

# COVER SHEET

for

## AUDITED FINANCIAL STATEMENTS

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## COMPANY INFORMATION

**investor\_relations@2go.com.ph**

**(02) 8554-8777**

	N/A
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<p><b>5,114</b></p>
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**4<sup>th</sup> Thursday of May**

December 31

<b>CONTACT PERSON INFORMATION</b>
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Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
<b>Atty. Elmer Serrano</b>	<b>elmer.serrano@serranolawph.com</b>	<b>(02) 8651-7408</b>	<b>N/A</b>

[illegible]

**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.**

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **September 30, 2023**
2. Commission 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. Industry Classification Code:  (SEC Use Only)
7. **8th Floor, Tower 1, DoubleDragon Plaza, Macapagal Blvd. corner EDSA Extension, Pasay City**  
Address of issuer's principal office Postal Code **1302**
8. **(02) 8528-7171**  
Issuer's telephone number, including area code

**N/A**

9. Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
<b>Common Stock</b>	<b>2,462,146,316 shares</b>
<b>Total Liabilities as of 30 September 2023</b>	<b>Php 12,669,094,000.00</b>

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

Yes [ ] No [X]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

**N/A**

12. Indicate by check mark whether the registrant:

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

Yes [**X**] No [ ]

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

Yes [**X**] No [ ]

#### **DOCUMENTS INCORPORATED BY REFERENCE**

13. The following documents are incorporated in the report and referenced as follows:

- (i) 2GO Group, Inc.'s Unaudited Interim Condensed Consolidated Financial Statements as of September 30, 2023 and December 31, 2022 and for the Nine Months Ended September 30, 2023 and 2022; and
- (ii) Management's Discussion and Analysis of Financial Condition and Results of Operations.

#### **PART I FINANCIAL INFORMATION**

##### **Item 1. Financial Statements.**

Please refer to attached.

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

Please refer to attached.

#### **PART II OTHER INFORMATION**

None.

## 2GO Group, Inc. and Subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements  
As of September 30, 2023 and December 31, 2022  
and For the Nine Months Ended September 30, 2023 and 2022

**2GO GROUP, INC. AND SUBSIDIARIES****UNAUDITED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION****SEPTEMBER 30, 2023 AND DECEMBER 31, 2022**

(Amounts in Thousands)

	<i>Note</i>	<b>September 30, 2023 (Unaudited)</b>	<b>December 31, 2022 (Audited)</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	<b>₱833,350</b>	₱724,527
Trade and other receivables	8, 17, 20	<b>2,953,914</b>	3,583,819
Inventories	9	<b>282,104</b>	512,773
Other current assets	10	<b>2,174,129</b>	1,944,556
<b>Total Current Assets</b>		<b>6,243,497</b>	6,765,675
<b>Noncurrent Assets</b>			
Property and equipment	11, 17, 18	<b>5,971,702</b>	5,648,558
Investments in associates and joint ventures	12	<b>357,001</b>	334,365
Goodwill	13	<b>686,896</b>	686,896
Deferred income tax assets	27	<b>103,920</b>	100,666
Other noncurrent assets	14	<b>956,705</b>	997,168
<b>Total Noncurrent Assets</b>		<b>8,076,224</b>	7,767,653
<b>TOTAL ASSETS</b>		<b>₱14,319,721</b>	₱14,533,328
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Short-term notes payable	15	<b>₱1,101,000</b>	₱2,306,000
Trade and other payables	16, 19, 20	<b>5,396,991</b>	5,201,129
Obligations under lease - current portion	11, 18	<b>404,240</b>	347,387
Long-term debt - current portion	11, 17	<b>333,668</b>	3,496,823
<b>Total Current Liabilities</b>		<b>7,235,899</b>	11,351,339
<b>Noncurrent Liabilities</b>			
Noncurrent portion of:			
Long-term debt	17	<b>3,541,852</b>	497,977
Obligations under lease	11, 18	<b>1,526,261</b>	1,344,512
Accrued retirement benefits	26	<b>365,082</b>	344,900
<b>Total Noncurrent Liabilities</b>		<b>5,433,195</b>	2,187,389
<b>Total Liabilities</b>		<b>₱12,669,094</b>	₱13,538,728

(Forward)

	<i>Note</i>	<b>September 30, 2023 (Unaudited)</b>	<b>December 31, 2022 (Audited)</b>
<b>Equity</b>	<i>21</i>		
Share capital		<b>₱2,500,663</b>	₱2,500,663
Additional paid-in capital		<b>2,498,621</b>	2,498,621
Other equity reserve		<b>712,245</b>	712,245
Other comprehensive losses - net		<b>(58,217)</b>	(60,381)
Deficit		<b>(4,016,397)</b>	(4,662,088)
Treasury shares		<b>(58,715)</b>	(58,715)
<b>Equity Attributable to Equity Holders of the Parent Company</b>		<b>1,578,200</b>	930,345
<b>Non-controlling Interests</b>		<b>72,427</b>	64,255
<b>Total Equity</b>		<b>1,650,627</b>	994,600
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>₱14,319,721</b>	₱14,533,328

*See accompanying Notes to the Interim Condensed Consolidated Financial Statements.*

**2GO GROUP, INC. AND SUBSIDIARIES****UNAUDITED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022**

(Amounts in Thousands, Except for Earnings Per Common Share)

		Nine Months Ended September 30		Three Months Ended September 30	
	<i>Note</i>	2023	2022	2023	2022
<b>REVENUES FROM CONTRACTS WITH CUSTOMERS</b>	5,20				
Shipping					
Freight		₱3,726,395	₱3,672,042	₱1,257,439	₱1,231,163
Travel		1,698,341	1,010,644	621,401	444,886
Non-shipping:					
Logistics and other services		6,230,340	5,625,365	2,158,719	2,103,999
Sale of goods		2,957,979	3,487,639	711,820	1,317,295
		14,613,055	13,795,690	4,749,379	5,097,343
<b>COST OF SERVICES AND GOODS SOLD</b>	22	12,812,416	12,539,561	4,121,692	4,603,789
<b>GROSS PROFIT</b>		1,800,639	1,256,129	627,687	493,554
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	23	747,326	692,405	282,723	246,825
<b>OPERATING INCOME</b>		1,053,313	563,724	344,964	246,729
<b>OTHER INCOME (CHARGES)</b>					
Equity in net income of associates and joint ventures	12	20,472	13,349	13,091	8,249
Financing charges	24	(371,786)	(347,021)	(119,270)	(118,141)
Others – net	24	12,515	50,230	4,916	42,697
		(338,799)	(283,442)	(101,263)	(67,195)
<b>INCOME BEFORE INCOME TAX</b>		714,514	280,282	243,701	179,533
<b>PROVISION FOR INCOME TAX</b>	27				
Current		63,907	46,298	27,290	16,380
Deferred		(3,255)	(6,069)	1,323	(2,694)
		60,652	40,229	28,613	13,686
<b>NET INCOME</b>		₱653,862	₱240,053	₱215,088	₱165,847
<b>Net Income attributable to:</b>					
Equity holders of the Parent Company		₱645,691	₱238,574	₱212,415	₱165,335
Non-controlling interests		8,171	1,479	2,673	512
		₱653,862	₱240,053	₱215,088	₱165,847
<b>Basic/Diluted Income Per Share</b>	28	₱0.2622	₱0.0969	₱0.0863	₱0.0672

See accompanying Notes to the Interim Condensed Consolidated Financial Statements.

**2GO GROUP, INC. AND SUBSIDIARIES**  
**UNAUDITED INTERIM CONSOLIDATED STATEMENT OF**  
**COMPREHENSIVE INCOME**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022**  
(Amounts in Thousands)

		Nine Months Ended September 30		Three Months Ended September 30	
	<i>Note</i>	2023	2022	2023	2022
<b>NET INCOME</b>		<b>₱653,862</b>	₱240,053	<b>₱215,088</b>	₱165,847
<b>OTHER COMPREHENSIVE INCOME- Net of tax</b>					
<b>Item that will not be reclassified subsequently to profit or loss:</b>					
Remeasurement losses on net defined benefit liability	26	—	—	—	—
Income tax effect		—	—	—	—
		—	—	—	—
<b>Share in remeasurement gain on retirement benefits of associates</b>		<b>2,164</b>	5,195	—	5,195
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>₱656,026</b>	₱245,248	<b>₱215,088</b>	₱171,042
<b>Attributable to:</b>					
Equity holders of the Parent Company		<b>₱647,855</b>	₱243,769	<b>₱212,415</b>	₱170,530
Non-controlling interests		<b>8,171</b>	1,479	<b>2,673</b>	512
		<b>₱656,026</b>	₱245,288	<b>₱215,088</b>	₱171,042

*See accompanying Notes to the Interim Condensed Consolidated Financial Statements.*



## 2GO GROUP, INC. AND SUBSIDIARIES

### UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

(Amounts in Thousands)

	Attributable to Equity Holders of Parent Company											
	Other Comprehensive Income (Losses)											
	Share Capital (Note 21)	Additional Paid-in Capital	Other Equity Reserve	Share in Cumulative Translation Adjustment of Associates	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	Treasury Shares (Note 21)	Total	Non- controlling Interests	Total Equity
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 period	–	–	–	–	–	–	–	645,691	–	645,691	8,171	653,862
Other comprehensive income for the period	–	–	–	–	–	2,164	2,164	–	–	2,164	–	2,164
Total comprehensive income for the period	–	–	–	–	–	2,164	2,164	645,691	–	647,855	8,171	656,026
BALANCES AT SEPTEMBER 30, 2023 (Unaudited)	₱2,500,663	₱2,498,621	₱712,245	₱5,294	(₱75,005)	₱11,494	(₱58,217)	(₱4,016,397)	(₱58,715)	₱1,578,200	₱72,426	₱1,650,626
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 period	–	–	–	–	–	–	–	238,574	–	238,574	1,479	240,053
Other comprehensive income for the period	–	–	–	–	–	5,195	5,195	–	–	5,195	–	5,195
Total comprehensive income (loss) for the period	–	–	–	–	–	5,195	5,195	238,574	–	243,769	1,479	245,248
BALANCES AT SEPTEMBER 30, 2022 (Unaudited)	₱2,500,663	₱2,498,621	₱712,245	₱5,294	(₱113,523)	₱9,330	(₱98,899)	(₱4,732,347)	(₱58,715)	₱821,568	₱62,634	₱884,202

See Notes to the Unaudited Interim Condensed Consolidated Financial Statements.

## 2GO GROUP, INC. AND SUBSIDIARIES

### UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2023 AND 2022

(Amounts in Thousands)

		Nine Months Ended September 30	
	Note	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before tax		<b>₱714,514</b>	₱280,282
Adjustments for:			
Depreciation and amortization of property and equipment and software	11, 14, 22,23	<b>981,776</b>	1,020,553
Financing charges	24	<b>439,733</b>	347,021
Equity in net earnings of associates and joint ventures	12	<b>(20,472)</b>	(13,349)
Retirement benefit cost	26	<b>72,530</b>	64,893
Gain on disposal of property and equipment	24	<b>(6,260)</b>	(9,524)
Gain on deconsolidation of subsidiary		<b>—</b>	(35,086)
Unrealized foreign exchange losses (gain)		<b>(63)</b>	4,088
Interest income	24	<b>(458)</b>	(1,591)
Provision for impairment of other assets	24	<b>736</b>	—
Operating income before working capital changes		<b>2,182,036</b>	1,657,287
Decrease (increase) in:			
Trade and other receivables		<b>619,905</b>	(255,466)
Inventories		<b>230,669</b>	8,679
Other current assets		<b>(79,974)</b>	23,000
Other non - current assets		<b>10,953</b>	—
Increase in trade and other payables		<b>88,893</b>	272,924
Cash generated from operations		<b>3,052,482</b>	1,706,425
Contribution for retirement fund and benefits paid from book reserve	26	<b>(52,347)</b>	(5,470)
Interest received		<b>458</b>	1,591
Income taxes paid, including creditable withholding taxes		<b>(213,506)</b>	(132,731)
Net cash flows provided by operating activities		<b>2,787,087</b>	1,569,815
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to:			
Property and equipment	11	<b>(585,819)</b>	(315,299)
Software		<b>(13,998)</b>	(15,177)
Proceeds from disposal of property and equipment:	11	<b>14,569</b>	8,686
Investment in subsidiary and associate		<b>10,000</b>	10,000
Decrease (increase) in other noncurrent assets		<b>14,389</b>	22,368
Net cash flows used investing activities		<b>(560,859)</b>	(289,422)

(Forward)

		<b>Nine Months Ended September 30</b>	
	<i>Note</i>	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>32</b>		
Proceeds from availments of:			
Short-term notes payable	15	<b>₱60,000</b>	₱1,050,000
Payments of:			
Short-term notes payable	15	<b>(1,265,000)</b>	(1,650,000)
Long-term debt	15	<b>(100,000)</b>	—
Obligations under lease	18	<b>(428,232)</b>	(254,921)
Interest and financing charges	24	<b>(358,736)</b>	(345,721)
Debt transaction cost	24	<b>(25,500)</b>	—
Net cash flows used in financing activities		<b>(2,117,468)</b>	(1,200,642)
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		<b>63</b>	570
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>108,823</b>	80,321
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	7	<b>724,527</b>	670,015
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	7	<b>₱833,350</b>	₱750,336

*See Notes to the Unaudited Interim Condensed Consolidated Financial Statements.*

## **2GO GROUP, INC. AND SUBSIDIARIES**

### **NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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

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#### **1. Corporate Information and Approval of the Unaudited Interim Condensed Consolidated Financial Statements**

2GO Group, Inc. (2GO or the Company) was incorporated in the Philippines on May 26, 1949. Its corporate life was 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.

2GO is 35.22%-owned by KGLI-NM Holdings, Inc. (KGLI-NM), 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 as of March 31, 2021.

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 unaudited interim condensed consolidated financial statements as at and for the nine months ended September 30, 2023, with comparative figures for the nine months ended September 30, 2022 and as at December 31, 2022, were approved and authorized for issue by the BOD on November 8, 2023.

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## 2. Basis of Preparation and Statement of Compliance

### Basis of Preparation

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

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures that are normally required in presenting the annual audited financial statements and as such should be read in conjunction with the Group's available audited annual consolidated financial statements as at and for the year ended December 31, 2022.

### Statement of Compliance

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

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## 3. Significant Accounting Policies

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

### Adoption of New or Revised 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 unaudited interim condensed consolidated financial statements.

#### *Effective beginning on or after January 1, 2023*

- 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.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

- 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. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

- 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 the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

- *Annual Improvements to PFRSs 2018-2020 Cycle*
  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards*, *Subsidiary as a first-time adopter*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

- Amendments to PFRS 9, *Financial Instruments*, *Fees in the ‘10 per cent’ test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf.

- Amendments to PAS 41, *Agriculture*, *Taxation in fair value measurements*

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

### 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.

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

#### *Effective beginning on or after January 1, 2024*

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

#### *Effective beginning on or after January 1, 2025*

- PFRS 17, *Insurance Contracts*

#### *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 significant accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are summarized below.

### Basis of Consolidation

The unaudited interim condensed consolidated financial statements include the accounts of 2GO and the subsidiaries listed below.

	Nature of Business	<u>Percentage of Ownership</u>	
		<u>September 30, 2023</u>	<u>December 31, 2022</u>
Special Container and Value Added Services, Inc. (SCVASI) <sup>(3)</sup>	Transportation/logistics	<b>100.0</b>	100.0
2GO Express, Inc. (2GO Express)	Transportation/logistics	<b>100.0</b>	100.0
2GO Logistics, Inc. (2GO Logistics or DTN)	Transportation/logistics	<b>100.0</b>	100.0
Scanasia Overseas, Inc. (SOI) <sup>(6)</sup>	Sales of goods	<b>100.0</b>	100.0
2GO Land Transport, Inc. <sup>(1)</sup>	Transportation	<b>100.0</b>	100.0
	Holdings and logistics		
NN-ATS Logistics Management and Holdings Co., Inc. <sup>(2)</sup>	management	<b>100.0</b>	100.0
Astir Engineering Works, Inc. <sup>(2) (4)</sup>	Engineering services	<b>100.0</b>	100.0
WG&A Supercommerce, Incorporated <sup>(4)</sup>	Vessels' hotel management	<b>100.0</b>	100.0
North Harbor Tugs Corporation	Tugboat assistance	<b>58.9</b>	58.9
2GO Rush Delivery, Inc. (RUSH) <sup>(5)</sup>	Transportation/logistics	<b>100.0</b>	100.0

<sup>1</sup> Formerly WRR Trucking Corporation

<sup>2</sup> In September 2020, the BOD approved the merger of these companies

<sup>3</sup> On February 22, 2023, the BOD approved the merger of 2GO and SCVASI, with 2GO as the surviving entity, for operational efficiencies of the Group

<sup>4</sup> Ended commercial operations in 2018 or prior

<sup>5</sup> Wound down due to non-operation

<sup>6</sup> On August 9, 2023, the BOD approved the cessation of business operations of SOI.

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

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

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

##### Judgments

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

##### *Revenue from contracts with customers*

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- *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.
- *Determining the method to estimate variable consideration and assessing the constraint*  
The Group includes some or all the amounts of variable consideration estimated but only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Group considers both the likelihood and magnitude of the revenue reversal in evaluating the extent of variable consideration the Group will be subjected to constraint.

Factors such as the following are considered:

- a. high susceptibility to factors outside the Group's influence;
- b. timing of the resolution of the uncertainty, and
- c. having a large number and broad range of possible outcomes.

Some contracts with customers provide promotions, prompt payment discounts, rebates and incentives that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled. The expected value method of estimation takes into account a range of possible outcomes while the most likely amount is used when the outcome is binary. The Group determined that the expected value method is the appropriate method to use in estimating these variable considerations given the large number of contracts with customers that have similar characteristics and the range of possible outcomes.



Some contracts provide customers with a right of return, particularly for damaged or expired goods, which is usually capped at a certain percentage of sales to the entitled customers. Under PFRS 15, rights of return give rise to variable consideration. Accordingly, under PFRS 15, the consideration received from the customer is variable because the contract allows the customer to return the products. The Group used the expected value method to estimate the goods that will not be returned based on the historical experience. For goods expected to be returned, the Group estimates a refund liability, net of the amounts that are reimbursable or chargeable to the original supplier or principal of the products. No right of return assets are recognized since the returns from customers pertain only to damaged or expired goods, which have nil recoverable value.

- *Determining whether the Group is acting as principal or an agent*

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

- whether the Group has primary responsibility for fulfilling the promise to providing the services;
- whether the Group has inventory risk; and
- whether the Group has discretion in establishing prices.

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

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

*Determining the lease term of contracts with renewal and termination options - Group as lessee*

The Group determines the lease term as the non-cancellable term of the lease. The Group also determines whether a particular contract contains an option to extend the lease or an option to terminate the lease.

Management determines that there are no enforceable options to extend or terminate the existing lease arrangements of the Group.

*Evaluation of Events after the Reporting Period*

Management exercises judgment in determining whether an event, favorable or unfavorable, occurring between the end of reporting period and the date when the unaudited interim condensed consolidated financial statements are authorized for issue, is an adjusting event or nonadjusting event.

Adjusting events provide evidence of conditions that existed at the end of the reporting period whereas nonadjusting events are events that are indicative of conditions that arose after the reporting period. Management evaluated that there is no significant adjusting or nonadjusting events after the reporting period.

Estimates and Assumptions

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

*Leases - Estimation of Incremental Borrowing Rate (IBR)*

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to

measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

*Provision for ECL of trade receivables 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.

*Determination of NRV of Inventories*

The Group's estimates of the NRV of inventories are based on the most reliable evidence available at the time the estimates are made, of the amount that the inventories are expected to be realized. These estimates consider the fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the reporting period. A new assessment is made of NRV in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in NRV because of change in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV. In estimating the allowance for inventory obsolescence, the Group also considers the physical condition of inventory stocks and expiration dates of inventories. Management estimates the provisioning rates to be applied to the age brackets of expiring inventories based on the Group's historical expiration experience. Refer to Note 9.

*Estimation of probable losses on CWTs and Input VAT*

The Group makes an estimate of the provision for probable losses on its CWTs and input VAT. Management's assessment is based on historical experience and other developments that indicate that the carrying value may no longer be recoverable. In 2021 and 2020, the Group assessed that the aggregate carrying values of CWTs, input VAT and deferred input VAT are fully recoverable. Refer to Notes 10 and 14.

*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 and investments in associates and joint ventures*

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

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

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

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

	Note	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
		(In Thousands)	
Property and equipment	11	<b>₱5,971,702</b>	₱5,648,558
Investments in associates and joint ventures	12	<b>357,001</b>	334,365

As at September 30, 2023 and December 31, 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.

Management determined that no impairment loss has to be recognized on its investments in associates and joint ventures.

*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 unaudited interim condensed 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, sale of goods, supply chain management and other services.

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

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

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

	For the Nine Months Ended September 30, 2023 (Unaudited)			
	Shipping	Non Shipping	Eliminations/ Adjustments	Consolidated Balance
			(In Thousands)	
External customers	₱5,424,736	₱9,188,319	₱—	₱14,613,055
Intersegment revenue	1,228,861	308,897	(1,537,758)	—
<b>Revenues from contracts with customers</b>	<b>₱6,653,597</b>	<b>₱9,497,216</b>	<b>(₱1,537,758)</b>	<b>₱14,613,055</b>
Income before income tax	₱665,141	₱49,372	₱—	₱714,514
Provision for income tax	(20,762)	(39,890)	—	(60,652)
<b>Segment income</b>	<b>₱664,379</b>	<b>₱9,482</b>	<b>₱—</b>	<b>₱653,862</b>
<b>Other Information:</b>				
Capital expenditures	₱342,903	₱329,048	₱—	₱671,951
Depreciation and amortization	716,643	265,134	—	981,777
Provision for ECL - net	39	16,084	—	16,123
Equity in net earnings of associates and joint ventures	13,455	7,016	—	20,472

As of September 30, 2023 (Unaudited)				
	Shipping	Non Shipping	Eliminations/ Adjustments	Consolidated Balance
<b>Segment assets</b>	<b>₱12,095,569</b>	<b>₱6,244,885</b>	<b>(₱4,020,733)</b>	<b>₱14,319,721</b>
<b>Segment liabilities</b>	<b>₱9,006,862</b>	<b>₱7,618,683</b>	<b>(₱3,956,451)</b>	<b>₱12,669,094</b>

For the Nine Months Ended September 30, 2022 (Unaudited)				
	Shipping	Non Shipping	Eliminations/ Adjustments	Consolidated Balance
<i>(In Thousands)</i>				
External customers	₱4,682,686	₱9,113,004	₱—	₱13,795,690
Intersegment revenue	1,132,837	395,577	(1,528,414)	—
Revenues from contracts with customers	₱5,815,523	₱9,508,581	(₱1,528,414)	₱13,795,690
Income before income tax	₱295,780	₱89,502	(₱105,000)	₱280,282
Provision for income tax	(8,920)	(31,309)	—	(40,229)
Segment income	₱286,860	₱58,193	(₱105,000)	₱240,053
Other Information:				
Capital expenditures	₱342,903	₱90,901	₱—	₱433,804
Depreciation and amortization	732,384	288,169	—	1,020,553
Provision for ECL - net	634	14,709	—	15,343
Dividend Income	105,000	—	(105,000)	—
Equity in net earnings of associates and joint ventures	17,315	(3,966)	—	13,349

As of September 30, 2022 (Unaudited)				
	Shipping	Non Shipping	Eliminations/ Adjustments	Consolidated Balance
<b>Segment assets</b>	<b>₱11,350,821</b>	<b>₱6,379,428</b>	<b>(₱3,625,243)</b>	<b>₱14,105,006</b>
<b>Segment liabilities</b>	<b>₱9,149,232</b>	<b>₱7,672,567</b>	<b>(₱3,600,995)</b>	<b>₱13,220,804</b>

## 7. Cash and Cash Equivalents

This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
<i>(In Thousands)</i>		
Cash on hand and in banks	<b>₱818,691</b>	₱712,888
Cash equivalents	<b>14,659</b>	11,639
	<b>₱833,350</b>	₱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 ₱0.42 million and ₱0.26 million for the nine months ended September 30, 2023 and 2022, respectively (see Note 24).

## 8. Trade and Other Receivables

This account consists of:

	<i>Note</i>	<b>September 30, 2023 (Unaudited)</b>	<b>December 31, 2022 (Audited)</b>
		<i>(In Thousands)</i>	
Trade		<b>₱2,656,785</b>	₱2,954,257
Contract assets	20	<b>428,290</b>	653,245
Nontrade		<b>381,946</b>	470,388
Advances to officers and employees		<b>22,284</b>	24,177
		<b>3,489,305</b>	4,102,067
Less allowance for ECL		<b>(535,391)</b>	(518,248)
		<b>₱2,953,914</b>	₱3,583,819

- Trade receivables are noninterest-bearing and are generally on 30 to 60 days terms.
- Contract assets include unbilled receivables which represent amounts recognized as revenue for which the invoices have not yet been issued to the customers.
- 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 includes the ₱30.0 million and ₱10.0 million current portion of receivable for the sale of Mober as of September 30, 2023 and December 31, 2022, respectively (see Notes 12 and 14)
- The following tables set out the rollforward of the allowance for ECL as of September 30, 2023 and December 31, 2022:

<b>September 30, 2023 (Unaudited)</b>				
	<i>Note</i>	<b>Trade and Contract Assets</b>	<b>Nontrade</b>	<b>Total</b>
		<i>(In Thousands)</i>		
Beginning		<b>₱483,458</b>	<b>₱34,790</b>	<b>₱518,248</b>
Provision	23	<b>12,642</b>	<b>3,481</b>	<b>16,123</b>
Write-off		<b>(1,565)</b>	—	<b>(1,565)</b>
Reversal/Other adjustments		<b>2,585</b>	—	<b>2,585</b>
Ending		<b>₱497,120</b>	<b>₱38,271</b>	<b>₱535,391</b>

<b>December 31, 2022 (Audited)</b>				
	<i>Note</i>	<b>Trade and Contract Assets</b>	<b>Nontrade</b>	<b>Total</b>
		<i>(In Thousands)</i>		
Beginning		<b>₱480,602</b>	<b>₱29,617</b>	<b>₱510,219</b>
Provision	23	<b>23,058</b>	<b>8,685</b>	<b>31,743</b>
Write-off		<b>(20,202)</b>	<b>(3,512)</b>	<b>(23,714)</b>
Ending		<b>₱483,458</b>	<b>₱34,790</b>	<b>₱518,248</b>

## 9. Inventories

This account consists of:

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
	<i>(In Thousands)</i>	
At lower of cost and net realizable value:		
Trading goods	<b>₱127,556</b>	₱377,355
Materials, parts and supplies	<b>21,108</b>	19,020
At cost:		
Fuel, oil and lubricants	<b>133,440</b>	116,398
	<b>₱282,104</b>	₱512,773

The cost of trading goods carried at net realizable value amounted to ₱136.9 million and ₱382.2 million as of September 30, 2023 and December 31, 2022 while the cost of materials, parts and supplies carried at net realizable value amounted to ₱23.5 million and ₱21.4 million, respectively. The allowance for inventory obsolescence amounted to ₱11.8 million and ₱7.3 million as at September 30, 2023 and December 31, 2022, respectively.

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

	Nine Months Ended September 30 (Unaudited)	
Note	2023	2022
	<i>(In Thousands)</i>	
Cost of goods sold	<b>₱2,557,351</b>	₱3,137,608
Cost of services	<b>2,335,531</b>	2,198,989
General and administrative expense	<b>3,296</b>	2,757
	<b>₱4,896,178</b>	₱5,339,354

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	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
		<i>(In Thousands)</i>	
CWTs		<b>₱1,611,503</b>	₱1,461,904
Prepaid expenses and others		<b>234,268</b>	132,007
Deferred Input VAT		<b>124,266</b>	117,060
Refundable deposits - current portion	14	<b>110,575</b>	100,205
Input VAT		<b>40,054</b>	91,492
Advances to suppliers and contractors		<b>55,012</b>	43,437
		<b>2,175,678</b>	1,946,105
Less: allowance for impairment losses		<b>(1,549)</b>	(1,549)
		<b>₱2,174,129</b>	₱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

September 30, 2023 (Unaudited)												
	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
<i>(In Thousands)</i>												
Cost												
January 1, 2023	P 9,689,894	P 1,625,034	P1,022,803	P496,168	P494,647	P365,743	P429,728	P2,393	P727,563	P4,473	P2,511,414	P17,369,860
Additions	575,996	34	34,255	32,153	7,549	2,055	1,503	—	18,407	—	939,157	1,611,109
Disposals/Retirements	(3,737)	(21,660)	(16,752)	(7,871)	—	(1,381)	(13,379)	—	(111,807)	—	(755,325)	(931,912)
Reclassification	—	—	—	—	—	—	—	—	—	—	(97,187)	(97,187)
September 30, 2023	10,262,153	1,603,408	1,040,306	520,450	502,196	366,417	417,852	2,393	634,163	4,473	2,598,059	17,951,870
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	534,414	36,610	40,574	19,603	1,868	4,671	7,574	—	35,409	—	275,417	956,140
Disposals/Retirements	(3,737)	(21,660)	(16,752)	(7,508)	—	(400)	(13,379)	—	(121,460)	—	(415,055)	(599,951)
Reclassifications	—	—	(400)	111	(2)	640	—	358	37	—	(98,803)	(98,059)
September 30, 2023	7,391,375	1,424,842	748,849	428,341	159,446	306,013	402,905	2,073	456,682	—	658,906	11,979,432
Impairment	—	—	—	—	736	—	—	—	—	—	—	736
Net carrying amounts	P2,870,778	P178,566	P291,457	P92,109	P342,014	P60,404	P14,947	P320	P177,481	P4,473	P1,939,153	P5,971,702

December 31, 2022 (Audited)												
	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
<i>(In Thousands)</i>												
Cost												
January 1, 2022	P10,512,687	P1,625,846	P971,904	P458,968	P471,545	P361,559	P424,648	P2,393	P685,781	P53	P1,841,155	P17,356,539
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	P2,829,196	P215,142	P297,376	P80,033	P337,067	P64,641	P21,018	P678	P184,867	P4,473	P1,614,067	P5,648,558

*Property and Equipment under Lease*

Containers, reefer vans, isotanks, cargo handling equipment and transportation equipment and office and operational spaces as of September 30, 2023 and December 31, 2022 include units acquired under lease arrangements (see Note 18).

Noncash additions include costs of leased assets for the nine months ended September 30, 2023 and 2022 amounting to ₱939 million and ₱1,342.4 million, respectively. The related depreciation of the leased assets for the nine months ended September 30, 2023 and 2022 amounting to ₱275.4 million and ₱295.4 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.

<b>September 30, 2023 (Unaudited)</b>					
	<b>Container yard</b>	<b>Office</b>	<b>Warehouse</b>	<b>Equipment</b>	<b>Total</b>
	<i>(In Thousands)</i>				
<b>Cost</b>					
January 1, 2023	<b>₱562,987</b>	<b>₱352,745</b>	<b>₱1,253,978</b>	<b>₱341,704</b>	<b>₱2,511,414</b>
Additions	<b>239,009</b>	<b>—</b>	<b>671,239</b>	<b>28,909</b>	<b>939,157</b>
Disposal	<b>—</b>	<b>—</b>	<b>(755,325)</b>	<b>—</b>	<b>(755,325)</b>
Reclassifications	<b>(1,019)</b>	<b>—</b>	<b>(23,492)</b>	<b>(72,673)</b>	<b>(97,184)</b>
September 30, 2023	<b>800,977</b>	<b>352,745</b>	<b>1,146,400</b>	<b>297,940</b>	<b>2,598,062</b>
<b>Accumulated depreciation</b>					
January 1, 2023	<b>56,969</b>	<b>139,420</b>	<b>542,577</b>	<b>158,381</b>	<b>897,347</b>
Depreciation	<b>42,299</b>	<b>32,910</b>	<b>175,477</b>	<b>24,731</b>	<b>275,417</b>
Disposal	<b>—</b>	<b>—</b>	<b>(415,055)</b>	<b>—</b>	<b>(415,055)</b>
Reclassification	<b>(5,881)</b>	<b>74</b>	<b>(18,737)</b>	<b>(74,259)</b>	<b>(98,803)</b>
September 30, 2023	<b>93,387</b>	<b>172,404</b>	<b>284,262</b>	<b>108,853</b>	<b>658,906</b>
<b>Net Carrying Amount</b>	<b>₱707,590</b>	<b>₱180,341</b>	<b>₱862,138</b>	<b>₱189,087</b>	<b>₱1,939,156</b>

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

Unpaid acquisition costs of property and equipment amounted to ₱284.5 million and ₱198.4 million as of September 30, 2023 and December 31, 2022, respectively.

*Residual Value of Vessels*

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

*Capitalization of Drydocking Costs*

Vessels in operations also include capitalized drydocking costs incurred amounting to ₱422.3 million and ₱114.8 million for the nine months ended September 30, 2023 and 2022, respectively. The related depreciable life of drydocking costs ranges from two years to two-and-a-half years.

### *Sale and Disposal of Property and Equipment*

The Group disposed certain property and equipment for consideration of ₱14.6 million and ₱9.5 million for the nine months ended September 30, 2023 and 2022, respectively.

### *Depreciation and Amortization*

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

		Nine Months Ended September 30 (Unaudited)	
	<i>Note</i>	2023	2022
<i>(In Thousands)</i>			
Cost of services and goods sold	22	₱ 919,549	₱959,551
General and administrative expense	23	36,591	34,651
		₱ 956,140	₱994,202

### *Property and Equipment Held as Collateral*

Containers and other equipment held as collateral for finance leases as at September 30, 2023 and December 31, 2022 amounted to ₱2,650 million and ₱2,316.2 million, respectively (see Note 18). One of the vessels in operations of the Group, with a carrying value of ₱710.9 million and ₱702.1 million as at September 30, 2023 and December 31, 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:

	<i>Note</i>	September 30, 2023 (Unaudited)	December 31, 2022, (Audited)
<i>(In Thousands)</i>			
Acquisition - cost:			
Balances at beginning of year*		<b>₱29,634</b>	₱79,634
Disposal		—	(50,000)
Balances at end of year		<b>29,634</b>	29,634
Accumulated equity in net earnings:			
Balances at beginning of year		<b>295,401</b>	201,749
Disposal of equity in net loss		—	35,086
Equity in net earnings during the year		<b>20,472</b>	58,566
Balances at end of year		<b>315,873</b>	295,401
Share in remeasurement gain on retirement benefits of associates and joint ventures:			
Balances at beginning of year		<b>9,330</b>	4,135
Share in remeasurement gain during the year		<b>2,164</b>	5,195
Balances at end of year		<b>11,494</b>	9,330
		<b>₱357,001</b>	₱334,365

In August 2022, the Group sold 100% of its shares in Mober for ₱50.0 million, which is payable on installment basis. The downpayment of ₱10.0 million was paid in August 2022, and the second installment of ₱10.0 million was paid in August 2023. The outstanding balance of ₱30.0 million plus 8% interest per annum is payable in August 2024 and is presented as part of “Trade and other receivables” and “Other noncurrent assets” in the consolidated statements of financial position, as of September 30, 2023 and December 31, 2022, respectively.

### 13. Goodwill

#### Impairment Testing of Goodwill

Goodwill is the result of a business combination in 2010 amounted to ₱848.5 million, and which has been attributed to each of 2GO's CGUs. 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 a five-year period. As of September 30, 2023 and December 31, 2022, the carrying value of the goodwill amounted to ₱686.9 million, net of impairment recognized in prior years for certain CGUs.

The Group reviews goodwill for impairment annually at December 31 or when indicators of impairment arise. The group determined there was no goodwill impairment at September 30, 2023 and December 31, 2022.

### 14. Other Noncurrent Assets

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
	<i>(In Thousands)</i>	
CWTs - net of current portion	₱747,599	₱748,764
Software	106,978	118,617
Refundable deposits - net of current portion	80,875	76,123
Deferred input VAT on capital expenditures	21,353	32,306
Others	—	30,000
	956,805	1,005,810
Allowance for impairment	(100)	(8,642)
	₱956,705	₱997,168

a. The movements in software are as follows:

		September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
		<i>(In Thousands)</i>	
<b>Cost</b>			
Balances at beginning of year		₱364,757	₱348,549
Additions		13,998	38,170
Disposals/Retirement		(3,483)	(21,962)
Balances at end of year		375,272	364,757
<b>Accumulated Amortization</b>			
Balances at beginning of year		246,140	211,374
Amortization	23	25,637	34,766
Disposals/Retirement	23	(3,483)	—
Balances at end of year		268,294	246,140
<b>Carrying Amount</b>		₱106,978	₱118,617

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 2022, allowance for impairment amounting to ₱8.6 million was recognized and is presented as part of “Others” under “General and Administrative Expenses”. In 2023, ₱8.5 million was written off.

- c. Deferred input VAT relates primarily to the major capital expenditures and drydocking of vessels.
- d. The balance of “Others” as of December 31, 2022 relates 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 6.50% to 7.50% and from 3.40% to 4.75% for the nine months ended September 30, 2023 and 2022, respectively. Total interest expense incurred by the Group for the short-term notes payable amounted to ₱93.9 million and ₱95.7 million for the nine months ended September 30, 2023 and 2022, respectively (see Note 24).

## 16. Trade and Other Payables

	<i>Note</i>	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
		<i>(In Thousands)</i>	
Trade		₱539,823	₱1,241,773
Accruals:			
Expenses		2,943,885	2,351,762
Salaries and wages		151,454	120,855
Interest		62,181	55,350
Capital expenditure		284,564	198,432
Others		59,675	142,325
Nontrade		1,036,098	842,034
Government payables		208,744	78,286
Contract liabilities		76,190	35,827
Other payables	19	34,377	134,485
		<b>₱5,396,991</b>	<b>₱5,201,129</b>

- 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 customers’ 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 as at September 30, 2023 due to decrease in service completion of freight cash transactions within the nine months.
- e. Other payables include provision for contingencies amounting to ₱33.3 million and ₱41.7 million as at September 30, 2023 and December 31, 2022, respectively (see Note 19).

## 17. Long-term Debt

Long-term debt consists of:

	Note	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
<i>(In Thousands)</i>			
Banco de Oro Unibank, Inc. (BDO)	20	<b>₱3,900,000</b>	₱4,000,000
Unamortized debt arrangement fees		<b>(24,480)</b>	(5,200)
		<b>3,875,520</b>	3,994,800
Current portion		<b>333,668</b>	3,496,823
Noncurrent portion		<b>₱3,541,852</b>	₱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 ₱710.9 million and ₱702.1 million as of September 30, 2023 and December 31, 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*

Interest from long-term borrowings of the Group recognized as expense totaled ₱192.7 million and ₱173.6 million for the nine months ended September 30, 2023 and 2022, 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 ₱6.2 million and ₱5.3 million for the nine months ended September 30, 2023 and 2022, respectively (see Note 24).

*Compliance with debt covenants*

At December 31, 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.

## 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:

	September 30, 2023 (Unaudited)		December 31, 2022 (Audited)	
	Future Minimum Lease Payments	Present Value of Minimum Lease Payments	Future Minimum Lease Payments	Present Value of Minimum Lease payments
Less than one year	₱511,153	₱404,240	₱438,703	₱347,387
Between one and five years	1,484,838	1,272,742	1,297,383	1,139,609
Between six and ten years	262,304	253,519	218,175	204,903
	2,258,295	1,930,501	1,954,261	1,691,899
Interest component	327,794	—	262,362	—
Present value	₱1,930,501	₱1,930,501	₱1,691,899	₱1,691,899

The interest expense recognized related to these leases amounted to ₱67.9 million and ₱54.9 million for the nine months ended September 30, 2023 and 2022, respectively, under "Financing charges" account in the unaudited interim condensed consolidated statements of profit or loss (see Note 24).

Set out below are the amounts recognized in the unaudited interim condensed consolidated statement of profit or loss for the nine months ended September 30, 2023 and 2022 in relation to the obligation under lease and the related right-of-use assets.

	Nine Months Ended September 30	
	2023	2022
	(In Thousands)	
Depreciation expense of right-of-use assets	₱275,417	₱295,442
Interest expense on obligation under lease	67,947	54,681
Rent expense - short-term leases	379,570	282,649
Rent expense - low value assets	4,870	3,627
	₱727,804	₱636,399

The rollforward analysis of obligation under lease for the nine months ended September 30, 2023 is disclosed in Note 31.



Lease-related expenses are presented under “Cost of Services and Goods Sold”, “General and Administrative Expenses” and “Financing Charges” as follows:

	Nine Months Ended September 30 (Unaudited)	
	2023	2022
	<i>(In Thousands)</i>	
Cost of services and goods sold	<b>₱630,172</b>	₱555,742
General and administrative expenses	<b>29,685</b>	25,976
Financing charges	<b>67,947</b>	54,681
	<b>₱727,804</b>	₱636,399

## 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 unaudited interim condensed 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 September 30, 2023 and December 31, 2022 amounted to ₱33.3 million and ₱41.7 million, respectively, and are presented as part of “Other payables” under “Trade and other payables” in the interim unaudited condensed consolidated statements of financial position (see Note 16). No provision for probable losses was recognized in the interim unaudited consolidated statements of profit or loss for the nine months ended September 30, 2023 and 2022 (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) <sup>(4)</sup> 2GO Land Transport, Inc. (2GO Land) <sup>(1)</sup> 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) <sup>(3)</sup> 2GO Rush, Inc. (Rush) <sup>(3)</sup>
Associates	MCC Transport Philippines, Inc. (MCCP) Mober Technology PTE Inc. <sup>(2)</sup>
Joint Ventures	KLN Logistics Holdings Philippines, Inc. (KLN) Kerry Logistics (Phils.), Inc. (KLPI)

*(Forward)*

Relationship	Name
Other Affiliated Companies	SM Mart, Inc.
	Supervalue, Inc.
	Super Shopping Market, Inc.
	Goldilocks Bakeshop, Inc.
	Sanford Marketing Corporation
	China Banking Corporation
	SM Development Corporation
	SM Prime Holdings Inc.
	Alfamart Trading Philippines, Inc.
	Costa Del Hamilo Inc.
	Digital Advantage Corp.
	Fast Retailing Philippines, Inc.
	Homeworld Shopping Corporation
	Mindpro Retail Inc.
	Mini Depato Corp.
	Online Mall Incorporated
	Sports Central (Manila), Inc.
	Star Appliance Center, Inc.
	Warehouse Development Company, Inc.
	Waltermart Supermarket, Inc.
	ASP Airspeed Philippines, Inc.
	Airspeed International Corporation
	International Toyworld, Inc.

(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 unaudited interim condensed consolidated statements of profit or loss with related parties:

		Nine Months Ended September 30 (Unaudited)	
		2023	2022
Nature		(In Thousands)	
Stockholders of the Company	Outside services	(P32,561)	P(90,496)
	Computer charges	(21,925)	—
	Communication, light and water	(4,845)	—
Associates and Joint Venture	Freight expense	(65,201)	(19,092)
	Freight revenue	157	1,794
	Shared cost	3,006	2,107
	Other overhead expense	(103)	(108)
Other Affiliated Companies	Freight revenue	169,256	214,839
	Outside services	197,487	234
	Sale of goods	183,022	178,659
	Food and beverage	(149,377)	(110,027)
	Interest expense	(269,089)	(216,010)
	Interest income	56	169
	Outside services	(28,080)	(36,284)
	Rent	(36,021)	(11,596)
	Transportation and delivery	(57)	(72)
	Materials and supplies used	(21,394)	(3,140)
	Others - net	129	4,602
Key Management Personnel	Short-term employee benefits	(44,190)	(39,785)

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

Financial Statement			September 30, 2023	December 31, 2022
Account	Terms and Conditions		(Unaudited)	(Audited)
<i>(In Thousands)</i>				
<b>Stockholders of the Parent Company</b>	Trade payable	30 to 60 days; noninterest-bearing	<b>(P11,524)</b>	<b>(P33,121)</b>
	Accrued expenses	30 to 60 days; noninterest-bearing	<b>(3,819)</b>	<b>(19,139)</b>
<b>Associates and joint venture</b>	Trade receivables	30 to 60 days; noninterest-bearing	<b>136</b>	<b>—</b>
	Nontrade receivables	On demand; noninterest-bearing	<b>74,303</b>	<b>69,205</b>
	Trade payables	30 to 60 days; noninterest-bearing	<b>(665)</b>	<b>(1,100)</b>
	Accrued expenses	30 to 60 days; noninterest-bearing	<b>(1,482)</b>	<b>(10,443)</b>
	Due to related parties	30 to 60 days; noninterest-bearing	<b>(9)</b>	<b>(9)</b>
<b>Other Affiliated Companies</b>	Short-term loan	See Note 15	<b>(1,456,000)</b>	<b>(339,000)</b>
	Long-term debt	See Note 18	<b>(3,900,000)</b>	<b>(3,994,800)</b>
	Cash in bank	On demand	<b>613,844</b>	<b>172,230</b>
	Nontrade receivables	30 to 60 days; noninterest-bearing	<b>89,582</b>	<b>71,879</b>
	Accrued expenses	30 to 60 days; noninterest-bearing	<b>(57,741)</b>	<b>(77,287)</b>
	Trade payables	30 to 60 days; noninterest-bearing	<b>(18,189)</b>	<b>(44,134)</b>

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, co-loading 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 services to 2GO Express and SOI.
- In 2022, the Group sold its share in Mober.

*Intercompany Balances Eliminated during Consolidation*

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

Amounts owed to:	Amounts owed by:	Terms and Conditions	September 30, 2023	December 31, 2022
			(Unaudited)	(Audited)
<i>(In Thousands)</i>				
<b>2GO</b>	SCVASI/EXP/2GOLI/SOI/			
	2GO LAND/NLMHCI	30 to 60 days; noninterest-bearing	<b>3,170,466</b>	<b>P3,248,201</b>
<b>EXP</b>	2GO/SCVASI/2GOLI/SOI/			
	2GO LAND/NLMHCI	30 to 60 days; noninterest-bearing	<b>412,449</b>	<b>451,398</b>
<b>SOI</b>	2GO/SCVASI/EXP/2GOLI	30 to 60 days; noninterest-bearing	<b>77,509</b>	<b>75,596</b>
<b>SCVASI</b>	2GO	30 to 60 days; noninterest-bearing	<b>69,070</b>	<b>37,272</b>
<b>2GOLI</b>	2GO/SCVASI/EXP/SOI/			
	2GO LAND	30 to 60 days; noninterest-bearing	<b>48,006</b>	<b>(290,987)</b>
<b>2GO Land</b>	EXP/2GOLI	30 to 60 days; noninterest-bearing	<b>36,310</b>	<b>64,717</b>
<b>NLMHCI</b>	2GO/EXP/NHTC	30 to 60 days; noninterest-bearing	<b>90,825</b>	<b>45,325</b>
<b>USDI</b>	2GO	30 to 60 days; noninterest-bearing	<b>39,098</b>	<b>16,076</b>
<b>AEWI</b>	2GO	30 to 60 days; noninterest-bearing	<b>8,622</b>	<b>7,622</b>
<b>NHTC</b>	2GO	30 to 60 days; noninterest-bearing	<b>5,000</b>	<b>5,614</b>

## 21. Equity

### a. Share Capital

Details of share capital as at September 30, 2023 and December 31, 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 as at September 30, 2023 and December 31, 2022	2,462,146,316	₱2,462,146

Movements in issued and outstanding capital stocks follow:

Date	Activity	Issue price	Number of shares Common shares
May 26, 1949	Issued capital stocks 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
	Issuance of preferred shares		
February 10, 2003	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	—
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 5,114 and 5,109 equity holders as of September 30, 2023 and December 31, 2022, respectively.

- b. Retained earnings include undistributed earnings amounting to ₱1,133.9 million and ₱1,003.8 million as of September 30, 2023 and December 31, 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 September 30, 2023 and December 31, 2022.
- c. Other equity reserves pertain to the Group's excess investment cost over the net assets of acquired entities under common control at the date of acquisition.

## 22. Cost of Services and Goods Sold

This account consists of the following:

		Nine Months Ended September 30 (Unaudited)	
	Note	2023	2022
		(In Thousands)	
<b>Cost of Services</b>			
Transportation and delivery		<b>₱2,773,807</b>	₱2,578,598
Fuel, oil and lubricants	20	<b>2,002,406</b>	2,028,716
Outside services		<b>1,904,496</b>	1,641,693
Depreciation and amortization	11, 14	<b>919,549</b>	959,551
Personnel costs	25, 26	<b>722,322</b>	629,879
Repairs and maintenance		<b>415,358</b>	308,389
Rent	29	<b>381,412</b>	285,711
Arrastre and stevedoring		<b>211,369</b>	218,098
Food and beverage	20	<b>209,674</b>	101,492
Insurance		<b>177,200</b>	184,019
Material and supplies used		<b>123,451</b>	68,781
Communication, light and water		<b>112,056</b>	86,510
Taxes and licenses		<b>78,189</b>	59,276
Food and subsistence		<b>55,102</b>	41,414
Concession expenses		<b>42,135</b>	47,082
Others		<b>126,539</b>	162,744
		<b>10,255,065</b>	9,401,953
<b>Cost of Goods Sold</b>		<b>2,557,351</b>	3,137,608
		<b>₱12,812,416</b>	₱12,539,561

## 23. General and Administrative Expenses

This account consists of the following:

Nine Months Ended September 30			
(Unaudited)			
	Note	2023	2022
(In Thousands)			
Personnel costs	25, 26	₱425,640	₱364,339
Outside services		68,468	64,375
Computer charges		68,384	58,478
Depreciation and amortization	11, 14	62,228	61,002
Transportation and travel		39,484	36,968
Advertising and promotion		30,829	14,348
Communication, light and water		19,581	19,622
Provision for ECL	8	16,123	15,343
Repairs and maintenance		5,411	12,067
Rent	29	3,028	565
Office supplies		3,296	2,757
Entertainment, amusement and recreation		2,415	1,728
Taxes and licenses		5,794	2,409
Insurance		488	367
Others		(3,843)	38,037
		₱747,326	₱692,405

Others consist of various expenses that are individually immaterial such as input vat expense and other corporate expenses. The balance for the nine months ended September 30, 2023 includes reversal of general provision amounting to ₱81.6 million

## 24. Other Income (Charges)

### Financing Charges

		Nine Months Ended September 30 (Unaudited)	
		2023	2022
		(In Thousands)	
Interest expense on:			
Long-term debt	17	₱192,673	₱173,621
Short-term notes payable	15	93,889	95,679
Amortization of:			
Obligations under lease	18	67,947	54,681
Debt transaction costs	17	6,219	5,349
Other financing charges		11,058	17,691
		<b>₱371,786</b>	<b>₱347,021</b>

Other financing charges comprise of items that are individually immaterial. Accrued interest payable as of September 30, 2023 and December 31, 2022 amounted to ₱62.2 million and ₱55.3 million, respectively (see Note 16).

### Others - net

		Nine Months Ended September 30 (Unaudited)	
		2023	2022
		(In Thousands)	
Interest income	7	₱458	₱1,591
Gain on disposal of property and equipment	12	6,260	9,524
Gain on deconsolidation of a subsidiary and associate		—	35,086
Foreign exchange losses		(1,179)	(6,369)
Others - net		6,976	10,398
		<b>₱12,515</b>	<b>₱50,230</b>

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

## 25. Personnel Costs

Details of personnel costs are as follows:

		Nine Months Ended September 30 (Unaudited)	
		2023	2022
		(In Thousands)	
Salaries and wages		₱885,964	₱820,498
Retirement benefit cost	26	72,530	64,893
Other employee benefits		189,468	108,827
		<b>₱1,147,962</b>	<b>₱994,218</b>

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 ₱31.1 million to the retirement fund in 2023. The Group's transaction with the plan pertain to contribution and benefit payments.

Total retirement benefit cost included in the interim unaudited condensed consolidated statements of profit or loss amounted to ₱72.5 million and ₱64.9 million for the nine months ended September 30, 2023 and 2022, respectively.

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

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
	(In Thousands)	
Defined benefit obligation	₱538,858	₱466,329
Fair value of plan assets	(173,776)	(121,429)
	₱365,082	₱344,900

## 27. Income Taxes

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

	Nine Months Ended September 30 (Unaudited)	
	2023	2022
	(In Thousands)	
Current:		
RCIT	₱32,115	₱28,915
MCIT	31,792	17,383
	63,907	46,298
Deferred	(3,255)	(6,069)
	₱60,652	₱40,229

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

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
	(In Thousands)	
Directly recognized in profit or loss		
Deferred income tax assets on:		
Accrued retirement benefits	₱56,013	₱50,780
Unamortized past service cost	9,308	10,971
Obligations under lease, net of right-of-use assets	472,333	391,939
Accruals and others	8,119	8,128
	545,773	461,818
(forward)		

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Deferred income tax liabilities on:		
Right-of-use assets	(457,094)	(379,462)
Unamortized debt arrangement fees and other taxable temporary differences	(7,133)	(2,235)
	<b>81,546</b>	<b>80,121</b>
Directly recognized in OCI		
Deferred income tax asset on remeasurement of retirement costs	22,374	20,545
	<b>₱103,920</b>	<b>₱100,666</b>

## 28. Earnings Per Share (EPS)

Basic and diluted earnings per share were computed as follows:

	Nine Months Ended September 30 (Unaudited)	
	2023	2022
	<i>(In Thousands)</i>	
Net income for the year attributable to equity holders of the Parent Company	<b>₱645,691</b>	<b>₱238,574</b>
Weighted average number of common shares outstanding for the year	<b>2,462,146</b>	<b>2,462,146</b>
Income per common share	<b>₱0.26</b>	<b>₱0.10</b>

There are no potentially dilutive common shares as at September 30, 2023 and 2022.

## 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 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.

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 derivatives transaction, including the risk management objectives and the accounting results, are discussed in this note.

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.



### Credit Risk

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

The Group does not have any significant credit risk exposure to any single counterparty. The Group's exposures to credit risks are primarily attributable to cash and collection of trade and other receivables with a maximum exposure equal to the carrying amount of these financial instruments. As of September 30, 2023 and December 31, 2022, the Group did not hold collateral from any counterparty.

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. Low quality receivables are accounts that are deemed uncollectible and provided for with a provision. 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 aging per class of financial assets, contract assets and expected credit loss as of September 30, 2023 and December 31, 2022 are as follows:

September 30, 2023 (Unaudited)	Current	Past Due					Expected Credit Loss	Total
		Less than 30 Days	31 to 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days		
(In Thousands)								
Financial assets:								
Cash in banks	₱762,848	₱–	₱–	₱–	₱–	₱–	₱–	₱762,848
Cash equivalents	14,660	–	–	–	–	–	–	14,660
Trade receivables	1,030,381	902,937	165,481	26,554	157,592	373,810	(497,120)	2,159,635
Nontrade receivables <sup>/</sup>	125,921	818	1,308	13,645	6,166	98,078	(38,271)	207,665
Advances to officers <sup>2</sup> and employees <sup>1</sup>	3,314	–	–	–	–	–	–	3,314
Refundable deposits	191,448	–	–	–	–	–	–	191,448
Contract assets	428,290	–	–	–	–	–	–	428,290
Total	₱2,556,862	₱903,755	₱166,789	₱40,199	₱163,758	₱471,888	(₱535,391)	₱3,767,860

<sup>(1)</sup>Excluding nonfinancial asset amounting to ₱19.0 million.

<sup>(2)</sup>Excluding advances amounting to ₱20.4 million subject to liquidation.

December 31, 2022 (Audited)	Current	Past Due					Expected Credit Loss	Total
		Less than 30 Days	31 to 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days		
<i>(In Thousands)</i>								
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 <sup>1</sup>	70,453	757	1,683	1,457	13,794	153,812	(34,790)	207,166
Advances to officers and employees <sup>2</sup>	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

<sup>(1)</sup>Excluding nonfinancial asset amounting to ₱119.8 million; including long-term receivable amounting to ₱30.0 million.

<sup>(2)</sup>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.

*Foreign Exchange Risk*

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

*Interest Rate Risk*

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

Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's borrowings are subject to fixed interest rates ranging from 4.9% to 7.5% and from 4.0% to 6.23% for the nine months ended September 30, 2023 and 2022, respectively.

Capital Risk Management Objectives and Procedures

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and produce adequate and continuous opportunities to its employees; and to provide an adequate return to shareholders by pricing products/services commensurately with the level of risk.

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

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

	<b>September 30, 2023</b> <b>(Unaudited)</b>	<b>December 31, 2022</b> <b>(Audited)</b>
Assets financed by:		
Creditors	88%	93%
Stockholders	12%	7%

As of September 30, 2023 and December 31, 2022, the Group met its capital management objectives.

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

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.

	September 30, 2023 (Unaudited)		December 31, 2022 (Audited)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In Thousands)			
<b>Financial Liabilities</b>				
Long-term debts	<b>₱3,875,520</b>	<b>₱3,742,610</b>	₱3,994,800	₱3,936,702
Obligations under lease	<b>1,930,501</b>	<b>1,295,466</b>	1,691,899	1,598,416
	<b>₱5,806,021</b>	<b>₱5,038,076</b>	₱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 8.2% and 6.9% was used in calculating the fair value of the long-term debt as of September 30, 2023 and December 31, 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 7.8% to 8.2% and 6.3% to 8.5% as of September 30, 2023 and December 31, 2022, respectively.

*Derivative assets*

The fair value of derivatives is determined by the use of either present value methods or standard option valuation models. The valuation inputs on these derivatives are based on assumptions developed from observable information, including, but not limited to, the forward curve derived from published or future prices adjusted for factors such as seasonality considerations and the volatilities that take into account the impact of spot process and the long-term price outlook of the underlying commodity and currency.

### 31. Notes to Unaudited Interim Condensed Consolidated Statements of Cash Flows

Changes in liabilities arising from financing activities are as follows:

For the nine months ended September 30, 2023:

	January 1, 2023	Cash Flows				September 30, 2023
		Availments	Payments	Net	Others	
Short-term notes payable	₱2,306,000	₱60,000	(₱1,265,000)	(₱1,205,000)	₱-	₱1,101,000
Current portion of long-term debt	3,496,823	-	(100,000)	(100,000)	(3,063,155)	333,668
Current portion of obligations under lease	347,387	-	(428,232)	(428,232)	485,085	404,240
Noncurrent portion of long-term debt	497,977	-	-	-	3,043,875	3,541,852
Noncurrent portion of obligations under lease	1,344,512	939,158	(340,270)	598,888	(417,139)	1,526,261
Total liabilities from financing activities	₱7,992,699	₱999,158	(₱2,133,502)	(₱1,134,344)	₱48,666	₱6,907,021

For the nine months ended September 30, 2022:

	January 1, 2022	Cash Flows				September 30, 2022
		Availments	Payments	Net	Others	
Short-term notes payable	₱3,106,000	₱1,050,000	(₱1,650,000)	(₱600,000)	₱-	₱2,506,000
Current portion of obligations under lease	141,557	-	(254,920)	(254,920)	490,443	377,080
Current portion of long-term debt	-	-	-	-	3,496,070	3,496,070
Noncurrent portion of long-term debt	3,987,844	-	-	-	(3,490,722)	497,122
Noncurrent portion of obligations under lease	498,008	1,342,367	-	1,342,367	(490,258)	1,350,117
Total liabilities from financing activities	₱7,733,409	₱2,392,367	(₱1,904,920)	₱487,447	₱5,533	₱8,226,389

“Others” includes the effect of reclassification of non-current portion to current due to the passage of time and amortization of debt transaction costs capitalized.

### 32. Events Connected to the COVID 19 Pandemic

Management continues to monitor, evaluate and respond to any continuing impacts of the COVID-19 situation in future reporting periods. 2GO has an established Business Continuity Implementation Plan to manage the risk of any potential disruption in operations that may eventually affect sales and place pressure on the deployment of certain assets.

**2GO GROUP, INC.**  
**8/F Tower 1 Double Dragon Plaza, Edsa Ext.**  
**cor. Macapagal Ave., Pasay City**  
**SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS**  
**AVAILABLE FOR DIVIDEND DECLARATION**  
**As of September 30, 2023**

Unappropriated Deficit, beginning		<b>(₱2,926,034)</b>
Less: Deferred income tax assets, beginning		<b>70,137</b>
Treasury shares		<b>58,715</b>
Unappropriated Deficit, <i>as adjusted to available for dividend distribution</i> , beginning		<b>(3,054,886)</b>
<b>Add: Net loss actually earned/realized during the period</b>		
Net income during the period closed to Deficit	692,923	
Less: Non-actual/ unrealized income, net of tax:		
Movement in deferred income tax assets	(60)	
Sub-total	692,983	
Add: Non-actual losses, net of tax:		
Adjustment due to deviation from PFRS/ GAAP – loss	–	
<b>Net income actually earned during the period</b>	<b>692,983</b>	<b>692,983</b>
Add (Less):		
Dividend declarations during the period	–	
Distributions paid	–	
Appropriations of retained earnings during the year	–	
Reversal of appropriations	–	
Treasury shares	–	
	–	–
<b>TOTAL DEFICIT, END AVAILABLE FOR DIVIDEND</b>		<b>(₱2,361,903)</b>

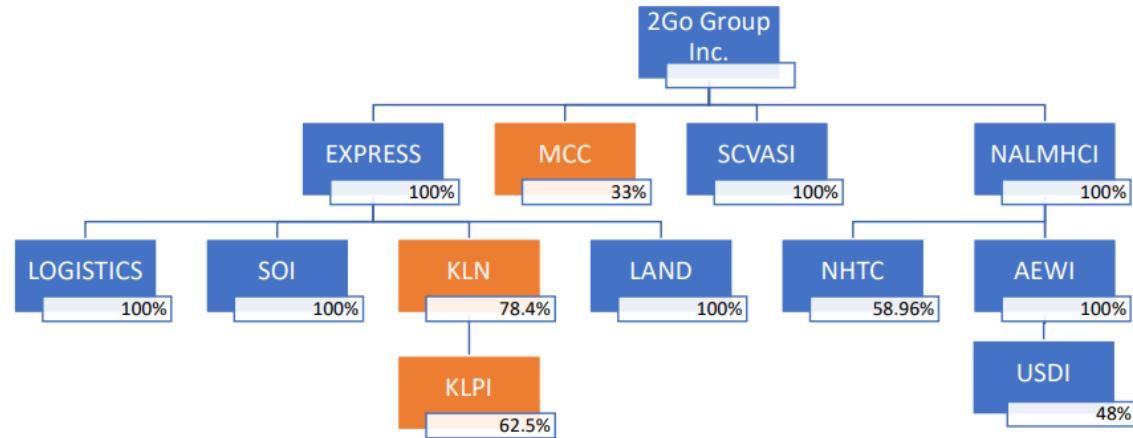
**2GO GROUP, INC. AND SUBSIDIARIES**  
**8/F Tower 1 Double Dragon Plaza, Edsa Ext.**  
**cor. Macapagal Ave., Pasay City**  
**KEY PERFORMANCE INDICATORS**  
**AS OF SEPTEMBER 30, 2023 AND DECEMBER 31, 2022**  
(Amounts in Thousands)

	September 30, 2023	December 31, 2022
Total Liabilities	₱12,669,094	₱13,397,294
Total Stockholders' Equity	1,650,627	994,600
<b>Debt-to-Equity</b>	<b>7.68</b>	<b>13.47</b>
Total Current Assets	₱6,423,497	₱6,624,241
Total Current Liabilities	7,235,899	11,209,905
<b>Current Ratio</b>	<b>0.86</b>	<b>0.59</b>
Total Quick Assets	₱3,787,264	₱4,166,912
Total Current Liabilities	7,235,899	11,209,905
<b>Quick Ratio</b>	<b>0.52</b>	<b>0.37</b>
Net Income After Tax	₱653,862	₱311,933
Depreciation & Amortization	930,503	1,361,737
Net Income before Dep'n & Amortization	1,534,365	1,673,670
Short Term & Long-Term Notes	5,036,189	6,360,357
<b>Solvency Ratio</b>	<b>0.31</b>	<b>0.26</b>
Total Liabilities	₱12,669,094	₱13,397,294
Total Assets	14,319,721	14,391,894
<b>Debt-to-Asset Ratio</b>	<b>0.88</b>	<b>0.93</b>
Total Assets	₱14,319,721	₱14,391,894
Total Stockholders' Equity	1,650,627	994,600
<b>Equity-to-Asset Ratio</b>	<b>0.12</b>	<b>0.07</b>
Net Income	₱653,862	₱311,933
Average Total Assets	14,426,525	13,655,308
<b>Return on Assets</b>	<b>0.05</b>	<b>0.02</b>
Net Income	₱653,862	₱311,933
Average Total Stockholders' Equity	1,322,614	816,777
<b>Return on Equity</b>	<b>0.49</b>	<b>0.38</b>

	September 30, 2023	December 31, 2022
Sales	₱14,613,055	₱19,268,221
Cost of Services and Goods Sold	12,812,416	17,495,885
Gross Profit	1,800,639	1,772,336
<b>Gross Profit Margin</b>	<b>0.12</b>	<b>0.09</b>
Net Income	₱653,862	₱311,933
Sales	14,613,055	19,268,221
<b>Net Profit Margin</b>	<b>0.04</b>	<b>0.02</b>
EBIT	₱1,085,842	₱858,441
Interest Expense	371,786	489,808
<b>Interest Coverage Ratio</b>	<b>2.92</b>	<b>1.75</b>

## Corporate Structure

As of September 30, 2023



### Legend:

EXPRESS	2GO Express, Inc.	LAND	2Go Land Transport (formerly WRR Trucking Corporation)	AEWI	Astir Engineering Works, Inc.
LOGISTICS	2GO Logistics, Inc.	MCC	MCCP Transport Philippines, Inc.	USDI	United South Dockhandlers, Inc.
SOI	Scanasia Overseas, Inc.	SCVASI	Special Container and Value Added Services, Inc.		
KLN	KLN Logistics Holdings Philippines, Inc.	NALMHCI	NN-ATS Logistics Management & Holding Co., Inc.		
KLPI	Kerry Logistics Philippines, Inc.	NHTC	North Harbor Tugs Corporation		

Subsidiary

Joint Venture and Associate



**2GO GROUP, INC. AND SUBSIDIARIES**  
**8/F Tower 1 Double Dragon Plaza, Edsa Ext.**  
**cor. Macapagal Ave., Pasay City**  
**Schedule of Financial Soundness**  
**As of September 30, 2023**  
(Amounts in Thousands)

Ratio	Formula	September 30, 2023	December 31, 2022
<b>Current ratio</b>	Total Current Assets Divided by Total Current Liabilities	<b>0.86</b>	0.59
	Total Current Assets 6,243,497		
	Divided by: Total Current Liabilities 7,235,899		
	<b>Current Ratio</b> 0.86		
<b>Acid test ratio</b>	Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities	<b>0.52</b>	0.37
	Total Current Assets 6,243,497		
	Less: Inventories (282,104)		
	Other current assets (2,174,129)		
	Quick assets 3,787,264		
	Divided by: Total Current Liabilities 7,235,899		
	<b>Acid test ratio</b> 0.52		
<b>Solvency ratio</b>	Net income before Depreciation & Amortization (Net income from operations plus depreciation and amortization) divided by Interest Bearing Debt	<b>0.31</b>	0.26
	Net income from operations 653,862		
	Add: Depreciation & Amortization 930,503		
	Net income (loss) before depreciation & Amortization 1,584,365		
	Short Term Notes 1,101,000		
	Long Term Notes 3,875,520		
	Obligations under finance lease 75,142		
	Divided by: Interest Bearing Debt 5,051,662		
	<b>Solvency Ratio</b> 0.31		

Ratio	Formula	September 30, 2023	December 31, 2022
<b>Debt-to-equity ratio</b>	Total Liabilities divided by Total Stockholders' Equity  Total Liabilities 12,669,094  Divided by: Total Stockholders' Equity 1,650,627 <hr/> <b>Debt-to-equity ratio</b> 7.68	<b>7.68</b>	13.47
<b>Asset-to-equity ratio</b>	Total Assets divided by Total Stockholders' Equity  Total Assets 14,319,721  Divided by: Total Stockholders' Equity 1,650,627 <hr/> <b>Asset-to-equity ratio</b> 8.68	<b>8.68</b>	14.47
<b>Interest rate coverage ratio</b>	Earnings from before interest & tax divided by interest expense  Earnings from operations before interest and income tax 1,085,842  Divided by: Interest expense 371,786 <hr/> <b>Interest rate coverage ratio</b> 2.92	<b>2.92</b>	<b>1.76</b>
<b>Return on equity</b>	Net income from operations divided by Average Total Stockholders' Equity  Net income from operations 653,862  Divided by: Average Total Stockholders' Equity 1,322,614 <hr/> <b>Return on equity ratio</b> 0.49	<b>0.49</b>	0.38
<b>Return on assets</b>	Net income from operations divided by Average Total Assets  Net income from operations 653,862  Divided by: Average Total Assets 14,426,525 <hr/> <b>Return on assets</b> 0.05	<b>0.05</b>	0.02
<b>Net profit margin</b>	Net income from operations divided by Total Revenue  Net income from operations 653,862  Divided by: Total Revenue 14,613,055 <hr/> <b>Net profit margin</b> 0.04	<b>0.04</b>	<b>0.02</b>

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

**Results of Operations for the Nine Months Ended September 30, 2023 and 2022**

Amounts in millions	Sep 30, 2023	Sep 30, 2022	% Change
<b>Revenue</b>	<b>P 14,613</b>	<b>P 13,796</b>	<b>6%</b>
Costs of Services and Goods Sold	12,812	12,540	(2%)
<b>Gross Profit</b>	<b>1,801</b>	<b>1,256</b>	<b>43%</b>
General and Administrative Expenses	747	692	(8%)
<b>Operating Income</b>	<b>1,053</b>	<b>564</b>	<b>87%</b>
Other Charges	339	283	(20%)
Provision for Income Tax	61	40	(51%)
<b>Net Income (Loss)</b>	<b>P 654</b>	<b>P 240</b>	<b>172%</b>
<u>Add back:</u>			
Financing Charges (Interest)	372	347	(7%)
Provision for Income Tax	61	40	(51%)
Depreciation and Amortization	982	1,021	4%
<b>EBITDA</b>	<b>P 2,068</b>	<b>P 1,648</b>	<b>26%</b>

2GO Group, Inc. and its subsidiaries (“2GO” or the “Group”) delivered Net Income of ₱654M for the nine months ended September 30, 2023, which represents a 172% or ₱414M improvement year-over-year (YoY) from the Net Income of ₱240M earned during the same period last year. 2Go’s turnaround continues as it focuses on profitable services and customers, driving efficiencies in operations and stringent cost controls.

Total revenue increased 6% YoY to ₱14.6B from ₱13.8B. Shipping revenue, which is comprised of sea freight and passenger travel, increased 16% YoY. Passenger travel increased 68% or ₱688M YoY while Sea freight increased 1% or ₱54M YoY. Logistics and other services revenue increased 11% or ₱605M as 2GO focused on providing services to more profitable accounts. Distribution revenue declined 15% or ₱530M. Shipping accounted for 37% and Non-shipping accounted for 63% of total revenue during the nine months of 2023, compared to 34% and 66% respectively during 2022.

Cost of services and goods sold increased 2% YoY due to higher volumes across the business and higher fuel prices. General and administrative expenses increased 8% YoY from additional costs to support the business and IT investments to help drive scale and efficiencies.

Other charges increased 20% YoY to ₱339M in 2023 compared to ₱283M in 2022. Finance charges increased by 7% or ₱25M mainly from higher interest rates. Other income decreased 75% or ₱37M primarily due to last year’s gain on the sale of a subsidiary, while equity in net income of associates increased by ₱7M from ₱13M in 2022 to ₱20M in 2023.

EBITDA improved 26% or ₱420M to ₱2.1B at 14.2% margin in the nine months of 2023 compared to ₱1.6B at 11.9% margin in 2022.

## Financial Position as of September 30, 2023 and December 31, 2022

Amounts in millions	As of		% Change
	Sep 30, 2023	Dec 31, 2022	
Current Assets	₱ 6,243	₱ 6,766	(8%)
Noncurrent Assets	8,076	7,768	4%
<b>Total Assets</b>	<b>₱ 14,320</b>	<b>₱ 14,533</b>	<b>(1%)</b>
Current Liabilities	₱ 7,236	₱ 11,351	(36%)
Noncurrent Liabilities	5,433	2,187	148%
<b>Total Liabilities</b>	<b>₱ 12,669</b>	<b>₱ 13,539</b>	<b>(6%)</b>
Total Equity	1,651	995	66%
<b>Total Liabilities and Equity</b>	<b>₱ 14,320</b>	<b>₱ 14,533</b>	<b>(1%)</b>

Total Assets decreased 1% from ₱14.5B to ₱14.3B, while Total Liabilities decreased 6% from ₱13.5B to ₱12.7B.

### Assets

Current Assets decreased 8% from ₱6.8B to ₱6.2B. Cash and Cash Equivalents increased 15% from ₱725M to ₱833M due to higher revenue and improved collections. Accordingly, Trade and Other Receivables, net of Allowance for Doubtful Accounts, decreased 18% from ₱3.6B to ₱3.0B.

Noncurrent Assets increased 4% from ₱7.8B to ₱8.1B due to a net increase in Fixed Assets.

### Liabilities

Current Liabilities decreased 36% from ₱11.4B to ₱7.2B mainly from the refinancing of Long-term debt in April. Short-term Notes Payable decreased 52% from ₱2.3B to ₱1.1B from debt repayments.

Noncurrent Liabilities increased 148% from ₱2.2B to ₱5.4B mainly from the aforementioned refinancing of Long-term debt.

### Equity

Total Equity increased 66% from ₱995M to ₱1.7B as 2GO delivered Net Income of ₱654M in the first nine months of 2023.

## Key Performance Indicators

The following are the key financial ratios of the Group for the nine months ended September 30, 2023 and 2022 and as of September 30, 2023 and December 31, 2022.

	Sep 30, 2023	Sep 30, 2022
Revenue Growth	5.9%	20.0%
Net Income Margin	4.5%	1.7%
EBITDA (in Millions of Pesos)	₱ 2,068	₱ 1,648
EBITDA Margin	14.2%	11.9%
	Sep 30, 2023	As of Dec 31, 2022
Current Ratio	0.9	0.6
Bank Debt to Total Equity Ratio	3.0	6.3
Total Liabilities (less effect of PFRS 16) to Total Equity	6.6	12.0
Total Liabilities to Total Equity	7.7	13.6

Net Income Margin improved to 4.5% in the first nine-months of 2023 vs. 1.7% in 2022. EBITDA improved 26% or ₱420M to ₱2.1B at 14.2% margin in the first nine-months of 2023 compared to ₱1.6B and 11.9% in 2022. The improvements in 2023 are noted above.

Current Ratio is 0.9 as of September 30, 2023, higher than 0.6 as of December 31, 2022. Bank Debt to Total Equity decreased to 3.0 as of September 30, 2023 from 6.3 as of December 31, 2022 due to debt repayments and continuing profitability, while Total Liabilities to Total Equity decreased to 7.7 from 13.6. Excluding the effect of the adoption of PFRS 16, Total Liabilities to Total Equity improved to 6.6 from 12.0.

The Group calculates the key financial ratios as follows:

Revenue Growth	$(\text{Total Revenue current period} / \text{Total Revenue prior period}) - 1$
Net Income Margin	$\text{Net Income} / \text{Total Revenue}$
EBITDA	$\text{Net Income} + \text{Interest} + \text{Income Tax} + \text{Depreciation \& Amortization}$
EBITDA Margin	$\text{EBITDA} / \text{Total Revenue}$
Current Ratio	$\text{Current Assets} / \text{Current Liabilities}$
Bank Debt to Total Equity	$\text{Total Bank Debt} / \text{Total Equity}$
Total Liabilities (less effect of PFRS 16) to Total Equity	$(\text{Total Liabilities} - \text{Capitalized Operating Leases}) / \text{Total Equity}$
Total Liabilities to Total Equity	$\text{Total Liabilities} / \text{Total Equity}$

Refer to 2GO's Group, Inc. and Subsidiaries unaudited interim consolidated financial statements as of and for the nine months ended September 30, 2023 for details and disclosures.

## **Company Outlook**

2GO continues to serve its customers and stakeholders as the Philippines' largest end-to-end logistics solutions provider. The Group provides shipping, logistics and distribution services to small and medium enterprises, large corporations, and government agencies throughout the Philippines. The shipping group 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. The distribution group leverages 2GO's shipping and logistics services to provide value-added distribution services to principals and customers.

For 2023, 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 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 logistics solutions provider going forward.

## SIGNATURE

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

Registrant

2GO Group, Inc.

Signature and Title

  
William Charles Howell

CFO

Date

NOV 8, 2023

\*\*\*\*\*

REPUBLIC OF THE PHILIPPINES )  
TAGUIG CITY ) S.S.

**CERTIFICATION**

I, **WILLIAM CHARLES HOWELL**, of legal age and with office address at 8th Floor, Tower 1, DoubleDragon Plaza, Macapagal Blvd. corner EDSA Extension, Pasay City, after being duly sworn in accordance with law, hereby depose and state that:

1. I am the duly appointed Chief Financial Officer 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 8<sup>th</sup> Floor, Tower 1, DoubleDragon Plaza, EDSA Extension cor. Macapagal Avenue, Pasay City.

2. That I have caused the preparation of this Quarterly Report (SEC Form 17-Q) 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 NOV 13 2023 at TAGUIG CITY.

  
**WILLIAM CHARLES HOWELL**  
Chief Financial Officer

**SUBSCRIBED AND SWORN** to before me this NOV 13 2023 at TAGUIG CITY,  
affiant exhibited to me his Tax Identification Number 321-579-394.

Doc. No. 210 ;  
Page No. 43 ;  
Book No. I ;  
Series of 2023.

  
**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-5675508; 01-04-23; Taguig City  
IBP Receipt No. 279977; 01-10-23; Pasig City  
Admitted to the Bar on June 2022