## COVER SHEET

SEC Registration Number

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | 4 | 4 | 0 | 9 |

Company Name

**2GO GROUP, INC.**

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

**8TH FLOOR TOWER 1 DOUBLE DRAGON PLAZA MACAPAGAL BLVD. CORNER EDSA EXTENSION, PASAY CITY**

| Form Type | Department requiring the report | Secondary License Type, If Applicable |
|---|---|---|
| 17-A | CGFD | |

### COMPANY INFORMATION

| Company's Email Address | Company's Telephone Number/s | Mobile Number |
|---|---|---|
| | (02) 8528-7171 | |

| No. of Stockholders | Annual Meeting Month/Day | Fiscal Year Month/Day |
|---|---|---|
| | | 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 |
|---|---|---|---|
| Elmer B. Serrano | elmer.serrano@serranolawph.com | +632-8651-7408 | |

Contact Person's Address

**1105, Tower 2 High Street South Corporate Plaza, 26th Street, Bonifacio Global City, Taguig City**

**Note**: 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.

**SECURITIES AND EXCHANGE COMMISSION**
**SEC FORM 17-A**
**ANNUAL REPORT PURSUANT TO SECTION 17**
**OF THE SECURITIES REGULATION CODE AND SECTION 141**
**OF THE CORPORATION CODE OF THE PHILIPPINES**

1. For the fiscal year ended **December 31, 2023**

2. SEC Identification Number **4409** 3. BIR Tax Identification No.**000-313-401-000**

4. Exact name of issuer as specified in its charter **2GO Group, Inc.**

5. Philippines
Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
Industry Classification Code:

7. **8th Floor, Tower 1, DoubleDragon Plaza, Macapagal Blvd. corner EDSA Extension, Pasay City**
Address of principal office Postal Code **1302**

8. **(02) 8528-7171**
Issuer's telephone number, including area code

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

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

| Title of Each Class | Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding |
|---|---|
| Common stock | 2,462,146,316 |

11. Are any or all of these securities listed on a Stock Exchange.

Yes [ ] No [**X**]

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [**X** ] No [ ]

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

Yes [**X**] No [ ]

13. Aggregate market value of the voting stock held by non-affiliates as of December 31, 2023: Not Applicable. 2GO shares are not listed in any stock exchange.

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## PART I – BUSINESS AND GENERAL INFORMATION

### Item 1. Business

2GO GROUP, INC.

**Business Development**

2GO Group, Inc. (**2GO or the Company**) was incorporated in the Philippines on May 26, 1949. Under the Revised Corporation Code of the Philippines, 2GO shall have a perpetual corporate life. The Company's registered office address is 8th Floor Tower 1, Double Dragon Plaza, EDSA Extension corner Macapagal Avenue, Pasay City, Metro Manila. 2GO's shares of stock were publicly traded on the Philippine Stock Exchange (**PSE**) until 17 July 2023, the effective date of its voluntary delisting from the PSE Main Board.

As stated in a disclosure dated June 3 2021, SM Investments Corporation (**SMIC**) completed its acquisition from KGLI-NM Holdings, Inc. (KGLI-NM) of 550,558,388 common shares representing 22.36% of the 2GO Group, Inc. (2GO) via a special block sale through the facilities of the PSE, resulting in the increase of SMIC's current shareholding from around 30.53% to approximately 52.85% of 2GO. Following this transaction, 2GO is now a subsidiary of SMIC. The transaction was completed on the same date of the disclosure.

On the same date, Trident Investments Holdings Pte. Ltd. (**Trident**) purchased 230,563,877 common shares in 2GO from KGLI-NM and 550,558,388 common shares from China-ASEAN Marine B.V., or a total of 781,122,265 common shares representing approximately 31.73% of 2GO. The sale transactions were transacted via special block sales through the Philippine Stock Exchange, Inc.

Trident is an entity directly controlled and majority owned by Archipelago Asia Focus Fund II Pte Ltd, a company incorporated under the laws of the Republic of Singapore and is indirectly controlled by Archipelago Capital Partners Pte. Ltd. (**Archipelago**). Archipelago is a Singapore-based private equity firm that is licensed by the Monetary Authority of Singapore and invests across South East Asia.

**SMIC Tender Offer**

On February 28, 2023, the Board of Directors of SMIC approved its conduct of a tender offer for up to 378,817,279 common shares constituting 15.39% of the issued and outstanding common capital stock of 2GO, subject to an independent third party fairness opinion. On the same date, the 2GO Board approved the voluntary delisting of 2GO shares from the Main Board of PSE, subject to the successful completion of the intended tender offer by SMIC, compliance with other requirements of the PSE for voluntary delisting, and applicable regulations of the Securities and Exchange Commission.

On 10 March 2023, 2GO received the Tender Offer Report from SMIC containing the following details of the tender offer:

a. Tender Offer Shares - up to 378,817,279 2GO common shares;
b. Tender Offer Price – Php14.64 per common share;
c. Tender Offer Period – March 15 to April 28, 2023; and
d. Payment and Settlement Date – May 10, 2023.

During the tender offer period, a total of 352,690,680 common shares or approximately 14.32% of the total issued and outstanding common shares of 2GO were tendered and accepted by SMIC. The accepted Tender Offer Shares were crossed through the PSE on 5 May 2023 (**Cross Date**). The tendered shares were purchased by SMIC at the Tender Offer Price, or for a total consideration of Five Billion One Hundred Sixty-Three Million Three Hundred Ninety-One Thousand, Five Hundred Fifty-Five and 20/100 Pesos (Php5,163,391,555.20). The sale and purchase of the tendered shares were settled no later than 10 May 2023.

As a result, SMIC and Trident Investments Holdings Pte. Ltd. (**Trident**) now own over 95% of the outstanding common stock of 2GO. In particular, SMIC and Trident own a total of 2,435,983,917 common shares or 98.94% of the total outstanding common stock of 2GO, with SMIC owning 1,654,861,652 common shares or 67.21% of the total outstanding common stock of 2GO and Trident owning 781,122,265 common shares or 31.73% of the total outstanding common stock of 2GO. Publicly held shares is now at 1.06% of the total outstanding capital stock of 2GO.

Following the successful tender offer, The Philippine Stock Exchange, Inc. approved the Petition for Voluntary Delisting of 2GO, effective 17 July 2023.

## Product Lines and Markets

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 interisland roll-on/roll-off freight and 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.

The Group's various businesses are known in the market by its strong flagship brand "2GO". The Group is composed of three core business units:

1. ***Sea Solutions*** — known as 2GO Freight and 2GO Travel, the Sea Solutions business unit owns and operates a fleet of roll-on/roll-off freight and passenger (ROPAX) vessels which offer fast and reliable services and the widest choice of routes linking Luzon, Visayas, and Mindanao, through land and sea multimodal transport linkages.

2. ***Logistics*** — operates under the brands 2GO Express, 2GO Logistics, Special Container and Value-added Services, and Kerry Logistics. This business unit offers transportation, warehousing, cold chain solutions, auto rolling cargo shipping, containerized shipping, break bulk & LCL consolidation, ISO tank shipments, domestic and international ocean and air forwarding services, customs brokerage, project logistics, and express and last mile package and e-commerce delivery.

3. ***Distribution*** — known as Scanasia, this business unit leverages on more than 100 years of expertise in Logistics, Distribution, Warehousing, and Inventory Management.

### Sea Solutions

2GO Freight provides door-to-door and pier-to-pier transportation of raw materials and finished goods on full container load (FCL), less container load (LCL) or loose cargo shipments. Sea shipments are fulfilled via its fleet of large and medium ROPAX vessels, which are differentiated from freighter vessels as they offer speed and reliability of schedule.

2GO Travel provides comfortable and secure sea transportation between major ports nationwide. It offers a wide selection of hotel and accommodation services, as well as tours and events, on top of traditional passenger transport Beyond routine point-to-point transport, 2GO Travel provides a leisurely and low-cost travel experience. The Company's ability to guarantee convenience and affordability underpins its positioning as the preferred means of travel around the islands.

### Significant Subsidiaries of 2GO Group, Inc.

### 1. 2GO Express, Inc.

2GO Express provides land, air, and sea transportation including courier services, general cargo, sea cargo services, and last mile delivery for e-commerce. 2GO Express operates a nationwide network of retail outlets and partner agents. In partnership with leading international courier companies, 2GO Express also provides international express document, parcel, and cargo delivery services as the local partner of FedEx.

2GO Retail brings 2GO's end-to-end solutions closer to its customers by offering services of domestic parcel delivery, FedEx international services, and sale of 2GO Travel tickets. The Retail group constantly develops services to cater to the rapidly evolving needs of the retail consumer market.

Subsidiaries of 2GO Express, Inc.

#### 2GO Logistics, Inc.

2GO Logistics provides transportation and warehousing solutions to principals throughout the Philippines, including inventory management, trucking, crossdocking, and domestic freight. 2GO Logistics leverages the Group's collective capability to serve customers nationwide given its expansive physical infrastructure of warehouses, trucks, and vessels. Through investment in modern enabling technology and process improvement, 2GO Logistics aims to provide services at the standard of international third-party logistics providers.

**ScanAsia Overseas Inc. (SOI)**

SOI is the Distribution business unit of 2GO. It completes the end-to-end proposition of 2GO by making products of principals available at store shelves of various retail customers nationwide. SOI traces its roots to specialist distribution services for the Dairy category by representing leading brands in various Modern Trade and Food Service outlets. SOI has expanded its distribution footprint to the FMCG category and the Pharma-Convenience store channel. In a meeting of the Board of Directors of 2GO, the Board approved the cessation of operations of Scanasia Overseas, Inc., effective 31 March 2024.

**Kerry Logistics (Phils.), Inc. (KLPI)**

KLPI is a joint venture between 2GO and Kerry Logistics Network Limited of Hong Kong. KLPI has strategically located branches and warehouses in Manila, Luzon, Visayas and Mindanao offering diverse services, including international and domestic air and sea freight forwarding, cargo consolidation, warehousing and domestic distribution, dangerous goods handling, customs brokerage, building logistics and exhibition logistics.

**2GO Land Transport, Inc.**

2GO Land Transport, Inc. provides transportation, hauling or forwarding of cargo, freight, merchandise, goods, and other articles within the lawful commerce of man by means of trucks, automobiles, and both container and closed vans.

**2. Special Container and Value Added Services, Inc. (SCVASI)**

SCVASI provides innovative and strategic transportation solutions in the cold chain and liquid transportation sector, including temperature-controlled vans and trucks (Reefer Containers for FCL and LCL), hauling service for bulk liquids (domestic and international ISO tank and Flexibags). SCVASI is also engaged in project logistics, serving both private and public sectors in industries including infrastructure, power, telecommunications, mining, and property.

**Competition**

The Group considers the following as its major competitors in the domestic shipping industry: Phil Span Asia Container Corp, Oceanic Container Lines and National Marine Corporation, Lorenzo Shipping, Solid Shipping Lines and Moreta Shipping. The Group also considers the airline industry and the Ro-Ro Nautical Highway as its indirect competitors, particularly in the travel business. Travel and freight rates are generally determined by the Philippine Liner Shipping Association (PLSA), the association of shipping operators, where the Registrant is also a member.

Major competitors in the logistics business include domestic courier and freight forwarding companies such as LBC Express, JRS Express, and Air 21. In warehousing and trucking, the group competes with both domestic and multinational logistics companies. In last-mile delivery, there is also added competition from regional startups such as Ninja Van and J&T Express.

**Customers**

For freight, logistics, and distribution, 2GO caters to a broad customer base with particular strengths in the FMCG, Automotive, Industrial, Pharmaceutical and Lifestyle verticals. 2GO provides a wide range of transportation solutions including air, sea, and land, both ambient and temperature-controlled. 2GO also provides specialized warehousing and management solutions for these segments. For travel, 2GO caters to both commuters and leisure travelers, providing safe, reliable, and affordable passage nationwide.

**Purchases of Materials, Parts and Supplies**

Fuel and vessel spare parts are the major supplies and materials needed for operations. Materials, parts and supplies are obtained mostly from local suppliers at competitive rates. The Group does not expect any shortage in any of these supplies and does not depend upon one or limited number of suppliers for said supplies.

**Patents, Trademarks, Copyrights, Licenses, Franchises**

Trademarks

2GO is the registered owner of the following marks for a period of ten (10) years:

a. 2GO
b. Super Ferry
c. Cebu Ferries
d. 2GO Freight
e. 2GO Rush
f. 2GO Travel
g. 2GO Express
h. 2GO Logistics
i. Scanasia Overseas
j. 2GO Express We Deliver What Matters When It Matters.
k. 2GO Gear
l. 2GO Special Containers
m. 2GO The Distance
n. 2GO Group
o. Scanasia Overseas, Inc.
p. 2GO Special Container and Value Added Services, Inc.
q. #ready2GO
r. #2GOTripOfYourLife
s. 2GO Travel Apprenticeship Program
t. Ship
u. MAREX
v. SCVASI
w. SCVASI Special Container and Value Added Services Inc.
x. 2GO Special Container and Value Added Services Inc.
y. 2GO SCVASI
z. 2GOKADA
aa. Sailebration
bb. Sama Sama Tayo Sa 2GO

**Franchises and Licenses**

2GO's vessels are duly registered with the Maritime Industry Authority (MARINA) and subjected to regular survey and ISM audit to ascertain its adherence to vessel and manning safety standards. The Company is a holder of several Certificates of Public Convenience (CPC) and Special Permits (SP) issued by MARINA to service domestic ports of call.

2GO's trucks and other delivery vehicles have the requisite franchises and permits from the Land Transportation & Franchising Regulatory Board (LTFRB) and other relevant regulatory bodies.

**Related Party Transactions**

Related party transactions with both customers and suppliers are discussed in the Notes to the 2020 Consolidated Financial Statements.

**Employees**

2GO has a complement of 1,786 employees as of December 31, 2023.

The Company has a Labor Management Council (LMC) that is a member of the Philippine Association of Labor Management Council, wherein the labor and the management cooperate as partners in ensuring a climate of harmony and industrial peace in the workplace and in achieving sustainable economic growth for their mutual welfare and benefit.

The LMC representatives are social partners of 2GO sharing a common interest in the success and growth of the enterprise and the economy. They are active contributors to corporate social responsibility – initiatives, joint-problem solving and consultation in matters involving employee welfare.

2GO's LMC holds a regular yearly convention to bring all chairmen and representatives to a forum with the principals and officers of the Company. The convention seeks to promulgate resolutions most of which are economic demands from the Labor sector and management; address all other concerns and issues; amend the charter; and to hold elections for the officers of the national LMC.

The establishment of the LMC on September 23, 1986, has given rise to more benefits and privileges to the employees. This includes among others, medical allowances, group hospitalization plan, educational assistance for qualified dependents, mortuary assistance and privilege pass for employees and their immediate family members.

In response to the COVID-19 pandemic in 2020 and 2021, the benefits program for employees included enhanced safety awareness and protocols, provision of personal protective equipment, mental wellness programs, COVID-testing and planned vaccination.

**Government Regulations**

MARINA Memorandum Circular No. 79

The MARINA through its Memorandum Circular No. 79 requires all owners/operators of inter-island vessels engaged in Public Transport Service to secure a certificate of accreditation of domestic shipping enterprise / entities from the Authority before they can provide a water transport service.

The Circular is intended to foster standards for domestic shipping operations in order to protect public interest and to generate vital information that will enable MARINA to effectively supervise, regulate and rationalize the organizational movement, ownership and operation of all inter-island water transport utilities, and consequently, to prevent the proliferation of incompetent, inefficient, unreliable and fly-by-night operators.

The accreditation serves as a prerequisite to the granting of franchises for individual vessel operations. 2GO vessels have been issued Certificates of Public Convenience to operate in specified routes.

The Domestic Shipping Development Act of 2004 (Republic Act No. 9295)

The Domestic Shipping Development Act allows only domestic ship owners or operators to obtain franchises for carriage of cargo and/or passengers in domestic trade. On the other hand, it disallows foreign vessels to transport passengers or cargo between ports or place within the Philippine territorial waters except upon grant of a special permit by the MARINA upon certain conditions. This is in line with the law's objective to attain the State's policies of promoting Filipino ownership of vessels operated under the Philippine flag, attracting private capital to invest in the shipping industry by creating a healthy and competitive investment and operating environment, and ensuring the continued viability of domestic shipping operations, among others. The law also deregulated the domestic shipping industry by authorizing the domestic ship operators to establish their own domestic shipping rates.

In particular, RA 9295 prohibits and penalizes a domestic ship operator who, among others, shall operate without a valid certificate of public convenience; refuse to accept or carry any passenger or cargo without just cause; fail to maintain its vessels in safe and serviceable condition or violate safety rules and regulations; fail to obtain or maintain adequate insurance coverage; and/or fail to meet or maintain safe manning requirements.

**Research and Development Activities**

As a service company, 2GO continuously innovates its products and services to meet the changing needs of our customers. This is consistent with the Group's strategy to focus its efforts on developing and maintaining its existing value-added businesses where it believes much of its future will lie.

**Major Risks Involved in the Business of 2GO and its Subsidiaries**

With safety being the Group's priority, a safety management system was developed to tie in all these requirements and create a comprehensive system that is dynamic and auditable. The system, developed in 1999 with the assistance of the Det Norske Veritas (DNV), was patterned after the IMO's International Safety Management (ISM) Code. The Group's vessels and relevant shore-based offices are subjected to audits by the MARINA and are certified as compliant to the ISM Code.

Vessel officers and crew demonstrate commitment to safety through strict conduct of emergency drills and exercises, among several other activities. Various drills are conducted regularly in port and at sea. The drills include fire, collision, steering casualty, oil spill, man overboard, and abandon ship. The drills prepare them for the unlikely event of an emergency. Ship-shore drills are also performed to enhance the skills of shore-based crisis management committees in responding to emergency situations involving vessels.

Drydocking for each vessel in the fleet is conducted to ensure that the vessels' hull, machinery and critical equipment meet the requirements of the MARINA and classification societies in terms of seaworthiness. The vessels are classed with various classification societies.

In addition, the whole fleet is compliant to the National Security Programme for Sea Transport and Maritime Infrastructure (NSPSTMI), an International Ship and Port Security Code (ISPS) certification administered by the Office for Transport Security.

## Item 2. Properties

**2GO Group, Inc.**

**Vessels**

As of December 31, 2023, 2GO and its subsidiaries own and operate a fleet of nine (9) operating vessels, consisting of eight (8) RoRo/Pax vessels and one (1) freighter. 2GO's operating vessel fleet has a combined Gross Registered Tonnage of approximately 123,173, total annual passenger capacity of approximately two million passengers and aggregate annual cargo capacity of approximately three hundred thousand twenty-foot equivalent units (TEUs).

Currently, 2GO operates five (5) large RoRo/Pax vessels calling on Manila as their homeport. These vessels sail from Luzon to Visayas and Mindanao, including Palawan. Further, 2GO operates three (3) medium- sized vessels with Batangas as their homeport, plying on the Batangas-Odiongan-Caticlan and the Batangas-Caticlan-Roxas routes. 2GO also operates one (1) purely-cargo vessel, with Manila as its homeport, to complement its freight business.

**Container Yard and Warehousing Facilities**

The Company has one of the most extensive networks of container yards and warehousing facilities nationwide.

The Company's warehouse network consists of warehouses in Bacolod, Butuan, Cagayan de Oro, Cebu, Davao, Dumaguete, General Santos, Iligan, Iloilo, Ozamis, Palawan, Zamboanga and the Greater Manila Area. Warehouses are either owned or leased by the Company.

Most of the Company's container yards have been cemented, whether in whole or in part, to achieve greater efficiency in terminal operations, allow for shorter turnaround time in port, greater utilization in stacking of containers and lower repair and maintenance costs for the operating equipment used at the container yards.

**Land and Buildings**

2GO owns several pieces of land and a number of buildings and warehouses. These are used in the normal course of business.

**Containers, Cargo Handling Equipment and Transportation Equipment**

2GO owns and leases a variety of containers and other equipment of various types and sizes for use in its cargo operations including forklift, top loaders, yard tractors and trailers or chassis, and delivery vehicles of various sizes.

**Liens and Encumbrances**

Detailed discussion as regards the mortgage, liens and encumbrance over the properties of the Registrant are disclosed under the Notes of the 2023 Consolidated Financial Statements.

## Item 3. Legal Proceedings

There are certain legal cases filed against 2GO Group, Inc. and its subsidiaries in the normal course of business. Management and its legal counsel believe that they have substantial legal and factual bases for their position and are of the opinion that losses arising from these cases, if any, will not have a material adverse impact on the consolidated financial statements.

## Item 4. Submission of Matters to a Vote of Security Holders

On 6 November 2023, a special stockholders' meeting of 2GO was held to approve and ratify the following amendments approved by the Board of Directors:

1. Amendment of the Seventh Article of the Articles of Incorporation to:

   (a) reclassify 330 redeemable preferred shares into common shares; and

(b) increase the par value of 2GO's common shares from One Peso (P1.00) to One Thousand Pesos (P1,000.00)

which will result in a change in the breakdown of the authorized capital stock of the Corporation from Four Billion Seventy Four Million Nine Hundred and Eight Thousand (P4,074,908,000.00) Philippine Currency, divided into: (a) Four Billion Seventy Million Three Hundred Forty-Three Thousand Six Hundred Seventy (4,070,343,670) common shares with a par value of One Peso (P1.00) per share and (b) Four Million Five Hundred Sixty-Four Thousand and Three Hundred Thirty (4,564,330) redeemable preferred shares with a par value of One Peso (P1.00) per share, to Four Billion Seventy Four Million Nine Hundred and Eight Thousand (P4,074,908,000.00) Philippine Currency, divided into: (a) Four Million Seventy Thousand Three Hundred Forty-Four (4,070,344) common shares with a par value of One Thousand Pesos (P1,000.00) per share and (b) Four Million Five Hundred Sixty-Four Thousand (4,564,000) redeemable preferred shares with a par value of One Peso (P1.00) per share.

The amended Seventh Article of the Articles of Incorporation is proposed to read as follows:

| Current | Proposed Amendment | Rationale |
|---|---|---|
| *"SEVENTH: That the authorized capital stock of the Corporation is Four Billion Seventy Four Million Nine Hundred and Eight Thousand (P4,074,908,000.00) Philippine Currency, divided into: (a) Four Billion Seventy Million Three Hundred Forty-Three Thousand Six Hundred Seventy (4,070,343,670) common shares with a par value of One Peso (P1.00) per share and, (b) Four Million Five Hundred Sixty-Four Thousand and Three Hundred Thirty (4,564,330) redeemable preferred shares with a par value of One Peso (P1.00) per share. […]* | *"SEVENTH: That the authorized capital stock of the Corporation is Four Billion Seventy Four Million Nine Hundred and Eight Thousand (P4,074,908,000.00) Philippine Currency, divided into: (a)* ***Four Million Seventy Thousand Three Hundred Forty-Four (4,070,344) common shares*** *with a par value of* ***One Thousand Pesos (P1,000)*** *per share and, b)* ***Four Million Five Hundred Sixty-Four Thousand (4,564,000)*** *redeemable preferred shares with a par value of One Peso (P1.00) per share. […]* | The Company is seeking approval of the increase in par value of its common shares as a natural consequence of the Company's delisting from the Philippine Stock Exchange in line with efforts to privatize 2GO. The Corporation likewise seeks approval of the reclassification of 330 redeemable preferred shares to remedy the change in the Company's authorized capital stock resulting from the increase in par value of common shares. |

2. Amendment to reduce the number of directors of 2GO from nine to six, as follows:

| Provision | Current Provision | Proposed Amendment | Rationale |
|---|---|---|---|
| Sixth Article of the Articles of Incorporation | SIXTH: That the number of directors of said corporation shall be nine (9) x x x | SIXTH: That the number of directors of said corporation shall be **six (6)** x x x | This is part of the transition of the Company to a private company, with a leaner membership in the board of directors. |
| Section 2, Article IV of the By-Laws | Section 2. NUMBER AND TERMS OF OFFICE. The business and property of the Corporation shall be managed by a Board of nine (9) Directors who shall be stockholders […] | Section 2. NUMBER AND TERMS OF OFFICE. The business and property of the Corporation shall be managed by **the Board of Directors** who shall be stockholders […] | |

The foregoing amendments were approved by shareholders owning or representing at least two-thirds (2/3) of the outstanding capital stock of the Corporation were present or represented, the folowing resolutions were, by vote of the shareholders present/represented owning at least two-thirds (2/3) of the outstanding capital stock of the Corporation. The application for amendment is currently pending with the Securities and Exchange Commission.

## PART II - OPERATIONAL AND FINANCIAL INFORMATION

### Item 5. Market Price of and Dividends on Registrant's Common Equity and Related Stockholder Matter

#### A. Market Information

There is no principal market where 2GO's shares are being traded.

#### B. Stockholders

The number of common shareholders of record as of December 31, 2023 is 5,118. The top 20 common stockholders as of December 31, 2023 are as follows:

| | Name | No. of Shares | Percentage |
|---|---|---|---|
| 1 | PCD NOMINEE CORPORATION (FILIPINO) | 920,848,827 | 36.824 |
| 2 | PCD NOMINEE CORPORATION (FOREIGN) | 781,266,753 | 31.242 |
| 3 | SM INVESTMENTS CORPORATION | 734,744,896 | 29.382 |
| 4 | WILLIAM GOTHONG & ABOITIZ INC | 38,516,500 | 1.540 |
| 5 | ABACUS SECURITIES CORPORATION | 1,535,262 | 0.061 |
| 6 | CONSTANTINE TANCHAN | 1,262,500 | 0.050 |
| 7 | SANTIAGO TANCHAN III | 1,262,500 | 0.050 |
| 8 | PHILIPS MULTIEMPLOYER RETIREMENT PLAN | 631,250 | 0.025 |
| 9 | RAMON RIVERO | 600,000 | 0.024 |
| 10 | DOLL AGRICULTURAL CORPORATION | 519,999 | 0.021 |
| 11 | AMA RURAL BANK OF MANDALUYONG, INC. | 441,875 | 0.018 |
| 12 | SUMMIT SECURITIES, INC. | 440,963 | 0.018 |
| 13 | ELIZABETH CHIU | 378,750 | 0.015 |
| 14 | JULIO & FLORENTINA LEDESMA FOUNDATION, INC. | 338,500 | 0.014 |
| 15 | RAMON R. RIVERO | 320,000 | 0.013 |
| 16 | LILIAN S. LIM | 315,625 | 0.013 |
| 17 | BDO SECURITIES CORPORATION FAO VARIOUS LOCAL INDIVIDUAL CLIENTS | 305,256 | 0.012 |
| 18 | DANIEL L. LACSON, JR. | 269,708 | 0.011 |
| 19 | BONIFACIO O. DOROY | 222,960 | 0.009 |
| 20 | CONCHITA LEDESMA | 201,840 | 0.008 |

As of December 31, 2023, the total number of shares owned by the public is equivalent to 26,151,599 shares or equivalent to 1.06%.

#### C. Dividends Declaration

There were no dividends declared during the years 2012 to date.

Per Article VI, Section 3 of the By-laws, "dividends payable out of the surplus profits of 2GO shall be declared at such time and in such manner and in such amounts as the Board of Directors shall determine; Provided that, stock dividends shall be subject to the approval of the stockholders in a meeting called for the purpose."

## PART III FINANCIAL INFORMATION

### Item 6. Management's Discussion and Analysis of Financial Condition and Results of Operations

The Financial information for the years ended December 31, 2023 and 2022 are as follows.

### Results of Operations for the Years Ended December 31, 2023 and 2022

| Amounts in millions | | Dec 31, 2023 | | Dec 31, 2022 | % Change |
|---|---|---|---|---|---|
| **Revenue** | ₱ | **15,956** | ₱ | **14,542** | **10%** |
| Costs of Services and Goods Sold | | 13,221 | | 12,859 | (3%) |
| **Gross Profit** | | **2,735** | | **1,683** | **63%** |
| General and Administrative Expenses | | 1,241 | | 977 | (27%) |
| **Operating Income** | | **1,494** | | **706** | **112%** |
| Other Charges | | 243 | | 357 | 32% |
| Provision for Income Tax | | 104 | | 54 | (91%) |
| **Net Income (Loss) from Continuing Operations** | ₱ | **1,147** | ₱ | **294** | **290%** |
| Net Income (Loss) from Discontinued Operations | | (197) | | 18 | (1,201%) |
| **Net Income (Loss)** | ₱ | **950** | ₱ | **312** | **205%** |
| Add back: | | | | | |
| Financing Charges (Interest) | | 496 | | 490 | (1%) |
| Provision for Income Tax | | 110 | | 58 | (88%) |
| Depreciation and Amortization | | 1,286 | | 1,362 | 6% |
| **EBITDA** | ₱ | **2,842** | ₱ | **2,222** | **28%** |

2GO Group, Inc. and subsidiaries (2GO or Group) delivered Net Income from Continuing Operations of ₱1.15B in 2023, a 290% increase year-over-year (YoY). 2GO continues to focus on profitable services and customers, driving efficiencies in operations and disciplined cost controls. During 2023, 2GO discontinued its lower margin Distribution business which resulted in Net Loss from Discontinued Operations of ₱197M. In total 2GO delivered Net Income of ₱950M in 2023, a 205% increase year-over-year.

Revenue increased 10% to ₱16.0B in 2023 from ₱14.5B in 2022. Shipping revenue, comprised of sea freight and passenger travel, increased 12%. Passenger travel increased 68% or ₱950M, while Sea freight increased 1% or ₱53M. Logistics and other services revenue increased 6% or ₱411M. Shipping accounted for 57% and Non-shipping accounted for 43% of total revenue during 2023, compared to 56% and 44% respectively during 2022.

Cost of services and goods sold increased 3%. General and administrative expenses increased 27% for additional costs to support the growth in business and for IT investments to help drive scale and efficiencies.

Other charges decreased 32% to ₱243M in 2023 compared to ₱357M in 2022. Finance charges were flat at 496M, while equity in net income of associates increased ₱95M or 162% and other income increased ₱20M or 33%.

2GO delivered EBITDA of ₱2.8B at 17.8% margin in 2023, a 28% or ₱620M increase from ₱2.2B at 15.3% margin in 2022.

### Financial Position as of December 31, 2023 and December 31, 2022

| Amounts in millions | | As of Dec 31, 2023 | | Dec 31, 2022 | % Change |
|---|---|---|---|---|---|
| Current Assets | ₱ | 5,462 | ₱ | 6,624 | (18%) |
| Noncurrent Assets | | 9,338 | | 7,768 | 20% |
| **Total Assets** | **₱** | **14,800** | **₱** | **14,392** | **3%** |
| Current Liabilities | ₱ | 7,498 | ₱ | 11,210 | (33%) |
| Noncurrent Liabilities | | 5,405 | | 2,187 | 147% |
| **Total Liabilities** | **₱** | **12,903** | **₱** | **13,397** | **(4%)** |
| Total Equity | | 1,897 | | 995 | 91% |
| **Total Liabilities and Equity** | **₱** | **14,800** | **₱** | **14,392** | **3%** |

Total Assets increased 3% from ₱14.4B to ₱14.8B, while Total Liabilities decreased 4% from ₱13.4B to ₱12.9B.

Assets
Current Assets decreased 18% from ₱6.6B to ₱5.5B. Cash and Cash Equivalents increased 5% from ₱725M to ₱762M due to higher revenue and improved collections. Accordingly, Trade and Other Receivables, net of Allowance for Doubtful Accounts, decreased 29% from ₱3.4B to ₱2.4B.

Noncurrent Assets increased 20% from ₱7.8B to ₱9.3B due to a net increase in Fixed Assets.

Liabilities
Current Liabilities decreased 33% from ₱11.2B to ₱7.5B mainly from the refinancing of Long-term debt in April. Short-term Notes Payable decreased 21% from ₱2.3B to ₱1.8B from debt repayments.

Noncurrent Liabilities increased 147% from ₱2.2B to ₱5.4B mainly from the aforementioned refinancing of Long-term debt.

Equity
Total Equity increased 91% from ₱995M to ₱1.9B as 2GO delivered Net Income of ₱950M in 2023.

**Key Variable and Other Qualitative and Quantitative Factors.**

(i) Any known trends, events or uncertainties (material impact on liquidity)

Except as disclosed in the management discussion or notes to the consolidated financial statements, there are no known trends, events, or uncertainties that are expected to have a material impact on the Company's liquidity

(ii) Events that will trigger direct or contingent financial obligation that is material to the Corporation, including any default or acceleration of an obligation.

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.

(iii) All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Corporation with unconsolidated entities or other persons during the reporting period.

Except as disclosed in the management discussion or notes to the consolidated financial statements, 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.

(iv) Description of any material commitments for capital expenditures, general purpose of such commitments, expected sources of funds for such expenditures.

Capital expenditures are part of the Company's normal course of business. These are funded through cash generated from operations or additional borrowings.

(v) Any known trends, events or Uncertainties (Material Impact on Sales)

Except as disclosed in the management discussion or notes to the consolidated financial statements, there are no known trends, events, or uncertainties that are expected to affect the Group's sales.

(vi) Any Significant Elements of Income or Loss (from continuing operations)

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.

(vii) Causes for Any Material Changes from Period to Period of FS which shall include vertical and horizontal analyses of any material item (5%)

All causes for Any Material Changes from Period to Period of the FS are discussed Part III – Results of Operations above and in the management discussion and notes to the consolidated financial statements.

(viii) Seasonal Aspects that has Material effect on the FS.

Except as disclosed in the management discussion or notes to the consolidated financial statements, there are no known seasonal aspects that are expected to affect the Group's continuing operations.

**Key Performance Indicators**

The following are the key financial ratios of the Group for the years ended December 31, 2023 and 2022 and as of December 31, 2023 and December 31, 2022.

| | | Dec 31, 2023 | | Dec 31, 2022 |
|---|---|---|---|---|
| Revenue Growth | | 9.7% | | 41.2% |
| Net Income Margin | | 6.0% | | 2.1% |
| EBITDA (in Millions of Pesos) | ₱ | 2,842 | ₱ | 2,222 |
| EBITDA Margin | | 17.8% | | 15.3% |
| | | As of | | |
| | | Dec 31, 2023 | | Dec 31, 2022 |
| Current Ratio | | 0.7 | | 0.6 |
| Bank Debt to Total Equity Ratio | | 3.0 | | 6.3 |
| Total Liabilities (less effect of PFRS 16) to Total Equity | | 5.9 | | 11.8 |
| Total Liabilities to Total Equity | | 6.8 | | 13.5 |

Net Income Margin improved to 6.0% in 2023 vs. 2.1% in 2022. EBITDA improved 28% or ₱620M to ₱2.8B at 17.8% margin in 2023 compared to ₱2.2B and 15.3% in 2022.

Current Ratio is 0.7 and 0.6 as of December 31, 2023, and 2022, respectively. Bank Debt to Total Equity decreased to 3.0 as of December 31, 2023, from 6.3 as of December 31, 2022, due to repayments of borrowings and continuing profitability which increased equity, while Total Liabilities to Total Equity decreased to 6.8 from 13.5. Excluding the effect of the adoption of PFRS 16, Total Liabilities to Total Equity improved to 5.9 from 11.8.

The Group calculates the key financial ratios as follows:

| | |
|---|---|
| Revenue Growth | (Total Revenue current period / Total Revenue prior period) – 1 |
| Net Income Margin | Net Income / Total Revenue |
| EBITDA | Net Income + Interest + Income Tax + Depreciation & Amortization |
| EBITDA Margin | EBITDA / Total Revenue |
| Current Ratio | Current Assets / Current Liabilities |
| Bank Debt to Total Equity | Total Bank Debt / Total Equity |

| | |
|---|---|
| Total Liabilities (less effect of PFRS 16) to Total Equity | (Total Liabilities – Capitalized Operating Leases) / Total Equity |
| Total Liabilities to Total Equity | Total Liabilities / Total Equity |

**Company Outlook**

2GO continues to serve its customers and stakeholders as the Philippines' largest end-to-end logistics solutions provider. The Group provides shipping and logistics services to small and medium enterprises, large corporations, and government agencies throughout the Philippines. The shipping group primarily operates roll-on/roll-off freight and 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.

For 2024, 2GO continues its corporate governance initiatives, and aims to expand and further enhance its service offerings to its customers and stakeholders. 2GO plans to achieve this through more streamlined operations and collaboration within its business units, investment in vessels and equipment, warehousing and logistics information technology solutions for customers, and synergies and best practices. Management is confident that 2GO will further its growth and become an even stronger shipping and logistics solutions provider going forward.

## Item 7. Financial Statements

The consolidated financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules are filed as part of this SEC Form 17-A.

The management is not aware of any significant or material events or transactions not included nor disclosed in the consolidated financial statements in compliance with SRC Rule 68.

## Item 8. Information on Independent Accountant and Other Related Matters

SGV & Co. is being recommended for re-appointment as the Company's external auditor for 2023, for approval by the stockholders at the scheduled Annual Stockholders' Meeting. Representatives of SGV & Co. are expected to be present at the stockholders' meeting, where they are given the opportunity to make a statement should they desire to do so, and to respond to questions from stockholders.

SGV & Co. was appointed as the external auditor of 2GO starting calendar year 2017. SGV & Co. replaced the previous auditor, R.G. Manabat and Co.

Pursuant to the Charter of the Audit Committee, the Audit Committee recommends to the Board of Directors the appointment of the external auditor and the fixing of the audit fees. Prior to commencement of audit, the Committee is mandated to discuss with the external auditor the nature, scope and approach, of the audit including coordination of audit effort with internal audit. The Manual on Corporate Governance also provides that the Committee shall pre-approve all audit plans, scope and frequency one month before the conduct of external audit.

The Committee also evaluates the performance of the external auditor and recommends to the Board the appointment, re-appointment or removal of the external auditor. The Committee further reviews the independence of the external auditor and meets with the latter separately to discuss any matters that either party believes should be discussed privately.

The committee members are as follows:

| | |
|---|---|
| Chairman: | Mr. Paquito N. Ochoa, Jr. (ID)<br>Mr. Laurito E. Serrano (ID)* |
| Members: | Mr. Kiat Chan |

**Resigned at the February 6, 2024 Board of Directors Meeting*

The Audit Committee and the Board of Directors endorse for stockholder approval the re-appointment of SGV & Co. appointed as the external auditor for the year 2023.

(1) External Audit Fees and Services

| | Year ended December 31, 2023 | Year ended December 31, 2022 | Year ended December 31, 2021 |
|---|---|---|---|
| **Audit Fees** | **5,650,000** | **5,500,000** | **5,850,000** |
| **Audit-Related Fees** | **-** | **-** | **-** |
| **All Other Fees** | **-** | **-** | **-** |
| **TOTAL** | **5,650,000** | **5,500,000** | **5,850,000** |

Audit Fees

This represents professional fees paid to SGV & Co. for financial assurance services rendered for 2GO's Annual Financial Statements, review, and opinion for the SEC Annual Report as of December 31, 2023.

All Other Fees

This represents fees for services paid to SGV & Co. for other consultancy services rendered.
Audit services provided to 2GO by external auditor SGV & Co. have been pre-approved by the Audit Committee and recommended to the Board of Directors for approval. The Audit Committee has reviewed the magnitude and nature of these services to ensure that they are compatible with maintaining the independence of the external auditor.

## PART IV - CONTROL AND COMPENSATION INFORMATION

### Item 9. Directors and Executive Officers of the Registrant

The names, ages, citizenship, position and offices held or will hold, and brief description of business experience during the past 5 years (except those years stated otherwise) and other directorships held in reporting companies, including name of each company, of all directors and executive officers (as of December 31, 2023) are as follows:

**DIRECTORS**

The following are the business experience/s of the members of the Board during the last five (5) years:

**Mr. Frederic C. DyBuncio*,** 64, Filipino, is the President/Chief Executive Officer and a director of 2GO and SM Investments Corporation. He is the Vice Chairman of the Board of Atlas Consolidated Mining and Development Corporation. Prior to holding the post, he was a career banker who spent over 20 years with JP Morgan Chase and its predecessor institutions. During his stint in the banking industry, he was assigned to various executive positions where he gained substantial professional experience in the areas of credit, relationship management and origination, investment banking, capital markets, and general management. He has worked and lived in several major cities including New York, Seoul, Bangkok, Hong Kong, and Manila. He graduated from Ateneo de Manila University with a Bachelor of Science degree in Business Management and finished a Master's degree in Business Administration program at the Asian Institute of Management.
**Mr. DyBuncio was appointed as Chairman of the Board effective June 3, 2021*

**Dr. Francis C. Chua****, 74, Filipino, s the Vice Chairman of the Board of Directors and an Independent Director of 2GO. He is currently the Founding Chairman of the International Chamber of Commerce, Philippines (ICCP). He is also the Chairman Emeritus of the Philippine Chamber of Commerce and Industry Inc. (PCCI), Founding Chairman of the Philippine Silk Road International Chamber of Commerce (PSRICC), and Honorary President of the Federation of Filipino-Chinese Chambers of Commerce and Industry Inc. (FFCCCII). He has served as President of the PCCI (2010-2011), The Chamber of Commerce of the Philippine Islands (2004-2006), and the Federation of Filipino Chinese Chambers of Commerce & Industry, Inc. (FFCCCII) (2005-2007). In 2007, he was appointed as Special Envoy for Trade and Investments by the President of the Philippines. Currently, he is the Honorary Consul General of the Republic of Peru in the Philippines since 2006. Co-founder of Pearl Pay, a fintech company, Chairman of the Bank of Commerce, Chairman of Columbus Capitana, Board Adviser of Basic Energy, Board of Director of DITO CME Holdings Corp. / DITO Telecommunity Corporation, Founding Chairman of BA Securities and the Chairman and President of BA Group of Companies. Dr. Chua is also Chairman Emeritus of Employers' Confederation of the Philippines (ECOP). He also serves as Commissioner of Tzu Chi Foundation. Dr. Chua is an ASEAN Industrial Engineer and is a Graduate of B.S. Industrial Engineering from the University of the Philippines. He was conferred Doctor of Management (Honoris Causa) by the Polytechnic University of the Philippines, Doctor of Humanities (Honoris Causa) by the Central Luzon State University (CLSU) in 2006 and Doctor of Business Technology (Honoris Causa) from EARIST also in 2006. AFFILIATIONS: Chairman & President of Philippine Satellite Corp., Chairman & President of CLMC Group of Companies, Founding Chairman of Philippine Silkroad International Chamber of Commerce, President of Philippine Business Center, Inc., Founding Chairman at BA Securities, Inc. (Philippines), Vice Chairman of 2GO Group, Vice Chairman of Basic Energy Corporation, Chairman of the Foundation for Crime Prevention, Founding Chairman of International Chamber of Commerce Philippines, Chairman at Green Army Philippines Network Foundation, Inc,. Board of Director at Hua Qiao University, China, Board of Director of Fuchou Normal University, Awardee of the UP Alumni Award for Community Service, Dr. Jose Rizal Award for Business and Entrepreneurship, Board of Regent at the Universidad de Manila, Previous Board of Trustees at Central Luzon State University, Previous Board of Trustees at the Technical Education and Skills Development Authority (TESDA), Previous member of the Board of Regents of the University of the Philippines, Previous Board of Trustees at Adamson University, President Emeritus and Board of Director of the Philippine Institute of Quezon City, Exemplary Alumni of Xavier School, Outstanding Manileños 2018.
***Mr. Chua's resignation was accepted at the February 6, 2024 Board of Directors Meeting*

**Atty. Elmer B. Serrano,** 55, Filipino, is a Director and Corporate Secretary of 2GO. Mr. Serrano is a practicing lawyer specializing in corporate law and is the Managing Partner and founder of the law firm SERRANO LAW.

Mr. Serrano has been awarded "Asia Best Lawyer" 3 years in a row by the International Financial Law Review (IFLR) for Banking and Finance, Capital Markets, and Mergers & Acquisitions, one of only two exclusively recognized lawyers in all three practice areas the Philippines. This comes after being consistently recognized as a "Highly Regarded-Leading Lawyer" in the same fields by IFLR.

The Legal 500 Asia Pacific also named Mr. Serrano as a "Leading Individual" in Banking & Finance, after constant citation as a "Recommended Lawyer".

Mr. Serrano is the Chairman of Dominion Holdings, Inc. (formerly BDO Leasing and Finance, Inc.) and is a director of 2GO Group, Inc. He is also an Independent Director of Philippine Telegraph and Telephone Corporation.

Mr. Serrano is the Corporate Secretary of SM Investments Corporation, SM Prime Holdings, Inc., Premium Leisure Corp., Atlas Consolidated Mining and Development Corporation, as well as subsidiaries of BDO Unibank, Inc., and of DFNN Inc. He is also Corporate Secretary of, or counsel to, prominent financial industry organizations, such as the Bankers Association of the Philippines, the Philippine Payments Management, Inc. and the PDS Group of Companies.

Mr. Serrano is a Certified Associate Treasury Professional and was among the top graduates of the Trust Institute of the Philippines in 2001. Mr. Serrano holds a Juris Doctor degree from the Ateneo de Manila University and a BS Legal Management degree from the same university.

**Atty. Jesus G. Dureza**,** 75, is an Independent Director of 2GO. Atty. Dureza earned his Bachelor of Arts degree from the Ateneo de Davao University. He earned his law degree from the same university in 1973 and placed 10th in the Philippine Bar Examination. He then became editor of the Mindanao Times, correspondent for Manila Times, Manila Bulletin and Associated Press, and hosted Davao's first TV talk show "Brainstorm". Atty. Dureza became Davao Congressman in 1987 and served until 1993. He was appointed by President Fidel V. Ramos as Presidential Assistant for Mindanao and chairman of the Mindanao Development Authority. In 2002, he founded the Advocacy Mindanow Foundation. During the administration of President Gloria Macapagal-Arroyo, he served in various capacities as Chairman of the Government Peace Panel with the MILF, as Press Secretary, Presidential Peace Adviser, Chief Presidential Legal Counsel and Chairman of Mindanao Development Authority. Atty. Dureza was also a senior partner of the Rama Dureza Abarques Law Firm. President Rodrigo Duterte appointed him as Presidential Peace Adviser until he honorably resigned in November 2018. He is back as publisher of the Mindanao Times. Now, he continues in the private sector his strong advocacy for peace and good governance. On May 2022, he officially released and launched the book "Walked With The Presidents" – an autobiography, a magnum opus – his lifetime's work serving the government up close with six Philippine presidents for the last 32 years.
***Mr. Dureza resigned at the February 6, 2024 Board of Directors Meeting*

**Atty. Paquito N. Ochoa, Jr.**, 62, Filipino, founded PNO Management and Legal Consulting in September 2016 after completing his term as a government official. He is currently the President of Manuel L. Quezon University (MLQU) from October 2020.

He is a founding member and partner (on leave) of Marcos Ochoa Serapio Tan Law Firm from 2006 to 2010 and a partner in De Mesa & Ochoa Law Offices from 1995 to 2001.

Atty. Ochoa served as Executive Secretary (Office of the President, Republic of the Philippines) from July 2010 to June 2016. During this period, he also chaired various national government committees among which were, the National Organizing Committee of the 2015 Asia-Pacific Economic Cooperation (APEC), and National Organizing Committee on the Visit of His Holiness Pope Francis in January 2015. He is the longest serving Executive Secretary to date and the only individual to serve the full term of a President.

He also served as City Administrator of the Quezon City Local Government from January 2003 to June 2010 during which period, he introduced prudent spending practices which together with improved revenue collection, allowed the City Government to balance its budget and achieve unprecedented increase in income.

During his stint as Executive Secretary, he was conferred by President Benigno S. Aquino III the Order of Sikatuna with the rank of Datu (Grand Cross, Gold Distinction) in December 2015. He was also conferred Doctor of Laws, Honoris Causa by the Palawan State University, Puerto Princesa City, Palawan.

After his career in public administration (from 2016 to present), Atty. Ochoa focused on leading a team that provides advisory services in two major areas: 1) financial advisory services which include conduct of customary financial due diligence; analysis of business operations, financial condition, and prospects; evaluation of debt capacity and capital structure alternatives; financial restructuring; pre acquisition and post-acquisition evaluation; negotiations leading to Transactions (BOT or JV); and 2) legal and regulatory compliance which include legal due diligence; preparation of contracts and other documents covering Transactions, including negotiations; and compliance with government rules and regulations.

Atty. Ochoa holds a Bachelor of Laws degree from the Ateneo De Manila University (class of 1985). He completed his Bachelor of Arts degree in Economics from the University of Santo Tomas in 1981.

**Mr. Laurito E. Serrano**,** 62, Filipino, is an Independent Director of 2GO. He concurrently serves as a member of the Board of Directors of Rizal Commercial Banking Corporation (**RCBC**), Pacific Online Systems Corporation (**POSC**), Anglo Philippine Holdings Inc. (**APO**), Axelum Resources Corp. (**AXLM**), and MRT Development

Corporation (**MRTDC**). Mr. Serrano's more than 30 years of professional experience in corporate finance advisory work covers the development and promotion of financial advisory and special project engagements involving transaction structuring, public offerings, listings of shares, asset securitization and monetization, workout deals, project studies, business acquisitions, and debt and equity capital-raising. Mr. Serrano was a Partner in the Corporate Finance Consulting Group of Sycip, Gorres, Velayo & Company (**SGV&Co.**) and started his career in the Audit and Business Advisory Group also of SGV&Co. Mr. Serrano is a Certified Public Accountant and graduated cum laude from the Polytechnic University of the Philippines, where he obtained his Bachelor of Science Degree in Commerce. He obtained his Master's degree in Business Administration (MBA) from the Harvard Graduate School of Business in Boston, Massachusetts, U.S.A.
***Mr. Serrano's resignation was accepted at the February 6, 2024 Board of Directors Meeting*

**Sing Mein Ang**, 69, Singaporean, is a member of the Board of 2GO. He is a logistics and freight forwarding veteran with more than 35 years of experience in shipping, ocean freight forwarding, airfreight forwarding and logistics management in leading global logistics players.

From 2015 to 2017, Sam was the Group Chief Executive Officer of Quantium Solutions International as well as Famous Holdings, the freight forwarding business of Singapore Post. He was also in charge of SP Parcel (a Singapore based express company) and Couriers Please (an Australian based express company). These businesses combined generated more than $500 million in revenue with a staff strength of more than 2,000 across 14 countries in Southeast Asia, Oceania and Europe. Concurrently, Sam was also an Executive Vice President of Singapore Post Limited and was part of its key Senior Leadership team in its transformation journey to become a leading E-Commerce Logistics player.

From 2006 to 2015, Sam was the Chief Executive Officer of DHL Global Forwarding for Southeast Asia and was a member of the DHL Global Forwarding Asia Pacific Management Board. He was responsible for its operations across Southeast Asia, with annual revenue exceeding $1 billion and a staff strength of more than 2,500. He was also Head of the Oil and Gas sector of DHL Global Forwarding for Asia Pacific and Africa. Under his leadership, DHL Global Forwarding Singapore was awarded the Best Performance Country in Southeast Asia in 2004 and the Asia Pacific Country of the Year award in 2005.

Sam holds a Business Administration Degree from the National University of Singapore and is a graduate of INSEAD's Senior Management programme in Fontainebleau, France.

**Kiat Chan**, 52, Singaporean, is a member of the Board of 2GO Group, Inc.. He is also a Partner and Managing Director of Archipelago Capital Partners, a private equity fund manager investing in Southeast Asia. He had previously served as the Executive Vice President for Investments at Singapore Post Limited, where he led multiple transactions across Asia-Pacific that helped transform the company into a major E-Commerce Logistics player. Prior to that, he had been a consultant at McKinsey & Company, where he advised on strategy, M&A and corporate finance, working with clients across Asia-Pacific in diverse sectors including consumer, energy, transport and logistics. He graduated from the National University of Singapore with a Bachelor of Engineering (Mechanical) and holds a Master of Business Administration from INSEAD.

**Stephen Ly**,** 50, Australian, is a member of the Board of 2GO. Stephen is an accomplished business leader with over 25 years working experience in Asia Pacific. He has worked for some of the most iconic global brand managing operations and logistics functions and has spent over a decade working for different business divisions of Deutsche Post DHL. Having experienced life on different side of the logistics relationship, he is in a unique position to have an adept understand of the industry.

During his 16 years tenure with DHL, Stephen held position of Managing Director of DHL Global Forwarding Singapore, Managing Director and Chairman of the board of DHL Global Forwarding Philippines, Head of Customs Brokerage Services for Asia Pacific, and Customs & Regulatory Affairs manager for the Oceania region.

He was the secretary of the leading express industry association, the conference of Asia Pacific Express Carriers Australia between 2003-2006.

Prior to joining DHL, Stephen held various operational and management roles in Australia in both manufacturing sectors and technological firms.

Stephen is serving as the Vice President of South East Asia, C. H. Robinson, leading the company business interests across the region.

Stephen is a graduate of Australian Graduate School of Management with a Masters of Business Administration. Moreover, he holds a Master of Science in Network System, a Bachelor of Business in International Trade majoring in Economics and Marketing and is a Licensed Customs Broker.

***Mr. Ly's resignation was accepted at the February 6, 2024 Board of Directors Meeting*

Below is the attendance of the Directors for the meetings held as of December 31, 2023:

| | No. of Meetings Attended | Total No. of Meetings | Percentage |
|---|---|---|---|
| Frederic C. Dybuncio | 7 | 7 | 100% |
| Francis C. Chua* | 4 | 7 | 57.14% |
| Elmer B. Serrano | 7 | 7 | 100% |
| Jesus G. Dureza* | 7 | 7 | 100% |
| Paquito N. Ochoa Jr. | 7 | 7 | 100% |
| Laurito E. Serrano* | 7 | 7 | 100% |
| Sing Mein Ang | 5 | 7 | 71.43% |
| Kiat Chan | 7 | 7 | 100% |
| Stephen Ly* | 6 | 7 | 85.71% |

**Resigned at the February 6, 2024 Board of Directors Meeting*

In accordance with 2GO's By-Laws, nominations to the Board shall be submitted in writing to the Corporate Governance Committee, Board, or Corporate Secretary at least thirty (30) days before the Annual Stockholders' Meeting. This is to ensure that the Corporate Governance Committee has ample time to review and ensure that the candidates to the Board meet all the qualifications and none of the disqualifications to be a director. The Corporate Governance Committee shortlists the final candidates to the Board from the pool of candidates nominate by the shareholders. Based on the final list of candidates, directors are elected by shareholders individually.

The nomination and election process are disclosed in the Manual on Corporate Governance. Voting procedures and rights, and pertinent data on directors are included in the information statement released to shareholders before the start of the nomination period. The entire process of nomination, shortlisting, and subsequent election of directors, enables 2GO to properly identify the quality of directors that are aligned with the strategic direction of 2GO.

The Board conducts an annual assessment of its performance as a whole, its Board Committees, the individual directors, the Chairman of the Board, and the CEO/President. The evaluation is done through the Corporate Governance Committee. The evaluation criteria are based on the duties and responsibilities of the Board, the Board Committees, individual directors, Chairman and President as provided for by the 2GO's By-Laws, Manual on Corporate Governance and respective Board Committee Charters.

Moreover, per the Corporate Governance Committee Charter, the Board's annual self-assessment should be supported by an external facilitator at least once every three (3) years.

**<u>EXECUTIVE OFFICERS</u>**

The following are the business experience/s of the officers during the last five years:

**Mr. William Charles Howell** has been the Chief Financial Officer and Treasurer of 2GO since July 2017. He also serves as Vice President of Investments Portfolio at SM Investments Corporation. Previously, he served as CFO and Treasurer of Philippine Geothermal Production Company, Inc. Prior, Mr. Howell held roles in Corporate Development at JDS Uniphase Corporation (now Viavi Solutions Inc.), a technology company listed on the NASDAQ; and Transaction Advisory at Ernst & Young in the San Francisco Bay Area. He brings broad management experience and expertise in accounting, finance, tax, and mergers & acquisitions in various industries including software and technology, distribution, real estate, and energy, among others. He is a Certified Public Accountant in the states of California and Georgia.

**Other Corporate Officers**

**Atty. Arthur A. Sy** has been the Assistant Corporate Secretary of 2GO since April 2019. He is the Senior Vice President of Corporate Legal Affairs and Assistant Corporate Secretary at SM Investments Corporation, and is the Corporate Secretary of various major corporations within the SM Group of Companies. He is also the Corporate Secretary of National University. A member of the New York Bar, Mr. Sy holds a Bachelor of Arts degree in Philosophy from the University of Santo Tomas and a Juris Doctor degree from the Ateneo Law School.

**Mr. Gener C. Lim** is a Senior Vice President of 2GO and President and founder of Special Container and Value Added Services, Inc. (SCVASI), a subsidiary of 2GO. He has been in the company for 37 years with full integrated logistics experience and pioneered 2GO's predecessor, Aboitiz International Forwarders Inc. After graduating accelerated from Air Transport Engineering and passing the CAB Air Traffic Controller Examination, he went to all the cargo IATA courses offered by Philippine Airlines Academy Learning Center. He was also previously appointed as a committee member to author and develop processes in the Philippine Economic Zone Authority. Mr. Lim was also responsible for various JV partnership and international agency agreement as a chairman of International Agency Network Committee under the Aboitiz group. He also served as a Country Manager for Jardines, Baltrans and JV execution of Kerry Logistics. He was one of the first candidates and graduates of the Aboitiz MBA program. He was also appointed to chair the Intellectual Human Capital Committee of the international group which created logistics academy partnership. Mr. Lim also established Abotrans Corporation, the first brokerage business under ATSC. He was also appointed as Philippine Ambassador of ASEAN Isotank Association. In late 2019, he created Project Logistics for 2GO.

**Ms. Frances Anne Alonzo Babar** is the President of 2GO Express, Inc. and 2GO Land Transport, Inc., both subsidiaries of 2GO. She has more than 24 years of experience in leading various sales, marketing and commercial organizations in various industries, with expertise in planning and strategy, account expansion and diversification, solutions set-up, and business and product development. She previously served as the Vice-President for Sales at Airfreight 2100, Inc. and as General Manager of One Stop Logistics, Inc. (Magsaysay Shipping and Logistics) and held leadership roles for sales, marketing and commercial operations at UBIX Corporation, The Manila Hotel and Sofitel Philippine Plaza. Ms. Babar earned her degree in Bachelor of Science in Psychology from St. Paul University in Manila and completed with high honors her Master's Degree in Business Administration – Top Executive Program from the Pamantasan ng Lungsod ng Maynila (University of the City of Manila).

**Ms. Sharon May Ngo** is Vice-President and Business Unit Head of 2GO's Sea Solutions. She has 23 years of experience in the domestic shipping industry, most recently as Sea Solutions Business Unit ahead, where she has overseen the growth in containerized volume and RORO segments as well as passenger travel. Her experience includes route optimization, pricing and product management, business development, channel development, account management, A/R and claims management, marketing, and other client-facing roles. Prior to 2GO, she held various category management roles at Coca-Cola Bottlers Philippines, Inc. and freight management roles at Aboitiz System Corp. Ms. Ngo earned her degree in Bachelor of Science in Industrial Engineering from the Mapua Institute of Technology in Manila.

**Atty. Phil Ivan A. Chan**, 40, is the Assistant Corporate Secretary of Premium Leisure Corp. He is co-founder of Serrano Law. He was previously a partner at Martinez Vergara Gonzalez & Serrano. He has been recognized by the Legal 500 Asia Pacific as a "Recommended Lawyer" in Corporate and M&A, and Real Estate and Construction. He also acts as the Assistant Corporate Information Officer of listed company, 2GO Group, Inc. Atty. Chan holds a degree of B.S. Legal Management from Ateneo de Manila University and a Juris Doctor degree from Ateneo Law School.

**Significant Employees**

The Corporation considers the contribution of every employee important to the fulfillment of its goals.

**Family Relationships**

There are no other family relationships within the fourth degree of consanguinity known to 2GO.

**Involvement in Certain Legal Proceedings**

To the knowledge and/or information of 2GO, none of its nominees for election as directors, the present members of its Board of Directors or its executive officers, is presently or during the last five (5) years been involved in any legal proceeding in any court or government agency on the Philippines or elsewhere which would put to question their ability and integrity to serve 2GO and its stockholders.

With respect to its nominees for election as directors, the present members of its Board of Directors and its executive officers, 2GO is not aware that during the past five (5) years up to even date of: (a) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time; (b) any conviction by final judgment of such person in a criminal proceeding, excluding traffic violations and other minor offenses; (c) such person being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, by any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting such person's involvement in any type of business, securities, commodities or banking activities; and (d) such person being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended, or vacated.

**Item 10. Executive Compensation**

The following table summarizes certain information regarding compensation paid or accrued during the last two fiscal years and to be paid in the ensuing fiscal year to the Chief Executive Officer and each of the four other most highly compensated executive officers. For clarity, the compensation paid is for their duties as part of the management team and not in consideration of their duties as directors of 2GO:

**SUMMARY OF COMPENSATION TABLE**

| Name and Position | Year | Salary | Bonus |
|---|---|---|---|
| 1. Frederic C. DyBuncio. - President and Chief Executive Officer<br>2. Gener C. Lim - Senior Vice President of SCVASI<br>3. William Charles Howell - Treasurer and Chief Finance Officer<br>4. Sharon May M. Ngo - Vice President of Sea Solutions<br>5. Apollo G. Santos - Vice President of Ship Management & Technical Services | 2024 Estimate | 46,640,200 | 7,773,367 |
| All other officers and directors as a group unnamed | | 52,086,549 | 8,681,092 |
| 1. Frederic C. DyBuncio. - President and Chief Executive Officer<br>2. William Charles Howell - Treasurer and Chief Finance Officer<br>3. Gener C. Lim - Senior Vice President of SCVASI<br>4. Anna Estela E. Vicencio - Vice President of Scanasia Overseas Inc.<br>5. Dan Paulo L. Fernan - Chief Operating Officer - Shipping | 2023 | 50,540,651 | 8,423,442 |
| All other officers and directors as a group unnamed | | 61,321,303 | 10,220,217 |
| 1. Frederic C. DyBuncio. - President and Chief Executive Officer<br>2. Waldo C. Basilla - Chief Operating Officer of 2GO Group, Inc.<br>3. Jose S. Ejercito - President of Scanasia Overseas Inc.<br>4. William Charles Howell - Treasurer and Chief Finance Officer<br>5. Dan Paulo L. Fernan - Chief Operating Officer - Shipping | 2022 | 45,789,000 | 7,220,175 |
| All other officers and directors as a group unnamed | | 41,187,180 | 6,864,530 |

**Board Remuneration:**

| Name and Position | Year | Salary | Bonus |
|---|---|---|---|
| 1. Frederic C. DyBuncio. - President and Chief Executive Officer<br>2. Gener C. Lim - Senior Vice President of SCVASI<br>3. William Charles Howell - Treasurer and Chief Finance Officer<br>4. Sharon May M. Ngo - Vice President of Sea Solutions<br>5. Apollo G. Santos - Vice President of Ship Management & Technical Services | 2024 Estimate | 46,640,200 | 7,773,367 |
| All other officers and directors as a group unnamed | | 52,086,549 | 8,681,092 |
| 1. Frederic C. DyBuncio. - President and Chief Executive Officer<br>2. William Charles Howell - Treasurer and Chief Finance Officer<br>3. Gener C. Lim - Senior Vice President of SCVASI | 2023 | 50,540,651 | 8,423,442 |

| | | | |
|---|---|---|---|
| 4. Anna Estela E. Vicencio - Vice President of Scanasia Overseas Inc.<br>5. Dan Paulo L. Fernan - Chief Operating Officer - Shipping | | | |
| All other officers and directors as a group unnamed | | 61,321,303 | 10,220,217 |
| 1. Frederic C. DyBuncio. - President and Chief Executive Officer<br>2. Waldo C. Basilla - Chief Operating Officer of 2GO Group, Inc.<br>3. Jose S. Ejercito - President of Scanasia Overseas Inc.<br>4. William Charles Howell - Treasurer and Chief Finance Officer<br>5. Dan Paulo L. Fernan - Chief Operating Officer - Shipping | 2022 | 45,789,000 | 7,220,175 |
| All other officers and directors as a group unnamed | | 41,187,180 | 6,864,530 |

The members of the Board of Directors received the following remuneration in 2023:

| Name | Total |
|---|---|
| Frederic C. DyBuncio | 1,620,000 |
| Francis C. Chua* | 999,000 |
| Laurito E. Serrano* | 1,080,000 |
| Elmer B. Serrano | 1,080,000 |
| Jesus G. Dureza* | 1,080,000 |
| Paquito N. Ochoa Jr. | 1,080,000 |
| Kiat Chan | 1,110,000 |
| Sam Ang | 1,080,000 |
| Stephen Ly* | 1,170,000 |

**Resigned at the February 6, 2024 Board of Directors Meeting*

2GO has no significant or special arrangements of any kind as regard to the compensation of all officers and directors other than the funded, noncontributory tax-qualified retirement plans covering all regular employees. Once an officer or director has resigned they are no longer entitled to any compensation outside of the qualified retirement plans, if applicable.

Each director receives a monthly allowance of ₱80,000 except for the Chairman of the Board who receives ₱ 120,000 a month. Further, a per diem of ₱30,000 is given to each Director and ₱45,000 for the Chairman for every Board meeting attended.

Except for the regular company retirement plan, which by its very nature will be received by the officers concerned only upon retirement from 2GO, the above-mentioned directors and officers do not receive any profit sharing nor any other compensation in the form of warrants, options, bonuses etc.

Likewise, there are no standard arrangements that compensate directors directly or indirectly, for any services provided to 2GO either as director or as committee member or both or for any other special assignments.

**Item 11. Security Ownership of Certain Beneficial Owners and Management**

**Security ownership of certain record and beneficial owners of five per centum (5%) or more of the outstanding capital stock of the Registrant as of December 31, 2023:**

| Title of Class | Name and Address of Record Owner and Relationship with 2GO | Name of Beneficial Owner and Relationship with Record Owner | Citizenship | No. of Shares Held | Percent of Class |
|---|---|---|---|---|---|
| **Common** | **SM Investments Corporation (SMIC)**<br>**10th Floor, One E-com Center, Harbor Drive, Mall of Asia Complex, CBP-1, Pasay City** | - Same - | Filipino | 1,654,861,652 | 67.21% |
| **Common** | **Trident Investments Holdings Pte.**<br>**138 Robinson Road**<br>**#12-01, Oxley Tower**<br>**Singapore 068906** | - Same - | Singaporean | 781,122,265 | 31.73% |

The persons authorized to vote the shares of SM Investments Corporation is Mr. Frederic C. DyBuncio, while the President of Trident Investments Pte. is authorized to vote the shares of said corporation.

Security Ownership of Management – Record and Beneficial Owners as of December 31, 2023:

| Title of Class | Name of Beneficial Owner and Position | Citizenship | Amount and Nature of Ownership Direct (D) or Indirect (I) | Class of Securities Voting | Percent of Class |
|---|---|---|---|---|---|
| Common | **Frederic C. DyBuncio**<br>Chairman / President / Chief Executive Officer | Filipino | **100 (D)** | Voting | 0.00% |
| Common | **Francis C. Chua***<br>Vice-Chairman | Filipino | **1,000 (D)**<br>**9,000 (I)** | Voting | 0.00% |
| Common | **Elmer B. Serrano**<br>Director | Filipino | **100 (D)** | Voting | 0.00% |
| Common | **Kiat Chan**<br>Director | Singaporean | **100 (I)** | Voting | 0.00% |
| Common | **Sing Mein Ang**<br>Director | Singaporean | **100 (I)** | Voting | 0.00% |
| Common | **Stephen Ly***<br>Director | Australian | **100 (I)** | Voting | 0.00% |
| Common | **Laurito E. Serrano***<br>Independent Director | Filipino | **100 (D)** | Voting | 0.00% |
| Common | **Paquito N. Ochoa, Jr.**<br>Independent Director | Filipino | **100 (I)** | Voting | 0.00% |
| Common | **Jesus G. Dureza***<br>Independent Director | Filipino | **100 (D)** | Voting | 0.00% |

**Resignations acceptedat the February 6, 2024 Board of Directors Meeting*

Security Ownership of the Directors and Officers in 2GO: Common is 35,800 shares; Preferred – none.

**Voting trust holders of 5% or More**

No person holds more than five per centum (5%) of a class under a voting trust agreement or similar arrangement.

**SMIC Acquisition of Shares in 2GO and Tender Offer**

In a disclosure dated June 3 2021, SM Investments Corporation (SMIC) completed its acquisition from KGLI-NM Holdings, Inc. (KGLI-NM) of 550,558,388 common shares representing 22.36% of the 2GO Group, Inc. (2GO) via a special block sale through the facilities of the Philippine Stock Exchange (PSE), resulting in the increase of SMIC's current shareholding from around 30.53% to approximately 52.85% of 2GO. Following this transaction, 2GO is now a subsidiary of SMIC. The transaction was completed on the same date of the disclosure. The sale transaction was transacted via special block sale through the Philippine Stock Exchange and paid in cash.

On the same date, Trident Investments Holdings Pte. Ltd. (Trident) purchased 230,563,877 common shares in 2GO from KGLI-NM and 550,558,388 common shares from China-ASEAN Marine B.V., or a total of 781,122,265 common shares representing approximately 31.73% of 2GO. The sale transactions were transacted via special block sales through the Philippine Stock Exchange, Inc. The sale transaction was transacted via special block sale through the Philippine Stock Exchange and paid in cash.

Trident is an entity directly controlled and majority owned by Archipelago Asia Focus Fund II Pte Ltd, a company incorporated under the laws of the Republic of Singapore and is indirectly controlled by Archipelago Capital Partners Pte. Ltd. (Archipelago). Archipelago is a Singapore-based private equity firm that is licensed by the Monetary Authority of Singapore and invests across Southeast Asia.

**SMIC Tender Offer and Delisting of 2GO**

On February 28, 2023, the Board of Directors of SMIC approved its conduct of a tender offer for up to 378,817,279 common shares constituting 15.39% of the issued and outstanding common capital stock of 2GO, subject to an independent third party fairness opinion. On the same date, the 2GO Board approved the voluntary delisting of 2GO shares from the Main Board of PSE, subject to the successful completion of the intended tender offer by SMIC, compliance with other requirements of the PSE for voluntary delisting, and applicable regulations of the Securities and Exchange Commission.

On 10 March 2023, 2GO received the Tender Offer Report from SMIC containing the following details of the tender offer:

a. Tender Offer Shares - up to 378,817,279 2GO common shares;
b. Tender Offer Price – Php14.64 per common share;
c. Tender Offer Period – March 15 to April 28, 2023; and
d. Payment and Settlement Date – May 10, 2023.

During the Tender Offer Period, a total of 352,690,680 common shares or approximately 14.32% of the total issued and outstanding common shares of 2GO were tendered and accepted by SMIC. The accepted Tender Offer Shares were crossed through the PSE on May 5, 2023 (Cross Date). The tendered shares were purchased by SMIC at the Tender Offer Price, or for a total consideration of Five Billion One Hundred Sixty-Three Million Three Hundred Ninety-One Thousand, Five Hundred Fifty-Five and 20/100 Pesos (Php5,163,391,555.20). The sale and purchase of the tendered shares were settled no later than May 10, 2023.

As a result, SMIC and Trident Investments Holdings Pte. Ltd. (**Trident**) now own over 95% of the outstanding common stock of 2GO. In particular, SMIC and Trident own a total of 2,435,983,917 common shares or 98.94% of the total outstanding common stock of 2GO, with SMIC owning 1,654,861,652 common shares or 67.21% of the total outstanding common stock of 2GO and Trident owning 781,122,265 common shares or 31.73% of the total outstanding common stock of 2GO.

Following the successful tender offer, The Philippine Stock Exchange, Inc. approved the Petition for Voluntary Delisting of 2GO, effective on 17 July 2023.

## Item 12. Certain Relationships and Related Transactions

In the ordinary course of business, 2GO has transactions with subsidiaries, associates, and other related companies consisting of ship management services, charter hire, management services, courier services, purchases of steward supplies, availment of stevedoring, arrastre, trucking, rental and repair services. 2GO needs these services to complement its services to its freight and passage customers.

The identification of the related parties transacting business with 2GO and nature of the relationship are discussed in the Notes to the financial statements as of December 31, 2023 (see "Note 20. Related Parties"). 2GO will continue to engage the services of these related parties as long as it is economically beneficial to both parties. The related party transactions stated therein have no substantial effect on the financial statements and do not involve special risks or contingencies. Transaction prices and terms are determined by the parties on an arms-length basis and approved by the Related Party Transactions Committee while material related party transactions are approved by the Board of Directors in accordance with the Material RPT Policy.

The Corporation has no transaction during the last two years or proposed transaction to which it was or is to be a party in which any of its directors, officers, or nominees for election as directors or any member of the immediate family of any of the said persons had or is to have a direct or indirect material interest.

Moreover, 2GO and its subsidiaries do not have existing or proposed transactions with parties that are considered outside of the definition of “related parties” but have the influence of negotiating the terms of material transactions that may not be available to other, more clearly independent parties on an arm’s length basis.

## PART V – CORPORATE GOVERNANCE

### Item 13. Corporate Governance

2GO Group Inc. and subsidiaries (2GO or the Company) is governed by the principles of fairness, accountability, and transparency, which is paramount to sustain its long-term growth and success. 2GO is committed in implementing the best practices in corporate governance that balance the growth and interests of all its stakeholders.

**BOARD STRUCTURE**

The 2GO Board of Directors is responsible for the long-term sustainability of the Company, and ensures that it balances the corporate objectives with the best interest of the shareholders and other stakeholders. It is composed of nine (9) highly respectable professionals, three (3) of whom are non-executive-independent directors. In line with corporate governance best practice, the Company's independent directors are free from management responsibilities, substantial shareholdings and material relations, all of which are perceived to impede independent judgment. Likewise, the roles of the Chairman of the Board and the Chief Executive Officer are held by separate individuals to promote a balanced Board and increase accountability and controls.

The following individuals constituted the Board of Directors for 2023:

| | |
|---|---|
| Chairman : | Frederic C. DyBuncio, President & Chief Executive Officer |
| Members : | Francis C. Chua,* Vice Chairman<br>Elmer B. Serrano, Corporate Secretary & Corporate Information Officer<br>Laurito E. Serrano,* Independent Director<br>Jesus G. Dureza,* Independent Director<br>Paquito N. Ochoa, Jr., Independent Director<br>Sing Mein Ang, Director<br>Kiat Chan, Director<br>Stephen Ly,* Director |

**Resignations accepted at the February 6, 2024 Board of Directors Meeting*

**BOARD COMMITTEES**

The Board governs through the following committees: (1) Executive Committee, (2) Corporate Governance Committee, (3) Audit Committee, (4) Risk Oversight Committee and, (5) Related Party Transaction Committee. Each committee has its own charter that can be found in the Company's website.

**EXECUTIVE COMMITTEE**

The Executive Committee is composed of both executive and non-executive directors and acts on behalf of the Board during the interim periods between Board meetings. The Committee meets on a regular basis in between Board meetings to assist the Board in overseeing the implementation of strategies, set and monitor the Company's performance goals and foster the sharing and dissemination of best practices in all areas of the business group. The Executive Committee also defines the group-wide policies and actions, relating to sustainable development, including environment, health and safety, internal communications, innovation and research and technology and purchasing.

The Executive Committee members are as follows:

| | |
|---|---|
| Chairman: | Mr. Frederic C. DyBuncio |
| Members | Mr. Stephen Ly*<br>Mr. Elmer B. Serrano |

**Resigned at the February 6, 2024 Board of Directors Meeting*

*There were no meetings of the executive committee as of December 31, 2023.*

**CORPORATE GOVERNANCE COMMITTEE**

The Corporate Governance Committee is responsible for assisting the Board in fulfilling its oversight functions related to the Company's overall approach to corporate governance. The Committee also takes the lead in promulgating and overseeing the principles of good corporate governance by reviewing committee charters, the independence of directors as well as the code of ethics for executives, employees, and directors.

The committee members are as follows:

| | |
|---|---|
| Chairman: | Mr. Paquito N. Ochoa, Jr. (ID) |
| Members: | Mr. Laurito E. Serrano* (ID)<br>Mr. Jesus G. Dureza* (ID)<br>Mr. Kiat Chan**<br>Mr. Elmer B. Serrano** |

**Resignation accepted at the February 6, 2024 Board of Directors Meeting*
***Appointed as member of the Committee at the February 6, 2024 Board of Directors Meeting*

*There were no meetings of the corporate governance committee as of December 31, 2023.*

**RISK OVERSIGHT COMMITTEE**

The Risk Oversight Committee is responsible in leading the organization's strategic direction in the management of material business risks to enable the Board to make informed decisions. The committee also provides oversight for establishing, implementing, reviewing and assessing the effectiveness of the Company's risk management framework.

The committee members are as follows:

| | |
|---|---|
| Chairman: | Mr. Jesus G. Dureza* (ID) |
| Members: | Mr. Laurito E. Serrano* (ID)<br>Mr. Frederic C. DyBuncio |

**Resignation accepted at the February 6, 2024 Board of Directors Meeting*

*There were no meetings of the risk oversight committee as of December 31, 2023.*

**Enterprise Wide Risk Management Program (ERM)**

The Board of Directors sets the overall risk tolerance for 2GO and delegates the responsibility of managing all of 2GO's risk exposures to the Risk Oversight Committee. The Committee designed the Risk Management Framework, and which was reviewed and approved by the Board.

Risk Oversight Committee / Board level
- Approval of the Enterprise Risk Management Program;
- Oversight of the processes by which risks are managed including:
    - Articulating the overall risk tolerance levels;
    - Monitoring 2GO's Risk Management performance

The Company understands that managing risks is continuous process and that it will evolve as the organization continues to grow. Such is the dynamic nature of risk management, the ability of the Company to learn, adapt and rebound from any risk, threat or disaster. The ERM Program of the Company will serve to contribute in achieving its goals, and in the future be the backbone in the thrust for corporate resiliency.

**RELATED PARTY TRANSACTION COMMITTEE**

The Related Party Transaction Committee is responsible for ensuring that related party transactions are conducted at fair and arm's length as provided under existing laws, rules and regulation.

The committee members are as follows:

| | |
|---|---|
| Chairman: | Mr. Paquito N. Ochoa, Jr. (ID) |
| Members: | Mr. Laurito E. Serrano* (ID) |

Mr. Sing Mein Ang

**Resignation accepted at the February 6, 2024 Board of Directors Meeting*

*There were no meetings of the related party transaction committee as of December 31, 2023.*

**AUDIT COMMITTEE**

The Audit Committee assists and advises the Board in fulfilling its oversight responsibilities to ensure the quality and integrity of the Company's accounting, financial reporting, auditing practices and internal control systems and adherence to over-all corporate governance best practice. The Committee also oversees the Company's process for monitoring compliance with laws, regulations, and performs other duties as the Board may require.

During the year, the Audit Committee monitored the execution of internal audit plan, approved the succeeding period's internal audit plan and budget as well as provided inputs to audit results, recommendations and management action plans. It also reviewed the previous year audited financial report presented by the external auditor for approval by the Board.

The Audit Committee maintains an effective working relationship with the Board by providing them assistance in promoting good corporate governance and audit-related decisions. It also ensures its objectivity by having an independent director as committee chairman.

The committee members are as follows:

Chairman: Mr. Paquito N. Ochoa, Jr. (ID)
Mr. Laurito E. Serrano*

Members: Mr. Kiat Chan

Below is the attendance of the Committee members for the meetings held as of December 2023:

| | No. of Meetings Attended | Total No. of Meetings | Percentage |
|---|---|---|---|
| Kiat Chan | 6 | 6 | 100% |
| Laurito E. Serrano* | 6 | 6 | 100% |
| Paquito N. Ochoa Jr. | 5 | 6 | 83.33% |

**Resignation was accepted at the February 6, 2024 Board of Directors Meeting*

**System of Internal Controls**

The framework of control, risk management and governance processes is instilled within the 2GO group of companies. This aims to encourage incorruptibility and deter fraudulent activities within the ranks of boh the Management and employees. The current processes of 2GO are continuously being reviewed by Management, Audit and External Consultants to identify areas wherein controls may be strengthened. Some of these processes are either combined and/or reduced to provide the basic elements of control and good governance needed to sustain operations.

The culture of accountability is apparent with the adherence of employees to the Employee Code of Conduct, management policies and directives in order to efficiently and effectively achieve company objectives.

The internal control system is designed to effectively safeguard assets, protect confidentiality, availability and integrity of information and as far as possible the reliability, relevance and accuracy of records; effectiveness and efficiency of operations and programs; and to ensure compliance with regulatory requirements.

Among the various measures of internal control undertaken by Management include setting and updating policies that are designed to attain the Company's goals, sourcing and maintaining competent personnel, segregation of incompatible duties and safeguarding of all critical assets.

Continuous enhancement of performance metrics and speedy resolution of audit issues raised are likewise given focus to assure risks are addressed or mitigated and company objectives are met. Resolutions of internal audit observations are updated and discussed quarterly with Senior Management and the Audit Committee to ensure that they are timely attended to and resolved within their commitment.

2GO Management is responsible in maintaining the internal control system and ensuring that resources are properly applied in the manner and to the activities intended.

**Internal Audit**

In accordance with the International Standards for the Professional Practice of Internal Auditing (ISPPIA) and Code of Ethics by the Institute of Internal Auditors (IIA), the Internal Audit Department (IAD) continually strives to improve the proficiency, effectiveness and quality of the internal audit activities.

The IAD, headed by Mr. Rodolfo G. Bravo, directly reports to the Audit Committee and is responsible for providing independent, objective assurance and consulting services designed to assist management in ensuring the adequacy and effectiveness of 2GO's governance, risk management and control processes in attaining its business objectives.

The IAD strives to improve on a yearly basis by attending regular audit trainings to keep abreast with the current audit standards, trends and developments. This also helps expand the IAD's audit scope and engagements.

The IAD regularly monitors the implementation of the audit recommendation against the target date set by the business unit heads. Results of these monitoring are communicated accordingly to the Senior Management and the Audit Committee. The IAD also uses a audit analytics tool/software to efficiently carry out its audit work.

The IAD continues to deliver value-added services by providing meaningful recommendations to its audit cliens using a risk-based approach and methodology.

**Executive Compensation Policy**

The corporate compensation philosophy for executive remuneration in 2GO is meritocracy based. Commensurate compensation is given based on the annual performance evaluation of its executives. Any change in compensation is subject to full discussion and concurrence by the Board upon the review and recommendation of the Corporate Governance Committee.

**Compensation of Directors**

The table of the monthly fixed allowance and per diem per meeting attendance of the 2GO Board of Directors in 2023 is shown below.

| Compensation | Director | Chairman of the Board |
|---|---|---|
| Monthly Fixed Allowance | ₱80,000 | ₱120,000 |
| Board Meeting Per Diem | ₱30,000 | ₱45,000 |

**Corporate Governance Policies**

The 2GO Code of Business Conduct serves to guide employees' and Management's actions in line with the Company's corporate values and core principles. The Code consists of policies relating to ethical and legal standards of behavior and its applicability extends to all employees. 2GO believes that employees' adherence to desirable behaviors and conduct is a prerequisite to work excellence and indispensable to success. Reported violations of the Code are promptly investigated and treated with utmost confidentiality. Investigations of alleged Code violations and the imposition of disciplinary actions when so warranted are guided by the principles of neutrality, fairness and commensurability. There was no deviation from the application of the Code since it was adopted.

The Company also maintains a Manual on Corporate Governance which defines 2GO's compliance framework and identifies the roles and responsibilities of the Board in relation to corporate governance. The Manual sets out the duties and responsibilities of various board committees, Chairman of the Board and the Chief Executive Officer as well as the Company's policies on disclosures and transparency, and the rights and protection of shareholders. The Manual is reviewed and updated periodically and may be accessed via the Company's website.

Moreover, the Company had in place a Conflict of Interest Policy which requires all employees to immediately disclose any direct or indirect personal interest, whether pecuniary or non-pecuniary, that actually or may potentially conflict with the interest of the Company. All employees are likewise required to submit an annual disclosure of real or perceived conflict of interest. On the other hand, the Company's Insider Trading Policy prohibits directors, officers and employees from trading the Company's shares five (5) trading days before and two (2) trading days after the disclosure of quarterly and annual financial results or of any material, stock price-sensitive information. Other existing corporate governance-related policies include the Guidelines on Acceptance of Gifts and Entertainment, the Related Party Transaction Policy, and Policy on Accountability, Integrity and Vigilance otherwise known as the Company's Whistleblowing Policy. 2GO's various corporate governance-related policies and programs are regularly disseminated throughout the organization and are made public via the Company's website.

**Information Technology Governance**

2GO continues to invest in its information technology infrastructure and software applications and to focus on applications that provide real-time visibility and tracking to its customers as it aims to improve delivery performance and overall customer service. This will also help 2GO become more operationally efficient and reduce its costs to serve. These investments will provide resiliency and redundancy and ensure our mission-critical system during and after disaster functions.

2GO's IT governance includes periodic review of existing practices and policies and adaptation of IT to current business models, as well as measuring IT systems performance.

**Corporate Governance Outlook**

As businesses continue to open up to the global market and liberalization happens, the decision-making process becomes more diffused. This raises the level of accountability of corporate leaders to all 2GO stakeholders, including employees, customers and in particular, the shareholders. Good corporate governance, for this purpose, provides the appropriate reforms to existing practices to better adapt to the collective interests of all stakeholders. Rules must be crafted in accordance with the governance principles for which they are designed to maintain.

2GO, headed by the Board and the Management, aims to further strengthen its commitment to good corporate governance principles of accountability, transparency and integrity consistent with global best practices. 2GO strives to align, to the extent possible, the interests of individual stakeholders of the Company, and of the society in general, in the face of a more complex, open, and highly competitive global market.

**FURTHER INFORMATION**

The following documents are also available on https://www.2go.com.ph/corporate-governance-policies/

- 2GO Corporate Governance Policies
- 2GO Articles of Incorporation
- 2GO By-Laws
- 2GO Code of Business Conduct
- 2GO Anti-Money Laundering Statement of Policies & Procedure
- 2GO Guidelines on Acceptance of Gifts and Entertainment
- 2GO Alternative Dispute Resolution System
- 2GO Health, Safety & Employee Welfare Policy

## PART VI – EXHIBITS AND SCHEDULES

### Item 14. Exhibits and Reports on SEC Form 17-C

**(a) Exhibits - See accompanying Index to Exhibits**

The exhibits, as indicated in the Index to Exhibits, are either not applicable to the Company or require no answer.

**(b) Reports on SEC Form 17-C**

*The list of the reports submitted to the Commission is as follows:*

| Date of Disclosure | Subject |
|---|---|
| February 22, 2023 | Approval of 2022 Audited Financial Statements |
| February 22, 2023 | Results of Meeting of Board of Directors |
| February 28, 2023 | Approval of Board of Directors of SM Investments Corporation of conduct of tender offer for 2GO shares |
| March 6, 2023 | Approval of Board of Directors of SM Investments Corporation of tender offer price and tender offer period |
| March 10, 2023 | Tender Offer Report |
| April 18, 2023 | Results of Annual Meeting of Stockholders |
| April 18, 2023 | Notice of Voluntary Delisting |
| March 10, 2023 | Tender Offer Report |
| June 29, 2023 | Approval to Voluntarily Delist |
| August 9, 2023 | Results of Meeting of Board of Directors |
| September 20, 2023 | Postponement of the distribution of the Written Assent Form to the Corporation’s Stockholders |
| October 3, 2023 | Results of Meeting of Board of Directors |
| February 8, 2024 | Results of Meeting of Board of Directors |

**2GO GROUP, INC.**

CERTIFIED CONSOLIDATED FINANCIAL STATEMENTS WITH SUPPLEMENTARY SCHEDULES FOR THE SECURITIES AND EXCHANGE COMMISSION

TABLE OF CONTENTS

**EXHIBIT I – CONSOLIDATED FINANCIAL STATEMENTS OF 2GO GROUP, INC. AND SUBSIDIARIES**

**EXHIBIT II – AUDITED FINANCIAL STATEMENTS OF 2GO GROUP, INC.**

**EXHIBIT III – SUBSIDIARIES OF THE REGISTRANT**

The consolidated financial statements include the accounts of 2GO and the subsidiaries listed below:

| | | **Percentage of Ownership** | |
|---|---|---|---|
| | Nature of Business | **2023** | 2022 |
| Special Container and Value Added Services, Inc. (SCVASI) | Transportation/logistics | **100.0** | 100.0 |
| 2GO Express, Inc. (2GO Express) | Transportation/logistics | **100.0** | 100.0 |
| 2GO Logistics, Inc. (2GO Logistics) | Transportation/logistics | **100.0** | 100.0 |
| Scanasia Overseas, Inc. (SOI) | Sales of goods | **100.0** | 100.0 |
| 2GO Land Transport, Inc. (1) | Transportation | **100.0** | 100.0 |
| NN-ATS Logistics Management and Holdings Co., Inc. (2) | Holdings and logistics management | **100.0** | 100.0 |
| Astir Engineering Works, Inc. (2) (3) | Engineering services | **100.0** | 100.0 |
| *(Forward)* | | | |
| WG&A Supercommerce, Incorporated (3) | Vessels' hotel management | **100.0** | 100.0 |
| North Harbor Tugs Corporation | Tugboat assistance | **58.9** | 58.9 |
| 2GO Rush Delivery, Inc. (RUSH) (4) | Transportation/logistics | **100.0** | 100.0 |

[1] *Formerly WRR Trucking Corporation*
[2] *In September 2020, the BOD approved the merger of these companies*
[3] *Ended commercial operations in 2018 or prior*
[4] *Wound down due to non-operation*

**SIGNATURES**

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of TAGUIG CITY.

By:

**FREDERIC C. DYBUNCIO**
Chairman of the Board /
President and Chief Executive Officer

**WILLIAM CHARLES HOWELL**
Chief Finance Officer / Treasurer

**ELMER B. SERRANO**
Corporate Secretary

**SUBSCRIBED AND SWORN** to before me this APR 15 2024 affiants are exhibiting to me their valid and competent proof of identity, as follows:

| NAMES | ID NUMBER |
|---|---|
| Frederic C. Dybuncio | TIN 103-192-854 |
| Elmer B. Serrano | TIN 153-406-995 |
| William Charles Howell | TIN 321-579-394 |

Doc. No. 263
Page No. 54
Book No. II
Series of 2024.

JESSE JOHN M. HERMOSO
Appointment No. 132 (2023-2024)
Notary Public for Taguig City
Until December 31, 2024
Attorney's Roll No. 83148
1105 Tower 2 High Street South Corporate Plaza
26th Street, Bonifacio Global City, Taguig City
PTR Receipt No. A-6104223; 01-03-24; Taguig City
IBP Receipt No. 398768; 01-04-24; Pasig City
Admitted to the Bar on June 2022

# C O V E R   S H E E T

**for**

**AUDITED FINANCIAL STATEMENTS**

SEC Registration Number

4409

**COMPANY NAME**

2GO GROUP, INC. AND SUBSIDIARIES

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

8TH FLOOR, TOWER 1, DOUBLE DRAGON PLAZA, EDSA EXTENSION CORNER MACAPAGAL AVENUE, PASAY CITY

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

**COMPANY INFORMATION**

| Company's Email Address | Company's Telephone Number | Mobile Number |
|---|---|---|
| corporatesecretary@2go.com.ph | (02) 8528-7171 | 0915 592 0331 |

| No. of Stockholders | Annual Meeting (Month / Day) | Fiscal Year (Month / Day) |
|---|---|---|
| 5,118 | 4th Thursday of May | 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 | calliope.ngo@serranolawlawph.com | (02) 8651-7408 | N/A |

**CONTACT PERSON's ADDRESS**

**8th Floor, Tower 1, Double Dragon Plaza, EDSA Extension corner Macapagal Avenue, Pasay City**

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

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

## Angieline Rejano

| | |
|---|---|
| **From:** | eafs@bir.gov.ph |
| **Sent:** | Tuesday, February 27, 2024 6:45 PM |
| **To:** | 2GO Group Tax |
| **Cc:** | 2GO Group Tax Representative |
| **Subject:** | Your BIR AFS eSubmission uploads were received |



Hi 2GO GROUP, INC.,

**Valid files**

- EAFS000313401ITRTY122023.pdf
- EAFS000313401AFSTY122023.pdf
- EAFS000313401OTHTY122023.pdf

**Invalid file**

- <None>

Transaction Code: **AFS-0-2ZV2ZNXM0M43SV1PWQV34WMVW02R2RXVVX**
Submission Date/Time: **Feb 27, 2024 06:44 PM**
Company TIN: **000-313-401**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.

as a result of e-mail transmission. For Encrypted Emails click here for instructions

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY**
**FOR FINANCIAL STATEMENTS**

The management of **2GO Group Inc. and Subsidiaries** (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the year ended December 31, 2023, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders or members.

Sycip Gorres Velayo & Co., the independent auditors appointed by the stockholders for the year ended December 31, 2023, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

Frederic C. DyBuncio
Chairman of the Board
President and Chief Executive Officer

William Howell
Chief Financial Officer and Treasurer

Signed this 22nd day of February 2024.

SUBSCRIBED AND SWORN to before me this APR 1 5 2024 in TAGUIG CITY by affiant exhibiting to me their competent proof of identity as follow: Frederic C. DyBuncio TIN 103-192-854, William Charles Howell TIN 321-579-394.

Doc No. 266;
Page No. 55;
Book No. II;
Series of 2024.

JESSE JOHN M. HERMOSO
Appointment No. 132 (2023-2024)
Notary Public for Taguig City
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PTR Receipt No. A-6104223; 01-03-24; Taguig City
IBP Receipt No. 398768; 01-04-24; Pasig City
Admitted to the Bar on June 2022

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

**INDEPENDENT AUDITOR'S REPORT**

The Stockholders and the Board of Directors
2GO Group, Inc.
8th Floor, Tower 1, Double Dragon Plaza
EDSA Extension cor. Macapagal Avenue
Pasay City

**Opinion**

We have audited the consolidated financial statements of 2GO Group, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2023 and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2023 in accordance with Philippine Financial Reporting Standards (PFRSs).

**Basis for Opinion**

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Other Information**

Management is responsible for the other information. The other information comprises the information included in the Philippine Securities and Exchange Commission (SEC) Form17-A for the year ended December 31, 2023, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 17-A and the SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2023 are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

SYCIP GORRES VELAYO & CO.

Albert R. Bon

Albert R. Bon
Partner
CPA Certificate No. 0121479
Tax Identification No. 255-491-830
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-135-2023, January 25, 2023, valid until January 24, 2026
PTR No. 10079911, January 5, 2024, Makati City

February 22, 2024

## 2GO GROUP, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

**DECEMBER 31, 2023 AND 2022**

(Amounts in Thousands)

| | *Note* | **December 31** **2023** | 2022 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | *7* | **₱762,035** | ₱724,527 |
| Trade and other receivables | *8,20* | **2,441,010** | 3,442,385 |
| Inventories | *9* | **190,470** | 512,773 |
| Other current assets | *10* | **2,068,926** | 1,944,556 |
| **Total Current Assets** | | **5,462,441** | 6,624,241 |
| **Noncurrent Assets** | | | |
| Property and equipment | *11,17,18* | **7,064,899** | 5,648,558 |
| Investments in associates and joint ventures | *12* | **327,276** | 334,365 |
| Goodwill | *13* | **686,896** | 686,896 |
| Deferred income tax assets | *27* | **150,910** | 100,666 |
| Other noncurrent assets | *14* | **1,108,009** | 997,168 |
| **Total Noncurrent Assets** | | **9,337,990** | 7,767,653 |
| **TOTAL ASSETS** | | **₱14,800,431** | ₱14,391,894 |
| **LIABILITIES AND EQUITY** | | | |
| **Current Liabilities** | | | |
| Short-term notes payable | *15* | **₱1,816,000** | ₱2,306,000 |
| Trade and other payables | *16,19,20* | **4,904,947** | 5,059,695 |
| Obligations under lease - current portion | *11,18* | **415,000** | 347,387 |
| Long-term debt - current portion | *11,17* | **333,698** | 3,496,823 |
| Income tax payable | | **28,715** | – |
| **Total Current Liabilities** | | **7,498,360** | 11,209,905 |
| **Noncurrent Liabilities** | | | |
| Noncurrent portion of: | | | |
| Long-term debt | *11,17* | **3,542,947** | 497,977 |
| Obligations under lease | *11,18* | **1,422,382** | 1,344,512 |
| Accrued retirement benefits | *26* | **439,585** | 344,900 |
| **Total Noncurrent Liabilities** | | **5,404,914** | 2,187,389 |
| **Total Liabilities** | | **₱12,903,274** | ₱13,397,294 |

*(Forward)*

| | Note | December 31<br>2023 | 2022 |
|---|---|---|---|
| **Equity** | | | |
| Share capital | *21* | **₱2,500,663** | ₱2,500,663 |
| Additional paid-in capital | *21* | **2,498,621** | 2,498,621 |
| Other equity reserve | *21* | **712,245** | 712,245 |
| Other comprehensive losses - net | *12,26* | **(108,031)** | (60,381) |
| Deficit | *21* | **(3,722,803)** | (4,662,088) |
| Treasury shares | *21* | **(58,715)** | (58,715) |
| **Equity Attributable to Equity Holders of the Parent Company** | | **1,821,980** | 930,345 |
| **Non-controlling Interests** | | **75,177** | 64,255 |
| **Total Equity** | | **1,897,157** | 994,600 |
| **TOTAL LIABILITIES AND EQUITY** | | **₱14,800,431** | ₱14,391,894 |

*See accompanying Notes to the Consolidated Financial Statements.*

## 2GO GROUP, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

### FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021

(Amounts in Thousands, Except Earnings Per Common Share)

| | | Years Ended December 31 | | |
|---|---|---|---|---|
| | *Note* | **2023** | 2022 | 2021 |
| **REVENUES FROM CONTRACTS WITH CUSTOMERS** | | | | |
| Shipping: | *5,20* | | | |
| Freight | | **₱6,770,492** | ₱6,717,194 | ₱4,623,950 |
| Travel | | **2,336,846** | 1,386,989 | 437,692 |
| Nonshipping: | | | | |
| Logistics and other services | | **6,848,829** | 6,437,565 | 5,236,752 |
| | | **15,956,167** | 14,541,748 | 10,298,394 |
| **COST OF SERVICES AND GOODS SOLD** | *22* | **13,221,156** | 12,858,826 | 9,806,388 |
| **GROSS PROFIT** | | **2,735,011** | 1,682,922 | 492,006 |
| **GENERAL AND ADMINISTRATIVE EXPENSES** | *23* | **1,240,671** | 977,386 | 1,239,525 |
| **OPERATING INCOME (LOSS) FROM CONTINUING OPERATIONS** | | **1,494,340** | 705,536 | (747,519) |
| **OTHER INCOME (CHARGES)** | | | | |
| Equity in net earnings of associates and joint ventures | *12* | **153,328** | 58,566 | 55,407 |
| Financing charges | *24* | | | |
| Bank loans | | **(380,660)** | (379,924) | (349,793) |
| Lease liabilities | | **(96,890)** | (96,757) | (49,101) |
| Others - net | *24* | **81,245** | 60,964 | 6,179 |
| | | **(242,977)** | (357,151) | (337,308) |
| **INCOME (LOSS) BEFORE INCOME TAX FROM CONTINUING OPERATIONS** | | **1,251,363** | 348,385 | (1,084,827) |
| **PROVISION FOR INCOME TAX** | *27* | | | |
| Current | | **137,314** | 72,440 | 43,674 |
| Deferred | | **(33,272)** | (18,085) | 580 |
| | | **104,042** | 54,355 | 44,254 |
| **NET INCOME (LOSS) FROM CONTINUING OPERATIONS** | | **1,147,321** | 294,030 | (1,129,081) |
| **NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS** | *32* | **(197,114)** | 17,903 | (13,865) |
| **NET INCOME (LOSS)** | | **₱950,207** | ₱311,933 | (₱1,142,946) |
| **Net Income (Loss) Attributable to:** | | | | |
| Equity holders of the Parent Company | | **₱939,285** | ₱308,833 | (₱1,144,160) |
| Non-controlling interests | | **10,922** | 3,100 | 1,214 |
| | | **₱950,207** | ₱311,933 | (₱1,142,946) |
| **Basic/Diluted Income (Loss) Per Share** | *28* | **₱0.3815** | ₱0.1254 | (₱0.4647) |
| **Basic/Diluted Income (Loss) Per Share for continuing operations** | *28* | **₱0.4615** | ₱0.1207 | (₱0.4591) |

*See accompanying Notes to the Consolidated Financial Statements.*

## 2GO GROUP, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
**FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021**
(Amounts in Thousands)

| | | Years Ended December 31 | | |
|---|---|---|---|---|
| | *Note* | **2023** | 2022 | 2021 |
| **NET INCOME (LOSS)** | | **₱950,207** | ₱311,933 | (₱1,142,946) |
| **OTHER COMPREHENSIVE INCOME (LOSS)** - Net of tax | | | | |
| **Items that will not be reclassified subsequently to profit or loss:** | | | | |
| Remeasurement gains (losses) on net defined benefit liability | *26* | **(66,419)** | 51,357 | 176,443 |
| Income tax effect | *27* | **16,605** | (12,839) | (60,234) |
| | | **(49,814)** | 38,518 | 116,209 |
| Share in remeasurement gain (loss) on retirement benefits of associates and joint ventures | *12* | **2,164** | 5,195 | (1,313) |
| | | **(47,650)** | 43,713 | 114,896 |
| **TOTAL COMPREHENSIVE INCOME (LOSS)** | | **₱902,557** | ₱355,646 | (₱1,028,050) |
| **Total Comprehensive Income (Loss) Attributable to:** | | | | |
| Equity holders of the Parent Company | | **₱891,635** | ₱352,546 | (₱1,029,264) |
| Non-controlling interests | | **10,922** | 3,100 | 1,214 |
| | | **₱902,557** | ₱355,646 | (₱1,028,050) |

*See accompanying Notes to the Consolidated Financial Statements.*

# 2GO GROUP, INC. AND SUBSIDIARIES
# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

## FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(Amounts in Thousands)

| | Attributable to Equity Holders of the Parent Company | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Other Comprehensive Income (Losses) | | | | | | | | |
| | **Share Capital** (Note 21) | **Additional Paid-in Capital** (Note 21) | **Other Equity Reserve** (Note 21) | **Share in Cumulative Translation Adjustment of an Associate** | **Remeasurement Losses on Accrued Retirement Benefits - Net of tax** (Note 26) | **Share in Remeasurement Gains on Accrued Retirement Benefits of Associates and Joint Ventures** (Note 12) | **Subtotal** | **Deficit** (Note 21) | **Treasury Shares** (Note 21) | **Total** | **Non-controlling Interests** | **Total Equity** |
| **BALANCES AT JANUARY 1, 2021** | **₱2,500,663** | **₱2,498,621** | **₱712,245** | **₱5,294** | **(₱229,732)** | **₱5,448** | **(₱218,990)** | **(₱3,826,761)** | **(₱58,715)** | **₱1,607,063** | **₱59,941** | **₱1,667,004** |
| Net income (loss) for the year | – | – | – | – | – | – | – | (1,144,160) | – | (1,144,160) | 1,214 | (1,142,946) |
| Other comprehensive income (loss) for the year | – | – | – | – | 116,209 | (1,313) | 114,896 | – | – | 114,896 | – | 114,896 |
| Total comprehensive income (loss) for the year | – | – | – | – | 116,209 | (1,313) | 114,896 | (1,144,160) | – | (1,029,264) | 1,214 | (1,028,050) |
| **BALANCES AT DECEMBER 31, 2021** | **2,500,663** | **2,498,621** | **712,245** | **5,294** | **(113,523)** | **4,135** | **(104,094)** | **(4,970,921)** | **(58,715)** | **577,799** | **61,155** | **638,954** |
| Net income for the year | – | – | – | – | – | – | – | 308,833 | – | 308,833 | 3,100 | 311,933 |
| Other comprehensive income for the year | – | – | – | – | 38,518 | 5,195 | 43,713 | – | – | 43,713 | – | 43,713 |
| Total comprehensive income for the year | – | – | – | – | 38,518 | 5,195 | 43,713 | 308,833 | – | 352,546 | 3,100 | 355,646 |
| **BALANCES AT DECEMBER 31, 2022** | **2,500,663** | **2,498,621** | **712,245** | **5,294** | **(75,005)** | **9,330** | **(60,381)** | **(4,662,088)** | **(58,715)** | **930,345** | **64,255** | **994,600** |
| Net income for the year | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **939,285** | **–** | **939,285** | **10,922** | **950,207** |
| Other comprehensive income (loss) for the year | **–** | **–** | **–** | **–** | **(49,814)** | **2,164** | **(47,650)** | **–** | **–** | **(47,650)** | **–** | **(47,650)** |
| Total comprehensive income (loss) for the year | **–** | **–** | **–** | **–** | **(49,814)** | **2,164** | **(47,650)** | **939,285** | **–** | **891,635** | **10,922** | **902,557** |
| **BALANCES AT DECEMBER 31, 2023** | **₱2,500,663** | **₱2,498,621** | **₱712,245** | **₱5,294** | **(₱124,819)** | **₱11,494** | **(₱108,031)** | **(₱3,722,803)** | **(₱58,715)** | **₱1,821,980** | **₱75,177** | **₱1,897,157** |

*See accompanying Notes to the Consolidated Financial Statements.*

# 2GO GROUP, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

**FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021**

(Amounts in Thousands)

| | | Years Ended December 31 | | |
|---|---|---|---|---|
| | *Note* | **2023** | 2022 | 2021 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Income (Loss) before income tax from continuing operations | | **₱1,251,363** | ₱348,385 | (₱1,084,827) |
| Income (Loss) before income tax from discontinued operations | *32* | **(191,482)** | 21,943 | (14,207) |
| Income (loss) before income tax | | **1,059,881** | 370,328 | (1,099,034) |
| Adjustments for: | | | | |
| Depreciation and amortization of property and equipment and software | *11,14, 22,23* | **1,286,060** | 1,361,737 | 1,453,153 |
| Financing charges | *24,32* | **495,572** | 489,808 | 416,928 |
| Interest income | *24,32* | **(619)** | (1,695) | (2,708) |
| Loss (gain) on disposal of: | | | | |
| Property and equipment | *24* | **(4,550)** | (11,290) | 36,614 |
| Investment in an associate | *12,20,24* | – | (35,086) | – |
| Provision for impairment of other assets | *23* | **–** | 8,647 | – |
| Write-off of investment property | *23* | – | – | 49,790 |
| Gain on cessation of business of subsidiaries | *24* | – | – | (2,889) |
| Gain on lease pre-termination | *18* | **(66,329)** | – | – |
| Equity in net earnings of associates and joint ventures | *12* | **(153,328)** | (58,566) | (55,407) |
| Retirement benefit cost | *26* | **95,398** | 87,939 | 85,368 |
| Unrealized foreign exchange losses (gains) | | **2,033** | (3,251) | 692 |
| Operating income before working capital changes | | **2,714,118** | 2,208,571 | 882,507 |
| Decrease (increase) in: | | | | |
| Trade and other receivables | | **991,375** | (544,610) | 1,040,355 |
| Inventories | | **322,303** | 19,690 | 141,398 |
| Other current assets | | **(62,399)** | (13,145) | 139,619 |
| Other noncurrent assets | | **18,777** | 29,777 | 47,956 |
| Increase (decrease) in trade and other payables | | **(169,996)** | 769,504 | (1,362,863) |
| Net cash generated from operations | | **3,814,178** | 2,469,787 | 888,972 |
| Contribution for retirement fund and benefits paid from book reserve | *26* | **(67,132)** | (63,286) | (23,205) |
| Interest received | | **619** | 1,695 | 2,708 |
| Income taxes paid, including creditable withholding taxes | | **(302,219)** | (245,384) | (245,833) |
| Net cash flows provided by operating activities | | **3,445,446** | 2,162,812 | 622,642 |
| **CASH FLOWS USED IN INVESTING ACTIVITIES** | | | | |
| Additions to: | | | | |
| Property and equipment | *11* | **(2,080,587)** | (503,776) | (1,918,694) |
| Software | *14* | **(16,849)** | (38,170) | (15,311) |
| Proceeds from disposal of: | | | | |
| Property and equipment | *11* | **26,960** | 52,923 | 346,941 |
| Investment in an associate | *12,20,24* | **10,000** | 10,000 | – |
| Collection of proceeds from the sale of a subsidiary and freighters | *24* | – | – | 89,263 |
| Dividends received | | **162,581** | – | – |
| Receipts of (payments for) various deposits | *14* | **(45,588)** | 914 | 8,003 |
| Net cash flows used in investing activities | | **(1,943,483)** | (478,109) | (1,489,798) |

*(Forward)*

| | *Note* | Years Ended December 31<br>**2023** | 2022 | 2021 |
|---|---|---|---|---|
| **CASH FLOWS FROM FINANCING ACTIVITIES** | *31* | | | |
| Proceeds from availments of: | | | | |
| Short-term notes payable | *15* | **₱1,204,000** | ₱2,380,000 | ₱2,811,000 |
| Long-term debt | *17* | **–** | – | 500,000 |
| Payments of: | | | | |
| Short-term notes payable | *15* | **(1,694,000)** | (3,180,000) | (1,868,500) |
| Long-term debt | *17* | **(100,000)** | – | – |
| Obligations under lease | *18* | **(483,965)** | (348,512) | (395,527) |
| Interest and financing charges | *24* | **(363,156)** | (482,249) | (397,903) |
| Debt transaction costs | *17, 24* | **(25,500)** | – | (3,750) |
| Net cash flows provided by (used in) financing activities | | **(1,462,621)** | (1,630,761) | 645,320 |
| **EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS** | | **(1,834)** | 570 | 1,724 |
| **NET INCREAE (DECREASE) IN CASH AND CASH EQUIVALENTS** | | **37,508** | 54,512 | (220,112) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | *7* | **724,527** | 670,015 | 890,127 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | *7* | **₱762,035** | ₱724,527 | ₱670,015 |

*See accompanying Notes to the Consolidated Financial Statements.*

# NOTES TO THE 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 Consolidated Financial Statements

2GO Group, Inc. (2GO or the Company) was incorporated in the Philippines on May 26, 1949. Its corporate life was renewed on May 12, 1995 and will expire on May 25, 2049. However, under the Revised Corporation Code of the Philippines, 2GO shall have a perpetual corporate life. The Company's registered office address is 8th Floor Tower 1, Double Dragon Plaza, EDSA Extension corner Macapagal Avenue, Pasay City, Metro Manila. 2GO's shares of stock are publicly traded on the Philippine Stock Exchange (PSE).

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 interisland roll-on/roll-off freight and passenger vessels, interisland freighters, and short-haul 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.

As of December 31, 2020, 2GO is 35.22%-owned by KGLI-NM Holdings, Inc., 30.49% owned by SM Investments Corporation (SMIC), 22.36%-owned by China-ASEAN Marine B.V. (CAMBV) and 11.93% owned by public shareholders.

On June 3, 2021, SMIC acquired 550,558,388 common shares representing 22.36% of 2GO from KGLI-NM. This resulted in an increase of SMIC's ownership in 2GO to 52.85%, thereby making 2GO a subsidiary of SMIC. On the same date, Trident Investments Holdings Pte. Ltd. (Trident) acquired 230,563,877 common shares of 2GO from KGLI-NM and 550,558,388 common shares from CAMBV, or a total of 781,122,265 common shares representing 31.73% of 2GO. Public shareholders own 15.42%.

On February 28, 2023, the Board of Directors of 2GO approved the voluntary delisting of 2GO shares from the PSE, subject to the successful completion of the intended tender offer by SMIC, compliance with other requirements of the PSE for voluntary delisting, and applicable regulations of the Securities and Exchange Commission. In the Annual Stockholders' Meeting of 2GO held on April 18, 2023, stockholders owning 2,409,564,0081 shares or 97.86% of the outstanding capital stock of 2GO approved the voluntary delisting. The PSE approved the delisting effective July 17, 2023.

As of June 30, 2023, with the completion of the tender offer, 2GO's outstanding capital stock is owned by: SMIC (1,654,861,652 common shares or 67.21%); Trident (781,122,265 common shares or 31.73%); and public shareholders own 1.06%.

The accompanying consolidated financial statements as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023 were approved and authorized for issue by the BOD on February 22, 2024.

## 2. Basis of Preparation and Statement of Compliance

Basis of Preparation
The consolidated financial statements have been prepared on a historical cost basis. The 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.

Statement of Compliance
The consolidated financial statements of the Group are prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

## 3. Material Accounting Policy Information

Accounting policies have been applied consistently to all years presented in the consolidated financial statements, except for the changes in accounting policies explained below.

Adoption of New or Revised Standards, Amendments to Standards and Interpretations
The Group adopted the following amendments to standards starting January 1, 2023. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Group's consolidated financial statements.

*Effective beginning on or after January 1, 2023*

- Amendments to PAS 1, *Presentation of Financial Statements,* and PFRS Practice Statement 2, *Disclosure of Accounting Policies*
  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

  - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

  The amendments to PAS 1 and the Practice Statement provide non-mandatory guidance. The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the consolidated financial statements.

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Accounting Estimates*
  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors.

- Amendments to PAS 12, *Income Taxes, Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

- Amendments to PAS 12, *International Tax Reform - Pillar Two Model Rules*
  The amendments introduce a mandatory exception in PAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes.

Standards Issued But Not Yet Adopted
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

*Effective beginning on or after January 1, 2024*

- Amendments to PAS 1*, Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16*, Leases*, *Lease Liability in a Sale and Leaseback*
- Amendments to PAS 7*, Statement of Cash Flows*, and PFRS 7*, Financial Instruments: Disclosures*, *Disclosures: Supplier Finance Arrangements*

*Effective beginning on or after January 1, 2025*

- PFRS 17, *Insurance Contracts*
- Amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates*, *Lack of exchangeability*

*Deferred effectivity*

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures*, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The material accounting policy information adopted in the preparation of the consolidated financial statements are summarized below.

Basis of Consolidation
The consolidated financial statements include the accounts of 2GO and the subsidiaries listed below:

| | | **Percentage of Ownership** | |
|---|---|---|---|
| | Nature of Business | **2023** | 2022 |
| Special Container and Value Added Services, Inc. (SCVASI) | Transportation/logistics | **100.0** | 100.0 |
| 2GO Express, Inc. (2GO Express) | Transportation/logistics | **100.0** | 100.0 |
| 2GO Logistics, Inc. (2GO Logistics) | Transportation/logistics | **100.0** | 100.0 |
| Scanasia Overseas, Inc. (SOI) [(1)] | Sales of goods | **100.0** | 100.0 |
| 2GO Land Transport, Inc. [(2)] | Transportation | **100.0** | 100.0 |
| NN-ATS Logistics Management and Holdings Co., Inc. [(3)] | Holdings and logistics management | **100.0** | 100.0 |
| Astir Engineering Works, Inc. [(3) (4)] | Engineering services | **100.0** | 100.0 |
| WG&A Supercommerce, Incorporated [(4)] | Vessels' hotel management | **100.0** | 100.0 |
| North Harbor Tugs Corporation | Tugboat assistance | **58.9** | 58.9 |
| 2GO Rush Delivery, Inc. (RUSH) [(5)] | Transportation/logistics | **100.0** | 100.0 |

[1] *On August 9, 2023, the BOD approved the cessation of business operations of SOI*
[2] *Formerly WRR Trucking Corporation*
[3] *In September 2020, the BOD approved the merger of these companies*
[4] *Ended commercial operations in 2018 or prior*
[5] *Wound down due to non-operation*

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. The financial statements of subsidiaries are consistent with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Investments in Associates and Joint Ventures

The consolidated financial statements include the significant associates and joint ventures of the Group listed below.

| | | Effective Percentage of Ownership | |
|---|---|---|---|
| | Nature of Business | **2023** | **2022** |
| Associates: | | | |
| MCC Transport Philippines (MCCP) | Container transportation | 33.0 | 33.0 |
| Mober Technology PTE Inc. (Mober) [1] | Logistics services | – | – |
| Joint Ventures: | | | |
| KLN Logistics Holdings Philippines Inc. (KLN)[2] | Holding company | 78.4 | 78.4 |
| Kerry Logistics Philippines, Inc. (KLI)[3] | International freight and cargo forwarding | 62.5 | 62.5 |

[1]*Investment by 2GO Express in 2018. Mober was sold by the Group in August 2022.*
[2]*KLN is 78.4%-owned by 2GO Express.*
[3]*KLI is 62.5%-owned by KLN.*

All entities are incorporated in the Philippines.

Determination of Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that the market participants act in their best economic interest.

Financial Instruments

*Date of Recognition*

The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets, recognition and de-recognition, as applicable, that require delivery of assets within the time frame established by regulation or convention in the market place are recognized on the settlement date.

*Initial Recognition of Financial Instruments*

Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). With the exception of trade receivables or for which the Group has applied the practical expedient, the Group's initial measurement of financial instruments, except for those classified as fair value through profit or loss (FVTPL), includes transaction cost. Trade receivables or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15, *Revenue from Contracts with Customers*.

*Financial assets*
At initial recognition, the Group classifies its financial assets as follows:

- FVTPL
- Fair value through other comprehensive income (FVTOCI)
- Financial assets measured at amortized cost

The basis of the classification of the Group's financial instruments depends on the following:

- The Group's business model for managing its financial assets; and
- The contractual cash flow characteristics of the financial assets.

A financial asset is classified to be measured at amortized cost if following conditions were met:

- The financial asset is held to collect the contractual cash flows; and
- Contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group has no financial assets classified as FVTPL and FVTOCI.

*Financial liabilities*
Financial liabilities are classified as measured at amortized cost except for:

- Financial liabilities measured at FVTPL which include derivatives that liabilities measured at fair value;
- Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
- Financial guarantee contracts;
- Commitments to provide a loan at a below-market interest rate; and
- Contingent considerations recognized by an acquirer in a business combination to which PFRS 3 applies.

*Subsequent measurement*
*Financial assets measured at amortized cost*
After initial measurement, these financial assets are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by considering any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in the consolidated statement of profit or loss when the loans and receivables are derecognized and impaired, as well as through the amortization process. Loans and receivables are included under current assets if realizability or collectibility is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

The Group's cash in banks and cash equivalents, trade and other receivables and refundable deposits (presented as part of "Other current assets" account and "Other noncurrent assets" account in the consolidated statement of financial position) are classified under this category.

*Financial liabilities measured at amortized cost*
After initial recognition, these financial liabilities are carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium,

discount and any directly attributable transaction costs. Gains and losses on other financial liabilities are recognized in the consolidated statement of profit or loss when the liabilities are derecognized, as well as through the amortization process.

The Group's notes payable, trade and other payables excluding unearned revenue, long-term debt and obligations under lease are classified under this category.

*De-recognition of Financial Assets and Liabilities*

*Financial Assets.* A financial asset is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or,
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

*Financial Liabilities.* A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statements of profit or loss.

*Impairment of Financial Assets*

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information (e.g., financial difficulty or insolvency) indicates that the Group is unlikely to receive the outstanding contractual cash flows in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Inventories
Inventories are valued at the lower of cost and net realizable value (NRV). Cost, which includes all costs directly attributable to acquisition, such as purchase price and transport costs, is primarily determined using the weighted average method. NRV of inventories for sale is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale, while NRV of inventories for usage is the estimated replacement cost. An allowance for inventory obsolescence is provided for based on the Group's historical inventory expiration experience and physical inspection.

Discontinued Operations
A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of profit or loss.

Additional disclosures are provided in Note 32. All other notes to the consolidated financial statements include amounts for continuing operations, unless indicated otherwise.

Property and Equipment
Property and equipment, except land, is stated at cost less accumulated depreciation and amortization and any accumulated impairment in value. Land is stated at cost less any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs necessary in bringing the asset to its working condition and location for its intended use. Cost also includes any related asset retirement obligation and related interest incurred during the construction.

When significant parts of property and equipment are required to be replaced in intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation, respectively. Land is carried at cost, less accumulated impairment losses.

Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

Drydocking costs, consisting mainly of main engine overhaul, replacement of steel plate of the vessels' hull and related expenditures, are capitalized as a separate component of "Vessels in operations". When significant drydocking costs are incurred prior to the end of the amortization period, the remaining unamortized balance of the previous drydocking cost is derecognized in profit or loss.

Vessels under refurbishment, if any, include the acquisition cost of the vessels, the cost of ongoing refurbishments and other direct costs. Construction-in-progress represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the refurbishment of vessels and construction of property and equipment are capitalized during the refurbishment and construction period. Vessels under refurbishment and construction in progress are not depreciated until such time the relevant assets are complete and available for use but tested for impairment losses. Refurbishment of existing vessels is capitalized as part of vessel improvements and depreciated at the time the vessels are put back into operation.

Vessel on lay-over, if any, represents vessel for which drydocking has not been done pending availability of the necessary spare parts. Such vessels, included under the "Property and equipment" account in the consolidated statement of financial position are stated at cost, less accumulated depreciation and any impairment in value.

Minor spare parts and service equipment are typically carried as inventory and recognized in profit or loss as consumed. Major spare parts and stand-by equipment are carried as property and equipment when an entity expects to use them during more than one period or when they can be used only in connection with an item of property and equipment.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, namely:

| | *Note* | In Years |
|---|---|---|
| Vessels in operations, excluding drydocking costs and vessel equipment and improvements | *4* | 30 - 35* |
| Drydocking costs | | 2 - 2.5 |
| Vessel equipment and improvements | | 3 - 5 |
| Containers and reefer vans | | 5 - 10 |
| Terminal and handling equipment | | 5 - 10 |
| Furniture and other equipment | | 3 - 5 |
| Land improvements | | 5 - 10 |
| Buildings and warehouses | | 5 - 20 |
| Transportation equipment | | 5 - 10 |
| Spare parts and service equipment | | 3 - 5 |
| Leasehold improvements | | Shorter of 5 - 20 or lease term |

**From the time the vessel was built.*

Depreciation or amortization commences when an asset is in its location or condition capable of being operated in the manner intended by management. Depreciation or amortization ceases at the earlier of the date that the item is classified as held-for-sale in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

The residual values, useful lives and method of depreciation and amortization of the assets are reviewed and adjusted, if appropriate, at the end of each reporting period. The carrying values of the assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization is credited or charged to current operations.

When property and equipment are retired or otherwise disposed of, the cost and related accumulated depreciation and amortization and accumulated provision for impairment losses are removed from the accounts and any resulting gain or loss is charged to profit or loss.

Goodwill

*Impairment Testing of Goodwill.* For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU), or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and,
- is not larger than an operating segment as defined in PFRS 8, *Operating Segments*, before aggregation.

*Frequency of Impairment Testing.* Irrespective of whether there is any indication of impairment, the Group tests goodwill acquired in a business combination for impairment at least annually.

*Allocation of Impairment Loss.* An impairment loss is recognized for a CGU if the recoverable amount of the unit or group of units is less than the carrying amount of the unit or group of units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit or group of units first to reduce the carrying amount of goodwill allocated to the CGU or group of units and then to the other assets of the unit or group of units pro rata on the basis of the carrying amount of each asset in the unit or group of units.

Impairment of Nonfinancial Assets

The carrying values of the Group's nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets or CGUs are written-down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less cost to sell or value in use (VIU). The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses are recognized in the consolidated statement of profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment loss may no longer exist or may have decreased. In such a case, the recoverable amount is estimated. Any previously recognized impairment loss is reversed only when there is a change in estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Accordingly, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized in prior years. Such reversal is recognized in the consolidated statement of profit or loss. After such a reversal, the depreciation or amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Equity

The equity of the Group consists of share capital, additional paid-in capital (APIC), treasury shares, other comprehensive income (loss) OCI and retained earnings (deficit).

Treasury shares are the Group's own equity instruments that are reacquired. Treasury shares are recognized at cost and deducted from equity.

OCI of the Group includes share in OCI of associates and remeasurement gains or losses on accrued retirement benefits.

Revenue from Contracts with Customers
Revenue from contracts with customers is recognized when controls of goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for the goods and services. The specific recognition criteria for each type of revenue are as follows:

*Shipping Revenues* are recognized when the related services are rendered. Shipping revenues include revenue from ancillary services such as wharfage, arrastre, stevedoring and other freight related services.

*Logistics Revenues* are recognized when the related services have been rendered. Service fees are also recognized when cargoes are received by either shipper or consignee for export and import transactions.

*Sale of Goods* are recognized at the point in time when control of the asset is transferred to the customer, generally on the delivery of the goods.

Contract Balances
*Contract assets*
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

*Trade receivables*
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section "Financial instruments - initial recognition and subsequent measurement".

*Contract liabilities*
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are classified under "Trade and other payables" account in the consolidated statement of financial position. Contract liabilities are recognized as revenue when the Group performs under the contract.

Other Income
*Rental Income* arising from operating leases is recognized on a straight-line basis over the lease term.

*Dividend Income* is recognized when the shareholders' right to receive the payment is established.
Costs and Expenses
Costs and expenses are recognized in profit or loss when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

Employee Benefits
*Short-term Employee Benefits*
Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

*Retirement Benefits*
Majority of the subsidiaries of the Group have separate funded, noncontributory retirement plans, administered by the respective trustees, covering their respective permanent employees.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. Projected unit credit method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

Defined benefit costs comprise the following:

- Service cost;
- Net interest on the net defined benefit liability or asset; and,
- Re-measurements of net defined benefit liability or asset.

Re-measurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Re-measurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Leases
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration.

Right-of-use assets are recognized at the commencement date of the lease. These assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the following amount:

- lease liabilities recognized;
- initial direct costs incurred; and
- lease payments made at or before the commencement date less any lease incentives received.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term, as follows.

| | In Years |
|---|---|
| Container Yard | 10 |
| Office | 10 |
| Warehouse | 10 |
| Equipment | 3-10 |

Lease liabilities are recognized at the commencement date of the lease and is measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses the incremental borrowing rate (IBR) at the lease commencement date if the interest rate implicit in the lease is not readily determinable. Lease liability is carried at amortized cost. Lease liabilities are remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Group applies the following recognition exemptions:

- short-term lease (leases with lease term of 12 months or less from the commencement date and do not contain a purchase option); or
- low-value assets.

Lease payments under short-term leases and low value assets are recognized as rent expense on a straight-line basis over the lease term.

Taxes

*Current Tax*. Current tax assets and liabilities for the current periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted at the end of each reporting period.

Current income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

*Deferred Tax*. Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the financial reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of excess Minimum Corporate Income Tax (MCIT) over Regular Corporate Income Tax (RCIT) and Net Operating Loss Carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward benefits of excess MCIT over RCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; at the time of the transaction, does not give rise to equal taxable and deductible temporary differences; and,
- with respect to deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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 income tax assets to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted as at reporting date.

Income tax relating to items recognized directly in the consolidated statement of comprehensive income is recognized in the consolidated statement of comprehensive income and not in the consolidated statement of profit or loss.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

*Value-added taxes (VAT)*
Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

*Creditable withholding taxes (CWTs)*
CWTs can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rule on Philippine income taxation. CWTs which are expected to be utilized as payment for income taxes within twelve (12) months are classified as current assets.

Basic/Diluted Earnings (Loss) Per Common Share (EPS)
Basic EPS is computed by dividing the net income (loss) from continuing operations for the period attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding, after retroactive adjustment for any stock dividends and stock splits declared during the year.

For the purpose of computing diluted EPS, the net income (loss) from continuing operations for the period attributable to equity holders of the Parent Company and the weighted-average number of issued and outstanding common shares are adjusted for the effects of all dilutive potential ordinary shares.

The basic/diluted EPS for the discontinued are disclosed in the notes to consolidated financial statements.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group's Chief Decision Maker regularly reviews the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Financial information on business segments is presented in Note 6.

4. **Significant Judgments, Accounting Estimates and Assumptions**

The preparation of the consolidated financial statements in compliance with PFRSs requires management to make judgments, accounting estimates and assumptions that affect the amounts reported in the 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 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 consolidated financial statements:

*Determining the timing of satisfaction of performance obligation shipping and logistics and other services*
The Group assessed that performance obligation for shipping and logistics and other services are rendered to the customers over time. As a result, revenue is recognized based on the extent of progress towards completion of the performance obligation. The selection of the method to measure progress towards completion requires judgement. The measurement of progress used the estimated period travelled (measured in days) of the cargoes or goods delivered over the period of the date of cargo acceptance of the Group up to the date of delivery to the customers.

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:

*Provision for ECL of trade teceivables and contract assets*
The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. Refer to Note 8.

*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 built, 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 11.

*Assessment of impairment and estimation of recoverable amount of property and equipment*
The Group assesses at the end of each reporting period whether there is any indication that the nonfinancial assets listed on the next page may be impaired. If such indication exists, the entity follows the accounting policy discussed in section 3, Material Accounting Policy Information (Impairment of Nonfinancial Assets).

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 pertaining to the property and equipment of the Group amounting to ₱7.1 billion and ₱5.6 billion as of December 31, 2023 and 2022, respectively (see Note 11).

As at December 31, 2023 and 2022, 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 is higher than their carrying values.

*Impairment of goodwill*
The Group performs impairment testing on goodwill at least on an annual basis or more frequently, if events or changes in circumstances indicate that these may be impaired.

The recoverable amounts of the cash-generating units have been determined based on a value-in-use calculation using cash flow projections based on financial budgets as approved by management covering seven-year and five-year projections for shipping and nonshipping business, respectively. The value-in-use calculation is based on a discounted cash flows (DCF) model. The cash flows are derived from the budget for the next five to seven years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

The key assumptions used to determine the recoverable amount for the CGUs of the shipping and nonshipping businesses are disclosed in Note 13.

*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 26 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 26.

*Recognition of deferred income tax assets*
The carrying amount of deferred income 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 income 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 income tax assets was recognized. Refer to Note 27.

*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 19.

## 5. Revenue from Contracts with Customers

*Disaggregated revenue information*
The disaggregation of the Group's revenue from contracts with customers is presented in the consolidated statement of profit or loss and disclosed in the operating segment information. The Group's disaggregation of revenue from contracts with customers based on categories that depict the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

*Performance obligations and timing of revenue recognition*
The Group's performance obligations are summarized below.

- Shipping and logistics and other services: performance obligations are generally satisfied over time once the delivery services are completed.
- Sale of goods: performance obligation is generally satisfied upon delivery of the goods to the customers which is the point in time where the control has been transferred to the customer.

## 6. 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, 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 consolidated financial statements.

Segment revenue includes revenue from services between operating segments. Such revenue and related costs are fully eliminated in the consolidation. Revenues from one customer of nonshipping segment represent approximately 26% of the segment's total revenue. Further, there were no revenue transactions with a single customer that accounts for 10.0% or more of total revenues for the other segments.

The segment information below relates to continuing operations. The sale of goods under nonshipping segment is included in the discontinued operations in 2023 and is therefore not part of the segment information presented (see Note 32).

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

| | December 31, 2023 | | | |
|---|---|---|---|---|
| | **Shipping** | **Non Shipping** | **Eliminations/ Adjustments** | **Consolidated Balance** |
| | | *(In Thousands)* | | |
| External customers | **₱9,107,338** | **₱6,848,829** | **₱–** | **₱15,956,167** |
| Intersegment revenue | **1,595,272** | **361,648** | **(1,956,920)** | **–** |
| **Revenues from contracts with customers** | **₱10,702,610** | **₱7,210,477** | **(₱1,956,920)** | **₱15,956,167** |
| Income (Loss) before income tax from continuing operations | **₱1,556,755** | **(305,392)** | **–** | **1,251,363** |
| Benefit from (Provision for) income tax | **8,062** | **(112,104)** | **–** | **(104,042)** |
| **Segment income (loss) from continuing operations** | **₱1,564,817** | **(417,496)** | **–** | **₱1,147,321** |
| **Segment assets** | **₱13,482,768** | **₱4,900,841** | **(₱3,583,178)** | **₱14,800,431** |
| **Segment liabilities** | **₱9,724,894** | **₱7,145,147** | **(₱3,966,767)** | **₱12,903,274** |
| **Other Information:** | | | | |
| Capital expenditures | **₱2,845,594** | **₱150,731** | **₱–** | **₱2,996,325** |
| Depreciation and amortization | **912,278** | **370,861** | **–** | **1,283,139** |
| Provision for ECL - net | **5,981** | **43,947** | **–** | **49,928** |
| Dividend income | **162,581** | **–** | **(162,581)** | **–** |
| Equity in net eanings of associates and joint ventures | **144,352** | **8,976** | **–** | **153,328** |

| | December 31, 2022, Adjusted | | | |
|---|---|---|---|---|
| | Shipping | Non Shipping | Eliminations/ Adjustments | Consolidated Balance |
| | | *(In Thousands)* | | |
| External customers | ₱8,104,183 | ₱6,437,565 | ₱– | ₱14,541,748 |
| Intersegment revenue | 1,412,316 | 344,557 | (1,756,873) | – |
| Revenues from contracts with customers | ₱9,516,499 | ₱6,782,122 | (₱1,756,873) | ₱14,541,748 |
| Income (Loss) before income tax from continuing operations | ₱523,010 | (₱69,625) | (₱105,000) | ₱348,385 |
| Provision for income tax | (7,553) | (46,802) | – | (54,355) |
| Segment income (loss) from continuing operations | ₱515,457 | (₱116,427) | (₱105,000) | ₱294,030 |
| Segment assets | ₱11,474,059 | ₱6,624,674 | (₱3,706,839) | ₱14,391,894 |
| Segment liabilities | ₱9,029,883 | ₱8,050,000 | (₱3,682,589) | ₱13,397,294 |
| Other Information: | | | | |
| Capital expenditures | ₱1,078,818 | ₱955,774 | ₱– | ₱2,034,592 |
| Depreciation and amortization | 945,015 | 415,543 | – | 1,360,558 |
| Provision for ECL - net | 10,913 | 32,046 | – | 42,959 |
| Dividend income | 105,000 | – | (105,000) | – |
| Equity in net eanings of associates and joint ventures | 50,175 | 8,391 | – | 58,566 |

| | December 31, 2021, Adjusted | | | |
|---|---|---|---|---|
| | Shipping | Non Shipping | Eliminations/ Adjustments | Consolidated Balance |
| | | *(In Thousands)* | | |
| External customers | ₱5,061,642 | ₱5,236,752 | ₱– | ₱10,298,394 |
| Intersegment revenue | 1,066,109 | 313,850 | (1,379,959) | – |
| Revenues from contracts with customers | ₱6,127,751 | ₱5,550,602 | (₱1,379,959) | ₱10,298,394 |
| Loss before income tax from continuing operations | (₱726,560) | (₱183,267) | (₱175,000) | (₱1,084,827) |
| Benefit from (Provision for) income tax | 1,440 | (45,694) | – | (44,254) |
| Segment loss from continuing operations | (₱725,120) | (₱228,961) | (₱175,000) | (₱1,129,081) |
| Segment assets | ₱10,780,212 | ₱5,708,431 | (₱3,569,922) | ₱12,918,721 |
| Segment liabilities | ₱8,871,660 | ₱6,921,930 | (₱3,513,823) | ₱12,279,767 |
| Other Information: | | | | |
| Capital expenditures | ₱1,819,832 | ₱193,420 | ₱– | ₱2,013,252 |
| Depreciation and amortization | 1,090,283 | 361,117 | – | 1,451,400 |
| Provision for ECL - net | 39,001 | 339,620 | – | 378,621 |
| Dividend income | 175,000 | – | (175,000) | – |
| Equity in net earnings of associates and joint ventures | 29,044 | 26,363 | – | 55,407 |

Reconciliation of segment income (loss) and net income (loss) reported in the consolidated statements of profit or loss follows:

| | | Years Ended December 31 | | |
|---|---|---|---|---|
| | *Note* | **2023** | 2022 | 2021 |
| | | | *(In Thousands)* | |
| Segment income (loss) | | **₱1,147,321** | ₱294,031 | (₱1,129,082) |
| Net income (loss) from discontinued operations | *32* | **(197,114)** | 17,902 | (13,864) |
| Net income (loss) | | **₱950,207** | ₱311,933 | (₱1,142,946) |

## 7. Cash and Cash Equivalents

This account consists of:

| | Note | December 31 2023 | 2022 |
|---|---|---|---|
| | | *(In Thousands)* | |
| Cash on hand and in banks | *20* | **₱747,368** | ₱712,888 |
| Cash equivalents | | **14,667** | 11,639 |
| | | **₱762,035** | ₱724,527 |

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.

Interest income earned by the Group from cash in banks and cash equivalents amounted to ₱0.5 million ₱0.4 million and ₱0.5 million for the years ended December 31, 2023, 2022 and 2021, respectively (see Note 24).

## 8. Trade and Other Receivables

This account consists of:

| | Note | December 31 2023 | 2022 |
|---|---|---|---|
| | | *(In Thousands)* | |
| Trade | | **₱2,187,175** | ₱2,954,257 |
| Contract assets | | **462,330** | 653,245 |
| Nontrade | *20* | **260,173** | 328,954 |
| Advances to officers and employees | | **22,086** | 24,177 |
| | | **2,931,764** | 3,960,633 |
| Allowance for ECL | | **(490,754)** | (518,248) |
| | | **₱2,441,010** | ₱3,442,385 |

a. Trade receivables are noninterest-bearing and are generally on 30 to 60 days terms.

b. Contract assets relate to revenue earned from unbilled receivables which represent amounts recognized as revenue for which the invoices have not yet been issued to the customers. As such, the balance of this account vary and depend on the timing of issuance of billing invoice to customers. The outstanding balance of these accounts decreased in 2023 due to the increase in issued billings within the year.

c. Nontrade receivables include advances to principals, passage bonds, receivable from trustee fund and insurance from other claims. These receivables are noninterest-bearing and collectible on demand. The balance as of December 31, 2023 includes the ₱30.0 million (₱10.0 million as of December 31, 2022) current portion of receivable for the sale of Mober (see Notes 12 and 14).

d. The following tables set out the rollforward of the allowance for ECL as of December 31, 2023 and 2022 and 2021:

| | *Note* | **December 31, 2023** <br> **Trade and Contract Assets** | **Nontrade** | **Total** |
|---|---|---|---|---|
| | | | *(In Thousands)* | |
| Beginning | | **₱483,458** | **₱34,790** | **₱518,248** |
| Provision | *23* | **22,718** | **27,210** | **49,928** |
| Write-off | | – | **(2,010)** | **(2,010)** |
| Reversal | | **(76,367)** | **(1,445)** | **(77,812)** |
| Other adjustments | | **2,400** | – | **2,400** |
| Ending | | **₱432,209** | **₱58,545** | **₱490,754** |

| | *Note* | December 31, 2022 <br> Trade and Contract Assets | Nontrade | Total |
|---|---|---|---|---|
| | | | *(In Thousands)* | |
| Beginning | | ₱480,602 | ₱29,617 | ₱510,219 |
| Provision | *23* | 29,078 | 13,881 | 42,959 |
| Write-off/other adjustments | | (26,222) | (8,708) | (34,930) |
| Ending | | ₱483,458 | ₱34,790 | ₱518,248 |

| | *Note* | December 31, 2021 <br> Trade and Contract Assets | Nontrade | Total |
|---|---|---|---|---|
| | | | *(In Thousands)* | |
| Beginning | | ₱582,732 | ₱155,945 | ₱738,677 |
| Provision | *23* | 315,401 | 63,220 | 378,621 |
| Write-off/other adjustments | | (342,784) | (262,030) | (604,814) |
| Deconsolidation of subsidiary | *20* | (74,747) | 72,482 | (2,265) |
| Ending | | ₱480,602 | ₱29,617 | ₱510,219 |

## 9. Inventories

This account consists of:

| | December 31 <br> **2023** | 2022 |
|---|---|---|
| At lower of cost and net realizable value: | *(In Thousands)* | |
| Trading goods | **₱22,993** | ₱377,355 |
| Materials, parts and supplies | **21,017** | 19,020 |
| At cost: | | |
| Fuel, oil and lubricants | **146,460** | 116,398 |
| | **₱190,470** | ₱512,773 |

The cost of trading goods carried at net realizable value amounted to ₱26.4 million and ₱382.2 million as of December 31, 2023 and 2022 while the cost of materials, parts and supplies carried at net realizable value amounted to ₱23.4 million and ₱21.4 million, respectively. The allowance for inventory obsolescence as of December 31, 2023 and 2022 amounted to ₱5.8 million and ₱7.3 million, respectively.

Costs of inventories were recognized and presented in the following accounts in the consolidated statements of profit or loss (see Notes 22 and 23):

| | Note | Years Ended December 31 | | |
|---|---|---|---|---|
| | | **2023** | 2022 | 2021 |
| | | (In Thousands) | | |
| Continuing operations: | | | | |
| Cost of services | *22* | **₱3,296,235** | ₱3,077,228 | ₱2,069,769 |
| General and administrative expenses | *23* | **4,485** | 4,331 | 2,261 |
| Discontinued operations: | *32* | | | |
| Cost of goods sold | | **3,011,890** | 4,637,059 | 5,507,703 |
| General and administrative expenses | | – | 241 | – |
| | | **₱6,312,610** | ₱7,718,859 | ₱7,579,733 |

The cost of inventories used is presented as "Cost of services" and pertains mainly to fuel, oil and lubricants used in vessels' operations, food and beverages sold by the shipping segment, and materials and supplies used. The cost of inventories expensed and presented as "Cost of goods sold" pertains to the trading goods sold by the nonshipping segment. The cost of inventories presented as "General and administrative expenses" pertains to office supplies.

## 10. **Other Current Assets**

This account consists of:

| | Note | December 31 | |
|---|---|---|---|
| | | **2023** | 2022 |
| | | (In Thousands) | |
| CWTs - current portion | *14* | **₱1,523,875** | ₱1,461,904 |
| Prepaid expenses and others | | **181,097** | 132,007 |
| Deferred input VAT | | **130,615** | 117,060 |
| Refundable deposits - current portion | *14* | **110,587** | 100,205 |
| Input VAT | | **67,435** | 91,492 |
| Advances to suppliers and contractors | | **56,866** | 43,437 |
| | | **2,070,475** | 1,946,105 |
| Allowance for impairment losses | | **(1,549)** | (1,549) |
| | | **₱2,068,926** | ₱1,944,556 |

a. CWTs represent 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.

## 11. Property and Equipment

| | December 31, 2023 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Vessels in Operations** | **Containers and Reefer Vans** | **Terminal and Handling Equipment** | **Furniture and Other Equipment** | **Land and Improvements** | **Buildings and Warehouses** | **Transportation Equipment** | **Spare Parts and Service Equipment** | **Leasehold Improvements** | **Construction-In-Progress** | **Right-of-Use Assets** | **Total** |
| | | | | | | | *(In Thousands)* | | | | | |
| **Cost** | | | | | | | | | | | | |
| January 1, 2023 | **₱9,689,894** | **₱1,625,034** | **₱1,022,803** | **₱496,168** | **₱494,647** | **₱365,743** | **₱429,728** | **₱2,393** | **₱727,563** | **₱4,473** | **₱2,511,414** | **₱17,369,860** |
| Additions | **751,020** | **335** | **51,316** | **34,548** | **1,322** | **5,267** | **10,304** | – | **22,858** | **1,180,198** | **939,157** | **2,996,325** |
| Disposals/retirements | **(104,695)** | **(21,660)** | **(30,254)** | **(7,871)** | **(17,682)** | **(1,380)** | **(49,756)** | **(5)** | **(111,807)** | – | **(854,128)** | **(1,199,238)** |
| Adjustment | – | – | – | – | – | – | – | – | – | – | **1,618** | **1,618** |
| **December 31, 2023** | **10,336,219** | **1,603,709** | **1,043,865** | **522,845** | **478,287** | **369,630** | **390,276** | **2,388** | **638,614** | **1,184,671** | **2,598,061** | **19,168,565** |
| **Accumulated Depreciation and Amortization** | | | | | | | | | | | | |
| January 1, 2023 | **6,860,698** | **1,409,892** | **725,427** | **416,135** | **157,580** | **301,102** | **408,710** | **1,715** | **542,696** | – | **897,347** | **11,721,302** |
| Depreciation and amortization | **618,703** | **48,135** | **55,340** | **45,589** | **2,545** | **6,979** | **10,828** | **488** | **59,842** | – | **382,718** | **1,231,167** |
| Disposals/retirements | **(104,695)** | **(21,660)** | **(30,203)** | **(7,503)** | – | **(401)** | **(49,754)** | **(5)** | **(108,478)** | – | **(513,858)** | **(836,557)** |
| Adjustment | – | – | – | – | **735** | – | – | – | **(12,981)** | – | – | **(12,246)** |
| **December 31, 2023** | **7,374,706** | **1,436,367** | **750,564** | **454,221** | **160,860** | **307,680** | **369,784** | **2,198** | **481,079** | – | **766,207** | **12,103,666** |
| **Net carrying amounts** | **₱2,961,513** | **₱167,342** | **₱293,301** | **₱68,624** | **₱317,427** | **₱61,950** | **₱20,492** | **₱190** | **₱157,535** | **₱1,184,671** | **₱1,831,854** | **₱7,064,899** |

| | December 31, 2022 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Vessels in Operations | Containers and Reefer Vans | Terminal and Handling Equipment | Furniture and Other Equipment | Land and Improvements | Buildings and Warehouses | Transportation Equipment | Spare Parts and Service Equipment | Leasehold Improvements | Construction-In-Progress | Right-of-Use Assets | Total |
| | | | | | | | *(In Thousands)* | | | | | |
| Cost | | | | | | | | | | | | |
| January 1, 2022 | ₱10,512,687 | ₱1,625,846 | ₱971,904 | ₱458,968 | ₱471,545 | ₱361,559 | ₱424,648 | ₱2,393 | ₱685,781 | ₱53 | ₱1,841,155 | ₱17,356,539 |
| Additions | 464,728 | 915 | 50,982 | 38,423 | 23,102 | 4,184 | 5,965 | – | 41,782 | 4,420 | 1,400,661 | 2,035,162 |
| Disposals/retirements | (1,287,521) | (1,727) | (83) | (1,223) | – | – | (885) | – | – | – | (730,402) | (2,021,841) |
| December 31, 2022 | 9,689,894 | 1,625,034 | 1,022,803 | 496,168 | 494,647 | 365,743 | 429,728 | 2,393 | 727,563 | 4,473 | 2,511,414 | 17,369,860 |
| Accumulated Depreciation and Amortization | | | | | | | | | | | | |
| January 1, 2022 | 7,427,965 | 1,352,582 | 669,319 | 393,357 | 155,179 | 294,683 | 381,729 | 1,237 | 468,779 | – | 1,235,287 | 12,380,117 |
| Depreciation and amortization | 678,621 | 59,037 | 56,191 | 24,001 | 2,401 | 6,419 | 27,866 | 478 | 79,496 | – | 392,461 | 1,326,971 |
| Disposals/retirements | (1,245,888) | (1,727) | (83) | (1,223) | – | – | (885) | – | – | – | (730,401) | (1,980,207) |
| Reclassification/adjustment | – | – | – | – | – | – | – | – | (5,579) | – | – | (5,579) |
| December 31, 2022 | 6,860,698 | 1,409,892 | 725,427 | 416,135 | 157,580 | 301,102 | 408,710 | 1,715 | 542,696 | – | 897,347 | 11,721,302 |
| Net carrying amounts | ₱2,829,196 | ₱215,142 | ₱297,376 | ₱80,033 | ₱337,067 | ₱64,641 | ₱21,018 | ₱678 | ₱184,867 | ₱4,473 | ₱1,614,067 | ₱5,648,558 |

*Property and equipment under lease*
Containers, reefer vans, isotanks, cargo handling equipment, and office and operational spaces as of December 31, 2023 and 2022 include units acquired under lease arrangements (see Note 18).

Noncash additions include costs of leased assets for the years ended December 31, 2023, 2022 and 2021 amounting to ₱939.2 million, ₱1,400.7 million and ₱49.8 million, respectively. The related depreciation of the leased assets for the years ended December 31, 2023, 2022 and 2021 amounting to ₱382.7 million, ₱392.5 million and ₱388.2 million, respectively, were computed on the basis of the Group's depreciation policy for property and equipment. Set out below are the carrying amount of right-of-use assets as of December 31, 2023 and 2022.

**December 31, 2023**

| | Container Yard | Office | Warehouse | Equipment | Total |
|---|---|---|---|---|---|
| | | *(In Thousands)* | | | |
| **Cost** | | | | | |
| January 1, 2023 | **₱562,987** | **₱352,745** | **₱1,253,978** | **₱341,704** | **₱2,511,414** |
| Additions | **239,009** | **–** | **671,239** | **28,909** | **939,157** |
| Disposal | **(3,270)** | **–** | **(776,565)** | **(74,293)** | **(854,128)** |
| Reclassification | **2,251** | **–** | **(2,251)** | **1,618** | **1,618** |
| December 31, 2023 | **800,977** | **352,745** | **1,146,401** | **297,938** | **2,598,061** |
| **Accumulated Depreciation** | | | | | |
| January 1, 2023 | **56,969** | **139,420** | **542,577** | **158,381** | **897,347** |
| Depreciation | **67,022** | **43,880** | **239,030** | **32,786** | **382,718** |
| Disposal | **(3,270)** | **–** | **(436,295)** | **(74,293)** | **(513,858)** |
| Reclassification | **(2,611)** | **75** | **2,536** | **–** | **–** |
| December 31, 2023 | **118,110** | **183,375** | **347,848** | **116,874** | **766,207** |
| **Net Carrying Amount** | **₱682,867** | **₱169,370** | **₱798,553** | **₱181,064** | **₱1,831,854** |

December 31, 2022

| | Container Yard | Office | Warehouse | Equipment | Total |
|---|---|---|---|---|---|
| | | *(In Thousands)* | | | |
| Cost | | | | | |
| January 1, 2022 | ₱181,714 | ₱323,423 | ₱1,072,190 | ₱263,828 | ₱1,841,155 |
| Additions | 561,968 | 52,723 | 631,275 | 154,695 | 1,400,661 |
| Disposal | (180,695) | (23,401) | (449,487) | (76,819) | (730,402) |
| December 31, 2022 | 562,987 | 352,745 | 1,253,978 | 341,704 | 2,511,414 |
| Accumulated Depreciation | | | | | |
| January 1, 2022 | 176,615 | 120,480 | 726,348 | 211,844 | 1,235,287 |
| Depreciation | 61,049 | 42,341 | 265,714 | 23,357 | 392,461 |
| Disposal | (180,695) | (23,401) | (449,485) | (76,820) | (730,401) |
| December 31, 2022 | 56,969 | 139,420 | 542,577 | 158,381 | 897,347 |
| Net Carrying Amount | ₱506,018 | ₱213,325 | ₱711,401 | ₱183,323 | ₱1,614,067 |

In 2023, the Group pre-terminated certain leased warehouses which resulted to gain amounting to ₱66.3 million and is presented as part of "Others - net" account under "Other Income (Charges)" in the consolidated statements profit or loss (see Notes 18 and 24).

*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 reassessed by management based on the vessels' lightweight, the market price of scrap metals and the history of vessel disposal.

The reassessment of the estimated residual values of the Group's vessels in operations during the year resulted to a decrease in the depreciation expense in 2023 amounting to ₱114.5 million.Consequently, the depreciation expense in 2024 and 2025 is expected to decrease by ₱57.6 million and ₱68.1 million, respectively.

*Capitalization of drydocking costs*
Vessels in operations also include capitalized drydocking costs amounting to ₱340.8 million, ₱294.7 million and ₱258.5 million for the years ended December 31, 2023, 2022 and 2021, respectively. The related depreciable life of drydocking costs ranges from two years to two-and-a-half years.

*Acquisition of property and equipment*
In December 2023, the Group acquired two vessels with an acquisition cost totaling to ₱1,180.2 million, which are still in construction in progress as of December 31, 2023.

Unpaid acquisition costs of property and equipment amounted to ₱175.0 million and ₱198.4 million as of December 31, 2023 and 2022, respectively.

*Sale and disposal of property and equipment*
The Group disposed certain property and equipment for consideration of ₱26.8 million, ₱52.9 million and ₱346.9 million for the years ended December 31, 2023, 2022 and 2021, respectively.

In 2021, the proceeds from the disposal of property and equipment pertain mainly to the sale of two vessels amounting to ₱320.15 million.

*Depreciation and amortization*
Depreciation and amortization were recognized and presented in the following accounts in the consolidated statements of profit or loss:

| | | Years Ended December 31 | | |
|---|---|---|---|---|
| | *Note* | **2023** | 2022 | 2021 |
| | | *(In Thousands)* | | |
| Continuing operations: | | | | |
| Cost of services and goods sold | *22* | **₱1,180,109** | ₱1,279,731 | ₱1,368,206 |
| General and administrative expense | *23* | **48,137** | 46,061 | 44,519 |
| Discontinued operations | *32* | **2,921** | 1,179 | 1,753 |
| | | **₱1,231,167** | ₱1,326,971 | ₱1,414,478 |

*Property and equipment held as collateral*
Property and equipment held or deemed as collateral for leases as at December 31, 2023 and 2022 amounted to ₱2,538.3 million and ₱2,316.2 million, respectively (see Note 18). One of the vessels in operations of the Group, with a carrying value of ₱706.4 million and ₱702.1 million as at December 31, 2023 and 2022, respectively, is subject to secure the ₱500.0 million term loan facility agreement with BDO (see Note 17).

## 12. Investments in Associates and Joint Ventures

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

| | | Years ended December 31 | | |
|---|---|---|---|---|
| | *Note* | **2023** | 2022 | 2021 |
| | | *(In Thousands)* | | |
| Acquisition - cost: | | | | |
| Balances at beginning of year* | | **₱29,634** | ₱79,634 | ₱79,634 |
| Disposal | | – | (50,000) | – |
| Balances at end of year | | **29,634** | 29,634 | 79,634 |

(Forward)

| | Note | Years ended December 31 | | |
|---|---|---|---|---|
| | | **2023** | 2022 | 2021 |
| | | *(In Thousands)* | | |
| Accumulated equity in net earnings: | | | | |
| Balances at beginning of year | | **₱295,401** | ₱201,749 | ₱146,342 |
| Accumulated equity in net loss of disposed associate | | – | 35,086 | – |
| Dividend received | | **(162,581)** | – | – |
| Equity in net earnings during the year | | **153,328** | 58,566 | 55,407 |
| Balances at end of year | | **286,148** | 295,401 | 201,749 |
| Share in remeasurement gain on retirement benefits of associates and joint ventures: | | | | |
| Balances at beginning of year | | **9,330** | 4,135 | 5,448 |
| Share in remeasurement gain (loss) during the year | | **2,164** | 5,195 | (1,313) |
| Balances at end of year | | **11,494** | 9,330 | 4,135 |
| | | **₱327,276** | ₱334,365 | ₱285,518 |

**Includes share in cumulative translation adjustment when an associate changed its functional currency amounting to ₱5.3 million.*

In August 2022, the Group sold 100% of its shares in Mober for ₱50.0 million, which is payable on installment basis. As of December 31, 2023, the amount collected was ₱20.0 million and the balance of ₱30.0 million plus 8% interest per annum is payable in August 2024, and are presented as part of "Trade and other receivables" in the consolidated statements of financial position.

Summarized financial information of the Group's associates and joint ventures and reconciliation with the carrying amount of the investments in the consolidated financial statements are set as follows:

**Statements of financial position:**

| | Associates | | | |
|---|---|---|---|---|
| | MCCP | | KLPI | |
| | **2023** | 2022 | **2023** | 2022 |
| | *(In Thousands)* | | | |
| **As at December 31** | | | | |
| Current assets | **₱1,281,068** | ₱876,829 | **₱572,234** | ₱619,437 |
| Noncurrent assets | **266,412** | 473,392 | **198,667** | 19,283 |
| Current liabilities | **776,044** | 620,440 | **347,078** | 366,543 |
| Noncurrent liabilities | **32,803** | 6,922 | **171,830** | 10,381 |
| Equity | **738,633** | 722,859 | **251,993** | 261,796 |

**Statements of comprehensive income:**

| | Associates | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | MCCP | | | KLPI | | | Mober | | |
| | **2023** | 2022 | 2021 | **2023** | 2022 | 2021 | **2023** | 2022 | 2021 |
| | *(In Thousands)* | | | | | | | | |
| **For the years ended December 31:** | | | | | | | | | |
| Revenue from contracts with customers | **₱2,619,578** | ₱2,373,105 | ₱1,784,761 | **₱698,215** | ₱1,119,984 | ₱911,813 | **₱–** | ₱28,158 | ₱15,992 |
| Net income (loss) | **554,961** | 346,619 | 105,030 | **14,986** | 82,481 | 57,367 | – | (1,533) | (2,300) |
| Total comprehensive income (loss) | **551,647** | 346,619 | 106,192 | **14,986** | 82,481 | 67,186 | – | (1,533) | (2,300) |

Below is the reconciliation of the total equity of the associates and joint ventures and the investment in associates and joint ventures.

| | Years ended December 31 | | |
|---|---|---|---|
| | **2023** | 2022 | 2021 |
| | *(In Thousands)* | | |
| Equity | **₱990,626** | ₱984,655 | ₱499,742 |
| Effective percentage of ownership | **33% to 78%** | 33% to 78% | 33% to 78% |
| Share in equity | **₱327,276** | ₱334,365 | ₱285,518 |

**The Group effectively owns 33% of MCCP, 49% of KLI, and 78% of KLN and 50% of Mober. The Group sold its share in Mober in August 2022.*

## 13. **Goodwill**

Impairment Testing of Goodwill

As a result of a business combination in 2010, the Group carries goodwill totaling ₱686.9 million allocated to the shipping and non-shipping business amounting to ₱580.6 million and ₱106.3 million, respectively. The recoverable amounts of the CGUs were determined based on VIU calculation using cash flow projections based on financial budgets approved by senior management covering seven-year period for shipping and a five-year period for non shipping.

*Key Assumptions Used in VIU Calculations for the Shipping Business*

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

*Budgeted Earnings before Interest, Tax, Depreciation and Allowance (EBITDA)*

Budgeted EBITDA has been based on past experience adjusted for the following:

- *Passage and cargo revenue*. Management projected travel and freight revenue in line with historical volumes and rates, adjusted for the number of round trips per year.
- *Rates, exclusive of VAT.* Management expects an increase in passage and freight rates by 3% in 2024 and in subsequent years based on the history of rate increases.
- *Fuel prices*. Management expects fuel prices to increase in line with inflation. Management expects to recover from the Group’s customers any change in fuel prices that are beyond budget through implementation of surcharge. Management believes the fuel surcharge would not cause any material change in the forecasted passenger and cargo volume.
- *Fixed operating costs and expenses*. Based on the cost savings analysis made by management, terminal operation’s fixed costs are expected to increase in line with inflation, partially mitigated by ongoing optimization of sites and assets in various locations in the Philippines.
- *Terminal and overhead expenses*. Management expects that costs and expenses, in general, will increase in line with inflation.

*Discount rate*

The discount rate applied to cash flow projections was 10.7% in 2023 and 10.3% in 2022.

*Budgeted capital expenditure*

Budgeted capital expenditure is based on maintenance requirements of the shipping business’ fleet and land-based assets.

*Terminal growth rate*

Cash flows beyond the seven-year period are extrapolated using a growth rate of 3%.

*Sensitivity to changes in assumptions*

Other than as disclosed above, management believes that any reasonably possible change in any of the above key assumptions would not cause the carrying value of goodwill to exceed its recoverable amount.

*Key Assumptions Used in VIU Calculations for the CGUs of the Nonshipping Business*

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

*Budgeted Earnings before Interest, Tax, Depreciation and Allowance (EBITDA)*

Budgeted EBITDA has been based on past experience adjusted for the following:

- *Nonshipping revenue.* Management projected nonshipping revenue in line with historical volume and rates.

- *Rates exclusive of VAT.* Management expects an increase in nonshipping revenue rates by 3% in 2024 and in subsequent years based on the history of rate increases.
- *Cost of services.* Management expects that the cost of services will increase in line with revenue growth, and that general and administrative expenses and other operating expenses will increase due to inflation and the increasing scale of the nonshipping business.

*Discount rate*
The discount rate applied to cash flow projections was 13.0% in 2023 and 2022.

*Budgeted capital expenditure*
Budgeted capital expenditure is based on the process improvement of non-shipping business' information technology (IT) infrastructure.

*Terminal growth rate*
Cash flows beyond the five-year period are extrapolated using a growth rate of 3%.

*Sensitivity to changes in assumptions*
Other than as disclosed above, management believes that any reasonably possible change in any of the above key assumptions would not cause the carrying value of goodwill to exceed its recoverable amount.

## 14. **Other Noncurrent Assets**

| | | December 31 | |
|---|---|---|---|
| | *Note* | **2023** | 2022 |
| | | *(In Thousands)* | |
| CWTs - net of current portion | *10* | **₱874,413** | ₱748,764 |
| Software | | **80,297** | 118,617 |
| Refundable deposits - net of current portion | | **106,984** | 76,123 |
| Deferred input VAT | | **13,530** | 32,306 |
| Advances to suppliers and contractors | | **32,885** | – |
| Others | *8, 12* | – | 30,000 |
| | | **1,108,109** | 1,005,810 |
| Allowance for impairment | | **(100)** | (8,642) |
| | | **₱1,108,009** | ₱997,168 |

a. The software is amortized on a straight-line basis over its estimated useful life of three to five years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The movements in software are as follows:

| | | December 31 | | |
|---|---|---|---|---|
| | *Note* | **2023** | 2022 | 2021 |
| | | | *(In Thousands)* | |
| **Cost** | | | | |
| Balances at beginning of year | | **₱364,757** | ₱348,549 | ₱345,448 |
| Additions | | **16,849** | 38,170 | 15,311 |
| Disposals/Retirement | | **(3,483)** | (21,962) | – |
| Reclassification/adjustment | | **(91)** | – | (12,210) |
| Balances at end of year | | **378,032** | 364,757 | 348,549 |
| **Accumulated Amortization** | | | | |
| Balances at beginning of year | | **246,140** | 211,374 | 172,699 |
| Amortization | *23* | **54,893** | 34,766 | 38,675 |
| Disposals/Retirement | | **(3,298)** | – | – |
| Balances at end of year | | **297,735** | 246,140 | 211,374 |
| **Carrying Amount** | | **₱80,297** | ₱118,617 | ₱137,175 |

Amortization was recognized and presented in the consolidated statements of profit or loss under "General and administrative expenses".

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. In 2023 and 2022, allowance for impairment amounting to ₱15.6 million and ₱8.6 million, respectively was recognized and is presented as part of "Others" under "General and Administrative Expenses"

c. Deferred input VAT relates primarily to the major capital expenditures and drydocking of vessels incurred prior to January 1, 2022.

d. As of December 31, 2022, others pertain to the noncurrent portion of the long-term receivable arising from the sale of investment in Mober in 2022 (see Notes 8 and 12).

## 15. Short-term Notes Payable

Notes payable represent unsecured short-term peso-denominated notes payable obtained by the Group from local banks with annual interest rates ranging from 5.85% to 7.50% in 2023, from 3.75% to 4.5% in 2022 and from 3.75% to 4.75% in 2021. Total interest expense incurred by the Group from short-term notes payable was ₱99.2 million, ₱119.4 million and ₱106.7 million for the years ended December 31, 2023, 2022 and 2021, respectively (see Note 24).

## 16. Trade and Other Payables

| | | December 31 | |
|---|---|---|---|
| | *Note* | **2023** | 2022 |
| | | *(In Thousands)* | |
| Trade | *20* | **₱900,219** | ₱1,245,489 |
| Accruals: | | | |
| Expenses | *20* | **2,436,022** | 2,206,608 |
| Salaries and wages | | **112,817** | 120,855 |
| Interest | *24* | **65,509** | 55,350 |
| Capital expenditure | | **175,012** | 198,432 |
| Others | | **141,175** | 142,327 |
| Nontrade | | **823,536** | 842,036 |
| Government payables | | **151,098** | 78,286 |
| Contract liabilities | | **39,882** | 35,827 |
| Other payables | *19,20* | **59,677** | 134,485 |
| | | **₱4,904,947** | ₱5,059,695 |

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. Accrued expenses pertain to various expenses which were already incurred but no invoice has been received at the end of the financial reporting period.

c. Nontrade payables consist of security deposits, advances from principals and contractors, agencies and others.

d. Contract liabilities include advance payments received for services to be rendered. The outstanding balances of these accounts increased in 2023 due to the increase in uncompleted service of freight cash transactions within the year. Set out below is the amount of revenue recognized from:

| | December 31 | |
|---|---|---|
| | **2023** | 2022 |
| | *(In Thousands)* | |
| Amounts included in contract liabilities at the beginning of the year | **₱35,827** | ₱59,458 |

e. Other payables include provision for contingencies amounting to ₱58.1 million and ₱41.7 million as at December 31, 2023 and 2022, respectively (see Note 19).

## 17. Long-term Debt

Long-term debt consists of:

| | | December 31 | |
|---|---|---|---|
| | *Note* | **2023** | 2022 |
| | | *(In Thousands)* | |
| Banco de Oro Unibank, Inc. (BDO) | *20* | **₱3,900,000** | ₱4,000,000 |
| Unamortized debt arrangement fees | | **(23,355)** | (5,200) |
| | | **3,876,645** | 3,994,800 |
| Current portion | | **333,698** | 3,496,823 |
| Noncurrent portion | | **₱3,542,947** | ₱497,977 |

*BDO Term Loan Facility Agreements*

a.) On April 10, 2018, 2GO entered into a five-year ₱3.5 billion term loan facility agreement with BDO to refinance the outstanding balance from its previous long-term loan with BDO and to fund various capital expenditures and other general requirements. Principal borrowings are due upon maturity at the end of five years in April 2023, while interest is payable quarterly. In April 2018 and April 2020, 2GO borrowed ₱2.5 billion and ₱1.0 billion, respectively, which is subject to fixed and floating interest rate, respectively.

On April 11 and 14, 2023, 2GO repaid ₱100.0 million of the term loan and refinanced ₱3.4 billion with a new term loan facility agreement for another five-year term. The new term loan facility requires annual repayment of 10% of the outstanding principal by the anniversary date each year and balloon payment of 50% on maturity date and is subject to a floating interest rate.

The term loan facility agreements are secured by a cross suretyship among 2GO, 2GO Express, 2GO Logistics, SOI and SCVASI. In addition, 2GO is required to maintain a maximum debt-to-EBITDA ratio of 4.0 and a minimum debt service coverage ratio of 1.25.

Interest rate is floater at 3M BVAL plus 100 bps/.95 or floor of 7%. The floating interest rate is subject to periodic review and adjustment earlier than five banking days prior to each "Interest Setting Date" as long as the term loan remains unpaid.

b.) On April 19, 2021, 2GO entered into another five-year ₱500.0 million term loan facility agreement with BDO to partially finance acquisition and landed cost of vessel. Principal borrowings are due upon maturity at the end of five years in April 2026, while interest is payable quarterly and is subject to fixed interest rate of 4.9%. The facility was fully drawn in April 2021.

The second term loan facility agreement is secured by the Chattel Mortgage over a passenger-cargo ship named M/V Masagana with a carrying value of ₱706.4 million and ₱702.1 million as of December 31, 2023 and 2022, respectively. 2GO is required to maintain a debt-to-equity ratio not exceeding 2.5:1 based on the latest audited annual consolidated financial statements of 2GO.

*Borrowing Costs and Debt Transaction Costs*
Interests from long-term borrowings of the Group recognized as expense totaled ₱260.9 million, ₱232.1 million and ₱224.2 million for the years ended December 31, 2023, 2022 and 2021, respectively (see Note 24).

The Group paid ₱25.5 million, ₱3.0 million, ₱7.5 million and ₱18.8 million debt transaction cost as a result of the loan availments under BDO facility in April of years 2023, 2021, 2020 and 2018, respectively. Amortization of debt transaction costs included under financing charges amounted to ₱7.3 million, ₱7.0 million and ₱6.5 million for the years ended December 31, 2023, 2022 and 2021, respectively (see Note 24).

*Compliance with debt covenants*
At December 31, 2023 and 2022, the Group was not compliant with the debt-to-equity ratio under the Group's long-term loan agreement with BDO. However, the Group obtained a waiver letter from BDO which waives the financial covenant at December 31, 2023 and 2022.

## 18. Leases

The Group has various lease arrangements with third parties for the lease of containers, reefer vans, isotanks, cargo handling equipment, transportation equipment, warehouses, container yards and office space.

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

| | **December 31, 2023** | | December 31, 2022 | |
|---|---|---|---|---|
| | **Future Minimum Lease Payments** | **Present Value of Minimum Lease payments** | Future Minimum Lease Payments | Present Value of Minimum Lease payments |
| Less than one year | **₱515,794** | **₱415,000** | ₱438,703 | ₱347,387 |
| Between one and five years | **1,458,354** | **1,265,615** | 1,297,383 | 1,139,609 |
| Between six and 10 years | **162,049** | **156,767** | 218,175 | 204,903 |
| | **2,136,197** | **1,837,382** | 1,954,261 | 1,691,899 |
| Interest component | **298,815** | **–** | 262,362 | – |
| Present value | **₱1,837,382** | **₱1,837,382** | ₱1,691,899 | ₱1,691,899 |

The interest expense recognized related to these leases amounted to ₱96.9 million, ₱96.8 million and ₱49.1 million for the years ended December 31, 2023, 2022 and 2021, respectively, under "Financing charges" account in the consolidated statements of profit or loss (see Note 24).

Set out below are the amounts recognized in the consolidated statement of profit or loss for the years ended December 31, 2023, 2022 and 2021 in relation to the obligation under lease and the related right-of-use assets.

| | Note | Years Ended December 31 | | |
|---|---|---|---|---|
| | | **2023** | 2022 | 2021 |
| | | | *(In Thousands)* | |
| Continuing operations: | | | | |
| Depreciation expense of right-of-use assets | *11* | **₱382,718** | ₱392,461 | ₱388,228 |
| Interest expense on obligation under lease | *24* | **96,890** | 96,757 | 49,101 |
| Rent expense - short-term leases | *22,23* | **493,058** | 413,062 | 309,528 |
| Rent expense - low value assets | *22,23* | **6,326** | 5,300 | 3,972 |
| Gain on lease pre-termination | *11,24* | **(66,329)** | – | – |
| Discontinued operations | *32* | **16,326** | 12,315 | 20,464 |
| | | **₱928,989** | ₱919,895 | ₱771,293 |

The rollforward analysis of obligation under lease for the years ended December 31, 2023 and 2022 is disclosed in Note 31.

Lease-related expenses are presented under "Cost of Services and Goods Sold", "General and Administrative Expenses", "Financing Charges", "Other operational expenses" and "Others - net" as follows:

| | Note | Years Ended December 31 | | |
|---|---|---|---|---|
| | | **2023** | 2022 | 2021 |
| Continuing operations: | | | *(In Thousands)* | |
| Cost of services and goods sold | *22* | **₱841,748** | ₱774,592 | ₱663,246 |
| General and administrative expenses | *23* | **40,354** | 36,231 | 38,482 |
| Financing charges | *24* | **96,890** | 96,757 | 49,101 |
| Gain on lease pre-termination | *11,24* | **(66,329)** | – | – |
| Discontinued operations | *32* | **16,326** | 12,315 | 20,464 |
| | | **₱928,989** | ₱919,895 | ₱771,293 |

## 19. 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 consolidated financial statements. Disclosure of additional details beyond the present disclosures may seriously prejudice the Group's position. Thus, as allowed by PAS 37, only general descriptions were provided.

The Group's provision for probable losses arising from these legal cases as at December 31, 2023 and 2022 amounted to ₱58.1 million and ₱41.7 million, respectively, and are presented as part of "Other payables" under "Trade and other payables" in the consolidated statements of financial position (see Note 16). Provision for probable losses recognized in the consolidated statements of profit or loss amounted to ₱25.0 million, ₱1.8 million and ₱7.8 million in 2023, 2022 and 2021, respectively (see Note 23).

## 20. Related Parties

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

| Relationship | Name |
|---|---|
| Stockholders of the Company | SM Investments Corporation (SMIC) |
| | Trident Investments Holdings Pte. Ltd. |
| Subsidiaries | 2GO Express, Inc. (2GO Express or EXP) |
| | 2GO Logistics, Inc. (2GO Logistics or 2GOLI) |
| | Scanasia Overseas, Inc. (SOI) (4) |
| | 2GO Land Transport, Inc. (2GO Land) (1) |
| | Special Container and Value Added Services, Inc. (SCVASI) |
| | NN-ATS Logistics Management and Holdings Corporation, Inc. (NALMHCI) |
| | North Harbor Tugs Corporation (NHTC) |
| | Astir Engineering Works, Inc. (AEWI) |
| | United South Dockhandlers, Inc. (USDI) |
| | WG & A Supercommerce, Inc. (WSI) (3) |
| | 2GO Rush, Inc. (Rush) (3) |
| Associates | MCC Transport Philippines, Inc. (MCCP) |
| | Mober Technology PTE Inc. (2) |
| Joint Ventures | KLN Logistics Holdings Philippines, Inc. (KLN) |
| | Kerry Logistics (Phils.), Inc. (KLPI) |
| Other Affiliated Companies | Supervalue, Inc. |
| | Super Shopping Market, Inc. |
| | BDO Unibank, Inc. |
| | Prime Metroestate, Inc. |
| | SM Retail, Inc. |
| | Coolblog Philippines, Inc. |
| | Watsons Personal Care Stores (Philippines), Inc. |
| | Brownies Unlimited, Inc. |
| | Goldilocks Bakeshop, Inc. |
| | Sanford Marketing Corporation |
| | China Banking Corporation |
| | SM Prime Holdings Inc. |
| | Alfamart Trading Philippines, Inc. |
| | Homeworld Shopping Corporation |
| | Mini Depato Corp. |
| | Star Appliance Center, Inc. |
| | Warehouse Development Company, Inc. |
| | ASP Airspeed Philipines, Inc. |
| | Airspeed International Corporation |
| | International Toyworld, Inc. |
| | Kultura Store, Inc. |
| | Waltermart Supermarket, Inc. |
| | Online Mall Incorporated |
| | Sports Central (Manila), Inc. |
| | Costa Del Hamilo Inc. |
| | Digital Advantage Corp. |
| | Fast Retailing Philippines, Inc. |
| | Mindpro Retail Inc. |
| | SM Mart, Inc. |
| | SM Development Corporation |

*(1) Formerly WRR Trucking Corporation.*
*(2) Sold in August 2022. Related party disclosure relates to the transactions until the date of sale.*
*(3) Dormant companies.*
*(4) On August 9, 2023, the BOD approved the cessation of business operations of SOI.*

The following are the revenue and income (costs and expenses) included in the consolidated statements of profit or loss with related parties:

| | Nature | Years Ended December 31 2023 | 2022 | 2021 |
|---|---|---|---|---|
| | | *(In Thousands)* | | |
| **Stockholders of the Company** | Outside services | **(₱50,900)** | (₱95,808) | (₱90,342) |
| | Computer charges | **(19,040)** | (22,581) | (29,063) |
| | Communication, light and water | **(2,885)** | (1,016) | (1,341) |
| | Other services | **–** | – | 8,771 |
| | Freight revenue | **–** | – | 399 |
| | Transportation and delivery | **–** | – | (7) |
| | Personnel cost | **–** | – | (10,381) |
| | Other expenses | **–** | – | (1,782) |
| **Associates and joint venture** | Freight revenue | **419** | 3,839 | 1,322 |
| | Freight expense | **(72,606)** | (57,407) | (63,615) |
| | Shared cost | **(3,006)** | (4,183) | (10,544) |
| | Dividend income | **162,581** | – | – |
| **Other Affiliated Companies** | Sale of goods | **–** | – | 260,044 |
| | Freight revenue | **241,258** | 163,413 | 140,180 |
| | Other services | **272,806** | 100,388 | 46,895 |
| | Interest | **(342,037)** | (189,707) | (290,149) |
| | Food and beverage | **(234,079)** | (150,798) | (92,201) |
| | Rent | **(42,497)** | (16,761) | (17,510) |
| | Transportation and delivery | **–** | – | (12,078) |
| | Materials, parts and supplies | **(25,841)** | (16,747) | (11,958) |
| | Outside services | **(613)** | (363) | (7,402) |
| | Interest income | **358** | 40 | 2,603 |
| | Transportation and travel | **–** | – | (33) |
| | Others - net | **(4,016)** | 9,161 | (1,016) |
| **Key Management Personnel** | Short-term employee benefits | **(58,964)** | (53,009) | (58,423) |
| | Long-term employee benefits | **(7,159)** | (15,008) | (14,725) |

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

| | Financial Statement Account | Terms and Conditions | December 31 2023 | 2022 |
|---|---|---|---|---|
| | | | *(In Thousands)* | |
| **Stockholders of the Parent Company** | Trade payable | 30 to 60 days; noninterest-bearing | **(₱10,603)** | (₱33,121) |
| | Accrued expenses | 30 to 60 days; noninterest-bearing | **(15,317)** | (19,139) |
| **Associates and joint venture** | Nontrade receivables | On demand; noninterest-bearing | **73,792** | 69,205 |
| | Trade payables | 30 to 60 days; noninterest-bearing | **(6,817)** | (1,100) |
| | Accrued expenses | 30 to 60 days; noninterest-bearing | **(699)** | (10,443) |
| | Due to related parties | 30 to 60 days; noninterest-bearing | **(19)** | (9) |
| **Other Affiliated Companies** | Short-term loan | See Note 15 | **(1,356,000)** | (339,000) |
| | Long-term debt | See Note 17 | **(3,900,000)** | (3,994,800) |
| | Cash in bank | On demand; interest-bearing | **559,153** | 172,230 |
| | Cash equivalents | On demand; interest-bearing | **3,954** | 925 |
| | Nontrade receivables | On demand; noninterest-bearing | **99,327** | 71,879 |
| | Accrued expenses | 30 to 60 days; noninterest-bearing | **(88,597)** | (77,287) |
| | Trade payables | 30 to 60 days; noninterest-bearing | **(7,555)** | (44,134) |

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.

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

- Transactions with other associates and related companies consist of shipping and co-loading services, shared 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 SCVASI and 2GO Express include shipping and forwarding services, commission and trucking services.
- The Company provides shared services to 2GO Express, SCVASI and SOI at fees based on agreed rates.
- 2GO Land provides trucking and management services to 2GO Express.
- NALMHCI provides trucking services to 2GO Express.
- In 2021, certain subsidiaries of the Group were deconsolidated as their corporate life ended during the year. The Group recognized a gain on cessation of business of subsidiaries amounting to ₱2.9 million in 2021 (see Notes 12 and 24).
- In 2022, the Group sold its share in Mober and recognized gain amounting to ₱35.1 million (see Note 24).

*Intercompany Balances Eliminated during Consolidation*
The following are the intercompany balances among related parties which are eliminated in the consolidated financial statements:

| Amounts owed to: | Amounts owed by: | Terms and Conditions | 2023 | 2022 |
|---|---|---|---|---|
| | | | *(In Thousands)* | |
| **2GO** | SCVASI/EXP/2GOLI/SOI/HLP/ 2GO LAND/NLMHCI | 30 to 60 days; noninterest-bearing | **₱3,379,789** | ₱3,248,201 |
| **EXP** | 2GO/SCVASI/2GOLI/SOI/ 2GO LAND/NLMHCI | 30 to 60 days; noninterest-bearing | **242,149** | 451,398 |
| **SOI** | 2GO/SCVASI/EXP/2GOLI | 30 to 60 days; noninterest-bearing | **70,809** | 75,596 |
| **2GOLI** | 2GO/SCVASI/EXP/SOI/2GO LAND | 30 to 60 days; noninterest-bearing | **35,715** | (290,987) |
| **SCVASI** | 2GO | 30 to 60 days; noninterest-bearing | **77,024** | 37,272 |
| **NLMHCI** | 2GO/EXP/NHTC | 30 to 60 days; noninterest-bearing | **56,236** | 45,325 |
| **USDI** | 2GO | 30 to 60 days; noninterest-bearing | **51,175** | 16,076 |
| **2GO Land** | EXP/2GOLI | 30 to 60 days; noninterest-bearing | **41,288** | 64,717 |
| **AEWI** | 2GO | 30 to 60 days; noninterest-bearing | **7,622** | 7,622 |
| **NHTC** | 2GO | 30 to 60 days; noninterest-bearing | **4,963** | 5,614 |

## 21. Equity

a. Share Capital

Details of share capital as at December 31, 2023 and 2022 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 |
| Authorized preferred shares at ₱1.00 par value each | 4,564,330 | ₱4,564 |
| Issued and outstanding common shares | 2,462,146,316 | ₱2,462,146 |

Movements in issued and outstanding capital stock follow:

| Date | Activity | Issue price | Number of shares Common shares |
|---|---|---|---|
| May 26, 1949 | Issued capital stock as of incorporation date | ₱1,000.00 | 1,002 |
| December 10, 1971 to October 26, 1998 | Increase in issued capital stock | 1,000.00 | 1,496,597,636 |
| December 6, 2002 | Reclassification of common shares to preferred shares | 1.00 | 40,000,000 |
| February 10, 2003 | Issuance of preferred shares before redemption | 1.00 | – |
| November 18, 2003 | Redemption of preferred shares | 6.67 | – |
| September 6, 2004 | Issuance of common shares by way of stock dividends | 1.00 | 393,246,555 |
| November 22, 2004 | Redemption of preferred shares | 6.67 | – |

(Forward)

| Date | Activity | Issue price | Number of shares Common shares |
|---|---|---|---|
| December 31, 2004 | Issuance of common shares prior to reorganization | 1.00 | (756) |
| October 24, 2005 | Issuance of common shares through share swap transactions | 1.76 | 414,121,123 |
| August 22 to October 13, 2006 | Conversion of redeemable preferred shares to common shares | 3.20 | 140,687,340 |
| December 6 -31, 2012 | Redemption of redeemable preference share | 6.00 | – |
| January 1, 2019 | Net issuance of common shares | 1.00 | 16,009,916 |
| | | | 2,500,662,816 |
| December 31, 2001 | Treasury shares* | 1.50 | (38,516,500) |
| | | | 2,462,146,316 |

** The carrying value of treasury shares is inclusive of ₱0.9 million transaction cost.*

Issued and outstanding common shares are held by 5,118 and 5,109 equity holders as of December 31, 2023 and 2022, respectively.

On November 11, 2023, the BOD approved the amendment of the Articles of Incorporation to reclassify 330 redeemable preferred shares into common shares and to increase par value of common shares from ₱1.00 to ₱1,000.00 per share. As of February 22, 2024, the amended Articles of Incorporation is yet to be approved by SEC.

b. Effective January 1, 2019, 2GO, as the surviving entity of the merger, issued a total of 2,176,151,907 shares with par value of One Peso (₱1.00) per share to the stockholders of Negros Navigation Co., Inc. ("NN"), former parent company and the absorbed company, in exchange for the net assets of NN. As a result, 2GO recognized the excess of the consolidated net assets of NN over the carrying value of additional shares issued by 2GO to NN stockholders as additional paid-in capital amounting to ₱1.6 billion and other equity reserves amounting to ₱712.2 million.

c. Retained earnings include undistributed earnings amounting to ₱767.1 million and ₱1,003.8 million as of December 31, 2023 and 2022, 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 December 31, 2023 and 2022.

## 22. Cost of Services and Goods Sold

This account consists of the following:

| | | Years Ended December 31 | | |
|---|---|---|---|---|
| | *Note* | **2023** | 2022 | 2021 |
| | | *(In Thousands)* | | |
| **Cost of Services** | | | | |
| Transportation and delivery | *20* | **₱3,555,747** | ₱3,555,787 | ₱2,341,238 |
| Fuel, oil and lubricants | *9* | **2,855,993** | 2,787,563 | 1,903,014 |
| Outside services | *20* | **2,397,087** | 2,279,617 | 1,864,040 |
| Depreciation and amortization | *11* | **1,180,109** | 1,279,731 | 1,368,206 |
| Personnel costs | *25, 26* | **848,178** | 797,590 | 856,140 |
| Repairs and maintenance | *20* | **565,428** | 486,480 | 254,705 |
| Rent | *18,20* | **494,021** | 415,935 | 308,997 |
| Food and beverage | *9, 20* | **283,703** | 161,894 | 42,664 |

(Forward)

| | Note | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| | | Years Ended December 31 | | |
| | | *(In Thousands)* | | |
| Insurance | | **₱233,398** | ₱231,826 | ₱237,891 |
| Arrastre and stevedoring | *20* | **209,430** | 300,301 | 192,498 |
| Material and supplies used | *9, 20* | **156,539** | 127,771 | 124,091 |
| Communication, light and water | *20* | **131,968** | 111,586 | 107,291 |
| Taxes and licenses | | **99,356** | 60,195 | 51,695 |
| Food and subsistence | | **76,699** | 61,042 | 49,870 |
| Concession expenses | | **61,864** | 60,413 | 57,681 |
| Travel expenses | | **51,927** | 37,972 | 46,006 |
| Others | | **19,709** | 103,123 | 361 |
| | | **₱13,221,156** | ₱12,858,826 | ₱9,806,388 |

Others include various expenses that are individually immaterial.

## 23. General and Administrative Expenses

This account consists of the following:

| | Note | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| | | Years Ended December 31 | | |
| | | *(In Thousands)* | | |
| Personnel costs | *25, 26* | **₱552,496** | ₱488,420 | ₱448,865 |
| Depreciation and amortization | *11, 14* | **103,030** | 80,827 | 83,194 |
| Computer charges | *20* | **91,158** | 75,494 | 105,280 |
| Outside services | *20* | **88,309** | 54,514 | 65,622 |
| Provision for ECL | *8* | **49,928** | 42,959 | 378,621 |
| Transportation and travel | *20* | **42,512** | 41,520 | 27,080 |
| Advertising and promotion | | **34,274** | 25,270 | 16,240 |
| Provision for litigation | *19* | **24,966** | 1,804 | 7,848 |
| Service fee | | **16,524** | 9,136 | 1,051 |
| Input VAT expense | | **14,668** | 10,454 | 2,462 |
| Communication, light and water | *20* | **11,059** | 24,200 | 16,326 |
| Taxes and licenses | | **8,144** | 2,602 | 5,140 |
| Repairs and maintenance | *20* | **6,708** | 14,463 | 11,853 |
| Entertainment, amusement and recreation | | **6,138** | 6,149 | 1,284 |
| Special projects | | **6,000** | 6,029 | 500 |
| Rent | *18, 20* | **5,363** | 2,427 | 4,503 |
| Office supplies | *9* | **4,485** | 4,331 | 2,261 |
| Provision for impairment of assets | | **–** | 8,647 | – |
| Insurance | | **617** | 630 | 1,871 |
| Inventory obsolescence | | **–** | 716 | 1,344 |
| Others | *8, 14* | **174,292** | 76,794 | 58,180 |
| | | **₱1,240,671** | ₱977,386 | ₱1,239,525 |

Others included termination cost amounting to ₱45.0 million and ₱12.3 million in 2023 and 2022, respectively, and various expenses that are individually immaterial such as food and subsistence and other corporate expenses (see Notes 8 and 14). In 2021, the balance include loss on write-off of investment property amounting to ₱49.8 million as the property is not currently being used in operations and the title to the property is subject to dispute.

## 24. **Other Income (Charges)**

Financing Charges

| | Note | Years Ended December 31 2023 | 2022 | 2021 |
|---|---|---|---|---|
| | | *(In Thousands)* | | |
| Interest expense on: | | | | |
| Short-term notes payable | *15* | **₱99,217** | ₱119,371 | ₱106,735 |
| Long-term debt | *17* | **260,869** | 232,130 | 224,202 |
| Amortization of: | | | | |
| Obligations under lease | *18* | **96,890** | 96,757 | 49,101 |
| Debt transaction costs | *17* | **7,345** | 6,957 | 6,514 |
| Other financing charges | | **13,229** | 21,466 | 12,342 |
| | | **₱477,550** | ₱476,681 | ₱398,894 |

Other financing charges comprise of items that are individually immaterial. Accrued interest payable as of December 31, 2023 and 2022 amounted to ₱65.5 million and ₱55.3 million, respectively (see Note 16).

Others - net

| | Note | Years Ended December 31 2023 | 2022 | 2021 |
|---|---|---|---|---|
| | | *(In Thousands)* | | |
| Interest income | *7, 8, 20* | **₱561** | ₱1,590 | ₱2,599 |
| Gain (loss) on: | | | | |
| Disposal of property and equipment | *11* | **4,550** | 11,290 | (36,614) |
| Cessation of business of subsidiaries | *20* | **–** | – | 2,889 |
| Disposal of an associate | *20* | **–** | 35,086 | – |
| Pre-termination of leases | *11* | **66,329** | – | – |
| Foreign exchange gain (loss) | | **(2,595)** | 1,019 | (1,157) |
| Others - net | | **12,400** | 11,979 | 38,462 |
| | | **₱81,245** | ₱60,964 | ₱6,179 |

During 2021, the Group sold two ROPAX vessels (see Note 11). In 2023, the Group pre-terminated certain leased warehouses (see Note 11).

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

## 25. **Personnel Costs**

Details of personnel costs are as follows:

| | Note | Years Ended December 31 2023 | 2022 | 2021 |
|---|---|---|---|---|
| | | *(In Thousands)* | | |
| Salaries and wages | | **₱1,093,522** | ₱1,065,500 | ₱1,077,928 |
| Retirement benefit cost | *26* | **83,949** | 83,496 | 78,892 |
| Other employee benefits | | **223,203** | 137,014 | 148,185 |
| | | **₱1,400,674** | ₱1,286,010 | ₱1,305,005 |

Other employee benefits include medical allowances and hospitalization, Social Security System, PhilHealth, Pag-ibig premiums, directors' fee, and other items that are individually immaterial.

26. **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 ₱30.5 million to the retirement fund in 2024. 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 consolidated statements of profit or loss are as follows:

| | | Years Ended December 31 | | |
|---|---|---|---|---|
| | *Note* | **2023** | 2022 | 2021 |
| | | *(In Thousands)* | | |
| **From continuing operations:** | | | | |
| Current service cost | | **₱59,242** | ₱62,748 | ₱59,870 |
| Net interest cost | | **24,707** | 20,748 | 19,022 |
| | | **83,949** | 83,496 | 78,892 |
| **From discontinued operations:** | *32* | | | |
| Current service cost | | **11,449** | 4,443 | 6,476 |
| | | **₱95,398** | ₱87,939 | ₱85,368 |

The following tables summarize the funded status and amounts recognized in the consolidated statements of financial position as of December 31:

| | **2023** | | |
|---|---|---|---|
| | **Defined Benefit Obligations** | **Fair Value of Plan Assets** | **Accrued Retirement Benefits** |
| | *(In Thousands)* | | |
| **January 1** | **₱466,328** | **(₱121,428)** | **₱344,900** |
| **Net retirement benefits cost in profit or loss:** | | | |
| Current service cost | **70,691** | **–** | **70,691** |
| Net interest cost | **31,219** | **(6,512)** | **24,707** |
| | **101,910** | **(6,512)** | **95,398** |
| **Benefits paid from:** | | | |
| Plan assets | **(84,495)** | **84,495** | **–** |
| Book reserve | **(13,737)** | **–** | **(13,737)** |
| | **(98,232)** | **84,495** | **(13,737)** |
| **Remeasurement losses (gains) in other comprehensive income - actuarial changes arising from changes in:** | | | |
| Financial assumptions | **66,508** | **–** | **66,508** |
| Experience adjustments | **(6,026)** | **–** | **(6,026)** |
| Return on plan assets | **–** | **5,937** | **5,937** |
| | **60,482** | **5,937** | **66,419** |
| **Actual contributions** | **–** | **(53,395)** | **(53,395)** |
| **December 31** | **₱530,488** | **(90,903)** | **₱439,585** |

| | 2022 | | |
|---|---|---|---|
| | Defined Benefit Obligations | Fair Value of Plan Assets | Accrued Retirement Benefits |
| | | *(In Thousands)* | |
| January 1 | ₱519,631 | (₱146,764) | ₱372,867 |
| Net retirement benefits cost in profit or loss: | | | |
| Current service cost | 67,191 | – | 67,191 |
| Net interest cost | 28,191 | (7,443) | 20,748 |
| | 95,382 | (7,443) | 87,939 |
| Benefits paid from: | | | |
| Plan assets | (85,578) | 85,578 | – |
| Book reserve | (670) | – | (670) |
| | (86,248) | 85,578 | (670) |
| Remeasurement losses (gains) in other comprehensive income - actuarial changes arising from changes in: | | | |
| Financial assumptions | (39,800) | – | (39,800) |
| Experience adjustments | (21,374) | – | (21,374) |
| Return on plan assets | – | 9,817 | 9,817 |
| | (61,174) | 9,817 | (51,357) |
| Actual contributions | – | (62,616) | (62,616) |
| Reclassification/adjustment | (1,263) | – | (1,263) |
| December 31 | ₱466,328 | (₱121,428) | ₱344,900 |

The plan assets available for benefits are as follows:

| | December 31 | |
|---|---|---|
| | **2023** | 2022 |
| | *(In Thousands)* | |
| Cash and cash equivalents | **₱81** | ₱19 |
| Investments in government and other debt securities | **50,039** | 73,209 |
| Investments in unit investment trust fund (UITF) | **40,189** | 47,480 |
| Others | **594** | 720 |
| Fair value of plan assets | **₱90,903** | ₱121,428 |

The Group's plan assets do not have quoted market price in an active market except for some debt instruments held by the Group. The plan assets have diverse investments and do not have any concentration risk. The plan asset is handled by BDO Unibank Inc.

As of December 31, 2023 and 2022, 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.

These defined benefit plans expose the Group to actuarial risks, such as longevity risk, interest rate risk, and market (investment) risk. Management reviews the level of funding required for the retirement fund. Such a review includes the asset-liability matching (ALM) strategy and investment risk management policy. The Group's ALM objective is to match maturities of the plan assets to the retirement benefit obligation as they fall due. The Group monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the retirement benefit obligations.

The cost of defined benefit pension plan as well as the present value of the pension obligation are determined using actuarial valuations. The Group updates the actuarial valuation every year by hiring the services of a third-party qualified actuary. The latest actuarial valuation report was as of reporting date. The actuarial valuation involves making various assumptions.

The principal assumptions used in determining defined benefit obligation for the Group's plans as of January 1 are shown below.

| | **2023** | 2022 |
|---|---|---|
| Discount rate | **7.31%-7.38%** | 5.12%-5.22% |
| Future salary increase | **6.00%** | 4.50% |
| Turnover rate | **0.00% - 7.50%** | 0.00% - 7.50% |

As of December 31, 2023, the discount rate, future salary increase rate and turnover rate are 6.13% to 6.14%, 6.0%, and 0.00% to 7.50%, respectively.

The accrued retirement benefits is subject to several key assumptions. Shown below is the sensitivity analysis of the retirement obligation to reasonably possible changes on each significant assumption as of December 31, 2023 and 2022.

| | Increase (Decrease) | Impact on Accrued Retirement Benefits **2023** | 2022 |
|---|---|---|---|
| | | *(In Thousands)* | |
| Discount rate | +1% | **(₱56,889)** | (₱49,221) |
| | -1% | **67,443** | 58,083 |
| Salary increase rate | +1% | **66,849** | 58,275 |
| | -1% | **(57,453)** | (50,222) |

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.
There were no changes from the previous period in the methods and assumptions used in preparing the sensitivity analyses.

The average duration of the defined benefit obligation is 12.7 years and 12.5 years as of December 31, 2023 and 2022, respectively.

Maturity analysis of the benefit payments:

| | **2023** | 2022 |
|---|---|---|
| | *(In Thousands)* | |
| Less than 5 years | **₱115,127** | ₱98,466 |
| 5 years to 10 years | **330,137** | 386,231 |
| More than 10 years | **4,140,492** | 4,511,538 |

## 27. **Income Taxes**

a. The components of provision for (benefit from) income tax are as follows:

| | Years Ended December 31 **2023** | 2022 | 2021 |
|---|---|---|---|
| | | *(In Thousands)* | |
| Current: | | | |
| RCIT | **₱80,977** | ₱50,614 | ₱44,611 |
| MCIT | **56,337** | 21,826 | 9,990 |
| Impact of CREATE in 2020 | – | – | (10,927) |
| | **137,314** | 72,440 | 43,674 |
| Deferred | **(33,272)** | (18,085) | (8,474) |
| Impact of CREATE in 2020 | – | – | 9,054 |
| | **(33,272)** | (18,085) | 580 |
| | **₱104,042** | ₱54,355 | ₱44,254 |

Corporate Recovery and Tax Incentive for Enterprise (CREATE) Act
On March 26, 2021, the President of the Philippines signed the Republic Act No. 11534, Corporate Recovery and Tax Incentives for Enterprises Act (the Law). The Law took effect on April 11, 2021. The Law reformed corporate income taxes and incentives in the country by implementing the changes to the current tax regulations. Effective July 1, 2020, some of these changes are as follows:

- Reduction in the RCIT from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5.0 million and with total assets not exceeding ₱100.0 million (excluding the value of land on which the particular business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%;
- Reduction in the MCIT from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023; and
- Imposition of 10% improperly accumulated earnings tax (IAET) is repealed.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event.

Applying the Law, the Parent Company and subsidiaries are subjected to lower RCIT rate of 20% or 25%, or MCIT rate of 1%, whichever is applicable, effective July 1, 2020. The reduced amounts are reflected in the Parent Company and subsidiaries' 2020 income tax return. However, for the financial reporting, the changes are recognized in 2021 as shown in the table on the previous page.

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

| | Years ended December 31 | |
|---|---|---|
| | **2023** | 2022 |
| | *(In Thousands)* | |
| **Directly recognized in profit or loss:** | | |
| Deferred income tax assets on: | | |
| Accrued retirement benefits | **₱56,973** | ₱50,780 |
| Unamortized past service cost | **8,922** | 10,971 |
| Obligations under lease | **440,104** | 391,939 |
| Accruals and others | **45,230** | 8,128 |
| | **551,229** | 461,818 |
| Deferred income tax liabilities on: | | |
| Right-of-use assets | **(431,541)** | (379,462) |
| Unamortized debt arrangement fees and other taxable temporary differences | **(5,928)** | (2,235) |
| | **113,760** | 80,121 |
| **Directly recognized in OCI:** | | |
| Deferred income tax asset on remeasurement of retirement benefits cost | **37,150** | 20,545 |
| | **₱150,910** | ₱100,666 |

Deferred income tax assets on obligations under lease and deferred income tax liabilities on right-of-use assets pertain to lease arrangements that are classified as operating lease for tax purposes.

c. On September 30, 2020, the BIR issued Revenue Regulation (RR) No. 25-2020 implementing Section 4(b) of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

Details of the Group's NOLCO and excess MCIT over RCIT which can be carried forward and claimed as tax credit against regular taxable income and regular income tax due, respectively, are as follows:

NOLCO

| Year Incurred | Available Until | Amount | Applied | Expired | Balances as at December 31, 2023 Amount | Balances as at December 31, 2023 Tax Effect |
|---|---|---|---|---|---|---|
| | | | | *(In Thousands)* | | |
| 2023 | 2026 | ₱69,919 | ₱– | ₱– | ₱69,919 | ₱20,976 |
| 2021 | 2026 | 1,337,057 | (756,437) | – | 580,620 | 145,155 |
| 2020 | 2025 | 1,328,796 | (1,199,504) | – | 129,292 | 32,323 |
| 2019 | 2022 | 1,254,674 | (713,082) | (541,592) | – | – |
| | | ₱3,990,446 | (₱2,669,023) | (541,592) | ₱779,831 | ₱198,454 |

Excess MCIT over RCIT

| Year Incurred | Available Until | Amount | Applied | Expired | **Balances as at December 31, 2023** |
|---|---|---|---|---|---|
| | | | | *(In Thousands)* | |
| 2023 | 2026 | ₱54,510 | ₱– | ₱– | ₱54,510 |
| 2022 | 2025 | 28,016 | – | – | 28,016 |
| 2021 | 2024 | 11,326 | (5) | – | 11,321 |
| 2020 | 2023 | 26,411 | (3,236) | (13,223) | 9,952 |
| 2019 | 2022 | 13,379 | (41) | (13,338) | – |
| | | ₱133,642 | (₱3,282) | (₱26,561) | ₱103,799 |

d. The following are the Group's NOLCO, excess MCIT over RCIT and other deductible temporary differences for which no deferred tax assets have been recognized:

| | December 31 **2023** | December 31 2022 |
|---|---|---|
| | *(In Thousands)* | |
| Accruals and provisions | **₱1,531,460** | ₱784,987 |
| NOLCO | **779,831** | 2,557,832 |
| Allowance for ECL | **490,754** | 518,883 |
| Excess of MCIT over RCIT | **103,799** | 63,592 |
| Provision for litigation | **58,122** | 41,741 |
| Allowance for cargo losses and damages | **47,899** | 233,738 |
| Obligation under lease | **26,457** | 80,244 |
| Accrued retirement | **21,821** | 56,430 |
| Allowance for inventory obsolescence | **5,770** | 7,256 |
| Others | **2,797** | 9,193 |

e. Reconciliation between the income tax expense computed at statutory income tax rate of 25% to the provision for income tax as shown in profit or loss is as follows:

| | Years Ended December 31 | | |
|---|---|---|---|
| | **2023** | 2022 | 2021 |
| | | *(In Thousands)* | |
| Tax effect of income (loss) at statutory rates | **₱312,841** | ₱87,097 | (₱271,207) |
| Income tax effects of: | | | |
| Movement in deductible temporary differences for which no deferred tax assets were recognized | **(200,082)** | (19,566) | 317,907 |
| Nondeductible expense | **29,740** | 5,314 | 13,673 |
| Interest income already subjected to final tax | **(125)** | (90) | (132) |
| Equity in net earnings of associates and gain on sale of associate | **(38,332)** | (18,205) | (13,852) |
| Impact of CREATE in 2020 | – | – | (1,874) |
| Others | **–** | (195) | (261) |
| Provision for income tax | **₱104,042** | ₱54,355 | ₱44,254 |

## 28. Earnings (Loss) Per Share (EPS)

Basic and diluted earnings per share were computed as follows:

| | Years ended December 31 | | |
|---|---|---|---|
| | **2023** | 2022 | 2021 |
| | *(In Thousands, except weighted average number of common shares and loss per common shares)* | | |
| Net income (loss) for the year attributable to equity holders of the Parent Company | **₱939,285** | ₱308,833 | (₱1,144,160) |
| Net income (loss) loss for the year attributable to equity holders of the Parent Company (from continuing operations) | **₱1,136,399** | ₱297,131 | (₱1,130,296) |
| Weighted average number of common shares outstanding during the year | **2,462,146,316** | 2,462,146,316 | 2,462,146,316 |
| Income (Loss) per common share | **₱0.3815** | ₱0.1254 | (₱0.4647) |
| Income (Loss) per common share (from contuinuing operations) | **₱0.4615** | ₱0.1207 | (₱0.4591) |

There are no potentially dilutive common shares as at December 31, 2023, 2022 and 2021.

## 29. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents, short-term notes payable, long-term debt, obligations under lease 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 and interest rate risks on the manner in which it manages and measures the risks since prior years.

The Group uses derivative instruments to manage exposures to fuel price risks arising from the Group's operations and its sources of financing. The details of the Group's derivative transactions, including the risk management objectives and the accounting results, are discussed in this note.

*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'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. The Group has concentration of credit risk given that majority of the Group's cash and cash equivalents are deposited in the local affiliated bank. Management assessed and believes that the Group is not exposed to any significant risk since the local affiliated bank is a related party and is one of the country's reputable banks. The Group does not have any significant credit risk exposure to other single counterparties. As of December 31, 2023 and 2022, the Group did not hold collateral from any counterparty.

The credit quality per class of financial assets that are current and neither past due nor impaired and contract assets is as follows:

***December 31, 2023***

| | **High** | **Medium** | **Total** |
|---|---|---|---|
| | | *(In Thousands)* | |
| Financial assets: | | | |
| Cash in banks | **₱705,313** | **₱–** | **₱705,313** |
| Cash equivalents | **14,667** | **–** | **14,667** |
| Trade receivables | **–** | **696,522** | **696,522** |
| Nontrade receivables | **–** | **54,634** | **54,634** |
| Advances to officers and employees* | **5,207** | **–** | **5,207** |
| Refundable deposits | **217,571** | **–** | **217,571** |
| Contract assets | **–** | **462,330** | **462,330** |
| Total | **₱942,758** | **₱1,213,486** | **₱2,156,244** |

**Excluding advances amounting to ₱16.9 million subject to liquidation*

*December 31, 2022*

| | High | Medium | Total |
|---|---|---|---|
| | | *(In Thousands)* | |
| Financial assets: | | | |
| Cash in banks | ₱685,860 | ₱– | ₱ 685,860 |
| Cash equivalents | 11,639 | – | 11,639 |
| Trade receivables | – | 1,656,888 | 1,656,888 |
| Nontrade receivables | – | 70,453 | 70,453 |
| Advances to officers and employees* | 2,806 | – | 2,806 |
| Refundable deposits | 176,328 | – | 176,328 |
| Contract assets | – | 653,245 | 653,245 |
| Total | ₱876,633 | ₱2,380,586 | ₱3,257,219 |

**Excluding advances amounting to ₱21.4 million subject to liquidation.*

High quality receivables pertain to receivables from related parties and customers with good favorable credit standing. Medium quality receivables pertain to receivables from customers that slide beyond the credit terms but pay a week after being past due. For new customers, the Group has no basis yet as far as payment habit is concerned.

The Group evaluated its cash in banks as high quality financial assets since these are placed in financial institutions of high credit standing. The Group also evaluated its advances to officers and employees as high grade since these are collected through salary deductions. The credit risk for refundable deposits is considered negligible as the Group has ongoing lease agreements with the counterparties with sound financial condition and sufficient liquidity.

The aging per class of financial assets, contract assets and expected credit loss are as follows:

| **December 31, 2023** | **Current** | **Past Due**<br>**Less than 30 Days** | **31 to 60 Days** | **61 to 90 Days** | **91 to 120 Days** | **Over 120 Days** | **Expected Credit Loss** | **Total** |
|---|---|---|---|---|---|---|---|---|
| | | | | *(In Thousands)* | | | | |
| **Financial assets:** | | | | | | | | |
| Cash in banks | **₱705,313** | **₱–** | **₱–** | **₱–** | **₱–** | **₱–** | **₱–** | **₱705,313** |
| Cash equivalents | **14,667** | **–** | **–** | **–** | **–** | **–** | **–** | **14,667** |
| Trade receivables | **696,522** | **322,363** | **93,189** | **122,965** | **113,460** | **838,676** | **(389,180)** | **1,797,995** |
| Nontrade receivables[1] | **54,634** | **1,034** | **13,472** | **6,997** | **5,973** | **75,213** | **(58,545)** | **98,778** |
| Advances to officers and employees[2] | **5,207** | **–** | **–** | **–** | **–** | **–** | **–** | **5,207** |
| Refundable deposits | **217,571** | **–** | **–** | **–** | **–** | **–** | **–** | **217,571** |
| **Contract assets** | **462,330** | **–** | **–** | **–** | **–** | **–** | **(43,029)** | **419,301** |
| **Total** | **₱2,156,244** | **₱323,397** | **₱106,661** | **₱129,962** | **₱119,433** | **₱913,889** | **(₱490,754)** | **₱3,258,832** |

*(1) Excluding nonfinancial asset amounting to ₱102.8 million.*
*(2) Excluding advances amounting to ₱16.9 million subject to liquidation.*

| December 31, 2022 | Current | Past Due<br>Less than 30 Days | 31 to 60 Days | 61 to 90 Days | 91 to 120 Days | Over 120 Days | Expected Credit Loss | Total |
|---|---|---|---|---|---|---|---|---|
| | | | | *(In Thousands)* | | | | |
| Financial assets: | | | | | | | | |
| Cash in banks | ₱685,860 | ₱– | ₱– | ₱– | ₱– | ₱– | ₱– | ₱685,860 |
| Cash equivalents | 11,639 | – | – | – | – | – | – | 11,639 |
| Trade receivables | 1,656,888 | 634,893 | 263,734 | 31,023 | 164,918 | 202,801 | (435,327) | 2,518,930 |
| Nontrade receivables[1] | 70,453 | 757 | 1,683 | 1,457 | 13,794 | 153,812 | (34,790) | 207,166 |
| Advances to officers and employees[2] | 2,806 | – | – | – | – | – | – | 2,806 |
| Refundable deposits | 176,328 | – | – | – | – | – | – | 176,328 |
| Contract assets | 653,245 | – | – | – | – | – | (48,131) | 605,114 |
| Total | ₱3,257,219 | ₱635,650 | ₱265,417 | ₱32,480 | ₱178,712 | ₱356,613 | (₱518,248) | ₱4,207,843 |

*(1) Excluding nonfinancial asset amounting to ₱119.8 million; including long-term receivable amounting to ₱30.0 million.*
*(2) Excluding advances amounting to ₱21.4 million subject to liquidation.*

*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.

The following table summarizes the maturity profile of the Group's financial assets and financial liabilities based on contractual repayment obligations and the Group's cash to be generated from operations and the Group's financial assets:

| | December 31, 2023 | | | |
|---|---|---|---|---|
| | **Less than 1 Year** | **1 to 5 Years** | **Over 5 Years** | **Total** |
| | | *(In Thousands)* | | |
| **Financial Liabilities** | | | | |
| Trade and other payables[1] | **₱3,988,612** | **₱–** | **₱–** | **₱3,988,612** |
| Short-term notes payable | **1,816,000** | **–** | **–** | **1,816,000** |
| Long-term debt[2] | **340,000** | **3,560,000** | **–** | **3,900,000** |
| Obligations under lease[3] | **515,794** | **1,458,354** | **162,049** | **2,136,197** |
| | **₱6,660,406** | **₱5,018,354** | **₱162,049** | **₱11,840,809** |
| **Financial and contract assets** | | | | |
| Cash and cash equivalents | **₱762,035** | **₱–** | **₱–** | **₱762,035** |
| Trade and other receivables[4] | **2,349,705** | **–** | **–** | **2,349,705** |
| Refundable deposits | **110,587** | **106,984** | **–** | **217,571** |
| | **₱3,222,327** | **₱106,984** | **₱–** | **₱3,329,311** |

| | December 31, 2022 | | | |
|---|---|---|---|---|
| | Less than 1 Year | 1 to 5 Years | Over 5 Years | Total |
| | | *(In Thousands)* | | |
| **Financial Liabilities** | | | | |
| Trade and other payables[1] | ₱4,122,339 | ₱– | ₱– | ₱4,122,339 |
| Short-term notes payable | 2,306,000 | – | – | 2,306,000 |
| Long-term debt[2] | 3,500,000 | 500,000 | – | 4,000,000 |
| Obligations under lease[3] | 438,703 | 1,297,383 | 218,175 | 1,954,261 |
| | ₱10,367,042 | ₱1,797,383 | ₱218,175 | ₱12,382,600 |
| **Financial and contract assets** | | | | |
| Cash and cash equivalents | ₱724,527 | ₱– | ₱– | ₱724,527 |
| Trade and other receivables[4] | 3,301,211 | 30,000 | – | 3,331,211 |
| Refundable deposits | 100,205 | 76,123 | – | 176,328 |
| | ₱4,125,943 | ₱106,123 | ₱– | ₱4,232,066 |

[1]*Excludes nonfinancial liabilities amounting to ₱775.2 million and ₱972.4 million as of December 31, 2023 and 2022, respectively.*
[2]*Gross of unamortized debt arrangement fees amounting to ₱23.4 million and ₱5.2 million as of December 31, 2023 and 2022, respectively.*
[3]*Gross of interest component amounting to ₱298.8 million and ₱262.4 million as of December 31, 2023 and 2022, respectively.*
[4]*Excludes nonfinancial assets amounting to ₱119.7 million and ₱141.2 million as of December 31, 2023 and 2022, respectively, and includes long-term receivable amounting to nil and 30.0 million as of December 31, 2023 and 2022, respectively .*

Trade and other payables and maturing other liabilities are expected to be settled using cash to be generated from operations, drawing from existing and new credit facilities, and additional capital contribution of the shareholders.

The future interest repayment for the long-term debt is as follows:

| | December 31 | |
|---|---|---|
| | **2023** | 2022 |
| | *(In Thousands)* | |
| Less than 1 Year | **₱252,517** | ₱20,723 |
| 1 to 5 Years | **655,054** | 51,940 |
| Total | **₱907,571** | ₱72,663 |

The undrawn loan commitments from credit facilities of the Group amounted to ₱2.6 billion and ₱1.1 billion as of December 31, 2023 and 2022, respectively.

*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.

The Group's significant foreign currency-denominated financial assets and financial liabilities as of December 31, 2023 and 2022 are as follows:

| | | **December 31, 2023** | | December 31, 2022 | |
|---|---|---|---|---|---|
| | Currency | **Amount in Original Currency** | **Total Peso Equivalent** | Amount in Original Currency | Total Peso Equivalent |
| | | | *(In Thousands)* | | |
| **Financial Assets** | | | | | |
| Cash in banks | USD | **372** | **₱20,653** | 306 | ₱17,173 |
| Trade receivables | USD | **146** | **8,087** | 387 | 21,718 |
| | | | **₱28,740** | | ₱38,891 |
| **Financial Liabilities** | | | | | |
| Trade and other payables | USD | **464** | **₱25,805** | 257 | ₱14,423 |
| | JPY | **27,240** | **10,705** | 19,530 | 8,203 |
| Obligation under lease | USD | **2,206** | **122,575** | – | – |
| | | | **₱159,085** | | ₱22,626 |
| Net foreign currency denominated assets (liabilities) | USD | **(2,153)** | **(₱119,640)** | 436 | ₱24,468 |
| | JPY | **(27,240)** | **(10,705)** | (19,530) | (8,203) |

USD 1 = ₱55.57 in December 2023 and ₱56.12 in 2022
JPY 1 = ₱0.39 in December 2023 and ₱0.42 in December 2022

The Group recognized foreign exchange gain (loss) amounting to (₱2.6 million), ₱1.0 million, and (₱1.2 million) for the years ended December 31, 2023, 2022 and 2021, respectively (see Note 24).

The following table demonstrates the sensitivity to a reasonably possible change in the foreign currency exchange rates, with all other variables held constant, of the Group's profit before tax for years ended December 31, 2023, 2022 and 2021.

| | Appreciation (Depreciation) of Foreign Currency | **Decrease (increase) in loss before tax** | | |
|---|---|---|---|---|
| | | December 31 | | |
| | | **2023** | 2022 | 2021 |
| | | | *(In Thousands)* | |
| US Dollar (USD) | 1% | **(₱7,286)** | (₱1,299) | (₱790) |
| | (1%) | **7,286** | 1,299 | 790 |
| Japanese Yen (JPY) | 1% | **(1,219)** | (1,019) | – |
| | (1%) | **1,219** | 1,019 | – |

There is no other impact on the Group's equity other than those already affecting profit or loss.

*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 5.85% to 7.50% and 3.75% to 6.75% in 2023 and 2022, respectively.

The Group's ₱3.9 billion long-term debt under the BDO Term Loan Facility Agreements includes ₱3.4 billion long-term debt which bear floating interest rates and exposes the Group to cash flow interest rate risk.

The table below sets forth the estimated change in the Group's income before tax (through the impact on the floating interest rate borrowings) due to parallel changes in the interest rate curve in terms of the basis points (bp) as of December 31, 2023 and 2022, with all other variables held constant. There is no other impact on the Group's equity other than those already affecting the consolidated statements of profit or loss.

| | **Decrease (increase) in loss before income tax** | |
|---|---|---|
| | December 31 | |
| | **2023** | 2022 |
| | *(In Thousands)* | |
| 100 bp rise | **₱38,766** | ₱39,948 |
| 100 bp fall | **(38,766)** | (39,948) |
| 50 bp rise | **19,383** | 19,974 |
| 50 bp fall | **(19,383)** | (19,974) |

*Cashflow hedge*
The Group is exposed to the increased volatility of fuel prices (commodity price risk). As a result, the Group entered into a commodity swap agreement with a certain bank on August 13, 2019, in order to manage the risk on fuel price volatility. Hedging the price volatility of forecast fuel purchases is in line with the management strategy implemented by the Board of Directors. The Group designated the commodity swap agreement as cashflow hedge. The Group has established a hedge ratio of 1:1 for the hedging relationship as the underlying risk of commodity swap agreement is identical to the hedged risk component.

In 2021, the Group discontinued the hedging instrument with a carrying amount of ₱0.2 million. The cumulative loss on the hedging instrument amounting ₱57.1 million that has been reported directly in equity is recognized in profit or loss.

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 consolidated statement of financial position. The capital ratios are as follows:

| | December 31 | |
|---|---|---|
| | **2023** | 2022 |
| Assets financed by: | | |
| Creditors | **87%** | 93% |
| Stockholders | **13%** | 7% |

As of December 31, 2023 and 2022, the Group met its capital management objectives.

## 30. Fair Values of Financial Instruments and Nonfinancial Assets

Assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level of input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
Level 2 - Valuation techniques for which the lowest level of input that is significant to the fair value measurement is directly or indirectly observable; and,
Level 3 - Valuation techniques for which the lowest level of input that is significant to the fair value measurement is unobservable.

The table below shows the carrying amounts and fair values of financial assets and liabilities. The fair values have been determined based on Level 3 fair value hierarchy. The table below does not include the fair value information for financial assets and liabilities not measured at fair value if the carrying amounts are the reasonable approximation of their fair values.

| | **December 31, 2023** | | December 31, 2022 | |
|---|---|---|---|---|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| | *(In Thousands)* | | | |
| **Financial Liabilities** | | | | |
| Long-term debts | **₱3,876,645** | **₱4,039,849** | ₱3,994,800 | ₱3,936,702 |
| Obligations under lease | **1,837,382** | **1,821,864** | 1,691,899 | 1,598,416 |
| | **₱5,714,027** | **₱5,861,713** | ₱5,686,699 | ₱5,535,118 |

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 included under "Other current assets"*
The carrying amounts of these financial instruments approximate their respective fair values due to their relatively short-term maturities.

*Refundable deposits included under "Other noncurrent assets"*
The carrying amount of this financial instrument is carried at present value due to the long-term nature of this account. The fair value of refundable deposits was computed by discounting the expected cash flows ranging from 4.52% to 4.99% as the EIR. The computed fair value approximates the carrying amount of this account.

*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.

*Long-term debt*
Discount rate of 7.8% and 6.9% was used in calculating the fair value of the long-term debt as of December 31, 2023 and 2022, respectively.

*Obligations under lease*
The fair values of obligations under lease are based on the discounted net present value of cash flows using the discount rate ranging from 7.1% to 7.8% and 6.3% to 8.5% as of December 31, 2023 and 2022, respectively.

## 31. Notes to Consolidated Statements of Cash Flows

Changes in liabilities arising from financing activities are as follows:

For the Year Ended December 31, 2023:

| | January 1, 2023 | Cash Flows Availments | Payments | Net | Others | December 31, 2023 |
|---|---|---|---|---|---|---|
| Short-term notes payable | **₱2,306,000** | **₱1,204,000** | **(₱1,694,000)** | **(₱490,000)** | **₱–** | **₱1,816,000** |
| Current portion of obligations under lease | **347,387** | **–** | **(485,965)** | **(485,965)** | **553,578** | **415,000** |
| Current portion of long-term debt | **3,496,823** | **–** | **(100,000)** | **(100,000)** | **(3,063,125)** | **333,698** |
| Noncurrent portion of long-term debt | **497,977** | **–** | **–** | **–** | **3,044,970** | **3,542,947** |
| Noncurrent portion of obligations under lease | **1,344,512** | **–** | **–** | **–** | **77,870** | **1,422,382** |
| Total liabilities from financing activities | **₱7,992,699** | **₱1,204,000** | **(₱2,279,965)** | **(₱1,075,965)** | **₱613,293** | **₱7,530,027** |

For the Year Ended December 31, 2022:

| | January 1, 2022 | Cash Flows Availments | Payments | Net | Others | December 31, 2022 |
|---|---|---|---|---|---|---|
| Short-term notes payable | ₱3,106,000 | ₱2,380,000 | (₱3,180,000) | (₱800,000) | ₱– | ₱2,306,000 |
| Current portion of obligations under lease | 141,557 | – | (348,512) | (348,512) | 554,342 | 347,387 |
| Current portion of long-term debt | – | – | – | – | 3,496,823 | 3,496,823 |
| Noncurrent portion of long-term debt | 3,987,844 | – | – | – | (3,489,867) | 497,977 |
| Noncurrent portion of obligations under lease | 498,008 | – | – | – | 846,504 | 1,344,512 |
| Total liabilities from financing activities | ₱7,733,409 | ₱2,380,000 | (₱3,528,512) | (₱1,148,512) | ₱1,407,802 | ₱7,992,699 |

"Others" includes the effect of the following:

a. reclassification of non-current portion to current due to the passage of time;
b. amortization of debt transaction costs capitalized amounting to ₱7.3 million and ₱7.0 million in 2023 and 2022, respectively;
c. payment of debt transaction cost amounting to ₱25.5 million in 2023 (nil in 2022);
d. availment of obligation under lease amounting to ₱939.2 million and ₱1,401 million in 2023 and 2022, respectively;
e. amortization of obligation under lease, which was paid during the year and included in the "Interest and financing charges" in the consolidated statements of cash flows, amounting to ₱96.9 million in 2023 and ₱96.8 million in 2022; and
f. pre-termination of certain obligations under lease amounting to ₱396.5 million in 2023 (nil in 2022).

## 32. **Discontinued Operations**

On August 9, 2023, the BOD approved the cessation of business operations of SOI as part of a plan to focus on improving core services and profitability of the Group.

The results of the discontinued operations are as follows:

| | For the Years Ended December 31 | | |
|---|---|---|---|
| | **2023** | 2022 | 2021 |
| | | *(In thousands)* | |
| Revenue from contracts with customers | **₱2,835,654** | ₱4,726,473 | ₱5,109,702 |
| Costs and expenses | **(3,012,145)** | (4,694,300) | (5,112,477) |
| Operating income (loss) | **(176,491)** | 32,173 | (2,775) |
| Financing charges | **(18,022)** | (13,127) | (18,034) |
| Others - net* | **3,031** | 2,897 | 6,602 |
| Income (loss) before income tax | **(191,482)** | 21,943 | (14,207) |
| Provision for (benefit from) income tax | | | |
| Current | **6,000** | 4,030 | 1,991 |
| Deferred | **(368)** | 10 | (2,333) |
| | **5,632** | 4,040 | (342) |
| Net income (loss) | **(₱197,114)** | ₱17,903 | (₱13,865) |
| **Basic/Diluted Income (Loss) Per Share for discontinued operations** | **(₱0.0800)** | ₱0.0047 | (₱0.0056) |

** Includes interest income amounting to ₱0.05 million in 2023, ₱1.59 million in 2022 and ₱2.60 million in 2021.*

The net cash flows incurred by the discontinued operations are as follows:

| | Year ended December 31 | | |
|---|---|---|---|
| | **2023** | 2022 | 2021 |
| | | *(In thousands)* | |
| Operating activities | **₱276,528** | ₱78,145 | ₱308,855 |
| Investing activities | **(288,500)** | (571) | (971) |
| Financing activities | **(175,349)** | (71,081) | (137,076) |

The Group re-presented the prior year comparative information of the consolidated statements of profit or loss, consolidated statements of comprehensive income and consolidated statements of cash flows.

Below is the impact on the comparative balances for the years ended December 31, 2022 and 2021 as a result of the discontinued operations.

*Consolidated Statement of Profit or Loss*

| | Year Ended December 31 | | |
|---|---|---|---|
| | 2022, as previously presented* | Effect of Discontinued Operation Increase (Decrease) | 2022, as re-presented |
| **REVENUES FROM CONTRACTS WITH CUSTOMERS** | | | |
| Shipping: | | | |
| Freight | ₱6,619,616 | ₱97,578 | 6,717,194 |
| Travel | 1,386,989 | – | 1,386,989 |
| Nonshipping: | | | |
| Logistics and other services | 6,331,438 | 106,127 | 6,437,565 |
| Sale of goods | 4,930,178 | (4,930,178) | – |
| | 19,268,221 | (4,726,473) | 14,541,748 |
| **COST OF SERVICES AND GOODS SOLD** | 17,495,885 | (4,637,059) | 12,858,826 |
| **GROSS PROFIT** | 1,772,336 | (89,414) | 1,682,922 |
| **GENERAL AND ADMINISTRATIVE EXPENSES** | 1,034,627 | (57,241) | 977,386 |
| **OPERATING INCOME (LOSS) FROM CONTINUING OPERATIONS** | 737,709 | (32,173) | 705,536 |
| **OTHER INCOME (CHARGES)** | | | |
| Equity in net earnings of associates and joint ventures | 58,566 | – | 58,566 |
| Financing charges | | | |
| Bank loans | (393,051) | 13,127 | (379,924) |
| Lease liabilities | (96,757) | – | (96,757) |
| Others - net | 63,861 | (2,897) | 60,964 |
| | (367,381) | 10,230 | (357,151) |
| **INCOME (LOSS) BEFORE INCOME TAX FROM CONTINUING OPERATIONS** | 370,328 | (21,943) | 348,385 |
| **PROVISION FOR INCOME TAX** | | | |
| Current | 76,470 | (4,030) | 72,440 |
| Deferred | (18,075) | (10) | (18,085) |
| | 58,395 | (4,040) | 54,355 |
| **NET INCOME (LOSS) FROM CONTINUING OPERATIONS** | 311,933 | (17,903) | 294,030 |
| **NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS** | – | 17,903 | 17,903 |
| **NET INCOME (LOSS)** | ₱311,933 | ₱– | ₱311,933 |

**Includes reclassification of revenue transactions between fregh and logistics and other services*

| | Year Ended December 31 | | |
|---|---|---|---|
| | 2021, as previously presented* | Effect of Discontinued Operation Increase (Decrease) | 2021, as re-presented |
| **REVENUES FROM CONTRACTS WITH CUSTOMERS** | | | |
| Shipping: | | | |
| Freight | ₱4,511,424 | ₱112,526 | 4,623,950 |
| Travel | 437,692 | – | 437,692 |
| Nonshipping: | | | |
| Logistics and other services | 4,969,353 | 267,399 | 5,236,752 |
| Sale of goods | 5,489,627 | (5,489,627) | – |
| | 15,408,096 | (5,109,702) | 10,298,394 |
| **COST OF SERVICES AND GOODS SOLD** | 14,814,091 | (5,007,703) | 9,806,388 |
| **GROSS PROFIT** | 594,005 | (101,999) | 492,006 |
| **GENERAL AND ADMINISTRATIVE EXPENSES** | 1,344,299 | (104,774) | 1,239,525 |
| **OPERATING INCOME (LOSS) FROM CONTINUING OPERATIONS** | (750,294) | 2,775 | (747,519) |
| **OTHER INCOME (CHARGES)** | | | |
| Equity in net earnings of associates and joint ventures | 55,407 | – | 55,407 |
| Financing charges | | | |
| Bank loans | (367,827) | 18,034 | (349,793) |
| Lease liabilities | (49,101) | – | (49,101) |
| Others - net | 12,781 | (6,602) | 6,179 |
| | (348,740) | 11,432 | (337,308) |
| **INCOME (LOSS) BEFORE INCOME TAX FROM CONTINUING OPERATIONS** | (1,099,034) | 14,207 | (1,084,827) |
| **PROVISION FOR INCOME TAX** | | | |
| Current | 45,666 | (1,992) | 43,674 |
| Deferred | (1,754) | 2,334 | 580 |
| | 43,912 | 342 | 44,254 |
| **NET INCOME (LOSS) FROM CONTINUING OPERATIONS** | (1,142,946) | 13,865 | (1,129,081) |
| **NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS** | – | (13,865) | (13,865) |
| **NET INCOME (LOSS)** | (₱1,142,946) | ₱– | (₱1,142,946) |

**Includes reclassification of revenue transactions between fregh and logistics and other services*

SGV
Building a better
working world

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**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors
2GO Group, Inc.
8th Floor, Tower 1, Double Dragon Plaza
EDSA Extension cor. Macapagal Avenue
Pasay City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of 2GO Group, Inc. and Subsidiaries (the Group) as at December 31, 2023 and 2022, and for each of the three years in the period ended December 31, 2023, included in this Form 17-A and have issued our report thereon dated February 22, 2024. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Albert R. Bon

Albert R. Bon
Partner
CPA Certificate No. 0121479
Tax Identification No. 255-491-830
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-135-2023, January 25, 2023, valid until January 24, 2026
PTR No. 10079911, January 5, 2024, Makati City

February 22, 2024

## 2GO GROUP, INC. AND SUBSIDIARIES

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## 2GO GROUP, INC.

## RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

### FOR THE YEAR ENDED DECEMBER 31, 2023

(Amounts in Thousands)

| | | | | |
|---|---|---|---|---|
| **Unappropriated Retained earnings (deficit), beginning of reporting period** | | | | **(₱2,644,381)** |
| **Add:** | **Category A:** | **Items that are directly credited to Unappropriated Retained Earnings** | | |
| | | Reversal of Retained Earnings Appropriation/s | – | |
| | | Effect of restatements or prior-year adjustments | – | |
| | | Others (describe nature) | – | – |
| **Less:** | **Category B:** | **Items that are directly debited to Unappropriated Retained Earnings** | | |
| | | Dividend declaration during the reporting period | – | |
| | | Retained Earnings appropriated during the reporting period | – | |
| | | Effect of restatements or prior-year adjustments | – | |
| | | Others - deferred tax assets beginning | 222,938 | |
| | | Others - treasury shares | 58,715 | 281,653 |
| **Unappropriated Retained Earnings, as adjusted** | | | | **(2,926,034)** |
| **Add/Less: Net Income (Loss) for the current year** | | | | **1,362,817** |
| **Less:** | **Category C.1:** | **Unrealized income recognized in the profit or loss during the reporting period (net of tax)** | | |
| | | Equity in net income of associate/joint venture, net of dividends declared | – | |
| | | Unrealized foreign exchange gain, except those attributable to cash and cash equivalents | – | |
| | | Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL) | – | |
| | | Unrealized fair value gain of Investment Property | – | |
| | | Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature) | – | |
| | | *Sub-total* | | – |
| **Add:** | **Category C.2:** | **Unrealized income recognized in the profit or loss in prior reporting periods but realized in the curret reporting period (net of tax)** | | |
| | | Realized foreign exchange gain, except those attributable to cash and cash equivalends | – | |
| | | Realized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL) | – | |
| | | Realized fair value gain of Investment Property | – | |
| | | Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature) | – | |
| | | *Sub-total* | | – |

| | | | | |
|---|---|---|---|---|
| **Add:** | **Category C.3:** | **Unrealized income recognized in the profit or loss in prior periods but reversed in the curret reporting period (net of tax)** | | |
| | | Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalends | – | |
| | | Reversal of previously recorded fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL) | – | |
| | | Reversal of previously recorded fair value gain of Investment Property | – | |
| | | Reversal of previously recorded other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature) | – | |
| | | *Sub-total* | | – |
| **Adjusted Net Income (Loss)** | | | | **(1,563,217)** |
| **Add:** | **Category D:** | **Non-actual losses recognized in profit or loss during the reporting period (net of tax)** | | |
| | | Depreciation on revaluation increment (after tax) | – | |
| | | *Sub-total* | | – |
| **Add/ (Less)** | **Category E:** | **Adjustments related to relief granted by the SEC and BSP** | | |
| | | Amortization of the effect of reporting relief | – | |
| | | Total amount of reporting relief granted during the year | – | |
| | | Others (describe nature) | – | |
| | | *Sub-total* | | – |
| **Add/ (Less)** | **Category F:** | **Other items that should be excluded from the determination of the amount of available for dividends distribution** | | |
| | | Net movement of treasury shares (except for reacquisition of redeemable shares) | – | |
| | | Net movement of deferred tax asset not considered in the reconciling items under the previous categories | (186,248) | |
| | | Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g. set up of right of use asset and lease liability, set up of asset and asset retirement obligation, and set up of service cencession asset and concession payable | – | |
| | | Adjustment due to deviation from PFRS/GAAP - gain (loss) | – | |
| | | Others (describe nature) | – | |
| | | *Sub-total* | | (186,248) |
| **Total Retained Earnings, end of reporting period available for dividend** | | | | **(₱1,749,465)** |

**2GO GROUP, INC. AND SUBSIDIARIES**
**Schedule A - Financial Assets**
**December 31, 2023**
*(Amounts in thousands)*

| Name of issuing entity and association of each issue | Number of shares or principal amount of bonds and notes | Amount shown in balance | Income received and accrued |
|---|---|---|---|
| *At equity:* | | | |
| MCC Transport Philippines, Inc. | 119,504 | 214,939 | 145,528 |
| Kerry Logistics Philippines Inc. | 7,839,998 | 112,337 | 9,964 |

(i) Each issue shall be stated separately, except that reasonable grouping, without enumeration may be made of (a) securities issued or guaranteed by the Philippine Government or its agencies and (b) securities issued by others for which the amounts in the aggregate are not more than two percent of total assets.

(ii) State the basis of determining the amounts shown in the column. This column shall be totaled to correspond to the respective balance sheet caption or captions.

(iii) This column may be omitted if all amounts that would be shown are the same as those in the immediately preceding column.

**2GO GROUP, INC. AND SUBSIDIARIES**
**Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)**
**December 31, 2023**
(Amounts in thousands)

| Name & Designation of Debtor | Balance at December 31, 2022 | Additions | Amounts collected/liquidated | Amounts written off/offset | Current | Noncurrent | Balance at December 31, 2023 |
|---|---|---|---|---|---|---|---|
| Advances to officers and employees | ₱24,177 | ₱– | (₱2,838) | ₱– | ₱21,339 | ₱– | ₱21,339 |

**2GO GROUP, INC. AND SUBSIDIARIES**
**Schedule C - Amounts Receivable from (Payable to) Related Parties which are eliminated during the consolidation of financial statements**
**December 31, 2023**
(Amounts in thousands)

| Name and Designation of Debtor | Balance at Beginning of Year | Additions | Deductions | | Current | Noncurrent | Balance at End of Year |
|---|---|---|---|---|---|---|---|
| | | | Amounts Collected | Amounts Written-off | | | |
| 2GO Group, Inc. | ₱20,625 | 3,355,195 | – | – | ₱3,375,820 | – | ₱3,375,820 |
| 2GO Express, Inc. | 215,877 | 22,304 | – | – | 238,181 | – | 238,181 |
| 2GO Logistics, Inc. | 1,964,241 | – | (1,932,495) | – | 31,746 | – | 31,746 |
| Astir Engineering Works, Inc. | – | 3,563 | – | – | 3,563 | – | 3,563 |
| 2GO Land Transport, Inc (*Formerly WRR Trucking Corporation*) | | 37,319 | – | – | 37,319 | – | 37,319 |
| North Harbor Tugs Corporation | – | 994 | – | – | 994 | – | 994 |
| Special Container and Value-Added Services, Inc. | 170,396 | – | (97,341) | – | 73,055 | – | 73,055 |
| Scanasia Overseas, Inc. | 1,044,844 | – | (978,004) | – | 66,840 | – | 66,840 |
| NN-ATS Logistics Management and Holdings Co., Inc. | – | 52,267 | – | – | 52,267 | – | 52,267 |
| United South Dockhandlers, Inc. | 3,449 | 43,758 | – | – | 47,207 | – | 47,207 |
| | **₱3,419,432** | **₱3,515,400** | **(₱3,007,840)** | – | **₱3,926,992** | – | **₱3,926,992** |

**2GO GROUP, INC. AND SUBSIDIARIES**
**Schedule D - Long-term debt**
**December 31, 2023**
(Amounts in thousands)

| kTitle of Issue and Type of Obligation | Amount Authorized by Indenture | Amount Shown Under Caption "Current portion of long-term debt" in Related Balance Sheet | Amount Shown Under Caption "Long-term debt" in Related Balance Sheet |
|---|---|---|---|
| BDO - Philippine Peso-denominated term loan | ₱3,876,645 | ₱333,698 | ₱3,542,947 |

**2GO GROUP, INC. AND SUBSIDIARIES**
**Schedule E - Indebtedness to Related Parties (Long-term loans from Related Companies)**
**December 31, 2023**

| Name of Affiliates | Beginning Balance (in thousands) | Ending Balance (in thousands) |
|---|---|---|

**Not applicable**

**2GO GROUP, INC. AND SUBSIDIARIES**
**Schedule F - Guarantees of Securities of Other Issuers**
**December 31, 2023**

| Name of issuing entity of securities guaranteed by the Company for which statement is filed | Title of Issue of each class of securities guaranteed | Total amount of guaranteed outstanding | Amount owned by person or which statement is filed | Nature of Guarantee |
|---|---|---|---|---|

**Not applicable**

**2GO GROUP, INC. AND SUBSIDIARIES**
**Schedule G - Capital Stock**
**December 31, 2023**

| Title of Issue | Number of Shares Authorized | Number of Shares Issued and outstanding as shown under related balance sheet caption | Number of Shares reserved for options, warrants, conversion and other rights | Number of shared held by related parties | Directors, officers and employees | Others |
|---|---|---|---|---|---|---|
| Common shares | 4,070,343,670 | 2,462,146,316 | – | 2,435,983,917 | 600 | 26,161,799 |
| Preferred shares | 4,564,330 | – | – | – | – | – |

# 2GO GROUP, INC. AND SUBSIDIARIES

## SUPPLEMENTARY SCHEDULE ON FINANCIAL SOUNDNESS INDICATORS

**DECEMBER 31, 2023 AND 2022**

(Amounts in Thousands, Except for Ratios)

| Ratio | Formula | | | 2023 | 2022 |
|---|---|---|---|---|---|
| Current ratio | Total Current Assets Divided by Total Current Liabilities | | | 0.73 | 0.60 |
| | Total Current Assets | | 5,462,441 | | |
| | Divided by: Total Current Liabilities | | 7,498,359 | | |
| | Current Ratio | | 0.73 | | |
| Acid test ratio | Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities | | | 0.43 | 0.38 |
| | Total Current Assets | | 5,462,441 | | |
| | Less: Inventories | | 190,470 | | |
| | Other current assets | | 2,068,926 | | |
| | Quick assets | | 3,203,045 | | |
| | Divided by: Total Current Liabilities | | 7,498,359 | | |
| | Acid test ratio | | 0.43 | | |
| Solvency ratio | Net income before Depreciation & Amortization (Net loss from continuing operations plus depreciation and amortization) divided by Interest Bearing Debt | | | 0.40 | 0.25 |
| | Net income from continuing operations | | 1,147,321 | | |
| | Add: Depreciation and Amortization | | 1,283,139 | | |
| | Net income before depreciation and Amortization | | 2,430,460 | | |
| | Short Term Notes | 1,816,000 | | | |
| | Long Term Notes | 3,876,645 | | | |
| | Obligations under finance lease | 71,047 | | | |
| | Divided by: Interest Bearing Debt | | 5,763,692 | | |
| | Solvency Ratio | | 0.40 | | |

<table>
<tr><th>Ratio</th><th colspan="2">Formula</th><th>2023</th><th>2022</th></tr>
<tr><td rowspan="4">Debt-to-equity ratio</td><td colspan="2">Total Liabilities divided by Total Stockholders' Equity</td><td rowspan="4">6.80</td><td rowspan="4">13.61</td></tr>
<tr><td>Total Liabilities</td><td>12,903,273</td></tr>
<tr><td>Divided by: Total Stockholders' Equity</td><td>1,897,158</td></tr>
<tr><td>Debt-to-equity ratio</td><td>6.80</td></tr>
<tr><td rowspan="4">Asset-to-equity ratio</td><td colspan="2">Total Assets divided by Total Stockholders' Equity</td><td rowspan="4">7.80</td><td rowspan="4">14.61</td></tr>
<tr><td>Total Assets</td><td>14,800,431</td></tr>
<tr><td>Divided by: Total Stockholders' Equity</td><td>1,897,158</td></tr>
<tr><td>Asset-to-equity ratio</td><td>7.80</td></tr>
<tr><td rowspan="7">Interest rate coverage ratio</td><td colspan="2">Earnings from continuing operations before income tax divided by interest expense</td><td rowspan="7">3.62</td><td rowspan="7">1.75</td></tr>
<tr><td>Earnings from continuing operations before income tax</td><td>1,251,363</td></tr>
<tr><td>Add: Finance Charges</td><td>477,550</td></tr>
<tr><td>Less: Interest Income</td><td>561</td></tr>
<tr><td></td><td>1,728,352</td></tr>
<tr><td>Divided by: Interest expense</td><td>477,550</td></tr>
<tr><td>Interest rate coverage ratio</td><td>3.62</td></tr>
<tr><td rowspan="4">Return on equity</td><td colspan="2">Net income from continuing operations divided by Average Total Stockholders' Equity</td><td rowspan="4">0.79</td><td rowspan="4">0.23</td></tr>
<tr><td>Net income from continuing operations</td><td>1,147,321</td></tr>
<tr><td>Divided by: Average Total Stockholders' Equity</td><td>1,445,879</td></tr>
<tr><td></td><td>0.79</td></tr>
<tr><td rowspan="4">Return on assets</td><td colspan="2">Net loss from continuing operations divided by Average Total Assets</td><td rowspan="4">0.08</td><td rowspan="4">0.02</td></tr>
<tr><td>Net income from continuing operations</td><td>1,147,321</td></tr>
<tr><td>Divided by: Average Total Assets</td><td>14,596,163</td></tr>
<tr><td>Return on assets</td><td>0.08</td></tr>
<tr><td rowspan="4">Net profit margin</td><td colspan="2">Net income from continuing operations divided by Total revenue</td><td rowspan="4">0.07</td><td rowspan="4">0.02</td></tr>
<tr><td>Net income from continuing operations</td><td>1,147,321</td></tr>
<tr><td>Divided by: Total Revenue</td><td>15,956,167</td></tr>
<tr><td>Net profit margin</td><td>0.07</td></tr>
</table>

# C O V E R   S H E E T
for
## AUDITED FINANCIAL STATEMENTS

SEC Registration Number
4409

**COMPANY NAME**

2GO GROUP, INC.

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

8TH FLOOR, TOWER 1, DOUBLE DRAGON PLAZA, EDSA EXTENSION CORNER MACAPAGAL AVENUE, PASAY CITY

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

**COMPANY INFORMATION**

| Company's Email Address | Company's Telephone Number | Mobile Number |
|---|---|---|
| investor_relations@2go.com.ph | (02) 8554-8777 | N/A |

| No. of Stockholders | Annual Meeting (Month / Day) | Fiscal Year (Month / Day) |
|---|---|---|
| 5,118 | 4th Thursday of May | 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 | calliope.ngo@serranolawlawph.com | (02) 8651-7408 | N/A |

**CONTACT PERSON's ADDRESS**

8th Floor, Tower 1, Double Dragon Plaza, EDSA Extension corner Macapagal Avenue, Pasay City

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

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

## Angieline Rejano

| | |
|---|---|
| **From:** | eafs@bir.gov.ph |
| **Sent:** | Tuesday, February 27, 2024 6:45 PM |
| **To:** | 2GO Group Tax |
| **Cc:** | 2GO Group Tax Representative |
| **Subject:** | Your BIR AFS eSubmission uploads were received |



Hi 2GO GROUP, INC.,

**Valid files**

- EAFS000313401ITRTY122023.pdf
- EAFS000313401AFSTY122023.pdf
- EAFS000313401OTHTY122023.pdf

**Invalid file**

- <None>

Transaction Code: **AFS-0-2ZV2ZNXM0M43SV1PWQV34WMVW02R2RXVVX**
Submission Date/Time: **Feb 27, 2024 06:44 PM**
Company TIN: **000-313-401**

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- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

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**STATEMENT OF MANAGEMENT'S RESPONSIBILITY**
**FOR FINANCIAL STATEMENTS**

The management of **2Go Group, Inc.** (the Company) is responsible for the preparation and fair presentation of the parent company financial statements including the schedules attached therein, for the year ended December 31, 2023, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company financial statements, management is responsible for assessing the Company's ability to continue as going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the parent company financial statements including the schedules attached therein, and submits the same to the stockholders or members.

Sycip Gorres Velayo & Co., the independent auditors appointed by the stockholders for the year ended December 31, 2023, has audited the parent company financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

Frederic C. DyBuncio
Chairman of the Board
President and Chief Executive Officer

William Howell
Chief Financial Officer and Treasurer

Signed this 22nd day of February 2024.

SUBSCRIBED AND SWORN to before me this APR 15 2024 in TAGUIG CITY by affiant exhibiting to me their competent proof of identity as follow: Frederic C. DyBuncio TIN 103-192-854, William Charles Howell TIN 321-579-394.

Doc No. 267;
Page No. 55;
Book No. I;
Series of 2024.

JESSE JOHN M. HERMOSO
Appointment No. 132 (2023-2024)
Notary Public for Taguig City
Until December 31, 2024
Attorney's Roll No. 83148
1106 Tower 2 High Street South Corporate Plaza
26th Street, Bonifacio Global City, Taguig City
PTR Receipt No. A-6104223; 01-03-24; Taguig City
IBP Receipt No. 398768; 01-04-24; Pasig City
Admitted to the Bar on June 2022

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

# INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
2GO Group, Inc.
8th Floor Tower 1, Double Dragon Plaza
EDSA Extension cor. Macapagal Avenue
Pasay City

## Report on the Audit of the Parent Company Financial Statements

### Opinion

We have audited the parent company financial statements of 2GO Group, Inc. (the Company), which comprise the parent company statements of financial position as at December 31, 2023 and 2022, and parent company statements of profit or loss, parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including material accounting policy information.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the parent company financial position of the Company as at December 31, 2023 and 2022, and its parent company financial performance and its parent company cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

### Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Parent Company Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the parent company financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Those Charged with Governance for the Parent Company Financial Statements

Management is responsible for the preparation and fair presentation of the parent company financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Parent Company Financial Statements**

Our objectives are to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Note 30 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of 2GO Group, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Albert R. Bon

Albert R. Bon
Partner
CPA Certificate No. 0121479
Tax Identification No. 255-491-830
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-135-2023, January 25, 2023, valid until January 24, 2026
PTR No. 10079911, January 5, 2024, Makati City

February 22, 2024

# 2GO GROUP, INC.
## PARENT COMPANY STATEMENTS OF FINANCIAL POSITION
**(Amounts in Thousands)**

| | | December 31 | |
|---|---|---|---|
| | *Note* | **2023** | 2022 |
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | *7, 19* | **₱274,780** | ₱223,862 |
| Trade and other receivables | *8, 19* | **4,392,609** | 4,631,595 |
| Inventories | *9* | **166,834** | 126,574 |
| Other current assets | *10* | **1,134,832** | 1,361,835 |
| **Total Current Assets** | | **5,969,055** | 6,343,866 |
| **Noncurrent Assets** | | | |
| Property and equipment | *11, 16, 17* | **6,281,258** | 4,322,154 |
| Investments in subsidiaries and an associate - at cost | *12* | **319,628** | 319,628 |
| Deferred income tax assets | *26* | **75,509** | 69,342 |
| Other noncurrent assets | *13* | **677,907** | 265,163 |
| **Total Noncurrent Assets** | | **7,354,302** | 4,976,287 |
| **TOTAL ASSETS** | | **₱13,323,357** | ₱11,320,153 |

| | | | |
|---|---|---|---|
| **LIABILITIES AND EQUITY** | | | |
| **Current Liabilities** | | | |
| Short-term notes payable | *14* | **₱890,000** | ₱1,125,000 |
| Trade and other payables | *15, 18, 19* | **3,260,783** | 3,027,282 |
| Current portion of: | | | |
| Long-term debt | *16* | **333,698** | 3,496,823 |
| Obligations under lease | *11, 17* | **213,873** | 79,841 |
| **Total Current Liabilities** | | **4,698,354** | 7,728,946 |
| **Noncurrent Liabilities** | | | |
| Noncurrent portion of: | | | |
| Long-term debt | *16* | **3,542,947** | 497,977 |
| Obligations under lease | *11, 17* | **1,239,454** | 642,890 |
| Accrued retirement benefits | *25* | **281,840** | 221,354 |
| **Total Noncurrent Liabilities** | | **5,064,241** | 1,362,221 |
| **Total Liabilities** | | **9,762,595** | 9,091,167 |
| **Equity** | *20* | | |
| Share capital | *20* | **2,500,663** | 2,500,663 |
| Additional paid-in capital | *20* | **2,498,621** | 2,498,621 |
| Other equity reserve | *20* | **(11,700)** | (11,700) |
| Other comprehensive loss | *25* | **(86,543)** | (55,502) |
| Deficit | *20* | **(1,281,564)** | (2,644,381) |
| Treasury shares | *20* | **(58,715)** | (58,715) |
| **Total Equity** | | **3,560,762** | 2,228,986 |
| **TOTAL LIABILITIES AND EQUITY** | | **₱13,323,357** | ₱11,320,153 |

*See accompanying Notes to the Parent Company Financial Statements.*

## 2GO GROUP, INC.
## PARENT COMPANY STATEMENTS OF PROFIT OR LOSS
**(Amounts in Thousands)**

| | | Years Ended December 31 | |
|---|---|---|---|
| | *Note* | **2023** | 2022 |
| **REVENUE FROM CONTRACTS WITH CUSTOMERS** | *5, 19* | | |
| Freight | | **₱7,698,209** | ₱5,953,152 |
| Passage | | **2,336,846** | 1,386,989 |
| Other services | | **667,555** | 2,176,358 |
| | | **10,702,610** | 9,516,499 |
| **COST OF SERVICES** | *21* | **8,239,810** | 8,017,129 |
| **GROSS PROFIT** | | **2,462,800** | 1,499,370 |
| **GENERAL AND ADMINISTRATIVE EXPENSES** | *22* | **848,805** | 771,583 |
| **OPERATING INCOME** | | **1,613,995** | 727,787 |
| **OTHER INCOME (CHARGES)** | | | |
| Financing charges | *23* | | |
| Bank loans | | **(314,769)** | (324,621) |
| Lease liabilities | | **(57,385)** | (44,154) |
| Dividend income | *19* | **162,581** | 105,000 |
| Others - net | *23* | **7,981** | 8,975 |
| | | **(201,592)** | (254,800) |
| **INCOME BEFORE INCOME TAX** | | **1,412,403** | 472,987 |
| **PROVISION FOR (BENEFITS FROM) INCOME TAX** | *26* | | |
| Current | | **45,406** | 16,687 |
| Deferred | | **4,180** | (9,133) |
| | | **49,586** | 7,554 |
| **NET INCOME** | | **₱1,362,817** | ₱465,433 |

*See accompanying Notes to the Parent Company Financial Statements.*

## 2GO GROUP, INC.

## PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

**(Amounts in Thousands)**

| | | Years Ended December 31 | |
|---|---|---|---|
| | *Note* | **2023** | 2022 |
| **NET INCOME** | | **₱1,362,817** | ₱465,433 |
| **OTHER COMPREHENSIVE INCOME (LOSS) -** Net of tax | | | |
| **Item that will not be reclassified subsequently to profit or loss**: | | | |
| Remeasurement income (loss) on accrued retirement benefits | *25* | **(41,388)** | 26,654 |
| Income tax effect | *26* | **10,347** | (6,663) |
| | | **(31,041)** | 19,991 |
| **TOTAL COMPREHENSIVE INCOME** | | **₱1,331,776** | ₱485,424 |

*See accompanying Notes to the Parent Company Financial Statements.*

**2GO GROUP, INC.**

# PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

**(Amounts in Thousands)**

| | Share Capital (Note 20) | Additional Paid-in Capital (Note 20) | Other Equity Reserves (Note 20) | Remeasurement Losses on Accrued Retirement Benefit - Net of Tax (Note 25) | Deficit (Note 20) | Treasury Shares | Total Equity |
|---|---|---|---|---|---|---|---|
| **BALANCE AT JANUARY 1, 2022** | **₱2,500,663** | **₱2,498,621** | **(₱11,700)** | **(₱75,493)** | **(₱3,109,814)** | **(₱58,715)** | **₱1,743,562** |
| Net income for the year | – | – | – | – | 465,433 | – | 465,433 |
| Other comprehensive income for the year | – | – | – | 19,991 | – | – | 19,991 |
| Total comprehensive income for the year | – | – | – | 19,991 | 465,433 | – | 485,424 |
| **BALANCE AT DECEMBER 31, 2022** | **2,500,663** | **2,498,621** | **(11,700)** | **(55,502)** | **(2,644,381)** | **(58,715)** | **2,228,986** |
| Net income for the year | – | – | – | – | 1,362,817 | – | 1,362,817 |
| Other comprehensive income for the year | – | – | – | (31,041) | – | – | (31,041) |
| Total comprehensive income for the year | – | – | – | (31,041) | 1,362,817 | – | 1,331,776 |
| **BALANCE AT DECEMBER 31, 2023** | **₱2,500,663** | **₱2,498,621** | **(₱11,700)** | **(₱86,543)** | **(₱1,281,564)** | **(₱58,715)** | **₱3,560,762** |

*See accompanying Notes to the Parent Company Financial Statements.*

**2GO GROUP, INC.**

**PARENT COMPANY STATEMENTS OF CASH FLOWS**

**(Amounts in Thousands)**

| | | Years Ended December 31 | |
|---|---|---|---|
| | *Note* | **2023** | 2022 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Income before income tax | | **₱1,412,403** | ₱472,987 |
| Adjustments for: | | | |
| Depreciation and amortization of property and equipment and software cost | *11, 13 21, 22* | **912,275** | 945,015 |
| Financing charges | *23* | **429,539** | 368,775 |
| Gain on disposal of property and equipment | *23* | **(5,433)** | (6,694) |
| Provision for impairment of other assets | *11* | **736** | – |
| Interest income | *7, 19, 23* | **(148)** | (173) |
| Dividend income | *19* | **(162,581)** | (105,000) |
| Retirement benefit cost | *25* | **53,026** | 52,559 |
| Unrealized foreign exchange loss | | **1,119** | 644 |
| Operating income before working capital changes | | **2,640,936** | 1,728,113 |
| Decrease (increase) in: | | | |
| Trade and other receivables | | **238,986** | (494,123) |
| Inventories | | **(40,260)** | (23,329) |
| Prepaid expenses and other current assets | | **(28,583)** | 82,855 |
| Increase in trade and other payables | | **250,311** | 354,109 |
| Cash generated from operations | | **3,061,390** | 1,647,625 |
| Interest received | | **148** | 173 |
| Contribution to retirement fund | *25* | **(33,928)** | (31,129) |
| Income taxes paid, including creditable withholding taxes | | **(160,106)** | (139,421) |
| Net cash provided by operating activities | | **2,867,504** | 1,477,248 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Additions to: | | | |
| Property and equipment | *11* | **(1,974,313)** | (367,846) |
| Software costs | *13* | **(5,870)** | (10,766) |
| Investments in a subsidiary | *12* | – | (1,000) |
| Dividends received | *19* | **162,581** | 105,000 |
| Proceeds from sale of property and equipment | *11* | **21,849** | 13,089 |
| Payments for various deposits | | **(79,526)** | (343) |
| Net cash used in investing activities | | **(1,875,279)** | (261,866) |

*(Forward)*

| | | Years Ended December 31 | |
|---|---|---|---|
| | *Note* | **2023** | 2022 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | *29* | | |
| Proceeds from availments of short-term notes payable | *14* | **₱990,000** | ₱1,800,000 |
| Payments of: | | | |
| Short-term notes payable | *14* | **(1,225,000)** | (2,484,000) |
| Long-term debt | *16* | **(100,000)** | – |
| Obligations under lease | *17* | **(223,663)** | (114,374) |
| Interest and financing charges | *23* | **(356,025)** | (361,187) |
| Debt transaction cost | *23* | **(25,500)** | – |
| Net cash used in financing activities | | **(940,188)** | (1,159,561) |
| **EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS** | | **(1,119)** | – |
| **NET INCREASE IN CASH** | | **50,918** | 55,821 |
| **CASH AT BEGINNING OF YEAR** | | **223,862** | 168,041 |
| **CASH AT END OF YEAR** | *7* | **₱274,780** | ₱223,862 |

*See accompanying Notes to the Parent Company Financial Statements.*

## 1. Corporate Information and Approval of the Parent Company Financial Statements

2GO Group, Inc. (2GO or the Company) was incorporated in the Philippines on May 26, 1949. Its corporate life was renewed in May 12, 1995 and will expire on May 25, 2049. However, under the Revised Corporation Code of the Philippines, 2GO shall have a perpetual corporate life. It is primarily engaged in the business of operating Roll-on Roll-off (ROPAX) and freighter vessels for purposes of transporting cargo and passengers by sea within of the Philippines. The Company's registered office address is 8th Floor Tower 1, Double Dragon Plaza, EDSA Extension corner Macapagal Avenue, Pasay City, Metro Manila. 2GO's shares of stock are publicly traded on the Philippine Stock Exchange (PSE).

As of December 31, 2020, 2GO is 35.22%-owned by KGLI-NM Holdings, Inc., 30.49% owned by SM Investments Corporation (SMIC), 22.36%-owned by China-ASEAN Marine B.V. (CAMBV) and 11.93% owned by public shareholders.

On June 3, 2021, SMIC acquired 550,558,388 common shares representing 22.36% of 2GO from KGLI-NM. This resulted in an increase of SMIC's ownership in 2GO to 52.85%, thereby making 2GO a subsidiary of SMIC. On the same date, Trident Investments Holdings Pte. Ltd. (Trident) acquired 230,563,877 common shares of 2GO from KGLI-NM and 550,558,388 common shares from CAMBV, or a total of 781,122,265 common shares representing 31.73% of 2GO. Public shareholders own 15.42%.

On February 28, 2023, the Board of Directors of 2GO approved the voluntary delisting of 2GO shares from the PSE, subject to the successful completion of the intended tender offer by SMIC, compliance with other requirements of the PSE for voluntary delisting, and applicable regulations of the Securities and Exchange Commission. In the Annual Stockholders' Meeting of 2GO held on April 18, 2023, stockholders owning 2,409,564,0081 shares or 97.86% of the outstanding capital stock of 2GO approved the voluntary delisting. The PSE approved the delisting effective July 17, 2023.

As of June 30, 2023, with the completion of the tender offer, 2GO's outstanding capital stock is owned by: SMIC (1,654,861,652 common shares or 67.21%); Trident (781,122,265 common shares or 31.73%); and public shareholders own 1.06%.

The accompanying parent company financial statements as at December 31, 2023 and 2022 and for the years then ended were approved and authorized for issue by the BOD on February 22, 2024.

## 2. Basis of Preparation and Statement of Compliance

Basis of Preparation
The parent company financial statements have been prepared on a historical cost basis. The parent company financial statements are presented in Philippine peso (Peso), which is the Company's functional and presentation currency. All values are presented to the nearest thousands, except when otherwise indicated.

The Company also prepared and issued consolidated financial statements for the same period in which it consolidates all its investments in subsidiaries and associates and interests in joint ventures. Such consolidated financial statements provide information about the economic activities.

Statement of Compliance
The parent company financial statements are prepared in accordance with Philippine Financial Reporting Standards (PFRS).

## 3. Material Accounting Policy Information

Accounting policies have been applied consistently to all years presented in the parent company financial statements, except for the changes in accounting policies explained below.

Adoption of New or Revised Standards, Amendments to Standards and Interpretations
The Company adopted the following new or revised standards, amendments to standards and interpretations effective for annual periods beginning January 1, 2023. Unless otherwise stated, none of these are expected to have a significant impact on the Company's financial statements.

*Effective beginning on or after January 1, 2023*

- Amendments to PAS 1, *Presentation of Financial Statements,* and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

  - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

  The amendments to PAS 1 and the Practice Statement provide non-mandatory guidance. The amendments have had an impact on the Company's disclosure of accounting policies, but not on the measurement, recognition or presentation of any items in the parent company financial statements.

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Accounting Estimates*

  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors.

- Amendments to PAS 12, *Income Taxes, Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

- Amendments to PAS 12, *International Tax Reform - Pillar Two Model Rules*

  The amendments introduce a  mandatory exception in PAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes.

Standards Issued But Not Yet Adopted
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements. The Company intends to adopt the following pronouncements when they become effective.

*Effective beginning on or after January 1, 2024*

- Amendments to PAS 1*, Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16*, Leases*, *Lease Liability in a Sale and Leaseback*
- Amendments to PAS 7*, Statement of Cash Flows*, and PFRS 7*, Financial Instruments: Disclosures*, *Disclosures: Supplier Finance Arrangements*

*Effective beginning on or after January 1, 2025*

- PFRS 17, *Insurance Contracts*
- Amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates*, *Lack of exchangeability*

*Deferred effectivity*

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures*, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The material accounting policy information adopted in the preparation of the parent company financial statements are summarized below.

Investments in Subsidiaries
Investment in subsidiaries are carried at cost less any accumulated impairment in value. Subsidiaries are all entities over which the Company has control. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee, and;
- The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other holders of the investee;
- Rights arising from other contractual arrangements; and
- The Company's voting rights and potential voting rights.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Investments in Associates

Investments in associate are accounted for under the cost method less any impairment in value. An associate is an entity in which the Company has significant influence but not control, and which is neither a subsidiary nor a joint venture. This is generally accompanied by a shareholding between 20% to 50% of the voting rights of the investment. Under the cost method, the investment is recognized at cost and rights for dividend payments from the investment are recognized as “Dividend income” in the parent company statement of profit or loss.

The Company determines at the end of each reporting period whether there is any objective evidence that the investment in an associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the difference in the parent company statement of profit or loss.

Determination of Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that the market participants act in their best economic interest.

Financial Instruments

*Date of Recognition*

The Company recognizes a financial asset or a financial liability in the parent company statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets, recognition and de-recognition, as applicable, that require delivery of assets within the time frame established by regulation or convention in the market place are recognized on the settlement date.

*Initial Recognition of Financial Instruments*

Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). With the exception of trade receivables or for which the Company has applied the practical expedient, the Company’s initial measurement of financial instruments, except for those classified as fair value through profit or loss (FVTPL), includes transaction cost. Trade receivables or for which the Company has applied the practical expedient are measured at the transaction price determined under PFRS 15, *Revenue from Contracts with Customers*.

*Financial assets*

At initial recognition, the Company classifies its financial assets as follows:

- FVTPL
- Fair value through other comprehensive income (FVTOCI)
- Financial assets measured at amortized cost

The basis of the classification of the Company’s financial instruments depends on the following:

- The Company’s business model for managing its financial assets; and

- The contractual cash flow characteristics of the financial assets.

A financial asset is classified to be measured at amortized cost if following conditions were met:

- The financial asset is held to collect the contractual cash flows; and
- Contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company has no financial assets classified as FVTPL and FVTOCI.

*Financial liabilities*
Financial liabilities are classified as measured at amortized cost except for:

- Financial liabilities measured at FVTPL which include derivatives that liabilities measured at fair value;
- Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
- Financial guarantee contracts;
- Commitments to provide a loan at a below-market interest rate; and
- Contingent considerations recognized by an acquirer in a business combination to which PFRS 3 applies.

*Subsequent measurement*
*Financial assets measured at amortized cost*
After initial measurement, these financial assets are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by considering any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in the parent company statement of profit or loss when the loans and receivables are derecognized and impaired, as well as through the amortization process. Loans and receivables are included under current assets if realizability or collectibility is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

The Company's cash in banks and cash equivalents, trade and other receivables and refundable deposits (presented as part of "Other current assets" account and "Other noncurrent assets" account in the parent company statement of financial position) are classified under this category.

*Financial liabilities measured at amortized cost*
After initial recognition, these financial liabilities are carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs. Gains and losses on other financial liabilities are recognized in the parent company statement of profit or loss when the liabilities are derecognized, as well as through the amortization process.

The Company's notes payable, trade and other payables excluding unearned revenue, long-term debt and obligations under lease are classified under this category.

*De-recognition of financial assets and liabilities*

*Financial assets.* A financial asset is derecognized when:

- the rights to receive cash flows from the asset have expired;

- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or,
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

*Financial liabilities.* A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in parent company statement of profit or loss.

*Impairment of financial assets*
The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information (e.g., financial difficulty or insolvency) indicates that the Company is unlikely to receive the outstanding contractual cash flows in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Inventories
Inventories are valued at the lower of cost and net realizable value (NRV). Cost, which includes all costs directly attributable to acquisition, such as purchase price and transport costs, is primarily determined using the weighted average method. NRV of inventories for sale is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale, while NRV of

inventories for usage is the estimated replacement cost. An allowance for inventory obsolescence is provided for based on the Company's historical inventory expiration experience and physical inspection.

Property and Equipment

Property and equipment, except land, is stated at cost less accumulated depreciation and amortization and any accumulated impairment in value. Land is stated at cost less any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs necessary in bringing the asset to its working condition and location for its intended use. Cost also includes any related asset retirement obligation and related interest incurred during the construction.

When significant parts of property and equipment are required to be replaced in intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciation, respectively. Land is carried at cost, less accumulated impairment losses.

Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

Drydocking costs, consisting mainly of main engine overhaul, replacement of steel plate of the vessels' hull and related expenditures, are capitalized as a separate component of "Vessels in operations". When significant drydocking costs are incurred prior to the end of the amortization period, the remaining unamortized balance of the previous drydocking cost is derecognized in profit or loss.

Vessels under refurbishment, if any, include the acquisition cost of the vessels, the cost of ongoing refurbishments and other direct costs. Construction-in-progress represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the refurbishment of vessels and construction of property and equipment are capitalized during the refurbishment and construction period. Vessels under refurbishment and construction in progress are not depreciated until such time the relevant assets are complete and available for use but tested for impairment losses. Refurbishment of existing vessels is capitalized as part of vessel improvements and depreciated at the time the vessels are put back into operation.

Vessel on lay-over, if any, represents vessel for which drydocking has not been done pending availability of the necessary spare parts. Such vessels, included under the "Property and equipment" account in the parent company statement of financial position are stated at cost, less accumulated depreciation and any impairment in value.

Minor spare parts and service equipment are typically carried as inventory and recognized in profit or loss as consumed. Major spare parts and stand-by equipment are carried as property and equipment when an entity expects to use them during more than one period or when they can be used only in connection with an item of property and equipment.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, namely:

| | Note | In Years |
|---|---|---|
| Vessels in operations, excluding drydocking costs and vessel equipment and improvements | *4* | 30 - 35* |
| Drydocking costs | | 2 - 2.5 |
| Vessel equipment and improvements | | 3 - 5 |
| Containers and reefer vans | | 5 - 10 |
| Terminal and handling equipment | | 5 - 10 |
| Furniture and other equipment | | 3 - 5 |
| Land improvements | | 5 - 10 |
| Buildings and warehouses | | 5 - 20 |
| Transportation equipment | | 5 - 10 |
| Spare parts and service equipment | | 3 - 5 |
| Leasehold improvements | | Shorter of 5 - 20 or lease term |

**From the time the vessel was built.*

Depreciation or amortization commences when an asset is in its location or condition capable of being operated in the manner intended by management. Depreciation or amortization ceases at the earlier of the date that the item is classified as held-for-sale in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

The residual values, useful lives and method of depreciation and amortization of the assets are reviewed and adjusted, if appropriate, at the end of each reporting period. The carrying values of the assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization is credited or charged to current operations.

When property and equipment are retired or otherwise disposed of, the cost and related accumulated depreciation and amortization and accumulated provision for impairment losses are removed from the accounts and any resulting gain or loss is charged to profit or loss.

Property Acquisitions

*Property Acquisitions.* When property is acquired through corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents an acquisition of a business.

When such an acquisition is not judged to be an acquisition of a business, it is not treated as a business combination. Rather, the cost to acquire the entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred tax arises.

Impairment of Nonfinancial Assets

The carrying values of the Company's nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets or CGUs are written-down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less cost to sell or value in use (VIU). The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses are recognized in the parent company statement of profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment loss may no longer exist or may have decreased. In such a case, the recoverable amount is estimated. Any previously recognized impairment loss is reversed only when there is a change in estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Accordingly, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized in prior years. Such reversal is recognized in the parent company statement of profit or loss. After such a reversal, the depreciation or amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

<u>Equity</u>
The equity of the Parent Company consists of share capital, additional paid-in capital (APIC), treasury shares, other comprehensive income (loss) (OCI) and retained earnings (deficit).

Treasury shares are the Company's own equity instruments that are reacquired. Treasury shares are recognized at cost and deducted from equity.

OCI of the Company includes gains or losses on accrued retirement benefits.

<u>Revenue from Contracts with Customers</u>
Revenue from contracts with customers is recognized when controls of goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for the goods and services. The specific recognition criteria for each type of revenue are as follows:

*Shipping revenues* are recognized when the related services are rendered. Shipping revenues include revenue from ancillary services such as wharfage, arrastre, stevedoring and other freight related services.

<u>Contract balances</u>
*Contract assets*
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

*Trade receivables*
A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section for "Financial instruments - initial recognition and subsequent measurement."

*Contract liabilities*
A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are classified under “Trade and other payables” account in the parent company statement of financial position for customer payments for services which have not yet been rendered. Contract liabilities are recognized as revenue when the Company performs under the contract. .

Other Income
*Rental income* arising from operating leases is recognized on a straight-line basis over the lease term.

*Management fee* is recognized at a point in time when the related services are rendered.

*Dividend income* is recognized when the shareholders’ right to receive the payment is established.

Costs and Expenses
Costs and expenses are recognized in profit or loss when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

Employee Benefits
*Short-term employee benefits*
Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

*Retirement benefits*
The Company has a funded, noncontributory retirement plan, administered by the trustee, covering its permanent employees.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. Projected unit credit method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees’ projected salaries.

Defined benefit costs comprise the following:

- Service cost;
- Net interest on the net defined benefit liability or asset; and
- Re-measurements of net defined benefit liability or asset.

Re-measurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Re-measurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Leases
The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration.

Right-of-use assets are recognized at the commencement date of the lease. These assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the following amount:

- lease liabilities recognized;
- initial direct costs incurred; and
- lease payments made at or before the commencement date less any lease incentives received.

Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term, as follows:

| | In Years |
|---|---|
| Container Yard | 10 |
| Office | 10 |
| Warehouse | 10 |
| Equipment | 3-10 |

Lease liabilities are recognized at the commencement date of the lease and is measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. Lease liability is carried at amortized. Lease liabilities are remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Company applies the following recognition exemptions:

- short-term lease (leases with lease term of 12 months or less from the commencement date and do not contain a purchase option); or
- low-value assets.

Lease payments under short-term leases and low value assets are recognized as rent expense on a straight-line basis over the lease term.

Taxes

*Current Tax*. Current tax assets and liabilities for the current periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted at the end of each reporting period.

Current income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

*Deferred Tax*. Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the financial reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of excess Minimum Corporate Income Tax (MCIT) over Regular Corporate Income Tax (RCIT) and Net Operating Loss Carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward benefits of excess MCIT over RCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and,
- with respect to deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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 income tax assets to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted as at reporting date.

Income tax relating to items recognized directly in the parent company statement of comprehensive income is recognized in the parent company statement of comprehensive income and not in the parent company statement of profit or loss.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

*Value-added taxes (VAT)*

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

*Creditable Withholding Taxes (CWTs)*

CWTs can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rule on Philippine income taxation. CWTs which are expected to be utilized as payment for income taxes within twelve (12) months are classified as current assets.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain.

Contingencies
Contingent liabilities are not recognized in the parent company financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the parent company financial statements but are disclosed when an inflow of economic benefits is probable.

Segment Reporting
The Company's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Company's Chief Decision Maker regularly reviews the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Financial information on business segments is presented in Note 6.

## 4. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the parent company financial statements in compliance with PFRSs requires management to make judgments, accounting estimates and assumptions that affect the amounts reported in the parent company 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 parent company 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 Company'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 parent company financial statements:

*Determining the timing of satisfaction of performance obligation shipping and logistics and other services*

The Company assessed that performance obligation for shipping other services are rendered to the customers over time. As a result, revenue is recognized based on the extent of progress towards completion of the performance obligation. The selection of the method to measure progress towards completion requires judgement. The measurement of progress used the estimated period travelled (measured in days) of the cargoes or goods delivered over the period of the date of acceptance of the Company up to the date of delivery to the customers.

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:

*Provision for ECL of trade receivables and contract assets*

The Company uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating).

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. Refer to Note 8.

*Estimation of useful lives of property and equipment*

The useful life of each of the Company'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 built, 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 11.

*Assessment of impairment and estimation of recoverable amount of property and equipment*

The Company 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 follows the accounting policy discussed in Note 3, Material Accounting Policy Information (Impairment of Nonfinancial Assets).

The preparation of estimated future cash flows involves significant judgment and estimations. While the Company 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 PFRS.

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 pertaining to the property and equipment of the Company amounting to ₱6.3 billion and ₱4.3 billion as of December 31, 2023 and 2022, respectively (see Note 11).

As at December 31, 2023 and 2022, management evaluated the recoverable amount of the property and equipment based on its value in use. No impairment loss was recognized on the Company's property and equipment as the recoverable amount of the assets is higher than their carrying values.

*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 Company's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Company'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 25.

*Recognition of deferred income tax assets*
The carrying amount of deferred income 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 income tax assets to be utilized. The Company's assessment on the recognition of deferred income 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 Company's deferred income tax assets was recognized. Refer to Note 26.

*Estimation of provisions for contingencies*
The Company 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 Company 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 18.

## 5. Revenue from Contracts with Customers

*Disaggregated revenue information*
The disaggregation of the Company's revenue from contracts with customers is presented in the parent company statement of profit or loss and disclosed in the operating segment information. The Company's disaggregation of revenue from contracts with customers based on categories that depicts the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

*Performance obligations and timing of revenue recognition*
Freight, passage, and others other services: performance obligations are generally satisfied over time once the delivery services are completed.

## 6. Operating Segment Information

The Company 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, 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 parent company financial statements.

Segment revenue includes revenue from services between operating segments. Such revenue and related costs are fully eliminated in the consolidation. Revenues from one customer of nonshipping segment represent approximately 26% of the segment's total revenue. Further, there were no revenue transactions with a single customer that accounts for 10.0% or more of total revenues for the other segments.

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

| | December 31, 2023 | | | |
|---|---|---|---|---|
| | **Shipping** | **Non Shipping** | **Eliminations/ Adjustments** | **Parent company Balance** |
| | *(In Thousands)* | | | |
| External customers | **₱9,107,338** | **₱6,848,829** | **(₱5,253,557)** | **₱10,702,610** |
| Intersegment revenue | **1,595,272** | **361,648** | **(1,956,920)** | **–** |
| **Revenues from contracts with customers** | **₱10,702,610** | **₱7,210,477** | **(₱7,210,477)** | **₱10,702,610** |
| Income (Loss) before income tax | **₱1,556,755** | **(₱305,392)** | **₱161,040** | **₱1,412,403** |
| Provision for (Provision for) income tax | **(8,062)** | **112,104** | **(153,628)** | **(49,586)** |
| **Segment income** | **₱1,548,693** | **(₱193,288)** | **₱7,412** | **₱1,362,817** |
| **Segment assets** | **₱13,482,768** | **₱4,900,841** | **(₱5,060,252)** | **₱13,323,357** |
| **Segment liabilities** | **₱9,724,894** | **₱7,145,146** | **(₱7,107,445)** | **₱9,762,595** |
| **Other Information:** | | | | |
| Capital expenditures | **₱2,845,594** | **₱150,731** | **(₱1,047,605)** | **₱1,948,720** |
| Depreciation and amortization | **912,278** | **370,861** | **(370,863)** | **912,276** |
| Provision for expected credit losses | **5,981** | **43,947** | **(43,947)** | **5,981** |
| Dividend income | **162,581** | **–** | **–** | **162,581** |
| Equity in net earnings of associates and joint ventures | **144,352** | **8,976** | **(153,328)** | **–** |

| | December 31, 2022 | | | |
|---|---|---|---|---|
| | Shipping | Non Shipping | Eliminations/ Adjustments | Parent company Balance |
| | *(In Thousands)* | | | |
| External customers | ₱6,401,520 | ₱12,866,701 | (₱11,261,616) | ₱8,006,605 |
| Intersegment revenue | 1,509,894 | 456,403 | (456,403) | 1,509,894 |
| Revenues from contracts with customers | ₱7,911,414 | ₱13,323,104 | (₱11,718,019) | ₱9,516,499 |
| Income (Loss) before income tax | ₱523,010 | (₱47,682) | (₱2,341) | ₱472,987 |
| Provision for income tax | (7,553) | (51,127) | 51,126 | (7,554) |
| Segment income (loss) | ₱515,457 | (₱98,809) | ₱48,785 | ₱465,433 |
| Segment assets | ₱11,474,059 | ₱6,624,388 | (₱6,778,294) | ₱11,320,153 |
| Segment liabilities | ₱9,029,883 | ₱8,050,000 | (₱7,988,716) | ₱9,091,167 |
| Other Information: | | | | |
| Capital expenditures | ₱342,903 | ₱291,597 | (₱117,650) | ₱516,850 |
| Depreciation and amortization | 945,016 | 416,722 | (416,722) | 945,016 |
| Provision for expected credit losses | 10,913 | 20,830 | (20,830) | 10,913 |
| Dividend income | 105,000 | – | – | 105,000 |
| Equity in net earnings of associates and joint ventures | 50,175 | 8,391 | (58,566) | – |

## 7. Cash and Cash Equivalents

This account consists of:

| | | December 31 | |
|---|---|---|---|
| | *Note* | **2023** | 2022 |
| | | *(In Thousands)* | |
| Cash on hand and in banks | *19* | **₱273,501** | ₱223,583 |
| Cash equivalents | | **1,279** | 279 |
| | | **₱274,780** | ₱223,862 |

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 Company and earn interest at prevailing market rates.

Interest income earned by the Company from cash in banks amounted to ₱0.1 million and ₱0.2 million in 2023 and 2022 (see Note 23).

## 8. Trade and Other Receivables

This account consists of:

| | | December 31 | |
|---|---|---|---|
| | *Note* | **2023** | 2022 |
| | | *(In Thousands)* | |
| Trade | *19* | **₱965,141** | ₱1,412,193 |
| Contract assets | | **189,982** | 213,320 |
| Nontrade | *19* | **3,288,656** | 3,057,772 |
| Advances to officers and employees | | **14,418** | 6,934 |
| | | **4,458,197** | 4,690,219 |
| Allowance for ECL | | **65,588** | 58,624 |
| | | **₱4,392,609** | ₱4,631,595 |

a. Trade receivables are noninterest-bearing and are generally on 30 to 60 days terms.

b. Contract assets relate to revenue earned from unbilled receivables which represent amounts recognized as revenue for which the invoices have not yet been issued to the customers. As such, the balance of this account varies and depends on the timing of issuance of billing invoice to customers. The outstanding balance of these accounts decreased in 2023 due to the increase in issued billings within the year.

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

d. The following tables set out the rollforward of the allowance for ECL:

| | | **December 31, 2023** | | |
|---|---|---|---|---|
| | *Note* | **Trade and Contract Assets** | **Nontrade** | **Total** |
| | | | *(In Thousands)* | |
| Beginning | | **₱42,803** | **₱15,821** | **₱58,624** |
| Provision | *22* | **–** | **5,981** | **5,981** |
| Write-off/adjustment | | **1,051** | **(68)** | **983** |
| Ending | | **₱43,854** | **₱21,734** | **₱65,588** |

| | | December 31, 2022 | | |
|---|---|---|---|---|
| | *Note* | Trade and Contract Assets | Nontrade | Total |
| | | | *(In Thousands)* | |
| Beginning | | ₱40,049 | ₱16,096 | ₱56,145 |
| Provision | *22* | 10,913 | – | 10,913 |
| Write-off/adjustment | | (8,159) | (275) | (8,434) |
| Ending | | ₱42,803 | ₱15,821 | ₱58,624 |

## 9. Inventories

This account consists of:

| | December 31 | |
|---|---|---|
| | **2023** | 2022 |
| | *(In Thousands)* | |
| At cost: | | |
| Fuel, oil and lubricants | **₱139,806** | ₱108,489 |
| Trading goods | **22,513** | 13,060 |
| At net realizable value: | | |
| Materials, parts and supplies | **4,515** | 5,025 |
| | **₱166,834** | ₱126,574 |

The cost of materials, parts and supplies carried at net realizable value amounted to ₱5.4 million and ₱5.9 million as at December 31, 2023 and 2022, respectively. The allowance for inventory obsolescence as at December 31, 2023 and 2022 amounted to ₱0.8 million. The Company did not recognize any write-down of inventories to NRV in 2023 and 2022.

Costs of inventories were recognized and presented in the following accounts in the parent company statements of profit or loss:

| | Note | December 31 2023 | 2021 |
|---|---|---|---|
| | | *(In Thousands)* | |
| Cost of services | *21* | **₱3,099,407** | ₱2,868,658 |
| General administrative expenses | *22* | **3,290** | 3,607 |
| | | **₱3,102,697** | ₱2,872,265 |

The cost of inventories used is presented as "Cost of services" and pertains mainly to fuel, oil and lubricants used in vessels' operation, food and beverages sold by the shipping segment and materials and supplies used. The cost of inventories presented as "General and administrative expenses" pertains to office supplies.

## 10. Other Current Assets

This account consists of:

| | Note | December 31 2023 | 2022 |
|---|---|---|---|
| | | *(In Thousands)* | |
| CWTs - current portion | *13* | **₱960,230** | ₱1,230,900 |
| Input VAT | | **63,017** | 63,516 |
| Prepaid expenses and others | | **52,387** | 39,577 |
| Refundable deposits - current portion | *13* | **26,818** | 16,901 |
| Advances to suppliers/contractors | | **32,380** | 10,941 |
| | | **₱1,134,832** | ₱1,361,835 |

a. CWTs represent creditable tax certificates which can be applied against any related income tax liability of the Company.

b. Prepaid expenses and others include prepaid insurance and taxes.

## 11. Property and Equipment

| | December 31, 2023 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Vessels in Operations** | **Containers and Reefer Vans** | **Terminal and Handling Equipment** | **Furniture, Spare parts Other Equipment** | **Land Improvements** | **Buildings and Warehouses** | **Transportation Equipment** | **Leasehold Improvements** | **Construction in Progress** | **Right-Of-Use Asset** | **Total** |
| | *(In Thousands)* | | | | | | | | | | |
| **Cost** | | | | | | | | | | | |
| January 1, 2023 | **₱9,369,633** | **₱1,371,444** | **₱847,068** | **₱177,841** | **₱494,647** | **₱359,445** | **₱159,081** | **₱321,599** | **₱4,420** | **₱1,082,840** | **₱14,188,018** |
| Additions | **715,344** | **-** | **25,256** | **15,219** | **-** | **5,267** | **1,338** | **6,098** | **1,180,198** | **896,874** | **2,845,594** |
| Disposals/retirements | **(104,695)** | **(21,659)** | **(29,958)** | **(171)** | **(16,360)** | **-** | **--** | | **-** | **(160,954)** | **(333,797)** |
| Reclassifications | | **240** | **(240)** | | | | | | **-** | **-** | **-** |
| December 31, 2023 | **9,980,282** | **1,350,025** | **842,126** | **192,889** | **478,287** | **364,712** | **160,419** | **327,697** | **1,184,618** | **1,818,760** | **16,699,815** |
| **Accumulated Depreciation and Amortization** | | | | | | | | | | | |
| January 1, 2023 | **6,643,305** | **1,239,623** | **615,763** | **159,902** | **157,580** | **298,332** | **153,053** | **216,270** | **-** | **382,036** | **9,865,864** |
| Depreciation and amortization | **583,772** | **33,547** | **45,651** | **11,272** | **2,545** | **6,515** | **3,817** | **22,914** | **-** | **159,305** | **869,338** |
| Disposals/retirements | **(104,695)** | **(21,659)** | **(29,907)** | **(166)** | **-** | **-** | **-** | **-** | **-** | **(160,954)** | **(317,381)** |
| Impairment | **-** | **-** | **-** | **-** | **736** | **-** | **-** | **-** | **-** | | **736** |
| December 31, 2023 | **7,122,382** | **1,251,511** | **631,507** | **171,008** | **160,861** | **304,847** | **156,870** | **239,184** | **-** | **380,387** | **10,418,557** |
| **Net Carrying Amounts** | **₱2,857,900** | **₱98,514** | **₱210,619** | **₱21,881** | **₱317,426** | **₱59,865** | **₱3,549** | **₱88,513** | **₱1,184,618** | **₱1,438,373** | **₱6,281,258** |

| | December 31, 2022 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Vessels in Operations | Containers and Reefer Vans | Terminal and Handling Equipment | Furniture and Other Equipment | Land Improvements | Buildings and Warehouses | Transportation Equipment | Leasehold Improvements | Construction in Progress | Right-Of-Use Asset | Total |
| | *(In Thousands)* | | | | | | | | | | |
| Cost | | | | | | | | | | | |
| January 1, 2022 | ₱10,221,803 | ₱1,371,554 | ₱805,153 | ₱167,958 | ₱471,545 | ₱355,766 | ₱159,967 | ₱319,011 | ₱- | ₱795,591 | ₱14,668,348 |
| Additions | 431,240 | - | 41,915 | 9,907 | 23,102 | 3,679 | - | 2,588 | 4,420 | 561,968 | 1,078,819 |
| Disposals/retirements | (1,283,410) | (110) | - | (24) | - | - | (886) | - | - | (274,719) | (1,559,149) |
| December 31, 2022 | 9,369,633 | 1,371,444 | 847,068 | 177,841 | 494,647 | 359,445 | 159,081 | 321,599 | 4,420 | 1,082,840 | 14,188,018 |
| Accumulated Depreciation and Amortization | | | | | | | | | | | |
| January 1, 2022 | 7,238,230 | 1,196,381 | 570,650 | 154,425 | 155,179 | 292,208 | 150,188 | 187,785 | - | 523,004 | 10,468,050 |
| Depreciation and amortization | 647,725 | 43,806 | 45,113 | 5,500 | 2,401 | 6,124 | 3,751 | 28,485 | - | 133,751 | 916,656 |
| Disposals/retirements | (1,242,650) | (564) | - | (23) | - | - | (886) | - | - | (274,719) | (1,518,842) |
| December 31, 2022 | 6,643,305 | 1,239,623 | 615,763 | 159,902 | 157,580 | 298,332 | 153,053 | 216,270 | - | 382,036 | 9,865,864 |
| Net Carrying Amounts | ₱2,726,328 | ₱131,821 | ₱231,305 | ₱17,939 | ₱337,067 | ₱61,113 | ₱6,028 | ₱105,329 | ₱4,420 | ₱700,804 | ₱4,322,154 |

*Property and equipment under lease*
Containers, cargo handling equipment and transportation equipment and office and operational spaces as of December 31, 2023 and 2022 include units acquired under lease arrangements (see Note 17).

Noncash additions include costs of leased assets for the years ended December 31, 2023 and 2022 amounting to ₱896.9 million and 562.0 million, respectively. The related depreciation of the leased assets for the years ended December 31, 2023 and 2022 amounting to ₱159.3 million and ₱133.8 million, respectively, were computed on the basis of the Company's depreciation policy for property and equipment. Set out below are the carrying amounts of right-of- use assets.

**December 31, 2023**

| | Container Yard | Office | Warehouse | Equipment | Total |
|---|---|---|---|---|---|
| | | | *(In Thousands)* | | |
| **Cost** | | | | | |
| January 1, 2023 | **₱565,239** | **₱300,022** | **₱123,625** | **₱93,954** | **₱1,082,840** |
| Additions | **239,009** | **–** | **657,865** | **–** | **896,874** |
| Disposal/Retirement | **(3,270)** | **–** | **(123,625)** | **(34,059)** | **(160,954)** |
| December 31, 2023 | **800,978** | **300,022** | **657,865** | **59,895** | **1,818,760** |
| **Accumulated depreciation** | | | | | |
| January 1, 2023 | **54,360** | **133,343** | **116,353** | **77,980** | **382,036** |
| Depreciation | **67,022** | **33,336** | **52,957** | **5,990** | **159,305** |
| Disposal/Retirement | **(3,270)** | **–** | **(123,625)** | **(34,059)** | **(160,954)** |
| December 31, 2023 | **118,112** | **166,679** | **45,685** | **49,911** | **380,387** |
| **Net Carrying Amounts** | **₱682,866** | **₱133,343** | **₱612,180** | **₱9,984** | **₱1,438,373** |

December 31, 2022

| | Container Yard | Office | Warehouse | Equipment | Total |
|---|---|---|---|---|---|
| | | | *(In Thousands)* | | |
| **Cost** | | | | | |
| January 1, 2022 | ₱277,990 | ₱300,022 | ₱123,625 | ₱93,954 | ₱795,591 |
| Additions | 561,968 | – | – | – | 561,968 |
| Disposal/Retirement | (180,695) | – | – | (94,024) | (274,719) |
| Reclassification | (94,024) | – | – | 94,024 | – |
| December 31, 2022 | 565,239 | 300,022 | 123,625 | 93,954 | 1,082,840 |
| Accumulated depreciation | | | | | |
| January 1, 2022 | 263,544 | 99,933 | 87,199 | 72,328 | 523,004 |
| Depreciation | 51,906 | 33,336 | 29,088 | 19,421 | 133,751 |
| Disposal/Retirement | (180,695) | – | – | (94,024) | (274,719) |
| Reclassification | (80,395) | 74 | 66 | 80,255 | – |
| December 31, 2022 | 54,360 | 133,343 | 116,353 | 77,980 | 382,036 |
| Net Carrying Amounts | ₱510,879 | ₱166,679 | ₱7,272 | ₱15,974 | ₱700,804 |

*Residual value of vessels*
The Company 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 reassessed by management based on the vessel's lightweight, the market price of scrap metals and the history of vessels disposal.

The reassessment of the estimated residual value of the Company's vessels in operations during the year resulted to a decrease in the depreciation expense in 2023 amounting to ₱114.5 million.

Consequently, the depreciation expense in 2024 and 2025 is expected to decrease by ₱57.6 million and ₱68.1 million, respectively.

*Capitalization of drydocking costs*
Vessels in operations also include capitalized drydocking costs incurred amounting to ₱340.8 million and ₱294.7 million for the years ended December 31, 2023 and 2022, respectively. The related depreciable life of drydocking costs ranges from two years to two-and-a-half years.

*Acquisition of property and equipment*
In December 2023, the Group acquired two vessels with an acquisition cost totaling to ₱1,180.2 million, which are still in construction in progress as of December 31, 2023.

Unpaid acquisition costs of property and equipment amounted to ₱152.5 million and ₱178.1 million as of December 31, 2023 and 2022, respectively.

*Sale and disposal of property and equipment*
The Company disposed certain property and equipment for net cash proceeds of ₱21.8 million and ₱13.1 million for the years ended December 31, 2023 and 2022, respectively.

*Depreciation and amortization*
Depreciation and amortization were recognized and presented in the following accounts in the parent company statements of profit or loss:

| | | Years Ended December 31 | |
|---|---|---|---|
| | *Note* | **2023** | 2022 |
| | | *(In Thousands)* | |
| Cost of services and goods sold | *21* | **₱822,486** | ₱871,346 |
| General and administrative expense | *22* | **46,852** | 45,310 |
| | | **₱869,338** | ₱916,656 |

*Property and equipment held as collateral*
As at December 31, 2023 and 2022, the Company's property and equipment held or deemed as collateral include under lease and a certain vessel with total net book value of ₱2,144.8 million and ₱1,403.0 million, respectively (see Note 17). One of the vessels in operations of the Company, with a carrying value of ₱706.4 million and ₱702.1 million, as at December 31, 2023 and 2022, respectively, is subject to secure the ₱500.0 million term loan facility agreement with BDO (see Note 16).

## 12. Investments in Subsidiaries and an Associate

As at December 31, 2023 and 2022, the subsidiaries and an associate of the Company, all incorporated in the Philippines, are the following:

| | | Percentage of Ownership | |
|---|---|---|---|
| | Nature of Business | Direct | Indirect |
| Subsidiaries: | | | |
| 2GO Express Inc. (2GO Express) and Subsidiaries: | Transportation/logistics | 100.0 | – |
| 2GO Logistics, Inc. (2GO Logistics) | Logistics/warehousing | – | 100.0 |
| Scanasia Overseas, Inc. (SOI) [5] | Distribution | – | 100.0 |
| 2Go Land Transport, Inc. [1] | Transportation | – | 100.0 |
| Special Container and Value Added Services, Inc. (SCVASI) | Transportation/logistics | 100.0 | – |
| WG&A Supercommerce, Inc. (WSI) [2][4] | Vessels' hotel management | 100.0 | – |

*(Forward)*

| | Nature of Business | Percentage of Ownership Direct | Indirect |
|---|---|---|---|
| NN-ATS Logistics Management and Holdings Co., Inc. (NALMHCI) (3) and Subsidiaries: | Holding company | 100.0 | – |
| North Harbor Tugs Corporation (NHTC) | Tug assistance | – | 59.0 |
| Astir Engineering Works, Inc. (AEWI) (2) (3) | Engineering works | – | 100.0 |
| Associate: | | | |
| MCC Transport Philippines (MCCP) | Container transportation business | 33.0 | – |

[1]*Formerly WRR Trucking Corporation*
[2]*Ended commercial operations in 2018 or prior*
[3]*In September 2020, the BOD approved the merger of these companies*
[4]*Dormant companies*
[5]*On August 9, 2023, the BOD approved the cessation of business operations of SOI.*

The details of the Company's investments in subsidiaries and an associate accounted for under the cost method are as follows:

| | December 31 2023 | 2022 |
|---|---|---|
| | *(In Thousands)* | |
| Subsidiaries: | | |
| 2GO Express | **₱260,628** | ₱260,628 |
| NALMHCI | **37,500** | 37,500 |
| SCVASI | **5,000** | 5,000 |
| WSI | **250** | 250 |
| | **303,378** | 303,378 |
| Associate - MCCP | **16,500** | 16,500 |
| | **319,878** | 319,878 |
| Less allowance for impairment losses | **250** | 250 |
| | **₱319,628** | ₱319,628 |

In April 2022, the Company subscribed to additional 1,000,000 shares of SCVASI for ₱1.0 million.

Summarized financial information of the Company's subsidiaries and associate are set as follows:

| | Subsidiaries Express 2023 | 2022 | SCVASI 2023 | 2022 | Others 2023 | 2022 | Associate MCCP 2023 | 2022 |
|---|---|---|---|---|---|---|---|---|
| | | | | *(In Thousands)* | | | | |
| **As at December 31:** | | | | | | | | |
| Current assets | **₱1,111,194** | ₱1,291,679 | **₱627,373** | ₱461,428 | **₱128,135** | ₱170,479 | **₱1,281,068** | ₱876,829 |
| Noncurrent assets | **222,571** | 653,114 | **378,744** | 347,022 | **37,927** | 29,362 | **266,412** | 473,392 |
| Current liabilities | **1,583,975** | 1,429,150 | **610,029** | 461,017 | **119,257** | 155,027 | **776,044** | 620,440 |
| Noncurrent liabilities | **126,767** | 83,107 | **191,884** | 183,734 | **101** | – | **32,803** | 6,922 |
| Equity | **376,977** | 432,536 | **204,204** | 163,699 | **46,704** | 44,814 | **738,633** | 722,859 |
| **For the years ended December 31:** | | | | | | | | |
| Revenue from contracts with customers | **₱3,251,125** | ₱3,026,206 | **₱2,651,566** | ₱2,199,453 | **₱17,785** | ₱– | **₱2,619,578** | ₱2,373,105 |
| Net income (loss) | **(789,776)** | 11,903 | **43,410** | 57,119 | **1,677** | 369 | **554,647** | 346,619 |

## 13. **Other Noncurrent Assets**

| | December 31 | |
|---|---|---|
| | **2023** | 2022 |
| | *(In Thousands)* | |
| CWTs - net of current portion | **₱520,769** | ₱135,399 |
| Software | **59,131** | 96,199 |
| Advances to suppliers and contractors | **32,718** | – |
| Refundable deposits - net of current portion | **58,140** | 11,332 |
| Deferred input VAT | **7,149** | 22,233 |
| | **₱677,907** | ₱265,163 |

a. The software is amortized on a straight-line basis over its estimated useful life of three to five years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The movements in Software are as follows:

| | | December 31 | |
|---|---|---|---|
| | *Note* | **2023** | 2022 |
| **Cost** | | *(In Thousands)* | |
| Balances at beginning of year | | **₱195,204** | ₱184,438 |
| Additions | | **5,870** | 10,766 |
| **Balances at end of year** | | **201,074** | 195,204 |
| **Accumulated Amortization** | | | |
| Balances at beginning of year | | **99,005** | 70,646 |
| Amortization | *23* | **42,938** | 28,359 |
| **Balances at end of year** | | **141,943** | 99,005 |
| **Carrying Amount** | | **₱59,131** | ₱96,199 |

Amortization was recognized and presented in the parent company statements of profit or loss under “General and administrative expenses”.

b. Refundable deposits consist of amounts paid for rental deposits which can be collected in cash upon termination of the lease.

c. Deferred input VAT relates primarily to the major capital expenditures and drydocking of vessels incurred prior to January 1, 2022.

## 14. **Short-term Notes Payable**

Notes payable represents unsecured short-term peso-denominated notes payable obtained by the Company from local banks with annual interest rates ranging from 5.85% to 7.25% in 2023 and from 3.4% to 4.75% in 2022. Total interest expense incurred by the Company from short-term notes payable was ₱40.3 million and ₱72.4 million for the years ended December 31, 2023 and 2022, respectively (see Notes 19 and 23).

## 15. **Trade and Other Payables**

| | Note | December 31 2023 | 2022 |
|---|---|---|---|
| | | *(In Thousands)* | |
| Trade | *19* | **₱581,884** | ₱425,230 |
| Accrued expenses | | | |
| Expenses | *19* | **1,517,032** | 1,689,755 |
| Capital expenditure | | **152,527** | 178,120 |
| Withholding and other taxes | | **98,308** | 28,226 |
| Interest | | **62,293** | 53,509 |
| Salaries and wages | | **53,641** | 66,527 |
| Others | | **78,453** | 100,475 |
| Nontrade | *19* | **647,737** | 422,000 |
| Contract liabilities | | **15,843** | 24,073 |
| Other payables | *18, 19* | **53,065** | 39,367 |
| | | **₱3,260,783** | ₱3,027,282 |

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. Accrued expenses pertain to various expenses which were already incurred but no invoice has been received at the end of the financial reporting period.

c. Nontrade payables consist of security deposits, advances from principals and contractors, payables due to government agencies, due to related parties and others.

d. Contract liabilities include advance payments received for services to be rendered. The outstanding balances of these accounts decreased in 2023 due to increase in service completion of freight cash transactions within the year. Set out below is the amount of revenue recognized from:

| | December 31 2023 | 2022 |
|---|---|---|
| | *(In Thousands)* | |
| Amounts included in contract liabilities at the beginning of the year | **₱24,073** | ₱59,061 |

e. Other payables pertain to provision for contingencies and general provision amounting to ₱53.1 million and ₱39.4 million as at December 31, 2023 and 2022, respectively (see Note 18).

## 16. **Long-term Debt**

Long-term debt consists of:

| | Note | December 31 2023 | 2022 |
|---|---|---|---|
| | | *(In Thousands)* | |
| Banco de Oro Unibank, Inc. (BDO) | *19* | **₱3,900,000** | ₱4,000,000 |
| Unamortized debt arrangement fees | | **(23,355)** | (5,200) |
| Noncurrent portion | | **3,876,645** | 3,994,800 |
| Current portion | | **333,698** | 3,496,823 |
| Noncurrent portion | | **₱3,542,947** | ₱497,977 |

*BDO Term Loan Facility Agreements*

a. On April 10, 2018, 2GO entered into a five-year ₱3.5 billion term loan facility agreement with BDO to refinance the outstanding balance from its previous long-term loan with BDO and to fund various capital expenditures and other general requirements. Principal borrowings are due upon maturity at the end of five years in April 2023, while interest is payable quarterly. In April 2018 and April 2020, 2GO borrowed ₱2.5 billion and ₱1.0 billion, respectively, which is subject to fixed and floating interest rate, respectively.

   On April 11 and 14, 2023, 2GO repaid ₱100 million of the term loan and refinanced ₱3.4 billion with a new term loan facility agreement for another five-year term. The new term loan facility requires annual repayment of 10% of the outstanding principal by the anniversary date each year and balloon payment of 50% on maturity date and is subject to a floating interest rate.

   The term loan facility agreements are secured by a cross suretyship among 2GO, 2GO Express, 2GO Logistics, SOI and SCVASI. In addition, 2GO is required to maintain a maximum debt-to-EBITDA ratio of 4.0 and a minimum debt service coverage ratio of 1.25.

   Interest rate is floater at 3M BVAL plus 100 bps/.95 or floor of 7%. The floating interest rate is subject to periodic review and adjustment earlier than five banking days prior to each "Interest Setting Date" as long as the term loan remains unpaid.

b. On April 19, 2021, 2GO entered into another five-year ₱500.0 million term loan facility agreement with BDO to partially finance acquisition and landed cost of vessel. Principal borrowings are due upon maturity at the end of five years in April 2026, while interest is payable quarterly and is subject to fixed interest rate of 4.9%. The facility was fully drawn in April 2021.

   The second term loan facility agreement is secured by the Chattel Mortgage over a passenger-cargo ship named M/V Masagana with a carrying value of ₱706.4 million and ₱702.1 million as of December 31, 2023 and 2022, respectively. 2GO is required to maintain a debt-to-equity ratio not exceeding 2.5:1 based on the latest audited annual consolidated financial statements of 2GO.

*Borrowing costs and debt transaction costs*
Interests from long-term borrowings of the Company recognized as expense totaled ₱260.9 million and ₱232.1 million for the years ended December 31, 2023 and 2022, respectively (see Note 23).

The Company paid ₱25.5 million, ₱3.0 million, ₱7.5 million and ₱18.8 million debt transaction cost as a result of the loan availments under BDO facility in April of years 2023, 2021, 2020 and 2018, respectively. Amortization of debt transaction costs included under financing charges amounted to ₱7.3 million and ₱7.0 million for the years ended December 31, 2023 and 2022, respectively (see Note 23).

*Compliance with debt covenants*
At December 31, 2023 and 2022, the Company was not compliant with the debt-to-equity ratio under the Company's long-term loan agreement with BDO. However, the Company obtained a waiver letter from BDO which waives the financial covenant at December 31, 2023 and 2022.

## 17. **Leases**

The Company has various lease arrangements with third parties for the lease of containers, cargo handling equipment transportation equipment, warehouse, container yard and office space.

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

| | **December 31, 2023** | | December 31, 2022 | |
|---|---|---|---|---|
| | **Future Minimum Lease Payments** | **Present Value of Minimum Lease Payments** | Future Minimum Lease Payments | Present Value of Minimum Lease Payments |
| | | *(In Thousands)* | | |
| Less than one year | **₱297,267** | **₱213,873** | ₱120,755 | ₱79,841 |
| Between one and five years | **1,263,936** | **1,082,687** | 543,008 | 437,986 |
| Beyond five years | **162,048** | **156,767** | 218,175 | 204,904 |
| | **1,723,251** | **1,453,327** | 881,938 | 722,731 |
| Interest component | **269,924** | **–** | 159,207 | – |
| Present value | **₱1,453,327** | **₱1,453,327** | ₱722,731 | ₱722,731 |

The net carrying values of the above property and equipment held by the Company under leases disclosed in Note 11 to the parent company financial statements are summarized as follows:

| | December 31 | |
|---|---|---|
| | **2023** | 2022 |
| | *(In Thousands)* | |
| Cost | **₱1,818,759** | ₱1,082,840 |
| Less accumulated depreciation | **380,386** | 382,036 |
| Net book value | **₱1,438,373** | ₱700,804 |

Interest expense recognized related to these leases amounted to ₱57.4 million and ₱44.2 million in 2023 and 2022, respectively, under "Financing charges" in the parent company statements of profit or loss (see Note 23).

Set out below are the amounts recognized in the parent company statements of profit or loss in relation to the obligation under lease and right-of-use assets for the years ended December 31, 2023 and 2022:

| | | Years Ended December 31 | |
|---|---|---|---|
| | *Note* | **2023** | 2022 |
| | | *(In Thousands)* | |
| Depreciation expense of right-of-use assets | *11* | **₱159,305** | ₱133,751 |
| Interest expense on obligations under lease | *23* | **57,385** | 44,154 |
| Rent expense - short-term leases | *21,22* | **73,440** | 54,496 |
| Rent expense - low-value assets | *21,22* | **136,426** | 101,235 |
| | | **₱426,556** | ₱333,636 |

The rollforward analysis of obligation under lease for the years ended December 31, 2023 and 2022 is disclosed in Note 29.

Lease-related expenses are presented under "Cost of Services", "General and Administrative Expenses" and "Financing charges" as follows:

| | | Years Ended December 31 | |
|---|---|---|---|
| | *Note* | **2023** | 2022 |
| | | *(In Thousands)* | |
| Cost of services | *21* | **₱329,339** | ₱253,337 |
| General and administrative expenses | *22* | **39,831** | 36,145 |
| Financing charges | *23* | **57,385** | 44,154 |
| | | **₱426,555** | ₱333,636 |

## 18. Provisions and Contingencies

There are certain legal cases filed against the Company in the normal course of business. Management and its legal counsel believe that the Company 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 parent company financial statements. Disclosure of additional details beyond the present disclosures may seriously prejudice the Company's position. Thus, as allowed by PAS 37, only general descriptions were provided.

The Company's provision for probable losses arising from these legal cases as at December 31, 2023 and 2022 amounted to ₱53.1 million and ₱39.4 million, respectively, are presented as part of "Other payables" under "Trade and other payables" in the parent company statements of financial position (see Note 15). Provision for probable losses recognized in the parent company statements of profit or loss in 2023 amounted to ₱22.3 million (nil in 2022) (see Note 22).

## 19. Related Parties

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

| Relationship | Name |
|---|---|
| Stockholders of the Company | SM Investments Corporation (SMIC) |
| | Trident Investments Holdings Pte. Ltd. |
| Subsidiaries | 2GO Express, Inc. (2GO Express or EXP) |
| | 2GO Logistics, Inc. (2GO Logistics or 2GOLI) |
| | Scanasia Overseas, Inc. (SOI) [(1)] |
| | 2GO Land Transport, Inc. (2GO Land) [(2)] |
| | Special Container and Value Added Services, Inc. (SCVASI) |
| | NN-ATS Logistics Management and Holdings Corporation, Inc. (NALMHCI) |
| | North Harbor Tugs Corporation (NHTC) |
| | United South Dockhandlers, Inc. (USDI) |
| Associate | MCC Transport Philippines, Inc. (MCCP) |
| Joint Ventures | KLN Logistics Holdings Philippines, Inc. (KLN) |
| | Kerry Logistics (Phils.), Inc. (KLPI) |
| Other Affiliated Companies | Supervalue, Inc. |
| | Super Shopping Market, Inc. |
| | BDO Unibank, Inc. |
| | Prime Metroestate, Inc. |
| | SM Retail, Inc. |
| | Coolblog Philippines, Inc. |
| | Watsons Personal Care Stores (Philippines), Inc. |
| | Brownies Unlimited, Inc. |
| | Goldilocks Bakeshop, Inc. |
| | Sanford Marketing Corporation |
| | China Banking Corporation |
| | SM Prime Holdings Inc. |
| | Alfamart Trading Philippines, Inc. |
| | Homeworld Shopping Corporation |
| | Mini Depato Corp. |
| | Star Appliance Center, Inc. |
| | Warehouse Development Company, Inc. |
| | ASP Airspeed Philipines, Inc. |
| | Airspeed International Corporation |
| | International Toyworld, Inc. |
| | Kultura Store, Inc. |
| | Waltermart Supermarket, Inc. |
| | Online Mall Incorporated |
| | Sports Central (Manila), Inc. |

*(Forward)*

| Relationship | Name |
|---|---|
| | Costa Del Hamilo Inc. |
| | Digital Advantage Corp. |
| | Fast Retailing Philippines, Inc. |
| | Mindpro Retail Inc. |
| | SM Mart, Inc. |
| | SM Development Corporation |

(1) *On August 9, 2023, the BOD approved the cessation of business operations of SOI.*
(2) *Formerly WRR Trucking Corporation*

The following are the revenue and income (costs and expenses) included in the parent company statements of profit or loss with related parties:

| | Nature | December 31 2023 | 2022 |
|---|---|---|---|
| | | *(In Thousands)* | |
| **Stockholders of the Company** | Outside services | **(₱50,900)** | (₱95,808) |
| | Computer charges | **(19,040)** | (22,581) |
| | Communication, light and water | **(2,885)** | (1,016) |
| **Subsidiaries** | Freight revenue | **1,017,451** | 909,072 |
| | Shared cost income | **492,974** | 424,238 |
| | Travel, rental, handling and other revenues | **181,797** | 600,823 |
| | Dividend income | – | 105,000 |
| | Outside services | **(80,845)** | (69,347) |
| | Transportation and delivery | **(108,576)** | (73,401) |
| | Arrastre and stevedoring | **(13,504)** | (11,195) |
| | Rent | **(6,531)** | (8,214) |
| | Sales related expenses | **(165)** | (2,267) |
| | Other expenses | **(1,690)** | (4,897) |
| **Associate/Joint ventures** | Freight expense | **(45,101)** | (57,407) |
| | Shared cost | **3,006** | 4,183 |
| | Freight revenue | **34** | 3,839 |
| | Dividend income | **162,581** | – |
| **Other Affiliated Companies** | Freight | **196,264** | 163,413 |
| | Other services | **111,390** | 100,388 |
| | Food and beverage | **(234,079)** | (150,798) |
| | Financing charges | **(274,750)** | (189,707) |
| | Rent | **(25,723)** | (16,761) |
| | Materials, parts and supplies | **(25,841)** | (16,747) |
| | Outside services | **(462)** | (363) |
| | Others, net | **(2,053)** | 9,201 |
| **Key Management Personnel** | Short-term employee benefits | **(28,012)** | (20,921) |
| | Long-term employee benefits | **(6,862)** | (10,761) |

The parent company statements of financial position include the following amounts with respect to the balances with related parties:

| | Financial Statement Account | Terms and Conditions | December 31 2023 | 2022 |
|---|---|---|---|---|
| | | | *(In Thousands)* | |
| **Stockholders of the Company** | Trade and other receivables | 30 to 60 days; noninterest-bearing | **₱–** | ₱3,300 |
| **Subsidiaries** | Trade receivables | 30 to 60 days; noninterest-bearing | **212,152** | 314,313 |
| | Nontrade receivables | On demand; noninterest-bearing | **3,167,637** | 2,919,988 |
| | Trade payables and other payables | 30 to 60 days; noninterest-bearing | **(148,975)** | (98,582) |
| | Due to related parties | 30 to 60 days; noninterest-bearing | **(316,686)** | (44,973) |

*(Forward)*

| | Financial Statement Account | Terms and Conditions | December 31 2023 | 2022 |
|---|---|---|---|---|
| **Associate** | Trade receivables and other receivables | 30 to 60 days; noninterest-bearing | **51,625** | 69,205 |
| | Trade payables and other payables | 30 to 60 days; noninterest-bearing | **(3,660)** | (11,552) |
| **Other Affiliated Companies** | Short-term loan | See Note 14 | **(530,000)** | (339,000) |
| | Long-term loan | See Note 16 | **(3,876,645)** | (3,994,800) |
| | Cash in bank | On demand | **197,095** | 582,244 |
| | Trade receivables and other receivables | 30 to 60 days; noninterest -bearing | **40,055** | 71,879 |
| | Trade payables and other payables | 30 to 60 days; noninterest -bearing | **(86,174)** | (44,134) |

The outstanding related party balances are unsecured and settlement is expected to be in cash, unless otherwise indicated. The Company 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.

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

- Transactions with other associates and related companies consist of shipping services, shared services, ship management services, agency fee for manpower services, purchase of steward supplies, availment of stevedoring, arrastre, trucking, repair services and rental.
- The Company's transactions with SCVASI and 2GO Express include shipping and forwarding services, commission and trucking services.
- SCVASI declared dividend income amounting ₱105.0 million in 2022.
- The Company provides shared services to 2GO Express, SCVASI and SOI at fees based on agreed rates.
- MCCP declared dividend income amounting to ₱162.6 million in 2023.

## 20. **Equity**

a. Share Capital

Details of share capital as at December 31, 2023 and 2022 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 |
| Authorized preferred shares at ₱1.00 par value each | 4,564,330 | ₱4,564 |
| Issued and outstanding common shares | 2,462,146,316 | ₱2,462,146 |

Movements in issued and outstanding capital stock follow:

| Date | Activity | Issue price | Number of shares Common shares |
|---|---|---|---|
| May 26, 1949 | Issued capital stock as of incorporation date | ₱1,000.00 | 1,002 |
| December 10, 1971 to October 26, 1998 | Increase in issued capital stock | 1,000.00 | 1,496,597,636 |
| December 6, 2002 | Reclassification of common shares to preferred shares | 1.00 | 40,000,000 |
| February 10, 2003 | Issuance of preferred shares before redemption | 1.00 | – |
| November 18, 2003 | Redemption of preferred shares | 6.67 | – |

*(Forward)*

| Date | Activity | Issue price | Number of shares<br>Common shares |
|---|---|---|---|
| September 6, 2004 | Issuance of common shares by way of stock dividends | 1.00 | 393,246,555 |
| November 22, 2004 | Redemption of preferred shares | 6.67 | – |
| December 31, 2004 | Issuance of common shares prior to reorganization | 1.00 | (756) |
| October 24, 2005 | Issuance of common shares through share swap transactions | 1.76 | 414,121,123 |
| August 22 to October 13, 2006 | Conversion of redeemable preferred shares to common shares | 3.20 | 140,687,340 |
| December 6 -31, 2012 | Redemption of redeemable preference share | 6.00 | – |
| January 1, 2019 | Issuance of common shares | 1.00 | 16,009,916 |
| | | | 2,500,662,816 |
| December 31, 2001 | Treasury shares* | 1.50 | (38,516,500) |
| | | | 2,462,146,316 |

** The carrying value of treasury shares is inclusive of ₱0.9 million transaction cost.*

Issued and outstanding common shares are held by 5,118 and 5,109 equity holders as of December 31, 2023 and 2022, respectively.

On November 11, 2023, the BOD approved the amendment of the Articles of Incorporation to reclassify 330 redeemable preferred shares into common shares and to increase par value of common shares from ₱1.00 to ₱1,000.00 per share. As of February 22, 2024, the amended Articles of Incorporation is yet to be approved by SEC.

b. Effective January 1, 2019, 2GO, as the surviving entity of the merger, issued a total of 2,176,151,907 shares with par value of One Peso (₱1.00) per share to the stockholders of Negros Navigation Co., Inc. (“NN”), former parent company and the absorbed company, in exchange for the net assets of NN. As a result, 2GO recognized the excess of the net assets of NN over the carrying value of additional shares issued by 2GO to NN stockholders as an additional paid-in capital amounting to ₱1.6 billion.

c. Retained earnings is restricted to the extent of the cost of the shares held in treasury, deferred income tax assets and unrealized foreign exchange gain recognized as of December 31, 2023 and 2022.

d. Other equity reserves pertain to the Company’s excess investment cost over the net assets of acquired entities under common control during the time of the acquisition.

## 21. Cost of Services

This account consists of the following:

| | *Note* | **2023** | 2022 |
|---|---|---|---|
| | | *(In Thousands)* | |
| Fuel, oil and lubricants | *9, 19* | **₱2,726,424** | ₱2,650,054 |
| Outside services | *19* | **1,766,626** | 1,545,263 |
| Transportation and delivery | *19* | **895,667** | 1,125,910 |
| Depreciation and amortization | *11* | **822,486** | 871,346 |
| Repairs and maintenance | | **490,819** | 433,173 |
| Personnel costs | *24, 25* | **328,623** | 282,238 |
| Food and beverage | *9* | **283,671** | 161,894 |

*(Forward)*

| | Note | 2023 | 2022 |
|---|---|---|---|
| Rent | *17* | **₱205,025** | ₱153,389 |
| Insurance | | **203,442** | 202,817 |
| Arrastre and stevedoring | *19* | **154,632** | 274,906 |
| Materials and supplies used | *9* | **89,312** | 56,710 |
| Communication, light and water | | **76,082** | 47,623 |
| Food and subsistence | | **71,899** | 57,203 |
| Concession expense | | **48,533** | 36,465 |
| Taxes and licenses | | **44,378** | 22,554 |
| Others | | **32,191** | 95,584 |
| | | **₱8,239,810** | ₱8,017,129 |

## 22. General and Administrative Expenses

This account consists of the following:

| | Note | 2023 | 2022 |
|---|---|---|---|
| | | *(In Thousands)* | |
| Personnel costs | *24, 25* | **₱452,312** | ₱401,033 |
| Depreciation and amortization | *11, 13* | **89,790** | 73,669 |
| Computer-related charges | | **89,736** | 77,688 |
| Outside services | *19* | **60,757** | 65,548 |
| Advertising | | **31,022** | 19,483 |
| Transportation and travel | *19* | **31,013** | 23,388 |
| Provision for litigation | *18* | **22,283** | – |
| Input VAT expense | | **13,599** | 9,293 |
| Communication, light and water | | **9,185** | 23,085 |
| Taxes and licenses | | **7,764** | 2,775 |
| Provision for ECL | *8* | **5,981** | 10,913 |
| Rent | *17, 19* | **4,841** | 2,342 |
| Repairs and maintenance | | **3,765** | 13,337 |
| Material and supplies used | | **3,290** | 3,607 |
| Entertainment, amusement and recreation | | **2,066** | 4,553 |
| Others | *8* | **21,401** | 40,869 |
| | | **₱848,805** | ₱771,583 |

Others consist of various expenses that are individually immaterial such as food and subsistence, and other corporate expenses.

## 23. Other Income (Charges)

Financing Charges

| | Note | 2023 | 2022 |
|---|---|---|---|
| | | *(In Thousands)* | |
| Interest expense on: | | | |
| Short-term notes payable | *14* | **₱40,322** | ₱72,449 |
| Long-term debt | *16* | **260,869** | 232,130 |
| Amortization of: | | | |
| Obligation under lease | *17* | **57,385** | 44,154 |
| Debt transaction costs | *16* | **7,345** | 6,957 |
| Other financing charges | | **6,233** | 13,085 |
| | | **₱372,154** | ₱368,775 |

Other financing charges comprise of items that are individually immaterial. Accrued interest payable as of December 31, 2023 and 2022 amounted to ₱62.3 million and ₱53.5 million, respectively (see Note 15).

<u>Others - net</u>

| | *Note* | **2023** | 2022 |
|---|---|---|---|
| | | *(In Thousands)* | |
| Gain on disposal of property and equipment | *11* | **₱5,433** | ₱6,694 |
| Interest income | *7,19* | **148** | 173 |
| Foreign exchange losses | | **(1,182)** | (1,123) |
| Others - net | | **3,582** | 3,231 |
| | | **₱7,981** | ₱8,975 |

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

## 24. Personnel Costs

Details of personnel costs are as follows:

| | *Note* | **2023** | 2022 |
|---|---|---|---|
| | | *(In Thousands)* | |
| Salaries and wages | | **₱603,398** | ₱570,167 |
| Retirement benefit costs | *25* | **53,026** | 52,559 |
| Other employee benefits | | **124,511** | 160,745 |
| | | **₱780,935** | ₱783,471 |

Other employee benefits include medical allowances and hospitalization, Social Security System, PhilHealth, Pag-IBIG premiums, directors' fee and other items that are individually immaterial.

## 25. Retirement Benefits

The Company 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 Company'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 Company'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 Company expects to contribute ₱19.5 million to the retirement fund in 2024. The Company's transaction with the plan pertain to contribution and benefit payments.

The following tables summarize the components of retirement benefit cost included in the parent company statements of profit or loss are as follows:

| | Years Ended December 31 | |
|---|---|---|
| | **2023** | 2022 |
| | *(In Thousands)* | |
| Current service cost | **₱36,897** | ₱39,676 |
| Net interest cost | **16,129** | 12,883 |
| | **₱53,026** | ₱52,559 |

The following tables summarize the fund status and amounts recognized in the parent company statements of financial position:

| | December 31, 2023 | | |
|---|---|---|---|
| | **Defined Benefit Obligations** | **Fair Value of Plan Assets** | **Accrued Retirement Benefits** |
| | | *(In Thousands)* | |
| **January 1** | **₱243,032** | **(₱21,678)** | **₱221,354** |
| **Net retirement benefits cost in profit or loss:** | | | |
| Current service cost | **36,897** | **–** | **36,897** |
| Net interest cost | **17,766** | **(1,637)** | **16,129** |
| | **54,663** | **(1,637)** | **53,026** |
| **Benefits paid from plan assets** | **(32,490)** | **32,490** | **–** |
| **Remeasurement losses (gains) in other comprehensive income - actuarial changes arising from changes in:** | | | |
| Financial assumptions | **36,376** | **–** | **36,376** |
| Experience adjustments | **2,661** | **–** | **2,661** |
| Return on plan assets | **–** | **2,351** | **2,351** |
| | **39,037** | **2,351** | **41,388** |
| **Actual contributions** | **–** | **(33,928)** | **(33,928)** |
| **December 31** | **₱304,242** | **(₱22,402)** | **₱281,840** |

| | December 31, 2022 | | |
|---|---|---|---|
| | Defined Benefit Obligations | Fair Value of Plan Assets | Accrued Retirement Benefits |
| | | *(In Thousands)* | |
| January 1 | ₱264,103 | (₱37,525) | ₱226,578 |
| Net retirement benefits cost in profit or loss: | | | |
| Current service cost | 39,676 | – | 39,676 |
| Net interest cost | 14,546 | (1,663) | 12,883 |
| | 54,222 | (1,663) | 52,559 |
| Benefits paid from plan assets | (46,410) | 46,410 | – |
| Remeasurement losses (gains) in other comprehensive income - actuarial changes arising from changes in: | | | |
| Financial assumptions | (20,436) | – | (20,436) |
| Experience adjustments | (8,447) | – | (8,447) |
| Return on plan assets | – | 2,229 | 2,229 |
| | (28,883) | 2,229 | (26,654) |
| Actual contributions | – | (31,129) | (31,129) |
| December 31 | ₱243,032 | (₱21,678) | ₱221,354 |

The plan assets available for benefits are as follows:

| | December 31 | |
|---|---|---|
| | **2023** | 2022 |
| | *(In Thousands)* | |
| Cash and cash equivalents | **₱20** | ₱3 |
| Investments in government and other debt securities | **523** | 1,422 |
| Investments in unit investment trust fund (UITF) | **21,855** | 20,240 |
| Others | **4** | 13 |
| Fair value of plan assets | **₱22,402** | ₱21,678 |

The Company's plan assets do not have quoted market price in active market except for some debt instrument by the Company. The plan assets have diverse investments and do not have any concentration risk. The plan assets are handled by BDO Unibank, Inc.

As of December 31, 2023 and 2022, the Company 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 Company.

These defined benefit plans expose the Company to actuarial risks, such as longevity risk, interest rate risk, and market (investment) risk. Management reviews the level of funding required for the retirement fund. Such a review includes the asset-liability matching (ALM) strategy and investment risk management policy. The Company's ALM objective is to match maturities of the plan assets to the retirement benefit obligation as they fall due. The Company monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the retirement benefit obligations.

The cost of defined benefit pension plan as well as the present value of the pension obligation are determined using actuarial valuations. The Company updates the actuarial valuation every year by hiring the services of a third-party qualified actuary. The latest actuarial valuation report was as of reporting date. The actuarial valuation involves making various assumptions.

The principal assumptions used in determining DBO for the Company's plans as of January 1 are shown below.

| | **2023** | 2022 |
|---|---|---|
| Discount rate | **7.31%** | 5.13% |
| Future salary increase | **6.00%** | 4.50% |
| Turnover rate | **7.50%** | 7.50% |

As of December 31, 2023, the discount rate, future salary increases rate and turnover rate used were 6.13%, 6.00%, and 7.50%, respectively.

The accrued retirement benefits is subject to several key assumptions. Shown below is the sensitivity analysis of the retirement obligation to reasonably possible changes on each significant assumption as of December 31, 2023 and 2022:

| | Increase (Decrease) | Impact on Accrued Retirement Benefits | |
|---|---|---|---|
| | | **2023** | 2022 |
| | | *(In Thousands)* | |
| Discount rate | +1% | **(₱31,253)** | (₱24,196) |
| | -1% | **36,715** | 28,265 |
| Salary increase rate | +1% | **36,391** | 28,353 |
| | -1% | **(31,563)** | (24,688) |

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

There were no changes from the previous period in the methods and assumptions used in preparing the sensitivity analyses.

The average duration of the defined benefit obligation at the end of the reporting period is 11.2 years and 10.8 years as of December 31, 2023 and 2022, respectively.

Maturity analysis of the benefit payments:

| | **2023** | 2022 |
|---|---|---|
| | *(In Thousands)* | |
| Less than 5 years | **₱70,499** | ₱59,249 |
| More than 5 year to 10 years | **209,166** | 217,705 |
| More than 10 years | **2,236,258** | 2,105,264 |

## 26. **Income Taxes**

a. The components of provision (benefit from) for income tax are as follows:

| | Years Ended December 31 | |
|---|---|---|
| | **2023** | 2022 |
| | *(In Thousands)* | |
| Current - MCIT | **₱45,406** | ₱16,687 |
| Deferred | **4,180** | (9,133) |
| | **₱49,586** | ₱7,554 |

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

| | Years Ended December 31 | |
|---|---|---|
| | **2023** | 2022 |
| | *(In Thousands)* | |
| **Directly recognized in profit or loss** | | |
| Deferred income tax assets on: | | |
| Accrued retirement benefits | **₱41,612** | ₱36,838 |
| Unamortized past service cost | **4,242** | 5,418 |
| Obligations under lease | **363,332** | 180,682 |
| | **409,186** | 222,938 |
| Deferred income tax liability on: | | |
| Right-of-use assets | **(356,683)** | (170,793) |
| Unamortized debt arrangements fees and others | **(5,842)** | (1,304) |
| | **46,661** | 50,841 |
| **Directly recognized in OCI** | | |
| Deferred income tax asset on remeasurement of accrued retirement benefit costs | **28,848** | 18,501 |
| | **₱75,509** | ₱69,342 |

Deferred income tax assets on obligations under leases and deferred income tax liabilities on right-of-use assets pertain to lease arrangements that are treated as operating lease for tax purposes.

c. On September 30, 2020, the BIR issued Revenue Regulation (RR) No. 25-2020 implementing Section 4(bbbb) of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

Details of the Company's NOLCO and excess MCIT and RCIT which can be carried forward and claimed as tax credit against regular taxable income and regular income tax due, respectively are as follows:

NOLCO

| | | | | | **Balances as at December 31, 2023** | |
|---|---|---|---|---|---|---|
| Year incurred | Available until | Amount | Applied | Expired | *(In Thousands)* Amount | Tax |
| 2021 | 2026 | ₱1,045,214 | (₱609,642) | ₱– | ₱435,572 | ₱108,893 |
| 2020 | 2025 | 1,091,483 | (1,091,483) | – | – | – |
| Total | | ₱2,136,697 | (₱1,701,125) | ₱– | ₱435,572 | ₱108,893 |

Excess MCIT over RCIT

| | | | | | **Balances as at December 31, 2023** |
|---|---|---|---|---|---|
| Year incurred | Available until | Amount | Applied | Expired | *(In Thousands)* Amount |
| 2023 | 2026 | ₱45,406 | ₱– | ₱– | ₱45,406 |
| 2022 | 2025 | 16,687 | – | – | 16,687 |
| 2021 | 2024 | 804 | – | – | 804 |
| 2020 | 2023 | 11,065 | – | (11,065) | – |
| Total | | ₱73,962 | ₱– | (₱11,065) | ₱62,897 |

d. The following are the Company's NOLCO, excess MCIT and RCIT, and other deductible temporary differences for which no deferred tax assets have been recognized:

| | Years Ended December 31 | |
|---|---|---|
| | **2023** | 2022 |
| | *(In Thousands)* | |
| NOLCO | **₱435,572** | ₱2,136,697 |
| Excess MCIT over RCIT | **62,897** | 28,555 |
| Accruals and provisions | **829,737** | 582,802 |
| Allowance for ECL | **65,588** | 58,624 |
| Allowance for inventory obsolescence | **836** | 836 |
| Allowance for cargo losses and damages | **62,587** | 57,876 |
| Allowance for impairment of asset | **736** | – |
| Impairment of investment in subsidiary | **250** | 250 |
| Unrealized foreign exchange loss | **1,119** | 479 |

e. Reconciliation between the income tax expense computed at statutory income tax rate of 25% to the provision for income tax as shown in profit or loss is as follows:

| | Years Ended December 31 | |
|---|---|---|
| | **2023** | 2022 |
| | *(In Thousands)* | |
| Tax effect of income at statutory rates | **₱353,101** | ₱118,247 |
| Income tax effects of: | | |
| Application of NOLCO for which no deferred income tax assets were recognized | **(425,281)** | – |
| Deductible temporary difference for which no deferred income tax assets were recognized | **147,312** | (84,412) |
| Nondeductible expenses | **15,043** | 6 |
| Interest income already subjected to final tax | **(37)** | (24) |
| Dividend income | **(40,645)** | (26,250) |
| Others | **93** | (13) |
| Provision for income tax | **₱49,586** | ₱7,554 |

27. **Financial Risk Management Objectives and Policies**

The Company's principal financial instruments comprise cash and cash equivalents, short-term notes payable, long-term debt and obligations under lease. The main purpose of these financial instruments is to raise financing for the Company's operations. The Company 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 Company'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 Company's exposure to credit, liquidity, foreign exchange, and interest rate risks on the manner in which it manages and measures the risks since prior years.

The Company uses derivative investments to manage exposures to fuel price risks arising from the Company's operations and its sources of financing. The details of the Company's derivative transactions, including the risk management objectives and the accounting results are discussed in this note.

*Credit risk*
To manage credit risk, the Company 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 Company's exposure to bad debts. The Company has policies that limit the amount of credit exposure to any particular customer.

The Company'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. The Company has concentration of credit risk given that majority of the Company's cash and cash equivalents are deposited in the local affiliated bank. Management assessed and believes that the Company is not exposed to any significant risk since the local affiliated bank is a related party and is one of the country's reputable banks. The Company does not have any significant credit risk exposure to other single counterparties. As of December 31, 2023 and 2022, the Company did not hold collateral from any counterparty.

The credit quality per class of financial assets and contract assets that are current or neither past due nor impaired is as follows:

**December 31, 2023**

| | **High** | **Medium** | **Total** |
|---|---|---|---|
| Financial Assets | | *(In Thousands)* | |
| Cash in banks | **₱240,208** | **₱–** | **₱240,208** |
| Cash equivalents | **1,279** | **–** | **1,279** |
| Trade receivables | **–** | **658,546** | **658,546** |
| Nontrade receivables | **–** | **107,112** | **107,112** |
| Refundable deposits | **84,958** | **–** | **84,958** |
| Advances to officers and employees[1] | **4,502** | **–** | **4,502** |
| Contract assets | **–** | **189,982** | **189,982** |
| | **₱330,947** | **₱955,640** | **₱1,286,587** |

[1]*Excluding advances amounting to ₱9.9 million subject to liquidation*

December 31, 2022

| | High | Medium | Total |
|---|---|---|---|
| Financial Assets | | *(In Thousands)* | |
| Cash in banks | ₱208,337 | ₱– | ₱208,337 |
| Cash equivalents | 279 | – | 279 |
| Trade receivables | – | 969,072 | 969,072 |
| Nontrade receivables | – | 405,241 | 405,241 |
| Refundable deposits | 28,234 | – | 28,234 |
| Advances to officers and employees[1] | 499 | – | 499 |
| Contract assets | – | 213,320 | 213,320 |
| | ₱237,349 | ₱1,587,633 | ₱1,824,982 |

[1]*Excluding advances amounting to ₱5.2 million subject to liquidation*

High quality receivables pertain to receivables from related parties and customers with good favorable credit standing. Medium quality receivables pertain to receivables from customers that slide beyond the credit terms but pay a week after being past due. For new customers, the Company has no basis yet as far as payment habit is concerned.

The Company evaluated its cash in banks as high quality financial assets since these are placed in financial institutions of high credit standing. The Company also evaluated its advances to officers and employees as high grade since these are collected through salary deductions. The credit risk for refundable deposits is considered negligible as the Company has ongoing lease agreements with counterparties with sound financial condition and sufficient liquidity.

The aging per class of financial assets and contract assets and the expected credit loss are as follows:

| | | Past Due | | | | | Expected | |
|---|---|---|---|---|---|---|---|---|
| **December 31, 2023** | **Current** | **Less than 30 Days** | **31 to 60 Days** | **61 to 90 Days** | **91 to 120 Days** | **Over 120 Days** | **Expected Credit Loss** | **Total** |
| | | | | *(In Thousands)* | | | | |
| Financial assets | | | | | | | | |
| Cash in banks | **₱240,208** | **₱–** | **₱–** | **₱–** | **₱–** | **₱–** | **₱–** | **₱240,208** |
| Cash equivalents | **1,279** | – | – | – | – | – | – | **1,279** |
| Trade receivables | **658,546** | **161,813** | **37,815** | **11,870** | **1,230** | **93,867** | **(43,854)** | **921,287** |
| Nontrade receivables | **107,112** | **40,259** | **136,020** | **71,109** | **23,271** | **2,910,885** | **(21,734)** | **3,266,922** |
| Refundable deposits | **84,958** | – | – | – | – | – | – | **84,958** |
| Advances to officers and employees[1] | **4,502** | – | – | – | – | – | – | **4,502** |
| Contract assets | **189,982** | – | – | – | – | – | – | **189,982** |
| **Total** | **₱1,286,587** | **₱202,072** | **₱173,835** | **₱82,979** | **₱24,501** | **₱3,004,752** | **(₱65,588)** | **₱4,709,138** |

[1]*Excluding advances amounting to ₱9.9 million subject to liquidation*

| | | Past Due | | | | | Expected | |
|---|---|---|---|---|---|---|---|---|
| December 31, 2022 | Current | Less than 30 Days | 31 to 60 Days | 61 to 90 Days | 91 to 120 Days | Over 120 Days | Expected Credit Loss | Total |
| | | | | *(In Thousands)* | | | | |
| Financial assets | | | | | | | | |
| Cash in banks | ₱208,337 | ₱– | ₱– | ₱– | ₱– | ₱– | ₱– | ₱208,337 |
| Cash equivalents | 279 | – | – | – | – | – | – | 279 |
| Trade receivables | 969,072 | 283,393 | 52,256 | 23,934 | 16,007 | 67,531 | (41,232) | 1,370,961 |
| Nontrade receivables | 405,241 | 881 | 12,488 | 24,997 | 27,405 | 2,586,760 | (15,821) | 3,041,951 |
| Refundable deposits | 28,234 | – | – | – | – | – | – | 28,234 |
| Advances to officers and employees[1] | 499 | – | – | – | – | – | – | 499 |
| Contract assets | 213,320 | – | – | – | – | – | (1,571) | 211,749 |
| Total | ₱1,824,982 | ₱284,274 | ₱64,744 | ₱48,931 | ₱43,412 | ₱2,654,291 | (₱58,624) | ₱4,862,010 |

[1]*Excluding advances amounting to ₱5.2 million subject to liquidation*

*Liquidity risk*

The Company 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 Company regularly evaluates its projected and actual cash flows generated from operations.

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

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.

The following table summarizes the maturity profile of the Company's financial assets and financial liabilities based on contractual repayment obligations and the Company's cash to be generated from operations and the Company's financial assets:

| | December 31, 2023 | | | |
|---|---|---|---|---|
| | **Less than 1 Year** | **1 to 5 Years** | **Over 5 Years** | **Total** |
| | | *(In Thousands)* | | |
| **Financial Liabilities** | | | | |
| Trade and other payables[1] | **₱2,777,418** | **₱–** | **₱–** | **₱2,777,418** |
| Short-term notes payable | **890,000** | **–** | **–** | **890,000** |
| Long-term debt[2] | **–** | **3,900,000** | **–** | **3,900,000** |
| Obligations under lease[3] | **297,268** | **1,263,936** | **162,048** | **1,723,252** |
| | **₱3,964,686** | **₱5,163,936** | **₱162,048** | **₱9,290,670** |
| **Financial Assets** | | | | |
| Cash and cash equivalents | **₱274,780** | **₱–** | **₱–** | **₱274,780** |
| Trade and other receivables[4] | **4,291,597** | **–** | **–** | **4,291,597** |
| Refundable deposits | **26,818** | **58,140** | **–** | **84,958** |
| | **₱4,593,195** | **₱58,140** | **₱–** | **₱4,651,335** |

| | December 31, 2022 | | | |
|---|---|---|---|---|
| | Less than 1 Year | 1 to 5 Years | Over 5 Years | Total |
| | | *(In Thousands)* | | |
| Financial Liabilities | | | | |
| Trade and other payables[1] | ₱2,528,488 | ₱– | ₱– | ₱2,528,488 |
| Short-term notes payable | 1,125,000 | – | – | 1,125,000 |
| Long-term debt[2] | – | 4,000,000 | – | 4,000,000 |
| Obligations under lease[3] | 120,755 | 543,008 | 218,175 | 881,938 |
| | ₱3,774,243 | ₱4,543,008 | ₱218,175 | ₱8,535,426 |
| Financial Assets | | | | |
| Cash and cash equivalents | ₱223,862 | ₱– | ₱– | ₱223,862 |
| Trade and other receivables[4] | 4,614,935 | – | – | 4,614,935 |
| Refundable deposits | 16,901 | 11,332 | – | 28,233 |
| | ₱4,855,698 | ₱11,332 | – | ₱4,867,030 |

[1] *Excluding nonfinancial liabilities amounting to ₱483.4 million and ₱498.8 million as of December 31, 2023 and 2022, respectively.*
[2] *Gross of unamortized debt arrangement fees amounting to ₱23.4 million and ₱5.2 million as of December 31, 2023 and 2022, respectively.*
[3] *Gross of interest component amounting to ₱269.9 million and ₱159.2 million as of December 31, 2023 and 2022, respectively.*
[4] *Excluding nonfinancial assets amounting to ₱101.0 million and ₱16.67 million as of December 31,2023 and 2022, respectively, and current portion of receivable from a related party in 2023 and 2022.*

Trade and other payables and maturing other liabilities are expected to be settled using cash to be generated from operations, drawing from existing and new credit lines, and additional capital contribution of the shareholders.

The future interest repayment for the long-term debt is as follows:

| | December 31 | |
|---|---|---|
| | **2023** | 2022 |
| | *(In Thousands)* | |
| Less than 1 Year | **₱252,517** | ₱20,723 |
| 1 to 5 years | **655,054** | 51,940 |
| Total | **₱907,571** | ₱72,663 |

The undrawn loan commitments from credit facilities of the Company amounted to ₱2.6 billion and ₱1.1 billion as of December 31, 2023 and 2022, respectively.

*Foreign exchange risk*
Foreign currency risk arises when the Company 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 Company maintains cash in banks in foreign currency to match its financial liabilities.

The Company has no significant foreign currency-denominated financial assets and financial liabilities as of December 31, 2023 and 2022.

The Company has recognized foreign exchange loss amounting to ₱1.1 million and ₱0.5 million for the years ended December 31, 2023 and 2022, respectively.

There is no other impact on the Company's equity other than those already affecting profit or loss.

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

Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's borrowings are subject to fixed interest rates ranging from 5.85% to 7.25% and 3.75% to 6.23% in 2023 and 2022, respectively.

The Company's ₱3.9 billion long-term debt under the BDO Term Loan Facility Agreements includes ₱2.6 billion long-term debt which bear floating interest rates and exposes the Company to cash flow interest rate risk.

The table below sets forth the estimated change in the Company's income before tax (through the impact on the floating interest rate borrowings) due to parallel changes in the interest rate curve in terms of the basis points (bp) as of December 31, 2023 and 2022, with all other variables held constant. There is no other impact on the Company's equity other than those already affecting the parent company statements of profit or loss.

| | **Decrease (increase) in loss before income tax** | |
|---|---|---|
| | December 31 | |
| | **2023** | 2022 |
| | *(In Thousands)* | |
| 100 bp rise | **₱38,766** | ₱39,948 |
| 100 bp fall | **(38,766)** | (39,948) |
| 50 bp rise | **19,383** | 19,974 |
| 50 bp fall | **(19,383)** | (19,974) |

Capital Risk Management Objectives and Procedures
The Company's capital management objectives are to ensure the Company'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 Company 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 Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. The Company's overall strategy in managing its capital remains unchanged since the prior year.

The Company considers its total equity as its capital. The Company monitors capital on the basis of the carrying amount of equity as presented on the parent company statement of financial position. The capital ratios are as follows:

| | December 31 | |
|---|---|---|
| | **2023** | 2022 |
| Assets financed by: | | |
| Creditors | **73%** | 80% |
| Stockholders | **27%** | 20% |

As of December 31, 2023 and 2022, the Company met its capital management objectives.

## 28. Fair Values of Financial Instruments and Nonfinancial Assets

Assets and liabilities for which fair value is measured or disclosed in the parent company financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level of input that is significant to the fair value measurement as a whole:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
Level 2 - Valuation techniques for which the lowest level of input that is significant to the fair value measurement is directly or indirectly observable; and,
Level 3 - Valuation techniques for which the lowest level of input that is significant to the fair value measurement is unobservable.

The table below shows the carrying amounts and fair values of financial assets and liabilities, including their level in the fair value hierarchy. The table below does not include the fair value information for financial assets and liabilities not measured at fair value if the carrying amounts are the reasonable approximation of their fair values.

| | **2023** | | 2022 | |
|---|---|---|---|---|
| | **Carrying Amount** | **Fair Value** | Carrying Amount | Fair Value |
| | | *(In Thousands)* | | |
| **Financial Liabilities** | | | | |
| Long-term debts | **₱3,876,645** | **₱4,039,849** | ₱3,994,800 | ₱3,936,702 |
| Obligations under lease | **1,453,327** | **1,434,762** | 722,731 | 1,598,416 |
| | **₱5,329,972** | **₱5,474,611** | ₱4,717,531 | ₱5,535,118 |

The following methods and assumptions are used to estimate the fair value of each class of financial instruments and non-financial assets:

*Cash and cash equivalents, trade and other receivables, trade and other payables, refundable deposits included under "Other current assets"*
The carrying amounts of these financial instruments approximate their respective fair values due to their relatively short-term maturities.

*Refundable deposits included under "Other noncurrent assets"*
The carrying amount of this financial instrument is carried at present value due to the long-term nature of this account. The fair value of refundable deposits was computed by discounting the expected cash flows ranging from 6.28% to 6.31% as the EIR. The computed fair value approximates the carrying amount of this account.

*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.

*Long-term debt*
Discount rate of 7.8% and 6.9% was used in calculating the fair value of the long-term debt as of December 31, 2023 and 2022, respectively.

*Obligations under lease*
The fair values of obligations under finance lease are based on the discounted net present value of cash flows using the discount rate ranging from 7.1% to 7.8% and 6.3% to 8.5% as of December 31, 2023 and 2022, respectively.

## 29. Notes to Parent Company Statements of Cash Flows

Changes in liabilities arising from financing activities are as follows:

| | | Cash Flows | | | | |
|---|---|---|---|---|---|---|
| | **January 1, 2023** | **Availments** | **Payments** | **Net** | **Others** | **December 31, 2023** |
| | | | *(In Thousands)* | | | |
| Short-term notes payable | **₱1,125,000** | **₱990,000** | **(₱1,225,000)** | **(₱235,000)** | **₱–** | **₱890,000** |
| Current portion of obligations under lease | **79,841** | **–** | **(223,663)** | **(223,663)** | **357,695** | **213,873** |
| Current portion of long-term debt | **3,496,823** | **–** | **(100,000)** | **(100,000)** | **(3,063,125)** | **333,698** |
| Noncurrent portion of: | | | | | | |
| Long-term debt | **497,977** | **–** | **–** | **–** | **3,044,970** | **3,542,947** |
| Obligations under lease | **642,890** | **–** | **–** | **–** | **596,564** | **1,239,454** |
| Total liabilities from financing activities | **₱5,842,531** | **₱990,000** | **(₱1,548,663)** | **(₱558,663)** | **₱936,104** | **₱6,219,972** |

For the Year Ended December 31, 2022

| | | Cash Flows | | | | |
|---|---|---|---|---|---|---|
| | January 1, 2022 | Availments | Payments | Net | Others | December 31, 2022 |
| | | | *(In Thousands)* | | | |
| Short-term notes payable | ₱1,809,000 | ₱1,800,000 | (₱2,484,000) | (₱684,000) | ₱– | ₱1,125,000 |
| Current portion of obligations under lease | 68,184 | – | (114,374) | (114,374) | 126,031 | 79,841 |
| Current portion of long-term debt | – | – | – | – | 3,496,823 | 3,496,823 |
| Noncurrent portion of: | | | | | | |
| Long-term debt | 3,987,844 | – | – | – | (3,489,867) | 497,977 |
| Obligations under lease | 206,768 | – | – | – | 436,122 | 642,890 |
| Total liabilities from financing activities | ₱6,071,796 | ₱1,800,000 | (₱2,598,374) | (₱798,374) | ₱569,109 | ₱5,842,531 |

"Others" includes the effect of the following:

a. reclassification of non-current portion to current due to the passage of time;
b. amortization of debt transaction costs capitalized amounting to ₱7.3 million in 2023 and ₱7.0 million in 2022, respectively;

c. payment of debt transaction cost amounting to ₱25.5 million in 2023 (nil in 2022);
d. availment of obligation under lease amounting to ₱896.9 million and ₱562.0 million in 2023 and 2022 respectively and
e. amortization of obligation under lease amounting to ₱57.4 million in 2023 and ₱44.2 million in 2022.

## 30. Supplementary Information Required Under Revenue Regulation No. 15-2010

In addition to the disclosures mandated under PFRS, and such other standards and/or conventions as may be adopted, companies are required by the Bureau of Internal Revenue (BIR) to provide in the notes to the parent company financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the parent company financial statements which were prepared in accordance with PFRS.

The following are the tax information required for the taxable year ended December 31, 2023:

a. Value Added Tax (VAT)

| | **Amount** |
|---|---|
| | *(In Thousands)* |
| 1. Output VAT | ₱1,333,390 |
| Basis of Output VAT: | |
| Vatable sales | 11,111,580 |
| Exempt Sales | 160,308 |
| | ₱11,271,888 |
| | |
| 2. Input VAT | |
| Beginning of the year | ₱29,594 |
| Current year's domestic purchases: | |
| Goods other than for resale or manufacture | 401,822 |
| Services lodged under other accounts | 506,537 |
| Importation of goods other than capital goods | 40,669 |
| Claims for tax credit/refund and other adjustments | (18,141) |
| Utilized for the year | (960,481) |
| Balance at the end of the year | ₱– |

The Company's sales are subject to VAT while its importation and purchases from other VAT-registered individuals or corporations are subject to input VAT. The vat rate is 12%.

Zero-rated sales of services consist of sales which were rendered to BOI and PEZA registered enterprises which were paid for in foreign currency and were accounted for in accordance with the rules and regulations of the Bangko Sentral ng Pilipinas [Sections 108 (B)(2) and (3) of the NIRC, as amended].

Exempt sales consist of sales made for the transport of senior citizens on actual transportation fare for domestic sea transport [Section 10, Revenue Regulations No. 7-2010].

Sales of services subject to VAT are based on actual collections received since for VAT purposes, the VAT on the sale of services accrues upon actual or constructive receipt of the consideration, whether or not services has been rendered. Hence, amounts may not be the same as the amounts accrued in the parent company statements of profit or loss.

b. Withholding Taxes

| | **Amount** |
|---|---|
| | *(In Thousands)* |
| Tax on compensation and benefits | ₱95,144 |
| Expanded withholding taxes | 147,112 |
| | ₱242,256 |

c. Landed Costs

Details of the Company's importations are shown below:

| | **Amount** |
|---|---|
| | *(In Thousands)* |
| Total landed cost of imports | ₱1,514,126 |
| Custom duties | 25,275 |
| | ₱1,539,401 |

d. All Other Taxes (Local and National)

| | **Amount** |
|---|---|
| | *(In Thousands)* |
| ***Other taxes paid during the year recognized under "Taxes and licenses" account under "Cost of Services", "General and Administrative Expenses" and "Others-net"*** | |
| License and permit fees | ₱11,987 |
| Real estate taxes | 7,759 |
| Documentary stamp tax | 2,144 |
| Others | 30,252 |
| | ₱52,142 |

Information on the excise taxes are not applicable since there are no Company transactions in the current year that are subject to these taxes.

e. Tax Cases

As at December 31, 2023, the Company has no pending tax court cases.

SyCip Gorres Velayo & Co.
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**INDEPENDENT AUDITOR'S REPORT**
**ON THE SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS**
**AVAILABLE FOR DIVIDEND DECLARATION**

The Stockholders and the Board of Directors
2GO Group, Inc.
8th Floor Tower 1, Double Dragon Plaza
EDSA Extension cor. Macapagal Avenue
Pasay City

We have audited in accordance with Philippine Standards on Auditing, the parent company financial statements of 2GO Group, Inc. as at December 31, 2023 and 2022 and for the years then ended, and have issued our report thereon dated February 22, 2024. Our audits were made for the purpose of forming an opinion on the basic parent company financial statements taken as a whole. The accompanying Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the management of 2GO Group, Inc. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 and is not part of the basic parent company financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic parent company financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic parent company financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Albert R. Bon
Partner
CPA Certificate No. 0121479
Tax Identification No. 255-491-830
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-135-2023, January 25, 2023, valid until January 24, 2026
PTR No. 10079911, January 5, 2024, Makati City

February 22, 2024

## 2GO GROUP, INC.

## RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

### FOR THE YEAR ENDED DECEMBER 31, 2023

(Amounts in Thousands)

| | | | | |
|---|---|---|---|---|
| **Unappropriated Retained earnings (deficit), beginning of reporting period** | | | | **(₱2,644,381)** |
| **Add:** | **Category A:** | **Items that are directly credited to Unappropriated Retained Earnings** | | |
| | | Reversal of Retained Earnings Appropriation/s | – | |
| | | Effect of restatements or prior-year adjustments | – | |
| | | Others (describe nature) | – | – |
| **Less:** | **Category B:** | **Items that are directly debited to Unappropriated Retained Earnings** | | |
| | | Dividend declaration during the reporting period | – | |
| | | Retained Earnings appropriated during the reporting period | – | |
| | | Effect of restatements or prior-year adjustments | – | |
| | | Others - deferred tax assets beginning | 222,938 | |
| | | Others - treasury shares | 58,715 | 281,653 |
| **Unappropriated Retained Earnings, as adjusted** | | | | **(2,926,034)** |
| **Add/Less: Net Income (Loss) for the current year** | | | | **1,362,817** |
| **Less:** | **Category C.1:** | **Unrealized income recognized in the profit or loss during the reporting period (net of tax)** | | |
| | | Equity in net income of associate/joint venture, net of dividends declared | – | |
| | | Unrealized foreign exchange gain, except those attributable to cash and cash equivalents | – | |
| | | Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL) | – | |
| | | Unrealized fair value gain of Investment Property | – | |
| | | Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature) | – | |
| | | *Sub-total* | | – |
| **Add:** | **Category C.2:** | **Unrealized income recognized in the profit or loss in prior reporting periods but realized in the curret reporting period (net of tax)** | | |
| | | Realized foreign exchange gain, except those attributable to cash and cash equivalends | – | |
| | | Realized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL) | – | |
| | | Realized fair value gain of Investment Property | – | |
| | | Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature) | – | |
| | | *Sub-total* | | – |

| | | | | |
|---|---|---|---|---|
| **Add:** | **Category C.3:** | **Unrealized income recognized in the profit or loss in prior periods but reversed in the curret reporting period (net of tax)** | | |
| | | Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalends | – | |
| | | Reversal of previously recorded fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL) | – | |
| | | Reversal of previously recorded fair value gain of Investment Property | – | |
| | | Reversal of previously recorded other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature) | – | |
| | | *Sub-total* | | – |
| **Adjusted Net Income (Loss)** | | | | **(1,563,217)** |
| **Add:** | **Category D:** | **Non-actual losses recognized in profit or loss during the reporting period (net of tax)** | | |
| | | Depreciation on revaluation increment (after tax) | – | |
| | | *Sub-total* | | – |
| **Add/ (Less)** | **Category E:** | **Adjustments related to relief granted by the SEC and BSP** | | |
| | | Amortization of the effect of reporting relief | – | |
| | | Total amount of reporting relief granted during the year | – | |
| | | Others (describe nature) | – | |
| | | *Sub-total* | | – |
| **Add/ (Less)** | **Category F:** | **Other items that should be excluded from the determination of the amount of available for dividends distribution** | | |
| | | Net movement of treasury shares (except for reacquisition of redeemable shares) | – | |
| | | Net movement of deferred tax asset not considered in the reconciling items under the previous categories | (186,248) | |
| | | Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g. set up of right of use asset and lease liability, set up of asset and asset retirement obligation, and set up of service cencession asset and concession payable | – | |
| | | Adjustment due to deviation from PFRS/GAAP - gain (loss) | – | |
| | | Others (describe nature) | – | |
| | | *Sub-total* | | (186,248) |
| **Total Retained Earnings, end of reporting period available for dividend** | | | | **(₱1,749,465)** |

# SUSTAINABILITY REPORT FOR THE YEAR 2023

# OF

# 2GO GROUP, INC.

# Annex A: Reporting Template

(For additional guidance on how to answer the Topics, organizations may refer to Annex B: Topic Guide)

## Contextual Information

| **Company Details** | |
|---|---|
| Name of Organization | **2GO Group Inc.** |
| Location of Headquarters | 8th Floor, Tower 1, Double Dragon Plaza, Macapagal Boulevard corner EDSA Extension, Pasay City 1302, Philippines |
| Location of Operations | 2GO Group Inc. including its subsidiaries is operating nationwide across the Philippines |
| Report Boundary: Legal entities (e.g. subsidiaries) included in this report* | 2GO Group, Inc. and its subsidiaries, namely:<br>2GO Express, Inc.<br>2GO Logistics, Inc.<br>Scanasia Overseas Inc. |
| Business Model, including Primary Activities, Brands, Products, and Services | 2GO GROUP, INC. is the largest end-to-end transportation, logistics, and distribution provider in the country. Currently, it has five business units, namely 2GO Sea Solutions, 2GO Special Containers, and Value Added Services (SCVASI), 2GO Express, 2GO Forwarding, and 2GO Logistics.<br><br>2GO is a subsidiary of SM Investments Corporation, one of the country's largest conglomerates. 2GO enables the movement of goods and people throughout the Philippines. It offers multimodal transportation, warehousing and inventory management, distribution, special containers, and project logistics as well as e-commerce logistics, including last-mile deliveries, and express courier deliveries. Additionally, the company provides sea travel, and a wide range of peripheral logistics such as freight forwarding, import and export processing, and customs brokerage.<br><br>Backed by more than 140 years of expertise in transportation and logistics, 2GO has made a mark in providing the best travel experiences, efficient movement of products and cargoes, and for catalyzing business growth in the country.<br><br>**SERVICES**<br><br>**2GO SEA SOLUTIONS** is the largest, most modern ROPAX operator in the Philippines, with now 10 ROPAX vessels, 1 freighter vessel, and 17 ports of call. It offers speed, schedule reliability, and voyage frequency. 2GO optimizes capacity and operational processes to be able to respond to the |

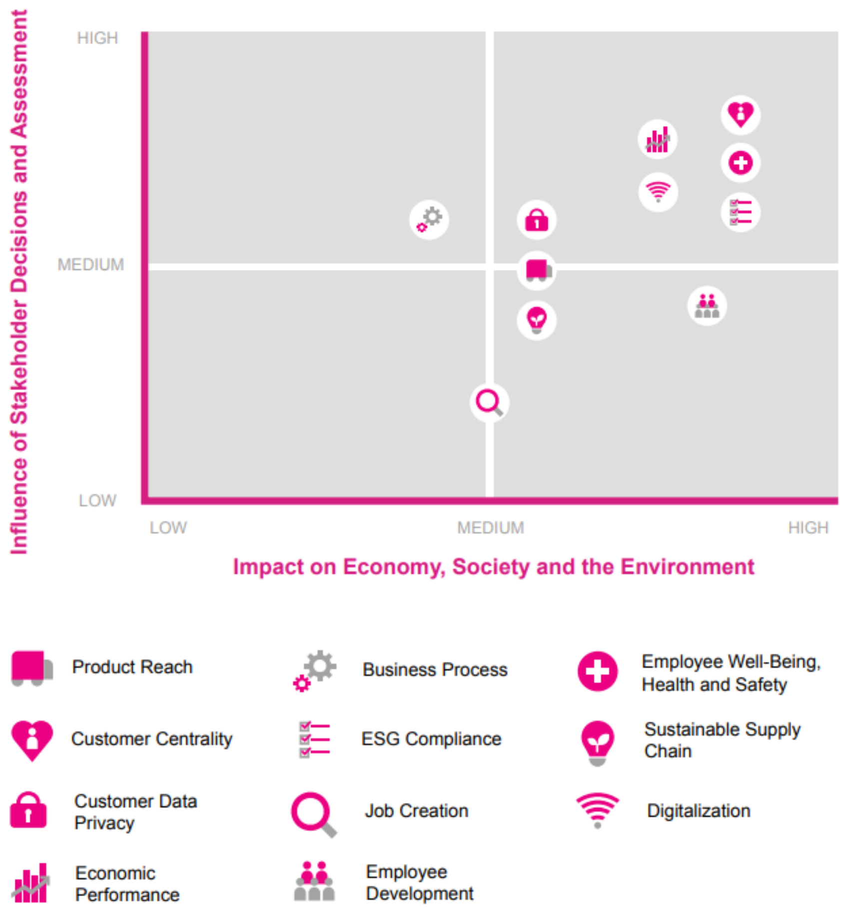
| | |
|---|---|
| | opportunities presented by the consumer-driven Philippine economy. It also offers an enhanced and unique onboard experience for sea travel.<br><br>**2GO SPECIAL CONTAINERS AND VALUE-ADDED SERVICES** (SCVASI) is the largest operator of cold-chain containers and ISO tanks in the country. It leverages on Sea Solutions' strength of schedule, reliability and speed. SCVASI's project logistics business, 2GO Projects, continues to see opportunities in moving and lifting oversized cargo for clients across varying sectors such as, but not limited to, power, telecommunications, mining, and property.<br><br>**2GO EXPRESS** capitalizes on its broad network and caters to different delivery formats to meet the requirements of our customers in a timely manner, while also enabling the surge of B2C and C2C growth. It serves the pick-up and delivery of documents, parcels and last-mile e-commerce with a courier base fleet of more than 2,000, operating in hubs in 33 key locations and partnering with 63 delivery agents nationwide. 2GO Express is also the largest local partner of FedEx, with pickup of international outbound and delivery for international inbound served. FedEx services are sold in 2GO Express locations nationwide. With investments in technology for further efficiency, 2GO Express is looking forward to expanding its operations to serve the growing B2C and C2C markets.<br><br>**2GO FORWARDING** is a partner in the movement of goods through air, sea and land, including international forwarding. It is specialized in handling for FMCG, automotive, pharmaceuticals, including perishable medicines, industrial and fragile items, and other B2B transfers. It capitalizes on the integrated mode of transfers within the 2GO network and its partners nationwide.<br><br>**2GO LOGISTICS** supports inbound and outbound logistics. It manages warehouse and transport activities that enable all logistic needs, from production to delivery. 2GO has a nationwide fleet of over 1,400 transportation vehicles under management, and a total of 54 warehouse and hub facilities that are strategically located around the archipelago. 2GO also uses a globally recognized Warehouse Management System (WMS) that fully integrates and streamlines the supply-chain infrastructure. The WMS automated warehouse processes enable complex piece picking operations with a high degree of accuracy. At 2GO, we introduce technology as well as specialized operational skill sets to cater to the verticals and services we want to support. We are confident and optimistic of |

| | |
|---|---|
| | the growth that our lean and agile operating structure will capture in a sector full of abundant opportunities.<br><br>**2GO DISTRIBUTION**, also known as ScanAsia Overseas, is the leader in the distribution of pharmaceutical and retail products in the drugstore. We disperse a breadth of categories from infant formula, adult milk, personal care, home care, dairy, pet food, confectionaries to over 3,000 doors nationwide. ScanAsia plans to further improve its operational efficiencies and aims to continuously improve the product availability and visibility of all ScanAsia brands to delight its principals, customers, and consumers. ScanAsia Overseas officially closed its operations on December 2023. |
| Reporting Period | January 1, 2023 to December 31, 2023 |
| Highest Ranking Person responsible for this report | Mercy Grace Dionisio |

**If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

## Materiality Process

The last materiality assessment of the organization was conducted in 2020 wherein an in-depth assessment was conducted by engaging identified stakeholders of 2GO Group Inc. Material topics that are important to our stakeholders and critical areas we need to focus on, for us to deliver excellent service to our clients, were identified. As of today, the previously identified topics are deemed to be still relevant to 2GO's business operations.




| 2GO Stakeholders | Mode of Engagement | What Matters Most to our Stakeholders | 2GO Commitment |
|---|---|---|---|

| | | | |
|---|---|---|---|
| **Customers & Clients** | • Various Customer Touchpoints<br>• Online Surveys | • Product/ Service Reach, Accessibility and Visibility<br>• Customer Welfare<br>• Customer Data Privacy | Continuous system enhancement |
| **People** | • In person discussions<br>• Annual Performance Review<br>• Online Surveys<br>• Townhall meetings<br>• Coaching and Training | • Employee Development, Career Growth<br>• Occupational Health and Safety | Internal and external training opportunities<br><br>Adequate health and work benefits |
| **Investors** | • Annual Stockholders Meeting<br>• Investor Meetings | • Economic Performance<br>• Compliance and Governance<br>• Adapting to COVID-19 | Transparent and timely disclosures |
| **Suppliers and Service Providers** | • Vendor accreditation<br>• Regular correspondence<br>• Online Survey | • Occupational Health and Safety<br>• Customer Welfare<br>• Product Reach, Accessibility & Viability | Safety trainings<br><br>Vendor selection process |
| **Socio-Civic Partners** | • CSR joint projects<br>• Online survey | • Sustainable Operations<br>• Community Involvement | Partnership for social development programs |
| **Media Partners and Analysts** | • Media Briefings<br>• Corporate Events | • Economic Performance<br>• Employee Development<br>• Occupational Health and Safety<br>• Compliance and Governance | Transparent and timely disclosures |
| **Regulators** | • Conferences and external events<br>• Regular Correspondence | • Compliance and Governance<br>• Sustainable | Transparent and timely disclosures |

# ECONOMIC

## Economic Performance

Direct Economic Value Generated and Distributed

| Disclosure | Amount *in Millions* | Units |
|---|---|---|
| Direct economic value generated (revenue) | 15,993.75 | PhP |
| Direct economic value distributed: | | |
| a. Payment to suppliers and other operating costs | 11,667.59 | PhP |
| b. Employee wages and benefits | 1,400.67 | PhP |
| c. Payments to providers of capital | 388.66 | Php |
| d. Payments to government | 409.72 | PhP |
| e. Investments to community (e.g. donations, CSR) | 0.26 | PhP |

| What is the impact and where does it occur? What is the organization's involvement in the impact? |
|---|
| 2GO Group Inc. is the largest integrated transportation and logistics provider in the Philippines. 2GO promotes economic activity in the country. Our nationwide presence all over the country shapes our financial performance and contribution to the local areas where we operate, through the various opportunities we provide to our stakeholders.<br><br>Our businesses provide jobs to more than 6,000 Filipinos nationwide. Different employment opportunities are created from our business operations through our service partners, third-party service providers, contractors and suppliers.<br><br>In 2023, Php 13.7 billion, from 2GO's revenue, was distributed back to society and our key stakeholders. Of this, 84% is distributed to suppliers and contractors in the form of payments, 10% to our employees through wages and benefits, 2.8% to Investors for returns on their investments, 0.002% to communities through donations and other CSR initiatives, and almost 3% to the Government in the form of taxes.<br><br>We ensure that our business operations comply with necessary regulations set by the government such as tax payment, and that our financial gains are distributed to all our other stakeholders. In addition to that, our investors are given their due returns on their investments in our company. |

| What are the Risk/s and opportunities Identified? |
|---|
| As the whole country strives to return to the pre-pandemic level, restrictions have been fully lifted and economic activities have returned to normal. This resulted in increased demand for transportation and logistics services to move not only goods but also people in various parts of the country. This is deemed to be both a risk and an opportunity for the company. |

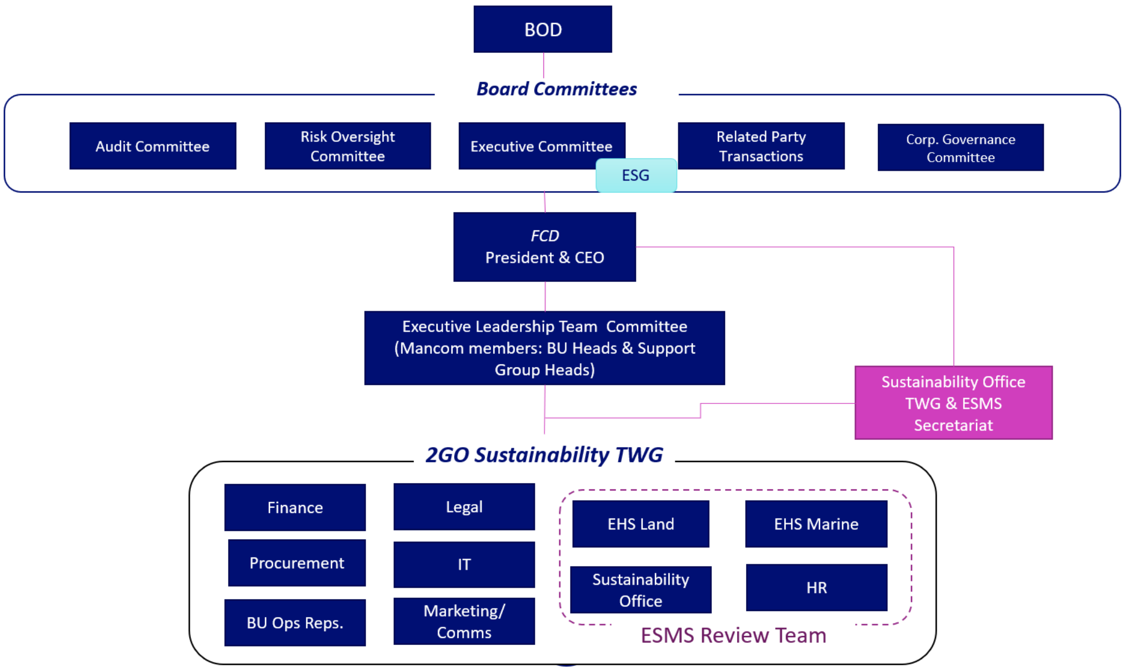
| Which stakeholders are affected? |
| --- |
| The following are affected by 2GO's economic performance<br>• Investors<br>• Shareholders<br>• Employees<br>• Clients/<br>• Customers<br>• Suppliers<br>• Communities |

| Management Approach on Impact, Risk/s and Opportunities |
| --- |
| 2GO offers multimodal transportation, warehousing and inventory management, special containers, project logistics, and e-commerce logistics, including last-mile deliveries, and express courier deliveries. The company also provides sea travel and various peripheral logistics such as freight forwarding, import and export processing, and customs brokerage.<br><br>2GO, being the country's leading transportation and logistics solutions provider, is committed to fostering economic growth in the country and facilitating seamless connections between different regions, nationwide. True to our commitment, 2GO strives to strengthen its position as a key player in the travel and logistics industry in the country by going full speed ahead of our expansion and bolstering our operations.<br><br>At 2GO, we continue to expand all our business segments, including e-commerce, last-mile deliveries, and cold chain services via its massive fleet of refrigerated trucks. We consistently invest in supply chain preparedness by establishing a foothold in our hubs and maintaining a capable workforce.<br><br>In 2023, 2GO continued to fortify its network of strategic hubs across key cities in Luzon, Visayas, and Mindanao. 2GO also provides LCL shipside services, a tailored service representing an expedited Less than Container-Load (LCL) offering. This pioneering solution is operational in its Manila, Cebu, Iloilo, Zamboanga, and Cagayan de Oro hubs. LCL services continue to be offered in 2GO's network of 17 gateways around the country, which serve top consumer companies, manufacturers, distributors, industrials, and agricultural businesses.<br><br>2GO aimed to raise standards in transporting the freshest goods possible. In the early part of 2023, 2GO introduced the first multi-temperature reefer vans in the Philippines. Boosting the safe and secure transport of goods, the multi-temperature reefer vans have multiple temperature settings, which allows them to store and transport both frozen and chilled food items at the same time. It has a length of 20 feet and is used for LCL reefer service.<br><br>To further ensure faster movement of goods, upgrade our inter-island logistics service, and provide travel options among passengers, in the last quarter of 2023, 2GO bought two more roll-on/roll-off vessels, strengthening our capacity to carry both passengers and cargo.<br><br>In an aim to provide a one-stop destination for customers, 2GO retail stores extended its services to package pick-up, cargo logistics, and forwarding services aside from the wide array of services it offers |

such as from ticket purchases for 2GO Travel and travel-related services to efficient document and parcel deliveries through 2GO Express and FedEx.

Climate-related risks and opportunities[1]

| Governance |
| --- |




**Sustainability Governance Structure of 2GO**

At the board level, the executive committee has the oversight on Environmental Social and Governance (ESG) or Sustainability matters which includes climate-related topic discussions. 2GO also has a Sustainability Technical Working Group (TWG) whose members are support group heads and representatives from business operations that are essential in driving sustainability on their respective functions. The 2GO sustainability office serves as the secretariat for the 2GO Sustainability TWG.

The TWG was formed with an objective of integrating sustainability in 2GO's ways of working, promote synergy and incorporate sustainability in 2GO's culture and values. Moreover, the TWG will help drive 2GO's sustainability agenda and roadmap. The TWG also plays an essential part on the implementation of Environmental and Social Management System that is currently being drafted. Furthermore, the TWG members will also help with other ESG related organizational accountabilities.

[1] Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to non-financial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset owners.

| Strategy |
| --- |
| In 2023, 2GO, through its parent company - SMIC, embarked on a partnership with WWF (World Wide Fund) for the development of climate scenario analysis and science-based targets for 2GO.<br><br>Scenario analysis, a key recommendation of the TCFD - Taskforce on Climate Financial Disclosures, allows a company to understand and quantify the risks and uncertainties it may face under different hypothetical futures.<br><br>Through the said study, the physical and transition risks to 2GO's operations (both for marine and land operations) at different climate scenarios were identified as well as different possible opportunities. The four-scenario envelopes used in the report were Business As Usual (RCP8.5), Nationally Determined Contributions (NDC) Scenario, 2-Degree Scenario (2DS), Net-Zero Emissions (NZE) Scenario. Currently, 2GO is awaiting for groupwide direction from its parent company on what scenarios to be considered in developing mitigation and adaptation plan on the identified risks which can be integrated to 2GO's business continuity plan. |

| Risk Management |
| --- |
| **Transition Risk**<br><br>Transition risks of 2GO to transition into the NZE, 2DS, NDC, and RCP8.5 scenarios were assessed, looking into the categories recommended by TCFD: **policy and legal, technology, market, and reputation**. There is an expected low risk for all categories in the transition to the RCP8.5 scenario as this does not require any shifts in the business operations of 2GO. As for the NDC scenario, there is initially low risk in the near-term across all categories, and a corresponding medium risk in the medium-term as more tangible and rigid national regulations are expected to be developed and fully or partially implemented by 2035 for more climate resilient operations. This results in a more difficult transition for logistics companies in the medium term to meet Net-Zero goals by 2050.<br><br>Policy and legal transition risks that may be expected by 2GO are high for the near- and medium-term for the NZE scenario as they have to ensure that they meet mandatory requirements set by the transport/logistics sector to achieve Net-Zero goals by 2050. There is slightly less risk of transition into a 2DS scenario when it comes to the near-term, however mandated carbon price and operating costs are expected to be of high risk as early as 2025.<br><br>Technology transition risks that may be expected by 2GO are high in the medium-term for both NZE and 2DS, however retirement/replacement of old equipment, climate-proofing of operational assets, and associated costs are expected as early as 2025 for the NZE scenario. |

Market transition risks that may be expected by 2GO are high in the near-term for both NZE and 2DS when it comes to the preference of insurance providers and investors for companies with robust climate risk assessment and business continuity strategies. Preference of insurance providers are also influenced by the climate adaptation measures of 2GO to protect both freight and passengers given that 2GO also has its 2GO Travel subsidiary. There is however a medium risk for this category for consumer preference as the limited literature on this may signify how consumer preference is a less significant risk on logistics companies compared to the preference of insurance providers and investors when it comes to climate resilience initiatives and a transition to a low-carbon economy.

Reputation transition risks that may be expected by 2GO are high for the near- and medium-term for the NZE scenario as sectors shall be required to begin transitions as early as 2025 in this scenario, and ensure that 2035 transitions prepare them to achieve Net-Zero by 2050. There is medium-risk in the near term for the 2DS scenario as there is lower expectation from companies this early on for a slightly less ambitious scenario.

**Physical Risk**

Both event-driven and longer-term shifts in climate patterns are resulting in physical risks from climate change. These risks are relevant to companies due to their financial implications such as direct damage on assets, and indirect impacts from disruptions in their supply chain. Physical risks include extreme weather events and increasing temperature which in turn affect financial performance, operations, and employee safety.

While global temperatures are projected to increase across RCP8.5, NDC, and 2DS scenarios, increased temperature and extreme heat have relatively limited impacts on the transport sector in comparison to sea level rise, storm surges, floods, droughts, and wind gusts. Essentially, high risk impact for 2GO is expected to come from extreme events, such as storm surges, floods, wind gust speed, rather than incremental changes of temperature and precipitation.

Rising sea levels, wind gust speed, and coastal salinity are physical risks that significantly affect the transport and logistics sector, with the level of risk projected to worsen in the latter half of the century in a RCP8.5 scenario (Christodoulou & Demirel, 2018). Inundation from flooding and sea level rise is also expected for both airports and seaports between 2030 and 2080, while sea level rise, although gradual, lurks as the largest future impact for the logistics sector (Jacques et al, 2022). Wind speed data and projections are lacking and have an observed inconsistency, however higher wind gust speeds are expected between 2050 and 2100 according to the 2018 JRC report, which indicated that this greatly affects landing and take off in airports, and increased energy use for navigation of vessels at sea (Christodoulou & Demirel, 2018).

Although there are relatively limited impacts of increased temperature and extreme heat on the transport sector compared to extreme climate-related events, the prolonged duration of extreme heat impacts 2Go's operations through risks associated with the health, safety, and productivity of employees. Temperature rise puts employee safety at risk as this impairs their ability to safely drive and navigate vehicles due to threatened attention and cognitive performance caused by heat stress and dehydration. This translates into impacts for 2Go as a logistics company as these result in reduced productivity attributed to an increased number of accidents, decreased road safety, and elongated breaks between shifts. (Annaheim, S. et al, 2020). Consumers are also indirectly affected by physical risks of climate change on 2Go due to compromised service and delivery of goods, which is one of the identified acute physical risks of the logistics sector.

**Opportunities**

Efforts to mitigate and adapt to climate change also produce opportunities for companies, and varied depending on the region, market, and industry in which it operates. Climate-related opportunities for the transport and logistics sector were assessed for each climate scenario based on an internal opportunities ranking criteria. These were categorized according to the TCFD framework, and were identified as either attainable or unattainable in each scenario.

Among the four scenarios, the RCP8.5 scenario was the least beneficial in opportunities across all categories, although support for more climate-resilient services may remain among stakeholders, and may possibly even grow in demand as environmental situations progress for worse. Climate change-resilient supply chains remain largely fragmented within the RCP8.5 scenario, resulting in vulnerable delivery of products and services. This may be closely related to the lack of a collaborative and holistic adaptation strategy from sectoral players and inadequate national directive in providing resilient infrastructure and transitional support. Relative to this, the NDC scenario stands to gain more opportunities particularly for greater investment in green-gray infrastructure, more automated and digital solutions, asset sharing, more inclusive engagement from stakeholder within value chains, remote work and efficient work traveling. The NDC scenario also shows more promise in the adoption of increased solar energy.

Furthermore, products and services stand to benefit through improved efficiency in land and sea freight transport modes, increased revenue from a higher consumer demand for sustainable service, and increased support from stakeholders for climate-ready logistics solutions all of which could aid in distinguishing 2Go's reputation as trailblazer of green transportation and logistics. The improved availability and accessibility to climate finance mechanisms in the NDC scenario could also potentially pave the way to compounding opportunities overall making this scenario more resilient and inclusive for other stakeholders such as the scientific community and key public and private decision-makers.

The NZE and 2DS scenarios share the bulk of the opportunities in resource efficiency, energy source, improved products and services, better reception from the market, and resiliency. The two were differentiated by the expectation that, in the NZE scenario, there would be reduced financial strain on taxpayers and employment sectors to cover for infrastructural and environmental damage related to climate change. Finally, more minute details such as company-internal employee policies differed between scenarios in terms of the degree of integrating a climate-resilient lens.

Each scenario poses a unique enabling or disabling environment for 2Go's decarbonization initiatives. This scenario analysis provides 2Go a holistic overview on how their operations would potentially transform under each categorical initiative. On one hand, in the more intensive scenarios of 2DS and NZE, 2Go would have to undergo more dramatic changes in data gathering to comply with stricter GHG emissions reporting and more ambitious near-term policies which would produce their corresponding opportunities. On the other hand, the RCP8.5 and NDC scenarios pose much less transitional risks, however these conversely affect 2Go's opportunities. Climate mitigation and

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| adaptation efforts most likely subsist in silos, effectively diminishing 2Go's resilience against climate change-induced damages which would result in higher operational or recovery costs, incomplete GHG emissions information, and slower delivery of goods and services.<br><br>These considerations would ultimately tie in with the decision-making of 2Go's Sustainability Governance Board and effectively inform key processes aligned with their 2021 metrics and targets such as their emissions intensity compliance (to national legislation), efficient management of resources, and engagement with external stakeholders to support sustainable supply chain solutions. |

| Metrics and Targets |
|---|
| To assess and manage relevant climate-related risks and opportunities, 2GO Group regularly monitor, measures and report our energy consumption from fuel and electricity as well as water consumption. Our greenhouse gas emissions are also calculated and reported annually through our sustainability report. |

## Procurement Practices

### Proportion of spending on local suppliers

| Disclosure | Quantity | Units |
|---|---|---|
| Percentage of procurement budget used for significant locations of operations that is spent on local suppliers | 96 | % |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| To ensure a continuous supply of quality goods and services from reputable and reliable vendors/suppliers, 2GO implements a stringent supplier accreditation process. We ensure that the vendors/suppliers we partner with complies with pertinent government rules and regulations such as those related to the environment, labor, health & safety, etc.,<br><br>During the accreditation process of suppliers/vendors, we ensure that | • Suppliers<br>• Contractors<br>• Creditors<br>• Other entities engage in business with the company | As part of our management approach when it comes to procurement practices, we make sure that our contract agreements are followed diligently by all involved parties. Contracts are standardized to ascertain that the content encompasses all types of transactions with a particular supplier. The suppliers/contractors are given ample time to review the document before signing. In cases of revisions, a separate document reviewed by our legal division is attached, detailing all agreed |

| | | |
|---|---|---|
| they conform with 2GO's Code of Business Ethics, Environmental Policy, and OSH Policy. This is to ensure that 2GO together with its partners, are aligned with the environmental and social related values.<br><br>By sourcing local suppliers/vendors, 2GO promotes inclusive business, thereby promoting revenues and jobs to local communities. | | revisions as a complementing agreement to the standard contract. |
| **What are the Risk/s and Opportunities Identified?** | | **Management Approach** |
| The procurement-related risks identified include fraud, cost, quality, and delivery risk.<br><br>Procurement practices impact our business operations as they can affect cost efficiencies, quality, and availability of supplies that may affect our ability to provide service to clients and customers. | | The accreditation process assesses and reduces the risks of poor-quality products and services or late or non-delivery which may result in disruption in business operations. It also enables the company to partner with suppliers/contractors who shares the same values and goals as 2GO.<br><br>Moreover, supplier accreditation also helps maintain the integrity of the procurement process thus promoting transparency in the organization |
| **What are the Opportunities Identified?** | | **Management Approach** |
| 2GO Group sees an opportunity to tap local Small and medium-sized enterprise (SME) industries. Partnering with SMEs helps the organization to reduce its operational costs across its supply chain, without sacrificing the quality of products and services delivered to our business units. | | Local SMEs are currently subjected to the same accreditation policy and procedures and are approved if they meet the set standards.<br><br>Currently, 2GO does not have a policy to preferentially accommodate local SMEs where it is applicable, however, this is something that can be considered. |

| | | |
|---|---|---|
| Moreover, through partnering with SMEs, 2GO, in turn, helps promote and boost local economic growth. | | |

## Anti-corruption

### Training on Anti-corruption Policies and Procedures

| Disclosure | Quantity | Units |
|---|---|---|
| Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to | 100 | % |
| Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to | 100 | % |
| Percentage of directors and management that have received anti-corruption training | 100 | % |
| Percentage of employees that have received anti-corruption training | 100 | % |

### Incidents of Corruption

| Disclosure | Quantity | Units |
|---|---|---|
| Number of incidents in which directors were removed or disciplined for corruption | 0 | # |
| Number of incidents in which employees were dismissed or disciplined for corruption | 0 | # |
| Number of incidents when contracts with business partners were terminated due to incidents of corruption | 6 | # |

| What is the impact & Risks and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| We avert any form of corruption across our business operations and value chain. Corruption is against our core values, business ethics moral principles. We take any form of corruption seriously as it may significantly affect our ability to generate and equitably distribute economic value to all of our stakeholders. We understand that any issue related to corruption can adversely affect our reputation | • Employees<br>• Suppliers<br>• Creditors<br>• Investors<br>• Regulators | 2GO is committed to promoting fairness, accountability, and transparency to all of its stakeholders. The Board sets the tone and makes a stand against corrupt practices by adopting anti-corruption policies and programs. Some of the Company's Anti-Corruption programs are embodied in the Code of Business Conduct, Conflict of Interest Policy, and Related Party Transactions Policy, among others. The same is disseminated to all employees across the Company through |

| | | |
|---|---|---|
| among our stakeholders including the public and our customers, which may lead to decreased sales and in turn will lead to a decrease in revenue. And for this reason, the company facilitates training on Anti-corruption policies and procedures as we deal with different stakeholders.<br><br>However, despite the company's efforts to avert corruption, in 2023, there were 6 contractors, all of which were truckers, that were terminated due to incidents of corruption. They were terminated due to bribery and/or pilferage.<br><br>**What are the Opportunities Identified?**<br><br>*Positive financial returns, improve product and service quality and reinforce goodwill among stakeholders give us ample reason to fight corruption.* | | trainings to embed them in the Company's culture. New employees are oriented regarding policies and procedures related to Business Conduct and Ethics and similar policies. These policies and programs are made available on the Company Website and Employee Portal for easy reference.<br><br>2GO has also established a Whistleblowing Policy, also referred to as Policy on Accountability, Integrity, and Vigilance (PAIV). This policy allows employees and other stakeholders to freely communicate their concerns about illegal or unethical practices, which may be raised freely within the organization.<br><br>The company does not tolerate any form of corruption, thus, there is a corresponding sanction to those to be proven guilty of any form of corruption. Prior to the imposition of sanctions, there is a corresponding investigation done on the suspect and the corresponding case. |

# ENVIRONMENT

## Resource Management

Energy consumption within the organization:

| Disclosure | Quantity | Units |
|---|---|---|
| Energy consumption (renewable sources) | 0 | GJ |
| Energy consumption (gasoline) | 27.17 | GJ |
| Energy consumption (bunker fuel IFO 180) | 1,956,667.16 | GJ |
| Energy consumption (diesel) | 392,100.45 | GJ |
| Energy consumption (electricity) | 6,432,386.73 | kWh |

Reduction of energy consumption

| Disclosure | Quantity | Units |
|---|---|---|
| Energy reduction (gasoline) | 25.74 | GJ |
| Energy reduction (LPG) | N/A | GJ |
| Energy reduction (diesel) | (95,084.38) | GJ |
| Energy reduction (electricity)* | (525,887.49) | kWh |
| Energy reduction (bunker fuel) | 84,985.53 | GJ |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| At 2GO, we recognize that energy management is essential to our business operations. As a logistics and transport company, we belong in an energy-intensive industry, wherein both fuel and electricity are used in all our operations, groupwide. 2GO aspires to to deliver a high level of service to our clients at a minimal environmental impact, hence we give high importance to the responsible use of energy resources across the group.<br><br>Responsible energy management brings a positive impact not just to the environment but to the | Communities<br><br>Regulators<br><br>Investors | In 2023, the energy consumption of 2GO from the use of fuel increased by 0.43% while the electricity consumption groupwide increased by 9%.<br><br>The majority (96%) of the fuel consumed by the Group comes from Marine operations, coming from the use of fuel in day-to-day operations of the ships. In 2023, the shipping/bunker fuel consumption of 2GO vessels decreased by 4% though the marine operation's use of automotive diesel oil increased by 39%. The increase in automotive diesel oil of marine operations is due to the electrification of all kitchen equipment on the vessels. The vessel uses generators to electrify its equipment inside including |

| | | |
|---|---|---|
| organization, as it not only leads to reduction in carbon emissions, but it also lowers the operating cost from fuel and electricity use which results to significant savings in operational expenditures. | | the kitchen equipment. On the other hand, the decrease in the use of shipping fuel may be attributed to the fuel-saving initiatives implemented by 2GO's shipping management division such as the application of a fuel oil flowmeter, enhanced vessel handling, monitoring of engine tuning and regular maintenance, application of anti-fouling and silicone paint on the hull and propeller of the vessels, and trim optimization.<br><br>As for electricity consumption, this is due to the increase in the number of 2GO's sites from 45 in 2022 to 28 sites in 2023.<br><br>2GO has resource conservation procedure, including guidelines on the prudent use of energy resources in the workplace. It is being implemented across the group to promote responsible energy use. |
| **What are the Risk/s Identified?** | | **Management Approach** |
| The same with other companies, 2GO is affected by regulatory risk. Some of 2GO's business operations are affected by new law and government regulations related to energy conservation.<br><br>Another risk identified is the fluctuating price of fuel in the market as well as the energy/electricty we purchase. | | The consumption of energy, may it be thru fuel or electricity, affects the environment thru the carbon and GHG emitted from the use of fuel and generation of electricity from non-renewable source. Therefore, we conduct several measures to reduce our energy consumption within the Group<br><br>The acquisition of more fuel-efficient ships of 2GO Sea Solution and investment on technologies such as delivery optimization tool like Fareye for 2GO Express and transport management digitalization for 2GO Land Transport, not only helped the company eliminate the inefficient transportation of goods but also helped the company offset the effects of higher fuel cost in 2023. |
| **What are the Opportunity/ies Identified?** | | |
| The requirements to comply with RA 11285 or the Energy Efficiency and Conservation Act, gives an opportunity for our business units to integrate energy management plan and other energy conservation | | |

| | | |
|---|---|---|
| initiatives to their respective business operations. This will not only cut energy inefficiencies but also may promote cost savings by reducing the overhead cost of the company. | | As we seek to lessen our environmental impacts by setting energy reduction initiatives, we are currently in the process of revising our current resource conservation procedure and drafting of energy management program, integrating energy management system and following the provisions indicated on RA 11285 – Energy Efficiency and Conservation Act, in compliance with the requirement of the Department of Energy (DOE). |

## Water consumption within the organization

| Disclosure | Quantity | Units |
|---|---|---|
| Water withdrawal | 140,990.92 | Cubic meters |
| Water consumption | 0 | Cubic meters |
| Water recycled and reused | 0 | Cubic meters |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| Water is primarily used for cleaning and sanitation purposes only of 2GO offices, hubs, and warehouses. The 2GO Group does not belong to a water-intensive industry.<br><br>However, the 2GO Group recognize that our consumption of water may also impact the water supply of the communities where 2GO facilities operate, for this reason, the company values the importance of water conservation.<br><br>Conserving water is essential for safeguarding ecosystems, ensuring water security, promoting | Communities<br><br>Regulators<br><br>Investors | The company promotes responsible water consumption in all its facilities. Water usage are regularly being monitored and different measures are implemented to conserve water.<br><br>Water Conservation is included in 2GO's Resource Conservation Procedures that were cascaded to all 2GO sites as part of the organization's Environmental Compliance Action Program (ECAP). |

| | | |
|---|---|---|
| economic prosperity, and building resilient communities in the face of global challenges like climate change and population growth. It requires collective efforts from individuals, communities, governments and businesses like us, to adopt water-saving practices and policies to ensure a sustainable future for generations to come. | | |
| **What are the Risk/s Identified?** | | |
| 2GO recognize the risk to water shortage due to increased competing demand from other sectors and domestic use. Extreme heat, El Niño and climate change also plays a role. Some of 2GO facilities are exposed to this risk as we operated nationwide across the country, as few of which are located in water stressed areas. | | |
| **What are the Opportunity/ies Identified?** | | |
| There is an opportunity to further reduce water consumption by improving water usage monitoring.<br><br>Other measures may also be applied in some facilities such as rainwater harvesting and use of recycled water subject for feasibility. | | |

## Materials used by the organization

| Disclosure | Quantity | Units |
|---|---|---|
| Materials used by weight or volume | | |
| • renewable | N/a | kg/liters |
| • non-renewable | n/a | kg/liters |
| Percentage of recycled input materials used to manufacture the organization's primary products and services | n/a | % |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| Not material as 2GO does not manufacture any products | Not Material | Not material |
| **What are the Risk/s Identified?** | | |
| Not Material | | |
| **What are the Opportunity/ies Identified?** | | |
| Not Material | | |

## Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

| Disclosure | Quantity | Units |
|---|---|---|
| Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas | Not Material | n/a |
| Habitats protected or restored | Not Material | ha |
| IUCN[2] Red List species and national conservation list species with habitats in areas affected by operations | Not Material | n/a |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| This is considered not material for 2GO since we do not have operations within or adjacent to biodiversity-rich areas. | Not material | Not material |
| **What are the Risk/s Identified?** | | |
| Not material | | |
| **What are the Opportunity/ies Identified?** | | |

[2] International Union for Conservation of Nature

| | | |
|---|---|---|
| Not Material | | |

## Environmental impact management

### Air Emissions

*GHG*

| Disclosure | Quantity | Units |
|---|---|---|
| Direct (Scope 1) GHG Emissions | 200,094 | Tonnes $CO_2e$ |
| Energy indirect (Scope 2) GHG Emissions | 4,608 | Tonnes $CO_2e$ |
| Emissions of ozone-depleting substances (ODS) | 105 | Tonnes |

*Air pollutants*

| Disclosure | Quantity | Units |
|---|---|---|
| $NO_x$ | 2,536.24 | MT |
| $SO_x$ | 90.07 | MT |
| Persistent organic pollutants (POPs) | Not applicable | MT |
| Volatile organic compounds (VOCs) | Not applicable | MT |
| Hazardous air pollutants (HAPs) | Not applicable | MT |
| Particulate matter (PM) | 172.54 | MT |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| As a logistics and transport company, 2GO emissions are primarily generated from our fleet of vehicles, mechanical handling equipment, and vessels. Some 2GO facilities also have generator sets on site that are only used during a power outage or maintenance check. The Group recognizes that our involvement in this topic is through our day-to-day operations and transactions. | *Communities*<br><br>*Regulators*<br><br>*Investors* | To reduce the 2GO group's GHG emissions, 2GO promotes efficient use of electricity and fuel. This not only reduces emissions from operations but also reduces the operational expenses of the company.<br><br>At 2GO, we have been implementing different measures and strategies to minimize our environmental footprint by pursuing efficient operations while maintaining highest standards of service to customers. Some of the initiatives that have been implemented are the use of electric forklifts for warehouses that caters to food products. It uses to maintain the air quality on the warehouse. Approximately, 50% of the |
| **What are the Risk/s Identified?** | | |
| Tracking GHG emissions helps the company better understand its contribution to climate change. This affects the company's | | |

| | | |
|---|---|---|
| assessment of its climate-related risks. | | total forklifts used in 2GO's operations are electric.<br><br>2GO has also invested in technologies such as transport management and delivery optimization systems (Fareye), as well as automatic sorting machine. Through this optimization tool and equipment, it does not only reduce unwanted miles but also helps in reducing emissions.<br><br>All 2GO owned-trucks are Euro4 compliant while the truck drivers are trained with eco-efficient driving techniques to lower fuel consumption and carbon emissions.<br><br>2GO also has a fleet modernization plan which includes the acquisition vessels that uses low sulfur fuel in compliance with IMO's MARPOL 73/78 by 2025.<br><br>As for shifting to renewable energy, in one of the warehouse of 2GO located in Asinan, Paranaque, solar panel is currently being installed to power our operation using renewable energy.<br><br>In the pipeline for the next year, as part of our action plan to reduce our emissions is to convert some of our warehouse, to renewable thru the Green Energy Option Program of Dept. of Energy. Furthermore, while waiting for the government's roadmap on Electic Vehicle Industry in compliance with the EVIDA law, 2GO will conduct a feasibility study on the use of e-vehicle for logistics, targeting to pilot EV in 2GO operations by 2025. |
| **What are the Opportunity/ies Identified?** | | |
| There is an opportunity to use alternative and renewable sources of energy as well as to create an energy efficiency program to further lower the electricity consumption of the facilities, thereby lowering their GHG emissions. | | |

## Solid and Hazardous Wastes

*Solid Waste*

| Disclosure | Quantity | Units |
|---|---|---|
| Total solid waste generated | 1,341,890 | kg |
| Recyclable/Reusable | 1,256,910 | kg |
| Composted | 27,690 | kg |
| Incinerated | Not applicable | kg |
| Residuals/Landfilled | 5,330 | kg |

*Hazardous Waste*

| Disclosure | Quantity | Units |
|---|---|---|
| Total weight of hazardous waste generated | 51,960 | kg |
| Total weight of hazardous waste transported | 51,960 | kg |

| What is the impact & risk and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| 2GO Group does it utmost effort to comply with all laws related to waste management.<br><br>There is a solid waste management program in placed in compliance with Solid Waste Management Act (RA) No. 9003, Hazardous Wastes Management Act (RA) No. 6969 and related LGU ordinances.<br><br>Our Group's involvement in the impact of solid and hazardous waste disposal is through our day-to-day operations. These impacts are primarily managed through both internal initiatives and compliance with the regulatory requirements aforementioned.<br><br>As for hazardous wastes, these are mostly composed of effluents from | Employees<br><br>Communities<br><br>Regulators | To properly manage our wastes generated from day-to-day operations, a waste management procedure was institutionalized and cascaded to all sites of 2GO as part of the company's Environmental Compliance Action Program (ECAP).<br><br>A Pollution Control Officer (PCO) was designated in all 2GO sites ensuring compliance with the ECAP including waste management procedure.<br><br>All wastes generated by the sites are collected, transported and disposed by a 3rd party DENR accredited haulers. |

| | | |
|---|---|---|
| vessels such as used oil, sludge, and bilge water.<br><br>On the land operations, hazardous wastes are used oil and used batteries from owned vehicles of 2GO.<br><br>These are regularly collected ashore through a third-party treater and hauler accredited by Dept. of Environment and Natural Resources. | | |
| **What are the Opportunity/ies Identified?** | | **Management Approach** |
| Implementation of proper waste managements on sites can be further improved. This will not only ensure that operation is operating cleanly and safely but can also encourage cost efficiency.<br><br>The Group can also seek collaborative projects on waste management that may include community engagement and partnership with local recyclers in compliance with the Extended Producers Responsibility (EPR) Act. | | Proper waste management and the use of reusable materials has been one of the focus of the 2GO's Business Units for many years, as they to innovate and come up with more sustainable packaging, in support of resource efficiency and waste minimization. A sample of this, is the use of collapsible crates and reuse of corrugated carton to protect goods to be delivered.<br><br>For compliance with Extended Producers Act, 2GO had partnered with a waste diverter to collect plastics, both rigids and flexibles, on behalf of 2GO. A total of 1MT of flexible and 2MT of rigids were collected from post-consumers. The collected flexible plastics were treated using co-processing technology in partnership with Cemex while the rigid plastics were recycled to sacks. |

## Effluents

| Disclosure | Quantity | Units |
|---|---|---|
| Total volume of water discharges | 11,537.92 | Cubic meters |
| Percent of wastewater recycled | 0 | % |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|
| Wastewater is generated both from our land and marine facilities during day-to-day operations, the majority coming from the restrooms and cleaning purposes. | Employees<br><br>Regulators<br><br>Communities | All 2GO land sites are equipped with septic tank which treats the wastewater coming from the restrooms of our facilities.<br><br>For marine operations, all vessels are equipped with wastewater treatment. All wastewater from the use of comfort room in the vessels pass through these treatment facilities. |
| **What are the Risk/s & Opportunities Identified?** | | |
| We recognize that discharging of untreated wastewater has a considerable adverse impact on the environment and communities. Furthermore, regulators can impose a penalty for non-compliance to effluent standards.<br><br>Hence it is important to regularly monitor wastewater discharges. | | |

## Environmental compliance

Non-compliance with Environmental Laws and Regulations

| Disclosure | Quantity | Units |
|---|---|---|
| Total amount of monetary fines for non-compliance with environmental laws and/or regulations | 145,000 | PhP |
| No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations | 0 | # |
| No. of cases resolved through dispute resolution mechanism | 6 | # |

| What is the impact & risk and where does it occur? What is the organization's involvement in the impact? | Which stakeholders are affected? | Management Approach |
|---|---|---|

| | | |
|---|---|---|
| We recognize that environmental compliance is crucial to ensure that our environment, surrounding communities, and even our employees are not exposed to unnecessary hazards from our business operations. Compliance with environmental laws and regulations is critical to keep our business operational.<br><br>Non-compliance with any environmental law or regulation could have financial implications from the imposition of penalties, stoppage of operations, or reputational risks.<br><br>In 2023, there were six notice of violation (NOVs) issued to 2GO by DENR, most of which are permit compliance related due to the latest ECC application of the sites. All of the issued NOVs were already settled and closed. | Regulators<br><br>Communities<br><br>Employees<br><br>Investors | The Group remains committed in improving our environmental management and compliance.<br>To ensure the environmental compliance of 2GO, Environmental Compliance Action Program (ECAP) was institutionalized. All sites were also required to designate, appoint and accredit a Pollution Control Officers (PCO) across our facilities who will oversee the environmental compliance. Correspondingly, Environmental Managing Heads were also assigned to each 2GO facility in compliance with the requirement of DENR.<br><br>Both the PCO and Managing Heads had undergone DENR-accredited trainings to provide them with knowledge on environmental compliance and its application and implementation on our sites.<br><br>At the Corporate level, the PCOs and Managing Heads are guided by the Corporate PCO and Corporate Head of the Environmental, Health, and Safety Department who provide procedures and guidelines that align with pertinent laws.<br><br>A stringent monitoring of necessary permits is currently in place to ensure that our operations are in compliance with national and local regulations and that we avoid possible sanctions for failure to comply. |
| **What are the Opportunity/ies Identified?** | | |
| Under the ECAP program, sites are conducting self-assessment in terms of their environmental compliance. In-house audit can be integrated to the program to mitigate the risk of non-compliance. Furthermore, regular session on Environmental Compliance for all employees may also be done not only for awareness purposes but also for all to recognize that protecting the environment and ensuring compliance is everyone’s responsibility. | | |

# SOCIAL

## Employee Management

### Employee Hiring and Benefits

*Employee data*

| Disclosure | Quantity | Units |
|---|---|---|
| Total number of employees[3] | 1,786 | |
| a. Number of female employees | 768 | # |
| b. Number of male employees | 1,018 | # |
| Attrition rate[4] | 7% | rate |
| Ratio of lowest paid employee against minimum wage | 1:1 | ratio |

*Employee benefits*

| List of Benefits | Y/N | % of female employees who availed for the year | % of male employees who availed for the year |
|---|---|---|---|
| SSS | Y | 14% | 20% |
| PhilHealth | Y | 18% | 21% |
| Pag-ibig | Y | 13% | 19% |
| Parental leaves | Y | 3% | 1% |
| Vacation leaves | Y | 34% | 45% |
| Sick leaves | Y | 31% | 38% |
| Medical benefits (aside from PhilHealth) | Y | 18% | 18% |
| Housing assistance (aside from Pag-ibig) | N | n/a | n/a |
| Retirement fund (aside from SSS) | Y | n/a | n/a |
| Further education support | N | n/a | n/a |
| Company stock options | N | n/a | n/a |
| Telecommuting | N | n/a | n/a |
| Flexible-working Hours | N | n/a | n/a |
| (Others) | | | |

### Diversity and Equal Opportunity

| Disclosure | Quantity | Units |
|---|---|---|
| % of female workers in the workforce | 43% | % |
| % of male workers in the workforce | 57% | % |
| Number of employees from indigenous communities and/or vulnerable sector* | | # |

[3] Employees are individuals who are in an employment relationship with the organization, according to national law or its application (GRI Standards 2016 Glossary)
[4] Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

**Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

<table>
<tr><th>What is the impact and where does it occur? What is the organization's involvement in the impact?</th><th>Management Approach</th></tr>
<tr><td>Recognizing that employees are the backbone of the company supporting long-term growth and success, 2GO gives high importance to human capital management.<br><br>Committed to providing equal employment opportunities across diverse sets of people, regardless of gender, ethnicity, age, and vulnerability, we eliminate any form of bias and discrimination during the hiring process, instead, to ensure that the right people are hired for the right job, we focus on determining the applicants' skills and capabilities.<br><br>2GO management ensures to follows the standards and policies set by the Department of Labor and Employment (DOLE) for hiring, salary, and wages. Moreover, our employees are also given benefits to improve their quality of life. Some company-initiated benefits are provided on top of government-mandated benefits such as SSS, PhilHealth, and Pag-ibig.</td><td rowspan="5">To ensures that we have the right number of people with the right skills in the right place at the right time, 2GO developed a Strategic Workforce Approach to help build a resilient organization, and prepare the employees to adapt and be ready to the future of work. This approach to deliver our short and long-term objectives.<br><br>As we aim to be one of the top employers of choice in the country, we seek to become the most inclusive workplace we can be by focusing on employee engagement and attracting top talents nationwide. The company also welcomes applications from all backgrounds and opposes discrimination of all forms.<br><br>All 2GO employees received the legally required compensation and benefits. On top of the government-mandated benefits we also provide the following benefits to our full-time employees:<br>• 14th-month pay<br>• Calamity assistance<br>• Company bereavement assistance<br>• Group health plan<br>• Group life Insurance<br>• Calamity leave, Bereavement leave<br>• Retirement benefits<br>• Discounts on rolling cargo<br>• Christmas giveaways<br>• Relocation Allowance<br><br>The HR department have also rewards and recognition programs given to exemplary employees. Moreover, the company offers career advancement opportunities to help employees pursue their professional goals. The company fosters organizational strength by offering</td></tr>
<tr><th>What are the Risk/s Identified?</th></tr>
<tr><td>Previously, 2GO has experienced some challenges in employee retention. Since the pandemic, the talent market had evolved as more applicants and even some employees opt to choose hybrid work arrangements. This is identified as one of the reasons why some employees choose to leave the company.</td></tr>
<tr><th>What are the Opportunity/ies Identified?</th></tr>
<tr><td>We see an opportunity to further enhance our leadership and talent programs as well as the talent review process.<br><br>For the benefits, it was also deemed that enhancement on employee health plan can be done. Likewise, an improvement in the implementation of benefits such as health and life insurance may be</td></tr>
</table>

| | |
|---|---|
| applied from day-1 of employees, however this is subject for further assessment. | opportunities for employees to develop their skills and grow together with the company. |

## Employee Training and Development

| Disclosure | Quantity | Units |
|---|---|---|
| Total training hours provided to employees | | |
| a. Female employees | 2,619 | hours |
| b. Male employees | 3,630 | hours |
| Average training hours provided to employees | | |
| a. Female employees | 3.41 | hours/employee |
| b. Male employees | 3.57 | hours/employee |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| 2GO offers and supports different training and career development programs to our employees. Continuous learning and development help our employees grow professionally and personally. 2GO acknowledge that improving competencies of employees is important as it enables them to become more productive in the workplace. | By providing employees with training, advancement opportunities and aiding them to address various skills gaps not only help our employees but also strengthen 2GO as a company. Thus, we provide necessary technical and non-technical trainings to improve the technical skills, soft skills, and leadership skills of our employees. |
| **What are the Risk/s & Opportunities Identified?** | **Management Approach** |
| 2GO recognizes the importance of company training, as it not only promotes the employee's development but it also increases employee's engagement. The company recognizes that the productivity and quality of work of employees may be compromised when employees' training needs are not met. It can make employees feel disempowered leading them to seek opportunities elsewhere, correspondingly, it may result to higher attrition.<br><br>Furthermore, the quality and type of training provided to employees affects the productivity and competitiveness of the company. | To help our employees meet their full potential, 2GO supports continuous learning not only of our employees but also of our business partners. As we aim to develop our people and partners into specialist in their respective areas of work, we help them undergo customized development program for skills enhancement and improved well-being. |

| | |
|---|---|
| We also recognize opportunities on innovative learning channels such as setting up of e-learning portals that employees can access anywhere at any time. | |

## Labor-Management Relations

| Disclosure | Quantity | Units |
|---|---|---|
| % of employees covered with Collective Bargaining Agreements | 0 | % |
| Number of consultations conducted with employees concerning employee-related policies | 1,200 | # |

| **What is the impact and where does it occur? What is the organization's involvement in the impact?** | **Management Approach** |
|---|---|
| 2GO promotes cooperative partnership between 2GO Management and employees as we recognize that strong relationship with employees is essential to sustain growth of the company.<br><br>2GO Group does not have a labor union thus the company does not have collective bargaining agreements. However, 2GO has a Labor Management Council (LMC) where employees and management participate together in solving problems affecting employee welfare. | The management believes that a mutually-beneficial atmosphere fosters a proactive partnership and cooperation between Management and employees and because of this, the company commits to foster productive communication and partnership with our employees. |
| **What are the Risk/s Identified?** | |
| Risk identified is the sustainability or continuity of programs/projects initiated by LMC. LMC is a group of volunteered employees. Some Projects becomes at risk when the LMC member who handles the project leaves the company or preferred to no longer be active. | |
| **What are the Opportunity/ies Identified?** | |
| The LMC members can be the CSR arm of the company who can implement significant activities and | |

| | |
|---|---|
| create sustainable impact in the community and the environment. | |

## Workplace Conditions, Labor Standards, and Human Rights

### Occupational Health and Safety

| Disclosure | Quantity | Units |
|---|---|---|
| Safe Man-Hours | 3,622,461 | Man-hours |
| No. of work-related injuries | 0 | # |
| No. of work-related fatalities | 0 | # |
| No. of work related ill-health | 0 | # |
| No. of safety drills | 15 | # |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| We recognize that it is crucial to prevent work-related accidents, promote employee wellness and maintain compliance with regulatory requirements and industry standards, thus we give high importance to workplace health and safety. 2GO remains committed to providing our employees with a safe and healthy working environment. We aim to protect not only our employees but also our visitors, facilities, and surrounding communities from any risks and hazards that may arise from our operations. | The 2GO Group has institutionalized a safety program called Safety Regulation and Information Guidelines (SRIG) for land-based facilities to ensure safety protocols are in place in all 2GO facilities aligned with the Occupational Health and Safety Standards set by the Department of Labor and Employment (DOLE). On the other hand, all our vessel operations have Safety Management System compliant with the International Safety Management (ISM) Code and MARINA. |
| **What are the Risk/s and Opportunity/ies Identified?** | |

| | |
|---|---|
| 2GO perseveres to ensure that our employees have a healthy, safe, and secured working environment. Non-compliance to health and safety standards and regulations could cost the company penalties from regulators, suspension of operations, attrition, and damage to reputation. Moreover, we understand that if this will not be managed well, there will be considerable risk to life and property.<br><br>Recognizing that safety is everyone's responsibility and it is a journey for our organization, we acknowledge that as our business grows there is a need for continual improvement on safety procedures and implementation of safety practices. Information dissemination campaigns on safety can also be further enhanced as well as safety training and drills on site. | Furthermore, all 2GO facilities have designated safety officers, first-aiders, and security officers trained for emergency preparedness and response ensuring that our employees will be well-assisted in case of emergency.<br><br>Identifying the potential risk to the health and safety of our employees and facilities is essential to our business. We take steps to mitigate, address and effectively manage these risks to continue providing a safe and secure environment to our employees and communities where we operate. |

## Labor Laws and Human Rights

| Disclosure | Quantity | Units |
|---|---|---|
| No. of legal actions or employee grievances involving forced or child labor | 0 | # |

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

| Topic | Y/N | If Yes, cite reference in the company policy |
|---|---|---|
| Forced labor | N | 2GO adopts and complies with the standards and regulations set by DOLE. Moreover, 2GO Group ensures that the suppliers/vendors we engaged with comply with the same. |
| Child labor | Y | No Child Labor Policy |
| Human Rights | Y | • Code of Conduct<br>• Anti-Sexual Harassment Policy<br>• Drug Free Workplace Policy<br>• Policy on Hepatitis B, HIV/AIDS, Tuberculosis<br>• Policy on Workplace Mental Health<br>• Whistleblowing Policy<br>• Grievance Machinery<br>• Data Privacy Policy<br>• Environmental Policy<br>• OSH Policy<br>• Bereavement Leave Policy<br>• Calamity Leave Policy |

| What is the impact and risks where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| 2GO upholds labor laws and human rights aligned with the mandate of the government, as reflected in the code of  Code of Conduct. Implementation of Labor Laws and Human Rights policies in the workplace ensures that 2GO employees do not experience any unlawful activities and that employees can exercise their right to decent work.<br><br>Recognizing that any violations related to Labor and Human rights will impact the company's productivity, employee retention, and employee engagement. Likewise, said violation could result in regulatory implications that could tarnish the reputation and brand of the company. | Aligned with the parent company's commitment as a UN Global Compact signatory, 2GO supports Human Rights and Labor Rights. The company implements the aforementioned Human Rights policies to eliminate discrimination in our workplace and ensure that our employees are safe and protected.<br><br>2GO Group also developed a whistleblowing policy and grievance machinery wherein concerns and issues, made in good faith, may be raised freely and within the organization. Through these mechanisms any suspected or actual violations of the Code of Business Conduct or any applicable laws or regulation may be reported, including those related to Human Rights and Labor, may be reported. The management investigates the merit of the complaints and subjects them to due process. |
| **What are the Opportunity/ies Identified?** | |
| There is an opportunity to improve the process of receiving grievances, to make it more accessible to everyone anonymously without the fear of retaliation. | |

## Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy: Yes. All governance related policies may be viewed on the company's website via https://www.2go.com.ph/corporate-governance-policies/

Do you consider the following sustainability topics when accrediting suppliers?

| Topic | Y/N | If Yes, cite reference in the supplier policy |
|---|---|---|
| Environmental performance | Y | Manual on Corporate Governance |
| Forced labor | Y | Code of Business Conduct |
| Child labor | Y | No Child Labor Policy |
| Human rights | Y | Conflict of Interest Policy |
| Bribery and corruption | Y | Insider Trading Policy<br>Related Party Transactions Policy<br>Policy on Accountability, Integrity and Vigilance<br>Policy for Vendor Selections and Purchase of Goods and Services<br>Environmental Policy |

| | | |
|---|---|---|
| | | OSH Policy |

| What is the impact and risk where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| 80% of our economic value generated in 2023 flows to our suppliers and contractors. Acknowledging that the success of our suppliers and their best practices in delivering their output determines our success, our suppliers' and contractors' impacts on the economy, environment, and society are, to some extent, our impact as well. We ensure that we are aligned in terms of values, ethics, and morals.<br><br>Consequently, we hold our supplier assessment in very high regard, we ensure that our suppliers and contractors conform with our policies and code of business conduct. | 2GO Group has an accreditation process and procurement policies in place to ensure fairness, accountability, and transparency for the best interest of all stakeholders. This considers both financial and environmental impacts and promotes sustainable shared growth with all our suppliers including both large and small & medium enterprises.<br><br>We ensure that our vendors, suppliers, and other third-party contractors adhere to our supplier code of ethics which includes prohibitions against child labor, forced labor, and slavery. |
| **What are the Opportunity/ies Identified?** | |
| The Group can further encourage suppliers to abide by environmental and social laws. As a result, suppliers will be able to better manage their environmental and social compliance as well as their impact | |

## Relationship with Community

### Significant Impacts on Local Communities

| Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be | Location | Vulnerable groups (if applicable)* | Does the particular operation have impacts on indigenous people (Y/N)? | Collective or individual rights that have been identified that or particular concern for the community | Mitigating measures (if negative) or enhancement measures (if positive) |
|---|---|---|---|---|---|

| business operations) | | | | | |
|---|---|---|---|---|---|
| We provide jobs to the local areas where we operate | Nationwide | No in particular | No negative impact | Opportunities to have decent work | 2GO exercises equal opportunity and foster inclusivity by removing any form of biasness during the hiring process. |
| | - | - | | | |
| | - | - | | | |

**Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: ______________

| Certificates | Quantity | Units |
|---|---|---|
| FPIC process is still undergoing | | # |
| CP secured | | # |

*this is not material given that there are no operations that are within or adjacent to ancestral domains of indigenous people.

| What are the Risk/s and Opportunity Identified? | Management Approach |
|---|---|
| The needed person right for the job may not be inherently from the local area where facility operates. | The company exercises equal opportunity during the hiring process regardless of gender, ethnicity, age, and vulnerability. |

## Customer Management

*Customer Satisfaction*

| Disclosure | Score | Did a third party conduct the customer satisfaction study (Y/N)? |
|---|---|---|
| Customer satisfaction | 95% | N |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| As we move forward towards our vision to be the first choice of logistics in the country, we focus on | Customer management is essential to the success and sustainability of our business. We adhere to our brand core values to put the customer first fostering deep and strong relationships that make |

| | |
|---|---|
| providing quality customer experience across our business. | a positive difference in our customers and stakeholders.<br><br>2GO Group has sets of policies to ensure we adhere to quality commitments to our customers. |
| **What are the Risk/s Identified?** | **Management Approach** |
| Customer dissatisfaction can cause damage to reputation that may in turn result in loss of customers and may result to financial implications. | Different strategies among business units are employed to ensure that customer satisfaction is met and managed.<br><br>All customers are given fair and proper treatment and are provided with complete, correct, and actual information. |
| **What are the Opportunity/ies Identified?** | |
| Improving customer experience through enhancing the method of getting customer insights and finding ways to understand the changing customer expectations. | |

*Health and Safety*

| Disclosure | Quantity | Units |
|---|---|---|
| No. of substantiated complaints on product or service health and safety* | 4 | # |
| No. of complaints addressed | 4 | # |

*Marketing and labelling*

| Disclosure | Quantity | Units |
|---|---|---|
| No. of substantiated complaints on marketing and labelling* | 0 | # |
| No. of complaints addressed | 0 | # |

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

| **What is the impact and where does it occur? What is the organization's involvement in the impact?** | **Management Approach** |
|---|---|
| We stay true to our mission to deliver goods on time, consistently, and in their best condition, and to | 2GO Group has a Customer Interaction Center (CIC) that handles complaints including those related to customer health and safety and |

| | |
|---|---|
| transport our passengers reliably, comfortably, and safely.<br><br>In the event of complaints related to the health and safety of consumers or marketing and labeling, 2GO has put a system in place for handling feedback and implementing corrective actions. Our customer service personnel aim to address any customer concerns immediately. | marketing and labeling. CIC works together with the corresponding Business Unit to immediately address the complaints. |
| **What are the Risk/s and Opportunities Identified?** | **Management Approach** |
| Unresolved customer complaints, especially when these reach digital platforms, may influence wider customer perception of our brand and the quality of service we provide. This could lead to a decline in sales and possible loss of market share. | We strive to strictly comply with all government-mandated health and safety protocols in all our facilities may it be on land or sea to ensure that the goods and passengers we transport are safe and secure. |

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

*Customer privacy*

| Disclosure | Quantity | Units |
|---|---|---|
| No. of substantiated complaints on customer privacy* | 0 | # |
| No. of complaints addressed | 0 | # |
| No. of customers, users and account holders whose information is used for secondary purposes | 0 | # |

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

## Data Security

| Disclosure | Quantity | Units |
|---|---|---|
| No. of data breaches, including leaks, thefts and losses of data | 0 | # |

| What is the impact and where does it occur? What is the organization's involvement in the impact? | Management Approach |
|---|---|
| Security Information and Data Privacy are important to us to ensure business continuity. It is the concern of the company to protect sensitive | We are committed to protecting the personal data of our customers. 2GO has institutionalized Data Privacy Policy across the organization. The |

| | |
|---|---|
| information, may it be related to the organization, employees, customers, and even suppliers.<br><br>**What are the Risk/s & Opportunities Identified?**<br><br>The National Privacy Commission regulates data privacy through the Data Privacy Act. Any form of violation has corresponding civil and criminal penalties.<br><br>Any instance of data breaches can disrupt operations, it could place the Company's sensitive or confidential information at risk of being used against it or used to gain an unfair advantage over it. It could also compromise the privacy of employees and customers and could pose threats to their safety and security. | policy outlines how we process, handle, protect and use collected data in accordance with the law, RA 10173 or the Data Privacy Act of 2012. The company has also designated a Data Protection Officer who oversees the policy implementation.<br><br>To prevent cybersecurity threats, 2GO invested in the latest IT tools and technologies. Data security is implemented through data encryption, data backup, management of user privileges on corporate devices as well as securing on-premise and cloud servers. |

# UN SUSTAINABLE DEVELOPMENT GOALS

## Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

| Key Products and Services | Societal Value / Contribution to UN SDGs | Potential Negative Impact of Contribution | Management Approach to Negative Impact |
|---|---|---|---|
| Provision of Employment or Job Creation | **UN SDG 8 – Decent Work & Economic Growth**<br><br>• 6,599 jobs created (for both organic and inorganic employees)<br>• Php 15.99 Billion Economic Value Generated | Our people is the backbone of our business. We consider our human capital as our core capital hence; employee attrition could pose a negative impact on our company. Without | Several initiatives have been implemented to make 2GO a great place to work and to be employer of choice. Several talent retention initiatives have been implemented as well to ensure that our employees are |

| | | | |
|---|---|---|---|
| | • Php 13.9 Billion Value Distributed<br><br>We help drive economic growth in urban and rural communities by facilitating the movement of people, goods and services. At the same time, we provide economic opportunities in the localities where we are present, generating jobs across our supply chain. | our people, the delivery of services may be hindered. | continually satisfied with the work that they do. The company also provide them trainings for employees to grow professionally and personally. |
| Support to Local Economy | **UN SDG 8 – Decent Work & Economic Growth**<br><br>2GO empower local suppliers, vendors or contractors including SMEs by creating opportunities for them to work together with us in achieving our goal to be the first choice for logistics in the country.<br><br>2GO have also launched an MSME program called 2GO Getters, building a community of MSMEs, start-up companies and anyone who aspire to build their business empires in need of delivery services.<br><br>Created to empower small businesses, 2GO Getters is a dynamic initiative dedicated to providing MSMEs with the tools they need to excel in a competitive market, | Local suppliers not able to meet 2GO standards and requirements | 2GO Group has a stringent supplier accreditation process, and works with partners to make sure that they continuously improve and deliver quality products and services that meet our standards |

| | | | |
|---|---|---|---|
| | offering a series of growth-focused workshops, online promotional campaigns, and networking opportunities. | | |
| Transport and Distribution partners for different industries | **UN DG 9 – Industry Innovation and Infrastructure**<br><br>We provide industry innovation and transport infrastructure for key industry verticals such as consumer goods, food, pharmaceuticals, lifestyle products, automotive and consumer electronics. | Risk in handling goods & other cargos. | We invest more resources in enabling technologies that help us navigate evolving trade and logistics environments.<br><br>Our multi-year digitalization plan involves the adoption of globally recognized systems in warehouse, freight, and transport management to improve operational efficiency, minimize waste and reduce business costs. |
| Fleet Modernization | **UN SDG 13: Climate Action**<br><br>We recognize the impact that climate change has on our business and our stakeholders. We incorporate climate change in assessing our risks and opportunities and formulate policies and implement programs that develop our resilience and adaptation to the effects of climate change. | GHG emissions from 2GO owned vessels and vehicles | Acquisition of fuel-efficient ships and investment in technologies such as transport management and delivery optimization system. |
| | | | |

| | | | |
|---|---|---|---|
| Operational Eco-efficiency | **UN SDG 12 – Responsible Consumption and Production**<br><br>We take measures in lessening our environmental impact by reducing our energy and water consumption and waste generation.<br>In our offices, warehouses and hubs, we utilize energy efficient equipment and regularly monitor our consumption.<br><br>We also use biodegradable plastics which are more environmentally friendly. | Some measures to reduce energy requires investment such as conversion to LED. Also, diversion of plastic packaging have corresponding cost. | Our wastes are properly managed and segregated so that they may still be reused or recycled after our operations.<br><br>Resource conservation procedure was developed that guides facilities on how to conserve energy and water. |

** None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.*

REPUBLIC OF THE PHILIPPINES )
TAGUIG CITY, METRO MANILA ) S.S.

## CERTIFICATION

I, **ELMER B. SERRANO,** of legal age, Filipino, and with office address at 1105, Tower 2 High Street South Corporate Plaza, 26th Street, Bonifacio Global City, Taguig City, Philippines after being duly sworn in accordance with law, hereby depose and state that:

1. I am the duly appointed Corporate Secretary of **2GO GROUP, INC.** (the **Corporation**), a corporation duly organized and existing under the laws of the Philippines, with SEC Registration No. 4409, and with offices at the 8th Floor, Tower 1, DoubleDragon Plaza, EDSA Extension cor. Macapagal Avenue, Pasay City.

2. That I have caused the preparation of this Annual Report (SEC 17-A) on behalf of the Corporation;

3. That I have read and understood its contents which are true and correct based on my own personal knowledge and/or on authentic records;

4. That the Corporation will comply with the requirements set forth in SEC Notice dated May 12, 2021 to effect a complete and official submission of reports and/or documents through electronic mail;

5. That I am fully aware that submitted documents which require pre-evaluation and/or payment of processing fee shall be considered complete and officially received only upon payment of a filing fee; and

6. That the e-mail account designated by the Corporation pursuant to SEC Memorandum Circular No. 28, s. 2020 shall be used by the Corporation in its online submissions to CGFD.

**IN WITNESS WHEREOF**, I have hereunto affixed my signature on this APR 15 2024 at Taguig City.

**ELMER B. SERRANO**
*Corporate Secretary*

**SUBSCRIBED AND SWORN** to before me this APR 15 2024 at Taguig City, affiant exhibited to me his Tax Identification No. 153-406-995.

Doc. No. 264;
Page No. 54;
Book No. II;
Series of 2024.

**JESSE JOHN M. HERMOSO**
Appointment No. 132 (2023-2024)
Notary Public for Taguig City
Until December 31, 2024
Attorney's Roll No. 83148
1105 Tower 2 High Street South Corporate Plaza
26th Street, Bonifacio Global City, Taguig City
PTR Receipt No. A-6104223; 01-03-24; Taguig City
IBP Receipt No. 398768; 01-04-24; Pasig City
Admitted to the Bar on June 2022