regularly evaluates its projected and actual cash flows generated from operations.

The Group's existing credit facilities with various banks are covered by the Continuing Suretyship for the accounts of the Group.

The liability of the Surety is primary and solidary and is not contingent upon the pursuit by the bank of whatever remedies it may have against the debtor or collaterals/liens it may possess. If any of the secured obligations is not paid or performed on due date (at stated maturity or by acceleration), the Surety shall, without need for any notice, demand or any other account or deed, immediately be liable therefore and the Surety shall pay and perform the same.

Foreign Exchange Risk
Foreign currency risk arises when the Group enters into transactions denominated in currencies other than their functional currency. Management closely monitors the fluctuations in exchange rates so as to anticipate the impact of foreign currency risks associated with the financial instruments. To mitigate the risk of incurring foreign exchange losses, the Group maintains cash in banks in foreign currency to match its financial liabilities.

Interest Rate Risk
Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's borrowings are subject to fixed interest rates ranging from 4.25% to 4.50% and 5% to 8.5% as at March 31, 2018 and December 31, 2017, respectively.

The Group's loans under the OLSA include variable interest rates and exposes the Group to cash flow interest rate risk.

Capital Risk Management Objectives and Procedures
The Group's capital management objectives are to ensure 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 produce adequate and continuous opportunities to its employees; and to provide an adequate return to shareholders by pricing products/services commensurately with the level of risk.

The Group sets the amount of capital in proportion to risk. It manages the capital structure and makes adjustments in the light of changes in economic conditions and the risk characteristics of the underlying assets. The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. The Group's overall strategy in managing its capital remains unchanged since the prior year.

The Group considers its total equity as its capital. The Group monitors capital on the basis of the carrying amount of equity as presented on the unaudited interim consolidated statement of financial position. The capital ratios are as follows:

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Assets financed by:		
Creditors	**76%**	78%
Stockholders	**24%**	22%

As of March 31,2018 and December 31, 2017, the Group met its capital management objectives.

29. Fair Values of Financial Instruments and Nonfinancial Assets

The Group's financial assets and liabilities by category and by class, except for those with carrying amounts that are reasonable approximations of fair values, follow:

	March 31, 2018 (Unaudited)		December 31, 2017 (Audited)	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
		(In Thousands)		
Financial Liabilities				
Long-term debts	**₱2,081,880**	**₱1,892,422**	₱3,122,796	₱3,200,649
Obligations under finance lease	**293,094**	**264,331**	315,741	288,009
	₱2,374,974	**₱2,156,753**	₱3,438,537	₱3,488,658

The following methods and assumptions are used to estimate the fair value of each class of financial instruments and nonfinancial asset:

Cash and Cash Equivalents, Trade and Other Receivables, Trade and Other Payables, Refundable Deposits

The carrying amounts of these financial instruments approximate their respective fair values due to their relatively short-term maturities.

Short-term Notes Payable

The carrying value of short-term notes payable that reprice every three (3) months, approximates their fair value because of recent and regular repricing based on current market rate. For fixed rate loans, the carrying value approximates fair value due to its short-term maturities, ranging from three months to twelve months.

AFS Financial Assets

The fair values of AFS financial assets are based on quoted market prices, except for unquoted equity shares which are carried at cost since fair values are not readily determinable.

Long-term Debt

Discount rate of 6.0% was used in calculating the fair value of the long-term debt as of March 31, 2018 and December 31, 2017.

Obligations Under Finance Lease
The fair values of obligations under finance lease are based on the discounted net present value of cash flows using the discount rates ranging from 3.3% to 4.6% and 3.5% to 3.7% as of March 31, 2018 and December 31, 2017, respectively.

Investment Property
The fair value of the investment property is determined using the Market Data Approach, which is a process of comparing the subject property being appraised to similar comparable properties recently sold or being offered for sale.

30. Subsequent Events

On April 10, 2018, the Group entered into a five-year ₱3.5 billion term loan agreement with BDO to refinance the outstanding balance from the OLSA and to fund various capital expenditures and other general requirements. The loan allows multiple draw downs within one year from the date the agreement was signed. Principal is due upon maturity at the end of five years, while interest is payable quarterly based on the prevailing interest rates. In accordance with the loan agreement, the Group has to maintain a maximum debt to equity ratio of 2.5x based on 2GO's audited consolidated financial statements.

In April 2018, the Group borrowed ₱2.5 billion from the facility at 6.2% fixed interest rate.

EXHIBIT II

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

2GO Group, Inc. and Subsidiaries
Management's Discussion and Analysis

Results of Operations for the Three Months Ended March 31, 2018 and 2017

Amounts in millions		Mar 31, 2018		Mar 31, 2017	% Change
Revenue	₱	**5,370**	₱	**4,848**	**11%**
Costs of Services and Goods Sold		4,806		4,196	(15%)
Gross Profit		**563**		**652**	**(14%)**
General and Administrative Expenses		435		711	39%
Operating Income		**128**		**(60)**	**315%**
Other Charges		56		116	51%
Provision for Income Tax		31		89	65%
Net Income (Loss)	₱	**41**	₱	**(265)**	**115%**
Add back:					
Financing Charges (Interest)		88		93	6%
Provision for Income Tax		31		89	65%
Depreciation and Amortization		465		442	(5%)
EBITDA	₱	**624**	₱	**359**	**74%**

2GO Group, Inc. and subsidiaries (2GO or the Group) posted a Net Income after Tax of ₱41 million for the 1st quarter of 2018. This is a 115% improvement compared to the Net Loss of ₱265 million during the same period in 2017.

The Group continues to grow as total revenues increased by PhP522 million or 11% to PhP5.37 billion from PhP4.85 billion for the same period last year. The increase in revenues was driven by the Group's Non-shipping business (Logistics and Distribution) which continued its robust growth. Non-shipping revenue grew 37% in 2018 driven by increased service offerings to existing strategic customers (e.g., end-to-end warehousing, inventory management, cross-docking, delivery, merchandising), the addition of new customers, and an overall focus on customer service. The Non-shipping business accounted for 64% of total Revenue during 1st quarter of 2018 vs. 52% over the same period last year.

Shipping revenue (i.e., Freight and Travel) decreased by 18% in 2018, primarily due to the scheduled drydocking for refurbishment and repairs and maintenance of seven vessels during the first quarter of 2018. Shipping revenues were also affected by weather (e.g., typhoons, storms), which canceled voyages over a two week period during the 1st quarter of 2018. The overcapacity and competition in the Freighter market continues to push down the freight rates. Revenue from Travel was maintained despite the 5% reduction in capacity as a result of the scheduled drydocking.

Total cost and expenses increased by 15% primarily due to rising fuel prices during the period and increased sales of inventory from our Distribution business. Fuel prices increased by 34% in 2018, and 2GO was impacted by a negative price variance of P125 million. Sales and related inventory sold by our Distribution business increased Php648 million and Php624 million, respectively. All other costs and expenses were generally kept at bay due to improvements in efficiencies and focus on controlling costs.

Financial Position as of March 31, 2018 and March 31, 2017

Amounts in millions		Mar 31, 2018		Dec 31, 2017	% Change
Current Assets	₱	7,842	₱	8,610	(9%)
Noncurrent Assets		7,497		7,897	(5%)
Total Assets	₱	**15,338**	₱	**16,507**	**(7%)**
Current Liabilities	₱	11,195	₱	12,388	(10%)
Noncurrent Liabilities		477		486	(2%)
Total Liabilities	₱	**11,672**	₱	**12,873**	**(9%)**
Total Equity		3,667		3,633	1%
Total Liabilities and Equity	₱	**15,338**	₱	**16,507**	**(7%)**

Total Assets decreased 7% to ₱15.3 billion, while Total Liabilities decreased 9% to ₱11.7 billion.

Assets

Current Assets decreased 9% to ₱7.8 billion from ₱8.6 billion. Cash and Cash Equivalents remained at approximately ₱2.1 billion. Trade and Other Receivables, net of Allowance for Doubtful Accounts, decreased 18% to ₱3.6 billion from ₱4.4 billion, while Revenue increased 11% in 2018 from 2017.

Noncurrent Assets decreased 5% to ₱7.5 billion from ₱7.9 billion.

Liabilities

Current Liabilities decreased 10% to ₱11.2 billion from ₱12.4 billion. Short-term Notes Payable increased 14% to ₱3.0 billion from ₱2.6 billion, while the current portion of Long-term Debt decreased 33% to ₱2.1 billion from ₱3.1 billion as 2GO took advantage of lower borrowing rates under short-term credit facilities. Trade and Other Payables decreased 8% to ₱6.0 billion from ₱6.5 billion mainly as a result of the improved collections, enabling the company used to update its payables.

Noncurrent Liabilities remained at approximately ₱500 million as of Mar 31, 2018 and 2017.

Equity

Total Equity increased 1% to ₱3.7 billion from ₱3.6 billion primarily due to the Net Income generated in 2018.

All significant elements of income or loss from continuing operations are discussed in the management discussion and notes to the consolidated financial statements. Likewise, any significant elements of income or loss that did not arise from continuing operations are disclosed either in the management discussion or notes to the consolidated financial statements. There are no known trends, events, material changes, seasonal aspects, or uncertainties that are expected to affect the Group's continuing operations.

Except as disclosed in the management discussion or notes to the consolidated financial statements, there are no other known events that will trigger direct or contingent financial obligation that is material to 2GO, including any default or acceleration of an obligation. There is no material off-balance sheet transaction, arrangement, obligation, and other relationships of 2GO with unconsolidated entities or other persons incurred during the reporting period. The Group does not expect any liquidity issues within the next twelve months. Capital expenditures are funded through cash generated from operations or additional borrowings.

Key Performance Indicators

The following are the key financial ratios of the Group for the three months ended March 31, 2018 and 2017 and as of March 31, 2018 and December 31, 2017.

	Three Months Ended	
	Mar 31, 2018	Mar 31, 2017
Revenue Growth	11%	17%
Net Income Margin	1%	(5%)
EBITDA (in Millions of Pesos)	₱ 624	₱ 359
EBITDA Margin	12%	7%
	As of	
	Mar 31, 2018	Dec 31, 2017
Current Ratio	0.7	0.7
Debt to Equity Ratio	3.2	3.5

Current Ratio remained at 0.7 as of March 31, 2018 and 2017.

Debt to Equity Ratio decreased to 3.2 in 2018 from 3.5 in 2017, which is attributable to the decrease in Trade and Other Payables described above.

Revenue Growth continued in 2018 with an increase of 11% from 2017, driven by growth in 2GO's Logistics and Distribution business. Net Income Margin increased to 1% in 2018 from negative 5% in 2017 primarily due improved collections and inventory management, enhanced efficiencies and stringent cost management.

EBITDA and EBITDA Margin remained strong at ₱624 million and 12% in 2018, and ₱359 million and 7% in 2017.

The Group calculates the key financial ratios as follows:

1.	Current Ratio	Current Assets / Current Liabilities
2.	Debt to Equity Ratio	Total Liabilities / Total Equity
3.	Revenue Growth	(Total Revenue current period / Total Revenue prior period) - 1
4.	Net Income Margin	Net Income / Total Revenue
5.	EBITDA	Net Income + Interest + Inc Tax + Depreciation & Amortization
6.	EBITDA Margin	EBITDA / Total Revenue

Company Outlook

2GO Group continues to serve its customers and stakeholders as the Philippines' largest end-to-end logistics solutions provider. The Group provides shipping, logistics and distribution services to small and medium enterprises, large corporations, and government agencies throughout the Philippines. The shipping group operates ocean-going freighters, roll-on/roll-off freight and passenger vessels, and fast ferry passenger vessels. The logistics group offers transportation, warehousing and distribution, cold chain solutions, domestic and international ocean and air forwarding services, customs brokerage, project logistics, and express and last mile package and e-commerce delivery. The distribution group leverages 2GO's shipping and logistics services to provide value-added distribution services to principals and customers.

For 2018, the Group continues its corporate governance initiatives, and aims to expand and further enhance its service offerings to its customers and stakeholders. The Group plans to achieve this through more streamlined operations and collaboration within its business units, investment in warehousing and logistics information technology solutions for customers, and synergies and best practices from its new shareholders. Management is confident that 2GO will further its growth and become an even stronger logistics solutions provider going forward.

SIGNATURE

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

Registrant	**2GO Group, Inc.**	
Signature and Title	**William Charles Howell**	**CFO**
Date	5/7/18	

2GO GROUP, INC.
15/F Times Plaza Bldg., cor. Taft, U.N. Ave., Ermita Manila
SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
As of March 31, 2018

Unappropriated Retained Earnings, *as adjusted to available for dividend distribution,* beginning		**₱1,984,729**
Add: Net income actually earned/realized during the period		
Net income during the period closed to Retained Earnings	(₱19,291)	
Less: Non-actual/ unrealized income, net of tax:		
Adjustment due to deviation from PFRS/ GAAP – gain	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-	
Sub-total	(19,291)	
Add: Non-actual losses, net of tax:		
Adjustment due to deviation from PFRS/ GAAP – loss	-	
Net income actually earned during the period	(19,291)	**(19,291)**
Add (Less):		
Dividend declarations during the period	-	
Distributions paid	-	
Appropriations of retained earnings during the year	-	
Reversal of appropriations	-	
Treasury shares	-	
	-	-
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND		**₱1,965,438**

2GO GROUP, INC.
15/F Times Plaza Bldg., cor. Taft, U.N. Ave., Ermita Manila
KEY PERFORMANCE INDICATORS
AS OF MARCH 31, 2018, AND DECEMBER 31, 2017
(Amounts in Thousands)

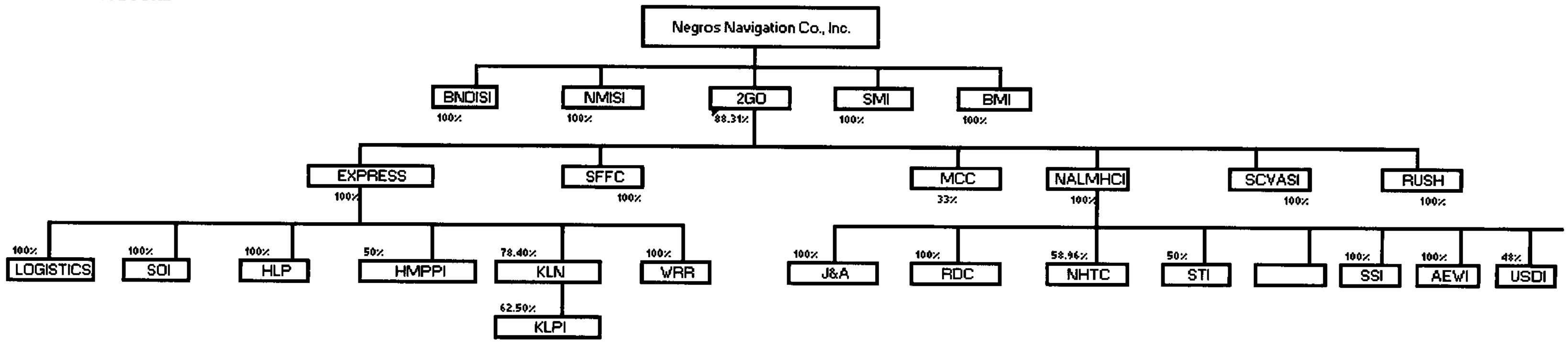
	March 31, 2018	December 31, 2017
Total Liabilities	₱11,671,634	₱ 12,873,725
Total Stockholders' Equity	3,666,747	3,633,384
Debt-to-Equity	3.18	3.54
Total Current Assets	₱ 7,841,840	₱ 8,610,285
Total Current Liabilities	11,194,522	12,387,616
Current Ratio	0.70	0.70
Total Quick Assets	₱ 5,704,948	₱ 6,524,126
Total Current Liabilities	11,194,522	12,387,616
Quick Ratio	0.51	0.53
Total Assets	₱ 15,338,381	₱ 16,507,110
Total Liabilities	11,671,634	12,873,725
Solvency Ratio	1.31	1.28
Total Liabilities	₱11,671,634	₱ 12,873,725
Total Assets	15,338,381	16,507,110
Debt-to-Asset Ratio	0.76	0.78
Total Assets	₱ 15,338,381	₱16,507,110
Total Stockholders' Equity	3,666,747	3,633,384
Equity-to-Asset Ratio	4.18	4.54

Net Income	₱ 40,910	(₱ 309,575)
Average Total Assets	15,922,745	16,090,630
Return On Assets	**0.00**	(0.02)

Net Income	₱40,910	(₱ 309,575)
Average Total Stockholders' Equity	3,650,066	3,781,448
Return on Equity	**0.01**	(0.08)

	March 31, 2018	December 31, 2017
Sales	₱ 5,369,648	₱ 21,551,498
Cost of Services and Goods Sold	4,806,385	19,031,266
Gross Profit	563,263	2,520,232
Gross Profit Margin	**0.10**	0.12
Net Income	₱ 40,910	(₱ 309,575)
Sales	5,369,648	21,551,498
Net Profit Margin	**0.01**	(0.01)
Price Per Share	₱ 18.00	₱18.48
Earnings per Common Share	0.02	(0.13)
Price per Earnings Ratio	**1,040.46**	(143.14)
EBIT	₱ 159,268	₱ 328,580
Interest Expense	87,597	390,070
Interest Coverage Ratio	**1.82**	0.84

CORPORATE STRUCTURE



Legend:					
KGLI BV	KGL Investment BV	MCC	MCCP Transport Philippines, Inc.	J&A	J&A Services Corporation
KGLI -NM	KGLI-NM Holdings, Inc.	NALMHCI	NN-ATS Logistics Management & Holdings Co., Inc.	RDC	Red Dot Corporation
BNDISI	Brisk Nautilus Dock Integrated Services, Inc.	SCYASI	Special Container and Value Added Services, Inc.	NHTC	North Harbor Tugs Corporation
NMISI	Negrense Marine Integrated Services, Inc.	LOGISTICS	2GO Logistics, Inc.	STI	Super Terminals, Inc.
2GO	2GO Group, Inc.	SOI	Scanasia Overseas, Inc.	SSI	Supersail Services Inc.
SMI	Sea Merchants, Inc.	HLP	Hapag Lloyd Philippines, Inc.	AEVI	Astir Engineering Works, Inc.
BMI	Bluemarine (BMI) Inc.	HMPPI	Hansa Meyer Projects Philippines, Inc.	USDI	United South Dockhandlers, Inc.
EXPRES	2GO Express, Inc.	KLN	KLN Logistics Holdings Philippines, Inc.	RUSH	2GO Rush Delivery Inc.
SFFC	Supercat Fast Ferry Corporation	VRR	VRR Trucking Corporation		
		KALI	Kerry Logistics Philippines, Inc.		