

MINUTES OF THE 2026 ANNUAL MEETING
OF THE STOCKHOLDERS OF
LORENZO SHIPPING CORPORATION
Held on 3 July 2026
through Video Conferencing on Zoom Platform

I. CALL TO ORDER

The Chairperson, Ms. Doris Teresa Magsaysay Ho, called the meeting to order at 9:00 a.m. and presided over the same.

II. PROOF OF NOTICE AND CERTIFICATION OF QUORUM

The Corporate Secretary, Aissa V. Encarnacion, certified that notices, including the required Information Statement, were first published and sent to stockholders of record of the Company on 8 June 2026. The Corporate Secretary further certified that at least 82.22% of the aggregate number of shares issued, outstanding and entitled to vote, or 814,111,307 shares, were present virtually, in person, or by proxy based on duly recorded proxies and the list of stockholders who registered, and therefore, a quorum existed for the stockholders to transact business. A copy of the list of stockholders present in person or by proxy is attached hereto as Annex "A."

The Chairman thus declared that the stockholders may proceed to transact business.

The meeting was conducted entirely through remote communication and voting was done electronically. The procedure for voting and tabulation is detailed in the *Rules for Registration, Voting in Absentia, and Participation in Meeting*, a copy of which is attached as Annex "J" to the Company's Definitive Information Statement for 2026.

III. APPROVAL OF THE MINUTES OF THE 2025 ANNUAL STOCKHOLDERS' MEETING

The Corporate Secretary presented the resolution approving the minutes of the annual stockholders' meeting held last 28 August 2025. She reported that the resolution was approved by a vote of the stockholders, voting electronically, representing 82.22% of the stockholders present and by proxy, as tabulated by the Office of the Corporate Secretary.

Upon the vote of the stockholders representing 82.22% of the total outstanding capital stock registered, the following resolution was approved:

Resolution No. 1 series of 2026

"RESOLVED, That the stockholders of Lorenzo Shipping Corporation (the "Corporation") approve, as they hereby approve, the minutes of the annual stockholders' meeting held last 28 August 2025."

IV. MANAGEMENT'S REPORT AND FINANCIAL REPORT

The Chairman then introduced the Company's President, Mr. Reynold John B. Madamba. The President presented a summary of the Management's Report to the stockholders. Copies of the Management's Report and Annual Report are attached hereto as Annexes "B" and "C," respectively.

The Chairman then called on the Company's Treasurer, Ms. Amelita M. Intalan to present the Financial Report. The Treasurer stated that the Financial Report containing the audited financial statements as of 31 December 2025 (the "2025 AFS") was attached to the Definitive Information Statement and distributed to the stockholders. A copy of the 2025 AFS is attached hereto as Annex "D." The Treasurer then stated that any queries with regard to the Financial Report may be directed to Management or to the external auditor, Sycip, Gorres, Velayo & Co.

The President's Report and Financial Report were duly noted.

The President recommended the approval of the 2025 Annual Report and AFS.

Upon vote of the stockholders representing 82.22% of the total outstanding capital stock registered, the following resolution was approved:

Resolution No. 2 series of 2026

"RESOLVED, That the stockholders of Lorenzo Shipping Corporation (the "Corporation") approve, as they hereby approve, the Corporation's Annual Report and Audited Financial Statements as of 31 December 2025, as audited by the Corporation's external auditor, and the accompanying explanatory notes."

V. RATIFICATION AND CONFIRMATION OF ACTS AND RESOLUTIONS OF THE BOARD OF DIRECTORS AND MANAGEMENT

The Chairman stated that next on the agenda is the ratification of the acts executed by the Board of Directors and Officers from the last stockholders' meeting to date. The Corporate Secretary stated that Management requests that the

stockholders ratify all acts of Management in implementation of the resolutions of the board of directors and of various committees.

Upon vote of the stockholders representing 82.22% of the total outstanding capital stock registered, the following resolution was approved:

Resolution No. 3 series of 2026

“RESOLVED, That the stockholders of Lorenzo Shipping Corporation (the “Corporation”) approve and ratify, as they hereby approve and ratify, all the acts of Management and the Board of Directors as disclosed in the corporate records.”

VI. APPOINTMENT OF EXTERNAL AUDITOR

The Chairman stated that the next item in the agenda is the appointment of the external auditor of the Company. She stated that the Audit Committee endorsed to the Board of Directors, and the Board of Directors is now recommending the re-appointment of Sycip, Gorres, Velayo & Co. as the external auditor of the Company for the year 2025 and the approval of the corresponding fee. She informed the stockholders that the Chairman of the Audit Committee is Mr. Deogracias N. Vistan, who is an independent director of the Company, as well as the members of the Audit Committee, were present at the meeting.

The Corporate Secretary presented the resolution approving the appointment of Sycip, Gorres, Velayo & Co. as the Company’s external auditor for 2025 and the corresponding fee.

Upon vote of the stockholders representing 82.22% of the total outstanding capital stock registered, the following resolution was approved:

Resolution No. 4 series of 2026

“RESOLVED, That the stockholders of Lorenzo Shipping Corporation (the “Corporation”) approve, as they hereby approve, the appointment of Sycip, Gorres, Velayo & Co. as external auditor for the year 2026, and the corresponding fee.”

VII. NEW PLAN OF OPERATIONS

The Chairman stated that the next item in the agenda is the approval of a new plan of operations transitioning from active shipping operations to strategically leasing the Corporation’s assets to other operating companies. The President presented the plan to the stockholders, a copy of which is attached hereto as Annex “E.”

Upon vote of the stockholders representing 82.22% of the total outstanding capital stock registered, the following resolution was approved:

Resolution No. 5 series of 2026

RESOLVED, That the stockholders of Lorenzo Shipping Corporation (the "Corporation") approve, as they hereby approve, the Corporation's new plan of operations transitioning to a business model which strategically leases out the Corporation's assets to other operating companies to maximize the value of the assets."

VIII. ELECTION OF DIRECTORS

The Chairman stated that the next item in the agenda is the election of directors. She stated that according to prevailing rules of the Securities and Exchange Commission, the stockholders have to elect seven (7) directors, at least two (2) of whom are independent directors, who shall serve for one year or until their successors have been duly elected and qualified. The following were nominated as directors:

Directors

Doris Teresa Magsaysay Ho
Antony Louis Marden
Michael L. Escaler
Reynold John B. Madamba
Deogracias N. Vistan
Rene J. Buenaventura

Independent Directors

Virgilio L. Peña

As tabulated by the Office of the Corporate Secretary, the following directors were elected, who shall serve as directors for the year 2026 to 2027 and/or until their successors have been elected and/or qualified:

Directors

Doris Teresa Magsaysay Ho
Antony Louis Marden
Michael L. Escaler
Reynold John B. Madamba

Deogracias N. Vistan
Rene J. Buenaventura

Independent Directors

Virgilio L. Peña

IX. OTHER MATTERS

The Chairman said that the Company requested the stockholders to e-mail the Company their questions. The Corporate Secretary stated that the Company did not receive any questions from the stockholders.

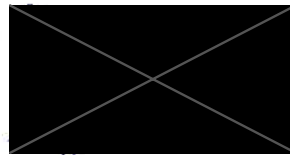
X. ADJOURNMENT

The Chairman thanked everyone for joining the virtual stockholders' meeting and informed them that they may e-mail the Corporate Secretary at the e-mail address being flashed on the screen. She also said that the video recording of the meeting will be posted on the Company's website.

In the absence of any other business to be discussed, the meeting was adjourned at around 9:30 a.m.

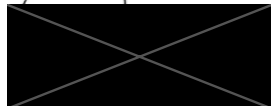
DIRECTORS PRESENT:

Doris Teresa Magsaysay Ho - Chairman
Antony Louis Marden - Vice-Chairman
Reynold John B. Madamba - President
Deogracias N. Vistan - Director
Rene J. Buenaventura - Director
Virgilio L. Peña - Independent Director



AISSA V. ENCARNACION
Corporate Secretary

ATTEST:



DORIS TERESA MAGSAYSAY HO
Chairman

ANNEX “A”

**2026 ANNUAL STOCKHOLDERS’ MEETING
ATTENDANCE OF STOCKHOLDERS**

NAME	USER ROLE	REPRESENTATIVE	SHARES
National Marine Corporation	Stockholder	Doris Teresa Magsaysay Ho	814,105,555
Doris Teresa Magsaysay Ho	Stockholder and Director	-	1
Antony Louis Marden	Stockholder and Director	-	1
Reynold John B. Madamba	Stockholder and Director	-	1,000
Deogracias N. Vistan	Stockholder and Director	-	3,750
Rene J. Buenaventura	Stockholder and Independent Director	-	1,000
Virgilio L. Peña	Stockholder and Independent Director	-	1,000
Total			814,111,307
Percentage of the Total Outstanding Shares			82.22%

ANNEX “B”

MANAGEMENT REPORT

General Nature and Scope of Business

Description of Business

A. Business Development

1. Form and year of organization

Lorenzo Shipping Corporation (LSC) was incorporated on 17 October 1972 by the Go Family headed by Jose D. Go, Sr., primarily to engage in domestic inter-island cargo handling business. The Company has been an active participant in containerized cargo business and has played a significant role in the domestic shipping industry.

2. The Company has no record of any bankruptcy, receivership or similar proceedings during the past three years.

3. Material reclassification, merger or purchase or sale of significant amount of assets.

The Company has not undergone any material reclassification, merger, consolidation nor purchase nor sale of a significant amount of its assets that are not in the ordinary course of business.

B. Business of Issuer

1. Description of Registrant

- i. Lorenzo Shipping Corporation was founded and incorporated in 1972. The Company owns and operates vessels with which it provides domestic inter-island cargo liner services to the general public. The Company's business focus has evolved from that of being a break-bulk cargo carrier to a fully containerized cargo shipping company.

Lorenzo Shipping Corporation owned a fleet of four (4) vessels and three (3) vessels under a transport service contract. All vessels are deployed to the key ports in Manila, Visayas and Mindanao. The Company's vessels have a capacity ranging from 431 TEUs to 797 TEUs with speeds of 8 knots to 12 knots. LSC owns various equipment and facilities to efficiently handle customers' cargoes including a) land-based equipment such as forklifts, top lifts and trucks and b) container yards and warehouses in its branches and agencies.

- ii. The Company is engaged solely in domestic inter-island cargo liner services. Thus, the foreign sales requirement is not applicable.

- iii. Lorenzo Shipping Corporation markets its services through a network of branches nationwide. The network is comprised of eight branches: Cebu, Davao, General Santos, Cotabato, Iloilo, Cagayan de Oro, Bacolod and Zamboanga. Manila operations, under the Corporate Office, handles all inbound and outbound volume in Manila.

LSC provides 20-foot and 40-foot dry containers to its customers in which they can load their cargoes to various ports. LSC also carries rolling cargoes such as

heavy equipment, trucks and vehicles as well as non-containerized cargoes such as steel products and bridging materials.

- iv. Competitive business conditions and the registrant's competitive position in the industry and methods of competition:

LSC is one of the key players in the domestic containerized cargo shipping industry. It operates in the major ports of the country and deployed a fleet of seven (7) vessels. LSC prides itself as a reliable transport provider and through its various affiliate companies, is able to offer door-to-door shipping services.

LSC considers other containerized cargo shipping companies as its competitors such as 2GO Group, Inc. (2GO), Philippine Span Asia Carrier Corp. (PSACC), Solid Shipping Lines, Inc. and Oceanic Container Lines, Inc. among others. 2GO caters to both passenger and cargo market while the rest are cargo carriers.

Competition among domestic lines is intense, given the overcapacity of vessels aggravated by new entrants in the industry in the previous years. The industry is also governed by the rules and regulations of the Maritime Industry Authority (MARINA).

LSC is a member of the Philippine Liner Shipping Association (PLSA) whose members account for around 80% of the total containerized volumes nationwide.

- v. Sources and availability of raw materials and the names of principal suppliers:

Major suppliers of fuel, spare parts, container vans and others.

Name of Supplier	Items Supplied
Marine Fuels Philippines	Fuel
Nmc Container Lines Inc.	Voyage service fee and container rental
Petrophilippines Co Inc	Fuel
Manila North Harbour Port Inc.	Arrastre, stevedoring, storage, rental and weighing charges
Shaw Autogas Incorporated	Fuel
Pioneer Insurance & Surety Corporation	Insurance
Ecology Marine Corporation	Fuel
Mindanao International Container Terminal Services Incorporated	Arrastre and stevedoring charges
Melcon Development Corporation	Rental
Central Inter-Transport Logistics Corp.	Arrastre, stevedoring, wharfage, rentals and hustling charges
Herma Shipyard, Inc.	Vessel repair
Sacortoza Enterprises	Hauling Services
Roadlink Solutions Inc.	Hauling Services
Cebu South Harbor And Container Terminal Corporation	Arrastre, stevedoring and rentals
Magsaysay Shipmanagement Inc.	Shipmanagement
Transpartner Trucking Services	Hauling Services
Globalport Zamboanga Terminal Inc	Arrastre and stevedoring charges
Total Way Company Inc	Hauling Services
BREDCO	Arrastre and stevedoring charges
FNT Trucking Services	Hauling Services

vi. Major customers/clients of LSC

Top 20 Customers

- | | |
|--|--|
| 1. Coca-Cola Europacific Aboitiz Philippines, Inc. | 11. Whitelands Express, Inc. |
| 2. Nestle Philippines, Inc. | 12. DSG Sons Group, Inc |
| 3. Century Pacific Food, Inc. | 13. W.L. Foods Products |
| 4. DJ Fast Forwarders Inc | 14. Icon Reefer Cargo Movers and Allied Services Inc |
| 5. Pepsi-Cola Products Philippines, Inc. | 15. Excellogistics, Inc. |
| 6. Cargill Philippines Inc. | 16. One Stop Logistics Solutions Inc. |
| 7. Lamsan Inc. | 17. Bits + Blocks |
| 8. URC Group | 18. Catsen Logistics Corporation |
| 9. Icebox Logistics Services Inc. | 19. Five Sons Box Packaging & Services Corp. |
| 10. Del Monte Philippines, Inc. | 20. Pioneer Float Glass Manufacturing, Inc. |

The business is not dependent upon a single customer or a few customers, the loss of any or more of which will not have material adverse effect on the Company.

vii. The business of the Company is not in any way dependent on related parties' transactions.

viii. Licenses, Concessions, Labor contracts, including duration;

a) *Maritime Industry Authority (MARINA) registration*

LSC vessels are duly registered with MARINA and subjected to regular MARINA survey and International Safety Management (ISM) Code audits to ascertain its adherence to vessel and manning safety standards. The Company has been granted a company Certificate of Public Convenience (CPC) under RA 9295 valid for 25 years from June 7, 2005 to June 7, 2030 by the MARINA to service domestic ports of call.

For the transport service contract with NMCCLI, the vessels are duly registered with MARINA and are subject to regular MARINA survey and ISM audits to ascertain adherence to vessel and manning safety standards. To comply with the revised RA 9295 IRR issued in 2014, the Company applied and has been granted a Revalidated Certificate of Public Convenience (CPC) valid from October 22, 2015 to June 7, 2030 by the MARINA to service domestic ports of call.

b) *Labor contracts*

For sea-based employees, the Collective Bargaining Agreement with licensed crewmembers is in effect from 01 September 2025 up to 31 August 2030, and with unlicensed crew members from 16 September 2025 up to 15 September 2030. Both economic and non-economic provisions of both Agreements were concluded on October 9, 2025.

For land-based employees, the Collective Bargaining Agreement was no longer present since its dissolution on 30 October 2020 under Case No. NCR-CFO-C-01-01-10-20.

c) *Licenses and Franchises*

For licenses and franchises of vessels, while principal terms are anchored solely on the seaworthiness of the vessel (of which the registrant is already ISM-Certified by the regulatory authority) only the following expiration dates are disclosed:

M/V LORCON GENERAL SANTOS

Certificates and Licenses	Date Issued	Date Expiry	Status
Certificate of Ownership (CO)	11/13/24		Permanent
Certificate of Vessel Registry (CVR)	11/13/24		Permanent
Certificate of Public Convenience (CPC)	10/22/15	06/07/30	Valid
Cargo Ship Safety Certificate	11/14/25	11/11/30	Valid
Coastwise License (CWL)	07/29/25	08/15/26	Valid
Radio Station License (RSL)	08/01/24	08/16/26	Valid
Coastwise Loadline Certificate (CLLC)	11/12/25	11/11/30	Valid

M/V LORCON DUMAGUETE (sold on June 2025)

Certificates and Licenses	Date Issued	Date Expiry	Status
Certificate of Ownership (CO)	04/03/24		
Certificate of Vessel Registry (CVR)	04/03/24		
Certificate of Public Convenience (CPC)	10/22/15	06/07/30	
Cargo Ship Safety Certificate	08/12/24	02/28/25	
Coastwise License (CWL)	04/17/24	05/13/25	
Radio Station License (RSL)	08/15/24	05/16/26	
Coastwise Loadline Certificate (CLLC)	05/26/21	02/28/25	

M/V LORCON BACOLOD

Certificates and Licenses	Date Issued	Date Expiry	Status
Certificate of Ownership (CO)	06/10/14		Permanent
Certificate of Vessel Registry (CVR)	06/10/14		Permanent
Certificate of Public Convenience (CPC)	10/22/15	06/07/30	Valid
Cargo Ship Safety Certificate	02/19/25	02/04/30	Valid
Coastwise License (CWL)	05/26/25	06/09/26	Valid
Radio Station License (RSL)	06/04/24	06/12/26	Valid
Coastwise Loadline Certificate (CLLC)	02/18/25	02/04/30	Valid

M/V LORCON ILOILO (on lay-up since March 2025)

Certificates and Licenses	Date Issued	Date Expiry	Status
Certificate of Ownership (CO)	05/07/15		Permanent
Certificate of Vessel Registry (CVR)	05/07/15		Permanent
Certificate of Public Convenience (CPC)	10/22/15	06/07/30	Valid
Cargo Ship Safety Certificate	04/17/24	03/31/29	Valid
Coastwise License (CWL)	04/17/24	05/13/25	Valid
Radio Station License (RSL)	04/05/24	05/14/26	Valid
Coastwise Loadline Certificate (CLLC)	04/16/24	04/02/29	Valid

M/V GENERAL NATIVIDAD

Certificates and Licenses	Date Issued	Date Expiry	Status
Certificate of Public Convenience (CPC)	06/25/15	03/29/35	Valid
Cargo Ship Safety Certificate	04/15/25	03/28/30	Valid
Coastwise License (CWL)	07/04/25	07/29/26	Valid
Radio Station License (RSL)	03/02/25	07/16/26	Valid
Coastwise Loadline Certificate (CLLC)	04/14/25	03/28/30	Valid

M/V GENERAL EVANGELISTA

Certificates and Licenses	Date Issued	Date Expiry	Status
Certificate of Public Convenience (CPC)	06/25/15	03/29/35	Valid
Cargo Ship Safety Certificate	01/11/24	01/14/28	Valid
Coastwise License (CWL)	01/21/25	12/18/26	Valid
Radio Station License (RSL)	10/13/25	11/23/27	Valid
Coastwise Loadline Certificate (CLLC)	01/26/23	01/14/28	Valid

M/V RASALAS

Certificates and Licenses	Date Issued	Date Expiry	Status
Certificate of Public Convenience (CPC)	06/25/15	03/29/35	Valid
Cargo Ship Safety Certificate	05/21/25	06/20/28	Valid
Coastwise License (CWL)	05/26/25	06/14/26	Valid
Radio Station License (RSL)	08/18/25	05/22/26	Valid
Coastwise Loadline Certificate (CLLC)	06/26/23	06/20/28	Valid

- ix. The Company has no pending request for approval from any government body.

- x. There is no record of cost incurred for research and development.
- xi. Costs and effects of compliance with environmental laws

The Company complies with the Anti-Pollution Act, which requires the control of smoke emission coming from the vessels and disallows spilling or dumping of oil into the sea. The Company complies with such regulations through the effective utilization of equipment such as bridge sludge tank. However, the cost of such equipment is not separately accounted for in the Company's books. The cost of compliance is not significant in amount.

- xii. Total number of employees and number of full time employees

As of 31 December 2025, the total sea-based manpower is 34 and the total land-based manpower is 162.

Properties

The description, ownership, and limitation on ownership of the principal properties of the Company are shown below.

A. Vessel in Operations:

VESSEL/YEAR BUILT		OWNERSHIP STATUS	GRT & DWT IN METRIC TON		CAPACITY IN TEUs/LIEN	SERVICE ROUTE
LORCON GENERAL SANTOS	2000	COMPANY-OWNED	5,234	6,030	510	MNL-BCD-CEB-TAG-ILO-BCD-MNL
LORCON ILOILO	2003	COMPANY-OWNED	4,462	5,608	505	MNL-CEB-TAG-ILO-BCD-DGT-MNL
LORCON BACOLOD	1999	COMPANY-OWNED	4,450	5,607	431	MNL-CEB-ZAM-DVO-GES-ILO-MNL
LORCON DUMAGUETE	1999	COMPANY-OWNED	7,970	9,823	797	MNL-DVO-GES-CBO-ZAM-CEB-MNL (until June only)
GENERAL EVANGELISTA	1997	SEA TRANSPORT SERVICE	5,025	5,450	516	MNL-CEB-TAG-CEB-MNL
GENERAL NATIVIDAD	1999	SEA TRANSPORT SERVICE	4,450	5,603	433	MNL-BCD-CEB-TAG-ILO-BCD-MNL
RASALAS	2002	SEA TRANSPORT SERVICE	7,016	9,131	515	MNL-CEB-DVO-GES-ZAM-CEB-MNL

The limitations are those that are usual to ordinary mortgages of chattel and real properties.

The Company owns a land in Bacolod with a total area of 6,282 square meters located at Bredco 2, Reclamation Area, Bacolod City.

The Company has no intention of acquiring properties not in the ordinary course of business in the next twelve months.

B. Company Leases:

The Company leases from various entities the following properties for its operations, to wit:

1. A container yard covering an area of 2,000 square meters located at Polloc Port, Parang, Maguindanao, Cotabato City. As stipulated, the contract is valid for a period of one (1) year commencing January 1, 2025, until December 31, 2025.
2. A container yard with an office covering an area of 30,000 square meters located at Phividec Estate of Misamis Oriental (PIE-MO), Municipalities of Tagaloan and Villanueva, Province of Misamis Oriental. The contract is valid for a period of ten (10) years commencing September 1, 2018, and ending on August 31, 2028.
3. An open-space container yard with an area of 3,000 square meters located at Berth 9 Cebu Baseport. The Permit to Occupy is valid until December 31, 2025.
4. A parcel of land with a building consisting of approximately 5,814 square meters, more or less, located at P.I. Compound, Barangay Labangal, General Santos City. The contract is valid for a period of five (5) years commencing March 1, 2021, until February 28, 2026.
5. A container yard with an area of 7,000 square meters located at Barangay Balabago, Jaro, Iloilo City. The contract is valid for a period of two (2) years from September 1, 2024 to August 31, 2026.
6. A container office located in Barangay Balabago, Jaro, Iloilo City with an area of approximately 150 square meters. The contract is valid a period of two (2) years from September 1, 2024 to August 31, 2026.
7. An office space covering an area of 811.74 square meters located at Times Plaza Building, U.N. Ave. Cor. Taft Ave., Ermita, Manila. The contract is for the period September 1, 2020, to August 31, 2027.
8. In Zamboanga, a container yard covering an area of 10,000 square meters located at Lot 387-A-2, San Roque, Zamboanga City. The contract is valid for a period of two (2) years commencing on February 01, 2025 until January 31, 2027
9. A container yard and a container office, with an area of 13,000 square meters located at #15 Old Airport Road, Km. 9, Sasa, Davao City. The contract is for five (5) years from 01 April 2019 until 31 March 2024. The contract has been renewed for a total area of 17,084 square meters for a period of five (5) years commencing on April 1, 2024 until March 31, 2029.

10. A 1-unit office space with 25 square meters per unit at Manila North Harbor, Tondo Manila. Contract is for a period one (1) year commencing on March 1, 2026 until February 28, 2027.
11. A container yard and office covering 13,731.58 square meters with address at North Bay NBBS, Navotas City. The contract commenced on February 1, 2023 until January 31, 2027. A lease of an additional 1,000 square meter area commencing on August 15, 2024 is covered by an addendum to the existing lease contract valid until January 31, 2027.

Management Discussion and Analysis or Plan of Operation

Interim Period Ending 31 March 2026

Result of Operations

Lorenzo Shipping Corporation's (LSC or the "Company") total revenue for the three months ended March 31, 2026, amounted to ₱354.31 million, which was ₱70.70 million lower than the revenue reported in the same period in 2025. TEU volumes were 8% lower than the previous period. The decrease was due to fewer voyages resulting from reduced fleet capacity.

The Company ended Q1 with a gross loss of P64.84 million. There was a decrease in direct costs amounting to P125.69 compared to last year's period.

General and administrative expenses were P30.15 million, which was P8.81 million lower than last year's P38.97 million.

Net finance costs for the three months amounted to P10.52 million, which is 31% lower, or P4.68 million less, than the P15.20 million reported for the same period in 2025, primarily due to reduced borrowings from banks.

In 2026, the company posted a net "other income" of P7.17 million, which is P5.65 million higher than in 2025. The increase was attributable to cargo claims proceeds and the sale of fully depreciated assets in 2026.

Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) amounted to a negative P43.95 million in 2026.

Considering the above, LSC's operating results for the three months ending on March 31, 2026, were a net income (loss) after tax of (P98.64) million compared with a net loss of (P172.77) million over the same period in 2025. The loss resulted in an equivalent loss per share of negative P0.10 in the first quarter of 2026 compared with a loss per share of P0.21 over the same period in 2025.

LSC's comparative financial performance is presented herein:

	1st Quarter		% Change
	2026	2025	
REVENUES			
Freight	354,314,643	425,014,444	-17%
DIRECT COSTS			
Cost of services	364,828,540	475,317,101	-23%
Terminal expenses	54,323,102	69,520,320	-22%
Total	419,151,643	544,837,421	-23%
GROSS PROFIT	(64,836,999)	(119,822,977)	-46%
GENERAL AND ADMINISTRATIVE EXPENSES	(30,155,353)	(38,971,223)	-23%
FINANCE COSTS AND OTHER CHARGES, net	(10,523,286)	(15,200,890)	-31%
OTHER INCOME, net	7,170,156	1,521,855	371%
INCOME (LOSS) BEFORE INCOME TAX	(98,345,482)	(172,473,235)	-43%
PROVISION FOR INCOME TAX	300,000	300,000	0%
NET INCOME (LOSS)	(98,645,482)	(172,773,235)	-43%
EARNING (LOSS) PER SHARE			
Basic/Diluted	(0.10)	(0.21)	

Financial Position

As of March 31, 2026, total assets amounted to P2.25 billion, which was P55.51 million or 2%, lower than at the end of December 31, 2025. Cash, trade, and other accounts receivable, as well as other current assets, increased from P662.51 million at the end of 2025 to P664.40 million by March 31, 2026.

Total non-current assets decreased by P57.40 million at the end of the 1st Quarter of 2026 from P1.64 billion as of the end of 2025 to P1.58 billion, coming from net reductions in property and equipment due to depreciation and amortization.

Total Liabilities decreased by 1% or P11.87 million from P2.13 billion at the end of 2025 to P2.12 billion by March 2026. Principal loan repayments during the first quarter of 2026 amounted to P34.55 million.

Lease liability paid amounted to P21.40 million during the first quarter of 2026. LSC's total loans declined by P34.55 million from P418.05 million at the end of 2025 to P383.50 by March 31, 2026.

The net loss of the 1st quarter increased the retained earnings (deficit) of LSC to P1.83 billion from P1.73 billion at the end of 2025. As of March 31, 2026, the total stockholders' equity stood at P130.96 million.

LSC's financial position is presented below:

	<u>Unaudited</u> March 31 2026	<u>Audited</u> December 31 2025	<u>% Change</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	43,954,585	78,314,563	-44%
Trade and other receivables	367,495,963	365,032,433	1%
Contract assets	15,497	2,440,656	-99%
Inventories	19,827,137	19,827,137	0%
Prepayments and other current assets	212,121,004	175,915,027	21%
Noncurrent asset held for sale	20,982,143	20,982,143	0%
TOTAL CURRENT ASSETS	664,396,329	662,511,959	0%
NON-CURRENT ASSETS			
Property and equipment, net	822,486,478	879,593,932	-6%
Computer software	1,045,140	1,269,098	-18%
Other noncurrent assets	758,981,417	759,046,834	0%
TOTAL NONCURRENT ASSETS	1,582,513,034	1,639,909,864	-3%
TOTAL ASSETS	2,246,909,363	2,302,421,823	-2%
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and other current liabilities	1,325,027,534	1,280,076,491	4%
Short-term borrowings	356,864,985	385,710,696	-7%
Current portion of long-term borrowings	17,084,243	22,792,576	-25%
Current portion of lease liabilities	47,751,973	69,154,289	-31%
TOTAL CURRENT LIABILITIES	1,746,728,735	1,757,734,052	-1%
NONCURRENT LIABILITIES			
Long-term borrowings, net of current portion	9,509,438	9,509,438	0%
Long-term borrowing - related party, net of current portion	200,410,451	200,410,450	0%
Lease liabilities, net of current portion	85,711,482	85,711,482	0%
Deferred tax liabilities – net	3,608,761	3,608,761	0%
Retirement benefit obligation	69,984,275	70,845,938	-1%
TOTAL NONCURRENT LIABILITIES	369,224,407	370,086,069	0%
TOTAL LIABILITIES	2,115,953,142	2,127,820,121	-1%
STOCKHOLDERS' EQUITY			
EQUITY			
Common stock - 1 par value	991,183,999	991,183,999	0%
Additional paid-in capital	459,791,492	459,791,492	0%
Deposit for future stock subscription	455,613,366	400,613,366	
Revaluation increment	77,354,524	77,354,523	0%
Actuarial losses on defined benefit obligation	(17,827,564)	(17,827,564)	0%
Deficit	(1,832,033,746)	(1,733,388,264)	6%
Treasury shares at cost	(3,125,850)	(3,125,850)	0%
TOTAL EQUITY	130,956,221	174,601,702	-25%
TOTAL LIABILITIES AND EQUITY	2,246,909,363	2,302,421,823	-2%

Top Five Performance Indicators

The following key results determine LSC's financial performance:

1. Current ratio – this represents the ratio between current assets and current liabilities, which measures the liquidity and efficiency of LSC's ability to pay off its short-term liabilities with its current assets.

2. Debt to equity ratio – measures the financial leverage of LSC, how much debt is used to finance assets relative to the amount of value represented in shareholders' equity.
3. Net revenues – mainly composed of freight services recognized based on cargo loaded during the year, taking into account all direct costs related to the cargo and capacity costs incurred during the year.
4. Net income before tax – is a quick indicator of the financial health of LSC.
5. Accounts receivables (A/R) turnover – measures how efficiently LSC collects its receivables.

The table below represents the key performance indicators of LSC over the last three (3) years:

Performance Indicators	1st Quarter		Full Year	
	2026	2025	2025	2024
Current Ratio	0.38	0.40	0.38	0.39
Debt-to-equity-ratio	16.16	19.04	12.19	12.51
Net revenues	P354.31 million	P425.01 million	P1.488 billion	P2.339 billion
Net income (loss) before tax	(P98.34 million)	(P172.47 million)	(P594.67) million	(P543.46) million
A/R turnover	3.86	3.42	3.46	3.87

- i. LSC is unaware of any event that will trigger direct or contingent financial obligations that are material to LSC, including any default or acceleration of an obligation.
- ii. LSC is unaware of any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of LSC with unconsolidated entities or other persons created during the reporting period.
- iii. LSC is not aware of any material commitments for capital expenditures.
- iv. LSC is unaware of any known trends, events, or uncertainties that have had or are reasonably expected to have a material favorable or unfavorable impact on net sales, revenues, or income from continuing operations.
- v. LSC is not aware of any significant elements of income or loss that did not arise from the registrant's continuing operations.
- vi. LSC is unaware of any seasonal aspects that had a material effect on the financial condition or results of operations.

Plan of Operations

On May 15, 2026, the Board of Directors of Lorenzo Shipping Corporation (the "Company") approved a resolution to transition from active shipping operations toward a business model focused on maximizing the value of its assets by strategically leasing them to other operating companies.

This decision was driven by the Company's commitment to navigating industry headwinds more effectively and proactively adapting to developments in the domestic shipping industry. The transition is intended to strengthen revenue stability, preserve asset value, and ensure that the Company and its management remain able to fulfill their obligations to all stakeholders while continuing as a going concern.

The Board determined that this strategic transition is in the best long-term interests of the Company and its stakeholders, including shareholders, creditors, employees, customers, business partners, and regulators.

The transition towards the new business model will commence in June 2026.

Calendar Year 2025

STATEMENTS OF FINANCIAL POSITION				
	December 31		Movement	
	2025	2024	In Peso	In Percentage
ASSETS				
Current Assets				
Cash	78,314,563	102,795,802	(24,481,239)	-24%
Trade and other receivables	365,032,433	494,982,314	(129,949,881)	-26%
Contract assets	2,440,656	4,087,974	(1,647,318)	-40%
Inventories	19,827,137	49,219,101	(29,391,964)	-60%
Prepayments and other current assets	175,915,027	148,726,399	27,188,628	18%
Noncurrent asset held for sale	20,982,143	-	20,982,143	100%
Total Current Assets	662,511,959	799,811,590	(137,299,631)	-17%
Noncurrent Assets				
Property and equipment				
At cost	697,415,932	986,073,911	(288,657,979)	-29%
At revalued amount	182,178,000	182,178,000	-	0%
Computer Software	1,269,098	2,164,932	(895,834)	-41%
Deferred tax asset	-	6,721,640	(6,721,640)	-100%
Other noncurrent assets	759,046,834	732,597,858	26,448,976	4%
Total Non-Current Assets	1,639,909,864	1,909,736,341	(269,826,477)	-14%
TOTAL ASSETS	2,302,421,823	2,709,547,931	(407,126,108)	-15%
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable and accrued expenses	1,280,076,491	1,482,267,586	(202,191,095)	-14%
Short-term borrowings	385,710,696	413,912,279	(28,201,583)	-7%
Loans Payable - Affiliates	-	-	-	0%
Lease Liability - Current	69,154,289	51,448,615	17,705,674	34%
Current portion of:				
Long-term borrowings - related party	-	83,504,119	(83,504,119)	-100%
Long-term borrowings	22,792,576	39,410,790	(16,618,214)	-42%
Total Current Liabilities	1,757,734,052	2,070,543,389	(312,809,337)	-15%
Noncurrent Liabilities				
Long-term borrowings - net of current portion	9,509,438	32,301,991	(22,792,553)	-71%
Lease Liability - Non-current	85,711,482	182,544,108	(96,832,626)	-53%
Other noncurrent liabilities	200,410,450	116,906,331	83,504,119	71%
Deferred tax liability	3,608,761	-	3,608,761	0%
Retirement benefit obligation	70,845,938	106,653,471	(35,807,533)	-34%
Total Non-Current Liabilities	370,086,069	438,405,901	(68,319,832)	-16%
Total Liabilities	2,127,820,121	2,508,949,290	(381,129,169)	-15%
Equity				
Capital Stock	991,183,999	825,652,251	165,531,748	20%
Additional paid-in capital	459,791,492	459,791,492	-	0%
Deposit for future stock subscription	400,613,366	-	400,613,366	100%
Revaluation Surplus	77,354,523	77,354,523	-	0%
Actuarial losses on defined benefit plan	(17,827,564)	(27,469,474)	9,641,910	-35%
Deficit	(1,733,388,264)	(1,131,604,301)	(601,783,963)	53%
Treasury shares at cost	(3,125,850)	(3,125,850)	-	0%
Total Equity	174,601,702	200,598,641	(25,996,939)	-13%
TOTAL LIABILITIES AND EQUITY	2,302,421,823	2,709,547,931	(407,126,108)	-15%

STATEMENTS OF COMPREHENSIVE INCOME				
	December 31		Movement	
	2025	2024	Increase (Decrease)	
FREIGHT REVENUE	1,488,310,546.00	2,339,869,416.00	(851,558,870)	-36%
DIRECT COSTS				
Cost of services	1,623,033,425.00	2,302,238,022.00	(679,204,597)	-30%
Terminal expenses	245,541,950.00	236,581,959.00	8,959,991	4%
	1,868,575,375.00	2,538,819,981.00	(670,244,606)	-26%
	-26%	-8%		
GROSS PROFIT	(380,264,829.00)	(198,950,565.00)	(181,314,264)	91%
GENERAL AND ADMINISTRATIVE EXPENSES	(200,204,276.00)	(194,688,745.00)	(5,515,531)	3%
FINANCE COSTS AND OTHER CHARGES - net	(65,243,239.00)	(70,419,593.00)	5,176,354	-7%
OTHER INCOME (CHARGES) - net	51,044,811.00	(79,400,774.00)	130,445,585	-164%
INCOME (LOSS) BEFORE INCOME TAX	(594,667,533.00)	(543,459,677.00)	(51,207,856)	9%
PROVISION FOR INCOME TAX				
Current	-	-	-	0%
Deferred	7,116,430.00	(1,675,122.00)	8,791,552	-525%
	7,116,430.00	(1,675,122.00)	8,791,552	-525%
NET INCOME (LOSS)	(601,783,963.00)	(541,784,555.00)	(59,999,408)	11%

Results of Operations

Lorenzo Shipping Corporation ("LSC") recorded P1.49 billion in total freight revenues in 2025, 36%, or P0.85 billion, lower than the P2.34 billion in revenues in 2024. Total operating expense was P1.87 billion, a decrease of 26% from last year's P2.54 billion.

The company ended with a gross profit (loss) of (P380.26) million, an increase of 91% from (P198.95) million in 2024.

General and administrative expenses increased by P5 million from P195 million in 2024 to P200 million in 2025.

Net finance costs amounted to P65.24 million, which was lower by 7% or P5 million, versus last year's P70.42.

Net Other Income (Charges) was P51.04 million in 2025, lower by P130.44 million than (P79.40) million net other income in 2024. The company's "Other Income (Charges)" in 2025 was the net gain from the sale of fully depreciated fixed assets and other miscellaneous income.

LSC's Net Income (Loss) After Tax was (P601.78) million, an increase in net loss by 11% from (P541.78) million net income (loss) in 2024. The income (loss) resulted in an equivalent loss per share of (P0.61) and (P0.66) in 2025 and 2024, respectively.

Financial Condition

The company's total resources stood at P2.30 billion as of December 31, 2025, P407.13 million lower than P2.71 billion as of 2024. Current assets amounted to P.66 billion and P.80 billion in 2025 and 2024, respectively. The net decrease in current assets was primarily due to the following:

- Decrease in cash from P102.80 million to P78.31 million
- Decrease in trade and other receivables from P494.98 million to P365.03 million
- Decrease in inventories from P49.22 million to P19.83 million.
- Increase in prepayments and other current assets from P148.73 million to P175.92 million.
- The recognition of the noncurrent asset held for sale amounting to 20.98 million

Total Non-Current Assets decreased in 2025 to P1.64 billion from P1.91 billion in 2024. The company's property and equipment costs decreased primarily due to asset amortization and depreciation, and the de-recognition of the asset held for sale. Other non-current assets increased to P759.05 million in 2025 from P732.60 million in 2024 due to accumulated creditable withholding taxes.

Total liabilities decreased by P0.38 billion this year from P2.51 billion in 2024 to P2.13 billion at the end of 2025.

Accounts payable and other current liabilities decreased to P1.28 billion in 2025 from P1.49 billion in 2024.

Total bank borrowings as of 2025 amounted to P418.01 million, consisting of short-term & current borrowings of P408.50 million and long-term & non-current borrowings of P9.51 million. In comparison, as of December 2024, total borrowings were P485.62 million, consisting of short-term & current borrowings of P453.32 million and long-term & non-current borrowings of P32.30 million.

Obligations under finance lease reclassified to lease liability under new accounting standards (PFRS16) stood at the end of 2025 at P69.15 million and P85.71 million of current and non-current portions, respectively.

Retirement benefit obligation at the end of 2025 was P70.84 million.

The negative operating results of the company in 2025 increased the deficit to P1.73 billion from P1.13 billion in 2024. The revaluation surplus stood at P77.35 million. Considering its capitalization of P1.851 billion, the company's Total Equity at the end of 2025 amounted to P174.60 million.

The current ratio as of December 2025 stood at 0.38 and 0.39 in 2024. Debt-to-equity ratios were at 12.19 and 12.51 in 2025 and 2024, respectively. The company's creditor banks, requiring the maintenance of specific financial ratios, provided a waiver for the breach of debt covenants for the period ending December 31, 2025.

The book value per share was at P0.18 and P0.24 in 2025 and 2024, respectively.

Top Five Performance Indicators

The following key results determine LSC's financial performance:

1. Current Ratio – represents the ratio between current assets and current liabilities, which measures liquidity and efficiency of LSC's ability to pay off its short-term liabilities with its current assets.
2. Debt-to-Equity Ratio – measures the financial leverage of LSC, how much debt is used to finance assets relative to the amount of value represented in shareholders' Equity.
3. Net Revenues – mainly composed of freight services recognized based on cargo loaded during the year, taking into account all direct costs related to the cargo and capacity costs incurred during the year.
4. Net Income Before Tax – is a quick indicator of the financial health of LSC.
5. Accounts Receivable (A/R) turnover – measures how efficiently LSC collects its receivables.

The table below represents the key performance indicators of LSC over the last three (3) years:

Performance Indicators	Full Year		
	2025	2024	2023
Current ratio	0.38	0.39	0.49
Debt-to-equity ratio	12.19	12.51	5.63
Net revenues	P1.488 billion	P2.339 billion	P3.280 billion
Net income (loss) before tax	(P594.667) million	(P543.459) million	P105.141 million
A/R turnover	3.46	3.87	4.52

- i. LSC is not aware of any event that will trigger direct or contingent financial obligations to LSC, including any default or acceleration of an obligation.
- ii. LSC is not aware of any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of LSC with unconsolidated entities or other persons created during the reporting period.
- iii. LSC is not aware of any material commitments for Capital Expenditures.
- iv. LSC is not aware of any known trends, events, or uncertainties that have had or are reasonably expected to have a material favorable or unfavorable impact on net sales, revenues, or income from continuing operations.
- v. LSC is not aware of any significant elements of income or loss that did not arise from the registrant's continuing operations.
- vi. LSC is not aware of any seasonal aspects that had a material effect on the financial condition or results of operations.

Plan of Operation

On May 15, 2026, the Board of Directors of Lorenzo Shipping Corporation (the "Company") approved a resolution to transition from active shipping operations toward a business model focused on maximizing the value of its assets by strategically leasing them to other operating companies.

This decision was driven by the Company's commitment to navigating industry headwinds more effectively and proactively adapting to developments in the domestic shipping industry. The transition is intended to strengthen revenue stability, preserve asset value, and ensure that the Company and its management remain able to fulfill their obligations to all stakeholders while continuing as a going concern.

The Board determined that this strategic transition is in the best long-term interests of the Company and its stakeholders, including shareholders, creditors, employees, customers, business partners, and regulators.

Calendar Year 2024

STATEMENTS OF FINANCIAL POSITION	December 31		Movement	
	2024	2023	In Peso	In Percentage
ASSETS				
Current Assets				
Cash	102,795,802	99,128,666	3,667,136	4%
Trade and other receivables	494,982,314	647,299,769	(152,317,455)	-24%
Contract assets	4,087,974	4,041,317	46,657	1%
Inventories	49,219,101	61,474,637	(12,255,536)	-20%
Prepayments and other current assets	148,726,399	203,538,050	(54,811,651)	-27%
Total Current Assets	799,811,590	1,015,482,439	(215,670,849)	-21%
Noncurrent Assets				
Property and equipment				
At cost	986,073,911	1,240,672,522	(254,598,611)	-21%
At revalued amount	182,178,000	175,896,000	6,282,000	4%
Computer Software	2,164,932	3,060,765	(895,833)	-29%
Deferred tax asset	6,721,640	6,995,849	(274,209)	-4%
Other noncurrent assets	732,597,858	651,292,082	81,305,776	12%
Total Non-Current Assets	1,909,736,341	2,077,917,218	(168,180,877)	-8%
TOTAL ASSETS	2,709,547,931	3,093,399,657	(383,851,726)	-12%
	December 31		Movement	
	2024	2023	In Peso	In Percentage
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable and accrued expenses	1,482,267,586	1,585,687,460	(103,419,874)	-7%
Short-term borrowings	413,912,279	341,963,292	71,948,987	21%
Loans Payable - Affiliates	-	-	-	0%
Lease Liability - Current	51,448,615	65,247,182	(13,798,567)	-21%
Current portion of:				
Long-term borrowings - related party	83,504,119	24,814,918	58,689,201	237%
Long-term borrowings	39,410,790	67,120,578	(27,709,788)	-41%
Total Current Liabilities	2,070,543,389	2,084,833,430	(14,290,041)	-1%
Noncurrent Liabilities				
Long-term borrowings - net of current portion	32,301,991	71,712,782	(39,410,791)	-55%
Lease Liability - Non-current	182,544,108	164,296,787	18,247,321	11%
Other noncurrent liabilities	116,906,331	200,410,450	(83,504,119)	-42%
Deferred tax liability	-	-	-	0%
Retirement benefit obligation	106,653,471	105,611,008	1,042,463	1%
Total Non-Current Liabilities	438,405,901	542,031,027	(103,625,126)	-19%
Total Liabilities	2,508,949,290	2,626,864,457	(117,915,167)	-4%
Equity				
Capital Stock	825,652,251	555,652,251	270,000,000	49%
Additional paid-in capital	459,791,492	459,791,492	-	0%
Revaluation Surplus	77,354,523	72,643,023	4,711,500	6%
Actuarial losses on defined benefit plan	(27,469,474)	(28,605,970)	1,136,496	-4%
Deficit	(1,131,604,301)	(589,819,746)	(541,784,555)	92%
Treasury shares at cost	(3,125,850)	(3,125,850)	-	0%
Total Equity	200,598,641	466,535,200	(265,936,559)	-57%
TOTAL LIABILITIES AND EQUITY	2,709,547,931	3,093,399,657	(383,851,726)	-12%

STATEMENTS OF COMPREHENSIVE INCOME				
	December 31		Movement	
	2024	2023	Increase (Decrease)	
FREIGHT REVENUE	2,339,869,416	3,280,896,707	(941,027,291)	-29%
DIRECT COSTS	2,302,238,022	2,640,300,101	(338,062,079)	-13%
Cost of services				
Terminal expenses	236,581,959	249,314,899	(12,732,940)	-5%
	2,538,819,981	2,889,615,000	(350,795,019)	-12%
GROSS PROFIT	(198,950,565)	391,281,707	(590,232,272)	-151%
GENERAL AND ADMINISTRATIVE EXPENSES	(194,688,745)	(217,516,154)	22,827,409	-10%
FINANCE COSTS AND OTHER CHARGES - net	(70,419,593)	(68,643,755)	(1,775,838)	3%
OTHER INCOME (CHARGES) - net	(79,400,774)	19,837	(79,420,611)	-400366%
INCOME (LOSS) BEFORE INCOME TAX	(543,459,677)	105,141,635	(648,601,312)	-617%
PROVISION FOR INCOME TAX				
Current	-	39,999,876	(39,999,876)	-100%
Deferred	(1,675,122)	(30,644,596)	28,969,474	-95%
	(1,675,122)	9,355,280	(11,030,402)	-118%
NET INCOME (LOSS)	(541,784,555)	95,786,355	(637,570,910)	-666%

Results of Operations

Lorenzo Shipping Corporation ("LSC") recorded P2.34 billion in total freight revenues in 2024, 29% or P0.94 billion lower than the P3.28 billion revenues in 2023. Total operating expense was P2.54 billion, a decrease of 12% from last year of P2.89 billion.

The Company ended with a Gross Profit (Loss) of (P198.95) million, a decrease of 151% from P391.28 million in 2023.

General and Administrative expenses decreased by P23 million from P217 million in 2023 to P194 million in 2024.

Net Finance Costs amounted to P70.42 million, which was higher by 3% or P1.78 million versus last year's P68.64.

Net Other Income (Charges) was (P79.40) million in 2024, lower by P79.42 million than P.019 million net other income in 2023. The Company's "Other Income (Charges)" in 2024 was from the net loss from the sale of the vessel.

LSC's Net Income (Loss) After Tax was (P541.78) million, a decrease in net income of 666% from P95.79 million net income in 2023. The income (loss) resulted in an equivalent loss per share of (P0.98) and P0.17 in 2024 and 2023, respectively.

Financial Condition

The total resources of the Company stood at P2.71 billion as of December 31, 2024, or P383.85 million lower than P3.09 billion as of 2023. Current assets amounted to P.799 billion and P1.015 billion in 2024 and 2023, respectively. The net decrease in current assets was primarily due to the following:

- Increase in cash from P99.13 million to P102.80 million
- Decrease in trade and other receivables from P647.30 million to P494.98 million
- Decrease in inventories from P61.47 million to P49.22 million.
- Decrease in prepayments and other current assets from P203.54 million to P148.73 million.

Total Non-Current Assets decreased in 2024 to P1.91 billion from P2.07 billion in 2023. The Company's property and equipment costs decreased primarily due to the amortization of assets. Other Non-Current Assets increased to P732.60 million in 2024 from P651.29 million in 2023 due to accumulated creditable withholding taxes.

Total Liabilities decreased by P0.12 billion this year from P2.63 billion in 2023 to P2.51 billion at the end of 2024.

Accounts payable and other current liabilities decreased to P1.49 billion in 2024 from P1.58 billion in 2023.

Total bank borrowings as of 2024 amounted to P485.62 million, consisting of short-term & current borrowings of P453.32 million and long-term & non-current borrowings of P32.30 million. In comparison, as of December 2023, total borrowings were P480.80 million, consisting of short-term & current borrowings of P409.08 million and long-term & non-current borrowings of P71.71 million.

Obligations under finance lease reclassified to lease liability under new accounting standards (PFRS16) stood at the end of 2024 at P51.44 million and P182.54 million of current and non-current portions, respectively.

Retirement benefit obligation at the end of 2024 was P106.65 million.

The negative operating results of the Company in 2024 increased the deficit to P1.13 billion from the P589.82 million deficit in 2023. The revaluation surplus stood at P77.35 million. Considering its capitalization of P1.285 billion, the Company's Total Equity at the end of 2024 amounted to P200.60 million.

The current ratio as of December 2024 stood at 0.39 and 0.49 in 2023. Debt-to-Equity ratios were at 12.51 and 5.63 in 2024 and 2023, respectively. The Company's creditor banks requiring maintenance of specific financial ratios provided a waiver on the breach of debt covenants for the period ending 31 December 2024.

The book value per share was at P0.24 and P0.84 in 2024 and 2023, respectively.

Top Five Performance Indicators

The following key results determine LSC's financial performance:

6. Current Ratio – represents the ratio between current assets and current liabilities, which measures liquidity and efficiency of LSC's ability to pay off its short-term liabilities with its current assets.
7. Debt-to-Equity Ratio – measures the financial leverage of LSC, how much debt is used to finance assets relative to the amount of value represented in shareholders' Equity.
8. Net Revenues – mainly composed of freight services recognized based on cargo loaded during the year, taking into account all direct costs related to the cargo and capacity costs incurred during the year.
9. Net Income Before Tax – is a quick indicator of the financial health of LSC.
10. Accounts Receivable (A/R) turnover – measures how efficiently LSC collects its receivables.

The table below represents the key performance indicators of LSC over the last three (3) years:

Performance Indicators	Full Year		
	2024	2023	2022
Current ratio	0.39	0.49	0.49
Debt-to-equity ratio	12.51	5.63	6.68
Net revenues	P2.339 billion	P3.280 billion	P3.299 billion
Net income (loss) before tax	(P543.459) million	P105.141 million	P18.682 million
A/R turnover	3.87	4.52	4.52

- vii. LSC is not aware of any event that will trigger direct or contingent financial obligations to LSC, including any default or acceleration of an obligation.
- viii. LSC is not aware of any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of LSC with unconsolidated entities or other persons created during the reporting period.
- ix. LSC is not aware of any material commitments for Capital Expenditures.
- x. LSC is not aware of any known trends, events, or uncertainties that have had or are reasonably expected to have a material favorable or unfavorable impact on net sales, revenues, or income from continuing operations.
- xi. LSC is not aware of any significant elements of income or loss that did not arise from the registrant's continuing operations.
- xii. LSC is not aware of any seasonal aspects that had a material effect on the financial condition or results of operations.

Plan of Operation

In its quest to get back to profitability, the Company is focusing on restoring schedule integrity through a comprehensive rehabilitation of vessel and land-based equipment as it continuously implements operational efficiency measures such as systems upgrade, quality initiatives, cost rationalization, and asset optimization. The plan of operation for the succeeding year includes the following:

- 6. Our top priority is vessel maintenance and equipment reliability to improve customer experience in cargo deliveries by sea and land.
- 7. Voyage optimization through the employment of yield management strategies to ensure maximum margins per completed sailing.
- 8. Process improvements assisted by innovation and technology to achieve operational efficiencies.
- 9. Subsisting progress in billing and collection in order to enhance cash flows for sustaining payables to vendors, suppliers, and service providers.
- 10. Development of land- and sea-based employees' physical, mental, and emotional welfare to maintain high morale and maximize productivity.
- 11. Adopting risk-mitigation measures and continuously strengthen statutory compliance to guarantee business continuity.

Calendar Year 2023

STATEMENTS OF FINANCIAL POSITION				
	December 31		Movement	
	2023	2022	In Peso	In Percentage
ASSETS				
Current Assets				
Cash	99,128,666	62,526,759	36,601,907	59%
Trade and other receivables	647,299,769	743,761,535	(96,461,766)	-13%
Contract assets	4,041,317	9,418,443	(5,377,126)	-57%
Inventories	61,474,637	78,446,460	(16,971,823)	-22%
Prepayments and other current assets	203,538,050	134,983,284	68,554,766	51%
Total Current Assets	1,015,482,439	1,029,136,481	(13,654,042)	-1%
	1,026,902,737.00			
Noncurrent Assets				
Property and equipment				
At cost	1,240,672,522	1,111,102,425	129,570,097	12%
At revalued amount	175,896,000	175,896,000	-	0%
Computer Software	3,060,765	3,956,598	(895,833)	-23%
Deferred tax asset	6,995,849	-	6,995,849	0%
Other noncurrent assets	651,292,082	610,335,517	40,956,565	7%
Total Non-Current Assets	2,077,917,218	1,901,290,540	176,626,678	9%
TOTAL ASSETS	3,093,399,657	2,930,427,021	162,972,636	6%
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable and accrued expenses	1,585,687,460	1,649,780,869	(64,093,409)	-4%
Short-term borrowings	341,963,292	320,640,916	21,322,376	7%
Loans Payable - Affiliates	-	-	-	0%
Lease Liability - Current	65,247,182	33,832,479	31,414,703	93%
Current portion of:				
Long-term borrowings - related party	24,814,918	-	24,814,918	0%
Long-term borrowings	67,120,578	101,581,177	(34,460,599)	-34%
Total Current Liabilities	2,084,833,430	2,105,835,441	(21,002,011)	-1%
Noncurrent Liabilities				
Long-term borrowings - net of current portion	71,712,782	138,226,553	(66,513,771)	-48%
Lease Liability - Non-current	164,296,787	53,797,674	110,499,113	205%
Other noncurrent liabilities	200,410,450	150,305,719	50,104,731	33%
Deferred tax liability	-	24,210,312	(24,210,312)	-100%
Retirement benefit obligation	105,611,008	76,547,471	29,063,537	38%
Total Non-Current Liabilities	542,031,027	443,087,729	98,943,298	22%
Total Liabilities	2,626,864,457	2,548,923,170	77,941,287	3%
Equity				
Capital Stock	555,652,251	555,652,251	-	0%
Additional paid-in capital	459,791,492	459,791,492	-	0%
Revaluation Surplus	72,643,023	72,643,023	-	0%
Actuarial losses on defined benefit plan	(28,605,970)	(17,850,964)	(10,755,006)	60%
Deficit	(589,819,746)	(685,606,101)	95,786,355	-14%
Treasury shares at cost	(3,125,850)	(3,125,850)	-	0%
Total Equity	466,535,200	381,503,851	85,031,349	22%
TOTAL LIABILITIES AND EQUITY	3,093,399,657	2,930,427,021	162,972,636	6%

STATEMENTS OF COMPREHENSIVE INCOME				
	December 31		Movement	
	2023	2022	Increase (Decrease)	
FREIGHT REVENUE	3,280,896,707	3,299,471,438	(18,574,731)	-1%
DIRECT COSTS				
Cost of services	2,640,300,101	2,824,867,551	(184,567,450)	-7%
Terminal expenses	249,314,899	240,214,878	9,100,021	4%
	2,889,615,000	3,065,082,429	(175,467,429)	-6%
GROSS PROFIT	391,281,707	234,389,009	156,892,698	67%
GENERAL AND ADMINISTRATIVE EXPENSES	(217,516,154)	(186,221,167)	(31,294,987)	17%
FINANCE COSTS AND OTHER CHARGES - net	(68,643,755)	(50,805,414)	(17,838,341)	35%
OTHER INCOME (CHARGES) - net	19,837	21,319,220	(21,299,383)	-100%
INCOME (LOSS) BEFORE INCOME TAX	105,141,635	18,681,648	86,459,987	463%
PROVISION FOR INCOME TAX				
Current	39,999,876	10,161,699	29,838,177	294%
Deferred	(30,644,596)	(10,080,260)	(20,564,336)	204%
	9,355,280	81,439	9,273,841	11387%
NET INCOME (LOSS)	95,786,355	18,600,209	77,186,146	415%

Results of Operations

Lorenzo Shipping Corporation ("LSC") recorded P3.28 billion in total freight revenues in 2023, 1% or P0.18 Billion lower than the P3.30 billion revenues in 2022. Total operating expense was P2.89 billion, a decrease of 6% from last year of P3.06 billion.

The Company ended with a Gross Profit of P391.28 million, an increase of 67% from P234.39 million in 2022.

General and Administrative expenses increased by P31 Million from P186 million in 2022 to P217 million in 2023.

Net Finance Costs amounted to P68.64 million, which was higher by 35% or P17.84 million versus last year's P50.81 due to an increase in interest rates.

Net Other Income was P.019 million in 2023, lower by P21.30 million than P21.32 million in 2022. The Company's "Other Income" in 2023 was from insurance proceeds and other cargo-related claims.

LSC's Net Income After Tax was P95.79 million, an increase in net income of 415% from P18.60 million net income in 2022. The income (loss) resulted in an equivalent loss per share of P0.17 and P0.03 in 2023 and 2022, respectively.

Financial Condition

The total resources of the Company stood at P3.09 billion as of December 31, 2023, or P162.97 million higher than P2.93 billion as of 2022. Current assets amounted to P1.015 billion and P1.029 billion in 2023 and 2022, respectively. The net decrease in current assets was primarily due to the following:

- Increase in cash from P62.53 million to P99.13 million
- Decrease in trade and other receivables from P743.76 million to P647.40 million
- Decrease in inventories from P78.45 million to P61.47 million.
- Increase in prepayments and other current assets from P134.98 million to P203.54 million.

Total Non-Current Assets increased in 2023 to P2.07 billion from P1.90 billion in 2022. The Company's property and equipment costs increased primarily due to acquisition of new assets. Other Non-Current Assets increased to P651.29 million in 2023 from P610.34 million in 2022 due to accumulated creditable withholding taxes.

Total Liabilities increased by P0.77 billion this year from P2.55 billion in 2022 to P2.63 billion at the end of 2023.

Accounts payable and other current liabilities decreased to P1.58 billion in 2023 from P1.65 billion in 2022.

Total bank borrowings as of 2022 amounted to P480.80 million, consisting of short-term & current borrowings of P409.08 million and long-term & non-current borrowings of P71.71 million. In comparison, as of December 2022, total borrowings were P560.45 million, consisting of short-term & current borrowings of P422.22 million and long-term & non-current borrowings of P138.23 million.

Obligations under finance lease reclassified to lease liability under new accounting standards (PFRS16) stood at the end of 2023 at 65.25 million and P164.30 million of current and non-current portions, respectively.

Retirement benefit obligation increased at the end of 2023, due to the increase of employees as a result of personnel transfers from the related party.

The positive operating results of the Company in 2023 reduced the retained deficit to P589.82 million from the P685.61 million retained deficit in 2022. The revaluation surplus stood at P72.64. Considering its capitalization of P1.015 billion, the Company's Total Equity at the end of 2023 amounted to P466.54 million.

The current ratio as of December 2022 stood at 0.49, the same as the result in 2022. Debt-to-Equity ratios were at 5.63 and 6.68 in 2023 and 2022, respectively. The Company's creditor banks requiring maintenance of specific financial ratios provided a waiver on the breach of debt covenants for the period ending 31 December 2023.

Book value per share in this period increased to P0.84 versus P0.69 in the prior period.

Top Five Performance Indicators

The following key results determine LSC's financial performance:

11. Current Ratio – represents the ratio between current assets and current liabilities, which measures liquidity and efficiency of LSC's ability to pay off its short-term liabilities with its current assets.
12. Debt-to-Equity Ratio – measures the financial leverage of LSC, how much debt is used to finance assets relative to the amount of value represented in shareholders' Equity.
13. Net Revenues – mainly composed of freight services recognized based on cargo loaded during the year, taking into account all direct costs related to the cargo and capacity costs incurred during the year.
14. Net Income Before Tax – is a quick indicator of the financial health of LSC.
15. Accounts Receivable (A/R) turnover – measures how efficiently LSC collects its receivables.

The table below represents the key performance indicators of LSC over the last three (3) years:

Performance Indicators	Full Year		
	2023	2022	2021
Current ratio	0.49	0.49	0.52
Debt-to-equity ratio	5.63	6.68	7.47
Net revenues	P3.280 billion	P3.299 billion	P2.871 billion
Net income (loss) before tax	P105.141 million	P18.682 million	(P88.408 million)
A/R turnover	4.52	4.52	4.11

- xiii. LSC is not aware of any event that will trigger direct or contingent financial obligations to LSC, including any default or acceleration of an obligation.
- xiv. LSC is not aware of any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of LSC with unconsolidated entities or other persons created during the reporting period.
- xv. LSC is not aware of any material commitments for Capital Expenditures.
- xvi. LSC is not aware of any known trends, events, or uncertainties that have had or are reasonably expected to have a material favorable or unfavorable impact on net sales, revenues, or income from continuing operations.
- xvii. LSC is not aware of any significant elements of income or loss that did not arise from the registrant's continuing operations.
- xviii. LSC is not aware of any seasonal aspects that had a material effect on the financial condition or results of operations.

Plan of Operation

Gainful commercial results and a significantly higher net income compared to the previous year is a reflection of very profitable operations. Despite some difficulties during the latter part of 2023 which saw a decline in domestic consumption due to continuous inflationary increases, the Company endured and persevered to carry on with its strategic plan. Hoping to ride the momentum in the succeeding years, the team will relentlessly seek to find opportunities for improvement.

1. Sustaining schedule and service reliability brought about by regular maintenance of vessels and equipment in order to assure heightened customer experience remains to be one of the Company's top priorities.
2. Sales and Marketing to focus on high-yield cargoes and shipping routes to ensure healthy margins and profitability.
3. Carry on with institutionalized cost-rationalization programs to guarantee efficiency.
4. Augmentation of innovation and digital tools for maximum productivity.
5. Commence training and development of personnel for skills enhancement and fulfillment, including identification of deserving employees for career advancement.
6. Continue to keep track of billing and collection processes to safeguard necessary liquidity that supports day-to-day operations.

Perpetual monitoring of statutory compliance and risk-mitigation to maintain quality standards essential for delivering programs and projects that exceed the expectations of our stakeholders and customers.

MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

1) Principal market where the registrant's common equity is traded

The common stock of LSC is listed in The Philippine Stock Exchange, Inc.

Stock Prices

The high and low prices of LSC's shares in the stock exchange for each quarter of fiscal years 2023, 2024, 2025, and 2026 are as follows:

2023	High	Low
Q1	0.91	0.485
Q2	0.75	0.63
Q3	0.65	0.53
Q4	0.66	0.55
2024	High	Low
Q1	0.71	0.54
Q2	0.67	0.46
Q3	0.54	0.52
Q4	1.05	0.70
2025	High	Low
Q1	0.96	0.75
Q2	0.91	0.465
Q3	0.51	0.47
Q4	0.71	0.48
2026	High	Low
Q1	0.69	0.51

In 2025, the highest and lowest prices of LSC's shares were P0.96 and P0.465 respectively. The stock price of LSC closed at **P0.67** on the last trading date **29 May 2026**.

The number of shareholders of record as of **8 May 2026** is 894. The total number of shares issued and outstanding as of **8 May 2026** is 990,173,999, with a par value of P1.00.

The top twenty (20) shareholders of the Company as of **8 May 2026** are as follows:

	STOCKHOLDER'S NAME	NATIONALITY	NO. OF SHARES HELD	PERCENTAGE OVER TOTAL ISSUED AND OUTSTANDING
1	NATIONAL MARINE CORPORATION	FILIPINO	435,531,748	43.985%

	NATIONAL MARINE CORPORATION	FILIPINO	276,520,756	27.926%
2	PCD NOMINEE CORPORATION (FILIPINO)	FILIPINO	<u>243,764,686</u>	<u>24.618%</u>
3	PROFESSIONAL MARKETING INSIGHTS INC.	FILIPINO	11,500,000	1.161%
4	OSCAR Y. GO	FILIPINO	6,637,157	0.67%
5	JOSE GO JR.	FILIPINO	6,208,500	0.627%
6	JULIO D. SY JR.	FILIPINO	2,187,500	0.221%
7	PCD NOMINEE CORPORATION (NON-FILIPINO)	OTHER ALIEN	<u>597,771</u>	<u>0.06%</u>
8	JONATHAN D. SY	FILIPINO	312,500	0.032%
9	EMERGING MARKET CAPITAL HOLDINGS	SINGAPOREAN	250,000	0.025%
	JOHNNY S. LIM	FILIPINO	250,000	0.025%
	LILIAN SO LIM	FILIPINO	250,000	0.025%
	FRANCISCO LIM LAO	FILIPINO	250,000	0.025%
	JOSE JUAN POU	FILIPINO	250,000	0.025%

10	WILLINGTON CHUA	FILIPINO	237,500	0.024%
11	DIANA F. MALIG	FILIPINO	214,456	0.022%
12	REGINA CAPITAL DEV. CORP. 000351	FILIPINO	199,000	0.02%
13	RCBC SECURITIES, INC.	FILIPINO	193,750	0.02%
14	PAC SALLY C. ONG	FILIPINO	175,000	0.018%
15	LUIS M. CAMUS	FILIPINO	125,000	0.013%
	SIEWNGAN PHILIP LOW	FILIPINO	125,000	0.013%
	REGINALDO A. OBEN	FILIPINO	125,000	0.013%
	WALFRIDO R. PATAWARAN	FILIPINO	125,000	0.013%
	PHIEK LIAN GO SO	FILIPINO	125,000	0.013%
	TEGO HOLDINGS, INC.	FILIPINO	125,000	0.013%
16	JACINTO V. ROSALES JR.	FILIPINO	100,000	0.010%
17	CARMEN C. ALABADA	FILIPINO	62,500	0.006%

	ANGELITA B. FLORES	FILIPINO	62,500	0.006%
	ANGELITA B. FLORES	FILIPINO	62,500	0.006%
	GERARDO R. FLORES	FILIPINO	62,500	0.006%
	GERARDO R. FLORES	FILIPINO	62,500	0.006%
	HOUSE OF INVESTMENTS, INC.	FILIPINO	62,500	0.006%
	JULIETA R. OFILADA	FILIPINO	62,500	0.006%
	JULIETA R. OFILADA	FILIPINO	62,500	0.006%
	RENATO REYES	FILIPINO	62,500	0.006%
	ELAINE VILLAR RIVILLA	FILIPINO	62,500	0.006%
	SUN HUNG KAI SEC. (PHILS) INC. A/C GA209	FILIPINO	62,500	0.006%
	FELISA Y. TAN	FILIPINO	62,500	0.006%
18	VICKY L. CHAN	FILIPINO	60,000	0.006%
19	MARINO OLONDRIZ Y CIA	FILIPINO	58,750	0.006%

20	STEPHANIE HAGEDORN	FILIPINO	50,000	0.005%
	YVETTE MARIE HAGEDORN	FILIPINO	50,000	0.005%
	ALFONSO R. REYNO JR.	FILIPINO	50,000	0.005%
	PEPITA P. YOUNG	FILIPINO	50,000	0.005%

Dividend Policy

LSC adopts a policy for the declaration of dividends from the net profits of the corporation at such time or times and such percentage as the Board of Directors may deem proper. However, no dividends shall be declared that will impair the capital of the Company.

2) Recent Sales of Unregistered Securities

On 27 December 2025 and 24 April 2025 the Corporation issued 270,000,000 and 165,531,748 common shares, respectively, from the Company's unissued authorized capital stock, at its part value of P.100 per share, in favor of National Marine Corporation. These transactions are exempt from registration, pursuant to Section 10.1(k) of the Securities Regulation Code.

3) Description of Registrant's Securities

Since 2006, the Company's authorized capital stock consists of common stock and treasury shares.

Common shareholders have voting rights and appraisal rights, subject to and pursuant to the provisions of the Corporation Code.

Under the law and the Company's Articles of Incorporation, foreign ownership is restricted to forty percent (40%). It provides that no transfer of shares or interest, which will render the ownership of the Filipino citizens to less than the required percentage of the capital stock as provided by existing law, shall be allowed or permitted to be recorded in the books of the Company.

DISCUSSION ON COMPLIANCE WITH LEADING PRACTICES ON CORPORATE GOVERNANCE

LSC, its board of directors, and management, including all employees, are committed to enhancing the company's value through effective corporate governance. This commitment is reflected in our efforts to:

1. Foster sound, prudent, and effective management practices;
2. Streamline the distribution of information for efficiency and accuracy;
3. Develop and enact effective risk mitigation and management plans;
4. Deliver precise and reliable financial and operational information;
5. Uphold integrity and ensure compliance with all laws, rules, regulations, and contracts in every transaction.

To fully comply with adopted leading practices on good governance, the company has undertaken or will undertake the following measures:

1. Integrated Annual Corporate Governance Report. The 2025 Annual Corporate Governance Report of LSC shall be filed with the SEC and posted in the Company's corporate website www.lorenzoshipping.com, in compliance with SEC Memorandum Circular No. 15, Series of 2017.
2. Corporate Governance Manual. On July 13, 2020, the Corporate Governance Manual of LSC, superseding its 2017 Corporate Governance Manual, took effect. The Company's Compliance Officer regularly monitors regulatory compliance, reports to the Board, and coordinates with its Corporate Secretary, Securities and Exchange Commission, and Philippine Stock Exchange, in terms of the compliance requirements of the company. LSC strives, and is committed, to implement best corporate governance practices in all its processes and attainment of its goals and objectives.
3. Board of Directors.
 - a. LSC's Board of Directors is composed of experts with years of professional experience, who offer diverse insights, which allow a holistic and thorough examination affecting the Company. The Board is responsible for the Company's overall management and directions, and they meet on a regular basis, to review the company's operational and financial updates. The Board may also meet, whenever necessary, should important matters requiring their expertise and/or approval arise.
 - b. LSC'S Board is composed of seven (7) directors, three (3) of whom are independent directors. They are elected during the Annual Stockholders' Meeting, and they shall hold office until the next succeeding annual meeting and until their successors shall have been elected and qualified.
4. Audit Committee
 - a. LSC's audit committee assists the Board by overseeing the Corporation's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations. They provide independent and objective insights to the management in terms of financial matters, business operations, and utilization and safeguarding of company's assets.
 - b. The Audit Committee is composed of five (5) Board members, including the three (3) independent directors, one of whom serves as the committee chairman. Mr. Deogracias Vistan is the Audit Committee Chairman, and the committee members are: Mr. Antony Marden, Mr. Michael Escaler, Mr. Rene Buenaventura, and Mr. Virgilio Peña. The Audit Committee is required to meet at least four (4) times a year (quarterly).

5. Corporate Governance Committee.
 - a. LSC's Corporate Governance Committee is responsible for the compliance and proper observance of corporate governance principles by the Company and its management. The Committee assists the Board in the performance of its corporate governance responsibilities, oversee the implementation of corporate governance manual and policies, evaluate the manual and ensure it remains appropriate considering the Company's size, complexity, and business strategy.
 - b. The Corporate Governance Committee is composed of five (5) members, with three (3) independent directors, including its Chairman. The Committee Chairman is Mr. Rene Buenaventura, and the members are Mr. Deogracias Vistan, Mr. Virgilio Peña, Mr. Antony Marden, and Mr. Michael Escaler.
6. Risk Oversight Committee
 - a. LSC's Risk Oversight Committee is responsible for the oversight of the company's enterprise risk management system. The Committee assists the Board in ensuring that there is an effective and integrated risk management process in place. The committee also conducts regular discussions on the company's prioritized and residual risk exposures based on the risk management reports, and assess how these risks can be mitigated or managed.
 - b. The Risk Oversight Committee is composed of five (5) members, with three (3) independent directors, including its Chairman. The Committee Chairman Mr. Rene Buenaventura, and the members are Mr. Deogracias Vistan, Mr. Virgilio Peña, Mr. Antony Marden, and Mr. Michael Escaler.
7. Related Party Transactions Committee
 - a. LSC's Related Party Transactions Committee is responsible for reviewing all material Related Party Transaction of the company. The committee shall assist the Board by evaluating, on an ongoing basis, existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, related party transactions are monitored, and subsequent changes in relationships with counterparties are captured. The Committee also evaluates all material related party transactions to ensure that these are not undertaken on more favorable economic terms.
 - b. The Related Party Transactions Committee is composed of five (5) members, with three (3) independent directors, including its Chairman. The Committee Chairman is Mr. Virgilio Peña, and the members are Mr. Deogracias Vistan, Mr. Rene Buenaventura, Mr. Antony Marden, and Mr. Michael Escaler.
8. Executive Officers. LSC's executive officers are responsible for the Company's operations and day-to-day management.
9. Deviation from the Company's Manual of Corporate Governance. As of the date of this report, the Management is preparing the company's Retirement and Succession Policy as well as its succession plan, which will be geared towards promoting growth and dynamism in the Corporation.
10. Continuing Improvements for Corporate Governance. LSC will continue to improve its policies, systems, and processes, and ensure that the Board, officers, management and employees remain abreast of any regulations or issuances that will affect the company. LSC is committed to adhere to good governance practices in its operations while achieving its goals.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended 31 December 2025
2. SEC Identification Number 48909 3. BIR Tax Identification No. 000-628-958-000
4. Exact name of issuer as specified in its charter LORENZO SHIPPING CORPORATION
5. PHILIPPINES 6. (SEC Use Only)
Province, Country or other jurisdiction of incorporation or organization Industry Classification Code:
7. 20th Floor, Times Plaza Building, United Nations Avenue, Ermita 1000
Address of principal office Postal Code
8. (632) 8567 2171 to 80
Issuer's telephone number, including area code
- 9.

.....
Former name, former address, and former fiscal year, if changed since last report.

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
<u>Common Stock</u>	<u>990,173,999</u>

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

Yes [X] No []

If yes, state the name of such stock exchange and the classes of securities listed therein:

The Philippine Stock Exchange, Inc. Common

12. Check whether the issuer:

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

Yes [X] No []

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

Yes ☒ No ☐

13. Aggregate value of the voting stock held by non-affiliates: N/A

PART 1 – BUSINESS AND GENERAL INFORMATION

ITEM 1 – BUSINESS

Description of Business

A. Business Development

1. Form and year of organization

Lorenzo Shipping Corporation (LSC) was incorporated on 17 October 1972 by the Go Family headed by Jose D. Go, Sr., primarily to engage in domestic inter-island cargo handling business. The Company has been an active participant in containerized cargo business and has played a significant role in the domestic shipping industry.

2. The Company has no record of any bankruptcy, receivership or similar proceedings during the past three years.

3. Material reclassification, merger or purchase or sale of significant amount of assets.

The Company has not undergone any material reclassification, merger, consolidation nor purchase nor sale of a significant amount of its assets that are not in the ordinary course of business.

B. Business of Issuer

1. Description of Registrant

- i. Lorenzo Shipping Corporation was founded and incorporated in 1972. The Company owns and operates vessels with which it provides domestic inter-island cargo liner services to the general public. The Company's business focus has evolved from that of being a break-bulk cargo carrier to a fully containerized cargo shipping company.

Lorenzo Shipping Corporation owned a fleet of four (4) vessels and three (3) vessels under a transport service contract. All vessels are deployed to the key ports in Manila, Visayas and Mindanao. The Company's vessels have a capacity ranging from 431 TEUs to 797 TEUs with speeds of 8 knots to 12 knots. LSC owns various equipment and facilities to efficiently handle customers' cargoes including a) land-based equipment such as forklifts, top lifts and trucks and b) container yards and warehouses in its branches and agencies.

- ii. The Company is engaged solely in domestic inter-island cargo liner services. Thus, the foreign sales requirement is not applicable.

- iii. Lorenzo Shipping Corporation markets its services through a network of branches nationwide. The network is comprised of eight branches: Cebu, Davao, General Santos, Cotabato, Iloilo, Cagayan de Oro, Bacolod and Zamboanga. Manila operations, under the Corporate Office, handles all inbound and outbound volume in Manila.

LSC provides 20-foot and 40-foot dry containers to its customers in which they can load their cargoes to various ports. LSC also carries rolling cargoes such as heavy equipment, trucks and vehicles as well as non-containerized cargoes such as steel products and bridging materials.

- iv. Competitive business conditions and the registrant's competitive position in the industry and methods of competition:

LSC is one of the key players in the domestic containerized cargo shipping industry. It operates in the major ports of the country and deployed a fleet of seven (7) vessels. LSC prides itself as a reliable transport provider and through its various affiliate companies, is able to offer door-to-door shipping services.

LSC considers other containerized cargo shipping companies as its competitors such as 2GO Group, Inc. (2GO), Philippine Span Asia Carrier Corp. (PSACC), Solid Shipping Lines, Inc. and Oceanic Container Lines, Inc. among others. 2GO caters to both passenger and cargo market while the rest are cargo carriers.

Competition among domestic lines is intense, given the overcapacity of vessels aggravated by new entrants in the industry in the previous years. The industry is also governed by the rules and regulations of the Maritime Industry Authority (MARINA).

LSC is a member of the Philippine Liner Shipping Association (PLSA) whose members account for around 80% of the total containerized volumes nationwide.

- v. Sources and availability of raw materials and the names of principal suppliers:

Major suppliers of fuel, spare parts, container vans and others.

Name of Supplier	Items Supplied
Marine Fuels Philippines	Fuel
Nmc Container Lines Inc.	Voyage service fee and container rental
Petrophilippines Co Inc	Fuel
Manila North Harbour Port Inc.	Arrastre, stevedoring, storage, rental and weighing charges
Shaw Autogas Incorporated	Fuel
Pioneer Insurance & Surety Corporation	Insurance
Ecology Marine Corporation	Fuel
Mindanao International Container Terminal Services Incorporated	Arrastre and stevedoring charges
Melcon Development Corporation	Rental
Central Inter-Transport Logistics Corp.	Arrastre, stevedoring, wharfage, rentals and hustling charges
Herma Shipyard, Inc.	Vessel repair
Sacortoza Enterprises	Hauling Services
Roadlink Solutions Inc.	Hauling Services
Cebu South Harbor And Container Terminal Corporation	Arrastre, stevedoring and rentals
Magsaysay Shipmanagement Inc.	Shipmanagement
Transpartner Trucking Services	Hauling Services
Globalport Zamboanga Terminal Inc	Arrastre and stevedoring charges
Total Way Company Inc	Hauling Services
BREDCO	Arrastre and stevedoring charges
FNT Trucking Services	Hauling Services

vi. Major customers/clients of LSC

Top 20 Customers

- | | |
|--|--|
| 1. Coca-Cola Europacific Aboitiz Philippines, Inc. | 11. Whitelands Express, Inc. |
| 2. Nestle Philippines, Inc. | 12. DSG Sons Group, Inc |
| 3. Century Pacific Food, Inc. | 13. W.L. Foods Products |
| 4. DJ Fast Forwarders Inc | 14. Icon Reefer Cargo Movers and Allied Services Inc |
| 5. Pepsi-Cola Products Philippines, Inc. | 15. Excelogistics, Inc. |
| 6. Cargill Philippines Inc. | 16. One Stop Logistics Solutions Inc. |
| 7. Lamsan Inc. | 17. Bits + Blocks |
| 8. URC Group | 18. Catsen Logistics Corporation |
| 9. Icebox Logistics Services Inc. | 19. Five Sons Box Packaging & Services Corp. |
| 10. Del Monte Philippines, Inc. | 20. Pioneer Float Glass Manufacturing, Inc. |

The business is not dependent upon a single customer or a few customers, the loss of any or more of which will not have material adverse effect on the Company.

vii. The business of the Company is not in any way dependent on related parties' transactions.

viii. Licenses, Concessions, Labor contracts, including duration;

a) *Maritime Industry Authority (MARINA) registration*

LSC vessels are duly registered with MARINA and subjected to regular MARINA survey and International Safety Management (ISM) Code audits to ascertain its adherence to vessel and manning safety standards. The Company has been granted a company Certificate of Public Convenience (CPC) under RA 9295 valid for 25 years from June 7, 2005 to June 7, 2030 by the MARINA to service domestic ports of call.

For the transport service contract with NMCCLI, the vessels are duly registered with MARINA and are subject to regular MARINA survey and ISM audits to ascertain adherence to vessel and manning safety standards. To comply with the revised RA 9295 IRR issued in 2014, the Company applied and has been granted a Revalidated Certificate of Public Convenience (CPC) valid from October 22, 2015 to June 7, 2030 by the MARINA to service domestic ports of call.

b) *Labor contracts*

For sea-based employees, the Collective Bargaining Agreement with licensed crewmembers is in effect from 01 September 2025 up to 31 August 2030, and with unlicensed crew members from 16 September 2025 up to 15 September 2030. Both economic and non-economic provisions of both Agreements were concluded on October 9, 2025.

For land-based employees, the Collective Bargaining Agreement was no longer present since its dissolution on 30 October 2020 under Case No. NCR-CFO-C-01-01-10-20.

c) *Licenses and Franchises*

For licenses and franchises of vessels, while principal terms are anchored solely on the seaworthiness of the vessel (of which the registrant is already ISM-Certified by the regulatory authority) only the following expiration dates are disclosed:

M/V LORCON GENERAL SANTOS

Certificates and Licenses	Date Issued	Date Expiry	Status
Certificate of Ownership (CO)	11/13/24		Permanent
Certificate of Vessel Registry (CVR)	11/13/24		Permanent
Certificate of Public Convenience (CPC)	10/22/15	06/07/30	Valid
Cargo Ship Safety Certificate	11/14/25	11/11/30	Valid
Coastwise License (CWL)	07/29/25	08/15/26	Valid
Radio Station License (RSL)	08/01/24	08/16/26	Valid
Coastwise Loadline Certificate (CLLC)	11/12/25	11/11/30	Valid

M/V LORCON DUMAGUETE (sold on June 2025)

Certificates and Licenses	Date Issued	Date Expiry	Status
Certificate of Ownership (CO)	04/03/24		
Certificate of Vessel Registry (CVR)	04/03/24		
Certificate of Public Convenience (CPC)	10/22/15	06/07/30	
Cargo Ship Safety Certificate	08/12/24	02/28/25	
Coastwise License (CWL)	04/17/24	05/13/25	
Radio Station License (RSL)	08/15/24	05/16/26	
Coastwise Loadline Certificate (CLLC)	05/26/21	02/28/25	

M/V LORCON BACOLOD

Certificates and Licenses	Date Issued	Date Expiry	Status
Certificate of Ownership (CO)	06/10/14		Permanent
Certificate of Vessel Registry (CVR)	06/10/14		Permanent
Certificate of Public Convenience (CPC)	10/22/15	06/07/30	Valid
Cargo Ship Safety Certificate	02/19/25	02/04/30	Valid
Coastwise License (CWL)	05/26/25	06/09/26	Valid
Radio Station License (RSL)	06/04/24	06/12/26	Valid
Coastwise Loadline Certificate (CLLC)	02/18/25	02/04/30	Valid

M/V LORCON ILOILO (on lay-up since March 2025)

Certificates and Licenses	Date Issued	Date Expiry	Status
Certificate of Ownership (CO)	05/07/15		Permanent
Certificate of Vessel Registry (CVR)	05/07/15		Permanent
Certificate of Public Convenience (CPC)	10/22/15	06/07/30	Valid
Cargo Ship Safety Certificate	04/17/24	03/31/29	Valid
Coastwise License (CWL)	04/17/24	05/13/25	Valid
Radio Station License (RSL)	04/05/24	05/14/26	Valid
Coastwise Loadline Certificate (CLLC)	04/16/24	04/02/29	Valid

M/V GENERAL NATIVIDAD

Certificates and Licenses	Date Issued	Date Expiry	Status
Certificate of Public Convenience (CPC)	06/25/15	03/29/35	Valid
Cargo Ship Safety Certificate	04/15/25	03/28/30	Valid
Coastwise License (CWL)	07/04/25	07/29/26	Valid
Radio Station License (RSL)	03/02/25	07/16/26	Valid
Coastwise Loadline Certificate (CLLC)	04/14/25	03/28/30	Valid

M/V GENERAL EVANGELISTA

Certificates and Licenses	Date Issued	Date Expiry	Status
Certificate of Public Convenience (CPC)	06/25/15	03/29/35	Valid
Cargo Ship Safety Certificate	01/11/24	01/14/28	Valid
Coastwise License (CWL)	01/21/25	12/18/26	Valid
Radio Station License (RSL)	10/13/25	11/23/27	Valid
Coastwise Loadline Certificate (CLLC)	01/26/23	01/14/28	Valid

M/V RASALAS

Certificates and Licenses	Date Issued	Date Expiry	Status
Certificate of Public Convenience (CPC)	06/25/15	03/29/35	Valid
Cargo Ship Safety Certificate	05/21/25	06/20/28	Valid
Coastwise License (CWL)	05/26/25	06/14/26	Valid
Radio Station License (RSL)	08/18/25	05/22/26	Valid
Coastwise Loadline Certificate (CLLC)	06/26/23	06/20/28	Valid

- ix. The Company has no pending request for approval from any government body.

- x. There is no record of cost incurred for research and development.
- xi. Costs and effects of compliance with environmental laws

The Company complies with the Anti-Pollution Act, which requires the control of smoke emission coming from the vessels and disallows spilling or dumping of oil into the sea. The Company complies with such regulations through the effective utilization of equipment such as bridge sludge tank. However, the cost of such equipment is not separately accounted for in the Company's books. The cost of compliance is not significant in amount.

- xii. Total number of employees and number of full time employees

As of 31 December 2025, the total sea-based manpower is 34 and the total land-based manpower is 162.

ITEM 2 – PROPERTIES

The description, ownership, and limitation on ownership of the principal properties of the Company are shown below.

A. Vessel in Operations:

VESSEL/YEAR BUILT		OWNERSHIP STATUS	GRT & DWT IN METRIC TON		CAPACITY IN TEUs/LIEN	SERVICE ROUTE
LORCON GENERAL SANTOS	2000	COMPANY-OWNED	5,234	6,030	510	MNL-BCD-CEB-TAG-ILO-BCD-MNL
LORCON ILOILO	2003	COMPANY-OWNED	4,462	5,608	505	MNL-CEB-TAG-ILO-BCD-DGT-MNL
LORCON BACOLOD	1999	COMPANY-OWNED	4,450	5,607	431	MNL-CEB-ZAM-DVO-GES-ILO-MNL
LORCON DUMAGUETE	1999	COMPANY-OWNED	7,970	9,823	797	MNL-DVO-GES-CBO-ZAM-CEB-MNL (until June only)
GENERAL EVANGELISTA	1997	SEA TRANSPORT SERVICE	5,025	5,450	516	MNL-CEB-TAG-CEB-MNL
GENERAL NATIVIDAD	1999	SEA TRANSPORT SERVICE	4,450	5,603	433	MNL-BCD-CEB-TAG-ILO-BCD-MNL
RASALAS	2002	SEA TRANSPORT SERVICE	7,016	9,131	515	MNL-CEB-DVO-GES-ZAM-CEB-MNL

The limitations are those that are usual to ordinary mortgages of chattel and real properties.

The Company owns a land in Bacolod with a total area of 6,282 square meters located at Bredco 2, Reclamation Area, Bacolod City.

The Company has no intention of acquiring properties not in the ordinary course of business in the next twelve months.

B. Company Leases:

The Company leases from various entities the following properties for its operations, to wit:

1. A container yard covering an area of 2,000 square meters located at Polloc Port, Parang, Maguindanao, Cotabato City. As stipulated, the contract is valid for a period of one (1) year commencing January 1, 2025, until December 31, 2025.
2. A container yard with an office covering an area of 30,000 square meters located at Phividec Estate of Misamis Oriental (PIE-MO), Municipalities of Tagaloan and Villanueva, Province of Misamis Oriental. The contract is valid for a period of ten (10) years commencing September 1, 2018, and ending on August 31, 2028.
3. An open-space container yard with an area of 3,000 square meters located at Berth 9 Cebu Baseport. The Permit to Occupy is valid until December 31, 2025.
4. A parcel of land with a building consisting of approximately 5,814 square meters, more or less, located at P.I. Compound, Barangay Labangal, General Santos City. The contract is valid for a period of five (5) years commencing March 1, 2021, until February 28, 2026.
5. A container yard with an area of 7,000 square meters located at Barangay Balabago, Jaro, Iloilo City. The contract is valid for a period of two (2) years from September 1, 2024 to August 31, 2026.
6. A container office located in Barangay Balabago, Jaro, Iloilo City with an area of approximately 150 square meters. The contract is valid a period of two (2) years from September 1, 2024 to August 31, 2026.
7. An office space covering an area of 811.74 square meters located at Times Plaza Building, U.N. Ave. Cor. Taft Ave., Ermita, Manila. The contract is for the period September 1, 2020, to August 31, 2027.
8. In Zamboanga, a container yard covering an area of 10,000 square meters located at Lot 387-A-2, San Roque, Zamboanga City. The contract is valid for a period of two (2) years commencing on February 01, 2025 until January 31, 2027
9. A container yard and a container office, with an area of 13,000 square meters located at #15 Old Airport Road, Km. 9, Sasa, Davao City. The contract is for five (5) years from 01 April 2019 until 31 March 2024. The contract has been renewed for a total area of 17,084 square meters for a period of five (5) years commencing on April 1, 2024 until March 31, 2029.

10. A 1-unit office space with 25 square meters per unit at Manila North Harbor, Tondo Manila. Contract is for a period one (1) year commencing on March 1, 2026 until February 28, 2027.
11. A container yard and office covering 13,731.58 square meters with address at North Bay NBBS, Navotas City. The contract commenced on February 1, 2023 until January 31, 2027. A lease of an additional 1,000 square meter area commencing on August 15, 2024 is covered by an addendum to the existing lease contract valid until January 31, 2027.

ITEM 3 – LEGAL PROCEEDINGS

The Company is the defendant in several pending legal cases involving claims for damages arising from the ordinary course of business and trade and those arising from its relationship with its employees, as the latter's employer. The management opines, however, that the ultimate liability that may result from these lawsuits and claims, if any would not adversely affect the financial position and operating results of the Company.

ITEM 4 – SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted to a vote of security holders, through the solicitation of proxies or otherwise during the fourth quarter of 2024.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

ITEM 5 – MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

1) Principal market where the registrant's common equity is traded

The common stock of LSC is listed in The Philippine Stock Exchange, Inc.

Stock Prices

The high and low prices of LSC's shares in the stock exchange for each quarter of fiscal years 2023, 2024, 2025, and 2026 are as follows:

2023	High	Low
Q1	0.91	0.485
Q2	0.75	0.63
Q3	0.65	0.53
Q4	0.66	0.55
2024	High	Low
Q1	0.71	0.54
Q2	0.67	0.46
Q3	0.54	0.52
Q4	1.05	0.70
2025	High	Low
Q1	0.96	0.75
Q2	0.91	0.465

Q3	0.51	0.47
Q4	0.71	0.48
2026	High	Low
Q1	0.69	0.51

In 2025, the highest and lowest prices of LSC's shares were P0.96 and P0.465 respectively. The stock price of LSC closed at P0.57 on the last trading date 31 March 2026.

The number of shareholders of record as of 31 March 2026 is 894. The total number of shares issued and outstanding as of 31 March 2026 is 990,173,999, with a par value of P1.00.

The top twenty (20) shareholders of the Company as of 31 March 2026 are as follows:

	STOCKHOLDER'S NAME	NATIONALITY	NO. OF SHARES HELD	PERCENTAGE OVER TOTAL ISSUED AND OUTSTANDING
1	NATIONAL MARINE CORPORATION	FILIPINO	435,531,748	43.985%
	NATIONAL MARINE CORPORATION	FILIPINO	276,520,756	27.898%
2	PCD NOMINEE CORPORATION (FILIPINO)	FILIPINO	243,764,419	24.593%
3	PROFESSIONAL MARKETING INSIGHTS INC.	FILIPINO	11,500,000	1.16%
4	OSCAR Y. GO	FILIPINO	6,637,157	0.67%
5	JOSE GO JR.	FILIPINO	6,208,500	0.627%
6	JULIO D. SY JR.	FILIPINO	2,187,500	0.221%
7	PCD NOMINEE CORPORATION (NON-FILIPINO)	OTHER ALIEN	598,038	0.06%

8	JONATHAN D. SY	FILIPINO	312,500	0.032%
9	EMERGING MARKET CAPITAL HOLDINGS	SINGAPOREAN	250,000	0.025%
	JOHNNY S. LIM	FILIPINO	250,000	0.025%
	LILIAN SO LIM	FILIPINO	250,000	0.025%
	FRANCISCO LIM LAO	FILIPINO	250,000	0.025%
	JOSE JUAN POU	FILIPINO	250,000	0.025%
10	WILLINGTON CHUA	FILIPINO	237,500	0.024%
11	DIANA F. MALIG	FILIPINO	214,456	0.022%
12	REGINA CAPITAL DEV. CORP. 000351	FILIPINO	199,000	0.02%
13	RCBC SECURITIES, INC.	FILIPINO	193,750	0.02%
14	PAC SALLY C. ONG	FILIPINO	175,000	0.018%
15	LUIS M. CAMUS	FILIPINO	125,000	0.013%
	SIEWNGAN PHILIP LOW	FILIPINO	125,000	0.013%

	REGINALDO A. OBEN	FILIPINO	125,000	0.013%
	WALFRIDO R. PATAWARAN	FILIPINO	125,000	0.013%
	PHIEK LIAN GO SO	FILIPINO	125,000	0.013%
	TEGO HOLDINGS, INC.	FILIPINO	125,000	0.013%
16	JACINTO V. ROSALES JR.	FILIPINO	100,000	0.012%
17	CARMEN C. ALABADA	FILIPINO	62,500	0.01%
	ANGELITA B. FLORES	FILIPINO	62,500	0.006%
	ANGELITA B. FLORES	FILIPINO	62,500	0.006%
	GERARDO R. FLORES	FILIPINO	62,500	0.006%
	GERARDO R. FLORES	FILIPINO	62,500	0.006%
	HOUSE OF INVESTMENTS, INC.	FILIPINO	62,500	0.006%
	JULIETA R. OFILADA	FILIPINO	62,500	0.006%
	JULIETA R. OFILADA	FILIPINO	62,500	0.006%

	RENATO REYES	FILIPINO	62,500	0.006%
	ELAINE VILLAR RIVILLA	FILIPINO	62,500	0.006%
	SUN HUNG KAI SEC. (PHILS) INC. A/C GA209	FILIPINO	62,500	0.006%
	FELISA Y. TAN	FILIPINO	62,500	0.006%
18	VICKY L. CHAN	FILIPINO	60,000	0.006%
19	MARINO OLONDRIZ Y CIA	FILIPINO	58,750	0.006%
20	STEPHANIE HAGEDORN	FILIPINO	50,000	0.005%
	YVETTE MARIE HAGEDORN	FILIPINO	50,000	0.005%
	ALFONSO R. REYNO JR.	FILIPINO	50,000	0.005%
	PEPITA P. YOUNG	FILIPINO	50,000	0.005%

Dividend Policy

LSC adopts a policy for the declaration of dividends from the net profits of the corporation at such time or times and such percentage as the Board of Directors may deem proper. However, no dividends shall be declared that will impair the capital of the Company.

2) Recent Sales of Unregistered Securities

On 27 December 2025 and 24 April 2025 the Corporation issued 270,000,000 and 165,531,748 common shares, respectively, from the Company's unissued authorized capital stock, at its part value of P.100 per share, in favor of National Marine Corporation. These transactions are exempt from registration, pursuant to Section 10.1(k) of the Securities Regulation Code.

3) Description of Registrant's Securities

Since 2006, the Company's authorized capital stock consists of common stock and treasury shares.

Common shareholders have voting rights and appraisal rights, subject to and pursuant to the provisions of the Corporation Code.

Under the law and the Company's Articles of Incorporation, foreign ownership is restricted to forty percent (40%). It provides that no transfer of shares or interest, which will render the ownership of the Filipino citizens to less than the required percentage of the capital stock as provided by existing law, shall be allowed or permitted to be recorded in the books of the Company.

ITEM 6 - MANAGEMENT DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

CALENDAR YEAR 2025

STATEMENTS OF FINANCIAL POSITION

	December 31		Movement	
	2025	2024	In Peso	In Percentage
ASSETS				
Current Assets				
Cash	78,314,563	102,795,802	(24,481,239)	-24%
Trade and other receivables	365,032,433	494,982,314	(129,949,881)	-26%
Contract assets	2,440,656	4,087,974	(1,647,318)	-40%
Inventories	19,827,137	49,219,101	(29,391,964)	-60%
Prepayments and other current assets	175,915,027	148,726,399	27,188,628	18%
Noncurrent asset held for sale	20,982,143	-	20,982,143	100%
Total Current Assets	662,511,959	799,811,590	(137,299,631)	-17%
Noncurrent Assets				
Property and equipment				
At cost	697,415,932	986,073,911	(288,657,979)	-29%
At revalued amount	182,178,000	182,178,000	-	0%
Computer Software	1,269,098	2,164,932	(895,834)	-41%
Deferred tax asset	-	6,721,640	(6,721,640)	-100%
Other noncurrent assets	759,046,834	732,597,858	26,448,976	4%
Total Non-Current Assets	1,639,909,864	1,909,736,341	(269,826,477)	-14%
TOTAL ASSETS	2,302,421,823	2,709,547,931	(407,126,108)	-15%
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable and accrued expenses	1,280,076,491	1,482,267,586	(202,191,095)	-14%
Short-term borrowings	385,710,696	413,912,279	(28,201,583)	-7%
Loans Payable - Affiliates	-	-	-	0%
Lease Liability - Current	69,154,289	51,448,615	17,705,674	34%
Current portion of:				
Long-term borrowings - related party	-	83,504,119	(83,504,119)	-100%
Long-term borrowings	22,792,576	39,410,790	(16,618,214)	-42%
Total Current Liabilities	1,757,734,052	2,070,543,389	(312,809,337)	-15%
Noncurrent Liabilities				
Long-term borrowings - net of current portion	9,509,438	32,301,991	(22,792,553)	-71%
Lease Liability - Non-current	85,711,482	182,544,108	(96,832,626)	-53%
Other noncurrent liabilities	200,410,450	116,906,331	83,504,119	71%
Deferred tax liability	3,608,761	-	3,608,761	0%
Retirement benefit obligation	70,845,938	106,653,471	(35,807,533)	-34%
Total Non-Current Liabilities	370,086,069	438,405,901	(68,319,832)	-16%
Total Liabilities	2,127,820,121	2,508,949,290	(381,129,169)	-15%
Equity				
Capital Stock	991,183,999	825,652,251	165,531,748	20%
Additional paid-in capital	459,791,492	459,791,492	-	0%
Deposit for future stock subscription	400,613,366	-	400,613,366	100%
Revaluation Surplus	77,354,523	77,354,523	-	0%
Actuarial losses on defined benefit plan	(17,827,564)	(27,469,474)	9,641,910	-35%
Deficit	(1,733,388,264)	(1,131,604,301)	(601,783,963)	53%
Treasury shares at cost	(3,125,850)	(3,125,850)	-	0%
Total Equity	174,601,702	200,598,641	(25,996,939)	-13%
TOTAL LIABILITIES AND EQUITY	2,302,421,823	2,709,547,931	(407,126,108)	-15%

	December 31			
	2025	2024	Increase (Decrease)	
FREIGHT REVENUE	1,488,310,546	2,339,869,416	(851,558,870)	-36%
DIRECT COSTS				
Cost of services	1,623,033,425	2,302,238,022	(679,204,597)	-30%
Terminal expenses	245,541,950	236,581,959	8,959,991	4%
	1,868,575,375	2,538,819,981	(670,244,606)	-26%
GROSS PROFIT	(380,264,829)	(198,950,565)	(181,314,264)	91%
GENERAL AND ADMINISTRATIVE EXPENSES	(164,828,970)	(194,688,745)	29,859,775	-15%
FINANCE COSTS AND OTHER CHARGES - net	(65,243,239)	(70,419,593)	5,176,354	-7%
OTHER INCOME (CHARGES) - net	15,669,505	(79,400,774)	95,070,279	-120%
INCOME (LOSS) BEFORE INCOME TAX	(594,667,533)	(543,459,677)	(51,207,856)	9%
PROVISION FOR INCOME TAX				
Current	-	-	-	0%
Deferred	7,116,430	(1,675,122)	8,791,552	-525%
	7,116,430	(1,675,122)	8,791,552	-525%
NET INCOME (LOSS)	(601,783,963)	(541,784,555)	(59,999,408)	11%

Results of Operations

Lorenzo Shipping Corporation ("LSC") recorded P1.49 billion in total freight revenues in 2025, 36%, or P0.85 billion, lower than the P2.34 billion in revenues in 2024. Total operating expense was P1.87 billion, a decrease of 26% from last year's P2.54 billion.

The company ended with a gross profit (loss) of (P380.26) million, an increase of 91% from (P198.95) million in 2024.

General and administrative expenses decreased by P30 million from P195 million in 2024 to P165 million in 2025.

Net finance costs amounted to P65.24 million, which was lower by 7% or P5 million, versus last year's P70.42.

Net Other Income (Charges) was P15.70 million in 2025, higher by P95.07 million than (P79.40) million net other income in 2024. The company's "Other Income (Charges)" in 2025 was the net gain from the sale of fully depreciated fixed assets and other miscellaneous income.

LSC's Net Income (Loss) After Tax was (P601.78) million, an increase in net loss by 11% from (P541.78) million net income (loss) in 2024. The income (loss) resulted in an equivalent loss per share of (P0.61) and (P0.66) in 2025 and 2024, respectively.

Financial Condition

The company's total resources stood at P2.30 billion as of December 31, 2025, P407.13 million lower than P2.71 billion as of 2024. Current assets amounted to P.66 billion and P.80 billion in 2025 and 2024, respectively. The net decrease in current assets was primarily due to the following:

- Decrease in cash from P102.80 million to P78.31 million
- Decrease in trade and other receivables from P494.98 million to P365.03 million
- Decrease in inventories from P49.22 million to P19.83 million.
- Increase in prepayments and other current assets from P148.73 million to P175.92 million.

- The recognition of the noncurrent asset held for sale amounting to 20.98 million

Total Non-Current Assets decreased in 2025 to P1.64 billion from P1.91 billion in 2024. The company's property and equipment costs decreased primarily due to asset amortization and depreciation, and the de-recognition of the asset held for sale. Other non-current assets increased to P759.05 million in 2025 from P732.60 million in 2024 due to accumulated creditable withholding taxes.

Total liabilities decreased by P0.38 billion this year from P2.51 billion in 2024 to P2.13 billion at the end of 2025.

Accounts payable and other current liabilities decreased to P1.28 billion in 2025 from P1.49 billion in 2024.

Total bank borrowings as of 2025 amounted to P418.01 million, consisting of short-term & current borrowings of P408.50 million and long-term & non-current borrowings of P9.51 million. In comparison, as of December 2024, total borrowings were P485.62 million, consisting of short-term & current borrowings of P453.32 million and long-term & non-current borrowings of P32.30 million.

Obligations under finance lease reclassified to lease liability under new accounting standards (PFRS16) stood at the end of 2025 at P69.15 million and P85.71 million of current and non-current portions, respectively.

Retirement benefit obligation at the end of 2025 was P70.84 million.

The negative operating results of the company in 2025 increased the deficit to P1.73 billion from P1.13 billion in 2024. The revaluation surplus stood at P77.35 million. Considering its capitalization of P1.851 billion, the company's Total Equity at the end of 2025 amounted to P174.60 million.

The current ratio as of December 2025 stood at 0.38 and 0.39 in 2024. Debt-to-equity ratios were at 12.19 and 12.51 in 2025 and 2024, respectively. The company's creditor banks, requiring the maintenance of specific financial ratios, provided a waiver for the breach of debt covenants for the period ending December 31, 2025.

The book value per share was at P0.18 and P0.24 in 2025 and 2024, respectively.

Top Five Performance Indicators

The following key results determine LSC's financial performance:

1. Current Ratio – represents the ratio between current assets and current liabilities, which measures liquidity and efficiency of LSC's ability to pay off its short-term liabilities with its current assets.
2. Debt-to-Equity Ratio – measures the financial leverage of LSC, how much debt is used to finance assets relative to the amount of value represented in shareholders' Equity.
3. Net Revenues – mainly composed of freight services recognized based on cargo loaded during the year, taking into account all direct costs related to the cargo and capacity costs incurred during the year.
4. Net Income Before Tax – is a quick indicator of the financial health of LSC.
5. Accounts Receivable (A/R) turnover – measures how efficiently LSC collects its receivables.

The table below represents the key performance indicators of LSC over the last three (3) years:

Performance Indicators	Full Year		
	2025	2024	2023
Current ratio	0.38	0.39	0.49
Debt-to-equity ratio	12.19	12.51	5.63
Net revenues	P1.488 billion	P2.339 billion	P3.280 billion
Net income (loss) before tax	(P594.667) million	(P543.459) million	P105.141 million
A/R turnover	3.46	3.87	4.52

- i. LSC is not aware of any event that will trigger direct or contingent financial obligations to LSC, including any default or acceleration of an obligation.
- ii. LSC is not aware of any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of LSC with unconsolidated entities or other persons created during the reporting period.
- iii. LSC is not aware of any material commitments for Capital Expenditures.
- iv. LSC is not aware of any known trends, events, or uncertainties that have had or are reasonably expected to have a material favorable or unfavorable impact on net sales, revenues, or income from continuing operations.
- v. LSC is not aware of any significant elements of income or loss that did not arise from the registrant's continuing operations.
- vi. LSC is not aware of any seasonal aspects that had a material effect on the financial condition or results of operations.

Plan of Operation

On May 15, 2026, the Board of Directors of Lorenzo Shipping Corporation (the "Company") approved a resolution to transition from active shipping operations toward a business model focused on maximizing the value of its assets by strategically leasing them to other operating companies.

This decision was driven by the Company's commitment to navigating industry headwinds more effectively and proactively adapting to developments in the domestic shipping industry. The transition is intended to strengthen revenue stability, preserve asset value, and ensure that the Company and its management remain able to fulfill their obligations to all stakeholders while continuing as a going concern.

The Board determined that this strategic transition is in the best long-term interests of the Company and its stakeholders, including shareholders, creditors, employees, customers, business partners, and regulators.

CALENDAR YEAR 2024

STATEMENTS OF FINANCIAL POSITION	December 31		Movement	
	2024	2023	In Peso	In Percentage
ASSETS				
Current Assets				
Cash	102,795,802	99,128,666	3,667,136	4%
Trade and other receivables	494,982,314	647,299,769	(152,317,455)	-24%
Contract assets	4,087,974	4,041,317	46,657	1%
Inventories	49,219,101	61,474,637	(12,255,536)	-20%
Prepayments and other current assets	148,726,399	203,538,050	(54,811,651)	-27%
Total Current Assets	799,811,590	1,015,482,439	(215,670,849)	-21%
Noncurrent Assets				
Property and equipment				
At cost	986,073,911	1,240,672,522	(254,598,611)	-21%
At revalued amount	182,178,000	175,896,000	6,282,000	4%
Computer Software	2,164,932	3,060,765	(895,833)	-29%
Deferred tax asset	6,721,640	6,995,849	(274,209)	-4%
Other noncurrent assets	732,597,858	651,292,082	81,305,776	12%
Total Non-Current Assets	1,909,736,341	2,077,917,218	(168,180,877)	-8%
TOTAL ASSETS	2,709,547,931	3,093,399,657	(383,851,726)	-12%
	December 31		Movement	
	2024	2023	In Peso	In Percentage
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable and accrued expenses	1,482,267,586	1,585,687,460	(103,419,874)	-7%
Short-term borrowings	413,912,279	341,963,292	71,948,987	21%
Loans Payable - Affiliates	-	-	-	0%
Lease Liability - Current	51,448,615	65,247,182	(13,798,567)	-21%
Current portion of:				
Long-term borrowings - related party	83,504,119	24,814,918	58,689,201	237%
Long-term borrowings	39,410,790	67,120,578	(27,709,788)	-41%
Total Current Liabilities	2,070,543,389	2,084,833,430	(14,290,041)	-1%
Noncurrent Liabilities				
Long-term borrowings - net of current portion	32,301,991	71,712,782	(39,410,791)	-55%
Lease Liability - Non-current	182,544,108	164,296,787	18,247,321	11%
Other noncurrent liabilities	116,906,331	200,410,450	(83,504,119)	-42%
Deferred tax liability	-	-	-	0%
Retirement benefit obligation	106,653,471	105,611,008	1,042,463	1%
Total Non-Current Liabilities	438,405,901	542,031,027	(103,625,126)	-19%
Total Liabilities	2,508,949,290	2,626,864,457	(117,915,167)	-4%
Equity				
Capital Stock	825,652,251	555,652,251	270,000,000	49%
Additional paid-in capital	459,791,492	459,791,492	-	0%
Revaluation Surplus	77,354,523	72,643,023	4,711,500	6%
Actuarial losses on defined benefit plan	(27,469,474)	(28,605,970)	1,136,496	-4%
Deficit	(1,131,604,301)	(589,819,746)	(541,784,555)	92%
Treasury shares at cost	(3,125,850)	(3,125,850)	-	0%
Total Equity	200,598,641	466,535,200	(265,936,559)	-57%
TOTAL LIABILITIES AND EQUITY	2,709,547,931	3,093,399,657	(383,851,726)	-12%

STATEMENTS OF COMPREHENSIVE INCOME	December 31		Movement	
	2024	2023	Increase (Decrease)	
FREIGHT REVENUE	2,339,869,416	3,280,896,707	(941,027,291)	-29%
DIRECT COSTS				
Cost of services	2,302,238,022	2,640,300,101	(338,062,079)	-13%
Terminal expenses	236,581,959	249,314,899	(12,732,940)	-5%
	2,538,819,981	2,889,615,000	(350,795,019)	-12%
GROSS PROFIT	(198,950,565)	391,281,707	(590,232,272)	-151%
GENERAL AND ADMINISTRATIVE EXPENSES	(194,688,745)	(217,516,154)	22,827,409	-10%
FINANCE COSTS AND OTHER CHARGES - net	(70,419,593)	(68,643,755)	(1,775,838)	3%
OTHER INCOME (CHARGES) - net	(79,400,774)	19,837	(79,420,611)	-400366%
INCOME (LOSS) BEFORE INCOME TAX	(543,459,677)	105,141,635	(648,601,312)	-617%
PROVISION FOR INCOME TAX				
Current	-	39,999,876	(39,999,876)	-100%
Deferred	(1,675,122)	(30,644,596)	28,969,474	-95%
	(1,675,122)	9,355,280	(11,030,402)	-118%
NET INCOME (LOSS)	(541,784,555)	95,786,355	(637,570,910)	-666%

Results of Operations

Lorenzo Shipping Corporation ("LSC") recorded P2.34 billion in total freight revenues in 2024, 29% or P0.94 billion lower than the P3.28 billion revenues in 2023. Total operating expense was P2.54 billion, a decrease of 12% from last year of P2.89 billion.

The Company ended with a Gross Profit (Loss) of (P198.95) million, a decrease of 151% from P391.28 million in 2023.

General and Administrative expenses decreased by P23 million from P217 million in 2023 to P194 million in 2024.

Net Finance Costs amounted to P70.42 million, which was higher by 3% or P1.78 million versus last year's P68.64.

Net Other Income (Charges) was (P79.40) million in 2024, lower by P79.42 million than P.019 million net other income in 2023. The Company's "Other Income (Charges)" in 2024 was from the net loss from the sale of the vessel.

LSC's Net Income (Loss) After Tax was (P541.78) million, a decrease in net income of 666% from P95.79 million net income in 2023. The income (loss) resulted in an equivalent loss per share of (P0.98) and P0.17 in 2024 and 2023, respectively.

Financial Condition

The total resources of the Company stood at P2.71 billion as of December 31, 2024, or P383.85 million lower than P3.09 billion as of 2023. Current assets amounted to P.799 billion and P1.015 billion in 2024 and 2023, respectively. The net decrease in current assets was primarily due to the following:

- Increase in cash from P99.13 million to P102.80 million
- Decrease in trade and other receivables from P647.30 million to P494.98 million
- Decrease in inventories from P61.47 million to P49.22 million.
- Decrease in prepayments and other current assets from P203.54 million to P148.73 million.

Total Non-Current Assets decreased in 2024 to P1.91 billion from P2.07 billion in 2023. The Company's property and equipment costs decreased primarily due to the amortization of assets. Other Non-Current Assets increased to P732.60 million in 2024 from P651.29 million in 2023 due to accumulated creditable withholding taxes.

Total Liabilities decreased by P0.12 billion this year from P2.63 billion in 2023 to P2.51 billion at the end of 2024.

Accounts payable and other current liabilities decreased to P1.49 billion in 2024 from P1.58 billion in 2023.

Total bank borrowings as of 2024 amounted to P485.62 million, consisting of short-term & current borrowings of P453.32 million and long-term & non-current borrowings of P32.30 million. In comparison, as of December 2023, total borrowings were P480.80 million, consisting of short-term & current borrowings of P409.08 million and long-term & non-current borrowings of P71.71 million.

Obligations under finance lease reclassified to lease liability under new accounting standards (PFRS16) stood at the end of 2024 at P51.44 million and P182.54 million of current and non-current portions, respectively.

Retirement benefit obligation at the end of 2024 was P106.65 million.

The negative operating results of the Company in 2024 increased the deficit to P1.13 billion from the P589.82 million deficit in 2023. The revaluation surplus stood at P77.35 million. Considering its capitalization of P1.285 billion, the Company's Total Equity at the end of 2024 amounted to P200.60 million.

The current ratio as of December 2024 stood at 0.39 and 0.49 in 2023. Debt-to-Equity ratios were at 12.51 and 5.63 in 2024 and 2023, respectively. The Company's creditor banks requiring maintenance of specific financial ratios provided a waiver on the breach of debt covenants for the period ending 31 December 2024.

The book value per share was at P0.24 and P0.84 in 2024 and 2023, respectively.

Top Five Performance Indicators

The following key results determine LSC's financial performance:

6. Current Ratio – represents the ratio between current assets and current liabilities, which measures liquidity and efficiency of LSC's ability to pay off its short-term liabilities with its current assets.
7. Debt-to-Equity Ratio – measures the financial leverage of LSC, how much debt is used to finance assets relative to the amount of value represented in shareholders' Equity.
8. Net Revenues – mainly composed of freight services recognized based on cargo loaded during the year, taking into account all direct costs related to the cargo and capacity costs incurred during the year.
9. Net Income Before Tax – is a quick indicator of the financial health of LSC.
10. Accounts Receivable (A/R) turnover – measures how efficiently LSC collects its receivables.

The table below represents the key performance indicators of LSC over the last three (3) years:

Performance Indicators	Full Year		
	2024	2023	2022
Current ratio	0.39	0.49	0.49
Debt-to-equity ratio	12.51	5.63	6.68
Net revenues	P2.339 billion	P3.280 billion	P3.299 billion
Net income (loss) before tax	(P543.459) million	P105.141 million	P18.682 million
A/R turnover	3.87	4.52	4.52

- vii. LSC is not aware of any event that will trigger direct or contingent financial obligations to LSC, including any default or acceleration of an obligation.
- viii. LSC is not aware of any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of LSC with unconsolidated entities or other persons created during the reporting period.
- ix. LSC is not aware of any material commitments for Capital Expenditures.
- x. LSC is not aware of any known trends, events, or uncertainties that have had or are reasonably expected to have a material favorable or unfavorable impact on net sales, revenues, or income from continuing operations.
- xi. LSC is not aware of any significant elements of income or loss that did not arise from the registrant's continuing operations.
- xii. LSC is not aware of any seasonal aspects that had a material effect on the financial condition or results of operations.

Plan of Operation

In its quest to get back to profitability, the Company is focusing on restoring schedule integrity through a comprehensive rehabilitation of vessel and land-based equipment as it continuously implements operational efficiency measures such as systems upgrade, quality initiatives, cost rationalization, and asset optimization. The plan of operation for the succeeding year includes the following:

1. Our top priority is vessel maintenance and equipment reliability to improve customer experience in cargo deliveries by sea and land.
2. Voyage optimization through the employment of yield management strategies to ensure maximum margins per completed sailing.
3. Process improvements assisted by innovation and technology to achieve operational efficiencies.
4. Subsisting progress in billing and collection in order to enhance cash flows for sustaining payables to vendors, suppliers, and service providers.
5. Development of land- and sea-based employees' physical, mental, and emotional welfare to maintain high morale and maximize productivity.
6. Adopting risk-mitigation measures and continuously strengthen statutory compliance to guarantee business continuity.

CALENDAR YEAR 2023

STATEMENTS OF FINANCIAL POSITION

	December 31		Movement	
	2023	2022	In Peso	In Percentage
ASSETS				
Current Assets				
Cash	99,128,666	62,526,759	36,601,907	59%
Trade and other receivables	647,299,769	743,761,535	(96,461,766)	-13%
Contract assets	4,041,317	9,418,443	(5,377,126)	-57%
Inventories	61,474,637	78,446,460	(16,971,823)	-22%
Prepayments and other current assets	203,538,050	134,983,284	68,554,766	51%
Total Current Assets	1,015,482,439	1,029,136,481	(13,654,042)	-1%
	1,026,902,737.00			
Noncurrent Assets				
Property and equipment				
At cost	1,240,672,522	1,111,102,425	129,570,097	12%
At revalued amount	175,896,000	175,896,000	-	0%
Computer Software	3,060,765	3,956,598	(895,833)	-23%
Deferred tax asset	6,995,849	-	6,995,849	0%
Other noncurrent assets	651,292,082	610,335,517	40,956,565	7%
Total Non-Current Assets	2,077,917,218	1,901,290,540	176,626,678	9%
TOTAL ASSETS	3,093,399,657	2,930,427,021	162,972,636	6%
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable and accrued expenses	1,585,687,460	1,649,780,869	(64,093,409)	-4%
Short-term borrowings	341,963,292	320,640,916	21,322,376	7%
Loans Payable - Affiliates	-	-	-	0%
Lease Liability - Current	65,247,182	33,832,479	31,414,703	93%
Current portion of:				
Long-term borrowings - related party	24,814,918	-	24,814,918	0%
Long-term borrowings	67,120,578	101,581,177	(34,460,599)	-34%
Total Current Liabilities	2,084,833,430	2,105,835,441	(21,002,011)	-1%
Noncurrent Liabilities				
Long-term borrowings - net of current portion	71,712,782	138,226,553	(66,513,771)	-48%
Lease Liability - Non-current	164,296,787	53,797,674	110,499,113	205%
Other noncurrent liabilities	200,410,450	150,305,719	50,104,731	33%
Deferred tax liability	-	24,210,312	(24,210,312)	-100%
Retirement benefit obligation	105,611,008	76,547,471	29,063,537	38%
Total Non-Current Liabilities	542,031,027	443,087,729	98,943,298	22%
Total Liabilities	2,626,864,457	2,548,923,170	77,941,287	3%
Equity				
Capital Stock	555,652,251	555,652,251	-	0%
Additional paid-in capital	459,791,492	459,791,492	-	0%
Revaluation Surplus	72,643,023	72,643,023	-	0%
Actuarial losses on defined benefit plan	(28,605,970)	(17,850,964)	(10,755,006)	60%
Deficit	(589,819,746)	(685,606,101)	95,786,355	-14%
Treasury shares at cost	(3,125,850)	(3,125,850)	-	0%
Total Equity	466,535,200	381,503,851	85,031,349	22%
TOTAL LIABILITIES AND EQUITY	3,093,399,657	2,930,427,021	162,972,636	6%

STATEMENTS OF COMPREHENSIVE INCOME			
	December 31		Movement
	2023	2022	Increase (Decrease)
FREIGHT REVENUE	3,280,896,707	3,299,471,438	(18,574,731) -1%
DIRECT COSTS			
Cost of services	2,640,300,101	2,824,867,551	(184,567,450) -7%
Terminal expenses	249,314,899	240,214,878	9,100,021 4%
	2,889,615,000	3,065,082,429	(175,467,429) -6%
GROSS PROFIT	391,281,707	234,389,009	156,892,698 67%
GENERAL AND ADMINISTRATIVE EXPENSES	(217,516,154)	(186,221,167)	(31,294,987) 17%
FINANCE COSTS AND OTHER CHARGES - net	(68,643,755)	(50,805,414)	(17,838,341) 35%
OTHER INCOME (CHARGES) - net	19,837	21,319,220	(21,299,383) -100%
INCOME (LOSS) BEFORE INCOME TAX	105,141,635	18,681,648	86,459,987 463%
PROVISION FOR INCOME TAX			
Current	39,999,876	10,161,699	29,838,177 294%
Deferred	(30,644,596)	(10,080,260)	(20,564,336) 204%
	9,355,280	81,439	9,273,841 11387%
NET INCOME (LOSS)	95,786,355	18,600,209	77,186,146 415%

Results of Operations

Lorenzo Shipping Corporation ("LSC") recorded P3.28 billion in total freight revenues in 2023, 1% or P0.18 Billion lower than the P3.30 billion revenues in 2022. Total operating expense was P2.89 billion, a decrease of 6% from last year of P3.06 billion.

The Company ended with a Gross Profit of P391.28 million, an increase of 67% from P234.39 million in 2022.

General and Administrative expenses increased by P31 Million from P186 million in 2022 to P217 million in 2023.

Net Finance Costs amounted to P68.64 million, which was higher by 35% or P17.84 million versus last year's P50.81 due to an increase in interest rates.

Net Other Income was P.019 million in 2023, lower by P21.30 million than P21.32 million in 2022. The Company's "Other Income" in 2023 was from insurance proceeds and other cargo-related claims.

LSC's Net Income After Tax was P95.79 million, an increase in net income of 415% from P18.60 million net income in 2022. The income (loss) resulted in an equivalent loss per share of P0.17 and P0.03 in 2023 and 2022, respectively.

Financial Condition

The total resources of the Company stood at P3.09 billion as of December 31, 2023, or P162.97 million higher than P2.93 billion as of 2022. Current assets amounted to P1.015 billion and P1.029 billion in 2023 and 2022, respectively. The net decrease in current assets was primarily due to the following:

- Increase in cash from P62.53 million to P99.13 million
- Decrease in trade and other receivables from P743.76 million to P647.40 million
- Decrease in inventories from P78.45 million to P61.47 million.
- Increase in prepayments and other current assets from P134.98 million to P203.54 million.

Total Non-Current Assets increased in 2023 to P2.07 billion from P1.90 billion in 2022. The Company's property and equipment costs increased primarily due to acquisition of new assets. Other Non-Current Assets increased to P651.29 million in 2023 from P610.34 million in 2022 due to accumulated creditable withholding taxes.

Total Liabilities increased by P0.77 billion this year from P2.55 billion in 2022 to P2.63 billion at the end of 2023.

Accounts payable and other current liabilities decreased to P1.58 billion in 2023 from P1.65 billion in 2022.

Total bank borrowings as of 2022 amounted to P480.80 million, consisting of short-term & current borrowings of P409.08 million and long-term & non-current borrowings of P71.71 million. In comparison, as of December 2022, total borrowings were P560.45 million, consisting of short-term & current borrowings of P422.22 million and long-term & non-current borrowings of P138.23 million.

Obligations under finance lease reclassified to lease liability under new accounting standards (PFRS16) stood at the end of 2023 at 65.25 million and P164.30 million of current and non-current portions, respectively.

Retirement benefit obligation increased at the end of 2023, due to the increase of employees as a result of personnel transfers from the related party.

The positive operating results of the Company in 2023 reduced the retained deficit to P589.82 million from the P685.61 million retained deficit in 2022. The revaluation surplus stood at P72.64. Considering its capitalization of P1.015 billion, the Company's Total Equity at the end of 2023 amounted to P466.54 million.

The current ratio as of December 2022 stood at 0.49, the same as the result in 2022. Debt-to-Equity ratios were at 5.63 and 6.68 in 2023 and 2022, respectively. The Company's creditor banks requiring maintenance of specific financial ratios provided a waiver on the breach of debt covenants for the period ending 31 December 2023.

Book value per share in this period increased to P0.84 versus P0.69 in the prior period.

Top Five Performance Indicators

The following key results determine LSC's financial performance:

11. Current Ratio – represents the ratio between current assets and current liabilities, which measures liquidity and efficiency of LSC's ability to pay off its short-term liabilities with its current assets.
12. Debt-to-Equity Ratio – measures the financial leverage of LSC, how much debt is used to finance assets relative to the amount of value represented in shareholders' Equity.
13. Net Revenues – mainly composed of freight services recognized based on cargo loaded during the year, taking into account all direct costs related to the cargo and capacity costs incurred during the year.
14. Net Income Before Tax – is a quick indicator of the financial health of LSC.
15. Accounts Receivable (A/R) turnover – measures how efficiently LSC collects its receivables.

The table below represents the key performance indicators of LSC over the last three (3) years:

Performance Indicators	Full Year		
	2023	2022	2021
Current ratio	0.49	0.49	0.52
Debt-to-equity ratio	5.63	6.68	7.47
Net revenues	P3.280 billion	P3.299 billion	P2.871 billion
Net income (loss) before tax	P105.141 million	P18.682 million	(P88.408 million)
A/R turnover	4.52	4.52	4.11

- xiii. LSC is not aware of any event that will trigger direct or contingent financial obligations to LSC, including any default or acceleration of an obligation.
- xiv. LSC is not aware of any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of LSC with unconsolidated entities or other persons created during the reporting period.
- xv. LSC is not aware of any material commitments for Capital Expenditures.
- xvi. LSC is not aware of any known trends, events, or uncertainties that have had or are reasonably expected to have a material favorable or unfavorable impact on net sales, revenues, or income from continuing operations.
- xvii. LSC is not aware of any significant elements of income or loss that did not arise from the registrant's continuing operations.
- xviii. LSC is not aware of any seasonal aspects that had a material effect on the financial condition or results of operations.

Plan of Operation

Gainful commercial results and a significantly higher net income compared to the previous year is a reflection of very profitable operations. Despite some difficulties during the latter part of 2023 which saw a decline in domestic consumption due to continuous inflationary increases, the Company endured and persevered to carry on with its strategic plan. Hoping to ride the momentum in the succeeding years, the team will relentlessly seek to find opportunities for improvement.

1. Sustaining schedule and service reliability brought about by regular maintenance of vessels and equipment in order to assure heightened customer experience remains to be one of the Company's top priorities.
2. Sales and Marketing to focus on high-yield cargoes and shipping routes to ensure healthy margins and profitability.
3. Carry on with institutionalized cost-rationalization programs to guarantee efficiency.
4. Augmentation of innovation and digital tools for maximum productivity.
5. Commence training and development of personnel for skills enhancement and fulfillment, including identification of deserving employees for career advancement.
6. Continue to keep track of billing and collection processes to safeguard necessary liquidity that supports day-to-day operations.

Perpetual monitoring of statutory compliance and risk-mitigation to maintain quality standards essential for delivering programs and projects that exceed the expectations of our stakeholders and customers.

ITEM 7 - FINANCIAL STATEMENTS

The Audited Financial Statements of LSC as of 31 December 2025 is attached hereto as Exhibit "A."

ITEM 8 – CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE / INDEPENDENT PUBLIC ACCOUNTANT

The external auditor of the Company is the accounting firm of SGV & Co. The engagement of SGV & Co. as external auditor was approved during the Annual Stockholders' Meeting on 25 June 2024. Mr. Peter John Ventura is currently the Engagement Partner. The appointment of the external auditor and the engagement partner is consistent with SRC Rule 68. The engagement partner or signing partner is rotated after every seven (7) years of engagement. A two-year cooling-off period is observed in the re-engagement of the same signing partner.

A. External Audit Fees and Services

Audit and Audit Related Fees – The aggregate fees billed for professional services rendered by the external auditors amounted to One Million Six Hundred Three Thousand Eight Hundred Pesos (PhP1,603,800) in 2024 and 2023, excluding Value Added Tax.

B. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

The Company has not had any disagreement with the Company regarding any matter relating to accounting principles or practices or financial statement disclosures or auditing scope of procedure.

PART III – CONTROL AND COMPENSATION INFORMATION

ITEM 9 – DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

DIRECTORS

Name	Director Since	Membership in Committees
Doris Teresa Magsaysay Ho	2005	Executive Committee
Antony Louis Marden	2005	Executive Committee Audit Committee Related Party Transactions Committee Corporate Governance Committee Risk Oversight Committee
Michael L. Escaler	2002	Audit Committee Related Party Transactions Committee Corporate Governance Committee Risk Oversight Committee
Reynold John B. Madamba	2018	Executive Committee
Deogracias N. Vistan (Independent Director)	2002	Audit Committee (Chairman) Related Party Transactions Committee Corporate Governance Committee Risk Oversight Committee
Rene J. Buenaventura (Independent Director)	2018	Audit Committee Related Party Transactions Committee Corporate Governance Committee (Chairman) Risk Oversight Committee (Chairman)
Virgilio Peña (Independent Director)	2019	Audit Committee Related Party Transactions Committee (Chairman) Corporate Governance Committee Risk Oversight Committee

KEY OFFICERS

Name	Position
Reynold John B. Madamba	President
Amelita M. Intalan	Treasurer Chief Financial Officer Chief Risk Officer
Aissa V. Encarnacion	Corporate Secretary
Cris Marco V. Banaag	Assistant Corporate Secretary
Imelda L. Tan	Head of Operations
Celeste A. Villareal (Retired as of 1 August 2025)	Former Head of Operations
Annebelle R. Lopez	Head of Sales and Marketing

Katherine M. Dela Cruz	Chief Auditor
Denise Dominique L. Calvo	Compliance Officer
Larizza Gail B. Palorma (Resigned as of 2 June 2025)	Former Compliance Officer

A brief profile of each of the LSC's Directors and Officers follows:

BOARD OF DIRECTORS

DORIS MAGSAYSAY HO, 74, Filipino, Chairperson of the Board

Doris Ho is the Chief Executive Officer of A. Magsaysay, Inc. and the Magsaysay Group of Companies. She also serves as Chair, Director, Trustee or Member of various organizations, such as: Lorenzo Shipping Corporation, Fairmont Shipping (HK) Limited, Steamship Mutual Underwriting Association as well as Asia Society Philippine Foundation, Inc., Asia Society (New York), Makati Business Club, Metropolitan Museum Manila, Philippine Business for Education, Philippine Business for Social Progress, among others. She obtained her Master's Degree at Pratt Institute and is a graduate of Manhattanville College.

ANTONY LOUIS MARDEN, 76, British, Vice Chairman of the Board, Member of the Executive, Audit, Related Party Transactions, and Corporate Governance and Risk Oversight Committees

Antony Louis Marden is the President of FIM Limited and a Director of: G.E. Marden & Co., Ltd, National Marine Corporation, and the NMC Group of Companies. Mr. Marden studied Chinese & Politics at Leeds University and has worked in the shipping business for more than 40 years.

MICHAEL L. ESCALER, 75, Filipino, Director and Member of the Audit, Related Party Transactions, Corporate Governance and Risk Oversight Committees

Michael L. Escaler is the Chairman and CEO of All Asian Countertrade Inc. He is also the Chairman of Pampanga Sugar Development Co. Inc. (PASUDECO), Balibago Waterworks Systems Inc., South Balibago Resources Inc., Megaworld Capital Town Inc., All Asian Bioethanol Corporation, Eaglehigh Farm Services Corporation, and Sweet Crystals Integrated Sugar Mill Corporation. He is the Chairman, President, and CEO of Okeelanta Corporation. He is the President of San Fernando Electric Company (SFELAPCO), Stanwich Philippines Inc., Pampanga Energy Ventures Inc., Metro Clark Waste Management Inc., JSY Countertrading Inc., and KSY Transport Services Inc.

A sugar trader in New York and London from 1974 to 1993, he began his career at Nissho-Iwai of America for two years and left for ACLI International. Later on, he transferred to Philipp Brothers as Vice-President. Thereafter, he started his own trading company in the Philippines.

He graduated cum laude from the Ateneo de Manila University with a degree of Bachelor of Arts in Economics. He obtained his Master in Business Administration in International Marketing in New York University. A Philanthropist, he supports various charities including Habitat for Humanity, Coca Cola Foundation, PGH Medical Foundation, Mano Amiga Academy and Productive Internships in Dynamic Enterprise (PRIDE).

REYNOLD JOHN B. MADAMBA, 51, Filipino, Director, President, Chief Operating Officer, and Member of the Executive Committee

Mr. RJ Madamba is the President of the Company. Concurrently, he holds the position of Liner Head at Magsaysay Shipping and Logistics and acts as the Chief Operating Officer at NMC Container Lines, Inc. Prior to his current roles, he served as the Vice President and Chief Operating Officer of Orca Cold Chain Division within ISOC Holdings, Inc. between 2017 and 2018. His previous experiences also include a tenure as the General Manager at Icebox Logistics Services, Inc. from 2011 to 2017, as well as serving as Secretary and Director at the Cold Chain Association of the Philippines from 2015 to 2018. Mr. Madamba commenced his career journey at American President Lines (APL) in 1996, ultimately serving as the Branch Manager for Davao and General Santos before departing in 2011.

Graduating with a degree in Management Economics from Ateneo de Manila University in 1996, Mr. Madamba has consistently pursued professional development opportunities. He completed a Perishables Transport course at the University of California-Davis in 2001 and pursued MBA units at the University of the Philippines' College of Business Administration from 2001 to 2002. Additionally, he successfully finished Carrier-Transcold's Technical Service Training in 2009. In 2010, he participated in the Rotary Club's Group Study Exchange Program in British Columbia, Canada, and achieved the distinction of being the Class Valedictorian of the Dale Carnegie Leadership Training for Managers in 2012.

Drawing from over 28 years of extensive experience in both domestic and international container liner shipping, Mr. Madamba's expertise encompasses various domains such as branch management, freight forwarding, customer service, reefer sales, container yard operations, equipment maintenance and repair, vessel operations, trucking, finance, and customer relationship management (CRM).

DEOGRACIAS N. VISTAN, 81, Filipino, Lead Independent Director, Chairman of the Audit Committee and Member of the Related Party Transactions, and Corporate Governance and Risk Oversight Committees

Mr. Vistan is a respected veteran banker whose last major stint was as President and CEO of Equitable PCI Bank Corporation in 2001-2002. He distinguished himself in the same position in Solidbank Corporation from 1992 to 2000 and as President and Vice-Chairman of the Land Bank of the Philippines from 1986 to 1992. Before that, he occupied various senior management positions in Citibank (Manila) where he started his banking career.

Presently, he also serves as a member of the Executive Advisory Council of Mitsubishi Motors Philippines Corporation, a role he has maintained since 2015. In 2020, he wrote a textbook on banking, *The Business of Banking: Structure and Profitability, Risks and Controls*. In 2022, he authored another textbook, *The Filipino Entrepreneur: Opportunities and Strategies In A Growth Economy*. Both books are now being used by a number of colleges and universities in the Philippines.

He graduated with a double degree in Business Administration and Humanities from the De La Salle University and finished his Master in Business Administration at the Wharton Graduate School of the University of Pennsylvania.

RENE BUENAVENTURA, 71, Filipino, Independent Director, Chairman of the Corporate Governance and Risk Oversight Committees and Member of Audit and Related Party Transactions Committees

Mr. Rene J. Buenaventura has been the Vice Chairman of the Equicom Group of Companies since 2007. The Equicom Group includes various companies in

healthcare, banking and finance and information technology. He is Vice Chairman of Equicom Savings Bank and Algo Leasing and Finance Inc., Director and Executive Committee Member of Maxicare Healthcare Corporation and Director of Equicom Information Technology Inc. He is a member of the Board of Trustees of the Equitable Foundation. He is also an Independent Director of UBS Investment Phils. Inc, DDMP REIT Inc. and GT Capital Holdings Inc. He was a former President of Equitable PCI Bank. He attended the Advance Management Program for Overseas Bankers in Wharton School, University of Pennsylvania. He finished his MBA and AB-BSC in De La Salle University where he graduated Summa Cum Laude. He is a Certified Public Accountant.

VIRGILIO L. PEÑA, 83, Filipino, Independent Director, Chairman of the Related Party Transactions Committee and Member of Audit and Corporate Governance and Risk Oversight Committees

Mr. Virgilio L. Peña is presently the Chairman of Altius Phils, Inc. and President of Mano Amiga Academy, a school committed to providing high quality K to 12 education to less privileged families. He continues to serve in the Board of Everest Academy Manila – a Catholic international school in the Bonifacio Global City owned by the Regnum Christi and the Legionaries of Christ.

He is a member of the Board of Trustees and Assistant Treasurer of the Philippine Cancer Society and the Chairman of 3Peas in a Pod, Inc. – a family owned business in the food industry.

KEY OFFICERS

AMELITA M. INTALAN, 69, Filipino, Chief Finance Officer, Treasurer, & Chief Risk Officer

Ms. Intalan is currently the Chief Finance Officer of Lorenzo Shipping Corporation. She is also the Chief Finance Officer of the Magsaysay Shipping and Transport Group. She was Chief Finance Officer of various companies, including Generali Life Assurance Philippines, Inc. and Philam Plans, Inc., as well as, Treasurer and Head of Treasury and Administration of the Philippine American Life & General Insurance Co. (Philam Life), Philam Equitable Life Assurance Corporation (PELAC), and, a number of Philam Life subsidiaries. She also was the Assistant Treasurer and Head of Treasury of BPI-Philam Life Assurance Corporation. Ms. Intalan was a member of the Board of Directors of various Philam Life affiliated companies.

Ms. Intalan obtained her Bachelor of Science in Business Administration & Accountancy from the University of the Philippines in Diliman, Quezon City and passed her CPA Licensure Examinations in 1979. She was a full scholar of European Economic Community (EEC) for a management in joint venture program conducted by INSEAD in 1990.

AISSA V. ENCARNACION, 61, Filipino, Corporate Secretary

Atty. Encarnacion has been the Corporate Secretary of the Philippine Stock Exchange and SCCP since February 2004 and a non-voting member of the Nominations and Elections Committee. She is a Partner of Zamora and Poblador Law Offices. She is a professorial lecturer at the University of the Philippines College of Law and Cesar Virata School of Business. Before she assumed her present PSE post, she was the Assistant Corporate Secretary of the Exchange from 2000 to 2003 and Acting Corporate Secretary from 2003 to February 2004. She is a member of the Board of Directors of various private companies, a Trustee of Empowering Brilliant Minds

Foundation, Inc. and acts as Corporate Secretary for various companies. Prior to joining her present law firm, she was a Senior Associate of the Bengzon Narciso Cudala Jimenez & Liwanag Law Offices. She received her Bachelor of Laws and Bachelor of Science in Business Administration degrees from the University of the Philippines.

CRIS MARCO V. BANAAG, 32, Filipino, Assistant Corporate Secretary

Atty. Banaag is the Assistant Corporate Secretary of the Company. He is a senior associate of the Zamora and Poblador Law Offices. He graduated cum laude from the University of the Philippines in 2016 with a degree in Bachelor of Arts in Creative Writing, obtained his Juris Doctor degree from the same university in 2021, and was admitted to the Philippine Bar in 2022.

IMELDA L. TAN, 53, Filipino, Head of Operations

Ms. Imelda L. Tan was appointed Head of Operations of LSC effective June 1, 2025. Prior to assuming this role, she served as Regional Head responsible for overseeing LSC's Mindanao branches.

Ms. Tan began her career with LSC in 1998 as a Marketing Officer and, starting in 1999, advanced through several key leadership positions within the organization. These included roles as Sales Manager, Credit and Collection Manager (special assignment), and Branch Manager for the Iloilo, Cebu, Davao, General Santos, and Cotabato branches. Her broad experience in sales and operations management has played a vital role in the Company's growth and regional expansion efforts.

Prior to joining LSC, Ms. Tan worked as a Sales Representative for Purefoods Corporation.

She earned her Bachelor of Science in Business Administration, major in Management, from Ateneo de Davao University in 1994. She also completed the Master in Management for Executives and Managers program at the Graduate School of Business Management and Administration of the University of San Jose-Recoletos.

CELESTE A. VILLA-REAL, 47, Filipino, Head of Operations

Retired as of 1 August 2025

Ms. Villa-Real was appointed Head of Operations of LSC effective 16 July 2019. Prior to her appointment as Head of Operations, she was the Operations Planning Manager of LSC from 2007 to 2019. She started her career with LSC in 2000 as a Marketing Executive and moved to become Marketing Manager in 2005. Before joining LSC, she worked as Senior Marketing Assistant under the customer service and sales team of Maxicare Healthcare Corporation.

Ms. Villa-Real graduated from the De La Salle University, Manila with a degree in Bachelor of Science in Commerce major in Business Management in 1998.

ANNABELLE LOPEZ LEE, 48, Filipino, Head of Sales & Marketing

Ms. Lopez joined Lorenzo Shipping Corporation as Business Development Manager in 2018 and was later promoted as Sales & Marketing Head effective March 18, 2019. Prior her post, she was the Sales Manager of One Stop Logistics Solutions, Inc. (a Magsaysay & Shipping Logistics company) from 2014 to 2018.

She started her career in the shipping industry with Aboitiz Transport System Corp. (2GO Group) in 2002, managing special accounts in Manila and later on moved to

Cagayan de Oro as Area Sales Manager for Northern Mindanao & eventually appointed as Branch Manager handling both sales & operations. After spending 10 years in the shipping world, she transitioned to the FMCG industry – Unilever RFM Ice Cream, handling Cabinet Management Unit from 2012-2014.

She graduated with a degree in Commerce Major in Business Administration from University of Santo Tomas in 1999 where she also took up some MBA units from 2003-2006.

KATHERINE M. DELA CRUZ, 46, Filipino, Chief Audit Executive

Ms. Katherine M. Dela Cruz holds the position of Internal Audit Head at A. Magsaysay Inc. Prior to her appointment as Head, she was the Audit Manager of A. Magsaysay Inc. in-charge for providing audit services to LSC. She started her career with LSC in 2008 as Audit Officer and moved to become the Internal Audit Manager in 2009. In 2015, she took on an expanded role as Internal Audit Manager for Magsaysay Transport and Logistics. Before joining LSC, she had a short stint as Controls and Compliance Supervisor of Shell Shared Services Center and as Audit Supervisor at Zuellig Pharma Corporation from 2000-2008.

Ms. Dela Cruz graduated from Pamantasan ng Lungsod ng Maynila with a degree in Bachelor of Science in Accountancy in 1999. She is a Certified Public Accountant and a member of Philippine Institute of Public Accountants (PICPA) and Institute of Internal Auditors (IIA).

DENISE DOMINIQUE L. CALVO, 32, Filipino, Compliance Officer

Atty. Calvo is the Compliance Officer of the Company. She is Deputy Legal Counsel for the Magsaysay Group of Companies. She serves as an in-house counsel mainly handling the corporate legal affairs as well as monitoring regulatory compliance of companies within the Group. Atty. Calvo received her Juris Doctor degree from De La Salle University Tañada-Diokno School of Law.

LARIZZA GAIL B. PALORMA, 29, Filipino, Compliance Officer

Resigned as of 2 June 2025

Atty. Palorma is the Compliance Officer of the Company. She is Deputy Legal Counsel for the Magsaysay Group of Companies. She serves as an in-house counsel mainly handling the corporate legal affairs as well as monitoring regulatory compliance of companies within the Group. Atty. Palorma received her Juris Doctor degree from San Beda University – Manila.

2) Significant Employees

No person, who is not a director or an executive officer, is expected to make a significant contribution to the business of the Company. Neither is the business highly dependent on the services of key personnel.

3) Family Relationships

All the other abovenamed directors and/or executive officers of the Company are not related, either by consanguinity or affinity up to the fourth civil degree.

4) Involvement in Certain Legal Proceedings

To the knowledge and/or information of the Company, the abovenamed directors and executive officers of the Company are not, presently or during the last five (5) years, involved or have been involved in any of the following:

- any bankruptcy petition filed by or against any business of which any of its incumbent directors or executive officers was a general partner or an executive officer either at the time of bankruptcy or within two years prior to that time;
- any conviction by final judgment in a criminal proceeding, domestic or foreign, or any criminal proceeding, domestic or foreign, pending against any of the incumbent directors or executive officers;
- any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court or competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any of the incumbent directors or executive officers in any type of business, securities, commodities, or banking activities; and
- Any finding by a domestic or foreign court of competent jurisdiction (in civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self-regulatory organization, that any of the incumbent directors or executive officers has violated a securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

ITEM 10 – EXECUTIVE COMPENSATION

The aggregate total compensation for the President and the top officers of the Company, as well as the per diems of the Directors are shown below:

	<u>Year</u>	<u>Compensation/ Per Diems</u>	<u>Bonuses</u>
1) <u>Top three (3) Officers</u>	2025	Php 9.66M	Php 1.24M
	2024	Php 9.56M	Php 1.95M
	2023	Php 7.56M	Php 0.94M
2) <u>Directors</u>	2025	PhP 2.177M	nil
	2024	Php 2.077M	nil
	2023	Php 2.077M	nil

3) Employment Contracts and Termination of Employment and Change-in-Control Arrangements

Other than the employment contracts with the President, the Head of Operations, and the Head of Marketing, there are no special arrangements, special employment contracts, or change in control arrangements with its directors or officers. The stockholders elected all its directors, and the board of directors appointed its current senior officers.

ITEM 11 - SECURITY OF CERTAIN RECORD/BENEFICIAL OWNERS AND MANAGEMENT

A. Security Ownership of Certain Record/Beneficial Owners as of 31 March 2025.

As of 31 March 2025, the following stockholders are the only owners of more than 5% of the Company's voting capital stock, whether directly or indirectly, as record owner or beneficial owner:

Title of Class	Names and Addresses of Record Owners and Relationship with Corporation	Names of beneficial owner and relationship with record owner	Citizen ship	Number of Shares Held	% to Total Outstandin g
Common	National Marine Corporation ("NMC") 21 st Floor Times Plaza, U.N. Ave cor. Taft Ave. Ermita, Manila Parent Corporation of the Company	Doris Teresa Magsaysay Ho – President of NMC Antony Louis Marden – Director of NMC Both are authorized to vote the shares of NMC in Lorenzo Shipping Corporation	Filipino	712,052,504	71.912%
Common	PCD Nominee Corporation* PDS Group 29 th Floor, BDO Equitable Tower, 8751 Paseo de Roxas, Makati City	NMC Shares lodged with BA Securities, Inc. Various clients	Filipino Filipino	102,053,051 142,309,406	10.307% 14.372%

*PCD Nominee Corporation (PCNC) is a wholly owned subsidiary of Philippine Depository and Trust, Inc. (PDTC) and is the registered owner of the shares in the books of LSC's transfer agent. PDTC participants deposit eligible securities in PCD through a process called lodgment, where legal title to the securities is transferred and held in trust by PCNC and trading participants.

Other than National Marine Corporation as presented above, there are no other beneficial owners of more than five percent (5%) of the Company's voting stock known to the Company.

B. Security Ownership of Management as of 31 March 2026

The following table sets forth as of 31 March 2026, the beneficial ownership of each director and executive officer of the Company:

Title of Class	Name of Beneficial Owner	Amount & Nature of		Citizenship	Percent of
		Beneficial Ownership			Class
Common	Doris Magsaysay Ho	1	Record	Filipino	0.00%
Common	Antony Louis Marden	1	Record	British	0.00%
Common	Michael L. Escaler	48,250	Record	Filipino	0.005%
Common	Deogracias N. Vistan	3,750	Record	Filipino	0.00%
Common	Rene Buenaventura	1,000	Record	Filipino	0.00%
Common	Virgilio L. Pena	1,000	Record	Filipino	0.00%
Common	Reynold John B. Madamba	1,000	Record	Filipino	0.00%
Common	Directors & Officers as a Group	55,002			0.01%

C. Voting Trust Holders of 5% or More

As of 31 March 2026, no person holds more than five percent (5%) of the Company's outstanding capital stock under a voting trust.

D. Changes in Control

There is no existing arrangement that may result in a change of control in the Company.

ITEM 12 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Transactions between related parties are accounted for at arms' length prices or on terms similar to those offered to non-related entities in an economically comparable market.

The following are the list of transactions during the past two (2) years to which the Company is a party, and in which certain persons or group have a direct or indirect material interest.

1. National Marine Corporation (NCM) – Parent

LSC has a service level agreement covering specific services with NMC, the Parent Company.

1.

2. NMC Container Lines, Inc. (NMCCLI) – related party

A wholly owned subsidiary of NMC, NMCCLI has a Sea Transport Agreement with the Company. The parties engage the services of the vessels for the transport of cargo in the course of its trade or business of transporting and carrying various freight and goods.

3. Magsaysay ShipManagement Inc. (MSI) – related party

MSI is an associate company of NMC. It provides technical services to the Company's vessels, ensuring that all vessels are in seaworthy condition and in accordance with the standards set by the Company. MSI also handles the management of the vessel crew.

4. Marine Fuels Philippines, Inc. (MFPI) – related party

A wholly owned subsidiary of NMC, MFPI supplies LSC's fuel requirement

5. Roadlink Solutions, Inc. (RSI) – related party

A wholly owned subsidiary of NMC, RSI provides logistical support to the Company by providing logistics services, cargo handling, and cargo trucking, among other services.

The following customers are majority owned by directors or shareholders:

Customers

Director/ Shareholder

- | | |
|---------------------------------|---|
| • All Asian Countertrade | Majority owned by Mr. Michael Escaler, director |
| • Oceanic Container Lines, Inc. | Majority owned by Mr. Jose Go Jr., shareholder |

PART IV – CORPORATE GOVERNANCE

ITEM 13 – CORPORATE GOVERNANCE

LSC, its board of directors, and management, including all employees, are committed to enhancing the company's value through effective corporate governance. This commitment is reflected in our efforts to:

1. Foster sound, prudent, and effective management practices;
2. Streamline the distribution of information for efficiency and accuracy;
3. Develop and enact effective risk mitigation and management plans;
4. Deliver precise and reliable financial and operational information;
5. Uphold integrity and ensure compliance with all laws, rules, regulations, and contracts in every transaction.

To fully comply with adopted leading practices on good governance, the company has undertaken or will undertake the following measures:

1. Integrated Annual Corporate Governance Report. The 2025 Annual Corporate Governance Report of LSC shall be filed with the SEC and posted in the Company's corporate website www.lorenzoshipping.com, in compliance with SEC Memorandum Circular No. 15, Series of 2017.
2. Corporate Governance Manual. On July 13, 2020, the Corporate Governance Manual of LSC, superseding its 2017 Corporate Governance Manual, took effect. The Company's Compliance Officer regularly monitors regulatory compliance, reports to the Board, and coordinates with its Corporate Secretary, Securities and Exchange Commission, and Philippine Stock Exchange, in terms of the compliance requirements of the company. LSC strives, and is committed, to implement best corporate governance practices in all its processes and attainment of its goals and objectives.
3. Board of Directors.
 - a. LSC's Board of Directors is composed of experts with years of professional experience, who offer diverse insights, which allow a holistic and thorough examination affecting the Company. The Board is responsible for the Company's overall management and directions, and they meet on a regular basis, to review the company's operational and financial updates. The Board may also meet, whenever necessary, should important matters requiring their expertise and/or approval arise.
 - b. LSC'S Board is composed of seven (7) directors, three (3) of whom are independent directors. They are elected during the Annual Stockholders' Meeting, and they shall hold office until the next succeeding annual meeting and until their successors shall have been elected and qualified.
4. Audit Committee
 - a. LSC's audit committee assists the Board by overseeing the Corporation's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations. They provide independent and objective insights to the management in terms of financial matters, business operations, and utilization and safeguarding of company's assets.
 - b. The Audit Committee is composed of five (5) Board members, including the three (3) independent directors, one of whom serves as the committee chairman. Mr. Deogracias Vistan is the Audit Committee Chairman, and the committee members are: Mr. Antony Marden, Mr. Michael Escaler, Mr. Rene

Buenaventura, and Mr. Virgilio Peña. The Audit Committee is required to meet at least four (4) times a year (quarterly).

5. Corporate Governance Committee.

- a. LSC's Corporate Governance Committee is responsible for the compliance and proper observance of corporate governance principles by the Company and its management. The Committee assists the Board in the performance of its corporate governance responsibilities, oversee the implementation of corporate governance manual and policies, evaluate the manual and ensure it remains appropriate considering the Company's size, complexity, and business strategy.
- b. The Corporate Governance Committee is composed of five (5) members, with three (3) independent directors, including its Chairman. The Committee Chairman is Mr. Rene Buenaventura, and the members are Mr. Deogracias Vistan, Mr. Virgilio Peña, Mr. Antony Marden, and Mr. Michael Escaler.

6. Risk Oversight Committee

- a. LSC's Risk Oversight Committee is responsible for the oversight of the company's enterprise risk management system. The Committee assists the Board in ensuring that there is an effective and integrated risk management process in place. The committee also conducts regular discussions on the company's prioritized and residual risk exposures based on the risk management reports, and assess how these risks can be mitigated or managed.
- b. The Risk Oversight Committee is composed of five (5) members, with three (3) independent directors, including its Chairman. The Committee Chairman Mr. Rene Buenaventura, and the members are Mr. Deogracias Vistan, Mr. Virgilio Peña, Mr. Antony Marden, and Mr. Michael Escaler.

7. Related Party Transactions Committee

- a. LSC's Related Party Transactions Committee is responsible for reviewing all material Related Party Transaction of the company. The committee shall assist the Board by evaluating, on an ongoing basis, existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, related party transactions are monitored, and subsequent changes in relationships with counterparties are captured. The Committee also evaluates all material related party transactions to ensure that these are not undertaken on more favorable economic terms.
- b. The Related Party Transactions Committee is composed of five (5) members, with three (3) independent directors, including its Chairman. The Committee Chairman is Mr. Virgilio Peña, and the members are Mr. Deogracias Vistan, Mr. Rene Buenaventura, Mr. Antony Marden, and Mr. Michael Escaler.

8. Executive Officers. LSC's executive officers are responsible for the Company's operations and day-to-day management.

9. Deviation from the Company's Manual of Corporate Governance. As of the date of this report, the Management is preparing the company's Retirement and Succession Policy as well as its succession plan, which will be geared towards promoting growth and dynamism in the Corporation.

10. Continuing Improvements for Corporate Governance. LSC will continue to improve its policies, systems, and processes, and ensure that the Board, officers, management and employees remain abreast of any regulations or issuances that will affect the company. LSC is committed to adhere to good governance practices in its operations while achieving its goals.

PART V – EXHIBITS AND SCHEDULES

ITEM 14 - EXHIBITS AND REPORTS ON SEC FORM 17-C

A. Exhibits

<u>Exhibits</u>	<u>Description</u>
A	- Financial Statements - Statement of Management's Responsibility for Financial Statements - Report of Independent Accountants - Balance Sheets as of December 31, 2024 and 2023 - Statements of Income for each of the three years ended December 31, 2024, 2023, 2022 - Statements of Comprehensive Income for each of the three years ended December 31, 2024, 2023 and 2022 - Statements of Changes in Stockholders' Equity for each of the three years ended December 31, 2024, 2023 and 2022 - Statements of Cash Flows for each of the three years ended December 31, 2024, 2023 and 2022 - Notes to Financial Statements - Index to Financial Statements and Supplementary Schedules Schedule Reconciliation of Retained Earnings Available for Dividend Declaration I Map Showing the Relationships Between and Among the Company and its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsidiaries, Associates, Wherever Located or Registered II Required schedules under Annex 68-J III Financial assets A Amounts receivable from directors, officers, employees, related parties and principal stockholders B Amounts receivable from related parties which are eliminated during the consolidation of financial statements C Intangible assets - other assets D Long-term debt E Indebtedness to related parties F Guarantees of securities of other issuers G Capital stock H
B	Sustainability Report

B. Reports on SEC Form 17-C

Various disclosures were made by the Company in the year 2025.

Report Date	Item
7 January 2025	Increase of 270,000,000 shares in the number of Issued and Outstanding Shares of the Company due to the acquisition of 270,000,000 common shares by National Marine Corporation on 26 December 2024.
8 April 2025	Postponement of Annual Stockholders' Meeting to 28 August 2025.
8 April 2025	Re-appointment of SGV & Company as the external auditor of the Company for 2025.
14 April 2025	Approval of the Audited Financial Statements as of 31 December 2024.
14 April 2025	Issuance of 165,531,748 common shares in favor of National Marine Corporation.
15 April 2025	Certification of the quarterly list of Top 100 Stockholders.
2 May 2025	Increase of 165,531,748 shares in the number of Issued and Outstanding Shares of the Company due to the acquisition of 165,531,748 common shares by National Marine Corporation on 24 April 2025.
30 May 2025	Re-appointment of SGV & Company as the external auditor of the Company for 2025. Board approval of Increase of the Authorized Capital Stock of the Company to Two Billion Common Shares including the corresponding amendment of Article VII of the Articles of Incorporation.
2 June 2025	Resignation of Atty. Larizza Gail B. Palorma as compliance officer of the Company.
15 July 2025	Certification of the quarterly list of Top 100 Stockholders.
28 August 2025	The stockholders approved the appointment of Sycip Gorres Velayo & Co. (SGV) as the external auditor of the Company. The following were elected directors of the Company for the year 2025 to 2026, or until their successors are duly elected and/or qualified: 1. Doris Teresa Magsaysay Ho 2. Antony Louis Marden 3. Michael L. Escaler 4. Reynold John B. Madamba 5. Deogracias N. Vistan – Independent Director 6. Rene J. Buenaventura – Independent Director 7. Virgilio L. Peña – Independent Director

Report Date	Item
	During the Organizational Meeting of the Board of Directors, the following were elected officers of the Company for 2025 to 2026 or until their successors are duly elected and/or qualified: 1. Doris Teresa Magsaysay Ho – Chairman 2. Antony Louis Marden – Vice Chairman 3. Reynold John B. Madamba – President and Chief Operating Officer 4. Amelita M. Intalan – Treasurer 5. Aissa V. Encarnacion – Corporate Secretary 6. Cris Marco V. Banaag – Assistant Corporate Secretary <u>Audit Committee</u> 1. Deogracias N. Vistan – Chairman, Independent Director 2. Virgilio L. Peña – Member, Independent Director 3. Rene J. Buenaventura – Member, Independent Director 4. Antony Louis Marden – Member 5. Michael L. Escaler – Member <u>Related Party Transactions Committee</u> 1. Virgilio L. Peña – Chairman, Independent Director 2. Deogracias N. Vistan – Member, Independent Director 3. Rene J. Buenaventura – Member, Independent Director 4. Antony Louis Marden – Member 5. Michael L. Escaler – Member <u>Corporate Governance Committee</u> 1. Rene J. Buenaventura – Chairman, Independent Director 2. Deogracias N. Vistan – Member, Independent Director 3. Virgilio L. Peña – Member, Independent Director 4. Antony Louis Marden – Member 5. Michael L. Escaler – Member <u>Risk Oversight Committee</u> 1. Rene J. Buenaventura – Chairman, Independent Director 2. Deogracias N. Vistan – Member, Independent Director 3. Virgilio L. Peña – Member, Independent Director 4. Antony Louis Marden – Member

Report Date	Item
	5. Michael L. Escaler - Member
29 September 2025	Filing of the Application for Increase of Authorized Capital Stock to Two Billion Shares with a par value of One Peso per share.
27 November 2025	Amendments to the By-Laws to align withg the provisions of the Revised Corporation Code, in compliance with the directives of the Securities and Exchange Commission.

Attendance of Directors

The following is the attendance of the board of directors of the Company in board meetings from **January 2025 to December 2025**:

	Name of Director	Total Attendance	Total Absences	Total Meetings
1	Doris Magsaysay Ho (Chairman)	9	0	9
2	Antony Louis Marden	9	0	9
3	Reynold John B. Madamba	9	0	9
4	Deogracias N. Vistan	9	0	9
5	Rene J. Buenaventura	9	0	9
6	Virgilio L Peña	9	0	9
7	Michael Escaler	6	3	9

The following is the attendance of the board of directors of the Company in committee meetings held in 2025:

AUDIT COMMITTEE

Name of Director	Total Attendance	Total Absences	Total Meetings
Antony Louis Marden	3	0	4
Deogracias N. Vistan (Chairman)	3	0	4
Rene J. Buenaventura	3	0	4

Virgilio L. Peña	3	0	4
Michael Escaler	2	2	4

RELATED PARTY TRANSACTIONS COMMITTEE

Name of Director	Total Attendance	Total Absences	Total Meetings
Antony Louis Marden	3	0	3
Deogracias N. Vistan	3	0	3
Rene J. Buenaventura	3	0	3
Virgilio L. Peña	3	0	3
Michael Escaler	1	2	3

CORPORATE GOVERNANCE COMMITTEE

Name of Director	Total Attendance	Total Absences	Total Meetings
Antony Louis Marden	2	0	2
Deogracias N. Vistan	2	0	2
Rene J. Buenaventura	2	0	2
Virgilio L. Peña	2	0	2
Michael Escaler	0	2	2

RISK OVERSIGHT COMMITTEE

Name of Director	Total Attendance	Total Absences	Total Meetings
Antony Louis Marden	3	0	3
Deogracias N. Vistan	3	0	3
Rene J. Buenaventura	3	0	3
Virgilio L. Peña	3	0	3
Michael Escaler	1	2	3

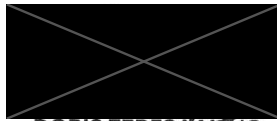
SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 177 of the Revised Corporation Code, this report is signed on behalf of the issuer by the undersigned, duly authorized.

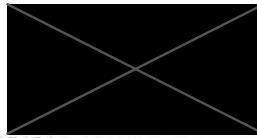
LORENZO SHIPPING CORPORATION

Issuer

BY:



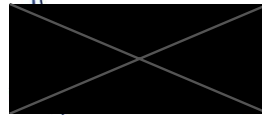
DORIS TERESA M. HO
Chairman



REYNOLD JOHN B. MADAMBA
President & Chief Operating Officer



AMELITA M. INTALAN
*Treasurer, Chief Financial Officer, and
Chief Risk Officer*



AISSA V. ENCARNACION
Corporate Secretary

MAY 15 2026

SUBSCRIBED AND SWORN TO before me on MAY 15 2026 at _____, affiants exhibiting before me the following as competent proof of their identity:

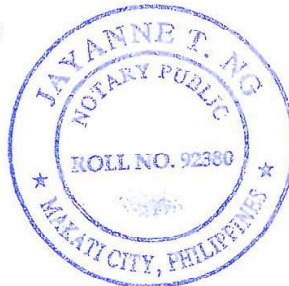
Name

Doris Teresa M. Ho
Reynold John B. Madamba
Amelita M. Intalan
Aissa V. Encarnacion

Identification



Doc No. 80;
Page No. 9;
Book No. 10;
Series of 2026.



JAYANNE T. NG
Notary Public
Until December 31, 2026
Roll of Attorneys No. 92380
P.T.R. No. 10764196; 01.05.2026; Makati City
I.B.P. No. 570514; 12.23.2025; Quezon City
Admitted to the Bar in 2025
Notarial Commission No. M-405
5F Montepino Bldg., 138 Amoroso St.
Legaspi Village, Makati City

Exhibit A

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

L	O	R	E	N	Z	O		S	H	I	P	I	N	G		C	O	R	P	O	R	A	T	I	O	N		

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

2	0	t	h		F	l	o	o	r		T	i	m	e	s		P	l	a	z	a		B	u	i	l	d	i	n
g	,		U	n	i	t	e	d		N	a	t	i	o	n	s		A	v	e	n	u	e	,		E	r	m	i
t	a	,		M	a	n	i	l	a																				

Form Type

A	A	F	S
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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

N	/	A	
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COMPANY INFORMATION

Company's Email Address

zpcorp@zplaw.com.ph

Company's Telephone Number

+63 2 8567 2180

Mobile Number

+639175085389

No. of Stockholders

894

Annual Meeting (Month / Day)

8/28

Fiscal Year (Month / Day)

12/31

CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person

Amelita M. Intalan

Email Address

amelita.intalan@msl.com.ph

Telephone Number/s

(02) 8527-5555

Mobile Number

+639178216504

CONTACT PERSON'S ADDRESS

20th Floor Times Plaza Building, United Nations Avenue, Ermita, 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.



INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Lorenzo Shipping Corporation
20th Floor Times Plaza Building
United Nations Avenue, Ermita, Manila

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lorenzo Shipping Corporation (the Company), which comprise the statements of financial position as at December 31, 2025 and 2024, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2025, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2025 and 2024, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2025 in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.



We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Assessment of Going Concern Basis

The Company incurred net loss of ₱601.78 million in 2025 resulting to a deficit of ₱1.73 billion as of December 31, 2025. In addition, the Company's current liabilities exceeded its current assets by ₱1.10 billion as of December 31, 2025.

The financial statements had been prepared on a going concern basis. Management's assessment of the Company's ability to generate sufficient funding is based on assumptions such as forecasted revenue, operating costs and capital expenditures, that are subject to a higher level of estimation uncertainty especially given the current economic conditions which have been impacted by the volatility in fuel prices and the feasibility of the sources of financing. Since the going concern assessment involves significant management judgments and estimates, we consider this as a key audit matter.

Refer to Notes 1 and 4 to the financial statements for the disclosures on the going concern assessment, including the discussion of the Company's future plans.

Audit response

We obtained an understanding of management's going concern assessment, including the cash flow projection prepared by management and approved by the Board of Directors. We evaluated the key assumptions such as forecasted revenue, operating costs, capital expenditures, and the other sources of financing, that were used by management in the Company's cash flows forecast for the next 12 months from the end of the reporting period. We evaluated these key assumptions by reference to historical information and relevant market data and by taking into consideration the current economic conditions including the impact of the volatility of fuel prices and the actions undertaken and the planned strategies by management in relation to the Company's operating and financing activities. We obtained the letters of financial support from the Company's related parties and agreed the details of the terms of the credit facilities against supporting documentation. We also assessed the adequacy of the related disclosures in the notes to the financial statements.

Impairment of Property and Equipment

As of December 31, 2025, the Company's property and equipment amounted to ₱879.59 million, which comprise 38% of the Company's total assets. The Company is affected by the volatility in fuel prices in the market and competitive pricing on container line cargoes shipping, resulting to loss in 2025 and the historical loss on sale of vessel and vessel tools and equipment. In the event that an impairment indicator is identified, the assessment of the recoverable amount of the property and equipment requires significant judgment and involves estimation and assumptions about the revenue growth rates, operating costs, capital expenditures and discount rate. In addition, because of the volatility in fuel prices, there is heightened level of uncertainty on the future economic outlook and market forecast. Hence, such assessment is a key audit matter.



Refer to Notes 3 and 4 to the financial statements for the relevant accounting policies and discussion of significant accounting judgment and estimates and Note 10 for the detailed disclosures about the carrying amounts of the vessels in operations and related equipment.

Audit Response

We have evaluated the methodology and the assumptions used. These assumptions include the revenue growth rates, operating costs, capital expenditures and discount rates. We tested the mathematical accuracy of the financial model and compared the key assumptions in the financial projection, such as the revenue growth rates, operating costs, and capital expenditures, against the historical experience of the Company and market information, taking into consideration the impact associated with the volatility in fuel prices. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Company's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of property and equipment.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2025, but does not include the financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2025 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 32 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Lorenzo Shipping Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Peter John R. Ventura.

SYCIP GORRES VELAYO & CO.



Peter John R. Ventura

Partner

CPA Certificate No. 0113172



BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026

SEC Partner Accreditation No. 113172-SEC (Group A)

Valid to cover audit of 2022 to 2026 financial statements

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements

BIR Accreditation No. 08-001998-158-2024, October 2, 2024, valid until October 1, 2027

PTR No. 10765147, January 2, 2026, Makati City

May 15, 2026



LORENZO SHIPPING CORPORATION
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2025	2024
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	₱78,314,563	₱102,795,802
Trade and other receivables (Note 6)	365,032,433	494,982,314
Contract assets (Note 6)	2,440,656	4,087,974
Inventories (Note 7)	19,827,137	49,219,101
Prepayments and other current assets (Note 8)	175,915,027	148,726,399
	641,529,816	799,811,590
Noncurrent asset held for sale (Note 9)	20,982,143	—
Total Current Assets	662,511,959	799,811,590
Noncurrent Assets		
Property and equipment (Note 10):		
At cost	697,415,932	986,073,911
At revalued amount	182,178,000	182,178,000
Computer software (Note 11)	1,269,098	2,164,932
Deferred tax assets - net (Note 23)	—	6,721,640
Other noncurrent assets (Note 12)	759,046,834	732,597,858
Total Noncurrent Assets	1,639,909,864	1,909,736,341
TOTAL ASSETS	₱2,302,421,823	₱2,709,547,931
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 13)	₱1,280,076,491	₱1,482,267,586
Short-term borrowings (Note 14)	385,710,696	413,912,279
Current portion of:		
Long-term borrowings (Note 14)	22,792,576	39,410,790
Long-term borrowing - related party (Note 26)	—	83,504,119
Lease liabilities (Note 27)	69,154,289	51,448,615
Total Current Liabilities	1,757,734,052	2,070,543,389
Noncurrent Liabilities		
Noncurrent portion of:		
Long-term borrowings (Note 14)	9,509,438	32,301,991
Long-term borrowing - related party (Note 26)	200,410,450	116,906,331
Lease liabilities (Note 27)	85,711,482	182,544,108
Deferred tax liabilities - net (Note 23)	3,608,761	—
Retirement benefit obligation (Note 19)	70,845,938	106,653,471
Total Noncurrent Liabilities	370,086,069	438,405,901
Total Liabilities	2,127,820,121	2,508,949,290

(Forward)



	December 31	
	2025	2024
Equity		
Common stock - (Note 24)	₱991,183,999	₱825,652,251
Additional paid-in capital	459,791,492	459,791,492
Deposit for future stock subscription (Note 24)	400,613,366	—
Revaluation increment (Note 10)	77,354,523	77,354,523
Actuarial losses on defined benefit obligation (Note 19)	(17,827,564)	(27,469,474)
Deficit	(1,733,388,264)	(1,131,604,301)
Treasury shares at cost	(3,125,850)	(3,125,850)
Total Equity	174,601,702	200,598,641
TOTAL LIABILITIES AND EQUITY	₱2,302,421,823	₱2,709,547,931

See accompanying Notes to Financial Statements.



LORENZO SHIPPING CORPORATION
STATEMENTS OF INCOME

	Years Ended December 31		
	2025	2024	2023
FREIGHT REVENUE (Note 15)	₱1,488,310,546	₱2,339,869,416	₱3,280,896,707
DIRECT COSTS			
Cost of services (Note 16)	1,623,033,425	2,302,238,022	2,640,300,101
Terminal expenses (Note 17)	245,541,950	236,581,959	249,314,899
	1,868,575,375	2,538,819,981	2,889,615,000
GROSS PROFIT (LOSS)	(380,264,829)	(198,950,565)	391,281,707
GENERAL AND ADMINISTRATIVE EXPENSES (Note 18)	(164,828,970)	(194,688,745)	(217,516,154)
FINANCE COSTS AND OTHER CHARGES (Note 21)	(65,243,239)	(70,419,593)	(68,643,755)
OTHER INCOME (CHARGES) - net (Note 22)	15,669,505	(79,400,774)	19,837
INCOME (LOSS) BEFORE INCOME TAX	(594,667,533)	(543,459,677)	105,141,635
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 23)			
Current	—	—	39,999,876
Deferred	7,116,430	(1,675,122)	(30,644,596)
	7,116,430	(1,675,122)	9,355,280
NET INCOME (LOSS)	(₱601,783,963)	(₱541,784,555)	₱95,786,355
EARNINGS (LOSS) PER SHARE (Note 25)			
Basic and diluted	(₱0.61)	(₱0.97)	₱0.17

See accompanying Notes to Financial Statements



LORENZO SHIPPING CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31		
	2025	2024	2023
NET INCOME (LOSS)	(P601,783,963)	(P541,784,555)	P95,786,355
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Items that will not be reclassified to statements of income:</i>			
Actuarial gains (loss) on retirement benefit obligation, net of tax (Note 19)	9,641,910	1,136,496	(10,755,006)
Revaluation increment, net of tax (Note 10)	—	4,711,500	—
Total other comprehensive income (loss) for the year, net of tax	9,641,910	5,847,996	(10,755,006)
TOTAL COMPREHENSIVE INCOME (LOSS)	(P592,142,053)	(P535,936,559)	P85,031,349

See accompanying Notes to Financial Statements.



LORENZO SHIPPING CORPORATION

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2025, 2024 AND 2023

	Common Stock	Paid-in Capital	Additional	Revaluation	Deposit for	Actuarial Gains (Losses) on Retirement Benefit Obligation (Note 19)	Deficit (Note 29)	Treasury Shares	Total
Balances at January 1, 2023	₱555,652,251	₱459,791,492	₱72,643,023	₱—	₱17,850,964	(₱685,606,101)	(₱3,125,850)	₱381,503,851	
Net income	—	—	—	—	—	95,786,355	—	95,786,355	
Other comprehensive income	—	—	—	—	(10,755,006)	—	—	(10,755,006)	
Total comprehensive income	—	—	—	—	(10,755,006)	95,786,355	—	85,031,349	
Balances at December 31, 2023	555,652,251	459,791,492	72,643,023	—	(28,605,970)	(589,819,746)	(3,125,850)	466,535,200	
Issuance of common stock (Note 24)	270,000,000	—	—	—	—	—	—	270,000,000	
Net loss	—	—	—	—	—	(541,784,555)	—	(541,784,555)	
Other comprehensive income (loss)	—	—	4,711,500	—	1,136,496	—	—	5,847,996	
Total comprehensive income	—	—	4,711,500	—	1,136,496	(541,784,555)	—	(535,936,559)	
Balances at December 31, 2024	825,652,251	459,791,492	77,354,523	—	(27,469,474)	(1,131,604,301)	(3,125,850)	200,598,641	
Issuance of common stock (Note 24)	165,531,748	—	—	—	—	—	—	165,531,748	
Deposit for future stock subscription (Note 24)	—	—	—	400,613,366	—	—	—	400,613,366	
Net loss	—	—	—	—	—	(601,783,963)	—	(601,783,963)	
Other comprehensive income	—	—	—	—	9,641,910	—	—	9,641,910	
Total comprehensive income (loss)	—	—	—	—	9,641,910	(601,783,963)	—	(592,142,053)	
Balances at December 31, 2025	₱991,183,999	₱459,791,492	₱77,354,523	₱400,613,366	(₱17,827,564)	(₱1,733,388,264)	(₱3,125,850)	₱174,601,702	

See accompanying Notes to Financial Statements.



LORENZO SHIPPING CORPORATION
STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2025	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	(P594,667,533)	(P543,459,677)	P105,141,635
Adjustments for:			
Depreciation and amortization (Notes 10 and 11)	211,427,580	248,254,430	214,977,951
Finance costs and other charges (Note 21)	65,243,239	70,419,593	68,643,755
Impairment loss on property and equipment (Note 9)	35,375,306	—	—
Net change in retirement benefit obligation	(22,951,652)	1,782,161	6,218,312
Loss (gain) on disposal of property and equipment - net (Note 22)	(14,157,257)	93,452,270	(697,008)
Gain on pre-termination of lease (Note 22)	(872,972)	—	—
Unrealized foreign exchange loss (gain) - net	(955,827)	694,543	(638,368)
Interest income (Note 22)	(44,763)	(49,343)	(91,621)
Operating income (loss) before working capital changes	(321,603,879)	(128,906,023)	393,554,656
Decrease (increase) in:			
Trade and other receivables	129,949,881	153,093,084	107,990,420
Contract assets	1,647,318	(46,657)	5,377,126
Inventories	29,391,964	12,255,536	16,971,823
Prepayments and other current assets	(27,188,628)	(18,899,948)	(84,799,289)
Other noncurrent assets	(26,448,976)	(7,594,177)	(64,711,918)
Increase in accounts payable and other current liabilities	(202,191,095)	(103,419,874)	37,511,206
Net cash flows from (used in) operations	(416,443,415)	(93,518,059)	411,894,024
Interest received	44,763	49,343	91,621
Net cash flows from (used in) operating activities	(416,398,652)	(93,468,716)	411,985,645
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property and equipment (Note 10)	(135,412,854)	(87,973,667)	(133,897,026)
Proceeds from disposal of property and equipment (Note 10)	176,836,796	77,984,993	864,928
Net cash flows from (used in) investing activities	41,423,942	(9,988,674)	(133,032,098)

(Forward)



	Years Ended December 31		
	2025	2024	2023
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from (payments of) short-term borrowings (Note 14)	(28,201,583)	₱71,948,987	₱21,322,376
Deposits for future stock subscription (Note 24)	400,613,366	—	—
Proceeds from share issuance (Note 24)	165,531,748	270,000,000	—
Payments of:			
Long-term borrowings (Notes 14 and 26)	(39,500,000)	(92,092,697)	(126,564,767)
Principal portion of lease liabilities (Note 27)	(83,911,041)	(70,877,664)	(68,819,135)
Finance costs and other charges (Notes 14, 21 and 27)	(65,154,006)	(70,262,393)	(69,738,324)
Net cash flows generated from (used in) financing activities	349,378,484	108,716,233	(243,799,850)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(25,596,226)	5,258,843	35,153,697
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	1,114,987	(1,591,707)	1,448,210
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	102,795,802	99,128,666	62,526,759
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	₱78,314,563	₱102,795,802	₱99,128,666

See accompanying Notes to Financial Statements.



LORENZO SHIPPING CORPORATION

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information and Status of Operations

Corporate Information

Lorenzo Shipping Corporation (the Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on October 17, 1972 primarily to engage in domestic inter-island cargo shipping activities.

The Company is majority-owned by National Marine Corporation (NMC), a domestic holding company. A. Magsaysay, Inc. (AMI) is the ultimate parent of the Company.

The Company's common shares of stock are traded in the Philippine Stock Exchange (PSE).

The Company is a holder of several Certificates of Convenience and special permits issued by the Maritime Industry Authority to service certain domestic ports of call.

The Company's registered and principal business address is 20th Floor Times Plaza Building, United Nations Avenue, Ermita, Manila.

Status of Operations

The Company incurred net loss of ₱601.78 million and ₱541.78 million in 2025 and 2024, respectively. The Company has a deficit of ₱1.73 billion and ₱1.13 billion as of December 31, 2025 and 2024, respectively. In addition, the Company's total current liabilities exceeded its total current assets by ₱1.10 billion and ₱1.27 billion as of December 31, 2025 and 2024, respectively.

Management believes that with the Company's available unused credit facilities, the continued financial support from and deferral of payment of payables to its affiliates, the Company will be able to generate sufficient cash flows from its operations to meet its obligations as and when they fall due.

On May 15, 2026, the Board of Directors (BOD) of the Company approved a resolution to transition from an active shipping operations toward a business model focused on maximizing the value of its assets by strategically leasing them to other operating companies. This decision was driven by the Company's commitment to navigating industry headwinds more effectively and proactively adapting to changes in the domestic shipping industry. The transition is intended to strengthen revenue stability, preserve asset value, and ensure that the Company and its management remain able to fulfill their obligations to all stakeholders while continuing as a going concern.

The BOD determined that this strategic transition is in the best long-term interests of the Company and its stakeholders, including shareholders, creditors, employees, customers, business partners, and regulators. As such, the financial statements have been prepared on a going concern basis of accounting.

The financial statements of the Company as of December 31, 2025 and 2024 and for each of the three years in the period ended December 31, 2025 were approved and authorized for issuance by the BOD on May 15, 2026.



2. Basis of Preparation, Statement of Compliance and Changes in Accounting Policies and Disclosures

Basis of Preparation

The accompanying financial statements have been prepared under the historical cost basis except for land which is carried at revalued amounts. The financial statements are presented in Philippine peso (Peso), which is the Company's functional and presentation currency, and rounded to the nearest millions, except when otherwise indicated.

Statement of Compliance

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of amended standards effective in 2025. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The adoption of these amendments did not have an impact on the financial statements of the Company:

- Amendments to PAS 21, *Lack of exchangeability*

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The Company intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Company's financial statements.

Effective beginning on or after January 1, 2026

- Amendments to Illustrative Examples on PFRS 7, PFRS 18, PAS 1, PAS 8, PAS 26 and PAS 37, *Disclosures about Uncertainties in the Financial Statements*
- Amendments to PFRS 9 and PFRS 7, *Classification and Measurement of Financial Instruments*
- Amendments to PFRS 9 and PFRS 7, *Contracts Referencing Nature-dependent Electricity*
- Annual Improvements to PFRS Accounting Standards—Volume 11
 - Amendments to PFRS 1, *Hedge Accounting by a First-time Adopter*
 - Amendments to PFRS 7, *Gain or Loss on Derecognition*
 - Amendments to PFRS 9, *Lessee Derecognition of Lease Liabilities and Transaction Price*
 - Amendments to PFRS 10, *Determination of a 'De Facto Agent'*
 - Amendments to PAS 7, *Cost Method*

Effective beginning on or after January 1, 2027

- PFRS 17, *Insurance Contracts*
- PFRS 18, *Presentation and Disclosure in Financial Statements*
- PFRS 19, *Subsidiaries without Public Accountability*
- Amendments to PAS 21, *Translation to a Hyperinflationary Presentation Currency*

Deferred effectivity

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



3. Material Accounting Policy Information

Financial Instruments – Initial Recognition and Subsequent Measurement

a. Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price.

As at December 31, 2025 and 2024, the Company does not have financial assets at FVOCI and FVTPL.

Subsequent measurement – Financial assets at amortized cost

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in the statement of income when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost includes cash and cash equivalents, trade and other receivables, security deposits included under other noncurrent assets.

Impairment

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

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

For trade receivables and contract assets, the Company applies the simplified approach in calculating ECLs, as permitted by PFRS 9. Therefore, the Company does not track changes in credit risk, but instead, recognizes a loss allowance based on the financial asset's lifetime ECL at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.



For cash and cash equivalents, the Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and considered to be low credit risk investments.

For other debt financial instruments such as other receivables and security deposits included under other noncurrent assets, the Company applies the general approach. Therefore, the Company track changes in credit risk at every reporting date.

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

b. Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings at amortized cost, or as derivatives designated as hedging instruments in an effective hedge appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings net of directly attributable transaction costs.

The Company's financial liabilities include accounts payable and other current liabilities, borrowings, lease liabilities and long-term borrowing to a related party.

Subsequent measurement

After initial recognition, loans and borrowings and payables are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the statement of income when the liabilities are derecognized as well as through the EIR amortization process.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Materials and spare parts	- purchase cost using first-in, first-out method
Fuel, diesel and lubricants	- purchase cost using first-in, first-out method

Net realizable value is the estimated replacement cost.

An allowance for losses and obsolescence is determined based on a regular review and management evaluation of movement and condition of spare parts and supplies.

Noncurrent Assets Held for Sale

The Company classifies noncurrent assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Noncurrent assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.



The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property and equipment are not depreciated or amortized once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

Property and Equipment

Property and equipment, except for land, are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of the property and equipment when that cost is incurred, if the recognition criteria are met.

Land is initially measured at cost. After initial recognition, land is measured at fair value less any accumulated impairment in value. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. All of the Company's land properties had been revalued as determined by an independent firm of appraisers.

The appraisal increment, net of the related tax effect, is credited to the "Revaluation increment" account included as other comprehensive income in the statement of comprehensive income and as other component of equity in the equity section of the statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in the statement of income, in which case the increase is recognized in the statement of income.

A revaluation deficit is recognized in the statement of income, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the asset revaluation reserve. Upon disposal, any revaluation increment relating to the particular asset being sold is transferred to retained earnings.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Company. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged in the statement of income in the period in which the costs are incurred.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.



Depreciation is computed on a straight-line basis less its residual value over the estimated useful life (EUL) as follows:

Category	Number of Years
Land improvements	3
Vessels, excluding drydocking costs and vessel tools and equipment	35*
Drydocking costs	3
Container vans and improvements	5-10
Buildings, warehouses, terminal premises and equipment and leasehold improvements	3-10
Office furniture and equipment	5
Transportation equipment	5
Vessel tools and equipment	5
<i>*From the time the vessel was built</i>	

Major overhaul costs incurred during drydocking of vessels are capitalized and depreciated over a 3-year period or the next drydocking, whichever comes first. When significant drydocking costs are incurred prior to the expiry of the 3-year depreciation period, the remaining costs of the previous drydocking are written off in the period of the subsequent drydocking. Drydocking costs are recorded as part of "Vessels" under property and equipment.

Leasehold improvements are depreciated over their estimated useful lives or the term of the lease, whichever is shorter.

Fully depreciated property and equipment are retained in the accounts until these are no longer in use. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from the continued use of the item.

Any gain or loss arising on derecognition of the property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of income in the year the asset is derecognized.

The carrying amounts of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Impairment of Nonfinancial Assets

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



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

Revenue from Contracts with Customers

Revenue from contracts with customers is recognized when control of goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for the goods and services. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

The disclosures of significant accounting judgments, estimates and assumptions relating to revenue from contracts with customers are provided in Note 4.

The specific recognition criteria for each type of revenue are as follows:

Ocean freight

Revenues derived from ocean freight services are recognized when the related services are rendered over time based on the on the estimated period travelled (number of days) of the cargoes or goods delivered over the period of the date of acceptance up to the delivery date.

Other vessel revenue - Trucking

Revenue from trucking services are recognized when the related services are rendered over time based on the timing of delivery (number of days) of the cargoes to the customer.

Other vessel revenues - Storage

Storage fees for each container van are recognized over time based on the number of days storage is availed of.

Other vessel revenues - Port charges

Revenues from port charges such as arrastre, wharfage, Lift On - Lift Off (LOLO), stevedoring and weighing fee, etc. are recognized over time based on the timing of the service performance (number of days).

Contract Balances

Contract assets

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



Contract liability

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract.

Provisions

Provisions are recognized only when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Taxes

Current income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of reporting period.

Deferred income tax

Deferred tax is provided using the liability method on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits and unused tax losses, to the extent that it is probable that taxable income will be available against which the deductible temporary differences, and the carryforward benefits of unused tax credits and unused tax losses can be utilized except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each statement of financial position date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of reporting period.

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

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of income.

Value-added Tax (VAT)

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.



For its VAT-registered activities, when VAT from sale of services (Output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as VAT payable in the statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sale of services (Output VAT), the excess is recognized as an asset in the statement of financial position up to the extent of the recoverable amount.

Capital Stock

Capital stock is determined using the par value shares that have been issued. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and number of shares issued.

The Company's capital stock pertains to common stock. Direct costs incurred related to the issuance of new common stock such as accounting and legal fees, printing costs and taxes are shown in equity as deduction, net of tax, from proceeds.

When the shares are sold at a premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When the shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received.

In case the shares are issued to extinguish or settle the liability of the Company, the shares shall be measured either at fair value of the share issued or fair value of the liability settled, whichever is more reliably determinable.

Retirement Benefit Obligation

The retirement benefit obligation is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the statement of income.



Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to the statement of income in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Earnings (Loss) per Share (EPS)

Basic EPS is calculated by dividing net income (loss) for the year attributable to common shareholders by the number of shares issued and outstanding at the end of the year after giving retroactive effect to regular stock dividends declared and stock rights exercised during the year, if any.

Leases

Company as a lessee

ROU assets

The Company recognizes ROU assets (included in 'Property and equipment') at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term as follows:

Category	Number of Years
Container Yard	2-7
,	2-5
Warehouse and Equipment	4-4.5
Office Space	2-7

ROU asset is subject to impairment in accordance with the Company's policy on impairment of nonfinancial assets.



Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of container yard, container van, warehouse and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of that are considered of low value.

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

Contingencies

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

Segment Reporting

The Company and its branches and agencies are operating as one reportable segment engaged in domestic inter-island cargo shipping activities within the Philippines. Therefore, neither business nor geographical segment information is presented.

Events After the Reporting Period

Post year-end events that provide additional information about the Company's financial position at the end of reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

4. Significant Accounting Judgments and Estimates

The preparation of the accompanying financial statements in accordance with PFRS Accounting Standards requires management to make judgments and estimates that affect the amounts reported in the financial statements and the accompanying notes. The judgments and estimates used in the accompanying financial statements are based upon management's evaluation of relevant facts and circumstances as of date of the financial statements. Actual results could differ from such estimates.



Judgments

In the process of applying the Company's accounting policies, management has made judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements.

Use of going concern assumption

The use of the going concern assumption involves management making judgments, at a particular point in time, about the future outcome of events or conditions that are inherently uncertain. Management's assessment requires significant judgement that are based on assumptions which are subject to a higher level of estimation uncertainty due to the current economic conditions. Management takes into account a whole range of factors which include, but are not limited to, the forecasted level of revenue, gross margin, operating cost, capital expenditures, and maturity profile of debt and interest repayments and timing of significant cash flows used in the forecast, and the other potential sources of financing given the economic uncertainties caused by the volatility of fuel prices. The Company has no plans to liquidate. Management believes that it will be able to generate future income and obtain sources of financing. Accordingly, the financial statements are prepared on a going concern basis since management has future plans, including revenue enhancements and cost reduction programs, with regards to the Company as disclosed in Note 1.

Noncurrent asset held of sale

The Company assesses the classification of assets to non-current asset held for sale if the following criteria were met at the end of reporting period:

- Assets were available for immediate sale and could be sold to the buyer in its current condition
- The actions to complete the sale were initiated and expected to be completed within one year from the date of initial classification.
- A potential buyer had been identified and negotiations were at an advanced stage, with a deed of absolute executed and agreed between the two parties.

The Company assessed that certain service vehicles qualified as non-current assets held for sale as of December 31, 2025 (see Note 9).

Revenue from contracts with customers

The Company applied the judgment that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- *Identifying performance obligations in a bundled freight revenue*
The Company determined that the following performance obligations are capable of being distinct: (1) ocean freight revenue, (2) trucking services, (3) port charges, (4) storage. The Company has determined that these services are capable of being distinct in the context of the contract.

Consequently, the Company allocated a portion of the transaction price to the different performance obligations, taking into consideration its stand-alone rates.

Estimations

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date that have a significant risk causing material adjustments to the carrying amounts of the assets and liabilities within the next financial years are discussed below:



Provision for ECL on trade receivables and contract assets

The Company uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customers that have similar loss patterns (i.e., customer type and rating).

The provision matrix is initially based on the Company's historical observed default rates. The Company then calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (e.g. consumer price index) are expected to deteriorate over the next year which can lead to an increased number of defaults in the shipping and logistics sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

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

The carrying values of trade receivables and contract assets amounted to ₱303.33 million and ₱406.20 million as of December 31, 2025 and 2024, respectively (see Note 6).

Estimation of impairment of property and equipment

The Company assesses at the end of each reporting period whether there is any indication that the property and equipment and other non-financial assets may be impaired. If such indication exists, the Company 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 estimating the VIU, the Company 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 property and equipment, 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 Company's financial statements. Future events could indicate that these property and equipment are impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations of the Company. Refer to Note 10 for the assumptions used.

The carrying values of property and equipment, excluding land, amounted to ₱697.42 million and ₱986.07 million as of December 31, 2025 and 2024, respectively (see Note 10).

Fair value of land properties

The Company carries its land properties at revalued amount with changes in fair value recognized in OCI. The fair value of the Company's land is based on the valuation carried out by independent appraiser. The valuation was arrived by reference to market evidence of transaction prices of similar properties.

External appraisers used market approach to value the land properties by using sales comparison method in particular. The valuation analysis involved key assumptions such as listing prices of reasonably comparable properties and adjustments related to the characteristics of the land properties such as size, location, utility, and other relevant conditions. The key assumptions used to determine the fair value of the land properties are provided in Note 10.



Revaluation increment on land properties recognized under equity amounted to ₱77.35 million, net of the applicable tax, as at December 31, 2025 and 2024. Net book values of revalued land properties amounted to ₱182.18 million as of December 31, 2025 and 2024 (see Note 10).

Realizability of deferred tax assets

The Company reviews the carrying amounts of deferred tax assets at reporting date and reduces it to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Significant management judgment is required to determine the amount of deferred income tax assets that can be recognized based upon the likely timing and level of future taxable profits together with future tax planning strategies.

As at December 31, 2025 and 2024, the Company recognized deferred tax assets amounting to ₱59.46 million and ₱85.38 million (see Note 23).

Leases - Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Company would have pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment. The Company estimates the incremental borrowing rate using observable inputs like the risk-free rate and adjust it for factors such as the credit rating of the Company and the terms and conditions of the lease.

The Company's lease liabilities amounted to ₱154.87 million and ₱233.99 million as of December 31, 2025 and 2024, respectively (see Note 27).

Retirement benefit obligation

The cost of the defined benefit obligation plan and the present value of the pension obligation are determined using an actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The carrying amount of the Company's retirement benefit obligation amounted to ₱70.85 million and ₱106.65 million as of December 31, 2025 and 2024, respectively (see Note 19).

5. Cash and Cash Equivalents

	2025	2024
Cash on hand	₱1,408,000	₱1,268,000
Cash in banks	76,374,705	100,995,944
Cash equivalents	531,858	531,858
	₱78,314,563	₱102,795,802

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are short term deposits made for varying periods of up to three (3) months and earns interest at the respective short-term deposit rates.



Interest income, amounted to ₱0.04 million, ₱0.05 million and ₱0.09 million in 2025, 2024 and 2023, respectively (see Note 22).

6. Trade and Other Receivables and Contract Assets

	2025	2024
Trade:		
Third parties	₱447,205,365	₱540,161,839
Related parties (Note 26)	17,549,650	23,675,646
	464,755,015	563,837,485
Less allowance for ECL	163,867,934	161,721,556
	300,887,081	402,115,929
Non-trade - related parties (Note 26)	31,848,156	17,986,888
Others	32,297,196	74,879,497
	₱365,032,433	₱494,982,314

Trade receivables are noninterest-bearing and have varying credit terms.

Non-trade receivables include advances to related parties for the rental of container yard, container vans, cost sharing of office space. These receivables are noninterest-bearing and collectible on demand.

Others include dues from social security system, claims, advances to employees, insurance and others. These receivables are noninterest-bearing.

The Company has contract assets amounting to ₱2.44 million and ₱4.09 million as of December 31, 2025 and 2024, respectively, which is net of allowance for ECL of ₱0.04 million.

The rollforward of allowance for ECL on trade receivables and contract assets follows:

	December 31, 2025		
	Trade Receivables	Contract Assets	Total
Beginning balances	₱161,721,556	₱41,318	₱161,762,874
Provision for the year - net (Note 18)	2,146,378	—	2,146,378
Ending balances	₱163,867,934	₱41,318	₱163,909,252

	December 31, 2024		
	Trade Receivables	Contract Assets	Total
Beginning balances	₱153,528,677	₱72,118	₱153,600,795
Provision (reversal) for the year - net (Note 18)	11,666,127	(30,800)	11,635,327
Write off	(3,473,248)	—	(3,473,248)
Ending balances	₱161,721,556	₱41,318	₱161,762,874



7. Inventories

As of December 31, 2025 and 2024, fuel, diesel and lubricants amounted to ₱19.83 million and ₱49.22 million, respectively. These are carried at cost, which is lower than the net realizable value.

Fuel and supplies inventories recorded as expenses in 2025, 2024 and 2023 are as follows (see Notes 16, 17 and 18):

	2025	2024	2023
Cost of services (Note 16)	₱484,245,115	₱708,167,567	₱774,171,490
Terminal expenses (Note 17)	37,227,327	41,926,206	61,373,424
General and administrative expenses (Note 18)	1,523,794	3,318,114	3,711,409
Total	₱522,996,236	₱753,411,887	₱839,256,323

8. Prepayments and Other Current Assets

	2025	2024
Input VAT	₱83,136,159	₱66,958,848
Advances to suppliers	77,457,453	67,815,888
Prepaid expenses	9,637,847	12,029,598
CWTs	3,845,500	83,997
Others	1,838,068	1,838,068
	₱175,915,027	₱148,726,399

CWTs represent the current portion of the amount withheld by the Company's customers in relation to its sale of services. These are recognized when the related sales are earned and are utilized as tax credits against income tax due as allowed by the Philippine taxation laws and regulations.

Prepaid expenses include prepaid insurance and prepaid importation charges.

9. Noncurrent Asset Held for Sale

In 2025, the Company decided to sell its M/V Lorcon Iloilo vessel. On January 5, 2026, the Company entered into a Memorandum of Agreement with KQT Hauling Services for the sale of M/V Lorcon Iloilo vessel for a consideration of ₱21.00 million.

As at December 31, 2025, the Company had had written down the carrying amount of ₱56.38 million to its fair value less costs to sell which resulted to impairment loss of ₱35.38 million (see Note 22).



10. Property and Equipment

a. At Cost

December 31, 2025

Cost	Vessels and Drydocking Costs	Container Vans and Improvements	Buildings, Warehouses, and Terminal Premises	Leasehold improvement	Machinery and Equipment	Office Furniture and Equipment	Transportation Equipment	Vessel Tools and Equipment	Construction-in-Progress	ROU Assets	Total
Balances at January 1, 2025	₱1,940,982,499	₱420,125,232	₱19,005,773	₱65,166,025	₱295,242,168	₱81,266,404	₱34,698,618	₱311,126,094	₱8,481,409	₱413,845,306	₱3,589,939,528
Additions	16,607,221	–	–	901,824	–	1,537,911	2,023,023	15,711,419	98,631,456	8,885,935	144,298,789
Disposals	(343,133,277)	(8,430,502)	–	–	(11,156,547)	(311,326)	(488,622)	(166,081,530)	–	–	(529,601,804)
Derecognition	(191,033,286)	–	–	–	–	–	–	(53,830,110)	–	(6,557,485)	(251,420,881)
Reclassification	106,845,007	–	–	–	–	–	–	–	(106,845,007)	–	–
Balances at December 31, 2025	1,530,268,164	411,694,730	19,005,773	66,067,849	284,085,621	82,492,989	36,233,019	106,925,873	267,858	416,173,756	2,953,215,632
Accumulated depreciation											
Balances at January 1, 2025	1,301,317,717	393,839,479	16,060,880	61,017,458	261,274,103	79,280,310	28,429,442	260,878,455	–	201,767,773	2,603,865,617
Depreciation for the year (Notes 16, 17 and 18)	106,935,423	–	934,226	354,495	2,559,627	1,215,584	1,601,170	15,202,967	–	81,728,254	210,531,746
Derecognition	(142,421,085)	–	–	–	–	–	–	(46,084,862)	–	(3,169,451)	(191,675,398)
Disposals	(199,261,542)	(18,471,395)	–	–	–	(311,326)	(439,759)	(148,438,243)	–	–	(366,922,265)
Balances at December 31, 2025	1,066,570,513	375,368,084	16,995,106	61,371,953	263,833,730	80,184,568	29,590,853	81,558,317	–	280,326,576	2,255,799,700
Net book values	₱463,697,651	₱36,326,646	₱2,010,667	₱4,695,896	₱20,251,891	₱2,308,421	₱6,642,166	₱25,367,556	₱267,858	₱135,847,180	₱697,415,932

December 31, 2024

Cost	Vessels and Drydocking Costs	Container Vans and Improvements	Buildings, Warehouses, and Terminal Premises	Leasehold improvement	Machinery and Equipment	Office Furniture and Equipment	Transportation Equipment	Vessel Tools and Equipment	Construction-in-Progress	ROU Assets	Total
Balances at January 1, 2024	₱2,285,940,658	₱420,125,232	₱18,737,915	₱65,166,025	₱296,168,592	₱80,778,061	₱34,090,218	₱392,639,763	₱–	₱392,850,544	₱3,986,497,008
Additions	50,339,581	–	267,858	–	588,000	896,290	1,336,971	26,063,558	8,481,409	76,223,582	164,197,249
Disposals	(395,297,740)	–	–	–	(1,514,424)	(407,947)	(728,571)	(107,577,227)	–	–	(505,525,909)
Derecognition	–	–	–	–	–	–	–	–	–	(55,228,820)	(55,228,820)
Balances at December 31, 2024	1,940,982,499	420,125,232	19,005,773	65,166,025	295,242,168	81,266,404	34,698,618	311,126,094	8,481,409	413,845,306	3,589,939,528
Accumulated depreciation											
Balances at January 1, 2024	1,403,103,033	393,839,479	14,985,347	60,286,277	260,296,305	78,319,597	27,732,495	328,181,194	–	179,080,759	2,745,824,486
Depreciation for the year (Notes 16, 17 and 18)	139,191,369	–	1,075,533	731,181	2,363,627	1,368,659	1,352,661	23,359,733	–	77,915,834	247,358,597
Derecognition	(240,976,685)	–	–	–	(1,385,829)	(407,946)	(653,714)	(90,662,472)	–	(55,228,820)	(334,088,646)
Disposals	–	–	–	–	–	–	–	–	–	–	–
Balances at December 31, 2024	1,301,317,717	393,839,479	16,060,880	61,017,458	261,274,103	79,280,310	28,429,442	260,878,455	–	201,767,773	2,603,865,617
Net book values	₱639,664,782	₱26,285,753	₱2,944,893	₱4,148,567	₱33,968,065	₱1,986,094	₱6,269,176	₱50,247,639	₱8,481,409	₱212,077,533	₱986,073,911



b. ROU Assets

The following are the leased assets that qualify under the criteria of PFRS 16 as at December 31, 2025 and 2024:

	Container Yards	Office Space	Container Vans	Warehouse and Equipment	Total
Cost					
Balances at January 1, 2025	₱96,835,251	₱40,807,243	₱97,507,726	₱178,695,086	₱413,845,306
Additions	—	—	8,885,935	—	8,885,935
Derecognition	(6,557,485)	—	—	—	(6,557,485)
Balances at December 31, 2025	90,277,766	40,807,243	106,393,661	178,695,086	416,173,756
Accumulated depreciation					
Balances at January 1, 2025	17,635,482	24,878,652	66,147,065	93,106,574	201,767,773
Depreciation for the year	22,144,761	6,096,992	13,628,851	39,857,650	81,728,254
Derecognition	(3,169,451)	—	—	—	(3,169,451)
Balances at December 31, 2025	36,610,792	30,975,644	79,775,916	132,964,224	280,326,576
Net book values	₱53,666,974	₱9,831,599	₱26,617,745	₱45,730,862	₱135,847,180

	Container Yards	Office Space	Container Vans	Warehouse and Equipment	Total
Cost					
Balances at January 1, 2024	₱81,960,350	₱40,527,414	₱97,507,726	₱172,855,054	₱392,850,544
Additions	69,354,992	1,028,558	—	5,840,032	76,223,582
Derecognition	(54,480,091)	(748,729)	—	—	(55,228,820)
Balances at December 31, 2024	96,835,251	40,807,243	97,507,726	178,695,086	413,845,306
Accumulated depreciation					
Balances at January 1, 2024	51,910,411	19,573,750	52,985,000	54,611,598	179,080,759
Depreciation for the year	20,205,162	6,053,631	13,162,065	38,494,976	77,915,834
Derecognition	(54,480,091)	(748,729)	—	—	(55,228,820)
Balances at December 31, 2024	17,635,482	24,878,652	66,147,065	93,106,574	201,767,773
Net book values	₱79,199,769	₱15,928,591	₱31,360,661	₱85,588,512	₱212,077,533

c. At Revalued Amount

The Company accounts for its Bacolod land properties using the revaluation model. The carrying amount of the land at revalued amount as at December 31, 2025 and 2024 amounted to ₱77.35 million.

Movements in the revaluation increment net of tax, recognized directly in equity are as follows:

	2025	2024
Balances at beginning of year	₱77,354,523	₱72,643,023
Additions	—	4,711,500
Balances at end of year	₱77,354,523	₱77,354,523

The Company engaged independent appraiser to determine the fair value of the following properties:

Location	Area in Square Meters	2025	2024	Highest and Best Use
Bacolod				
Lot 1	3,782	₱109,678,000	₱109,678,000	Commercial warehousing/ logistics facility
Lot 2	2,500	72,500,000	72,500,000	Commercial warehousing/ logistics facility
		₱182,178,000	₱182,178,000	



The fair values were estimated through the market approach by using sales comparison method in particular. The valuation analysis involved key assumptions such as listing prices of reasonably comparable properties and adjustments related to the characteristics of the land properties such as size, location, utility, and other relevant conditions.

Key unobservable inputs (Level 3) used to measure the fair value of the land is the price per square meter ranging from ₱29,000 and ₱29,000 in 2025 and 2024, depending on the property.

Significant increases (decreases) in estimated price per square meter in isolation would result in a significantly higher (lower) fair value on a linear basis.

The Company uses the land as a container yard for shipments not directly delivered to the customer's warehouse and awaiting for loading to the vessels. Having the use of the land as a container yard and warehouse facility reduces the cost of rent from other warehouse or container yard. In addition, the land is located within a port related development, where the prevailing land use for related activities, as well as the neighboring area, are in the nature of commercial warehousing and logistics facilities. Thus, the Company assessed that the highest and best use of the property does not differ from their current use.

If the land properties were measured using the cost model, the carrying value of the land would be ₱79.04 million as at December 31, 2025 and 2024.

- d. To ensure the maintenance of the vessels in accordance with international standards, the Company has availed of the services of a related party to oversee the regular upgrading and maintenance of the vessels (see Note 26).
- e. The balances of property and equipment as of December 31, 2025 and 2024 includes fully-depreciated assets still in use amounting to ₱753.61 million and ₱788.88 million, respectively.
- f. Certain vessels with carrying values of nil and ₱286.31 million as of December 31, 2025 and 2024, respectively, are used as chattel mortgage securities for long-term borrowings (see Note 14).

In May 2025, the Company sold one of its vessels, MV Lorcon Dumaguete, due to continuous drydocking and repairs with proceeds amounting to ₱147.04 million, resulting in loss on disposal of ₱14.47 million. In October 2024, the Company sold one of its vessels, MV Lorcon Manila, due to continuous drydocking and repairs with proceeds amounting to ₱77.97 million, resulting in loss on disposal of ₱93.26 million.

The Company also had disposals of various property and equipment with proceeds amounting to ₱29.79 million, ₱0.01 million and ₱0.86 million in 2025, 2024 and 2023, respectively, resulting in gain on disposal of ₱28.63 million in 2025, nil in 2024 and ₱0.70 million in 2023.

- g. The Company performed impairment testing on its property and equipment in 2025 and 2024. The recoverable amount of the CGU has been determined based on a VIU calculation using cash flow projections from financial budgets approved by the board of directors. The projected cash flows have been updated to reflect the demand for services taking into consideration the impact of the rising fuel prices. The Company's entire container vessels' operation is determined to be its CGU.

The pre-tax discount rate applied to cash flow projection is 10.10% in 2025 and 10.30% in 2024. As a result of this analysis, management concluded that the property and equipment is not impaired.



The calculation of VIU of the CGU is most sensitive to the following assumptions:

- Revenue growth rates
- Discount rate

Revenue growth rates

Average growth rate in revenues is based on the Company's expectation of market developments and the changes in the environment in which it operates. The Company uses revenue growth rates of 2.80%, based on past historical performance as well as expectations on the results of its strategies.

Discount rate

The discount rate used is the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. The Company used discount rate based on the Company's WACC. The rate used to discount the future cash flows is based on risk-free interest rates in the relevant markets where the Company is domiciled taking into consideration the debt premium, market risk premium, gearing, corporate tax rate and asset beta. Discount rates used by the Company are 9.20% in 2025 and 9.40% in 2024.

Capital expenditure

In computing the value-in-use, estimates of future cash flows include future cash outflows necessary to maintain the level of economic benefits expected to arise from the asset in its current condition. Capital expenditures that improve or enhance the asset's performance therefore are not included. This enhancement capital expenditure, such as maintenance, is excluded from value-in-use analysis since this has not yet been incurred as at valuation date.

- h. Construction in progress pertains to on-going vessel drydocking of MV Lorcon Bacolod amounting to P8.48 million as at December 31, 2024. During the year, MV Lorcon Iloilo and MV Lorcon Dumaguete were drydocked from January 3, 2024 to March 11, 2024.

11. Computer Software

	2025	2024
Cost	P4,479,168	P4,479,168
Accumulated amortization:		
Beginning balances	2,314,236	1,418,403
Amortization (Note 17)	895,834	895,833
Ending balances	3,210,070	2,314,236
Net book values	P1,269,098	P2,164,932

Computer software pertain to acquired Synchronized Access and Integrated Link (SAIL) used for the Company's operation. No impairment loss was recognized for software and licenses since management believes that the future benefits will accrue to the Company over the assets' remaining useful life.

Computer software is amortized on a straight-line basis over its estimated useful economic life of five (5) years and assessed for impairment whenever there is an indication that the intangible asset may be impaired.



12. Other Noncurrent Assets

	2025	2024
CWTs - net of current portion	₱626,010,106	₱599,964,702
Deferred input VAT	115,541,477	115,541,477
Deposits - net of allowance for impairment loss amounting to ₱4.10 million in 2025 and 2024	16,969,974	16,566,402
Others	525,277	525,277
	₱759,046,834	₱732,597,858

CWTs represent the noncurrent portion of the amount withheld by the Company's customers in relation to its sale of services. These are classified as noncurrent due to assessment of the Company that these CWTs are not realizable within 12 months after the reporting date.

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

Deposits consist of amounts paid for rental deposits which are refundable at the end of the lease term.

13. Accounts Payable and Other Current Liabilities

	2025	2024
Trade:		
Third parties	₱555,188,733	₱613,744,373
Related parties (Note 26)	384,009,112	437,397,900
Output VAT payable	37,470,446	52,620,215
Deferred output VAT	30,947,316	30,742,044
Accrued expenses:		
Repairs, maintenance and supplies for vessels	45,157,374	27,404,396
General and administrative	42,704,382	47,880,047
Outside services	17,450,601	30,852,255
Other taxes payable	4,424,050	5,558,918
Other accrued expenses	1,892,989	10,879,057
Amounts owed to related parties (Note 26)	113,424,444	208,402,088
Others	47,407,044	16,786,293
	₱1,280,076,491	₱1,482,267,586

Trade payables are non-interest bearing and are normally settled within 12 months from the end of the reporting period.

Output VAT payable pertains to VAT liabilities for the Company's billed services as at reporting date.

Deferred output VAT from uncollected services, prior to the effectivity of Republic Act No. 11976, otherwise known as the Ease of Paying Taxes Act (EoPT), shall be recognized as application to input once collected from customers.



Accrued expenses are obligations on the basis of normal credit terms and do not bear interest. These pertain to accruals made based on prior month's billings and/or contracts of the Company and are normally settled within 12 months from the end of the reporting period.

Outside services includes cargo and port expenses incurred in relation to the Company's normal shipping operations.

Others include payroll-related expenses incurred but not yet paid and accruals for payment to retired employees outside of the retirement fund.

14. Borrowings

Short-term borrowings consist of:

	2025	2024
Bank of the Philippine Islands (BPI)	₱165,885,000	₱166,885,000
Banco de Oro Unibank Inc. (BDO)	82,825,696	85,587,279
Metropolitan Bank and Trust Company (MBTC)	38,000,000	61,440,000
Chinabank Corporation (CBC)	99,000,000	100,000,000
	₱385,710,696	₱413,912,279

Movements in short-term debt recognized in the statement of financial position are as follows:

	2025	2024
Balances at beginning of year	₱413,912,279	₱341,963,292
Net availments (payments)	(28,201,583)	71,948,987
Balances at end of year	₱385,710,696	₱413,912,279

Short-term borrowings from local banks, with maturity ranging from 28 to 365 days, bear annual interest at 8.03% to 7.44% and 7.50% to 8.84% in 2025 and 2024, respectively. Short-term borrowings are generally not secured, however, the Company's short-term loan with Banco de Oro Unibank Inc. (BDO) is secured by the Company's trade receivables.

Long-term borrowings consist of:

	2025	2024
Balance of loan obtained from RCBC of ₱137.00 million, availed last May 6, 2020 and will mature on May 6, 2027. The loan is payable monthly in 72 equal monthly installments starting May 6, 2021. Annual interest rate is equal to the BVAL plus 2.5% spread. Interest rate ranges from 8.78% to 9.00% in 2025, 8.78% to 9.00% in 2024 and 4.46% to 8.78% in 2023.	₱32,347,222	₱55,180,555

(Forward)



	2025	2024
Balance of loan obtained from China Banking Corporation (CBC) of ₱200.00 million, availed of last September 9, 2015 and will mature on September 9, 2025. The loan is payable quarterly in 36 equal quarterly installments starting December 9, 2016. Annual interest rate is equal to 90-day BVAL rate plus 1.25% inclusive of GRT and BSP overnight borrowing rate plus spread of 0.125% inclusive of GRT, whichever is higher, subject to quarterly repricing. Interest rate ranges from 8.00% to 7.50% in 2025 and 2024 and 6.00% to 8.00% in 2023.	₱–	₱16,666,667
	32,347,222	71,847,222
Less deferred financing costs	(45,208)	(134,441)
	32,302,014	71,712,781
Less current portion	(22,792,576)	(39,410,790)
Noncurrent portion	₱9,509,438	₱32,301,991

Movements in long-term debt recognized in the statement of financial position are as follows:

	2025	2024
Balances at beginning of year	₱71,712,781	₱138,833,360
Amortization of deferred financing cost	89,233	157,200
Payments	(39,500,000)	(67,277,779)
Balances at end of year	₱32,302,014	₱71,712,781

As of December 31, 2025 and 2024, the Company did not meet the minimum current, debt-to-equity and debt service coverage ratios required under the Company's long-term loan agreement with RCBC. Prior to year-end, the Company's lender issued a waiver of default action against the breach of loan covenants as of December 31, 2025 and 2024. Accordingly, the Company continues to pay long-term loans based on original credit terms.

These long-term borrowings are secured by chattel mortgages on certain vessels with carrying values of ₱286.31 million as of December 31, 2024 (see Note 10). As of December 31, 2025, there are no Company's assets under chattel mortgage for the remaining long-term borrowings (see Note 10).

Deferred financing costs were incurred in connection with the financing arrangement. These costs are amortized using the effective interest method over the term of the related loans.

Rollforward analysis of deferred financing costs follow:

	2025	2024
Balances at beginning of year	₱134,441	₱291,641
Amortization for the year	(89,233)	(157,200)
Balances at end of year	₱45,208	₱134,441

Interest paid on short-term and long-term borrowings amounted to ₱48.85 million, ₱41.94 million and ₱42.28 million in 2025, 2024 and 2023, respectively.



15. Freight Revenue

Disaggregated Revenue Information

Set out below is the disaggregation of the Company's revenue from contracts with customers.

	2025	2024	2023
Ocean freight	₱942,833,453	₱1,501,219,132	₱2,096,438,386
Other vessel revenues:			
Trucking	219,036,596	309,542,921	388,921,901
Port charges	319,382,907	519,944,922	776,641,858
Storage	7,057,590	9,162,441	18,894,562
	₱1,488,310,546	₱2,339,869,416	₱3,280,896,707

Contract Balances

Trade receivables

The Company's trade receivables, net of allowance for ECL, amounted to ₱300.89 million and ₱402.12 million as at December 31, 2025 and 2024, respectively (see Note 6).

Contract assets

The Company's contract assets amounted to ₱2.44 million and ₱4.09 million as at December 31, 2025 and 2024, respectively (see Note 6).

Performance obligations and timing of revenue recognition

The Company's performance obligations represent ocean freight and other vessel related revenues such as trucking, port charges and storage which are generally satisfied over time once the related services are performed.

16. Cost of Services

	2025	2024	2023
Materials, supplies and facilities (Note 7)	₱484,245,115	₱708,167,567	₱774,171,490
Outside services			
Sea transport service	230,745,250	286,952,927	240,240,433
Trucking	202,165,766	350,432,678	542,147,275
Arrastre	107,352,298	168,242,479	222,233,257
Cargo charges	91,706,262	115,296,623	180,587,115
Craneage	83,700,952	105,525,049	130,319,247
Stevedoring charges	63,751,351	70,900,666	78,094,631
Vessel related charges	50,697,468	70,738,185	66,308,390
Container rental (Note 27)	26,992,724	40,491,881	39,580,855
Depreciation (Note 10)	122,138,390	162,551,102	139,402,857
Voyage	54,630,048	60,207,933	75,762,708
Personnel cost (Note 20)	52,740,900	63,835,780	72,514,476
Vessel insurance	35,889,127	61,737,598	63,605,044
Taxes and licenses	2,523,382	4,090,196	2,596,670
Others	13,754,392	33,067,358	12,735,653
	₱1,623,033,425	₱2,302,238,022	₱2,640,300,101



17. Terminal Expenses

	2025	2024	2023
Depreciation (Notes 10 and 11)	₱82,624,089	₱78,811,668	₱68,117,771
Personnel cost (Note 20)	39,809,929	44,753,736	40,537,547
Materials, supplies and facilities (Note 7)	37,227,327	41,926,206	61,373,424
Outside services	36,724,279	34,528,741	34,658,963
Rental (Note 27)	31,594,752	16,938,873	23,105,188
Lift-on/lift-off (LOLO) charges	4,245,279	3,158,291	6,800,122
Others:			
Utilities	5,525,150	5,842,993	5,851,626
Taxes and licenses	1,518,126	2,138,136	1,679,578
Office supplies	1,357,503	1,994,465	1,479,932
Container van insurance	1,141,781	1,564,793	581,744
Other terminal charges	3,773,735	4,924,057	5,129,004
	₱245,541,950	₱236,581,959	₱249,314,899

Outside services include security and temporary services.

18. General and Administrative Expenses

	2025	2024	2023
Personnel cost (Note 20)	₱69,330,382	₱70,974,080	₱68,838,936
Taxes and licenses	33,843,186	35,309,254	43,306,081
Outside services	22,745,166	40,748,730	45,972,785
Communication, light and water	8,042,550	7,387,161	7,316,530
Depreciation (Note 10)	6,665,101	6,891,660	7,457,323
Service fees	4,753,202	4,276,604	2,251,049
Transportation and travel	3,600,723	4,557,389	5,882,870
Repairs and maintenance	2,173,398	1,227,107	1,896,590
Provision for ECL on trade receivables and contract assets (Note 6)	2,146,378	11,635,327	16,562,405
Supplies (Note 7)	1,523,794	3,318,114	3,711,409
Entertainment, amusement and recreation	1,409,900	1,376,339	1,061,330
Employees' training and staff meeting	1,384,308	2,036,154	2,567,103
Rental (Note 27)	1,212,884	1,216,236	1,539,850
Advertising	396,919	479,576	223,597
IT subscription licenses	291,478	175,593	176,800
Others	5,309,601	3,079,421	8,751,496
	₱164,828,970	₱194,688,745	₱217,516,154



19. Retirement Benefit Obligation

The existing regulatory framework, Republic Act 7641, *Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The Company maintains a funded, tax qualified, non-contributory retirement plan (the Plan) covering all its eligible employees. Under the provisions of the plan, the normal retirement age is 60 for sea-based employees with completion of at least 5 years of service and age of 60 for shore-based employees hired before August 1, 2021 and age of 60 and 5 years of service for shore-based employees hired on or after August 1, 2021. Hired before August 1, 2021, shore-based employees at age 50 with at least 10 years of credited services can avail of an early retirement and at age 55 and 15 years of credited service for those hired on or after August 1, 2021.

The Company's retirement benefit fund ("Fund") is in the form of a trust being maintained and managed by BPI Asset Management.

The following tables summarize the components of net benefit expense recognized in the statements of income and the funded status and amounts recognized in the statements of financial position for the Plan.

Retirement expense recognized in the statements of income:

	2025	2024	2023
Current service cost	₱6,752,089	₱7,043,694	₱5,049,501
Net interest cost	5,090,692	5,681,751	4,802,581
Past service cost	4,042,007	—	—
	₱15,884,788	₱12,725,445	₱9,852,082

Actuarial losses (gains) recognized in other comprehensive income are as follows:

	2025	2024	2023
Actuarial losses (gains) on defined benefit obligation due to:			
Changes in financial assumptions	(₱534,280)	(₱410,565)	₱7,417,343
Experience adjustments	(12,329,520)	(1,353,406)	3,753,132
Return on assets excluding amount included in net interest cost	(7,920)	248,644	146,096
	(₱12,871,720)	(₱1,515,327)	₱11,316,571

Cumulative re-measurement effects recognized in OCI:

	2025	2024
Balances at beginning of year	(₱27,652,208)	(₱29,167,535)
Actuarial gains (losses)	12,855,880	1,515,327
	(14,796,328)	(27,652,208)
Income tax effect	(3,031,236)	182,734
	(₱17,827,564)	(₱27,469,474)



Movements in the retirement benefit obligation are as follows:

	2025	2024
Balances at beginning of year	₱106,653,471	₱105,611,008
Benefits paid	(35,147,140)	(10,943,284)
Current service cost	6,752,089	7,043,694
Net interest cost	5,090,692	5,681,751
Past service cost/(credit)	4,042,007	–
Actual return excluding amount included in net interest cost	–	248,644
Actuarial losses (gains) due to:		
Changes in financial assumptions	(526,360)	(410,565)
Actual Contributions	(841,000)	–
Experience adjustments	(12,329,520)	(1,353,406)
Transferred (released) obligation	(2,848,301)	775,629
	₱70,845,938	₱106,653,471

Retirement benefit obligation as presented in the statement of financial position:

	2025	2024
Present value of defined benefit obligation	₱71,451,274	₱107,282,522
Fair value of plan assets	(605,336)	(629,051)
Retirement benefit obligation	₱70,845,938	₱106,653,471

Changes in the present value of the defined benefit obligation are as follows:

	2025	2024
Balances at beginning of year	₱107,282,522	₱106,218,365
Current service costs	6,752,089	7,043,694
Interest cost	5,127,578	5,952,089
Past service cost	4,042,007	–
Actuarial losses (gains) due to:		
Changes in financial assumptions	(534,280)	(410,565)
Experience adjustments	(12,329,520)	(1,353,406)
Benefits paid for voluntary separation	(36,040,821)	(10,943,284)
Net acquired obligation due to employee transfers	(2,848,301)	775,629
Balances at end of year	₱71,451,274	₱107,282,522

Changes in the fair value of plan assets are as follows:

	2025	2024
Balances at beginning of year	₱629,051	₱607,357
Interest income included in net interest cost	36,886	270,338
Actual return excluding amount included in net interest cost	(7,920)	(248,644)
Benefits paid	(893,681)	–
Actual contributions	841,000	–
Balances at end of year	₱605,336	₱629,051



The fair value of plan assets pertained to cash and fixed-income investments by each class as at the end of the reporting period are as follows:

	2025	2024
Cash and fixed-income investments	₱605,336	₱629,051

All equity instruments held have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market. The plan assets have diverse investments and do not have any concentration risk.

The principal assumptions used as of December 31, 2025 and 2024 in determining pension benefit obligations for the Company's Plan are shown below:

	2025	2024
Discount rate	6.24%	6.12%
Salary increase rate:		
Land-based	3.00%	3.00%
Sea-based	3.00%	3.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, 2025 and 2024, assuming all other assumptions were held constant:

As of December 31, 2025

	Increase (decrease)	Effect on defined benefit obligation
Discount rate	+100 basis points	(₱4,147,941)
	-100 basis points	₱4,643,040
Salary increase rate	+100 basis points	₱5,105,389
	-100 basis points	(₱4,626,581)

As of December 31, 2024

	Increase (decrease)	Effect on defined benefit obligation
Discount rate	+100 basis points	(₱6,713,735)
	-100 basis points	₱7,564,572
Salary increase rate	+100 basis points	₱8,222,337
	-100 basis points	(₱7,396,479)

The Company expects to contribute ₱15,777,429 to the retirement fund in 2026.

The average duration of the defined benefit obligation is 8.41 years and 8.82 years as of December 31, 2025 and 2024, respectively.



20. Personnel Cost

	2025	2024	2023
Salaries and wages	₱121,827,398	₱119,318,957	₱144,224,688
Other employee benefits	24,169,025	47,519,194	27,814,189
Retirement expense (Note 19)	15,884,788	12,725,445	9,852,082
	₱161,881,211	₱179,563,596	₱181,890,959

21. Finance Costs and Other Charges

	2025	2024	2023
Interest expense on:			
Borrowings:			
Short -term borrowings	₱44,405,927	₱41,175,667	₱34,897,094
Long-term borrowings	4,443,420	9,558,970	15,731,507
Lease liabilities (Note 27)	15,548,251	18,779,648	16,877,602
Bank and other financing charges	845,641	905,308	1,137,552
	₱65,243,239	₱70,419,593	₱68,643,755

22. Other Income (Charges) - Net

	2025	2024	2023
Impairment loss on property and equipment (Note 9)	(₱35,375,306)	₱—	₱—
Income (loss) from insurance claims	30,503,100	9,456,764	(2,278,737)
Gain (loss) on disposal of property and equipment (Note 10)	14,157,257	(93,452,270)	697,008
Rental income and others	4,524,702	5,547,798	3,127,353
Net foreign exchange gains (losses)	942,017	(1,002,409)	(1,617,408)
Gain (loss) on pre-termination of lease	872,972	—	—
Interest income from bank deposits (Note 5)	44,763	49,343	91,621
	₱15,669,505	(₱79,400,774)	₱19,837

Income from insurance claims refers to shipping, container LOLO and other claims, which are part of the normal operating cycle of the Company, collected during the year.

23. Income Taxes

The Company's current provision for income tax represents regular corporate income tax (RCIT) in 2025, 2024 and 2023.



The reconciliation of income tax computed at the statutory income tax rate to provision for (benefit from) income tax as shown in the statements of income is as follows:

	2025	2024	2023
Income tax at statutory income tax rate	(P148,666,883)	(P135,864,919)	P26,285,409
Additions to (reductions in) income tax resulting from:			
Movement of unrecognized deferred tax assets	152,066,546	130,494,168	(37,826,883)
Transferred obligation	712,075	—	—
Nondeductible expenses	3,015,883	3,707,965	20,919,659
Interest income subjected to final tax	(11,191)	(12,336)	(22,905)
	P7,116,430	(P1,675,122)	P9,355,280

The components of the deferred income taxes are as follows:

	2025	2024
<i>Deferred income taxes recognized in the statement of income:</i>		
Deferred tax assets:		
Lease liabilities	P38,716,442	P58,498,180
Retirement benefit obligation	20,742,721	26,480,635
Unrealized foreign exchange losses	—	397,929
	59,459,163	85,376,744
Deferred tax liabilities		
Right-of-use assets	(33,961,795)	(53,019,384)
Deferred financing costs	(11,304)	(33,612)
Unrealized foreign exchange gains	(278,747)	—
	(34,251,846)	(53,052,996)
<i>Deferred income taxes recognized directly in equity:</i>		
Deferred income tax liability on revaluation increment on land	(25,784,841)	(25,784,841)
Deferred tax asset (liability) related to retirement benefit obligation	(3,031,237)	182,733
	(28,816,078)	(25,602,108)
Net deferred tax assets (liabilities)	(P3,608,761)	P6,721,640

No deferred income tax assets were recognized on the following deductible temporary differences because management believes that it is not probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized:

	2025	2024
Allowance for impairment losses on:		
NOLCO	P1,085,291,639	P514,547,141
Trade and other receivables	163,909,252	161,762,874
Deposit	4,105,842	4,105,842
	P1,253,306,733	P680,415,857



As of December 31, 2025, the Company has incurred NOLCO which can be claimed as deduction for the regular taxable income for the next three (3) consecutive taxable years as follows:

Year incurred	Availment period	Amount	Applied	Balance
2025	2026-2028	₱571,988,291	₱—	₱571,988,291
2024	2025-2027	514,547,141	—	514,547,141
		₱1,086,535,432	₱—	₱1,086,535,432

24. Equity

Capital Stock

On July 22, 1996, the Company listed its common stock with the PSE, wherein it offered 300,751,880 shares to the public at the issue price of ₱5.96 per share.

On September 4, 2006, the SEC approved the increase in the Company's authorized capital stock from ₱700.0 million divided into 400.0 million common shares, and 300.0 million preferred shares, both with a par value of ₱1.0 per share, to ₱1.0 billion divided into 895,058,756 common shares and 104,941,244 preferred shares, both with a par value of ₱1.00 per share. In separate meetings, the BOD and the shareholders resolved that the increase of the authorized capital stock shall be funded by the declaration of stock dividends equivalent to 75,187,967 common shares with a par value of ₱1.00 per share. On October 3, 2006, the PSE approved the application of the Company to list additional shares relating to the issuance of stock dividends.

On December 29, 2006, certain shareholders owning 96,125,243 preferred shares opted to convert their shares into 1 common share per 1 preferred share, plus stock dividends equivalent to 86.96% common share for every preferred share (equivalent to 83,587,161 shares). The Company filed Form 10.1 with SEC for the exemption from registration requirements of the converted 96,125,243 preferred shares into 179,712,404 common shares.

On September 21, 2007, the SEC approved the amendment of Article VII of the Company's Articles of Incorporation through the retirement of 8,816,001 preferred shares and conversion of 96,125,243 preferred shares into common shares resulting in the reduction of the Company's authorized capital stock to 991,183,999 with par value of ₱1.00 per share.

On November 28, 2007, the PSE has approved the Company's application to list additional 96,125,243 common shares to cover the underlying common shares for the conversion of a total of 96,125,243 preferred shares at a conversion rate of one (1) common share for every one (1) convertible preferred share. In addition, the PSE has approved the application of the Company to list additional 83,587,161 common shares, with a par value of ₱1.00 per share, to cover the 86.96% stock dividend declaration to the stockholders who opted to convert their preferred shares to common shares in 2007.

On December 26, 2024, the Company received ₱270 million capital infusion from NMC through issuance of additional shares from the unissued portion of the authorized capital stock to help settle its existing liabilities and for other general corporate purposes. The BOD approved the issuance of 270,000,000 common shares at its par value of ₱1.00 per share.

On May 30, 2025, majority of the Board of Directors approved the increase of the Company's authorized capital stock from ₱991,183,999, divided into 991,183,999 common shares with a par value of ₱1.00 per share, to ₱2,000,000,000 divided into 2,000,000,000 shares with a par value of ₱1.00 per share. This was likewise approved by stockholders representing at least 2/3 of the outstanding capital



stock at a meeting of the stockholders of the Company held on August 28, 2025.

Out of the ₱1,008,816,001, the amount of ₱252,204,001 has been subscribed by NMC. On March 25, 2026, the SEC approved the Company's application for the increase of its authorized capital stock.

As of December 31, 2025, total deposit for future stock subscription recorded in equity amounted to ₱400.61 million.

Presented below is the reconciliation of common stock as of December 31, 2025 and 2024:

	2025	2024
Authorized shares - ₱1 par value	991,183,999	991,183,999
Issued shares, beginning	825,652,251	555,652,251
Additions during the year	165,531,748	270,000,000
Issued shares, ending	991,183,999	825,652,251
Shares reacquired	1,010,000	1,010,000

The Company has 894 shareholders as of December 31, 2025 and 2024, respectively.

25. Earnings (Loss) Per Share

Following are the bases for the computation of earnings (loss) per share as of December 31:

	2025	2024	2023
Net income (loss) available to common shareholders	(₱601,783,963)	(₱541,784,555)	₱95,786,355
Weighted average number of outstanding common shares	990,173,999	824,642,251	554,642,251
Basic and diluted earnings (loss) per share	(₱0.61)	(₱0.97)	₱0.17

For the years ended December 31, 2025, 2024 and 2023, there were no shares of stock that have a potentially dilutive effect on the basic earnings (loss) per share of the Company.

26. Related Party Transactions

Parties are considered to be related if one party has the ability to control, directly or indirectly, the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

Transactions with related parties are accounted for based on the nature and substance of the agreement, and financial effects are included in the appropriate asset, liabilities, income and expense accounts.

Approval Requirements and Limits on the Amount and Extent of Related Party Transactions

Material related party transactions (MRPT) refers to any related party transactions, either individually, or in aggregate over a twelve (12)-month period with the same related party, amounting to ten percent (10%) or higher of the Company's total assets based on its latest audited financial statements.



All individual MRPT's shall be approved by at least two-thirds (2/3) vote of the BOD, with at least a majority of the Independent Directors voting to approve the MRPT. In case that a majority of the Independent Directors' vote is not secured, the MRPT may be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock.

Aggregate RPT transactions within a 12 -month period that meets or breaches the materiality threshold shall require the same BOD approval mentioned above.



The following are the more significant related party transactions and balances as of and for the years ended December 31, 2025, 2024 and 2023 not separately shown elsewhere in the financial statements.

Related Parties	Year	Revenue	Purchases	Insurance, Rental, and Other Services	Trade Receivables (Note 6)	Non-Trade Receivables (Note 6)	Trade Payables (Note 13)	Trade Amounts owed to related parties (Note 13)	Terms	Conditions
<i>Ultimate Parent</i> A. Magsaysay, Inc. (AMI)	2025	P-	P-	P3,572,563	P147	P-	P-	P107,914	Various; Payable within the following month	Unsecured;
	2024	P-	P-	P8,000,000	P-	P-	P12,159,772	P32,957,527		
	2023	P-	P-	P8,102,230	P-	P-	P14,419,803	P20,406,132		
<i>Parent:</i> NMC	2025	-	-	14,302,387	6,754,585	11,015,126	1,086,197	121,412	Various; Payable within the following month	Unsecured;
	2024	-	-	14,302,387	6,296,252	10,929,148	1,086,197	52,638,144		No impairment for receivables
	2023	-	-	19,302,387	-	8,442,513	289,945	52,602,853		
<i>Affiliates:</i> One Stop Logistics Solutions, Inc. (OLSI)	2025	16,664,677	-	1,522,681	4,020,623	84,538	1,405,358	1,054,111	Logistics services - Payable within the month	Unsecured; No impairment for receivables
	2024	38,815,061	395,589	-	9,383,939	84,538	203,126	1,054,111		
	2023	36,560,622	723,735	-	17,383,999	-	-	-		
One Stop Warehousing Solutions, Inc. (OWSI)	2025	44,869	-	-	734,027	-	-	1,808,799	Warehousing solutions - Payable within the month	Unsecured; No impairment for receivables
	2024	-	-	-	684,672	-	-	1,808,799		
	2023	-	-	-	701,614	-	28,856,761	1,808,799		
NMC Container Lines, Inc. (NMCCLI)	2025	-	-	228,719,317	-	-	74,981,965	70,388,843	Sea transport service/ Container van rental - Payable within the following month	Unsecured; No impairment for receivables
	2024	-	-	311,378,796	-	45,398	64,509,331	100,138,952		
	2023	-	-	265,585,148	26,049,982	11,354,530	-	100,792,108		
Magsaysay Shipmanagement, Inc. (MSI)	2025	-	-	18,003,880	-	625,542	81,579,538	-	Vessel maintenance and ship/crew management services - Payable within the following month	Unsecured; No impairment for receivables
	2024	-	-	27,291,276	-	625,542	66,863,822	375		
	2023	-	-	26,432,220	-	600,850	72,589,619	18,735		
Roadlink Solution Inc (RLSI)	2025	379,304	-	8,652,150	820,724	19,529,686	-	-	Trucking services; Payable in 30 days	Unsecured; No impairment for receivables
	2024	450,000	-	26,949,386	406,724	5,820,811	-	-		
	2023	362,500	-	55,521,457	211,239	23,327	2,333,404	-		
Marine Fuels Philippines, Inc. (MFPPI)	2025	-	39,748,429	-	-	-	217,487,502	38,459,877	Fuel - Payable in 30 days	Unsecured
	2024	-	314,758,267	8,595,844	-	-	285,892,339	15,084,137		
	2023	-	507,753,113	8,347,144	-	-	413,957,471	15,084,136		
<i>Forward</i>										



Related Parties	Year	Revenue	Purchases	Insurance, Rental, and Other Services	Trade Receivables (Note 6)	Non-Trade Receivables (Note 6)	Trade Amounts owed to		Conditions
							Payables (Note 13)	related parties (Note 13)	
NMC Ship Agency and Brokerage Inc (NAB)	2025	P-	P-	P821,548	P-	P-	P1,179,900	P-	Unsecured; No impairment for receivables
	2024	P-	P-	P917,299	P-	P-	P835,202	P-	Shipping Agent Payable in 30 days
	2023	P-	P-	P738,987	P260,700	P-	P695,432	P-	
Icebox Logistics Services, Inc. (ILSI)	2025	20,342,959	-	-	5,093,569	-	406,373	54,892	Unsecured; No impairment for receivables
	2024	46,923,907	-	2,147,803	6,867,099	24,541	406,373	33,750	Logistics services; Payable within the following month
	2023	44,249,466	-	-	10,228,718	26,003	406,373	-	Unsecured; No impairment for receivables
Global Process Manager Inc. (GPMI)	2025	-	-	6,871,414	-	343,264	2,341,414	1,331,746	Unsecured
	2024	-	-	11,203,130	-	206,910	3,041,687	3,180,287	Various; Payable within the following month
	2023	-	-	11,424,930	-	206,910	3,191,960	-	
Other shareholders: Others	2025	-	-	2,007,508	125,975	250,000	3,540,865	96,850	Unsecured; No impairment for receivables
	2024	-	6,833,383	18,738	36,960	250,000	2,400,051	1,506,006	Collectible/ payable within the following month
	2023	-	2,297,638	46,625	-	250,000	533,286	1,127,318	
Total	2025	P37,431,809	P39,748,429	P284,473,448	P17,549,650	P31,848,156	P384,009,112	P13,424,444	
	2024	P86,188,968	P321,987,239	P410,804,659	P23,675,646	P17,986,888	P437,397,900	P208,402,088	
	2023	P81,172,588	P510,774,486	P395,501,128	P54,836,252	P20,904,133	P539,274,054	P192,894,192	



Magsaysay Group of Companies

- AMI, ultimate parent, service fees paid to AMI for the centralized services of legal services, human resource organizational management, central purchasing unit and I.T. services.
- The Company has a service-level agreement with NMC, the parent company, covering certain services. Service fee charges to operations amounted to ₱14.30 million, ₱14.30 million and ₱19.30 million in 2025, 2024 and 2023, respectively.

In 2025 and 2024, the Company has advances from NMC amounting to ₱16.66 million and ₱38.81 million, which is due and demandable, unsecured and payable in cash.

- NMCCLI and MFPI are subsidiaries of NMC. NMCCLI has a sea transport service agreement with the Company while MFPI supplies fuel to the Company.
- The Company has service level agreement with GPMI for financing services. The service fees charged to operations amounted to ₱6.87 million, ₱11.20 million and ₱11.42 million in 2025, 2024 and 2023, respectively.
- MSI under common control with AMI. The Company entered into a ship management and vessel maintenance agreement with MSI whereby the Company appointed MSI as the manager of its vessels. The agreement is renewable annually.
- OLSI, a wholly-owned subsidiary of NMC, is engaged in warehousing, project and rolling cargo handling and other cargo related services.
- ILSI is a subsidiary of NMC. ILSI purchases container cargo slots (with power supply) on Company vessels for their refrigerated containers.
- NAB, RLSI and OWSI are wholly-owned subsidiaries of NMC.
- *Long-term borrowing with a related party*
On December 31, 2022, the Company has assessed that it will not be able to settle its trade payable amounting to ₱150,305,719, to MFPI (a wholly owned subsidiary of NMC) within the next twelve (12) months from the reporting period. Both entities agreed to convert the said amount to long-term, which is to be settled within two (2) years starting January 2023. In 2022, both parties agreed to revise the term of the loan to three (3) years and the repayment period to start in January 2024. The long-term payable is interest bearing at the prevailing market interest. On December 31, 2023, the Company and MFPI agreed to convert additional ₱100,206,638, which is to be settled within three (3) years starting January 2025. The long-term payable is interest bearing at the prevailing market interest. On December 28, 2025, LSC and NMC agreed that LSC shall assign and/or transfer and NMC shall accept and/or assume the obligation of LSC to pay MFPI the amount of ₱200,410,450.



Movements in other noncurrent liabilities in the statement of financial position are as follows:

	2025	2024
Balances at beginning of year	₱200,410,450	₱225,225,368
Conversion	—	—
Payments	—	(24,814,918)
Balances at ending of year	200,410,450	200,410,450
Less current portion	—	83,504,119
Noncurrent portion	₱200,410,450	₱116,906,331

The long-term payable bear annual interest at 7.25% to 8.00%, 7.25% to 8.00% and 4.46% to 7.25% in 2025, 2024 and 2023, respectively. Interest expense on long term loans amounted to ₱14.30 million, ₱16.42 million and ₱8.046 million in 2025, 2024 and 2023, respectively.

Other Shareholders

- Other related parties mentioned are businesses owned by various shareholders or directors of the Company and has transactions with the Company in the regular course of business.

All transactions with related parties are settled in cash.

Compensation of Key Management Personnel

	2025	2024	2023
Short-term employee benefits	₱19,296,181	₱19,773,939	₱20,182,324
Post-employment benefits	3,658,672	2,215,016	1,552,773
	₱22,954,853	₱21,988,955	₱21,735,097

27. Leases

Company as a lessee

The Company has lease contracts for various items of container yard, container vans, warehouse and equipment used in its operations. Leases of container yards generally have lease terms between 1.5 and 7 years, container vans generally have lease terms of 2 and 5 years, warehouse and equipment generally have lease terms between 4 and 4.5 years and office space has a lease term of 2 and 7 years. The Company's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Company is restricted from assigning and subleasing the leased assets.

The Company also has certain leases on container yards, container vans, warehouse and equipment with lease terms of 12 months or less. The Company applies the 'short-term lease' recognition exemptions for these leases.



The following are the amounts recognized in the statement of income:

	2025	2024	2023
Depreciation of ROU assets (Note 10)	₱81,728,254	₱77,915,834	₱67,221,937
Expenses relating to short-term leases included in:			
Cost of services (Note 16)	26,992,724	40,491,881	39,580,855
Terminal expenses (Note 17)	31,594,752	16,938,873	23,105,188
General and administrative expenses (Note 18)	1,212,884	1,216,236	1,539,850
Interest expense on lease liabilities (Note 21)	15,548,251	18,779,648	16,877,602
Unrealized foreign exchange loss (gain)	159,160	(897,164)	809,842
Total amount recognized in statements of income	₱157,236,025	₱154,445,308	₱149,135,274

The rollforward analysis of lease liabilities are as follows:

	2025	2024
At January 1	₱233,992,723	₱229,543,969
Additions (Note 10)	8,885,935	76,223,582
Pre-termination	(4,261,006)	—
Interest expense (Note 21)	15,548,251	18,779,648
Unrealized foreign exchange gain (loss)	159,160	(897,164)
Modification	—	—
Payments	(99,459,292)	(89,657,312)
As at December 31	₱154,865,771	₱233,992,723

Lease liabilities are presented in the statements of financial position as follows:

	2025	2024
Lease liabilities - current portion	₱69,154,289	₱51,448,615
Lease liabilities - noncurrent portion	85,711,482	182,544,108
	₱154,865,771	₱233,992,723

The Company has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Company's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised (see Note 4).

Shown below is the maturity analysis of the undiscounted lease payments as of December 31, 2024 and 2023:

	2025	2024
Within 1 year	₱100,545,540	₱98,087,786
More than 1 years to 2 years	50,683,819	91,422,991
More than 2 years to 3 years	31,576,317	42,319,257
More than 3 years to 4 years	6,115,228	25,513,678
More than 4 years to 5 years	—	2,642,895



28. Financial Instruments

Financial Risk Management Objectives and Policies

Risk management is carried out by the Management Committee (ManCom) under policies approved by the Executive Committee (ExCom) and the BOD. Audit Committee identifies, evaluates, and hedges financial risks in close cooperation with the Company's ManCom. ExCom and BOD approve written principles provided by ManCom for overall risk management, as well as written policies, covering specific ones such as internal control policies, freight policies, purchasing policies and operational policies among others.

The Company's principal financial liabilities consist of accounts payable and other current liabilities, borrowings and lease liabilities. The main purpose of these financial instruments is to raise funds for the Company's operations. The Company has various financial assets such as cash and cash equivalents, trade and other receivables and deposits included under other noncurrent assets which arise directly from its operations.

The Company's activities expose it to a variety of financial risks. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. Consistent with prior year, the Company's policies for managing each of these risks are summarized below:

Interest rate risk

The Company depends on funds procured from external sources to meet substantial capital expenditure requirements. The Company reviews its exposure to interest rate risk through quarterly monitoring of actual figures against projections. Management believes that cash generated from operations is sufficient to pay its obligations under the loan agreements as they fall due.

The following tables set out the undiscounted amounts as of December 31, 2025 and 2024 by maturity, of the Company's financial instruments that are exposed to interest rate risk:

Floating Rate		Within 1				Total
		Year	1-2 Years	3-5 Years	Over 5 Years	
Long-term borrowings	2025	₱24,027,376	₱210,053,848	₱—	₱—	₱234,081,224
	2024	₱82,817,762	₱66,151,095	₱135,188,195	₱—	₱284,157,052
Short-term borrowings	2025	386,531,935	—	—	—	386,531,935
	2024	413,912,279	—	—	—	413,912,279

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year.

Fixed Rate		Within 1				Total
		Year	1-2 Years	3-4 Years	Over 4 Years	
Lease liabilities	2025	₱100,545,540	₱50,683,819	₱31,576,317	₱6,115,228	₱188,920,904
	2024	₱98,087,786	₱91,422,991	₱67,832,935	₱2,642,895	₱259,986,607

Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument.

The other financial instruments of the Company that are not included in the above tables are noninterest-bearing and are therefore not subject to interest rate risk.



The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Company's income before tax (through the impact on floating rate borrowings):

	Year	Increase/Decrease in Basis Points	Effect on Loss Before Tax
Interest-bearing loans and borrowings	2025	+31	₱2,364,370
		-31	(2,364,370)
	2024	+32	₱2,899,571
		-32	(2,899,571)

The sensitivity of the Company's income is the effect of assumed changes in interest rates based on the bank's projection of 90-day interest rates using a combination of technical analysis and trending techniques.

There is no other impact on the Company's equity other than those already affecting the statement of income.

Foreign currency risk

The Company's foreign currency risk results primarily from the foreign exchange rate movements of the Philippine peso against foreign currencies. The Company resolved to mitigate this risk by taking advantage of market trends. Such trends are used to determine the proper timing of foreign currency transactions in order to realize a foreign currency gain.

The following table demonstrates the sensitivity to a reasonable change in the Philippine peso exchange rate in relation to foreign currencies based on the bank's projection of foreign currency fluctuations, with all variables held constant, of the Company's income before tax:

	Effect on Income Before Tax		
	Effect on Loss Before Tax 2025	2024	2023
US Dollar			
Strengthened (2025: 6%, 2024: 5%, 2023: 6%)	₱3,110,933	₱2,566,894	(₱4,030,456)
Weakened (2025: 6%, 2024: 5%, 2023: 6%)	(3,110,933)	(2,566,894)	4,030,456
Euro			
Strengthened (2025: 10%, 2024: 7%, 2023: 9%)	35,838	280,380	(903,025)
Weakened (2025: 10%, 2024: 7%, 2023: 9%)	(35,838)	(280,380)	903,025
Japanese Yen			
Strengthened (2025: 8%)	25,542	—	—
Weakened (2025: 8%)	(25,542)	—	—

There is no other impact on the Company's equity other than those already affecting the statement of income.



The Company's foreign currency denominated monetary assets and liabilities as of December 31 consist of:

	2025		
	US Dollar	Japanese Yen	Euro
Current assets	\$732,450	¥–	€–
Current liabilities	(606,942)	(680,400)	(6,485)
Noncurrent liabilities	(366,517)		–
Net foreign currency denominated liabilities	(241,009)	(680,400)	(6,485)
Exchange rate used	58.79	0.38	69.08
Peso equivalent	(P14,168,919)	(¥255,422)	(P447,970)

	2024	
	US Dollar	Euro
Current assets	\$545,706	€–
Current liabilities	(850,580)	(66,234)
Noncurrent liabilities	(582,634)	–
Net foreign currency denominated liabilities	(887,508)	(66,234)
Exchange rate used	57.85	60.47
Peso equivalent	(P51,342,338)	(P4,005,170)

The Company had a net unrealized foreign exchange gain of P0.96 million in 2025, net unrealized foreign exchange loss of P0.69 million in 2024 and net foreign exchange gain of P0.64 million in 2023, respectively.

Credit risk

Credit risk is defined as the risk of loss arising from the default of an individual, counterparty or issuer not being able to or unwilling to honor its contractual obligations. The Company's exposure to this risk is primarily due to its transactions with its trading customers.

The Company counters this risk by trading only with recognized, creditworthy third parties. It employs standard process in granting credit lines to customers. It performs thorough evaluation of its customers' operations and financial standing to ensure that its customers are able to meet its contractual obligation.

Trade and other receivables

Customer credit risk is managed by the Company subject to the Company's established policy, procedures and controls relating to customer credit risk management. The Company monitors receivable balances and ensures that customers are able to settle their obligation within the agreed terms. Its Credit and Collection Department is responsible for the collection of these receivables and ensures that customers are able to settle their obligation.

Cash in banks

Credit risk from cash in banks is managed by the Company's treasury department in accordance with the Company's policy.

The Company has the following financial assets that are subject to the expected credit loss model:



General Approach

- *Cash in banks.* The ECL relating to the cash of the Company is minimal as these are deposited in reputable banks which have good credit rating, and are considered to have lower credit risk.
- *Other receivables.* The Company did not recognize any allowance to receivable from counterparties based on benchmarking / use of external supplementary data. This assessment is undertaken each financial year through examination of the financial position of the related parties and the markets in which the related parties operates.
- *Refundable Deposits.* Refundable deposits are deposited with a third party which have good credit standing and are considered to have lower credit risk, hence, probability of default is expected to be less likely.

Simplified Approach

- *Trade receivables and contract assets.* The Company applied the simplified approach under PFRS 9, using a 'provision matrix', in measuring expected credit losses which uses a lifetime expected loss allowance for receivables. The expected loss rates are based on the payment profiles of revenues/sales over a period of at least 24 months before the relevant reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers/counterparties to settle the receivables. The Company has identified the core inflation rate to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor.

Amounts in millions	2025							
	Trade receivables							
	Contract assets	Days Past Due						Total
		Current*	1-30 days	31-60 days	61-90 days	Over 90 days	Specific identification	
Expected loss rate	1.61%	1.39%	2.61%	4.99%	10.03%	22.31%	100%	
Estimated gross carrying amount at default	₹2.48	₹230.16	₹45.28	₹8.82	₹3.49	₹23.62	₹153.39	₹467.24
Expected credit loss	₹0.04	₹3.20	₹1.18	₹0.44	₹0.35	₹5.27	₹153.39	₹163.87

*includes accrued receivables

Amounts in millions	2024							
	Trade receivables							
	Contract assets	Days Past Due						Total
		Current*	1-30 days	31-60 days	61-90 days	Over 90 days	Specific identification	
Expected loss rate	1.00%	0.97%	2.56%	5.55%	9.32%	13.81%	100%	
Estimated gross carrying amount at default	₹4.13	₹329.78	₹45.99	₹7.89	₹3.80	₹22.99	₹153.39	₹567.97
Expected credit loss	₹0.04	₹3.09	₹1.17	₹0.44	₹0.35	₹3.17	₹153.39	₹161.65

*includes accrued receivables

Concentration of risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic feature that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions, such as fluctuations in currencies or interest rates. The Company has no significant concentration of credit risk.

The Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of its financial assets.



The following table shows the Company's maximum exposure to credit risk:

	2025	2024
Cash in banks and cash equivalents	₱76,906,563	₱101,527,802
Trade and other receivables:		
Trade	300,887,081	402,115,929
Non-trade	31,848,156	17,986,888
Receivables from officers and employees	2,641,299	2,771,211
Other receivables	29,655,897	72,108,286
Deposits included in "Other noncurrent assets"	18,808,042	18,404,470
	₱460,747,038	₱614,914,586

Liquidity risk

Liquidity risk is the risk that the Company will not be able to settle or meet its financial obligations when they fall due. To mitigate exposure to such risk, the Company regularly monitors its cash position and loan due dates to ensure sufficient fund for working capital and to meet obligations as they fall due.

The tables below summarize the maturity profile of the Company's financial liabilities as of December 31, 2024 and 2023 based on contractual undiscounted cash flows. The table also analyses the maturity profile of the Company's financial assets in order to provide a complete view of the Company's contractual commitments.

The analysis into relevant maturity grouping is based on the remaining period at the end of the reporting period to the contractual maturity dates:

	2025			
	Less than 6 Months	6 Months to 1 Year	Over 1 Year	Total
<i>Financial liabilities:</i>				
Short-term borrowings*	₱386,531,935	₱-	₱-	₱386,531,935
Long-term borrowings*	12,013,688	12,013,688	9,643,398	33,670,774
Long-term borrowing - related party*	-	-	200,410,450	200,410,450
Lease liabilities	50,272,770	50,272,770	88,375,365	188,920,905
Accounts payable and other current liabilities**	1,207,234,678	-	-	1,207,234,678
	₱1,656,053,071	₱62,286,458	₱298,429,213	₱2,016,768,742
<i>Financial assets:</i>				
Cash	₱78,314,563	₱-	₱-	₱78,314,563
Trade and other receivables:				
Trade	70,730,914	230,156,167	-	300,887,081
Non-trade	31,848,156	-	-	31,848,156
Receivables from officers and employees	2,641,299	-	-	2,641,299
Other receivables	29,655,897	-	-	29,655,897
Deposits	485,100	1,352,968	16,969,974	18,808,042
	₱213,675,929	₱231,509,135	₱16,969,974	₱462,155,038

*Including interest

**Excluding statutory liabilities



2024				
	Less than 6 Months	6 Months to 1 Year	Over 1 Year	Total
<i>Financial liabilities:</i>				
Short-term borrowings*	P416,625,113	P—	P—	P416,625,113
Long-term borrowings*	24,411,739	18,143,614	33,670,774	76,226,127
Long-term borrowing - related party*	43,317,762	43,317,762	125,674,305	212,309,829
Lease liabilities	41,788,958	56,298,828	161,898,821	259,986,607
Accounts payable and other current liabilities**	1,393,346,409	—	—	1,393,346,409
	P1,919,489,981	P117,760,204	P321,243,900	P2,358,494,085
<i>Financial assets:</i>				
Cash	P102,795,802	P—	P—	P102,795,802
Trade and other receivables:				
Trade	307,430,376	94,685,553	—	402,115,929
Non-trade	17,986,888	—	—	17,986,888
Receivables from officers and employees	2,771,211	—	—	2,771,211
Other receivables	72,108,286	—	—	72,108,286
Deposits	485,100	1,352,968	16,566,402	18,404,470
	P503,577,663	P96,038,521	P16,566,402	P616,182,586

*Including interest

**Excluding statutory liabilities

To address the negative gaps, the Company can utilize its available unused credit lines, obtain continued financial support from its related parties, collection of insurance claims and various revenue enhancement programs and cost reduction initiatives to further improve the results of operations.

Classification and Fair Values of Financial Instruments

Set out below is a comparison by category of carrying amounts and fair values of the Company's financial instruments that are carried in the financial statements.

	Carrying Amount		Fair Value	
	2025	2024	2025	2024
<i>Amortized cost:</i>				
Deposits	P16,969,974	P16,566,402	P16,969,974	P16,566,402
<i>Other financial liabilities:</i>				
Long-term borrowings	32,302,014	71,712,781	32,302,014	71,712,781
Other noncurrent liabilities	200,410,450	175,595,532	200,410,450	175,595,532
	P232,712,464	P247,308,313	P232,712,464	P247,308,313

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

Cash and cash equivalents, trade and other receivables, contract assets, accounts payable and other current liabilities, and short-term borrowings

The management assessed that the fair values of cash and cash equivalents, trade and other receivables, contract assets, accounts payable and other current liabilities, short-term borrowings and long-term borrowings reclassified to current due to breach of contract terms approximate their carrying amount largely due to the relatively short-term maturity of these financial instruments.

Deposits included in "Other noncurrent assets"

The fair value of deposits under other noncurrent assets is estimated by discounting future cash flows using prevailing interest rates.



Long-term borrowings

The carrying amount of long-term borrowings approximate its fair value due to quarterly repricing of interest.

Other noncurrent liabilities

The carrying amount of other noncurrent liabilities approximate its fair value due to quarterly repricing of interest.

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
- Level 3: Those inputs for the asset or liability that are not based on observable market data (unobservable inputs)

As of December 31, 2025 and 2024, the Company held the following financial instruments that are carried at amortized cost but for which fair values are required to be disclosed:

December 31, 2025

	Total	Level 1	Level 2	Level 3
Disclosed at fair value:				
Deposits included in "Other noncurrent assets"	₱16,969,974	₱—	₱—	₱16,969,974
Long-term borrowings	32,302,014	—	—	32,302,014
Other noncurrent liabilities	200,410,450			200,410,450

December 31, 2024

	Total	Level 1	Level 2	Level 3
Disclosed at fair value:				
Deposits included in "Other noncurrent assets"	₱16,566,402	₱—	₱—	₱16,566,402
Long-term borrowings	71,712,781	—	—	71,712,781
Other noncurrent liabilities	200,410,450			200,410,450

There were no transfers between Level 1 and Level 2 fair value measurement, and there were no transfers into and out of Level 3 fair value measurement.

29. Capital Management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximize shareholder value.



The Company monitors capital using debt-to-equity ratio (see Note 14). Capital includes equity attributable to common shareholders, share premium and accumulated earnings. Debt includes all liabilities, current and long-term interest-bearing loans and borrowings and retirement obligation.

	2025	2024
Short-term borrowings and accounts payable and other current liabilities	₱1,665,787,187	₱1,896,179,865
Long-term borrowings	32,302,014	71,712,781
Long term payable to related party	200,410,450	200,410,450
Lease liabilities	154,865,771	233,992,723
Retirement benefit obligation	70,845,938	106,653,471
Total debt	2,124,211,360	2,508,949,290
Common stock	991,183,999	825,652,251
Additional paid-in capital	459,791,492	459,791,492
Deposit for future capital stock	400,613,366	—
Actuarial losses on defined benefit plan	(17,827,564)	(27,469,474)
Treasury shares	(3,125,850)	(3,125,850)
Revaluation increment	77,354,523	77,354,523
Deficit	(1,733,388,264)	(1,131,604,301)
Total equity	174,601,702	200,598,641
Total debt and equity	₱2,298,813,062	₱2,709,547,931

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may declare dividends, reacquire outstanding shares, or issue new shares.

No changes were made in the objectives, policies or processes on capital management during the years ended December 31, 2025 and 2024.

30. Other Matters

Contingencies

In the ordinary course of business, the Company is a defendant in various litigations and claims. The Company has an ongoing case with the Court of Tax Appeals (CTA). As of October 8, 2021, the CTA En Banc issued a resolution in favor of the Company, rendering the BIR assessment void and denying the “motion for reconsideration”. The Company’s legal counsel expects that the BIR will exhaust its legal remedies and will elevate the case to the Supreme Court of the Philippines.

On March 21, 2022, the Supreme Court (SC) issued a Notice of Resolution granting BIR’s Motion for Extension to File Petition for Review.

On October 20, 2023, the Supreme Court (SC) issued a Notice of Resolution that the BIR has failed to file the intended petition for review on certiorari within a period granted in the Resolution dated March 21, 2022 which expired on December 6, 2021. The Court resolved to declare the case closed and terminated.



31. Notes to Statement of Cash Flows

<i>Changes in liabilities arising from financing activities</i>	January 1, 2025	Cash flows	Foreign exchange Movement	Others	December 31 2025
Interest payable	P4,546,416	(P65,154,006)	P-	P61,400,193	P792,603
Short-term borrowings	413,912,279	(28,201,583)	-	-	385,710,696
Current portion of:					
Long-term borrowings	39,410,790	(39,500,000)	-	22,881,786	22,792,576
Long-term borrowing – related party	83,504,119	-	-	(83,504,119)	-
Lease liabilities	51,448,615	(83,911,041)	159,160	101,457,555	69,154,289
Noncurrent portion of:					
Long-term borrowings	32,301,991	-	-	(22,792,553)	9,509,438
Long-term borrowing with related party	116,906,331	-	-	83,504,119	200,410,450
Lease liabilities	182,544,108	-	-	(96,832,626)	85,711,482
Total liabilities from financing activities	P924,574,649	(P216,766,630)	P159,160	P66,114,355	P774,081,534

<i>Changes in liabilities arising from financing activities</i>	January 1 2024	Cash flows	Foreign exchange Movement	Others	December 31 2024
Interest payable	P4,389,216	(P70,262,393)	P-	P70,419,593	P4,546,416
Short-term borrowings	341,963,292	71,948,987	-	-	413,912,279
Current portion of:					
Long-term borrowings	67,120,578	(67,277,779)	-	39,567,991	39,410,790
Long-term borrowing – related party	24,814,918	(24,814,918)	-	83,504,119	83,504,119
Lease liabilities	65,247,182	(70,877,664)	(897,164)	57,976,261	51,448,615
Noncurrent portion of:					
Long-term borrowings	71,712,782	-	-	(39,410,791)	32,301,991
Long-term borrowing with related party	200,410,450	-	-	(83,504,119)	116,906,331
Lease liabilities	164,296,787	-	-	18,247,321	182,544,108
Total liabilities from financing activities	P939,955,205	(P161,283,767)	(P897,164)	P146,800,375	P924,574,649

<i>Changes in liabilities arising from financing activities</i>	January 1, 2023	Cash flows	Foreign exchange movement	Others	December 31, 2023
Interest payable	P4,103,020	(P69,738,324)	P-	P68,643,755	P4,389,216
Short-term borrowings	368,272,360	21,322,376	-	-	341,963,292
Current portion of:					
Long-term borrowings	93,594,418	(101,277,778)	-	66,817,179	67,120,578
Lease liabilities	44,694,345	(25,286,989)	-	50,101,907	24,814,918
Noncurrent portion of:					
Long-term borrowings	237,245,215	(68,819,135)	809,842	99,423,996	65,247,182
Long-term borrowing with related party	-	-	-	(66,513,771)	71,712,782
Lease liabilities	59,326,677	-	-	-	-
Total liabilities from financing activities	P807,236,035	P-	P809,842	P50,104,731	P200,410,450

Others include the effect of reclassification of non-current portion of long-term borrowings, effect of accrued but not yet paid interest, additions to lease liabilities and amortization of deferred transaction costs.



32. Supplementary Information Required Under Revenue Regulations (RR) 15-2010

In compliance with the requirements set forth by RR 15-2010, hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year.

VAT

The Company is a VAT-registered company with output VAT declaration for the year ended December 31, 2025 as follows:

	Net sales/ receipts	Output VAT
Taxable sales	₱1,515,528,765	₱181,863,452
Zero-rated sales/receipts	44,553,906	—
	₱1,560,082,671	₱181,863,452

The Company's sales that are subjected to VAT are reported under "Freight Revenue" and "Rental and Miscellaneous Income".

The movement in input VAT during the year is summarized below:

Balance at January 1	₱15,385,669
Current year's purchases:	
Services lodged under direct costs	204,849,585
Capital goods subject to amortization	—
Capital goods not subject to amortization	—
From importation	—
	220,235,254
Claims for tax credit/refund and other adjustments	7,293,911
Input tax application against output VAT	(181,863,452)
Balance at December 31	₱45,665,713

Importations

The landed cost of the Company's importations amounted to ₱21,272,757 for the year.

Documentary Stamp Taxes

The documentary stamp taxes (DST) accrued during the year on the bill of lading amounted to ₱793,880.

Other Taxes and Licenses:

Details of other taxes and licenses for the year ended December 31, 2025 follows:

DST on banks, loans, and leases	₱6,007,108
Custom duties	3,134,491
Fringe benefits	1,244,281
License and permit fees	1,052,350
Real property tax	185,099
Others	26,261,365
	₱37,884,694



Withholding Taxes

Details of withholding taxes for the year ended December 31, 2025 follows:

Expanded withholding taxes	₱34,780,094
Tax on compensation and benefits	9,534,447
Final withholding taxes	2,134,675
	<u>₱46,449,216</u>

2019 Tax Assessment

On May 23, 2025 the Company settled deficiency taxes on expanded withholding tax, documentary stamp tax, registration fee, and miscellaneous tax amounting to ₱7,621,013, inclusive of penalties.

On July 15, 2025, the Company settled deficiency taxes on income tax, value-added tax and miscellaneous taxes amounting to ₱12,754,087, inclusive of penalties.

The Company is currently not involved in any tax cases, preliminary investigations, litigation or prosecution in courts outside of BIR.



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
Lorenzo Shipping Corporation
20th Floor Times Plaza Building
United Nations Avenue, Ermita, Manila

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Lorenzo Shipping Corporation (the Company) as at December 31, 2025 and 2024, and for each of the three years in the period ended December 31, 2025, and have issued our report thereon dated May 15, 2026. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Peter John R. Ventura

Partner

CPA Certificate No. 0113172



BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026

SEC Partner Accreditation No. 113172-SEC (Group A)

Valid to cover audit of 2022 to 2026 financial statements

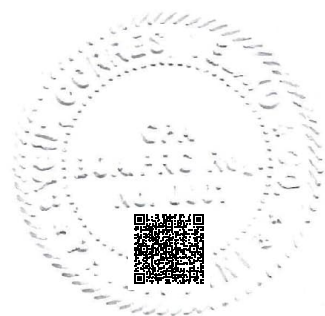
SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements

BIR Accreditation No. 08-001998-158-2024, October 2, 2024, valid until October 1, 2027

PTR No. 10765147, January 2, 2026, Makati City

May 15, 2026



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

The Board of Directors and Stockholders
Lorenzo Shipping Corporation
20th Floor Times Plaza Building
United Nations Avenue, Ermita, Manila

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Lorenzo Shipping Corporation (the Company) as at December 31, 2025 and 2024, and for each of the three years in the period ended December 31, 2025, and have issued our report thereon dated May 15, 2026. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information contained in the attached statements of financial position as of December 31, 2025 and 2024 and statements of income for each of the three years in the period ended December 31, 2025 of the vessel operations of the Company in this Annual Report is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information as set forth in this Annual Report required by Section 17 (h) of Commonwealth Act No. 146, as amended. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Peter John K. Ventura

Partner

CPA Certificate No. 0113172



BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026

SEC Partner Accreditation No. 113172-SEC (Group A)

Valid to cover audit of 2022 to 2026 financial statements

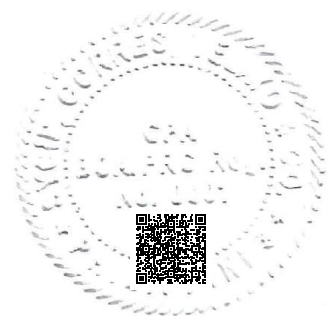
SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements

BIR Accreditation No. 08-001998-158-2024, October 2, 2024, valid until October 1, 2027

PTR No. 10765147, January 2, 2026, Makati City

May 15, 2026





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

Tel: (632) 8891 0307
Fax: (632) 8819 0872
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INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
Lorenzo Shipping Corporation
20th Floor Times Plaza Building
United Nations Avenue
Ermita, Manila

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Lorenzo Shipping Corporation (the Company) as at December 31, 2025 and 2024 and for each of the three years in the period ended December 31, 2025, and have issued our report thereon dated May 15, 2026. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) Accounting Standards and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS Accounting Standards. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2025 and 2024 and for each of the three years in the period ended December 31, 2025 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Peter John R. Ventura

Partner

CPA Certificate No. 0113172



BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026

SEC Partner Accreditation No. 113172-SEC (Group A)

Valid to cover audit of 2022 to 2026 financial statements

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements

BIR Accreditation No. 08-001998-158-2024, October 2, 2024, valid until October 1, 2027

PTR No. 10765147, January 2, 2026, Makati City

May 15, 2026



LORENZO SHIPPING CORPORATION
INDEX TO THE SUPPLEMENTARY SCHEDULES

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Indebtedness to related parties	F
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SCHEDULE I
RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
As at December 31, 2025

LORENZO SHIPPING CORPORATION
20th Floor Times Plaza Building, United Nations Avenue, Ermita Manila

Unappropriated Retained Earnings, beginning of reporting period		(P1,166,363,226)
Add: <u>Category A:</u> Items that are directly credited to Unappropriated Retained Earnings		
Reversal of Retained Earnings Appropriation/s	—	
Effect of restatements or prior-period adjustments	—	
Others	—	—
Less: <u>Category B:</u> Items that are directly debited to Unappropriated Retained Earnings		
Dividend declaration during the reporting period	—	
Retained earnings appropriated during the reporting period	—	
Effect of restatements or prior period adjustments	—	
Others	—	—
Unappropriated Retained Earnings, as adjusted		(1,166,363,226)
Add/Less: Net Income (loss) for the current year		(601,783,963)
Less: <u>Category C.1:</u> Unrealized income recognized in the profit or loss during the reporting period (net of tax)		
Equity in net income of associate/joint venture, net of dividends declared	—	
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	—	
Unrealized fair value adjustments (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	—	
Unrealized fair value gain of Investment Property	—	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	—	
Sub-total	—	
		—
Add: <u>Category C.2:</u> Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)		
Realized foreign exchange gain, except those attributable to Cash and cash equivalents	—	
Realized fair value adjustment (mark-to-market gains) of financial instruments at FVTPL	—	
Realized fair value gain of Investment Property	—	
Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	—	
Sub-total	—	
		—

(Forward)

Add: Category C.3: Unrealized income recognized in the profit or loss in prior reporting periods but reversed in the current reporting period (net of tax)

Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	—	
Reversal of previously recorded fair value adjustment (mark-to-market gains) of financial instruments at FVTPL	—	
Reversal of previously recorded fair value gain of Investment Property	—	
Reversal of other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS, previously recorded	—	
Sub-total		—
Adjusted Net Income/Loss		(601,783,963)

Add: Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)

Depreciation on revaluation increment (after tax)	—	
Sub-total		—

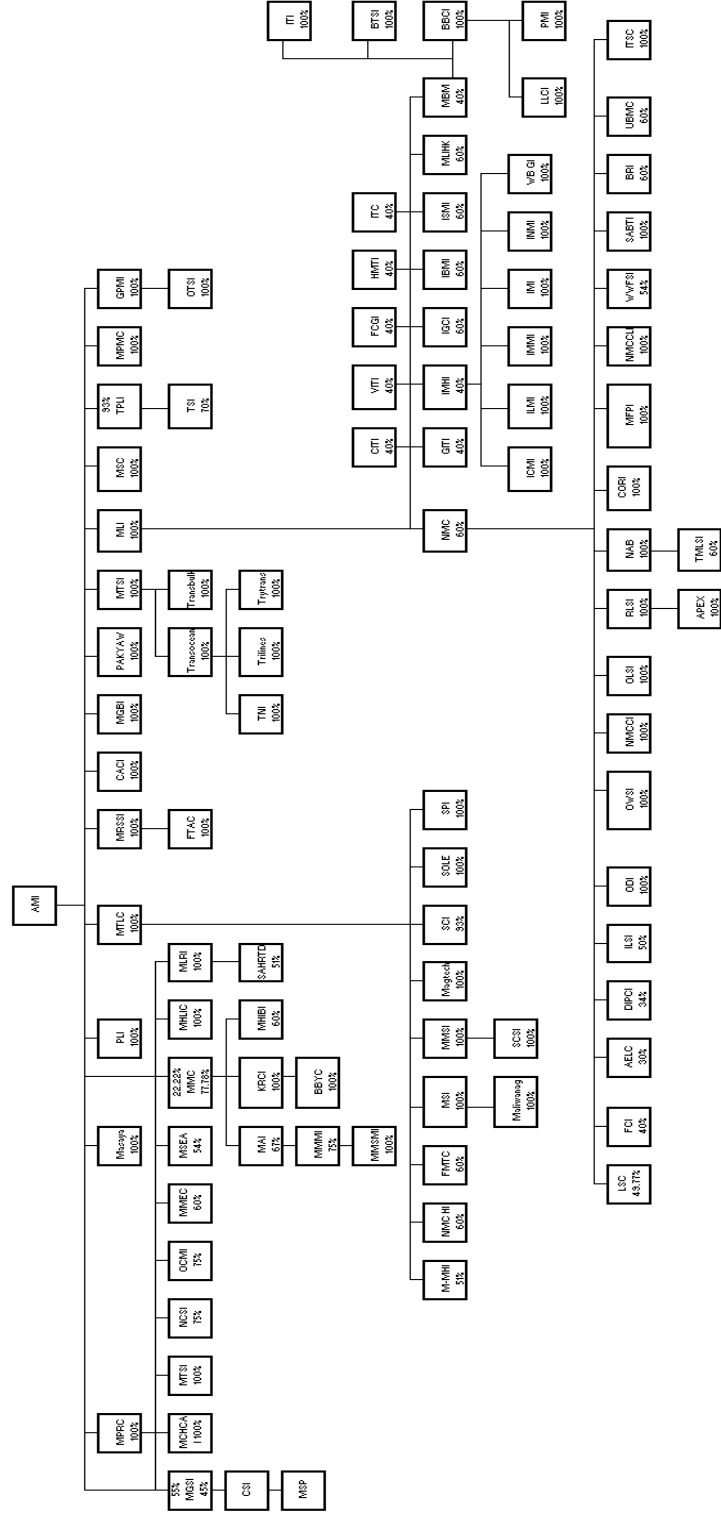
Add/Less: Category E: Adjustments related to relief granted by the SEC and BSP

Amortization of the effect of reporting relief	—	
Total amount of reporting relief granted during the year	—	
Others	—	
Sub-total		—

Add/Less: Category F: Other items that should be excluded from the determination of the amount available for dividends distribution

Net movement of treasury shares (except for reacquisition of redeemable shares)	(6,135,843)	
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	—	
Net movement in the deferred tax asset and deferred tax liabilities related to same transaction, e.g., set up of right of use of asset and lease liability, set-up of asset and asset retirement obligation, and set-up of service concession asset and concession payable	(724,149)	
Adjustment due to deviation from PFRS/GAAP – gain (loss)	—	
Others	—	
Sub-total		(6,859,992)
Total Retained Earnings, end of the reporting period available for dividend		(₱1,761,287,197)

**MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANY AND ITS ULTIMATE PARENT COMPANY, MIDDLE PARENT, SUBSIDIARIES OR CO-SUBSIDIARIES, ASSOCIATES, WHEREVER LOCATED OR REGISTERED
PURSUANT TO REVISED SRC RULE 68
DECEMBER 31, 2025**



Abbreviation	Company Name
AMI	A. Magsaysay, Inc.
MASAYA	Masaya Realty Company, Inc.
PLI	Peoplelink, Incorporated
MRSSI	Magsaysay Resources and Support Services, Inc.
FTAC	Fairex Trading Asia Corporation
CACI	CreativesAsia Company, Inc.
MGBI	Magsaysay Global BPO, Inc.
PAKYAW	Pakyaw.Com, Inc.
MSC	Magsaysay Shipping Corporation
MPMC	Magsaysay Property Management Corporation
GPMI	Global Process Manager, Inc.
TPLI	TravelPeople Ltd, Inc.
TSI	TravelServices, Inc.
MLIHK	Magsaysay Lines, Inc. - Hong Kong
MPRC	Magsaysay People Resources Corp.
MGSI	Magsaysay Global Services, Inc.
CSI	Careline Services, Inc.
MSP	Medical Staffing Pro
MCHCAI	Magsaysay Center of Hospitality and Culinary Arts Inc.
NCSI	Navia Crewing Services, Inc.
MSEA	Magsaysay Seacor, Inc.
MHLIC	Magsaysay Human Language Institute Corp
MLRI	Magsayay Learning Reasources, Inc.
SAHRTDI	Star of Asia Human Resource Training and Development, Inc.
MMC	Magsaysay Maritime Corporation
MAI	Magsaysay Agencies, Inc.
MMMI	Magsaysay MOL Marine, Inc.
MMSMI	Magsaysay MOL Ship Management, Inc.
KRCI	Kaligayahan Realty Co., Inc.
BBYC	Boracay Beach and Yatch Club, Inc.
MHIBI	Magsaysay Houlder Insurance Brokers, Inc.
MLI	Magsaysay Lines, Inc.
MTSI	Magsaysay Trade and Shipping, Inc.
TRANSOCEAN	Transocean Transport Corporation
TRANSBULK	Transbulk Shipping Corp
TNI	Transportes Navieros, Inc
TRILINES	Trilines Shipping, Inc.
TRYTRANS	Trytrans Shipping Corporation
IGCI	Isla Gas Carriers Inc.
IBMI	Isla Bohol Maritime Inc.
ISMI	Isla Samar Maritime Inc.
NMC	National Marine Corporation
LSC	Lorenzo Shipping Corporation
FCI	Fasteranes, Inc.
AELC	Asiaport Equipment and Logistics Corporation
DIPCI	Dapitan Integrated Port Complex, Incorporated
ILSI	Icebox Logistics Services, Inc.
ODI	One Stop Distribution, Inc.
OWSI	One Stop Warehousing Solutions, Inc.
NMC CI	NMC Chartering Co., Inc.
OLSI	One Stop Logistics Solutions, Inc.
RLSI	Road Link Solutions, Inc.
CORI	Clean Oil Resources, Inc.

Abbreviation	Company Name
MFPI	Marine Fuels Philippines, Inc.
NMC CLI	NMC Container Lines, Inc.
WWFSI	World Wide Food Supply, Inc.
SABTI	Southeast Asian Bunkers and Terminals, Inc.
ITSC	Islas Tankers Seatransport Corporation
NAB	NMC Ship Agency and Brokerage, Inc.
BRI	Bestenergy Resources, Inc.
UBMC	Union Bulk Maritime Corporation
APEX	Apex Equipment Corporation
TMLSI	T.M Logistics Solutions, Inc.
MTLC	Magsaysay Transport and Logistics Corp.
NMC HI	NMC Holdings, Inc.
FMTC	Filipinas Maritime Transport Corporation
MSI	Magsaysay Shipmanagement, Inc.
MMSI	Magsaysay Marine Services, Inc.
MALIWANAG	Maliwanag Realty Company, Inc.
SCSI	SC Ship Services, Inc.
MAGTECH	Magtech Solutions and Marine Consultancy Services, Inc.
SCI	Sun Cruises, Inc.
SOLE	Sole Cruises, Inc.
SPI	Storage Philippines, Inc.
MBM	MBM Maritime Holdings, Inc.
BBCI	Batangas Bay Carriers, Inc.
LLCI	Laguna Lake Carriers, Inc.
PMI	Paros Maritime, Inc.
IMHI	Islas Maritime Holdings, Inc.
BTSI	Batangas Trader Shipping, Inc.
ITI	Isla Tankers, Inc.
CITI	Cuyo Island Tankers, Inc.
FGCI	Filipinas Gas Carriers, Inc.
GITI	Guimaras Island Tankers, Inc.
HMTI	Harvest Moon Tankers, Inc.
ICMI	Isla Cebul Maritime Inc.
ILMI	Isla Luzon Maritime Inc.
IMMI	Isla Mindanao Maritime Inc.
IMI	Isla Mindoro Maritime Inc.
INMI	Isla Negros Maritime Inc.
ITC	Isla Tankers Shipping Copr.
WB GI	WB Gas, Inc.
VITI	Verde Island Tankers, Inc.
OCMI	Orione Crewing Management, Inc.
MMEC	MM Empower Corp.
M-MHI	Magsaysay-Mlg Holdings, Inc.

SCHEDULE III
LORENZO SHIPPING CORPORATION
SCHEDULE A
FINANCIAL ASSETS
December 31, 2025

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the statement of financial position	Income received and accrued
Cash and cash equivalents:	P—	P78,314,563	P44,763
Trade and other receivables:	—		—
Trade	—	300,887,081	—
Non-trade	—	31,848,156	—
Insurance claims	—	—	—
Receivables from officers and employees	—	2,641,299	—
Other receivables	—	29,655,897	—
Deposits	—	18,808,042	—
Total	P—	P462,155,038	P44,763

LORENZO SHIPPING CORPORATION

SCHEDULE B

AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)

December 31, 2025

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
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NOT APPLICABLE

LORENZO SHIPPING CORPORATION
SCHEDULE C
AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED
DURING CONSOLIDATION
December 31, 2025

Name and Designation of Debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
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NOT APPLICABLE

LORENZO SHIPPING CORPORATION
SCHEDULE D
INTANGIBLE ASSETS - OTHER ASSETS
December 31, 2025

Description	Beginning balance	Additions at Cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
Computer software	P2,164,932	P-	(P895,834)	P-	P-	P1,269,098

LORENZO SHIPPING CORPORATION
SCHEDULE E
LONG TERM DEBT
December 31, 2025

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption		Notes
		caption "Current portion of long-term debt"	caption "Long-term Debt"	
Rizal Commercial Banking Corporation	₱137,000,000	₱22,833,333	₱9,513,889	Balance of loan obtained from RCBC of ₱137.00 million, availed last May 6, 2020 and will mature on May 6, 2027. The loan is payable monthly in 72 equal monthly installments starting May 6, 2021. Annual interest rate is equal to the BVAL plus 2.5% spread.

LORENZO SHIPPING CORPORATION
SCHEDULE F
INDEBTEDNESS TO RELATED PARTIES (LONG - TERM LOANS FROM RELATED COMPANIES)
December 31, 2025

Name of the Related Party	Balance at beginning of period	Balance at end of period
National Marine Corporation	P-	P200,410,450

LORENZO SHIPPING CORPORATION
SCHEDULE G
GUARANTEES OF SECURITIES OF OTHER ISSUERS
December 31, 2025

Name of the issuing entity of securities guaranteed by the company for which the statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is lifted	Nature of guarantee
---	--	---	--	---------------------

NOT APPLICABLE

LORENZO SHIPPING CORPORATION
SCHEDULE H
CAPITAL STOCK
December 31, 2025

Title of issue	Number of shares authorized	Number of shares issued and outstanding and shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	No of shares held by			Treasury Shares
				Affiliates	Directors, Officers and Employees	Others	
Common shares	991,183,999	991,183,999	–	888,514,109	248,002	101,411,888	1,010,000

LORENZO SHIPPING CORPORATION
SCHEDULE SHOWING FINANCIAL SOUNDNESS
PURSUANT TO REVISED SRC RULE 68
DECEMBER 31, 2025, 2024 and 2023

Ratio	Formula	2025	2024	2023
Current/Liquidity ratios:				
Current ratio	Current assets divided by current liabilities	0.38	0.39	0.49
Quick ratio	Cash and cash equivalents plus trade and other receivables plus contract assets divided by current liabilities	0.25	0.29	0.36
Solvency ratios and debt to equity ratio:				
Debt-to-equity ratio	Total debt divided by total equity	12.19	12.51	5.63
Solvency ratio	Total assets divided by total debt	1.08	1.08	1.18
Financial leverage ratios:				
Asset-to-equity ratio	Total asset divided by total equity	13.19	13.51	6.63
Interest rate coverage ratio	Earnings before interests and taxes divided by total interest expense	-8.23	-6.82	2.56
Profitability ratios:				
Return on assets	Net income (loss) divided by total assets	-26.14%	-20.00%	3.10%
Return on equity	Net income (loss) divided by total equity	-344.66%	-270.08%	20.53%
Net profit margin	Net income (loss) divided by total revenue	-40.43%	-23.15%	2.92%

LORENZO SHIPPING CORPORATION
SUPPLEMENTARY SCHEDULE OF EXTERNAL AUDITOR
FEE-RELATED INFORMATION
DECEMBER 31, 2025

	Current year (2025)	Prior Year (2024)
Total Audit Fees (Section 2.1a)	₱1,603,800	₱1,603,800
Non-audit services fees:		
Tax services	–	–
Total Non-audit fees (Section 2.1b)	–	–
Total Audit and Non-audit fees ¹	₱1,603,800	₱1,603,800

¹The above fees are based on engagement agreements signed with SGV &Co. within the year reported and are exclusive of 12% VAT and out-of-pocket expenses.



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

The management of *Lorenzo Shipping Corporation* (the Company) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2025 and 2024 in accordance with the prescribed financial reporting framework, and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Sycip Gorres Velayo & Co., the independent auditor appointed by the stockholders has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature

DORIS TERESA M. HO

Chairman of the Board

REYNOLD JOHN B. MADAMBA

President

AMELITA M. INTALAN

Chief Financial Officer

Signed this _____ day of _____

SUBSCRIBE AND SWORN IN
CITY OF MAKATI **MAY 15 2026**

DUG. INC. 302
PAGE NO. 62
BOOK NO. 55661
SERIES OF 2006

ATTY. RYAN ANTHONY G. PEREÑA

NOTARY PUBLIC for MAKATI CITY

Commission No. M-012 until Dec. 31, 2027

Roll of Attorneys 77327

PTR No. 10764513; 01/02/2026 until 12-31-26: Makati City
IBP OR No. 566188; 12/15/2025 until 12-31-26: Pasig City
MCLE Compliance No. VIII-0000389 until April 14, 2028
8553 San Jose St., Guadalupe Nuevo, Makati City

LORENZO SHIPPING CORPORATION
20th Floor, Times Plaza Building,
United Nations Avenue corner Taft Avenue,
Ermita, Manila (1000) Philippines
Tel. (632) 527.5555
Fax. (632) 527.1717
www.lsl.com.ph

No. 00000000000000000000

Richelle R. Pambid

From: eafs@bir.gov.ph
Sent: Friday, May 15, 2026 11:48 PM
To: Leizel L. Antoni
Cc: Richelle R. Pambid
Subject: Your BIR AFS eSubmission uploads were received

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Hi LORENZO SHIPPING CORPORATION,

Valid files

- EAFS000628958ITRTY122025.pdf
- EAFS000628958AFSTY122025.pdf
- EAFS000628958RPTTY122025.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-76G5GAHD0B6D89BKANYX3Y31W0NQMQTM44**
Submission Date/Time: **May 15, 2026 11:47 PM**
Company TIN: **000-628-958**

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- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

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Exhibit B



SUSTAINABILITY REPORT

Reporting Period: 1 January 2025 – 31 December 2025

COMPANY DETAILS	
Lorenzo Shipping Corporation (LSC) is a Philippine based publicly listed corporation which provides containerized shipping services. It operates five (5) vessels that call nine (9) major ports in the country. LSC has evolved from being a provider of port-to-port and door-to-door services for full container load (FCL) and less-than container load (LCL) shipments into a solutions provider company capitalizing on the logistics strengths of its affiliates. It prides itself on a highly responsive, innovative, customer and safety-focused organization, which makes it the most preferred domestic shipping company. Our customers trust us because of our wide reach, high-capacity ships, frequency, and friendly yes-we-can service. LSC's passion for excellence and digital transformation initiatives will ensure that we deliver the products of our customers safe and on time, all the time.	
Name of the Organization	LORENZO SHIPPING CORPORATION
Location of Office	20 th Floor, Times Plaza Building, UN Avenue corner Taft Avenue, Ermita, Manila, Philippines
Location of Operations	Manila, Cebu, Iloilo, Cagayan de Oro, Davao, General Santos, Cotabato, Bacolod, Zamboanga
Highest Ranking Person Responsible for this Report	Reynold John B. Madamba – President Denise Dominique L. Calvo – Compliance Officer

MESSAGE FROM THE PRESIDENT

Salutations to all as I welcome you to the 2025 Lorenzo Shipping Corporation Sustainability Report.

Year 2025 for the Philippine domestic shipping industry was marked by an increase in fleet tonnage and ship calls, and institutionalized regulatory reforms to improve safety and operational efficiency.

Internally, we braved operational challenges that impacted our vessel reliability which consequently limited our revenue potential through number of completed voyages.



RJ Madamba
President and COO

Notwithstanding these challenges, we focused on refining and upgrading existing systems in order to elevate customer experience. We initiated programs and projects that rationalized resources and improved efficiencies that still enabled our company to deliver safe, dependable, and timely services both at sea and on land.

Our expedition toward optimized operations and an enhanced customer journey keeps on firing on all cylinders. We have defined strategic initiatives spanning the short, medium, and long term, with a strong emphasis on innovation, efficiency, and service excellence.

Lorenzo Shipping's enduring strength is built on the collective commitment and cohesion of our people, onshore and offshore, along with our valued partners, providers, affiliates, management, and our Board of Directors. With this strong foundation, I am confident we will continue to build on our achievements and lay the groundwork for long-term, sustainable success.

Our core values of excellence, integrity, enthusiasm, accountability, innovation, resilience, dynamism, and our guiding principle of **WE CARE** remain impactful and relevant. These values, paired with our entrepreneurial spirit and steadfast integrity, fuel our mission to serve our clients and communities by empowering efficient and reliable movement of goods across the country.

Sustainability remains a central pillar of our corporate identity. We are committed to synthesizing environmental stewardship, economic responsibility, and social equity into every facet of our operations. This report reflects our ongoing efforts to be a responsible corporate citizen and a proactive force for positive change.

As we look ahead, we recognize that sustainability is not just a goal. It is a necessity. It is essential to protecting the long-term interests of all our stakeholders: our shareholders, customers, suppliers, employees and their families, and the communities and environment we serve.

United as one, we step forward with strength, resilience, and a vision for tomorrow.



THE BOARD OF DIRECTORS:

Ms. Doris Teresa Magsaysay-Ho – Chairman
Mr. Antony Louis L. Marden – Vice Chairman
Mr. Reynold John B. Madamba – President and Chief Operating Officer
Mr. Michael L. Escaler – Director
Mr. Deogracias N. Vistan – Lead Independent Director
Mr. Rene J. Buenaventura – Independent Director
Mr. Virgilio L. Peña – Independent Director

THE EXECUTIVE COMMITTEE:

Ms. Doris Teresa Magsaysay-Ho – Chairperson
Mr. Antony Louis L. Marden – Member
Mr. Reynold John B. Madamba – Member

THE AUDIT COMMITTEE:

Mr. Deogracias N. Vistan – Chairperson
Mr. Antony Louis L. Marden – Member
Mr. Michael L. Escaler – Member
Mr. Rene J. Buenaventura – Member
Mr. Virgilio L. Peña – Member

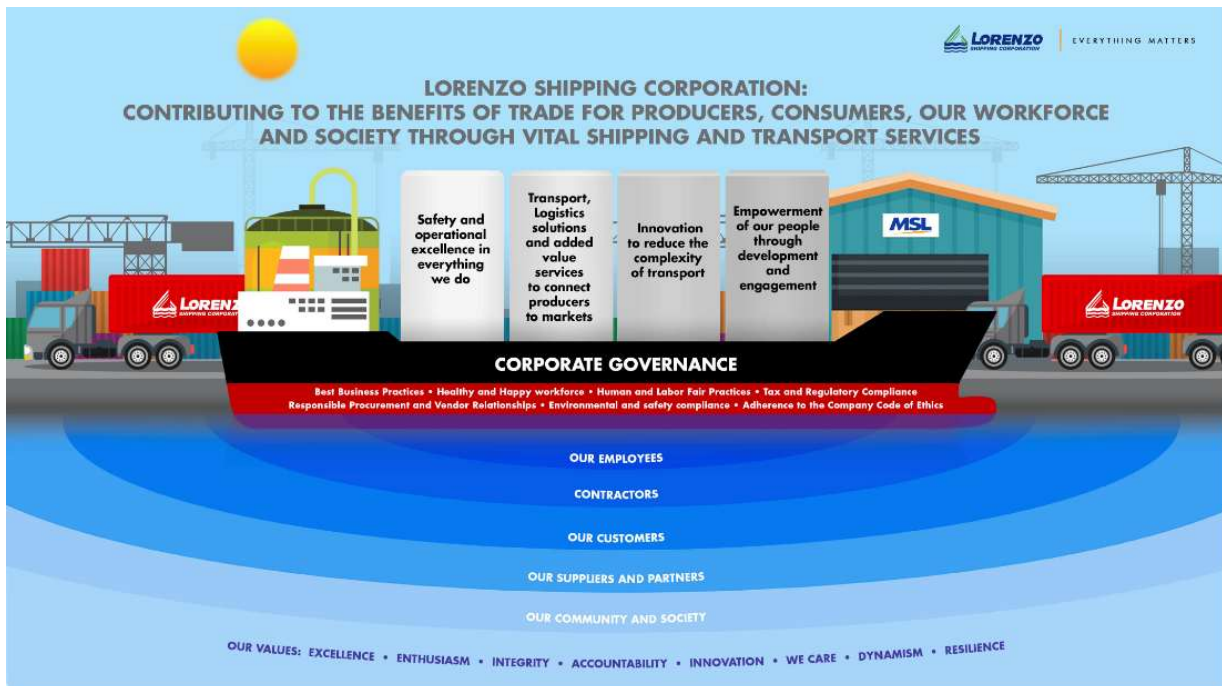
THE CORPORATE GOVERNANCE AND RISK OVERSIGHT COMMITTEE:

Mr. Rene J. Buenaventura – Chairperson
Mr. Deogracias N. Vistan – Member
Mr. Virgilio L. Peña – Member
Mr. Antony Louis L. Marden – Adviser
Mr. Michael L. Escaler – Adviser

THE RELATED PARTY TRANSACTIONS (RPT) COMMITTEE:

Mr. Virgilio L. Peña – Chairperson
Mr. Antony Louis L. Marden – Member
Mr. Michael L. Escaler – Member
Mr. Deogracias N. Vistan – Member
Mr. Rene J. Buenaventura – Member

OUR BUSINESS AND SUSTAINABILITY STRATEGY



OUR PURPOSE	Contributing to the benefits of trade for producers, consumers, our workforce and society through vital shipping and transport services.			
OUR VISION	To be the preferred shipping and transport partner offering competitive, reliable, quality and safe services.			
OUR STRATEGIES	Safety and operational excellence in everything we do	Transport solutions and added value services to connect producers to markets	Innovation to reduce the complexity of transport	Empowerment of our people through development and engagement
OUR PRIORITIES	- Safety Programs - LSR (Life Saving Rules) - Quality Systems	- Empowering MSMEs - Supporting producers' growth and needs - Reducing food waste	- 100% digital connectivity for a great customer journey - Efficient through digitalization and innovation	- Learning and Performance initiatives for the workforce, contractors and suppliers



CORPORATE GOVERNANCE						
OUR BEST BUSINESS PRACTICES	Healthy and Happy Workforce	Human and Labor Fair Practices	Tax and Regulatory Compliance	Responsible Procurement and Vendor Relationships	Environmental and Safety Compliance	Adherence to the Company Code of Ethics
OUR COMMUNITY	OUR EMPLOYEES AND CONTRACTORS					
	OUR CUSTOMERS					
	OUR SUPPLIERS AND PARTNERS					
	OUR COMMUNITIES AND SOCIETY					
OUR VALUES	Excellence Enthusiasm Integrity Accountability Innovation We Care Dynamism Resilience					

PURPOSE: *Contributing to the Benefits of Trade*

Goal	Program	Impact
Job creation and reduction of poverty	Revenue Generating Plans and Cost Rationalization that will keep the company sustainable	Assurance to personnel of continued employment and source of income
Inclusion – Procurement from MSMEs	Policy for Procurement from MSMEs when comparable	92% of awarded transactions are given to MSMEs
Inclusion – Procurement from Women Owned Business	Policy for Procurement from women owned businesses when comparable	14% of awarded transactions are given to women owned businesses
Inclusion – Procurement from local producers	Policy for Procurement from local producers when comparable	94% of awarded transactions were made to local suppliers (Filipino owned companies)
Inclusion of the local Community where we work	Policy for Procurement on the engagement of local vendors within the vicinity of the offices or area of operations	70% of supplier engagement/transactions were from the local community where the business offices are located.

STRATEGY: *Safety and operational excellence in everything we do*

Priorities	Projects	Metrics	Impact
Safety and operational excellence	- Zero Harm - OSH information and education campaign - Emergency Response Team - Duties and Responsibilities Orientation - Implementation of LSRs (Life-Saving Rules) - I Care Stop Work Policy - Zero Harm – Occupational Safety and Health - learning bites through email blast campaign - Fire Safety – awareness and fire drill exercise - Crew Conference on Health and Safety Talk engagement on: a. Tuberculosis Prevention in the Workplace b. STI/HIV/AIDS Prevention in the workplace	- 100% released of materials in accordance with DOH and DOLE, HSES Calendar of activities - 100% Attendance - Zero reported LSR violation - Zero reported accident - 80-100% Attendance - 100% released of materials in accordance with DOH and DOLE Calendar of activities - Crew 100% Attendance on site	Zero loss time incident/accident

Priorities	Projects	Metrics	Impact
	- Earthquake drill – NSED participated through NDRRMC - Transport Safety with Truckers partner Webinar: - Raises Awareness on Hypertension - Living Hope: The Power of Giving Blood - Vax Out “The Flu” – Flu Awareness	- 100% Attendance - 100% Attendance - 100% Attendance	
Ships Accident Reporting	Strong adherence to SMS standards Accident reporting on time	- Zero accidents - Zero off hire - Near Miss Report (per month per vessel), as it happens	- Zero loss time incident/accident - No fatality and Lost Time Injury (LTI)
Containerized Cargoes	Strict assessment of risks of each type of cargo/commodity	- Zero claims - Zero accidents	Reduction of claims
Legal and other Regulatory Compliance – DOLE DO 252-25 - Revised Implementing Rules and Regulations of Republic Act No. 11058 titled “An Act Strengthening Compliance with Occupational Safety and Health Standards and Providing Penalties for Violations thereof (DO 252-25) ushered in a new phase of occupational safety and health standards	- HR and Occupational Health and Safety Related Projects - Mandatory eight (8) hours of Orientation on Occupational Health and Safety for all Employees. - Mandatory training of OSH Personnel (Safety Officer- BOSH Training, First Aider) - Health Policies Orientation (Drug and Alcohol Abuse; Breastfeeding and Lactation Policies; Smoke-free Workplace Policy; Mental Health	100% Compliance with DOLE DO 252-25	- No suspensions - High Corporate Governance rating

Priorities	Projects	Metrics	Impact
(OSH) in the Philippines	at the Workplace; Tuberculosis; HIV/AIDS; Hepatitis); Smoke – Free Workplace Policy and Program		
Hazardous/DG cargoes	Strict implementation of submission of MSDS, accurate declaration of DG Class, proper labeling of container with DG cargo and proper stowage in vessel	All DG cargoes have permits, containers are properly labelled and stowed in the vessel	- Protection of our brand - Zero accident
Container Handling Equipment	Strict implementation of scheduled preventive maintenance	- Preventive maintenance reports - Reduced equipment downtime	- Operational continuity, and sustained operational reliability by eliminating unplanned downtime of container handling equipment - Zero accidents
Trucks	Improve Truckers' Performance	All truckers achieve a passing score on the Quarterly Performance Evaluation	- Truckers achieve their KPIs with LSC - LSC will achieve the KPIs of the customer - Improved Customer Satisfaction Rating
Container	Training of site and CY Checkers on the proper inspection of containers	- Zero incidents of rejected containers at customers' warehouse - Reinstatement of container repair limits based on age and ownership	- Reduced claims - Reduced cost of foul trips due to container rejection - Positive brand representation through well-maintained containers - Lower costs on container repairs

Priorities	Projects	Metrics	Impact
People – Crew	- Training and development on the SMS - Quarterly review of SMS - Individual Training and upgrading of programs - Supervise drills onboard	- Attendance of all crew - Sailing visit by Marine & Technical Superintendents at least once a year in addition to 6-monthly HSES inspections - 6-monthly SMS orientations by shore and ship staff; written examination after the orientation is required to validate the awareness of the staff	- Reduction of number of incidents due to human error (competence / skills / knowledge) - Zero significant delays
People – Checkers	Training and development on cargoes, inspection, stuffing and stripping skills	All Checkers must undergo training or orientation before deployment or at least once a year	- Reduced claims - Improved cost recovery for container repairs attributable to customers, truckers, and other third parties
People - Truck Drivers	- Rewards and Recognition for Truckers - Truckers Appreciation Day	All truckers achieve a passing score on the Quarterly Performance Evaluation	- Truckers achieve their KPIs with LSC - LSC will achieve the KPIs of the customer - Improved Customer Satisfaction Rating

STRATEGY: *Transport solutions and added value services to connect producers to markets*

Priorities	Projects	Metrics	Impact
Supporting producers' growth to scale with transport solutions	Empowering employees on how to assess customers goals	Complete minutes of sales calls in a section called "pain points" and "solutions discussed"	Customized support to customer goals

Priorities	Projects	Metrics	Impact
Empowering MSMEs, farmers and entrepreneurs with transport solutions	Door-to-door transport solutions from producers to market/end-user	On-time pick-up and delivery of cargoes from producers to market	Trade volumes of 2% transported through the cold chain
Reducing food waste	Cold chain support to consolidate produce in the farmlands	At least 2% of volume per vessel voyage is in reefer container	Trade volumes of 2% transported through the cold chain

STRATEGY: Innovation to reduce the complexity of transport

Priorities	Projects	Metrics	Impact
100 percent digital connectivity for a great customer journey	SAIL V2 with Auto-generated reports (E-mail push for Notice of Arrival and Loading Confirmation)	100% implementation of Liner SAIL interface to internal systems (SAP, for invoiced revenues and trucking expenses only) and port operator systems (COARRI, rolled out for MNL and CGY only)	Real-time revenue and expenses booked in SAP from the SAIL interface Real-time recording of van movements from the terminal operator. From an average of 2 hours to 30 minutes
		100% upgrade to SAIL V2 with all customers sent with auto-generated reports	Reduction in total processing time from 4 hours to 1 hour using PowerBI reports
	Integration with Port Operator	100% implementation of COARRI with LSC's SAIL interface to port operator systems (Navis) for MNL and CGY	Real-time recording of van movements from the terminal operator. From an average of 2 hours to 30 minutes
	SAIL-SAP Interface	100% implementation of Liner SAIL interface to internal systems (SAP) for invoiced revenues and trucking expenses only	Real-time revenue and expenses booked in SAP

Priorities	Projects	Metrics	Impact
Customer Journey	LSC E-Services (allow customers to track their shipments and sailing details online)	100% enrollment and implementation of LSC E-Services to Forwarders (15% of total LSC customers)	- Less booking errors and reduced booking time - Real-time tracking of shipments
	Real-Time Posting of Customer Payments for Credit and Collection	100% posted once received from customers Roll-out of E-Receipting in SAP in line with BIR EoPT compliance	Updated AR report
Customer Feedback	Recording of customer complaints/feedback and satisfaction in a register (Customer Feedback Portal)	Complaints response within the same half-day 100% implementation of Customer Feedback Portal Interface of Customer Feedback (CF) Portal to Corrective Action Request (CAR) Portal	Automated recording, close-out, and monitoring of the historical nature of customer feedback
		Customer Satisfaction Measurement Rating of 4.0 (Highly Satisfied)	LSC got an overall rating of 4.10 (103% achieved) for 2025
Digital Innovation to shorten service delivery to collection cycle	Interface of SAIL with Billing portal	100% implementation of the interface	Seamless invoicing to collection cycle as information on the portal is available

STRATEGY: Empowerment of our people through development and engagement

Priorities	Projects	Metrics	Impact
Succession Planning & Leadership Development	- Talent Readiness Assessment - NextGen Series Program	- Attrition/Retention rate of high-performing employees	- Business / operational continuity - Employee Retention

Priorities	Projects	Metrics	Impact
	- BRYQ Integration for key personnel - Competency Management System Launch - IDP Creation for key personnel - Acting Capacity Process	- Attrition/Retention rate of high potential employees - Bench strength – # or % of critical positions with ready successor	- Employee productivity - Talent Mobility - Enhance leadership capabilities of Management - Transition from boss to manager
Performance Management	- PMS (Performance Management System) - LMS Trainings Integration - Talent Management Mapping (9-Box)	- % on time submission of PAF - % accuracy of PAF aligned with AOP - % of individual learning plans developed - % of training provided	- Produce performance assessments that are tailored to business goals and role requirements - Create structured ILPs for employee development - Provision of right trainings for identified competency gaps
Training Provision	- Communicating with Impact & Influence - Presentation Skills - Effective Negotiation Skills - Media Handling Awareness Seminar - MS Excel: The Foundation - Accounting for Non-Accountants - Time and Stress Management - Supervisory Training - Bunker Survey Training	- Attendance Rate - Post-Training Evaluation	- Upskill employees on foundational and/or technical competencies - Strengthen compliance with company policies through company refresher programs - Prepare employees under acting capacity program prior transitioning to new role

BEST BUSINESS PRACTICES: *Healthy and Happy Workforce*

Priorities	Projects	Metrics	Impact
Employee Engagement	- A2E Programs (Employee Features, New Hire Announcements) - “We Appreci8” Recognition Program - Annual Year-End Celebration	- Attendance Rate - Program Satisfaction Rate - Post Program Assessment	Foster a positive work culture, strengthening team cohesion, and enhancing overall employee satisfaction, leading to improved retention rates and productivity within the organization
HR Infrastructure Improvements	- Revamped Ask MyHR Portal - HR Ticketing System - Jump In LMS Integration - Monitoring Tool and Dashboard Creation: - o Talent Management - o HR Operations - o Training - o Acting Capacity - Pre and Post Training Competency Assessment Forms	- % of new hire retention/regularization - % of employee attrition - HRBP SLA Compliance - L&OD SLA Compliance - Hiring Conversion Rate	- Streamline processes, enhance service levels, facilitate informed decision-making, empower employees, and drive organizational effectiveness - HR functions become more efficient, and strategic, ultimately contributing to employee engagement, talent development, and business success
Health and Wellness Campaign (Land-based and Sea-based Employees)	Health and Wellness Program - Oplan Kita Kita (Free Eye consultation and learning session) - Ovarian and Cervical Cancer Awareness - Cardiovascular risks, Prevention, Awareness - Run After the Sun - Free Breast Screening	- Reduction in HMO utilization - Reduction in usage of Sick Leaves	- Healthy workforce - Less absenteeism - More energize and productive workforce

Priorities	Projects	Metrics	Impact
	Sea-based Employees: - Integrate mental wellness modules into CBT (Computer-Based Training), including behavioral training, HOP (Human & Organizational Performance), and Psychological Safety Training - Introduce “Crew Day” – a dedicated rest and recreation day for crew during drydock periods - Strengthen fatigue management awareness as part of safety training (e.g., Officers’ Seminar) - Develop feedback mechanism (crew wellness survey per vessel/rotation) - Conduct monthly monitoring of blood pressure and glucose levels onboard	- % of crew completing CBT modules on mental wellness and behavioral safety (target: 100%) - Number of vessels implementing Crew Day during drydock (target: 100%) - Reduction in reported fatigue-related incidents	- Improved crew morale, engagement, and retention - Enhanced mental resilience and psychological safety onboard - Reduced fatigue and human error, contributing to safer vessel operations - Stronger safety culture aligned with HOP principles - Healthier, more productive crew leading to operational efficiency and cost savings
	Mental Health Program - Mindfulness (information and Education Campaign)	- Number of Attendees - Weekly release of mental health tips	- Awareness of employees on Mental Health - No illnesses related to mental health

Priorities	Projects	Metrics	Impact
	- Annual Physical Examination for individual health program – usually done April or May for all sites. - Vaccinations – flu vaccination, pneumococcal	- 100% Compliance to APE of all employees - Annual flu vaccination for all employees	- Healthy workforce - Less absenteeism - More energize and productive workforce
Work Life Integration Initiatives	Alternative Work Arrangement – Blended work arrangement	Employee Satisfaction	Happy workforce
	Observance of DOH Health Calendar of Activities - Ear, Nose and Throat - Oral Hygiene - Goiter Awareness - Drug abuse - Liver Care Tips - Obesity Awareness - Diabetes - Lung Month - Heat Illness Awareness - Heat Stroke, Heat Cramps, Heat Exhaustion - Monkey Pox - Dengue Awareness - HIV Awareness - Kidney Awareness - Cancer Awareness	- Weekly/Monthly HSES information / education dissemination / campaign - Regular discussion with Operations personnel - Scheduled Webinar	- Informed and Healthy workforce - Less absenteeism - More energize and productive workforce

BEST BUSINESS PRACTICES: *Human and Labor Fair Practices*

Priorities	Projects	Metrics	Impact
Cascading and Implementation of Approved Policies	- Re-orientation of existing employees - Inclusion in orientation of new employees - Automation of certain policies	- % Compliance Adherence - Stakeholder Feedback - Policy Communication Effectiveness - LMS Module Pass Rate	Foster employee skill development, fair career advancement opportunities, and a culture of accountability, ultimately enhancing organizational performance and employee satisfaction
Compliance with Labor Laws	- Trainings of HR employees – conduct coaching to HR employees as needed, sharing of regulatory issuances - Regular submission of Reports and auditing; submitted the following compliance reports: - o 2025 13th Month Pay Report to DOLE - o Alphalist and BIR Form 2316 to BIR for Year 2025 - Establishment Report on Wages to DOLE	- DOLE GLS & OSH Certificate of Compliance / Assessment - Annual Reports – 13th Month Pay Report; Alphalist; BIR 2316 - Establishment Report	- Avoidance of labor and criminal cases - Penalties
Compliance with all government mandated contributions	- Trainings of Payroll employees – coaching as needed, sharing of statutory issuances - Regular submission of government reports and auditing	- Payroll Register - Annual Government Clearance - Monthly Government Reports	- Avoidance of labor and criminal cases - Penalties

Priorities	Projects	Metrics	Impact
	- Digitalization of government reports		
Compliance of partners / out-sourced service providers to General Labor Standard	Audit of providers	SMETA Certification Audit Results; no Critical or Major audit findings	- Avoidance of labor and criminal cases - Penalties

BEST BUSINESS PRACTICES: *Tax and Regulatory Compliance*

Priorities	Projects	Metrics	Impact
Compliance with Tax regulations	- SAP Optimization Project - All contract reviews done by in-house Legal Counsel - Training of People (knowledge on tax)	- 100% compliance with all regulatory requirements - 100% review of all contracts and agreements	- No penalties - No suspensions - High Corporate Governance Rating - No future contract disputes
Compliance with regulatory requirements on permits, licenses, and local taxes	SAP Optimization Project	100% compliance with all regulatory requirements	- No penalties - No suspensions - High Corporate Governance rating
Compliance with regulations Related-Party Transactions (RPT)	- RPT Programs and Policies - RPT Documentation	- Annual audit on Related-Party Transactions - RPT transaction exceeding the allowed threshold amount should have approval from RPT Committee	- Clear RPT agreement that will ensure transactions with related parties are within arm's length and in compliance with the rules and regulations - Avoid penalties

Priorities	Projects	Metrics	Impact
Compliance with Government Regulatory Agencies (SEC, PSE, etc.)	Automatic Reminder System	- Close coordination with the corporate secretary, management and other officers of the corporation regarding regulatory submissions - Automatic e-mail reminder system prior to deadline	No penalties and other liabilities arising from late or non-submission
Compliance with DOLE HR and OSH Inspection	DOLE Inspections- with Zero Non-Compliance on OSH and GLS	100% implementation of the projects	No penalties

BEST BUSINESS PRACTICES: *Responsible Procurement and Vendor Relationships*

Priorities	Projects	Metrics	Impact
Development of strategic partnerships with key Vendors	Survey on vendors performance	Quarterly performance assessment is being conducted with a 96% average rating on vendor performance satisfaction	- 98% of the suppliers and contractors engaged are performing satisfactorily and meeting the expected quality of goods and services rendered - Aside from identifying reliable and innovative vendors, this survey serves as a guide to the vendors on how they will improve the products and services that they offer to the company

Priorities	Projects	Metrics	Impact
Cascading our KPIs and Goals to suppliers	KPIs for suppliers Awards for suppliers	A monthly coordination meeting with vendors	- Able to achieve a 6% cost savings from transactions made through price agreements, sourcing/ negotiations and rebates - Able to achieve 98% timely delivery of ordered materials and services; this is made possible through regular collaboration with suppliers and contractors - No major audit findings were raised on procurement activities and processes by internal and external auditing units
Vendor Management System	Vendor registration evaluations are being conducted through Dun and Bradstreet Help MSMEs prepare the requirements of Dun and Bradstreet	100% of vendors registered are verified by Dun and Bradstreet on its business legitimacy	100% of suppliers (new and renewal) have undergone the Dun and Bradstreet supplier vetting process; it prevents the company from engaging with unreliable, non-legitimate or unworthy suppliers
	Utilizing eProcurement in engaging vendors	80% of vendors are being engaged thru eProcurement	- 99% of transactions were made through the Electronic Procurement systems (Online Purchase Request System and SAP System) while 1% of transactions were made

Priorities	Projects	Metrics	Impact
			through corporate credit cards - Minimizes the chance of misplacing the necessary documents starting from Purchase Order to Payables – 100% of vendors transaction are through eProcurement and provides audit trail
	Approval Processes and Authorizations of Accredited Vendors are catered through Online Vendor Registration System	100% of vendors are approved prior to engagement through the Online Vendor Registration System	100% of vendors were pre-registered in the Online Vendor Registration System with complete, legitimate and updated documents prior to its utilization or provision of Purchase Order
Health and Safety in vendor accreditation	Compliance by vendors to health and safety protocols of LSC and customers (rapid test, medical certificates, safety seminars, PPE compliance)	100% of suppliers comply with the safety standard of the company	100% of suppliers and contractors are adhering to the safety standard of the company, hence, no accidents or fatalities have occurred during their delivery of goods and services

Priorities	Projects	Metrics	Impact
Integrity Initiative	Integrity Pact: Conflict of Interest, Data Privacy, Anti-Corruption, Forced and Child Labor, Non-Compliance to Environmental Policies / Safety and violations of Human Rights before being accepted as an accredited vendor	100% of vendors have acknowledged the policies mandated by the company during registration process	- 100% of suppliers and contractors have acknowledged the conflict of interest and integrity pact documents prior to their engagement - No bribery and corruption practices have been reported nor highlighted by either from internal or external auditors
	Feedback mechanism for Trucker feedback, zero complaints on employees being bribed	Regular meeting with truckers to discuss their performance including cases of bribery, if any	Healthy relationships with partners achieved through constant coordination
Data Privacy Policy	Train all Vendors on Data Privacy policies	- 100% compliance prior to the engagement of vendors - Zero Incident of Data Breach	100% of suppliers and contractors have acknowledged the data privacy documents prior to their engagement; zero data breach reported

BEST BUSINESS PRACTICES: *Environmental and safety compliance*

Priorities	Projects	Metrics	Impact
Carbon Footprint - Ships	Slow steaming of vessels and usage of East Coast Passage while in transit	- 100% compliance with slow steaming and just-in-time arrival in port - For East coast passage, this will depend on the weather condition; no passage during inclement weather	Reduction of fuel by 5% monthly

Priorities	Projects	Metrics	Impact
Waste on ships	Green Campaign to follow the environmental compliance on: - Marine Pollution Preventions (Oily water, harmful substances, sewage and Garbage waste disposals). - Air Pollution Prevention	- MSI sets the HSES and Technical Performance Targets - Monthly monitoring of carbon footprints - 100% Compliance to DENR Self-Monitoring of Hazardous waste; Monitoring, Disposal and Treatment with certificate from hauler and Treatment Facility; Solid waste management of the vessel in collaboration with port operator	- Zero environmental incident and accidental waste disposal at sea - No penalties to DENR's Statutory reporting and monitoring - No port delay/detention due to non-compliance of MARPOL regulation
Refining Environmental Compliance for Greater Impact	- Installation of color-coded trash bins in reference to solid waste management. - Pollution Control Officer Training Course - Environmental Managing Head Training Course - International Coastal Clean-up drive participation	- 100% Completed in all sites - 100% attendance	Zero environmental incident
Disposal of Hazardous Material	Hazardous waste disposal (I101 - Used Oil) in accordance with RA 6969	Submission of Self-Monitoring Report as required by DENR-EMB	No violation from DENR
Carbon Footprint – Container Handling Equipment	- Strict implementation of scheduled preventive maintenance	- Preventive maintenance reports - 100% availability of cargo handling equipment	- Reduction in oil leaks - Reduced oil and fuel consumption

Priorities	Projects	Metrics	Impact
	- Proper disposal of used oil (generated during PMS) through accredited DENR Hauler and Treatment Facility		
Paperless Campaign (Solid Waste Management)	Paperless Campaign - billing - requests for payments - file storage and archiving	- 80% Reduction in usage/cost of stationery supplies - 100% trained in digital storage	Adherence to an environment-friendly campaign
Zero Harm to Environment Awareness Campaign	- Energy Saving Tips - Earth-hour - World Water Day	100% on-time release of materials	Elevating Environmental Literacy for Informed Action

BEST BUSINESS PRACTICES: *Adherence to the Company Code of Ethics*

Priorities	Projects	Metrics	Impact
HR Policy Cascading and Enforcement	- Re-orientation of existing employees - Inclusion in the orientation of new employees	- Roll-out session - Management Sign-off - Number of Audit Findings	- Good governance - Proper communication of appropriate standards
Code of Conduct and Employee Discipline	- Policy cascade to new hires - Re-orientation of old employees	Zero or % reduction on employee discipline and administrative cases	- Elimination of potential labor cases - Disruption of operations - HR focused on engagement programs



TOP RISKS WITH HIGH IMPACT

Governance and Compliance Risks

- Related Party Transactions – intercompany transactions that might give rise to conflict of interest or may raise questions from government agencies.
- Non-compliance with regulatory bodies: SEC, PSE, BIR, SSS, BOC, DOLE, DENR, DOT, LGU
- Failure to timely disclose material information to PSE
- Non-compliance with the company's Corporate Governance Charter
- Non-compliance with local licensing government agency policies and regulations: MARINA, DOLE, POEA, LGU, PPA
- Corruption Risks
- Non-compliance with Certifying bodies: Class, ISO, SMETA, others
- Labor-related Risks
- Assessments from different government agencies arising from lack or improper documentation
- Data Privacy Risks
- Cybersecurity Risks

Economic, Financial, Operational Risks

- Changes in regulatory risks (for ex Public Utility)
- Operational vessel downtimes due to maintenance
- Operational vessel downtimes due to weather
- Operational vessel downtimes due to sabotage
- Safety Risks to vessel
- Safety Risks to cargo on board
- Safety Risks to Crew
- Safety Risks to Land-based employees
- Safety risks that damage the environment
- Safety Risks to Truck
- Health and Safety Risks to container handling equipment and operators
- Health and Safety Risks to truck drivers and helpers
- Quality and Safety Risks to cargo in storage
- Competition Risks - over-tonnage
- Fiscal risks
- Financial - Loss of Bank support
- Financial - Lack of Liquidity
- Loss of vendor support from non-payment
- High interest rates
- Foreign currency fluctuation
- Fluctuations in fuel costs
- Excise taxes
- Non-payment of insurance
- High cost of insurance
- Opportunity losses due to unavailability of equipment
- Cost of suits

**Social Risks**

- Problems arising from Labor - Management Conflicts
- Health and accident and occupational risks that can cause stoppage of vessel operation and land-based work
- Sickness of organic and inorganic workforce (physical and mental well-being)
- Sickness within the employees' household
- Employees' domestic/financial problems
- Accidents and disability
- Death

Environmental Risks

- Oil Sludge and Oily Water disposal - fines and penalties
- Waste improperly disposed of (including expired customer bad orders/claims)
- Improper disposal of consumables (worn-out tires, batteries with hazardous acid, other worn-out vessels, LBE, vehicle and container parts/components)
- Grounding and shipwreck especially in protected areas
- Vessel, LBE, vehicle and other equipment failing emission standards
- Increasing carbon footprint in offices and facilities



ANNUAL OPERATING PLAN

PROFIT

Key Result Areas	KPI	Action
Total Revenue Targets	Php 2.19B Freight Revenue	Upward rate adjustment
Total Volume Targets	189,910 TEUs	- Maximize vessel capacity - Close & regain new accounts
Target average Freight/TEU	Maintain from previous year	Maintain customer rates
Retention of good existing accounts	Php 1.48B Freight Revenue 40 Accounts	- Enhanced Incentive Scheme - Individual incentives - Team incentives - Rolling cargo incentives
Growth of business (New Accounts)	40 leads per month with 10% conversion rate	
Regained Accounts	150 new/regained accounts	Incentive and Bonus Programs
Operational Cost Control	All terminal expenses are within budget	Monthly Budget variance reporting
Market share	Increase by at least 2% from previous year	- Improvement of website (chatbox) and E-Services - Intensified communication through virtual video calls/meetings
Customer management	Customer Service and Feedback management (Rating of 4.0)	- Customer Satisfaction Measurement (CSM) twice a year - Customer Feedback tracked and responded immediately by the assigned customer service - Interface of Customer Feedback (CF) Portal to Corrective Action Request (CAR) Portal to identify and resolve the root cause of the complaints received

Key Result Areas	KPI	Action
Claims	- Prompt response to Claims within 30 days - Prompt claim to insurers within 30 days	Continuous monitoring of claims activities and enhancement of CDIMS to improve data visibility and capture, streamline workflows, and strengthen reporting

PRODUCTS

Key Result Areas	KPI	Action
New Services / E-Services	100% enrollment and implementation of LSC E-Services to Forwarders (15% of total LSC customers)	Sales to continuously promote E-Services to customers that will aid them in tracking their cargoes, knowing the vessel schedule, and immediate booking of cargoes

PRODUCTIVITY (innovations in digitalization, process improvements, quality management improvements are projects listed in the sustainability section)

Key Result Areas	KPI	Action
Financial and Operational Dashboards	Real-time information	- Generate reports through Power BI - Maximization of use of dashboards from SAIL V2
Service-delivery to Billing Cycle reduction	Door – 15 days Pier – 5 days	- Regular meetings with customers for reconciliation and collection. - Continuous monitoring of billing cycle using Billing Portal.
Container Utilization	85% container utilization	- Updated movement in SAIL and physical inventory per location - Strict implementation of container detention and storage fees policy

Key Result Areas	KPI	Action
Container Acceptance	- Zero container rejection at customer's warehouse - Zero foul trip due to rejected container	- Regular inspection of container prior issuance and upon return - Training of Checkers on the correct and proper way of inspecting containers
Document Storage System	- 100% use - Minimized physical storage	Use of SharePoint for storage of documents

PEOPLE MANAGEMENT

Key Result Areas	KPI	Action
Retention of Staff (Active Headcount / Total Headcount) *Regardless of nature of separation	90% Retention Rate	Engagement of employees
Performance Management System	20% of MPs in under 4 & 5 of Talent Classification Matrix	- Employee Development Programs - Performance Improvement Plan (PIP) - Individual Development Program (IDP)
Relationship with Local Community	20% of employees live within the local community	Advertise hiring/vacancies in coordination with the local community

PLANET

Key Result Areas	KPI	Action
Energy Consumption	Regular monitoring and measurement in all identified sites	Gradual replacement of LED lights, procurement of energy saving appliances
Water Consumption	Regular monitoring and measurement in all identified sites	Repair of pipes and IEC for water conservation measures

ENGAGING WITH OUR STAKEHOLDERS

Audience	Engagement	How often	Responsible Person/Unit/ Department
TO EMPLOYEES	Pulse/Climate Surveys	At least once a year or when needed	HRCSD
	Regular engagement activities	Per schedule, e.g., Valentine's Day, Mother's Day, Father's Day, Trick or Treat, Christmas Party, New Year Toast	HRCSD
	Team Building	As needed	HRCSD
	Employee Performance Check-ins	Quarterly or as needed	All supervisory roles with staff
	Regular Coaching	As needed	All supervisory roles with staff
	Townhall (virtual or physical)	At least twice a year or when needed	Group/SBU Head
	Performance reviews of KPIS and Competencies	Mid-year and Year-end	All supervisory roles with staff
	Leadership Seminar	Based on HR Programs	HR Council
	Individual Learning Program	Based on PAF, IDP or PIP, Immediate Superior's request	HR and Immediate Superior
	Company Updates	My Magsaysay AskMyHR	Corporate Communication Team or selected Heads/Personnel on specific subjects
TO CUSTOMERS	Market and Trend Bulletins	Weekly	Marketing and Nationwide Sales

Audience	Engagement	How often	Responsible Person/Unit/Department
	Thought Leadership	Quarterly Townhall	Head of Liner
	Customer audits and Assessments	As required	Sales & Marketing and Innovation teams
	Net Promoter System (Customer Satisfaction Measurement)	Twice a year	Sales & Marketing and Innovation teams
	Business Review	Quarterly and Monthly Business Review with customers	Sales Team assigned to the specific account
	Sales Meetings	- Once a week sales meeting (separate for Branch and Manila Sales) - Once a week nationwide huddle	All Sales (Nationwide)
TO SUB-CONTRACTORS	Audits and Assessments	Twice a year	SPU/Operations
	RFP Process	As needed	Operations
	Review meetings on KPIs	Monthly	Department/Unit Lead
	Awards and incentives events	Quarterly for Truckers	Operations
SHAREHOLDERS	Website Content is fully updated with all company financial and operational disclosures	When there are new or revisions on policies and disclosures	Compliance Officer
COMMUNITY	Industry Associations Involvement	As needed	President and COO

Audience	Engagement	How often	Responsible Person/Unit/ Department
	- Philippine Liner Shipping Association (PLSA) - Philippine Interisland Shipping Association (PISA) - Supply Chain Management Association of the Philippines (SCMAP)		
	Social Media - FB page – Lorenzo Shipping Corporation - LinkedIn	As needed	- Marketing - Corporate Communication
	- Anti flu vaccination campaign - Oplan kita kita – How to protect our eyes campaign and free eye examination - Anti breast cancer campaign - free breast screening - check up - Blood Letting Activity with Philippine Red Cross - Ex-Trash Challenge (“Less Basura, Less Problema” Solid Waste Disposal Program)	- Once a year - Twice a year - Once a year - Twice a year - Once a year	- HSES / HR - HSES / MPMC / CORPCOM - HSES / Kasuso Foundation - HOMER Foundation / HSES - PBSP / HSES / SPU



Audience	Engagement	How often	Responsible Person/Unit/ Department
CANDIDATES	Job Fairs	As needed	HRCSD
	Executive Search Partners	With at least 3 active accredited partners – done	HRCSD
	Assessments	With at least 3 active accredited partners – two accredited	HRCSD
	Interviews	As needed	HRCSD/Hiring
	Candidate Experience	As needed	HRCSD/Hiring

ANNEX "D"

COVER SHEET for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

L	O	R	E	N	Z	O		S	H	I	P	I	N	G		C	O	R	P	O	R	A	T	I	O	N		

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

2	0	t	h		F	l	o	o	r		T	i	m	e	s		P	l	a	z	a		B	u	i	l	d	i	n
g	,		U	n	i	t	e	d		N	a	t	i	o	n	s		A	v	e	n	u	e	,		E	r	m	i
t	a	,		M	a	n	i	l	a																				

Form Type

A	A	F	S
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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

N	/	A	
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COMPANY INFORMATION

Company's Email Address

zpcorp@zplaw.com.ph

Company's Telephone Number

+63 2 8567 2180

Mobile Number

+639175085389

No. of Stockholders

894

Annual Meeting (Month / Day)

8/28

Fiscal Year (Month / Day)

12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Amelita M. Intalan

Email Address

amelita.intalan@msl.com.ph

Telephone Number/s

(02) 8527-5555

Mobile Number

+639178216504

CONTACT PERSON'S ADDRESS

20th Floor Times Plaza Building, United Nations Avenue, Ermita, 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.



INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Lorenzo Shipping Corporation
20th Floor Times Plaza Building
United Nations Avenue, Ermita, Manila

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lorenzo Shipping Corporation (the Company), which comprise the statements of financial position as at December 31, 2025 and 2024, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2025, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2025 and 2024, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2025 in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.



We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Assessment of Going Concern Basis

The Company incurred net loss of ₱601.78 million in 2025 resulting to a deficit of ₱1.73 billion as of December 31, 2025. In addition, the Company's current liabilities exceeded its current assets by ₱1.10 billion as of December 31, 2025.

The financial statements had been prepared on a going concern basis. Management's assessment of the Company's ability to generate sufficient funding is based on assumptions such as forecasted revenue, operating costs and capital expenditures, that are subject to a higher level of estimation uncertainty especially given the current economic conditions which have been impacted by the volatility in fuel prices and the feasibility of the sources of financing. Since the going concern assessment involves significant management judgments and estimates, we consider this as a key audit matter.

Refer to Notes 1 and 4 to the financial statements for the disclosures on the going concern assessment, including the discussion of the Company's future plans.

Audit response

We obtained an understanding of management's going concern assessment, including the cash flow projection prepared by management and approved by the Board of Directors. We evaluated the key assumptions such as forecasted revenue, operating costs, capital expenditures, and the other sources of financing, that were used by management in the Company's cash flows forecast for the next 12 months from the end of the reporting period. We evaluated these key assumptions by reference to historical information and relevant market data and by taking into consideration the current economic conditions including the impact of the volatility of fuel prices and the actions undertaken and the planned strategies by management in relation to the Company's operating and financing activities. We obtained the letters of financial support from the Company's related parties and agreed the details of the terms of the credit facilities against supporting documentation. We also assessed the adequacy of the related disclosures in the notes to the financial statements.

Impairment of Property and Equipment

As of December 31, 2025, the Company's property and equipment amounted to ₱879.59 million, which comprise 38% of the Company's total assets. The Company is affected by the volatility in fuel prices in the market and competitive pricing on container line cargoes shipping, resulting to loss in 2025 and the historical loss on sale of vessel and vessel tools and equipment. In the event that an impairment indicator is identified, the assessment of the recoverable amount of the property and equipment requires significant judgment and involves estimation and assumptions about the revenue growth rates, operating costs, capital expenditures and discount rate. In addition, because of the volatility in fuel prices, there is heightened level of uncertainty on the future economic outlook and market forecast. Hence, such assessment is a key audit matter.



Refer to Notes 3 and 4 to the financial statements for the relevant accounting policies and discussion of significant accounting judgment and estimates and Note 10 for the detailed disclosures about the carrying amounts of the vessels in operations and related equipment.

Audit Response

We have evaluated the methodology and the assumptions used. These assumptions include the revenue growth rates, operating costs, capital expenditures and discount rates. We tested the mathematical accuracy of the financial model and compared the key assumptions in the financial projection, such as the revenue growth rates, operating costs, and capital expenditures, against the historical experience of the Company and market information, taking into consideration the impact associated with the volatility in fuel prices. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Company's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of property and equipment.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2025, but does not include the financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2025 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 32 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Lorenzo Shipping Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Peter John R. Ventura.

SYCIP GORRES VELAYO & CO.



Peter John R. Ventura

Partner

CPA Certificate No. 0113172



BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026

SEC Partner Accreditation No. 113172-SEC (Group A)

Valid to cover audit of 2022 to 2026 financial statements

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements

BIR Accreditation No. 08-001998-158-2024, October 2, 2024, valid until October 1, 2027

PTR No. 10765147, January 2, 2026, Makati City

May 15, 2026



LORENZO SHIPPING CORPORATION
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2025	2024
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	₱78,314,563	₱102,795,802
Trade and other receivables (Note 6)	365,032,433	494,982,314
Contract assets (Note 6)	2,440,656	4,087,974
Inventories (Note 7)	19,827,137	49,219,101
Prepayments and other current assets (Note 8)	175,915,027	148,726,399
	641,529,816	799,811,590
Noncurrent asset held for sale (Note 9)	20,982,143	—
Total Current Assets	662,511,959	799,811,590
Noncurrent Assets		
Property and equipment (Note 10):		
At cost	697,415,932	986,073,911
At revalued amount	182,178,000	182,178,000
Computer software (Note 11)	1,269,098	2,164,932
Deferred tax assets - net (Note 23)	—	6,721,640
Other noncurrent assets (Note 12)	759,046,834	732,597,858
Total Noncurrent Assets	1,639,909,864	1,909,736,341
TOTAL ASSETS	₱2,302,421,823	₱2,709,547,931
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Note 13)	₱1,280,076,491	₱1,482,267,586
Short-term borrowings (Note 14)	385,710,696	413,912,279
Current portion of:		
Long-term borrowings (Note 14)	22,792,576	39,410,790
Long-term borrowing - related party (Note 26)	—	83,504,119
Lease liabilities (Note 27)	69,154,289	51,448,615
Total Current Liabilities	1,757,734,052	2,070,543,389
Noncurrent Liabilities		
Noncurrent portion of:		
Long-term borrowings (Note 14)	9,509,438	32,301,991
Long-term borrowing - related party (Note 26)	200,410,450	116,906,331
Lease liabilities (Note 27)	85,711,482	182,544,108
Deferred tax liabilities - net (Note 23)	3,608,761	—
Retirement benefit obligation (Note 19)	70,845,938	106,653,471
Total Noncurrent Liabilities	370,086,069	438,405,901
Total Liabilities	2,127,820,121	2,508,949,290

(Forward)



	December 31	
	2025	2024
Equity		
Common stock - (Note 24)	₱991,183,999	₱825,652,251
Additional paid-in capital	459,791,492	459,791,492
Deposit for future stock subscription (Note 24)	400,613,366	—
Revaluation increment (Note 10)	77,354,523	77,354,523
Actuarial losses on defined benefit obligation (Note 19)	(17,827,564)	(27,469,474)
Deficit	(1,733,388,264)	(1,131,604,301)
Treasury shares at cost	(3,125,850)	(3,125,850)
Total Equity	174,601,702	200,598,641
TOTAL LIABILITIES AND EQUITY	₱2,302,421,823	₱2,709,547,931

See accompanying Notes to Financial Statements.



LORENZO SHIPPING CORPORATION
STATEMENTS OF INCOME

	Years Ended December 31		
	2025	2024	2023
FREIGHT REVENUE (Note 15)	₱1,488,310,546	₱2,339,869,416	₱3,280,896,707
DIRECT COSTS			
Cost of services (Note 16)	1,623,033,425	2,302,238,022	2,640,300,101
Terminal expenses (Note 17)	245,541,950	236,581,959	249,314,899
	1,868,575,375	2,538,819,981	2,889,615,000
GROSS PROFIT (LOSS)	(380,264,829)	(198,950,565)	391,281,707
GENERAL AND ADMINISTRATIVE EXPENSES (Note 18)	(164,828,970)	(194,688,745)	(217,516,154)
FINANCE COSTS AND OTHER CHARGES (Note 21)	(65,243,239)	(70,419,593)	(68,643,755)
OTHER INCOME (CHARGES) - net (Note 22)	15,669,505	(79,400,774)	19,837
INCOME (LOSS) BEFORE INCOME TAX	(594,667,533)	(543,459,677)	105,141,635
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 23)			
Current	—	—	39,999,876
Deferred	7,116,430	(1,675,122)	(30,644,596)
	7,116,430	(1,675,122)	9,355,280
NET INCOME (LOSS)	(₱601,783,963)	(₱541,784,555)	₱95,786,355
EARNINGS (LOSS) PER SHARE (Note 25)			
Basic and diluted	(₱0.61)	(₱0.97)	₱0.17

See accompanying Notes to Financial Statements



LORENZO SHIPPING CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31		
	2025	2024	2023
NET INCOME (LOSS)	(P601,783,963)	(P541,784,555)	P95,786,355
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Items that will not be reclassified to statements of income:</i>			
Actuarial gains (loss) on retirement benefit obligation, net of tax (Note 19)	9,641,910	1,136,496	(10,755,006)
Revaluation increment, net of tax (Note 10)	—	4,711,500	—
Total other comprehensive income (loss) for the year, net of tax	9,641,910	5,847,996	(10,755,006)
TOTAL COMPREHENSIVE INCOME (LOSS)	(P592,142,053)	(P535,936,559)	P85,031,349

See accompanying Notes to Financial Statements.



LORENZO SHIPPING CORPORATION

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2025, 2024 AND 2023

	Common Stock	Paid-in Capital	Additional	Revaluation	Deposit for	Actuarial Gains (Losses) on Retirement Benefit Obligation (Note 19)	Deficit (Note 29)	Treasury Shares	Total
Balances at January 1, 2023	₱555,652,251	₱459,791,492		₱72,643,023	₱—	(₱17,850,964)	(₱685,606,101)	(₱3,125,850)	₱381,503,851
Net income	—	—	—	—	—	—	95,786,355	—	95,786,355
Other comprehensive income	—	—	—	—	—	(10,755,006)	—	—	(10,755,006)
Total comprehensive income	—	—	—	—	—	(10,755,006)	95,786,355	—	85,031,349
Balances at December 31, 2023	555,652,251	459,791,492		72,643,023	—	(28,605,970)	(589,819,746)	(3,125,850)	466,535,200
Issuance of common stock (Note 24)	270,000,000	—	—	—	—	—	—	—	270,000,000
Net loss	—	—	—	—	—	—	(541,784,555)	—	(541,784,555)
Other comprehensive income (loss)	—	—	—	4,711,500	—	1,136,496	—	—	5,847,996
Total comprehensive income	—	—	—	4,711,500	—	1,136,496	(541,784,555)	—	(535,936,559)
Balances at December 31, 2024	825,652,251	459,791,492		77,354,523	—	(27,469,474)	(1,131,604,301)	(3,125,850)	200,598,641
Issuance of common stock (Note 24)	165,531,748	—	—	—	—	—	—	—	165,531,748
Deposit for future stock subscription (Note 24)	—	—	—	—	400,613,366	—	—	—	400,613,366
Net loss	—	—	—	—	—	—	(601,783,963)	—	(601,783,963)
Other comprehensive income	—	—	—	—	—	9,641,910	—	—	9,641,910
Total comprehensive income (loss)	—	—	—	—	—	9,641,910	(601,783,963)	—	(592,142,053)
Balances at December 31, 2025	₱991,183,999	₱459,791,492		₱77,354,523	₱400,613,366	(₱17,827,564)	(₱1,733,388,264)	(₱3,125,850)	₱174,601,702

See accompanying Notes to Financial Statements.



LORENZO SHIPPING CORPORATION
STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2025	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	(P594,667,533)	(P543,459,677)	P105,141,635
Adjustments for:			
Depreciation and amortization (Notes 10 and 11)	211,427,580	248,254,430	214,977,951
Finance costs and other charges (Note 21)	65,243,239	70,419,593	68,643,755
Impairment loss on property and equipment (Note 9)	35,375,306	—	—
Net change in retirement benefit obligation	(22,951,652)	1,782,161	6,218,312
Loss (gain) on disposal of property and equipment - net (Note 22)	(14,157,257)	93,452,270	(697,008)
Gain on pre-termination of lease (Note 22)	(872,972)	—	—
Unrealized foreign exchange loss (gain) - net	(955,827)	694,543	(638,368)
Interest income (Note 22)	(44,763)	(49,343)	(91,621)
Operating income (loss) before working capital changes	(321,603,879)	(128,906,023)	393,554,656
Decrease (increase) in:			
Trade and other receivables	129,949,881	153,093,084	107,990,420
Contract assets	1,647,318	(46,657)	5,377,126
Inventories	29,391,964	12,255,536	16,971,823
Prepayments and other current assets	(27,188,628)	(18,899,948)	(84,799,289)
Other noncurrent assets	(26,448,976)	(7,594,177)	(64,711,918)
Increase in accounts payable and other current liabilities	(202,191,095)	(103,419,874)	37,511,206
Net cash flows from (used in) operations	(416,443,415)	(93,518,059)	411,894,024
Interest received	44,763	49,343	91,621
Net cash flows from (used in) operating activities	(416,398,652)	(93,468,716)	411,985,645
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property and equipment (Note 10)	(135,412,854)	(87,973,667)	(133,897,026)
Proceeds from disposal of property and equipment (Note 10)	176,836,796	77,984,993	864,928
Net cash flows from (used in) investing activities	41,423,942	(9,988,674)	(133,032,098)

(Forward)



	Years Ended December 31		
	2025	2024	2023
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from (payments of) short-term borrowings (Note 14)	(28,201,583)	₱71,948,987	₱21,322,376
Deposits for future stock subscription (Note 24)	400,613,366	—	—
Proceeds from share issuance (Note 24)	165,531,748	270,000,000	—
Payments of:			
Long-term borrowings (Notes 14 and 26)	(39,500,000)	(92,092,697)	(126,564,767)
Principal portion of lease liabilities (Note 27)	(83,911,041)	(70,877,664)	(68,819,135)
Finance costs and other charges (Notes 14, 21 and 27)	(65,154,006)	(70,262,393)	(69,738,324)
Net cash flows generated from (used in) financing activities	349,378,484	108,716,233	(243,799,850)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(25,596,226)	5,258,843	35,153,697
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	1,114,987	(1,591,707)	1,448,210
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	102,795,802	99,128,666	62,526,759
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	₱78,314,563	₱102,795,802	₱99,128,666

See accompanying Notes to Financial Statements.



LORENZO SHIPPING CORPORATION

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information and Status of Operations

Corporate Information

Lorenzo Shipping Corporation (the Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on October 17, 1972 primarily to engage in domestic inter-island cargo shipping activities.

The Company is majority-owned by National Marine Corporation (NMC), a domestic holding company. A. Magsaysay, Inc. (AMI) is the ultimate parent of the Company.

The Company's common shares of stock are traded in the Philippine Stock Exchange (PSE).

The Company is a holder of several Certificates of Convenience and special permits issued by the Maritime Industry Authority to service certain domestic ports of call.

The Company's registered and principal business address is 20th Floor Times Plaza Building, United Nations Avenue, Ermita, Manila.

Status of Operations

The Company incurred net loss of ₱601.78 million and ₱541.78 million in 2025 and 2024, respectively. The Company has a deficit of ₱1.73 billion and ₱1.13 billion as of December 31, 2025 and 2024, respectively. In addition, the Company's total current liabilities exceeded its total current assets by ₱1.10 billion and ₱1.27 billion as of December 31, 2025 and 2024, respectively.

Management believes that with the Company's available unused credit facilities, the continued financial support from and deferral of payment of payables to its affiliates, the Company will be able to generate sufficient cash flows from its operations to meet its obligations as and when they fall due.

On May 15, 2026, the Board of Directors (BOD) of the Company approved a resolution to transition from an active shipping operations toward a business model focused on maximizing the value of its assets by strategically leasing them to other operating companies. This decision was driven by the Company's commitment to navigating industry headwinds more effectively and proactively adapting to changes in the domestic shipping industry. The transition is intended to strengthen revenue stability, preserve asset value, and ensure that the Company and its management remain able to fulfill their obligations to all stakeholders while continuing as a going concern.

The BOD determined that this strategic transition is in the best long-term interests of the Company and its stakeholders, including shareholders, creditors, employees, customers, business partners, and regulators. As such, the financial statements have been prepared on a going concern basis of accounting.

The financial statements of the Company as of December 31, 2025 and 2024 and for each of the three years in the period ended December 31, 2025 were approved and authorized for issuance by the BOD on May 15, 2026.



2. Basis of Preparation, Statement of Compliance and Changes in Accounting Policies and Disclosures

Basis of Preparation

The accompanying financial statements have been prepared under the historical cost basis except for land which is carried at revalued amounts. The financial statements are presented in Philippine peso (Peso), which is the Company's functional and presentation currency, and rounded to the nearest millions, except when otherwise indicated.

Statement of Compliance

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of amended standards effective in 2025. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The adoption of these amendments did not have an impact on the financial statements of the Company:

- Amendments to PAS 21, *Lack of exchangeability*

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The Company intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Company's financial statements.

Effective beginning on or after January 1, 2026

- Amendments to Illustrative Examples on PFRS 7, PFRS 18, PAS 1, PAS 8, PAS 26 and PAS 37, *Disclosures about Uncertainties in the Financial Statements*
- Amendments to PFRS 9 and PFRS 7, *Classification and Measurement of Financial Instruments*
- Amendments to PFRS 9 and PFRS 7, *Contracts Referencing Nature-dependent Electricity*
- Annual Improvements to PFRS Accounting Standards—Volume 11
 - Amendments to PFRS 1, *Hedge Accounting by a First-time Adopter*
 - Amendments to PFRS 7, *Gain or Loss on Derecognition*
 - Amendments to PFRS 9, *Lessee Derecognition of Lease Liabilities and Transaction Price*
 - Amendments to PFRS 10, *Determination of a 'De Facto Agent'*
 - Amendments to PAS 7, *Cost Method*

Effective beginning on or after January 1, 2027

- PFRS 17, *Insurance Contracts*
- PFRS 18, *Presentation and Disclosure in Financial Statements*
- PFRS 19, *Subsidiaries without Public Accountability*
- Amendments to PAS 21, *Translation to a Hyperinflationary Presentation Currency*

Deferred effectivity

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



3. Material Accounting Policy Information

Financial Instruments – Initial Recognition and Subsequent Measurement

a. Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price.

As at December 31, 2025 and 2024, the Company does not have financial assets at FVOCI and FVTPL.

Subsequent measurement – Financial assets at amortized cost

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in the statement of income when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost includes cash and cash equivalents, trade and other receivables, security deposits included under other noncurrent assets.

Impairment

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

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

For trade receivables and contract assets, the Company applies the simplified approach in calculating ECLs, as permitted by PFRS 9. Therefore, the Company does not track changes in credit risk, but instead, recognizes a loss allowance based on the financial asset's lifetime ECL at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.



For cash and cash equivalents, the Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and considered to be low credit risk investments.

For other debt financial instruments such as other receivables and security deposits included under other noncurrent assets, the Company applies the general approach. Therefore, the Company track changes in credit risk at every reporting date.

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

b. Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings at amortized cost, or as derivatives designated as hedging instruments in an effective hedge appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings net of directly attributable transaction costs.

The Company's financial liabilities include accounts payable and other current liabilities, borrowings, lease liabilities and long-term borrowing to a related party.

Subsequent measurement

After initial recognition, loans and borrowings and payables are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the statement of income when the liabilities are derecognized as well as through the EIR amortization process.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Materials and spare parts	- purchase cost using first-in, first-out method
Fuel, diesel and lubricants	- purchase cost using first-in, first-out method

Net realizable value is the estimated replacement cost.

An allowance for losses and obsolescence is determined based on a regular review and management evaluation of movement and condition of spare parts and supplies.

Noncurrent Assets Held for Sale

The Company classifies noncurrent assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Noncurrent assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.



The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property and equipment are not depreciated or amortized once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

Property and Equipment

Property and equipment, except for land, are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of the property and equipment when that cost is incurred, if the recognition criteria are met.

Land is initially measured at cost. After initial recognition, land is measured at fair value less any accumulated impairment in value. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. All of the Company's land properties had been revalued as determined by an independent firm of appraisers.

The appraisal increment, net of the related tax effect, is credited to the "Revaluation increment" account included as other comprehensive income in the statement of comprehensive income and as other component of equity in the equity section of the statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in the statement of income, in which case the increase is recognized in the statement of income.

A revaluation deficit is recognized in the statement of income, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the asset revaluation reserve. Upon disposal, any revaluation increment relating to the particular asset being sold is transferred to retained earnings.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Company. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged in the statement of income in the period in which the costs are incurred.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.



Depreciation is computed on a straight-line basis less its residual value over the estimated useful life (EUL) as follows:

Category	Number of Years
Land improvements	3
Vessels, excluding drydocking costs and vessel tools and equipment	35*
Drydocking costs	3
Container vans and improvements	5-10
Buildings, warehouses, terminal premises and equipment and leasehold improvements	3-10
Office furniture and equipment	5
Transportation equipment	5
Vessel tools and equipment	5
<i>*From the time the vessel was built</i>	

Major overhaul costs incurred during drydocking of vessels are capitalized and depreciated over a 3-year period or the next drydocking, whichever comes first. When significant drydocking costs are incurred prior to the expiry of the 3-year depreciation period, the remaining costs of the previous drydocking are written off in the period of the subsequent drydocking. Drydocking costs are recorded as part of "Vessels" under property and equipment.

Leasehold improvements are depreciated over their estimated useful lives or the term of the lease, whichever is shorter.

Fully depreciated property and equipment are retained in the accounts until these are no longer in use. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from the continued use of the item.

Any gain or loss arising on derecognition of the property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of income in the year the asset is derecognized.

The carrying amounts of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Impairment of Nonfinancial Assets

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



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

Revenue from Contracts with Customers

Revenue from contracts with customers is recognized when control of goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for the goods and services. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

The disclosures of significant accounting judgments, estimates and assumptions relating to revenue from contracts with customers are provided in Note 4.

The specific recognition criteria for each type of revenue are as follows:

Ocean freight

Revenues derived from ocean freight services are recognized when the related services are rendered over time based on the on the estimated period travelled (number of days) of the cargoes or goods delivered over the period of the date of acceptance up to the delivery date.

Other vessel revenue - Trucking

Revenue from trucking services are recognized when the related services are rendered over time based on the timing of delivery (number of days) of the cargoes to the customer.

Other vessel revenues - Storage

Storage fees for each container van are recognized over time based on the number of days storage is availed of.

Other vessel revenues - Port charges

Revenues from port charges such as arrastre, wharfage, Lift On - Lift Off (LOLO), stevedoring and weighing fee, etc. are recognized over time based on the timing of the service performance (number of days).

Contract Balances

Contract assets

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



Contract liability

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract.

Provisions

Provisions are recognized only when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Taxes

Current income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of reporting period.

Deferred income tax

Deferred tax is provided using the liability method on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits and unused tax losses, to the extent that it is probable that taxable income will be available against which the deductible temporary differences, and the carryforward benefits of unused tax credits and unused tax losses can be utilized except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each statement of financial position date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of reporting period.

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

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of income.

Value-added Tax (VAT)

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.



For its VAT-registered activities, when VAT from sale of services (Output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as VAT payable in the statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sale of services (Output VAT), the excess is recognized as an asset in the statement of financial position up to the extent of the recoverable amount.

Capital Stock

Capital stock is determined using the par value shares that have been issued. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and number of shares issued.

The Company's capital stock pertains to common stock. Direct costs incurred related to the issuance of new common stock such as accounting and legal fees, printing costs and taxes are shown in equity as deduction, net of tax, from proceeds.

When the shares are sold at a premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When the shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received.

In case the shares are issued to extinguish or settle the liability of the Company, the shares shall be measured either at fair value of the share issued or fair value of the liability settled, whichever is more reliably determinable.

Retirement Benefit Obligation

The retirement benefit obligation is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the statement of income.



Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to the statement of income in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Earnings (Loss) per Share (EPS)

Basic EPS is calculated by dividing net income (loss) for the year attributable to common shareholders by the number of shares issued and outstanding at the end of the year after giving retroactive effect to regular stock dividends declared and stock rights exercised during the year, if any.

Leases

Company as a lessee

ROU assets

The Company recognizes ROU assets (included in 'Property and equipment') at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term as follows:

Category	Number of Years
Container Yard	2-7
,	2-5
Warehouse and Equipment	4-4.5
Office Space	2-7

ROU asset is subject to impairment in accordance with the Company's policy on impairment of nonfinancial assets.



Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of container yard, container van, warehouse and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of that are considered of low value.

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

Contingencies

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

Segment Reporting

The Company and its branches and agencies are operating as one reportable segment engaged in domestic inter-island cargo shipping activities within the Philippines. Therefore, neither business nor geographical segment information is presented.

Events After the Reporting Period

Post year-end events that provide additional information about the Company's financial position at the end of reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

4. Significant Accounting Judgments and Estimates

The preparation of the accompanying financial statements in accordance with PFRS Accounting Standards requires management to make judgments and estimates that affect the amounts reported in the financial statements and the accompanying notes. The judgments and estimates used in the accompanying financial statements are based upon management's evaluation of relevant facts and circumstances as of date of the financial statements. Actual results could differ from such estimates.



Judgments

In the process of applying the Company's accounting policies, management has made judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements.

Use of going concern assumption

The use of the going concern assumption involves management making judgments, at a particular point in time, about the future outcome of events or conditions that are inherently uncertain. Management's assessment requires significant judgement that are based on assumptions which are subject to a higher level of estimation uncertainty due to the current economic conditions. Management takes into account a whole range of factors which include, but are not limited to, the forecasted level of revenue, gross margin, operating cost, capital expenditures, and maturity profile of debt and interest repayments and timing of significant cash flows used in the forecast, and the other potential sources of financing given the economic uncertainties caused by the volatility of fuel prices. The Company has no plans to liquidate. Management believes that it will be able to generate future income and obtain sources of financing. Accordingly, the financial statements are prepared on a going concern basis since management has future plans, including revenue enhancements and cost reduction programs, with regards to the Company as disclosed in Note 1.

Noncurrent asset held of sale

The Company assesses the classification of assets to non-current asset held for sale if the following criteria were met at the end of reporting period:

- Assets were available for immediate sale and could be sold to the buyer in its current condition
- The actions to complete the sale were initiated and expected to be completed within one year from the date of initial classification.
- A potential buyer had been identified and negotiations were at an advanced stage, with a deed of absolute executed and agreed between the two parties.

The Company assessed that certain service vehicles qualified as non-current assets held for sale as of December 31, 2025 (see Note 9).

Revenue from contracts with customers

The Company applied the judgment that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- *Identifying performance obligations in a bundled freight revenue*
The Company determined that the following performance obligations are capable of being distinct: (1) ocean freight revenue, (2) trucking services, (3) port charges, (4) storage. The Company has determined that these services are capable of being distinct in the context of the contract.

Consequently, the Company allocated a portion of the transaction price to the different performance obligations, taking into consideration its stand-alone rates.

Estimations

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date that have a significant risk causing material adjustments to the carrying amounts of the assets and liabilities within the next financial years are discussed below:



Provision for ECL on trade receivables and contract assets

The Company uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customers that have similar loss patterns (i.e., customer type and rating).

The provision matrix is initially based on the Company's historical observed default rates. The Company then calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (e.g. consumer price index) are expected to deteriorate over the next year which can lead to an increased number of defaults in the shipping and logistics sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

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

The carrying values of trade receivables and contract assets amounted to ₱303.33 million and ₱406.20 million as of December 31, 2025 and 2024, respectively (see Note 6).

Estimation of impairment of property and equipment

The Company assesses at the end of each reporting period whether there is any indication that the property and equipment and other non-financial assets may be impaired. If such indication exists, the Company 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 estimating the VIU, the Company 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 property and equipment, 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 Company's financial statements. Future events could indicate that these property and equipment are impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations of the Company. Refer to Note 10 for the assumptions used.

The carrying values of property and equipment, excluding land, amounted to ₱697.42 million and ₱986.07 million as of December 31, 2025 and 2024, respectively (see Note 10).

Fair value of land properties

The Company carries its land properties at revalued amount with changes in fair value recognized in OCI. The fair value of the Company's land is based on the valuation carried out by independent appraiser. The valuation was arrived by reference to market evidence of transaction prices of similar properties.

External appraisers used market approach to value the land properties by using sales comparison method in particular. The valuation analysis involved key assumptions such as listing prices of reasonably comparable properties and adjustments related to the characteristics of the land properties such as size, location, utility, and other relevant conditions. The key assumptions used to determine the fair value of the land properties are provided in Note 10.



Revaluation increment on land properties recognized under equity amounted to ₱77.35 million, net of the applicable tax, as at December 31, 2025 and 2024. Net book values of revalued land properties amounted to ₱182.18 million as of December 31, 2025 and 2024 (see Note 10).

Realizability of deferred tax assets

The Company reviews the carrying amounts of deferred tax assets at reporting date and reduces it to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Significant management judgment is required to determine the amount of deferred income tax assets that can be recognized based upon the likely timing and level of future taxable profits together with future tax planning strategies.

As at December 31, 2025 and 2024, the Company recognized deferred tax assets amounting to ₱59.46 million and ₱85.38 million (see Note 23).

Leases - Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Company would have pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment. The Company estimates the incremental borrowing rate using observable inputs like the risk-free rate and adjust it for factors such as the credit rating of the Company and the terms and conditions of the lease.

The Company's lease liabilities amounted to ₱154.87 million and ₱233.99 million as of December 31, 2025 and 2024, respectively (see Note 27).

Retirement benefit obligation

The cost of the defined benefit obligation plan and the present value of the pension obligation are determined using an actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The carrying amount of the Company's retirement benefit obligation amounted to ₱70.85 million and ₱106.65 million as of December 31, 2025 and 2024, respectively (see Note 19).

5. Cash and Cash Equivalents

	2025	2024
Cash on hand	₱1,408,000	₱1,268,000
Cash in banks	76,374,705	100,995,944
Cash equivalents	531,858	531,858
	₱78,314,563	₱102,795,802

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are short term deposits made for varying periods of up to three (3) months and earns interest at the respective short-term deposit rates.



Interest income, amounted to ₱0.04 million, ₱0.05 million and ₱0.09 million in 2025, 2024 and 2023, respectively (see Note 22).

6. Trade and Other Receivables and Contract Assets

	2025	2024
Trade:		
Third parties	₱447,205,365	₱540,161,839
Related parties (Note 26)	17,549,650	23,675,646
	464,755,015	563,837,485
Less allowance for ECL	163,867,934	161,721,556
	300,887,081	402,115,929
Non-trade - related parties (Note 26)	31,848,156	17,986,888
Others	32,297,196	74,879,497
	₱365,032,433	₱494,982,314

Trade receivables are noninterest-bearing and have varying credit terms.

Non-trade receivables include advances to related parties for the rental of container yard, container vans, cost sharing of office space. These receivables are noninterest-bearing and collectible on demand.

Others include dues from social security system, claims, advances to employees, insurance and others. These receivables are noninterest-bearing.

The Company has contract assets amounting to ₱2.44 million and ₱4.09 million as of December 31, 2025 and 2024, respectively, which is net of allowance for ECL of ₱0.04 million.

The rollforward of allowance for ECL on trade receivables and contract assets follows:

	December 31, 2025		
	Trade Receivables	Contract Assets	Total
Beginning balances	₱161,721,556	₱41,318	₱161,762,874
Provision for the year - net (Note 18)	2,146,378	—	2,146,378
Ending balances	₱163,867,934	₱41,318	₱163,909,252

	December 31, 2024		
	Trade Receivables	Contract Assets	Total
Beginning balances	₱153,528,677	₱72,118	₱153,600,795
Provision (reversal) for the year - net (Note 18)	11,666,127	(30,800)	11,635,327
Write off	(3,473,248)	—	(3,473,248)
Ending balances	₱161,721,556	₱41,318	₱161,762,874



7. Inventories

As of December 31, 2025 and 2024, fuel, diesel and lubricants amounted to ₱19.83 million and ₱49.22 million, respectively. These are carried at cost, which is lower than the net realizable value.

Fuel and supplies inventories recorded as expenses in 2025, 2024 and 2023 are as follows (see Notes 16, 17 and 18):

	2025	2024	2023
Cost of services (Note 16)	₱484,245,115	₱708,167,567	₱774,171,490
Terminal expenses (Note 17)	37,227,327	41,926,206	61,373,424
General and administrative expenses (Note 18)	1,523,794	3,318,114	3,711,409
Total	₱522,996,236	₱753,411,887	₱839,256,323

8. Prepayments and Other Current Assets

	2025	2024
Input VAT	₱83,136,159	₱66,958,848
Advances to suppliers	77,457,453	67,815,888
Prepaid expenses	9,637,847	12,029,598
CWTs	3,845,500	83,997
Others	1,838,068	1,838,068
	₱175,915,027	₱148,726,399

CWTs represent the current portion of the amount withheld by the Company's customers in relation to its sale of services. These are recognized when the related sales are earned and are utilized as tax credits against income tax due as allowed by the Philippine taxation laws and regulations.

Prepaid expenses include prepaid insurance and prepaid importation charges.

9. Noncurrent Asset Held for Sale

In 2025, the Company decided to sell its M/V Lorcon Iloilo vessel. On January 5, 2026, the Company entered into a Memorandum of Agreement with KQT Hauling Services for the sale of M/V Lorcon Iloilo vessel for a consideration of ₱21.00 million.

As at December 31, 2025, the Company had had written down the carrying amount of ₱56.38 million to its fair value less costs to sell which resulted to impairment loss of ₱35.38 million (see Note 22).



10. Property and Equipment

a. At Cost

December 31, 2025

Cost	Vessels and Drydocking Costs	Container Vans and Improvements	Buildings, Warehouses, and Terminal Premises	Leasehold improvement	Machinery and Equipment	Office Furniture and Equipment	Transportation Equipment	Vessel Tools and Equipment	Construction-in-Progress	ROU Assets	Total
Balances at January 1, 2025	₱1,940,982,499	₱420,125,232	₱19,005,773	₱65,166,025	₱295,242,168	₱81,266,404	₱34,698,618	₱311,126,094	₱8,481,409	₱413,845,306	₱3,589,939,528
Additions	16,607,221	–	–	901,824	–	1,537,911	2,023,023	15,711,419	98,631,456	8,885,935	144,298,789
Disposals	(343,133,277)	(8,430,502)	–	–	(11,156,547)	(311,326)	(488,622)	(166,081,530)	–	–	(529,601,804)
Derecognition	(191,033,286)	–	–	–	–	–	–	(53,830,110)	–	(6,557,485)	(251,420,881)
Reclassification	106,845,007	–	–	–	–	–	–	–	(106,845,007)	–	–
Balances at December 31, 2025	1,530,268,164	411,694,730	19,005,773	66,067,849	284,085,621	82,492,989	36,233,019	106,925,873	267,858	416,173,756	2,953,215,632
Accumulated depreciation											
Balances at January 1, 2025	1,301,317,717	393,839,479	16,060,880	61,017,458	261,274,103	79,280,310	28,429,442	260,878,455	–	201,767,773	2,603,865,617
Depreciation for the year (Notes 16, 17 and 18)	106,935,423	–	934,226	354,495	2,559,627	1,215,584	1,601,170	15,202,967	–	81,728,254	210,531,746
Derecognition	(142,421,085)	–	–	–	–	–	–	(46,084,862)	–	(3,169,451)	(191,675,398)
Disposals	(199,261,542)	(18,471,395)	–	–	–	(311,326)	(439,759)	(148,438,243)	–	–	(366,922,265)
Balances at December 31, 2025	1,066,570,513	375,368,084	16,995,106	61,371,953	263,833,730	80,184,568	29,590,853	81,558,317	–	280,326,576	2,255,799,700
Net book values	₱463,697,651	₱36,326,646	₱2,010,667	₱4,695,896	₱20,251,891	₱2,308,421	₱6,642,166	₱25,367,556	₱267,858	₱135,847,180	₱697,415,932

December 31, 2024

Cost	Vessels and Drydocking Costs	Container Vans and Improvements	Buildings, Warehouses, and Terminal Premises	Leasehold improvement	Machinery and Equipment	Office Furniture and Equipment	Transportation Equipment	Vessel Tools and Equipment	Construction-in-Progress	ROU Assets	Total
Balances at January 1, 2024	₱2,285,940,658	₱420,125,232	₱18,737,915	₱65,166,025	₱296,168,592	₱80,778,061	₱34,090,218	₱392,639,763	₱–	₱392,850,544	₱3,986,497,008
Additions	50,339,581	–	267,858	–	588,000	896,290	1,336,971	26,063,558	8,481,409	76,223,582	164,197,249
Disposals	(395,297,740)	–	–	–	(1,514,424)	(407,947)	(728,571)	(107,577,227)	–	–	(505,525,909)
Derecognition	–	–	–	–	–	–	–	–	–	(55,228,820)	(55,228,820)
Balances at December 31, 2024	1,940,982,499	420,125,232	19,005,773	65,166,025	295,242,168	81,266,404	34,698,618	311,126,094	8,481,409	413,845,306	3,589,939,528
Accumulated depreciation											
Balances at January 1, 2024	1,403,103,033	393,839,479	14,985,347	60,286,277	260,296,305	78,319,597	27,732,495	328,181,194	–	179,080,759	2,745,824,486
Depreciation for the year (Notes 16, 17 and 18)	139,191,369	–	1,075,533	731,181	2,363,627	1,368,659	1,352,661	23,359,733	–	77,915,834	247,358,597
Derecognition	(240,976,685)	–	–	–	(1,385,829)	(407,946)	(653,714)	(90,662,472)	–	(55,228,820)	(334,088,646)
Disposals	–	–	–	–	–	–	–	–	–	–	–
Balances at December 31, 2024	1,301,317,717	393,839,479	16,060,880	61,017,458	261,274,103	79,280,310	28,429,442	260,878,455	–	201,767,773	2,603,865,617
Net book values	₱639,664,782	₱26,285,753	₱2,944,893	₱4,148,567	₱33,968,065	₱1,986,094	₱6,269,176	₱50,247,639	₱8,481,409	₱212,077,533	₱986,073,911



b. ROU Assets

The following are the leased assets that qualify under the criteria of PFRS 16 as at December 31, 2025 and 2024:

	Container Yards	Office Space	Container Vans	Warehouse and Equipment	Total
Cost					
Balances at January 1, 2025	₱96,835,251	₱40,807,243	₱97,507,726	₱178,695,086	₱413,845,306
Additions	—	—	8,885,935	—	8,885,935
Derecognition	(6,557,485)	—	—	—	(6,557,485)
Balances at December 31, 2025	90,277,766	40,807,243	106,393,661	178,695,086	416,173,756
Accumulated depreciation					
Balances at January 1, 2025	17,635,482	24,878,652	66,147,065	93,106,574	201,767,773
Depreciation for the year	22,144,761	6,096,992	13,628,851	39,857,650	81,728,254
Derecognition	(3,169,451)	—	—	—	(3,169,451)
Balances at December 31, 2025	36,610,792	30,975,644	79,775,916	132,964,224	280,326,576
Net book values	₱53,666,974	₱9,831,599	₱26,617,745	₱45,730,862	₱135,847,180

	Container Yards	Office Space	Container Vans	Warehouse and Equipment	Total
Cost					
Balances at January 1, 2024	₱81,960,350	₱40,527,414	₱97,507,726	₱172,855,054	₱392,850,544
Additions	69,354,992	1,028,558	—	5,840,032	76,223,582
Derecognition	(54,480,091)	(748,729)	—	—	(55,228,820)
Balances at December 31, 2024	96,835,251	40,807,243	97,507,726	178,695,086	413,845,306
Accumulated depreciation					
Balances at January 1, 2024	51,910,411	19,573,750	52,985,000	54,611,598	179,080,759
Depreciation for the year	20,205,162	6,053,631	13,162,065	38,494,976	77,915,834
Derecognition	(54,480,091)	(748,729)	—	—	(55,228,820)
Balances at December 31, 2024	17,635,482	24,878,652	66,147,065	93,106,574	201,767,773
Net book values	₱79,199,769	₱15,928,591	₱31,360,661	₱85,588,512	₱212,077,533

c. At Revalued Amount

The Company accounts for its Bacolod land properties using the revaluation model. The carrying amount of the land at revalued amount as at December 31, 2025 and 2024 amounted to ₱77.35 million.

Movements in the revaluation increment net of tax, recognized directly in equity are as follows:

	2025	2024
Balances at beginning of year	₱77,354,523	₱72,643,023
Additions	—	4,711,500
Balances at end of year	₱77,354,523	₱77,354,523

The Company engaged independent appraiser to determine the fair value of the following properties:

Location	Area in Square Meters	2025	2024	Highest and Best Use
Bacolod				
Lot 1	3,782	₱109,678,000	₱109,678,000	Commercial warehousing/ logistics facility
Lot 2	2,500	72,500,000	72,500,000	Commercial warehousing/ logistics facility
		₱182,178,000	₱182,178,000	



The fair values were estimated through the market approach by using sales comparison method in particular. The valuation analysis involved key assumptions such as listing prices of reasonably comparable properties and adjustments related to the characteristics of the land properties such as size, location, utility, and other relevant conditions.

Key unobservable inputs (Level 3) used to measure the fair value of the land is the price per square meter ranging from ₱29,000 and ₱29,000 in 2025 and 2024, depending on the property.

Significant increases (decreases) in estimated price per square meter in isolation would result in a significantly higher (lower) fair value on a linear basis.

The Company uses the land as a container yard for shipments not directly delivered to the customer's warehouse and awaiting for loading to the vessels. Having the use of the land as a container yard and warehouse facility reduces the cost of rent from other warehouse or container yard. In addition, the land is located within a port related development, where the prevailing land use for related activities, as well as the neighboring area, are in the nature of commercial warehousing and logistics facilities. Thus, the Company assessed that the highest and best use of the property does not differ from their current use.

If the land properties were measured using the cost model, the carrying value of the land would be ₱79.04 million as at December 31, 2025 and 2024.

- d. To ensure the maintenance of the vessels in accordance with international standards, the Company has availed of the services of a related party to oversee the regular upgrading and maintenance of the vessels (see Note 26).
- e. The balances of property and equipment as of December 31, 2025 and 2024 includes fully-depreciated assets still in use amounting to ₱753.61 million and ₱788.88 million, respectively.
- f. Certain vessels with carrying values of nil and ₱286.31 million as of December 31, 2025 and 2024, respectively, are used as chattel mortgage securities for long-term borrowings (see Note 14).

In May 2025, the Company sold one of its vessels, MV Lorcon Dumaguete, due to continuous drydocking and repairs with proceeds amounting to ₱147.04 million, resulting in loss on disposal of ₱14.47 million. In October 2024, the Company sold one of its vessels, MV Lorcon Manila, due to continuous drydocking and repairs with proceeds amounting to ₱77.97 million, resulting in loss on disposal of ₱93.26 million.

The Company also had disposals of various property and equipment with proceeds amounting to ₱29.79 million, ₱0.01 million and ₱0.86 million in 2025, 2024 and 2023, respectively, resulting in gain on disposal of ₱28.63 million in 2025, nil in 2024 and ₱0.70 million in 2023.

- g. The Company performed impairment testing on its property and equipment in 2025 and 2024. The recoverable amount of the CGU has been determined based on a VIU calculation using cash flow projections from financial budgets approved by the board of directors. The projected cash flows have been updated to reflect the demand for services taking into consideration the impact of the rising fuel prices. The Company's entire container vessels' operation is determined to be its CGU.

The pre-tax discount rate applied to cash flow projection is 10.10% in 2025 and 10.30% in 2024. As a result of this analysis, management concluded that the property and equipment is not impaired.



The calculation of VIU of the CGU is most sensitive to the following assumptions:

- Revenue growth rates
- Discount rate

Revenue growth rates

Average growth rate in revenues is based on the Company's expectation of market developments and the changes in the environment in which it operates. The Company uses revenue growth rates of 2.80%, based on past historical performance as well as expectations on the results of its strategies.

Discount rate

The discount rate used is the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. The Company used discount rate based on the Company's WACC. The rate used to discount the future cash flows is based on risk-free interest rates in the relevant markets where the Company is domiciled taking into consideration the debt premium, market risk premium, gearing, corporate tax rate and asset beta. Discount rates used by the Company are 9.20% in 2025 and 9.40% in 2024.

Capital expenditure

In computing the value-in-use, estimates of future cash flows include future cash outflows necessary to maintain the level of economic benefits expected to arise from the asset in its current condition. Capital expenditures that improve or enhance the asset's performance therefore are not included. This enhancement capital expenditure, such as maintenance, is excluded from value-in-use analysis since this has not yet been incurred as at valuation date.

- h. Construction in progress pertains to on-going vessel drydocking of MV Lorcon Bacolod amounting to P8.48 million as at December 31, 2024. During the year, MV Lorcon Iloilo and MV Lorcon Dumaguete were drydocked from January 3, 2024 to March 11, 2024.

11. Computer Software

	2025	2024
Cost	P4,479,168	P4,479,168
Accumulated amortization:		
Beginning balances	2,314,236	1,418,403
Amortization (Note 17)	895,834	895,833
Ending balances	3,210,070	2,314,236
Net book values	P1,269,098	P2,164,932

Computer software pertain to acquired Synchronized Access and Integrated Link (SAIL) used for the Company's operation. No impairment loss was recognized for software and licenses since management believes that the future benefits will accrue to the Company over the assets' remaining useful life.

Computer software is amortized on a straight-line basis over its estimated useful economic life of five (5) years and assessed for impairment whenever there is an indication that the intangible asset may be impaired.



12. Other Noncurrent Assets

	2025	2024
CWTs - net of current portion	₱626,010,106	₱599,964,702
Deferred input VAT	115,541,477	115,541,477
Deposits - net of allowance for impairment loss amounting to ₱4.10 million in 2025 and 2024	16,969,974	16,566,402
Others	525,277	525,277
	₱759,046,834	₱732,597,858

CWTs represent the noncurrent portion of the amount withheld by the Company's customers in relation to its sale of services. These are classified as noncurrent due to assessment of the Company that these CWTs are not realizable within 12 months after the reporting date.

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

Deposits consist of amounts paid for rental deposits which are refundable at the end of the lease term.

13. Accounts Payable and Other Current Liabilities

	2025	2024
Trade:		
Third parties	₱555,188,733	₱613,744,373
Related parties (Note 26)	384,009,112	437,397,900
Output VAT payable	37,470,446	52,620,215
Deferred output VAT	30,947,316	30,742,044
Accrued expenses:		
Repairs, maintenance and supplies for vessels	45,157,374	27,404,396
General and administrative	42,704,382	47,880,047
Outside services	17,450,601	30,852,255
Other taxes payable	4,424,050	5,558,918
Other accrued expenses	1,892,989	10,879,057
Amounts owed to related parties (Note 26)	113,424,444	208,402,088
Others	47,407,044	16,786,293
	₱1,280,076,491	₱1,482,267,586

Trade payables are non-interest bearing and are normally settled within 12 months from the end of the reporting period.

Output VAT payable pertains to VAT liabilities for the Company's billed services as at reporting date.

Deferred output VAT from uncollected services, prior to the effectivity of Republic Act No. 11976, otherwise known as the Ease of Paying Taxes Act (EoPT), shall be recognized as application to input once collected from customers.



Accrued expenses are obligations on the basis of normal credit terms and do not bear interest. These pertain to accruals made based on prior month's billings and/or contracts of the Company and are normally settled within 12 months from the end of the reporting period.

Outside services includes cargo and port expenses incurred in relation to the Company's normal shipping operations.

Others include payroll-related expenses incurred but not yet paid and accruals for payment to retired employees outside of the retirement fund.

14. Borrowings

Short-term borrowings consist of:

	2025	2024
Bank of the Philippine Islands (BPI)	₱165,885,000	₱166,885,000
Banco de Oro Unibank Inc. (BDO)	82,825,696	85,587,279
Metropolitan Bank and Trust Company (MBTC)	38,000,000	61,440,000
Chinabank Corporation (CBC)	99,000,000	100,000,000
	₱385,710,696	₱413,912,279

Movements in short-term debt recognized in the statement of financial position are as follows:

	2025	2024
Balances at beginning of year	₱413,912,279	₱341,963,292
Net availments (payments)	(28,201,583)	71,948,987
Balances at end of year	₱385,710,696	₱413,912,279

Short-term borrowings from local banks, with maturity ranging from 28 to 365 days, bear annual interest at 8.03% to 7.44% and 7.50% to 8.84% in 2025 and 2024, respectively. Short-term borrowings are generally not secured, however, the Company's short-term loan with Banco de Oro Unibank Inc. (BDO) is secured by the Company's trade receivables.

Long-term borrowings consist of:

	2025	2024
Balance of loan obtained from RCBC of ₱137.00 million, availed last May 6, 2020 and will mature on May 6, 2027. The loan is payable monthly in 72 equal monthly installments starting May 6, 2021. Annual interest rate is equal to the BVAL plus 2.5% spread. Interest rate ranges from 8.78% to 9.00% in 2025, 8.78% to 9.00% in 2024 and 4.46% to 8.78% in 2023.	₱32,347,222	₱55,180,555

(Forward)



	2025	2024
Balance of loan obtained from China Banking Corporation (CBC) of ₱200.00 million, availed of last September 9, 2015 and will mature on September 9, 2025. The loan is payable quarterly in 36 equal quarterly installments starting December 9, 2016. Annual interest rate is equal to 90-day BVAL rate plus 1.25% inclusive of GRT and BSP overnight borrowing rate plus spread of 0.125% inclusive of GRT, whichever is higher, subject to quarterly repricing. Interest rate ranges from 8.00% to 7.50% in 2025 and 2024 and 6.00% to 8.00% in 2023.	₱—	₱16,666,667
	32,347,222	71,847,222
Less deferred financing costs	(45,208)	(134,441)
	32,302,014	71,712,781
Less current portion	(22,792,576)	(39,410,790)
Noncurrent portion	₱9,509,438	₱32,301,991

Movements in long-term debt recognized in the statement of financial position are as follows:

	2025	2024
Balances at beginning of year	₱71,712,781	₱138,833,360
Amortization of deferred financing cost	89,233	157,200
Payments	(39,500,000)	(67,277,779)
Balances at end of year	₱32,302,014	₱71,712,781

As of December 31, 2025 and 2024, the Company did not meet the minimum current, debt-to-equity and debt service coverage ratios required under the Company's long-term loan agreement with RCBC. Prior to year-end, the Company's lender issued a waiver of default action against the breach of loan covenants as of December 31, 2025 and 2024. Accordingly, the Company continues to pay long-term loans based on original credit terms.

These long-term borrowings are secured by chattel mortgages on certain vessels with carrying values of ₱286.31 million as of December 31, 2024 (see Note 10). As of December 31, 2025, there are no Company's assets under chattel mortgage for the remaining long-term borrowings (see Note 10).

Deferred financing costs were incurred in connection with the financing arrangement. These costs are amortized using the effective interest method over the term of the related loans.

Rollforward analysis of deferred financing costs follow:

	2025	2024
Balances at beginning of year	₱134,441	₱291,641
Amortization for the year	(89,233)	(157,200)
Balances at end of year	₱45,208	₱134,441

Interest paid on short-term and long-term borrowings amounted to ₱48.85 million, ₱41.94 million and ₱42.28 million in 2025, 2024 and 2023, respectively.



15. Freight Revenue

Disaggregated Revenue Information

Set out below is the disaggregation of the Company's revenue from contracts with customers.

	2025	2024	2023
Ocean freight	₱942,833,453	₱1,501,219,132	₱2,096,438,386
Other vessel revenues:			
Trucking	219,036,596	309,542,921	388,921,901
Port charges	319,382,907	519,944,922	776,641,858
Storage	7,057,590	9,162,441	18,894,562
	₱1,488,310,546	₱2,339,869,416	₱3,280,896,707

Contract Balances

Trade receivables

The Company's trade receivables, net of allowance for ECL, amounted to ₱300.89 million and ₱402.12 million as at December 31, 2025 and 2024, respectively (see Note 6).

Contract assets

The Company's contract assets amounted to ₱2.44 million and ₱4.09 million as at December 31, 2025 and 2024, respectively (see Note 6).

Performance obligations and timing of revenue recognition

The Company's performance obligations represent ocean freight and other vessel related revenues such as trucking, port charges and storage which are generally satisfied over time once the related services are performed.

16. Cost of Services

	2025	2024	2023
Materials, supplies and facilities (Note 7)	₱484,245,115	₱708,167,567	₱774,171,490
Outside services			
Sea transport service	230,745,250	286,952,927	240,240,433
Trucking	202,165,766	350,432,678	542,147,275
Arrastre	107,352,298	168,242,479	222,233,257
Cargo charges	91,706,262	115,296,623	180,587,115
Craneage	83,700,952	105,525,049	130,319,247
Stevedoring charges	63,751,351	70,900,666	78,094,631
Vessel related charges	50,697,468	70,738,185	66,308,390
Container rental (Note 27)	26,992,724	40,491,881	39,580,855
Depreciation (Note 10)	122,138,390	162,551,102	139,402,857
Voyage	54,630,048	60,207,933	75,762,708
Personnel cost (Note 20)	52,740,900	63,835,780	72,514,476
Vessel insurance	35,889,127	61,737,598	63,605,044
Taxes and licenses	2,523,382	4,090,196	2,596,670
Others	13,754,392	33,067,358	12,735,653
	₱1,623,033,425	₱2,302,238,022	₱2,640,300,101



17. Terminal Expenses

	2025	2024	2023
Depreciation (Notes 10 and 11)	₱82,624,089	₱78,811,668	₱68,117,771
Personnel cost (Note 20)	39,809,929	44,753,736	40,537,547
Materials, supplies and facilities (Note 7)	37,227,327	41,926,206	61,373,424
Outside services	36,724,279	34,528,741	34,658,963
Rental (Note 27)	31,594,752	16,938,873	23,105,188
Lift-on/lift-off (LOLO) charges	4,245,279	3,158,291	6,800,122
Others:			
Utilities	5,525,150	5,842,993	5,851,626
Taxes and licenses	1,518,126	2,138,136	1,679,578
Office supplies	1,357,503	1,994,465	1,479,932
Container van insurance	1,141,781	1,564,793	581,744
Other terminal charges	3,773,735	4,924,057	5,129,004
	₱245,541,950	₱236,581,959	₱249,314,899

Outside services include security and temporary services.

18. General and Administrative Expenses

	2025	2024	2023
Personnel cost (Note 20)	₱69,330,382	₱70,974,080	₱68,838,936
Taxes and licenses	33,843,186	35,309,254	43,306,081
Outside services	22,745,166	40,748,730	45,972,785
Communication, light and water	8,042,550	7,387,161	7,316,530
Depreciation (Note 10)	6,665,101	6,891,660	7,457,323
Service fees	4,753,202	4,276,604	2,251,049
Transportation and travel	3,600,723	4,557,389	5,882,870
Repairs and maintenance	2,173,398	1,227,107	1,896,590
Provision for ECL on trade receivables and contract assets (Note 6)	2,146,378	11,635,327	16,562,405
Supplies (Note 7)	1,523,794	3,318,114	3,711,409
Entertainment, amusement and recreation	1,409,900	1,376,339	1,061,330
Employees' training and staff meeting	1,384,308	2,036,154	2,567,103
Rental (Note 27)	1,212,884	1,216,236	1,539,850
Advertising	396,919	479,576	223,597
IT subscription licenses	291,478	175,593	176,800
Others	5,309,601	3,079,421	8,751,496
	₱164,828,970	₱194,688,745	₱217,516,154



19. Retirement Benefit Obligation

The existing regulatory framework, Republic Act 7641, *Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The Company maintains a funded, tax qualified, non-contributory retirement plan (the Plan) covering all its eligible employees. Under the provisions of the plan, the normal retirement age is 60 for sea-based employees with completion of at least 5 years of service and age of 60 for shore-based employees hired before August 1, 2021 and age of 60 and 5 years of service for shore-based employees hired on or after August 1, 2021. Hired before August 1, 2021, shore-based employees at age 50 with at least 10 years of credited services can avail of an early retirement and at age 55 and 15 years of credited service for those hired on or after August 1, 2021.

The Company's retirement benefit fund ("Fund") is in the form of a trust being maintained and managed by BPI Asset Management.

The following tables summarize the components of net benefit expense recognized in the statements of income and the funded status and amounts recognized in the statements of financial position for the Plan.

Retirement expense recognized in the statements of income:

	2025	2024	2023
Current service cost	₱6,752,089	₱7,043,694	₱5,049,501
Net interest cost	5,090,692	5,681,751	4,802,581
Past service cost	4,042,007	—	—
	₱15,884,788	₱12,725,445	₱9,852,082

Actuarial losses (gains) recognized in other comprehensive income are as follows:

	2025	2024	2023
Actuarial losses (gains) on defined benefit obligation due to:			
Changes in financial assumptions	(₱534,280)	(₱410,565)	₱7,417,343
Experience adjustments	(12,329,520)	(1,353,406)	3,753,132
Return on assets excluding amount included in net interest cost	(7,920)	248,644	146,096
	(₱12,871,720)	(₱1,515,327)	₱11,316,571

Cumulative re-measurement effects recognized in OCI:

	2025	2024
Balances at beginning of year	(₱27,652,208)	(₱29,167,535)
Actuarial gains (losses)	12,855,880	1,515,327
	(14,796,328)	(27,652,208)
Income tax effect	(3,031,236)	182,734
	(₱17,827,564)	(₱27,469,474)



Movements in the retirement benefit obligation are as follows:

	2025	2024
Balances at beginning of year	₱106,653,471	₱105,611,008
Benefits paid	(35,147,140)	(10,943,284)
Current service cost	6,752,089	7,043,694
Net interest cost	5,090,692	5,681,751
Past service cost/(credit)	4,042,007	–
Actual return excluding amount included in net interest cost	–	248,644
Actuarial losses (gains) due to:		
Changes in financial assumptions	(526,360)	(410,565)
Actual Contributions	(841,000)	–
Experience adjustments	(12,329,520)	(1,353,406)
Transferred (released) obligation	(2,848,301)	775,629
	₱70,845,938	₱106,653,471

Retirement benefit obligation as presented in the statement of financial position:

	2025	2024
Present value of defined benefit obligation	₱71,451,274	₱107,282,522
Fair value of plan assets	(605,336)	(629,051)
Retirement benefit obligation	₱70,845,938	₱106,653,471

Changes in the present value of the defined benefit obligation are as follows:

	2025	2024
Balances at beginning of year	₱107,282,522	₱106,218,365
Current service costs	6,752,089	7,043,694
Interest cost	5,127,578	5,952,089
Past service cost	4,042,007	–
Actuarial losses (gains) due to:		
Changes in financial assumptions	(534,280)	(410,565)
Experience adjustments	(12,329,520)	(1,353,406)
Benefits paid for voluntary separation	(36,040,821)	(10,943,284)
Net acquired obligation due to employee transfers	(2,848,301)	775,629
Balances at end of year	₱71,451,274	₱107,282,522

Changes in the fair value of plan assets are as follows:

	2025	2024
Balances at beginning of year	₱629,051	₱607,357
Interest income included in net interest cost	36,886	270,338
Actual return excluding amount included in net interest cost	(7,920)	(248,644)
Benefits paid	(893,681)	–
Actual contributions	841,000	–
Balances at end of year	₱605,336	₱629,051



The fair value of plan assets pertained to cash and fixed-income investments by each class as at the end of the reporting period are as follows:

	2025	2024
Cash and fixed-income investments	₱605,336	₱629,051

All equity instruments held have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market. The plan assets have diverse investments and do not have any concentration risk.

The principal assumptions used as of December 31, 2025 and 2024 in determining pension benefit obligations for the Company's Plan are shown below:

	2025	2024
Discount rate	6.24%	6.12%
Salary increase rate:		
Land-based	3.00%	3.00%
Sea-based	3.00%	3.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, 2025 and 2024, assuming all other assumptions were held constant:

As of December 31, 2025

	Increase (decrease)	Effect on defined benefit obligation
Discount rate	+100 basis points	(₱4,147,941)
	-100 basis points	₱4,643,040
Salary increase rate	+100 basis points	₱5,105,389
	-100 basis points	(₱4,626,581)

As of December 31, 2024

	Increase (decrease)	Effect on defined benefit obligation
Discount rate	+100 basis points	(₱6,713,735)
	-100 basis points	₱7,564,572
Salary increase rate	+100 basis points	₱8,222,337
	-100 basis points	(₱7,396,479)

The Company expects to contribute ₱15,777,429 to the retirement fund in 2026.

The average duration of the defined benefit obligation is 8.41 years and 8.82 years as of December 31, 2025 and 2024, respectively.



20. Personnel Cost

	2025	2024	2023
Salaries and wages	₱121,827,398	₱119,318,957	₱144,224,688
Other employee benefits	24,169,025	47,519,194	27,814,189
Retirement expense (Note 19)	15,884,788	12,725,445	9,852,082
	₱161,881,211	₱179,563,596	₱181,890,959

21. Finance Costs and Other Charges

	2025	2024	2023
Interest expense on:			
Borrowings:			
Short -term borrowings	₱44,405,927	₱41,175,667	₱34,897,094
Long-term borrowings	4,443,420	9,558,970	15,731,507
Lease liabilities (Note 27)	15,548,251	18,779,648	16,877,602
Bank and other financing charges	845,641	905,308	1,137,552
	₱65,243,239	₱70,419,593	₱68,643,755

22. Other Income (Charges) - Net

	2025	2024	2023
Impairment loss on property and equipment (Note 9)	(₱35,375,306)	₱—	₱—
Income (loss) from insurance claims	30,503,100	9,456,764	(2,278,737)
Gain (loss) on disposal of property and equipment (Note 10)	14,157,257	(93,452,270)	697,008
Rental income and others	4,524,702	5,547,798	3,127,353
Net foreign exchange gains (losses)	942,017	(1,002,409)	(1,617,408)
Gain (loss) on pre-termination of lease	872,972	—	—
Interest income from bank deposits (Note 5)	44,763	49,343	91,621
	₱15,669,505	(₱79,400,774)	₱19,837

Income from insurance claims refers to shipping, container LOLO and other claims, which are part of the normal operating cycle of the Company, collected during the year.

23. Income Taxes

The Company's current provision for income tax represents regular corporate income tax (RCIT) in 2025, 2024 and 2023.



The reconciliation of income tax computed at the statutory income tax rate to provision for (benefit from) income tax as shown in the statements of income is as follows:

	2025	2024	2023
Income tax at statutory income tax rate	(P148,666,883)	(P135,864,919)	P26,285,409
Additions to (reductions in) income tax resulting from:			
Movement of unrecognized deferred tax assets	152,066,546	130,494,168	(37,826,883)
Transferred obligation	712,075	—	—
Nondeductible expenses	3,015,883	3,707,965	20,919,659
Interest income subjected to final tax	(11,191)	(12,336)	(22,905)
	P7,116,430	(P1,675,122)	P9,355,280

The components of the deferred income taxes are as follows:

	2025	2024
<i>Deferred income taxes recognized in the statement of income:</i>		
Deferred tax assets:		
Lease liabilities	P38,716,442	P58,498,180
Retirement benefit obligation	20,742,721	26,480,635
Unrealized foreign exchange losses	—	397,929
	59,459,163	85,376,744
Deferred tax liabilities		
Right-of-use assets	(33,961,795)	(53,019,384)
Deferred financing costs	(11,304)	(33,612)
Unrealized foreign exchange gains	(278,747)	—
	(34,251,846)	(53,052,996)
<i>Deferred income taxes recognized directly in equity:</i>		
Deferred income tax liability on revaluation increment on land	(25,784,841)	(25,784,841)
Deferred tax asset (liability) related to retirement benefit obligation	(3,031,237)	182,733
	(28,816,078)	(25,602,108)
Net deferred tax assets (liabilities)	(P3,608,761)	P6,721,640

No deferred income tax assets were recognized on the following deductible temporary differences because management believes that it is not probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized:

	2025	2024
Allowance for impairment losses on:		
NOLCO	P1,085,291,639	P514,547,141
Trade and other receivables	163,909,252	161,762,874
Deposit	4,105,842	4,105,842
	P1,253,306,733	P680,415,857



As of December 31, 2025, the Company has incurred NOLCO which can be claimed as deduction for the regular taxable income for the next three (3) consecutive taxable years as follows:

Year incurred	Availment period	Amount	Applied	Balance
2025	2026-2028	₱571,988,291	₱—	₱571,988,291
2024	2025-2027	514,547,141	—	514,547,141
		₱1,086,535,432	₱—	₱1,086,535,432

24. Equity

Capital Stock

On July 22, 1996, the Company listed its common stock with the PSE, wherein it offered 300,751,880 shares to the public at the issue price of ₱5.96 per share.

On September 4, 2006, the SEC approved the increase in the Company's authorized capital stock from ₱700.0 million divided into 400.0 million common shares, and 300.0 million preferred shares, both with a par value of ₱1.0 per share, to ₱1.0 billion divided into 895,058,756 common shares and 104,941,244 preferred shares, both with a par value of ₱1.00 per share. In separate meetings, the BOD and the shareholders resolved that the increase of the authorized capital stock shall be funded by the declaration of stock dividends equivalent to 75,187,967 common shares with a par value of ₱1.00 per share. On October 3, 2006, the PSE approved the application of the Company to list additional shares relating to the issuance of stock dividends.

On December 29, 2006, certain shareholders owning 96,125,243 preferred shares opted to convert their shares into 1 common share per 1 preferred share, plus stock dividends equivalent to 86.96% common share for every preferred share (equivalent to 83,587,161 shares). The Company filed Form 10.1 with SEC for the exemption from registration requirements of the converted 96,125,243 preferred shares into 179,712,404 common shares.

On September 21, 2007, the SEC approved the amendment of Article VII of the Company's Articles of Incorporation through the retirement of 8,816,001 preferred shares and conversion of 96,125,243 preferred shares into common shares resulting in the reduction of the Company's authorized capital stock to 991,183,999 with par value of ₱1.00 per share.

On November 28, 2007, the PSE has approved the Company's application to list additional 96,125,243 common shares to cover the underlying common shares for the conversion of a total of 96,125,243 preferred shares at a conversion rate of one (1) common share for every one (1) convertible preferred share. In addition, the PSE has approved the application of the Company to list additional 83,587,161 common shares, with a par value of ₱1.00 per share, to cover the 86.96% stock dividend declaration to the stockholders who opted to convert their preferred shares to common shares in 2007.

On December 26, 2024, the Company received ₱270 million capital infusion from NMC through issuance of additional shares from the unissued portion of the authorized capital stock to help settle its existing liabilities and for other general corporate purposes. The BOD approved the issuance of 270,000,000 common shares at its par value of ₱1.00 per share.

On May 30, 2025, majority of the Board of Directors approved the increase of the Company's authorized capital stock from ₱991,183,999, divided into 991,183,999 common shares with a par value of ₱1.00 per share, to ₱2,000,000,000 divided into 2,000,000,000 shares with a par value of ₱1.00 per share. This was likewise approved by stockholders representing at least 2/3 of the outstanding capital



stock at a meeting of the stockholders of the Company held on August 28, 2025.

Out of the ₱1,008,816,001, the amount of ₱252,204,001 has been subscribed by NMC. On March 25, 2026, the SEC approved the Company's application for the increase of its authorized capital stock.

As of December 31, 2025, total deposit for future stock subscription recorded in equity amounted to ₱400.61 million.

Presented below is the reconciliation of common stock as of December 31, 2025 and 2024:

	2025	2024
Authorized shares - ₱1 par value	991,183,999	991,183,999
Issued shares, beginning	825,652,251	555,652,251
Additions during the year	165,531,748	270,000,000
Issued shares, ending	991,183,999	825,652,251
Shares reacquired	1,010,000	1,010,000

The Company has 894 shareholders as of December 31, 2025 and 2024, respectively.

25. Earnings (Loss) Per Share

Following are the bases for the computation of earnings (loss) per share as of December 31:

	2025	2024	2023
Net income (loss) available to common shareholders	(₱601,783,963)	(₱541,784,555)	₱95,786,355
Weighted average number of outstanding common shares	990,173,999	824,642,251	554,642,251
Basic and diluted earnings (loss) per share	(₱0.61)	(₱0.97)	₱0.17

For the years ended December 31, 2025, 2024 and 2023, there were no shares of stock that have a potentially dilutive effect on the basic earnings (loss) per share of the Company.

26. Related Party Transactions

Parties are considered to be related if one party has the ability to control, directly or indirectly, the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

Transactions with related parties are accounted for based on the nature and substance of the agreement, and financial effects are included in the appropriate asset, liabilities, income and expense accounts.

Approval Requirements and Limits on the Amount and Extent of Related Party Transactions

Material related party transactions (MRPT) refers to any related party transactions, either individually, or in aggregate over a twelve (12)-month period with the same related party, amounting to ten percent (10%) or higher of the Company's total assets based on its latest audited financial statements.



All individual MRPT's shall be approved by at least two-thirds (2/3) vote of the BOD, with at least a majority of the Independent Directors voting to approve the MRPT. In case that a majority of the Independent Directors' vote is not secured, the MRPT may be ratified by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock.

Aggregate RPT transactions within a 12 -month period that meets or breaches the materiality threshold shall require the same BOD approval mentioned above.



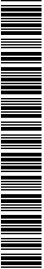
The following are the more significant related party transactions and balances as of and for the years ended December 31, 2025, 2024 and 2023 not separately shown elsewhere in the financial statements.

Related Parties	Year	Revenue	Purchases	Insurance, Rental, and Other Services	Trade Receivables (Note 6)	Non-Trade Receivables (Note 6)	Trade Payables (Note 13)	Amounts owed to related parties (Note 13)	Terms	Conditions
<i>Ultimate Parent</i> A. Magway, Inc. (AMI)	2025	P-	P-	P3,572,563	P147	P-	P-	P107,914	Various; Payable within the following month	Unsecured;
	2024	P-	P-	P8,000,000	P-	P-	P12,159,772	P32,957,527	within the following month	
	2023	P-	P-	P8,102,230	P-	P-	P14,419,803	P20,406,132	following month	
<i>Parent:</i> NMC	2025	-	-	14,302,387	6,754,585	11,015,126	1,086,197	121,412	Various; Payable within the following month	Unsecured;
	2024	-	-	14,302,387	6,296,252	10,929,148	1,086,197	52,638,144	within the following month	Unsecured; No impairment for receivables
	2023	-	-	19,302,387	-	8,442,513	289,945	52,602,853	following month	
<i>Affiliates:</i> One Stop Logistics Solutions, Inc. (OLSI)	2025	16,664,677	-	1,572,681	4,020,623	84,538	1,405,358	1,054,111	Logistics services - Payable within the month	Unsecured; No impairment for receivables
	2024	38,815,061	395,589	-	9,383,939	84,538	203,126	1,054,111		
	2023	36,560,622	723,735	-	17,383,999	-	-	-		
One Stop Warehousing Solutions, Inc. (OWSI)	2025	44,869	-	-	734,027	-	-	1,808,799	Warehousing solutions - Payable within the month	Unsecured; No impairment for receivables
	2024	-	-	-	684,672	-	28,856,761	1,808,799		
	2023	-	-	-	701,614	-	-	-		
NMC Container Lines, Inc. (NMCCL)	2025	-	-	228,719,317	-	-	74,981,965	70,388,843	Sea transport service/ Container van rental - Payable within the following month	Unsecured; No impairment for receivables
	2024	-	-	311,378,796	-	45,398	64,509,331	100,138,952		
	2023	-	-	265,585,148	26,049,982	11,354,530	-	100,792,108		
Magway Shipmanagement, Inc. (MSI)	2025	-	-	18,003,880	-	625,542	81,579,538	-	Vessel maintenance and ship/crew management services - Payable within the following month	Unsecured; No impairment for receivables
	2024	-	-	27,291,276	-	625,542	66,863,822	375		
	2023	-	-	26,432,220	-	600,850	72,589,619	18,735		
Roadlink Solution Inc (RLSI)	2025	379,304	-	8,652,150	820,724	19,529,686	-	-	Trucking services; Payable in 30 days	Unsecured; No impairment for receivables
	2024	450,000	-	26,949,386	406,724	5,820,811	-	-		
	2023	362,500	-	55,521,457	211,239	23,327	2,333,404	-		
Marine Fuels Philippines, Inc. (MFP)	2025	-	39,748,429	-	-	-	217,487,502	38,459,877	Fuel - Payable in 30 days	Unsecured
	2024	-	314,758,267	8,595,844	-	-	285,892,339	15,084,137		
	2023	-	507,753,113	8,347,144	-	-	415,957,471	15,084,136		

Forward



Related Parties	Year	Revenue	Purchases	Insurance, Rental, and Other Services	Trade Receivables (Note 6)	Non-Trade Receivables (Note 6)	Trade Payables (Note 13)	Amounts owed to related parties (Note 13)	Terms	Conditions
NMC Ship Agency and Brokerage Inc (NAB)	2025	P-	P-	P821,548	P-	P-	P1,179,900	P-	Shipping Agent	Unsecured; No impairment for receivables
	2024	P-	P-	P917,299	P-	P-	P835,202	P-	Payable in 30 days	
	2023	P-	P-	P738,987	P260,700	P-	P695,432	P-		
Icebox Logistics Services, Inc. (ILSI)	2025	20,342,959	-	-	5,093,569	-	406,373	54,892	Logistics services; Payable within the following month	Unsecured; No impairment for receivables
	2024	46,923,907	-	2,147,803	6,867,099	24,541	406,373	33,730		
	2023	44,249,466	-	-	10,228,718	26,003	406,373	-		
Global Process Manager Inc. (GPMI)	2025	-	-	6,871,414	-	343,264	2,341,414	1,331,746	Various; Payable within the following month	Unsecured
	2024	-	-	11,203,130	-	206,910	3,041,687	3,180,287		
	2023	-	-	11,424,930	-	206,910	3,191,960	-		
Other shareholders:	2025	-	-	2,007,508	125,975	250,000	3,540,865	96,850	Various; Collectible/ payable within the following month	Unsecured; No impairment for receivables
Others	2024	-	6,833,383	18,738	36,960	250,000	2,400,051	1,506,006		
	2023	-	2,297,638	46,625	-	250,000	533,286	1,127,318		
Total	2025	P37,431,809	P39,748,429	P284,473,448	P17,549,650	P31,848,156	P384,009,112	P113,424,444		
	2024	P86,188,968	P321,987,239	P410,804,659	P23,675,646	P17,986,888	P437,397,900	P208,402,088		
	2023	P81,172,588	P510,774,486	P395,501,128	P54,836,252	P20,904,133	P539,274,054	P192,894,192		



Magsaysay Group of Companies

- AMI, ultimate parent, service fees paid to AMI for the centralized services of legal services, human resource organizational management, central purchasing unit and I.T. services.
- The Company has a service-level agreement with NMC, the parent company, covering certain services. Service fee charges to operations amounted to ₱14.30 million, ₱14.30 million and ₱19.30 million in 2025, 2024 and 2023, respectively.

In 2025 and 2024, the Company has advances from NMC amounting to ₱16.66 million and ₱38.81 million, which is due and demandable, unsecured and payable in cash.

- NMCCLI and MFPI are subsidiaries of NMC. NMCCLI has a sea transport service agreement with the Company while MFPI supplies fuel to the Company.
- The Company has service level agreement with GPMI for financing services. The service fees charged to operations amounted to ₱6.87 million, ₱11.20 million and ₱11.42 million in 2025, 2024 and 2023, respectively.
- MSI under common control with AMI. The Company entered into a ship management and vessel maintenance agreement with MSI whereby the Company appointed MSI as the manager of its vessels. The agreement is renewable annually.
- OLSI, a wholly-owned subsidiary of NMC, is engaged in warehousing, project and rolling cargo handling and other cargo related services.
- ILSI is a subsidiary of NMC. ILSI purchases container cargo slots (with power supply) on Company vessels for their refrigerated containers.
- NAB, RLSI and OWSI are wholly-owned subsidiaries of NMC.
- *Long-term borrowing with a related party*
On December 31, 2022, the Company has assessed that it will not be able to settle its trade payable amounting to ₱150,305,719, to MFPI (a wholly owned subsidiary of NMC) within the next twelve (12) months from the reporting period. Both entities agreed to convert the said amount to long-term, which is to be settled within two (2) years starting January 2023. In 2022, both parties agreed to revise the term of the loan to three (3) years and the repayment period to start in January 2024. The long-term payable is interest bearing at the prevailing market interest. On December 31, 2023, the Company and MFPI agreed to convert additional ₱100,206,638, which is to be settled within three (3) years starting January 2025. The long-term payable is interest bearing at the prevailing market interest. On December 28, 2025, LSC and NMC agreed that LSC shall assign and/or transfer and NMC shall accept and/or assume the obligation of LSC to pay MFPI the amount of ₱200,410,450.



Movements in other noncurrent liabilities in the statement of financial position are as follows:

	2025	2024
Balances at beginning of year	₱200,410,450	₱225,225,368
Conversion	—	—
Payments	—	(24,814,918)
Balances at ending of year	200,410,450	200,410,450
Less current portion	—	83,504,119
Noncurrent portion	₱200,410,450	₱116,906,331

The long-term payable bear annual interest at 7.25% to 8.00%, 7.25% to 8.00% and 4.46% to 7.25% in 2025, 2024 and 2023, respectively. Interest expense on long term loans amounted to ₱14.30 million, ₱16.42 million and ₱8.046 million in 2025, 2024 and 2023, respectively.

Other Shareholders

- Other related parties mentioned are businesses owned by various shareholders or directors of the Company and has transactions with the Company in the regular course of business.

All transactions with related parties are settled in cash.

Compensation of Key Management Personnel

	2025	2024	2023
Short-term employee benefits	₱19,296,181	₱19,773,939	₱20,182,324
Post-employment benefits	3,658,672	2,215,016	1,552,773
	₱22,954,853	₱21,988,955	₱21,735,097

27. Leases

Company as a lessee

The Company has lease contracts for various items of container yard, container vans, warehouse and equipment used in its operations. Leases of container yards generally have lease terms between 1.5 and 7 years, container vans generally have lease terms of 2 and 5 years, warehouse and equipment generally have lease terms between 4 and 4.5 years and office space has a lease term of 2 and 7 years. The Company's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Company is restricted from assigning and subleasing the leased assets.

The Company also has certain leases on container yards, container vans, warehouse and equipment with lease terms of 12 months or less. The Company applies the 'short-term lease' recognition exemptions for these leases.



The following are the amounts recognized in the statement of income:

	2025	2024	2023
Depreciation of ROU assets (Note 10)	₱81,728,254	₱77,915,834	₱67,221,937
Expenses relating to short-term leases included in:			
Cost of services (Note 16)	26,992,724	40,491,881	39,580,855
Terminal expenses (Note 17)	31,594,752	16,938,873	23,105,188
General and administrative expenses (Note 18)	1,212,884	1,216,236	1,539,850
Interest expense on lease liabilities (Note 21)	15,548,251	18,779,648	16,877,602
Unrealized foreign exchange loss (gain)	159,160	(897,164)	809,842
Total amount recognized in statements of income	₱157,236,025	₱154,445,308	₱149,135,274

The rollforward analysis of lease liabilities are as follows:

	2025	2024
At January 1	₱233,992,723	₱229,543,969
Additions (Note 10)	8,885,935	76,223,582
Pre-termination	(4,261,006)	—
Interest expense (Note 21)	15,548,251	18,779,648
Unrealized foreign exchange gain (loss)	159,160	(897,164)
Modification	—	—
Payments	(99,459,292)	(89,657,312)
As at December 31	₱154,865,771	₱233,992,723

Lease liabilities are presented in the statements of financial position as follows:

	2025	2024
Lease liabilities - current portion	₱69,154,289	₱51,448,615
Lease liabilities - noncurrent portion	85,711,482	182,544,108
	₱154,865,771	₱233,992,723

The Company has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Company's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised (see Note 4).

Shown below is the maturity analysis of the undiscounted lease payments as of December 31, 2024 and 2023:

	2025	2024
Within 1 year	₱100,545,540	₱98,087,786
More than 1 years to 2 years	50,683,819	91,422,991
More than 2 years to 3 years	31,576,317	42,319,257
More than 3 years to 4 years	6,115,228	25,513,678
More than 4 years to 5 years	—	2,642,895



28. Financial Instruments

Financial Risk Management Objectives and Policies

Risk management is carried out by the Management Committee (ManCom) under policies approved by the Executive Committee (ExCom) and the BOD. Audit Committee identifies, evaluates, and hedges financial risks in close cooperation with the Company's ManCom. ExCom and BOD approve written principles provided by ManCom for overall risk management, as well as written policies, covering specific ones such as internal control policies, freight policies, purchasing policies and operational policies among others.

The Company's principal financial liabilities consist of accounts payable and other current liabilities, borrowings and lease liabilities. The main purpose of these financial instruments is to raise funds for the Company's operations. The Company has various financial assets such as cash and cash equivalents, trade and other receivables and deposits included under other noncurrent assets which arise directly from its operations.

The Company's activities expose it to a variety of financial risks. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. Consistent with prior year, the Company's policies for managing each of these risks are summarized below:

Interest rate risk

The Company depends on funds procured from external sources to meet substantial capital expenditure requirements. The Company reviews its exposure to interest rate risk through quarterly monitoring of actual figures against projections. Management believes that cash generated from operations is sufficient to pay its obligations under the loan agreements as they fall due.

The following tables set out the undiscounted amounts as of December 31, 2025 and 2024 by maturity, of the Company's financial instruments that are exposed to interest rate risk:

Floating Rate		Within 1				Total
		Year	1-2 Years	3-5 Years	Over 5 Years	
Long-term borrowings	2025	₱24,027,376	₱210,053,848	₱—	₱—	₱234,081,224
	2024	₱82,817,762	₱66,151,095	₱135,188,195	₱—	₱284,157,052
Short-term borrowings	2025	386,531,935	—	—	—	386,531,935
	2024	413,912,279	—	—	—	413,912,279

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year.

Fixed Rate		Within 1				Total
		Year	1-2 Years	3-4 Years	Over 4 Years	
Lease liabilities	2025	₱100,545,540	₱50,683,819	₱31,576,317	₱6,115,228	₱188,920,904
	2024	₱98,087,786	₱91,422,991	₱67,832,935	₱2,642,895	₱259,986,607

Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument.

The other financial instruments of the Company that are not included in the above tables are noninterest-bearing and are therefore not subject to interest rate risk.



The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Company's income before tax (through the impact on floating rate borrowings):

	Year	Increase/Decrease in Basis Points	Effect on Loss Before Tax
Interest-bearing loans and borrowings	2025	+31	₱2,364,370
		-31	(2,364,370)
	2024	+32	₱2,899,571
		-32	(2,899,571)

The sensitivity of the Company's income is the effect of assumed changes in interest rates based on the bank's projection of 90-day interest rates using a combination of technical analysis and trending techniques.

There is no other impact on the Company's equity other than those already affecting the statement of income.

Foreign currency risk

The Company's foreign currency risk results primarily from the foreign exchange rate movements of the Philippine peso against foreign currencies. The Company resolved to mitigate this risk by taking advantage of market trends. Such trends are used to determine the proper timing of foreign currency transactions in order to realize a foreign currency gain.

The following table demonstrates the sensitivity to a reasonable change in the Philippine peso exchange rate in relation to foreign currencies based on the bank's projection of foreign currency fluctuations, with all variables held constant, of the Company's income before tax:

	Effect on Income Before Tax		
	Effect on Loss Before Tax 2025	2024	2023
US Dollar			
Strengthened (2025: 6%, 2024: 5%, 2023: 6%)	₱3,110,933	₱2,566,894	(₱4,030,456)
Weakened (2025: 6%, 2024: 5%, 2023: 6%)	(3,110,933)	(2,566,894)	4,030,456
Euro			
Strengthened (2025: 10%, 2024: 7%, 2023: 9%)	35,838	280,380	(903,025)
Weakened (2025: 10%, 2024: 7%, 2023: 9%)	(35,838)	(280,380)	903,025
Japanese Yen			
Strengthened (2025: 8%)	25,542	—	—
Weakened (2025: 8%)	(25,542)	—	—

There is no other impact on the Company's equity other than those already affecting the statement of income.



The Company's foreign currency denominated monetary assets and liabilities as of December 31 consist of:

	2025		
	US Dollar	Japanese Yen	Euro
Current assets	\$732,450	¥–	€–
Current liabilities	(606,942)	(680,400)	(6,485)
Noncurrent liabilities	(366,517)		–
Net foreign currency denominated liabilities	(241,009)	(680,400)	(6,485)
Exchange rate used	58.79	0.38	69.08
Peso equivalent	(P14,168,919)	(¥255,422)	(P447,970)

	2024	
	US Dollar	Euro
Current assets	\$545,706	€–
Current liabilities	(850,580)	(66,234)
Noncurrent liabilities	(582,634)	–
Net foreign currency denominated liabilities	(887,508)	(66,234)
Exchange rate used	57.85	60.47
Peso equivalent	(P51,342,338)	(P4,005,170)

The Company had a net unrealized foreign exchange gain of P0.96 million in 2025, net unrealized foreign exchange loss of P0.69 million in 2024 and net foreign exchange gain of P0.64 million in 2023, respectively.

Credit risk

Credit risk is defined as the risk of loss arising from the default of an individual, counterparty or issuer not being able to or unwilling to honor its contractual obligations. The Company's exposure to this risk is primarily due to its transactions with its trading customers.

The Company counters this risk by trading only with recognized, creditworthy third parties. It employs standard process in granting credit lines to customers. It performs thorough evaluation of its customers' operations and financial standing to ensure that its customers are able to meet its contractual obligation.

Trade and other receivables

Customer credit risk is managed by the Company subject to the Company's established policy, procedures and controls relating to customer credit risk management. The Company monitors receivable balances and ensures that customers are able to settle their obligation within the agreed terms. Its Credit and Collection Department is responsible for the collection of these receivables and ensures that customers are able to settle their obligation.

Cash in banks

Credit risk from cash in banks is managed by the Company's treasury department in accordance with the Company's policy.

The Company has the following financial assets that are subject to the expected credit loss model:



General Approach

- *Cash in banks.* The ECL relating to the cash of the Company is minimal as these are deposited in reputable banks which have good credit rating, and are considered to have lower credit risk.
- *Other receivables.* The Company did not recognize any allowance to receivable from counterparties based on benchmarking / use of external supplementary data. This assessment is undertaken each financial year through examination of the financial position of the related parties and the markets in which the related parties operates.
- *Refundable Deposits.* Refundable deposits are deposited with a third party which have good credit standing and are considered to have lower credit risk, hence, probability of default is expected to be less likely.

Simplified Approach

- *Trade receivables and contract assets.* The Company applied the simplified approach under PFRS 9, using a 'provision matrix', in measuring expected credit losses which uses a lifetime expected loss allowance for receivables. The expected loss rates are based on the payment profiles of revenues/sales over a period of at least 24 months before the relevant reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers/counterparties to settle the receivables. The Company has identified the core inflation rate to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this factor.

Amounts in millions	2025							
	Trade receivables							
	Contract assets	Days Past Due						Total
		Current*	1-30 days	31-60 days	61-90 days	Over 90 days	Specific identification	
Expected loss rate	1.61%	1.39%	2.61%	4.99%	10.03%	22.31%	100%	
Estimated gross carrying amount at default	P2.48	P230.16	P45.28	P8.82	P3.49	P23.62	P153.39	P467.24
Expected credit loss	P0.04	P3.20	P1.18	P0.44	P0.35	P5.27	P153.39	P163.87

*includes accrued receivables

Amounts in millions	2024							
	Trade receivables							
	Contract assets	Days Past Due						Total
		Current*	1-30 days	31-60 days	61-90 days	Over 90 days	Specific identification	
Expected loss rate	1.00%	0.97%	2.56%	5.55%	9.32%	13.81%	100%	
Estimated gross carrying amount at default	P4.13	P329.78	P45.99	P7.89	P3.80	P22.99	P153.39	P567.97
Expected credit loss	P0.04	P3.09	P1.17	P0.44	P0.35	P3.17	P153.39	P161.65

*includes accrued receivables

Concentration of risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic feature that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions, such as fluctuations in currencies or interest rates. The Company has no significant concentration of credit risk.

The Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of its financial assets.



The following table shows the Company's maximum exposure to credit risk:

	2025	2024
Cash in banks and cash equivalents	₱76,906,563	₱101,527,802
Trade and other receivables:		
Trade	300,887,081	402,115,929
Non-trade	31,848,156	17,986,888
Receivables from officers and employees	2,641,299	2,771,211
Other receivables	29,655,897	72,108,286
Deposits included in "Other noncurrent assets"	18,808,042	18,404,470
	₱460,747,038	₱614,914,586

Liquidity risk

Liquidity risk is the risk that the Company will not be able to settle or meet its financial obligations when they fall due. To mitigate exposure to such risk, the Company regularly monitors its cash position and loan due dates to ensure sufficient fund for working capital and to meet obligations as they fall due.

The tables below summarize the maturity profile of the Company's financial liabilities as of December 31, 2024 and 2023 based on contractual undiscounted cash flows. The table also analyses the maturity profile of the Company's financial assets in order to provide a complete view of the Company's contractual commitments.

The analysis into relevant maturity grouping is based on the remaining period at the end of the reporting period to the contractual maturity dates:

	2025			
	Less than 6 Months	6 Months to 1 Year	Over 1 Year	Total
<i>Financial liabilities:</i>				
Short-term borrowings*	₱386,531,935	₱—	₱—	₱386,531,935
Long-term borrowings*	12,013,688	12,013,688	9,643,398	33,670,774
Long-term borrowing - related party*	—	—	200,410,450	200,410,450
Lease liabilities	50,272,770	50,272,770	88,375,365	188,920,905
Accounts payable and other current liabilities**	1,207,234,678	—	—	1,207,234,678
	₱1,656,053,071	₱62,286,458	₱298,429,213	₱2,016,768,742
<i>Financial assets:</i>				
Cash	₱78,314,563	₱—	₱—	₱78,314,563
Trade and other receivables:				
Trade	70,730,914	230,156,167	—	300,887,081
Non-trade	31,848,156	—	—	31,848,156
Receivables from officers and employees	2,641,299	—	—	2,641,299
Other receivables	29,655,897	—	—	29,655,897
Deposits	485,100	1,352,968	16,969,974	18,808,042
	₱213,675,929	₱231,509,135	₱16,969,974	₱462,155,038

*Including interest

**Excluding statutory liabilities



2024				
	Less than 6 Months	6 Months to 1 Year	Over 1 Year	Total
<i>Financial liabilities:</i>				
Short-term borrowings*	P416,625,113	P—	P—	P416,625,113
Long-term borrowings*	24,411,739	18,143,614	33,670,774	76,226,127
Long-term borrowing - related party*	43,317,762	43,317,762	125,674,305	212,309,829
Lease liabilities	41,788,958	56,298,828	161,898,821	259,986,607
Accounts payable and other current liabilities**	1,393,346,409	—	—	1,393,346,409
	P1,919,489,981	P117,760,204	P321,243,900	P2,358,494,085
<i>Financial assets:</i>				
Cash	P102,795,802	P—	P—	P102,795,802
Trade and other receivables:				
Trade	307,430,376	94,685,553	—	402,115,929
Non-trade	17,986,888	—	—	17,986,888
Receivables from officers and employees	2,771,211	—	—	2,771,211
Other receivables	72,108,286	—	—	72,108,286
Deposits	485,100	1,352,968	16,566,402	18,404,470
	P503,577,663	P96,038,521	P16,566,402	P616,182,586

*Including interest

**Excluding statutory liabilities

To address the negative gaps, the Company can utilize its available unused credit lines, obtain continued financial support from its related parties, collection of insurance claims and various revenue enhancement programs and cost reduction initiatives to further improve the results of operations.

Classification and Fair Values of Financial Instruments

Set out below is a comparison by category of carrying amounts and fair values of the Company's financial instruments that are carried in the financial statements.

	Carrying Amount		Fair Value	
	2025	2024	2025	2024
<i>Amortized cost:</i>				
Deposits	P16,969,974	P16,566,402	P16,969,974	P16,566,402
<i>Other financial liabilities:</i>				
Long-term borrowings	32,302,014	71,712,781	32,302,014	71,712,781
Other noncurrent liabilities	200,410,450	175,595,532	200,410,450	175,595,532
	P232,712,464	P247,308,313	P232,712,464	P247,308,313

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

Cash and cash equivalents, trade and other receivables, contract assets, accounts payable and other current liabilities, and short-term borrowings

The management assessed that the fair values of cash and cash equivalents, trade and other receivables, contract assets, accounts payable and other current liabilities, short-term borrowings and long-term borrowings reclassified to current due to breach of contract terms approximate their carrying amount largely due to the relatively short-term maturity of these financial instruments.

Deposits included in "Other noncurrent assets"

The fair value of deposits under other noncurrent assets is estimated by discounting future cash flows using prevailing interest rates.



Long-term borrowings

The carrying amount of long-term borrowings approximate its fair value due to quarterly repricing of interest.

Other noncurrent liabilities

The carrying amount of other noncurrent liabilities approximate its fair value due to quarterly repricing of interest.

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
- Level 3: Those inputs for the asset or liability that are not based on observable market data (unobservable inputs)

As of December 31, 2025 and 2024, the Company held the following financial instruments that are carried at amortized cost but for which fair values are required to be disclosed:

December 31, 2025

	Total	Level 1	Level 2	Level 3
Disclosed at fair value:				
Deposits included in "Other noncurrent assets"	₱16,969,974	₱—	₱—	₱16,969,974
Long-term borrowings	32,302,014	—	—	32,302,014
Other noncurrent liabilities	200,410,450			200,410,450

December 31, 2024

	Total	Level 1	Level 2	Level 3
Disclosed at fair value:				
Deposits included in "Other noncurrent assets"	₱16,566,402	₱—	₱—	₱16,566,402
Long-term borrowings	71,712,781	—	—	71,712,781
Other noncurrent liabilities	200,410,450			200,410,450

There were no transfers between Level 1 and Level 2 fair value measurement, and there were no transfers into and out of Level 3 fair value measurement.

29. Capital Management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximize shareholder value.



The Company monitors capital using debt-to-equity ratio (see Note 14). Capital includes equity attributable to common shareholders, share premium and accumulated earnings. Debt includes all liabilities, current and long-term interest-bearing loans and borrowings and retirement obligation.

	2025	2024
Short-term borrowings and accounts payable and other current liabilities	₱1,665,787,187	₱1,896,179,865
Long-term borrowings	32,302,014	71,712,781
Long term payable to related party	200,410,450	200,410,450
Lease liabilities	154,865,771	233,992,723
Retirement benefit obligation	70,845,938	106,653,471
Total debt	2,124,211,360	2,508,949,290
Common stock	991,183,999	825,652,251
Additional paid-in capital	459,791,492	459,791,492
Deposit for future capital stock	400,613,366	—
Actuarial losses on defined benefit plan	(17,827,564)	(27,469,474)
Treasury shares	(3,125,850)	(3,125,850)
Revaluation increment	77,354,523	77,354,523
Deficit	(1,733,388,264)	(1,131,604,301)
Total equity	174,601,702	200,598,641
Total debt and equity	₱2,298,813,062	₱2,709,547,931

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may declare dividends, reacquire outstanding shares, or issue new shares.

No changes were made in the objectives, policies or processes on capital management during the years ended December 31, 2025 and 2024.

30. Other Matters

Contingencies

In the ordinary course of business, the Company is a defendant in various litigations and claims. The Company has an ongoing case with the Court of Tax Appeals (CTA). As of October 8, 2021, the CTA En Banc issued a resolution in favor of the Company, rendering the BIR assessment void and denying the “motion for reconsideration”. The Company’s legal counsel expects that the BIR will exhaust its legal remedies and will elevate the case to the Supreme Court of the Philippines.

On March 21, 2022, the Supreme Court (SC) issued a Notice of Resolution granting BIR’s Motion for Extension to File Petition for Review.

On October 20, 2023, the Supreme Court (SC) issued a Notice of Resolution that the BIR has failed to file the intended petition for review on certiorari within a period granted in the Resolution dated March 21, 2022 which expired on December 6, 2021. The Court resolved to declare the case closed and terminated.



31. Notes to Statement of Cash Flows

<i>Changes in liabilities arising from financing activities</i>	January 1, 2025	Cash flows	Foreign exchange Movement	Others	December 31 2025
Interest payable	P4,546,416	(P65,154,006)	P-	P61,400,193	P792,603
Short-term borrowings	413,912,279	(28,201,583)	-	-	385,710,696
Current portion of:					
Long-term borrowings	39,410,790	(39,500,000)	-	22,881,786	22,792,576
Long-term borrowing – related party	83,504,119	-	-	(83,504,119)	-
Lease liabilities	51,448,615	(83,911,041)	159,160	101,457,555	69,154,289
Noncurrent portion of:					
Long-term borrowings	32,301,991	-	-	(22,792,553)	9,509,438
Long-term borrowing with related party	116,906,331	-	-	83,504,119	200,410,450
Lease liabilities	182,544,108	-	-	(96,832,626)	85,711,482
Total liabilities from financing activities	P924,574,649	(P216,766,630)	P159,160	P66,114,355	P774,081,534

<i>Changes in liabilities arising from financing activities</i>	January 1 2024	Cash flows	Foreign exchange Movement	Others	December 31 2024
Interest payable	P4,389,216	(P70,262,393)	P-	P70,419,593	P4,546,416
Short-term borrowings	341,963,292	71,948,987	-	-	413,912,279
Current portion of:					
Long-term borrowings	67,120,578	(67,277,779)	-	39,567,991	39,410,790
Long-term borrowing – related party	24,814,918	(24,814,918)	-	83,504,119	83,504,119
Lease liabilities	65,247,182	(70,877,664)	(897,164)	57,976,261	51,448,615
Noncurrent portion of:					
Long-term borrowings	71,712,782	-	-	(39,410,791)	32,301,991
Long-term borrowing with related party	200,410,450	-	-	(83,504,119)	116,906,331
Lease liabilities	164,296,787	-	-	18,247,321	182,544,108
Total liabilities from financing activities	P939,955,205	(P161,283,767)	(P897,164)	P146,800,375	P924,574,649

<i>Changes in liabilities arising from financing activities</i>	January 1, 2023	Cash flows	Foreign exchange movement	Others	December 31, 2023
Interest payable	P4,103,020	(P69,738,324)	P-	P68,643,755	P4,389,216
Short-term borrowings	368,272,360	21,322,376	-	-	341,963,292
Current portion of:					
Long-term borrowings	93,594,418	(101,277,778)	-	66,817,179	67,120,578
Lease liabilities	44,694,345	(25,286,989)	-	50,101,907	24,814,918
Noncurrent portion of:					
Long-term borrowings	237,245,215	(68,819,135)	809,842	99,423,996	65,247,182
Long-term borrowing with related party	-	-	-	(66,513,771)	71,712,782
Lease liabilities	59,326,677	-	-	-	-
Total liabilities from financing activities	P807,236,035	P-	P809,842	P50,104,731	P200,410,450

Others include the effect of reclassification of non-current portion of long-term borrowings, effect of accrued but not yet paid interest, additions to lease liabilities and amortization of deferred transaction costs.



32. Supplementary Information Required Under Revenue Regulations (RR) 15-2010

In compliance with the requirements set forth by RR 15-2010, hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year.

VAT

The Company is a VAT-registered company with output VAT declaration for the year ended December 31, 2025 as follows:

	Net sales/ receipts	Output VAT
Taxable sales	₱1,515,528,765	₱181,863,452
Zero-rated sales/receipts	44,553,906	—
	₱1,560,082,671	₱181,863,452

The Company's sales that are subjected to VAT are reported under "Freight Revenue" and "Rental and Miscellaneous Income".

The movement in input VAT during the year is summarized below:

Balance at January 1	₱15,385,669
Current year's purchases:	
Services lodged under direct costs	204,849,585
Capital goods subject to amortization	—
Capital goods not subject to amortization	—
From importation	—
	220,235,254
Claims for tax credit/refund and other adjustments	7,293,911
Input tax application against output VAT	(181,863,452)
Balance at December 31	₱45,665,713

Importations

The landed cost of the Company's importations amounted to ₱21,272,757 for the year.

Documentary Stamp Taxes

The documentary stamp taxes (DST) accrued during the year on the bill of lading amounted to ₱793,880.

Other Taxes and Licenses:

Details of other taxes and licenses for the year ended December 31, 2025 follows:

DST on banks, loans, and leases	₱6,007,108
Custom duties	3,134,491
Fringe benefits	1,244,281
License and permit fees	1,052,350
Real property tax	185,099
Others	26,261,365
	₱37,884,694



Withholding Taxes

Details of withholding taxes for the year ended December 31, 2025 follows:

Expanded withholding taxes	₱34,780,094
Tax on compensation and benefits	9,534,447
Final withholding taxes	2,134,675
	<u>₱46,449,216</u>

2019 Tax Assessment

On May 23, 2025 the Company settled deficiency taxes on expanded withholding tax, documentary stamp tax, registration fee, and miscellaneous tax amounting to ₱7,621,013, inclusive of penalties.

On July 15, 2025, the Company settled deficiency taxes on income tax, value-added tax and miscellaneous taxes amounting to ₱12,754,087, inclusive of penalties.

The Company is currently not involved in any tax cases, preliminary investigations, litigation or prosecution in courts outside of BIR.



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
Lorenzo Shipping Corporation
20th Floor Times Plaza Building
United Nations Avenue, Ermita, Manila

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Lorenzo Shipping Corporation (the Company) as at December 31, 2025 and 2024, and for each of the three years in the period ended December 31, 2025, and have issued our report thereon dated May 15, 2026. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Peter John R. Ventura

Partner

CPA Certificate No. 0113172



BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026

SEC Partner Accreditation No. 113172-SEC (Group A)

Valid to cover audit of 2022 to 2026 financial statements

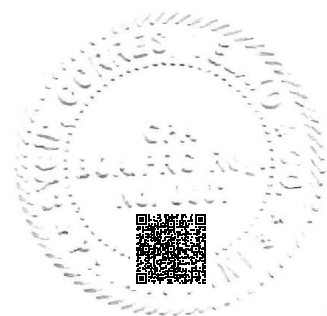
SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements

BIR Accreditation No. 08-001998-158-2024, October 2, 2024, valid until October 1, 2027

PTR No. 10765147, January 2, 2026, Makati City

May 15, 2026





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1226 Makati City
Philippines

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

The Board of Directors and Stockholders
Lorenzo Shipping Corporation
20th Floor Times Plaza Building
United Nations Avenue, Ermita, Manila

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Lorenzo Shipping Corporation (the Company) as at December 31, 2025 and 2024, and for each of the three years in the period ended December 31, 2025, and have issued our report thereon dated May 15, 2026. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information contained in the attached statements of financial position as of December 31, 2025 and 2024 and statements of income for each of the three years in the period ended December 31, 2025 of the vessel operations of the Company in this Annual Report is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information as set forth in this Annual Report required by Section 17 (h) of Commonwealth Act No. 146, as amended. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Peter John R. Ventura
Partner

CPA Certificate No. 0113172



BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026

SEC Partner Accreditation No. 113172-SEC (Group A)

Valid to cover audit of 2022 to 2026 financial statements

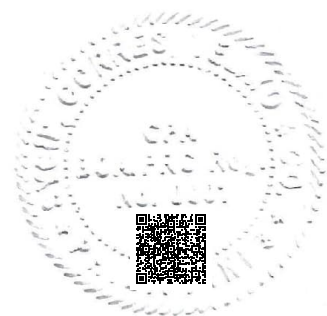
SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements

BIR Accreditation No. 08-001998-158-2024, October 2, 2024, valid until October 1, 2027

PTR No. 10765147, January 2, 2026, Makati City

May 15, 2026



INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
Lorenzo Shipping Corporation
20th Floor Times Plaza Building
United Nations Avenue
Ermita, Manila

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Lorenzo Shipping Corporation (the Company) as at December 31, 2025 and 2024 and for each of the three years in the period ended December 31, 2025, and have issued our report thereon dated May 15, 2026. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) Accounting Standards and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS Accounting Standards. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2025 and 2024 and for each of the three years in the period ended December 31, 2025 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Peter John R. Ventura
Partner

CPA Certificate No. 0113172



BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026

SEC Partner Accreditation No. 113172-SEC (Group A)

Valid to cover audit of 2022 to 2026 financial statements

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements

BIR Accreditation No. 08-001998-158-2024, October 2, 2024, valid until October 1, 2027

PTR No. 10765147, January 2, 2026, Makati City

May 15, 2026



LORENZO SHIPPING CORPORATION
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SCHEDULE I
RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
As at December 31, 2025

LORENZO SHIPPING CORPORATION
20th Floor Times Plaza Building, United Nations Avenue, Ermita Manila

Unappropriated Retained Earnings, beginning of reporting period		(P1,166,363,226)
Add: <u>Category A:</u> Items that are directly credited to Unappropriated Retained Earnings		
Reversal of Retained Earnings Appropriation/s	—	
Effect of restatements or prior-period adjustments	—	
Others	—	—
Less: <u>Category B:</u> Items that are directly debited to Unappropriated Retained Earnings		
Dividend declaration during the reporting period	—	
Retained earnings appropriated during the reporting period	—	
Effect of restatements or prior period adjustments	—	
Others	—	—
Unappropriated Retained Earnings, as adjusted		(1,166,363,226)
Add/Less: Net Income (loss) for the current year		(601,783,963)
Less: <u>Category C.1:</u> Unrealized income recognized in the profit or loss during the reporting period (net of tax)		
Equity in net income of associate/joint venture, net of dividends declared	—	
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	—	
Unrealized fair value adjustments (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	—	
Unrealized fair value gain of Investment Property	—	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	—	
Sub-total	—	
		—
Add: <u>Category C.2:</u> Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)		
Realized foreign exchange gain, except those attributable to Cash and cash equivalents	—	
Realized fair value adjustment (mark-to-market gains) of financial instruments at FVTPL	—	
Realized fair value gain of Investment Property	—	
Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	—	
Sub-total	—	
		—

(Forward)

Add: Category C.3: Unrealized income recognized in the profit or loss in prior reporting periods but reversed in the current reporting period (net of tax)

Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	—	
Reversal of previously recorded fair value adjustment (mark-to-market gains) of financial instruments at FVTPL	—	
Reversal of previously recorded fair value gain of Investment Property	—	
Reversal of other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS, previously recorded	—	
Sub-total		—
Adjusted Net Income/Loss		(601,783,963)

Add: Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)

Depreciation on revaluation increment (after tax)	—	
Sub-total		—

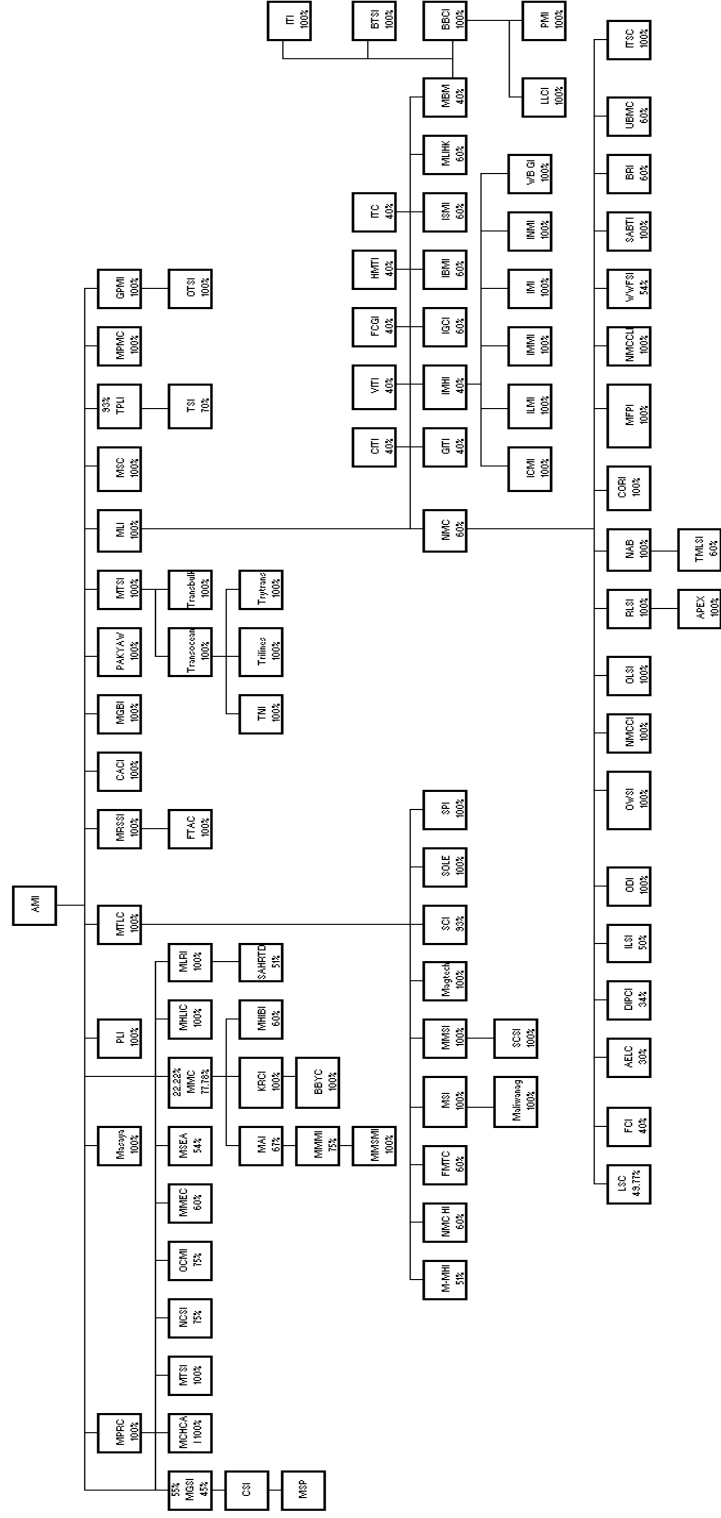
Add/Less: Category E: Adjustments related to relief granted by the SEC and BSP

Amortization of the effect of reporting relief	—	
Total amount of reporting relief granted during the year	—	
Others	—	
Sub-total		—

Add/Less: Category F: Other items that should be excluded from the determination of the amount available for dividends distribution

Net movement of treasury shares (except for reacquisition of redeemable shares)	(6,135,843)	
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	—	
Net movement in the deferred tax asset and deferred tax liabilities related to same transaction, e.g., set up of right of use of asset and lease liability, set-up of asset and asset retirement obligation, and set-up of service concession asset and concession payable	(724,149)	
Adjustment due to deviation from PFRS/GAAP – gain (loss)	—	
Others	—	
Sub-total		(6,859,992)
Total Retained Earnings, end of the reporting period available for dividend		(₱1,761,287,197)

**MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANY AND ITS ULTIMATE PARENT COMPANY, MIDDLE PARENT, SUBSIDIARIES OR CO-SUBSIDIARIES, ASSOCIATES, WHEREVER LOCATED OR REGISTERED
PURSUANT TO REVISED SRC RULE 68
DECEMBER 31, 2025**



Abbreviation	Company Name
AMI	A. Magsaysay, Inc.
MASAYA	Masaya Realty Company, Inc.
PLI	Peoplelink, Incorporated
MRSSI	Magsaysay Resources and Support Services, Inc.
FTAC	Fairex Trading Asia Corporation
CACI	CreativesAsia Company, Inc.
MGBI	Magsaysay Global BPO, Inc.
PAKYAW	Pakyaw.Com, Inc.
MSC	Magsaysay Shipping Corporation
MPMC	Magsaysay Property Management Corporation
GPMI	Global Process Manager, Inc.
TPLI	TravelPeople Ltd, Inc.
TSI	TravelServices, Inc.
MLIHK	Magsaysay Lines, Inc. - Hong Kong
MPRC	Magsaysay People Resources Corp.
MGSI	Magsaysay Global Services, Inc.
CSI	Careline Services, Inc.
MSP	Medical Staffing Pro
MCHCAI	Magsaysay Center of Hospitality and Culinary Arts Inc.
NCSI	Navia Crewing Services, Inc.
MSEA	Magsaysay Seacor, Inc.
MHLIC	Magsaysay Human Language Institute Corp
MLRI	Magsayay Learning Reasources, Inc.
SAHRTDI	Star of Asia Human Resource Training and Development, Inc.
MMC	Magsaysay Maritime Corporation
MAI	Magsaysay Agencies, Inc.
MMMI	Magsaysay MOL Marine, Inc.
MMSMI	Magsaysay MOL Ship Management, Inc.
KRCI	Kaligayahan Realty Co., Inc.
BBYC	Boracay Beach and Yatch Club, Inc.
MHIBI	Magsaysay Houlder Insurance Brokers, Inc.
MLI	Magsaysay Lines, Inc.
MTSI	Magsaysay Trade and Shipping, Inc.
TRANSOCEAN	Transocean Transport Corporation
TRANSBULK	Transbulk Shipping Corp
TNI	Transportes Navieros, Inc
TRILINES	Trilines Shipping, Inc.
TRYTRANS	Trytrans Shipping Corporation
IGCI	Isla Gas Carriers Inc.
IBMI	Isla Bohol Maritime Inc.
ISMI	Isla Samar Maritime Inc.
NMC	National Marine Corporation
LSC	Lorenzo Shipping Corporation
FCI	Fasteranes, Inc.
AELC	Asiaport Equipment and Logistics Corporation
DIPCI	Dapitan Integrated Port Complex, Incorporated
ILSI	Icebox Logistics Services, Inc.
ODI	One Stop Distribution, Inc.
OWSI	One Stop Warehousing Solutions, Inc.
NMC CI	NMC Chartering Co., Inc.
OLSI	One Stop Logistics Solutions, Inc.
RLSI	Road Link Solutions, Inc.
CORI	Clean Oil Resources, Inc.

Abbreviation	Company Name
MFPI	Marine Fuels Philippines, Inc.
NMC CLI	NMC Container Lines, Inc.
WWFSI	World Wide Food Supply, Inc.
SABTI	Southeast Asian Bunkers and Terminals, Inc.
ITSC	Islas Tankers Seatransport Corporation
NAB	NMC Ship Agency and Brokerage, Inc.
BRI	Bestenergy Resources, Inc.
UBMC	Union Bulk Maritime Corporation
APEX	Apex Equipment Corporation
TMLSI	T.M Logistics Solutions, Inc.
MTLC	Magsaysay Transport and Logistics Corp.
NMC HI	NMC Holdings, Inc.
FMTC	Filipinas Maritime Transport Corporation
MSI	Magsaysay Shipmanagement, Inc.
MMSI	Magsaysay Marine Services, Inc.
MALIWANAG	Maliwanag Realty Company, Inc.
SCSI	SC Ship Services, Inc.
MAGTECH	Magtech Solutions and Marine Consultancy Services, Inc.
SCI	Sun Cruises, Inc.
SOLE	Sole Cruises, Inc.
SPI	Storage Philippines, Inc.
MBM	MBM Maritime Holdings, Inc.
BBCI	Batangas Bay Carriers, Inc.
LLCI	Laguna Lake Carriers, Inc.
PMI	Paros Maritime, Inc.
IMHI	Islas Maritime Holdings, Inc.
BTSI	Batangas Trader Shipping, Inc.
ITI	Isla Tankers, Inc.
CITI	Cuyo Island Tankers, Inc.
FGCI	Filipinas Gas Carriers, Inc.
GITI	Guimaras Island Tankers, Inc.
HMTI	Harvest Moon Tankers, Inc.
ICMI	Isla Cebul Maritime Inc.
ILMI	Isla Luzon Maritime Inc.
IMMI	Isla Mindanao Maritime Inc.
IMI	Isla Mindoro Maritime Inc.
INMI	Isla Negros Maritime Inc.
ITC	Isla Tankers Shipping Copr.
WB GI	WB Gas, Inc.
VITI	Verde Island Tankers, Inc.
OCMI	Orione Crewing Management, Inc.
MMEC	MM Empower Corp.
M-MHI	Magsaysay-Mlg Holdings, Inc.

SCHEDULE III
LORENZO SHIPPING CORPORATION
SCHEDULE A
FINANCIAL ASSETS
December 31, 2025

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the statement of financial position	Income received and accrued
Cash and cash equivalents:	P—	P78,314,563	P44,763
Trade and other receivables:	—		—
Trade	—	300,887,081	—
Non-trade	—	31,848,156	—
Insurance claims	—	—	—
Receivables from officers and employees	—	2,641,299	—
Other receivables	—	29,655,897	—
Deposits	—	18,808,042	—
Total	P—	P462,155,038	P44,763

LORENZO SHIPPING CORPORATION

SCHEDULE B

AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)

December 31, 2025

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
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NOT APPLICABLE

LORENZO SHIPPING CORPORATION
SCHEDULE C
AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED
DURING CONSOLIDATION
December 31, 2025

Name and Designation of Debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
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NOT APPLICABLE

LORENZO SHIPPING CORPORATION
SCHEDULE D
INTANGIBLE ASSETS - OTHER ASSETS
December 31, 2025

Description	Beginning balance	Additions at Cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
Computer software	P2,164,932	P-	(P895,834)	P-	P-	P1,269,098

LORENZO SHIPPING CORPORATION
SCHEDULE E
LONG TERM DEBT
December 31, 2025

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption		Notes
		caption "Current portion of long-term debt"	caption "Long-term Debt"	
Rizal Commercial Banking Corporation	₱137,000,000	₱22,833,333	₱9,513,889	Balance of loan obtained from RCBC of ₱137.00 million, availed last May 6, 2020 and will mature on May 6, 2027. The loan is payable monthly in 72 equal monthly installments starting May 6, 2021. Annual interest rate is equal to the BVAL plus 2.5% spread.

LORENZO SHIPPING CORPORATION
SCHEDULE F
INDEBTEDNESS TO RELATED PARTIES (LONG - TERM LOANS FROM RELATED COMPANIES)
December 31, 2025

Name of the Related Party	Balance at beginning of period	Balance at end of period
National Marine Corporation	P-	P200,410,450

LORENZO SHIPPING CORPORATION
SCHEDULE G
GUARANTEES OF SECURITIES OF OTHER ISSUERS
December 31, 2025

Name of the issuing entity of securities guaranteed by the company for which the statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is lifted	Nature of guarantee
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NOT APPLICABLE

LORENZO SHIPPING CORPORATION
SCHEDULE H
CAPITAL STOCK
December 31, 2025

Title of issue	Number of shares authorized	Number of shares issued and outstanding and shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	No of shares held by			Treasury Shares
				Affiliates	Directors, Officers and Employees	Others	
Common shares	991,183,999	991,183,999	–	888,514,109	248,002	101,411,888	1,010,000

LORENZO SHIPPING CORPORATION
SCHEDULE SHOWING FINANCIAL SOUNDNESS
PURSUANT TO REVISED SRC RULE 68
DECEMBER 31, 2025, 2024 and 2023

Ratio	Formula	2025	2024	2023
Current/Liquidity ratios:				
Current ratio	Current assets divided by current liabilities	0.38	0.39	0.49
Quick ratio	Cash and cash equivalents plus trade and other receivables plus contract assets divided by current liabilities	0.25	0.29	0.36
Solvency ratios and debt to equity ratio:				
Debt-to-equity ratio	Total debt divided by total equity	12.19	12.51	5.63
Solvency ratio	Total assets divided by total debt	1.08	1.08	1.18
Financial leverage ratios:				
Asset-to-equity ratio	Total asset divided by total equity	13.19	13.51	6.63
Interest rate coverage ratio	Earnings before interests and taxes divided by total interest expense	-8.23	-6.82	2.56
Profitability ratios:				
Return on assets	Net income (loss) divided by total assets	-26.14%	-20.00%	3.10%
Return on equity	Net income (loss) divided by total equity	-344.66%	-270.08%	20.53%
Net profit margin	Net income (loss) divided by total revenue	-40.43%	-23.15%	2.92%

LORENZO SHIPPING CORPORATION
SUPPLEMENTARY SCHEDULE OF EXTERNAL AUDITOR
FEE-RELATED INFORMATION
DECEMBER 31, 2025

	Current year (2025)	Prior Year (2024)
Total Audit Fees (Section 2.1a)	₱1,603,800	₱1,603,800
Non-audit services fees:		
Tax services	–	–
Total Non-audit fees (Section 2.1b)	–	–
Total Audit and Non-audit fees ¹	₱1,603,800	₱1,603,800

¹The above fees are based on engagement agreements signed with SGV &Co. within the year reported and are exclusive of 12% VAT and out-of-pocket expenses.



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

The management of *Lorenzo Shipping Corporation* (the Company) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2025 and 2024 in accordance with the prescribed financial reporting framework, and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Sycip Gorres Velayo & Co., the independent auditor appointed by the stockholders has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature

DORIS TERESA M. HO

Chairman of the Board

REYNOLD JOHN B. MADAMBA

President

AMELITA M. INTALAN

Chief Financial Officer

Signed this _____ day of _____

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CITY OF MAKATI **MAY 15 2026**

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SERIES OF 2006

ATTY. RYAN ANTHONY G. PEREÑA

NOTARY PUBLIC for MAKATI CITY

Commission No. M-012 until Dec. 31, 2027

Roll of Attorneys 77327

PTR No. 10764513; 01/02/2026 until 12-31-26; Makati City
IBP OR No. 566188; 12/15/2025 until 12-31-26; Pasig City
MCLE Compliance No. VIII-0000389 until April 14, 2028
8553 San Jose St., Guadalupe Nuevo, Makati City

LORENZO SHIPPING CORPORATION
20th Floor, Times Plaza Building,
United Nations Avenue corner Taft Avenue,
Ermita, Manila (1000) Philippines
Tel. (632) 527.5555
Fax. (632) 527.1717
www.lsl.com.ph

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ANNEX “E”



New Plan of Operations

Strategic transition

Board-approved plan

A move from active shipping operations toward asset-based earnings

FROM

Active shipping operations

Direct exposure to operating costs, demand cycles and service execution.



TO

Leasing vessels and assets

Strategically lease assets to other operating companies and maximize asset value.

The company is repositioning to preserve value and create more stable revenues while industry conditions remain challenging.

Why the shift matters

A practical response to industry headwinds, using assets already in place

1

Stabilize revenue

Leasing can reduce dependence on voyage-level performance and create more predictable income streams.

2

Preserve asset value

Vessels, equipment, yards and warehouses remain productive even if direct operations are scaled back.

3

Protect stakeholders

The plan is framed around meeting obligations while domestic shipping absorbs cost pressure.

Asset base that can support the leasing model

Container vessels

Forklifts & top lifts

Trucks

Container yard

Other
Assets

“We are not abandoning our assets; we are putting them to work through a structure that better fits today’s market.”