COVER SHEET

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2GO GROUP, INC AND
SUBSIDIARIES

(Company's Full Name)

8TH FLOOR, TOWER ONE
DOUBLE DRAGON PLAZA DD
MERIDIAN PARK CORNER
MACAPAGAL AVE EDSA
EXTENTION, BAY AREA
PASAY CITY

(Business Address : No. Street/City/Province)

Atty. Elmer B. Serrano
Contact Person

687 1195
Company Telephone Number

Month *Day*
Fiscal Year

SEC Form 17-Q
FORM TYPE

April 05
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA
Mandaluyong City

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

1. For the quarterly period ended : **JUNE 30, 2018**
2. SEC Identification Number : **4409**
3. BIR Tax Identification Number : **000-313-401-000**
4. Exact name of issuer as specified in its charter : **2GO GROUP, INC.**
5. Province, country, or other jurisdiction of incorporation or organization : **PHILIPPINES**
6. Industry Classification Code: *(SEC Use Only)*
7. Address of issuer's principal office : **8^{TH} FLOOR, TOWER 1, DOUBLEDRAGON PLAZA, DD MERIDIAN PARK, MACAPAGAL AVENUE CORNER EDSA EXTENSION, BAY AREA, PASAY CITY 1302**
8. Issuer's telephone number, including area code : **(02) 528-7171**
9. Former name, former address and former fiscal year, if changed since last report : **N/A**
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

TITLE OF EACH CLASS	NUMBER OF SHARES OF COMMON STOCK OUTSTANDING AND AMOUNT OF DEBT OUTSTANDING
Common shares	2,446,136,400
Total liabilities as of June 30, 2018	11,500,805

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

PHILIPPINE STOCK EXCHANGE
COMMON STOCK

12. (a) The Registrant has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months.

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

DOCUMENTS INCORPORATED BY REFERENCE

1. Quarterly Consolidated Financial Statements of 2GO Group, Inc. as of 30 June 2018, attached as Exhibit I and referred to herein as the "Quarterly Financial Report."

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

PART I
FINANCIAL INFORMATION

Item 1. Financial Statements.

Please refer to attached Exhibit I.

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

Please refer to attached Exhibit II.

PART II
OTHER INFORMATION

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

EXHIBIT I

Unaudited Interim Condensed Consolidated Financial Statements As of and for the Six Months Ended June 30, 2018

2GO Group, Inc. and Subsidiaries

Unaudited Interim Condensed Consolidated Financial Statements
As of and for the Six Months Ended
June 30, 2018
(With Comparative Figures
For the Six Months Ended June 30, 2017 and
As of December 31, 2017)

COVER SHEET

SEC Registration Number

4409

COMPANY NAME

2GO GROUP, INC. AND SUBSIDIARIES

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

8TH FLOOR, TOWER ONE DOUBLE DRAGON PLAZA DD MERIDIAN PARK CORNER MACAPAGAL AVE EDSA EXTENSION, BAY AREA PASAY CITY

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

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
____	April 05	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Atty. Elmer Serrano	elmer.serrano@mvgslaw.com	(02) 554-8777	N/A

CONTACT PERSON's ADDRESS

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

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

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

2GO GROUP, INC. AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2018
(With Comparative Figures as of December 31, 2017)
(Amounts in Thousands)

	Note	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
ASSETS			
Current Assets			
Cash and cash equivalents	*6*	₱2,179,685	₱2,095,850
Trade and other receivables, net	*7, 15, 18*	3,575,493	4,428,276
Inventories	*8*	702,289	555,697
Other current assets	*9*	1,557,143	1,530,462
Total Current Assets		8,014,610	8,610,285
Noncurrent Assets			
Property and equipment	*10, 15, 16*	6,514,732	7,096,852
Investments in associates and joint ventures	*11*	280,486	275,676
Deferred tax assets, net	*25*	82,586	82,700
Other noncurrent assets	*12*	435,356	441,596
Total Noncurrent Assets		7,313,160	7,896,824
TOTAL ASSETS		₱15,327,770	₱16,507,109

LIABILITIES AND EQUITY			
Current Liabilities			
Short-term notes payable	*13*	₱1,294,350	₱2,644,950
Trade and other payables	*14, 18*	6,410,389	6,506,865
Income tax payable		16,390	17,174
Current portion of:			
Long-term debt	*15*	451,929	3,121,315
Obligations under finance lease	*10, 16*	82,904	97,311
Total Current Liabilities		8,255,962	12,387,615
Noncurrent Liabilities			
Long-term debt - net of current portion	*15*	2,842,014	1,481
Obligations under finance lease - net of current portion	*10, 16*	135,042	218,430
Accrued retirement benefits	*24*	261,803	260,115
Other noncurrent liabilities		5,984	6,082
Total Noncurrent Liabilities		3,244,843	486,108
Total Liabilities		11,500,805	12,873,723

(Forward)

	Note	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Equity	19		
Share capital		**₱2,484,653**	₱2,484,653
Additional paid-in capital		**910,901**	910,901
Acquisition of non-controlling interest		**(3,243)**	(3,243)
Excess of cost of investments over net assets of a subsidiary		**(9,835)**	(9,835)
Other comprehensive losses – net		**(89,839)**	(89,839)
Retained earnings		**531,230**	327,638
Treasury shares		**(58,715)**	(58,715)
Equity Attributable to Equity Holders of the Parent Company		**3,765,152**	3,561,560
Non-controlling Interests		**61,813**	71,826
Total Equity		**3,826,965**	3,633,386
TOTAL LIABILITIES AND EQUITY		**₱15,327,770**	₱16,507,109

See Notes to the Unaudited Interim Condensed Consolidated Financial Statements.

2GO GROUP, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS AND THREE MONTHS ENDED JUNE 30, 2018

(With Comparative Figures for the Six Months and Three Months Ended June 30, 2017)

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

		Six Months Ended June 30		Three Months Ended June 30	
	Note	**2018 (Unaudited)**	2017 (Unaudited)	**2018 (Unaudited)**	2017 (Unaudited)
REVENUES	*5*				
Shipping	*18*	**₱4,144,286**	₱4,716,005	**₱2,237,933**	₱2,390,104
Nonshipping:					
Logistics and other services	*18*	**3,822,005**	3,868,886	**1,930,982**	2,271,542
Sale of goods		**2,785,302**	2,548,906	**1,213,030**	1,624,645
		10,751,593	11,133,797	**5,381,945**	6,286,291
COST OF SERVICES AND GOODS SOLD	*20*	**9,486,632**	9,333,510	**4,680,247**	5,137,843
GROSS PROFIT		**1,264,961**	1,800,287	**701,698**	1,148,448
GENERAL AND ADMINISTRATIVE EXPENSES	*21*	**880,699**	1,187,789	**445,505**	476,332
OPERATING INCOME		**384,262**	612,498	**256,193**	672,116
OTHER INCOME (CHARGES)					
Equity in net earnings (losses) of associates and joint ventures	*11*	**4,810**	5,698	**2,328**	(45)
Financing charges	*22*	**(163,412)**	(190,274)	**(75,815)**	(97,506)
Others – net	*22*	**56,077**	(18,731)	**27,361**	10,456
		(102,525)	(203,307)	**(46,126)**	(87,095)
INCOME BEFORE INCOME TAX		**281,737**	409,191	**210,067**	585,021
PROVISION FOR (BENEFIT FROM) INCOME TAX	*25*				
Current		**81,024**	292,888	**47,330**	201,642
Deferred		**(413)**	(3,772)	**2,521**	(1,559)
		80,611	289,116	**49,851**	200,083
NET INCOME		**₱201,126**	₱120,075	**₱160,216**	₱384,938
Attributable to:					
Equity holders of the Parent Company		**₱203,592**	₱117,616	**₱161,388**	₱383,462
Non-controlling interests		**(2,466)**	2,459	**(1,172)**	1,476
		₱201,126	₱120,075	**₱160,216**	₱383,938
Basic Earnings Per Share	*26*	**₱0.0832**	₱0.0481	**₱0.0660**	₱0.1568

See Notes to the Unaudited Interim Condensed Consolidated Financial Statements.

2GO GROUP, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS AND THREE MONTHS ENDED JUNE 30, 2018
(With Comparative Figures for the Six Months and Three Months Ended June 30, 2017)
(Amounts in Thousands)

		Six Months Ended June 30		Three Months Ended June 30	
	Note	**2018 (Unaudited)**	2017 (Unaudited)	**2018 (Unaudited)**	2017 (Unaudited)
NET INCOME		**₱201,126**	₱120,075	**₱160,216**	₱384,938
OTHER COMPREHENSIVE INCOME - Net of tax					
Item that will be reclassified subsequently to profit or loss:					
Net changes in unrealized gain on AFS investments	*12*	–	–	–	–
Item that will not be reclassified subsequently to profit or loss:					
Remeasurement gains (losses) on net defined benefit liability	*24*	–	–	–	–
Income tax effect	*25*	–	–	–	–
		–	–	–	–
Share in remeasurement gains on retirement benefits of associates and joint ventures	*11*	–	–	–	–
		–	–	–	–
TOTAL COMPREHENSIVE INCOME		**₱201,126**	₱120,075	**₱160,216**	₱384,938
Attributable to:					
Equity holders of the Parent Company		**₱203,592**	₱117,616	**₱161,388**	₱383,462
Non-controlling interests		**(2,466)**	2,459	**(1,172)**	1,476
		₱201,126	₱120,075	**₱160,216**	₱383,938

See Notes to the Unaudited Interim Condensed Consolidated Financial Statements.

2GO GROUP, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2018
(With Comparative Figures for the Six Months Ended June 30, 2017)
(Amounts in Thousands)

	Attributable to Equity Holders of the Parent Company													
					Other Comprehensive Income (Losses)									
	Share Capital (Note 19)	Additional Paid-in Capital	Acquisition of Non-controlling Interests	Excess of Cost of Investments Over Net Assets of a Subsidiary (Note 19)	Unrealized Gain on Available-for-sale Financial Assets (Note 12)	Share in Cumulative Translation Adjustment of Associates	Remeasurement Losses on Accrued Retirement Benefits - Net of tax (Note 25)	Share in Remeasurement Gains (Losses) on Accrued Retirement Benefits of Associates and Joint Ventures (Note 11)	Subtotal	Retained Earnings	Treasury Shares (Note 19)	Total	Non-controlling Interests	Total Equity
BALANCES AT DECEMBER 31, 2017	₱2,484,653	₱910,901	(₱3,243)	(₱9,835)	₱657	₱5,294	(₱101,992)	₱6,202	(₱89,839)	₱327,638	(₱58,715)	₱3,561,560	₱71,826	₱3,633,386
Noncontrolling interest of divested subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	(7,547)	(7,547)
Net income for the period	–	–	–	–	–	–	–	–	–	203,592	–	203,592	(2,466)	201,126
Other comprehensive income for the period	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total comprehensive income for the period	–	–	–	–	–	–	–	–	–	203,592	–	203,592	(2,466)	201,126
BALANCES AT JUNE 30, 2018 (Unaudited)	₱2,484,653	₱910,901	(₱3,243)	(₱9,835)	₱657	₱5,294	(₱101,992)	₱6,202	(₱89,839)	₱531,230	(₱58,715)	₱3,765,152	₱61,813	₱3,826,965
BALANCES AT DECEMBER 31, 2016	₱2,484,653	₱910,901	(₱3,243)	(₱9,835)	₱657	₱5,294	(₱115,440)	₱6,202	(₱103,287)	₱643,412	(₱58,715)	₱3,863,886	₱65,626	₱3,929,512
Net income for the period	–	–	–	–	–	–	–	–	–	117,616	–	117,616	2,459	120,075
Other comprehensive income for the period	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total comprehensive income for the period	–	–	–	–	–	–	–	–	–	117,616	–	117,616	2,459	120,075
BALANCES AT JUNE 30, 2017 (Unaudited)	₱2,484,653	₱910,901	(₱3,243)	(₱9,835)	₱657	₱5,294	(₱115,440)	₱6,202	(₱103,287)	₱761,028	(₱58,715)	₱3,981,502	₱68,085	₱4,049,587

See Notes to the Unaudited Interim Condensed Consolidated Financial Statements.

2GO GROUP, INC. AND SUBSIDIARIES

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2018
(With Comparative Figures for the Six Months Ended June 30, 2017)
(Amounts in Thousands)

		Six Months Ended June 30	
	Note	**2018 (Unaudited)**	2017 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**₱281,737**	₱409,191
Adjustments for:			
Depreciation and amortization of property and equipment and software	*10, 12, 20, 21*	**976,615**	884,795
Financing charges	*22*	**163,412**	190,274
Provision for doubtful accounts, cargo losses and damages and inventory obsolescence, net of any reversal	*7, 8, 18*	**28,012**	415,265
Interest income	*22*	**(13,270)**	(4,624)
Equity in net earnings of associates and joint ventures	*11*	**(4,810)**	(5,698)
Loss (gain) on disposal and sale of:	*22*		
Property and equipment		**(5,458)**	(1,577)
AFS investment		**400**	–
Gain on divestment of subsidiaries	*22*	**(16,495)**	–
Unrealized foreign exchange losses (gains)		**(463)**	16,713
Retirement benefit cost	*24*	**34,321**	31,140
Operating cash flows before working capital changes		**1,444,001**	1,935,479
Decrease (increase) in:			
Trade and other receivables		**839,882**	(118,020)
Inventories		**(146,592)**	(180,098)
Other current assets		**137,104**	(101,212)
Increase (decrease) in trade and other payables and other noncurrent liabilities		**(287,467)**	269,278
Cash generated from operations		**1,986,928**	1,805,427
Contribution for retirement fund		**(23,439)**	(45,009)
Interest received		**12,554**	4,624
Income taxes paid, including creditable withholding taxes		**(245,066)**	(158,571)
Net cash flows provided by operating activities		**1,730,977**	1,606,471
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property and equipment	*10*	**(316,052)**	(947,467)
Software	*12*	**(5,438)**	(6,882)
Proceeds from:			
Sale/disposal of property and equipment	*10*	**6,002**	1,296
Divestment of subsidiaries		**15,000**	
Decrease (increase) in other noncurrent assets		**664**	(123,679)
Net cash flows used in investing activities		**(299,824)**	(1,076,732)

(Forward)

	Note	Six Months Ended June 30 2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availments of:			
Long-term debt	*15*	**₱2,500,000**	₱747,660
Short-term notes payable	*13*	**1,997,700**	2,090,225
Payments of:			
Short-term notes payable	*13*	**(3,348,300)**	(2,174,695)
Long-term debt	*15*	**(2,328,852)**	(369,207)
Obligations under finance lease	*16*	**(31,308)**	(40,526)
Interest and financing charges	*22*	**(125,939)**	(190,275)
Net cash flows provided by financing activities		**(1,336,699)**	63,182
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(10,619)**	22
NET INCREASE IN CASH AND CASH EQUIVALENTS		**83,835**	592,943
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		**2,095,850**	1,412,380
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	*6*	**₱2,179,685**	₱2,005,323

See Notes to the Unaudited Interim Condensed Consolidated Financial Statements

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

2GO Group, Inc. (2GO or the Company) was incorporated in the Philippines on May 26, 1949. Its corporate life was extended and will expire on May 25, 2045. On January 18, 2018, the Board of Directors (BOD) approved the change in its principal office address to 8th Floor Tower 1, Double Dragon Plaza, DD Meridian Park corner Macapagal Avenue and EDSA Extension, Bay Area, Pasay City, Metro Manila. The change in principal office address and the corresponding amendment to the Company's Articles of Incorporation were approved during the Annual Shareholders' Meeting held on April 5, 2018. The Company's principal place of business is Pier 2 and Pier 4, North Harbor, Tondo, 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 ocean-going freighters, roll-on/roll-off freight and passenger vessels, and fast ferry passenger vessels. The logistics group offers transportation, warehousing and distribution, cold chain solutions, domestic and international ocean and air forwarding services, customs brokerage, project logistics, and express and last mile package and e-commerce delivery. The distribution group leverages 2GO's shipping and logistics services to provide value-added distribution services to principals and customers.

2GO's shares of stock are publicly traded in the Philippine Stock Exchange (PSE). As at June 30, 2018 and December 31, 2017, the Company is 88.3%-owned subsidiary of Negros Navigation Co., Inc. ("NN" or the "Parent Company"). NN is a 59.6%-owned subsidiary of KGLI-NM Holdings, Inc. (KGLI-NM). Its ultimate parent is Chelsea Logistics Holdings Corp (Chelsea). KGLI-NM and Chelsea are both incorporated and domiciled in the Philippines.

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

The accompanying unaudited interim condensed consolidated financial statements as at and for the six months ended June 30, 2018, with comparative figures for the six months ended June 30, 2017 and as at December 31, 2017, were approved and authorized for issue by the BOD on August 3, 2018.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

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

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

Statement of Compliance

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

Basis of Consolidation

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

	Nature of Business	Percentage of Ownership
The Supercat Fast Ferry Corporation (SFFC)	Transporting passenger	**100.0**
Special Container and Value Added Services, Inc. (SCVASI)	Transportation/logistics	**100.0**
2GO Express, Inc. (2GO Express)	Transportation/logistics	**100.0**
2GO Logistics, Inc. (2GO Logistics)	Transportation/logistics	**100.0**
Scanasia Overseas, Inc. (SOI)	Sales of goods	**100.0**
Hapag-Lloyd Philippines, Inc. (HLP)	Transportation/logistics	**100.0**
WRR Trucking Corporation (WTC)	Transportation	**100.0**
2GO Rush Delivery, Inc. (RUSH)[3]	Transportation/logistics	**100.0**
NN-ATS Logistics Management and Holdings Co., Inc. (NALMHCI)	Holding and logistics management	**100.0**
J&A Services Corporation (JASC)	Vessel support services	**100.0**
Red.Dot Corporation (RDC)	Manpower services	**100.0**
Supersail Services, Inc. (SSI)[6]	Manpower provider and vessel support services	**100.0**
Astir Engineering Works, Inc. (AEWI)	Engineering services	**100.0**
North Harbor Tugs Corporation (NHTC)	Tug assistance	**58.9**
Super Terminals, Inc. (STI)[2][4]	Passenger terminal operator	**50.0**
Sungold Forwarding Corporation (SFC)[5]	Transportation/logistics	**51.0**
WG&A Supercommerce, Incorporated (WSI)[1]	Vessels' hotel management	**100.0**

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

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

3. Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Standards Issued But Not Yet Adopted

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

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

Effective January 1, 2019

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. Significant Judgments, Accounting Estimates and Assumptions

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

Judgments

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

Revenue Recognition

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

Determining whether the Group is acting as principal or an agent

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

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

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

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

Classification of Leases - the Group as a Lessee

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

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

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

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

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

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

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

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

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

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

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

Estimation of Probable Losses on CWTs and Input VAT
The Group makes an estimate of the provision for probable losses on its CWTs and input VAT. Management's assessment is based on historical experience and other developments that indicate that the carrying value may no longer be recoverable. As at June 30, 2018 and December 31, 2017, the Group assessed that the aggregate carrying values of CWTs, input VAT and deferred input VAT are fully recoverable. Refer to Notes 9 and 12.

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

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

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

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

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

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

	Note	**June 30, 2018 (Unaudited)**	December 31, 2017 (Audited)
		(In Thousands)	
Property and equipment	*10*	**₱6,514,732**	₱7,096,852
Investments in associates and joint ventures	*11*	**280,486**	275,676

As at June 30, 2018, and December 31, 2017, management evaluated the recoverable amount of the property and equipment based on its value in use. No impairment loss was recognized on the Group's property and equipment as the recoverable amount of the assets are higher than their carrying values.

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

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

Estimation of Retirement Benefits Costs and Obligation
The determination of the obligation and cost for pension and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions were described in Note 24 and include, among others, discount rate and future salary increase. While it is believed that the Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's pension and other retirement obligations.

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

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

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

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

5. Operating Segment Information

The Group has identified two reportable operating segments as follows:

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

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

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

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

	For the Six Months Ended June 30, 2018 (Unaudited)			
	Shipping	**Non Shipping**	**Eliminations/ Adjustments**	**Consolidated Balance**
		(In Thousands)		
External customers	₱4,144,286	₱6,607,307	₱–	₱10,751,593
Intersegment revenue	381,530	439,493	(821,023)	–
Revenues	₱4,525,816	₱7,046,800	(₱821,023)	₱10,751,593
Segment Profit (Loss)	₱96,310	₱140,779	(₱35,963)	₱201,126
Other Information:				
Capital expenditures	₱300,325	₱96,662	₱–	₱396,987
Depreciation and amortization	882,380	94,235	–	976,615
Provision for doubtful accounts - net	–	10,088	–	10,088
Cargo losses and damages	2,159	47,775	(22,253)	27,681
Dividend income	–	38,667	(38,667)	–
Equity in net earnings (losses) of associates and joint ventures	(9,269)	14,079	–	4,810

	As of June 30, 2018 (Unaudited)			
	Shipping	**Non Shipping**	**Eliminations/ Adjustments**	**Consolidated Balance**
		(In Thousands)		
Segment Assets	₱11,619,909	₱7,490,363	(₱3,782,502)	₱15,327,770
Segment Liabilities	₱6,879,333	₱7,419,601	(₱2,798,129)	₱11,500,805

	For the Six Months Ended June 30, 2017 (Unaudited)			
	Shipping	Non Shipping	Eliminations/ Adjustments	Consolidated Balance
	(In Thousands)			
External customers	₱5,195,882	₱5,937,915	₱–	₱11,133,797
Intersegment revenue	599,890	466,671	(1,066,561)	–
Revenues	5,795,772	6,404,586	(1,066,561)	11,133,797
Segment Profit (Loss)	₱463,811	(₱349,275)	₱5,539	₱120,075
Other Information:				
Capital expenditures	₱900,080	₱201,220	₱–	₱1,101,300
Depreciation and amortization	806,733	78,062	–	884,795
Provision for doubtful accounts - net	21,665	262,369	–	284,034
Provision for cargo losses and inventory write-down	14,575	105,073	–	119,647
Equity in net losses of associates and joint ventures	4,152	1,547	–	5,698

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

6. Cash and Cash Equivalents

This account consists of:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
	(In Thousands)	
Cash on hand and in banks	**₱2,067,759**	₱1,907,953
Cash equivalents	**111,926**	187,897
	₱2,179,685	₱2,095,850

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

7. Trade and Other Receivables

This account consists of:

		June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
		(In Thousands)	
Trade	*18*	**₱3,687,205**	₱4,213,384
Nontrade	*18*	**1,041,197**	1,291,980
Due from related parties	*18*	**163,739**	217,180
Advances to officers and employees		**22,767**	49,626
		4,914,908	5,772,170
Less allowance for doubtful receivables		**1,339,415**	1,343,894
		₱3,575,493	₱4,428,276

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

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

The following tables set out the rollforward of the allowance for doubtful receivables as of June 30, 2018 and December 31, 2017:

		June 30, 2018 (Unaudited)		
	Note	**Trade**	**Nontrade**	**Total**
			(In Thousands)	
Beginning		**₱863,051**	**₱541,791**	**₱1,404,842**
Provision	*21*	**3,874**	**6,214**	**10,088**
Reversal		**–**	**(22,253)**	**(22,253)**
Write off		**(43,559)**	**–**	**(43,559)**
Adjustments		**(9,181)**	**(522)**	**(9,703)**
Ending		**₱814,185**	**₱525,230**	**₱1,339,415**

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

The Group has not provided allowance for doubtful accounts on amounts due from related parties and advances to officers and employees as of June 30, 2018 and December 31, 2017.

8. Inventories

This account consists of:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
	(In Thousands)	
Trading goods	**₱553,957**	₱428,010
Fuel, oil and lubricants	**128,468**	95,467
Materials, parts and supplies	**19,864**	32,220
	₱702,289	₱555,697

The allowance for inventory obsolescence as at June 30, 2018 and December 31, 2017 amounted to ₱34.1 million and ₱41.8 million, respectively.

9. Other Current Assets

This account consists of:

	Note	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
		(In Thousands)	
CWTs		**₱1,144,417**	₱1,052,055
Prepaid expenses and others		**187,809**	145,797
Input VAT		**145,661**	102,297
Refundable deposits - current portion	*12*	**79,256**	77,577
Restricted time deposits		**–**	152,736
		₱1,557,143	₱1,530,462

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

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

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

10. Property and Equipment

	June 30, 2018 (Unaudited)										
	Vessels in Operations	Containers and Reefer Vans	Terminal and Handling Equipment	Furniture and Other Equipment	Land Improvements	Buildings and Warehouses	Transportation Equipment	Spare parts and Service Equipment	Leasehold Improvements	Construction-In-Progress	Total
						(In Thousands)					
Cost											
January 1, 2018	₱11,015,320	₱2,033,474	₱1,303,737	₱772,800	₱489,864	₱138,878	₱687,878	₱443,034	₱663,982	₱71,207	₱17,620,174
Additions	159,420	20,168	34,848	31,312	1,832	3,634	13,206	1,431	91,592	39,544	396,987
Disposals/retirements	(27,640)	(61,369)	(2,019)	(11,559)	–	(2,513)	(68,304)	–	(12,825)	(1,371)	(187,600)
Reclassifications/adjustments	64,688	–	–	–	(5,171)	–	–	–	3,694	(64,692)	(1,481)
June 30, 2018 (Unaudited)	11,211,788	1,992,273	1,336,566	792,553	486,525	139,999	632,780	444,465	746,443	44,688	17,828,080
Accumulated Depreciation and Amortization											
January 1, 2018	5,895,413	1,412,472	1,034,052	685,902	152,823	95,110	569,147	112,131	566,272	–	10,523,322
Depreciation and amortization	822,041	43,258	21,252	24,263	4,495	2,078	19,997	11,287	20,675	–	969,346
Disposals/retirements	(25,839)	(61,298)	(1,440)	(9,675)	–	(2,074)	(64,979)	–	(14,015)	–	(179,320)
June 30, 2018 (Unaudited)	6,691,615	1,394,432	1,053,864	700,490	157,318	95,114	524,165	123,418	572,932	–	11,313,348
Net carrying amounts	₱4,520,173	₱597,841	₱282,702	₱92,063	₱329,207	₱44,885	₱108,615	₱321,047	₱173,511	₱44,688	₱6,514,732

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

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

Noncash additions include costs of leased assets as of June 30, 2018 and 2017 amounting to nil and ₱67.6 million, respectively.

Unpaid acquisition costs of property and equipment amounted to ₱71.7 million and ₱74.8 million as of June 30, 2018 and December 31, 2017, respectively.

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

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

Vessels under Construction
In 2016, the Group contracted Austal Philippines Pty Ltd. for the construction of two (2) passenger ferries, M/V St. Camael and M/V St. Sariel. Both passenger ferries were completed and entered in service during 3rd Quarter of 2017. The Group incurred construction cost of ₱272.6 million for the year ended December 31, 2017. Included in this amount are capitalized borrowing costs related to the loans payable amounting to ₱3.6 million for the year ended December 31, 2017, calculated using the interest rate of 6.5% (see Note 16).

Capitalization of Drydocking Costs
Vessels in operations also include capitalized drydocking costs incurred amounting to ₱278.9 million and ₱343.3 million for the six months ended June 30, 2018 and 2017, respectively. The related depreciable life of drydocking costs ranges from two years to two-and-a-half years.

Sale and Disposal of Property and Equipment
The Group disposed certain property and equipment for net cash proceeds of ₱6.0 million and ₱1.3 million for the six months ended June 30, 2018 and 2017, respectively.

Property and Equipment Held as Collateral
The Group's vessels in operations with total carrying value of ₱2,827.7 million and ₱3,279.9 million are mortgaged to secure certain obligations as at June 30, 2018 and December 31, 2017, respectively (see Note 15). Containers and other equipment held as collateral for finance leases as at June 30, 2018 and December 31, 2017 amounted to ₱298.9 million and ₱390.8 million, respectively (see Note 16).

11. Investments in Associates and Joint Ventures

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

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
	(In Thousands)	
Acquisition – cost	**₱28,175**	₱28,175
Accumulated equity in net earnings:		
Balances at beginning of year	**236,005**	242,975
Equity in net earnings (losses) during the year	**4,810**	(6,970)
Balances at end of year	**240,815**	236,005
Share in remeasurement gain on retirement benefits of associates and joint ventures	**6,202**	6,202
Share in cumulative translation adjustment of associates	**5,294**	5,294
	₱280,486	₱275,676

12. Other Noncurrent Assets

This account consists of:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
	(In Thousands)	
Deferred input VAT	**₱216,885**	₱243,309
Refundable deposits - net of current portion	**105,814**	107,036
Software	**43,303**	45,134
Investment property	**9,763**	9,763
Available-for-sale (AFS) financial assets	**66**	3,411
Others	**59,525**	32,943
	₱435,356	₱441,596

a. Deferred input VAT relates primarily to the major capital expenditures and dry-docking of vessels.

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

c. Additions to software amounted to ₱5.6 million and ₱6.9 million for the six months ended June 30, 2018 and 2017, respectively.

d. The Group's investment property as at June 30, 2018 and December 31, 2017 amounting to ₱9.8 million pertains to a parcel of land not currently being used in operations. The fair value of the investment property based on the latest appraisal report dated February 16, 2015 amounted to ₱59.8 million. This was determined based on the valuation performed by independent appraisers using the Market Data Approach.

   The Group assessed that the fair value determination for the investment property was Level 3 since significant unobservable inputs were used in the valuation. Significant changes to the estimated price per square meter in isolation would result in a significantly higher or lower fair value. Management assessed that there was no significant changes on the fair value of investment property as at June 30, 2018.

For the six months ended June 30, 2018 and 2017, there were no income and expenses arising from the Group's investment property.

e. AFS financial assets consist of unquoted and quoted equity investments. The unquoted shares of stocks amounted to nil and ₱2.6 million as of June 30, 2018 and December 31, 2017, respectively.

   Meanwhile, the quoted equity investments of the Group are listed shares of stocks that are carried at market value. The recurring fair value is classified under Level 1. Unrealized gains or losses on AFS financial assets are recognized in other comprehensive income and included in the equity amounting to ₱0.7 million as at June 30, 2018 and December 31, 2017.

f. Others include advances for future investment amounting to ₱50.0 million and ₱25.0 million as of June 30, 2018 and December 31, 2017, respectively.

13. Short-term Notes Payable

As at June 30, 2018 and December 31, 2017, notes payable amounting to ₱1,294.4 million and ₱2,645.0 million, respectively, represent unsecured short-term peso-denominated notes payable obtained by the Group from local banks with annual interest rates ranging from 4.25% to 4.50%.

Total interest expense incurred by the Group for the short-term notes payable amounted to ₱47.7 million and ₱67.7 million for the six months ended June 30, 2018 and 2017, respectively (see Note 22).

14. Trade and Other Payables

This account consists of:

	Note	**June 30, 2018 (Unaudited)**	December 31, 2017 (Audited)
		(In Thousands)	
Trade:			
Third parties		**₱2,825,147**	₱2,369,395
Related parties	*18*	**137,625**	388,927
Nontrade - Third parties		**745,488**	872,653
Accrued expenses:			
Third parties		**1,550,421**	1,756,201
Related parties	*18*	**369,803**	460,728
Due to related parties	*18*	**667,568**	457,821
Other payables		**114,338**	201,140
		₱6,410,390	₱6,506,865

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

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

c. Details of accrued expenses are as follows:

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
	(In Thousands)	
Outside services	**₱479,235**	₱163,009
Freight and handling	**289,508**	387,571
Repairs and maintenance	**257,163**	293,139
Fuel and lube	**186,529**	181,061
Co-loading	**138,689**	44,790
Rent	**129,064**	247,003
Pick-up and delivery	**113,188**	163,880
Salaries and wages	**100,001**	223,881
Interest	**46,055**	37,999
Communication, light and water	**29,557**	78,825
Advertising and promotions	**27,374**	40,788
Insurance	**12,024**	99,446
Taxes and licenses	**2,580**	75,035
Pilotage and berthing	**5,453**	11,929
Others	**103,804**	168,573
	₱1,920,224	₱2,216,929

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

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

Provision for cargo losses and damages refers to the cost of claims for breakages, cargo losses, cargo short weight or passenger claims which are not covered by insurance. Provisions recognized amounted to ₱9.8 million and ₱52.8 million for the six months ended June 30, 2018 and 2017, respectively. The actual claims amounted to ₱17.9 million and ₱66.6 million for the six months ended June 30, 2018 and 2017, respectively (see Note 20).

Provision for contingencies amounted to ₱47.0 million as of June 30, 2018 and December 31, 2017 (see Note 17).

15. Long-term Debt

Long-term debt consists of:

	Note	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
		(In Thousands)	
Banco de Oro Unibank, Inc. (BDO)	*18*	**₱2,534,262**	₱2,293,161
United Coconut Planters Bank (UCPB)		**482,143**	446,429
Development Bank of the Philippines (DBP)		**370,000**	370,000
AUB Bank		**10,500**	13,903
RCBC Savings Bank		–	2,472
Unamortized debt arrangement fees		**(102,962)**	(3,169)
		3,293,943	3,122,796

Current portion	**(451,929)**	(3,121,315)
Noncurrent portion	**₱2,842,014**	₱1,481

BDO

BDO Omnibus Loan and Security Agreement

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

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

BDO Term Loan

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

In April 2018, the Group borrowed ₱2.5 billion from the facility at 6.2% fixed interest rate. The facility is secured by a cross surety among the Company, 2GO Express, Inc.; 2GO Logistics, Inc., ScanAsia Overseas, Inc., The Supercat Fast Ferry Corporation, Special Container and Value Added Services, Inc. and Hapag-Lloyd Philippines, Inc.

UCPB

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

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

DBP

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

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

Borrowing Costs and Debt Transaction Costs
Interests from long-term borrowings of the Group recognized as expense totaled ₱98.0 million and ₱100.8 million for the six months ended June 30, 2018 and 2017, respectively (see Note 22).

Amortization of debt transaction costs included under interest and financing charges totaled ₱2.6 million and ₱2.7 million for the six months ended June 30, 2018 and 2017, respectively (see Note 22).

Compliance with debt covenants
The Group did not meet the minimum current ratio as of December 31, 2017 required under the Group's long-term loan agreements. Accordingly, the Group reclassified the noncurrent portion of its long-term debts that are subject to such covenants or has cross-default provision in the loan agreements, from noncurrent liabilities to current liabilities amounting to ₱370.0 million and ₱731.3 million as of June 30, 2018 and December 31, 2017, respectively. However, the Group has not received a notice of default from its creditors and continues to pay long-term loans based on original credit terms.

16. Obligations Under Finance Lease

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

	Future Minimum Lease Payment		**Interest**		**Present Value of Minimum Lease Payments**	
	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)	**June 30, 2018 (Unaudited)**	December 31, 2017 (Audited)	**June 30, 2018 (Unaudited)**	December 31, 2017 (Audited)
			(In Thousands)			
Less than one year	**₱91,467**	₱111,166	**₱8,562**	₱13,855	**₱82,905**	₱97,311
Between one and five years	**141,621**	233,674	**6,579**	15,244	**135,042**	218,430
	₱233,088	₱344,840	**₱15,141**	₱29,099	**₱217,947**	₱315,741

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

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
	(In Thousands)	
Cost	**₱577,227**	₱630,091
Less accumulated depreciation	**278,339**	239,338
Net book value	**₱298,888**	₱390,753

The interest expense recognized related to these leases amounted to ₱7.7 million and ₱8.7 million for the six months ended June 30, 2018 and 2017, respectively (see Note 22).

17. Provisions and Contingencies

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

The Group recognized provision for probable losses arising from these legal cases amounting to ₱47.0 million as of June 30, 2018 and December 31, 2017 (see Note 14).

18. Related Parties

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

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

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

		Six Months Ended June 30	
	Nature	2018 (Unaudited)	2017 (Unaudited)
		(In Thousands)	
Parent Company	Vessel leasing	(₱112,000)	(₱138,600)
	Other overhead expense	(99,906)	(129,206)

	Nature	Six Months Ended June 30 2018 (Unaudited)	2017 (Unaudited)
		(In Thousands)	
Associates	Freight income	**₱4,642**	9,473
	Service fees	–	(14,623)
Entities under Common Control	Other revenue	**12,000**	2,147
	Outside services	**(76,842)**	(108,792)
	Steward supplies	**(62,176)**	(29,975)
	Repairs and maintenance	**(7,519)**	(70,134)
	Food and subsistence	**(12)**	(15,255)
	Transportation and delivery	**(669)**	(17,709)
Key Management Personnel	Short-term employee benefits	**(81,113)**	(62,040)
	Post-employment benefits	**(13,887)**	(15,394)
Stockholders of the Parent Company	Co-loading	**(247,315)**	–
Other Affiliated Companies	Fuel and lubricant	**(1,514,969)**	–
	Food and beverage	**(121,085)**	–
	Rent	**(16,732)**	–
	Outside services	**(9,654)**	–

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

	Financial Statement Account	Terms and Conditions	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
			(In Thousands)	
Parent Company	Due from related parties	On demand; noninterest-bearing; no impairment	**₱7,809**	₱13,263
	Trade payables	30 to 60 days; noninterest-bearing	**(90,722)**	(239,915)
	Accrued expenses	30 to 60 days; noninterest-bearing	**(289,361)**	(197,645)
	Due to related parties	30 to 60 days; noninterest-bearing	**(667,568)**	(457,751)
Associate	Due from related parties	On demand; noninterest-bearing	**143,507**	179,965
	Trade payables	30 to 60 days; noninterest-bearing	**(9,221)**	(8,314)
	Accrued expenses	30 to 60 days; noninterest-bearing	**(34,525)**	(63,974)
Entities under Common Control	Due from related parties	On demand; noninterest-bearing	**12,423**	23,952
	Trade payables	30 to 60 days; noninterest-bearing	**(37,682)**	(140,698)
	Accrued expenses	30 to 60 days; noninterest-bearing	**(45,917)**	(199,109)
	Due to related parties	30 to 60 days; noninterest-bearing	–	(70)
Other Affiliated Company	Long-term debt	Based on OLSA (see Note 15)	**(2,534,262)**	(2,293,161)
	Cash in bank	On demand	**1,541,578**	1,247,214
	Trade payables	30 to 60 days; noninterest-bearing	**(660,872)**	(42,192)
	Accrued expenses	30 to 60 days; noninterest-bearing	**(185,784)**	(50,874)

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

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

Transactions with NN

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

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

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

Transactions and Balances with Related Parties Eliminated during Consolidation

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

Revenue and Other Income Recognized by:	Costs and Expenses Recognized by:	Nature	Six Months Ended June 30 2018 (Unaudited)	2017 (Unaudited)
			(In Thousands)	
2GO	2GO Express	Freight	**₱110,707**	₱135,253
		Service fees	**34,000**	56,234
	2GO Logistics	Freight	**37,455**	51,432
		Service fees	–	58,144
	SFFC	Service fees	–	20,853
		Interest	–	6,091
	NALMHCI	Service fees	–	15,001
		Freight	–	1,500
	SCVASI	Service fees	**67,000**	20,042
		Freight	**196,388**	197,391
2GO Express	2GO	Commission	**3,399**	-
		Services fees	**21,302**	3,726
JASC/SSI	2GO	Purchase/sale of water	**13,050**	13,436
		Outside services	**47,995**	234,983

Amounts owed to:	Amounts owed by:	Terms and Conditions	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
			(In Thousands)	
2GO	2GO Express	On demand; noninterest-bearing	**₱113,092**	₱76,972
	SFFC	6.5% interest-bearing	**187,789**	187,789
	SOI	On demand; noninterest-bearing	**1,020,143**	1,075,796
	2GO Express/2GO Logistics/Others	On demand; noninterest-bearing	**1,338,626**	1,162,427
AEWI	2GO	30 to 60 days; noninterest-bearing	**13,438**	17,882
2GO Express	2GO	On demand; noninterest-bearing	**14,186**	24,223
	SCVASI	30 to 60 days; noninterest-bearing	**1,684**	724
2GO Logistics	2GO	On demand; noninterest-bearing	**44,000**	67,650
SOI	2GO	On demand; noninterest-bearing	–	44,000
SFFC	2GO/2GO Express	30 to 60 days; noninterest-bearing	**160**	442
NALMHCI	2GO/2GO Express /2GO Logistics	30 days; noninterest-bearing	**₱1,527**	₱2,144
JASC	2GO/NHTC	30 days; noninterest-bearing	**3,850**	3,280
RDC	2GO Logistics/ SOI/NALMHCI	30 days; noninterest-bearing	**50,022**	49,152
SSI	2GO/2GO Express/ 2GO Logistics	30 days; noninterest-bearing	–	97,427
STI	2GO	30 days; noninterest-bearing	**77**	82

Amounts owed to:	Amounts owed by:	Terms and Conditions	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
			(In Thousands)	
NHTC	2GO/JASC	30 days; noninterest-bearing	3,276	3,777
SCVASI	2GO	On demand; noninterest-bearing	57,577	61,646

19. Equity

a. Share Capital

Details of share capital as at June 30, 2018 and December 31, 2017 are as follows:

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

Issued and outstanding common shares are held by 1,892 and 1,893 equity holders as of June 30, 2018 and December 31, 2017 respectively.

b. Retained earnings is net of undistributed earnings amounting to ₱253.3 million and ₱168.2 million as of June 30, 2018 and December 31, 2017, representing accumulated equity in net earnings of subsidiaries and associates, which are not available for dividend declaration until received in the form of dividends from such subsidiaries and associates. Retained earnings is further restricted to the extent of the cost of the shares held in treasury and deferred income tax assets recognized as of June 30, 2018 and December 31, 2017.

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

20. Cost of Services and Goods Sold

This account consists of the following:

		Six Months Ended June 30	
	Note	**2018 (Unaudited)**	2017 (Unaudited)
		(In Thousands)	
Cost of Services			
Outside services	*18*	**₱1,875,386**	₱2,011,977
Fuel, oil and lubricants	*8*	**1,591,149**	1,299,398
Depreciation and amortization	*10, 12*	**942,700**	853,359
Personnel costs	*23, 24*	**535,937**	530,447
Rent	*18, 27*	**388,724**	451,379
Transportation and delivery	*18*	**324,940**	425,985
Repairs and maintenance	*18*	**235,024**	259,522
Food and beverage	*8*	**185,557**	208,175
Vessel leasing	*18,27*	**142,860**	180,822
Arrastre and stevedoring		**131,385**	109,988
Insurance		**95,351**	91,556
Material and supplies used	*8*	**93,401**	156,381
Food and subsistence		**63,114**	67,432
Sales-related expenses		**62,495**	84,075
Communication, light and water		**60,391**	54,409

	Note	Six Months Ended June 30 2018 (Unaudited)	2017 (Unaudited)
		(In Thousands)	
Cargo losses and damages	*14*	**27,681**	119,647
Taxes and licenses		**25,469**	30,235
Others		**119,609**	159,203
		6,901,173	7,093,990
Cost of Goods Sold	*8*	**2,585,459**	2,239,520
		₱9,486,632	₱9,333,510

21. **General and Administrative Expenses**

This account consists of the following:

	Note	Six Months Ended June 30 2018 (Unaudited)	2017 (Unaudited)
		(In Thousands)	
Personnel costs		**₱313,121**	₱272,690
Outside services	*18*	**109,819**	77,495
Shared cost reimbursable	*18*	**100,147**	155,998
Taxes and licenses		**58,867**	42,123
Rent	*18, 27*	**54,004**	24,111
Transportation and travel	*18*	**43,199**	60,851
Advertising and promotion		**36,699**	94,369
Depreciation and amortization		**33,915**	31,436
Communication, light and water		**30,902**	31,121
Computer charges		**26,277**	15,855
Entertainment, amusement and recreation		**14,426**	32,455
Repairs and maintenance	*18*	**14,033**	4,434
Special projects		**12,537**	10,707
Provision for doubtful accounts	7	**10,088**	284,035
Insurance		**8,319**	9,424
Office supplies	*8*	**3,971**	7,569
Others		**10,375**	33,116
		₱880,699	₱1,187,789

Others consists of various expenses that are individually immaterial.

22. Other Income (Charges)

Financing Charges

	Note	Six Months Ended June 30 2018 (Unaudited)	2017 (Unaudited)
		(In Thousands)	
Interest expense on:			
Long-term debt	*15*	₱98,006	₱100,782
Short-term notes payable	*13*	47,699	67,711
Bank charges		1,642	1,605
Amortization of:			
Obligations under finance lease	*16*	7,720	8,743
Debt transaction costs	*15*	2,593	2,660
Other financing charges		5,752	8,773
		₱163,412	₱190,274

Other financing charges comprise of items that are individually immaterial.

Others - net

	Note	Six Months Ended June 30 2018 (Unaudited)	2017 (Unaudited)
		(In Thousands)	
Interest income		₱13,270	₱4,624
Recovery from principal		21,530	–
Gain (loss) in sale/disposal of:			
Subsidiaries		16,495	–
Property and equipment and scraps	*10*	5,458	1,577
AFS investments		(400)	–
Foreign exchange gain (loss)		11,082	(16,713)
Others - net		(11,356)	(8,219)
		₱56,077	(₱18,731)

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

23. Personnel Costs

Details of personnel costs are as follows:

	Note	Six Months Ended June 30 2018 (Unaudited)	2017 (Unaudited)
		(In Thousands)	
Salaries and wages		₱682,931	₱620,820
Retirement benefit cost	*24*	34,321	31,140
Other employee benefits		131,806	151,177
		₱849,058	₱803,137

24. Retirement Benefits

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

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

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

	Six Months Ended June 30	
	2018 (Unaudited)	2017 (Unaudited)
	(In thousands)	
Current service cost	**₱34,321**	₱29,873
Net interest cost	**–**	1,267
	₱34,321	₱31,140

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

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
	(In Thousands)	
Defined benefit obligation	**₱494,725**	₱475,383
Fair value of plan assets	**(232,922)**	(215,268)
	₱261,803	₱260,115

No curtailment gain or loss was recognized for the six months ended June 30, 2018 and 2017.

As at June 30, 2018 and December 31, 2017 the Group has no transactions with its retirement funds such as loans, investments, gratuities, or surety. The fund also does not have investments in debt or equity securities of the companies in the Group.

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

25. Income Taxes

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

	Six Months Ended June 30	
	2018 (Unaudited)	2017 (Unaudited)
	(In Thousands)	
Current:		
RCIT	**₱76,195**	₱284,109
MCIT	**4,829**	8,779
	81,024	292,888
Deferred	**(413)**	(3,772)
	₱80,611	₱289,116

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

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
	(In Thousands)	
Directly recognized in profit or loss		
Deferred income tax assets on:		
Allowances for:		
Accrued retirement benefits	**₱54,497**	₱44,201
Past service cost	**4,712**	9,491
Unrealized foreign exchange loss	**–**	3,438
Accruals and others	**24,435**	3,064
	83,644	60,194
Deferred income tax liabilities on other taxable temporary differences	**(30,888)**	(7,325)
	52,755	52,869
Directly recognized in OCI		
Deferred income tax asset on remeasurement of accrued retirement benefit costs	**29,831**	29,831
	₱82,586	₱82,700

26. Earnings Per Share (EPS)

Basic and diluted earnings per share were computed as follows:

	Six Months Ended June 30	
	2018 (Unaudited)	2017 (Unaudited)
	(In Thousands Except EPS)	
Net income for the year attributable to equity holders of the Parent Company	**₱203,592**	₱117,616
Weighted average number of common shares outstanding for the year	**2,446,136**	2,446,136
Earnings per common share	**₱0.0832**	₱0.0481

There are no potentially dilutive common shares as at June 30, 2018 and 2017.

27. Agreements and Commitments

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

	Six Months Ended June 30	
	2018 (Unaudited)	2017 (Unaudited)
	(In Thousands)	
Within one year	**₱571,236**	₱407,925
After one year but not later than five years	**1,088,170**	243,170
	₱1,659,406	₱651,095

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

b. The Group annually enters into several vessel leasing agreements. For the six months ended June 30, 2018 and 2017 vessel lease rates are based on total agreed monthly rent of ₱18.7 million and ₱23.0 million, respectively (see Notes 18 and 20).

28. Financial Risk Management Objectives and Policies

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

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

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

Credit Risk

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

The Group does not have any significant credit risk exposure to any single counterparty. The Group's exposures to credit risks are primarily attributable to cash and collection of trade and other receivables with a maximum exposure equal to the carrying amount of these financial instruments. As of June 30, 2018 and December 31, 2017, the Group did not hold collateral from any counterparty.

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

As of June 30, 2018 (Unaudited)

	Neither Past Due nor Impaired	Past Due but not Impaired: Less than 30 Days	31 to 60 Days	61 to 90 Days	91 to 120 Days	121 to over 360 Days	Impaired Financial Assets	Total
				(In Thousands)				
Loans and receivables:								
Cash in banks	₱2,007,581	₱–	₱–	₱–	₱–	₱–	₱–	₱2,007,581
Cash equivalents	111,926	–	–	–	–	–	–	111,926
Trade receivables	1,497,356	752,897	197,589	107,453	54,348	263,377	814,185	3,687,205
Nontrade receivables	234,636	14,203	37,016	9,795	17,216	203,101	525,230	1,041,197
Due from related parties	42,759	12,674	2,707	2,867	41,761	60,971	–	163,739
Advances to officers and employees	11,108	1,889	404	2,658	4,993	1,715	–	22,767
Refundable deposits	185,070	–	–	–	–	–	–	185,070
Restricted time deposit	–	–	–	–	–	–	–	–
AFS financial assets	66	–	–	–	–	–	–	66
Total	**₱4,090,502**	**₱781,663**	**₱237,716**	**₱122,773**	**₱118,318**	**₱529,164**	**₱1,339,415**	**₱7,219,551**

As at December 31, 2017 (Audited)

	Neither Past Due nor Impaired	Past Due but not Impaired: Less than 30 Days	31 to 60 Days	61 to 90 Days	91 to 120 Days	121 to over 360 Days	Impaired Financial Assets	Total
				(In Thousands)				
Loans and receivables:								
Cash in banks	₱1,835,492	₱–	₱–	₱–	₱–	₱–	₱–	₱1,835,492
Cash equivalents	187,897	–	–	–	–	–	–	187,897
Trade receivables	1,503,429	731,448	260,727	121,624	363,847	430,206	802,103	4,213,384
Nontrade receivables	86,356	235,931	103,331	34,578	32,829	240,164	541,791	1,274,980
Due from related parties	59,473	1,621	29,458	15,707	37,196	73,725	–	217,180
Advances to officers and employees	11,129	14,056	7,140	960	–	16,341	–	49,626
Refundable deposits	184,613	–	–	–	–	–	–	184,613
Restricted time deposit	152,736	–	–	–	–	–	–	152,736
AFS financial assets	3,411	–	–	–	–	–	–	3,411
Total	₱4,024,536	₱983,056	₱400,656	₱172,869	₱433,469	₱760,839	₱1,343,894	₱8,119,319

Liquidity Risk

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

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

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

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

Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's borrowings are subject to fixed interest rates ranging from 6.2% to 7.0% and 5% to 8.5% as at June 30, 2018 and December 31, 2017, respectively.

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

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

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

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

	June 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Assets financed by:		
Creditors	**75%**	78%
Stockholders	**25%**	22%

As of June 30, 2018 and December 31, 2017, the Group met its capital management objectives.

29. Fair Values of Financial Instruments and Nonfinancial Assets

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

	June 30, 2018 (Unaudited)		December 31, 2017 (Audited)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
		(In Thousands)		
Financial Liabilities				
Long-term debts	₱3,293,943	₱3,776,892	₱3,122,796	₱3,200,649
Obligations under finance lease	217,946	229,070	315,741	288,009
	₱4,141,889	₱4,005,962	₱3,438,537	₱3,488,658

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

Cash and Cash Equivalents, Trade and Other Receivables, Trade and Other Payables, Refundable Deposits
The carrying amounts of these financial instruments approximate their respective fair values due to their relatively short-term maturities.

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

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

Long-term Debt
Discount rate ranging from 4.7% to 6.8% and 5.8% was used in calculating the fair value of the long-term debt as of June 30, 2018 and December 31, 2017, respectively.

Obligations Under Finance Lease
The fair values of obligations under finance lease are based on the discounted net present value of cash flows using the discount rates ranging from 3.4% to 5.7% and 3.5% to 3.7% as of June 30, 2018 and December 31, 2017, respectively.

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

EXHIBIT II

Results of Operations for the Six Months Ended

June 30, 2018 and 2018

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

Results of Operations for the Six Months Ended June 30, 2018 and 2017

Amounts in millions		Jun 30, 2018		Jun 30, 2017	% Change
Revenue	₱	10,752	₱	11,134	(3%)
Costs of Services and Goods Sold		9,487		9,334	(2%)
Gross Profit		**1,265**		**1,800**	**(30%)**
General and Administrative Expenses		881		1,188	26%
Operating Income		**384**		**612**	**(37%)**
Other Charges		103		203	50%
Provision for Income Tax		81		289	72%
Net Income (Loss)	₱	**201**	₱	**120**	**68%**
Add back:					
Financing Charges (interest)		163		190	14%
Provision for Income Tax		81		289	72%
Depreciation and Amortization		977		885	(10%)
EBITDA	₱	**1,422**	₱	**1,484**	**(4%)**

2GO Group, Inc. and subsidiaries (2GO or the Group) posted a Net Income after Tax of ₱201 million for the six months ended June 30, 2018. This is a 68% improvement compared to the Net Income of ₱120 million during the same period in 2017.

The Group's revenue decreased by 3% during the first half of 2018. Shipping revenue decreased by 12% in 2018, primarily due to the scheduled drydocking for refurbishment and repairs and maintenance of eight vessels during the first half of 2018. Shipping revenue was also affected by weather (e.g., typhoons, storms, rough seas), which canceled voyages over the course of the six-month period. Further, the overcapacity and competition in the Freighter market continued to push down freight rates across the shipping industry. Revenue from Travel was comparable to the prior period despite a 5% reduction in capacity due to scheduled drydocking.

Revenues from the Non-shipping business (Logistics and Distribution), however, increased by P190 million over the same period last year. This was driven by improved service offerings to existing strategic customers (e.g., end-to-end warehousing, inventory management, cross-docking, delivery, merchandising), the addition of new customers, and an overall focus on customer service. The Non-shipping business accounted for 61% of total Revenue during 1st half of 2018 vs. 58% over the same period last year.

Total cost and expenses decreased by 1% despite the rising fuel prices during the period and increased sales of inventory from our Distribution business. Fuel prices increased by 9% in first half of 2018, and 2GO was impacted by a negative price variance of P163 million. Sales and related inventory sold by our Distribution business increased Php236 million and Php346 million, respectively. All other costs and expenses were generally kept at bay due to improvements in efficiencies and focus on controlling costs.

Financial Position as of June 30, 2018 and December 31, 2017

Amounts in millions		Jun 30, 2018		Dec 31, 2017	% Change
Current Assets	₱	8,015	₱	8,610	(7%)
Noncurrent Assets		7,313		7,897	(7%)
Total Assets	₱	**15,328**	₱	**16,507**	**(7%)**
Current Liabilities	₱	8,256	₱	12,388	(33%)
Noncurrent Liabilities		3,245		486	568%
Total Liabilities	₱	**11,501**	₱	**12,873**	**(11%)**
Total Equity		3,827		3,633	5%
Total Liabilities and Equity	₱	**15,328**	₱	**16,507**	**(7%)**

Total Assets decreased 7% to ₱15.3 billion, while Total Liabilities decreased 11% to ₱11.5 billion from December 31, 2017 to June 30, 2018.

Assets
Current Assets decreased 7% to ₱8.0 billion from ₱8.6 billion. Cash and Cash Equivalents increased 4% to ₱2.2 billion from ₱2.1 billion. Trade and Other Receivables, net of Allowance for Doubtful Accounts, decreased 19% to ₱3.6 billion from ₱4.4 billion as the Group continued to improve its collections.

Noncurrent Assets decreased 7% to ₱7.3 billion from ₱7.9 billion.

Liabilities
During 2018, the Group refinanced the outstanding balance of its long-term loan and continued to repay its debt obligations. Total debt borrowings decreased to P4.6 billion from P5.8 billion.

Current Liabilities decreased 33% to ₱8.2 billion from ₱12.4 billion. Trade and Other Payables decreased 1% to ₱6.4 billion from ₱6.5 billion. Short-term Notes Payable decreased 51% to ₱1.3 billion from ₱2.6 billion, while the current portion of Long-term Debt decreased 86% to ₱0.5 billion from ₱3.1 billion.

Noncurrent Liabilities increased 568% to ₱3.2 billion from ₱500 million as of June 30, 2018 and 2017 as a result of the debt refinancing.

Equity
Total Equity increased 5% to ₱3.8 billion from ₱3.6 billion primarily due to the Net Income generated in 2018.

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

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

Key Performance Indicators

The following are the key financial ratios of the Group for the six months ended June 30, 2018 and 2017 and as of June 30, 2018 and December 31, 2017.

	Six Months Ended	
	Jun 30, 2018	Jun 30, 2017
Revenue Growth	(3%)	14%
Net Income Margin	2%	1%
EBITDA (in Millions of Pesos)	₱ 1,422	₱ 1,484
EBITDA Margin	13%	13%
	As of	
	Jun 30, 2018	Dec 31, 2017
Current Ratio	1.0	0.7
Debt to Equity Ratio	3.0	3.5

Revenue decreased by 3% as previously described, however Net Income Margin improved to 2% in 2018 from 1% in 2017 as the Group continued its focus on efficiencies and cost management.

EBITDA and EBITDA Margin were ₱1.4 billion and 13% in 2018, and ₱1.5 billion and 13% in 2017, respectively.

Current Ratio improved to 1.0 from 0.7 as of June 30, 2018 and 2017.

Debt to Equity Ratio improved to 3.0 in 2018 from 3.5 in 2017.

The Group calculates the key financial ratios as follows:

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

Company Outlook

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

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

SIGNATURE

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

Registrant	2GO Group, Inc.	
Signature and Title	William Charles Howell	CFO
Date	8/3/18	

Supplementary Schedule

2GO GROUP, INC.
8/F Tower one Double Dragon Plaza DD Meridian Park, cor. Macapagal Ave., Edsa Ext. Bay Area Pasay City
SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
As of June 30, 2018

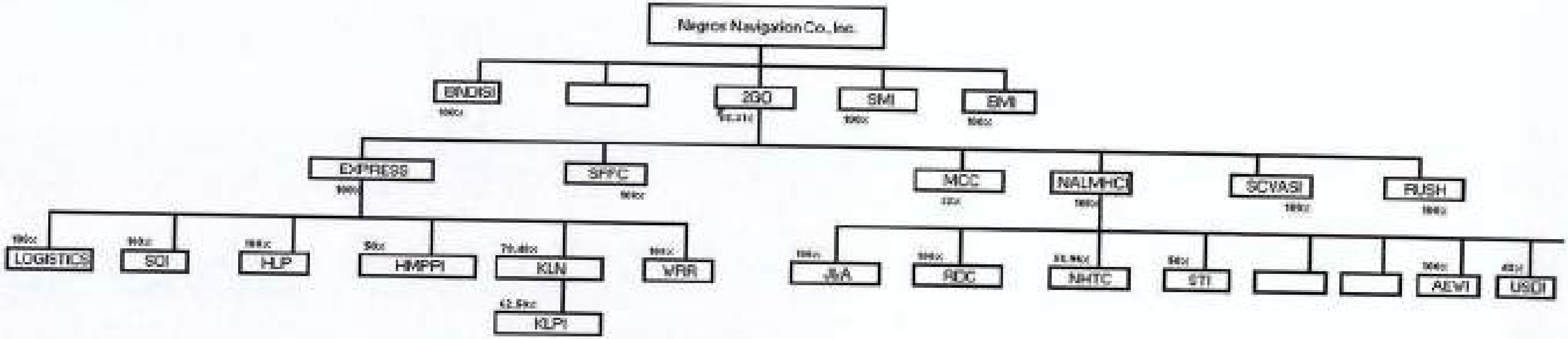
Unappropriated Retained Earnings, *as adjusted to available for dividend distribution*, beginning		₱1,984,729
Add: Net income actually earned/realized during the period		
Net income during the period closed to Retained Earnings	₱201,126	
Less: Non-actual/ unrealized income, net of tax:		
Adjustment due to deviation from PFRS/ GAAP – gain	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-	
Sub-total	201,126	
Add: Non-actual losses, net of tax:		
Adjustment due to deviation from PFRS/ GAAP – loss	-	
Net income actually earned during the period	201,126	**201,126**
Add (Less):		
Dividend declarations during the period	-	
Distributions paid	-	
Appropriations of retained earnings during the year	-	
Reversal of appropriations	-	
Treasury shares	-	
	-	-
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND		**₱2,185,855**

2GO GROUP, INC.
8/F Tower one Double Dragon Plaza DD Meridian Park, cor. Macapagal Ave., Edsa Ext. Bay Area Pasay City
KEY PERFORMANCE INDICATORS
AS OF JUNE 30, 2018, AND DECEMBER 31, 2017
(Amounts in Thousands)

	June 30, 2018	December 31, 2017
Total Liabilities	₱11,500,805	₱12,873,725
Total Stockholders' Equity	3,826,965	3,633,386
Debt-to-Equity	3.01	3.54
Total Current Assets	₱8,014,610	₱8,610,285
Total Current Liabilities	8,255,962	12,387,615
Current Ratio	0.97	0.70
Total Quick Assets	₱5,755,178	₱6,524,126
Total Current Liabilities	8,255,962	12,387,615
Quick Ratio	0.70	0.53
Total Assets	₱15,327,770	₱16,507,109
Total Liabilities	11,500,805	12,873,723
Solvency Ratio	1.33	1.28
Total Liabilities	₱11,500,805	₱12,873,723
Total Assets	15,327,770	16,507,109
Debt-to-Asset Ratio	0.75	0.78
Total Assets	₱15,327,770	₱16,507,109
Total Stockholders' Equity	3,826,965	3,633,386
Equity-to-Asset Ratio	4.01	4.54
Net Income	₱201,126	₱(309,574)
Average Total Assets	16,113,997	16,090,630
Return On Assets	0.01	(0.02)
Net Income	₱201,126	₱(309,574)
Average Total Stockholders' Equity	3,697,912	3,781,448
Return on Equity	0.05	(0.08)

	June 30, 2018	December 31, 2017
Sales	₱10,751,593	₱21,551,499
Cost of Services and Goods Sold	9,486,632	19,015,540
Gross Profit	1,264,961	2,535,959
Gross Profit Margin	0.12	0.12
Net Income	₱201,126	₱(309,574)
Sales	10,751,593	21,551,499
Net Profit Margin	0.02	(0.01)
Price Per Share	₱14.96	₱18.48
Earnings per Common Share	0.08	(0.13)
Price per Earnings Ratio	179.74	(143.14)
EBIT	₱45,149	₱328,580
Interest Expense	163,412	390,070
Interest Coverage Ratio	2.72	0.84

CORPORATE STRUCTURE



Legend:

KGLI BV *KGL Investment BV*
KGLI -NI *KGLI-NM Holdings, Inc.*
BNDISI *Brisk Nautilus Dock Integrated Services, Inc.*
2GO *2GO Group, Inc.*
SMI *Sea Merchants, Inc.*
BMI *Bluemarine (BMI) Inc.*
EXPRES *2GO Express, Inc.*
SFFC *Supercat Fast Ferry Corporation*
KALI *Kerry Logistics Philippines, Inc.*

MCC *MCCP Transport Philippines, Inc.*
NALMHCI *NN-ATS Logistics Management & Holdings Co., Inc.*
SCVASI *Special Container and Value Added Services, Inc.*
LOGISTIC *2GO Logistics, Inc.*
SDI *Scanasia Overseas, Inc.*
HLP *Hapag Lloyd Philippines, Inc.*
HMPPI *Hansa Meyer Projects Philippines, Inc.*
KLN *KLN Logistics Holdings Philippines, Inc.*
VRR *WRR Trucking Corporation*

J&A *J&A Services Corporation*
RDC *Red.Dot Corporation*
NHTC *North Harbor Tugs Corporation*
STI *Super Terminals, Inc.*
AEWI *Astir Engineering Works, Inc.*
USDI *United South Dockhandlers, Inc.*
RUSH *2GO Rush Delivery, Inc.*