

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

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

Form Type

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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

N	/	A	
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COMPANY INFORMATION

Company's Email Address

investor_relations@2go.com.ph

Company's Telephone Number

(02) 8554-8777

Mobile Number

N/A

No. of Stockholders

5,366

Annual Meeting (Month / Day)

4th Thursday of May

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Atty. Elmer Serrano

Email Address

calliope.ngo@serranolawlawph.com

Telephone Number/s

(02) 8651-7408

Mobile Number

N/A

CONTACT PERSON'S ADDRESS

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

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

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **September 30, 2024**
2. 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
Common Stock	2,462,146,316 shares

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 ☒ 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, 2024 and December 31, 2023 and for the Nine Months Ended September 30, 2024 and 2023; 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, 2024 and December 31, 2023
and for the Nine Months Ended September 30, 2024 and 2023

2GO GROUP, INC. AND SUBSIDIARIES**UNAUDITED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION****SEPTEMBER 30, 2024 AND DECEMBER 31, 2023**

(Amounts in Thousands)

		September 30, 2024	December 31, 2023
	<i>Note</i>	(Unaudited)	(Audited)
ASSETS			
Current Assets			
Cash and cash equivalents	7	₱700,314	₱762,035
Trade and other receivables	8, 17, 20	2,567,237	2,441,010
Inventories	9	195,193	190,470
Other current assets	10	2,123,197	2,068,926
Total Current Assets		5,585,941	5,462,441
Noncurrent Assets			
Property and equipment	11, 17, 18	7,883,495	7,064,899
Investments in associates and joint ventures	12	327,276	327,276
Goodwill	13	686,896	686,896
Deferred income tax assets	27	160,152	150,910
Other noncurrent assets	14	1,108,504	1,108,009
Total Noncurrent Assets		10,166,323	9,337,990
TOTAL ASSETS		₱15,752,264	₱14,800,431
LIABILITIES AND EQUITY			
Current Liabilities			
Short-term notes payable	15	₱2,589,000	1,816,000
Trade and other payables	16, 19, 20	5,085,711	4,904,947
Obligations under lease - current portion	11, 18	384,011	415,000
Long-term debt - current portion	11, 17	333,935	333,698
Income tax payable		5,326	28,715
Total Current Liabilities		8,397,983	7,498,360
Noncurrent Liabilities			
Noncurrent portion of:			
Long-term debt	17	3,207,917	3,542,947
Obligations under lease	11, 18	1,220,506	1,422,382
Accrued retirement benefits	26	431,350	439,585
Total Noncurrent Liabilities		4,859,773	5,404,914
Total Liabilities		₱13,257,756	₱12,903,274

(Forward)

	<i>Note</i>	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Equity	<i>21</i>		
Share capital		₱2,500,663	₱2,500,663
Additional paid-in capital		2,498,621	2,498,621
Other equity reserve		712,245	712,245
Other comprehensive losses – net		(108,614)	(108,031)
Deficit		(3,134,966)	(3,722,803)
Treasury shares		(58,715)	(58,715)
Equity Attributable to Equity Holders of the Parent Company		2,409,234	1,821,980
Non-controlling Interests		85,274	75,177
Total Equity		2,494,508	1,897,157
TOTAL LIABILITIES AND EQUITY		₱15,752,264	₱14,800,431

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 NINEMONTHS ENDED September 30, 2024 AND 2023**

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

		Nine Months Ended September 30	
	<i>Note</i>	2024	2023
REVENUES FROM CONTRACTS WITH CUSTOMERS	5,20		
Shipping			
Freight		₱5,615,830	₱4,967,336
Travel		2,156,931	1,698,341
Nonshipping:			
Logistics and other services		5,695,696	5,121,500
		13,468,457	11,787,177
COST OF SERVICES AND GOODS SOLD	22	11,608,890	9,886,662
GROSS PROFIT		1,859,567	1,900,515
GENERAL AND ADMINISTRATIVE EXPENSES	23	775,010	713,192
OPERATING INCOME		1,084,557	1,187,323
OTHER INCOME (CHARGES)			
Equity in net earnings of associates and joint ventures	12	—	20,472
Financing charges	24	(417,016)	(357,399)
Others – net	24	4,612	9,893
		(412,404)	(327,034)
INCOME BEFORE INCOME TAX		672,153	860,289
PROVISION FOR INCOME TAX	27		
Current		80,714	59,631
Deferred		(11,620)	(3,344)
		69,094	56,287
NET INCOME FROM CONTINUING OPERATIONS		603,059	804,002
NET LOSS FROM DISCONTINUED OPERATIONS, net of income tax		(5,125)	(150,140)
NET INCOME		₱597,934	₱653,862
Net income attributable to:			
Equity holders of the Parent Company		₱587,837	₱645,691
Non-controlling interests		10,097	8,171
		₱597,934	₱653,862
Basic/Diluted Income Per Share	28	₱0.2387	₱0.2622

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, 2024 AND 2023
(Amounts in Thousands)

		Nine Months Ended September 30	
	<i>Note</i>	2024	2023
NET INCOME		₱597,934	₱653,862
OTHER COMPREHENSIVE LOSS - Net of tax			
Item that will not be reclassified subsequently to profit or loss:			
Remeasurement losses on net defined benefit liability	26	(729)	–
Income tax effect		146	–
		(583)	–
Share in remeasurement gain on retirement benefits of associates		–	2,164
TOTAL COMPREHENSIVE INCOME		₱597,351	₱656,026
Attributable to:			
Equity holders of the Parent Company		₱587,254	₱647,855
Non-controlling interests		10,097	8,171
		₱597,351	₱656,026

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, 2024 AND 2023

(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 (Losses) 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, 2023	₱2,500,663	₱2,498,621	₱712,245	₱5,294	(₱124,819)	₱11,494	(₱108,031)	(₱3,722,803)	(₱58,715)	₱1,821,980	₱75,177	₱1,897,157
Net income for the period	–	–	–	–	–	–	–	587,837	–	587,837	10,097	597,934
Other comprehensive loss for the period	–	–	–	–	(583)	–	(583)	–	–	(583)	–	(583)
Total comprehensive income for the period	–	–	–	–	(583)	–	(583)	587,837	–	587,254	10,097	597,351
BALANCES AT September 30, 2024 (Unaudited)	₱2,500,663	₱2,498,621	₱712,245	₱5,294	(₱125,402)	₱11,494	(₱108,614)	(₱3,134,966)	(₱58,715)	₱2,409,234	₱85,274	₱2,494,508
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 (loss) 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 (loss) 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

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, 2024 AND 2023

(Amounts in Thousands)

		Nine Months Ended September 30	
	Note	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before tax from continuing operations		₱672,153	₱860,289
Loss before tax from discontinued operations		(5,125)	(145,775)
Adjustments for:			
Depreciation and amortization of property and equipment and software	11, 14, 22,23	1,075,778	981,731
Financing charges	24	417,016	357,399
Equity in net earnings of associates and joint ventures	12	-	(20,472)
Retirement benefit cost	26	71,664	66,532
Gain on disposal of property and equipment	24	(867)	(6,260)
Unrealized foreign exchange losses (gain)		2,303	(51)
Interest income	24	(597)	(420)
Gain on lease pretermination		(1,335)	-
Provision for impairment of other assets	24	-	736
Operating income before working capital changes		2,230,990	2,093,709
Decrease (increase) in:			
Trade and other receivables		(126,227)	619,905
Inventories		(4,723)	230,669
Other current assets		86,385	(194,064)
Other non - current assets		5,263	10,953
Increase in trade and other payables		66,603	197,214
Cash generated from operations		2,258,291	2,958,386
Contribution for retirement fund and benefits paid from book reserve	26	(79,899)	(44,855)
Interest received		597	420
Income taxes paid, including creditable withholding taxes		(259,727)	(209,230)
Net cash flows provided by operating activities		1,919,262	2,704,721
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property and equipment	11	(1,892,049)	(585,819)
Software		(11,937)	(13,998)
Proceeds from disposal of property and equipment:	11	233,232	14,569
Investment in subsidiary and associate		-	10,000
Decrease in other noncurrent assets		(11,534)	14,434
Net cash flows used investing activities		(1,682,288)	(560,814)

(Forward)

		Nine Months Ended September 30	
	Note	2024	2023
CASH FLOWS FROM FINANCING ACTIVITIES	32		
Proceeds from availments of:			
Short-term notes payable	15	₱1,590,000	₱60,000
Payments of:			
Short-term notes payable	15	(817,000)	(1,265,000)
Long-term debt		(340,000)	(100,000)
Obligations under finance lease	18	(394,009)	(428,232)
Interest and financing charges	24	(334,481)	(276,403)
Debt transaction cost		–	(25,500)
Net cash flows used in financing activities		(295,490)	(2,035,135)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		(3,205)	51
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(61,721)	108,823
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	7	762,035	724,527
CASH AND CASH EQUIVALENTS AT END OF PERIOD	7	₱700,314	₱833,350

See Notes to the Unaudited Interim Condensed Consolidated Financial Statements.

2GO GROUP, INC. AND SUBSIDIARIES

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

2GO Group, Inc. (2GO or the Company) was incorporated in the Philippines on May 26, 1949. Its corporate life was 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 and its subsidiaries (collectively referred to as the Group) provide shipping, logistics and distribution services to small and medium enterprises, large corporations, and government agencies throughout the Philippines. The shipping group operates interisland roll-on/roll-off freight and passenger vessels, interisland freighters, and short-haul fast ferry passenger vessels. The logistics group offers transportation, warehousing and distribution, cold chain solutions, domestic and international ocean and air forwarding services, customs brokerage, project logistics, and express and last mile package and e-commerce delivery. The distribution group leverages 2GO's shipping and logistics services to provide value-added distribution services to principals and customers.

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

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

On February 28, 2023, the Board of Directors of 2GO approved the voluntary delisting of 2GO shares from the PSE, subject to the successful completion of the intended tender offer by SMIC, compliance with other requirements of the PSE for voluntary delisting, and applicable regulations of the Securities and Exchange Commission. In the Annual Stockholders' Meeting of 2GO held on April 18, 2023, stockholders owning 2,409,564,081 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, 2024, with comparative figures for the Nine months ended September 30, 2024 and as at December 31, 2023, were approved and authorized for issue by the BOD on November 14, 2024.

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. 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, 2023.

Statement of Compliance

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

3. Material Accounting Policy Information

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, 2024. 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, 2024

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

Standards Issued But Not Yet Adopted

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

Effective beginning on or after January 1, 2025

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

Deferred effectivity

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

The material accounting policy information 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	Percentage of Ownership	
		September 30, 2024	December 31, 2023
Special Container and Value Added Services, Inc. (SCVASI)	Transportation/logistics	100.0	100.0
2GO Express, Inc. (2GO Express)	Transportation/logistics	100.0	100.0
2GO Logistics, Inc. (2GO Logistics)	Transportation/logistics	100.0	100.0
Scanasia Overseas, Inc. (SOI) ⁽¹⁾	Sales of goods	100.0	100.0
2GO Land Transport, Inc. ⁽²⁾	Transportation	100.0	100.0
	Holdings and logistics		
NN-ATS Logistics Management and Holdings Co., Inc. ⁽³⁾	management	100.0	100.0
Astir Engineering Works, Inc. ⁽³⁾⁽⁴⁾	Engineering services	100.0	100.0
WG&A Supercommerce, Incorporated ⁽⁴⁾	Vessels' hotel management	100.0	100.0
North Harbor Tugs Corporation	Tugboat assistance	58.9	58.9
2GO Rush Delivery, Inc. (RUSH) ⁽⁵⁾	Transportation/logistics	100.0	100.0

¹ On August 9, 2023, the BOD approved the cessation of business operations of SOI

² Formerly WRR Trucking Corporation

³ In September 2020, the BOD approved the merger of these companies

⁴ Ended commercial operations in 2018 or prior

⁵ Wound down due to non-operation

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.

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:

Determining the timing of satisfaction of performance obligation shipping and logistics and other services

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

acceptance of the Group up to the date of delivery to the customers.

Estimates and Assumptions

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

Provision for ECL of trade 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.

Estimation of useful lives of property and equipment

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

The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property and equipment would increase the recorded depreciation expenses and decrease the carrying value of property and equipment. Refer to Note 11.

Assessment of impairment and estimation of recoverable amount of property and equipment

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

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

additional impairment charges under PFRSs.

Assets that are subject to impairment testing when impairment indicators are present (such as obsolescence, physical damage, significant changes to the manner in which the asset is used, worse than expected economic performance, a drop in revenues or other external indicators) are the property and equipment of the Group amounting to ₱8.2 billion and ₱7.1 billion as of June 30, 2024 and December 31, 2023, respectively (see Note 11).

As at June 30, 2024 and December 31, 2023, management evaluated the recoverable amount of the property and equipment based on its value in use. No impairment loss was recognized on the Group's property and equipment as the recoverable amount of the assets is higher than their carrying values.

Impairment of goodwill

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

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

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

Estimation of retirement benefits costs and obligation

The determination of the obligation and cost for pension and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions were described in Note 26 and include, among others, discount rate and future salary increase. While it is believed that the Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's pension and other retirement obligations.

The discount is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled. Refer to Note 26.

Recognition of deferred income tax assets

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group's assessment on the recognition of deferred income tax assets on deductible temporary differences and carryforward benefits of excess MCIT and NOLCO is based on the projected taxable income in future periods. Based on the projection, not all deductible temporary differences and carryforward benefits of excess MCIT and NOLCO will be realized. Consequently, only a portion of the Group's deferred income tax assets was recognized. Refer to Note 27.

Estimation of provisions for contingencies

The Group is involved in certain legal and administrative proceedings arising from the ordinary course

of business. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimates. These estimates are based on consultations with independent outside parties, historical experience and other available data. The Group does not believe that these proceedings will have a material adverse effect on its financial position and performance. It is possible, however, that significant differences in actual experience or assumption may materially affect the recorded provision. The inherent uncertainty over the outcome of these legal proceedings and other claims is brought about by the difference in the interpretation and implementation of the relevant laws and regulations. Refer to Note 19.

5. Revenue from Contracts with Customers

Disaggregated revenue information

The disaggregation of the Group's revenue from contracts with customers is presented in the 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, 2024 (Unaudited)				
	Shipping	Non Shipping	Eliminations/ Adjustments	Consolidated Balance
	(In Thousands)			
External customers	₱7,772,761	₱5,695,696	₱–	₱13,468,457
Intersegment revenue	1,376,245	394,617	(1,770,862)	–
Revenues from contracts with customers	₱9,149,006	₱6,090,313	(₱1,770,862)	₱13,468,457
Income before income tax from continuing operations	₱481,609	₱190,546	₱–	₱672,155
Provision for income tax	(10,318)	(58,776)	–	(69,094)
Segment income from continuing operations	₱471,291	₱131,770	₱–	₱603,061
Other Information:				
Capital expenditures	₱1,271,966	₱849,026	₱–	₱2,120,992
Depreciation and amortization	831,855	243,924	–	1,075,779
Provision for ECL - net	–	10,476	–	10,476
Dividend Income	1,774	–	(1,774)	–
Equity in net earnings of associates and joint ventures	–	–	–	–
As of September 30, 2024 (Unaudited)				
	Shipping	Non Shipping	Eliminations/ Adjustments	Consolidated Balance
Segment assets	₱14,383,037	₱4,754,796	(₱3,388,795)	₱15,749,038
Segment liabilities	₱10,164,978	₱6,861,939	(₱3,769,162)	₱13,257,755
For the Nine Months Ended September 30, 2023 (Unaudited)				
	Shipping	Non Shipping	Eliminations/ Adjustments	Consolidated Balance
	(In Thousands)			
External customers	₱6,665,677	₱5,121,500	₱–	₱11,787,177
Intersegment revenue	1,156,923	248,734	(1,405,657)	–
Revenues from contracts with customers	₱7,822,600	₱5,370,234	(₱1,405,657)	₱11,787,177
Income before income tax from continuing operations	₱665,141	₱195,148	₱–	₱860,289
Provision for income tax	(20,762)	(35,525)	–	(56,287)
Segment income from continuing operations	₱644,379	₱159,623	₱–	₱804,002
Other Information:				
Capital expenditures	₱342,903	₱329,048	₱–	₱671,951
Depreciation and amortization	716,643	264,412	–	981,055
Provision for ECL - net	39	16,040	–	16,079
Equity in net earnings of associates and joint ventures	13,455	7,017	–	20,472
As of September 30, 2023 (Unaudited)				
	Shipping	Non Shipping	Eliminations/ Adjustments	Consolidated Balance
Segment assets	₱12,095,569	₱6,358,974	(₱4,020,733)	₱14,433,810
Segment liabilities	₱9,006,862	₱7,732,470	(₱3,956,451)	₱12,782,881

7. Cash and Cash Equivalents

This account consists of:

	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
	<i>(In Thousands)</i>	
Cash on hand and in banks	₱677,573	₱747,368
Cash equivalents	22,741	14,667
	₱700,314	₱762,035

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are placements for varying periods of up to six 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 ₱0.4million for the nine months ended September 30, 2024 and 2023 (see Note 24).

8. Trade and Other Receivables

This account consists of:

	Note	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
		<i>(In Thousands)</i>	
Trade		₱2,397,956	₱2,187,175
Contract assets	20	396,019	462,330
Nontrade		266,632	260,173
Advances to officers and employees		9,690	22,086
		3,070,297	2,931,764
Less allowance for ECL		(503,060)	(490,754)
		₱2,567,237	₱2,441,010

- 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 current portion of receivable for the sale of Mober amounting to ₱2.0 million and the ₱30.0 million, as of September 30, 2024 and December 31, 2023, respectively (see Note 12).
- The following tables set out the rollforward of the allowance for ECL as of September 30, 2024 and December 31, 2023:

		September 30, 2024 (Unaudited)		
	Note	Trade and Contract Assets	Nontrade	Total
		<i>(In Thousands)</i>		
Beginning		₱432,209	₱58,545	₱490,754
Provision/Recovery	23	10,492	(15)	10,477
Reversal/Other adjustments		(2,577)	4,406	1,829
Ending		₱440,124	₱62,936	₱503,060

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

9. Inventories

This account consists of:

	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
	<i>(In Thousands)</i>	
At lower of cost and net realizable value:		
Trading goods	₱21,421	₱22,993
Materials, parts and supplies	26,652	21,017
At cost:		
Fuel, oil and lubricants	147,120	146,460
	₱195,193	₱190,470

The cost of trading goods carried at net realizable value amounted to ₱24.2 million and ₱26.4 million as of September 30, 2024 and December 31, 2023 while the cost of materials, parts and supplies carried at net realizable value amounted to ₱29.1 million and ₱23.4 million, respectively. The allowance for inventory obsolescence amounted to ₱5.2 million and ₱5.8 million as at September 30, 2024 and December 31, 2023, 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):

<i>Note</i>	Nine Months Ended September 30	
	2024	2023
	<i>(In Thousands)</i>	
Continuing operations		
Cost of services	₱3,449,150	₱2,325,351
General and administrative expense	3,028	3,661
Discontinued operations	—	2,567,166
	₱3,452,178	₱4,896,178

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:

		September 30, 2024	December 31, 2023
	<i>Note</i>	(Unaudited)	(Audited)
		<i>(In Thousands)</i>	
CWTs		₱1,664,531	₱1,523,875
Deferred Input VAT		108,616	130,615
Input VAT		57,923	67,435
Advances to suppliers and contractors		65,104	56,866
Prepaid expenses and others		114,007	181,097
Refundable deposits - current portion	<i>14</i>	114,565	110,587
		2,124,746	2,070,475
Less: allowance for impairment losses		(1,549)	(1,549)
		₱2,123,197	₱2,068,926

- 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.
- Prepaid expenses and others include prepaid rent, insurance and taxes.

11. Property and Equipment

September 30, 2024 (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, 2024	P10,336,219	P1,603,709	P1,043,865	P522,845	P478,287	P369,630	P390,276	P2,388	P638,614	P1,184,671	P2,598,061	P19,168,565
Additions	1,196,743	188,745	233,050	23,359	16,822	4,380	175,149	888	29,079	149,276	103,501	2,120,992
Retirements	(2,436,007)	(5,495)	(38,018)	(23,972)	—	—	(5,264)	—	(30,342)	—	(41,688)	(2,580,786)
Reclassification	1,333,875	—	—	10,887	—	53	—	—	(10,940)	(1,333,875)	—	—
September 30, 2024	10,430,830	1,786,959	1,238,897	533,119	495,109	374,063	560,161	3,276	626,411	72	2,659,874	18,708,771
Accumulated Depreciation and Amortization												
January 1, 2024	7,374,705	1,436,367	750,564	454,221	160,860	307,680	369,784	2,198	481,079	—	766,207	12,103,665
Depreciation and amortization	549,646	41,005	55,783	22,947	2,783	4,848	16,948	164	31,619	—	322,504	1,048,247
Retirements	(2,326,264)	(5,244)	(38,018)	(18,625)	—	—	(5,264)	—	(3,378)	—	(19,904)	(2,326,697)
Reclassification	—	—	(172)	—	—	233	—	—	—	—	—	61
September 30, 2024	5,688,087	1,472,128	768,157	458,543	163,643	312,761	381,468	2,362	509,320	—	1,068,807	10,825,276
Net carrying amounts	P4,742,743	P314,831	P470,740	P74,576	P331,466	P61,302	P178,693	P914	P117,091	P72	P1,591,067	P7,883,495

December 31, 2023 (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, 2023	P9,689,894	P1,625,034	P1,022,803	P496,168	P494,647	P365,743	P429,728	P2,393	P727,563	P4,473	P2,511,414	P17,369,860
Additions	751,020	335	51,316	34,548	1,322	5,267	10,304	—	22,858	1,180,198	939,157	2,996,325
Disposals/retirements	(104,695)	(21,660)	(30,254)	(7,871)	(17,682)	(1,380)	(49,756)	(5)	(111,807)	—	(854,128)	(1,199,238)
Adjustment	—	—	—	—	—	—	—	—	—	—	1,618	1,618
December 31, 2023	10,336,219	1,603,709	1,043,865	522,845	478,287	369,630	390,276	2,388	638,614	1,184,671	2,598,061	19,168,565
Accumulated Depreciation and Amortization												
January 1, 2023	6,860,698	1,409,892	725,427	416,135	157,580	301,102	408,710	1,715	542,696	—	897,347	11,721,302
Depreciation and amortization	618,703	48,135	55,340	45,589	2,545	6,979	10,828	488	59,842	—	382,718	1,231,167
Disposals/retirements	(104,695)	(21,660)	(30,203)	(7,503)	—	(401)	(49,754)	(5)	(108,478)	—	(513,858)	(836,557)
Reclassification/adjustment	—	—	—	—	735	—	—	—	(12,981)	—	—	(12,246)
December 31, 2023	7,374,706	1,436,367	750,564	454,221	160,860	307,680	369,784	2,198	481,079	—	766,207	12,103,666
Net carrying amounts	P2,961,513	P167,342	P293,301	P68,624	P317,427	P61,950	P20,492	P190	P157,535	P1,184,671	P1,831,854	P7,064,899

Property and Equipment under Lease

Containers, reefer vans, isotanks, cargo handling equipment and transportation equipment and office and operational spaces as of September 30, 2024 and December 31, 2023 include units acquired under lease arrangements (see Note 18).

Noncash additions include costs of leased assets for the nine months ended September 30, 2024 and 2023 amounting to ₱103.5 million and ₱939.0 million, respectively. The related depreciation of the leased assets for the nine months ended September 30, 2024 and 2023 amounting to ₱322.5 million and ₱275.4 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.

September 30, 2024 (Unaudited)					
	Container yard	Office	Warehouse	Equipment	Total
	<i>(In Thousands)</i>				
Cost					
January 1, 2024	₱800,977	₱352,745	₱1,146,399	₱297,941	₱2,598,062
Additions	—	—	5,461	98,040	103,501
Disposal	—	—	(20,803)	(20,887)	(41,690)
September 30, 2024	800,977	352,745	1,131,057	375,094	2,659,873
Accumulated depreciation					
January 1, 2024	118,110	183,375	347,848	116,874	766,207
Depreciation	74,167	32,910	187,479	27,950	322,506
Disposal	—	—	(13,291)	(6,614)	(19,905)
September 30, 2024	192,277	216,285	522,036	138,210	1,068,808
Net Carrying Amount	₱608,700	₱136,460	₱609,021	₱236,884	₱1,591,065

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

Unpaid acquisition costs of property and equipment amounted to ₱300.5 million and ₱284.5 million as of September 30, 2024 and December 31, 2023, 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 ₱81.6 million and ₱422.3 million for the nine months ended September 30, 2024 and 2023, 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 ₱291.3 million and ₱14.6 million for the nine months ended September 30, 2024 and 2023, 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	
	Note	2024	2023
		(In Thousands)	
Continuing operations:			
Cost of services and goods sold	22	₱1,013,597	₱918,970
General and administrative expense	23	34,650	36,493
Discontinued operations	23	—	677
		₱1,048,247	₱956,140

Property and Equipment Held as Collateral

Property and equipment held or deemed as collateral for leases as at September 30, 2024 and December 31, 2023 amounted to ₱2,405 million and ₱2,538.3 million, respectively (see Note 18). One of the vessels in operations of the Group, with a carrying value of ₱813.6 million and ₱706.4 million as at September 30, 2024 and December 31, 2023, 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, 2024	December 31, 2023
		(Unaudited)	(Audited)
<i>(In Thousands)</i>			
Acquisition - cost		₱29,634	₱29,634
Accumulated equity in net earnings:			
Balances at beginning of year		286,148	295,401
Dividend received		—	(162,581)
Equity in net earnings during the year		—	153,328
Balances at end of year		286,148	286,148
Share in remeasurement gain on retirement benefits of associates and joint ventures:			
Balances at beginning of year		11,494	9,330
Share in remeasurement gain during the year		—	2,164
Balances at end of year		11,494	11,494
		₱327,276	₱327,276

In August 2022, the Group sold 100% of its shares in Mober for ₱50.0 million, which is payable on installment basis. As of September 30, 2024 and December 31, 2023, the amount collected was ₱48.0 million and ₱20.0 million, respectively. The balance of ₱2.0 million and ₱30.0 million as of September 30, 2024 and December 31, 2023, respectively, are presented as part of “Trade and other receivables” in the unaudited consolidated statements of financial position (see Note 8).

13. Goodwill

Impairment Testing of Goodwill

Goodwill is the result of a business combination in 2010 amounted to P848.5 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, 2024 and December 31, 2023, the carrying value of the goodwill amounted to P686.9 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, 2024 and December 31, 2023.

14. Other Noncurrent Assets

	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
	<i>(In Thousands)</i>	
CWTs - net of current portion	P892,072	P874,413
Software	63,906	80,297
Refundable deposits - net of current portion	110,657	106,984
Deferred input VAT on capital expenditures	8,269	13,530
Advances to suppliers and contractors	33,700	32,885
	1,108,604	1,108,109
Allowance for impairment	(100)	(100)
	P1,108,504	P1,108,009

a. The movements in software are as follows:

	Note	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
		<i>(In Thousands)</i>	
Cost			
Balances at beginning of year		P378,032	P364,757
Additions		11,937	16,849
Disposals/Retirement		(7,848)	(3,483)
Reclassification/adjustment		—	(91)
Balances at end of year		382,121	378,032
Accumulated Amortization			
Balances at beginning of year		297,735	246,140
Amortization	23	27,532	54,893
Disposals/Retirement	23	(7,052)	(3,298)
Balances at end of year		318,215	297,735
Carrying Amount		P63,906	P80,297

Amortization was recognized and presented in the interim 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.

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

15. Short-term Notes Payable

Notes payable represent unsecured short-term peso-denominated notes payable obtained by the Group from local banks with annual interest rates ranging from 5.90% to 6.50% and 6.40% to 7.50% for nine months ended September 30, 2024 and 2023 respectively. Total interest expense incurred by the Group for the short-term notes payable amounted to ₱122.2 million and ₱93.9 million for the nine months ended September 30, 2024 and 2023, respectively (see Note 24).

16. Trade and Other Payables

	<i>Note</i>	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
<i>(In Thousands)</i>			
Trade		₱894,212	₱900,219
Accruals:			
Expenses		2,839,587	2,436,022
Salaries and wages		175,820	112,817
Interest		62,077	65,509
Capital expenditure		300,453	175,012
Others		–	141,175
Nontrade		392,528	823,536
Government payables		215,041	151,098
Contract liabilities		97,436	39,882
Other payables	<i>19</i>	108,557	59,677
		₱5,085,711	₱4,904,947

- 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, 2024 due to increase in uncompleted service of freight cash transactions within the quarter.
- e. Other payables include provision for contingencies amounting to ₱58.1 million as at September 30, 2024 and December 31, 2023 (see Note 19).

17. Long-term Debt

Long-term debt consists of:

	Note	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
<i>(In Thousands)</i>			
Banco de Oro Unibank, Inc. (BDO)	20	₱3,900,000	₱3,900,000
Unamortized debt arrangement fees		(358,148)	(23,355)
		3,541,852	3,876,645
Current portion		333,935	333,698
Noncurrent portion		₱3,207,917	₱3,542,947

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, and is subject to a floating interest rate. On April 11, 2024, 2GO repaid ₱340.0 million.

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. 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 ₱813.6 million and ₱706.4 million as of September 30, 2024 and December 31, 2023, respectively. 2GO is required to maintain a debt-to-equity ratio not exceeding 2.5:1 based on the latest audited annual consolidated financial statements of 2GO.

Borrowing Costs and Debt Transaction Costs

Interests from long-term borrowings of the Group recognized as expense totaled ₱191.8 million and ₱192.7 million for the nine months ended September 30, 2024 and 2023, 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 ₱5.2 million and ₱6.2 million for the nine months ended September 30, 2024 and 2023, respectively (see Note 24).

Compliance with debt covenants

At December 31, 2023, 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, 2024 (Unaudited)		December 31, 2023 (Audited)	
	Future Minimum Lease Payments	Present Value of Minimum Lease payments	Future Minimum Lease Payments	Present Value of Minimum Lease payments
	<i>(In thousands)</i>			
Less than one year	₱470,868	₱384,011	₱515,794	₱415,000
Between one and five years	1,318,956	1,173,981	1,458,354	1,265,615
Between six and ten years	46,992	46,525	162,049	156,767
	1,836,816	1,604,517	2,136,197	1,837,382
Interest component	232,299	—	298,815	—
Present value	₱1,604,517	₱1,604,517	₱1,837,382	₱1,837,382

The interest expense recognized related to these leases amounted to ₱80.8 million and ₱67.9 million for the nine months ended September 30, 2024 and 2023, 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, 2024 and 2023 in relation to the obligation under lease and the related right-of-use assets.

	Nine Months Ended September 30	
	2024	2023
	<i>(In Thousands)</i>	
Continuing operations		
Depreciation expense of right-of-use assets	₱322,506	₱275,417
Interest expense on obligation under lease	80,762	67,947
Rent expense - short-term leases	325,007	366,904
Rent expense - low value assets	4,036	4,708
Pre-termination gain	(1,335)	—
Discontinued operations	—	12,828
	₱730,976	₱727,804

The rollforward analysis of obligation under lease for the nine months ended September 30, 2024 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	
	2024	2023
	<i>(In Thousands)</i>	
Continuing operations		
Cost of services and goods sold	₱619,943	₱617,375
General and administrative expenses	31,606	29,654
Financing charges	80,762	67,947
Pre-termination gain	(1,335)	—
Discontinued operations	—	12,828
	₱730,976	₱727,804

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, 2024 and December 31, 2023 amounted to ₱58.1 million, 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, 2024 and 2023 (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)
Subsidiaries	Trident Investments Holdings Pte. Ltd.
	2GO Express, Inc. (2GO Express or EXP)
	2GO Logistics, Inc. (2GO Logistics or 2GOLI)
	Scanasia Overseas, Inc. (SOI) ⁽⁴⁾
	2GO Land Transport, Inc. (2GO Land) ⁽¹⁾
	Special Container and Value Added Services, Inc. (SCVASI)
	NN-ATS Logistics Management and Holdings Corporation, Inc. (NALMHCI)
	North Harbor Tugs Corporation (NHTC)
	Astir Engineering Works, Inc. (AEWI)
	United South Dockhandlers, Inc. (USDI)
	WG & A Supercommerce, Inc. (WSI) ⁽³⁾
	2GO Rush, Inc. (Rush) ⁽³⁾
Associates	MCC Transport Philippines, Inc. (MCCP)
	Mober Technology PTE Inc. ⁽²⁾
Joint Ventures	KLN Logistics Holdings Philippines, Inc. (KLN)
	Kerry Logistics (Phils.), Inc. (KLPI)
Other Affiliated	Supervalue, Inc.

Relationship	Name
Companies	Super Shopping Market, Inc.
	BDO Unibank, Inc.
	Prime Metroestate, Inc.
	SM Retail, Inc.
	Coolblog Philippines, Inc.
	Watsons Personal Care Stores (Philippines), Inc.
	Brownies Unlimited, Inc.
	Goldilocks Bakeshop, Inc.
	Sanford Marketing Corporation
	China Banking Corporation
	SM Prime Holdings Inc.
	Alfamart Trading Philippines, Inc.
	Homeworld Shopping Corporation
	Mini Depato Corp.
	Star Appliance Center, Inc.
	Warehouse Development Company, Inc.
	ASP Airspeed Philipines, Inc.
	Airspeed International Corporation
	International Toyworld, Inc.
	Kultura Store, Inc.
	Waltermart Supermarket, Inc.
	Online Mall Incorporated
	Sports Central (Manila), Inc.
	Costa Del Hamilo Inc.
	Digital Advantage Corp.
	Fast Retailing Philippines, Inc.
	Mindpro Retail Inc.
	SM Mart, Inc.
	SM Development Corporation

(1) Formerly WRR Trucking Corporation.

(2) Sold in August 2022. Related party disclosure relates to the transactions until the date of sale.

(3) Dormant companies.

(4) On August 9, 2023, the BOD approved the cessation of business operations of SOI.

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

		Nine Months Ended September 30	
	Nature	2024	2023
(In Thousands)			
Stockholders of the Company	Outside services	(P65,605)	(P32,561)
	Computer charges	(13,818)	(21,925)
	Communication, light and water	(1,410)	(4,845)
Associates and joint venture	Freight expense	(25,714)	(65,201)
	Freight revenue	939	157
	Shared cost	3,006	3,006
	Other overhead expense	—	(103)
Other Affiliated Companies	Freight revenue	178,682	169,256
	Outside services	158,279	197,487
	Sale of goods	163,281	183,022
	Food and beverage	(181,911)	(149,377)
	Rent	(100,379)	(36,021)
	Interest Expense	(264,803)	(269,089)
	Interest Income	177	56
	Outside services	(26,898)	(28,080)
	Materials and supplies used	(20,430)	(21,394)
	Others – net	--	129
Key Management Personnel	Short-term employee benefits	(46,377)	(44,190)

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, 2024	December 31, 2023
Account	Terms and Conditions		(Unaudited)	(Audited)
<i>(In Thousands)</i>				
Stockholders of the Parent Company	Trade payable	30 to 60 days; noninterest-bearing	(P15,328)	(P10,603)
	Accrued expenses	30 to 60 days; noninterest-bearing	(6,272)	(15,317)
Associates and Joint Venture	Nontrade receivables	On demand; noninterest-bearing	62,079	73,792
	Trade payables	30 to 60 days; noninterest-bearing	(11)	(6,817)
	Accrued expenses	30 to 60 days; noninterest-bearing	(125)	(699)
	Due to related parties	30 to 60 days; noninterest-bearing	--	(19)
Other Affiliated Companies	Short-term loan	See Note 15	(1,324,000)	(1,356,000)
	Long-term debt	See Note 17	(3,542,923)	(3,900,000)
	Cash in bank	On demand; interest-bearing	627,825	559,153
	Cash equivalents	On demand; interest-bearing	--	3,954
	Nontrade receivables	On demand; interest-bearing	104,604	99,327
	Accrued expenses	30 to 60 days; noninterest-bearing	(105,435)	(88,597)
	Trade payables	30 to 60 days; noninterest-bearing	(14,332)	(7,555)

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

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

- Transactions with other associates and related companies consist of shipping and co-loading services, shared services, ship management services, agency fee for manpower services, purchase of steward supplies, availment of stevedoring, arrastre, trucking, and repair services and rental.
- The Company's transactions with SCVASI and 2GO Express include shipping and forwarding services, commission and trucking services.
- The Company provides shared services to 2GO Express, 2GO Logistics, and SOI at fees based on agreed rates.
- 2GO Land provides trucking services to 2GO Express except from October 2023 to June 30, 2024.
- NALMHCI provides trucking services to 2GO Express from October 2023 to June 30, 2024.

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, 2024	December 31, 2023
			(Unaudited)	(Audited)
<i>(In Thousands)</i>				
2GO	SCVASI/EXP/2GOLI/SOI/HLP/	30 to 60 days; noninterest-bearing	P3,070,712	P3,379,789
	2GO LAND/NLMHCI			
EXP	2GO/SCVASI/2GOLI/SOI/	30 to 60 days; noninterest-bearing	331,865	242,149
	2GO LAND			
SOI	2GO/SCVASI/EXP/2GOLI	30 to 60 days; noninterest-bearing	69,388	70,809
2GOLI	2GO/SCVASI/EXP/SOI/2GO LAND	30 to 60 days; noninterest-bearing	22,610	35,715
2GO Land	EXP/2GOLI/NLMHCI	30 to 60 days; noninterest-bearing	37,052	41,288
SCVASI	2GO/EXP/2GOLI/SOI	30 to 60 days; noninterest-bearing	102,552	77,024
NLMHCI	2GO/EXP	30 to 60 days; noninterest-bearing	81,439	56,236
NHTC	2GO	30 to 60 days; noninterest-bearing	8,717	4,963
USDI	2GO/NLMHCI	30 to 60 days; noninterest-bearing	48,055	51,175
AEWI	2GO	30 to 60 days; noninterest-bearing	7,622	7,622

21. Equity

a. Share Capital

Details of share capital as at September 30, 2024 and December 31, 2023 are as follows:

	Number of Shares	Amount (In Thousands)
Authorized common shares at ₱1.00 par value each	4,070,343,670	4,070,343,670
Authorized preferred shares at ₱1.00 par value each	4,564,330	4,564,330
Issued and outstanding common shares as at September 30, 2024 and December 31, 2023	2,462,146,316	₱2,462,146,316

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 5,366 and 5,118 equity holders as of September 30, 2024 and December 31, 2023, respectively.

On November 11, 2023, the BOD approved the amendment of the Articles of Incorporation to reclassify 330 redeemable preferred shares into common shares and to increase par value of common shares from ₱1.00 to ₱1,000.00 per share. As of November 14, 2024, the amended Articles of Incorporation is yet to be approved by SEC.

- b. Retained earnings include undistributed earnings amounting to ₱896.3 million and ₱767.1 million as of September 30, 2024 and December 31, 2023, 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, 2024 and December 31, 2023.

22. Cost of Services and Goods Sold

This account consists of the following:

		Nine Months Ended September 30	
	Note	2024	2023
		<i>(In Thousands)</i>	
Cost of Services			
Fuel, oil and lubricants	20	₱3,017,062	₱2,002,406
Transportation and delivery		2,774,044	2,625,772
Outside services		2,203,709	1,836,919
Depreciation and amortization	11, 14	1,013,596	918,970
Personnel costs	25, 26	642,048	651,832
Repairs and maintenance		393,678	414,875
Rent	29	322,439	368,615
Food and beverage	20	304,550	209,674
Arrastre and stevedoring		216,930	211,369
Insurance		193,599	176,374
Material and supplies used		127,538	115,814
Communication, light and water		105,833	106,461
Taxes and licenses		89,887	53,178
Food and subsistence		60,578	55,084
Concession expenses		31,751	42,169
Travel expenses		43,671	36,478
Others		67,977	60,672
		₱11,608,890	₱9,886,662

23. General and Administrative Expenses

This account consists of the following:

		Nine Months Ended September 30	
	Note	2024	2023
		<i>(In Thousands)</i>	
Personnel costs	25, 26	₱460,920	₱413,614
Outside services		83,313	64,661
Computer charges		70,276	68,134
Depreciation and amortization	11, 14	62,182	62,085
Advertising and promotion		40,777	26,363
Transportation and travel		34,239	31,108
Communication, light and water		10,658	18,960
Provision for ECL	8	10,476	16,079
Entertainment, amusement and recreation		7,400	2,409
Rent	29	6,604	2,997
Taxes and licenses		3,939	5,568
Repairs and maintenance		2,411	5,403
Insurance		482	483
Others		(18,667)	(4,672)
		₱775,010	₱713,192

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, 2024 and 2023 includes reversal of general provision amounting to ₱74.4 million and ₱81.6 million, respectively.

24. Other Income (Charges)

Financing Charges

		Nine Months Ended September 30	
		2024	2023
		(In Thousands)	
Interest expense on:			
Long-term debt	17	₱191,828	₱192,673
Short-term notes payable	15	122,191	80,548
Amortization of:			
Obligations under lease	18	80,762	67,947
Debt transaction costs	17	5,206	6,219
Other financing charges		17,029	10,012
		₱417,016	₱357,399

Other financing charges comprise of items that are individually immaterial. Accrued interest payable as of September 30, 2024 and December 31, 2023 amounted to ₱62.1 million and ₱65.5 million, respectively (see Note 16).

Others – net

		Nine Months Ended September 30	
		2024	2023
		(In Thousands)	
Interest income	7	₱594	₱420
Gain on disposal of property and equipment	12	867	6,260
Foreign exchange losses		(1,172)	(295)
Gain on lease pre-termination		1,335	–
Others - net		2,988	3,508
		₱4,612	₱9,893

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	
		2024	2023
		(In Thousands)	
Salaries and wages		₱854,886	₱818,538
Retirement benefit cost	26	71,664	66,532
Other employee benefits		176,418	180,376
		₱1,102,968	₱1,065,446

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

26. Retirement Benefits

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

The fund is administered by trustee banks under the supervision of the Board of Trustees who is also responsible for the investment strategy of the plan. The investment strategy of the Group's defined benefit plans is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risks of the plans. The Group expects to contribute ₱30.5 million to the retirement fund in 2024. The Group's transaction with the plan pertain to contribution and benefit payments.

Total retirement benefit cost included in the interim unaudited condensed consolidated statements of profit or loss amounted to ₱71.6 million and ₱72.5 million for the nine months ended September 30, 2024 and 2023, respectively.

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

	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
	(In Thousands)	
Defined benefit obligation	₱602,152	₱530,488
Fair value of plan assets	(170,802)	(90,903)
	₱431,350	₱439,585

27. Income Taxes

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

	Nine Months Ended September 30	
	2024	2023
	(In Thousands)	
Current:		
RCIT	₱41,946	₱32,115
MCIT	38,768	27,516
	80,714	59,631
Deferred	(11,620)	(3,344)
	₱69,094	₱56,287

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

	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
	(In Thousands)	
Directly recognized in profit or loss		
Deferred income tax assets on:		
Accrued retirement benefits	₱60,146	₱56,973
Unamortized past service cost	6,553	8,922
Obligations under lease, net of right-of-use assets	357,415	440,104
Accruals and others	45,638	45,230
	469,752	551,229

	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
	<i>(In Thousands)</i>	
Deferred income tax liabilities on:		
Right-of-use assets	(344,222)	(431,541)
Unamortized debt arrangement fees and other taxable temporary differences	(4,762)	(5,928)
	120,768	113,760
Directly recognized in OCI		
Deferred income tax asset on remeasurement of retirement costs	39,384	37,150
	₱160,152	₱150,910

28. Earnings Per Share (EPS)

Basic and diluted earnings per share were computed as follows:

	Nine Months Ended September 30	
	2024	2023
	<i>(In Thousands)</i>	
Net income for the year attributable to equity holders of the Parent Company	₱587,837	₱645,690
Weighted average number of common shares outstanding for the year	2,462,146,316	2,462,146
Income per common share	₱0.2387	₱0.2622
Income per common share (from continuing operations)	₱0.2408	₱0.3232

There are no potentially dilutive common shares as at September 30, 2024 and 2023.

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.

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

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

Credit Risk

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

The Group's exposures to credit risks are primarily attributable to cash and collection of trade and other receivables with a maximum exposure equal to the carrying amount of these financial instruments. As of September 30, 2024 and December 31, 2023, 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 are as follows:

September 30, 2024 (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	₱636,411	₱–	₱–	₱–	₱–	₱–	₱–	₱636,411
Cash equivalents	22,741	–	–	–	–	–	–	22,741
Trade receivables	993,399	187,325	18,334	101,563	83,389	1,013,946	(415,789)	1,982,167
Nontrade receivables ¹	590,189	3,085	2,037	8,500	4,106	279,131	(188,356)	698,692
Advances to officers ² and employees ¹	6,478	–	–	–	–	–	–	6,478
Refundable deposits	225,222	–	–	–	–	–	–	225,222
Contract assets	396,019	–	–	–	–	–	–	396,019
Total	₱2,870,459	₱190,410	₱20,371	₱110,063	₱87,495	₱1,293,077	(₱604,145)	₱3,967,730

⁽¹⁾Excluding nonfinancial asset amounting to ₱90.0 million.

⁽²⁾Excluding advances amounting to ₱3.2 million subject to liquidation.

December 31, 2023 (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	₱705,313	₱—	₱—	₱—	₱—	₱—	₱—	₱705,313
Cash equivalents	14,667	—	—	—	—	—	—	14,667
Trade receivables	696,522	322,363	93,189	122,965	113,460	838,676	(389,180)	1,797,995
Nontrade receivables ¹	54,634	1,034	13,472	6,997	5,973	75,213	(58,545)	98,778
Advances to officers and employees ²	5,207	—	—	—	—	—	—	5,207
Refundable deposits	217,571	—	—	—	—	—	—	217,571
Contract assets	462,330	—	—	—	—	—	(43,029)	419,301
Total	₱2,156,244	₱323,397	₱106,661	₱129,962	₱119,433	₱913,889	(₱490,754)	₱3,258,832

⁽¹⁾ Excluding nonfinancial asset amounting to ₱102.8 million.

⁽²⁾Excluding advances amounting to ₱16.9 million subject to liquidation.

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 7.25% for the nine months ended September 30, 2024 and 2023, 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:

	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Assets financed by:		
Creditors	84%	87%
Stockholders	16%	13%

As of September 30, 2024 and December 31, 2023, 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, 2024 (Unaudited)		December 31, 2023 (Audited)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<i>(In Thousands)</i>				
Financial Liabilities				
Long-term debts	₱3,541,852	₱3,744,407	₱3,876,645	₱4,039,849
Obligations under lease	1,604,517	1,540,725	1,837,382	1,821,864
	₱5,146,369	₱5,285,132	₱ 5,714,027	₱5,861,713

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

Cash and cash equivalents, trade and other receivables, trade and other payables, refundable deposits included under “Other current assets”

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

Refundable deposits included under “Other noncurrent assets”

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

Short-term Notes Payable

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

Long-term Debt

Discount rate of 7.5% and 7.8% was used in calculating the fair value of the long-term debt as of September 30, 2024 and December 31, 2023, 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 7.2% to 7.8% and 7.1% to 7.8% as of September 30, 2024 and December 31, 2023, 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, 2024:

	January 1, 2024	Cash Flows				September 30, 2024
		Availments	Payments	Net	Others	
			(In thousands)			
Short-term notes payable	₱1,816,000	₱1,590,000	(₱817,000)	₱773,000	₱-	₱2,589,000
Current portion of long-term debt	333,698	-	(340,000)	(340,000)	340,237	333,935
Current portion of obligations under lease	415,000	-	(394,009)	(394,009)	363,020	384,011
Noncurrent portion of long-term debt	3,542,947	-	-	-	(335,030)	3,207,917
Noncurrent portion of obligations under lease	1,422,382	103,501	-	103,501	(305,377)	1,220,506
Total liabilities from financing activities	₱7,530,027	₱1,693,501	(₱1,551,009)	₱142,492	₱62,850	₱7,735,369

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

“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. Discontinued Operations

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

The results of the discontinued operations are as follows:

	For the Nine Months Ended September 30	
	2024	2023
	(In thousands)	
Revenue from contracts with customers	₱-	₱2,825,877
Costs and expenses	-	(2,959,888)
Operating loss	-	(134,011)
Financing charges, net	(5,125)	(15,234)
Others - net	-	3,469
Loss before income tax	(5,125)	(145,776)
Provision for income tax		
Current	-	(4,277)
Deferred	-	(89)
	-	(4,365)
Net Loss	(₱5,125)	(₱150,141)
Basic/Diluted Loss Per Share for discontinued operations	(₱0.0021)	(₱0.0610)

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

	For the Nine Months Ended September 30	
	2024	2023
	<i>(In thousands)</i>	
Operating activities	(P30,146)	P127,838
Investing activities	(131)	25,005
Financing activities	(37,125)	14,387

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

Below is the impact on the comparative balances for the nine months' period ended September 30, 2023 as a result of the discontinued operations.

Unaudited Interim Consolidated Statement of Profit or Loss

	For the Nine Months Ended September 30		
	2023, as previously presented*	Effect of Discontinued Operation Increase (Decrease)	2023, as re-presented
	<i>(In thousands)</i>		
REVENUES FROM CONTRACTS WITH CUSTOMERS			
Shipping:			
Freight	P3,726,395	P1,240,941	P4,967,336
Travel	1,698,341	—	1,698,341
Nonshipping:			
Logistics and other services	6,230,340	(1,108,840)	5,121,500
Sale of goods	2,957,979	(2,957,979)	—
	14,613,055	(2,825,878)	11,787,177
COST OF SERVICES AND GOODS SOLD	12,812,416	(2,892,633)	9,886,662
GROSS PROFIT	1,800,639	99,876	1,900,515
GENERAL AND ADMINISTRATIVE EXPENSES	747,326	(34,134)	713,192
OPERATING INCOME FROM CONTINUING OPERATIONS	1,053,313	134,010	1,187,323
OTHER INCOME (CHARGES)			
Equity in net earnings of associates and joint ventures	20,472	—	20,472
Financing charges	(371,786)	14,387	(357,399)
Others – net	12,515	(2,622)	9,893
	(338,799)	11,765	(327,034)
INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS	714,514	145,775	860,289
PROVISION FOR INCOME TAX			
Current	63,907	(4,276)	59,631
Deferred	(3,255)	(89)	(3,344)
	60,652	(4,365)	56,287
NET INCOME FROM CONTINUING OPERATIONS	653,862	150,140	804,002
NET LOSS FROM DISCONTINUED OPERATIONS	—	(150,140)	(150,140)
NET INCOME	P653,862	P—	P653,862

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

2GO GROUP, INC.**RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024**
(Amounts in Thousands)

Unappropriated Retained earnings (deficit), beginning of reporting period			(P1,749,465)
Add:	Category A:	Items that are directly credited to Unappropriated Retained Earnings	
		Reversal of Retained Earnings Appropriation/s	—
		Effect of restatements or prior-year adjustments	—
		Others (describe nature)	—
			—
Less:	Category B:	Items that are directly debited to Unappropriated Retained Earnings	
		Dividend declaration during the reporting period	—
		Retained Earnings appropriated during the reporting period	—
		Effect of restatements or prior-year adjustments	—
		Others - deferred tax assets beginning	—
		Others - treasury shares	—
			—
Unappropriated Retained Earnings, as adjusted			(1,749,465)
Add/Less: Net Income (Loss) for the current year			481,550
Less:	Category C.1:	Unrealized income recognized in the profit or loss during the reporting period (net of tax)	
		Equity in net income of associate/joint venture, net of dividends declared	—
		Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	(3,309)
		Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	—
		Unrealized fair value gain of Investment Property	—
		Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)	—
			(3,309)
		Sub-total	(3,309)
	Category C.2:	Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)	
		Realized foreign exchange gain, except those attributable to cash and cash equivalents	(1,292)
		Realized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	—
Add:		Realized fair value gain of Investment Property	—
		Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)	—
			(1,292)
		Sub-total	(1,292)

Add:	Category C.3:	Unrealized income recognized in the profit or loss in prior periods but reversed in the current reporting period (net of tax)	
		Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	—
		Reversal of previously recorded fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	—
		Reversal of previously recorded fair value gain of Investment Property	—
		Reversal of previously recorded other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS (describe nature)	—
		<i>Sub-total</i>	—
Adjusted Net Income (Loss)			476,949
Add:	Category D:	Non-actual losses recognized in profit or loss during the reporting period (net of tax)	
		Depreciation on revaluation increment (after tax)	—
		<i>Sub-total</i>	—
Add/ (Less)	Category E:	Adjustments related to relief granted by the SEC and BSP	
		Amortization of the effect of reporting relief	—
		Total amount of reporting relief granted during the year	—
		Others (describe nature)	—
		<i>Sub-total</i>	—
Add/ (Less)	Category F:	Other items that should be excluded from the determination of the amount of available for dividends distribution	
		Net movement of treasury shares (except for reacquisition of redeemable shares)	—
		Net movement of deferred tax asset not considered in the reconciling items under the previous categories	(16,518)
		Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g. set up of right of use asset and lease liability, set up of asset and asset retirement obligation, and set up of service concession asset and concession payable	—
		Adjustment due to deviation from PFRS/GAAP - gain (loss)	—
		Others (describe nature)	—
		<i>Sub-total</i>	(16,518)
Total Retained Earnings, end of reporting period available for dividend			<u>(P1,289,225)</u>

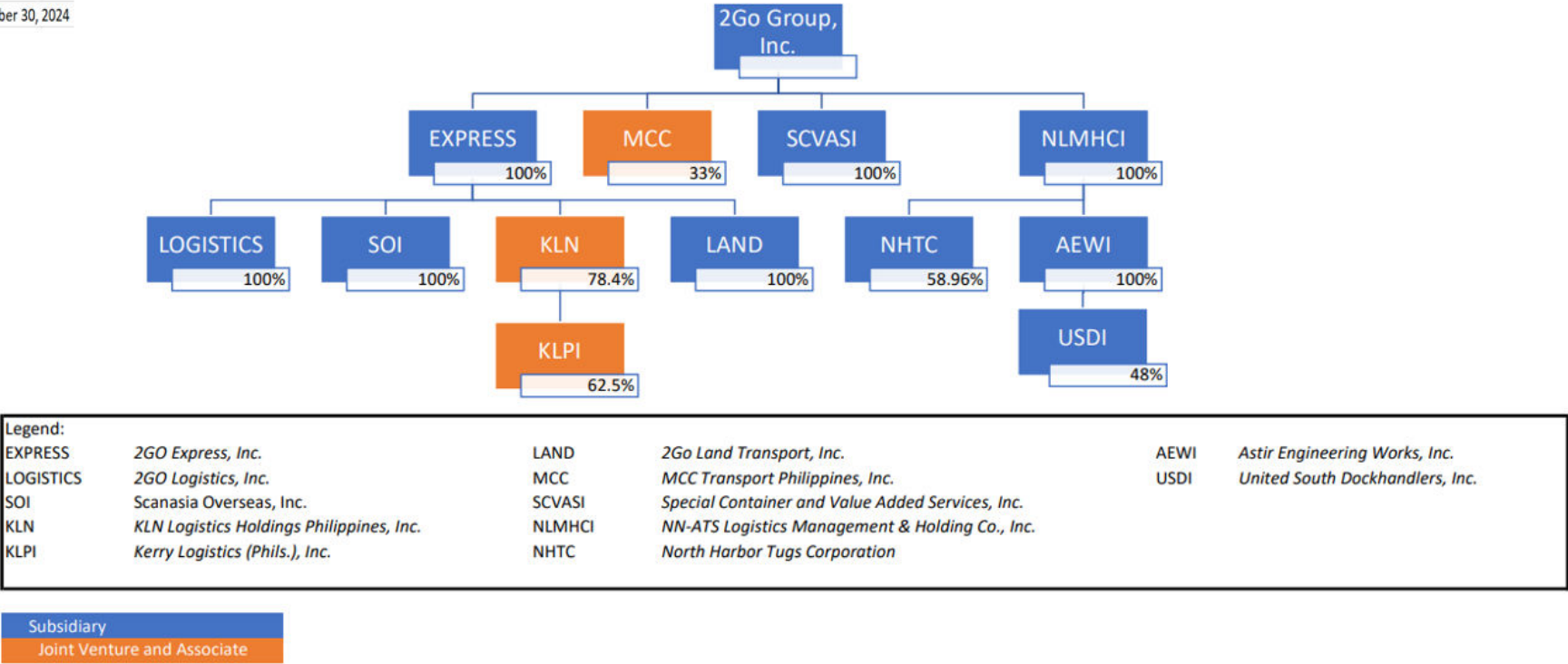
2GO GROUP, INC. AND SUBSIDIARIES
8/F Tower 1 Double Dragon Plaza, Edsa Ext.
cor. Macapagal Ave., Pasay City
KEY PERFORMANCE INDICATORS
AS OF September 30, 2024 AND DECEMBER 31, 2023
(Amounts in Thousands)

	September 30, 2024	December 31, 2023
Total Liabilities	₱13,257,756	₱12,903,274
Total Stockholders' Equity	2,494,508	1,897,157
Debt-to-Equity	5.31	6.80
Total Current Assets	₱5,585,941	₱5,462,441
Total Current Liabilities	8,397,983	7,498,360
Current Ratio	0.67	0.73
Total Quick Assets	₱3,267,551	₱3,203,045
Total Current Liabilities	8,397,983	7,498,360
Quick Ratio	0.39	0.43
Net Income After Tax from continuing operations	₱603,059	₱1,147,321
Depreciation & Amortization	1,075,778	1,283,139
Net Income before Dep'n & Amortization	1,678,837	2,430,460
Short Term & Long-Term Notes	6,247,412	5,763,692
Solvency Ratio	0.27	0.40
Total Liabilities	₱13,257,756	₱12,903,274
Total Assets	15,752,264	14,800,431
Debt-to-Asset Ratio	0.84	0.87
Total Assets	₱15,752,264	₱14,800,431
Total Stockholders' Equity	2,494,508	1,897,157
Equity-to-Asset Ratio	0.16	0.13
Net Income from continuing operations	₱603,059	₱1,147,321
Average Total Assets	15,276,348	14,596,163
Return on Assets	0.04	0.08
Net Income from continuing operations	₱603,059	₱1,147,321
Average Total Stockholders' Equity	2,195,833	1,445,879
Return on Equity	0.27	0.79

	September 30, 2024	December 31, 2023
Sales	₱13,468,457	₱15,956,167
Cost of Services and Goods Sold	11,608,890	13,221,156
Gross Profit	1,859,567	2,735,011
Gross Profit Margin	0.14	0.17
Net Income from continuing operations	₱603,059	₱1,147,321
Sales	13,468,457	15,956,167
Net Profit Margin	0.04	0.07
EBIT	₱1,088,575	₱1,728,352
Interest Expense	417,016	477,550
Interest Coverage Ratio	2.61	3.62

Corporate Structure

As of September 30, 2024



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, 2024
(Amounts in Thousands)

Ratio	Formula	September 30, 2024	December 31, 2023
Current ratio	Total Current Assets Divided by Total Current Liabilities Total Current Assets 5,585,941 Divided by: Total Current Liabilities 8,397,983 <hr/> Current Ratio 0.67	0.67	0.73
Acid test ratio	Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities Total Current Assets 5,585,941 Less: Inventories 195,193 Other current assets 2,123,197 <hr/> Quick assets 3,267,551 Divided by: Total Current Liabilities 8,397,983 <hr/> Acid test ratio 0.39	0.39	0.43
Solvency ratio	Net income before Depreciation & Amortization (Net income from operations plus depreciation and amortization) divided by Interest Bearing Debt Net income from continuing operations 603,059 Add: Depreciation & Amortization 1,075,778 <hr/> Net income before depreciation & Amortization 1,678,837 Short Term Notes 2,589,000 Long Term Notes 3,541,852 Obligations under finance lease 139,835 Divided by: Interest Bearing Debt 6,270,687 <hr/> Solvency Ratio 0.27	0.27	0.40

Ratio	Formula	September 30, 2024	December 31, 2023
Debt -to- equity ratio	Total Liabilities divided by Total Stockholders' Equity Total Liabilities 13,257,756 Divided by: Total Stockholders' Equity 2,494,508 <hr/> Debt-to-equity ratio 5.31	5.31	6.80
Asset-to- equity ratio	Total Assets divided by Total Stockholders' Equity Total Assets 15,752,264 Divided by: Total Stockholders' Equity 2,494,508 <hr/> Asset-to-equity ratio 6.31	6.31	7.80
Interest rate coverage ratio	Earnings from before interest & tax divided by interest expense Earnings from continuing operations before 672,153 income tax Add: Finance Charges 417,016 Less: Interest Income 594 <hr/> 1,088,575 Divided by: Interest expense 417,016 <hr/> Interest rate coverage ratio 2.61	2.61	3.62
Return on equity	Net income from operations divided by Average Total Stockholders' Equity Net income from continuing operations 603,059 Divided by: Average Total Stockholders' Equity 2,195,833 <hr/> Return on equity ratio 0.27	0.27	0.79
Return on assets	Net income from operations divided by Average Total Assets Net income from continuing operations 603,059 Divided by: Average Total Assets 15,276,348 <hr/> Return on assets 0.04	0.04	0.08
Net profit margin	Net income from continuing operations divided by Total Revenue Net income from continuing operations 603,059 Divided by: Total Revenue 13,468,457 <hr/> Net profit margin 0.04	0.04	0.07

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

Results of Operations for the Nine Months Ended September 30, 2024 and 2023

Amounts in millions	Sep 30, 2024	Sep 30, 2023	% Change
Revenue	P 13,468	P 11,787	14%
Costs of Services	11,609	9,887	(17%)
Gross Profit	1,860	1,901	(2%)
General and Administrative Expenses	775	713	(9%)
Operating Income	1,085	1,187	(9%)
Other Charges	412	327	(26%)
Provision for Income Tax	69	56	(23%)
Net Income (Loss) from Continuing Operations	P 603	P 804	(25%)
Net Income (Loss) from Discontinued Operations	(5)	(150)	97%
Net Income (Loss)	P 598	P 654	(9%)
<u>Add back:</u>			
Financing Charges (Interest)	422	372	(14%)
Provision for Income Tax	69	61	(14%)
Depreciation and Amortization	1,076	982	(10%)
EBITDA	P 2,165	P 2,068	5%

2GO Group, Inc. and subsidiaries (2GO or the Group) delivered Net Income of ₱598M for the Nine Months Ended September 30, 2024, ₱56M or 9% lower from the previous year. Revenue grew 14% year-over-year (YoY) while Operating Income decreased 9% due to 53% or ₱983M increase in fuel costs, 28% or ₱141M increase in depreciation expense and 17% or ₱60M increase in interest expense on borrowings related to its acquisition of three ROPAX vessels and new equipment.

Total revenue increased 14% to ₱13.5B from ₱11.8B YoY. Shipping revenue, comprised of sea freight and passenger travel, increased 17%. Passenger travel increased 27% or ₱459M, while Sea freight increased 13% or ₱648M. Logistics and other services revenue increased 11% or ₱574M. Shipping accounted for 58% and Non-shipping 42% of total revenue compared to 57% and 43% respectively during 2023.

Cost of services and goods sold increased 17%. General and administrative expenses increased 9%.

Other charges increased 26% to ₱412M for the first nine months of 2024 compared to ₱327M for the same period last year. Finance charges increased ₱60M or 17%, while equity in net income of associates and other income decreased ₱26M or 85%.

2GO delivered EBITDA of ₱2.2B at 16.1% margin in the first nine months of 2024 compared to ₱2.1B at 17.5% margin in 2023.

Financial Position as of September 30, 2024 and December 31, 2023

Amounts in millions	As of		% Change
	Sep 30, 2024	Dec 31, 2023	
Current Assets	₱ 5,586	₱ 5,462	2%
Noncurrent Assets	10,166	9,338	9%
Total Assets	₱ 15,752	₱ 14,800	6%
Current Liabilities	₱ 8,398	₱ 7,498	12%
Noncurrent Liabilities	4,860	5,405	(10%)
Total Liabilities	₱ 13,258	₱ 12,903	3%
Total Equity	2,495	1,897	31%
Total Liabilities and Equity	₱ 15,752	₱ 14,800	6%

Total Assets increased 6% from ₱14.8B to ₱15.8B, while Total Liabilities increased 3% from ₱12.9B to ₱13.3B.

Assets

Current Assets increased 2% from ₱5.5B to ₱5.6B. Cash and Cash Equivalents decreased 8% from ₱762M to ₱700M. Trade and Other Receivables, net of Allowance for Doubtful Accounts, increased 5% from ₱2.4B to ₱2.6B.

Noncurrent Assets increased 9% from ₱9.3B to ₱10.2B due to a net increase in Fixed Assets.

Liabilities

Current Liabilities increased 12% from ₱7.5B to ₱8.4B mainly from new loans for acquisition of vessels. Short-term Notes Payable increased 43% from ₱1.8B to ₱2.6B from new loans stated above.

Noncurrent Liabilities decreased 10% from ₱5.4B to ₱4.9B.

Equity

Total Equity increased 31% from ₱1.9B to ₱2.5B as 2GO delivered Net Income of ₱598M in the first nine months of 2024.

Key Performance Indicators

The following are the key financial ratios of the Group for the years ended September 30, 2024 and 2023 and as of September 30, 2024 and December 31, 2023.

	Sep 30, 2024	Sep 30, 2023
Revenue Growth	14.3%	5.9%
Net Income Margin	4.4%	5.5%
EBITDA (in Millions of Pesos)	₱ 2,165	₱ 2,068
EBITDA Margin	16.1%	17.5%
	As of	
	Sep 30, 2024	Dec 31, 2023
Current Ratio	0.7	0.7
Bank Debt to Total Equity Ratio	2.5	3.0
Total Liabilities to Total Equity	5.3	6.8

Net Income Margin declined to 4.4% in the first nine months of 2024 vs. 5.5% in 2023. EBITDA improved 5% or ₱ 97M to ₱2.2B at 16.1% margin in the first nine months of 2024 compared to ₱2.1B and 17.5% in 2023.

Current Ratio is 0.7 as of September 30, 2024 and December 31, 2023. Bank Debt to Total Equity improved to 2.5 as of September 30, 2024, from 3.0 as of December 31, 2023, while Total Liabilities to Total Equity decreased to 5.3 from 6.8.

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 to Total Equity	$\text{Total Liabilities} / \text{Total Equity}$

Company Outlook

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

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


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 14, 2024

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 8th 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 14 2024 at TAGUIG CITY.


WILLIAM CHARLES HOWELL
Chief Financial Officer

SUBSCRIBED AND SWORN to before me this NOV 14 2024 at TAGUIG CITY, affiant exhibited to me his Tax Identification No. 321-579-394.

Doc. No. 158;
Page No. 33;
Book No. I;
Series of 2024.


ERIELLE ROBYN TONGCHAN
Appointment No. 133 (2024-2025)
Notary Public for Taguig City
Until December 31, 2025
Attorney's Roll No. 88303
1105 Tower 2 High Street South Corporate Plaza
26th Street, Bonifacio Global City, Taguig City
PTR Receipt No. A-6151055; 04.05.24; Taguig City
IBP Receipt No. 428172; 01.23.24; Pasig City
Admitted to the Bar on December 2023